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UK National Security and Investment Act: Government Confirms Targeted Reforms to Mandatory Notification Regime

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The UK Government has published its response to the 2025 consultation on proposed amendments to the National Security and Investment Act 2021 (NSIA), confirming a package of reforms to refine the scope of mandatory notification. Consistent with the direction of travel outlined in our previous alert — "*UK National Security and Investment Act Update: Streamlining Security, Supporting Investment*" (September 2025) — the Government is seeking to reduce administrative burdens while sharpening the regime's focus on genuine national security risks. The reforms represent a targeted recalibration rather than a wholesale overhaul. While certain changes (including exemptions and more precise definitions) are intended to reduce the number of notifications, others (notably the introduction of additional sectors) will expand the regime's scope.

Background

The NSIA established the UK's standalone investment screening regime, enabling the Government to review acquisitions on national security grounds. The regime applies to both UK and foreign investors. It is agnostic as to deal value, with mandatory pre-completion notification required in (at current 17) specified, sensitive sectors (as defined in the Notifiable Acquisition Regulations (NARs)).

In July 2025, the Government consulted on proposed amendments to those sectors. On 12 March 2026, it published its consultation response confirming how it intends to proceed.

Key Developments

Continued "streamlining" agenda

The Government's response is consistent with themes identified in its 2025 consultation and reflected in market commentary:

- the high proportion of transactions cleared without intervention;

- the need to reduce friction for low-risk transactions; and
- a policy objective of ensuring the regime remains targeted and proportionate.

At the same time, the Government has reiterated that it will continue to take a robust approach to transactions involving sensitive sectors and technologies.

Expansion and restructuring of mandatory sectors

The Government intends to increase the number of mandatory sectors from 17 to 19, alongside a broader restructuring of how activities are categorised.

Key changes include:

- the introduction of new standalone sectors, including Critical Minerals, Semiconductors and Water;
- the separation of semiconductor-related activities from broader categories; and
- the reorganisation of existing sectors to improve clarity and reduce overlap.

These changes reflect a growing focus on strategic supply chains and critical infrastructure, as well as the need to capture sensitive technological capabilities more precisely. They are also intended to address concerns that current definitions capture a broader range of activities than necessary.

Narrowing and clarification of sector definitions

Alongside expansion, the Government intends to refine and, in some cases, narrow the scope of existing sector definitions. In particular:

- certain definitions are expected to be more tightly focused on entities developing or controlling sensitive capabilities, rather than those making routine or downstream use of them;
- areas such as artificial intelligence, communications and data infrastructure are expected to see more precise scoping; and
- drafting will be updated to reduce ambiguity and overlap between sectors.

While these changes should improve clarity, the definitions are expected to remain technical and fact-sensitive in application. The Government has emphasised that only a small proportion of notified transactions result in intervention, supporting the case for a more targeted regime.

Introduction of targeted exemptions

The Government has confirmed that it intends to introduce exemptions designed to reduce unnecessary notifications, including for:

- intra-group reorganisations; and

- certain insolvency-related transactions and appointments.

These exemptions respond to stakeholder feedback that such transactions rarely raise national security concerns but can currently trigger mandatory filings.

Legislative Timing

The consultation response does not itself amend the law. The Government has indicated that:

- implementing regulations will follow, expected later in 2026; and
- the current regime remains in force until those changes take effect.

Practical Implications

Renewed importance of scope analysis

The revised sector definitions and additional sectors will require careful reassessment of whether target activities fall within scope. This is particularly relevant for businesses operating across adjacent or evolving technology areas.

Reduced burden for low-risk transactions

The introduction of exemptions and more targeted definitions should reduce filings in certain scenarios, particularly:

- internal reorganisations; and
- transactions involving routine use of technologies.

However, this may be offset where businesses fall within newly defined or expanded sectors.

Continued execution risk

The NSIA regime remains suspensory, meaning that:

- transactions subject to mandatory notification cannot be completed prior to clearance; and
- a failure to notify where required can result in the transaction being void, alongside potential civil and criminal penalties.

Early-stage NSIA analysis will therefore remain critical to transaction planning and execution.

Transitional considerations

Pending implementation of the reforms:

- parties must continue to apply the existing sector definitions; and
- there may be a period of interpretive uncertainty as the market prepares for the revised regime.

Key Takeaways

- The Government is refining — not replacing — the NSIA regime.
- The direction of travel remains consistent: streamlining where possible, tightening where necessary.
- The regime is likely to become more targeted, but not materially simpler to apply.
- Certain transactions will benefit from reduced administrative burden, while others – particularly in strategic sectors – may be subject to expanded notification requirements and review.

Next Steps

We recommend that clients:

- review current and planned transactions in light of the proposed sector changes;
- update internal NSIA screening and escalation procedures;
- monitor the publication of implementing legislation; and
- seek advice where there is uncertainty regarding sector scope or the availability of exemptions.

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