

THE YEAR IN REVIEW: UK FOREIGN DIRECT INVESTMENT REGIME SET FOR REFORM

On 22 July 2025, the UK Government published its fourth Annual Report on the operation of the National Security and Investment Act 2021 (NSIA). On the same day, the Labour administration unveiled proposals to reform the NSIA regime, with a view to reducing the burden on business.

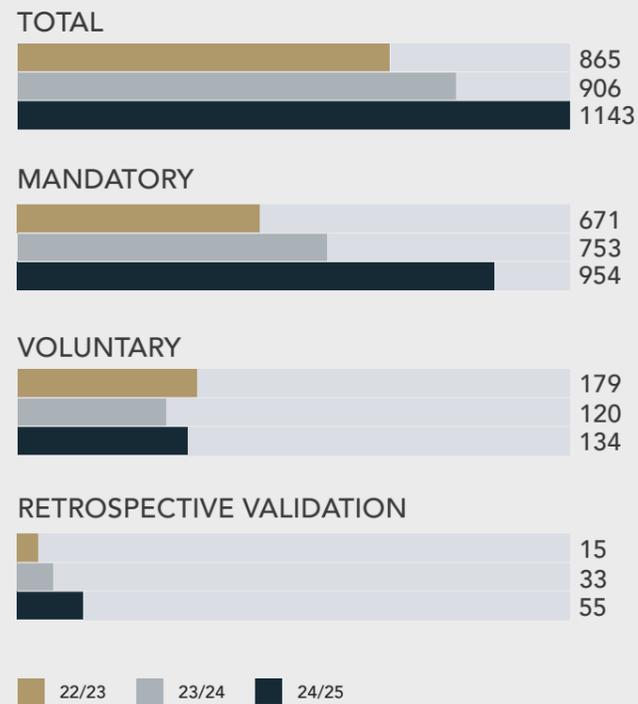
Below are selected headlines and notable takeaways from the latest Annual Report, including a comparative, year-on-year assessment of notable trends. With an eye to proposed reforms, key points are highlighted that are relevant to M&A planning in the near term.

NOTIFICATIONS GO UP, AND UP, AND UP

- 1,143 NSIA notifications were received in 24/25 – a **26% year-on-year increase**.
- Looking at international comparators, in 2024 some 233 CFIOUS filings were made in the US while 261 national FDI filings were reported in Germany. In 2023, 309 national FDI filings were made in France, the leading European destination for foreign investment.
- To place this in a wider context, UK Government statistics indicate a 12% annual decline in FDI projects landed in the UK, with investment in 24/25 at the lowest level since records began 18 years ago.*

*References to UK Government statistics are to the Department for Business and Trade investment results 2024 to 2025.

(EVEN) MORE DEALS UNDER REVIEW



CALL-IN RATE STABLE

- 49 notified acquisitions were called in during 24/25, meaning that only 4.5% of deals were subject to in-depth assessment. The call-in rate was essentially identical in 23/24 (4.4%).
- It follows that the overwhelming majority of notified acquisitions are cleared after an initial 30-working-day review. While this headline is good news for business, it also suggests the Government may be casting the net too widely, with too many deals notified that raise no security issues.

KEY SECTORS UNDER INVESTIGATION

- Most notifications (56%) received in 24/25 were associated with Defence. This perpetuates a trend seen since the introduction of the NSIA regime. **Defence has consistently accounted for roughly half of all mandatory notifications.****
- Acquisitions relating to Defence and Military/Dual Use appear to be particularly at risk of detailed assessment, together accounting for 65% of all 24/25 call-in notices. The majority of Final Orders issued in 24/25 also related to Defence (9 out of 17 Final Orders).
- The intense scrutiny of deals in the Defence sector is likely to persist. In its new Industrial Strategy paper (June 2025), the Government emphasised “new threats to our security” and the urgent need to strengthen the UK’s economic and national security as we enter a “new era of geopolitical competition.” At the same time, however, the Industrial Strategy identifies Defence as a priority growth sector for which greater investment is to be targeted and secured.

** A notified acquisition may be associated with more than one economic sector for NSIA purposes.

TOP ECONOMIC SECTORS FOR MANDATORY NOTIFICATIONS

	2022/23	2023/24	2024/25
1.	Defence	Defence	Defence
2.	Critical Supplies	Critical Supplies	Critical Supplies
3.	Data Infrastructure	Military/Dual Use	Military/Dual Use
4.	Military/Dual Use	Data Infrastructure	Artificial Intelligence
5.	Artificial Intelligence	Advanced Materials	Advanced Materials

IS THE REGIME “COUNTRY AGNOSTIC”?

