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ENSURING THE 28TH REGIME DELIVERS

The case for a complementary EU Inc. Zone

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Contents

Executive Summary

1. Origins of the 28th Regime

2. The Commission's Proposal

3. Risks of Fragmentation

4. The EU Inc. Zone

5. Implementation Principles

6. Comparative Analysis

7. Implementation Pathway

8. Proposed Amendments

9. Frequently Asked Questions

10. Conclusion

About

Notes

Executive Summary

IN BRIEF

The EU Inc. regulation proposal represents a significant step forward — but implementation risks deserve attention. Matters not covered by the regulation are deferred to 27 national legal systems. Court specialisation remains non-binding. The registry interconnects national systems rather than replacing them. The Societas Europaea precedent suggests this pattern produces divergent outcomes. This paper proposes four amendments to COM(2026) 321 on two tracks. *First*, strengthen the regulation: mandatory specialised judicial chambers with convergence tools. *Second*, prepare a pre-validated fallback that activates automatically if annual reviews identify fragmentation. If the regulation delivers, the fallback is never activated.

The European Commission's *EU Inc.* proposal (COM(2026) 321) represents a significant step toward addressing the regulatory fragmentation that impedes startup formation, cross-border scaling, and investment in the European Single Market. Over 24,000 founders signed the petition. Parliament voted 492–144. The proposal delivers meaningful improvements: digital-first incorporation within 48 hours, no minimum share capital, harmonised employee stock option provisions, and simplified liquidation procedures.

The question is whether these improvements will translate into a unified experience in practice. The EU Inc. harmonises the *corporate form* but not the *operating environment*. Every matter the regulation does not explicitly cover — directors' duties, board liability, share transfers, minority protections, insolvency — is filled by whichever national law applies in the country where the company registers (Article 4). Courts are national: the regulation recommends that Member States consider specialised chambers, but this language is non-binding. The registry is national: the Commission's central interface collects data but forwards it to 27 separate national registers. The result is that the same regulation may produce 27 operationally different experiences — depending on where a company registers.

Some of this distance is unavoidable. Tax harmonisation requires unanimity under the EU Treaties, and labour law is constitutionally excluded from the EU's competence. But on corporate law gap-filling, courts, and registry design, the regulation is narrower than some commentators expected. The academic response has been immediate: Enriques, Nigro, and Tröger describe a regulation where every harmonised rule leaves room for national divergence; Garicano and Malmendier warn of '27 different 28th regimes.' The Societas Europaea — the EU's previous attempt at a unified company form, created in 2001 — deferred extensively to national law and produced fewer than 4,000 registrations in two decades.

This paper proposes a complementary architecture: the **EU Inc. Zone**. The core difference is narrow but decisive. Where the regulation sends gaps to 27 national systems, the Zone replaces that with **a single, self-contained company law** — one set of rules for all Zone companies, regardless of which country they operate in. One court interprets it. One registry administers it. Tax and labour remain national in both scenarios — neither the regulation nor the Zone can change that. The Zone's value is in the layers where unified administration is achievable: corporate law, dispute resolution, registry, insolvency. The design draws on models such as the DIFC, ADGM, and AIFC — while acknowledging that these were created under different governance conditions.

Section 8 proposes four amendments to COM(2026) 321, operating on **two separate tracks**:

Track one — strengthen the regulation itself: replace the current non-binding language on courts with **mandatory specialised judicial chambers**, supported by convergence tools (a shared case-law database, joint training, annual interpretation guidelines).

Track two — prepare a fallback in case fragmentation materialises: a **12-month feasibility study** that produces a pre-validated Zone architecture ready for activation; **annual fragmentation reviews** measuring whether the regulation is delivering consistent outcomes across Member States; and an **enhanced cooperation pathway** allowing nine or more willing Member States to proceed if thresholds are breached. A critical characteristic: the fallback is not discretionary — the regulation itself defines what failure looks like, and activation is automatic. No new political decision is needed.

If the regulation works, the fallback is never activated. If it does not, Europe is prepared.

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1. Origins of the 28th Regime

> IN BRIEF
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> The 28th regime concept gained momentum through the Draghi and Letta Reports in 2024, then was championed by the grassroots EU Inc. movement with over 24,000 signatures. The European Parliament endorsed the vision in January 2026.

1.1 The Draghi Report

The concept of a 28th regime for European companies gained decisive political momentum with the publication of Mario Draghi's report on EU competitiveness in September 2024. Draghi proposed that innovative startups be given access to a new EU-wide legal statute — the 'Innovative European Company' — through 'a voluntary 28th company rulebook harmonising legislation concerning corporate law and insolvency, as well as a few key aspects of labour law and taxation, to be made progressively more ambitious.' The scope was deliberately broad: Draghi envisioned not merely a harmonised company form but a *normatively self-contained legal universe* spanning four domains — corporate law, insolvency, labour, and tax — in which cross-references to national law would be minimised.[1]

The Letta Report on the future of the Single Market, published earlier in 2024, arrived at similar conclusions, calling for a 'Simplified European Company' to remove structural barriers to cross-border scaling.[2] Both reports identified the same fundamental problem: 27 different sets of corporate rules fragment the Single Market, deter investment, and push European founders toward jurisdictions — notably Delaware — that offer superior legal certainty and procedural efficiency.

1.2 The Grassroots EU Inc. Movement

The political energy generated by the Draghi and Letta Reports was channelled into a grassroots campaign launched in October 2024 by Andreas Klinger (Prototype Capital) and Susanne Knoll, under the banner 'EU Inc. — One Europe. One Standard.' The petition gathered over 24,000 signatures from Europe's most prominent founders, investors, and technology executives, supported by over 600 venture capital firms, 9,000 startups, and 20 industry associations.[3]

The movement produced a detailed EU Inc. Policy Proposal — an industry blueprint that laid out the practical architecture: a standardised corporate structure, a centralised digital registry, a new investment instrument (EU-FAST), and an EU-wide employee share option scheme (EU-ESOP). The demands were clear: a single pan-European company form modelled on the Delaware C-Corporation, with no minimum capital, no notary requirement, fully digital English-language incorporation within hours, unified employee stock option plans, and simplified cross-border operations. The implicit promise was a *true alternative to Delaware* — a single jurisdiction with one set of rules, one standard, and one legal experience.

The European Parliament amplified these demands. In its resolution of 20 January 2026, it called for a 'Societas Europaea Unificata' (S.EU) and notably recommended the establishment of *'specialised courts or judges responsible for cases concerning the 28th regime to ensure uniform application of the law and efficient hearings conducted in English.'* [4]

2. The Commission's Proposal

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> The Commission delivered meaningful improvements — digital incorporation, no minimum capital, harmonised ESOPs — while leaving labour law, taxation, and dispute resolution within national regimes, and insolvency subject to 27 national courts — creating a tension with Parliament's insistence on uniformity that this paper examines.

2.1 Key Achievements

The Commission's proposal, published on 18 March 2026, takes the form of a directly applicable Regulation — a sound choice that avoids the transposition delays and gold-plating risks of a directive. The proposal delivers several meaningful improvements: an EU central interface for fully online incorporation within 48 hours at a maximum cost of EUR 100; no minimum share capital; the possibility to create multiple classes of shares with differentiated voting rights; a harmonised EU Employee Stock Ownership (EU-ESO) scheme with a common tax timing framework; a 'once-only' principle for submission of company information to public authorities; and simplified digital procedures for liquidation and insolvency.[5]

2.2 The Structural Gap

These achievements are substantial. The proposal does, however, take a narrower approach than the 28th regime envisioned by Draghi or the EU Inc. movement, and stops short of the terms set by the European Parliament itself. On 20 January 2026, two months before the Commission's proposal, Parliament adopted its resolution (492–144–28) based on the Repasi report, explicitly insisting that 'the rules relating to the 28th regime be the same throughout the EU' and that 'Member States not be allowed to maintain or introduce into their national law any provisions that diverge.' The Commission's proposal takes a different approach, deferring to national law on matters Parliament sought to unify. Article 4(2) of the Regulation states that matters not covered 'shall be governed by national law... which apply to relevant national legal forms in the Member State in which the EU Inc. has its registered office.' Article 4(3) goes further, requiring each Member State to designate the relevant national legal form whose rules fill these gaps.[6] Employee participation follows the law of the registered office (Article 12). Directors face harmonised core duties but remain subject to additional national liability rules (Recital 34). This provision ensures that every EU Inc. company inherits the full

legal ecosystem of its Member State of registration: its courts, its labour law, its administrative procedures, and its enforcement culture.

The Oxford Law Blog's assessment is instructive: *'For every harmonised rule, there is room for member state discretion or a gap-filling reference to national law that quietly reintroduces the very fragmentation the regime purports to eliminate.'*[7]

The distance from Draghi's original vision reflects the Treaty constraints examined in Section 3. Where Draghi called for harmonised rules across corporate law, insolvency, labour, and taxation — 'to be made progressively more ambitious' — the Commission delivers substantial corporate law reform but defers the remaining dimensions to future instruments or national regimes. On dispute resolution, the Commission 'calls on Member States to consider setting up specialised judicial chambers or courts' — language that is legally non-binding and may prove insufficient to ensure consistent implementation. On labour law, the proposal defers entirely to national regimes. On taxation, only the narrow timing of EU-ESO taxation is harmonised. Commissioner McGrath himself acknowledged the risk: 'What we need to avoid is 27 versions of the new 28th regime.'[8]

3. Risks of Fragmentation

> IN BRIEF
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> The regulation's implementation risks fall into two categories. Some are unsolvable under the current Treaties — taxation requires unanimity, labour law is constitutionally excluded. These affect the regulation and any complementary architecture equally. Others are solvable through institutional design — corporate law gap-filling, court specialisation, registry unification. These are the dimensions where a complementary architecture can make a structural difference. The Societas Europaea precedent suggests the distinction matters.

