

Chancellor of the Duchy of Lancaster
Cabinet Office
70 Whitehall
London

By email: nsipolicy@cabinetoffice.gov.uk

14 October 2025

Dear NSI policy team,

Re: BVCA response to NSI Notifiable Acquisition Regulations Consultation

The British Private Equity and Venture Capital Association (BVCA) is the industry body and public policy advocate for the private capital industry in the UK. With a membership of around 600 firms, we represent UK-based venture capital, private equity and private credit firms, as well as their professional advisers and investors. The private capital industry backs 13,000 UK businesses, nine in 10 of which are small or medium-sized enterprises. Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% to GDP.

In 2024, £29.4bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. This increased investment has fuelled the growth of businesses across the UK, with six in 10 (58%) of the businesses backed in 2024, located outside of the capital. These investments are long term, with an average investment period of six years, in contrast to less than a year in public markets.

The BVCA recognises the importance of national security and supports the Government's ambition in this area. However, we remain concerned that many of the reforms previously advocated for in our submission to the National Security and Investment Act [Call for Evidence](#) 2023, have not been taken forward. As it stands, we think that the regime is not as effective as it could be, is overly burdensome and does not strike the right balance between protecting national security and encouraging investment and therefore growth in the UK.

While the Government has set out ambitious goals in defence and investment, achieving this will require considerable reform and a wider review of the regime. The NSIA was introduced to ensure the UK remains an attractive destination for investment while safeguarding national security. In the current geopolitical context, we think the regime does not fully meet its policy objectives and the Government must do more to clearly signal where it actively welcomes investment. The regime is currently too broad and captures a wide range of areas, some of which lack clear definitions or guidance on how national security risks are assessed. This is further compounded by its misalignment with the Industrial Strategy, which identifies eight priority areas for growth, a number of which remain in the mandatory filing sectors list and remain widely and therefore poorly defined. This disparity creates additional uncertainty for investors.

Without improvements, it is our view that the regime will continue to be a barrier for investment in critical sectors, including in defence, an area of focus for this Government. Difficulties faced by private capital investors are likely to continue and could potentially lead to the UK becoming

a less competitive location for attracting investment, negatively impacting innovation and growth. The Government estimates that the overall change in the number of mandatory notifications per year would be between 10 fewer and 35 more. Given that the number of notifications is now more than 1,000 a year (1,143 in 2024 - 2025) and continues to rise, whilst the number of final orders (17 in 2024 - 2025) is comparatively limited, these amendments will do little to improve a regime that is not delivering clear benefits to those it is intended to serve. The increased number of notifications runs directly in contrast with the stated aims of reducing red tape as set out in the Ministerial Foreword of the consultation.

Finally, compared with some international peers, this regime continues to be overly burdensome and costly, especially for venture capital firms. The number of transactions being caught and/or requiring notification is significantly higher than the equivalent number in the US and some European countries. In fact, notifications under the US regime continue to fall year on year while they rise in the UK. If the UK is to maintain competitiveness, it is essential to streamline the notification process and reduce the operational barriers we have set out in previous submissions and in this response. Efforts should focus on decreasing the number of notifications to better support investment and growth in priority sectors.

We therefore continue to recommend that the Government take steps to address these issues and act on this feedback from businesses and investors. This should help improve the regime and make it more effective in achieving the Government's security objectives.

BVCA key recommendations

The BVCA maintains that the regime needs wider reform and will continue to put forward the below key recommendations, as noted by our members.

1. Narrow the scope

The Government should look to narrow and focus definitions further. As noted above, the number of transactions being caught is significantly higher than that in the US. There is no reform proposed for a number of definitions in sectors that are part of the Government's growth ambitions, including in defence and areas in the Industrial Strategy. The regime's extensive scope, broad definitions and somewhat insufficient guidance have rendered it challenging for investors, leading to unnecessary notifications and a considerable number of benign investments being caught.

