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EU: Trends and Developments

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EU



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Machas & Partners

Machas & Partners is a full-service Greek law firm headquartered in Athens, with additional offices in London and Monaco. The firm's corporate and M&A practice has a successful track record in leading innovative domestic and cross-border transactions across various sectors such as technology, innovation and AI, real estate, hospitality, education and energy. It also has extensive experience in the formation and structuring of alternative funds, including hedge funds and other regulated entities. The team acts for acquirers, issuers, investee companies, sponsors and other market actors in private and public acquisitions, listings and private placements, venture capital and private equity investments, divestments and secondaries, corporate restructurings and joint ventures. It also advises on bespoke commercial arrangements include shareholders' agreements and carried-interest structures. Combining strong technical expertise with practical deal experience across market-leading, large-scale and niche transactions, the firm's transactional advice integrates corporate, regulatory and tax considerations with a view to generating exponential value for clients.

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Ioannis Charalampopoulos is a partner and head of the corporate and M&A team of Machas & Partners. His expertise includes public and private M&As, disposals and divestments, corporate restructuring and project development transactions, with a particular experience in complex cross-border matters. Ioannis regularly advises sponsors, investors and targets on private equity and venture capital transactions, start-up and growth-capital investments, as well as in the formation of collective investment structures. He has substantial experience in structuring sophisticated fund vehicles and negotiating bespoke shareholders agreements and carried-interest arrangements. Ioannis advises on strategic entry and exit planning, distribution structures for the upstream flow of revenue to investors and performance-based management incentives.



Petros Machas is the founding partner and chairperson of Machas & Partners. He has developed a strong business approach and is renowned for his solid, proactive and effective multi-jurisdictional expertise across a broad range of legal areas, spanning from commercial litigation and arbitration to sophisticated cross-border corporate transactions, as well as estate, tax and succession planning acting for ultra high net worth individuals and multi-family offices. Petros is an expert in cross-border structures and has successfully negotiated complex commercial deals, leveraging his strategic foresight, intuition and innovative approach to generate exponential value. Petros is a registered European lawyer with the Solicitors Regulation Authority of England and Wales.

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EU Corporate Law at an Inflection Point: Scale, Capital and Regulatory Conditionality

Introduction

European corporate law is moving on two complementary tracks. Initiatives promoting corporate-law harmonisation, deeper capital markets and digital infrastructure seek to make companies easier to establish, finance and scale across the Single Market, while merger control, foreign direct investment screening and the Foreign Subsidies Regulation subject ownership and strategic transactions to closer scrutiny. This tension is reflected in M&A activity, which remained selective in the first half of 2026. EMEA recorded more than 9,000 transactions with an aggregate value approaching EUR800 billion: deal volume declined by 10% year on year, while value increased by 51.8%. This divergence indicates that the market's recovery was concentrated in larger transactions, as geopolitical uncertainty, valuation gaps and regulatory scrutiny continued to influence transaction timing and shape cross-border investment and execution.

EU Inc.: an optional route through fragmentation

The proposed 28th Regime

On 18 March 2026, the European Commission published its Proposal for a Regulation establishing an optional EU-wide corporate legal framework ("EU Inc."), commonly referred to as the "28th Regime". The proposed Regulation reflects the EU's broader shift towards addressing the structural barriers that prevent European companies from scaling across the EU. The Commission identifies the fragmentation of the EU's corporate landscape as a significant source of cost and complexity for cross-border business.

The proposal seeks to address these barriers through a single, digital-by-default corporate framework, including no mandatory minimum capital, and simplified procedures for capital operations, share transfers and financing. This could facilitate venture capital, early-stage financing and convertible instruments, bringing EU corporate structures closer to international market practices. However, EU Inc. cannot by itself harmonise tax, insolvency, labour, social-security or all securities laws. A company may have one corporate form but still face different tax residence rules, employment requirements, licensing regimes and court practices. National registries and courts will also influence whether the regime is genuinely uniform or develops local variations.

Private equity and venture capital: the evolution of Europe's private capital market

Market overview

Private equity (PE) and venture capital (VC) have become an established part of the EU investment landscape, fuelling businesses with venture financing and contributing to the origination of potential M&A transactions. Although they traditionally targeted different market segments, the boundaries between investment strategies have become less rigid. Following exceptional activity in 2021, European private capital slowed amid inflation, higher interest rates, geopolitical uncertainty and tighter financing conditions. The market subsequently regained momentum: PE and VC investment reached EUR126 billion in 2024 and EUR135 billion in 2025, the second-highest annual level after 2021. Fundraising reached EUR147 billion in 2025, while funds held approximately EUR459 billion of dry powder at year-end. Substantial aggregate capital therefore coexists with selective deployment and concentration among established managers.