The Commission's proposal is a genuine achievement — but the distance between what was delivered and what was possible deserves honest examination. The European Parliament, in its January 2026 resolution (492–144–28), explicitly insisted that 'the rules relating to the 28th regime be the same throughout the EU' and that 'Member States not be allowed to maintain or introduce into their national law any provisions that diverge.' The Commission chose a narrower path. Understanding *why* requires distinguishing between two categories of fragmentation risk: those that no instrument can solve under the current Treaties, and those that are amenable to institutional design.

3.1 The hard walls: taxation and labour

Taxation and labour law face genuine Treaty constraints that neither the regulation nor any complementary architecture can overcome without unanimity or Treaty revision. These are shared limitations — and this paper does not claim otherwise.

Taxation. Article 114 TFEU — the legal basis for the EU Inc. regulation — explicitly excludes fiscal provisions from its scope. Any meaningful tax harmonisation requires recourse to Article 115 TFEU, which demands **unanimity** in the Council.[9] In over sixty years of European integration, the EU has never achieved agreement on a unified corporate tax system. The 2022 Pillar Two Directive (2022/2523) established a 15% minimum effective rate, but this is a floor, not a harmonised regime. Even the Financial Transaction Tax, authorised under enhanced cooperation in 2013, remains unimplemented after thirteen years of negotiation.[10] Moreover, even if tax rules were harmonised, the EU has no mechanism to override national tax administrations. The gap between harmonised rules and harmonised enforcement is, under the current Treaties, irreducible.

Labour law. Article 153(5) TFEU creates hard exclusions that no EU instrument can override: pay, the right of association, the right to strike, and the right to impose lockouts are explicitly reserved to Member States.[11] Labour law in the major European economies is constitutionally embedded — France's *Code du travail*, Germany's *Mitbestimmung*, the Nordic collective bargaining model. The Commission's proposal defers labour law entirely to national regimes.

These are hard walls. They constrain the regulation and any complementary architecture equally. The Zone does not claim to solve them — though it can reduce friction through standardised contracts and compliance tools (see Section 5.5).

3.2 The solvable fragmentation: courts, registry, gap-filling

The remaining fragmentation risks are different in kind. They are not imposed by the Treaties — they reflect design choices in the regulation that are narrower than some commentators expected, and they are amenable to institutional alternatives.

Corporate law gap-filling. Article 4 sends every matter the regulation does not cover — directors' duties, board liability, share transfers, minority protections, insolvency — to whichever national law applies in the country where the company registers. Insolvency proceedings are simplified only for EU Inc. companies classified as 'innovative startups' under national criteria (Chapter X) — every other EU Inc. company, including mature businesses that convert into the form, falls under national insolvency law. The result is 27 operationally different versions of what is formally one regulation.

Courts. The regulation recommends that Member States consider specialised chambers, but this language is non-binding. Twenty-seven courts, staffed by judges trained in 27 legal traditions, developing 27 independent bodies of case law, with no binding horizontal precedent between them, are likely to produce divergent interpretations.[12] The CJEU's preliminary reference procedure provides interpretive guidance, but at an average pace of 16.8 months per question — a significant source of uncertainty for fast-moving companies.[13] An alternative path — arbitration — avoids these constitutional constraints entirely. Commercial arbitration is enforceable in 172 countries under the New York Convention,[14] does not raise Opinion 1/09 concerns,[15] and can mandate publication of anonymised awards to build publicly accessible jurisprudence (see Section 5.3).

Registry. The Commission's central interface collects data but forwards it to 27 separate national registers via BRIS — an interoperability layer, not a unified registry. Each register retains its own filing requirements, data formats, response times, and administrative culture. The founder's experience will vary by Member State.

These dimensions — corporate law gap-filling, dispute resolution, and registry administration — are where a complementary institutional framework can make a structural difference. They are the focus of the Zone proposal.

The academic response supports this distinction. Enriques, Nigro, and Tröger describe a regulation where 'for every harmonised rule, there is room for member state discretion or a gap-filling reference to national law that quietly reintroduces the very fragmentation the regime purports to eliminate.' The Bruegel policy brief by Scott Morton and Veugelers argued that a genuinely self-contained 'Regime 0' was needed. Garicano and Malmendier warned that deferring to national law would 'de facto result in 27 different 28th regimes.'

3.3 The Societas Europaea precedent

The Societas Europaea (SE), created in 2001, was the EU's previous attempt at a unified European company form.[16] The SE Regulation contains over 60 express references to national law, producing *a different SE variant for each Member State* — effectively 27 different companies sharing a name. Approximately 3,000 SEs had been registered by 2018, of which only around one quarter were genuine operating companies. The SE analogy is instructive but imperfect: EU Inc. wisely corrects the SE's most obvious design flaws — prohibitive capital requirements, merger-only formation, absence of digital infrastructure. The structural risk that persists, however, is the one that matters most: Article 4's catch-all referral to national law replicates the mechanism that produced 27 national variants of the SE. [17]

This matters because the political window is narrow. The momentum created by the Draghi report, the Letta Single Market report, and the 24,000+ signature petition is real but perishable. If the regulation passes in its current form and fragmentation materialises, a second attempt may not come for a decade. The case for complementary institutional infrastructure is therefore not just analytical. It is urgent.

4. The EU Inc. Zone

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> The EU Inc. Zone constitutes complementary anti-fragmentation infrastructure, drawing on institutional models such as the DIFC, ADGM, and AIFC. Its structural proposition is concentrated administration: one self-contained company law, one dispute resolution body, one registry. Taxation and labour law remain national under both the regulation and the Zone — the Zone's value lies in the dimensions where unified administration is institutionally achievable.

4.1 The Concept

Independently from how the legislative process unfolds — whether Parliament adopts Draghi's more ambitious vision or the Commission's current proposal — a pre-validated complementary architecture is an opportune measure. If the regulation succeeds, the Zone is never activated. If it fragments across 27 administrations, the Zone provides an immediate alternative path. In every scenario, having the institutional design ready is better than not having it. This paper proposes the **EU Inc. Zone**: complementary anti-fragmentation infrastructure, administered at EU level, offering a complete corporate institutional framework. Rather than replacing the regulation, the Zone complements it — providing the unified dispute resolution, single registry, and coherent administration that 27 separate national systems structurally cannot.

The distinction is worth stating plainly. The regulation gives every Member State the same corporate law *text* — but not the same corporate law *experience*. Article 4 sends every matter the regulation doesn't cover to national law: directors' duties, share transfers, minority protections, board liability — all filled differently in each Member State. The result is 27 operationally different versions of what is formally one regulation. This is precisely why Europe has struggled to deliver a genuinely unified business environment: formal harmonisation without operational harmonisation produces the appearance of unity and the reality of fragmentation. The Zone addresses this directly: **a single, self-contained company law** — drawing on models such as the DIFC Companies Law, constrained by the EU governance acquis — that replaces Article 4's 27-way gap-filling with one coherent supplement. And then: **one court interpreting it and one registry administering it**. The Commission's proposal routes registration through a central interface, but this is a front-end portal — company data is forwarded to and stored in 27 national registers. The Zone offers a genuinely unified registry: one

database, one process, one administrative culture. Tax remains national in both cases — neither instrument can change that. Labour law remains national in both cases — though the Zone could reduce friction through standardised contracts and, more ambitiously, through designated Zone premises in participating Member States where a dedicated employment framework applies.

The EU Inc. Zone would not constitute a tax haven. Two fiscal architectures are possible depending on political will. With unanimity, the Zone could operate its own corporate tax regime with revenue redistributed to Member States based on founder residency. Without unanimity — the more realistic scenario — the Zone can rely on existing CFC (Controlled Foreign Corporation) rules under the Anti-Tax Avoidance Directive (ATAD), which ensure that corporate profits are taxed in the Member State where the controlling persons reside. Either way, no Member State loses fiscal revenue. The Zone's competitive advantage lies not in fiscal arbitrage but in *procedural certainty, judicial quality, and administrative efficiency* — precisely the attributes that make Delaware attractive. The approach is the same one the DIFC, ADGM, and AIFC have proven at scale: build a modern, specialised jurisdiction and let it compete on quality, not on tax.

A crucial strategic dimension: the Zone is conceived as a **time-bound complement**, not a permanent exception to EU law. Whether it is ever needed depends entirely on how the regulation performs in practice. If 27 Member States administer the EU Inc. coherently — if courts converge, registries interoperate smoothly, and founders experience a genuinely unified system — the Zone becomes unnecessary. This paper proposes building the institutional design *in parallel* so that, if fragmentation materialises, a tested architecture is available rather than a blank page. The solutions that work could then inform broader EU-wide regulation, potentially through a future unanimity-based instrument. This is the logic of contingency planning: the best outcome is that the insurance policy is never activated.

There is a further structural reason why a zone architecture may be better suited to this problem than a regulation alone: **iterability**. An EU regulation, once adopted through ordinary legislative procedure, is effectively frozen — amending it requires a new Commission proposal, Council and Parliament negotiation, and typically two to four years of process. A zone can update its procedures, expand its scope, and respond to market feedback on a continuous basis. For an operating environment that must compete with Delaware, Singapore, and the UK — jurisdictions that regularly update their corporate frameworks — the ability to iterate is not a secondary consideration. It is a structural requirement. The zone is, in effect, a living product rather than a static legal text. This also lowers the political credibility threshold: a regulation asks 27 Member States to believe that a single harmonised text will work everywhere. A zone asks only that a bounded space can operate by different rules — a proposition with decades of precedent from Shannon to the DIFC.

A realistic note on **timelines and trust**. No jurisdiction earns credibility on day one. Delaware took decades to build the Court of Chancery's reputation. The DIFC has been operating for twenty years and is still building trust with international firms. A Zone would start from zero — no case law, no track record, no established bar. This is not a reason to abandon the concept; it is a reason to start early. If the feasibility study begins within 12 months of the regulation's entry into force, and Phase 1 (arbitration centre, registry prototype, Zone company statute) is operational within 2–3 years, the Zone could have meaningful operational history by the time the early annual fragmentation reviews begin detecting divergence patterns. That is not a long time in jurisdictional terms — but it is enough to generate evidence. The alternative is waiting until fragmentation is documented, then beginning institutional design from scratch. By that point, the founders the regulation was designed to attract will have incorporated elsewhere.