Currently, investors and advisors bear full responsibility and full risk to assess whether a notification should be made. A narrower scope of the NSI Act and/or more focused definitions would be welcome, as well as additional guidance and engagement from the ISU. We think there is a need, as is the case in other regulatory contexts, for something akin to the Takeover Panel's Practice Statements or FCA Market Watch briefings which provide guidance to the market, and ensure consistency and equal access to information.

We welcome the commitment to remove internal restructuring from scope and recommend further refinement of mandatory filing sectors and exclusion of similar types of transactions. The Government's current guidance on internal restructuring requires notifications even where no genuine national security concern arises. For instance, investors that create intra-group shell companies to acquire a qualifying entity ahead of a sale to a third party must notify, despite there being no ultimate change in control. This adds unnecessary cost and delay to restructuring processes, particularly when compared with non-NSIA restructurings taking place in parallel. An explicit exemption for such cases would provide clarity, reduce uncertainty, and ease the administrative burden.

However, we stress that the Government must make clear and consult on its proposed changes. Any exemption for internal restructuring should be drafted broadly. It should not be limited only to situations where the ultimate beneficial owner continues to hold the same indirect shareholding in the qualifying entity. The exemption should also apply where the ultimate beneficial owner's shares are transferred to another company within the same corporate group.

We also maintain that the Government should put in place measures to help narrow the scope of, or have clearer and more focused definitions of, in particular, the 17 specified sensitive areas of activity to assist all parties, as well as continuing to provide additional guidance and promoting better engagement from the ISU. Comparable regimes, in jurisdictions such as the US and national Member States within the EU, are **less expansive and onerous than the UK approach, and this risks deterring investors away from the UK**. The problem is that this regime is not running efficiently and proportionately and so it is a drag on business, investors and deal making. The UK is a world leader for this sort of commercial activity and we need to retain that position.

2. More official guidance and communication from ISU

Private capital firms are finding that the ISU is inconsistent in its approach and can be slow to communicate. While some members report having received useful and timely guidance from the ISU, there have been instances in which guidance was not received for a number of weeks. This creates uncertainty and delay in a transaction, with impacts on individual firms and the wider market. For example, a delay in a transaction can cause a business, such as a small startup looking for venture capital investment, to struggle at an important phase of growth due to cost pressures or, in the worst case, collapse. Often there is uncertainty around the scope of the regime which means that parties notify when it is unnecessary to do so. The combination of this uncertainty and a lack of clarity around the notification process also leads to the ISU being perceived by investors to be a "black box".

A further difficulty arises due to the lack of transparency and update about the process being followed. There is no named case handler assigned to the investor during the first review period and often no feedback or process updates are given, which combine to make the process difficult to engage with. We would therefore advocate for **a case officer to be**

assigned to each filing from the outset to allow parties to follow up on the progress of a notification and for any queries the parties have.

It was understood that prior to the legislation being enforced, the ISU would engage closely with the business community to ensure a smooth transition; however, members have experienced inconsistent engagement, leading to delays and uncertainty. We would welcome more communication between the acquirer and the ISU which would lead to an improved understanding of the regime.

We also recommend that **existing guidance should be updated to clarify matters** in response to queries and requests to feedback **and new guidance should be created** via engagement with the investor community. The three areas in which additional guidance would be useful are remedies, indirect acquisitions and fund specific guidance. This should be done via the established Expert Panel, which, we note, has not met recently. We strongly encourage for this group to be reinstated, given its expertise and the valuable contributions it can make. We understand that the ISU frequently receives similar questions and has likely developed a set of resources to address them consistently. These resources should be made publicly available to ensure transparency and place all stakeholders on an equal footing.

The ISU's market guidance on the interpretation of certain aspects of the regime (such as the question of whether veto rights conferred by shareholder agreements could satisfy the test in s.8(6) of the NSA Act) has been very useful for our members. We would like to see the ISU continue to adapt its guidance in this by **giving views on the interpretation of the NSI Act and the Notifiable Acquisition Regulations** in the absence of any judicial interpretation by the courts. Our members and their advisors would prefer to have more detailed guidance, even if there is a risk that a court might subsequently disagree with it. For example, the CMA's jurisdictional and procedural guidance (CMA2) has around 30 pages of guidance dedicated to explaining how the CMA has interpreted its jurisdiction under the Enterprise Act 2002, very little of which is based on case law of the courts. This is all the more important given the broad and vague wording of many provisions in the NSI Act.

