OWN THE MACHINE

Regulation of the European Parliament and of the Council on harmonised rules for citizen participation in automated productivity gains (Citizens' Capital Regulation)

A citizens' draft, written in the open, objections first.

Draft at commit a331620, generated 2026-08-20. The living text and its review ledger: github.com/ownthemachine/own-the-machine.

Recitals

Whereas:

(1) The internal market comprises an area without internal frontiers in which the free movement of goods, services, persons and capital is ensured. The conditions under which highly automated undertakings operate in the internal market are increasingly the subject of divergent national initiatives, including proposals for levies on automated production, national social-dividend schemes and mandatory employee-participation regimes extended to undertakings with few employees. Such divergence creates fragmentation, distorts competition and gives undertakings an incentive to locate activities according to regulatory exposure rather than economic merit. Harmonised rules at Union level are therefore necessary.

(2) Advances in artificial intelligence and related automation technologies enable a new category of undertaking: one which attains very substantial turnover and market value while engaging very little human labour in production. Such undertakings are lawful, productive and often beneficial. Their emergence is nevertheless economically unprecedented, because the mechanisms by which productivity gains have historically been diffused through the population, above all wages and the broad taxation of labour income, presuppose that production requires labour at scale.

(3) Where output is substantially decoupled from employment, the gains from automation accrue by default to a narrow base of shareholders. No existing instrument of Union law addresses the resulting concentration of capital ownership. Competition law addresses conduct, not ownership; Regulation (EU) 2022/1925 addresses the contestability of digital markets; Regulation (EU) 2024/1689 addresses the safety of artificial intelligence systems. This Regulation complements those instruments by addressing the distribution of the ownership of automated production itself.

(4) The appropriate response is not a tax on the flows of automated production. Taxes on flows burden activity year by year, are borne in part by consumers and employees, depend on annual political renewal and treat the gains of automation as public revenue to be spent. The response chosen by this Regulation operates on assets instead: a limited, one-time right to subscribe for equity in the most labour-decoupled undertakings, held in a common reserve for the benefit of all Union citizens. An equity stake participates in gains only where gains exist, imposes no recurring burden on production and converts the automation dividend into broadly held capital rather than public expenditure.

(5) So that the obligations laid down in this Regulation apply only to undertakings in which the decoupling of output from labour is extreme, durable and of Union significance, undertakings should be designated on the basis of objective qualitative criteria, accompanied by quantitative thresholds giving rise to a rebuttable presumption. That architecture, which follows the model of Regulation (EU) 2022/1925, provides legal certainty for undertakings while preserving the ability of the Commission to designate on the facts and to disregard arrangements whose main purpose or effect is the avoidance of designation. Small and medium-sized enterprises fall far outside the thresholds and are unaffected by this Regulation.

(6) The quantitative thresholds should capture only undertakings of very substantial scale whose turnover per full-time equivalent, measured on the automated segment of their activity and counting labour in substance rather than in form, has no precedent in labour-intensive business. Counting labour in substance imposes a compliance burden that is confined to undertakings of that scale and is necessary to prevent avoidance of designation by fragmentation or subcontracting, which a form-based count would invite. For the same reason the thresholds should be assessed at the level of the group of linked enterprises, the single economic unit to which the value of the automated services accrues, so that no structuring of the group places the undertaking's Union activity beyond designation. The counting methodology is laid down in Annex I so that it can follow technological and market developments without amendment of the essential elements of this Regulation.

(7) Designation should follow a notification by the undertaking itself within a fixed period, with a decision of the Commission within a fixed period thereafter. Arguments against the presumption should be taken into account only where they manifestly call it into question, and arguments based on the definition of the relevant market should not be taken into account, since designation does not depend on a finding of market power. Where a designation is repealed, a warrant not yet crystallised should lapse after five years, ensuring legal certainty for the undertaking while preserving for a reasonable period the rights acquired by the Reserve.

(8) The citizens' capital warrant should be modest, precise and singular: a right to subscribe, at nominal value, for shares representing 3 % of the fully diluted capital of the covered undertaking, once per designation. The warrant should confer no voting rights and no influence over management, so that neither the Union nor any public authority obtains control or direction of any undertaking by virtue of this Regulation. This Regulation therefore leaves untouched the rules in Member States governing the system of property ownership and does not effect any transfer of any undertaking to public ownership.

(9) The warrant should crystallise only upon the first liquidity event following designation: an admission to trading, a change of control or a substantial secondary sale. Until such an event, the founders and investors of an undertaking realise no gain from it; at such an event, they do. Attaching the public stake to that moment means the stake is claimed at the point where value is crystallised by the undertaking's own choices, interferes with no going concern and takes nothing from any undertaking that never realises such value. For the same reason, an admission to trading which occurred before the entry into force of this Regulation should not constitute a liquidity event, and this Regulation should not apply to liquidity events completed before its entry into force.

(10) The warrant should be incapable of settlement in cash. It confers an entitlement to shares and to nothing else. It is accordingly not a levy, not a charge on turnover or profit and not revenue of any public authority, and it is so designed that no payment obligation towards any budget can arise from it. In excluding settlement in money, the prohibition restricts the freedom of the undertaking to structure the discharge of its obligation; that restriction is justified and proportionate, because it confines the interference to capital ownership and keeps the undertaking's operating liquidity untouched, which a cash alternative would not.