Private equity: strategic investment in a changing M&A environment

Private equity has entered a new phase in Europe. Following the market adjustment of 2022 and 2023, higher financing costs, greater valuation discipline and increased scrutiny from investors have reshaped both transaction execution and portfolio management. European buyout activity nevertheless remains substantial: buyout investment reached EUR90 billion in 2025, broadly in line with 2024 and 16% above the five-year average. In 2026, however, continued geopolitical and macroeconomic uncertainty, changing interest-rate expectations and pressure to return capital to investors are reinforcing the importance of disciplined underwriting and credible value-creation strategies.

In response, sponsors place greater emphasis on operational performance as a source of returns. Digital transformation and AI integration, process optimisation, international expansion, strategic acquisitions and stronger governance increasingly form part of portfolio-level value-creation plans. Investors favour

businesses combining resilient cash flows and strong market positions with scalable business models and identifiable opportunities for operational improvement. Buy-and-build strategies remain important, particularly in fragmented sectors, but successive add-ons also create merger-control and FDI-screening issues.

Private equity ownership structures have also become more varied. Alongside traditional control buyouts, sponsors pursue minority and growth investments, including in founder- and family-owned businesses seeking capital for expansion, internationalisation or succession. These transactions require carefully negotiated governance frameworks addressing board representation, reserved matters, veto rights, transfer restrictions and exit arrangements. Rollover equity and management incentive structures can preserve continuity and align the interests of sponsors, founders and management.

Venture capital: financing Europe's innovation economy

The VC ecosystem continues to mature, supported by an expanding range of specialist funds and international sources of capital. European VC transaction value reached EUR35.3 billion in 2025, an 11% increase on the previous year and the second-highest level on record. Capital concentrated on larger transactions, with deals exceeding EUR15 million accounting for 67% of total transaction value. Entering 2026, these figures point to a market in which substantial capital remains available but is increasingly directed toward companies capable of combining technological innovation with commercial scalability and credible pathways to growth.

The evolving market has also reshaped the relationship between founders and investors. While earlier financing cycles often emphasised rapid expansion and market share, investors now attach greater importance to commercial traction, capital efficiency and sustainable growth. As venture-backed companies progress through successive financing rounds, transaction structures and shareholder arrangements become more complex. Governance rights, liquidation preferences, anti-dilution protection and transfer and exit provisions assume greater importance as companies access private capital later and remain privately held for longer.

Artificial intelligence has emerged as one of the most significant investment themes in the European sector-agnostic VC market. Investor scrutiny increasingly extends beyond AI adoption to the defensibility of the underlying technology and business model, including intellectual-property ownership, lawful access to data, scalability, supplier dependency and the conversion of technical capability into sustainable commercial advantage. Capital continues to be directed toward deep tech, climate and energy technologies, cybersecurity, defence and dual-use technologies and other sectors aligned with Europe's strategic priorities. Investment in these areas reflects Europe's broader focus on technological sovereignty. In founder-led companies, differentiated voting rights or investor vetoes may protect long-term strategy but can entrench control; board expertise, information rights and reserved matters should permit oversight of model development, data practices and material supplier commitments without displacing management.

Secondaries and continuation vehicles

Private capital remains an essential part of the EU investment landscape, but the recovery is concentrated rather than broad. Higher financing costs, uneven growth and valuation uncertainty continue to separate high-quality assets from the wider market. Sponsors favour businesses with defensible margins, recurring revenue, pricing power or exposure to strategic themes, while sellers of less differentiated assets may defer exits or accept more complex consideration structures.

Liquidity and exits are equally important as venture-backed companies remain private for longer. European divestment value remained relatively strong at EUR45 billion in 2025 after the 2024 recovery, but volatility and selective buyer appetite continue to affect transaction timing. Alongside traditional exit routes and sponsor-to-sponsor transactions, liquidity pressure has accelerated secondary transactions, rollover structures and continuation vehicles, which can provide partial liquidity to founders, early investors and fund investors without forcing a premature full exit. They also require careful valuation, conflict manage-

ment, disclosure and meaningful investor choice or consent.