3. Administration issues

We would suggest that timetables are reduced further, clearer signposting is provided from the ISU and the "clock-stopping" function is removed or limited so that deals can be cleared as quickly as possible.

The ISU should aim to **speed up the timing of reviews**, which are often prolonged. This delay can significantly impact venture capital firms in particular which need to invest nimbly into fast growing companies. These portfolio businesses rely on cash flow to survive. This is especially the case for clearly benign deals which shouldn't need to wait for the full 30 working days (6 weeks) to clear. We would like to see an expectation set amongst businesses that benign deals are cleared in a shorter period of time.

The Cabinet Office and ISU could also streamline how their online guidance and forms are organised, as it can be challenging to navigate. Some members have found inconsistencies with regard to sector scope, so it would be useful to have these clarifications, as well as correcting the errors in the online form, for example around the use of certain punctuation and special characters in documents uploaded to the system. The Government should also consider implementing a single form for both mandatory and voluntary filings, to eliminate the delays that are caused when a filing is rejected on the basis that the wrong form has been used (even though the forms are very similar). It must be clear that when it does not think a company is in scope of the mandatory regime, it quickly and efficiently moves it into a voluntary filing to avoid future unnecessary mandatory filings.

4. Additional safe harbours should be included:

Exemptions should be included now that the regime is in place and becoming established. We note there is provision for secondary legislation to exempt certain transactions and will continue to ask the Government to consider the following exemptions:

- Businesses/firms that have been vetted by or receive funding from UK Government sources aimed at promoting innovation and growth in certain sectors should be deemed as presenting no acquirer risk and therefore exempt from voluntary or mandatory notification. In particular, businesses that are wholly owned or funded by the UK Government present little to no risk to national security that would justify a mandatory notification. Providing an exemption for these businesses would be a proportionate approach consistent with the Government's aim of supporting innovative new business.
- The UK should also consider an analogous framework to the Excepted Investor concept adopted by the CFIUS regime, whereby UK investors and investors from certain key states that are close allies of the United Kingdom are subject to less restrictive notification requirements.
- In addition to the officeholders identified in the Call for Evidence, as already mentioned we think there is merit in including receivers and administrative receivers who also act as agents of the insolvent company and in our view ought to benefit from the same exemption in terms of their appointment. Otherwise, the same potential adverse effects apply in relation to their appointment. Likewise, trustees in bankruptcy should for the sake of consistency also be included within the scope of the exemptions.

We have responded to the specific questions set out in the consultation below. Please note that a number of these questions are not relevant for the BVCA.

The BVCA looks forward to continued engagement including via the Expert Panel and other engagement. Please do not hesitate to get in touch if you have any questions or if you would like to discuss any of the above in more detail (please contact Ciaran Harris, charris@bvca.co.uk and Tom Taylor, ttaylor@bvca.co.uk).

Yours faithfully,

Clare Gaskell

Clare Gaskell

Chair, BVCA Legal Committee

BVCA response to respondent questions

Organisation characteristics

Q1. What type of organisation do you work for?

The British Private Equity and Venture Capital Association (BVCA) is the industry body and public policy advocate for the private capital industry in the UK. With a membership of around 600 firms, we represent UK-based venture capital, private equity and private credit firms, as well as their professional advisers and investors.

Q2. In which area(s) of the economy do you operate?

Other – private capital

Q3. How many people work in your organisation?

The BVCA represents a membership of around 600 firms

Q4. In what countries does your organisation operate?

UK

Interactions with the NSI Act

Q5. Have you submitted a notification under the NSI Act or been involved in other ways with the NSI Act? Please tick any of the following that apply and provide details if relevant.

Q6. If you have submitted a notification under the NSI Act, or been involved in an acquisition subject to NSI screening, did you interact as:

Q7. If you have submitted a notification, was it a voluntary or mandatory notification or retrospective validation application?

