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Fifth NSI Act Annual Report: More Notifications, Fewer Interventions

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Key Takeaways

- **Build sufficient time into transactions.** With the median time to accept notifications rising to 11 working days for mandatory filings and 13 working days for voluntary filings, parties should factor in a longer pre-acceptance period alongside the statutory 30 working-day review period when NSI clearance is required.
- **Look beyond traditional defence assets.** Although Defence generated the most notifications, Advanced Materials accounted for five of the nine final orders and Data Infrastructure a further three, so sectors such as semiconductors, data centres and cloud infrastructure warrant close attention once a deal progresses.
- **Carry out early NSI risk assessments.** With notifications up 15 percent year on year to 1,324, early consideration of whether a transaction falls within the mandatory regime can help avoid delays and reduce execution risk.
- **Review historic transactions where appropriate.** With 42 retrospective validation applications this year, parties are still identifying past deals that require clearance, underscoring the importance of NSI due diligence across acquisitions, reorganisations and other corporate transactions.
- **Assess acquirer profile and potential remedies early.** Acquirers associated with China featured in around 30 percent of call-in notices and a third of final orders despite only about 2 percent of accepted notifications, so transactions involving higher-scrutiny jurisdictions or sensitive sectors should be assessed at the outset for the risk of conditions, which have typically included commitments to retain UK capabilities and supply, information-security controls and restrictions on transferring intellectual property or data.
- **Consider remedy risk in valuation and structuring.** Eight of the nine final orders allowed deals to proceed subject to conditions, so where the target operates in a sector that has

historically attracted remedies, such as advanced materials or data infrastructure, buyers should model the commercial impact and consider mitigating value through price adjustment, earnout or specific indemnity protection.

On 14 July 2026, the UK Cabinet Office published its fifth Annual Report on the UK National Security and Investment Act 2021 (NSI Act), covering the period from 1 April 2025 to 31 March 2026 (the Report).

The Report provides further insight into how the UK Government is exercising its investment screening powers in practice. While notification volumes continue to increase as familiarity with the regime grows, Government intervention remains focused on transactions raising genuine national security concerns.

Taken together with the reforms to the mandatory notification regime confirmed earlier this year, the latest statistics reinforce the Government's stated objective of maintaining a secure, predictable and proportionate investment screening regime. For investors, businesses and dealmakers, the Report provides useful guidance on where scrutiny remains concentrated and how transaction planning should evolve.

Report offers potential buyers a number of data points relevant to deal planning, risk allocation and the structuring of NSI conditionality in transaction documents.

More Notifications, but Limited Intervention

The Investment Security Unit (ISU) received 1,324 notifications during 2025-26, a 15 percent increase on the previous reporting period and approximately 46 percent higher than in 2023-24. Mandatory notifications continued to account for the vast majority of filings (1,135), alongside 147 voluntary notifications and 42 retrospective validation applications.

The continued use of retrospective validation applications demonstrates that parties are still identifying historical transactions requiring clearance, underlining the importance of robust NSI Act due diligence in acquisitions, internal reorganisations and other corporate transactions.

Despite the increase in notifications, Government intervention remained relatively limited. Of the 1,220 notified acquisitions reviewed during the reporting period, only 54 (4.4 percent) were called in for a full national security assessment, broadly consistent with the previous year. Including six non-notified acquisitions, the Government issued 60 call-in notices in total.

Following the call-in, the Government issued 44 final notifications confirming that no further action would be taken, but only nine final orders, down from 17 in the previous reporting period. Eight of those final orders permitted the transaction to proceed subject to conditions, while only one acquisition was prohibited outright: a joint venture involving the transfer of graphene-related technology and intellectual property to a Chinese investor, where the Government concluded that the dual-use national security risks could not otherwise be addressed. With only four transactions abandoned following call-in, the proportion of reviewed transactions subject to any form of intervention has fallen to its lowest level since the regime took effect.

together, these figures suggest that although awareness of the NSI regime continues to grow, substantive Government intervention remains confined to a relatively small subset of notified transactions.

For buyers, this means that most transactions are likely to clear without substantive issues. However, careful attention is still required where the target operates in sensitive sectors or where the acquirer's profile may attract closer scrutiny. In those cases, early engagement with the process is likely to lead to a smoother outcome.

