Financial Services

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EU Inc and the 28th Regime: From Company Law Simplification to Capital Markets Infrastructure?

QuickTake

On 18 March 2026, the European Commission published a package of measures proposing **EU Inc** — an optional, European Union (**EU**)-wide harmonised corporate legal framework, the so-called **28th regime**. The proposal (COM(2026) 321 final) takes the form of a directly applicable Regulation based on Article 114 Treaty on the Functioning of the European Union (**TFEU**) and allows companies to incorporate and operate under a single European company-law form across all 27 Member States. The initiative forms part of the Commission's broader Competitiveness Compass, the Single Market Strategy, the EU "Startup and Scaleup Strategy" and the "One Europe, One Market Roadmap".

As explored in this Client Alert specifically through the financial services lens, the proposal is not merely a matter for founders and company lawyers but also financial services firms that may engage with EU Inc as a potential new company form. EU Inc should be judged by whether it creates a more *bankable, investable, transferable, supervisable and market-infrastructure-compatible* European company form. It may affect the way European companies are financed, structured, diligenced, listed, lent to, invested in, pledged, transferred, restructured and supervised. The proposal therefore sits alongside and should be read

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together with, the Savings and Investments Union (**SIU**), capital markets integration, private-market liquidity, securitisation, listing and post-trade reform agendas.

EU Inc is a financing-architecture proposal, not just a company-law simplification

Europe's difficulty is not a shortage of founders or ideas — the Commission's impact assessment records overwhelming demand from the start-up and Small and Medium-sized Enterprise (**SME**) community, including over fifteen thousand signatures behind the original EU Inc campaign and 1,467 consultation responses, 96% of whose corporate respondents were SMEs.

The deeper problem, as the Draghi and Letta reports[1] both concluded, is that 27 distinct national corporate-law systems generate legal uncertainty and transaction costs that discourage companies from scaling within the Single Market and push some toward incorporation outside the Union altogether. This is a financing-architecture problem as much as a company-law problem: a founder's inability to answer "which law governs my share pledge, my convertible note or my insolvency filing" cheaply and reliably is precisely the kind of friction that raises the cost of capital.

The EU Inc proposal touches the whole chain from formation through seed/venture financing, bank lending, private credit, secondary transfers, Initial Public Offering (**IPO**)/listing and insolvency/restructuring. At present, the answer to whether EU Inc delivers on its financial-markets promise is partly, but not yet decisively. The current EU Inc proposal is thus promising but incomplete. It may reduce incorporation and governance friction, but its financial-markets impact will depend on whether the final regime delivers legal certainty on share transfers, investor-familiar governance, predictable insolvency treatment, compatibility with financial market infrastructure and regulatory recognition across the EU's capital-markets and prudential architecture.

Key elements of the EU Inc proposal include:

- **Who?** Two distinct constituencies are affected. *First*, founders, start-ups, scale-ups, SMEs and growth companies seeking a standardised, low-cost, digitally native European company form — as well as their shareholders, employees (particularly for EU Stock Option Plans – **ESOP**s) and early-stage investors. *Second*, the financial services firms that service them: banks (venture debt, growth lending, acquisition finance), investment firms, asset managers (Venture Capital (**VC**), Private Equity (**PE**), European Long-Term Investment Funds (**ELTIF**s), European Venture Capital Funds (**EuVECA**s)), insurers (allocation and underwriting), payment firms, market infrastructure providers, custodians, Central Securities Depository (**CSD**s), fintechs, crypto-asset service providers, pension funds and their advisers, underwriters, arrangers and legal counsel.

- **What?** An optional EU-wide company form established by Regulation, with no minimum share capital, 48-hour digital registration for a maximum of EUR 100, dematerialised shares, flexible share classes (including multiple-voting rights), simplified digital share transfers, simple agreement for future equity (**SAFE**) and keep it simple security (convertible note) (**KISS**) compatibility, ESOPs and a pathway (via Member State option) to public-market admission. For founders and companies, EU Inc offers reduced incorporation friction and cross-border scalability. For financial services firms, the question is whether EU Inc creates a company form that is bankable, investable, transferable and supervisable at scale.

- **Where?** All 27 EU Member States. EU Inc companies would have free choice of incorporation Member State and automatic recognition across the Single Market. The regime does not depend on national transposition (it is a Regulation, not a Directive). For companies, this means a single European legal form operable anywhere in the Union. For financial services firms, this means a standardised counterparty, issuer or borrower profile — though for general insolvency proceedings, the applicable forum and law would ordinarily be determined through the centre of main interests (**COMI**) framework under Regulation (EU) 2015/848. The EU Inc's Member State of registration would provide a rebuttable starting

[1] See coverage on the Draghi and Letta Reports available here.

point for COMI but would not necessarily determine the jurisdiction or applicable insolvency law. Security and enforcement outcomes would also interact with national law.

- **When?** Published 18 March 2026. The proposal (2026/0074(COD)) is before the European Parliament (JURI Committee, rapporteur René Repasi MEP) and Council (Working Party on Company Law, meetings on 8 July, 23 July, 1 September and 10 September 2026). The Commission aims for political agreement by end-2026, monitored via the One Europe, One Market Roadmap. The Irish EU Presidency (July–December 2026) has prioritised SIU-related files.[2] The window for substantive legislative engagement is now.

- **How?** EU Inc companies would acquire legal personality on registration in a national business register through a central EU interface built on Business Registers Interconnection System (**BRIS**), with harmonised bilingual templates, a 48-hour target deadline and EUR 100 cost ceiling. Digital share registers, online share transfers, digital capital increases and once-only data transmission reduce administrative friction. For founders, this streamlines formation, capital-raising and governance. For financial services firms, the question is how EU Inc interacts with existing diligence, documentation, custody, settlement and supervisory frameworks — firms should map exposure across their value chain.

- **Why?** Europe has 40,000+ VC-backed tech startups but only 331 unicorns versus 1,963 in the US. Divergent national company-law frameworks were identified by 85%+ of respondents as barriers to cross-border scaling. The proposal responds to the Draghi Report's call for an "Innovative European Company", the Letta Report's "Simplified European Company" and repeated calls from business associations dating to the failed Societas Privata Europaea (**SPE**) proposal. For founders, EU Inc promises reduced fragmentation and lower transaction costs. For financial services firms, the question is not whether EU Inc simplifies formation (it does), but whether it creates a company form that financial markets can price, trade, pledge, settle and supervise at scale.

Key immediate considerations

1. The strongest immediate use case for EU Inc is for venture capital and growth equity

Flexible share classes, digital share transfers, SAFE/KISS compatibility, simpler capital increases, more predictable ESOP treatment, lower cross-border syndication friction and cleaner cap tables address many legal-fragmentation costs that currently raise European VC/growth transaction costs. But if EU Inc remains too dependent on national law, it reduces incorporation friction without resolving the legal-fragmentation premium priced into European deals.

2. The bank lending and debt capital markets impact depends on predictability, not speed

For lenders, underwriters and debt investors, EU Inc's value lies not in 48-hour incorporation but in whether it creates a standardised borrower/issuer profile — standardised corporate authority, enforceable share pledges, predictable insolvency treatment, harmonised creditor remedies and efficient restructuring. Much of this terrain still interacts with national insolvency, secured-transactions and civil-procedure law and is not resolved by the current proposal.

3. Market infrastructure compatibility and digital-native design are the long-term opportunity

The proposal opens a genuine path toward digitally native share registers, Distributed Ledger Technology (**DLT**)-based securities issuance, settlement-finality-compliant transfer mechanics, CSD interoperability,

[2] See our coverage available here.

tokenised private-market shares, automated corporate actions and machine-readable cap tables. But the current framework is closer to digital administration than full market-infrastructure integration. Full compatibility with Central Securities Depositories Regulation (**CSDR**), the DLT Pilot Regime, eIDAS/European Digital Identity Wallet and the emerging European Business Wallet ecosystem will determine whether EU Inc becomes a regulated corporate-data-and-securities-infrastructure layer.

4. The live legislative question is ambition, not principle

Mainstream business associations, investor associations and financial-market bodies broadly welcome the concept. The debate is whether the final text becomes a genuinely scalable European company form (a "Delaware-style" digital-first vehicle with a central register and standardised financing tools) or merely a harmonised label layered onto 27 national company-law substrates. Trade unions and labour-side stakeholders fear deregulatory arbitrage absent stronger employee-participation safeguards. The Commission aims for political agreement by end of 2026.

5. The file has moved from concept to legislative bargaining

As of 12 July 2026, EU Inc is in the ordinary legislative procedure: tabled in Parliament under JURI (rapporteur René Repasi MEP), under technical scrutiny in the Council Working Party on Company Law and awaiting a European Economic and Social Committee (**EESC**) opinion. Co-legislators are working toward an end-2026 political agreement. For financial services firms, the near-term task is legislative monitoring and targeted advocacy — not implementation planning — because consequential questions (register centralisation, national-law fallback, insolvency and netting treatment, Anti-Money Laundering (**AML**) safeguards) remain open.

Background–what is EU Inc, where are we now and what happens next?

Policy objective

The Commission published the EU Inc package on 18 March 2026, comprising: a Communication *"Towards a 28th regime for EU companies"* (COM(2026) 320 final); a Proposal for a Regulation on the 28th Regime Corporate Legal Framework — 'EU Inc.' (COM(2026) 321 final, 2026/0074 (COD)), based on Article 114 TFEU; an Annex on minimum articles of association content; an Impact Assessment (SWD(2026) 321lol) and Executive Summary (SWD(2026) 322); and an EU Inc factsheet.

The EU Inc proposal takes the form of a Regulation rather than a Directive — a legal-basis choice the Commission justifies as necessary to achieve the "high degree of approximation of laws" the initiative requires. Under the proposal, EU Inc companies would acquire legal personality on registration in a national business register, would be automatically recognised in every Member State and would be governed by the Regulation, their articles of association and — for matters the Regulation does not harmonise — national law applicable to comparable national legal forms. Registration is designed to occur through a central EU interface built on the existing BRIS, with harmonised bilingual templates, a target deadline of 48 hours and a cost ceiling of EUR 100 where standardised templates are used by natural-person founders. The "once-only principle" is intended to ensure that company data captured at registration would flow automatically to tax, VAT, social-security and beneficial-ownership authorities without repeat submission.