Q8. What was the final outcome of your acquisition screening?

This section is not relevant for the BVCA. However, it is important to note that members from across the private capital industry make notifications under the regime. Additionally, our technical committees include antitrust and FDI private practice lawyers who work with their clients to submit notifications.

Additional questions about the NSI Act

British Private Equity & Venture Capital Association

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Q9. To what extent do you agree with the following statements?

a) I / my organisation understand(s) the types of risk the Government seeks to address through the NSI Act.

Strongly Disagree – Disagree – Neither Agree nor Disagree – Agree – Strongly Agree

b) I / my organisation understand(s) how the NSI Act works and the requirements it places on my organisation.

Strongly Disagree – Disagree – Neither Agree nor Disagree – Agree – Strongly Agree

c) I / my organisation understand(s) the circumstances of an acquisition that make it more likely that the Government will call it in or impose a final order under the NSI Act.

Strongly Disagree – Disagree – Neither Agree nor Disagree – Agree – Strongly Agree

d) My / my organisation's approach to investment has changed since January 2022.

Strongly Disagree – Disagree – Neither Agree nor Disagree – Agree – Strongly Agree

e) The commencement of the NSI Act was an important factor in changing my / my organisation's approach to investment.

Strongly Disagree – Disagree – Neither Agree nor Disagree – Agree – Strongly Agree

Q10. Regarding your organisation's activity in the UK, select any of the below that apply to how your approach has changed:

- Invest less

Q11. Excluding legal work, how many hours of work are required to familiarise yourself with the NSI Act and guidance before considering whether to submit a notification for the first time?

1-5; 6-10; 11-15; 15-20; 20+; My organisation is a law firm.

Q12. On average, excluding legal work, how many hours of work are required to familiarise yourself with the NSI Act and guidance when considering subsequent notifications?

1-5; 6-10; 11-15; 15-20; 20+; I have only considered submitting one notification; My organisation is a law firm.

Q13. On average, excluding legal work, how many hours of work are required to engage with the ISU before submitting a notification?

0; 1-5; 6-10; 11-15; 15-20; 20+; My organisation is a law firm.

Q14. On average, excluding legal work, how many hours of work are required to gather the necessary information for the notification form?

1-5; 6-10; 11-15; 15-20; **20+**; My organisation is a law firm.

Q15. On average, how many hours of legal consultation are required to prepare a notification?

1-10, 11-20, 21-30, **31-40**, 40+.

In response to Q11-15, we would like to highlight that the figures vary depending on the case. Overall, they demonstrate that the process – from becoming familiar with the guidance, to gathering the information to preparing the notification form, submitting subsequent notifications, and engaging with the ISU – can be overly burdensome and take considerable time.

In the majority of cases, there is either no or very little engagement with the ISU. However, the number of hours are significantly higher in the event of a call-in where the parties are likely to engage with the ISU for over 20 hours. Similarly, legal consultation time between the buyer/seller and their legal counsel typically ranges between 20 and 40 hours for complex cases, but can be significantly higher again for call-ins.

Additionally, there is a disparity in the ease and speed at which one can prepare the form if they do not have existing legal expertise and handle filings on a regular basis. Training may be required and can take time at considerable expense. This may also affect the level of confidence in understanding how the regime may be applied to the business.

BVCA response to consultation questions

Q1. Do the proposed changes to the NARs achieve their stated policy objectives?

We do not think that they do. They do not go far enough to remove red tape and promote growth. The changes expand the regime, including new sectors that are now mandatory, and do not promote growth in key stated areas by the Government. The Government has indicated that the proposed amendments are expected to result in between 10 fewer and 35 additional mandatory notifications each year. An increase in mandatory filings of this scale is difficult to reconcile with a pro-growth policy approach.

As mentioned above, the Government has set out ambitious goals in defence, but the lack of changes to the definition of 'defence' means it remains unclear how to interpret key concepts. Currently, there is limited guidance on how terms, such as 'national security' and 'defence', should be interpreted, and further clarification is needed to make this clearer. The fact that Government guidance explicitly mentions that cleaning or catering operations at defence facilities are in scope only adds to the ambiguity around what falls in and out of scope.