Governance and shareholder arrangements

Larger buyouts, add-ons and strategic combinations account for a greater share of activity. Venture investment is similarly selective: capital is available for credible paths to commercialisation, but governance, runway, unit economics and future-round terms receive closer attention. Articles and shareholders' agreements must allocate board appointment rights, reserved matters, transfer restrictions, pre-emption, anti-dilution protection, vesting, leaver treatment and exit rights. Growth companies must also reconcile founder control with the protections expected by successive investor classes. Investors seek stronger consent and information rights, downside protection and disciplined use of capital. Founders focus on dilution, control, vesting and the consequences of a down round. Preference shares, liquidation rights, pay-to-play provisions, convertible instruments and management incentives should be modelled across realistic exit values, not assessed only at headline valuation.

Greece as an emerging destination for private capital and hedge fund managers

Greece's private capital market has moved beyond the restructuring and distressed opportunities that characterised earlier periods and is emerging as a prominent destination for private equity, venture investment and alternative strategies, including hedge-fund management.

Improved macroeconomic conditions, privatisations, digitalisation, energy-transition investment and a growing technology ecosystem have expanded the opportunity set. The fragmented nature of parts of the Greek economy creates scope for platform investments and buy-and-build strategies, particularly where businesses have strong domestic positions and potential for operational improvement and international expansion. Domestic sponsors increasingly operate alongside international funds, family offices and strategic investors. Venture activity is scaling from a low base, supported by the Hellenic Development Bank of Investments: more than EUR732 million was raised in 2025, 35% more than in 2024, led by AI, SaaS and HealthTech. Venture investment nevertheless remains below the EU average, and access to scale-up finance is more limited than in Europe's larger VC markets. The next stage will depend on internationalisation, scale and deeper access to capital.

The framework has also become particularly supportive of alternative investment fund structures and professional management. EU passporting of Greek alternative investment fund managers enables the assumption of management of EU alternative investment funds without jeopardising the ability to assume or migrate the management of other non-EU existing collective investment vehicles, while the expected safe harbours relating to the acquisition of permanent establishment or tax residence have been included in clear statutory provisions. Recent amendments to carried-interest taxation provide further incentives as the advantageous general flat 15% rate may be further reduced to 5% for carried interest beneficiaries relocating their tax residence to Greece. These recent regulatory amendments upgrade Greece from an investment destination to a base for the implementation of regional and global management strategies.

EU Capital markets: towards deeper integration and competitiveness

Market overview

European IPO activity recorded a notable technical rebound in the first half of 2026, with proceeds more than 70% higher year on year, although absolute volumes remained below historical averages. ESMA reported that first-quarter IPO proceeds rose to EUR5.4 billion from a previous four-quarter average of just EUR1.6 billion, although overall equity offering activity remained weak. The total number of transactions fell to 219 in 1Q26 (down from a quarterly average of 240), dragging the five-year moving average of total equity values to its lowest level since 2012.

Equity capital markets are recovering unevenly. CSG NV's EUR3.8 billion Euronext Amsterdam listing in January 2026 was the EU's largest IPO since 2022 and the largest defence IPO globally, followed by further listings and dual-listing plans across the sector including Vincorion SE's listing on the Frankfurt Stock Exchange on 20 March 2026. Taken together, these developments mark the culmination of a six-year period, which began with Hensoldt's IPO in 2020, and

has progressively established defence equities as an increasingly recognised asset class. Looking ahead, the EU's commitment to increasing investment in the defence sector may shape future IPO activity as a growing number of companies in the industry seek to capitalise on strong market momentum and increased investor interest.

Technology may also drive future activity, with AI businesses reportedly representing roughly one third of European IPO candidates, while recent developments in the USA – including SpaceX's record-breaking IPO, which has paved the way, and the anticipated IPOs of OpenAI and Anthropic – are expected to stimulate investor appetite for technology IPOs in the EU. Among Europe's most anticipated IPO candidates is Revolut, currently valued at over USD115 billion following a secondary share sale.

Nonetheless, this potential boost may be tempered by the attractiveness of US capital markets to EU-based companies seeking access to deeper and more liquid markets, including through listings on the NYSE or Nasdaq – a trend that is particularly evident among European deep-tech companies. In mid-2026, nine European deep-tech and growth-stage companies, with a combined valuation of at least USD12.3 billion, including Paris-based nuclear reactor developer Newcleo and French quantum computing company Pasqal, announced plans to merge with US-listed SPACs.

