



Latest developments in foreign investment control

Italy blocks Russian-backed investment in cloud services provider

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The Italian government has used its “golden power” law to block a Dutch-based cloud services provider’s acquisition of a local rival, reportedly over concerns that the proposed buyer is funded by Russia-based Yandex.

The Council of Ministers, Italy’s principal executive body, decided to prohibit Nebius’s investment in Tecnologia Intelligente during a cabinet meeting on 16 March.

The decision, which the Senate of the Republic of Italy [published](#) on Thursday, did not reveal the exact nature of the government’s national security concerns or the reasons for its block. But according to Reuters, the ruling came after the government found that Yandex largely funds Nebius.

Yandex is Russia’s main online platform services provider. The company was founded in 2000 by Kazakh-Israeli billionaire Arkady Volozh, who stepped down as chief executive in December after the European Union included him on its list of sanctions against Russian companies and individuals following the start of the country’s war against Ukraine.

The decision marks the first time Italy’s government has blocked an investment using the so-called golden power law since the country’s prime minister Giorgia Meloni was elected in October.

Meloni’s cabinet, which she introduced that same month, includes several politicians that have previously backed the use of the country’s national security regime – which local lawyers [said](#) at the time could lead to stricter foreign investment reviews.

Italy first enacted its foreign investment law in 2012 to allow the government to intervene in investments and deals in the defence, national security and key infrastructure sectors. The government amended the rules during the coronavirus pandemic to enable the regime to apply to more markets involving “assets of strategic importance” such as the energy, transportation, communications and high-tech sectors.

The government has blocked eight foreign investments since it first gained those powers, five of which occurred under former prime minister Mario Draghi’s leadership. Previous governments only blocked two deals.

Draghi's government most recently [prevented](#) Chinese robot maker Efort Intelligent Equipment from investing €2 million in domestic robotics company Robox in June.

In March 2022, his government [cancelled](#) the completed sale of a 75% stake in drone maker Alpi Aviation to state-owned Chinese investors after finding that the deal should have been notified under the golden power rules.

A spokesperson for Yandex confirmed that the company funds Nebius but declined to comment further.

Nebius's chief technology officer Danila Shtan said in a statement that the company is in the process of divesting its Russian business but that this "unfortunately isn't a fast process".

Tecnologia Intelligente could not be reached for comment.

Filippo Mazza, a partner at Ughi e Nunziante Studio Legale in Rome, said this decision largely aligns with the government's [amendment](#) of its golden power law to cover 5G and cloud services last March.

While this is the first time Italy has blocked a deal since Meloni became prime minister, the government has largely been applying the golden power in the same way as it did under Draghi, Mazza said.

It is not likely that her government's approach will be drastically different, he said.

Mazza noted that the government has been actively using its powers to intervene in foreign investment, including by imposing conditions on KKR and Global Investment Partners' joint investment in Inwit, a leading 5G technology provider.

It is also due to issue a final decision on the sale of Lukoil's oil refining plant in Sicily to Cypriot private equity firm GOI Energy by 30 June, he said.

Daniela Sabelli, a partner at Squire Patton Boggs in Milan, said this decision is significant but unsurprising, as the deal did meet the conditions to be blocked. Tecnologia Intelligente operates in one of the strategic sectors and Nebius seems to have "strong relations" with Yandex so it was likely that the tie-up could be a threat to national interests, she said.

Sabelli noted that when Meloni first came into power in October, businesses were concerned that her "sovereigntist-oriented government" may apply the golden power law "excessively". But the prime minister has kept up the approach used by former prime minister Draghi and has chiefly focused on transactions in the markets of utmost importance to national security, particularly the tech sector, she said.

Sabelli added that the increased use of the golden power law should also not come as a surprise given that heightened national security reviews have become a trend across several jurisdictions, fuelled by Russia's war in Ukraine and the global economic crisis.

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