In practice, any service provided to the Ministry of Defence (MoD) can be easily captured by the current definition. This becomes problematic when the MoD may be a customer for software

services from members' portfolio companies. Whilst it is often benign and off-the-shelf software, that particular customer relationship – regardless of how small – can trigger a filing.

In relation to the sectors the Government has consulted on for this part of the response:

Artificial Intelligence

As we explain in more detail below, whilst we welcome the Government's stated objective of excluding low risk cases, such as businesses licensing AI without any further development, further clarification is required from the Government to exclude these.

Critical Minerals

Whilst a more focused sector with a clear list of minerals captured is helpful, it will be important to make sure that the list identifies those minerals that, for UK purposes, have a clear link to national security, to avoid unnecessarily broadening the scope of the NSI Act further.

Data Infrastructure

The effect of changes to the Data Infrastructure sector definition will likely bring any qualifying transaction in respect of any data centre within the scope of mandatory notification regime. It is unlikely to minimise the burden on businesses. If anything, it is likely to increase it by requiring more notifications.

It must be made clearer that only 'infrastructure' should be captured within the definition. With reference to Platform-as-a-Service (PaaS) potentially being included in scope of the regime, we do not think it is reasonable that PaaS should be viewed as a virtualised infrastructure, in particular where PaaS systems are simply an application logic or overlay on top of third party infrastructure, such as AWS.

Where the PaaS offering is simply an application logic over third party infrastructure it should not be in scope as this is not considered infrastructure. The changes will otherwise inadvertently capture many non-sensitive software deals that have a PaaS application logic.

On the other hand, there are proposed amendments which do improve clarity:

Communications

We welcome the changes proposed in relation to the Communications sector. In particular, the changes to the definition of 'Associated Facility' are a welcome change given that the previous definition created undue uncertainty as to whether or not a qualifying entity provided an Associated Facility to a qualifying network or service.

Suppliers to the Emergency Services

The proposed change is helpful to ensure that sub-contractors who may be supplying directly to emergency services providers are able to readily determine whether or not they are in scope of this sector.

Q2. Are the updated draft schedules, including where these involve technical terminology, sufficiently clear to enable investors and businesses to self-assess whether they must notify and receive approval for relevant acquisitions? If not, how could the proposed definitions be improved?

In relation to the sectors the Government has consulted on for this part of the response:

Advanced Materials

The Advanced Materials sector definition remains a challenging definition for businesses to engage with, particularly due to its length and technical specificities as well as the breadth of activities covered.

Furthermore we find it unlikely that the total number of notifications under this sector will remain unchanged considering the Government has inputted several additional materials (including Rare Earth Elements) to the sector definition, and has expanded the definition of "enabler". In addition, whilst the Government has broken out Critical Minerals and Semiconductors from the Advanced Materials schedule it has not removed these from the requirement for notification. In that sense it is difficult to understand how the Government expects the total number of notifications under this sector to remain unchanged, and we would urge the Government to factor this in and communicate any updated predictions accordingly.

More generally we would urge the Government to assess the list of materials remaining in scope carefully, as well as those it proposes to add, to ensure the right balance is struck between safeguarding security and avoiding a chilling effect on investment.

Artificial Intelligence

The amended Schedule 3 is not sufficiently precise to ensure that only the most sensitive AI activities are caught by the notification obligation.

We have set out our suggested amendments in line with the proposed schedule below. More broadly, however, we think the Government should adopt the approach taken by CFIUS in the United States under the Final Outbound Rules. Under that framework, only the development of AI systems that meet the following criteria are captured:

- (1) designed for military or government intelligence or mass surveillance uses;
- (2) intended to be used for cybersecurity applications, digital forensics, penetration testing or control of robotic systems; or
- (3) trained using a defined threshold of computing power (being a quantity of computing power greater than 10^{25} computational operations or trained using primarily biological sequence data and a quantity of computing power greater than 10^{24} computational operations).

