

ACTIVATING INVESTMENT ECOSYSTEMS

Policy recommendations

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EXECUTIVE SUMMARY

This document presents a comprehensive set of policy recommendations developed in the framework of the **Connect2Scale** project to support the European Union's ambition to build a stronger, innovation-driven, and globally competitive economy. In light of the European Commission's confirmation that it is working on the 28th Regime, these recommendations outline how such a framework should be qualified and structured to unlock the full potential of early-stage investment across the EU.

The proposals are grounded in extensive stakeholder consultations held across Estonia, Finland, Latvia, Lithuania, and Slovenia between 2024 and 2025, and further refined through a dedicated **EU-wide Task Force of investors, business angel networks (BANs), and venture stakeholders**. Together, these actors identified key legal, financial, and structural barriers that hinder cross-border investment and proposed actionable measures to address them.

At their core, the recommendations advocate for **harmonisation, digitalisation, and integration of Europe's early-stage investment ecosystem**, a truly European innovation market.



INTRODUCTION

This document presents policy recommendations in response to the European Union's ambition to strengthen its innovation capacity, enhance technological sovereignty, and build a more resilient economy. They aim to mainstream innovation-friendly policies across Member States by harmonising legal frameworks, improving access to capital, strengthening talent and intellectual property retention, and prioritising strategic sectors such as DeepTech, defense, and SpaceTech.

The recommendations advocate for stronger partnerships between EU institutions, national governments, investors, and innovation actors, ensuring that public frameworks evolve in step with the private sector's capabilities. By leveraging the collective expertise of policymakers, founders, researchers, and capital providers, this document aspires to advance Europe's vision of an innovation-driven, competitive, and sovereign future.

METHODOLOGY

These policy recommendations are the product of two European Union-wide stakeholders consultations conducted in the framework of the Connect2Scale project. Connect2Scale is dedicated to enhancing support for EU startups on their journey to becoming scaleups, bridging the growth gap for startups by raising awareness, attracting cross-border investors to moderate and modest Innovation Ecosystems, and amplifying the scalability potential of European startups.

In 2024-2025, the Consortium organised a series of Investment Ecosystem Roundtables in the 5 project countries, i.e. Estonia, Finland, Latvia, Lithuania and Slovenia, with local stakeholders and startup ecosystem key players to foster the discussion on:

- DeepTech and Investment readiness, Estonia
- DefenceTech Innovation and Export readiness, Finland
- SpaceTech and National Growth Vector, Latvia
- Expanding the Angel Investment Ecosystem, Lithuania
- Advancing National Startup Strategy 2030, Slovenia





The result of each event is a list of policy recommendations for local authorities to better address investors' challenges and facilitate cross-border deals, whose content is integrated in the recommendations presented in this document.

In parallel, Connect2Scale launched in 2025 a Task Force bringing together angel investors, VCs, business angels network managers and other stakeholders to develop a robust and practical list of recommendations that serve as a guiding framework for angel investors and BANs.

- Harmonising Cross-Border Investment Frameworks
- Promoting Exit Opportunities for Investors
- Strengthening BANs
- Enhancing Syndication Solutions and Deal Structuring.

The discussed recommendations aim to address existing gaps in early-stage funding across Europe, enhance cross-border investment mechanisms, promote diversity, and scale investment opportunities for startups.

Acknowledgement

This policy recommendations document is informed by the insights and expertise shared during a focus group consultation with subject-matter experts.

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RECOMMENDATIONS TO ACTIVATE THE INVESTMENT ECOSYSTEM

1. Legal and Regulatory Harmonisation

Challenge:

Europe's fragmented legal landscape significantly increases deal friction and reduces the willingness to invest across borders. Investors face 27 different company law systems, incompatible accounting standards, and highly divergent tax regimes. This fragmentation makes cross-border transactions two to five times slower than in the United States[1] and adds legal uncertainty that investors view as unacceptable at the early stage. Double taxation remains a major deterrent for cross-border angel syndicates[2], limiting the formation of trusted pan-European investor groups.

