



Cabinet Office

National Security and Investment Act (Notifiable Acquisition) (Specification of Qualifying Entities) Regulations 2021

Consultation response





Government of the United Kingdom

National Security and Investment Act (Notifiable Acquisition) (Specification of Qualifying Entities) Regulations 2021

Consultation response

Presented to Parliament

by the Chief Secretary to the Prime Minister

By Command of His Majesty

12 March 2026

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Ministerial Foreword

This government is investing in Britain's future.

Inward investment is a key part of that approach. We know the vast majority of investment poses no threat to our national security and in these cases we will not stand in the way. However, keeping the British people safe is the first duty of government. So, in the minority of cases where there is a risk, the UK's national security must come first.

That's where the National Security and Investment (NSI) Act 2021 comes in. It provides the government with the oversight and powers to intervene where acquisitions could undermine our national security.

The NSI Act Notifiable Acquisition Regulations (NARs) set out the considerations that bring an acquisition into scope of mandatory notification requirements, from sensitive sectors to critical national infrastructure.

On 22 July 2025, the Government launched a 12-week consultation which asked stakeholders for their views on our proposed updates to the sector definitions within the regulations. The consultation closed on 14 October 2025.

I would like to thank all those who contributed. As a result, I have decided to:

- Make further changes to the Critical Minerals, Semiconductors, Artificial Intelligence and Communications schedules to reduce capturing low-risk notifications;
- Make clarifying amendments to the scope and definitions of the Critical Suppliers to Government, Data Infrastructure, Energy, and Suppliers to the Emergency Services schedules;
- Create a new schedule to cover acquisitions in the Water sector;
- Maintain the updated Advanced Materials and Synthetic Biology schedules as they are to include emerging technologies and their diverse uses; and

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- Provide updated, more detailed guidance across the NARs to address topics frequently raised in feedback.

To make this happen, I intend to lay secondary legislation in Parliament later this year.

The government must ensure NARs remain as relevant as possible in our fast-changing world, while providing the clarity and reassurance businesses need to invest. To that end, most deals are cleared within 30 working days. But as the decision maker under NSI, I will not hesitate to protect Britain's security interests.

Chief Secretary to the Prime Minister

Darren Jones

Introduction

Background

The National Security and Investment Act 2021 (Notifiable Acquisition) (Specification of Qualifying Entities) Regulations 2021 ('the NARs') set out which activities in 17 sensitive areas of the UK's economy bring an entity into scope of mandatory notification under the Act. Accompanying guidance is also available on [GOV.UK](https://www.gov.uk).

The NARs came into force alongside the rest of the NSI Act in January 2022 and have not been updated since.

Building on stakeholder feedback to the previous government's Call for Evidence on the NSI Act, this Government published a statutory report on the NARs in December 2024, which found that the NARs were generally operating effectively but recognised that there was room for improvement.

The Government then launched a 12-week consultation proposing updates to the NARs on 22 July 2025, closing on 14 October 2025.

The consultation sought views on the following proposals:

- Reorganising how the NARs categorise activities in particular sectors to improve clarity. This includes creating new schedules for Semiconductors and Critical Minerals and removing them from the existing Advanced Materials schedule, alongside adding the activities covered by the Computing Hardware schedule to the Semiconductors schedule.
- Updating the schedules for Advanced Materials, Artificial Intelligence, Communications, Critical Suppliers to Government, Data Infrastructure, Energy, Suppliers to the Emergency Services, and Synthetic Biology.
- Creating a new schedule to cover acquisitions in the water sector.

Consultation Questions

1. Do the proposed changes to the NARs achieve their stated policy objectives?
2. 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?
3. 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?
4. 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?
5. 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?
6. Are there entities or activities covered in the proposed regulations that you do not expect warrant mandatory notification?

Scale of Responses

The Government received 41 responses to the consultation. Of the 36 that responded via the online portal, 39% were from legal firms, 28% were from businesses operating in the mandatorily notifiable sectors, 8% were from higher education institutions, and 8% were from trade bodies. 69% of respondents had interacted with the NSI Act in some form: 31% had been either acquirers or targets in a transaction that had been through the system, and 47% had provided legal advice.

