

# PANORAMIC

# FOREIGN INVESTMENT REVIEW

## Cyprus



 LEXOLOGY

# Foreign Investment Review

Contributing Editors

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## Cyprus

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## LAW AND POLICY

**Policies and practices**

What, in general terms, are your government's policies and practices regarding oversight and review of foreign investment?

Cyprus maintains an open, free-market economy and generally encourages foreign investment. It is primarily a common law jurisdiction and a member state of the European Union (EU). Cyprus is a member of the Eurozone and generally allows for the free movement of capital, without general currency controls, subject to standard anti-money laundering regulations.

As an EU member state, Cyprus implements FDI screening in accordance with the provisions of the Regulation (EU) 2019/452 establishing a framework for the screening of foreign direct investments into the Union. The primary legislative instrument for the screening of FDI is the Foreign Direct Investment Screening Law of 2025 (Law 194(I)/2025).

In addition to the overarching FDI screening framework, specific rules regulate foreign investment in certain sectors:

- Banking, financial services and insurance: acquisitions of qualifying holdings in entities such as credit institutions, insurance companies, payment institutions and investment firms are subject to strict prudential assessment. Such acquisitions require the prior approval of the competent supervisory authority, namely the Central Bank of Cyprus, the Superintendent of Insurance or the Cyprus Securities and Exchange Commission, as applicable. In the case of significant credit institutions, the ultimate decision on qualifying holdings may lie with the European Central Bank.
- Media: the total share capital of a licensed media organisation held by third-country nationals must not exceed 25 per cent, and individual third-country investors require the Council of Ministers' permission to acquire shares (capped at 10 per cent).
- Real estate: third-country nationals must obtain permission from the Council of Ministers to acquire immovable property in Cyprus. Subject to exceptions for commercial purposes, this permission is typically granted for only one property (eg, a private residence or a plot of land not exceeding approximately 4,000 square meters) per applicant for personal use.

Investors domiciled within the EU rely on the *acquis communautaire*, ensuring fundamental freedoms of establishment and capital movement. Foreign ownership of property is conferred constitutional protection, permitting expropriation only on strict public benefit grounds with immediate, justiciable compensation.

Domestic safeguards are reinforced by a network of bilateral investment treaties with major capital-exporting third countries, typically securing fair and equitable treatment and most favoured nation clauses. Cyprus is party to the ICSID Convention and the 1958 New York Convention, ensuring that both investor-state and commercial arbitral awards are recognised and enforceable.

Law stated - 16 December 2025

## Main laws

What are the main laws that directly or indirectly regulate acquisitions and investments by foreign nationals and investors on the basis of the national interest?

The primary legislative instrument is the Foreign Direct Investment Screening Law of 2025 (Law 194(I)/2025) (the FDI Law), into force as of 2 April 2026. The FDI Law establishes the framework for the assessment of FDI, designates the competent screening authority, and sets out the procedures for notification, assessment and enforcement.

Law stated - 16 December 2025

## Scope of application

Outline the scope of application of these laws, including what kinds of investments or transactions are caught. Are minority interests caught? Are there specific sectors over which the authorities have a power to oversee and prevent foreign investment or sectors that are the subject of special scrutiny?

The law applies to foreign direct investments made by foreign investors (nationals or entities from outside the EU, EEA or Switzerland) that result in the acquisition of a special participation in a Cypriot undertaking deemed to be of strategic importance. This covers any transaction, including share purchases or other financial activities, leading to the acquisition of the whole or part of an undertaking.

Minority interests are caught, as a special participation is defined as the acquisition of 25 per cent or more of the share capital or voting rights, or the ability to exercise decisive influence over the activities of the undertaking. Furthermore, increasing an existing participation to reach or exceed thresholds of 25 per cent or 50 per cent also triggers a notification requirement.

