

Discussion Paper (as of 24.09.2025)

The introduction of a “EU Limited” (or “EU Inc”) as a central puzzle piece to achieve a deeper integration of the EU capital market

Summary

- Banks accompany, support and service companies as clients through their whole life cycle. The Association of German Banks therefore welcomes the idea of a 28th regime for EU companies.
- The development of a 28th regime for an EU company (EU Ltd or EU Inc) as an elective alternative to the member state law will be a central building block for a new approach on the way to a true EU capital market.
- Concentrating on a new corporate entity operating within its own elective harmonised legal regime as starting point is likely to overcome many of the difficulties and obstacles of past initiatives: it allows for a modular, gradual and evolutionary building up of a more comprehensively harmonised regime.
- The objective must be the development of an internationally competitive regime which covers the complete life cycle of a company operating within the EU capital market from its foundation to its eventual transformation into a public/ listed company. It should also cover the default and liquidation of a company.
- A fully digitised register should serve as the single entry point and “one stop shop” for the initial foundation and registration (including all associated aspects such as licenses/permits or tax registration/ID) as well as all major life-cycle events of the company.
- To be viable and truly internationally competitive, it is crucial to bear in mind both the needs for capitalisation and funding in the initial start-up phase of the company as well as the financing needs (including collateralisation) in the later stages of the company life cycle. It is therefore key to consider the harmonisation of the legal framework regarding equity and debt financing within the 28th regime, e.g. market standard corporate financing transactions in order to safeguard the legal effectiveness of such arrangements across the EU.

I. Introduction

The development of a 28th regime as separate, elective alternative to the laws of a member state has been under discussion for many years. The main obstacles have been the considerable challenges associated with the development of a comprehensive and systematically coherent legal system covering a wide array of legal aspects ranging from contract, corporate and insolvency law to civil procedure, tax law and accounting rules.

In connection with the recent discussions on the capital market union or savings and investment union, the idea of a 28th regime as a “harmonised set of EU-wide rules, including any relevant aspects of corporate law, insolvency, labour and tax law”¹ is now focused on the aim to allow innovative companies to scale up, operate their business cross-border and, in the end, become eligible for the listing at EU capital markets. This focused regime is intended to be

¹ COM Call for Evidence for an Impact Assessment, Ref Ares(2025)5502931 – 08/07/2025, p.1

the driver for a continuously and organically expanding EU harmonised framework for EU businesses and EU capital market participants, related to “mobilising private investment, accessing finance, making the Single Market a reality and boosting the prospects of start-ups and scale-up companies in the EU”².

The concept, and first outlines of what this regime could cover have most prominently been addressed in the following recent publications:

- The Letta Report of April 2024 (Letta Report)³
- The Draghi Report of September 2024 on the future of European competitiveness (Draghi Report)⁴.
- The Competitiveness Compass of the European Commission dated 29.01.2025 (Competitiveness Compass)⁵.
- The Communication of the Commission of 21.05.2025 on the single market (COM Communication)⁶.
- The EP Draft Report the Committee on Legal Affairs of 30.06.2025 with recommendations on the 28th Regime (EP Draft Report)⁷.
- The CEPS Study for the EP of July 2025 on the need for a 28th Regime (CEPS Study)⁸.

The envisaged focused approach concentrating on the corporate entity, possibly named “EU Limited” or “EU Inc.”, operating within an elective harmonised legal regime could indeed overcome many of the aforementioned obstacles by allowing for the development of a targeted and modular solution which forms the first building block for a gradual, evolutionary progress of this harmonised regime.

The development of a viable starting point of such an EU-harmonised regime should include corporate finance issues right from the beginning as mobilising private investment and accessing finance and capital markets will not be achieved by the company name and quick setting up only. The 28th regime will be a challenging and ambitious project: Even if focused on a new company type, a range of further diverse and complex legal areas still need to be covered. It will also have to clearly define the link to member states laws for all aspects it cannot directly address.

