











Procedure file

| Basic information | |
|---|---|
| COD - Ordinary legislative procedure (ex-codecision procedure) Directive | 2023/0315(COD) Awaiting Council's 1st reading position |
| European cross-border associations | |
| Subject 3.45.07 Social economy, mutual societies, cooperatives, associations 4.10.16 Social and community life, associations, foundations | |
| Legislative priorities Joint Declaration 2023-24 | |

| Key players | | | |
|--|---|--|------------|
| European Parliament | Committee responsible | Rapporteur | Appointed |
| |  Legal Affairs |  LAGODINSKY Sergey | 26/06/2023 |
| | | Shadow rapporteur | |
| | |  POSPÍŠIL Jiří | |
| | |  SÁNCHEZ AMOR Nacho | |
| | |  KARLESKIND Pierre | |
| | |  AUBRY Manon | |
| | Committee for opinion | Rapporteur for opinion | Appointed |
| |  Internal Market and Consumer Protection | Chair on behalf of committee | 19/09/2023 |
| | |  CAVAZZINI Anna | |
| |  Civil Liberties, Justice and Home Affairs | The committee decided not to give an opinion. | |
| Council of the European Union | Commission DG | Commissioner | |
| European Commission | Internal Market, Industry, Entrepreneurship and SMEs | BRETON Thierry | |
| European Economic and Social Committee | | | |

| Key events | | | |
|------------|---|---|---------|
| 05/09/2023 | Legislative proposal published | COM(2023)0516 | Summary |
| 02/10/2023 | Committee referral announced in Parliament, 1st reading | | |
| 13/02/2024 | Vote in committee, 1st reading | | |
| 27/02/2024 | Committee report tabled for plenary, 1st reading | A9-0062/2024 | Summary |
| 12/03/2024 | Debate in Parliament |  | |
| 13/03/2024 | Results of vote in Parliament |  | |
| 13/03/2024 | Decision by Parliament, 1st reading | T9-0147/2024 | Summary |

| Technical information | |
|--|--|
| Procedure reference | 2023/0315(COD) |
| Procedure type | COD - Ordinary legislative procedure (ex-codecision procedure) |
| Procedure subtype | Legislation |
| Legislative instrument | Directive |
| Legal basis | Treaty on the Functioning of the EU TFEU 050; Treaty on the Functioning of the EU TFEU 114 |
| Mandatory consultation of other institutions | European Economic and Social Committee |
| Stage reached in procedure | Awaiting Council's 1st reading position |
| Committee dossier | JURI/9/13154 |

| Documentation gateway | | | | | |
|---|-------------|-------------------------------|------------|-----|---------|
| Legislative proposal | | COM(2023)0516 | 05/09/2023 | EC | Summary |
| Document attached to the procedure | | SEC(2023)0306 | 05/09/2023 | EC | |
| Document attached to the procedure | | SWD(2023)0292 | 05/09/2023 | EC | |
| Document attached to the procedure | | SWD(2023)0293 | 05/09/2023 | EC | |
| Document attached to the procedure | | SWD(2023)0294 | 05/09/2023 | EC | |
| Committee draft report | | PE756.270 | 21/11/2023 | EP | |
| Specific opinion | IMCO | PE754.738 | 07/12/2023 | EP | |
| Amendments tabled in committee | | PE757.307 | 11/12/2023 | EP | |
| Economic and Social Committee: opinion, report | | CES4411/2023 | 17/01/2024 | ESC | |
| Committee report tabled for plenary, 1st reading/single reading | | A9-0062/2024 | 27/02/2024 | EP | Summary |
| Text adopted by Parliament, 1st reading/single reading | | T9-0147/2024 | 13/03/2024 | EP | Summary |
| Commission response to text adopted in plenary | | SP(2024)350 | 22/07/2024 | EC | |

European cross-border associations

PURPOSE: to remove barriers to the cross-border activities and cross-border mobility of non-profit associations in the internal market operating in more than one Member State.

PROPOSED ACT: Directive of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the proposal stems from the European Parliament [resolution](#) of 17 February 2022 which provided recommendations to the Commission on a statute for European cross-border associations and non-profit organisations.

Non-profit associations represent the predominant legal form among non-profit organisations in the European Union, with an estimated number of 3.8 million present in EU Member States. Non-profit associations are also the largest in number of the four legal forms traditionally encompassed by the social economy and are active in sectors with a societal impact such as healthcare, social services, social inclusion, culture, sports, research and development, education and training, contributing 2.9% to EU GDP.

Non-profit associations have a positive impact on ensuring social fairness and prosperity for EU citizens and they play a significant role for growth within the internal market. They need a predictable legal framework that allows them to seamlessly conduct their activities, including when conducting them across borders in the internal market.

