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New Regulatory Framework for Foreign Direct Investments

On 23 May 2025, Law 5202/2025 entered into force, implementing Regulation (EU) 2019/452, which establishes a framework for the screening of foreign direct investments (FDIs) in the European Union on the grounds of security and public order. The law was enacted following a rather rushed -if not slapdash- consultation process, following which most of the substantial concerns raised were, in fact, disregarded.

A. Purpose and Scope of the Law

1. Law 5202/2025 primarily aims to safeguard national security and public order against risks arising from certain foreign investments, particularly in strategic sectors. The law pursues a dual objective:

(a) to ensure compliance with Regulation (EU) 2019/452; and
(b) to establish institutional safeguards against investment schemes that could affect:
- **sensitive strategic sectors**, such as energy, transport, health, ICT, and digital infrastructure; and
- **particularly sensitive sectors**, such as defence and national security, cybersecurity, artificial intelligence, port infrastructure, critical submarine infrastructure, and tourism infrastructure in border areas.

2. A Foreign Direct Investment (FDI) is subject to screening under Law 5202/2025 if it is carried out in Greece by:

(a) an investor from a **third country**, and the target entity operates in **sensitive or particularly sensitive sectors**;
(b) an investor established **in an EU Member State but controlled**—directly or indirectly—**by a third country** or its governmental entities (e.g. through ownership, financing or voting rights), and the target entity operates in **sensitive or particularly sensitive sectors;**
(c) an EU-based investor in which an individual or entity from a third country has a direct or indirect stake of at least 10%, provided the investment concerns particularly sensitive sectors.

3. The **thresholds** that trigger screening are defined in the law's annex. In general, FDIs in sensitive sectors are screened when the participation in the target entity is equal to or exceeds **25%**, and in particularly sensitive sectors when it is equal to or exceeds **10%**. We should note that indirect holdings (e.g. through relatives, affiliated companies, or contractual arrangements) are also considered when calculating the participation percentage.

4. The law **does not apply** to the following transactions:

(a) Portfolio investments that do not grant control or influence over the management of the target;
(b) Intra-group restructurings, provided they do not result in a change of control by a foreign investor;
(c) Open processes for competitive tenders or privatizations where binding offers have been submitted, and ongoing asset development agreements (signed before the law's enactment but still in effect).

B. Screening Process

1. The Interministerial Committee for the Screening of Foreign Direct Investments (ICSFDI) is the main competent authority. Directorate B1 of the Ministry of Foreign Affairs coordinates the process and acts as the single point of contact for foreign investors.

2. The screening process includes the following steps:

- **Submission of an application** by the investor to Directorate B1 before the completion of the investment ("completion" is defined as the moment when all conditions precedent under the investment agreement are satisfied). The application form and its substantiating documents will be determined by means of a Joint Ministerial Decision to be issued.
- **Verification of file completeness** and formal activation of the screening process (within 10 days, assuming the file is complete, longer if additional documents are required);
- **Preliminary review** by the ICSFDI within 30 days, resulting in either exemption from screening or the initiation of an in-depth investigation (in accordance with Article 8 of the law);
- **In-depth screening**, if required, including disclosure of the investment to other Member States and the European Commission and potential consultation with them (a minimum of 30-60 days, extension of the deadlines may apply);
- **Final decision** by the Minister of Foreign Affairs, who may approve, prohibit, or impose mitigating conditions on the investment, within 60 days as of the ICSFDI's recommendation. If no decision is issued within this time frame, the investment is considered approved.

Additionally, **ex officio screening** may be initiated by ICSFDI for investments which, while not formally notified, are still likely to fall within the scope of the law.

C. Sanctions and Compliance Obligations

1. The law establishes sanctions for non-compliance with notification obligations. If the investor does not submit the application or if the submission is made after completion of the investment, mitigation measures may be imposed and the investment may be suspended or reversed if it is considered to pose a threat to public order.

2. Administrative fines range from **EUR 5,000 to 100,000**, and in certain cases may amount to **twice the value** of the investment. Furthermore, there is an obligation for **annual reporting** and **coordinated information exchange** with EU institutions.

D. Our views

Law 5202/2025 represents a long-overdue step toward aligning Greek legislation with the EU-wide framework for FDI screening. However, with secondary legislation pending, its provisions raise interpretative ambiguities and may give rise to procedural inefficiencies. Key issues include the exclusive reliance on participation thresholds, the omission of asset deals from the scope of review, and the absence of clear criteria for determining the foreign origin of investors. These shortcomings may inadvertently incentivize regulatory arbitrage and create delays that hinder deal certainty. As such, the issuance of detailed interpretative guidelines and, where necessary, targeted legislative amendments may be required to ensure that the new framework safeguards public interests, without deterring legitimate investment.