

CYPRUS LAW UPDATE – SCREENING OF FOREIGN DIRECT INVESTMENTS

Law on the Establishment of a Framework for the Screening of Foreign Direct Investments of 2025

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1. Purpose and Scope

The Law on the Establishment of a Framework for the Screening of Foreign Direct Investments of 2025 194(I)/2025 (“**Law**”) introduces the first dedicated foreign direct investment (“**FDI**”) screening regime in Cyprus, aiming to protect national security and public order by regulating certain foreign investment transactions in strategic sectors. The Law implements and supplements Regulation (EU) 2019/452, which establishes minimum requirements for FDI screening in the EU.

The Law enters into force on **2 April 2026**.

2. What is an FDI?

Under the Law, an FDI means an investment of any kind by a **foreign investor** aiming to establish or to maintain lasting and direct links between the foreign investor and the entrepreneur to whom or the **undertaking** to which the capital is made available in order to carry on an economic activity in a Member State, including investments which enable effective participation in the management or control of a company carrying out an economic activity.

3. Who Is Covered? (Obligated Persons being subject to notification requirements)

(a) *Foreign investors*, being pursuant to the Law the following **natural persons** and **undertakings**:

- **Natural persons** who are not nationals of an EU Member State, an EEA Member State, or Switzerland, intending to make or having made an FDI; and
- **Undertakings** constituted or otherwise organised outside the EU/EEA/Switzerland intending to make or having made an FDI.

(b) **Any undertaking, organization, institution, or other type of legal entity** in which at least 25% of the share capital and/or voting rights is held by a foreign investor and/or where the beneficial owner¹ is a foreign investor and/or in which a foreign investor holds, directly or indirectly, the control of the relevant undertaking, organisation, institution or other type of legal entity, and which intends to make an FDI in an undertaking of strategic importance.

4. Notification Requirements

A **mandatory prior notification** to the Ministry of Finance (the “**competent authority**”) is required *before completion* of an FDI, by any obliged person, if *all* of the following conditions are met:

(a) **Special Participation / Control Threshold**

- **Specific participation by way of acquisition**, directly or indirectly, individually or in concert with other persons, of 25 % or more of the share capital and/or voting rights or a corresponding ability to exercise decisive influence over the activities of the undertaking; or

- **A further increase in specific participation** (as defined above) which would result in the share of share capital and/or voting rights held by the foreign investor changing from less than 25% to 25% or more; or from less than 50% to 50% or more; (in each case regardless of the value of the FDI).

(b) **Value Threshold:** The FDI’s value equals or exceeds **€2 million**, whether arising from a single transaction or a series of related transactions between the same parties within 12 months from the date of the scheduled completion of the FDI (except in case of a further increase in specific participation).

(c) **Strategic Importance:** The FDI concerns an **undertaking of strategic importance**, e.g. carrying activity in the sectors of energy, transport, telecommunications, water, health, tourism, financial services, defence, media, education, aerospace, data storage or processing, including the systemic credit institutions as well as real estate of strategic importance for the use of any such infrastructure.

For the purposes of the definition of the term “**undertaking of strategic importance**” the Law explicitly provides that “**undertaking**” shall be interpreted as (i) any entity with or without legal personality, not being a natural person, and includes any company established pursuant to the provisions of the Cyprus Companies Law or any entity established by any other means and includes *inter alia* a partnership and a trust; (ii) any entity which has been recognized or established pursuant to the law of a country or territory other than Cyprus and which carries activities in the Republic of Cyprus or provides goods or services in the Republic of Cyprus.

Exemptions: Certain FDIs (**ships** under construction or being subject matter of a sale *except* Floating Storage and Regasification Units) are excluded.

Right of Independent Assessment: The competent authority has the right to assess any FDI, regardless of whether or not it falls within the context of mandatory notification, in cases where there are valid reasons to believe that the FDI is likely to affect the security or public order of the Republic of Cyprus.