86% of respondents said they understood the types of risk that the Government seeks to address through the NSI Act, and 86% also said they understood how the Act works and the requirements it places on their organisation. 78% of respondents said they understood the factors that made it more likely that the Government will call in an acquisition or impose a final order. The proportion of respondents that responded positively to these three statements increased compared with the same questions in the 2023 Call for Evidence (previously 80%, 73% and 63% respectively).

Feedback and next steps

The Government has analysed the feedback from consultation respondents and has carefully considered, in light of this feedback, how to ensure that the NSI Act's mandatory notification requirements continue to capture national security risks in sensitive areas of the economy while leaving the vast majority of transactions unaffected.

This response to the consultation considers each of the NARs areas that the Government consulted on in turn, summarising the proposals set out in the consultation, the feedback received on the consultation questions, and the changes the Government will take forward for each schedule¹.

Implementing the changes will require secondary legislation, which the Government will bring to Parliament in due course, and updated guidance. The Statutory Instrument will also be accompanied by the publication of an updated impact assessment, which will draw on evidence from the responses to the consultation.

¹ Where this consultation response refers to changes, it means changes in relation to the proposals in the consultation, rather than changes to the current NARs.

New schedules we proposed to establish in the consultation

New schedule - Critical Minerals

Summary of consultation proposals

1. Carve out Critical Minerals from the existing Advanced Materials schedule to create a standalone Critical Minerals schedule.
2. Harmonise the schedule's list of minerals in scope with the Critical Mineral Intelligence Centre's (CMIC) [latest criticality assessment](#), while retaining strategically important minerals necessary for defence or scientific purposes not on CMIC's list.
3. Specify activities which are relevant to critical minerals, building on parts of the existing Advanced Materials schedule, while adding definitions for exploration, extraction, processing and recycling in the new schedule.

Summary of responses

The Government received 20 responses relating to the proposed Critical Minerals schedule.

Respondents broadly supported the proposal to carve out elements of the Advanced Materials schedule into a standalone Critical Minerals schedule. A few responses also asked for greater clarity on definitions such as “enabler”, reflecting feedback on the Semiconductors and Advanced Materials schedules.

Several comments noted the increased number of minerals covered and qualifying activities in scope compared with the Advanced Materials section on critical minerals. A small number of respondents requested further explanation of including more common minerals like iron, aluminium and helium within the new schedule. Four respondents expected the increase in minerals covered to cause an increase in notifications.

Next steps

In response to feedback, the Government is working on revisions to the proposed schedule to ensure that low-risk activities are not caught. For example, by narrowing the definition of an enabler and limiting which exploration and extraction land rights will be caught.

The Government is not planning to reduce the list of minerals in scope because of the possible defence and dual-use purposes for these minerals. The schedule will therefore cover all 34 minerals identified as critical by the UK Critical Minerals Intelligence Centre. Given the projected increase in UK critical mineral production, the schedule will be deliberately drafted to account for future activities, hence the inclusion of some minerals with low current UK production volumes. The Government will further consider whether additional minerals should be in scope, in line with those highlighted in the 2025 UK Critical Minerals Strategy.

The Government will address some of the feedback received through updated guidance on Critical Minerals, providing clarity on the entities and activities in scope.

New schedule - Semiconductors

Summary of consultation proposals

1. Carve out Semiconductors from the Advanced Materials schedule and merge with the Computing Hardware schedule to create a standalone Semiconductors schedule.
2. Add advanced packaging techniques, activities involving the wider design process of processing units and memory chips, semiconductor-related devices, and advanced chip designs.

Summary of responses

The Government received 23 responses relating to the proposed Semiconductors schedule.

Respondents expressed broad support for the creation of a new standalone Semiconductors schedule and its removal from the Advanced Materials schedule. Respondents also welcomed the removal of the standalone Computing Hardware schedule and its incorporation into the Semiconductors schedule, which they suggested would reduce possible duplication and increase clarity.

Some responses suggested limiting the technologies included in the schedule to semiconductor devices that could pose national security risks, excluding those classified as mature technology. Some respondents felt that certain sections of the draft schedule were too broad in scope, such as the definition of 'enabler' and activities involving development and production.

