

FOREIGN (NON-EU) DIRECT INVESTMENT SCREENING IN CYPRUS

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Cyprus has enacted its first dedicated legislation governing the review of foreign direct investments that may affect matters of security or public order. The Law on the Establishment of a Framework for Screening Foreign Direct Investments of 2025 (Law 194(I)/2025) will apply as from 2 April 2026.

The new law gives effect to Regulation (EU) 2019/452, introducing a formal review process for certain investments by non-EU investors into Cyprus businesses.

What is a Foreign Direct Investment

The Law adopts a wide understanding of foreign direct investment. It covers any form of investment by a foreign investor that is intended to create or preserve a stable and direct relationship with a Cyprus undertaking, where the investor is able to participate effectively in the management or control of that undertaking.

Foreign investors include both individuals and legal entities established outside the European Union, the European Economic Area and Switzerland.

When Prior Notification Is Required

The competent authority must be notified before an investment is completed if the following conditions apply cumulatively:

1. the value of the investment reaches EUR 2 million or more, either as a standalone transaction or together with related transactions concluded between the same parties within a twelve month period;
2. the target undertaking operates in a sector considered sensitive under the Law; and
3. the investment leads to the acquisition of 25% or more of the share capital or voting rights, whether directly or indirectly.

Role of the Ministry of Finance

Responsibility for the assessment of FDIs rests with the Ministry of Finance, which acts as the competent authority.

**Certain non-EU investments
now require prior approval.**

Where notification is mandatory, as per the above conditions, the transaction cannot be completed unless approval is granted. The Ministry also has the power to examine investments that fall outside the mandatory thresholds if they are considered capable of affecting security or public order. In such cases, the Ministry may initiate a review within 15 months of completion.

Where a notifiable investment has been completed without prior notification, the review window extends to five years.

Review Procedure and Timeframes

Once a notification is submitted, the Ministry has 20 business days to decide whether a full review will take place.

If no review is initiated, the investor is informed shortly thereafter. If the investment proceeds to screening, the Ministry must reach a final decision within 65 business days, determining whether the investment raises concerns for the Republic of Cyprus.

Sanctions for Non-Compliance

Failure to submit notification may result in administrative fines, alongside other corrective measures available under the Law. In serious cases, the Ministry may seek court order to prevent or pause an unlawful transaction.

Any decision taken by the Ministry may be challenged before the Administrative Court.

Foreign investments in Cyprus will now go through a statutory approval process based on investor origin, transaction value and sectoral activity. This introduces an additional regulatory step that did not previously exist and which may affect both the timing and execution of certain transactions. In practice, investors and sellers will need to assess at an early stage whether a proposed transaction falls within the scope of the Law, as completion without the required clearance may expose the parties to sanctions and post-completion intervention by the authorities.

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