EXPLANATORY MEMORANDUM TO

THE ENTERPRISE ACT 2002 (MERGERS INVOLVING NEWSPAPER ENTERPRISES AND FOREIGN POWERS) (NO. 2) REGULATIONS 2025

2025 No. 1351

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Culture, Media and Sport and is laid before Parliament by Command of His Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Declaration

2.1 Ian Murray MP, Minister for Creative Industries, Media and Arts at the Department for Culture, Media and Sport confirms that this Explanatory Memorandum meets the required standard.

2.2 Janis Makarewich-Hall, Deputy Director for Radio, Advertising and Press - Media and International Directorate, at the Department for Culture, Media and Sport confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Dean McColl and Laura McCarthy at the Department of Culture, Media and Sport can be contacted by email at the following address with any queries regarding the instrument: press-policy@dcms.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The Enterprise Act 2002 (Mergers Involving Newspaper Enterprises and Foreign Powers) (No. 2) Regulations 2025 ("the Regulations") introduce changes to Part 1A of Schedule 6B to the Enterprise Act 2002 ("the 2002 Act"), to amend exceptions within the merger control regime in that Act which prohibits foreign state newspaper merger situations (the "Foreign State Influence (FSI) regime").

4.2 A foreign state newspaper merger situation is created where a merger involving a newspaper enterprise (i.e. a UK newspapers or periodical news magazines) results in a foreign power being able to control or influence the policy of the person carrying on the newspaper enterprise. This includes cases where a foreign power holds, directly or indirectly, any shares or voting rights in the person. If a merger is a foreign state newspaper merger situation or if there are arrangements in progress which, if carried into effect, will result in a foreign state newspaper merger situation, the Secretary of State will be required to block or unwind the merger.

4.3 The exceptions to the FSI regime were first introduced by the Enterprise Act 2002 (Mergers Involving Newspaper Enterprises and Foreign Powers) Regulations ("the No. 1 Regulations"), made in July 2025. These included the exception which allows a single state owned investor acting on behalf of a foreign power to hold no more than 15% of the shares or voting rights in a UK newspaper owner directly or

indirectly. The No. 1 Regulations also imposed a cap of 15% on aggregate holdings in a newspaper by multiple state owned investors acting on behalf of foreign powers of the same country or territory.

4.4 These Regulations amend the exception for state owned investors introduced by the No. 1 Regulations to ensure there is a 15% cap on the total shares or voting rights which state owned investors acting on behalf of foreign powers of any country or territory may hold, directly or indirectly, in a UK newspaper owner. In situations involving multiple investments in a newspaper by state owned investors from different states, holdings by state owned investors from one country, which comprise no more than 5% of the shares or voting rights in a quoted company, may be ignored for the purposes of assessing whether holdings by state owned investors of another country will exceed the 15% limit.

4.5 These Regulations provide that to be eligible to hold more than 5% of shares or voting rights in a UK newspaper owner directly, a state owned investor must, before the end of a period of 14 days beginning with the date of the acquisition resulting it having a direct holding of more than 5%, give a qualifying notification to the Secretary of State and publish certain details of its holding on a website.

Where does the legislation extend to, and apply?

4.6 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales, Scotland and Northern Ireland.

4.7 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales, Scotland and Northern Ireland.

5. Policy Context

What is being done and why?

5.1 The FSI regime prevents foreign state ownership of, or control or influence over, UK newspapers and news magazines because of the risk this could pose to democracy and free speech. It is therefore an important part of the UK's protection of media freedom and plurality, and supports other recent legislation to strengthen protections against inappropriate foreign influence in key UK sectors such as the National Security and Investment Act 2021 and the National Security Act 2023.

5.2 The policy intention behind the exceptions to the FSI regime introduced through the No. 1 Regulations in July is to ensure that this new regime does not have unintended consequences in relation to wider foreign investment in the UK media, and to allow certain kinds of legitimate and passive investments in newspapers and periodical news magazines.