The "28th regime" concept was announced in the Commission's Competitiveness Compass (January 2025) and carried forward in the Single Market Strategy and EU Startup and Scaleup Strategy (May 2025) and the 2026 Commission Work Programme (October 2025). The European Council called for an optional 28th company law regime (March and October 2025). Parliament adopted an own-initiative report (January 2026) calling for a Regulation-based approach with strong employee-participation safeguards and support for employee stock ownership.

The Commission situates EU Inc squarely within the Competitiveness Compass, the Single Market Strategy, the EU Startup and Scaleup Strategy and — critically for financial services — the Savings and Investments Union, describing the initiative's investment-facilitation measures as "closely linked" to the SIU's core aim of channelling savings into productive investment.

The stated objective is an optional, EU-wide harmonised corporate legal framework eliminating fragmentation in company formation, governance, capital structuring and share transfers — reducing barriers to cross-border scaling, venture financing and capital-market access. The Commission's target is political agreement by end-2026.

The proposal's own explanatory materials concede that EU Inc is governed "for other matters" by the national law applicable to comparable domestic legal forms in the Member State of registration. This is the pivotal design choice. An autonomous European company form would resolve financing-relevant questions — creditor priority, security enforceability, insolvency triggers, netting protection — uniformly across the Union.

An EU overlay, by contrast, harmonises the label and certain procedural mechanics while leaving the substantive economic risk questions to the 27 national systems it was meant to transcend. EU Inc as currently drafted sits closer to the overlay end of this spectrum for most of the questions that determine bankability and investability, even though it moves further toward autonomy on share mechanics, financing instruments and employee ownership.

Key features relevant to financial markets

- **Optional EU-wide company form:** directly applicable Regulation; available to new and existing companies (via domestic conversion, cross-border conversion/merger/division under Directive (EU) 2019/2121); open to companies of any size, though principally targeting innovative startups and scaleups.

- **Fast and cheap:** registration within 48 hours; maximum registration cost of EUR 100 (standard template, natural-person founders); no minimum share capital (EUR 0).

- **Fully digital:** once-only information submission (linked to Tax Identification Number (**TIN**), Value Added Tax Identification Number (**VAT ID**), social security, beneficial ownership register); central future EU Register (initially via BRIS and European Unique Identifier (**EUID**)); interoperability with the Single Digital Gateway, Once-Only Technical System (**OOTS**), eIDAS/European Digital Identity Wallet and European Business Wallet.

- **Dematerialised shares:** recorded in a company-maintained digital register (registration has constitutive effect); digital share certificates; technologically neutral (may use DLT/tokenised form); no bearer shares.

- **Flexible share classes:** multiple share classes permitted with different economic/voting rights (including multiple-voting, non-voting, veto shares); Member States cannot prohibit this; one share/one vote as default.

- **Digital share transfers:** freely transferable by default unless articles restrict; transfers executable fully online (electronically signed agreement, notification, register update) without mandatory notarial/intermediary involvement.

- **Modern financing instruments:** explicit support for SAFEs and KISS convertible notes, with board authority to issue and pre-emptive rights attaching at the SAFE/KISS stage, not on conversion.

- **Capital maintenance:** distributions (and share buybacks/redemptions) subject to balance-sheet test and solvency test rather than conventional capital maintenance; personal director liability for defective tests.

- **Public market access:** EU Inc companies may seek admission to trading on multilateral trading facilities (including SME Growth Markets); Member States may (not must) allow admission to regulated markets without conversion to a national public company form.

- **EU Employee Stock Option Plan (EU-ESO):** standardised warrants to directors/employees; the proposal seeks to encourage taxation at disposal and capital-gains treatment. Unless accompanied by binding tax legislation adopted on the appropriate legal basis, the tax treatment would remain dependent on Member State law — Article 114 TFEU does not provide a sufficient legal basis for mandatory harmonised taxation.

- **Simplified insolvency:** simplified, fully digitalised insolvency procedures for EU Inc startups (winding-up and electronic asset auction); simplified liquidation for solvent companies with no assets/debts.

- **Governance:** minimum one shareholder, one director; online meetings; simple majority generally sufficient; business judgment rule; conflicts-of-interest regime; minority shareholder withdrawal right in cases of severe unfair prejudice.

Why financial services firms should care

EU Inc is relevant to financial institutions not because of incorporation speed but because of the roles they play across the company lifecycle:

- **As investors** (venture capital, growth equity, private equity, ELTIFs, EuVECAs, pension funds, insurers)

- **As lenders** (bank lending, venture debt, private credit, structured finance)

- **As underwriters and arrangers** (IPOs, private placements, convertible bonds, debt issuance)

- **As market infrastructure operators** (CSDs, trading venues, clearing houses, custodians, registrars)

- **As counterparties** (derivatives, Securities Financing Transaction (**SFT**s), collateral, netting)

- **As service providers** (Know Your Customer (**KYC**)/AML onboarding, payment services, custody, fund administration)

- **As regulated groups** (group structuring, Special Purpose Vehicles (**SPV**s), fintech subsidiaries, innovation vehicles, outsourcing partners)

The question for each role is not whether EU Inc simplifies company formation — it does — but whether it creates a company form the financial system can price, trade, pledge, settle and supervise at scale.

How does EU Inc compare to existing company forms?

Market participants benchmark EU Inc against familiar national forms, Delaware and the EU's earlier, unsuccessful European private company statute. The comparison is approximate since EU Inc's final rules remain subject to negotiation, but these reference points are useful:

- **Societas Privata Europaea (SPE):** a 2008 Commission proposal for a European private company statute; abandoned 2014 after Member States disagreed on employee participation and minimum capital. The recurring lesson is that an instrument's practical utility to capital markets correlates closely with the proportion of "hard" questions — creditor priority, security enforceability, insolvency triggers — it resolves autonomously rather than delegating to national law. EU Inc revives the ambition but is structured as a Regulation from the outset.

- **Societas Europaea (SE):** the existing EU public company statute; used for cross-border mergers and holding structures but criticised for high formation costs, mandatory minimum capital (EUR 120,000) and complex employee-participation requirements. The Commission's impact assessment notes the SE was designed for large public companies, could only be created by existing companies with cross-border links and was therefore never viable for newly formed start-ups. EU Inc is positioned as the opposite: open to natural and legal persons, formable from scratch, with no mandatory minimum capital and digital-by-default procedures. The contrast is instructive: the SE achieved recognisability without commercial utility as a financing vehicle and the central risk for EU Inc is repeating this failure in digital form if the underlying legal substance investors and creditors price does not change.

- **Delaware C-Corporation (US):** often cited as the benchmark for a predictable, investor-familiar, centrally registered company form with a specialised Court of Chancery. It would overstate the proposal's ambition to describe EU Inc as recreating Delaware's chancery-court ecosystem and the Commission notes advantages EU Inc could offer over Delaware (up-to-date, freely accessible certified company information through the EU Company Certificate, versus routing document requests through a Delaware registered agent). The more precise question is: can EU Inc become a standardised European financing form that reduces legal-diligence costs for cross-border venture transactions, even without matching Delaware's specialised judiciary and centuries of case law? EU Inc aspires to a similar model (flexible share classes, digital processes) but lacks a single central register or dedicated EU-level court — dispute resolution and registration remain substantially national.

- **German GmbH / Dutch BV / French SAS / Irish Ltd:** all require notarial or registrar formalities, minimum capital in some cases and are subject to divergent share-transfer, capital-increase and insolvency rules. EU Inc's principal value proposition is a single set of rules recognised identically across all 27 Member States.[3]

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[3] The EU Inc's impact assessment itself invokes the Netherlands and Belgium as Member States that already permit companies incorporated under their private limited liability company forms to access public equity markets without conversion into a distinct public-company form, and treats this national precedent as the empirical basis for the policy option ultimately reflected in the proposal's public-market access provision. The significance of this precedent for a comparative capital-markets reading is that it shows the underlying legal technique — permitting a private-company form to access public markets without a mandatory conversion step — is neither untested nor exotic within the Union; several Member States already operate it domestically. What EU Inc does not do, however, is generalise that technique uniformly. Because the eventual public-market access provision, Article 60, merely permits, rather than requires, Member States to extend this facility to EU Inc companies, the Regulation is, in this specific respect, only as ambitious as its most permissive adopting Member State.

A readership accustomed to comparative capital-markets analysis will expect the EU Inc debate to be read against the United Kingdom, where post-Brexit reform has proceeded by incremental modernisation of existing companies-law and listing-rules architecture — most visibly through the FCA's UK Listing Rules overhaul and continuing Companies House reform — rather than through creating a wholly new optional corporate form. The UK comparator demonstrates that legal-fragmentation reduction can be pursued either by building a new harmonised vehicle (the EU Inc route) or by deepening an existing single-jurisdiction system (the UK route). The EU's structural inability to pursue the latter, given no single EU company-law jurisdiction, is what makes the former necessary, but also limits how far it can go without deeper insolvency and secured-transactions harmonisation.

Financial institutions should not treat EU Inc as "a faster GmbH" or "Europe's Delaware" by assumption. Its usefulness depends on which substantive rules survive trilogue — particularly on registers, insolvency and enforcement — rather than incorporation-speed features.

Industry feedback: what the market has said so far

The Commission's consultation received ~1,470 responses (80% from founders/investors and SMEs), plus 113 position papers. The Sustainable Architecture for Finance in Europe research centre in Frankfurt has observed that EU Inc risks becoming a "broad compromise serving multiple constituencies without addressing the substantive impediments that most affect scaling companies" — a warning that the final text could satisfy no one if it tries to satisfy everyone. Commentary divides into four camps:

1. **Mainstream business associations:** EU Inc as a useful competitiveness/simplification instrument provided it stays focused, optional, broad in scope and Regulation-based.

2. **Start-up and investor associations:** want something more ambitious — a genuinely pan-European, digital-first company form with a central register, standardised financing tools and stronger investor certainty.

3. **Trade unions and labour-side stakeholders:** fear EU Inc could become a deregulatory arbitrage tool absent stronger employee-participation, collective-rights and anti-letterbox safeguards.

4. **Financial-market associations:** supportive in principle but focused on bankability, investability and market-infrastructure compatibility; will not treat EU Inc as transformative unless it resolves insolvency, collateral, netting, listing, custody and settlement questions.

