

Questions & Answers:

The newly enacted Cyprus Foreign Direct Investment (FDI) Screening Framework

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Introduction

This Q&A insight has been prepared by Chrysses Demetriades and Co. LLC for information purposes with a view to assisting companies and their advisors to better understand the Foreign Direct Investment (FDI) regime that will enter into force on the 2nd of April 2026. It does not constitute legal advice and should not be relied upon as such.

The present Q&A may need to be amended when the Cypriot authorities will publish Guidelines on the FDI Law. We expect that the Guidelines will become available in the next few weeks and before the 2nd of April 2026.

For purposes of the present document, any reference to ‘**FDI Law**’ shall mean the Cyprus Law on the Establishment of a Framework for the Screening of Foreign Direct Investment of 2025 (Law 194(I)/2025). Additionally, any reference to the ‘competent authority’ shall mean the Ministry of Finance of the Republic of Cyprus.

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1. When will the FDI Law enter into force?

Although the FDI Law was published in the Official Gazette of the Republic of Cyprus on the 14th of November 2025, the regime will come into force on the 2nd of April 2026.

2. When is an FDI filing required?

A foreign investor will be required to make an FDI filing in Cyprus when **all three** (3) of the following conditions are met:

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| (i) | The foreign direct investment results in the acquisition (either directly, or indirectly) of at least 25% of the share capital and/or voting rights in the relevant undertaking or the ability to exercise decisive influence over the activities of the relevant undertaking (special participation); |
| (ii) | The value of the FDI either alone or in combination with other transactions taking place between the same parties within a 12-month period (from the date on which the transaction is intended to be completed) is equal to or exceeds the amount of €2.000.000; and |
| (iii) | The FDI concerns an “undertaking of strategic importance” that is defined as an undertaking with activities in the so called “particularly sensitive sectors” that are provided in the Annex to the Law. |

The second and third criteria are analysed in greater detail in the answers to Questions 8 and 17-18 respectively.

A further increase in the ratio of share capital and/or voting rights from:

- Less than 25% to 25% or more; or
- Less than 50% to 50% or more

will also trigger the mandatory notification obligation regardless of the value of the transaction.

3. Which persons fall under the definition of a ‘foreign investor’?

A ‘Foreign Investor’ is:

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| a) A natural person that is not an EU, EEA, or Swiss citizen; or |
| b) An undertaking of a third country (not an EU, EEA, or Swiss country). |

4. Who is responsible for filing the notification?

The foreign investor, as defined in the answer to Question 3 above, is responsible for filing the notification to the competent authority.

5. Which is the competent authority?

The competent authority is the Ministry of Finance of the Republic of Cyprus.

6. Are there any exemptions from mandatory notification for sectors that are otherwise covered by the Annex to the Law?

FDI concerning ships under construction or ships that are subject to a sale and purchase agreement, except for floating storage and regasification units (FSRUs), is exempted from the mandatory notification requirement.

7. Can a transaction still be screened even when a prior notification is not mandatory?

The legislation provides for a discretionary call-in power, whereby the Cypriot competent authority reserves the right to examine any transaction, regardless of whether it falls within the scope of mandatory notification. This power could be exercised in cases where there are reasonable grounds to believe that a transaction may affect the security or the public order of the Republic of Cyprus.

Where the mandatory notification requirement is not triggered, the competent authority may exercise its discretionary call-in power within 15 months from the date of completion of the investment

8. Which are the key sectors of FDI, referred to in the Annex as the sensitive sectors?

The FDI Law focuses on transactions relating to undertakings that are active in particularly sensitive sectors that concern infrastructures of critical importance, physical or virtual, including infrastructures in the sectors of:

- Energy
- Transport
- Aerospace
- Water Supply
- Healthcare
- Communications
- Media
- Education

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- Tourism
 - Credit and Financial Services
 - Defence
 - Digital Infrastructure and Data Processing or Storage, and
 - Land and Real Estate of critical importance for the use of the above-mentioned infrastructure.