The current definition captures areas that should not fall within scope, particularly in relation to AI used for medical diagnostics. Some of our members have been required to make mandatory notifications for AI diagnostic tools applied to bone marrow imaging, heart imaging, and sepsis detection. Conversely, notifications have been rejected as out of scope for AI used in the monitoring and management of dementia and Parkinson's disease. This inconsistency makes it difficult for our members to determine which AI applications are in scope, leading to unnecessary costs and wasted time.

Should the Government in any event proceed with its proposed amendments, these do not address some of the limitations of the original language. The current language: (i) is likely to be overinclusive of activities which are 'lower risk', (ii) does not clearly separate businesses which *use* AI from those that *develop* AI, and (iii) leaves doubts in the self-assessment of notification requirements.

It is not sufficiently clear what activities are targeted by the amended AI definition. For example, it is unclear whether the sector definition is limited to 'AI businesses' *per se* (those companies which develop AI technologies, and which we understand to be 'higher risk'), and whether it also captures companies that make routine *use* of AI for internal business process automation (which we think to be 'lower risk').

In terms of specific amendments, the amended AI definition would benefit from clearly stating that it is not intended to capture businesses which use an artificial intelligence system licensed from a third party without any further development by the licensee. This would indeed appear to have been the Government's intention, as this language reflects language employed in the consultation document (page 38, last paragraph).

Furthermore, the Government's attempt to remove low risk cases involving **consumer** AI risks capturing the same lower risk activities in relation to AI tools which are not utilised by consumers but which are commissioned or used in non-sensitive professions (i.e. AI products marketed to accounting, financial, or legal professions). The AI definition should be clearer and carve-out "off the shelf" AI products.

The Government should also consider more explicit language to carve out improvements to AI which are because of routine troubleshooting, system upgrades (e.g. which may result in upgrades to the AI's speed) and more routine testing and evaluating of AI technologies (such as quality control for a new third-party AI product).

The Government should also consider keeping the definition of AI under review as most companies switch towards integrating AI in some form into their products, but with limited national security implications. Keeping a defined set of purposes where AI has national security implications helps to address how quickly the use of AI is changing. This can be based off CFIUS or other Government specific concerns relating to AI.

Communications

The summary of changes refers to the requirement for Associated Facilities with a turnover of at least £5m to pay Ofcom's administration charge under section 38 of the Communications Act 2003. It is unclear whether a qualifying entity that provides an Associated Facility to a PECN/S and paid an administration charge to Ofcom for the previous year falls within the scope of the Communications sector.

To improve the clarity of this schedule and facilitate businesses self-assessing, we suggest including drafting to address this scenario in the new paragraph 2A.

Critical Minerals

Whilst the amended definition of Critical Minerals does align with the UK's Criticality Assessment of the British Geological Survey, the addition of the extraction, processing and

recycling of critical minerals could bring a wide range of businesses into scope which may pose minimal national security risk.

Critical Suppliers to Government

While we find the amendments to the definition helpful, the Government should provide an exhaustive list of the ministerial departments, as opposed to the current open list. In addition, we suggest improving the accessibility of the document "Government Security Classifications Version 1.1 – May 2018", which is referred in the definition.

Data Infrastructure

Whilst the revised draft definition improves clarity by specifying that it applies to data centres and by removing the criteria to hold data belonging to specified Government departments, the downside is that essentially every transaction where the target is a data centre is now in scope.

Energy

The terminology is reasonably clear but we suggest enhancing the distinction between the combined aggregation and generation thresholds (i.e. the relevant capacity should be assessed by reference to aggregation or generation but not both together).

We note that the current definition of generating capacity - including for entities with exemptions under section 5(1) of the Electricity Act 1989 - is drafted so broadly that it captures on-site solar panels and wind turbines used solely for on-site premises. As a result, a Target Group with combined on-site generation across its companies and buildings exceeding 500 MW increments could fall within scope. The Government should clarify that on-site renewable electricity generation is excluded.