5.3 The policy intention behind these Regulations is to clarify the scope of the exceptions and to ensure the FSI regime works effectively overall. The amendments to the 15% limit put beyond doubt the level to which multiple state owned investors from different countries or territories are able to invest in a UK newspaper enterprise and prevent multiple state owned investors from collectively owning the majority of a newspaper enterprise. The requirement for state owned investors to notify the Secretary of State and publish details of certain acquisitions, in order to lawfully hold shares or voting rights, which are over a certain percentage, directly, will increase transparency around UK news acquisitions by state owned investors, enable the Secretary of State to update Parliament on acquisitions which have been published in

accordance with these Regulations and provide assurance of the passive and limited nature of such investments.

What was the previous policy, how is this different?

5.4 The FSI regime, which came into effect on 13 March 2024, did not include any exceptions. As such, until the No. 1 Regulations came into force, the acquisition of any share in a newspaper owner by a state owned investor or an associated person would have triggered the requirement under the 2002 Act for the Secretary of State to intervene in the acquisition and to ultimately block or unwind it.

5.5 The FSI regime, inserted into the 2002 Act by the Digital Markets, Competition and Consumers Act 2024, includes powers to make exceptions and amendments to the regime in Schedule 6B.

5.6 The No. 1 Regulations made in July 2025 created exceptions within the FSI regime in the 2002 Act, by providing that a foreign power is not able to control or influence the policy of a newspaper owner in the following circumstances:

5.6.1 All the shares or voting rights which the foreign power holds in the newspaper owner are held by the foreign power indirectly via a state owned investor (e.g. a sovereign wealth fund) and that state owned investor holds no more than 15% of the shares or voting rights. Where shares or voting rights are held by different state owned investors acting on behalf of foreign powers of the same country or territory, their holdings are to be treated as if they were a single holding of shares or voting rights.

5.6.2 The foreign power holds shares or voting rights as a result of those shares or voting rights being held by a person associated with a foreign power (e.g. a relative of an individual who is a foreign power) and the associated person owns no more than 0.1% of the shares or voting rights. This created a 'de minimis' threshold for small-scale investments.

5.6.3 The foreign power holds shares as a result of those shares being held by a person associated with a foreign power and the associated person holds the shares via certain types of investment funds (e.g. Individual Savings Accounts (ISAs) or a Self Invested Personal Pension Schemes (SIPPs)).

5.7 These Regulations amend those exceptions by providing that:

5.7.1 If a state owned investor acquires a direct holding of more than 5% but no more than 15% of shares or voting rights in a newspaper owner, the holding is permitted provided the state owned investor notifies the Secretary of State of its holding before the end of a period of 14 days commencing with the date of the relevant acquisition and publishes certain details on a website within the same timeframe. If a state owned investor which acquires a direct holding of more than 5% were to fail to fulfil the notification and publication requirements, a foreign state newspaper merger situation would be created, and the Secretary of State would be required to block or unwind the merger.

5.7.2 The details which the state owned investor must publish are: the name of the state owned investor; the foreign country or territory of the foreign power on whose behalf the state owned investor is acting; the name of the newspaper owner invested in; and the percentage investment.

5.7.3 Notification and publication are not required for indirect holdings. This is designed to reflect the practical challenges that notification and publication requirements for indirect holdings would introduce. The key challenge is that a state owned investor investing in a company may not be aware of investments which that company or any

of its subsidiaries has in a UK newspaper. Transparency of significant direct investments is more important, because it has stronger potential to enable influence.

5.7.4 There is a 15% cap on the total shares or voting rights which may be held by state owned investors acting on behalf of any foreign power from any country or territory in a UK newspaper. This will prevent a single holding by a state owned investor in a UK newspaper exceeding 15% of the total shares or voting rights in the newspaper. It will also prevent the combined total of shares or voting rights held by more than one state owned investor from the same country or from different countries exceeding 15% of the total shares or voting rights in the newspaper.