More broadly, several comments identified language that was potentially unclear or may expand the schedule beyond the semiconductor sector.

Next steps

In response to feedback, the Government will make a number of drafting changes to the Semiconductors schedule. These updates will focus on clarifying how

'packaging' is defined and making it clear that the provision of all designs, materials, parts or products that are qualified or certified are covered.

The Government will retain the scope of the Semiconductors schedule as set out in the consultation. The schedule is intentionally broad as semiconductors are both dual-use and foundational for a range of other critical technologies. The Government considers that narrowing the scope of the definition of 'enabler' and activities involving development and production, or including a more specific list of general purpose power electronics that incorporate compound semiconductors, would create significant gaps in the overall schedule.

The Government will also provide guidance for the Semiconductors schedule to increase stakeholders' understanding on what technologies are covered by the schedule.

New schedule - Water

Summary of consultation proposals

1. Add water and/or sewerage undertakers.

Summary of responses

The Government received 20 responses relating to the proposed new Water schedule.

All respondents were content with the inclusion of water as a notifiable area.

The majority of responses centred on questions relating to the potential interaction of the NARs with the Special Merger Regime of the Competition and Markets Authority (CMA) and recommendation 47 from the [Independent Water Commission](#) on change of control powers for the water regulator.

A few respondents also expressed a desire to have the opportunity to comment on the draft Water schedule, with some noting that other sectors had included draft regulations in the consultation document.

On the scope of the Water schedule, no respondents expressed any concerns regarding incumbent water companies being in scope. Some respondents thought that New Appointments and Variations (NAVs) should be in scope, while others opposed the inclusion of NAVs due to the generally smaller number of customers served.

Next steps

Following the consultation, the Government is now confirming its intention to include water as a notifiable sector. While the Government did not include the Water schedule in the consultation, a draft schedule was shared with water sector stakeholders for comment after the consultation closed.

The Government intends for NAVs to be in scope but with a minimum size threshold so that only larger NAVs will be captured.

The Government will seek to ensure the accompanying guidance for the water sector is clear on the scope and requirements of the NARs Water schedule and will work with the sector and investors to ensure alignment with the powers for the water regulator. The interaction between the NSI system and the CMA is covered by section 31 of the NSI Act and [existing guidance](#) on GOV.UK.

Existing schedules for which we proposed changes in the consultation

Schedule 1 - Advanced Materials

Summary of consultation proposals

1. Carve out Semiconductors and Critical Minerals from the Advanced Materials schedule.

Summary of responses

The Government received 21 responses relating to the Advanced Materials schedule.

Overall, respondents welcomed the proposal to create standalone schedules for Critical Minerals and Semiconductors and remove these from the Advanced Materials schedule.

Several respondents highlighted the breadth and technical complexity of the schedule. Some of these acknowledged that the Advanced Materials schedule would by necessity be longer and more technical than other schedules within the NARs.

Some responses also suggested areas for improved clarity through: a technical annex with plain-English explanations; closer cross-referencing with industry standards; and more examples in guidance, including on the different sub-sections within the Advanced Materials schedule and treatment of intellectual property.

Next steps

The Government will not make any further changes to the Advanced Materials schedule. The schedule has been carefully developed to ensure it fully captures the dual-use technologies of concern.

The Government will provide updated guidance for the Advanced Materials schedule to address some of the topics raised in the feedback.

The Government is continuing work to ensure that the updated Advanced Materials schedule and the new Critical Minerals and Semiconductors schedules are aligned and avoid duplication.

Schedule 3 - Artificial Intelligence

Summary of consultation proposals

1. Remove cases where 'off the shelf' AI is being used as a tool within internal processes.
2. Add the development of AI systems where this results in either the technology not being available for consumers, creates or improves the capabilities of AI, or increases the speed of computation.

Summary of responses

The Government received 25 responses relating to the Artificial Intelligence schedule.

The Government's proposed changes to the Artificial Intelligence schedule were broadly welcomed as steps towards improving regulatory clarity and ensuring proportionate oversight of acquisitions.

