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<p>PRK Partners Partner Radan Kubr, ACI Partners Senior Associate Doina Doga, Schoenherr Bulgaria Co-Head of Competition Yoana Strateva, Tuca Zbarcea & Asociatii Partner and Head of Competition & Antitrust Raluca Vasilache, Zornada Law Office Attorney at Law Ivan Zornada, and DLA Piper Hungary Country Managing Partner Andras Posztl explore how, respectively, the Czech Republic, Moldova, Bulgaria, Romania, Croatia, and Hungary approach foreign investment screening: the differences in strictness, the sectors regulators watch most closely, the impact on deals, and the practical challenges investors run into on the ground.</p> <p>How Open (or Not) Are the Frameworks?</p> <p>The regional approach to FDI seems to be broadly aligned, with some differences in how strictly rules are applied. “The Czech Republic remains very open to foreign investment,” Kubr says. “All known investments dealt with by Czech FDI authorities so far have been approved without conditions under the FDI regime, except an investment by a China-based company, Emposat, consisting of the operation of a ground satellite station with a parabolic antenna in South Moravia. In March 2025, the Czech Government ordered the discontinuation of such investment under FDI rules on grounds that were not published, and one can therefore only speculate how the investment represented a threat to the security, internal order, or public policy of the Czech Republic.”</p> <p>Moldova remains an “open and investor-friendly market,” according to Doga, but at the same time, “the state is gradually tightening.” While the process applies mandatorily to investments in designated sensitive sectors, she says that “as the legislation does not set specific thresholds for investment value or shareholding, the Moldovan FDI authority may initiate a review even where the investor holds only a minor interest or has recently established a local entity in a sensitive area. It is also important to note that the Moldovan FDI screening regime applies not only to investments made by foreign entities. In fact, it extends to any company – domestic or foreign-owned – operating in areas designated as important for state security.”</p> <p>Similarly, Posztl points to stricter rules in Hungary. Still, he says, “although Hungary’s approach to FDI screening has become significantly more restrictive in recent years, the process largely remains a bureaucratic challenge rather than a major barrier. For example, under the special (second) FDI regime introduced in 2020, approximately 590 notifications have been submitted by July 2025, with only 16 resulting in prohibitions – representing a blocking rate of less than 3%.” Additionally, “in 2025, for a brief period, the Hungarian state held a general pre-emption right under the special (second) FDI regime: if the authority blocked a transaction, the state could step in and acquire the strategic company on identical terms,” he adds. “This broad right has since been repealed, though a narrower, sector-specific version still applies to solar power plant deals.”</p> <p>Highlighting Bulgaria’s “welcoming approach to foreign direct investment,” Strateva says that “a distinctive feature of Bulgaria’s FDI screening regime is the recognition of ‘low-risk’ or ‘friendly non-EU’ states, reflecting a degree of openness and accessibility of Bulgaria’s market to foreign investors within the screening framework.”</p> <p>Zornada states that Croatia, too, remains a relatively open market. “We have just introduced, in November 2025, for the first time a comprehensive FDI Screening Act, aligning us with the EU FDI Screening Regulation,” he notes. “And yes, this new regime undoubtedly adds an additional procedural layer and may extend transaction timelines, but its purpose is not to restrict investment, but to introduce a structured system of control over transactions affecting areas which are, primarily, of national interest.”</p> <p>Vasilache, on the other hand, emphasizes Romania’s tight rules. “Romania has taken the FDI screening process implemented in 2022 very seriously,” she notes. “This translates into an extensive number of corporate and M&A operations, which are considered falling under the scrutiny of the FDI commission. While the authority is understaffed, they are not willing to formally exclude certain fields of activity or types of operations that seem to us excessive or close to ridiculous to be scrutinized under the FDI regime. That is even more considering that also EU and pure Romanian operations need to be analyzed, not only non-EU ones.”</p> <p>What Counts as a “Sensitive Sector”?</p> <p>What counts as a “sensitive sector” also varies across the region. In Romania, “obviously, under the current worldwide circumstances, defense, energy, and IT sectors are the most sensitive,” Vasilache says. “Operations in these sectors, considered as new investments, need to obtain prior