This discussion paper, taking into account the above mentioned documents - intends to set out key issues and questions with the aim to help defining the potential scope and key components from the specific perspective of financing businesses and the economy but also from the perspective of capital market participants in their role of investors, financing partners and counterparties to capital market transactions regarding that corporate entity.

² COM Call for Evidence for an Impact Assessment, Ref Ares(2025)5502931 – 08/07/2025, p. 1

³ The Letta Report is available under following link:
<https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>

⁴ The Draghi Report is available under the following link:
https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en
(see here pages 51 and 68).

⁵ https://commission.europa.eu/topics/eu-competitiveness/competitiveness-compass_en.

⁶ The COM Communication is available under the following link: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52025DC0500>
(see here pages 7 et seq.)

⁷ The EP Draft Report is available under the following link:
https://www.europarl.europa.eu/doceo/document/JURI-PR-773199_EN.pdf

⁸ The CEPS Study is available under the following link:
<https://www.ceps.eu/ceps-publications/identification-of-hurdles-that-companies-especially-innovative-start-ups-face-in-the-eu-justifying-the-need-for-a-28th-regime/>

The discussion paper is in a preliminary stage and will be expanded and revised over time.

II. Issues and Questions

1. Development of an internationally competitive EU standard as central objective

The establishment of an EU corporate regime for a new type of EU company – the EU Ltd⁹ as an alternative to limited private companies under the national laws of the member states or third countries and complementing the already existing EU corporate entities, in particular the *Societas Europaea* (SE), is a logical starting point for an evolutionary approach to develop a fully harmonized EU legal framework for actors in the single EU capital market.

To be successful, the new EU Ltd and the applicable corporate law regime governing will need set out an internationally competitive corporate framework. To this end the legal and regulatory framework, ideally, will have to include all features and capabilities expected by EU and international market participants.

The central objective of this project thus needs to be the development of internationally competitive EU standard for the covered entities.

2. Preliminary decisions

Two preliminary and course-setting general decisions¹⁰ have to be made to determine the direction of the initiative:

■ Legal basis

The first question is that of the legal basis – namely the choice between pursuing this project in the form of a 28th regime under Art. 352 TFEU, as project of enhanced cooperation of member states under Art. 329 TFEU, or, less ambitious, via directives.

Ultimately, this is a political choice. However, the less ambitious approach based on directives harmonising member state laws in specific areas may be more realistic and perhaps also more fitting for the intended evolutionary development of the regime¹¹.

■ Ambit: Restriction to specific purposes or purpose neutral approach?

The other central question to resolve is whether this new EU Ltd and the accompanying framework should only be open to specific business purposes (purpose-related), such as start-ups in specific commercial sectors or – purpose-neutral – to any newly established company.

⁹ This paper uses this neutral term instead of the term “European private company (SPE)” used in earlier discussion on the development of an EU private limited company or the name “European Start-Up and Scale-Up” / “ESSU” proposed in the EP Draft Report.

¹⁰ Also identified in the CEPS Report as key design issues (p. 50)

¹¹ See also EP Draft Report (items 1 to 3) coming to a similar conclusion.

The better and more consistent solution would be to pursue a purpose-neutral approach: This avoids the difficult question of the effects of subsequent changes in purposes over time and of the justification of any restriction of the access to this regime on the basis of the underlying business purpose. A purpose-neutral approach also ensures the new EU Ltd can perform its function as the desired building block of a continuously evolving “28th regime” for the EU capital market.¹²

3. Elements of an internationally competitive corporate law and regulatory framework

■ Relation to other / member states corporate formats:

The EU Ltd would serve as the elective EU alternative to a private (unlisted) limited liability company under the laws of a member state. The regime for the EU Ltd should, however, also provide for a clear path to the transformation to a SE or, alternatively, to a listed company under member state law or to any other corporate entity existing under European or national law.

■ Simplified and EU digital register as a one stop shop covering all life-cycle events of the EU Ltd

A fully digitised register (technology open) should form the entry point and “one stop shop” for the newly founded company for its legal establishment and registration as well as all key associated aspects, particularly the issuing of any licenses and/or permits, tax ID and other formalities.