Current timelines and known delay risks

The EU Inc file is in the ordinary legislative procedure following the Commission's 18 March 2026 proposal (COM(2026) 321 final, 2026/0074 (COD)). In Parliament, JURI is responsible (rapporteur: René Repasi MEP), with ECON and ITRE politically relevant. In Council, the Working Party on Company Law met on 8 July 2026, with further meetings through September — the Irish Presidency is keeping the file moving quickly. Parliament and Council are working toward end-2026 political agreement, ambitious but plausible given competitiveness-agenda momentum. Importantly:

- ***Sensitive Council issues include***: (i) EU Inc autonomy from national law; (ii) national registers versus an EU-level register; (iii) employee participation; (iv) insolvency rules; (v) beneficial ownership; and (vi) ESOP taxation. Parliament will focus on ambition, shareholder/investor protection, labour concerns and SIU linkages. The EESC opinion is pending.

- ***Key delay risks include***: (a) committee turf disputes (JURI/ECON/ITRE); (b) Council unanimity friction on labour-adjacent points under Article 153 TFEU; (c) Member State resistance to register centralisation; and (d) Irish Presidency handover on 31 December 2026. For financial services firms, the key action is legislative monitoring and targeted advocacy — the outcome depends on whether co-legislators preserve the proposal as narrow company-law simplification or upgrade it into credible capital-formation infrastructure for the SIU.

- ***Adjacent files to track include***: Investment Exits (private secondary-market liquidity)[4], CSDR/T+1 (settlement infrastructure), DLT Pilot Regime (share-register integration), Listing Act/Prospectus reforms (IPO-readiness),[5] Insolvency Law Directive (creditor predictability), Head Office Tax (**HOT**)/ Business in Europe: Framework for Income Taxation (**BEFIT**) (tax simplification), AML package/ Authority for Anti-Money Laundering and Countering the Financing of Terrorism (**AMLA**) (beneficial-ownership trust), European Digital Identity/Business Wallet (digital-infrastructure operationalisation), SIU package and EuVECA review.

Financial services and markets impact analysis

EU Inc is best understood as a financing-architecture proposal touching the whole chain: formation → venture financing → bank lending → private credit → secondary transfers → IPO/listing → insolvency. The question is not “can one incorporate faster?” but “does this create a more bankable, investable and market-infrastructure-compatible EU vehicle?” The following sections assess key issues.

Venture capital and growth equity

The impact assessment identifies time-consuming capital-increase procedures, high administrative and legal costs, mandatory intermediary involvement, the absence of cross-border platforms for issuing and transferring SME securities and difficulty verifying investor identity remotely as the principal barriers reported by both companies and investors, with 847 and 670 respective mentions among the leading obstacles. Non-EU investors cited largely the same frictions, with intermediary involvement (652 replies) and time-consuming capital-increase procedures (641 replies) topping their list. Legal heterogeneity across 27 Member States — different forms, share-capital structures, notarial processes, ESOP regimes and enforcement pathways — raises transaction-execution costs and drives some companies to migrate to non-EU structures.

- ***Flexible share classes (multiple-voting, non-voting, veto shares):*** reduce the need for complex shareholder agreements replicating rights otherwise unavailable under national law

- ***Digital share transfers without mandatory notarial involvement***: lower transaction costs and accelerate round closings

- ***SAFE/KISS compatibility***: enables standardised venture instruments without bespoke national structuring

- ***Simpler capital increases***: (fully digital, online shareholder meetings, simple majority) reduce execution friction for follow-on rounds

[4] See specifically our coverage available here.
[5] See our coverage available here.

- ***EU-ESO with tax treatment to be determined***: the proposal may create a standardised EU employee-equity instrument and seeks to encourage taxation at disposal and capital-gains treatment. Unless accompanied by binding tax legislation adopted on the appropriate legal basis, the tax treatment would remain dependent on Member State law — potentially addressing the “dry income” problem but without guaranteed harmonisation

- ***Lower cross-border syndication friction***: a single EU Inc form reduces investor-side legal costs when syndicating cross-border rounds

- ***Cleaner cap tables and automated corporate actions***: reduce cap-table management complexity as companies scale

- ***Estimated savings***: EUR 1,780–2,850 per growth-stage secondary share-transfer transaction of EUR 500,000; EUR 1,100 per financing round from digital capital-increase procedures

The financing chapter is where the drafting is most genuinely innovative. Shares would be, by default, non-par-value and would not represent a fraction of capital, which the recitals justify by reference to facilitating down-rounds and the “seamless operation of convertible instruments such as SAFE and KISS”. Eighty-three percent of consultation respondents supported multiple share classes and 80% agreed this would make the regime attractive to investors and founders.

Taken together, these would be the building blocks of a genuinely standardised European venture financing wrapper: flexible share classes, statutory recognition of convertible instruments, digital capital increases and a common EU employee stock option scheme. The proposal seeks to encourage deferred taxation to disposal and capital-gains treatment, but unless accompanied by binding tax legislation adopted on the appropriate legal basis, the tax treatment would remain dependent on Member State law. EU Inc has potential to become the default European venture/growth-company form — but only if it reduces the legal-fragmentation premium priced into European VC/growth deals.

The gap between promise and delivery lies in the residual role of national law. Where national courts continue to interpret core provisions divergently, national registers remain the operative infrastructure notwithstanding the BRIS interface and directors’ duties, related-party rules and minority-protection standards continue to draw on national gloss, investor legal certainty is unlikely to reach the level EU Inc’s proponents envisage.

Bank lending and venture debt

For present purposes, bankability means the capacity of creditors to answer, cheaply and reliably, a short list of questions: who has authority to bind the company; what assets can be pledged; what shareholder approvals are required; what happens on default; and what happens on insolvency. EU Inc’s contribution to each is uneven. For lenders, value lies not in formation speed but in standardised borrower profiles: corporate authority, security documentation, share-pledge enforceability, restructuring triggers and insolvency pathways.

- ***Corporate authority and capacity***: EU Inc would standardise board powers, shareholder approvals and conflicts-of-interest rules — potentially simplifying capacity opinions and corporate-benefit analysis

- ***Share pledges***: shares are dematerialised and digitally registered; whether this standardises pledge creation, perfection, priority and enforcement depends on interaction with national property law and secured-transactions regimes

- ***Capital increases and dilution***: digital, online, simple-majority processes reduce delays that can frustrate warrant/conversion trigger mechanics in venture-debt structures

- ***Insolvency***: simplified digital insolvency procedures help, but fundamental questions remain — for general insolvency proceedings, the applicable forum and law would ordinarily be determined through the COMI framework under Regulation (EU) 2015/848, with the EU Inc's Member State of registration providing a rebuttable starting point but not necessarily determining jurisdiction or applicable insolvency law. The *lex concursus* of the Member State opening the relevant proceedings would then govern most insolvency consequences, including whether creditor hierarchies are harmonised and whether restructuring/moratorium rules are predictable for cross-border portfolios. Any special EU Inc simplified winding-up procedure should be analysed separately from general main insolvency proceedings.

- ***Balance-sheet and solvency tests for distributions***: potentially useful for covenant-monitoring and restricted-payments analysis, but director liability for defective tests introduces uncertainty for secured creditors relying on asset valuations

On authority, the proposal is genuinely helpful: directors would jointly represent the company as co-directors unless shareholders decide otherwise, would be subject to a harmonised general duty of care and loyalty, would benefit from a codified business-judgment rule and would be required to disclose conflicts of interest and refrain from voting on conflicted matters. Related-party transactions may be subjected to specific disclosure and approval requirements in the articles of association.

These provisions would give a lender a harmonised, EU-wide answer to "who can sign" and "what duties apply", which would be valuable in cross-border syndicated or portfolio lending. What the proposal does not harmonise is the enforceability of share pledges, the priority of secured claims or the substantive law of security interests, all of which would remain governed by the national law applicable to comparable domestic entities. EU Inc may improve borrower standardisation but would not create a pan-European lending/restructuring regime. Lenders would still assess insolvency and enforcement outcomes per Member State.

The honest conclusion is that EU Inc cannot transform European credit markets unless insolvency, security and enforcement rules become more predictable across the Union — a harmonisation project substantially outside the current proposed Regulation's scope, depending instead on the separate Insolvency Directive.

Private credit

Private credit — including direct lending, venture debt, mezzanine financing, convertible loans and warrant-linked instruments — warrants separate treatment from bank lending because lender populations, documentation conventions and risk-return profiles differ. Direct lenders benefit from the same authority and capital-maintenance clarity as banks, but their exposures are typically less standardised, more equity-adjacent and more dependent on bespoke intercreditor arrangements.

For private credit funds, EU Inc's value lies in whether it reduces legal-diligence costs for cross-border direct lending. A fund lending to portfolio companies across multiple Member States currently requires jurisdiction-specific security opinions, capacity confirmations and enforcement assessments for each borrower. EU Inc's harmonised director authority and corporate-capacity rules help, but the substantive questions determining credit risk — security perfection, priority, intercreditor enforceability and insolvency ranking — remain governed by applicable national law.

Intercreditor structuring, covenant enforceability and contractual subordination versus statutory insolvency ranking are not harmonised by the proposal. A private credit fund taking a second-lien position behind a senior bank lender will still need to assess whether the intercreditor agreement's subordination and turnover provisions are enforceable under the insolvency law of the EU Inc company's Member State of registration. The same applies to mezzanine lenders, convertible-note holders and warrant investors whose economic position depends on contractual priority arrangements that may or may not survive insolvency.

The honest conclusion is that EU Inc would reduce some private credit transaction costs — particularly around capacity, authority and capital-increase mechanics for warrant and conversion triggers — but would not create a pan-European private credit regime.

Public equity markets and IPO readiness

The Member State option allowing EU Inc companies regulated-market access without conversion to a national public company form is significant — EU Inc could become a standard pre-IPO form.