The competent authority has the power to screen investments in undertakings active in critical infrastructure (whether physical or virtual) and sensitive sectors. Key sectors identified in the law include energy, transport (including ports and airports), health, water, communications and media, data processing and storage, aerospace and defence, electoral and financial services (including systemic credit institutions), and critical technologies such as artificial intelligence, robotics, semiconductors and cybersecurity. Land and real estate crucial for the use of such infrastructure are also included. Investments concerning ships under construction or subject to sale and purchase are generally exempt, with the exception of floating storage and regasification units.

Law stated - 16 December 2025

## Definitions

How is a foreign investor or foreign investment defined in the applicable law?

A foreign investor for the purposes of the FDI Law is:

- a natural person who is not a citizen of an EU member state, an EEA member state or Switzerland;
- a third-country entity (domiciled, registered or having its principal place of business outside the EU, EEA or Switzerland); or
- any undertaking directly or indirectly controlled by a third-country national or a third-country entity (ie, through the exercise of decisive influence, by means of ownership, contractual rights or de facto).

Dual citizens holding EU or EEA citizenship are generally not considered foreign investors.

The FDI Law adopts the definition of 'foreign investment' from Regulation (EU) 2019/452, meaning an investment of any kind by a foreign investor aiming to establish or maintain lasting and direct links in order to carry on an economic activity in Cyprus, including investments which enable effective participation in the management or control of a company.

Law stated - 16 December 2025

### **Special rules for SOEs and SWFs**

Are there special rules for investments made by foreign state-owned enterprises (SOEs) and sovereign wealth funds (SWFs)? How is an SOE or SWF defined?

In determining whether an investment affects security or public order, the competent authority must take into account whether the foreign investor is directly or indirectly controlled by the government of a third country (including state bodies or armed forces), whether through ownership structure or significant funding. There is no separate definition for SOEs or SWFs.

Law stated - 16 December 2025

### **Competent authorities**

Which officials or bodies are the competent authorities to review mergers or acquisitions on national interest grounds?

The Ministry of Finance is designated as the competent authority responsible for the implementation of the FDI Law (the FDI Authority).

An advisory committee provides reasoned advice to the FDI Authority. This committee is chaired by the Permanent Secretary of the Ministry of Finance and includes permanent secretaries (or their representatives) from the Ministries of:

- Defence;
- Energy, Commerce and Industry;

- Foreign Affairs;
- Interior;
- Justice and Public Order; and
- Transport, Communications and Works.

Law stated - 16 December 2025

### **Discretionary powers of authorities**

Notwithstanding the above-mentioned laws and policies, how much discretion do the authorities have to approve or reject transactions on national interest grounds?

The FDI Authority is empowered to prohibit, terminate or unwind an FDI if it determines that the investment poses a risk to the security or public order of the Republic.

The assessment is based on non-exhaustive factors listed in the Law. If a risk is identified, the FDI Authority may approve the transaction subject to conditions (remedies) or reject it entirely. The FDI Authority's decisions must be reasoned and proportionate to the risk identified.

Law stated - 16 December 2025

## **PROCEDURE**

### **Jurisdictional thresholds**

What jurisdictional thresholds trigger a review or application of the law?  
Is filing mandatory?

The FDI Law applies to a special participation acquired by a foreign investor in a strategically important undertaking.

Special participation

'Special participation' is defined as the acquisition of at least 25 per cent of the share capital or voting rights, or the ability to exercise 'decisive influence' over the target undertaking. Increases in existing participation are also caught if they cross the 25 per cent or 50 per cent thresholds.

The acquisition of minority interests is caught under the FDI Law if these thresholds are met.

Value threshold

Generally, the investment must have a value of at least €2 million (cumulative value of transactions between the same parties within 12 months). However, the value threshold

does not apply to increases of participation crossing the 25 per cent or 50 per cent marks – these are notifiable regardless of value.