4.2 Six Pillars

Corporate law. A single, modern company statute applied uniformly to all Zone-domiciled companies. No gap-filling references to national law. One set of rules governing formation, governance, capital structure, director duties, minority protection, and dissolution.

Insolvency. A dedicated insolvency framework for Zone-domiciled companies. If the Zone constitutes the debtor's centre of main interests (COMI) under the Recast Insolvency Regulation, the Zone's own rules apply uniformly — rather than the national regime of whichever Member State the company is registered in (see Section 5.4).

Dispute resolution. An EU-level arbitration body with mandatory transparency rules as an immediate step — publishing anonymised awards to build publicly accessible jurisprudence — with a dedicated corporate court as a longer-term evolution producing formal, binding case law. Together, these would build the coherent body of European corporate jurisprudence that 27 divergent national courts cannot produce (see Section 5.3).

Administrative procedure. A single EU-administered company registry for all Zone-domiciled entities. Fully digital, operating in all EU languages with English as the default working language. One registration process, one set of filing requirements, one administrative culture (see Section 5.7).

Tech-oriented labour provisions. Labour law is the dimension requiring the most design work (see Section 5.5). For Zone-based employees, the host jurisdiction can enact a dedicated framework, as the DIFC has done. For remote employees across the EU, the Zone can develop standardised employment contracts that pre-comply with national requirements. A full opt-in labour framework would require either unanimity or enhanced cooperation among participating Member States.

Specialised legal ecosystem. An EU-accredited bar of corporate lawyers and agents authorised to practise within the Zone, creating a concentrated pool of expertise analogous to the Delaware corporate bar (see Section 5.8).

4.3 The Sovereignty Question

The most immediate political objection to an EU Inc. Zone is sovereignty. The prospect of an institutional framework within Europe where national law does not fully apply invites the charge that the Zone undermines the regulatory authority of Member States. The objection is intuitive — and, on examination, unfounded.

The Zone is consistent with what Parliament asked for. The European Parliament voted 492–144 in January 2026 for rules that are 'the same throughout the EU,' with no national divergence. The Commission delivered a regulation that defers gaps to 27 national systems. The Zone is one possible mechanism to help close that gap — not the only one, but one that addresses the institutional dimension directly. If Parliament's position is that the 28th regime should produce uniform outcomes across Europe, then complementary anti-fragmentation infrastructure is not a sovereignty threat. It is a logical response to the distance between Parliament's ambition and the regulation's current design.

Special Economic Zones already exist within the EU. Ireland established the Shannon Free Zone in 1959 — the world's first modern SEZ. Portugal operates the Madeira International Business Centre (MIBC) under a regime authorised by the European Commission since 1987. Spain's Zona Especial Canaria (ZEC) offers differentiated fiscal and regulatory treatment with EU State Aid approval. Italy, France, Poland, and others maintain freeports, enterprise zones, and special fiscal territories. None of these are regarded as sovereignty crises. They are instruments of economic policy, voluntarily adopted by sovereign states, with differentiated rules within a defined perimeter.[18]

The Zone is more sovereignty-respecting than the EU Inc. regulation itself. The regulation, adopted under Article 114 TFEU, imposes a new corporate form on all 27 Member States simultaneously — whether they want it or not. It is directly applicable, with no opt-out. The Zone, by contrast, could be established via enhanced cooperation among willing Member States, allowing others to remain outside. This is not an erosion of sovereignty; it is its exercise. Enhanced cooperation was designed precisely for this purpose: Article 20 TEU allows a minimum of nine Member States to move ahead within the institutional framework of the Union, without requiring the rest to follow.

The greater sovereignty risk lies in the status quo. When 27 courts interpret the same insolvency rules differently, the result is not sovereignty — it is incoherence. When founders flee to Delaware,

Singapore, or the Cayman Islands because no European jurisdiction offers comparable legal certainty, Europe loses not just companies but the tax revenue, employment, and innovation those companies generate. The Zone keeps those companies on European soil, under European law, subject to European oversight. That is a sovereignty gain, not a loss.

The sovereignty question is best assessed by outcomes. If fragmented implementation drives startups to incorporate outside Europe entirely, the result is a loss of the very economic activity that sovereign regulatory authority is meant to govern. A single, high-quality European jurisdiction that retains those companies strengthens Europe's regulatory reach — and its sovereignty in practice.

4.4 Institutional Incentives and National Participation

The harder threat to the Zone is not abstract sovereignty rhetoric. It is institutional self-interest: registries, ministries, legal professions, and national administrations that may quietly resist a structure that centralises prestige and workflow. This deserves a direct answer.

Why would a Member State want to host or participate? Increased company formation within its territory; retained tax base under the CFC path (profits are taxed where founders reside, not where the Zone sits); attraction of venture capital and founder talent; spillover employment in legal, financial, and advisory services; shared governance through participating-state representation on the Zone's governing board. The host state gains institutional prestige and economic activity without ceding fiscal sovereignty.

How are local professionals not simply bypassed? The Zone's specialised legal ecosystem would include an EU-accredited bar of corporate lawyers — many of whom would be practitioners from participating Member States. Local law firms gain access to a concentrated pool of cross-border corporate work. National courts retain jurisdiction over all matters outside the Zone's scope (tax, labour, criminal, regulatory compliance). The Zone creates a new category of high-value work; it does not eliminate existing categories.

What does the broader European economy gain? Companies that would otherwise incorporate in Delaware, Singapore, or the Cayman Islands instead incorporate in Europe — under European law, subject to European oversight, paying European taxes. That is not a transfer of activity between Member States. It is a net addition to the European ecosystem. The political case is strongest when framed this way: the Zone's primary competitor is not Paris or Berlin — it is Wilmington.

4.5 Governance

The more the Zone centralises institutional functions, the more important it becomes to answer: who governs it, and why will people trust it? Concentration of discretion without accountability is not a feature — it is a vulnerability. The Zone's governance should be designed to make centralisation a source of legitimacy, not suspicion.

The Zone authority should be governed by an **independent governing board** with: (a) representatives of each participating Member State, ensuring shared ownership; (b) an advisory panel of founders, investors, and legal practitioners, ensuring the Zone remains responsive to market needs; (c) transparent appointment criteria for arbitrators, registry administrators, and senior officials, with published conflict-of-interest rules; (d) judicial independence safeguards — the arbitration centre and any future court must operate with full decisional autonomy from the governing board; (e) annual public reporting on registrations, dispute outcomes, financial performance, and user satisfaction. This governance structure mirrors the DIFC's model, where an independent authority oversees the jurisdiction's administrative functions while the courts operate with full judicial independence. The objective is institutional quality through accountability, not administrative discretion.

4.6 Location

The Zone's physical domicile is a design choice — secondary to the institutional architecture, but relevant to political feasibility. Several options merit consideration: **Brussels** (institutional neutrality, Belgium's federal structure accommodates overlapping jurisdictions, concentration of EU-facing legal professionals); **Luxembourg** (hosts the CJEU, deep corporate expertise — though its reputation as a financial optimisation hub may invite criticism); or **a distributed model** operating digitally by default, with physical hearings in rotating EU cities and designated Zone offices across participating Member States. The choice of location is secondary to the institutional design. What matters is that the Zone operates under a single legal framework, administered by a single authority, regardless of where its offices are physically located.

5. Implementation Principles

> In brief
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> Practical design for each dimension: a self-contained corporate law supplement — drawing on models such as the DIFC Companies Law — replacing Article 4's national law default, two-track tax (unanimity or CFC rules), arbitration-first dispute resolution building toward a specialised court under Article 257 TFEU, dedicated insolvency framework, four labour law solutions, and a unified digital registry.

The following section sets out the key design parameters for each dimension of the EU Inc. Zone. The structural logic is consistent throughout: where the EU Inc. harmonises across 27 existing systems, the Zone offers a single complementary framework.

5.1 The Zone Corporate Law Supplement

The Zone does not create new corporate law from scratch. It takes the EU Inc. regulation as its base and does what Article 4 should have done: instead of sending founders back to 27 national legal systems for everything the regulation does not cover, the Zone provides a single, self-contained supplement. Same regulation. Different gap-filler. That is the core structural innovation.

One instructive model is the **DIFC Companies Law** (DIFC Law No. 5 of 2018) — purpose-built for a special economic zone operating within a larger legal system. The DIFC statute is compact (~200 sections versus 1,300 for the UK Companies Act), modern, English-language, and has been stress-tested for twenty years in a functioning jurisdiction. It covers exactly the areas where Article 4 currently defers to national law: directors' duties, board liability, dividend distribution, share transfers, minority protection, related party transactions, accounts and audit, and winding up. The ADGM Companies Regulations (2020) offer a similarly modern alternative. The precise design of the Zone's company statute would be determined through the feasibility study proposed in Section 8 — drawing on these models and others, adapted to EU governance standards and the specific needs of European operators. The Commission, together with the European Parliament and participating Member States, would define the final architecture. What matters at this stage is the principle: a self-contained supplement that replaces Article 4's 27-way national law default with one coherent set of rules.

The design philosophy should draw on **Delaware's enabling approach** rather than the prescriptive tradition of most European civil law codes. An enabling statute says what companies *can* do; a prescriptive code says what they *must* do. The Delaware General Corporation Law succeeds because it maximises flexibility within broad fiduciary constraints — and because the Court of Chancery has developed, over decades, the *business judgment rule*: courts defer to board decisions made in good faith, on an informed basis, in the honest belief they serve the company's interest. This doctrine — not any specific statutory provision — is the single most important reason companies choose Delaware. The Zone's statute should codify an equivalent standard.

