

**C L I F F O R D**  
**C H A N C E**

**CLIFFORD CHANCE**  
STREAMLINING FOREIGN INVESTMENT AND CFIUS  
PROCESSES

MARCH 2021

# SUPPORTING YOU ON ALL FUTURE INVESTMENTS

## NAVIGATING FOREIGN INVESTMENT REGIMES CAN BE CRITICAL FOR SUCCESS ON A TRANSACTION

Foreign investment scrutiny is increasingly being applied to global M&A transactions. The global trend for protectionism has led to more restrictive government measures. This requires a more strategic and coordinated approach towards foreign investment rules.

Having one firm appointed to advise on all foreign investment filings ensures that you will receive a cost-effective, coordinated, high-quality and seamless service. Our experienced team, which also comprises former regulators, will build up a deep understanding of your business and the preferences of your legal function to deliver efficiencies and ensure that no “learning curve” is required for each new transaction.



## OUR GLOBAL TEAM

### WE OFFER CONSISTENT HIGH-QUALITY ADVICE WITH COVERAGE IN ALL KEY JURISDICTIONS

With a large team of lawyers across the key hubs of Europe, Asia-Pacific and the U.S., we support our clients on their most complex and strategically important transactions where and when they need us.



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Perth  
Prague  
Rome  
São Paulo  
Seoul  
Shanghai  
Singapore  
Sydney  
Tokyo

Warsaw  
Washington, D.C.  
  
Kyiv<sup>1</sup>  
Riyadh<sup>2</sup>

This guide provides an overview of some of the key foreign investment regulations, including jurisdictions outside of the Clifford Chance network. We have a broad network of excellent relationships with local counsel that are experts in foreign investment issues and can assist with additional jurisdictions where required.

1. CLIFFORD CHANCE HAS A BEST FRIENDS RELATIONSHIP WITH REDCLIFFE PARTNERS IN UKRAINE.

2. CLIFFORD CHANCE HAS A CO-OPERATION AGREEMENT WITH ABUHMED ALSHEIKH ALHAGBANI LAW FIRM IN RIYADH.

# WHAT SETS US APART

## AN EXTENSIVE TRACK RECORD AND GLOBAL COVERAGE

### WE ADVISE ON



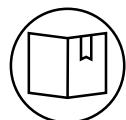
#### Filings

- Coordination of multi-jurisdictional foreign investment filings.
- Advising throughout the whole foreign investment filing process (Phase I and Phase II proceedings).
- Advising on information requests.
- Negotiations with the respective regulatory authorities, including in relation to undertakings and remedies.



#### Managing risks

- Identifying and managing regulatory risks.
- Involvement of communication and PR agencies to address the political aspects.
- Political lobbying and stakeholder engagement.



#### Policies and compliance

- Developing policies for dealing with challenging jurisdictions.
- Sophisticated and pragmatic approach to foreign investments, balancing commercial and risk management considerations.
- Setting up and/or maintaining foreign investment filings database.



#### Training

- Regular training on best practice, trends and regulatory developments for legal and deal teams.
- Document production.
- Transaction rationale.
- Market practice/trends on risk sharing.

### GOING BEYOND PURE LEGAL ADVICE

Our specialists have a wealth of experience in advising clients on the development of foreign investment frameworks in several established and emerging markets and jurisdictions. We are at the forefront of developments, and regularly participate in consultations and interest groups concerning regulatory and competition developments. We have advised on some of the largest and most complex foreign investment matters in recent years, and have helped clients overcome major regulatory hurdles in Europe, Asia-Pacific and the U.S. We have longstanding experience of handling Phase I and II investigations, and regularly act as global counsel to coordinate multi-jurisdictional foreign investment and merger control filings. We seek innovative solutions to protect our clients' strategic interests and to best achieve our clients' commercial objectives.

Several lawyers from our international team have experience as former regulators, including the EU Commission, U.S. Department of Justice and U.S. Federal Trade Commission, amongst others. Our strong relationships with government departments and antitrust authorities enable us to find commercially acceptable solutions for our clients even when remedies are required. Our excellent reputation amongst regulators combined with prior senior experience allows us to provide clients with unique insights into the mindset and workings of regulatory authorities.

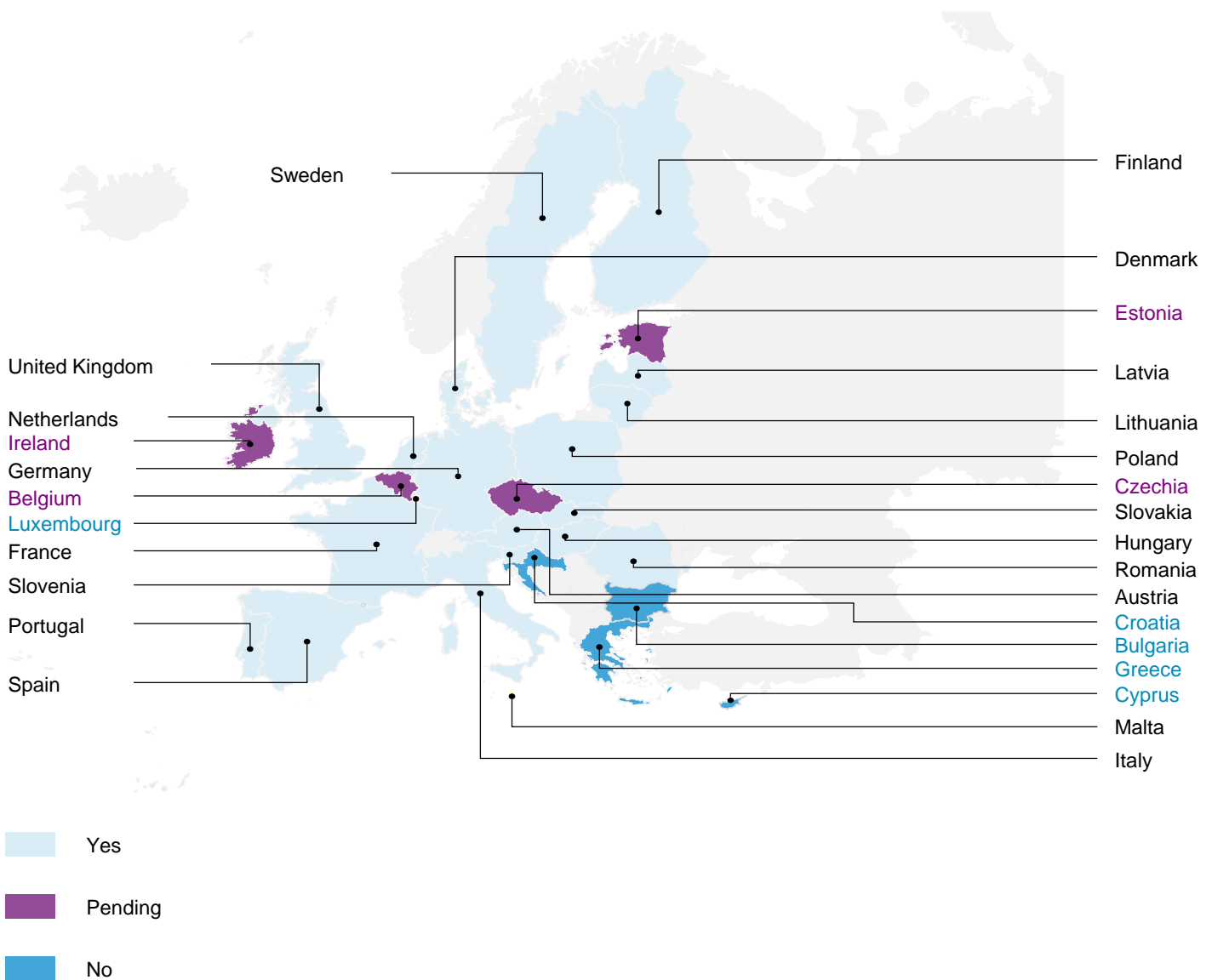
# EUROPEAN UNION

## AN OVERVIEW OF MEMBER STATES WITH FDI REGIMES IN PLACE OR PENDING



The map below offers a snapshot of which countries in Europe have FDI screening regimes in place.

19 Member States are reported to have screening mechanisms in place, with a further 4 Member States considering measures. 5 Member States – Bulgaria, Croatia, Cyprus, Greece and Luxembourg – do not have, nor do they have plans, to implement an FDI screening regime.





## Purpose of the Regulation

The EU Screening Regulation 2019/452 established a framework for the EU Commission and the Member States to **exchange information** with regard to foreign investment filings which are notified on a national level to the authorities of the Member States.

Member States were required to implement the cooperation mechanism established under the FDI Regulation by 11 October 2020.

The FDI Regulation does not create a new FDI regime, but seeks to regulate the screening of FDI transactions across the EU.

## Powers of the EU Commission

The EU Commission **does not have any power to block or impose remedies**. Instead, the EU Commission can issue a non-binding opinion to the Member State which undertakes the screening. The opinion of the EU Commission has to be taken into “due consideration”. The same also applies to the non-binding comments from the other Member States. The final decision is always taken by the Member State which conducts the foreign investment screening.