#### Strategically important undertakings

The FDI Law applies to undertakings active in critical infrastructure (physical or virtual) and technologies. The Annex to the FDI Law sets out an indicative list of sensitive sectors, including:

- energy;
- transport (ports, airports);
- water;
- health;
- communications and media;
- data processing or storage;
- aerospace and defence;
- electoral services;
- credit and financial services (including systemic banks);
- critical technologies (AI, robotics, semiconductors, cybersecurity, quantum/nuclear technologies, nanotech, biotech);
- food security and critical raw materials;
- access to sensitive information/personal data; and
- land and real estate crucial for the use of the above infrastructure.

Ships under construction or subject to sale or purchase (excluding floating storage and regasification units) are exempt from the FDI Law.

**Law stated - 16 December 2025**

#### **National interest clearance**

What is the procedure for obtaining national interest clearance of transactions and other investments? Are there any filing fees? Is filing mandatory?

A written notification must be submitted to the FDI Authority before the investment is implemented. The notification must include detailed information on the ownership structure, value, financing, products, services and jurisdiction of the investor and target. Filing is

mandatory if the thresholds are met. The law does not explicitly specify a filing fee structure in the primary text, though a filing fee may become applicable under subsidiary legislation that may be issued.

Law stated - 16 December 2025

## Approval responsibility

### Which party is responsible for securing approval?

The obligation to notify and secure approval lies with the foreign investor intending to make the investment.

Law stated - 16 December 2025

## Review timeline

### How long does the review process take? What factors determine the timelines for clearance? Are there any exemptions, or any expedited or 'fast-track' options?

The review process is split into two phases. In phase one (initial assessment), the authority must decide within 20 working days of receiving a complete notification whether to subject the investment to a full screening. If no screening is required, the investor is notified within five working days.

If a full review is initiated (phase two), the authority has 65 working days to issue a final decision.

Timelines are suspended if the authority requests additional information or clarifications.

There are no formal statutory fast-track options, though simple cases cleared in phase one are effectively expedited.

Law stated - 16 December 2025

## Closing conditions

### Must the review be completed before the parties can close the transaction? What are the penalties or other consequences if the parties implement the transaction before clearance is obtained?

Yes, the regime is suspensory. Transactions falling within the mandatory scope are statutorily considered to be subject to the condition precedent of receiving approval.

If parties implement the transaction before clearance (gun-jumping), the authority can impose administrative fines ranging from €5,000 to €50,000 for failure to notify.

Furthermore, the authority can order the transaction to be unwound, prohibited or terminated. Until clearance is granted, or if the transaction is prohibited, the investor and

any concerted parties are barred from exercising voting, management or control rights in the target undertaking.

**Law stated - 16 December 2025**

### **Pre-filing guidance and dialogue**

Can formal or informal guidance from the authorities be obtained prior to a filing being made? Do the authorities expect pre-filing dialogue or meetings?

The FDI Law does not explicitly codify a formal pre-notification process. Generally, the FDI Authority may be able to provide informal clarifications ahead of filing, but not to a substantial extent.

**Law stated - 16 December 2025**

### **Specialist support**

When are government relations, public affairs, lobbying or other specialists made use of to support the review of a transaction by the authorities? Are there any other lawful informal procedures to facilitate or expedite clearance?

The advisory committee to the FDI Authority may invite the notifying party or representatives from the private sector, professional associations or other bodies to provide expertise during the review.

Outside counsel may be used to prepare, submit and handle the notification to the FDI Authority.

Generally, lobbying is subject to a distinct regulatory framework in Cyprus and prior registration of lobbyists is necessary for any interaction with decision-making public officials.

**Law stated - 16 December 2025**

### **Post-closing powers of authorities**

What post-closing or retroactive powers do the authorities have to review, challenge or unwind a transaction that was not otherwise subject to pre-merger review?

For transactions that were mandatory to notify but were not notified, the FDI Authority can review the transaction up to five years from implementation.

For transactions not subject to mandatory notification, the FDI Authority can call in the transaction for review up to 15 months from implementation if security concerns arise.

In both cases, if the review leads to a prohibition, the FDI Authority can order the transaction to be unwound or the investment divested.