Some respondents believed the new schedule remained too broad, risking over-notification and capturing routine, low-risk business activities that did not pose national security threats. Some respondents also recommended using quantitative thresholds for computing power, while others called for explicit carve-outs for users of licensed third-party AI without further development, going beyond the current carve-out for use of consumer AI.

Respondents recommended adding a materiality clause in Condition A to trigger mandatory notifications for any functional change of an AI system to exclude minor technical alterations or routine business improvements. Respondents also suggested narrowing the scope of Condition B to sensitive activities, such as safety and security testing of frontier AI models or technical testing provided as a service.

Next steps

In response to the feedback received, the Government will revise the draft regulations to address the following:

- Exclusion of use of non-consumer AI systems for routine business activities;
- Exclusion of use of licensed third-party AI systems; and
- Exclusion of certain modifications made to AI systems and testing of AI systems as part of routine business deployment activities and IT policies.

To narrow the scope of activities captured by the Artificial Intelligence schedule, the Government will refocus and split Condition A to only bring into scope entities that create or modify the AI systems themselves. In most cases, this will result in entities only involved in end-use of AI systems being excluded from mandatory notification in case of acquisition. The Government will also reconsider how to better align the scope to the types of testing with direct read across to national security concerns.

The Government is considering what further updates to the guidance can be made to support industry's understanding of the scope and definitions of the schedule.

Schedule 5 - Communications

Summary of consultation proposals

1. Amend the definition of Associated Facilities to only include providers of Associated Facilities who have a relevant turnover of at least £5m, with the exception of cable landing stations (all of which will be caught regardless of turnover).
2. Remove the £50m UK turnover threshold for submarine cable systems.
3. Remove the £50m threshold for repair and maintenance services for submarine cable systems and cable landing stations.

Summary of responses

The Government received 18 responses relating to the Communications schedule.

Respondents broadly welcomed the proposed changes to the Associated Facilities definition and agreed that it addressed previous issues by disaggregating the turnover threshold from the target's clients. This means it is no longer necessary to determine a third party's turnover to establish whether they fall within scope. Respondents agreed that this change would remove ambiguity and further reduce the number of companies affected.

A few respondents raised concerns that removing the turnover threshold for repair and maintenance companies might inadvertently capture some SMEs that had not previously been considered. No objections were made about the removal of the turnover threshold for submarine cable systems and cable landing stations.

Several respondents were satisfied with the updated wording of the draft schedule but requested that further details and examples be included in the published guidance.

Next steps

The Government acknowledges concerns about the turnover thresholds and will amend the schedule to avoid capturing low-risk SMEs, while still ensuring that all critical providers of repair and maintenance services remain within scope.

In particular, the Government will specify that the schedule will only capture those repair and maintenance companies that operate a cable repair vessel for subsea cables. The Government will also narrow the schedule to ensure that it only applies to entities providing repair and maintenance of fibre optic cables used for the conveyance of signals or associated network equipment within a cable landing station, and only in so far as the provision of those services require access to that network or service.

The Government is considering what further updates to the guidance can be made to support industry's understanding of the scope and definitions of the schedule.

Schedule 7 - Critical Suppliers to Government

Summary of consultation proposals

1. Add an updated definition for public sector authorities (currently captured in the Data Infrastructure schedule). Limit the scope to the list of 24 ministerial departments, focused on the delivery of certain notifiable services to a relevant government authority below SECRET level.
2. Replace 'List X accreditation' with 'Facility Security Clearance', and add a requirement to have Industry Personnel Security Assurance status.

Summary of responses

The Government received 23 responses relating to the Critical Suppliers to Government schedule.

Respondents largely welcomed the Government's proposed changes. Respondents expressed broad support for the public sector data provision being moved from the Data Infrastructure schedule to the Critical Suppliers to Government schedule, which was cited as clarifying the scope of the NARs and improving legal certainty, albeit some respondents suggested that the updated schedule widens the scope.

A few respondents requested a clearer explanation of which ministerial departments and other bodies will be within scope of the updated schedule. Respondents also called for clarity on some of the definitions and terms used through the provision of additional guidance.