## Timeline

The EU Commission and other Member States have **35 calendar days** following receipt of complete information to submit the opinion and comments to the Member State which conducts the screening.

This **deadline can be extended** if the EU Commission and/or other Member States request further information.

## Scope of the Regulation

The EU Screening Regulation applies to **critical infrastructure** including energy, transport, water, health, communications, media, data processing or storage, aerospace, defence, electoral or financial infrastructure and sensitive facilities, as well as land and real estate crucial for the use of such infrastructure.

The scope of application also comprises critical technologies and dual-use items including artificial intelligence, robotics, semiconductors, cybersecurity, aerospace, defence, energy storage, quantum and nuclear technologies as well as nanotechnologies and biotechnologies. Further sectors caught by the EU Screening Regulation include supply of critical inputs, including energy or raw materials, food security, access to sensitive information, including personal data, or the ability to control such information and the freedom and pluralism of the media.

Finally, the EU Screening Regulation also applies to projects or programmes of EU interest as listed in an annex to the EU Screening Regulation (including, as regulated on the 13 of July 2020, the Governmental Satellite Communications, known as Govsatcom, and the International Thermonuclear Experimental Reactor, or Iter).

## Guidelines of the EU Commission

The EU Commission issued guidelines, on 25 March 2020, ahead of the application of the EU Screening Regulation in which it had called upon the Member States that already have an existing screening mechanism in place to make full use of tools available to them under EU and national law to prevent capital flows from non-EU countries that could undermine Europe’s security or public order. The EU Commission had also called on the remaining Member States to set up a fully fledged screening mechanism.

As per the 11 March 2020 – i.e. 5 months after the deadline for implementation of the FDI Regulation, 19 Member States are reported to have screening mechanisms in place, with a further 4 Member States considering measures and 5 with no FDI regimes.



## Type of filing requirement

**Mandatory.** According to the current legislation, foreign investment filings are **suspensory**. Thus, the approval of the Federal Minister for Digital and Economic Affairs (BMDW) will have to be obtained prior to closing. **Criminal sanctions**, including imprisonment, will be possible in case of gun-jumping.

## Nature of the review

The **Federal Minister for Digital and Economic Affairs** can prohibit the acquisition of an Austrian Target if there is risk of a threat to security or public order of Austria (or another EU member state). If such risk can be avoided with commitments/remedies (*Auflagen*), the transaction must be cleared with commitments/remedies. They are unilaterally imposed by the FDI authority (no public law contract).

A potential threat to security or public order is triggered if the Austrian Target operates in a critical sector further specified in an Annex to the legislation.

**Highly critical sectors** are: Defence equipment and technologies, operation of critical energy infrastructure, operation of critical digital infrastructure, in particular 5G infrastructure, water, operating systems that guarantee the data sovereignty of the Republic of Austria, research and development in the fields of medicines, vaccines, medical devices and personal protective equipment.

**“Merely” critical sectors** are in particular: critical infrastructures (e.g. in energy, IT, transport, telecoms), critical technologies and dual-use items (e.g. artificial intelligence, semiconductors, defence technologies), security of supply of critical inputs (e.g. energy, raw materials, food, medicines and vaccines), access to or ability to control sensitive information, freedom and pluralism of the media.

## Timetable

- EU Screening mechanism (introductory phase): **35 days (or longer)**
- Phase I: **additional one month (no extension possible)**
- Phase II: **additional two months (no extension possible)**

The timeline is **stopped** if the Federal Minister for Digital and Economic Affairs deems the submitted information to be incomplete.

## Triggering events

Direct or indirect acquisition by a **non-EU/non-EEA/non-Swiss investor** of

- a business or legal entity located in Austria,
- material parts of a business located in Austria resulting in the acquisition of a controlling influence over such parts of a business,
- a controlling influence over a business or legal entity located in Austria, or
- voting rights of at least 10% (if the Austrian Target is active in a highly critical sector) or 25% (if the Austrian Target is active in a “merely” critical sector).

A foreign investor in a continuous **10%** (or **25%**) chain will be subject to a filing requirement even if the foreign investor is ultimately controlled by an EU/EEA/Swiss entity.

If the Austrian Target is a micro-enterprise, the acquisition is exempted from the mandatory filing obligation.

## Case study:

A US investor planned to acquire IP-rights and assets for the production and sale of a medical product. For a transitional period, the medical product should be produced by an Austrian entity on the basis of a tolling agreement with the US investor. The Federal Minister for Digital and Economic Affairs opened Phase II proceedings based on a statement of the Austrian Federal Ministry of Health that this medical product would be critical due to its unique and non-substitutable nature for specific treatments. Finally, the transaction was cleared with a commitment (*Auflage*) that the acquirer must ensure continued supply of the Austrian health market on the basis of existing demands (and also excess volumes to the extent production and distribution capacities are free). This was the first Phase II case ever (end of December 2020).



## Forthcoming FDI regime

On 19 January 2021 the Czech Parliament passed a new act that aims to strengthen the control of foreign direct investments in the Czech Republic (the "**Czech FI Act**").

The Czech FI Act will have a significant impact on many strategic investments from non-EU countries. It will become effective on 1 May 2021.

### Type of filing requirement

**Mandatory.** The Czech FI Act requires that approval of the Ministry of Industry and Trade must be requested prior to making an investment into a number of strategic sectors.

**Financial penalties.** Failure to comply with statutory obligations may result in administrative fines up to the amount of **2%** of turnover (or up to approximately EUR 3.8 million, if the turnover cannot be determined) of the foreign investor.

### Nature of the review

The Czech FI Act applies to investors whose residence (or nationality, if an investor is a natural person) is located outside the EU; or investors directly or indirectly controlled by persons whose residence (or nationality, if an investor is a natural person) is located outside the EU.

**Sector-specific scrutiny** relates to (i) manufacturing, research, development, innovation or ensuring the lifecycle of arms and military equipment; (ii) critical infrastructure; (iii) critical cyber-security infrastructure, and (iv) dual-use items (items, including software and technology, which can be used for both civil and military purposes).

### Timetable

In general, the Ministry has 90 days to issue its approval. This time period may be extended by up to 30 days in particularly complex cases. Any foreign investor may request consultation with the Ministry. Such consultation would be advisable especially in cases when it is not certain whether the Czech FI Act will be applicable.

### Triggering events

Under the Czech FI Act, a relevant transaction is one that results in a non-EU investor, directly or indirectly acquiring:

- a stake equal to or greater than 10% of voting rights in the Target;
- a membership of the foreign investor (or its related party) in corporate bodies of the Target;
- the asset through which the Target's business activity is carried out by the investor; or
- any other type of control resulting in the foreign investor gaining access to information, systems or technology which are important in connection with the protection of the security of the Czech Republic, or its internal or public order.





### Type of filing requirement

**Mandatory and suspensory.** The approval of the Minister for the Economy must be obtained prior to making an investment in a number of strategic sectors.

**Financial penalties.** Maximum penalty is the highest of: (i) twice the amount of the investment, (ii) **10%** of the annual turnover (excluding taxes) of the Target company and (iii) EUR 5 million for legal entities and EUR 1 million for individuals – and **criminal fines**.

### Nature of the review

The Minister for the Economy may intervene where transactions concern activities:

- likely to jeopardise national defence interests, the exercise of public authority, public order or public safety;
- concerning essential infrastructure, goods or services, critical technologies or the research and development of dual-use goods;
- in relation to infrastructures, goods or services that are vital to guaranteeing certain domains (e.g., integrity, security and continuity of the water and energy supply or the protection of public health).

### Timetable

A decision can be expected within **30 business days** from clearance request. This review period can be **extended by a further 45 business days** in complex matters. A Target can seek an opinion from the Minister at any time, to establish whether it falls in scope of the regime; the Minister must reply within **two months**.

### Triggering event(s)

- Prior authorisation will be required in case of:
  - acquisition of control, as defined in article L. 233-3 of the French Commercial Code, of any French law entity;
  - acquisition, in part or in full, of any business division operated by a French law entity; or
  - for non-EU/EEA investors only, the acquisition, directly or indirectly, solely or in concert, of more than **25% of the voting rights in a French law entity**.

***NB:** the 25% threshold has been lowered to 10%, only for listed companies in France, active in “strategic sectors”. Intended to be temporary until 31 December 2021 and only concerns non-EU/EEA investors.*

- **A foreign investor** in a chain of control will be subject to a filing requirement even if the foreign investor is ultimately controlled by a French entity.
- The regime extends to **all Target entities governed by French law** carrying out activities in a **strategic sector**, including those with no legal personality, such as branches of undertakings with registered offices outside of France.
- The **list of strategic sectors is extensive and was expanded in April 2020** to include (i) agricultural products contributing to national food security objectives, (ii) political and general information press services, (iii) quantum technologies, (iv) energy storage and (v) biotechnologies.

## Case study: Planned acquisition of Photonis by Teledyne Technologies Inc.

Even if a formal veto remains extremely rare, the Minister of the Economy rejected in December 2020 the proposed acquisition by the US company Teledyne Technologies Inc. of Photonis, a leading French company for night vision devices supplying NATO special forces with night vision equipment and developing instrumentation for the French nuclear deterrent.