Objective:

Ensure that the forthcoming 28th Regime establishes a predictable, transparent, and cross-border compatible legal environment for early-stage investment across the EU. The regime should provide a harmonised legal framework that reduces uncertainty, simplifies compliance, and enables investors and startups to operate seamlessly across Member States.

Recommendations for the implementation of the 28th Regime:

Investors and Business Angel Networks recommend that the Twenty-Eighth Regime introduce the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) as the default accounting framework. Early-stage investors emphasise that financial comparability is essential for assessing risk, especially when syndicating across borders. Investors therefore call for a structured EU-supported transition period to ensure that startup accountants and auditors can adopt the standard efficiently.

From the investor viewpoint, mutual recognition of professional certifications in accounting, auditing, and legal services is indispensable. Investors recommend the creation of an "EU Professional Services Passport" to ensure they can rely on qualified experts regardless of jurisdiction, without facing repeated or inconsistent local verification procedures. This would reduce due diligence costs and speed up cross-border negotiations.

[1] European Commission, Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies, (2025) available at: <https://op.europa.eu/en/publication-detail/-/publication/6531d67f-a978-11f0-89c6-01aa75ed71a1/language-en>.

[2] Ibid.

For investors to consider Europe a viable unified market, merger and acquisition and initial public offering processes must be harmonised. Investors recommend the establishment of a simplified cross-border M&A process tailored to startups, and a unified EU Growth Market IPO fast-track. These changes would provide investors with predictable exit routes one of the most important conditions for early-stage deployment. Finally, investors strongly recommend eliminating double taxation of cross-border angel syndicates. Investors argue that capital gains should be taxed only once, in the investor's home country, and call for a harmonised reporting template accepted by all Member States to ensure tax clarity and certainty.

2. Standardisation, Transparency, and Digitalisation

Challenge:

Angel investors and VCs repeatedly highlight that Europe lacks a unified digital-first investment environment. Administrative barriers remain one of the top reasons angels avoid cross-border deals. In fact, over 60% of angels cite administrative complexity as their main barrier to cross-border investing[3]. Investors report that incompatible business registries, inconsistent documentation, and the limited availability of full digital incorporation increase transaction costs and undermine trust.

Objective:

Streamline administrative procedures and enhance transparency to make the EU a frictionless market for startups and investors. Consistent documentation standards and digital tools can significantly lower legal and compliance costs, while improving accessibility and trust.

Recommendations:

Investors recommend the creation of a unified European business registry that offers real-time, verified data on ownership structures, directorships, and filings. From the investor's perspective, this is essential to reduce due diligence time and to ensure that corporate information can be trusted regardless of jurisdiction. Investors specifically request API-based access so that Business Angel Networks and investment platforms can integrate this data into their workflows.

To reduce legal uncertainty and negotiation friction, investors call for an EU-published

[3] European Business Angels Network, Statistics compendium 2024, EBAN Publications, available here: <https://www.eban.org/wp-content/uploads/2025/10/Stats-Compendium-2024.pdf>.

library of standardised investment templates—including Simple Agreements for Future Equity, convertible instruments, shareholder agreements, and structured due diligence frameworks. These must be available digitally in all European languages and aligned with investor needs, enabling automatic integration into digital deal platforms used by syndicates.

Investors insist that companies opting into the 28th Regime must be allowed to incorporate and operate fully digitally. Angels frequently cite notarisation and physical presence requirements as unnecessary, costly, and incompatible with cross-border investment. Investors therefore recommend replacing all such procedures with qualified electronic signatures compliant with the electronic Identification, Authentication and Trust Services Regulation (eIDAS2). This enables remote deal execution, remote governance, and faster deployment of capital.

Finally, angels and VCs strongly advocate for a European-wide e-residency system. They argue that remote participation in governance and administration is essential for cross-border portfolio management. Investors specifically point to the success of digital governance models in Estonia, and recommend that a similar model be included in the 28th Regime.

