EDITORIAL

Related Party Transactions and the Legal Fragmentation of European Company Law

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Over the last decade, the European Union has developed several legal instruments addressing various aspects of European company law, including its codification,[1] digitalization,[2] cross-border mergers, conversions and divisions,[3] shareholders' rights,[4] interconnection of business registers,[5] multiple-vote share structures,[6] and corporate sustainability due diligence.[7] Despite these harmonization efforts, European company law is not devoid of problems, in particular legal fragmentation, a challenge that is well known to company law and, more broadly, to business law in the EU.[8]

One area of EU company law where we observe legal fragmentation is the regulation of related party transactions (RPTs). National laws provide different safeguards against the risks associated with RPTs. This applies to both private and public companies based within EU jurisdictions. Although for listed companies, this area is harmonized across the EU via Article 9c of the Shareholder Rights Directive II (SRD II), countries' approaches to implementing this Directive vary,

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1 Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 Jun. 2017 relating to certain aspects of company law (codification) (2017) OJ L169.

2 Directive (EU) 2019/1151 of the European Parliament and of the Council of 20 Jun. 2019 amending Directive (EU) 2017/1132 as regards the use of digital tools and processes in company law (2019) OJ L186; Directive (EU) 2025/25 of the European Parliament and of the Council of 19 Dec. 2024 amending Directives 2009/102/EC and (EU) 2017/1132 as regards further expanding and upgrading the use of digital tools and processes in company law (2025) OJ L, 2025/25.

3 Directive (EU) 2019/2121 of the European Parliament and of the Council of 27 Nov. 2019 amending Directive (EU) 2017/1132 as regards cross-border conversions, mergers and divisions (2019) OJ L321.

4 Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (2017) OJ L132; Commission Implementing Regulation (EU) 2018/1212 of 3 Sep. 2018 laying down minimum requirements implementing the provisions of Directive 2007/36/EC of the European Parliament and of the Council as regards shareholder identification, the transmission of information and the facilitation of the exercise of shareholders rights (2018) OJ L223.

5 Commission Implementing Regulation (EU) 2021/1042 of 18 Jun. 2021 laying down rules for the application of Directive (EU) 2017/1132 of the European Parliament and of the Council as regards technical specifications and procedures for the system of interconnection of registers and repealing Commission Implementing Regulation (EU) 2020/2244 (2021) OJ L225.

6 Directive (EU) 2024/2810 of the European Parliament and of the Council of 23 Oct. 2024 on multiple-vote share structures in companies that seek admission to trading of their shares on a multilateral trading facility (2024) OJ L, 2024/2810.

7 Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 Jun. 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (2024) OJ L, 2024/1760.

8 *See* e.g., Paul Oudin, *The Promises and Perils of a 28th Regime for European Innovative Companies* (Oxford Business Law Blog 2 Oct. 2025), https://blogs.law.ox.ac.uk/oblb/blog-post/2025/10/promises-and-perils-28th-regime-european-innovative-companies (accessed 17 Jan. 2026); Luca Enriques, *Regulatory Barriers and the Quest for an Integrated European Market for Innovation* (Oxford Business Law Blog 27 Oct. 2025), https://blogs.law.ox.ac.uk/oblb/blog-post/2025/10/regulatory-barriers-and-quest-integrated-european-market-innovation (accessed 17 Jan. 2026). In a broader context, regulatory fragmentation has been discussed in the Draghi and Letta reports as a challenge to EU competitiveness. *See* Enrico Letta, *Much More Than a Market: The Future of the Single Market* (Report Apr. 2024) https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf (accessed 18 Jan. 2026); Mario Draghi, *Report on the Future of European Capital Markets* (Publications Office of the European Union Sep. 2024), https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en (accessed 18 Jan. 2026).

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sometimes quite markedly. Variations are evident in how the materiality criteria for RPTs are defined (whether by quantitative criteria, qualitative criteria, or a combination of both), which corporate bodies are responsible for approving RPTs (the board, the general meeting of shareholders, or both), the information required to be disclosed, the disclosure of fairness opinions, and the measures and penalties available for breaches of approval and disclosure obligations.