This French prohibition decision illustrates the trend of reinforcement of foreign investment control in France.



## Type of filing requirement

**Mandatory.** According to the current legislation, foreign investment filings are **suspensory**. Thus, the approval of the Federal Ministry for Economic Affairs and Energy will have to be obtained prior to closing. **Criminal sanctions**, including imprisonment, will be possible in case of gun-jumping.

## Nature of the review

The **Federal Ministry for Economic Affairs and Energy** can prohibit the acquisition of a German Target if the transaction leads to a “probable adverse effect” to the public order or security of Germany or of another EU Member State or in relation to certain EU programs / projects.

**Cross-sectoral scrutiny** currently includes the following industries:

- critical infrastructure (energy, water, telecommunications, finance and insurance, healthcare, transportation and food); media, certain cloud and telematics services and certain telecommunications surveillance measures.
- essential pharmaceuticals, medical products and in-vitro diagnostics, in particular for the treatment of highly infectious diseases, and medical personal protective equipment.

Further industries to be included are:

- artificial intelligence, robotics, semiconductors, biotechnology and quantum technology.

**Sector-specific scrutiny** relates to the defence sector, in particular weapons, certain cryptographic as well as specific dual-use products.

## Timetable

Cross-sectoral and sector specific scrutiny:

- Phase I: **two months**
- Phase II: **additional four months**

In complex cases, Phase II proceedings can be further extended by **further four months**. An additional deadline extension is possible upon the parties’ consent. The timeline is **stopped** if the Federal Ministry for Economic Affairs and Energy deems the submitted information to be incomplete or if the parties enter into remedy negotiations with the German government.

## Triggering event(s)

**Cross-sectoral scrutiny:** Indirect or direct acquisition of at least **10%** of the voting rights in a German Target by **non-EU** investors. For the industries which are not listed in the left column, a **25%** threshold applies.

**Sector-specific scrutiny:** Indirect or direct acquisition of at least **10%** of the voting rights in a German Target by **non-German** investors.

A foreign investor in a continuous **10%** (or **25%**) chain will be subject to a filing requirement even if the foreign investor is ultimately controlled by a German entity.

## Case study: 50 Hertz/State Grid

State Grid intended to acquire a certain percentage of the voting rights in 50 Hertz, one of the German TSOs (transmission system operators). The amount of shares to be acquired was below the relevant threshold at that time. Despite the fact that the German government did not have jurisdiction, it prevented the transaction by practical measures, inter alia by involving the state-owned KfW bank as a “white knight”. This transaction was the main reason for the German government to lower the threshold for critical infrastructures to 10% of voting rights.



## Type of filing requirement

**Mandatory and suspensory.** The transaction can be implemented only once the approval of the Presidency of Council of Ministries has been obtained (the time-limit for it to exercise its powers has passed).

Where no notification is made, review proceedings may be commenced. In addition to the acquisition being void, and unless the violation implies a criminal offence, a pecuniary fine up to double the value of the transaction and, in any case, not less than **1%** of the cumulative turnover realised by the involved companies can be imposed.

## Nature of the review

The Presidency can (i) oppose the acquisition of the Target, (ii) impose conditions or (iii) veto strategic companies' resolutions in case of threat of serious prejudice to the following relevant strategic sectors:

- defence and national security;
- energy, transport and communications;
- Water and health;
- raw materials and food industry;
- data and sensitive information processing/storage/access/control access to sensitive information (e.g., personal data, or the ability to control such information);
- the freedom and pluralism of the media;
- financial, including credit and insurance, sectors and financial market infrastructure;
- Artificial intelligence, robotics, semi-conductors, cyber-security, nanotechnologies, biotechnologies
- Non-military aerospace infrastructure and technologies
- critical technologies and dual-use items; and
- electoral infrastructure sector

Any transactions that involve the transfer of assets (including technologies and IP rights) in the aforementioned sector – subject to the fulfillment of the conditions listed under section “Triggering events” – must be notified.

For the 5G sector, special provisions apply.

## Timetable

The review proceedings can last 45 calendar days (30 calendar days for the 5G sector) at most. This time-limit can be extended (up to 10 calendar days, if additional information is required to the parties, and, up to 20 calendar days if additional information is required to third parties).

## Triggering event(s)

**Acquisition of strategic Targets.** For Targets strategic for defence and national security, notification is due for acquisition of more than **3%** of shares.

**All other sectors** (except for 5G). Under a temporary regime (in force until 30 June 2021) notification is due:

- if EU acquirers, for acquisition of direct or indirect **control**; and
- if non-EU acquirers, (i) for direct or indirect acquisitions of a stake (or voting rights) equal to at least **10%** of the Target's capital AND the investment's value is at least equal to EUR 1 million, or (ii) for direct or indirect acquisitions of a stake equal to **15%, 20%, 25% or 50%**.

**Adoption of significant resolutions, acts or transactions** (e.g., ones resulting in the loss of ownership, control and availability of strategic assets).

### Case study: Acquisition of a significant stake in TIM S.p.A. by Vivendi S.A.

Vivendi S.A. acquired a stake in the share capital of TIM S.p.A. – a leading Italian communications company – sufficient to trigger notification to the Presidency. However, notification was not filed. The Presidency opened ex officio the review proceedings and imposed (1) certain conditions concerning TIM S.p.A.'s governance and (2) a fine of EUR 74.3 million on TIM S.p.A. for failure to notify the acquisition of control and availability of TIM S.p.A.'s strategic assets by Vivendi S.A.



## FORTHCOMING CROSS-SECTOR REGIME

A legislative proposal for a cross-sector 'foreign' direct investment regime (it may also apply to acquisitions by Dutch investors) has been published by the Dutch government as part of its preparatory consultation (the 'draft Act'). It is expected to be presented to the Dutch parliament in the first quarter of 2021. Pending the parliamentary process the exact scope of the proposal may still change. It is not clear when it will subsequently enter into force. However, it is envisaged to have retroactive effect from 2 June 2020 allowing the Minister of Economic Affairs and Climate to intervene in investments made after that date. Parties will then still only need to notify if ordered to do so in relation to national security risks.

### Type of filing requirement

**Mandatory.** The draft Act requires that approval by the Minister of Economic Affairs and Climate must be obtained prior to making an investment. **Financial penalties.** Failure to comply with the notification requirements, implementation without authorization and other breaches of the draft Act may be subject to a fine up to 10% of the turnover of the relevant undertaking.

### Nature of the review

The draft Act as it currently stands captures activities that are deemed of considerable importance to the continuity and resilience of *critical infrastructure* and/or development of *sensitive technologies*.

While it has not yet been established which activities will be regarded as critical under the draft Act, it is expected this will include, amongst others:

- Oil supply;
- Internet and data services;
- Large-scale production/processing and/or storage of chemicals and petrochemicals.

The Minister of Economic Affairs and Climate will assess whether the investment could pose a **threat to national security** by taking into account various factors including, for example:

- (A lack of transparency in) the ownership structure of the investor;

- Any restrictive sanction measures or obligations imposed on the investor; and
- The level of security or safety in the country of origin of the investor.

The investment will be allowed either unconditionally or with conditions to the effect that certain mitigating measures be met, such as additional security requirements or the appointment of a security officer. The investment will be prohibited if the national security risks cannot be remedied through mitigating measures.

### Timetable

The Minister of Economic Affairs and Climate will have **eight weeks** after notification to take a decision. As this is also subject to so-called "**stop-the-clock questions**", it may in practice take longer than eight weeks. If **further investigation** is required, the review period may be **extended by six months**.

### Triggering events

It is currently envisaged that the draft Act is triggered when an investor acquires *control*, the concept widely used in both Dutch and EU competition law. In essence, it captures having the possibility to exercise decisive influence over an undertaking.

## TELECOMS SPECIFIC REGIME

The act on undesired control in telecommunications (*Wet ongewenste zeggenschap telecommunicatie*) entered into force on 1 October 2020 (with retroactive effect to 1 March 2020).

### Type of filing requirement

**Mandatory.** The act requires that approval of the Minister of Economic Affairs and Climate must be requested prior to making an investment. **Financial penalties.** Failure to comply with the notification requirements and other violations of the obligations in relation to the draft act may be penalised by a fine up to EUR 900,000.

### Nature of the review

The act enables the Minister of Economic Affairs and Climate to review and **block an acquisition** leading to **predominant control** over a Dutch telecommunications party and to **intervene in the existing ownership** of such control, where predominant control is acquired or held by an **undesired person** if this would lead to a **threat to public interests**, including **national security** and **public order**.

The act relates to the control of **telecommunications parties in a broad sense**,

as it comprises not only providers of electronic communications networks and services, but also providers of hosting services, data centres, trust services and internet exchange points.

### Timetable

The Minister of Economic Affairs and Climate will have **eight weeks** after notification to decide whether it will prohibit the proposed acquisition. As this is also subject to so-called "**stop-the-clock questions**", it may in practice take longer than eight weeks. If the Minister is of the opinion that **further investigation** is required, the review period may be **extended by six months**.