In 24/25, most notifications involved acquirers associated with the UK (65% of all accepted notifications). The largest proportion of call-in notices were also addressed to UK acquirers (48%).

ORIGIN OF INVESTMENT

ACCEPTED NOTIFICATIONS	CALL-IN NOTICES	FINAL ORDERS
1. UK	UK	UK
2. United States	China	China
3. France	United States	United States
4. Luxembourg	United Arab Emirates	British Virgin Islands
5. Sweden	Singapore	Luxembourg

- While only a small proportion of notifications related to acquirers associated with China (with China ranked 15th among individual investment sources), 32% of all call-in notices and 40% of all Final Orders related to Chinese acquirers.
- There remains a clear focus on Chinese investment, but not to the exclusion of other countries. The majority of Final Orders were addressed to UK acquirers. Final Orders were also issued to acquirers from “allied nations” (e.g., US, France, Germany, Australia).
- The latest statistics demonstrate that origin of investment, and acquirer risk, is an important factor in the national security assessment but it is not the determinative factor – the sensitivity of target activities appears to be of central concern.

STEP-CHANGE IN INTERVENTION LEVELS ****

- **17 Final Orders were issued in 24/25, compared with 5 Final Orders in 23/24.**
- Viewed over a broader time horizon, however, 23/24 might be viewed as anomalous – 22/23 saw the Government adopt 5 prohibition decisions and make a total of 15 Final Orders. This level of intervention is broadly consistent with activity in the 24/25 reference period.
- The concept of national security is not defined in legislation and the focus is evolving. 24/25 saw conditional clearances and remedies in deals relating to areas as varied as semiconductor technology, telecommunications, cybersecurity and advanced manufacturing. The first conditional national security clearance issued under the Labour Government related to radiation detection equipment.
- A key trend is the increased willingness of Government to consider remedies, with common features of remedies including governance arrangements to reduce foreign influence on strategic decisions, information safeguards, and commitments to maintain strategic capabilities that support UK supply chain security and resilience.

**** The total number of notifications received in a reference period is not identical to the total number of notifications reviewed or decisions adopted in the same period. Please also note that analysis of outcomes does not take account of subsequent variation or revocation orders.

CONSULTATION ON REFORM PROGRAMME

In its Industrial Strategy, the UK Government announced reforms intended to deliver a “predictable, proportionate and transparent investment screening framework.” This included a 12-week consultation to update the definitions of the sensitive areas of the economy subject to mandatory notification under the NSIA.

The public consultation was launched on 22 July 2025. It concludes on 14 October 2025. Key proposals include the following:

- Introduction of greater clarity by carving out Critical Minerals and Semiconductors from Advanced Materials and establishing new standalone sector definitions in relation to each of these two areas.
- Cases where “off-the-shelf” consumer AI is being used for low-risk, internal processes will no longer be within the scope of the mandatory notification regime. The sector definition will focus on more significant AI development activities.
- A new sector definition will be introduced to cover the acquisition of regional water and sewerage monopolies that provide critical infrastructure services.

- Clarifications or changes in the scope of sector definitions relating to areas including Critical Suppliers to Government, Data Infrastructure and Energy.

On 20 July, the Cabinet Office also announced that as part of the Government’s “Plan For Change” agenda it proposes to “reduce unnecessary red tape” by ensuring mandatory notifications are no longer required for certain forms of internal reorganisation or the appointment of liquidators, special administrators and official receivers. The introduction of exemptions for these categories of activity could appreciably amaterially benefit business.

FINAL OUTCOMES - INCREASED ENFORCEMENT

2022/23	2023/24	2024/25
CLEARANCE 742 deals	CLEARANCE 842 deals	CLEARANCE 1030 deals
REMEDIES 10 cases	REMEDIES 5 deals	REMEDIES 16 deals
PROHIBITION 5 cases	PROHIBITION 0 deals	PROHIBITION 1 deal

TALK TO US

For further information, please contact Daniel Vowden, Partner, Antitrust and FDI, London, or any of his colleagues in the Mayer Brown antitrust practice. Search Antitrust Competition on www.mayerbrown.com.



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