Currently, non-profit associations and their activities are regulated by specific legislation in 24 Member States in a different manner, creating legal uncertainty and giving rise to different administrative procedures and requirements. Rules on formation, membership and governance impose different requirements. Rules differ also regarding access to capital and difficulties exist when it comes to access financial loans, credits and guarantees within credit institutions.

Not only does this heterogeneity undermine the proper functioning of the internal market, but it also negatively impacts the freedom of association, together with the freedom of expression and information, and, ultimately, hampers non-profit associations to unleash their full potential to generate economic and societal value in the EU.

CONTENT: the proposal for a directive lays down measures coordinating the conditions for establishing and operating European cross-border associations (ECBAs), with the aim of facilitating the effective exercise by non-profit associations of their rights related to the freedom of establishment, free movement of capital, freedom to provide and receive services and free movement of goods in the internal market.

More specifically, the proposal aims to:

- establish in each Member State a new legal form of non-profit associations specifically designed for cross-border purposes (the ECBA), next to existing national legal forms.
- allow automatic recognition of this new legal form across the Union once an ECBA is registered in one Member State, thanks to the ECBA certificate';
- lay down common rules for ECBAs concerning their statutes, governance and membership;
- lay down the rules on ECBAs mobility rights. This concerns specifically the possibility for an ECBA to transfer its registered office without such transfer resulting in the dissolution of the concerned ECBA and the procedure for the transfer of an ECBAs registered office;
- provide for harmonised rules on transfer of registered office, thus allowing non-profit associations to reap the full benefit of the freedom of establishment and the freedom to provide services, goods, and capital in the Union;
- ensure the ECBA fully enjoys the benefits of the Internal Market regardless of the Member State of registration by having free and non-discriminatory access to public funding in each Member State it operates.

According to the Commission, the proposal should reduce launch costs as well as compliance costs for non-profit associations operating cross-border:

- the excess launch costs for new cross-border operation will be reduced by an estimate of EUR 2 150 per launch. Within the assessed 15-year time frame, this excess cost reduction could potentially amount up to EUR 378 million;
- the reduction of excess cost linked to cross-border operations (recurrent costs, e.g. administrative and compliance costs) is estimated at EUR 770 million / year. Within the assessed 15-year time frame, cost savings could potentially amount up to of EUR 8.5 billion.

European cross-border associations

The Committee on Legal Affairs adopted the report by Sergey LAGODINSKY (Greens/EFA, DE) on the proposal for a directive of the European Parliament and of the Council on European cross-border associations.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

Subject matter

The proposed Directive lays down measures coordinating the conditions for establishing and operating European cross-border associations (ECBAs), in order to facilitate the effective exercise by non-profit associations of their rights related to the freedom of establishment, free movement of capital, freedom to provide and receive services and free movement of goods in the internal market.

Rules applicable to ECBAs

By one year after the entry into force of this Directive and following consultation of stakeholders, including non-profit associations, each Member State should identify the single most similar or most commonly used legal form of non-profit association in its domestic legal order

and notify the Commission and the ECBA Committee thereof.

The constitution of an ECBA, including through conversions or mergers, as well as the transfer of an office should not be used to undermine workers or trade union rights, representation, consultation or working conditions nor creditors rights, in accordance with applicable Union and national law as well as collective agreements.

Governance

The executive body of an ECBA should be composed of a minimum of three persons, of which at least two persons are natural persons that are Union citizens or legally resident in the Union, or legal entities with a non-profit purpose established in the Union, through their representatives.

Membership

The membership criteria of an ECBA should be regulated by its statutes. Moreover, Member States should ensure that each member of an ECBA has one vote, unless the ECBA decides to allow a differentiation including by making a distinction between full members who can vote and associate members who cannot vote. In all cases, any differentiation in voting rights shall be set out in the statutes.

Judicial review

Member States should ensure access to effective complaint mechanisms in accordance with national law.

Merger of existing non-profit entities into an ECBA

The amended text included a new article stating that Member States should ensure that two or more existing non-profit entities that are legally established in one or more Member States, can merge into an ECBA where: (a) one or more non-profit entity, on being dissolved without going into liquidation, transfers all its assets and liabilities to another existing ECBA, being the acquiring ECBA; or (b) one or more non-profit entity, on being dissolved without going into liquidation, transfers all its or their assets and liabilities to an ECBA that it or they form, being the newly established ECBA.

Register

Each Member State should designate a national register and responsible public body, for the purposes of registration of ECBA and should inform the Commission thereof.