### Triggering events

The act provides that predominant control (*overwegende zeggenschap*) in any event concerns: (i) the possession (solely or jointly) of at least **30%** of the (direct or indirect) voting rights; (ii) the ability to name **more than half the board members**; or (iii) the ability to exercise control through **special governance rights**.



## Type of filing requirement

**Mandatory.** The Polish FDI Regime requires that approval of the Polish Competition Authority (the “PCA”) must be obtained prior to completion of a transaction. Moreover the notification procedure should be commenced prior to signing of a preliminary agreement obliging an investor to make the FDI acquisition or, in the case of the acquisition of a Warsaw Stock Exchange (WSE)-listed company by way of a public tender offer, prior to announcement of the tender offer.

**Sanctions.** Failure to comply with the requirements may be penalized by a fine of **PLN 50 million** (approx. **EUR 11 million**) or imprisonment of between **six months and five years**. Furthermore, any transaction made in breach of the Polish FDI Regime will be null and void and the investor will not be able to exercise its rights attached to the acquired shares.

## Nature of the review

The Polish FI Regime introduced a clearance procedure for the acquisition of control or a significant share/capital in certain Polish companies by non-EU/EEA/OECD investors.

If a transaction concerns a Polish entity that is:

- a public company listed on WSE,
- a company that operates in any of listed sectors,
- a company active in development of software in certain sectors, or
- a company that owns „critical infrastructure”

it will be subject to the new Polish FI Regime and will require the prior clearance of the PCA.

**Sector-specific scrutiny** relates to: (i) energy, (ii) fuels, (iii) chemicals, (iv) weapons and military technologies, (v) transshipment in ports, (vi) medical equipment and pharmaceuticals, (vii) processing of food and (viii) development of software used in: (a) supply of electricity, fuels, heat, (b) supply of water and waste treatment, (c) data storage and transmission, (d) cash/card payments, securities and derivatives transactions, insurance services, (e) hospitals, sale of prescription drugs and laboratories, (f) transportation, (g) supply of food, (h) data gathering, cloud computing.

## Timetable

Following the notification, the PCA will have 30 days to complete the initial proceedings and approve the FDI transaction or initiate additional control proceedings, which may last up to 120 days.

## Triggering events

Under the Polish FDI Regime, a relevant transaction will be one that results in a foreign (i.e. non-EU/EEA/OECD) investor:

- acquiring a stake equal to or greater than 20% and 40% of the total number of votes in a Polish company or, in the case of a Polish partnership, making a contribution to a Polish partnership equal to or greater than 20% and 40% of the total contributions in the partnership;
- acquiring a participation in the profit of a Polish company equal to or greater than 20% and 40%;
- otherwise acquiring a significant participation in or a dominant position over a Polish company, e.g. via the acquisition or lease of an organized part of the enterprise from a Polish company, entering into a control (management) and/or profit transfer agreement over a Polish company or acquisition of majority of votes in a Polish company.

**De minimis** exemption applies, If the target’s Polish turnover was below EUR 10 million in each of 2 years preceding the transaction.

## Case study: H&F Corporate Investors VIII/ ePłatności

The first transaction notified under the Polish FDI Regime concerned an acquisition of Centrum Rozliczeń Elektronicznych Polskie ePłatności – a company active in processing of cashless transaction and sale/rental of payment terminals, by H&F Corporate Investors VIII – a Cayman Islands based investment fund specialized in online services, business software and financial services. The PCA cleared the transaction and pointed out that *FDI rules are intended to protect the key Polish companies, but may not block important foreign investments, therefore most of the cases will be decided quickly.*



## Type of filing requirement

**Mandatory.** A transaction involving a change of control and performed in a number of areas of interest from a national security perspective can be implemented if the Supreme Council of National Defense (CSAT – an independent national security authority, with its board members including the Romanian President, Romanian Prime-Minister, several ministers, army and intelligence services heads) issues a positive opinion.

If CSAT issues a negative opinion (i.e. it considers that the transaction poses a risk to national security) it will notify the Romanian Government which may issue a decision prohibiting the transaction, with the observance of the European Commission's competences in this respect.

There are currently no provisions regulating a stand still obligation until such national security clearance is received. Hypothetically, if CSAT reviews a transaction and advises the Romanian Government to prohibit it and this is made after its completion, this will most likely include an obligation to the parties to rescind/amend the respective transaction, but there are no express legal provisions regulating such case.

## Nature of the review

The CSAT reviews transactions which imply a change of control performed in a number of areas of interest from a national security perspective.

The correspondence with CSAT is made through the Romanian Competition Council (RCC).

**If the transaction is notifiable to the RCC from a merger control perspective**, the notifying party/parties will submit only the merger clearance notification to the RCC and the RCC may refer the transaction to CSAT for a national security review. In this case, the RCC extracts the necessary information from the merger filing and sends them to the CSAT. The parties do not have access to that filing. The CSAT analysis is performed simultaneously with the RCC merger control procedure, and the RCC can issue a decision even before the CSAT analysis is finalized, but from our experience it seems that the RCC prefers to wait for the CSAT responses before issuing its own decision.

**For transactions which are not notifiable to the RCC from a merger control perspective** namely (a) the merger control thresholds in Romania are not met, or (b) the transaction is notifiable elsewhere outside Romania (e.g. to the European Commission, or other national jurisdictions), a specific notification should be submitted by the parties to the RCC, which will subsequently refer it to the CSAT. Such notification does not have a standard form but it should contain at least the following information: (i) structure of the transaction (merger, acquisition, etc.), (ii) the parties and their identification details, (iii) the areas of activity of the parties to the transaction, and (iv) the object of the transaction (shares, assets, etc.).

## Timetable

**There are currently no mandatory deadlines for CSAT review and response.**

From our experience, the CSAT issues a positive response in about 45-60 calendar days from filing, while in case of opening a more in depth analysis or investigation, the review is expected to take much longer.

The RCC may request additional information from the parties

If the CSAT informs the RCC that the transaction should be analysed from the national security perspective, the RCC will further inform the parties.

**If there is also a merger control procedure performed by the RCC, such deadlines shall be suspended until a final decision of CSAT** is notified to the RCC (whether to prohibit or to conclude that the concentration does not raise risks for the national security).

## Triggering event(s)

**Transactions involving a change of control and related to areas of interest for national security.** Such areas of interest are broadly defined, are established pursuant to national or sector security strategies and relate to:

- security of financial, fiscal, banking and insurance activities; energy; critical infrastructure; IT and communication systems; transports; industrial; systems of supply of essential resources; trade and production of the military weapons and equipment, ammunition and explosives, toxic substances; the citizens and of the collectivities, borders;
- protection of agriculture and environment;
- protection of privatizations of state-owned enterprises or the management thereof;
- protection against disasters.

## Expected changes to the current foreign direct investment (FDI) framework:

The RCC published a draft new law to replace the current screening mechanism but its final version is still pending. The entrance into force of the new regime is expected towards the end of the year.

Main changes to be brought by the new regime include:

- The review of investments exceeding the RON equivalent of EUR 2,000,000 by entities from outside the EU or which are controlled directly or indirectly by an entity from outside of the EU; it seems that it may no longer be referred to transactions involving a change of control;
- The business areas will include the current reviewed areas but the review is extended to include investments which are deemed as likely affecting national security or public order;
- Sanctions - failure to notify and breaching the standstill obligation may be sanctioned with fines between 1% and 5% of the investors' total turnover achieved in the year previous to the sanction. Same sanction applies for providing incorrect, incomplete and misleading information;
- New express timetable, procedures and consultation mechanisms with the other Member States and the Commission;
- New screening and clearance authorities – a newly established Romanian Commission for Screening of Foreign Direct Investments will review the FDIs and issue mandatory endorsements, other authorities may be involved, as well as CSAT.



## Type of filing requirement

**Mandatory and suspensory.** Approval of the Governmental Commission for Control over Foreign Investments must be obtained prior to closing. Transactions closed in breach of the regime are null and void. In relation to transactions taking place offshore, the Russian courts may strip shares acquired by a foreign investor of their voting rights.

## Nature of the review

Clearance is required in two scenarios: (i) a Russian Target company is active in so-called strategic activities, and/or (ii) the acquirer is a public foreign investor.

The law lists 48 types of strategic activities, however there is a trend to construe this list broadly. Key sectors include aviation, airports, subsoil, natural monopolies, pharma, cryptography, telecommunications and media.

## Timetable

Legally, the review process should be completed within **six months**. However, in practice, the process can take significantly longer, partially because the Governmental Commission only convenes three to four times a year.

## Triggering events

Prior approval is required for the direct or indirect acquisition by a foreign investor of control over a Russian strategic entity, which includes:

- for private foreign investors: stakes above **50%** in a strategic company (or **25%** in the subsoil sector);
- for state-owned foreign investors: stakes above **25%** in a strategic company (or **5%** in the subsoil sector); or
- acquisition of equivalent rights or of assets from a strategic company.