The (digital) register and/or “one-stop-shop” should also be the platform where all major life cycle events of the EU Ltd can be implemented and recorded in a simple, secure and fully digitised manner. Those events can range from central corporate acts (e.g. changes to capital and shareholder structure, shareholders, directors and constitutional documents) until and including to its transformation into another format (listing) or, eventually, its liquidation. This should include a system to implement and record the transfer of shares¹³ and/or their use as collateral (e.g. pledges) which is valid and enforceable in case of an insolvency of the EU Ltd. without reliance on additional external formalities (notarisation etc.).

The register could be a new independent EU register or, transitionally, be portal¹⁴ to the underlying connected member states registries.

■ Constitutional documentation

The requirements regarding the founding of the EU Ltd should conform to existing (best) practices in the EU.

¹² The CEPS Study and the EP Draft report arrive at similar conclusions.

¹³ See proposal in the EP Draft Report, Annex item 3.

¹⁴ See proposal in the EP Draft Report, Annex item 3 calling for such portal.

It could be considered to provide for sample/template for the Articles of Association (AoA) and Shareholder Agreements (SAG)¹⁵. However, these templates should not be binding and also need to be limited to the basic elements.

It is vital that they leave as much room for flexibility as possible (as the template may become outdated or may not fit the specific structure).

- LEI as standard for the identification format

To facilitate EU and international market access and in order to prevent unnecessary duplication, the standard method to identify the EU Ltd should be the LEI: The crucial advantage of the LEI as identifier is that it is an established and already a widely accepted identifier in financial market transactions in the EU and also worldwide¹⁶.

- Shareholder classes and voting rights

The EU Ltd would need to be able to issue shares with multiple voting rights and other internationally common forms of special shares.

- Initial capitalisation and capital increases

The EU Ltd would have to be provided with an internationally competitive framework for its initial capitalisation of the company on establishment and any future capital increases or reductions.

- Protection against predatory acquisitions

The need for special provisions against predatory acquisitions¹⁷ (beyond what can be achieved through special shares and shareholder agreements) should be limited. In addition, it will be difficult to design a protection system which strikes the necessary balance between the conflicting rights and interests of the affected parties.

- Employee participation (stock option schemes)

The framework for the EU Ltd could also cover the introduction of internationally competitive common standards for the participation of employees in the company (employee stock options schemes¹⁸) based on current best practice.

- Facilitating investments and financing through a harmonised EU regime for investment in the EU Ltd. and financing transactions

The laws of the member states will necessarily continue to govern many key aspects of the legal framework in which the EU Ltd primarily would operate in the EU capital markets. This will also include the applicable contract laws, laws governing the

¹⁵ See proposal in the EP Draft Report, item 21.

¹⁶ The EP Draft Report

¹⁷ See proposal in EP Draft Report, item 18 ("asset locks" and "steward ownership")

¹⁸ See proposal in EP Draft Report, Annex item 6.

collateralisation and insolvency laws. To minimise challenges, uncertainties and conflicts caused by the possible application of diverging legal systems of the member states, the establishment of the EU Ltd should therefore be accompanied by an initiative to harmonise certain key elements of the legal framework of the member states for the investment in and financing of the EU Ltd. This should include the following:

- A harmonised EU legal framework for financing transactions with an EU Ltd safeguarding the legal effectiveness of market standard financing arrangements (from loan agreements to the assignment of claims, collateral arrangements and other connected transactions)¹⁹.

This would have to include rules preventing member states to invalidate clauses in agreements which conform with EU wide market practice and standards if they differ from local standards. One possible way to address this would be the introduction of a requirement that any legal review of or challenges against the validity of the relevant agreements has to take into account existing EU market practices and standards when assessing the validity of terms in agreements. This will be particularly important for market standard collateral arrangements and similar risk mitigation instruments. Challenges under member state law based on ordre public, fraud unconscionability and similar general fundamental principles of law would, of course, not be affected.

