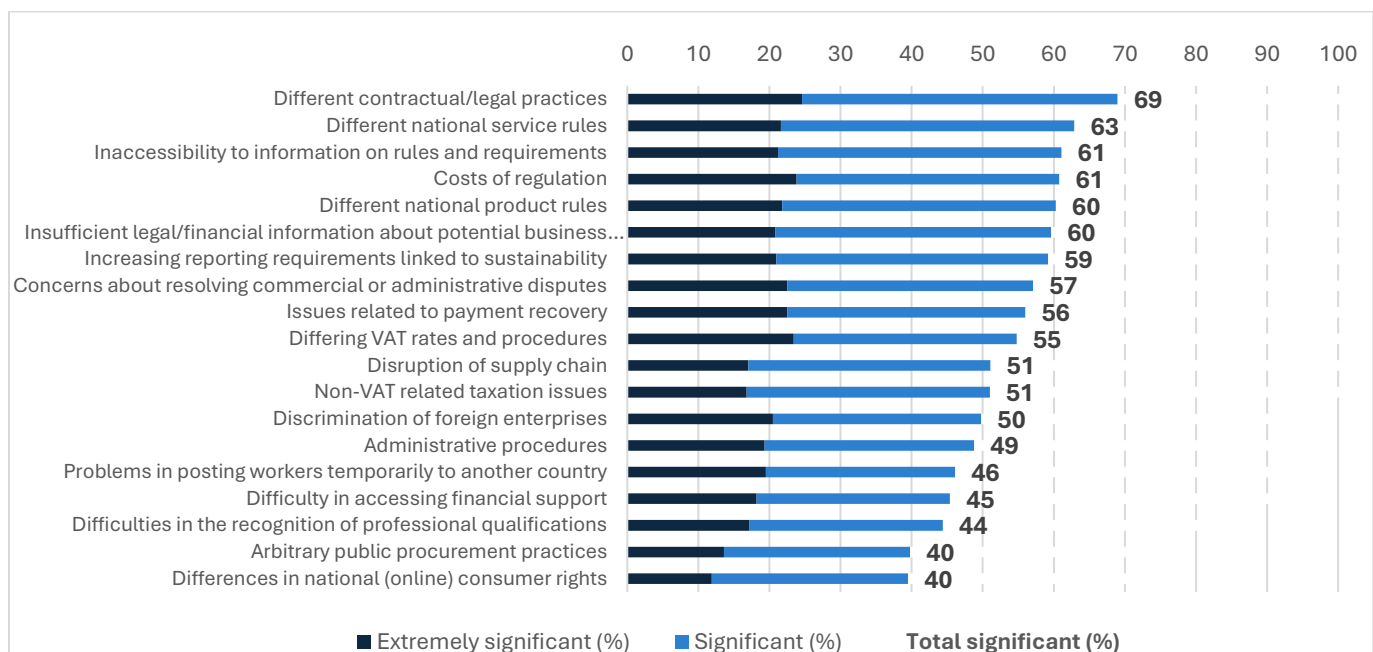


To what extent can the 28th regime reduce market fragmentation?

By Aude Chassaing, Elsa Lamy and Salomé Willer

Fragmentation of the single market is holding back the growth of European businesses. To address this problem, in March 2026, the European Commission proposed a new harmonised European corporate legal regime (EU Inc.), which would be recognised throughout the European Union (EU). While this represents a positive step for the Savings and Investments Union, this regime also raises economic and legal issues.

Chart 1: Main obstacles to doing business in the single market according to European businesses (in %)



Source: [Eurochambres](#) survey conducted between 4 September 2023 and 20 November 2023 among more than 1,000 business leaders and entrepreneurs from across all EU Member States.

EU Inc., a long-awaited solution to the fragmentation of the single market

On 18 March 2026, the European Commission presented a [proposal](#) for a new, optional European corporate legal regime, known as “EU Inc.”. The aim is to offer a new harmonised corporate legal regime that is recognised throughout the EU.

Although the EU has experimented with optional corporate legal regimes in the past, such as Societas Europaea (SE), their uptake has remained limited due to both their institutional complexity and political opposition. However, the process has been given fresh impetus by a number of reports – Draghi (2024), Letta (2024) and Noyer-Kukies (2026) – which advocate the introduction of a 28th regime to boost European competitiveness. Indeed, the creation of a 28th regime is [one of the four priorities promoted by the Banque de France](#) to make tangible progress towards the Savings and Investments Union (SIU).