In addition, public foreign investors are required to obtain approval for any direct or indirect acquisition of more than **25%** of the shares or equivalent rights in *any* (i.e., non-strategic) Russian company.

**Ad hoc resolutions.** The chairman of the Governmental Commission is entitled to issue ad hoc resolutions at his/her discretion requiring that approval must be obtained for any other transaction that concerns a Russian entity, i.e., for any transaction that does not technically fall under the regime. Based on current practice, ad hoc resolutions may concern, inter alia, subsoil users, providers of services to strategic entities, high-tech companies, and manufacturers of products that have no local analogues.

## Case study: Acquisition of Port Perm

In a recent case, the regulator investigated a series of transactions that occurred between 2011 and 2016, as a result of which a foreign investor acquired a significant stake in joint stock company Port Perm, an inland waterway freight-shipping and cargo-handling operator.

In early 2020, the Russian courts rendered these transactions null and void on grounds that the foreign investor had illegally acquired de facto control over a strategic company.



## Type of filing requirement

**Mandatory and suspensory.** Approval of the Government must be obtained prior to closing of an investment exceeding EUR 1 million. A **financial penalty** as high as the amount of the investment can be imposed in cases of non-compliance.

## Nature of the review

The Government intervenes either on grounds of (i) the strategic nature of the sector invested in (“**objective review**”), or (ii) the characteristics of the investor (“**subjective review**”).

- As regards the **objective review**, the following sectors are deemed strategic (i.e., affecting public safety, public order or public health): (i) critical infrastructure (e.g., energy, transportation, water, health, media, data processing and storage, communications, aerospace, defence and electoral or financial); (ii) critical and dual-use technologies (including artificial intelligence, robotics, semiconductors, cybersecurity, aerospace, defence, energy storage, quantum and nuclear technology, nanotechnology, biotechnology, key technologies for industrial leadership and skills, and technology developed via programmes and projects of particular interest for Spain, including telecommunications); (iii) supply of essential produce (in particular, energy, raw materials, strategic connectivity services and food safety); (iv) access to sensitive information; and (v) media.
- As concerns the **subjective review**, the following investors are affected irrespective of the sector: (i) state-owned or controlled companies (whether directly or indirectly); (ii) those having already invested or participated in the sectors deemed strategic; and (iii) if there is a serious risk of the foreign investor exercising criminal or illegal activities, that affect public safety, public order or public health in Spain.

## Timetable

- If the investment is worth less than EUR 5 million, a decision shall be issued in 30 business days.
- If the investment is above such threshold, a decision shall be issued in six months.

In both cases, lack of response is deemed a tacit denial. Once granted, authorisations have a general validity of six months.

## Triggering event(s)

A foreign investment requiring prior governmental approval takes place whenever the investor, as a consequence thereof, (i) holds **10%** or more of the share capital of a Spanish company, and/or (ii) acquires control thereof (under the definition of control established in the antitrust legislation), provided that:

- either the investor is a non-EU/EFTA resident; or
- even if the investor is an EU/EFTA resident, its ultimate beneficial ownership corresponds to a non-EU/EFTA resident, such beneficial ownership being defined as (i) holding directly or indirectly in excess of **25%** of the share capital or voting rights of the investor, or (ii) when control of the investor is exercised directly or indirectly by any other means.
- transitorily until 30 June 2021, even if the investor is an EU/EFTA resident with its ultimate beneficial ownership also in the EU/EFTA, when (i) the target is a listed company or when (ii) the target is not a listed company but the investment is worth more than EUR 500 million. In this case, though, only the objective review applies (i.e., the Government intervenes solely on grounds of the nature of the sector invested in).

## Case study: Acquisition of VIAMED by Macquarie

VIAMED SALUD, SL (“VIAMED”) a health services provider that is the owner of 18 private hospitals throughout Spain, was recently acquired by a Spanish company ultimately owned by Macquarie Infrastructure and Real Assets (Europe) Limited (“MIRA”), which at its turn is an investment vehicle of Macquarie Group Limited (“Macquarie”), an Australian resident.

VIAMED, although holding only 2% of the market share, was considered to be of strategic nature under the “public health” notion, and consequently prior governmental approval had to be requested, which was granted by the Council of Ministers in its session of 6 October 2020.





### Type of filing requirement

**Voluntary and non-suspensory.** At present, filings do not have to be made, but if no clearance is sought the Government can intervene and impose remedies, including unwinding the transaction, provided the transaction meets the triggering event criteria described below.

New legislation – the National Security and Investment Bill – will impose mandatory filing obligations for qualifying investments in Targets with certain activities in any of 17 sensitive sectors listed below. All other qualifying investments will be subject to a voluntary filing regime. The new legislation is expected to come into force by the end of 2021.

### Nature of the review

National security. Transactions in any sector can be reviewed, but there is a higher risk of a national security intervention if the Target is active in any of the following areas: civil nuclear; communications; data infrastructure; defence; energy; transport; artificial intelligence; autonomous robotics; computing hardware; cryptographic authentication; advanced materials; quantum technologies; engineering biology; critical suppliers to government; critical suppliers to the emergency services; military or dual-use technologies; and satellite and space technologies. Investments in infrastructure for chemicals, finance, health and water will also carry a higher risk. These intervention risks will be the same under the new national security regime when it enters into force.

### Timetable

At present, the Government has until four months from closing to decide whether to initiate a detailed Phase II investigation, but it will typically do so anywhere between 20-80 working days from the date on which a deal is notified or called in for review. A Phase II review lasts a further six-eight months.

Under the new regime, there will be a 30 working day initial review period, within which the Government will decide whether to carry out a detailed review, and an additional 30-75 working day period to carry out such a detailed review (the clock will stop if the Government asks for further information).

### Triggering events

An investment is reviewable under the current voluntary filing regime if it confers at least “material influence” over the Target (which can be as low as **15%** with no board seat) and the turnover and/or market share thresholds under the UK merger control regime are satisfied. Those thresholds usually require that the Target has a UK turnover of GBP 70 million or more, or that the Target and investor both supply or purchase the same products or services and have a share of such supplies/purchases of 25% or more in the UK or a part of it. However, lower thresholds apply if the Target is a government defence contractor or has activities in military/dual-use products, certain advanced materials, artificial intelligence, quantum technologies, cryptographic authentication, or IP or roots of trust relating to computer processing units.

When the National Security and Investment Bill is enacted and in force, filing will be mandatory for investments in legal entities with certain UK activities in any of the 17 sensitive sectors listed above, if the investment causes the investor’s shareholding or voting rights to exceed a threshold of 15%, 25%, 50% or 75%, or it allows the investor to veto or determine any class of resolution relating to the Target’s affairs.

In addition, the government will have powers under the voluntary filing regime to review (up to 5 years after closing):

- investments in legal entities (active in any sector), if they (i) cause the investor’s shares or voting rights to exceed a 25%, 50% or 75% threshold; (ii) allow the investor to veto or determine any class of resolution relating to the Target’s affairs; or (iii) confer material influence over the Target; and
- investments in assets (in any sector) that allow the investor to use the asset, to direct or control how the asset is used, or to do so to a greater extent than before the transaction. Assets for these purposes are land, tangible moveable property and certain intellectual property.

These review powers under the voluntary regime will apply to investments that closed on or after 12 November 2020

### Case study: Acquisition of Inmarsat by a British, U.S. and Canadian consortium

The Government intervened on the basis that the transaction could lead to unauthorised access to sensitive defence and security data held by Inmarsat (a provider of satellite communications services) and that strategic capabilities of Inmarsat could cease to operate or be sold or transferred abroad. To address these concerns (without requiring a Phase II investigation), the Government accepted various undertakings, including commitments to maintain certain strategic capabilities, implement controls on sensitive data and make key strategic decisions in the UK.



## Type of filing requirement

**Mandatory and suspensory** for foreign acquisitions that meet relevant monetary/control thresholds and where no exemptions apply.

An application must be made to the Foreign Investment Review Board (“**FIRB**”) to obtain a letter of “no objections” from the Treasurer of Australia prior to completion of the transaction, if the transaction involves a “notifiable action” or “notifiable national security action” as defined under the Foreign Acquisitions and Takeovers Act 1975.

Failure to obtain such approval can result in **civil and criminal sanctions**.

## Nature of the review

The Treasurer, advised by FIRB, has the power to examine proposed foreign acquisitions and prohibit acquisitions determined to be contrary to the national interest, or impose conditions on the proposed acquisition to remove national interest concerns. The Treasurer also has a “call-in power” to review any decision not previously notified to FIRB which is a “significant action” or a “reviewable national security action” which may pose a national security concern, for up to ten years after the acquisition has completed.

Typically, matters that the Treasurer will take into consideration when making a decision include the impact of the acquisition on the Australian economy and community, national security and competition. Businesses, corporations or assets in certain sensitive sectors such as media, agriculture, telecommunications, defence and military, transport and encryption and security technologies are subject to stricter regulation.

FIRB may consult with government agencies such as the Critical Infrastructure Centre (“**CIC**”) and the Australian Tax Office (“**ATO**”) as part of its decision-making process. It is common for FIRB to impose a standardised tax compliance conditions on any “no objections” approval.

