



UK National Security and Investment Act Update: Streamlining Security, Supporting Investment

September 11, 2025

This summer has seen a flurry of National Security and Investment Act 2021 (NSI Act) activity: the Cabinet Office released the 2024-25 Annual Report, the Chancellor of the Duchy of Lancaster (CDL) issued a detailed written statement, and a parallel press release launched a consultation to streamline the regime.

This briefing supplements our [October 2024 advisory](#) and considers what conclusions can be drawn from the new NSI Act Report (released 22 July 2025, covering the period 1 April 2024 to 31 March 2025), and how the powers under the NSI Act fit into the government policy plans.

Overview of NSI Act Activity

1. **System Still Clearing** the Vast Majority of Deals. Of 1,143 notifications in 2024–25 (up 26 percent year-on-year), 95.5 percent were cleared within the initial 30-day review period; only 4.5 percent were called-in.
2. **More Final Orders, Few Prohibitions.** Seventeen final orders were issued (up from five last year), yet only one transaction was ordered to unwind — the regime remains focused on conditional approvals rather than outright blocks.
3. **Pro-Business Reforms Announced.** The Government intends to remove mandatory filing requirements for purely internal reorganisations and for the appointment of insolvency practitioners.
4. **Consultation on Sensitive Sectors.** Semiconductors and Critical Minerals will become standalone mandatory sectors, Computing Hardware will fold into Semiconductors, and the Water sector may be brought into scope.

5. **Longer Reviews for High-Risk Deals.** Where a transaction was called-in, the median time to a final order rose to 100 calendar days (up from 53 days), and the additional 45-day assessment period was used much more frequently.

Practical takeaway: While the headline clearance metrics remain encouraging, parties in sensitive sectors (or involving sensitive investors) must still bake a three-to-four-month NSI timetable into their deal longstop mechanics.

The CDL's Statement — Cutting the Red Tape

The CDL's written statement confirms a series of reforms:

- **Remove Mandatory Filings for Internal Reorganisations.** Where ownership remains within the same corporate group, a notification will no longer be required – welcome news for multinational restructurings.
- **Exclude Liquidators, Special Administrators and Official Receivers.** The appointment of insolvency officeholders will be taken out of scope, easing the path for distressed mergers and acquisitions (M&A).
- **Launch a 12-Week Consultation** on the Notifiable Acquisition Regulations (NARs).
- **Publish Additional Guidance** later in the year, responding to stakeholder queries.

The CDL's tone is explicitly pro-growth: security and prosperity are "hand in hand," with the reforms designed to let the ISU "focus more closely on higher-risk transactions."

Cabinet Press Release — Framing the Narrative

The accompanying press release places the reforms within the Government's broader "Plan for Change". Key points for investors include:

- **"Cutting unnecessary bureaucracy."** Internal reorganisations and insolvency appointments rarely raise national security concerns, so the notification requirements will be removed.
 - **"Hone the type of transactions facing greater scrutiny."** The Government signals heightened vigilance over supply-chain resilience by carving out Semiconductors and Critical Minerals.
 - **"Bringing certain deals in the water sector into scope".** Acknowledged as low-volume but high-impact, water infrastructure will likely see targeted scrutiny
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What This Means for Deal Planning

1. **Check the New Sector Definitions.** If you operate in Semiconductors, Critical Minerals or Water, track the consultation's outcome (open until 14 October 2025) — obligations and deal timetables may shift.
 2. **Internal Restructurings Should Soon Be Simpler.** Multinationals planning global entity tidy-ups can expect reduced NSI friction once secondary legislation lands, but until then, the existing rules stand.
 3. **Expect More and Longer Conditional Clearances.** The jump to 17 final orders, all but one clearing with conditions, shows the ISU's preference for behavioural or governance remedies over prohibitions. Early engagement and remedy planning can expedite review.
 4. **Timeline Management Remains Critical.** For deals touching sensitive technologies or buyers, assume at least three months from filing to clearance and draft clauses accordingly.
 5. **UK Buyers Are Squarely in Scope.** UK buyers, particularly in the defence, dual-use or energy assets sectors, must not dismiss NSI risk based on domestic ownership alone.
 6. **Chinese-Linked Investment Continues to Draw Attention.** Parties should prepare for detailed questioning, potential conditions and a higher probability of a call-in. Thus, early and comprehensive submissions remain essential.
 7. **Compliance and Enforcement.** While no penalties or prosecutions were issued in the reporting period, the Government identified 60 instances of notifiable acquisitions completed without approval. In each case, parties were required to provide assurances to prevent recurrence, underscoring the importance of robust compliance processes.
 8. **Monitor Guidance Updates.** In light of stakeholder feedback, the ISU will issue further guidance; staying abreast of those developments will help shorten the pre-notification dialogue.
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Final Thoughts

One year into the new administration, the NSI regime looks both **embedded and evolving**. The high clearance rate and forthcoming reforms underscore the Government's desire to remain "open for business." At the same time, the widening of mandatory sectors and the rise in conditional clearances illustrate a sharpened focus on supply chain resilience and critical infrastructure.

For corporate clients, the practical message is straightforward: **build NSI analysis into front-end transaction strategy, prepare robust filings and engage early on potential remedies.** Done well, most deals will still clear quickly — but the price of underestimating NSI risk is an extended timeline, intrusive conditions or the rare divestment order.

Katten's cross-disciplinary team continues to track NSI developments and is ready to assist with risk assessments, notification strategy and engagement with the ISU.

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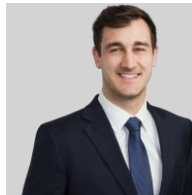
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