Revised EU FDI Screening Regulation Adopted

9 June 2026

On 8 June 2026, the European Council formally adopted a revised foreign direct investment ("FDI") screening regulation. The revised regulation is intended to strengthen the European Union's economic security while maintaining its status as an attractive investment environment. It is expected to materially reshape the FDI landscape in the European Union by moving from a patchwork system towards a harmonised baseline across Member States. The regulation will now be published in the official journal and will enter into force 20 days after publication. Member States will then have 18 months to prepare their national screening mechanisms and ensure compliance with the regulation ahead of its application (expected to be in January 2028).

KEY TAKEAWAYS

- A revised EU FDI Screening Regulation has been adopted by the European Council after two years of negotiations.
- The revised framework requires all Member States to establish and maintain national screening mechanisms and introduces a common minimum scope of review for strategically sensitive sectors.
- The new rules also cover intra-EU investments and will improve coordination and information-sharing between Member States.
- For investors, this new framework is likely to require FDI analyses to occur earlier in the deal cycle and to prompt a more coordinated approach to multijurisdictional filings.

WHAT IS CHANGING?

Mandatory Prior Screening

While under the current framework Member States are encouraged to conduct FDI screening, the new regulation makes it compulsory to establish and operate pre-closing national screening mechanisms, with the aim of reducing gaps across the Single Market. In practice, that will have little impact because all of the EU Member States have already implemented such a regime. The last two were Croatia in November 2025 and Cyprus in April 2026.

Intra-EU Investments

Investments made through EU-incorporated entities that are ultimately controlled by non-EU investors have now been brought into scope. This addresses a gap that has allowed certain investments to avoid scrutiny in some jurisdictions. One implication of this is that financial sponsors investing through, for example, a Luxembourg AIFM structure that has delegated portfolio management to a manager based outside of the EU and/or where the investor is ultimately owned or controlled by individuals or entities from non-EU countries may now be subject to screening.

Common Minimum Scope

The revised framework establishes a minimum set of sectors that will trigger mandatory prior screening across all Member States. This will ensure that strategic sectors cannot be excluded from screening. The relevant sectors include (i) defence and dual-use items; (ii) critical technologies, such as artificial intelligence, quantum technologies and semi-conductors; (iii) critical infrastructure (including transport, energy and digital infrastructure); (iv) strategic raw materials; (v) electoral infrastructure; and (vi) financial market infrastructure and specific financial system entities. There are a number of Member States whose regimes do not cover all of these activities currently, and they will need to amend their legislation to comply. Member States will, however, still determine the extent of any local nexus required to trigger a filing, including any requirements relating to the existence of assets or operations in the jurisdiction. Similarly, Member States will also retain the ability to broaden their screening mechanisms to a wider list of sectors than those covered.

Harmonised Timelines

The revised framework introduces coordinated filing and assessment timelines for transactions triggering review in multiple Member States. To ensure efficiency for such transactions, the regulation asks applicants to “endeavour” to notify all filings on the same day. Member States are now required to have two distinct phases in their review process. Member States must carry out their Phase 1 review within 45 calendar days of

receipt of a "complete" notification. Transactions that require an in-depth review will then move to Phase 2. There is no prescribed Phase 2 deadline; however, in cross-border cases, Member States should "endeavour to align" their overall timing and also coordinate on any commitments that may be required.

Cross-Border Cooperation

The revised framework introduces notification filters designed to identify cases requiring cross-border scrutiny through the cooperation mechanism. The filters focus on transactions where (i) the investors are of interest and/or concern (e.g. foreign government investors); (ii) the national screening authority has decided to conduct an in-depth investigation and/or is intending to impose conditions or prohibit or unwind the transaction; or (iii) the target could be of interest from a security/public order perspective in another Member State (e.g. where the target has significant operations/entities in other Member States), particularly where the target is active in one of the minimum-scope sectors. In relevant cases, Member States will be required to share filings and related information with other concerned Member States and the European Commission within 15 days of notification. The regulation also provides for the establishment of an EU database containing information on notified investments and screening outcomes since October 2020.

Minimum National Standards

The revised framework also imposes baseline requirements on all Member States, including non-discrimination among non-EU investors, call-in powers for non-notifiable deals, compliance monitoring and annual public reporting. In addition, proportionality will now be a legally binding standard such that conditions, prohibitions and unwinding orders will be available only as a last resort.

Exemption for Internal Restructurings

The revised framework includes a very limited carve-out for internal restructurings. That only covers reorganisations where the ultimate beneficial owner does not change, and no new entity from a non-EU country not already present in the upstream ownership chain is introduced into that chain.

More Structured Review Criteria and Process

The revised framework codifies criteria for assessing the likely impact of an investment on security and public order and includes the security and functioning of critical entities, the protection of sensitive information, the availability of critical technologies, the freedom and pluralism of the media, the protection of public health and the continuity of supply of critical inputs. Procedural protections for investors are also strengthened, including the right to be heard and the right to receive a reasoned decision.

CONCLUSION

The European Union is moving toward a more integrated and demanding FDI screening framework, with a broader substantive scope, greater procedural harmonisation and closer cross-border coordination. Investors considering EU transactions should prepare for a regime in which FDI analyses are required earlier and play a more central role in deal planning. Parties should expect greater focus on ownership-chain disclosure, multijurisdictional filing strategy and the coordination of parallel reviews across Member States.

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