## Timetable

The Treasurer has **30 calendar days** from notification to make a decision plus **10 calendar days** to notify the applicant. This timing is subject to potential extension/FIRB issuing an “interim order” preventing the investment for a period of up to 90 days while it considers the proposed acquisition.

In practice, FIRB approval normally takes **two to three months**.

## Triggering events

- Approval is required for “notifiable actions”, which include direct or indirect acquisitions by a foreign investor of **>20%** in a Target’s securities if the Target is an Australian corporation carrying on an Australian business, an Australian trust unit, or a holding entity of either of these, and the Target is valued above certain monetary thresholds, subject to any applicable exemptions.
- Monetary thresholds are dependent on the type of asset and whether the acquiror is a foreign person or a “foreign government investor” (such as sovereign wealth, public sector pension, government agencies, SOEs).
- Stricter rules/lower thresholds apply in relation to **foreign government investors** (typically a >10% threshold, which can reduce to 5%) and sensitive sectors.
- Mandatory FIRB approval is also required for “notifiable national security actions”. This includes starting a national security business, acquiring a direct interest in a national security business or acquiring an interest in national security land. National security businesses are endeavours that, if disrupted or carried out in a particular way, may create national security risks, such as critical infrastructure assets, telecommunications or defence. These actions have a \$0 monetary screening threshold.

## Case study: Withdrawal of China State Construction Engineering Corp acquisition of Probuild

On 12 January 2021, China State Construction Engineering Corporation withdrew a bid to acquire an 88% stake in Probuild, an Australian subsidiary of a South African-owned company, based on advice that the application would be rejected by FIRB on the grounds of national security. While Probuild’s focus is usually on residential towers and shopping malls, it is understood the existing development of a new headquarters for the Victoria police and a new headquarters for a biotech giant triggered the national security concerns resulting in the withdrawal of the application.



### Type of filing requirement

- For direct acquisitions of control that exceed the applicable financial threshold under the Investment Canada Act (ICA), a **mandatory pre-closing application for review** must be made and an approval of the Minister of Innovation, Science and Industry (the ISI Minister) (or, in the case of cultural businesses, the Minister of Canadian Heritage (the Heritage Minister)) must be obtained **prior to the implementation** of the investment.
- For indirect acquisitions of cultural businesses that exceed a financial threshold, a **mandatory application** for review must be made, and an approval by the Minister of Canadian Heritage must be received, though the process can be **completed before or after closing**.
- For direct acquisitions of non-cultural businesses that do not exceed the applicable financial threshold, as well as indirect acquisitions of non-cultural businesses and establishments of new Canadian businesses (regardless of the identity of the purchaser), a **notification** filing (which does not have an associated approval) is **required**, and can be made **either before or within 30 days after closing**.

Penalties may include an order to divest the Canadian business and a maximum financial penalty of C\$10,000 per day for contravention of the ICA.

### Nature of the review

**Net benefit review:** Investments that are subject to review must demonstrate to the relevant Minister that the transaction is “likely to be of net benefit to Canada” in order to obtain the requisite approval, e.g. impact of the investment on economic activity, productivity and efficiency in Canada etc.

**National security review:** The ICA sets out a national security review regime that is separate from the general provisions noted above. For these types of investments, the ISI Minister can order a review to determine whether they are injurious to Canada’s national security.

### Case study: COVID-19 Impact on FDI in Canada

In April 2020, the ISI Minister issued a policy statement describing enhanced review measures in respect of foreign investment into Canada, describing such measures as necessary to guard against potentially harmful or opportunistic foreign investments, especially in critical industries. Under the policy, all foreign investments in Canadian businesses related “to public health or [...] the supply of critical goods and services to Canadians or to the Government” will now be “scrutinize[d] with particular attention”. The policy statement also announced that investments by SOEs or by private investors “assessed as being closely tied to or subject to direction from foreign governments” will be subject to enhanced scrutiny, regardless of the transaction value or the target’s industry, to determine whether they may be motivated by “non-commercial imperatives” that could harm Canada’s economic or national security interests. As of the first week of January, 2021, this policy remains in force.

### Timetable

**Net benefit review:** The statutory period for a “net benefit” review is 45 days from the date a complete application is received, extendable by additional 30 days or with consent of the investor.

**National security review:** If the ISI Minister intends to initiate the national security process, he can do so only from the time when he becomes aware of the investment until 45 days of the receipt of a complete application or notification (where a filing is required) or within 45 days of closing (where no filing is required). Once a national security process has been triggered, a complete review may take up to 155 additional days.

### Triggering event(s)

The filing obligations under the ICA apply to the following investments by a non-Canadian: (i) direct or indirect acquisition of control of a Canadian business, and (ii) establishment of a new Canadian business.

Control is defined as (1) the acquisition of greater than 50% of the voting interests of an entity directly or indirectly carrying out a business in Canada or (2) an acquisition of all or substantially all of the assets used in carrying out a business in Canada.

A “net benefit” review and approval is required only for a direct acquisition of control (or an indirect acquisition of control of a “cultural business”) that exceeds certain relevant financial thresholds.

Investments injurious to national security: An acquisition of all or part of a Canadian business (whether or not it constitutes an acquisition of control) may be subject to a national security review where the ISI Minister determines it may be injurious to Canada’s national security. Investments involving sensitive sectors such as defense, critical infrastructure, critical goods and services, and strategic materials, investments into businesses with proximity or access to sensitive government installations, and investments by state-owned enterprises often attract increased national security scrutiny.



### Type of filing requirement

**Mandatory and suspensory.** If national security issues are raised in the context of a foreign-domestic transaction, it would be mandatory to seek **National Security Review (“NSR”) clearance**. Separate **Foreign Investment Review (“FIR”)** is also mandatory for investments subject to restrictions in the Negative List (as prescribed in the current Special Administrative Measures on Access to Foreign Investment). Penalties for breach in the context of NSR clearance include an order to notify the transaction, make rectification and **unwind the deal**. Closing without FIR approval will also render the transaction invalid.

### Nature of the review

**NSR** – The NSR process applies to the foreign investments (including green-field investments, acquisition of equity or assets of a company in China and foreign investments in China in any other way) in China involving any of the following sectors:

- investments in military and related or adjacent activities; or
- investments in key agricultural products, key energy and resources, key equipment manufacturing, key infrastructure, key transportation services, key cultural products and services, key information technology and internet products and services, key financial services, key technologies or other key sectors that bear on national security; *AND* the foreign investor(s) will acquire *de facto* control over the invested enterprise in any of the foregoing sectors

The abovementioned investment must be notified to a newly established inter-ministerial government body, the NSR working mechanism office.

**FIR** – All foreign investments in Chinese companies subject to restrictions in the Negative List have to be reviewed and approved by the central Ministry of Commerce (or its local counterparts) or certain other sector-specific regulators.

### Timetable

#### NSR

- Preliminary review: 15 business days from the receipt of all the required materials;
- General review: 30 business days; and
- Special review: 60 business days (may be extended under certain special circumstances).

**FIR** – The approval timeframe varies depending on the authority in question.

### Triggering events

**NSR** – In relation to transactions involving the military sector, an NSR process may be triggered irrespective of the interest to be acquired in the Target.

In the case of other sectors, an NSR process may be triggered only if the foreign investor intends to acquire *de facto* control (50% interests; significant influence over the shareholders’ meeting or the board; or *de facto* control over business decisions, financial affairs, personnel and/or technology or other matters) of the Chinese Target.

**FIR** – Foreign investment in restricted sectors will be subject to approval and certain restrictions such as a cap on foreign ownership percentage.

### Case study: Yonghui Superstores/Zhongbai Holdings

Yonghui Superstores intended to acquire a controlling interest in Zhongbai Holdings, a Chinese state-owned retailer. The National Development and Reform Commission (“**NDRC**”) intervened as 19.99% of the shares in Yonghui were owned by a foreign entity, Dairy Farm International (which is ultimately controlled by Jardine). It is widely believed that the NDRC commenced its NSR process primarily out of national defence concerns due to Zhongbai’s essential role as the major provider of warehousing and distribution to the 2019 Military World Games and Zhongbai’s store network in certain military colleges in Wuhan. The retail sector is likely to be considered as a sensitive sector by the NDRC. Eventually, Yonghui withdrew its tender offer in December 2019 following the NDRC’s commencement of a special review process.



## Type of filing requirement

**Mandatory and suspensory** for acquisitions by foreign investors of shares in Japanese companies operating in **certain restricted sectors**, where no exemptions apply. A pre-closing filing must be made with the Minister of Finance and other relevant ministers through the Bank of Japan.

Acquisitions by foreign investors of shares in Japanese companies in **non-restricted sectors** are subject to a post-acquisition report.

The government may pass an order to unwind, discontinue or alter a deal. Criminal sanctions, including imprisonment, are possible in case of breach of such an order.

## Nature of the review

A pre-closing filing process applies if the deal involves certain restricted sectors such as businesses related to national security and public order, telecommunications, IT services, information processing hardware and software, pharmaceutical regarding infectious diseases, certain medical devices, and certain protected domestic industries including agriculture and fishing, whereas a post-acquisition report process applies to other sectors.