At the same time, the Zone is European, and its governance standards should reflect that. The EU's existing corporate governance acquis — Shareholder Rights Directive II, Corporate Sustainability Due Diligence Directive, Corporate Sustainability Reporting Directive — provides a floor that the Zone would be bound to respect. The result is a combination no other jurisdiction currently offers: **the specific institutional attributes that make corporate law predictable — unified administration, specialised adjudication, procedural speed, and concentrated expertise — within a European governance framework.** That is the pitch to both founders (who want flexibility and predictability) and policymakers (who want sustainability and stakeholder protection).

The specific areas the supplement would need to cover are those where Article 4's national law default currently creates divergence:

Area	Article 4 default	Zone supplement
Directors' duties	27 different fiduciary standards	Codified duties (good faith, independent judgment, avoid conflicts, reasonable care) with business judgment rule
Board liability	27 different standards and safe harbours	Single standard with codified safe harbours
Dividends	National capital maintenance rules	Solvency-test approach (DIFC model) — simpler and more founder-friendly
Share transfers	National securities law	Zone transfer rules, integrated with Zone registry
Minority protection	National derivative actions, unfair prejudice remedies	Codified remedies adjudicated by Zone court
Accounts and audit	National GAAP or IFRS with national variations	IFRS mandatory, Zone-approved auditors

Area	Article 4 default	Zone supplement
Winding up	National insolvency law	Zone insolvency framework (see Section 5.4)
Pre-insolvency restructuring	27 implementations of Restructuring Directive	Zone restructuring rules

An important qualification: the full supplement described above represents the Zone's *mature* design. The initial phase would be deliberately narrower — covering formation, governance, cap table mechanics, internal corporate procedure, and dispute clauses. Residual questions not yet covered by the Zone supplement would be resolved by a tightly drafted conflict rule pointing to a single designated legal system (likely the law of the host state or a standard reference framework), rather than reverting to Article 4's 27-way national law default. This is not a retreat from ambition — it is how serious institutional projects survive first contact with political reality. Subsequent phases would extend the supplement as the legal basis strengthens and operational experience accumulates.

This approach reflects what the Draghi Report originally envisioned: a 'normatively self-contained legal universe' with minimal cross-references to national law. The EU Inc. regulation narrowed that ambition for political reasons. The Zone supplement restores it incrementally — within a bounded institutional space where the political cost is lower and the evidence base can be built before broader adoption.

5.2 Fiscal Treatment

The EU Inc. regulation does not extend to tax harmonisation — Article 114(2) TFEU excludes fiscal provisions from its legal basis, and Article 115 requires unanimity. The Zone does not eliminate tax complexity, but it reframes the question. Two architectures are possible, depending on whether unanimity can be achieved:

Path A: With unanimity. If Member States agree, the Zone could operate its own corporate tax regime at a rate and structure designed to attract high-growth companies, with fiscal revenue redistributed to Member States based on the residency of founders and shareholders. This is the cleanest design and the one that most closely mirrors the DIFC model. If unanimity on tax proves achievable, it would also open the door to unified labour provisions (see Section 5.5).

Path B: Without unanimity. If unanimity is not achievable — the far more likely scenario — the Zone can rely on existing Controlled Foreign Corporation (CFC) rules, already harmonised across the EU by

the Anti-Tax Avoidance Directive (ATAD, 2016/1164, Articles 7–8).[19] Under CFC rules, when a Zone-domiciled company is controlled by founders resident in a given Member State, that state's tax authority attributes and taxes the company's undistributed profits under its own rules. The control test is met when more than 50% of voting rights or capital is held by residents of a single Member State. The fiscal revenue stays where the controlling persons reside — no new tax treaty or bilateral agreement is required, and no Member State loses tax base. The Zone entity is effectively tax-transparent to the founders' home jurisdiction. This means, in practice, that **Path B offers no fiscal advantage whatsoever over local incorporation**. Founders pay the same tax they would pay at home. This is not a weakness — it is the design's strongest political defence: the Zone competes purely on procedural quality, judicial efficiency, and administrative simplicity, not on tax. It is structurally incapable of being a tax haven. Several operational questions require further technical design under Path B:

Several operational questions would need to be resolved under Path B — including multi-founder companies where no single state holds a controlling interest, venture-backed companies where institutional investors hold majority voting rights, the treatment of reinvested earnings, VAT integration, dividend withholding, transfer pricing, and interaction with Pillar Two. These are real design questions, not reasons to abandon the CFC path. Each has existing EU-law mechanisms that provide a starting point — the ATAD, the Parent-Subsidiary Directive, the OSS mechanism, the EU Transfer Pricing Directive, Directive 2022/2523. The feasibility study proposed in Section 8 would develop the detailed technical architecture. What matters at this stage is the principle: the Zone competes on institutional quality, not fiscal arbitrage, and is structurally incapable of being a tax haven.

5.3 Dispute Resolution

Two models are possible, operating in sequence. The first and most readily implementable is an **EU Inc. Arbitration Centre**, with arbitration clauses built into the Zone's company statute. Internationally recruited specialist arbitrators. Proceedings conducted online by default, in English, with expedited timelines. Arbitral awards enforceable in 172 countries under the New York Convention — wider coverage than any court judgment. This path requires no intergovernmental treaty and raises no Opinion 1/09 concerns.

A critical design feature: mandatory transparency. Standard commercial arbitration is confidential — awards are private between the parties and do not generate public case law. This is the principal objection to relying on arbitration for precedent-building. The Zone's arbitration centre would operate under a different model: all awards published in anonymised form as a condition of the company statute. This is not unprecedented. ICSID publishes investment arbitration awards unless a

party objects (and since the 2022 rule amendments, consent to publish is presumed). The ICC has permitted publication of all awards made since 2019. The UNCITRAL Rules on Transparency (2014) introduced systematic disclosure for treaty-based arbitration. What these institutions adopted incrementally, the Zone can mandate from inception — because it is designing its institutions from scratch, not retrofitting transparency onto legacy confidentiality norms.

Published anonymised awards would create what investment arbitration scholars call *arbitral jurisprudence* — not formally binding precedent, but a coherent, publicly accessible body of reasoning that arbitrators, practitioners, and companies can rely on for predictability.[20] Over time, this soft precedent hardens as arbitrators cite prior awards, patterns crystallise, and a Zone-specific corpus of corporate dispute resolution emerges. This is the mechanism by which a single body resolves disputes faster and more predictably than 27 national courts applying 27 interpretive traditions.

The second, longer-term model is a dedicated **EU Corporate Court** modelled on the Delaware Court of Chancery, which would require either an intergovernmental treaty or Article 257 TFEU. This court would produce formal, binding precedent — public judgments that constitute case law in the full legal sense. The transition from arbitration to court mirrors DIFC's own trajectory: the DIFC Courts, staffed by internationally recruited common-law judges issuing public judgments, are what built the jurisdiction's credibility — not its arbitration centre. The Zone's arbitration centre bridges the gap, building a body of accessible reasoning while the institutional conditions for a formal court are assembled.

To make this system credible, published awards alone are not enough. Four institutional safeguards would ensure that transparency produces genuine coherence rather than merely visible fragmentation:

First, a standing appellate arbitral panel for internal consistency — not a court, but a review body that can reconcile divergent awards and issue short harmonisation opinions. *Second*, publication of not only full awards but also headnotes, doctrinal summaries, and issue classifications, ensuring transparency produces usability. *Third*, a rule that materially novel departures from prior awards must be expressly reasoned — giving soft precedent structural discipline. *Fourth*, an annual Zone jurisprudence report prepared by an independent rapporteur or academic board, turning individual decisions into doctrine. Together, these create a governed system of jurisprudential development, not merely a collection of published outcomes.

To be explicit about the architecture: **arbitration is not the Zone's permanent judicial design. It is the institutional bridge.** The long-term objective is a specialised court established under Article 257 TFEU — which explicitly provides for courts attached to the General Court in specific areas. Such

a court would refer questions of EU law to the CJEU through the preliminary reference procedure, preserving the Union's interpretive hierarchy while providing the specialised first-instance expertise that 27 generalist national courts cannot. The CJEU remains the ultimate interpreter. The Zone does not attempt to engineer around that — it provides a single, expert forum below the CJEU, instead of 27 generalist forums producing 27 divergent interpretations. The Unified Patent Court operates on exactly this logic.[21]

5.4 Insolvency

The Zone would operate a dedicated insolvency framework for Zone-domiciled companies, addressing creditor priority, director liability in the zone of insolvency, and cross-border recognition of proceedings. Under the Recast Insolvency Regulation (2015/848), jurisdiction is determined by the debtor's centre of main interests (COMI).[22] If the Zone is the COMI, the Zone's own insolvency rules apply — a significant advantage over the EU Inc., where the regulation's simplified insolvency provisions are interpreted and administered by the national courts of whichever Member State the company is registered in. Draghi explicitly included insolvency as one of his four target domains. The Zone can complement the regulation by providing the institutional continuity that a single-jurisdiction framework makes possible.

COMI is a real practical vulnerability for digital-first companies, and the Zone must address it proactively. The Zone's company statute should establish a **COMI protocol** for Zone-registered companies: (1) *default presumption* — a company registered in the Zone is presumed to have its COMI in the Zone unless the contrary is proven, mirroring Article 3(1) of the Recast Insolvency Regulation; (2) *evidence hierarchy* — the Zone registry maintains records of board meetings, administrative decisions, and principal management activity that serve as evidence of COMI location; (3) *principal-management indicators* — where Zone companies operate a distributed team, COMI is determined by where strategic decisions are taken and where the company's affairs are administered, not by where individual employees work; (4) *creditor-notice standards* — all Zone-registered companies publish their COMI status on the Zone registry, giving creditors clear notice; (5) *anti-abuse rules* — COMI migration to the Zone within 12 months of insolvency is rebuttably presumed abusive, preventing forum-shopping. This protocol does not eliminate COMI contestation entirely, but it creates a defensible framework that courts and creditors can rely on.