## SUBSTANTIVE ASSESSMENT

### **Substantive test**

What is the substantive test for clearance and on whom is the onus for showing the transaction does or does not satisfy the test?

The test is whether the foreign direct investment is likely to affect the security or public order of Cyprus. Factors considered include the sensitivity of the sector (such as critical infrastructure or dual-use technologies), the risk of espionage or data leverage, and the investor's profile, including state control, criminal record or involvement in activities affecting security in other EU states.

The onus is generally on the investor to provide sufficient information to demonstrate that the transaction does not pose such risks, although the ultimate assessment lies with the FDI Authority.

Law stated - 16 December 2025

### **International cooperation**

To what extent will the authorities consult or cooperate with officials in other countries during the substantive assessment?

The Ministry of Finance acts as the national contact point for the EU cooperation mechanism under Regulation (EU) 2019/452. The FDI Authority must notify the European Commission and other member states of ongoing screenings. It must take into account comments from other member states and opinions from the Commission.

Law stated - 16 December 2025

### **Other relevant parties**

What other parties may become involved in the review process? What rights and standing do complainants have?

While third-party complainants, such as competitors of the foreign investor or the target undertaking, do not have formal standing in the statutory procedure, the advisory committee to the FDI Authority may consult private sector experts or associations during the assessment of a notification.

Law stated - 16 December 2025

### **Prohibition powers**

What powers do the authorities have to prohibit or otherwise interfere with a transaction?

The competent authority has the power to prohibit the transaction entirely, approve it with conditions, or order unwinding or divestment if a transaction was completed without approval or if conditions are breached. It also has the power to suspend rights, preventing the exercise of voting or management rights associated with the investment.

Law stated - 16 December 2025

### **Objection remedies and undertakings**

Is it possible to remedy or avoid the authorities' objections to a transaction; for example, by giving undertakings or agreeing to other mitigation arrangements? How are undertakings or other arrangements monitored?

Yes, the FDI Authority may approve an investment subject to specific conditions. While the regime is untested in terms of remedies, common remedies are expected to include ensuring security of supply, restricting access to sensitive information or appointing compliance officers. If an investor fails to comply with conditions imposed by the FDI Authority, the latter may revoke the approval, order the investment to be unwound and impose fines up to €100,000 plus daily penalties for continued non-compliance.

Law stated - 16 December 2025

### **Challenge and appeal**

Can a negative decision be challenged or appealed?

Yes, decisions of the FDI Authority are administrative acts. They are subject to recourse before the Administrative Court under article 146 of the Constitution. The applicant must demonstrate a legitimate interest and file the recourse within 75 days of the notification of the decision.

Law stated - 16 December 2025

### **Confidential information**

What safeguards are in place to protect confidential information from being disseminated and what are the consequences if confidentiality is breached?

The FDI Law explicitly states that information received is to be used only for the purpose of the screening and references the law on the protection of trade secrets. Investors may designate specific documents as confidential or business secrets and provide non-confidential versions.

Officials and committee members are bound by a statutory duty of confidentiality. Unauthorised disclosure is a breach of statutory duty. While the legislation focuses on penalties for investors, general administrative and penal laws would apply to officials

breaching confidentiality. General data protection regulations also apply to personal data processing.

Law stated - 16 December 2025

## RECENT CASES

### Relevant recent case law

Discuss in detail up to three recent cases that reflect how the foregoing laws and policies were applied and the outcome, including, where possible, examples of rejections.

As the Foreign Direct Investment Screening Law of 2025 enters force on 2 April 2026, there is currently no case law or decisional practice available.

Law stated - 16 December 2025

## UPDATE AND TRENDS

### Key developments of the past year

Are there any developments, emerging trends or hot topics in foreign investment review regulation in your jurisdiction? Are there any current proposed changes in the law or policy that will have an impact on foreign investment and national interest review?

The landmark development of the past year is the enactment of the Foreign Direct Investment Screening Law of 2025, which established Cyprus's comprehensive foreign direct investment screening regime.

Law stated - 16 December 2025