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EFA position paper on the 28th Regime

Introduction

The European Commission's work to establish a 28th Regime is a welcome step in supporting the development of European startups and scaleups. A simplified and uniform legal and administrative framework will help these companies focus on growth by alleviating the administrative burden.

European Commission President Ursula Von der Leyen recently [restated](#) the importance of this proposal for the European Union (EU) in achieving its goals of boosting European competitiveness and strengthening the Single Market. The Commission's aim is to allow companies to register within 48 hours, operate seamlessly cross-border and access the same capital regime EU-wide, reducing the regulatory fragmentation which currently hinders scale-up.

The European FinTech Association (EFA) strongly supports this initiative.

Our members include some of Europe's most prominent and innovative financial services startups and these companies are expanding rapidly. **In order to succeed and support the emergence of new European champions, this framework must provide clarity and efficiency for entrepreneurs and investors, while maintaining a level playing field in relation to established companies.**

It is equally important that the 28th Regime is matched by further simplification efforts. These include the recently-published Digital Omnibus and European Business Wallet proposals, amongst others. In addition, this simplification work should continue, with a specific focus on the EU's financial services rulebook.

How to succeed

The 28th Regime should be a voluntary framework which complements national regimes, available to both natural and legal persons with at least one shareholder. At the moment, regulatory complexity combined with diverging national legal frameworks constrain companies as they seek to grow cross-border. This harms European competitiveness. To be

effective, the 28th Regime should facilitate cross-border operations while providing certainty for investors.

Key recommendations

Digital first

A digital first approach should be taken to the incorporation of companies. This means one standardised, EU-wide legal entity, with faster incorporation, simpler fundraising and stock options across Europe. In particular, it should be possible to meet in-person or paper-based requirements using digital alternatives. Standardised templates for documents should also be developed and made available in each of the EU's official languages. This should include the use of digital identity verification tools, such as the European Business Wallet. It should be possible to set up a new company online and within 48 hours.

The framework should support digitalisation across the entire company lifecycle, from initial formation and registration, through capital increases and changes in shareholders, to governance adjustments and cross-border operations. The focus should extend beyond merely digitalising documents, to automating the entire business process.

European company form

A single, pan-European company form will help deepen the Single Market and boost cross-border development. Eligibility criteria should be strictly limited, in line with the [recommendations](#) from the European Parliament. The minimum capital requirement should be low in order to ensure accessibility and companies should not be discriminated against based on whether they are “innovative” or not.

The framework could also directly specify key governance elements, such as board member selection procedures, standardised company statutes, unified arbitration, and consistent shareholder rights. These are areas where national variations currently create significant friction.

To support a mobile workforce, the framework should include standardised EU-wide employment contract templates and a harmonised system for social security portability. For example, a company under the 28th Regime should be able to move employees from a

Paris office to a Berlin office seamlessly, without renegotiating social security or work permits, ensuring immediate bureaucratic and contributory continuity.

Encourage investment

In order to remain competitive, the EU should take steps to attract investment, in particular venture capital. Primary concerns amongst investors relate to what happens in case of failure. Here, a specific instrument for investment of aligned creditor protection rules can make a difference in investor confidence.

About us:

The European FinTech Association (EFA) is a not-for-profit organization representing leading FinTech companies of all sizes from across the EU. It brings together a diverse group of 40+ FinTech providers ranging from payments, to lending, banking, robo-advice, investment as well as software-as-a-service for the finance sector, with a clear focus on enabling a single market for digital financial services. For more information, visit www.eufintechs.com or follow [@EFAssociation](https://twitter.com/EFAssociation) on Twitter.