5.5 Labour Law

This is the domain where the Zone has the least structural advantage, and intellectual honesty requires acknowledging its limits. The Rome I Regulation (Article 8) provides that an employment contract is

governed by the law of the place where the employee habitually works. A software engineer working remotely from Paris is subject to French labour law regardless of where the employer is domiciled. No Zone design can override this.

Because labour is the most politically explosive area, the design is deliberately modular — each module delivers value independently, and no later module is required for earlier ones to function:

Module A: Compliance products (no legislative change required). Standardised employment contracts, payroll integration guidance, worker-information templates, and cross-border hiring toolkits designed to pre-comply with the minimum requirements of all 27 Member States and the EU social acquis (Working Time Directive, Transparent and Predictable Working Conditions Directive). This is not new law — it is a compliance infrastructure that dramatically reduces the cost and complexity of cross-border hiring. Module A can be delivered from day one.

Module B: Host-state Zone employment framework. For employees physically based in the Zone's location, the host jurisdiction enacts a dedicated employment framework — as the DIFC has done with its own Employment Law (DIFC Law No. 2 of 2019), which operates independently of UAE federal labour law. Module B requires only the host state's consent and covers Zone-based staff directly.

Module C: Designated premises in participating states. A network of **EU Inc. Zone offices** in key startup hubs — Paris, Berlin, Amsterdam, Lisbon, Warsaw. Under Rome I Article 8, the applicable law is determined by where the employee habitually works. If those premises are jurisdictionally designated as part of the Zone (via bilateral agreement or enhanced cooperation regulation), employees working in them fall under the Zone's employment framework. This is exactly how the DIFC operates: employees in Gate Village are under DIFC Law, not UAE federal labour law, even though Gate Village is physically in Dubai. An important caveat: unlike the DIFC, the EU model requires each participating state to voluntarily agree to exempt specific premises from its own labour law — a significant political step. Module C requires bilateral or enhanced-cooperation consent and scales with demand.

Module D: Harmonised labour track (optional, long-term). If unanimity is achievable on labour (which becomes more plausible if it is also achieved on tax), an opt-in labour framework could be created under Article 153 TFEU for Zone-registered companies, covering areas where EU competence exists — working conditions, information and consultation of workers, equality — while respecting the hard exclusions of Article 153(5) on pay, association, and strike rights. Enhanced cooperation provides a fallback.

This modular architecture matters because it shows that the Zone can deliver meaningful value on labour even if full unification never arrives. Module A alone — standardised contracts and compliance tools — would substantially reduce the cross-border hiring friction that founders cite as one of Europe's most persistent operational barriers.

5.6 Commercial Relations

When a Zone company contracts with a supplier or customer outside the Zone, the question of applicable law is resolved by standard private international law. Under Rome I Regulation Article 3, parties to a commercial contract have full autonomy to choose the governing law and dispute resolution forum. A Zone company can specify Zone law and the Zone arbitration body in its contracts, just as a Delaware company specifies Delaware law today. The only constraints apply to consumer contracts and employment contracts, which carry mandatory protections. For B2B commercial relationships — the overwhelming majority of Zone company interactions — this is standard contractual practice, not a structural problem.

5.7 Administration and Registry

The EU Inc. relies on the Business Registers Interconnection System (BRIS) — a technical interface that links 27 separate national company registers, allowing cross-border searches and document exchange. BRIS is an interoperability layer, not a unified system: each Member State continues to operate its own register, with its own filing requirements, its own data formats, its own administrative procedures, and its own response times. The Commission's 'EU central interface' collects company data and forwards it to national business registers without permanently storing it at EU level — a pass-through portal, not a centralised database.[*] The founder's experience of incorporating and maintaining an EU Inc. will depend entirely on which national register they use. The Zone replaces this with one registry: one process, one interface, one set of requirements, one administrative culture — regardless of the founder's nationality.

5.8 Specialised Legal Ecosystem

The Zone would develop an EU-accredited bar of corporate lawyers and agents authorised to practise within it, creating a concentrated pool of expertise analogous to the Delaware corporate bar. Delaware's Court of Chancery works not just because of institutional design but because it is surrounded by a dense ecosystem of specialist lawyers, corporate agents, and service providers who collectively produce a self-reinforcing body of expertise. The Zone can replicate this effect by accrediting practitioners, publishing case digests and arbitral precedents, and establishing continuing

education requirements specific to Zone law. Over time, this ecosystem becomes the Zone's most durable competitive advantage — harder to replicate than any single rule or institution.

6. Comparative Analysis

> IN BRIEF
>
> The DIFC, ADGM, and AIFC demonstrate that purpose-built institutional frameworks attract capital and build trust through quality. Phase 1 infrastructure (arbitration + registry) could be operational within 2–3 years; building trust-effective jurisprudence takes longer. No institutional framework earns credibility on day one — which is why starting early matters.

6.1 International Precedents: DIFC, ADGM, AIFC

The EU Inc. Zone model is not theoretical. The Dubai International Financial Centre (DIFC), established by UAE Federal Law No. 8 of 2004, operates as a common-law jurisdiction within a civil-law country.[23] It has its own court system (the DIFC Courts, staffed by internationally recruited judges), its own company law, its own regulatory authority, and its own arbitration centre. As of 2024, it hosts nearly 7,000 active registered companies.[24] The ADGM and AIFC follow the same model. None required the host country to modify its national tax regime. Their competitive advantage is procedural certainty and judicial quality, not fiscal arbitrage.

6.2 Implementation Speed: Two Timelines

Any jurisdiction must be measured on two timelines, not one. The first is **creation**: how long from political agreement to the first company registration. The second is **trust-effective operativity**: how long until the jurisdiction has built enough predictable case law, institutional reputation, and practitioner expertise that founders and investors choose it with confidence — the way they choose Delaware today. Creation is necessary; trust is what makes a jurisdiction real.

Timeline 1: Creation. The DIFC went from founding law to operational jurisdiction in approximately two years (2002–2004). The ADGM took roughly two and a half (2013–2015). The AIFC was operational within two and a half years of its constitutional statute (2015–2018). All three included physical infrastructure, court buildings, and full regulatory authorities. An EU Inc. Zone built on arbitration and a digital-first registry — no courthouses, no physical gate villages — could realistically accept its first company registration within **18 to 24 months** of political agreement. The legal framework must be drafted, arbitration rules codified, arbitrators recruited, and the registry software

built. None of this requires an intergovernmental treaty, Opinion 1/09 analysis, or decade-long ratification process.

By contrast, the EU Inc. regulation — proposed in March 2026 — must pass through Council negotiation, European Parliament amendment, trialogue, formal adoption, an implementation period of 12–24 months, and national setup by each Member State. The first EU Inc. company is unlikely before **2029–2030**. The Unified Patent Court — the EU's most comparable institutional achievement — took a decade from treaty signing to operation (2013–2023), with most delays caused by national ratification challenges rather than institutional design. Spain and Poland never signed.

Timeline 2: Trust-effective operativity. This is the timeline that matters more — and where the Zone's structural advantage is most decisive. Delaware is not Delaware because it has a company statute. It is Delaware because the Court of Chancery has built, over decades, a coherent body of corporate case law that lawyers and investors anywhere in the world can rely on. The question is: how fast can a new jurisdiction reach that level of predictability?

For the EU Inc., the answer is: very slowly. Twenty-seven national courts will develop 27 independent bodies of case law, with no binding horizontal precedent between them. When interpretations diverge — the only harmonising mechanism is the CJEU's preliminary reference procedure, which takes an average of 16.8 months per question. Each divergence must first be identified, then referred, then decided, then absorbed into national practice. A coherent, trustworthy body of EU Inc. case law will take **a decade or more** to emerge — and even then, it will remain fragmented across jurisdictions. In the meantime, founders and investors will have no reliable basis for predicting how a dispute will be resolved. Forum shopping between Member States will further erode consistency.

The Zone inverts this dynamic. **One arbitration body, operating under mandatory transparency rules, produces one body of publicly accessible jurisprudence from Day 1.** Every anonymised award adds to the same corpus. Practitioners study them; submissions improve; arbitrators cite prior reasoning; the next generation of awards is more refined. This is a feedback loop that compounds: the more disputes the Zone resolves, the more predictable it becomes, the more companies choose it, the more disputes arise, and the cycle accelerates. Standard commercial arbitration cannot achieve this because confidentiality prevents the accumulation of public reasoning. The Zone's mandatory publication rule is what makes arbitration function as a precedent-building mechanism — a deliberate design choice, not a feature inherent to arbitration itself.

The DIFC illustrates this trajectory. It achieved jurisdictional credibility within approximately five years — but this was driven by its *Courts* (staffed by internationally recruited common-law judges issuing public judgments), not by its arbitration centre. The Zone's two-track design reflects this

lesson: mandatory-transparency arbitration builds soft precedent immediately, while institutional conditions for a formal court are assembled in parallel.

The concentrated legal ecosystem reinforces this further. A specialist bar of Zone-accredited practitioners, trained in one body of law and one set of arbitral precedents, builds collective expertise at a pace that 27 fragmented national bars cannot match. This is precisely what happened in Delaware: a small, specialist corporate bar, a single court, and a self-reinforcing cycle of expertise that turned a small state into the world's dominant corporate jurisdiction. The Zone can replicate this effect in years, not decades — because it starts with the structural conditions that took Delaware a century to develop organically.

6.3 EU Inc. vs. EU Inc. Zone

The core difference is structural. The regulation harmonises the rules. The Zone concentrates the institutions that apply them. Tax and labour remain national in both cases — neither instrument can change that. The comparison below reflects honest assessments of where the Zone adds value and where it does not.