During the pre-closing filing process, the government can review and prohibit an investment in a Japanese company if such investment may lead to an adverse effect on national security, public order, public safety or the Japanese economy.

## Timetable

A **pre-closing filing** must be made 30 calendar days before such acquisition, and the parties cannot complete the investment before an approval. The 30-day prohibition period is often shortened to 14 calendar days. In certain cases the relevant ministers may extend the prohibition period up to five months.

A **post-acquisition report** must be made 45 calendar days following the investment.

## Triggering events

A **pre-closing filing** is required if a foreign investor (i) directly acquires a single share of a non-listed Japanese company or directly acquires 1% or more of the issued shares or voting shares of a listed Japanese company AND (ii) such Japanese company operates in certain restricted sectors; provided that there are exemptions such as those for certain financial firms (e.g., securities firms, banks, insurance companies and asset managers).

A post-acquisition report is required if a foreign investor conducts a direct acquisition in listed Japanese companies meeting the exceptions and for most investments in non-listed Japanese companies that are not subject to a pre-closing filing requirement.

## Case study: TCI Transaction

The government issued an order of discontinuance for a proposed investment in The Electric Power Development Co. Ltd. (also known as J Power) by The Children's Investment Fund ("TCI") on the grounds that such investment might jeopardise public order. This is the only case where an order of discontinuance has been issued.



### Type of filing requirement

**Mandatory and suspensory.** The approval of the Committee on Foreign Investment in the United States (“CFIUS”) must be obtained prior to closing certain investments. Unnotified transactions are subject to post-closing review and can be unwound.

**Financial penalties.** Civil fines of up to the entire value of the transaction for failure to make a mandatory filing.

### Nature of the review

The President, based on CFIUS’s findings, can block pending foreign mergers, acquisitions or takeovers of a U.S. business, or in certain instances, minority foreign (non-US) investments, that threaten U.S. national security based on the “vulnerability” presented by the U.S. business being acquired and the “threat” posed by the acquiring non-U.S. entity. Currently, the broad focus of CFIUS reviews is on transactions in the defence, telecommunications, energy, high-tech and emerging technologies, and (increasingly) food and medical industries, as well as transactions dealing with specific areas of U.S. national infrastructure.

### Timetable

In practice, the entire process takes approx. four to six months, with a timeline set by statute:

- **Phase I, Review Period:** 45 days (30 days for expedited declarations);
- **Phase II, National Security Investigation:** 45 days; and
- **Phase III, Presidential Review:** 15 days (rare).

### Triggering events

#### Mandatory Filing:

- *State owned enterprises:* Direct or indirect investments by entities owned **49%** or more by a non-U.S. government that obtains a **25%** or more voting stake in a TID U.S. business (involved in “Critical [T]echnology”, “Critical [I]nfrastructure” or “Sensitive Personal [D]ata”).
- *Other foreign investors:* Direct or indirect investments in a TID U.S. business that produces, designs, tests, manufactures, fabricates or develops Critical Technologies. These technologies are defined by export control licensing requirements for “Defense Articles” and “Defense Services” controlled under the International Traffic in Arms Regulations (“**ITAR**”), and various dual-use and other commercial items subject to the Export Administration Regulations (“**EAR**”). Non-US items can be subject to these regulations (and therefore critical technologies) if they contain or incorporate certain US-origin content or technologies above certain thresholds.

#### Voluntary Filing:

- Recommended when the risk of a post-closing CFIUS intervention exceeds the burdens of filing. This depends on the U.S. Target’s sensitivity; the non-U.S. investor’s ownership, activities and intentions; and the parties’ tolerance for continued CFIUS risk to the deal.

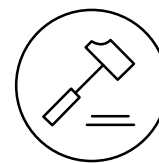
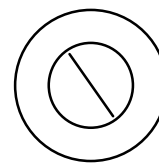
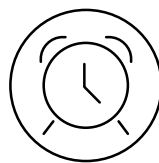
#### Real Estate Transactions:

- CFIUS may review real estate transactions in certain sensitive locations that are generally in proximity to airports, maritime ports, military installations and sensitive government facilities.

### Case study: StayNTouch Divestment by Chinese company

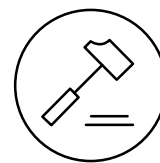
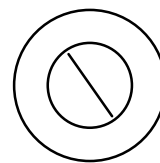
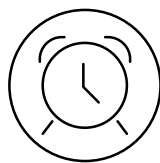
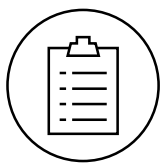
In 2020, at CFIUS’s recommendation, the U.S. President forced Beijing Shiji Information Technology Co., Ltd., and a wholly owned direct subsidiary (collectively “**Shiji**”) to divest all interest in StayNTouch, a U.S. information technology (IT) company engaged in the hospitality management software business. The divestment order stated that there was “credible evidence” that Shiji, which acquired StayNTouch in 2018, “might take action that threatens to impair the national security of the United States.” While divestment is rare, Shiji did not make a voluntary CFIUS filing and CFIUS intervened post-closing by directing Shiji to submit a CFIUS notice, which ultimately resulted in the divestment order.

# OVERVIEW OF FOREIGN INVESTMENT REGIMES



Jurisdiction	Thresholds	Timeline	Suspensory?	Civil sanctions?
<b>EU</b>	No particular threshold on the EU level. The EU Screening Regulation applies if the national foreign investment regimes of the Member States are triggered.	35 calendar days to submit a non-binding opinion/comments; the deadline can be extended	No	No
<b>Austria</b>	Direct or indirect acquisition by a <b>non-EU/non-EEA/non-Swiss investor</b> of <ul style="list-style-type: none"> <li>a business or legal entity located in Austria,</li> <li>material parts of a business located in Austria resulting in the acquisition of a controlling influence over such parts of a business,</li> <li>a controlling influence over a business or legal entity located in Austria, or</li> <li>a shareholding with which at least 10% of the voting rights (if the Austrian Target is active in a highly critical sector) or 25% of the voting rights (if the Austrian Target is active in a “merely” critical sectors) is reached or exceeded.</li> </ul>	EU Screening Mechanism: 35 days (or longer) Phase I: additional 1 month Phase II: additional 2 months	Yes	Yes (also criminal)
<b>Czech Republic</b>	Acquisitions by non-EU investors of: 10% or more of voting rights; membership of the foreign investor (or its related party) in corporate bodies of the Target; the asset through which Target’s business activity is carried out; or any other type of control resulting in the investor gaining access to information, systems or technology which are important in connection with the protection of the security of the Czech Republic, or its internal or public order.	90 calendar days; may be extended by up to 30 calendar days in particularly complex cases	Yes	Yes
<b>France</b>	Acquisition of control (or any business division) or (for non-EU/EEA investors only) 25% of voting rights (which 25% threshold will soon be lowered, temporarily, to 10%, only for listed companies in France).	Phase I: 30 business days Phase II: 45 business days	Yes	Yes (also criminal)
<b>Germany</b>	10% or 25% of voting rights in German Targets by non-EU investors (cross-sectoral) or non-German investors (sector-specific).	Cross-sectoral and sector-specific: Phase I: 2 months, Phase II: additional 4 months; can be extended by further 4 months in complex cases	Yes	Yes (also criminal)

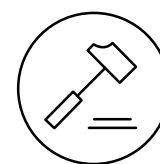
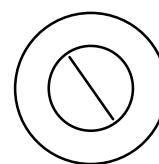
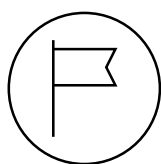
# OVERVIEW OF FOREIGN INVESTMENT REGIMES



Jurisdiction	Thresholds	Timeline	Suspensory?	Civil sanctions?
<b>Italy</b>	<p>Defence and national security: acquisition exceeding 3% of the Target's capital.</p> <p>Other sectors: (i) if EU acquirers, acquisition of control, (ii) if non-EU acquirers, (1) acquisitions of 10% AND investment's value equal to € 1 million; OR (2) acquisition of 15%, 20%, 25% or 50%.</p>	45 days (30 days for the 5G sector)	Yes	Yes
<b>The Netherlands</b>	Telecommunications acquisition of predominant control, including, in any event: (1) the possession (solely or jointly) of at least 30% of the (direct or indirect) voting rights, (2) the ability to name more than half the board members, or (3) the ability to exercise control through special governance rights.	8 weeks, potentially extended by 6 months	No	Yes
<b>Poland</b>	Acquisitions by non-EU/EEA/OECD investors of 20% or 40% of shares/profit, acquisition of dominance/control (incl. management) or lease of an organized part of the enterprise of protected Polish company.	30 working days for initial proceedings; if no approval - an additional 120 calendar days to issue a decision.	Yes	Yes (also criminal)
<b>Romania</b>	<p>Currently, change of control performed in a number of areas of interest from a national security perspective</p> <p>(draft new law includes certain thresholds and a catch all provision which is applicable irrespective of such thresholds)</p>	<p>Currently, there are no mandatory deadlines for the review and response</p> <p>From our experience there is a period of 45-60 days since filing, in case the response is positive.</p> <p>(draft new law includes a number of deadlines)</p>	<p>Currently, no express provisions</p> <p>(draft new law includes an express stand still obligation)</p>	Currently, no (but draft new law includes fines)
<b>Russia</b>	Acquisitions of 25% or more in subsoil strategic entities or above 50% in all other strategic entities. Lower thresholds for state-owned foreign investors.	3-6 months, but can also take longer	Yes	Yes
<b>Spain</b>	10% of share capital or acquisition of control.	<p>Investments worth below EUR 5 million: 30 business days</p> <p>Investments worth EUR 5 million or more: 6 months</p>	Yes	Yes