Next steps

In response to feedback, the Government will make minor changes to the drafting of the Critical Suppliers to Government schedule. Specifically, the definition regarding the generation of OFFICIAL-SENSITIVE data will be amended from "will or could result in" to "will or is likely to result in."

The Government will also clarify the definition of “ministerial department” in the final schedule and include a specific list of which other bodies will be in scope.

The Government will not narrow the definition of the five notifiable services in the draft schedule as these are necessary and proportionate inclusions to protect government data from the increasing risk of cyber threats.

The Government notes the differences of opinion on the impact of the changes to the schedule. The businesses captured under the updated Critical Suppliers to Government schedule were already captured in the Data Infrastructure schedule. As a result, the Government considers that the changes will increase clarity rather than expand the number of businesses and scope of activities captured, in line with the Government’s policy intent.

The Government is considering what further updates to the guidance can be made to support industry’s understanding of the scope and definitions of the schedule.

Schedule 9 - Data Infrastructure

Summary of consultation proposals

1. Add all third-party operated data centres alongside certain Cloud Service Providers (CSPs) and Managed Service Providers (MSPs).
2. Remove public sector authorities from scope, some of which will be covered by the updated Critical Suppliers to Government schedule.

Summary of responses

The Government received 16 responses relating to the Data Infrastructure schedule.

The majority of responses welcomed the proposed changes for adding clarity and focusing the scope on data centres. Respondents broadly supported removing entities that process, store or transmit digital data for public sector authorities from the Data Infrastructure schedule, which will instead be covered by the Critical Suppliers to Government schedule.

Some respondents supported the updated focus on data infrastructure providers with systemic importance, such as cloud hosting services, which they stated better reflected current risks. Several respondents suggested the introduction of a materiality threshold so that data centres that may not critically affect UK national security were not captured.

A few respondents suggested that the Government had underestimated the increased number of mandatory notifications caused by the changes. Clearer guidance and practical examples on the scope of the schedule were also requested.

Next steps

In response to feedback, the Government considered the introduction of materiality thresholds but believes that they may inadvertently exclude small, mission-critical data centres and create an aggregate risk if many sub-threshold data centres are acquired by one entity or group.

The Government will make one technical amendment to the definition of a data centre to ensure that each relevant activity is covered separately.

The Government will provide updated guidance to support stakeholders in assessing whether they fall into scope of the updated regulations, and will continue to review this guidance in light of changes in emerging technologies.

Given the available data, it is difficult to predict accurately the change in mandatory notifications from the updated regulations. The Government has decided to maintain its original estimates of the impact, but the Government will continue to monitor the number of notifications to ensure that the scope is proportionate.

Schedule 11 - Energy

Summary of consultation proposals

1. Change the definition of an aggregator to be more closely aligned with Ofgem's definition.
2. Add a cumulative capacity threshold starting at 500MW which will also apply at every 500MW increment beyond 500MW.
3. Add multi-purpose interconnectors (MPIs).

Summary of responses

The Government received 14 responses relating to the Energy schedule.

Responses on the Energy schedule largely focused on clarity of definitions, the scope of mandatory notifications, and capacity thresholds.

Most respondents supported the proposed changes, the clarification of the territorial limits of the schedule and the inclusion of MPIs. However, some raised concerns about lowering the cumulative capacity threshold from 1GW to 500MW, citing potential unintended impacts on smaller acquisitions and investment confidence. Conversely, there was strong support for introducing the 500MW incremental threshold to reduce unnecessary notifications.

Respondents offered some helpful minor drafting suggestions to avoid circular definitions and address inconsistencies. A few respondents suggested that smaller businesses in the sector would benefit from greater explanation of technical terms through the provision of a technical annex and closer cross-referencing with regulatory definitions. Respondents also requested additional guidance with worked examples, such as on the cumulative capacity thresholds.

Next steps

In response to feedback, the Government will address drafting inconsistencies raised by respondents and clarify definitions, while retaining the proposed 500MW minimum and incremental thresholds. This will include the definition of group, both through minor updates to the schedule and enhanced guidance.