- ***MTF/SME Growth Market access***: An EU Inc would be eligible to seek admission to an Multilateral Trading Facility (**MTF**), including an SME Growth Market, without being excluded solely by reason of its corporate form. Admission would remain subject to the trading venue's rules and all applicable securities, disclosure, governance and settlement requirements. Regulated-market access depends on Member State choice — creating potential listing-venue fragmentation. 73% of public-consultation respondents supported facilitating eventual access to regulated markets; views among Member States were mixed on access without change of legal form

- ***Compliance with legislation***: notably the Market Abuse Regulation (**MAR**), Prospectus Regulation, Shareholder Rights Directive, Transparency Directive and Directive (EU) 2024/2810 on multiple-vote share structures remains mandatory

- ***EU Inc's proposed flexible share classes (multiple-voting, non-voting)***: are now permitted for MTF admission under Directive (EU) 2024/2810, aligning the proposal with recent listing-reform trends

- ***Listing depends on far more than company law***: liquidity, settlement, index inclusion, market-data costs, governance expectations, retail participation, institutional demand, analyst coverage

Article 60 of the draft Regulation prohibits Member States from denying an EU Inc company access to multilateral trading facilities such as SME Growth Markets, subject to compliance with applicable Union and national law and permits — but does not require — Member States to allow access to regulated markets. This was a genuinely contested design choice: while 73% of public-consultation respondents wanted the framework to facilitate eventual access to regulated markets, several Member States considered common EU-level rules on public-market access premature and feedback from workshops indicated that a requirement to convert into a national public company legal form before an initial public offering (**IPO**) would "weaken the value proposition of the twenty-eighth regime at the IPO stage". The compromise — Member State discretion rather than an automatic Union-wide right — means the pre-IPO usefulness of EU Inc will vary by jurisdiction, undermining the very uniformity the regime is meant to deliver.

EU Inc can help prepare companies for public markets — but will not solve Europe's listing problem unless paired with Market Integration and Supervision Package (**MISP**)/SIU reforms. EU Inc can make an issuer's corporate-law starting point cleaner, but cannot itself generate demand, secondary-market liquidity or analyst coverage; those depend on separate reforms to consolidated tape, market-data costs and post-trade integration that Association for Financial Markets in Europe (**AFME**) and European Fund and Asset Management Association (**EFAMA**) have identified as binding constraints on European equity-market depth.

Debt capital markets and convertibles

Debt capital market participants focus less on incorporation and more on whether EU Inc simplifies issuer capacity, corporate approvals, disclosure and settlement for convertibles, venture debt and the private-to-public escalator.

- ***Standardised issuer capacity/authority***: EU Inc could reduce capacity-opinion complexity — board authority, shareholder approvals, corporate benefit, constitutional limits

- ***Convertible instruments***: SAFE/KISS compatibility and board authority to issue convertibles with pre-emption at instrument stage (not conversion) simplifies convertible note structures

- ***Covenant structures and bondholder rights***: balance-sheet/solvency test for distributions may simplify restricted-payments/incurrence-covenant monitoring but introduces questions about director discretion

- ***Insolvency subordination and conversion-rights enforcement***: interaction with national insolvency law remains central — bondholders need predictable ranking, moratorium treatment and enforcement pathways

- ***Dematerialised share register***: potentially useful for settlement of conversion into equity, but raises questions about CSD interoperability and custody-chain integration for listed convertibles

EU Inc is directionally helpful for standardised debt/convertible issuance, but not a bond-market game changer unless integrated with Listing Act, prospectus, withholding-tax, CSDR/T+1 and insolvency reforms.

Derivatives, SFTs and collateral

As EU Inc companies mature, they will inevitably become hedging counterparties, group treasury entities, collateral providers, guarantors, repo counterparties and structured-finance obligors, placing them squarely within the documentation frameworks — International Swaps and Derivatives Association (**ISDA**) Master Agreements, Global Master Repurchase Agreements and Global Master Securities Lending Agreements — that govern European wholesale markets. Derivatives and securities financing transactions (**SFT**) markets require legal certainty on counterparty capacity, netting enforceability, collateral effectiveness and insolvency predictability. EU Inc matters only if it produces counterparty certainty.

- ***Authority to enter into ISDA Master Agreements, GMRAs, GMSLAs and Credit Support Annexes***: EU Inc would standardise board authority and corporate capacity, potentially simplifying capacity-opinion requirements

- ***Corporate benefit***: standardised directors' duties and business judgment rule may assist corporate-benefit analysis for group treasury/hedging activities

- ***Close-out netting***: The proposal does not harmonise or resolve close-out netting enforceability — this would remain a function of the insolvency law of the Member State of registration and Financial Collateral Directive implementation

- ***Title-transfer collateral and financial collateral arrangements***: Shares can constitute financial instruments for Financial Collateral Directive purposes, but the Directive applies only where the parties fall within its statutory and nationally implemented scope, there is a qualifying financial collateral arrangement, the collateral has been properly provided, possessed or controlled and the relevant national implementation and property-law requirements are satisfied. Whether a company-maintained EU Inc register constitutes the relevant account or provides the necessary control is therefore not merely an operational question — it may determine whether the Directive applies at all. Effectiveness would depend on Financial Collateral Directive interaction, national property law and whether the EU Inc register qualifies as a "relevant account"

- ***Insolvency stays and resolution***: wholesale-market participants need clarity on whether EU Inc entities are subject to Bank Recovery and Resolution Directive (**BRRD**)/ Single Resolution Mechanism (**SRM**) stays, which insolvency regime applies and whether safe harbours for financial collateral, netting and set-off are preserved

The questions a derivatives lawyer would ask of any new corporate form are legal capacity, authority to enter derivatives transactions, corporate benefit, the enforceability of close-out netting on insolvency, the availability of insolvency stays and the enforceability of guarantees and collateral, including under financial collateral arrangements involving title transfer or security interests. EU Inc's harmonised director-authority and duty-of-care regime is helpful on capacity and authority, but the proposal is silent on close-out netting protection and does not itself harmonise the insolvency-law treatment of collateral arrangements. It is worth being precise about what this silence does and does not, change as a matter of law.

The proposal may not create intended new substantive netting risk for derivatives and repo counterparties beyond what exists for equivalent national private companies, because the Financial Collateral Directive and national close-out netting protection implementations would apply to EU Inc entities as to any other corporate debtor. However, a new company form will initially generate entity-classification questions, netting-opinion qualifications, register and collateral-perfection uncertainty and potential documentary updates. The doctrinally significant point is not that EU Inc introduces new substantive netting risk, but that it forgoes an available opportunity to reduce an existing one: because the Regulation harmonises corporate capacity and authority but not the collateral-law and insolvency-ranking questions determining netting outcomes, an EU Inc counterparty offers a derivatives dealer no incremental legal-opinion economy relative to a nationally incorporated counterparty.

EU Inc will not materially reduce wholesale-market legal risk unless paired with clarity on netting, collateral and insolvency. Otherwise, benefits are confined to operational simplification. For wholesale markets, the relevant question is not whether EU Inc exists as a label but whether it reduces the need for fragmented capacity, enforceability and insolvency opinions across the twenty-seven Member States in which an EU Inc counterparty might hold assets or be sued. On the current drafting, the answer is: not yet, because the Regulation deliberately carves out insolvency conflict-of-laws and leaves collateral-law substance untouched.

Asset management, ELTIFs, EuVECAs and private-market access

EU Inc should be understood as part of the SIU's supply side: it aims to increase the number and quality of investable European growth companies available for institutional allocation, while the SIU's broader MISP and forthcoming European venture and growth capital fund regulation reforms address the demand side. For institutional investors and fund managers, the relevant question is whether European growth companies become more investable — predictable governance, transferability, reporting and exit mechanics at scale.

- ***ELTIF/EuVECA/AIF investment eligibility***: whether EU Inc companies (and their equity/equity-like instruments, SAFEs, KISS notes, preference shares) qualify under product-specific eligibility rules

- ***Pension-fund and insurance-company allocation***: Solvency II/ Institutions for Occupational Retirement Provision (**IORP**) balance-sheet treatment of EU Inc equity, including risk-charge calibration for unlisted/private equity

- ***Valuation***: standardised balance-sheet/solvency tests and digital registers may improve valuation transparency; lack of public-market pricing for private EU Inc shares remains a liquidity-management challenge

- ***Transfer restrictions and liquidity***: default free transferability helps; articles-based restrictions (preemption, consent, lock-up) are permitted and may create fund-level liquidity constraints needing careful structuring

- ***Private secondary trading***: EU Inc shares traded on private intermittent trading platforms (per AFME's model) could provide controlled liquidity for fund portfolios; MiFID suitability/appropriateness requirements shape investor access

- ***Finance Watch's point on retail protection***: EU Inc should support institutional capital formation without becoming a back door for pushing illiquid exposure onto retail investors

- ***Custody/depositary***: EU Inc's digital share register model raises questions about how fund custodians/depositaries will discharge safekeeping and oversight duties for EU Inc private equity

For Alternative Investment Funds (**AIF**s), ELTIFs, EuVECAs, pension funds and insurers under Solvency II, the operative question is whether EU Inc equity and equity-like instruments are straightforward to classify, value and hold within existing eligibility rules.

EU Inc may increase the supply of investable European growth companies, but asset managers care more about product eligibility, liquidity, valuation and custody than incorporation speed. EU Inc would increase the supply of investable companies in a meaningful sense only if the buy-side can hold, value, transfer and eventually exit the instruments efficiently; incorporation-speed gains do not, by themselves, translate into institutional allocation decisions.

The exit problem and controlled liquidity

European start-ups and growth companies have long suffered from a shortage of intermediate liquidity mechanisms between private ownership and a full public listing, a gap the Commission's consultation confirms: while 91% of respondents favoured continued reliance on new-shareholder capital contributions, only 47% supported full public listing and only 44% supported equity-based crowdfunding, suggesting intermediate, professional-investor liquidity options are under-supplied. AFME's position on private-equity exits — supporting access to private intermittent trading platforms limited to professional and sophisticated investors, while rejecting unrestricted retail access — describes precisely the controlled secondary-market infrastructure that would make EU Inc materially more useful as a standardised private issuer form.

Any such private-market liquidity layer would need to interact with Markets in Financial Instruments Directive (**MiFID**) client categorisation to restrict access appropriately, define the MAR perimeter for shares not admitted to a regulated market and resolve trading-venue classification, price-formation, settlement and custody questions the current EU Inc proposal does not address (Article 60 speaks only to MTF and regulated market admission, not bespoke intermittent trading arrangements for unlisted shares). EU Inc would become materially more valuable to founders, employees and early investors seeking liquidity if paired with — rather than left to await — the controlled private-market liquidity infrastructure that AFME's exits work and the SIU's forthcoming private-market proposals are designed to deliver.

Market infrastructure, digital shares and tokenisation

The proposal's digital ambitions are genuine but should be understood precisely. From a financial-markets lens, the bigger opportunity is full compatibility with modern market infrastructure — digitally native registers, DLT-based issuance, settlement-finality-compliant transfers, CSD interoperability, tokenised shares, automated corporate actions and machine-readable cap tables.