Timing: Delays Emerging at the Front End

One of the most notable developments in this year's figures concerns timing. The Government again made every decision on whether to call in or clear a notified acquisition within the statutory 30 working-day review period. The time taken to accept a notification as complete, which starts the review clock, has nonetheless increased, with the median rising from seven to 11 working days for mandatory notifications and from eight to 13 working days for voluntary notifications. The Government attributes this to increased notification volumes and states that it is taking steps to address it. For now, transacting parties should adjust deal timelines accordingly, build in a longer pre-acceptance period and be prepared for initial submissions to require further information before the statutory review period begins.

For buyers, this means that, practically, transaction timetables, NSI conditions, and long-stop dates should factor in the full pre-acceptance period, not merely the statutory 30 working-day review window, and should also include any potential extensions, if relevant.

Sector and Origin Trends: Looking Beyond Defence

Defence continued to account for the largest share of notifications, call-in notices and final notifications, reflecting its position as the sector most frequently engaging the mandatory notification regime.

The final order data, however, presents a more nuanced picture. Advanced Materials accounted for five of the nine final orders, followed by Data Infrastructure (three) and Military and Dual-Use (two).

The available data, therefore, suggests that notification volumes alone are not necessarily a reliable indicator of where substantive intervention is most likely. For transaction advisers, this reinforces the importance of looking beyond filing volumes when assessing NSI risk across different sectors. Businesses operating in areas such as advanced materials, semiconductors, data centres and cloud infrastructure should continue to consider potential NSI implications at an early stage of transaction planning.

The origin-of-investment data points the same way. Because the NSI Act applies to all acquirers regardless of nationality, UK-associated acquirers accounted for the largest share of both accepted notifications (72 percent) and call-in notices (52 percent). Acquirers associated with China, by contrast, featured in around 30 percent of call-in notices and a third of final orders despite representing only about 2 percent of accepted notifications. This confirms that transactions involving Chinese investors continue to attract heightened scrutiny.

That said, all buyers should consider that the ISU will typically require disclosure of ultimate beneficial ownership of the acquisition structure. So, buyers backed by foreign state-owned or state-influenced capital, or with significant minority investors from higher-scrutiny jurisdictions, should assess this exposure at the outset and what impact it may have.

Looking Ahead

The Report follows the Government's confirmation earlier this year of targeted reforms to the mandatory notification regime, including new exemptions for certain internal reorganisations and insolvency officeholders, updated sector definitions and a simplified notification process.

Notably, these reforms point in two directions. Some will narrow the regime, for example, carving out certain "off-the-shelf" artificial intelligence products and exempting qualifying internal reorganisations. Others will expand it, including bringing major water companies within scope and creating dedicated categories for semiconductors and critical minerals. On balance, the changes are widely expected to increase, rather than reduce, notification volumes, mirroring a broader international trend as FDI screening regimes across the EU and beyond broaden their scope.

Taken together, the Report and the forthcoming reforms suggest that the Government remains focused on reducing unnecessary administrative burden while ensuring that scrutiny is directed towards transactions presenting genuine national security concerns.

Although no financial penalties or criminal prosecutions were concluded during the reporting period, the continued use of retrospective validation applications serves as a reminder that robust NSI compliance remains an important element of transaction planning.

For buyers, this may prompt them to consider whether NSI-related warranties from sellers are appropriate, i.e., confirmations that the target itself has not previously completed acquisitions requiring notification without having obtained clearance.

Next Steps

The Government is expected to implement the reforms to the mandatory notification regime through secondary legislation, although commencement dates have yet to be confirmed. Businesses considering transactions in sensitive sectors should continue to monitor developments and assess whether future deals may be affected by the revised notification requirements once they take effect.

Five years after its introduction, the NSI Act has developed into a more mature and predictable investment screening regime. While notification volumes continue to increase, this year's figures suggest that Government intervention remains focused on a relatively small number of transactions. For dealmakers, the practical message remains clear: identify potential NSI issues early, build realistic transaction timetables and keep the forthcoming reforms under review.

This alert is part of Katten's ongoing coverage of the NSI Act. For further background, see our earlier client alerts on the operative provisions of the NSI Act, the 2024–25 Annual Report and consultation on reform, and the Government's confirmed reforms to the mandatory notification regime.

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