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## The UK National Security and Investment Act: What do I need to know?



<sup>&</sup>lt;sup>1</sup> Assets can be: (a) land; (b) tangible or corporeal moveable property; or (c) ideas, information or techniques which have industrial, commercial or other economic value (e.g. trade marks, databases, source code, algorithms, formulae, designs, plans, drawings and specifications, and software). An asset outside the UK is only within scope if used in connection with activities carried on in the UK or the supply of goods or services to persons in the UK. Similarly, an overseas entity is only caught if it carries on activities in the UK or supplies goods or services to persons in the UK. Guidance on how the regime affects people or acquisitions outside the UK is <u>here</u>.

- <sup>6</sup> Nonetheless, it may be desirable to ensure the ISU is aware of the transaction to reduce the window for "calling-in" from five years from when the trigger event takes place to six months from when the Business Secretary is aware of the trigger event.
- <sup>7</sup> A statement <u>here</u> sets out how the call-in power is expected to operate, with likelihood of call-in a key consideration in whether a voluntary notification is advisable. Use of the call-in power depends on three risk factors: (a) target risk (whether use of the target could pose a national security risk); (b) acquirer risk (whether the acquirer raises national security concerns); and (c) control risk (the amount of control being acquired).

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<sup>&</sup>lt;sup>2</sup> Material influence has the same meaning as under the UK merger control framework, i.e. the ability to materially influence the entity's policy. This can be derived from veto rights over strategic items such as budget, business plan or board composition or even lesser levels of influence (e.g. board representation alone could be sufficient, especially if combined with relevant sector expertise). Typically, a shareholding of at least 15 per cent is required (material influence below this level can occur but is rare).

<sup>&</sup>lt;sup>3</sup> The 17 sensitive sectors are: (a) Advanced Materials; (b) Advanced Robotics; (c) Artificial Intelligence; (d) Civil Nuclear; (e) Communications; (f) Computing Hardware; (g) Critical Suppliers to Government; (h) Critical Suppliers to the Emergency Services; (i) Cryptographic Authentication; (j) Data Infrastructure; (k) Defence; (l) Energy; (m) Military and Dual-Use; (n) Quantum Technologies; (o) Satellite and Space Technologies; (p) Synthetic Biology; and (q) Transport. Definitions for these sectors are here and guidance on the definitions is here.

<sup>&</sup>lt;sup>4</sup> After a mandatory or voluntary notification, the Business Secretary is required either to issue a call-in notice for a full assessment or decide to take no further action (i.e. clear the deal) within 30 working days. For a full assessment, the Business Secretary has 30 working days either to impose remedies or take no action (i.e. issue clearance), which can be extended by an additional 45 working days and any such voluntary period as agreed.

<sup>&</sup>lt;sup>5</sup> Guidance on compliance and enforcement, including potential penalties is <u>here</u>.