The proposed Regulation mandates that EU Inc shares are always dematerialised and recorded in a digital register maintained by the company (or delegated third party), with registration having constitutive effect for shareholder rights and share transfers executable fully online through electronically signed agreements. The recitals are explicit that these requirements are "technologically neutral", so a company may use distributed ledger technology (**DLT**) for its register and may issue digital share certificates "in tokenised form" if it wishes, without being required to do so.

- ***DLT native architecture***: The proposal explicitly allows (but does not mandate) DLT-based share registers and tokenised digital share certificates (Article 53(2); recital 38) and references eIDAS/European Digital Identity Wallet/European Business Wallet compatibility. This is a genuine opening for digital-native infrastructure. EU Inc companies could issue tokenised private shares directly from the company register, potentially bypassing traditional intermediated custody chains

- ***Settlement finality***: whether transfers on an EU Inc digital register achieve settlement finality under the Settlement Finality Directive, or require CSD-level integration, is a critical open question

- ***CSD interoperability***: CSDR requires that transferable securities admitted to trading are recorded in book-entry form at a CSD — the boundary between EU Inc's share register and CSD infrastructure needs clarification as companies move toward public markets

- ***DLT Pilot Regime interaction***: EU Inc's DLT-compatible register could become a natural feeder into the DLT Pilot Regime's infrastructure for DLT-based multilateral trading and settlement

- ***Automated corporate actions***: machine-readable cap tables and standardised corporate-action data (dividends, conversions, splits, SAFE triggers) could reduce reconciliation costs across the post-trade chain

- ***Supervisory data***: once-only transmission to authorities and digital-first registration could support more automated supervisory reporting and entity identification

This technological neutrality is precisely where the proposal is closer to digital administration than digital-native securities-market infrastructure. The Regulation does not address how an EU Inc share interacts with central securities depository (**CSD**) admission, intermediated-holding chains, settlement-finality protections, or the DLT Pilot Regime once shares become tradeable on an MTF or regulated market under Article 60. Nor does it resolve shareholder-identification mechanics for listed EU Inc companies, corporate-actions processing standards, or T+1 settlement transition.

On the data side, the proposal does more: EU Inc companies would receive a European Unique Identifier (**EUID**), would rely on the electronic Identification, Authentication and Trust Services (**eIDAS**) European Digital Identity Framework and European Digital Identity Wallet for identification of founders, directors and investors and would be designed for compatibility with the proposed European Business Wallet. These are genuine building blocks for machine-readable corporate powers and supervisory data access but remain oriented toward registration and identity rather than securities-transfer infrastructure.

The Commission's framing invites a bolder reading than the text delivers. EU Inc should be designed as a corporate-data and securities-transfer layer, not merely a digital register with an EU brand attached. The current proposal is closer to digital administration than full market-infrastructure integration. EU Inc could become Europe's chance to build a digital-native corporate and securities issuance rail; the current proposal is a necessary but not sufficient step toward that goal.

AML, KYC and financial crime

A 48-hour, EUR 100 incorporation model is attractive to founders but will not earn the trust of banks, payment institutions, crypto-asset service providers or auditors unless the underlying identity and beneficial-ownership layer is demonstrably robust.

The key question is whether speed comes at the expense of KYC, AML and beneficial-ownership controls. The principal risk categories a fast pan-European incorporation regime could facilitate include shell-company abuse, money-mule structures, fraudulent investment schemes, sanctions evasion, carousel and tax fraud, unauthorised financial-services activity and crypto-asset scams.

- ***Safeguards***: The proposal includes safeguards against fraud/abuse and automatic transmission of company data to relevant authorities (beneficial ownership register, TIN, VAT ID, social security) as part of the once-only registration flow

- ***Abuse risks*:** A fast pan-European incorporation regime could otherwise attract shell-company abuse, money-mule structures, fraudulent investment schemes, sanctions evasion, carousel fraud, unauthorised financial-services activity and crypto-asset scams

- ***Interoperability*:** Financial services will require strong interoperability with beneficial ownership registers, bank onboarding standards, AMLA priorities, Legal Entity Identifier (**LEI**) issuance, national business registers, tax authorities and sanctions-screening databases

- ***Data quality*:** Beneficial-ownership data quality is critical. The relevant distinction is between the existence of interconnected national beneficial-ownership-register infrastructure; the completeness, accessibility and interoperability of that infrastructure; the quality and verification of the underlying data; and whether obliged entities may rely upon it without supplementary checks. The important client point is not simply whether the system exists, but whether it provides reliable, current and legally usable data for Customer Due Diligence (**CDD**) — if EU Inc's proposed digital register produces reliable, real-time, machine-readable Ultimate Beneficial Owner (**UBO**) data linked to the EU-wide beneficial ownership interconnection system, it could improve (not weaken) financial-crime controls. Where data quality is weak, banks would repeat their own verification checks regardless of interconnection infrastructure

- ***Cross-border dimension*:** EU Inc companies can incorporate in one Member State and operate across the Single Market — CDD obligations for obliged entities will need to address the risk that beneficial ownership, substance and activity diverge geographically

The proposal's design responds to some of this risk. Registration would remain subject to preventive administrative, judicial or notarial control, explicitly justified in the recitals as necessary "for prevention of abusive or fraudulent letter-box companies linked to tax evasion or money laundering".

Company information verified during preventive control would transfer automatically to the beneficial-ownership register as part of registration, ensuring beneficial-ownership data corresponds to verified, up-to-date business-register information, in line with the AML Directive (EU) 2024/1640 and AML Regulation (EU) 2024/1624 and anticipating the future BRIS- Beneficial Ownership Registers Interconnection System (**BORIS**) interconnection.

Under the proposal, directors who are disqualified in one Member State would not be permitted to become directors of an EU Inc and Member States would be required to maintain and exchange disqualification information. For banks and Crypto-Asset Service Provider (**CASP**s), EU Inc would only be helpful if trusted. A fast but weakly controlled regime would increase onboarding friction. The proposal's credibility depends on the quality and interoperability of its beneficial-ownership, identity-verification and authority-transmission infrastructure. These safeguards are necessary, but their sufficiency would depend on implementation quality across Member States with very different notarial and beneficial-ownership verification traditions. If banks and other regulated firms do not trust the resulting register data, they would continue to duplicate onboarding checks — precisely the outcome that would turn "a fast but weakly controlled EU Inc" into a source of onboarding friction rather than a reduction of it.

Regulated financial institutions and group structuring

EU Inc would not be a financial-services passport. An EU Inc entity carrying out regulated activities would still need the relevant licence under Capital Requirements Directive (**CRD**)/ Capital Requirements Regulation (**CRR**), MiFID, Payment Services Directive (**PSD**)/ Payment Services Regulation (**PSR**), Markets in Crypto-Assets Regulation (**MiCAR**), Alternative Investment Fund Managers Directive (**AIFMD**)/ Undertakings for Collective Investment in Transferable Securities (**UCITS**), Solvency II or other sectoral regimes.

- ***Group structuring***: a harmonised form could simplify non-regulated subsidiaries, fintech labs, SPVs, innovation vehicles, portfolio-company vehicles, acquisition companies, securitisation entities, holding companies and fintech joint ventures

- ***Outsourcing/critical-service-provider relationships***: regulated firms may contract with EU Inc technology providers — governance, auditability and insolvency predictability matter (Digital Operational Resilience Act (**DORA**) relevance)

- ***Supervisory data***: once-only transmission to authorities could support more automated supervisory reporting and entity identification — but only if the underlying digital infrastructure is resilient

- ***SPV/fund-adjacent uses***: EU Inc could be relevant for portfolio-company vehicles and fund-adjacent SPVs, but is unlikely to displace established fund/securitisation vehicles (Luxembourg, Irish, Dutch structures) absent clarity on tax neutrality, insolvency remoteness, investor familiarity and regulatory treatment

- ***Prudential perimeter***: supervisors will need to assess whether EU Inc entities within prudential groups are treated equivalently to domestic limited-liability companies for capital-consolidation, large-exposure, intra-group-transaction and related-party purposes

EU Inc would not be a licence passport but could become a useful wrapper for regulated groups' unregulated subsidiaries, fintech investees, Joint Ventures (**JV**s) and service-company structures.

Insurance-specific considerations

Insurers will likely interact with EU Inc as institutional investors (via Solvency II allocation) and as potential users for non-regulated group structuring.

- ***Solvency II calibration***: Solvency II Solvency Capital Requirement (**SCR**) calibration for unlisted/private EU Inc equity will determine whether insurers can allocate meaningfully without disproportionate capital charges relative to listed equity

- ***IORP II allocation***: IORP II-regulated pension funds face similar allocation questions, given the Commission's parallel initiative to revise pension-fund investment rules to strengthen unlisted equity capacity

- ***Alternative risk transfer***: Insurance-linked and alternative risk-transfer structures may find EU Inc a useful non-regulated holding or SPV form, subject to the same insolvency-remoteness and tax-neutrality caveats applicable to securitisation SPVs

- ***Underwriting exposure***: Insurers providing Directors' and Officers' (**D&O**), professional indemnity or Warranty and Indemnity (**W&I**) cover to EU Inc companies will need to price liability implications of the business judgment rule, balance-sheet/solvency test regime and minority-shareholder withdrawal right

EU Inc status would not itself determine the Solvency II capital treatment. The applicable treatment would depend on whether the exposure is, for example, listed or unlisted equity, Type 1 or Type 2 equity, long-term equity, qualifying infrastructure equity, a debt or quasi-equity instrument, or an exposure held through a qualifying fund. Similarly, ELTIF and EuVECA eligibility depends on the undertaking and instrument satisfying the relevant product rules, UCITS eligibility depends on transferable-security, liquidity and valuation conditions, AIFMD does not itself establish a single harmonised eligible-assets universe for all AIFs and IORP investment remains principally governed by the prudent-person framework. Insurers should be mindful that EU Inc features attractive to founders (flexible shares, light-touch board structure) are also underwriting risk factors for D&O, professional indemnity and W&I cover.

