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Regulatory Update

UK Blocks Transfer of Graphene Assets on National Security Grounds

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On 20 August, the UK government issued a [Final Order](#) under Section 26 of the National Security and Investment Act 2021 (NSIA) blocking a proposed joint venture between Versarien plc (Versarien) and Anhui Boundary Innovative Materials Technology (BIMT). Versarien, a UK AIM-listed advanced materials company, and BIMT, a Chinese firm founded in 2024 and focused on graphene and battery technologies, proposed a joint venture that would combine BIMT's graphene and related materials with Versarien's related assets and expertise to develop new products for the automotive and battery sectors.

The proposed transaction, which would have transferred both physical assets and proprietary know-how relating to graphene, was blocked by the UK government on national security grounds, citing concerns about the transfer of sensitive, dual-use technology. The Final Order prevents the joint venture from acquiring or using Versarien's tangible and intangible assets, including access to graphene-related expertise through UK academic partnerships and the wider graphene ecosystem. The UK government described the prohibition as "necessary and proportionate" to prevent exploitation of critical technologies.

Graphene's importance lies in its exceptional strength, light weight, flexibility and conductivity, which give it broad dual-use potential in applications ranging from aerospace and defence (e.g., lightweight armour, stealth coatings and advanced communications) to energy storage and electronics (e.g., next-generation batteries, high-frequency transistors and quantum technologies). The UK government determined that safeguards proposed by the parties would not adequately mitigate the risks, particularly given the potential for Chinese access to UK higher education research and Versarien's overseas operations.

Key Takeaways

- **Asset transactions and intangibles squarely within scope:** The NSIA's mandatory filing regime applies to acquisitions of shares or interests in entities, not assets. However, transactions conferring the ability to use or direct the use of a qualifying asset, including know-how, IP, data, software, prototypes and related access rights, can still constitute a trigger event and be subject to prohibition.
- **Graphene treated as a sensitive advanced material:** The decision signals the UK government's view that graphene is a strategically sensitive technology and effectively places it alongside semiconductors and other critical technologies likely to face heightened scrutiny in cross-border transactions.
- **Nevertheless, prohibitions remain rare:** Most transactions (over 95%) are approved within the NSIA's initial 30-working-day review period, with only a small minority of transactions called in for in-depth review. Notably, voluntary notifications account for over a third of call-

ins, signalling active scrutiny beyond the mandatory regime (for more information, please see our previous client alert: [From Burden to Balance: UK Moves to Streamline NSIA Regime](#)).

Significance

This Final Order reinforces that the NSIA applies not only to acquisitions of equity, but also to acquisitions of assets and other exploitation rights, including intangible know-how, IP, data and collaboration access. In practice, this order serves as a reminder that structuring a transaction as a joint-venture, licensing or technical-assistance arrangement does not avoid scrutiny under the NSIA if those arrangements confer the ability to use or direct the use of sensitive assets. It is also pertinent that Versarien is evidently in financial distress and that its financial position did not appear to impact the UK government's decision to prohibit the transaction.

Procedurally, this decision highlights the value of the voluntary notification system for transactions involving sensitive assets. Voluntary notification puts the relevant transaction on a defined timetable: 30 working days for the initial review to clear or call in for an in-depth review; if called in, a further 30 working days, extendable by 45 working days. Importantly, voluntarily notifying a transaction also shortens the post-completion period during which the government can still call in a transaction for review from up to five years post-completion down to six months once a notification is confirmed complete. In short, opting to voluntarily notify under the NSIA can provide greater transaction certainty and reduce future regulatory risk.

Finally, although this Final Order appears to be the first to explicitly target graphene-related assets under the NSIA's Advanced Materials sector, it aligns with a broader pattern of government interventions aimed at preventing the transfer of sensitive know-how and IP, particularly in dual-use technologies and the higher education sector. Previous interventions have included:

- **University of Manchester – vision-sensing licence blocked (20 July 2022):** The UK government blocked the University of Manchester from licensing SCAMP-5/7 vision-sensing IP to a Chinese buyer (Beijing Infinite Vision Technology). Granting rights to use the IP was treated as a trigger event under the NSIA and was prohibited outright due to dual-use potential and national-security risks associated with the transfer of the IP.
- **University of Southampton / Voyis Imaging – licence cleared with conditions (8 June 2023):** The UK government allowed a university asset licence to proceed, subject to behavioural conditions, namely a requirement to conduct customer due diligence on all new purchasers of the licensed asset and the imposition of annual reporting requirements, reflecting the government's concerns over potential military applications of the IP.
- **Nexperia / Newport Wafer Fab – divestment ordered (16 November 2022):** The UK government required China-backed Nexperia to sell at least 86% of Newport Wafer Fab's share capital. The UK government concluded that control of a strategic site within a semiconductor skills cluster and access to relevant expertise and know-how could not be credibly mitigated through behavioural measures and ordered divestment.

Transactions involving graphene or other advanced materials should expect close scrutiny under the NSIA. Even when the commercial driver is collaboration or financial support, the UK government is evidently prepared to block transactions outright if it considers them to present real national security risks. As a result, early risk assessment and careful structuring from the outset of any proposed transaction will be critical for any cross-border partnerships in this sector.

Practical Steps

- **Assess asset exposure early:** Identify any qualifying assets (including know-how, IP and data) and map any potential collaborations. Consider carefully whether there is any dual-use sensitivity and determine who will use or direct the use of those intangible assets.
- **Consider voluntary notification:** Submitting a voluntary NSIA notification sets a defined timetable (30 + 30 + 45 working days) and reduces the post-completion call-in period from five years to six months, enhancing transaction certainty and reducing the risk of late-stage intervention.

- **Monitor proposed changes to the NSIA:** The UK government is consulting on updates to sector definitions, including semiconductors and advanced materials, which may affect future transaction scope and obligations. For more information, please see our previous client alert: [From Burden to Balance: UK Moves to Streamline NSIA Regime](#).

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