The appeal of US markets reflects, in part, the structural limitations of EU capital markets, which remain significantly smaller and less liquid than those of the US, while businesses continue to rely heavily on bank financing. The five largest US venues account for approximately 74% of trading volume, whereas the ten largest EU venues account for around 75%. According to the Association for Financial Markets in Europe, EU equity market capitalisation stood at 62% of GDP in 2025 compared with 208% in the USA and 163% in Japan, while the EU equity-turnover ratio was 1.7, against 3.2 in the USA and 4.3 in China. Trading and settlement infrastructure remains fragmented across more than 300 venues, 14 central counterparties and 32 central securities depositories.

The beginning of a new era for EU capital markets

EU policymakers have intensified efforts to strengthen capital markets through adopted legislation, operational initiatives and pending proposals, including the Listing Act, the Savings and Investments Union (SIU) strategy and the proposed Market Integration and Supervision Package (MISP).

The Listing Act reforms, which apply in phases, ease aspects of listing and prospectus regulation and harmonise multiple-vote share structures for SMEs, reflecting a regulatory shift towards greater proportionality and competitiveness, and a recalibration of the existing requirements with the aim of facilitating capital formation while maintaining a high level of investor protection.

The Commission launched the SIU strategy in March 2025. The move beyond the earlier Capital Markets Union agenda reflects a broader policy ambition to deepen and integrate European capital markets across supervision, retail participation, cross-border investment, pension systems, and trading and post-trade infrastructure. The SIU is an operational policy programme whose individual legislative measures remain subject to their own adoption and application timetables.

Reforms also target private-market liquidity. A Commission consultation is exploring a multilateral, intermittent trading platform for private-company shares, covering secondary and potentially primary transactions; Euronext is considering capabilities comparable to the London Stock Exchange Group's PISCES framework. This remains exploratory but is directly relevant to PE and VC exits. Separate operational initiatives include the planned move to T+1 settlement by 11 October 2027 and EuroCTP's development of the first EU consolidated tape for shares and ETFs following ESMA authorisation on 27 July 2026, alongside plans for consolidated tape providers for bonds and derivatives.

The Market Integration and Supervision Package of December 2025 is the first major step towards implementing the SIU. Key proposals include expanded ESMA supervision over key market infrastructures and certain market participants, together with a "Hub-

and-Spoke" CSD network to enhance interoperability and integration with TARGET2-Securities. Euronext's operation across eight national markets following its acquisition of the Athens Stock Exchange illustrates the direction of market consolidation.

Blockchain: harnessing technology to improve capital markets efficiency

The use of Distributed Ledger Technology (DLT) in securities issuance has gained significant traction in recent years. Recent estimates from the Association for Financial Markets in Europe indicate that European issuers have issued nearly USD4 billion in DLT-based fixed-income instruments since 2021, including the first digital sovereign bonds issued by EU member states. Distributed-ledger technology and tokenisation may support programmable transfers, cap-table administration and automated distributions, but development is from a low base. Legal ownership, reconciliation with company registers, custody, interoperability, settlement finality and secondary-market liquidity remain material constraints.

In 2025, the Eurosystem launched two complementary initiatives: Pontes and Appia. Pontes is the near-term programme for connecting DLT platforms to TARGET Services so tokenised transactions can settle in central-bank money. Appia is the longer-term exploratory initiative on the architecture, standards and governance of a more integrated European tokenised market, with work beginning in September 2026 and a roadmap extending to 2028.

Regulatory conditionality in European M&A

Merger control and competitiveness

European M&A sits within a wider debate over whether enforcement should give greater weight to scale, innovation, resilience and investment. The Draghi Report intensified calls to remove barriers to European growth, while competition authorities remain concerned about concentration, loss of potential competitiveness and acquisitions that may entrench control over data, technology or infrastructure. The EU Merger Regulation's test remains whether a concentration, including the strengthening of a dominant position, would significantly impede effective competition. Therefore, claimed investment and innovation benefits must be supported by competition-relevant evidence, including timely, merger-specific efficiencies likely to benefit customers.

Jurisdictional analysis has also become less mechanical. Turnover thresholds remain the starting point, but transactions involving important businesses with limited current revenue can attract scrutiny through national rules or other procedural routes. Parties should assess EU and national regimes, minority interests, joint control and local filing concepts before signing and closing.