Governance, shareholder rights and investor protection

The proposed EU Inc governance architecture prioritises flexibility over formality: minimum one shareholder, minimum one director, no supervisory board requirement, online shareholder meetings, simple-majority decisions for most matters, a codified business-judgment rule protecting directors from liability for good-faith decisions and flexible share classes including multiple-voting, non-voting and veto shares. These features are designed to make EU Inc attractive to founders and early-stage investors who value speed, control and low administrative burden.

The tension, identified clearly in the consultation and by industry association responses, is that governance features attractive to founders may undermine investor confidence at scale. Multiple-voting shares concentrate control in founders' hands, simple-majority decisions reduce minority-shareholder blocking rights and light-touch board structures offer fewer internal checks than more heavily regulated corporate forms. For institutional investors accustomed to one-share-one-vote governance, stewardship-code expectations and proxy-adviser recommendations, EU Inc's flexibility may be a feature at seed stage but a concern at growth and public-market stages.

One position from industry associations is that any EU company form permitting public equity market access must reinforce, not dilute, core shareholder rights — including the right to vote, receive dividends, information, participate in shareholder meetings and bring derivative actions. The risk is that EU Inc could become a vehicle for governance arbitrage: founders incorporating in the most permissive Member State, then accessing public markets while retaining control structures unavailable under national public-company forms.

Consultation results on free transferability were notably contested: 44% opposed making shares freely transferable by default, while only 38% supported it. This division reflects the underlying tension between liquidity (favouring free transferability) and control (favouring transfer restrictions, pre-emption rights and consent requirements). The proposal resolves this by making shares freely transferable by default but permitting articles to impose restrictions — a compromise that may satisfy neither camp fully.

The proposed minority-shareholder withdrawal right is a new mechanism without clear precedent in most national systems. Under the proposal, a shareholder could withdraw from an EU Inc company where "flagrant prejudice" has been caused to the shareholder's rights — including cases where the company has been deprived of its assets or its business activity has been fundamentally changed without the shareholder's consent. The withdrawal right would be exercisable by court application, with the company required to purchase shares at fair value. The interaction with existing national minority-protection and derivative-action regimes is untested and the "flagrant prejudice" standard would require judicial interpretation across twenty-seven Member States before its practical scope becomes clear.

The proposed right of shareholders holding at least one-tenth of the share capital to request a court-appointed independent expert to investigate suspected material breaches of the Regulation, the articles of association or directors' duties would function similarly to investigative mechanisms in some national systems (such as the Dutch *enquêterecht*) but would lack an EU-wide procedural framework. The practical utility of this right would depend on how national courts implement it, whether legal-professional-privilege protections apply to expert investigations and whether the cost and duration of proceedings make the remedy accessible to minority shareholders in practice.

For institutional investors, the governance chapter is a double-edged sword. The flexibility making EU Inc attractive to founders also creates investor-protection arbitrage risks. An EU Inc company seeking institutional investment at Series B or later may find that governance features embedded at incorporation become obstacles to institutional capital. The proposal does not require EU Inc companies to "graduate" to more stringent governance as they scale; any such graduation would need to be negotiated contractually or imposed via listing-rule requirements.

Securities litigation, enforcement and cross-border judgments

EU Inc introduces new mechanisms — minority shareholder withdrawal rights, court-appointed independent experts and (where Member States permit) public-market access — that interact with existing securities litigation and enforcement frameworks.

- ***Minority withdrawal rights:*** The "flagrant prejudice" standard will require judicial interpretation across 27 Member States, creating a new cause of action whose practical scope and interaction with existing derivative-action regimes remains untested

- ***Independent expert investigations:*** The proposed one-tenth shareholder threshold for court-appointed investigations would function similarly to investigative mechanisms in some national systems (such as the Dutch *enquêterecht*) but would lack an EU-wide procedural framework

- ***Cross-border enforcement:*** Cross-border enforcement against EU Inc companies, directors or shareholders continues under Brussels Ia; the Commission is assessing Brussels Ia's competitiveness effects, but no EU Inc-specific dispute-resolution regime exists

- ***Specialised courts:*** Member States are encouraged, not required, to designate a specialised chamber for EU Inc disputes — inconsistent take-up could produce forum-shopping and inconsistent case law

- ***Market-abuse enforcement:*** Market-abuse enforcement once an EU Inc company accesses SME Growth Markets or (at Member State option) regulated markets will follow the Market Abuse Regulation, but supervisory cooperation between the EU Inc's Member State of registration and its listing venue's Member State is not yet clarified

Litigation and enforcement risk for EU Inc entities remains a national-law question dressed in an EU wrapper. Institutions and investors should not assume harmonised company-law rules extend to harmonised dispute-resolution or enforcement outcomes.

Government contracts and state aid

EU Inc's blacklist of prohibited national practices is directly relevant to public procurement and state aid access but has received limited attention in market commentary.

- ***Prohibited national requirements:*** The proposal prohibits Member States from requiring an EU Inc company to establish a local subsidiary/representative or hold a local bank account as a condition of state aid, economic activity or authorisation — potentially significant for cross-border government contractors and state-aid beneficiaries. However, this general company-law prohibition cannot be assumed to override sector-specific *lex specialis* requirements under financial services legislation concerning registered office, head office or effective management, local establishment, governance and substance, home Member State allocation, or branch and passporting arrangements

- ***Public procurement recognition:*** Public procurement authorities will need to update qualification and due-diligence procedures to recognise EU Inc as equivalent to national limited-liability forms for bid-eligibility purposes

- ***State aid eligibility:*** State aid compliance functions should assess whether existing state aid schemes (national or EU-level, including the European Competitiveness Fund and Scaleup Europe Fund referenced in the Commission's package) are drafted broadly enough to capture EU Inc as an eligible beneficiary form

- ***Anti-abuse safeguards:*** Anti-abuse safeguards will need to guard against the anti-discrimination provisions being used to obscure the true beneficial ownership of a public-contract bidder or state-aid recipient

Government contracts and state aid teams should treat EU Inc's non-discrimination guarantees as potentially valuable but confirm Member State by Member State that frameworks recognise the new form.

Data protection and digital identity

EU Inc's digital-first model — once-only registration, digital share register, automatic data transmission, eIDAS/Business Wallet integration — creates significant new data flows involving founders, directors, shareholders and beneficial owners.

- ***Lawful basis***: Lawful basis and data minimisation under GDPR for the collection, once-only transmission and cross-border sharing of founder, director, shareholder and beneficial-ownership data between business registers, tax authorities, social security and beneficial ownership registers.

- ***Intra-EEA data sharing***: Sharing or hosting data in another EEA Member State raises questions of controller responsibility, lawful basis, transparency, security, data minimisation and joint controllership or processing arrangements. This is not, solely for that reason, a Chapter V international data transfer — Chapter V issues arise where data is transferred or made accessible to a third country or international organisation.

- ***Data accuracy***: Data accuracy and correction rights for shareholders and beneficial owners whose information is held on a company-maintained digital register with constitutive legal effect.

- ***eIDAS interaction***: Interaction between the digital share certificate/Business Wallet infrastructure and eIDAS's rules on qualified electronic signatures, seals and timestamps.

- ***Controller/processor allocation***: Data-controller/processor allocation of responsibility where an EU Inc company delegates maintenance of its digital share register to a third party.

Institutions relying on EU Inc data for onboarding need assurance the infrastructure meets GDPR standards — data protection compliance is a precondition for, not a byproduct of the KYC/AML value proposition.

Sanctions, export controls and third-country exposure

EU Inc's speed and jurisdiction-agnostic design (free choice of Member State, automatic recognition, no local-substance requirement) raises distinct sanctions screening and export-control questions.

- ***Sanctions screening at incorporation***: whether the digital, automated registration process incorporates adequate screening against EU, UN and other applicable sanctions lists before registration is completed

- ***Third-country beneficial owners and investors***: EU Inc's openness to third-country investment (aligned with SIU objectives) increases the population of non-EU persons whose sanctions and export-control status obliged entities must verify

- ***Dual-use and export-control exposure***: for EU Inc technology companies operating across multiple Member States, where compliance obligations may attach differently depending on the location of activity versus the location of incorporation

- ***Correspondent banking and trade finance counterparties***: will need to satisfy themselves that EU Inc's free-choice-of-Member-State model does not facilitate sanctions circumvention through jurisdiction shopping

The features making EU Inc attractive — speed, minimal local-substance requirements, automatic recognition — are features sanctions compliance will scrutinise closely. Fast incorporation does not equate to lower sanctions risk.

Anti-bribery and corruption

Opaque beneficial ownership is a recognised corruption risk factor. EU Inc's emphasis on speed places a premium on reliable identity-verification infrastructure.

- ***Third-party risk***: Third-party and intermediary risk where EU Inc entities are used as investment vehicles, joint-venture partners or service companies in jurisdictions with elevated corruption risk.
- ***Government contracts***: Government contracts and state aid access intersect with anti-corruption risk where EU Inc's anti-discrimination safeguards could, in principle, be misused to mask the true ownership of a bidder or beneficiary.
- ***FCPA exposure***: US-parented or dual-listed groups using EU Inc subsidiaries will need to assess Foreign Corrupt Practices Act (**FCPA**)-adjacent exposure, particularly around due diligence on local agents, distributors and joint-venture partners engaged through EU Inc structures.
- ***Internal controls***: Whistleblowing and internal-controls implications where EU Inc's flexible governance (minimum one shareholder, one director, simple-majority decisions) offers fewer internal checks than more heavily regulated corporate forms.

Anti-corruption compliance should treat EU Inc counterparties as warranting the same verification rigour as any other form — speed and light-touch governance are not corruption risk mitigants.

Insolvency, restructuring and resolution

The proposal's insolvency provisions are among its most technically consequential for financial markets, but also among its most limited in scope. The Regulation distinguishes between solvent dissolution/liquidation (for companies with no assets or debts, or where shareholders voluntarily wind up a solvent company) and insolvent winding-up (for companies that cannot pay their debts). Each follows a different procedural track, and each interacts differently with the national insolvency law of the Member State of registration.

For solvent companies with no assets or debts, the proposal provides a fast-track simplified dissolution: a three-month target completion, a 30-day creditor objection window and a 30-day tax-clearance period. This allows founders to close failed ventures quickly without protracted liquidation — addressing a friction point identified by 79% of respondents who supported simplified closure for asset-free companies.