A harmonised framework safeguarding the use of financing transaction agreements conforming to market practice will not only ensure greater legal certainty but also considerably reduce transaction cost by further standardisation. Moreover, this would greatly incentivise the use of the laws of an EU member state as applicable law (as opposed to third-country laws).

- Insolvency law and restructuring:

Considering that the EU insolvency directive is to be amended and reviewed and the potential review of the financial collateral directive, there appears to be no immediate need for the parallel development of a special insolvency and restructuring regime for the EU Ltd²⁰. However, if such regime is to be developed it will have to be carefully designed to ensure the right balance between the interests of the company, its shareholders and the other investors and creditors. In particular, it would be essential to include clear, adequate and internationally competitive protections for collateral and other risk mitigating arrangements (especially concerning the transfer of assets and rights and any stays): Uncertainties over the effectiveness of or inadequate protections for these arrangements in case of a crisis would invalidate the central purpose of these arrangements and directly affect the risk exposure. This would at the very least significantly increase financing costs and is also likely to drive away regular investors and creditors.

- Ability to form segregated sub-divisions (compartments)

¹⁹ It should be noted in this context that Art 9 on secured transaction are a key element of the Uniform Commercial Code (UCC) the Letta Report cites as a successful example for a business code which helped to create a competitive single market (in this case the USA).

²⁰ See relevant proposal in CEPS Study, p. 25

It should be explored to provide the EU Ltd with the ability to set up segregated insolvency remote sub-divisions (compartments). Such segregated sub-divisions are common across the EU especially for funds and similar structures. This feature would allow the use of the new EU Ltd for funds and similar investment vehicles. As such structures already exist and operate under the laws of most members states in some form, this element should be generally compatible with the insolvency laws of member states. This ability would allow for the development of an EU standard investment vehicle.

■ Tax regime and financial Reporting: Simplification/most favourable treatment

It should be considered to introduce requirements to further simplify the tax regime for the EU Ltd. At least it should be ensured that the EU Ltd will be accepted and treated equivalent to a comparable entity under member state law (most favourable treatment under applicable member state law).

In addition, it should be considered to establish EU standards for digitised tax reporting and associated procedures²¹.

The same applies correspondingly to financial reporting requirements.

■ Dispute Resolution mechanism²²

There appears to be limited need for the establishment of a special dispute resolution mechanism in addition to the courts of the EU and member states or arbitration courts and already existing alternative dispute resolution mechanisms: A further system would have to be financed and is unlikely to be less costly or significantly faster than the already existing avenues (especially in case of more serious conflicts).

■ Supervision/Oversight

There should be no or limited need for specific rules on oversight/supervision²³ of the EU Ltd: The EU Ltd would be subject to the supervisory rules which apply to comparable national corporate entities involved in similar activities (if and to the extent these entities and activities are subject to supervisory rules).

■ Adoption of other features available in other competitive jurisdictions

It should be actively explored to adopt other features available to private limited companies in other jurisdictions regularly used by EU investors and founders.

4. Integration with member state law

²¹ See proposal in CEPS Study, p. 47.

²² See relevant proposal in EP Draft Report, Annex item 8.

²³ See question raised in CEPS Study, p. 51.

The new EU framework for the EU Ltd will not be able to cover the entire legal eco system and will necessarily focus on corporate law aspects and selected related issues. This means that the EU Ltd will always need to resort to the wider member state law for matters not covered by the EU harmonised framework. Effectively, the EU Ltd will therefore be subject to a mixed system of directly applicable EU law, certain harmonised areas and not (fully) harmonised areas of member state law. This will particularly necessary, if the framework for the EU Ltd. is to be established by EU directives (see above No. 2).