More than thirty years after the creation of the single market, European businesses still have to deal with a patchwork of different national rules. This legal fragmentation, which generates regulatory complexity, redundant requirements and additional costs, is perceived by businesses as a significant barrier to conducting their cross-border business (Chart 1).

Fragmentation especially penalises small and medium-sized European enterprises: 22% allocate more than 10% of their workforce to regulatory compliance, compared with 1% for large corporations (EIB, [2025](#)). Innovative companies also face greater difficulties in accessing finance. The amount of venture capital invested in European start-ups between 2019 and 2023 is eleven times less than that invested in US companies (Collet et al., [2026](#)). Moreover, between 2008 and 2021, close to 30% of “unicorns” founded in Europe relocated their headquarters abroad, mainly to the United States (Draghi, [2024](#)). This means that these companies have a particular need for a legal framework that will underpin their cross-border development, rapid growth and ability to attract talent, within a stable and transparent legal environment.

EU Inc., a new pan-European form of company

EU Inc. would be an optional regime, reserved for limited liability companies and open to all such businesses, regardless of size, be they innovative, new or already in existence. Unlike the *Societas Europaea* initiative, the process of setting up an EU Inc. is designed to be simple (it can be set up from scratch) and requires no minimum share capital.

Chart 2: The main features of EU Inc. status proposed by the European Commission



Source: Banque de France diagram based on European Commission proposed Regulation [2026/0074](#).

Building on other legislative reforms (Listing Act, Shareholder Rights Directive), the proposal aims to simplify the regulatory framework applicable to European companies and to strengthen their competitiveness, particularly through digitalisation:

- Procedures for setting up businesses would be 100% digital.
- Registration formalities could be completed in under 48 hours at a maximum cost of EUR 100.
- Businesses would benefit from the “Once Only” principle (information already provided to a government agency would not have to be provided again).
- The use of digital tools, virtual meetings and written resolutions would become standard practice for decision-making.

The proposal introduces several measures relating to governance and remuneration inspired by practices within the start-up ecosystem:

- The principle of statutory freedom would offer greater flexibility in the internal organisation of EU Inc.s, which would be able to create different classes of shares with distinct voting or economic rights.
- To enhance the attractiveness of companies, a harmonised stock options scheme would allow employees to acquire shares in their company at a later date, at a price set in advance. It would create a common European framework to facilitate their cross-border deployment and harmonise taxation deadlines.
- A simplified, fully-digitalised and fast-track liquidation proceedings available for innovative start-ups and scale-ups (as defined in an ad hoc recommendation), to encourage rapid and cost-effective entrepreneurial rebound.

EU Inc.: a promising initiative with room for improvement

The European Commission’s proposal has four main limitations.

First, its direct economic benefits appear limited: the Commission (2026) estimates that over 10 years, it would generate EUR 440 million in administrative savings for the 308,000 EU Inc.s created. By way of comparison, the IMF (2026) advocates a more ambitious 28th regime that could boost European GDP by 3.3% within 10 years. This scenario is based around three mutually reinforcing complementary pillars (reduced entry costs, flexible capital structures, and insolvency) to encourage investment, competition, reallocation and business growth.

Second, the proposal could lead to the emergence of 27 national variants of the EU Inc. status (Enriques et al., 2026). Areas not covered by the regulation, such as company registration, litigation or employee representation, would continue to be governed by national law. The coexistence of European and national rules would limit the benefits of harmonisation and encourage regulatory arbitrage strategies. Moreover, the regulation does not establish a dedicated European litigation process and leaves the resolution of disputes to national courts, therefore creating a risk of diverging case law.

