Screening of foreign investments in the Union

2024/0017(COD) - 19/05/2026 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 508 votes to 64, with 90 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on the screening of foreign investments in the Union and repealing Regulation (EU) 2019/452 of the European Parliament and of the Council.

The European Parliament adopted its position at first reading by amending the proposal as follows:

Object

The regulation establishes **an EU framework for Member States to screen foreign investments in their territory on the grounds of security or public order**. Its objective is to ensure that foreign investments in the EU do not have a negative impact on security or public order.

National screening mechanisms

Each Member State must put in place a screening mechanism in accordance with the regulation and must notify the measures it adopts no later than 18 months from the date of entry into force of the regulation.

For foreign investments that fall within the scope of their screening mechanism and are subject to a filing obligation, Member States must ensure that the screening authority has appropriate procedures and resources to:

- conduct an initial review of a foreign investment within **45 calendar** days of the filing date to determine whether a more in-depth investigation is necessary to ascertain whether a foreign investment is likely to have an adverse impact on security or public order; and

- based on the results of the initial review, conduct, if necessary, an **in-depth investigation** to determine whether this foreign investment is likely to have an adverse impact on security or public order.

Member States should ensure that their screening authorities are empowered to impose **effective, proportionate and dissuasive sanctions** on foreign investors who do not comply with the requirements of the screening mechanism, including by failing to file for foreign investment when required or by failing to comply with mitigation measures.

Prior authorisation requirement

Each Member State must ensure that its screening mechanism imposes a prior authorisation requirement for foreign investments where the Union target established in its territory:

- develops, produces or markets **dual-use goods** listed in Annex I to Regulation (EU) 2021/821 of the European Parliament and of the Council or **military goods and technologies** listed in the Annex to Directive 2009/43/EC of the European Parliament and of the Council;

- produces and develops **semiconductor** technologies, **quantum technologies** and **artificial intelligence** technologies or conducts research in these areas;

- is active in the **transport, energy or digital infrastructure** sectors and is considered critical under a targeted risk-based assessment that takes into account national security and vital societal functions;

- carries out certain activities related to **strategic raw materials** (exploration, extraction, processing, recycling or recovery, stockpiling);

- constitutes a **central counterparty**, a central securities depository, a regulated market operator, a payment systems operator, a global provider of specialised financial messaging services;

- owns, develops or operates **voter registration databases**, voting systems and other information systems specifically designed to manage election-related operations.

Procedures

The procedures applicable to national screening mechanisms will be streamlined, to reduce complexity and make the EU a more attractive place to invest. The regulation contains provisions on the notification of foreign investments, comments and opinions on notified foreign investments, and information requirements.

Cooperation among national screening authorities and with the Commission will be enhanced, facilitating coordination and joint action on cross-border security risks. The new law will also cover transactions within the EU where the investor is ultimately owned by individuals or entities from a non-EU country.

No later than 12 months from the date of entry into force of the regulation, the Commission shall put in place, and then maintain, an **encrypted and secure system** to facilitate the exchange of information between contact points.

Negative impact on security and public order

To determine whether an investment is likely to have a negative effect on security or public order, Member States and the Commission will have to examine whether the investment in question is likely to have an adverse impact on: (i) a project or programme of Union interest; (ii) the availability of critical technologies; (iii) the security and functioning of a critical entity or infrastructure; (iv) the protection of sensitive information; (v) the freedom and pluralism of the media, including online platforms and social media platforms which can be used for large-scale disinformation activities or criminal activities; (vi) the protection of electoral processes; (vii) the protection of public health and food safety; (viii) the security of military installations.

Mitigation measures

The amended text specifies that these measures may include, *inter alia*: (i) changes to the proposed governance structure of the Union target; (ii) modifications to the voting rights conferred on the foreign investor; (iii) conditions on access to sensitive technologies or information; (iv) measures to ensure the continuation of business activities; (v) requirements to source critical components from secure and reliable suppliers; (vi) implementation of cybersecurity protocols to protect against potential threats; (vii) an obligation to store and process specific data within the Union.

Expert group, transparency

The expert group on screening foreign direct investment into the Union, which provides advice and expertise to the Commission, will continue to engage in discussions regarding foreign investment screening.