approval from the FDI commission.” </p> <p>Bulgaria’s FDI screening regime, among the particularly sensitive sectors, includes “the petroleum sector because, irrespective of whether the relevant thresholds are met, investments related to the production of petroleum energy products and petroleum products at facilities that are part of or adjacent to critical infrastructure trigger mandatory FDI screening,” Strateva notes. “Beyond the petroleum sector, Bulgaria’s FDI regime focuses on the potential impact on critical infrastructure, on dual-use items, including AI, robotics, semiconductors, cybersecurity, aerospace, defense, energy storage, quantum and nuclear technologies, nanotechnologies and biotechnologies, the supply of critical inputs, including energy or raw materials, and food security.”</p> <p>The Czech FDI regime similarly centers on sectors considered strategic or security-relevant, “particularly defense and military industries, critical infrastructure, critical technologies, media enterprises with the potential to influence public opinion, and access to personal data or sensitive information systems of public authorities,” Kubr adds.</p> <p>Doga and Zornada say that in Moldova and Croatia, the boundaries are still taking shape. For Moldova, “while the framework is relatively new – introduced in 2021, with the first decisions issued in 2023 – certain trends have already begun to emerge in the practical application of the regime,” Doga notes. “Given the limited precedent, it is currently difficult to identify a definitive list of the most sensitive sectors. Nevertheless, an analysis of the FDI authority’s activity reveals a periodic focus on certain key areas. Initially, the FDI screening was concentrated on the media and audiovisual sector, particularly regarding television broadcasting and related communication services. Subsequently, the electronic communications and IT infrastructure sectors have been subject to heightened scrutiny by the regulatory authority.”</p> <p>“Given that Croatia’s legislation is still new and we have no practice, it is impossible to say,” Zornada notes. “I would say that Croatia’s list of sectors does not substantially diverge from comparable EU jurisdictions, but the practical reach of the regime will only become evident once the first cases are reviewed. It’s hard to even say whether all companies operating in a particular sector will be subject to screening, or whether some smaller or less strategically relevant companies might be excluded.”</p> <p>Shaping Deals on the Ground</p> <p>These rules increasingly influence how transactions are put together. “The Czech FDI screening mechanism affects how cross-border M&A transactions are planned and sequenced,” Kubr notes. “Sellers, investors, and advisors now routinely conduct early assessments to determine whether a filing or consultation with the Ministry of Industry and Trade (MIT) is required. They also incorporate FDI-related conditions precedent in share purchase or investment agreements, and build longer timelines into deal schedules.” He adds that “to bring more predictability to the process, certain investors file for a (preventive) mandatory screening in borderline cases, and the ministry has been willing to entertain filings and clear transactions on that basis.”</p> <p>As FDI screening is mandatory for transactions in sensitive sectors, “it has become an integral consideration in structuring cross-border M&A deals in Moldova,” Doga notes. “While the rules do not impede deal completion, they materially affect the structuring and execution of transactions. FDI clearance is commonly included as a condition precedent in acquisition agreements, and the statutory review timeline is built into the closing schedule. Where clearance risk is high, parties often defer post-closing integration or operational steps until approval is secured. Because the law allows post-factum filings, investors sometimes regularize their status after closing. In such cases, they typically rely on contractual safeguards, including stand-still provisions or indemnities, to manage potential delays or refusal decisions.”</p> <p>M&A transactions are impacted in Bulgaria in several key ways, Strateva explains, but more importantly, on timing and closing conditions. “Since a transaction that is subject to screening cannot be implemented before clearance is obtained by the Bulgarian Screening Council, consequently, parties must build FDI approval into their transaction timetable as a condition precedent to closing,” she says. “In addition, for the purpose of the screening, parties must provide detailed information, including ownership structure, approximate value of the investment, funding sources, completion dates, etc. All this necessitates extensive due diligence and disclosure obligations that must also be factored into transaction documentation and timelines. Also, taking into consideration the fact that the screening mechanism allows the Screening Council to condition a foreign direct investment, it would naturally prompt parties to build flexibility into their deal structures to accommodate potential remedies, such as governance arrangements, operational restrictions, or divestments to address security or public order concerns.”</p> <p>As for Croatia, in practice, FDI screening will introduce “an additional condition precedent that must be satisfied prior to closing,” Zornada says. “What will be particularly interesting to see is the timing of the process. At present, only the ‘final moment’ for the application’s submission is clearly defined. It remains to be seen how early the process can be initiated, for instance, based on a signed binding offer, or whether it will require a fully executed SPA to proceed.”</p> <p>Posztl states that, in practice, FDI screening means that, among others, “sellers often impose enhanced information-sharing obligations on buyers. Finally, parties often explore alternative structures, most notably the use of intermediate holding companies to reclassify the transaction as foreign-to-foreign and thereby exempt it from the applicable FDI regime. This is typically achieved through a pre-signing reorganization, which, however, usually requires its own FDI approval.”