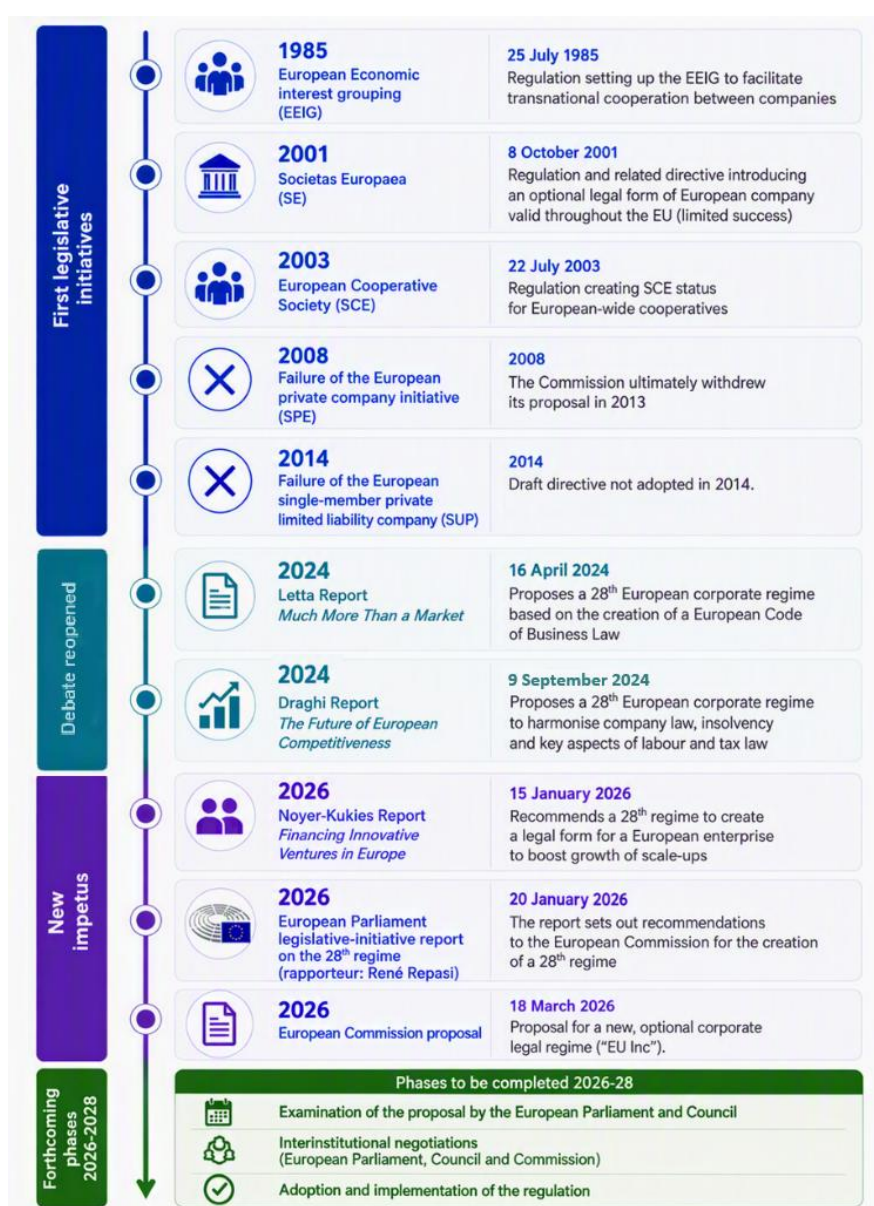
Third, there is legal uncertainty over the possibility of using a regulation. Some Member States consider that the legal basis chosen by the European Commission (Article 114 of the Treaty on the Functioning of the EU (TFEU)) is ill-adapted and that the text should be proposed in the form of a directive; however, a directive does not guarantee uniform application across all Member States. Certain provisions of the proposal also have tax implications (e.g. the stock options scheme), an area excluded from Article 114 of TFEU.

Lastly, the requirement for rapidity at the heart of the regime (such as the creation of an “EU Inc.” in under 48 hours) could limit the ability to carry out appropriate checks. When combined with other

simplification and digitisation measures, particularly those regarding liquidation, this approach could increase the risks of fraud, money laundering or tax evasion, and lead to more frequent recourse to ex post litigation procedures (Denga, [2026](#)).

The EU Inc. proposal marks a significant step towards harmonisation of company law across the EU. By reducing barriers to business development, it could help boost European competitiveness and innovation. The challenge facing the co-legislators who are currently examining the text with a view to its adoption in late 2026 and entry into force in 2028 (Chart 3), will be to preserve the aims of the reform while ensuring its effective implementation. The success of EU Inc. will ultimately depend on its widespread adoption by businesses and the pursuit of complementary reforms, particularly within the scope of the SIU (ECB, [2026](#)).

Chart 3: Timeline of European initiatives promoting a 28th European corporate legal regime



Source: Banque de France diagram based on a [presentation](#) and report of [an initiative by the European Parliament](#) (2026), the [Draghi, Letta](#) (2024), and [Noyer-Kukies](#) reports (2026), and European Commission proposed Regulation [2026/0074](#).