Additionally, the 500 MW increments definition for paragraph 4(6)(b) complicates self-assessment for investors with fluctuating energy portfolios, such as development projects coming online over time, making it harder for them to assess whether they are in or out of scope and potentially increasing the number of "no issue" filings that will be made.

Semiconductors

Investors would welcome a narrowed mandatory sector definition focusing on the areas relating to semiconductors that are key to UK national security, for example, narrowing this to the key UK focus areas of compound semiconductors, design and IP.

However, the scope of the Semiconductor schedule appears to be broader than this, contrary to the summary of the proposed schedule in the Government's consultation. We suggest aligning the Semiconductor schedule with the Government's policy focuses, to reduce the regulatory burden on investors in non-priority areas and to facilitate investors and businesses self-assessing whether they must notify a relevant acquisition.

Suppliers to the Emergency Services

As noted above, we find the updated draft schedule to be sufficiently clear and highlights the importance of investors' and businesses' ability to self-assess whether they are in scope.

Synthetic Biology

The proposed changes have not materially reduced the length or complexity of the schedule nor are they likely to improve investors and businesses' ability to self-assess. While the amendments to the carve-outs in respect of gene and cell therapy are helpful, the breadth of the definitions still make it difficult, even for sophisticated parties, to determine whether their activities fall within scope of the Synthetic Biology sector.

We suggest that more detailed guidance is provided which can help clarify which activities are likely to bring a business within scope, similar to the clarity provided for exempt activities.

Q3. To what extent are technical and scientific terms correct, sufficiently clear, and commonly understood by those required to notify for the purposes of determining relevant activities?

In relation to the sectors the Government has consulted on for this part of the response:

Advanced Materials

The relevant activities have been amended to include the provision of "services OR enablers" (previously "services OF enablers"). The provision of *any* services in relation to the matters listed would be extremely broad. This would be both likely to create confusion and lead to a significant increase in notifications.

Artificial Intelligence

More illustrative examples of in-scope and out-of-scope AI applications would be appropriate.

Communications

Where parties are familiar with the Communications Act 2003 and working with Ofcom, the terminology used was (in the previous version of the NARs) and remains sufficiently clear for those required to notify. However, we would suggest that further and more detailed guidance is provided in relation to what comprises an Associated Facility.

Critical Minerals

The technical and scientific terms should be correct, but the issue is the scope of the definition which should focus on the risk to national security as opposed to wider policy issues such as economic or supply chain security.

Critical Suppliers to Government

See response above.

Data Infrastructure

The terms appear to be reasonably clear.

Energy

The terms appear to be reasonably clear.

Semiconductors

The terms appear to be reasonably clear.

Suppliers to the Emergency Services

We think it is likely that the references to the NPPV system and its clearance levels are clear and will be commonly understood by those required to notify for these purposes.

Synthetic Biology

As noted above, the Synthetic Biology sector definition can prove challenging even for businesses very familiar with or active in the space. Greater clarity as to the nature of the activities would be helpful.

Q4. Do you agree with the estimates of the change in the number of businesses in scope of each sector, and the change in notification volume?

In relation to the sectors the Government has consulted on for this part of the response:

Artificial Intelligence

For the reasons stated above, the current drafting of the sector definitions will not remove existing ambiguity. It is key that the Government further narrows and clarifies the proposed language.

In addition, the actual impact of the changes may vary depending on how businesses interpret the new definitions and the pace of AI adoption across sectors. Ongoing monitoring and feedback from industry will be important to validate these estimates and adjust the regime if necessary.

Communications

We estimate a marginal reduction in notification volume given the material uncertainty as a result of the previous definition of Associated Facilities.

Critical Minerals

The Government estimates that the amendments will bring between 1 - 50 more businesses into scope of the NARs and lead to 1 - 10 more notifications per year. This is a broad range, and it is therefore likely that the numbers will fall within that range. As set out above, it is important to ensure that only those critical minerals that have a clear link to the UK's national security are included. As NSI Act notifications have increased year-on-year and the regime continues to be one of the most active foreign investment screening regimes globally, maintaining clarity and focus is essential to avoid overburdening businesses.