</p> <p>The Local Friction Points</p> <p>In terms of challenges, each jurisdiction brings its own set of practical complications. “Foreign investors are exposed to several recurring challenges,” Kubr says. “The Czech FDI legislation is worded fairly generally and sometimes lacks clarity, and leaves discretion to the MIT to determine which investments may affect the security, internal order, or public policy of the Czech Republic, sometimes requiring pre-notification even for borderline cases. In addition, the MIT provides very little guidance to interpret FDI legislation.” He also points to possible “overlap with EU cooperation mechanism, leading to information sharing with other Member States and the European Commission, which may prolong reviews and lead to the MIT calling in a transaction that was filed for approval in another country.” Finally, he emphasizes “administrative burden and documentation requirements, particularly for non-EU investors unfamiliar with Czech procedures.” These challenges, Kubr says, “do not usually block deals but can add cost, complexity, and delay.”</p> <p>Doga emphasizes difficulties related to the volume and sensitivity of documentation required by the FDI Council. The authority may request extensive information – including ownership structures, financing details, and business plans – which can be burdensome to collect and may include commercially sensitive data.” Moreover, “the lack of clear material thresholds for triggering the screening obligation adds further uncertainty, often incentivizing investors to over-comply.”</p> <p>Another common hurdle is timing. In Romania, “considering the duration for the clearance (approximately 2-2.5 months if the case is not sensitive), the filing fee (EUR 10,000), and the frequent incidence of the FDI requirement on certain companies, the FDI authority agreed informally to accept granting clearance for a one-year business plan,” Vasilache notes. “Some investors are reluctant to share highly sensitive business plans with the authority, so not many take advantage of this possibility. Others cannot anticipate the opportunities they might have throughout the year.”</p> <p>In Bulgaria, “the statutory review period corresponds to up to 45 days from the date the Screening Council receives a complete filing. However, this timeline may be prolonged due to the regime’s two-phase structure and its early operational stage,” Strateva notes. “In particular, the Bulgarian screening process operates through two distinct phases: (1) formal review, conducted by the Invest Bulgaria Agency, which assesses the completeness of the submitted filing; and (2) substantive review by the Screening Council of the proposed investment. Delays might arise during Phase 1 when the Agency requests additional information or clarification from the investor until the investor provides a complete response. Delays are also possible during Phase 2, as the Screening Council may also request information that is necessary to verify the likelihood that the planned investment will affect national security and/or public order.”</p> <p>Time is certainly one of the main challenges in Croatia, according to Zornada, “as the process can take more than half a year to complete. There will likely be additional procedural hurdles as well, but at this stage, we still don’t have a full picture of how the process will unfold, primarily due to the absence of implementing rulebooks. For example, it remains unclear which documents will need to be submitted, in what form, and at which stage of the procedure.”</p> <p>Finally, Posztl points to “compliance costs, such as expenses for translation and notarization, add to overall transaction costs.” On top of that, he says that “FDI approval is a mandatory condition precedent, making simultaneous signing and closing virtually impossible for transactions in sensitive sectors.”</p> <p>Making It Work: Engaging Early</p> <p>A proactive approach tends to ease most of these issues. To succeed in navigating the FDI frameworks in the Czech Republic, Kubr suggests “engaging early with counsel and the MIT, often through informal pre-notification discussions. While the MIT is reluctant to provide detailed guidance, its informal advice sometimes brings more clarity to the process. It’s also worth mapping exposure across all relevant EU jurisdictions, including the Czech Republic, to ensure consistent filings.” Kubr also adds that it’s better to “integrate FDI analysis into due diligence rather than treating it as a post-signing compliance formality.”</p> <p>Also highlighting the role of a proactive approach in Moldova, Doga adds that this is achieved through “written clarifications, consultations, or in-person meetings to ensure that all regulatory expectations are met. Where potential compliance risks are identified, investors often implement internal corporate adjustments – such as restructuring ownership chains, excluding non-approved entities from the corporate structure, or divesting sensitive assets – for the purpose of aligning with statutory requirements and facilitating clearance.”</p> <p>Echoing this, in Croatia, “much like with successful merger clearances, it won’t be enough to simply submit the application and wait. Investors and their advisors will need to take a proactive approach – staying engaged, following up regularly, and pushing as hard as possible to ensure the process moves forward efficiently and all approvals are obtained on time,” Zornada says in conclusion.</p> <p>This article was originally published in Issue 12.10 of the CEE Legal Matters Magazine. </p>