Dimension	EU Inc. (COM(2026) 321)	EU Inc. Zone (complement)	
Registry	Digital registration via EU interface, but 27 national registers interconnected by BRIS	One unified registry, one process, one interface	●
Corporate law	Harmonised statute — a genuine advance over the SE. But Article 4 defers residual matters to national law, creating 27 potential interpretive variants	Self-contained statute within the Zone — aims to eliminate the gap-filling that produces divergence. How far this can go depends on the legal basis chosen	●
Dispute resolution	27 national courts interpreting one regulation, with proposed specialised chambers. CJEU preliminary reference available (avg. 16.8 months)	One arbitration body building one coherent body of case law. Dedicated court as longer-term objective. Starts from zero — but one institution builds precedent faster than 27	●

Insolvency	Simplified liquidation procedures, interpreted by 27 different national courts	One dedicated framework, one set of proceedings. COMI questions exist for digital-only companies, but the structural advantage of unified interpretation is clear	●
Iterability	A regulation, once adopted, is effectively frozen for years. Amendment requires a new legislative cycle	A zone can update its procedures, expand its scope, and respond to market feedback continuously. For a tech audience accustomed to continuous deployment, this distinction is existential	●
Trust	Builds on existing national judicial reputations — but 27 courts will develop 27 divergent interpretive traditions	One specialised body builds coherent case law faster than 27 courts diverging. Starts from zero — this is a long-term bet on institutional quality	●
Tax	National tax regimes apply; harmonisation excluded by Article 114(2) TFEU	National tax still applies — unanimity for a Zone tax regime is politically unlikely. Neither instrument can change this without Treaty-level action	◑
Labour	National employment law applies — 27 different regimes	National labour law applies in both cases. Standardised contracts can reduce friction, but the Zone cannot unify 27 employment regimes	◑

● = clear structural advantage ◑ = same in both — honest about limitations

7. Implementation Pathway

> IN BRIEF
>
> COM(2026) 321, currently before the JURI Committee, provides the natural legislative vehicle. The legal basis is serious but solvable — phased to match constitutional ambition to political readiness. The Zone scales through three phases: immediate (arbitration + registry), enhanced cooperation (formalisation), specialised court (when demand is proven).

COM(2026) 321 is currently before the European Parliament's JURI Committee. This is the natural legislative vehicle for introducing complementary safeguards against fragmented implementation. Rather than proposing a separate instrument — which would require its own legislative cycle — the amendments proposed in Section 8 can be incorporated into the regulation as it passes through ordinary legislative procedure. The approach embeds three mechanisms directly in the regulation: a 12-month feasibility study that produces a pre-validated fallback architecture, annual fragmentation reviews with hard KPIs, and an automatic trigger that activates the fallback if thresholds are breached. If the regulation works, the fallback is never needed. If it does not, Europe is prepared.

7.2 Legal basis

The legal basis question is not a footnote. It is central to whether this proposal can be realised within the EU's constitutional framework, and it deserves serious engagement rather than reassuring language.

Article 114 TFEU has been the basis for the EU Inc. regulation itself — though that choice is not uncontested. The CJEU held in the European Cooperative Society case (C-436/03) that Article 114 cannot be used to create new EU-wide corporate forms that exist alongside national regimes, because such measures do not constitute 'approximation' of Member State laws. The Societas Europaea was based on Article 352 TFEU, not Article 114. Multiple academic commentators have argued the Commission's choice of Article 114 for EU Inc. is legally questionable. Using Article 114 as the basis for a complementary Zone — which would go further than the regulation in concentrating institutional functions — would face the same constitutional challenge, likely in stronger form.

The Meroni doctrine (Cases 9/56 and 10/56) restricts delegation of broad discretionary powers to EU bodies. The CJEU relaxed this in the *ESMA Short Selling* case (C-270/12), permitting delegation of limited powers that are 'precisely delineated' and subject to judicial review. But the Zone's proposed

functions — dispute resolution, registry administration, insolvency management — are not limited technical powers. They are the core functions of a legal system. A Zone authority exercising these functions would need to be carefully designed to avoid the Meroni constraint entirely — which is precisely why the arbitration-first model matters. Arbitration operates under party autonomy and the New York Convention. It does not delegate EU sovereign powers to a new body; it allows private parties to choose a forum. No EU body exercises discretionary authority in this phase. The Meroni problem does not arise.

The longer-term judicial architecture — a dedicated Zone court — has a clear Treaty pathway that has been used before. Article 257 TFEU explicitly provides for the creation of specialised courts attached to the General Court. The EU Civil Service Tribunal (2004–2016) was established under this provision. Such a court would refer questions of EU law to the CJEU through the preliminary reference procedure, preserving the Union's interpretive hierarchy. This is not constitutionally novel — it is a Treaty-provided mechanism. The political difficulty is real; the constitutional difficulty is overstated.

Alternative legal bases include Article 352 TFEU (the flexibility clause, requiring unanimity — politically demanding but constitutionally cleaner) or enhanced cooperation under Articles 326–334 TFEU.[25] Enhanced cooperation has been used to create the European Public Prosecutor's Office (EPPO) and the Unitary Patent system. It is not a shortcut around hard political questions — it is itself procedurally constrained and requires Council authorisation — but it is a tested mechanism for willing states to advance within the institutional framework. The Zone's phased approach — arbitration first, enhanced cooperation second, specialised court third — is designed to match constitutional ambition to political readiness at each stage rather than requiring all constitutional questions to be resolved before anything begins.

This paper does not claim the legal basis question is settled. It claims it is solvable — through institutional design that respects the EU's constitutional constraints while working within the Treaty-provided mechanisms that already exist. The time-bound element is a political design choice, not a constitutional argument. The legal basis must stand on its own merits regardless of duration.

The Bruegel think-tank's 'Regime 0' proposal has already laid analytical groundwork for a more ambitious EU-level corporate regime.[26] The Jacques Delors Centre has similarly argued for a paradigm shift from harmonisation to unified corporate governance.[27] The EU Inc. Zone translates these academic insights into an institutionally feasible design — and the amendments in Section 8 provide the legislative mechanism to begin.

7.3 How the Zone scales

The feasibility study produces the design. The annual reviews determine when to activate it. The phasing determines how fast to scale it. This is how any serious institution is built — not all at once, but through operational sequencing that matches ambition to readiness:

Phase 1: Immediate. A self-contained corporate law supplement, an arbitration centre operating under party autonomy and the New York Convention, and a central registry. Phase 1 covers formation, governance, cap table mechanics, dispute clauses, and registry administration. Arbitration operates under existing international law — no new EU body exercises sovereign powers. This phase can begin as soon as the feasibility study is complete and the architecture is validated.

Phase 2: Enhanced cooperation. When demand justifies it — or when annual reviews trigger it — willing Member States formalise the Zone through enhanced cooperation under Articles 326–334 TFEU. This extends the corporate law supplement, establishes the Zone authority with participating-state governance, and creates the institutional permanence that companies and investors need. Open to all Member States at any time under Article 328 TFEU.

Phase 3: Specialised court. When the arbitration body has generated a sufficient body of published reasoning and demonstrated operational demand, a dedicated court is established under Article 257 TFEU. This court inherits the arbitral body of knowledge, produces formal binding precedent, and refers questions of EU law to the CJEU through the preliminary reference procedure — preserving the Union's interpretive hierarchy while providing the specialised first-instance expertise that 27 generalist courts cannot.

8. Proposed Amendments

> IN BRIEF
>
> Four amendments to COM(2026) 321, operating on two tracks. The first strengthens the regulation directly: mandatory specialised judicial chambers with convergence tools. The second prepares a pre-validated fallback: a feasibility study producing a shelf-ready Zone architecture, annual fragmentation reviews with automatic activation triggers, and an enhanced cooperation pathway for willing Member States. If the regulation delivers consistent outcomes, the fallback is never activated.

This paper proposes four amendments to COM(2026) 321. They embed within the regulation itself the monitoring, evaluation, and fallback mechanisms needed to ensure that the 28th regime actually delivers — and that Europe is not caught without options if it does not.

The amendments operate on two tracks. Both tracks work together: the first gives the regulation the best possible chance of succeeding on its own; the second ensures Europe is prepared if it does not.

TRACK ONE — STRENGTHEN THE REGULATION

Amendment 1: Strengthened Dispute Resolution

Replace the current non-binding language on dispute resolution with:

'Member States shall designate or establish specialised judicial chambers for disputes arising under this Regulation, with judges experienced in corporate and commercial law. Where both parties so request, proceedings may be conducted in English. The Commission shall publish annual guidelines for convergent interpretation and facilitate regular coordination among designated chambers, including through joint training programmes and a shared case-law database.'

TRACK TWO — PREPARE THE FALLBACK

Amendment 2: Feasibility Study on Complementary Infrastructure

Insert new Article [X] — Complementary Institutional Architecture.

'Within 12 months of the entry into force of this Regulation, the Commission shall publish a feasibility study on the establishment of complementary institutional infrastructure for companies incorporated under this Regulation. The study shall assess: (a) the potential for unified dispute resolution through a specialised arbitration body or court; (b) a dedicated insolvency framework; (c) a centralised company registry; (d) the legal basis for establishing such infrastructure, including through enhanced cooperation; and (e) the institutional design required to enable continuous procedural adaptation in response to market needs. The study shall draw on the experience of existing Special Economic Zones within and outside the European Union, on the implementation experience of the Societas Europaea, and shall include a structured consultation with founders, investors, and legal practitioners operating across Member States.'

The purpose of the feasibility study is not merely analytical. It is to produce a **pre-validated fallback architecture** — a complete institutional design that is legally assessed, technically specified, and ready for activation. If fragmentation materialises, Europe should not need to begin a new multi-year design process. The fallback should be on the shelf.

Amendment 3: Annual Fragmentation Review with Hard KPIs

Insert new Article [Y] — Annual Review and Assessment.

'Beginning one year after entry into force, the Commission shall publish an annual assessment of the Regulation's implementation, with particular attention to: (a) the degree of divergence in judicial interpretation across Member States; (b) the number of EU Inc. registrations relative to national company formations; (c) average incorporation time and cost per Member State; (d) dispute resolution timelines in specialised chambers; (e) founder and investor satisfaction, measured through structured surveys; (f) the administrative experience of founders operating across multiple Member States.