Data Infrastructure

It seems likely that the number of notifications in this sector will significantly increase.

Suppliers to the Emergency Services

It seems likely that the number of notifications in this sector will increase.

Q5. Are there any notable new national security risks from emerging technologies in these areas of the economy that are not covered by the proposed regulations?

In relation to the sectors the Government has consulted on for this part of the response:

We are not aware of any notable new national security risks from emerging technologies relating to the following sectors that are not covered by the proposed regulations:

- Advanced Materials
- Artificial Intelligence
- Communications
- Critical Minerals, however, we note that any further updates to the criticality assessment may result in updates to the schedule.
- Critical Suppliers to Government
- Data Infrastructure
- Energy
- Semiconductors, however, we note the proposed Schedule takes a (potentially overly) broad approach to the technologies, materials, and processes that would be captured in-scope.
- Suppliers to the Emergency Services
- Synthetic Biology
- Water

Q6. Are there entities or activities covered in the proposed regulations that you do not expect warrant mandatory notification?

In relation to the sectors the Government has consulted on for this part of the response:

Advanced Materials

Acquisitions of control in entities that merely provide "services" in relation to any Advanced Material alone should not warrant mandatory notification.

Artificial Intelligence

As explained above, some lower-risk AI applications, such as those used solely for internal business process automation or non-sensitive consumer services, should not warrant mandatory notification.

Critical Minerals

As most of the large-scale deposits that could meaningfully affect the price and supply of such minerals to UK users are outside the UK, it will be helpful to have more guidance on the likelihood of the Secretary of State exercising the call-in power for transactions involving critical mineral deposits and processing facilities outside the UK. Exercise of this power is likely to encourage such companies to sever corporate connections to the UK, rather than impact their non-UK business operations.

Critical Suppliers to the Government

The inclusion of limb (e) to paragraph 4, even with the carve outs, is likely to bring a number of new entities within the scope of this definition. Considering that the list of ministerial departments is not exhaustive, it is not clear that transactions involving target companies that have access to official documents which do not contain sensitive information related to national security are likely to warrant mandatory notification.

Communications, Suppliers to the Emergency Services, Synthetic Biology

There are no such entities or activities in the proposed regulations.

Data Infrastructure

Every data centre in the UK now being caught will likely result in more reviews of transactions, although it is likely that many of those will not warrant a mandatory notification.

Energy

Bringing the minimum relevant capacity threshold down to 500 MW is likely to bring more transactions within the scope of the mandatory notification regime including companies that own relatively little generation capacity. It is questionable whether some of these transactions warrant a national security review.

Semiconductors

For investor certainty, the Semiconductor schedule should only focus on areas of national security that are key to UK national security, for example narrowing this to the key UK focus areas of compound semiconductors, design, and intellectual property.

The structure of the schedule would cover various activities that do not seem to be identified as particular threats or focus areas by the Government, and which we think would not warrant mandatory notification. The proposed definitions also encompass mature, non-dual-use technologies (e.g. semiconductors used in white goods), which may not warrant mandatory notification. A more targeted approach would better reflect the Government's stated focus and reduce unnecessary regulatory burden for businesses operating outside priority areas.

Water

We note that the consultation does not set out a draft Schedule in relation to the water sector but it indicates that specified activities will be defined by holding an appointment under section 6 of the Water Industry Act 1991 (WIA).

We understand that the Government's policy objective in relation to the water sector is to bring within the scope of the NARs transactions affecting the 17 regional water companies (WoCs) and water and sewerage companies (WaSCs). All WaSCs and WoCs hold appointments under section 6 of the WIA and therefore defining the specified activities on that basis will achieve the objective.

However, section 6 appointees also include, as of 5 September 2025, 12 smaller water and sewerage undertakers with more potentially to be added under Ofwat's new appointments and variations process. These smaller undertakers are typically appointed in respect of significantly smaller geographic areas and serve fewer customers. Given this lower risk, this raises doubt as to whether the inclusion of these smaller undertakers within the scope of the Schedule would be proportionate.