3. Investor Education, Cultural Alignment, and Accreditation

Challenge:

From the investor point of view, the uneven professional maturity of angel communities across Europe is a major barrier to trustworthy collaboration. Business Angel Networks report that in several Member States, fewer than 15% of angels have received formal angel-investing training[4]. Cultural differences in negotiation expectations, formality, and perceived risk also create friction. Investors are hesitant to join cross-border syndicates if they cannot trust the competence and behaviour of co-investors.

Objective:

Enhance investor competence, trust, and cultural cohesion across Europe's fragmented investment ecosystem. Empowering angels with knowledge, shared norms, and recognition will help scale quality early-stage investing and build confidence in cross-border collaboration.

[4] European Business Angels Network, Statistics compendium 2024, EBAN Publications, available here: <https://www.eban.org/wp-content/uploads/2025/10/Stats-Compendium-2024.pdf>.

Recommendations:

Investors and Business Angel Networks recommend establishing a European-wide investor accreditation framework. From the investor perspective, accreditation is essential to building trust. Angels argue for harmonised levels—such as “Accredited Angel Investor”, “Lead Investor”, and “Syndicate Manager”—based on completed training, deal experience, and ethical standards. Investors insist that accreditation should become a prerequisite for participating in publicly supported cross-border syndicates.

Investors also request the creation of a European Lead Investor Academy that provides advanced, sector-focused training, especially in deep technology, space technology, and defence technology where deal complexity is high. Lead investors argue that their role requires specialised training in governance, exit preparation, cross-border legal structuring, and negotiation. They emphasise that without a trained pipeline of lead angels, cross-border syndication cannot scale.

To support new investors, Business Angel Networks recommend a unified European Angel Curriculum covering fundamentals such as financial literacy, deal structuring, due diligence, governance, and responsible investment practices. All accredited investors should complete a mandatory module on ethical data handling and data protection aligned with the General Data Protection Regulation (GDPR), as founders often share sensitive information during due diligence.

Finally, investors stress the importance of cultural alignment. They recommend EU-supported peer-learning exchanges, cross-border investor bootcamps, and an “EU Investor Culture Handbook” to help bridge differences in negotiation styles, legal expectations, and communication norms—barriers that angels consistently identify as obstacles to successful cross-border investment.

4. Syndication and Co-Investment Enablement

Challenge:

Cross-border syndication is far too rare. Fewer than 10% of angel investments involve investors from more than one Member State^[5], despite widespread agreement that syndication improves deal quality and risk diversification. Angels cite inconsistent legal structures, unclear governance models, and the absence of trusted co-investor verification as barriers.

[5] European Business Angels Network, Statistics compendium 2024, EBAN Publications, available here: <https://www.eban.org/wp-content/uploads/2025/10/Stats-Compendium-2024.pdf>.

Lead angels also report that compensation structures are unclear and that expectations differ significantly across countries.

Objective:

Facilitate efficient co-investment across borders through harmonised structures, incentives, and digital tools. Stronger syndication mechanisms allow angels to pool resources, share risk, and mobilise greater capital for startups at scale.

Recommendations:

Investors recommend creating a European-wide “golden standard for angel syndication.” From the investor viewpoint, this standard should clearly define governance models for syndicates, the responsibilities of lead investors, due diligence expectations, reporting processes, and conflict resolution mechanisms. Angels argue that such standardisation reduces friction, facilitates trust, and enables syndicates to operate seamlessly across borders.

Investors request a proportionate regulatory framework under the Alternative Investment Fund Managers Directive (AIFMD) that recognises the unique nature of angel syndicates. Investors insist that syndicates raising capital exclusively from accredited angels and investing solely in startups should benefit from simplified regulatory treatment. This clarity is essential for enabling repeatable cross-border deal execution.

From the investor perspective, lead investors must be formally incentivised. Angels recommend clear rules on carried interest, transparent compensation for due diligence leadership, and EU-supported risk-sharing tools for lead investors—especially in high-risk frontier technologies. Without such incentives, angels argue that cross-border syndication leadership remains unsustainable.

Investors also call for the creation of a trusted European investor verification system. Angels emphasise that before entering a cross-border syndicate, they need to know the identity, accreditation status, and behavioural track record of potential co-investors. A GDPR-compliant verification database, integrated with digital deal platforms, would significantly accelerate cross-border deal formation.