## OVERVIEW OF FOREIGN INVESTMENT REGIMES (CONTINUED)



Jurisdiction	Thresholds	Timeline	Suspensory?	Civil sanctions?
<b>UK</b>	<p>If material influence over Target (can be as low as 15%) and certain turnover or share of supply thresholds are met.</p> <p>Lower thresholds will apply under new legislation, expected to enter into force by the end of 2021. Deals closing on or after 12 November 2020 will be reviewable under the new legislation, once in force.</p>	<p>Phase I: No deadline. Can take anywhere between 20-80 working days</p> <p>Phase II: 6-8 months</p>	No	None
<b>Australia</b>	Various. Generally, acquisitions of >20% in an Australian Target and acquisitions of interests in Australian land will require FIRB approval.	Approximately 60-90 days	Yes	Yes (also criminal)
<b>Canada</b>	Various thresholds, inter alia acquisitions of control when exceeding certain financial thresholds; establishment of a new Canadian business; investments injurious to national security	<p>Net benefit review: 45 days from complete application; can be extended by additional 30 days or with consent of the investor</p> <p>National security review: Up to 155 days after initiating proceedings</p>	Yes (for direct acquisitions exceeding financial threshold)	Yes
<b>China (National Security Review process)</b>	Acquisition of any stake (for Targets in military or related industry), or acquisition of actual control (for Targets in other sectors).	<p>Not subject to NSR: 15 business days</p> <p>General review phase: 55 business days (from application)</p> <p>Special review: 115 business days (from application)</p>	Yes	Yes
<b>Japan</b>	<p>Pre-closing filing: (i) acquisition of (x) a single share of a non-listed Japanese company; or (y) acquisition of 1% or more of the issued shares or voting shares of a listed Japanese company; AND (ii) such Japanese company is in certain restricted sectors.</p> <p>Post-acquisition report: certain investments in listed companies meeting the exceptions and for most investments in non-listed companies that are not subject to a pre-closing filing requirement.</p>	30 calendar days, although often shortened to 14 calendar days. Potentially extended up to 5 months	Yes	Only criminal sanctions
<b>USA</b>	Fact intensive / No percentage threshold.	<p>Phase I: 30-45 days</p> <p>Phase II: 45-60 days</p>	Yes (for mandatory filings)	Yes (for mandatory filings)

# RECENT PUBLICATIONS

We produce a wide range of publications and client briefings in relation to foreign investment regulations in various jurisdictions. These are available via our internet page [www.cliffordchance.com/briefings.html](http://www.cliffordchance.com/briefings.html).



**NEW CZECH FOREIGN DIRECT INVESTMENT SCREENING REGIME**

On 1 January 2023 the Czech Parliament passed a new act that aims to strengthen the control of foreign direct investments in the Czech Republic (the "FDI Act"). The FDI Act has been introduced as a result of the EU Framework for the screening of foreign direct investments, which was adopted on 11 April 2019 and which applies from 11 October 2020. The FDI Act will have a significant impact on our work in Europe and will affect our clients, investors and portfolio companies. It will also have a significant impact on our work in Europe and will affect our clients, investors and portfolio companies. It will also have a significant impact on our work in Europe and will affect our clients, investors and portfolio companies.

[New Czech foreign direct investment screening regime](#)



**NARROWER DEFINITIONS FOR MANDATORY FILING SECTORS ANNOUNCED FOR THE UK NATIONAL SECURITY SCREENING REGIME**

The UK Government has announced narrower definitions for the sectors that will be subject to mandatory filing obligations under the National Security and Investment Bill. The draft regulations will be published in the next few weeks, because they include how, when the new regime will be introduced, the Government has already agreed to call in transactions that have already occurred by that time.

[Narrower definitions for mandatory filing sectors announced for the UK national security screening regime](#)



**NEW SLOVAK INVESTMENT SCREENING REGIME**

On 8 February 2023 the Slovak Government approved a bill amending the Act on Critical Information, which introduces a new screening regime for certain selected investments (the "Investment Screening Regime"). The amending act, which was approved in an accelerated legislative process, will become effective on 1 March 2023. The grounds on which the authorities may challenge proposed investments are broad and thus easy to interpret – which is present an obstacle for future transactions in Slovakia.

[New Slovak investment screening regime](#)



**THE UK'S NATIONAL SECURITY AND INVESTMENT BILL: KEY POINTS AND IMPLICATIONS**

The UK Government has published the National Security and Investment Bill. The bill introduces a new, standalone screening regime, allowing the Government to restrict or prohibit investments in certain sectors, which are considered to be of strategic importance to the UK. The bill also introduces a new, standalone screening regime, allowing the Government to restrict or prohibit investments in certain sectors, which are considered to be of strategic importance to the UK.

[The UK's National Security and Investment Bill: key points and implications](#)



**UAE FOREIGN DIRECT INVESTMENT - UPDATE**

To further promote Abu Dhabi's ease of doing business as an internationally competitive global hub, the Abu Dhabi Department of Economic Development has announced that it will be introducing a new screening regime for foreign direct investments in the UAE. This screening regime will be applicable to all foreign direct investments in the UAE, including those in the strategic sectors.

[UAE Foreign Direct Investment Update](#)



**EU FOREIGN INVESTMENT SCREENING REGULATION TAKES EFFECT: A HIGH-LEVEL REVIEW OF REGIMES ACROSS EUROPE**

Since the EU Foreign Direct Investment (FDI) Screening Regulation (Regulation 2019/452) entered into force in April 2020, there has been an increasing number of Member States introducing foreign investment screening to protect strategic industries and businesses from operations acquired by "foreign" investors. Whilst the Covid-19 pandemic has intensified consideration of this issue, there is a move by national governments to tighten foreign investment control across the EU.

[EU Foreign Investment Screening Regulation takes effect: a high-level review of regimes across Europe](#)



**UK NATIONAL SECURITY REVIEWS: LOWER THRESHOLDS FOR MORE SECTORS**

The UK government is lowering the thresholds of which can carry out a national security review. This will allow for a wider range of investments to be subject to national security review, including those in the strategic sectors. The new thresholds will be applicable to all foreign direct investments in the UK, including those in the strategic sectors.

[UK national security reviews: lower thresholds for more sectors](#)



**POLAND INTRODUCES CONTROL OVER NON-EU/NON-OECD INVESTMENTS IN CERTAIN SECTORS**

On 18 June 2023 the Polish government adopted a new act that introduces a new screening regime for foreign direct investments in the strategic sectors. This screening regime will be applicable to all foreign direct investments in the strategic sectors, including those in the strategic sectors.

[Poland introduces control over Non-EU/Non-OECD investments in certain sectors](#)



**EU PROPOSALS FOR NEW POWERS TO ADDRESS FOREIGN SUBSIDIES**

The European Commission has published a White Paper with proposals for a new legal framework for addressing foreign subsidies. The proposals will be applicable to all foreign subsidies in the EU, including those in the strategic sectors. The proposals will be applicable to all foreign subsidies in the EU, including those in the strategic sectors.

[EU proposals for new powers to address foreign subsidies](#)



**GERMANY TIGHTENS FOREIGN DIRECT INVESTMENT CONTROLS**

Following the recent changes to the German FDI regulation as a consequence of the German FDI regulation, the German Federal Government (FDI) will be significantly tightened again. The amended provisions will be applicable to all foreign direct investments in the strategic sectors, including those in the strategic sectors.

[Germany tightens foreign direct investment controls](#)



**A LEGAL OVERVIEW OF FOREIGN INVESTMENT IN RUSSIA'S "STRATEGIC" SECTORS**

This overview provides a detailed overview of Russia's foreign investment screening regime. It covers the legal framework, the screening process, and the consequences of a national security review. This overview provides a detailed overview of Russia's foreign investment screening regime.

[A Legal Overview of Foreign Investment in Russia's "Strategic" Sectors](#)



**GERMANY TIGHTENS FOREIGN DIRECT INVESTMENT CONTROL WITH PARTICULAR FOCUS ON HEALTHCARE SECTOR**

The German Ministry for Economic Affairs and Energy (Bundeministerium für Wirtschaft und Energie, "BMWi") has published an amendment to the German Foreign Direct Investment Screening Regulation (Ausländische Direktinvestitionen, "ADIR"). The amendment particularly aims at expanding the FDI screening to further parts of the healthcare sector. Other industries are caught by the draft legislation as well.

[Germany tightens foreign direct investment controls with particular focus on healthcare sector](#)

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