For insolvent companies, the proposal introduces a simplified winding-up procedure available only to "innovative start-ups" — defined by reference to age, size and innovation criteria. This procedure would target a six-month completion (extendable once), would mandate digital communications between the company, creditors and the competent authority and would create a presumption of claim admission where creditors do not object within the prescribed period. An electronic auction system via the European e-Justice Portal is envisaged for asset realisation. The explicit policy objective is to reduce the stigma and cost of entrepreneurial failure, enabling founders to restart rather than remain trapped in protracted insolvency proceedings.

The critical limitation is that these simplified procedures would apply only to the defined category of "innovative start-ups" — leaving most EU Inc companies subject to unmodified national insolvency law. A mature EU Inc company, or one that does not meet the innovation criteria, would be wound up under the insolvency law of its Member State of registration, just as a nationally incorporated company would be. The proposal explicitly preserves the application of Directive (EU) 2019/1023 (the Restructuring and Insolvency Directive) and would not harmonise creditor hierarchies, avoidance actions, director liability for wrongful trading, or the treatment of security interests in insolvency.

For creditors, this would mean that the insolvency-risk assessment for an EU Inc borrower, counterparty or portfolio company would remain fundamentally a question of COMI-based analysis. For general insolvency proceedings, jurisdiction would ordinarily be determined through the COMI framework under Regulation (EU) 2015/848. The EU Inc's Member State of registration would provide a rebuttable starting point for COMI but would not necessarily determine the jurisdiction or applicable insolvency law. The *lex concursus* of the Member State opening the relevant proceedings would then govern most insolvency consequences — including the creditor hierarchy, whether moratorium and stay-on-enforcement rules bite, whether pre-insolvency restructuring tools are available and how security interests are treated. Any special EU Inc simplified winding-up procedure should be analysed separately from general main insolvency proceedings. The proposal would not create a pan-European insolvency regime — it would create a pan-European company form that, for main insolvency proceedings, falls into the insolvency regime of the Member State where the COMI is determined to be located.

Resolution interaction is also relevant. BRRD and the SRM apply to credit institutions, certain investment firms and specified holding or financial entities within the statutory perimeter. They do not automatically apply to every non-regulated subsidiary in a banking group. The SRM is expressly a mechanism for credit institutions and certain investment firms in participating Banking Union Member States. Where an EU Inc entity within a banking or investment-firm group falls within the statutory scope, it may be subject to BRRD/SRM resolution powers, including bail-in, write-down or conversion of liabilities and resolution stays. The SRM does not constitute the resolution framework for insurance groups — insurers are subject to the separate insurance recovery and resolution framework. The proposal does not address how simplified insolvency procedures interact with resolution powers where an EU Inc entity is part of a resolution group, nor does it clarify intra-group exposure treatment for resolution-planning and Minimum Requirement for Own Funds and Eligible Liabilities (**MREL**) purposes. Supervisors would assess these questions case-by-case.

Putting it all together – an illustrative scenario: a cross-border Series B financing

Consider a hypothetical: a Munich deep-tech company wishes to convert from GmbH to EU Inc to raise EUR 25m Series B from French, Dutch and US funds, alongside EUR 5m venture debt from a pan-European lender.

- ***Formation***: conversion from GmbH to EU Inc would follow the cross-border or domestic conversion procedures under Directive (EU) 2019/2121. This would ordinarily involve corporate approvals, creditor and employee safeguards, a pre-conversion certificate or equivalent control, business-register interaction and potentially notarial involvement under the relevant domestic implementation. The 48-hour target timeline and EUR 100 cost ceiling apply to new formations using standardised templates by natural-person founders, not to conversions by existing legal persons.

- ***Equity round***: Series B structured using flexible share classes (participating preferred with liquidation preference) and a bridge SAFE for smaller cheques, with digital share register recording positions and issuing certificates without notarial involvement — collapsing a multi-week per-Member-State process to days.

- ***Cross-border syndication***: French and Dutch funds do not need separate national-law diligence on a French SAS or Dutch BV equivalent; all hold shares in the same EU Inc under the same Regulation-based rules.

- ***Venture debt***: the lender takes a pledge over EU Inc shares and IP security. The share pledge relies on the dematerialised digital register, but perfection, priority and enforcement remain governed by the Member State's secured-transactions and insolvency law.

- ***AML/KYC onboarding***: lender and fund administrators rely on EU Inc digital register and once-only beneficial-ownership data, but supplement with independent verification. The relevant question is not simply whether beneficial-ownership interconnection infrastructure exists, but whether it provides reliable, current and legally usable data for CDD — weak data quality would cause banks to repeat their own checks regardless of system architecture. Given the absence (as at July 2026) of fully interoperable and verified EU-wide beneficial-ownership data, speed alone does not resolve onboarding friction.

- ***Exit planning***: the syndicate negotiates drag-along and tag-along rights in the articles and discusses eventual SME Growth Market listing, noting regulated-market access depends on whether the registration Member State exercises the relevant option.

This scenario illustrates both sides of this Client Alert's central thesis: EU Inc measurably reduces formation and equity-syndication friction, but leaves harder bankability questions — security enforcement, insolvency, beneficial-ownership interoperability — dependent on national law and infrastructure that does not yet fully exist.

Key remaining legal and regulatory questions for financial institutions

The following questions are likely to arise as financial institutions assess EU Inc implications:

Share transfers, pledges and collateral

- Are EU Inc share transfers effective against third parties solely by register entry, or does national property law govern priority/perfection?

- Can share pledges be created, perfected and enforced without notarial involvement — and is this effective cross-border?

- Does the EU Inc share register qualify as a "relevant account" for the purposes of the Financial Collateral Directive?

- How does a DLT-based EU Inc register interact with CSD settlement infrastructure and the Settlement Finality Directive?

Insolvency, restructuring and creditor rights

- Which Member State's insolvency law applies and does the simplified digital procedure override or complement domestic proceedings?

- Are creditor hierarchies standardised or determined by national law?

- How do simplified insolvency procedures interact with the 2026 Insolvency Law Directive and BRRD/SRM resolution powers?

- Are moratorium/stay-on-enforcement rules predictable for cross-border lending portfolios?

Netting and derivatives enforceability

- Does EU Inc's insolvency regime preserve safe harbours for close-out netting, financial collateral arrangements and set-off under the Financial Collateral Directive and national implementing laws?

- Can ISDA netting opinions cover EU Inc entities without additional jurisdictional qualifications?

- How does the business judgment rule interact with directors' obligations near insolvency — relevant for wrongful/fraudulent trading and preference risk in derivatives close-out?

Public-market access and listing

- Which Member States will exercise the option to allow EU Inc companies admission to regulated markets — and will this create a patchwork of listing access?

- How will stock-exchange listing rules, index-inclusion criteria and institutional-investor governance policies treat EU Inc companies?

- Would EU Inc's proposed flexible share-class structure (multiple-voting, non-voting) create governance concerns for institutional shareholders, proxy advisers and stewardship codes?

Investment eligibility and fund structuring

- Do EU Inc equity instruments, SAFEs and KISS notes qualify as eligible investments under ELTIF, EuVECA, AIF, UCITS, Solvency II (SCR calibration) and IORP frameworks?

- How will depositaries/custodians discharge safekeeping and oversight duties for EU Inc private equity held in a company-maintained digital register?

- How should fund managers value private EU Inc shares for Net Asset Value (**NAV**) reporting absent a market price?

AML/KYC and beneficial ownership

- Does the 48-hour digital incorporation process provide sufficient identity-verification and beneficial-ownership-disclosure safeguards for obliged entities conducting customer due diligence?

- Will EU Inc beneficial-ownership data be interoperable with national registers, the EU-wide beneficial ownership interconnection system and AMLA's priorities?

- How should obliged entities treat the cross-border dimension — incorporation in one Member State, operations across others — for CDD, enhanced due diligence and suspicious-transaction-reporting purposes?

Supervisory treatment and group structuring

- Will national competent authorities treat EU Inc entities equivalently to domestic limited-liability companies for prudential-consolidation, large-exposure, outsourcing and intra-group-transaction purposes?

- Whether an EU Inc technology provider becomes a critical Information and Communication Technologies (**ICT**) third-party service provider would depend on formal designation by the European Supervisory Authorities (**ESA**s) under the DORA criteria, not on the company's corporate form or on providing services to a regulated group. Criticality is an EU supervisory designation based on systemic use and dependency — the first designations under DORA illustrate this. EU Inc status does not itself trigger or preclude critical-provider designation. Firms should distinguish being an ordinary ICT third-party service provider; providing critical or important functions to an individual financial entity; and being formally designated as a critical ICT third-party service provider at EU level

- Would supervisors require additional information, structural conditions or governance enhancements for EU Inc entities within supervised financial groups?

Tax

- Does EU Inc solve withholding-tax, corporate-tax or employee-stock-option fragmentation, or does it leave these questions to the parallel HOT system and BEFIT initiatives?

- How will tax residence be determined for an EU Inc company that is free to choose its Member State of incorporation independently of where it conducts its economic activity and what risk does this create of mismatches between corporate-law seat and tax residence?

- Will Member States uniformly adopt the Commission's encouragement to tax EU-ESO gains as capital gains rather than employment income, or will divergent treatment persist and undermine the EU-ESO's stated purpose?

- Does EU Inc increase or decrease tax-structuring complexity for cross-border groups, particularly where an EU Inc subsidiary sits within a group that is also navigating BEFIT, Pillar Two and Directive on Administrative Cooperation (**DAC**) recast reporting obligations?

- How will withholding tax on cross-border dividend and interest payments by an EU Inc company be reclaimed by non-resident investors, absent a dedicated EU Inc withholding-tax mechanism?

What firms should consider doing now

For banks

Banks should assess whether EU Inc would improve borrower legal-opinion standardisation, corporate-authority checks and share-pledge documentation for venture-debt, growth-lending and acquisition-finance portfolios. They should map the interaction between EU Inc's proposed simplified insolvency procedures and existing cross-border lending/restructuring frameworks (covenant structures, enforcement pathways) and evaluate whether EU Inc's proposed digital register and once-only data-transmission model could improve AML/KYC onboarding efficiency and beneficial-ownership verification. Banks should also consider whether EU Inc could simplify non-regulated group subsidiaries, SPV structures, innovation labs or fintech joint-venture wrappers and engage with European Banking Federation (**EBF**) and national banking associations on the legislative process to ensure bankability concerns (security, insolvency, enforcement) are addressed in final negotiations.

