



European Parliament adopts draft of new EU FDI screening regulation

Economic
Security

Cattwyk Rechtsanwalts-gesellschaft mbH & Co. KG

Hohe Bleichen 8, D-20354 Hamburg
Rue d'Arlon 25, B-1050 Brussels

Limited Partnership, registered with the commercial register of the Hamburg District Court under HRA 131507 |
Registered office: Hohe Bleichen 8, D-20354 Hamburg | Personally liable partner: Cattwyk Verwaltungs GmbH,
HRB 188095 | Represented by the management : Dr. Katja Göcke, Dr. Lothar Harings, Dr. Hartmut Henninger,
Franziska Kaiser, Marian Niestedt

On May 19, 2026, the European Parliament adopted the draft of the new FDI Screening Regulation. With this draft, the EU is reforming its system for screening foreign direct investments (FDI). On February 10, 2026, the Council of the European Union had confirmed the draft of the new Regulation (2024/0017 (COD)) and officially forwarded it to the Parliament. The Regulation is intended to fully replace the previous Regulation (EU) 2019/452.

The aim of the new Regulation is to ensure a more efficient and effective review of foreign direct investments, as well as a higher degree of harmonization within the EU. The following overview outlines the most important changes.

1. An overview of the key changes

In particular, the scope of the investment screening process is being expanded. On the one hand, more transactions will be covered in the future; on the other hand, more sectors will be subject to screening. In addition, the formal framework provisions for the screening procedure are also being adjusted.

1.1. Covered Transactions

The Regulation will now also cover investments by EU companies controlled by foreign investors. By not relying solely on formal ownership structures, the aim is to prevent circumvention schemes. Such arrangements had previously been criticized, particularly in connection with the ECJ's "Xella ruling" of July 12, 2023, Case C-106/22.

Accordingly, **a foreign investment** is now defined as any investment by a foreign investor—whether directly or through an EU subsidiary—aimed at establishing or maintaining lasting and direct links with a target company in the Union and enabling effective participation in the management or control of the target company in the Union.

Another new addendum is a definition of **greenfield investments**. Greenfield investments are investments by foreign investors involving the establishment of previously nonexistent facilities or companies to carry out an economic activity within the Union. While they are generally covered by the Regulation, it is left to the Member States to decide whether to include them in the mandatory investment screening regime.

1.2. Obligation to establish national screening mechanisms for defined sectors

While the current Regulation leaves the introduction of an FDI screening mechanism to the discretion of each Member State, the draft makes its introduction mandatory. The aim is to achieve a minimum level of harmonization that leaves room for complementary or stricter national regulations.

With regard to the existing German FDI screening regime, this means an expansion, particularly with respect to

- the development, production, and commercialisation of all dual-use goods and EU Common Military List goods;
- the production, research, and development of semiconductor, quantum, and AI technologies;
- the inclusion of critical infrastructure in the transportation, financial, and electoral sectors; and
- an expansion of the list of strategic raw materials.

The substantive assessment criteria remain unchanged (impairment of security and public order). What is new, however, is a detailed list of risk indicators, including

- impacts on critical technologies and intellectual property rights;
- the security and resilience of critical infrastructure, including the land and property necessary for the operation of such infrastructure, as well as those entities falling within the scope of the NIS-2 Directive;
- security of supply for critical inputs, including services; and
- the protection of sensitive information, including personal data.

1.3. Uniform review deadlines and ex post review

From a formal standpoint, a uniform timeframe is established for the Phase I review. A decision on whether an in-depth investigation is necessary must generally be made within 45 calendar days. No timeframe is specified for the Phase II review.

Investments outside the sectors subject to authorization may be subject to ex-post review within a period of at least 15 months and up to a maximum of 5 years after their completion. Investments subject to authorization that were not notified to or were notified only after their completion are subject to review for a period of at least 24 months after their completion.

1.4. Expansion of the EU Cooperation Mechanism

The cooperation mechanism between Member States, or between Member States and the Commission, will be significantly strengthened. In the future, investments subject to approval will be subject to reporting requirements if the investor

- is controlled by the government of a third country;
- is subject to Union restrictive measures;
- was involved in a foreign investment which was authorized in a Member State only subject to conditions that were significantly or repeatedly not complied with, or was not authorized.

Notification requirements also apply to Phase II reviews with cross-border relevance (for example, in the case of participation in a project or program of Union interest, subsidiaries in another Member State, or if the entity in question is part of a group with subsidiaries in another Member State).

The Commission is also establishing a new EU database containing the audit decisions of the Member States as well as the names of the companies involved.

2. Outlook

The new Regulation must still be formally adopted by the Council of the European Union. It will not take effect until 18 months after its entry into force (i.e., likely in early 2028). The current Regulation (EU) 2019/452 will then be repealed, but will continue to apply to ongoing review proceedings and to investments completed by the end of the transition period. The German federal government is already planning to introduce a draft bill for a new Investment Review Act in 2026 that reflects the provisions of the Regulation. Companies should prepare for investment screening to play an even greater role in M&A transactions. Timely and forward-looking planning is essential to identify and assess potential risks.

Marian Niestedt

Attorney-at-Law | Partner

m.niestedt@cattwyk.com

Caroline Walka

Attorney-at-Law | Associate

c.walka@cattwyk.com

Cattwyk Law Firm, LLC & Co. KG

Hohe Bleichen 8, 20354 Hamburg

Rue d'Arlon 25, B-1050 Brussels