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Client Memorandum

21 July 2026

UK National Security and Investment Act: 2025-26 Annual Report Published

On 14 July 2026, the UK Government published its fifth Annual Report under the National Security and Investment Act 2021 (the "NSIA"), the UK's principal investment-screening legislation. The published statistics confirm that the UK remains one of the world's most active FDI screening regimes: notification volumes continue to rise despite the UK Government's plans to reduce the burden on businesses, and intervention increases in strategic materials and digital infrastructure sectors.

Key Findings

Deal notifications continue to rise

The UK's Investment Security Unit (the "ISU") received 1,324 notifications in 2025/26, an increase of approximately 16% on the prior year and 46% more compared to 2023/24, which cements the NSIA as one of the broadest and most active investment-screening regimes in the world. In parallel, deal timelines continue to lengthen, whether the transaction raises genuine national security concerns or not. For example:

- **Straightforward deals** (where the UK Government ultimately identifies no concerns) now take around two months to clear. The UK Government is taking nearly three times longer than it did in 2022 to accept a filing as complete, with this step now averaging 11 working days. It is then using almost the entire statutory review period before confirming that it has no concerns (29 of the available 30 working days). From a practical perspective, this means that even relatively unproblematic transactions take approximately three weeks longer to clear than when the regime first came into force.

- **More complex deals** (where the UK Government wishes to undertake a more detailed review) take around 3.5 months – 4 months from filing to resolution (approximately 110 working days). The UK Government is also making more frequent use of information requests, which pause the statutory review period and can materially extend transaction timetables.

Overall, the vast majority of transactions continue to proceed without difficulty. More than 95% of filings were cleared without further review, and only a small minority (around 4%) resulted in UK Government intervention (i.e., remedies or prohibition).

UK Government action remains limited

Of the 1,324 notifications made in 2025/26, the UK Government issued nine binding orders requiring acquirers to take specified business steps to mitigate national security risks - down from a peak of 17 in 2024/25, but above the five binding orders recorded in 2023/24. This brings the cumulative total of binding orders to 45 since the regime's inception. Consistent with prior years, the majority of binding orders have resulted in requiring changes to how UK businesses are run to protect UK sensitive assets, data and contracts rather than to unwind or block deals. The UK Government's sole prohibition of a transaction in the reporting period concerned a joint venture that risked transferring dual-use graphene assets to a Chinese company (*Versarien/BIMT Final Order*), where the concerns related to the security of know-how and intellectual property.

Scrutiny remains focused on a small number of sectors

The sectors seeing the greatest level of intervention involved high-value advanced materials (five of the nine binding orders) and data infrastructure (three of the nine binding orders). This marks a notable departure from 2024/25, when defence, and military and dual-use activities (i.e., products or technologies that have both civilian and military applications) accounted for the largest share of binding orders being imposed on businesses. Defence, and military and dual-use, continue to be the sectors that deal-makers are filing most frequently and also which the UK Government believes requires further time for review – the same as in the prior reporting period.

Implications for Clients

The report reinforces several practical points for clients investing in UK businesses:

- **Map sensitive sector exposure early**. While the regime scope is broad, core sectors remain the UK Government's focus. The report also accompanies a broader recalibration of the regime. As previewed in our prior client memo, the UK Government will expand the sensitive sectors which require a mandatory notification to include the water sector, and standalone semiconductor and critical minerals sectors. Undertaking sector-based risk-assessments early will also help investors prepare for the EU FDI Screening Regulation, which we reported, in our earlier client memo, comes into force in January 2028.

- **Build timelines into deal documents**. As timelines continue to lengthen, deal documentation should provide for realistic regulatory conditionality and long-stop dates to accommodate NSIA clearance. The UK Government acknowledges in its report that "it is taking steps" to reduce the time to deem filings as complete to reduce overall timelines. Looking ahead, the largest number of notifications across the reporting period were received in October, which suggests the ISU may be more likely to experience administrative delays towards the end of the calendar year.

- **Investor origin is not determinative**. The scope of the regime does not distinguish between acquirers based on nationality, with no "fast-track" review for UK or "allied" investors.[1] UK-linked acquirers have accounted for most reviews (52% in 2025/26) and most remedies (five of the nine binding orders), although deals involving Chinese investors remain a focus of scrutiny. This compares to the 20% of detailed reviews undertaken by the ISU for U.S. acquirers, which resulted in two sets of binding orders being imposed.

- **Mitigation measures are key**. Where the ISU does intervene, remedies requiring changes to how UK businesses are run are the most likely outcome. For highly sensitive deals, investors should factor-in possible mitigation packages designed to protect UK sensitive assets, data and contracts.

[1] The Government's rejection of this proposal contrasts with the position in the U.S. where the CFIUS regime (a more mature regime than the NSIA) is developing a 'Known Investor Program' to simplify investment-screening procedure for "allied investors".

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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