

LEGAL INSIGHT | Vol. 1, Issue 2

DUE DILIGENCE IN THE AGE OF AI

Why the discipline still matters — and what AI changes

Due diligence is the systematic enquiry buyers and their advisers make to ensure timely, sufficient and accurate disclosure of all material information in a corporate transaction. Regulators place heavy reliance on professional findings when approving corporate proposals, and under the Capital Markets and Services Act 2007 (“**CMSA**”), section 250 provides a statutory due diligence defence against liability for misstatements in an information memorandum or prospectus. The discipline is old; the tools are new.

KEY HIGHLIGHTS

- Due diligence remains the cornerstone of corporate transactions and underpins the statutory defence under section 250 of the CMSA
- Beneficial ownership verification under sections 60A and 60B of the Companies Act 2016 is now a mandatory line item in every acquisition checklist
- AI accelerates the mechanical layers of due diligence — but legal judgment, materiality assessment and regulatory interpretation remain human work

WHAT DUE DILIGENCE STILL MEANS AND BENEFICIAL OWNERSHIP VERIFICATION

At its core, due diligence is about two things: finding the right questions and getting defensible answers. The scope covers corporate, contractual, financial, regulatory, tax, employment, litigation and increasingly, data and cybersecurity matters.

Amongst the various aspects of due diligence, the most consequential recent change is the elevation of beneficial ownership verification into a fixed line item in every acquisition, following the Companies (Amendment) Act 2024. Under sections 60A and 60B of the Companies Act 2016, a beneficial owner is a natural person who meets any of the following: (i) holds, directly or indirectly, not less than 20% of the shares; (ii) holds, directly or indirectly, not less than 20% of the voting shares; (iii) has the right to exercise ultimate effective control over the company, its directors or its management; or (iv) has the right or power to appoint or remove a majority of directors. For limited liability partnerships, beneficial ownership reporting has been mandatory since 31 January 2025.

WHERE AI ADDS VALUE

AI tools now compress weeks of mechanical review into hours. Document-review platforms surface clauses of interest across thousands of contracts. Public-records engines trace corporate structures across borders. Screening tools run sanctions, adverse-media and PEP checks in minutes. Contract analytics flag change-of-control, assignment, non-compete and material adverse change clauses automatically. For the buyer, this means faster cycles, lower cost per review, and fewer clauses missed to human fatigue.

WHERE JUDGMENT REMAINS HUMAN

AI assists — it does not replace. Materiality is a legal judgment. The section 250 CMSA defence is premised on “all reasonable inquiries” and “reasonable grounds to believe”, both standards a regulator and the courts will test against the conduct of a reasonable professional adviser, not the output of a model. Regulatory interpretation, commercial sensitivity, privilege, and the decision to escalate a finding to the client remain squarely within the adviser’s domain. This also aligns with the AIGE principles of Accountability and Transparency discussed in Issue 1: where AI is used, the professional remains accountable for the output.

PRACTICAL TAKEAWAY

Use AI where it compresses time; keep humans where judgment is required. Build beneficial ownership verification into every acquisition checklist. When engaging advisers, ask not whether they use AI in due diligence — they should — but how they supervise it, and how the AI-assisted output is verified before it reaches you. The defensibility of your transaction depends on that last step.

All information in this Newsletter is correct as at 21 April 2026 unless otherwise stated.

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