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# The European Commission Launches Review of Its Foreign Subsidies Regulation Regime

The Commission calls for views on the effectiveness and burden of the FSR in preparation for its first formal review of the rules.

## Overview

On 12 August 2025, the European Commission (the “**Commission**”) [launched the first review](#) of the Foreign Subsidies Regulation (the “**FSR**”).

- Regulatory simplification is a strategic Commission priority. FSR notifications require production of extensive financial data, but the overwhelming majority of notified deals are cleared. The regime has caught around four times more transactions than was projected.
- Improving EU competitiveness is a further strategic Commission priority. The consultation is seeking to understand the impact of the FSR regime on investment into the EU.
- The review could ultimately lead to reforms to reduce excess red tape on businesses. The Commission is empowered to adjust FSR notification thresholds and procedural timings itself, relatively quickly, but wider reforms would require new primary legislation which could take longer.
- The Commission is seeking views on specific key elements of the FSR (including notification thresholds and the burden of the regime on deal parties), as well as making an open call for evidence on the regime. The deadline to respond is 18 November 2025.

## Scope of the Review: Simplification on the Horizon?

The review seeks to understand the impact of the FSR regime and how it could be improved, including:

- Examination of notification thresholds and opportunities for simplification of the rules, including possible exemptions;
- Impact of the FSR regime on deal planning, timings, costs, and the administrative burden;
- Clarity, proportionality and reasonableness of the financial contribution reporting and notification requirements;

- Interface of FSR notifications with wider merger control and FDI clearance procedures;
- Definitions of distortions in the internal market;
- Categorisation of foreign subsidies most likely to distort the internal market under Article 5 FSR;
- Enforcement of the ex officio mechanism; and
- Impact of the FSR on participation of ex-EU countries in M&A in the EU.

There is no specific reference to the position of investment funds or private equity sponsors in the consultation, but proposals for reforms or exemptions to address the disproportionate administrative burden on such entities could be raised in responding to the consultation.

### Next steps

- The Commission is required to publish the review report and any proposals for reforms by 13 July 2026, with subsequent reviews to be undertaken every three years. Interested parties have until 18 November 2025 to comment.
- The review is part of a broader assessment of the FSR: the Commission has already launched a [consultation on the FSR Draft Guidelines](#), with final guidelines required to be published by 12 January 2026.

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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