The Government will provide updated guidance to clarify complex areas and improve usability. This guidance will aim to cover key definitions, clearly outline capacity thresholds, and list licenses that trigger or are exempted from mandatory notification. Beyond this, the Government will not make significant changes to the schedule and will address some of the feedback received through guidance updates.

Schedule 15 - Suppliers to the Emergency Services

Summary of consultation proposals

1. Add subcontractors requiring security clearance at Non-Police Personnel Vetting Level 2 (NPPV2) or above.

Summary of responses

The Government received 11 responses relating to the Suppliers to the Emergency Services schedule.

Respondents broadly welcomed the proposed changes, specifically the addition of NPPV2 subcontractors to the schedule.

Two significant themes emerged from the responses. Firstly, there was a strong request for clarification of key definitions. Respondents highlighted the need for clearer definitions of terms such as “supplier” and “critical function”, as well as greater clarity on NPPV2 clearance requirements, particularly in subcontracting contexts. Secondly, several respondents suggested introducing explicit exclusion criteria for low-risk suppliers to reduce administrative burden and improve proportionality.

Next steps

In response to feedback, the Government will clarify key terms to reduce ambiguity and ensure consistency. Specifically, the Government will explore the feasibility of defining terms such as subcontracting arrangements more clearly. The Government will also enhance clarity on NPPV2 clearance requirements and link Non-Police Personnel Vetting definitions to official standards, in line with the original policy intent.

The Government will also include a number of examples of the application of the key terms in the guidance.

The Government will not take forward the suggestion to introduce notification exclusion criteria at this stage. Using explicit exclusion lists in the Suppliers to the Emergency Services schedule risks weakening safeguards in an area with a diverse range of suppliers and dual-use items.

Schedule 16 - Synthetic Biology

Summary of consultation proposals

1. Make minor changes to the drafting of the exemptions involving gene therapies and cell therapies to simplify the schedule.

Summary of responses

The Government received 13 responses relating to the Synthetic Biology schedule.

The majority of responses on the Synthetic Biology schedule suggested that the schedule was still too long, complex and broad in scope. Several respondents found the schedule's language too technical for non-experts, while others acknowledged that the schedule's breadth and complexity reflect the large number of uses of synthetic biology. Several respondents appreciated the Government's proposed simplification, while others suggested that the structure of the schedule and drafting of the exemptions remained unclear.

Respondents requested a variety of additional information and clarifications, including illustrative examples, flow charts, cross-referenced terminology and a clearer risk matrix.

Next steps

The Government will not make further changes to the schedule for Synthetic Biology, as further simplifications cannot be made without creating gaps in the schedule. Narrowing the schedule would increase the risk of the Government not being notified of transactions involving clear potential national security risks.

The Government considers the technologies and uses that fall within Synthetic Biology are very broad, necessitating a level of complexity in the schedule. Additionally, the Synthetic Biology schedule causes a low number of notifications relative to other NARs schedules, suggesting the breadth is in practice limited.

In response to feedback, the Government will look to refine the Synthetic Biology guidance to increase clarity and ensure alignment with the updated schedule.

Existing schedules for which we did not propose changes in the consultation

Some respondents also provided feedback on existing NARs schedules to which the Government did not propose updates in the consultation, specifically:

- Defence;
- Military and Dual-Use; and
- Transport.

There were nine comments on the Defence schedule. Feedback included the view that the scope of the schedule is overly broad and would benefit from greater clarity with regard to subcontractors. Whilst the Defence schedule is deliberately broad in scope, to capture all transactions posing a potential risk to UK national security, the Government acknowledges that the associated guidance could be strengthened to aid understanding. The Government will therefore update the guidance, including on subcontractors, with the aim of improving understanding of whether notification is required and reduce the volume of unnecessary notifications.

Additionally, two respondents commented on the Military and Dual-Use schedule and one commented on the Transport schedule. The Government has considered the feedback and is not proposing updates to these schedules. The Government received a low volume of feedback on these areas and believes that these schedules proportionately capture national security risks in their respective areas of the economy.

This consultation response is available from: www.gov.uk/cabinetoffice.

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