Involuntary dissolution

Member States may provide for the involuntary dissolution of an ECBA only on the basis of one of the following reasons:

- a flagrant and repeated breach of the values of the Union through its activities;
- a conviction for a particularly serious criminal offence of the ECBA or of the members of its executive body committed in the name, on behalf or for the benefit of the ECBA;
- a conviction for a serious criminal offence of a member of the executive body for a particularly serious criminal offence committed after the creation of the ECBA where participation in the executive body by such person would constitute a threat to public order.

ECBA Committee

The Commission should be assisted by a Committee called the ECBA Committee. The Committee should monitor the implementation of this Directive and promote the exchange of information, experience and best practices as well as the coordination of policy approaches among national governments, competent authorities, and the Commission. The Commission should inform the Council and the European Parliament about the activities of the Committee on an annual basis.

European cross-border associations

The European Parliament adopted by 490 votes to 69, with 64 abstentions, a legislative resolution on the proposal for a directive of the European Parliament and of the Council on European cross-border associations.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amends the proposal as follows:

Subject matter

The proposed Directive lays down measures coordinating the conditions for establishing and operating European cross-border associations (ECBAs), in order to facilitate the effective exercise by non-profit associations of their rights related to the freedom of establishment, free movement of capital, freedom to provide and receive services and free movement of goods in the internal market.

Members stated that in order to ensure that the socio-economic potential of non-profit associations and related entities and their contribution to the European integration is fully exploited, all barriers, hindering the cross-border operation of their activities should be removed.

Rules applicable to ECBAs

Member States should ensure that an ECBA shall carry out or have in its statute the objective to carry out activities in at least two Member States and have founding members with links to at least two Member States, either:

- based on citizenship or legal residence in the case of natural persons; or
- based on the location of their registered office in the case of legal entities.

By one year after the entry into force of this Directive and following consultation of stakeholders, including non-profit associations, each Member State should identify the single most similar or most commonly used legal form of non-profit association in its domestic legal order and notify the Commission and the ECBA Committee thereof.

The constitution of an ECBA, including through conversions or mergers, as well as the transfer of an office should not be used to undermine workers or trade union rights, representation, consultation or working conditions nor creditors rights, in accordance with applicable Union and national law as well as collective agreements.

Legal personality

Member States should ensure that an ECBA has the right to at least conclude contracts and perform legal acts, be a party to legal proceedings, own movable and immovable property, carry out economic activities, employ staff, receive, solicit and dispose of donations and other funds, participate in public tenders, and apply for public funding. The ECBA should be allowed to do so without the need to register in any Member State other than the home Member State or to fulfil additional administrative requirements other than those required of the identified legal form.

Statutes

The statutes of an ECBA should be provided in writing and include the following information: (i) a detailed description of its objectives, a statement of its non-profit purpose and a description of its cross-border dimension; (ii) a declaration that the ECBA will respect the values of the Union.

Governance

The executive body of an ECBA should be composed of a minimum of three persons, of which at least two persons are natural persons that are Union citizens or legally resident in the Union, or legal entities with a non-profit purpose established in the Union, through their representatives.

Membership

The membership criteria of an ECBA should be regulated by its statutes. Moreover, Member States should ensure that each member of an ECBA has one vote, unless the ECBA decides to allow a differentiation including by making a distinction between full members who can vote and associate members who cannot vote. In all cases, any differentiation in voting rights shall be set out in the statutes.

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Register

Each Member State should designate a national register and responsible public body, for the purposes of registration of ECBA and should inform the Commission thereof.

Involuntary dissolution

Member States may provide for the involuntary dissolution of an ECBA, provided that the dissolution is preceded by a risk assessment, that it is prescribed by law, appropriate for the attainment of the objective pursued, does not go beyond what is strictly necessary, and that the dissolution is proportionate to the objective pursued, and only on the basis of one of the following reasons:

- a serious threat to public order or public security;
- a flagrant and repeated breach of the values of the Union through its activities;
- a conviction for a particularly serious criminal offence of the ECBA or of the members of its executive body committed in the name, on behalf or for the benefit of the ECBA;
- a conviction for a serious criminal offence of a member of the executive body for a particularly serious criminal offence committed after the creation of the ECBA where participation in the executive body by such person would constitute a threat to public order.

ECBA Committee

The Commission should be assisted by a Committee called the ECBA Committee. The Committee should monitor the implementation of this Directive and promote the exchange of information, experience and best practices as well as the coordination of policy approaches among national governments, competent authorities, and the Commission. The Commission should inform the Council and the European Parliament about the activities of the Committee on an annual basis.

| Transparency | | | | |
|----------------------|------------|------|------------|--|
| LAGODINSKY Sergey | Rapporteur | JURI | 31/01/2024 | Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege e.V. |
| LAGODINSKY Sergey | Rapporteur | JURI | 17/11/2023 | Deutscher Caritasverband e. V. |