5.7.5 In situations involving multiple investments in a newspaper by state owned investors from different states, holdings by state owned investors from one country, which comprise no more than 5% of the shares or voting rights in a quoted company, may be ignored for the purposes of assessing whether holdings by state owned investors of another country will exceed the 15% limit. This is to take account of the reality that small investments in publicly listed companies are unlikely to be transparent to potential investors unless they cross reporting thresholds applicable to listed shares under rules which govern stock markets. If there was no such exclusion, state owned investors would find it difficult to assess the level of existing investment by other state owned investors in a newspaper owner, and therefore whether their own investment would exceed the 15% limit, particularly in cases where other investments are by state owned investors of other foreign states.

6. Legislative and Legal Context

How has the law changed?

6.1 The FSI regime is set out in Chapter 3A of Part 3 of the 2002 Act. It was inserted by the Digital Markets, Consumers and Competition Act 2024.

6.2 Schedule 6B to the 2002 Act provides that a foreign power is able to control or influence the policy of a person carrying on a newspaper enterprise ("a newspaper owner") if one or more of five conditions is met, including the conditions that a foreign power holds, directly or indirectly, any shares in the person ("the shares condition") or voting rights in the person ("the voting rights condition").

6.3 The No. 1 Regulations inserted paragraph 2B into Schedule 6B, which provides that a foreign power is not able to control or influence the policy of a newspaper owner by virtue of the shares condition or the voting rights condition where all of the shares or voting rights that the foreign power holds in a newspaper are held, indirectly, via a state owned investor acting on behalf of the foreign power, and the state owned investor holds, directly or indirectly, no more than 5% of the shares or voting rights in the newspaper owner.

6.4 These Regulations amend this exception as follows.

6.5 Notification and publication requirements: Paragraph 2B(1) provides that a foreign power ("the main foreign power") is not able to control or influence the policy of a newspaper owner by virtue of the shares condition or the voting rights condition, where all of the shares or voting rights that the main foreign power holds in the newspaper owner are held, indirectly, via a state owned investor acting on behalf of the main foreign power. Paragraph 2B(1)(b) and (1A) to (1C) of Schedule 6B provide, in effect, that where a state owned investor acting on behalf of the foreign power holds, directly, more than 5% but no more than 15% of the shares or voting rights in a UK newspaper owner, the foreign power is not able to control or influence the

newspaper owner's policy, provided the state owned investor notifies the Secretary of State that it has or will have a holding of more than 5%, and publishes certain details of the holding on a website within 14 days of the relevant acquisition being made. In effect, if direct holdings of more than 5% are not notified and published within 14 days of the transaction, the Secretary of State is then obliged under section 70A of the 2002 Act to give the Competition and Markets Authority a foreign state intervention notice to investigate whether the merger constitutes a foreign state newspaper merger situation and may be required to block or unwind the merger situation.

6.6 Application of the cap: Paragraph 2B(1)(c) of Schedule 6B to the 2002 Act provides that the total shares or voting rights held by state owned investors acting on behalf of any foreign power, including foreign powers of the same country or territory or of different countries or territories, can be no more than 15%, but this cap is subject to paragraph 2B(1D). Paragraph 2B(1D) provides that holdings of a state owned investor acting on behalf of a foreign power of a country or territory other than the country or territory of the main foreign power are to be ignored where they comprise no more than 5% of the shares or voting rights in a quoted company within the meaning given by section 385(2) of the Companies Act 2006.

Why was this approach taken to change the law?

6.7 The powers in Schedule 6B to the 2002 Act that allow for exceptions to be made to the FSI regime may be exercised by regulations which are subject to the affirmative procedure.

7. Consultation

Summary of consultation outcome and methodology

7.1 The Government ran a technical consultation to seek views on the draft regulations. The public consultation ran from 16 July 2025 until 16 September 2025 and was available on GOV.UK. Three responses were received, from a newspaper group, a media reform campaign group, and a law firm. The Government's response was published on 30 October and is available from: https://www.gov.uk/government/consultations/consultation-on-further-changes-to-the-enterprise-act-2002-mergers-involving-newspaper-enterprises-and-foreign-powers-regulations-2025.

7.2 The respondents considered the 15% aggregate cap for foreign state owned investments appropriate, and shared no concerns about the notification requirement.

