

More Transactions at Risk of Regulatory Scrutiny in the UK

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The UK's Competition and Markets Authority (CMA) has [announced proposals to tighten its jurisdiction over mergers](#) in the military, quantum technology and computing hardware industries. The changes, which are subject to a consultation period through 12 April 2018, would lower the thresholds at which the CMA and the Secretary of State can exercise their powers of review and intervention.

Specifically, the CMA is proposing to:

- 1) reduce the 'target turnover threshold' from £70 million to £1 million, and
- 2) broaden the 'share of supply threshold' to catch targets with 25% or more share of supply in the UK, even if the acquirer has no presence in the sector.

The stated purpose of these changes is to provide the Secretary of State with greater oversight of deals which may raise national security concerns in the UK. The proposal is consistent with recent regulatory expansionist policies from other European authorities, including most recently the 2017 amendment of the [German Foreign Trade and Payments Ordinance](#) to increase scrutiny of foreign investments with "public order and security" profiles. (*More broadly, see also the commentary from EU [President Juncker's 2017 State of the Union address](#) and*

[Davis Polk's recent memo](#)

.)

In addition to broadening the Secretary of State's reach, the lowered thresholds will result in a greater number of transactions coming within the jurisdiction of the CMA's competition assessment. It remains to be seen however how the CMA will exercise these powers should they be approved, given the anticipated increase in its post-Brexit caseload.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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