The Commission shall define quantitative fragmentation thresholds within six months of entry into force. Where any annual assessment identifies divergence exceeding these thresholds — or fragmentation patterns analogous to the experience of the Societas Europaea (Council Regulation (EC) No 2157/2001) — the Commission shall, within six months, activate the complementary

institutional architecture validated under Article [X] and propose a complementary instrument, which may include the establishment of an EU Inc. Zone under enhanced cooperation.'

A critical characteristic: **the trigger is automatic, not discretionary**. The regulation itself defines what failure looks like, measures it annually, and activates the fallback without requiring a new political decision. This removes the risk that fragmentation is documented but nobody acts — the most likely failure mode in EU institutional design.

Amendment 4: Enhanced Cooperation Pathway

Insert new Article [Z] — Enhanced Cooperation.

'Where nine or more Member States submit a request to the Commission under Article 329(1) TFEU to establish a complementary EU Inc. Zone within the framework of enhanced cooperation (Article 20 TEU), the Commission shall submit a proposal to the Council within twelve months. Authorisation to proceed shall be granted by the Council in accordance with Article 329(1) TFEU. Such enhanced cooperation shall be without prejudice to the continued operation of this Regulation in all Member States and shall remain open to all Member States at any time in accordance with Article 328 TFEU.'

Enhanced cooperation can be triggered in two ways: either automatically through the fragmentation thresholds in Amendment 3, or independently by nine or more willing Member States at any time. Both pathways lead to the same pre-validated architecture.

Pre-committed evaluation metrics

To make the annual fragmentation reviews credible, success and failure must be defined in advance — not retrospectively. The precise thresholds should be determined by the Commission with input from the competent bodies. But the principle matters: the regulation should be measured on outcomes, not intentions. Illustrative indicators might include incorporation speed and cost consistency across Member States, judicial interpretation convergence, dispute resolution timelines, registration uptake relative to national formations, and founder satisfaction. Failure thresholds — for instance, material divergence in court interpretations of the same provision, or adoption rates significantly below expectations — should trigger automatic activation of the fallback architecture, without requiring a new political decision.

This is not asking for faith. It is asking for an experiment with pre-committed evaluation criteria and a pre-built contingency if the experiment underperforms. If the regulation meets its targets, the Zone is never activated. If it does not, Europe is prepared.

9. Frequently Asked Questions

> IN BRIEF
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> The questions below address the most common political, legal, and practical concerns raised by this proposal. This paper proposes a feasibility study and implementation safeguards, not an operational plan. Operational questions indicate directions that the feasibility study would develop in detail.

The proposal

1. What exactly are you asking Parliament to do?
Four amendments to COM(2026) 321 on two tracks. Track one strengthens the regulation directly: mandatory specialised judicial chambers with convergence tools. Track two prepares a fallback: a 12-month feasibility study producing a pre-validated Zone architecture, annual fragmentation reviews with automatic triggers, and an enhanced cooperation pathway for willing Member States.

2. How does the automatic trigger work?
The regulation defines quantitative fragmentation thresholds within six months of entry into force. Annual reviews measure divergence — court interpretation consistency, incorporation timelines, adoption rates. If any annual review identifies divergence exceeding the thresholds, the Commission activates the pre-validated Zone architecture and proposes a complementary instrument under enhanced cooperation. The trigger is embedded in the regulation itself. No new political decision is required.

3. What is the EU Inc. Zone, concretely?
A single institutional framework offering: one self-contained company law (replacing Article 4's 27-way gap-filling), one arbitration centre building public jurisprudence (with a dedicated court as a longer-term objective), one registry, one administration. Tax and labour remain national — the Zone addresses the dimensions where unified administration is achievable.

4. How does the Zone interact with the EU Inc. regulation?
You incorporate under the EU Inc. regulation. The Zone provides the institutional environment — the court, the registry, the administration. It is not a different company form; it is a different implementation infrastructure for the same form. Same regulation, different gap-filler.

5. Why not just improve the regulation instead?

That is exactly what Track one does. But some fragmentation is structural — it comes from 27 courts interpreting one text, not from drafting failures. You cannot fix that by improving the text. Track two prepares institutional infrastructure for precisely that scenario.

6. Why build a fallback now rather than waiting?

Because building institutional infrastructure after fragmentation materialises means starting from zero when the damage is already done. The annual reviews tell you whether it's needed. The feasibility study ensures the design is ready if it is.

Political questions

7. Doesn't this split the EU Inc. coalition?

No. Track one strengthens the regulation. Track two insures it. If the amendments lead to better implementation safeguards, this paper's purpose is served whether or not a Zone is ever established.

8. Which Member States would participate?

Enhanced cooperation requires a minimum of nine Member States under Article 20 TEU. Likely candidates include states already competing for startup ecosystems — Ireland, the Netherlands, Estonia, Luxembourg, Lithuania, Portugal — and those with existing SEZ experience. Enhanced cooperation remains open to all Member States at any time.

9. Is this a carve-out for venture-backed startups?

The Zone is open to any company incorporated under the regulation, regardless of size, sector, or funding stage. Its institutional advantages — predictable dispute resolution, streamlined administration — are as relevant to a family-owned manufacturer trading across borders as to a venture-backed startup.

10. Could this undermine worker protections?

No. The Zone is bound by the EU social acquis. Standardised compliance tools are designed to pre-comply with all 27 Member States' minimum requirements. A host-state employment framework can only be adopted by a state that affirmatively chooses to create it. Nothing overrides existing protections without explicit consent.

Legal questions

11. What is the legal basis?

Phased to match constitutional ambition to political readiness. Phase 1: arbitration under party

autonomy and the New York Convention — no new EU body exercising sovereign powers. Phase 2: enhanced cooperation (EPPO and Unitary Patent as precedents). Phase 3: specialised court under Article 257 TFEU (Civil Service Tribunal as precedent).

12. Does this require a new regulation?

Phase 1 does not. The four amendments can be incorporated into COM(2026) 321 as it passes through ordinary legislative procedure. Phase 2 requires a separate enhanced cooperation decision by the Council.

13. How does the Zone court relate to the CJEU?

Subordinate. A specialised court under Article 257 TFEU refers questions of EU law to the CJEU through the preliminary reference procedure. The CJEU remains the ultimate interpreter. The Zone provides one expert first-instance forum instead of 27 generalist ones.

14. How do you prevent a race to the bottom?

The EU governance acquis — Shareholder Rights Directive II, Corporate Sustainability Due Diligence Directive, Corporate Sustainability Reporting Directive — provides a mandatory floor. The Zone cannot go below it. It competes on institutional quality, not on lower standards.

15. What law applies to matters the Zone supplement doesn't cover?

A tightly drafted conflict rule pointing to a single designated legal system — rather than Article 4's 27-way default. One fallback, not twenty-seven.

Practical questions

This paper proposes a feasibility study, not an operational plan. The answers below indicate directions the study would develop. In each case, these issues are more readily addressed within a single institutional framework than through coordination among 27 Member States.

16. What about tax and labour?

Same in both scenarios. Tax harmonisation requires Treaty-level unanimity; labour law is constitutionally excluded. Neither the regulation nor the Zone can change that. The Zone competes on institutional quality — corporate law, courts, registry — not on fiscal or labour arbitrage.

17. Can I register in the Zone but have my team across Europe?

Yes. The Zone is your legal home for corporate law, registry, and dispute resolution. Employees remain subject to local employment law wherever they physically work (Rome I, Article 8). Standardised

compliance tools reduce the friction. This is no different from incorporating in Delaware and operating in California.

18. How do I open a bank account?

The Zone would need recognition agreements with commercial banks — similar to what the DIFC and ADGM have established. Solving this within one institutional framework is simpler than expecting 27 national banking ecosystems to independently recognise a new EU company form.

19. What about insolvency?

The Zone establishes a COMI protocol with default presumptions, evidence hierarchy, and anti-abuse rules. Designing this once is more coherent than leaving it to 27 national courts applying 27 different evidentiary standards.

Governance and measurement

20. Who governs the Zone?

An independent governing board with participating-state representation, transparent appointment criteria, judicial independence safeguards, and annual public reporting. The more institutional functions are concentrated, the more important accountability becomes.

21. What does this cost?

Registration fees and annual filing fees — the DIFC model is self-financing. No Member State budget contribution required. The feasibility study would develop detailed cost projections.

22. How do you measure success?

Pre-committed metrics in the annual reviews: incorporation time, dispute resolution speed, judicial consistency, founder satisfaction, adoption rates. Failure thresholds are defined in advance. Activation of the fallback is automatic if thresholds are breached.

23. What if the regulation works fine on its own?

Then the fallback is never activated. That would be the best outcome.

10. Conclusion

> In brief
>
> The 28th regime represents the right direction. This paper proposes four amendments to COM(2026) 321 on two tracks: strengthening the regulation through mandatory specialised judicial chambers, and preparing a pre-validated fallback architecture through a feasibility study, annual fragmentation reviews with automatic activation triggers, and an enhanced cooperation pathway. If the regulation delivers a unified experience, the complementary architecture is never activated.

The EU Inc. regulation is the right idea. The amendments proposed above offer a concrete mechanism to safeguard its implementation. The underlying question is whether the regulation gives every Member State the same corporate law *experience* or merely the same corporate law *text*. Some of the gap between those two outcomes is structural — taxation and labour law face genuine Treaty hard walls. But some reflects political choices: Article 4's gap-filling, non-binding court specialisation, and a registry that links 27 national systems rather than replacing them. The distance between Draghi's vision and the Commission's delivery is where the fragmentation risk lives.

The EU Inc. Zone is not an alternative to the 28th regime. It is a complement designed to ensure the 28th regime delivers. The regulation provides the corporate law text; the Zone provides the institutional infrastructure — one self-contained company law replacing Article 4's 27-way gap-filling, one court interpreting it, one registry administering it. Without complementary infrastructure, the EU Inc. risks being administered by 27 different courts, 27 different registries, 27 different administrative cultures — the same pattern that produced fewer than 4,000 Societas Europaea registrations in two decades, of which only around one quarter were genuine operating companies. With it, the EU Inc. becomes what founders and investors were promised: a single, coherent, predictable legal environment.

