

Foreign Direct Investment (FDI) Screening Regime

On 14 November 2025, Cyprus introduced the Foreign Direct Investments Law of 2025 (Law 194(I)/2025) (the "FDI Law"), implementing EU Regulation 2019/452. Although enacted in November 2025, the Law entered into force on 2 April 2026, establishing for the first time a formal framework for the review of certain foreign investments on grounds of security and public order.

Scope of the Law

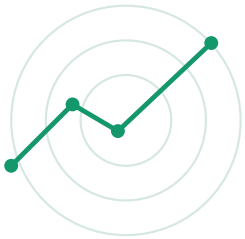
Where the following conditions are cumulatively met, the FDI Law provides for a mandatory prior notification and approval regime, prohibiting completion of the investment until relevant clearance is obtained:

- The existence of a foreign investor (referring to a non-EU/non EEA natural person or legal person constituted or otherwise organised under the laws of a non-EU/non EEA country).
- Who intends to make a foreign direct investment (referring to an investment aiming to establish or to maintain lasting and direct links between the foreign investor and the undertaking to which the capital is made available);
- Resulting in the acquisition of a qualifying holding (referring to the acquisition, directly or indirectly, individually or in concert with other persons, of a percentage corresponding to at least twenty-five per cent (25%) of the share capital and/or the voting rights or a corresponding ability to exercise decisive influence over the activities of the target undertaking);
- The value of the foreign direct investment is equal to or exceeds the amount of two million euro (€2,000,000).
- the foreign direct investment concerns an undertaking of strategic importance (referring to an undertaking which carries out activities falling within particularly sensitive sectors as these are determined in the Law).

Strategic Importance

As appears from the above, a key consideration is whether the foreign direct investment concerns an undertaking that operates in a sector deemed to be of strategic importance.

As per Appendix A of the FDI Law, such sectors include the following (with the list being non-exhaustive): (i) critical infrastructure, whether physical or virtual, including infrastructure in the



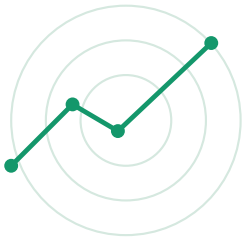
fields of energy, transport, water, health, education, tourism, communications, media, data processing or data storage, aerospace, defence, electoral or financial services (including systemic credit institutions), (ii) sensitive facilities (iii) land or real estate that are crucial for the use, operation, or protection of such critical infrastructure, (iv) undertakings that have access to sensitive information or that could control such information, including personal data, (v) media sector, (vi) critical technologies and dual-use items, as defined in point 1 of Article 2 of Council Regulation (EC) No 428/2009, including technologies in the fields of artificial intelligence, robotics, semiconductors, cybersecurity, aerospace, defence, energy storage, quantum technologies, nuclear technologies, nanotechnologies, and biotechnologies, (vii) the supply of critical inputs, including the supply of energy, raw materials, and inputs relevant to food security.

Notification to the Ministry of Finance

Notifications under the Law must be submitted to the Ministry of Finance, which is designated as the competent authority responsible for conducting the screening process. The notification to the Ministry must include sufficiently detailed information to enable it to assess the potential impact of the investment on security and public order.

In practice, the notification is expected to include, among others, the following:

- Details of the parties to the transaction.
- Information on the ownership structure of the foreign investor and of the undertaking of strategic importance in which the foreign direct investment is intended to be made, including details concerning the ultimate beneficial owners.
- The value of the foreign direct investment.
- The products, services, and business activities of the foreign investor and of the undertaking of strategic importance in which the foreign direct investment is intended to be made.
- The nature of the economic activities carried out in the Republic of Cyprus by the parties to the transaction.
- Information regarding the financing of the investment and the source of such financing.
- The date on which the foreign direct investment is intended to be carried out.
- The state under the laws of which the parties have been incorporated, registered, or otherwise established.



- The countries, including Member States of the European Union and the European Free Trade Association, in which the foreign investor and the undertaking of strategic importance carry out business activities.
- The annual turnover and the total number of employees of each party.
- Information as to whether sanctions or restrictive economic measures have been imposed on the parties to the transaction or on persons connected with a third-country undertaking that is a party to the transaction, pursuant to legislation implementing United Nations Security Council resolutions and Decisions and Regulations of the Council of the European Union on restrictive measures.

In case of failure of the foreign investor to submit a notification in respect of a foreign direct investment which falls within the scope of the FDI Law, such foreign direct investment shall automatically be deemed to be in violation of the provisions of the FDI Law. In such circumstances, the competent authority may, where it considers that the circumstances so require, take any and all measures available to it to prohibit, terminate or unwind the foreign direct investment in question.

Assessment

The FDI Law introduces a two-stage review process. First, the competent authority must determine whether the notified investment falls within the scope of the screening regime as per the criteria analysed above. Where the competent authority determines that the investment is subject to screening, it proceeds to the second stage which involves a substantive review to assess whether the proposed investment is likely to affect the security or public order of the Republic of Cyprus. Depending on the outcome of that assessment, the competent authority may approve the investment, approve it subject to conditions or prohibit it.

In assessing whether the proposed investment is likely to affect the security or public order of the Republic of Cyprus, the competent authority takes into account, among others, the below factors:

- Whether the foreign investor is directly or indirectly controlled by the government of a third country, including through state bodies or armed forces, inter alia through its ownership structure or the provision of substantial funding;
- Whether the foreign investor has previously been involved in activities affecting the security or public order of a Member State of the European Union;
- Whether there is a serious risk that the foreign investor engages in illegal or criminal activities;
- Where applicable, any comments submitted by EU Member States and/or any opinion issued by the European Commission pursuant to Article 6(9) of Regulation (EU) 2019/452;

- The extent to which the foreign direct investment under review affects or is likely to affect the security or public order of another EU Member State or of the European Union as a whole; and
- Whether the foreign direct investment is likely to affect projects or programmes of Union interest, as listed in the Annex to Regulation (EU) 2019/452.

How we can help

Drawing on significant experience in cross-border investments and M&A transactions, STELIOS AMERICANOS & CO LLC advises investors and target entities on the applicability of the Cyprus FDI screening regime and assists with all aspects of the notification and approval process.