7.3 Two respondents questioned whether it was proportionate, and what effect it could have on investment, for both indirect and direct holdings by state owned investors in a UK newspaper owner (for example, by a state owned investor investing in a company which has invested in a UK newspaper owner) to be treated equally in contributing towards the 15% aggregate cap for foreign state owned investments. The Government considered this and came to the conclusion that to set a different cap for indirect holdings would add undesirable complexity to the regime.

7.4 One respondent raised a concern that holdings by state owned investors of under 5% in publicly listed companies do not count towards the 15% aggregate cap for foreign state investments, whereas holdings under 5% in a private company do count towards the aggregate cap, and this could distort competition between publicly listed and privately held newspaper groups. Holdings in public and private companies are treated differently to reflect that they operate differently, as it is typical for all investors in private companies to be known to the company, but not for publicly listed companies.

Having given careful consideration to all consultation responses, the Government has chosen to move forward with the policy as outlined in the consultation, with one addition.

7.5 Following Parliamentary engagement and discussion, Ministers have also decided to add the requirement for state owned investors to publish details of their investment. This is to aid the regime's transparency and enable the Secretary of State to report to Parliament on acquisitions which have been published in accordance with the Regulations, which would not otherwise be possible due to restrictions on the disclosure of certain information under Part 9 of the 2002 Act.

8. Applicable Guidance

8.1 The current guidance, published in May 2004, on the operation of the public interest merger provisions relating to newspaper and other media mergers will be updated including to reflect the new FSI regime and the Government's recent changes to extend the regime and the media merger public interest regime to online news publications. This will be published in due course.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 The impact assessment published in October 2024 covered the changes made to the FSI regime by the No 1 Regulations, and the corresponding primary legislation introducing the FSI regime to the 2002 Act developed in response to an amendment to the Digital Markets, Competition and Consumers Bill in the House of Lords in March 2024. The changes these Regulations make are sufficiently minor and technical that a further impact assessment is not required. The Impact Assessment can be found here: https://assets.publishing.service.gov.uk/media/6825ad0ab9226dd8e81ab8e6/Foreign_State_Intervention__FSI__Impact_Assessment.pdf.

9.2 The previous impact assessment for the No 1 Regulations and the FSI regime was considered and assessed with a Green Rating by the Regulatory Policy Committee.

Impact on businesses, charities and voluntary bodies

9.3 The previous full impact assessment for the No 1 Regulations and the FSI regime considered the impacts on small businesses and concluded that the changes were not anticipated to result in disproportionate burdens on small and micro-sized businesses.

9.4 The legislation does impact small or micro businesses.

9.5 There is no significant impact on the public sector because the Regulations only apply to investment made by foreign powers and associated persons to UK business.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, Ian Murray, Minister for Creative Industries, Media and Arts, has made the following statement:
"This is an important measure and of interest to Parliament. We will keep the operation of the new FSI regime under review to ensure its effectiveness. However, it

is not appropriate in the circumstances to make provision for review in this instrument as this could create uncertainty given the high need for long-term certainty."

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 These Regulations relate to a commitment given by the Government on 18 June 2025[1] during the Commons debate on the July 2025 Regulations, to prevent a remote risk of different state owned investors from different states each acquiring up to 15% of shares or voting rights in a UK newspaper enterprise, and thus collectively owning a significant proportion of a UK newspaper enterprise. They also introduce further transparency measures which will enable the Secretary of State to report to Parliament on acquisitions by foreign powers investing in UK newspaper enterprises through state owned investors which have been published in accordance with the Regulations.

12. European Convention on Human Rights

12.1 The Minister for Creative Industries, Media and Arts has made the following statement regarding Human Rights:

"In my view the provisions of the Enterprise Act 2002 (Mergers Involving Newspaper Enterprises and Foreign Powers) (No. 2) Regulations 2025 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").

[1] https://hansard.parliament.uk/commons/2025-06-18/debates/fe3336b6-405d-4753-b294-186a25851c2c/GeneralCommittees