5. Notification and Screening Process

(a) **Filing and Standstill**

A **written notification** must be submitted to the competent authority *prior to the completion* of the FDI. The FDI may only be completed after the competent authority’s written approval. The notification must include certain information prescribed by the Law including, description of the intended FDI in the Republic of Cyprus, the details of the parties of the relevant transaction, and information about each of obliged person and the undertaking of strategic importance, including its ownership structure and beneficial owners, the value of the FDI, the activities of the obliged person and of the undertaking of strategic importance, the nature of

¹ “beneficial owner” has the meaning ascribed to this term by the Prevention and Suppression of Money Laundering Activities Law of 2007, as amended.

the activities being carried out in the Republic of Cyprus by the parties of the relevant transaction and any other information deemed necessary by the competent authority.

(b) Review Phases

- **Phase I (Initial Assessment):** Within 20 working days of receiving a complete notification, the competent authority decides whether the FDI requires a detailed screening. If the competent authority decides that the FDI is not subject to detailed screening, the obliged person is informed within 5 working days from the date of the decision.
- **Phase II (Detailed Screening):** If the competent authority decides that the FDI is subject to detailed screening, the obliged person is informed within 5 working days from the date of that decision. The competent authority must then decide, within 65 working days from the date of its decision to initiate the detailed screening, whether the FDI is likely to affect the security or public order of the Republic of Cyprus, based on the indicative factors and criteria set out in the Law.

If it determines that the FDI does not affect security or public order, the obliged person is informed within 5 working days from the date of that decision.

If the competent authority determines that the FDI under review affects the security or public order of the Republic of Cyprus, it may, as appropriate, impose conditions, prohibit, or rescind the FDI, and informs the obliged person accordingly of its decision.

In both phases, if additional information is requested by the competent authority, the statutory timelines may be suspended until such information is provided.

- (c) Advisory Committee:** A 7-member Advisory Committee composed of representatives from relevant ministries provides information to and advises the competent authority on FDIs notified to the competent authority pursuant to the Law. The Advisory Committee has the power to call the foreign investor or his legal representative to present himself before the committee for the purpose of giving clarifications in relation to the FDI.
- (d) Executory Powers:** The competent authority may, when it deems necessary under the circumstances: (i) permit the FDI subject to certain terms and conditions, or (ii) prohibit, terminate or rescind the FDI to the extent this concerns the undertaking of strategic importance, if it determines that this affects the security or public order of the Republic of Cyprus and or the FDI does not satisfy the terms and conditions imposed by the competent authority.

6. Enforcement, Penalties, and Remedies

(a) Legal Consequences of Non-Notification

In the event that any person involved in an FDI fails to submit a notification pursuant to the Law, such FDI is automatically deemed to be in breach of the provisions of the Law and the

competent authority may, take all and/or any measures available to it to prohibit, terminate, or rescind the said FDI.

(b) Administrative Penalties:

Failure to comply with the Law may lead to administrative penalties:

- **From €5.000 and up to €50.000** against a foreign investor for failure to notify an FDI.
- **Up to €100.000** for providing false/misleading information.
- **Up to €50.000** for failure to provide requested information.
- **Up to €100.000** (plus daily fines up to €8.000) for non-compliance with any terms or conditions imposed by the competent authority.

(c) Issuance of Prohibitory and/or Mandatory Orders, including Interim Orders

In the event that the competent authority establishes a breach or an imminent breach of the provisions of the Law, it may take the necessary measures to seek the issuance of a prohibitory and/or mandatory order, including an interim order.

(d) Judicial Review:

Decisions by the competent authority are administrative acts challengeable before the **Cypriot Administrative Court** pursuant to article 146 of the Constitution.

7. Practical Implications

- **Due diligence:** Thorough identification of whether an investment triggers FDI screening is crucial before structuring the transaction and before completion of the transaction.
- **Deal timing:** Notification and review timelines must be factored into transactional planning.
- **Cross-border / Sector specific deals:** Parallel compliance with merger control and sector-specific regulatory regimes may be required.
- **Post-Closing Review risk:** Even FDIs not meeting mandatory thresholds may be screened if national security/public order risks are identified within 15 months from the completion of the investment.
- **Legal Advice:** Any foreign investor or other obliged person should seek legal advice in the Republic of Cyprus prior to considering, making any proposal for or structuring any FDI in Cyprus.

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