The above sectors are mentioned in the Annex to the Law. The Annex also sets out the criteria and factors that the competent authority should evaluate when assessing whether the investment poses a risk to safety or public order of the Republic of Cyprus.

9. What would be the trigger for a notification?

The notification obligation is triggered where the three cumulative conditions provided in section 3(2) of the FDI Law are satisfied, or alternatively, where the competent authority has decided to exercise its call-in powers based on reasonable grounds to believe that the investment may affect the security or public order of the Republic of Cyprus.

10. Would the new regime apply to transactions that have been completed prior to the entry into force of the FDI Law (retrospective application)? What about those that were agreed but have not been completed at the entry into force of the FDI Law?

The FDI Law does not provide for a retrospective application to FDI transactions completed prior to its entry into force (i.e before the 2nd of April 2026). Section 8(a)(c) provides that where an FDI transaction is subject to the mandatory notification obligation, but the parties have failed to comply with such obligation, the competent authority may exercise its discretionary call-in power within 5 years from the date of completion of the investment.

Considering that the FDI Law does not provide for an express power to review completed transactions retrospectively and that no Cypriot FDI Law was applicable prior to the legislation under discussion and, consequently, no statutory obligation to notify FDI existed, we do not consider it likely that the competent authority would exercise its discretionary power to review transactions completed prior to the FDI Law coming into force.

On the other hand, in our view the FDI Law would apply to transactions that were agreed but have not been completed at the entry into force of the FDI Law.

11. How long would the review period be? Are there different review phases?

The competent authority decides within 20 working days of receipt of a duly completed application whether the notified transaction will be subject to screening. During the review the competent

authority may request from the investor more information, explanations or clarifications. Such a request suspends the 20- day review period until the requested information is provided.

In cases where the competent authority decides not to subject the investment to its (further) screening (i.e. it decides to clear it after the first phase) it will need to communicate its decision to the investor within 5 days.

If the competent authority decides to subject the investment to an in-depth screening based on the factors and criteria mentioned in the Annex, it should inform the investor of its decision within 5 days of deciding this. In that case the review period will be 65 days. As with phase I, a request for information by the competent authority will lead to a suspension of the deadline for taking a decision.

12. Will the competent authority consider the views of a Consultive Committee?

Pursuant to the FDI Law, a Consultive Committee consisting of 7 members will be established. Its role will be to provide reasoned advice regarding any investment notified to the competent authority. The Chairman of the Committee shall be the General Director of the competent authority or a representative of the authority serving at a position of scale A13 or above.

Furthermore, the Consultive Committee will also consist of the General Directors of the following ministries:

- Ministry of Defence
- Ministry of Energy, Commerce and Industry
- Ministry of Foreign Affairs
- Ministry of Interior
- Ministry of Internal Affairs
- Ministry of Justice and Public Order
- Ministry of Transport, Communication and Works

13. What are the sanctions for failure to notify?

The competent authority may impose administrative sanctions on the foreign investor or any person exercising direct or indirect control over the FDI. Specifically, the competent authority may impose an administrative fine of not less than €5,000 and not exceeding €50,000 on a foreign investor where there has been a failure to notify.

Additionally, the competent authority may also impose:

- a) an administrative fine not exceeding €100,000 where false or misleading information has been provided;
- b) an administrative fine not exceeding €100,000 where false or misleading information has been provided;

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- c) an administrative fine not exceeding €100,000 in the event of failure to comply within a specified timeframe, with any terms or conditions imposed by the competent authority with respect to the FDI.

In the event of a breach of any provision of the FDI Law, the competent authority may adopt any necessary measures, including the issuance of a prohibitive and/or mandatory order. Such orders may also be issued on an interim basis, where deemed appropriate.

14. Who would be subject to sanctions for failure to notify?

Pursuant to section 12 of the FDI Law, the administrative sanctions outlined in the answer to Question 12 above may be imposed on the foreign investor (whether a natural person or an undertaking of a third country), as well as on any other person exercising direct or indirect control over the FDI in question.