To ensure the greatest possible coherence of such a mixed system, there will be a need for rules addressing this mixed system:

For one, EU member states will need to be required to fully recognise the new EU Ltd and integrate it into their corporate law and wider legal system beyond the transposition of the directives as such. Such comprehensive recognition and integration would have to cover the recognition of all of the specific features and capabilities and the legal effects these have on the company, the shareholders and third parties.

Two, there is a need for conflict of law rules to ensure that the relevant applicable member state law for aspects not covered by the EU Ltd. corporate law regime can be determined with sufficient certainty²⁴.

²⁴ See similar proposal in EP Draft Report item 20/p. 6.

ANNEX – Comparison of proposals

	Letta Report ²⁵	Draghi Report ²⁶	COM Communication ²⁷	EP Draft Report ²⁸	CEPS Study ²⁹
Scope of project	European Business Code and simplified EU company	EU private limited company	EU corporate legal framework for the setting-up of a company	EU private limited company	EU private limited company (with modular approach for expansion of framework)
Legal basis	28 th Regime (Art 352 TFEU)	28 th Regime (Art 352 TFEU)	28 th Regime (Art 325 TFEU) / enhanced cooperation (Art. 20 TFEU/ intergovernmental cooperation (Art. 352 TFEU)	Directive (Art 50 and 114 TFEU)	
Purpose /Type of commercial activity		Start-ups/innovative businesses		Purpose-neutral (any commercial activity)	Purpose-neutral (any commercial activity)
Corporate format/name	EU private limited company	EU private limited company / "European private company" – "Societas Private Europea"	EU private limited company / "European private company"	Equivalent to private (not listed) limited company / "European Start-Up and Scale Up" – "ESSU"	
Corporate structure				<ul style="list-style-type: none"> ESSU as independent entity or group member of ESSU EU seat/ seat and registered office may be in separate member states Establishment only by EU natural/legal persons 	
Constitutional documents				<ul style="list-style-type: none"> Model articles of association (AoA) and shareholders agreements (SAG) 	

²⁵ The Letta Report is available under following link:
<https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>

²⁶ The Draghi Report is available under the following link:
https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en
 (see here pages 51 and 68).

²⁷ The COM Communication is available under the following link: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52025DC0500>
 (see here pages 7 et seq.)

²⁸ The EP Draft Report is available under the following link:
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²⁹ The CEPS Study is available under the following link:
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Company register/registration procedure		No details: "digital by default solutions"		<ul style="list-style-type: none"> ▪ EU digital register complementing existing business register interconnection system (BRIS) ▪ 48h Registration ▪ Online submission of all required documents ▪ New Union company identifier 	
Company proceedings/ governance/ financial reporting				<ul style="list-style-type: none"> ▪ Online/digital board and member meeting/general assemblies 	
Shareholder rights				<ul style="list-style-type: none"> ▪ Ability to issue different classes of shares (dual-class/veto-shares) 	
Protections against predatory acquisitions				<ul style="list-style-type: none"> ▪ Asset lock ▪ Steward ownership 	
Harmonisation of investment/ financing framework				<ul style="list-style-type: none"> ▪ Harmonised rules for equity-like debt instrument 	
Insolvency law					<ul style="list-style-type: none"> ▪ Insolvency/ restructuring framework ▪ optional extensions
Standardisation				<ul style="list-style-type: none"> ▪ See already above: model AoA and SAg 	<ul style="list-style-type: none"> ▪ Templates/model employment contracts, remote work arrangements, cross-border postings arrangements
Employee participation schemes					<ul style="list-style-type: none"> ▪ Templates/model stock options schemes
					<ul style="list-style-type: none"> ▪ Common tax reporting regime/ single tax return model ▪ recognition of tax reports based on EU standard by member states ▪ optional extensions
Tax					
Financial Reporting					

Labor Law				▪ Without prejudice to member state collective labour/ co-determination regimes	▪ Need for rules on oversight mentioned (no specific proposal)
Supervisory/regulatory Oversight					
Dispute Resolution				▪ Establishment of an alternative dispute resolution mechanism	
Other				▪ Protections for weaker parties via member state law (conflict of law rules)	