For asset managers

Asset managers should assess whether EU Inc equity instruments, SAFEs and KISS notes would meet eligibility criteria under managed mandates (ELTIF, EuVECA, AIF, insurance/pension allocations) and evaluate valuation, liquidity management, transfer restrictions and custody/depositary obligations for private EU Inc holdings. They should monitor interaction between EU Inc and private secondary-market/intermittent-trading-platform proposals for controlled private-market liquidity and consider whether EU Inc's proposed standardised governance and share-class structures would simplify due diligence and shareholder-rights exercise for growth-equity investments. Engagement with EFAMA, Invest Europe and Finance Watch on investor-protection and product-eligibility dimensions is recommended.

For investment banks and broker-dealers

Investment banks and broker-dealers should assess whether EU Inc simplifies issuer capacity opinions, corporate-authority chains and listing-readiness for European growth companies moving toward IPO and evaluate implications for convertible-bond, SAFE/KISS and private-placement documentation (standardised conversion mechanics and pre-emption-right architecture). They should monitor the Member State option on regulated-market access and its implications for book-running, underwriting and distribution strategies. ISDA/ Global Master Repurchase Agreement (**GMRA**)/ Global Master Securities Lending Agreement (**GMSLA**) capacity-opinion implications should be evaluated where EU Inc entities become derivatives counterparties, repo counterparts or collateral providers. Engagement with AFME and International Capital Market Association (**ICMA**) on ensuring EU Inc integrates cleanly with capital-markets documentation standards is recommended.

For market infrastructures and custodians

Market infrastructures and custodians should assess the boundary between EU Inc's digital share register and CSD book-entry infrastructure, particularly as companies scale toward public-market admission. They should evaluate whether DLT-based EU Inc share registers are compatible with the DLT Pilot Regime, CSDR and settlement-finality standards and consider operational implications for corporate-action processing, dividend distribution, conversion events and cap-table reconciliation. Custody/depositary obligations for fund clients holding EU Inc private equity via company-maintained registers rather than traditional intermediated securities accounts should be assessed. European Business Wallet, eIDAS and digital-identity infrastructure developments that may affect EU Inc corporate-identity verification and shareholder authentication should be monitored.

For fintechs and CASPs

Fintechs and CASPs should assess whether EU Inc would offer a simpler, faster and cheaper incorporation route, particularly for cross-border payment firms, e-money institutions and CASPs and evaluate whether EU Inc's proposed digital-first, once-only model would reduce regulatory-registration and compliance-reporting friction. The proposed anti-abuse/non-discrimination provisions are notable but require a *lex specialis* caveat: a general company-law prohibition cannot be assumed to override sector-specific requirements concerning registered office, head office or effective management, local establishment, governance and substance, home Member State allocation, or branch and passporting arrangements. EU Inc could provide the corporate wrapper used by an authorised entity, but it would not neutralise MiCAR, CRD, MiFID, PSD or national supervisory substance requirements. Fintechs should assess whether EU Inc's proposed ESOP/EU-ESO framework would improve cross-border talent retention for technology companies operating across multiple Member States and monitor interaction with MiCAR, PSD3/PSR and e-money licensing requirements (EU Inc would not itself provide a financial-services passport).

For regulated groups

Regulated groups should assess whether EU Inc could simplify the legal-entity architecture of non-regulated subsidiaries, service companies, innovation vehicles, fintech investees and joint ventures within supervised groups and evaluate the prudential implications (capital-consolidation, large-exposure, intra-group-transaction and outsourcing/third-party-risk treatment for EU Inc entities within the group perimeter). DORA implications should be considered: whether an EU Inc technology-service entity would be designated as a critical ICT third-party service provider depends on ESA designation under the DORA criteria based on systemic use and dependency, not on the company's corporate form or on providing services to a regulated group. Firms should distinguish being an ordinary ICT third-party service provider, providing critical or important functions to an individual financial entity and being formally designated as a critical ICT third-party service provider at EU level. Supervisory expectations on governance, audit, substance and data-resilience for EU Inc entities performing group functions should be monitored and engagement with home and host supervisors (European Central Bank (**ECB**)/ Single Supervisory Mechanism (**SSM**), national competent authorities) on equivalence of treatment for EU Inc entities versus domestic company forms within supervised groups is recommended.

Outlook

The EU Inc proposal is a significant and, on balance, welcome attempt to reduce corporate-law fragmentation across the Single Market and the breadth of stakeholder engagement it has attracted — more than 1,467 consultation responses, 879 call-for-evidence submissions and sustained advocacy from business, investor and start-up associations alike — testifies to genuine and widely shared demand for the underlying objective. But its success should not be measured by incorporation speed or registration cost alone, however politically salient the 48-hour, EUR 100 headline figures may be.

For financial services and markets, the relevant test is whether EU Inc becomes a trusted borrower form, an investable company form, a transferable securities form, a credible issuer form, a reliable counterparty form and a useful data object for supervisors and regulated firms undertaking onboarding.

Measured against that test and against the comparative benchmarks, the proposal earns a genuinely strong grade on venture-capital infrastructure — non-par shares, statutory recognition of SAFEs and convertible instruments, flexible share classes and a harmonised employee stock option scheme collectively address the frictions investors have most consistently identified. It earns a more qualified grade on bankability and debt markets, where harmonised director authority and capital-maintenance safeguards are meaningful but insufficient absent parallel progress on security, insolvency and enforcement harmonisation. It earns a cautious grade on public-market readiness and market infrastructure, where Member State discretion over regulated-market access and the absence of CSD, settlement-finality and post-trade integration leave the proposal closer to digital administration than to a genuine securities-market rail. And it earns a provisional grade on financial crime and insolvency, where the legal architecture for beneficial-ownership integrity and simplified winding-up is sound in design but untested in the cross-Member-State implementation that will determine whether banks and creditors actually trust it.

Crucially, none of these grades is final: as of 12 July 2026 the file remains genuinely open, with Council technical scrutiny ongoing, Parliament committee work and an EESC opinion still to come and an aspirational but far from guaranteed end-2026 target for political agreement. None of these qualifications is a reason to abandon the project; each is a reason to keep pressing, through the Council Working Party, the JURI rapporteur's process and eventual trilogue, for the deeper integration with SIU capital-market reforms that the Commission's framing invites but the current text does not yet deliver.

Trilogue dynamics and likely compromise axes

Four stakeholder camps will shape trilogue negotiation:

(1) start-up and investor associations pushing for maximum autonomy from national law, a central EU register and standardised financing instruments;

(2) mainstream business associations supporting a focused, Regulation-based company-law instrument and resisting overloading with labour, tax or insolvency harmonisation;

(3) Member States defending national competences on insolvency, taxation, employee participation and register infrastructure; and

(4) trade unions pressing for stronger employee-participation safeguards and anti-letterbox provisions.

The likely compromise axes include:

a. autonomy versus overlay (preserving national-law fallback for insolvency, secured transactions and civil procedure while expanding EU Inc autonomy on share mechanics and financing instruments);

b. register architecture (commitment to eventual centralisation with a defined transition timeline rather than immediate establishment);

c. employee participation (Parliament likely to press for stronger safeguards above certain thresholds); public-market access (clearer criteria for Member State exercise of the Article 60 option); and

d. EU-ESO taxation (likely to remain soft law given Article 114 TFEU limits).

What else remains unresolved?

With Council technical work continuing, JURI committee work ahead and trilogue negotiations still to come before any end-2026 political agreement, key questions remain genuinely open. Legislative priorities should focus on:

- **Reducing national-law fallback**: Share-pledge enforceability, insolvency ranking and netting protection should be the single highest legislative priority. The Commission should also build on consultation support (over 72%) for optional standardised SAFE-style instrument templates, extending treatment to liquidation preferences, drag-and-tag rights and warrant structures.

- **Securities-law and market-infrastructure integration**: Clarifying how EU Inc shares interact with CSD admission, settlement finality and the DLT Pilot Regime would convert technological neutrality into genuine market-infrastructure compatibility. Explicit integration with the Listing Act, SIU private-market liquidity proposals, ELTIF/EuVECA reform, T+1 settlement migration, CSDR post-trade integration and withholding-tax relief mechanisms would connect issuer-side reform to demand-side and infrastructure-side reforms.

- **Financial crime and insolvency**: The priority is operationalising trust in the beneficial-ownership pipeline — reliable BRIS-BORIS interconnection, consistent preventive control quality and mechanisms allowing regulated firms to rely on register data. Clarifying how EU Inc insolvency interacts with the Insolvency Regulation and the substantive Insolvency Directive would give creditors greater confidence that the simplified winding-up procedure is the beginning, not the end, of insolvency-law modernisation under the 28th regime.

EU Inc will matter for Europe’s financial future only if it evolves from a company-law simplification measure into part of the EU’s capital-formation infrastructure. The 28th regime should therefore be designed not merely around incorporation, but around investability, bankability, transferability, supervisability and market connectivity — and it is against that fuller standard, informed by the comparative and doctrinal analysis developed throughout this Client Alert rather than by the speed of a digital registration form or the optimism of an end-2026 timetable, that practitioners, legislators and the wholesale-markets associations who have so far stayed largely silent on this file should now hold it.

About us

PwC Legal is assisting a number of financial services firms and market participants in forward planning for changes stemming from relevant related developments. We have assembled a multi-disciplinary and multi-jurisdictional team of sector experts to support clients navigate challenges and seize opportunities as well as to proactively engage with their market stakeholders and regulators.

Moreover, we have developed a number of RegTech and SupTech tools for supervised firms, including PwC Legal's Rule Scanner tool, backed by a trusted set of managed solutions from PwC Legal Business Solutions, allowing for horizon scanning and risk mapping of all legislative and regulatory developments as well as sanctions and fines from more than 2,500 legislative and regulatory policymakers and other industry voices in over 170 jurisdictions impacting financial services firms and their business.

Equally, in leveraging our Rule Scanner technology, we offer a further solution for clients to digitise financial services firms' relevant internal policies and procedures, create a comprehensive documentation inventory with an established documentation hierarchy and embedded glossary that has version control over a defined backward plus forward looking timeline to be able to ensure changes in one policy are carried through over to other policy and procedure documents, critical path dependencies are mapped and legislative and regulatory developments are flagged where these may require actions to be taken in such policies and procedures.

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If you would like to discuss any of the developments mentioned above, or how they may affect your business more generally, please contact any of our key contacts or PwC Legal's RegCORE Team via de_regcore@pwc.com or our website.

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