This paper has been deliberately honest about what the Zone can and cannot do. It cannot solve labour law across 27 states, though it can reduce friction through standardised contracts and distributed Zone offices. It cannot create a fiscal regime without political agreement, though it can use existing CFC rules to ensure no Member State loses revenue. Its legal basis under EU law requires serious constitutional engagement — and this paper has engaged with it seriously, not dismissively. These constraints define the design space. They do not invalidate the direction.

The Zone does not add a layer of complexity to the European system. It removes twenty-six. A founder who uses the Zone deals with one court, one registry, one set of administrative procedures — instead of navigating 27. The Zone is open to any company incorporated under the regulation, regardless of size, sector, or funding stage. Its institutional advantages — predictable dispute resolution, streamlined administration — are as relevant to a family-owned manufacturer trading across borders as to a venture-backed startup.

The sovereignty objection — that the Zone carves out a space where national law does not apply — dissolves on inspection. Special Economic Zones already operate across the EU: Shannon, Madeira, the Canary Islands. The Zone, established through enhanced cooperation, would require only willing Member States to participate. More fundamentally, the real sovereignty loss is not a European jurisdiction attracting companies — it is European companies incorporating in Delaware because no European jurisdiction offers comparable certainty. The Zone is designed to strengthen, not diminish, Europe's sovereign capacity to attract and govern high-growth companies.

The DIFC, ADGM, and AIFC have demonstrated that purpose-built institutional frameworks attract capital, create jobs, and build legal ecosystems that compete on quality, not on tax. These were created under different governance conditions — but the design principles are transferable. Europe has the regulatory expertise, the legal talent, and the political momentum to build a framework of comparable quality — adapted to European values, European governance standards, and the EU's own Treaty mechanisms.

This paper proposes four amendments to COM(2026) 321, currently before the JURI Committee, operating on two tracks. The first strengthens the regulation directly: mandatory specialised judicial chambers with convergence tools. The second prepares a fallback: a feasibility study producing a pre-validated Zone architecture, annual fragmentation reviews with automatic triggers, and an enhanced cooperation pathway for nine or more willing Member States. A critical characteristic is that the fallback is embedded within the regulation itself — failure is detected early, measured objectively, and addressed automatically. No new political battle is needed. If the regulation delivers a unified experience on its own, none of this is ever activated — and this paper's purpose will have been served by strengthening the safeguards that helped make success possible. **The 28th regime is the right idea. This paper proposes the institutional infrastructure to ensure it delivers.**

If you've read this far — share this paper. *Every voice matters.*

About

Hi, I'm **Alessandro Palombo**. I have built and operate companies across multiple jurisdictions — Singapore, Delaware, UAE, several EU Member States, and others. My current residency-by-investment products have raised over €25M. Background in public law (Ph.D.), master in global regulation of markets, and qualified lawyer — though these days I mostly build companies and write about it.

I see firsthand how Europe compares to everywhere else: what non-Europeans expect when they consider entering, and why Europeans are increasingly choosing to build outside it. That is why I prepared this policy contribution on COM(2026) 321. I signed the petition — the regulation is the right idea. This paper proposes four amendments on two tracks: strengthen the regulation, and prepare a complementary architecture that activates if fragmentation materialises. Submitted to the JURI Committee, the EU Inc. team, and selected policy institutions.

European legislative procedure is not my daily work. Minor inaccuracies may exist — corrections welcome via the versioning system.

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Notes

[1] Draghi, M., 'The future of European competitiveness', September 2024, Part B, Chapter 5, Section 2.3, p. 23. Available at: https://commission.europa.eu/topics/competitiveness/draghi-report_en

[2] Letta, E., 'Much more than a market: Speed, Security, Solidarity', Report on the future of the Single Market, April 2024, pp. 73-76. Available at: https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf

[3] The EU Inc. petition gathered over 24,000 signatures from founders, investors, and tech leaders including Patrick Collison (Stripe), Taavet Hinrikus (Wise), Arthur Mensch (Mistral), and Anton Osika (Lovable), supported by over 600 venture capital firms, 9,000 startups, and 20 industry associations. See: https://www.eu-inc.org/petition

[4] European Parliament resolution of 20 January 2026 with recommendations to the Commission on the 28th Regime: a new legal framework for innovative companies. Available at: https://www.europarl.europa.eu/doceo/document/TA-10-2026-0002_EN.html

[5] European Commission, Proposal for a Regulation of the European Parliament and of the Council on the 28th Regime Corporate Legal Framework — COM(2026) 321. Available at: Commission document

[6] COM(2026) 321, Article 4(2)–(3): Defers to the law of the Member State of registration on matters not covered by the regulation; requires each Member State to designate the relevant national legal form whose rules fill these gaps.

[7] Oxford Law Blog, 'Why the 28th Regime Proposal Falls Short of Europe's Challenge', March 2026. Available at: https://blogs.law.ox.ac.uk/oblb/blog-post/2026/03/why-28th-regime-proposal-falls-short-europes-challenge

[8] Commissioner McGrath, press conference of 18 March 2026: 'What we need to avoid is 27 versions of the new 28th regime.'

[9] Article 114(2) TFEU: "Paragraph 1 shall not apply to fiscal provisions, to those relating to the free movement of persons nor to those relating to the rights and interests of employed persons." Available at: EUR-Lex

[10] Article 115 TFEU requires unanimity for the approximation of provisions directly affecting the establishment or functioning of the internal market in the fiscal field. Available at: EUR-Lex

[11] Article 153(5) TFEU: 'The provisions of this Article shall not apply to pay, the right of association, the right to strike or the right to impose lock-outs.' Available at: EUR-Lex

[13] Article 257 TFEU provides for the creation of specialised courts attached to the General Court. The EU Civil Service Tribunal (2004–2016) was the sole precedent. Available at: EUR-Lex

[15] Opinion 1/09 of the Court of Justice of the European Union, 8 March 2011, ECLI:EU:C:2011:123. Available at: CURIA

[21] Agreement on a Unified Patent Court, OJ C 175, 20.6.2013. Operational from 1 June 2023. Spain and Poland did not sign. Available at: EUR-Lex

[12] Regulation (EU) 2017/1001 on the European Union trade mark, Article 123. Available at: EUR-Lex

[16] Council Regulation (EC) No 2157/2001 on the Statute for a European company (SE). Available at: EUR-Lex. See also Utrecht Law Review, 'The Societas Europaea: Fact or Fiction?' (2023).

[17] Garicano, L. and Malmendier, U., op-ed on the EU Inc. proposal, *Frankfurter Allgemeine Zeitung* and *Le Monde*, March 2026.

[14] Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958), ratified by 172 states. Available at: UNCITRAL

[18] Shannon Free Zone: established by the Customs-Free Airport Act 1947 (Ireland), operational from 1959. Madeira MIBC: authorised under EU State Aid regime, most recently renewed by Commission Decision SA.21668 (2013). Zona Especial Canaria: established by Royal Decree-Law 2/2000 (Spain), approved under EU State Aid rules. See also: UNCTAD, 'World Investment Report 2019: Special Economic Zones', Chapter IV.

[19] Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices (ATAD). Available at: EUR-Le x

[22] Regulation (EU) 2015/848 on insolvency proceedings (recast). Article 3(1) on COMI jurisdiction. Available at: EUR-Lex

[*] The distinction between a centralised registry and an interoperability layer is constitutive, not merely administrative. The Commission has indicated that 'in a second step' it will establish a central EU register, but no timeline or legal text has been provided. The eu-inc.org policy proposal explicitly advocated for a genuinely centralised EU-Registry — 'a fully online, API-first, English-first, digital registry with a designated EU public authority.' The Commission's Phase 1 does not deliver this. As the ECGI has argued, a centralised registry is essential to avoid 'reproducing fragmentation through parallel national implementations.' See: ECGI, 'Toward a Pan-European Corporate Standard', 2026, ecgi.global.

[20] The soft precedent effect is empirically documented in investment arbitration, where ICSID tribunals routinely cite prior awards despite no formal obligation — creating de facto predictability without de jure stare decisis. See Kaufmann-Kohler, G., 'Arbitral Precedent: Dream, Necessity or Excuse?', *Arbitration International*, Vol. 23(3), 2007, pp. 357–378. A pure arbitration system can function effectively in the Zone's initial phase. Over time, as institutional conditions mature, the system can evolve toward a dedicated court producing formally binding case law — at which point arbitration and court jurisdiction would coexist, with private operators free to choose the forum best suited to their dispute. This dual-track model mirrors the DIFC, where parties choose between the DIFC Courts and the DIFC-LCIA Arbitration Centre.

[23] UAE Federal Law No. 8 of 2004 concerning Financial Free Zones. The DIFC was established by Dubai Law No. 9 of 2004. See: DIF C

[24] DIFC Authority, Annual Report 2024. As of end-2024, the DIFC hosted 6,920 active registered companies. See: DIFC Annual Rep orts

[26] Bruegel Policy Brief, 'Regime 0: Europe-wide incorporation for startups to kickstart innovative growth', December 2025. Available at: https://www.bruegel.org/policy-brief/regime-0-europe-wide-incorporation-startups-kickstart-innovative-growth

[27] Jacques Delors Centre, 'Regime change instead of business as usual: A pan-European corporate law to unlock cross-border growth for EU companies', 2025. Available at: https://www.delorscentre.eu/en/publications/detail/publication/regime-change-instead-of-b usiness-as-usual

[25] Article 20 TEU and Articles 326–334 TFEU on enhanced cooperation, requiring a minimum of nine participating Member States. Available at: EUR-Lex

The 28th regime was always the right idea.
It simply needs to be built as a real jurisdiction.

Read the full paper and support this idea

www.euinczone.com

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