To illustrate the differences in national legal provisions on RPTs, one can examine the consequences of violating the approval requirement. This violation occurs when a director or another legal representative enters into an RPT without prior approval from a relevant body within the company, or when the RPT is approved with procedural defects. Typically, this breach enables the company or its stakeholders to initiate a private enforcement process by seeking to have corporate decisions or RPTs nullified or suspended. For example, in Belgium, the company may request the nullity or suspension of decisions or transactions if the other party involved was aware of, or should have been aware of, the violation.[9] Similarly, in Latvia, if the procedure for approving an RPT is not followed, the transaction does not take effect if the related party was aware or should have been aware that approval is required.[10] In contrast, in Greece, RPTs that are not approved by the relevant corporate bodies are invalid regardless of the other party's awareness of the breach.[11] A similar rule exists in Romania.[12] So, based on the statute's content, the subjective element is less significant in Greece and Romania than in Belgium or Latvia. This enforcement aspect is practically essential as the annulment process becomes simpler for a company that does not need to consider the internal state of another party in a transaction. There are also other jurisdictions where additional legal grounds must exist to invalidate RPTs. One such jurisdiction is France, where an unapproved RPT can be invalidated only if it has harmful consequences for the company.[13]

The examples mentioned are just some of many instances where national laws provide different legal responses to the same issue. These differences are amplified by national legal doctrines and case law patterns that may not always be apparent in statutory sources. This raises a logical question: do the SRD II and the implementing statutes ensure effective and efficient regulation of RPT strategies? In our research project at the University of Cyprus, we aim to answer this question and propose improvements to the existing regulations, taking stakeholders' perceptions into account.[14]

Overall, the transposition of SRD II on RPTs reflects the different ways Member States implement company law directives and the wider fragmentation trend, both of which are difficult to overcome. One might even question whether it is possible to overcome this phenomenon, or rather, whether regulatory fragmentation in the EU is here to stay and will only intensify. The latter view may be proven wrong if Member States succeed in effectively harmonizing corporate law requirements and if the twenty-eighth corporate law regime, recently approved by the Legal Affairs Committee of the European Parliament,[15] achieves its ambitious goal. Still, even if considerably reduced through legislative and other efforts, legal fragmentation is unlikely to disappear entirely from the corporate landscape.

Regardless of what lies ahead at the EU level, governments might consider using legal fragmentation to their advantage. As mentioned in a different context,[16] Member States can learn from one another on how to effectively transpose EU directives. If the implementation of directives results in best practices, or if Member States introduce effective corporate mechanisms to attract investors that can be utilized in other regulatory contexts, these solutions can be adopted elsewhere within other Member States. The best practices and solutions currently implemented by some Member States can also inspire the development of guidelines rather than rigid rules at the EU level, offering an alternative approach to tackling legal fragmentation.

Notes

[9] Companies and Associations Code of 23 Mar. 2019 (consolidated version), Art. 7:97(5).

[10] Commercial Law of 13 Apr. 2000 (consolidated version), Art. 184-2(7).

[11] Law 'Corporate Governance of Listed Companies' 4548/2018, 13 Jun. 2018, Government Gazette (FEK), Issue A 104, Art. 99(1).

[12] Law No. 24/2017 on issuers of financial instruments and market operations, as amended by Law No. 158/2020 (consolidated version), Art. 108(8).

[13] Commercial Code in effect since 21 Sep. 2000 (consolidated version), Art. L225-42(1).

[14] The title of the research project is 'Challenging Strategies: Related Party Transactions in the EU'. This research and author were supported by EU Horizon Europe under the Marie Skłodowska-Curie COFUND grant No. 101081327 YUFE4Postdocs. In this research project, the postdoctoral researcher is Dr Ivan Romashchenko and his supervisor is Assoc. Prof. Thomas Papadopoulos.

[15] European Parliament, *MEPs' Recommendations for a New EU Framework for Innovative Companies* (Press Release 11 Dec. 2025), https://www.europarl.europa.eu/news/en/press-room/20251209IPR32107/meps-recommendations-for-a-new-eu-framework-for-innovative-companies (accessed 18 Jan. 2026).

[16] Ivan Romashchenko, *The Ukrainian Regulatory Approach for Related Party Transactions and the SRD II: A Two-Way Street of Learning*, ECFR 70, 107 (2025), doi: 10.1515/ecfr-2025-0003.