15. Would a breach of the standstill obligation lead to a fine?

The law does not explicitly provide for a specific sanction associated with a breach of the standstill obligation, which requires the parties to refrain from implementing the transaction until it has been approved. However, as explained in the answer to Question 15 below, the implementation of a (notifiable) transaction from a legal point of view becomes subject to the approval of the competent authority and a fine will apply in case of breach of that obligation.

16. What is the impact on the validity of the transaction when there has been a failure to notify or await clearance?

Section 8 of the FDI Law stipulates that where a transaction triggers the mandatory notification obligation, the prior approval of the competent authority shall constitute a condition precedent for the completion of the transaction. Consequently, at least for Cyprus law purposes the validity and enforceability of the transaction becomes contingent on the competent authority granting the requisite approval.

Additionally, in such cases, the transaction is automatically deemed to be in violation of the provisions of the Law, and the competent authority may take any and all measures at its disposal to prohibit, terminate or reverse the transaction in question.

17. How is the threshold of €2 million assessed? Is it assessed by reference to a Cypriot turnover or asset value?

Section 3(2)(b) provides that the €2 million threshold will be assessed in accordance with the value of the FDI whether from a single transaction or in combination with other transactions between the same parties within a 12-month period from the date on which the FDI is intended to be completed.

Our reading of the FDI Law and the criteria set out in section 3 is that the €2 million threshold can be met on the basis of the global value of the transaction constituting the FDI. The FDI Law does not provide that a certain amount of turnover should have been generated in Cyprus or that the FDI should involve acquisition of a Cypriot asset or undertaking.

Moreover, as provided in the definitions contained in section 2, an “undertaking of strategic importance” is an undertaking with activities in the so called particularly sensitive sectors that are provided in the Annex to the FDI Law.

For the said definition, as further stated in the section 2, an “undertaking” means:

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| a) Any (Cypriot) entity set up under the companies Law or by other means, or |
| b) A foreign entity that was set up outside the Republic of Cyprus which either has activities in Cyprus or that supplied goods/services in Cyprus. |

18. How substantial should the local nexus or local impact of a transaction be for an obligation to notify to arise?

In the absence of specific guidance from the competent authority or by way of secondary legislation, it would appear that the conditions giving rise to an obligation to file under the FDI Law do not require a certain minimum turnover to be generated in Cyprus or presence to a certain financial level.

19. Is there a standard form to use?

The Law does not mention that a standard form shall be used when submitting the written notification request to the competent authority. It is however expected that the form that will need to be used will be made available through the Guidelines that are expected to be published in the coming weeks by the competent authority.

However, section 4(1) of the FDI Law, read in conjunction with section 3(1), require among other things that the following information must be included in a written notification:

- A description of the FDI;
- Details of the parties to the transaction;
- The structure of ownership of the foreign investor and of the strategic undertaking in which the FDI is intended to be made;
- Information on the ultimate investor and/or beneficial owner;
- The value of the FDI;
- The products, services, and business activities of the foreign investor and the strategically important undertaking in which the FDI is intended to be made;
- The nature of the economic activities carried out by the parties in the Republic of Cyprus;
- The date on which the FDI is intended to be made;
- The state under whose laws the parties have been incorporated, registered or otherwise established;

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- The annual turnover and total number of employees of each party;
 - Any additional information deemed necessary for the assessment of the FDI by the competent authority.

20. Would the FDI Law cover acquisitions by EU companies controlled by third country nationals?

Acquisitions by EU companies controlled by third-country nationals can be caught by the FDI Law. Section 3(6) provides that any company, organisation, institution, or other legal entity which intends to make a direct foreign investment and in which:

- a) at least 25% of the share capital and/or voting rights are held by a foreign investor,
- b) the beneficial owner is a foreign investor, or
- c) a foreign investor controls the relevant undertaking, either directly or indirectly,

shall be subject to the notification obligation.

21. Are internal restructurings excluded from the scope of the FDI Law?

There is no explicit provision within the FDI Law excluding internal restructurings.

For more information you can contact your usual contacts at Chrysses Demetriades & Co. LLC or our partner Polyvios Panayides using the details below.

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