FDI screening expands

Regulation (EU) 2019/452 created a framework for co-operation rather than a single EU clearance. Member states retain national screening systems, producing different sector definitions, thresholds, filing triggers, timetables and sanctions. The direction of travel is nevertheless towards broader coverage, stronger co-ordination and closer attention to indirect ownership and security risks.

Screening is no longer confined to defence. Energy, transport, health, communications, semiconductors, artificial intelligence, cloud services, data, financial infrastructure, food security and critical inputs may be relevant. Minority acquisitions, internal reorganisations and greenfield investments can be caught in some jurisdictions. An EU-incorporated buyer may still be treated as foreign-controlled when ownership is traced through the group.

The diligence exercise must therefore include early mapping to identify filing triggers including ownership structures and ultimate beneficial owners, state links and government customers, financing sources, sensitive contracts and activities as well as critical technology and access to systems or data. Collecting this information late can delay filings and create inconsistent submissions across jurisdictions.

The Foreign Subsidies Regulation (FSR)

The FSR adds a distinct review of financial contributions from non-EU countries. For concentrations meeting the relevant thresholds, notification may be mandatory before implementation; below the thresholds, the Commission retains investigatory powers. The regime addresses possible distortions in the inter-

nal market and is conceptually separate from merger control and national-security screening. "Financial contribution" is broad and may include capital injections, grants, loans, guarantees, tax measures and public contracts. Multinational buyers therefore need reliable systems to identify and evidence relevant contributions across the group. The Commission may weigh negative and positive effects and can accept commitments or impose redressive measures. Parties should identify early whether funding could be characterised as facilitating the acquisition and whether its terms are market-conform.

Parallel reviews and transaction documents

A strategic acquisition may face merger, FDI and FSR reviews simultaneously, alongside sector licences, foreign merger filings and rules on subsidies or public procurement. These processes ask different questions and may involve confidential information that cannot be freely shared. A single regulatory workstream should co-ordinate facts, sequencing and advocacy while respecting each regime's procedural boundaries. Market actors evaluating bids should weigh execution certainty as well as headline price, including the bidder's ownership profile, financing and willingness to bear regulatory risk.

Transaction documents should identify required clearances, allocate responsibility for filings and authority engagement, protect sensitive information and coordinate strategy across reviews. Efforts standards should state the extent of any remedy obligation; long-stop dates and termination rights should reflect realistic preparation, review and remedy periods. Financing and valuation should also account for delay, reduced synergies and restrictions on control or information.

Cross-cutting governance and contract implications

Across these developments, investors, boards and market actors need an integrated view of capital, control and regulatory exposure. Financing decisions can alter voting power and exit incentives; regulatory conditions can reduce strategic flexibility; and digital or AI dependencies can affect valuation and resilience.

Shareholder agreements should anticipate change rather than assume a single financing or exit path. Information, consent, transfer provisions and exit rights, including pre-emption, drag-along, tag-along rights, as well as deadlock and dispute mechanics, should accommodate regulatory approvals, align with realistic transaction timetables and remain workable through new issuances, continuation transactions and changes of control.

Commercial contracts increasingly influence deal execution. Change-of-control, assignment, sanctions, subsidy, data-location, cyber-security and regulatory-cooperation clauses can determine whether value transfers at closing. Early contract diligence should identify consents and termination rights, as well as obligations that could conflict with proposed remedies or post-closing integration.

The practical lesson is to begin regulatory and governance design early. A structure optimised only for tax, speed or headline valuation may fail if ownership data are incomplete, investor rights cannot migrate or approvals require operational separation. Reliable corporate records, disciplined approvals and adaptable contracts improve the ability to raise capital and transact across borders.

Outlook

The EU is opening its markets with one hand while tightening control with the other: efforts to deepen private capital markets and integrate public capital markets have improved access to finance, but deployment remains selective and ownership harder to acquire. Capital will favour scale, proven managers and strategic sectors. Geopolitical uncertainty, technological change and shifting economic conditions as well as Europe's focus on technological innovation, energy transition, defence and economic resilience will continue to influence deployment. Corporate law harmonisation may reduce cross-border friction, but cannot substitute for deeper markets, predictable regulation or sound governance. Amidst such consolidation, jurisdictional advantages will influence market actors' decisions; in that context EU passporting, combined with competitive national tax and fund-management frameworks, could place Greece as a hub for sophisticated investment strategies and a base for elite hedge fund managers. In the European market now taking shape, successful strategy will increasingly depend on regulatory and transactional execution.

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