5. Exit Opportunities and Liquidity Mechanisms

Challenge:

Europe's exit environment is inadequate. Angel and early-stage investors face holding periods of 8 to 12 years[6], far longer than in competing ecosystems. Corporate acquisition rates for startups remain low, and large numbers of European corporates lack structured engagement mechanisms for startup collaboration or acquisition. Secondary liquidity markets are fragmented or inaccessible, limiting capital recycling, a key element for active angel communities.

Objective:

Build an ecosystem that recognises exit planning as an integral part of startup development. Improved education, liquidity tools, and market visibility will foster healthy capital recycling and sustainable investor engagement.

Recommendations:

Investors recommend the creation of a European corporate–startup acquisition platform that enables structured matching between startups and potential acquirers. Angels consistently observe that many corporates lack visibility into acquisition-ready startups, while investors lack clarity on potential exit routes. A dedicated platform with standardised acquisition documentation and valuation guidelines would reduce information asymmetries and accelerate exit pathways.

Investors also recommend expanding public–private co-investment schemes for acquisitions. From the investor viewpoint, European innovation programmes should actively support the acquisition of high-growth startups—particularly those developing strategic or dual-use technologies—by co-financing transactions or offering partial guarantees. Investors argue that this would stimulate a healthier European market for startup acquisitions, increasing exit optionality.

Corporate procurement should be leveraged as an acquisition pathway. Investors recommend that corporates receiving European innovation funding commit to structured “pilot-to-equity” pathways, enabling startups that successfully complete innovation pilots to convert into minority equity relationships or become acquisition candidates.

[6] European Commission, Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies, (2025) available at: <https://op.europa.eu/en/publication-detail/-/publication/6531d67f-a978-11f0-89c6-01aa75ed71a1/language-en>.

To address long holding periods, angels recommend harmonised digital micro secondary markets that allow early investors to sell part of their equity upon milestone achievements. Investors note that such early liquidity mechanisms are critical for maintaining a high-velocity capital cycle. They also call for simplified cross-border authorisation for Alternative Investment Funds focused on providing such liquidity.

Finally, investors recommend the creation of a standardised exit reporting system for Business Angel Networks, enabling the publication of an annual “European Startup Exit Report.” This would provide transparency, shape investor expectations, and guide public-sector strategy.

6. Cross-Border Integration and Market Infrastructure

Challenge:

From the perspective of investors and Business Angel Networks, the European startup ecosystem still functions as a set of disconnected national markets. Digital platforms do not interoperate, data standards are inconsistent, and investor networks lack structured visibility into cross-border opportunities. Investors highlight that the current fragmentation prevents them from operating as a single European investor community.

Objective:

Foster a truly European early-stage market by enabling frictionless investment flows, transparent data sharing, and interoperable digital systems. Integration will accelerate capital mobility, reduce duplication, and strengthen Europe’s competitiveness globally.

Recommendations:

Investors recommend creating a centralised European registry of Business Angel Networks with transparent criteria on governance, diversity, operating standards, and track records. Investors argue that such transparency is necessary to build trust, identify high-quality partners, and enable public co-investment programmes to rely on verifiable network performance.

To support cross-border activity, investors strongly recommend the creation of a federated deal-sharing infrastructure. This would integrate national investor platforms into a European-wide technical framework. From the investor perspective, interoperability is

essential to reducing duplication, enabling secure data sharing, and allowing deal-flow from one country to be visible to investors in all others.

Investors emphasise the need for a European Startup Data Standard. Standardising pitch deck structures, data rooms, and investor reporting formats would significantly reduce friction and help investors evaluate startups consistently, regardless of jurisdiction. Investors recommend that compliance with this standard be required for all startups seeking access to European innovation funding.

Finally, investors call for the creation of a European Innovation Data Hub aggregating information on cross-border syndication, funding rounds, investor activity, and exit outcomes. Investors argue this is necessary for informed decision-making, evidence-based policymaking, and enhancing the transparency of the entire early-stage investment market.

Connect2Scale