(11) Undertakings within the scope of this Regulation include undertakings governed by the law of third countries which meet the thresholds through their activity in the internal market. Equal treatment and the level playing field require that such undertakings assume obligations of equivalent effect. The obligations laid down in this Regulation attach only where activity in the internal market meets the thresholds laid down in it, so that their application to such undertakings rests on the immediate, substantial and foreseeable effects of their conduct within the internal market and not on the mere accessibility of their services. Where the law governing an undertaking does not give effect to the subscription right, the undertaking should be required to procure a subscription of equivalent effect as an obligation of result, without prejudice to the company law of its incorporation, and compliance should be secured through the enforcement powers laid down in this Regulation, including, as a last resort, the power to prohibit the making available of the relevant goods and services on the internal market.

(12) The issuance of shares pursuant to a citizens' capital warrant requires derogations from certain provisions of Directive (EU) 2017/1132 of the European Parliament and of the Council concerning pre-emption rights and the consideration for issued shares. Comparable derogations, adopted in the general interest, form part of the established acquis in the field of bank recovery and resolution. The derogations provided for in this Regulation are strictly limited to what the execution of the subscription requires, and they are necessary: an issuance that existing shareholders could pre-empt, or make conditional on a resolution of the general meeting, could not perform the function this Regulation assigns to it.

(13) This Regulation interferes with the right to property of the shareholders of covered undertakings, whose holdings are diluted upon crystallisation. That interference is provided for by law, genuinely meets an objective of general interest recognised by the Union and respects the essence of the right to property: it is a one-time dilution, capped at a stated percentage, borne at a moment of realised gain by the shareholders of undertakings whose value derives from an unprecedented decoupling of output from labour. The Court of Justice has consistently held that the right to property is not absolute and that its exercise may be regulated where regulation is proportionate to a legitimate aim of general interest. The interference effected by this Regulation is quantified, foreseeable from designation and less intrusive than measures already upheld in the field of bank resolution. Subscription at nominal value rather than by gratuitous transfer keeps the mechanism within the forms of company law while ensuring that the interference is the stated dilution and nothing more; requiring the Reserve to pay a market price would demand public expenditure this Regulation is designed not to need and would convert a mechanism of ownership into a budgetary one. The fair balance rests also on what the covered undertaking receives: a single harmonised regime of access to the internal market in place of divergent national levies and participation schemes, and the legal certainty of an interference fixed in advance in amount and in moment.

(14) Proportionality further requires safeguards. The dilution borne by shareholders is capped by this Regulation and verified by an independent valuation, which is challengeable separately from the transaction it accompanies and correctable in both directions. The safeguard the valuation secures is that the interference can never exceed the stated percentage in execution: the dilution is capped, its price is set by the liquidity event itself, and no application of this Regulation may take from shareholders more than the interference it names. That executional floor, not a crisis counterfactual, is what keeps the interference proportionate in a permanent regime. Neither designation nor crystallisation suspends, conditions or unwinds any transaction. Every decision taken under this Regulation is subject to effective judicial protection in accordance with Article 47 of the Charter of Fundamental Rights of the European Union.

(15) Where a liquidity event itself establishes a price, a valuation delivered in advance of the event would be conjecture about a number the event is about to produce. The independent valuation should therefore be delivered promptly after completion, while the legal effect of the subscription attaches at completion and its execution follows delivery of the valuation.

(16) The European Citizens' Capital Reserve should hold the warrants and the shares arising from them exclusively for the benefit of holders. Its assets and income are not public revenue: they should not enter the general budget of the Union or any national budget, and no payment should flow between the Reserve and any budget in either direction. In this the Reserve resembles a statutory funded pension scheme, whose assets are held for beneficiaries and are not at the disposal of any treasury, rather than a fund of the Union. The insulation of the Reserve from public finances is not an administrative preference but a constitutive feature: it is what makes this Regulation a mechanism of ownership rather than of taxation.

(17) The Reserve should be a passive owner. It should exercise no votes, seek no influence over the management of any undertaking and pursue no industrial policy. Its function is to hold and to distribute, not to direct. The mandatory presence of the Reserve in the capital of covered undertakings restricts the free movement of capital. That restriction is justified: it serves the general interest set out in these recitals, it applies without distinction to undertakings and investors of the Union and of third countries, and it is proportionate precisely because the statutory passivity of the Reserve withholds from it every attribute of special control that has led the Court of Justice to censure public shareholdings. A holding which can neither vote nor veto nor instruct exerts no public influence for an investor to fear.

(18) The Reserve should retain from its income what is necessary to preserve the real value of its capital and distribute the remainder. That rule, drawn from the practice of long-horizon sovereign funds, means distributions grow with the portfolio and compound across decades. It also means distributions begin modestly. This Regulation makes no promise of substantial early payments and should not be presented as making one; its horizon is generational.

(19) Every citizen of the Union who has reached the age of 18 years should hold an equal entitlement in the Reserve by operation of law, without application, means test or condition. Universality is design, not generosity: a means-tested entitlement would divide the population into contributors and recipients, invite perpetual contestation of the boundary and convert an ownership stake into a welfare payment. An equal entitlement held by all is defensible by all.

(20) The entitlement should be personal. It should be incapable of transfer, assignment, pledge, attachment, surrender or redemption, so that it cannot be bought out of the hands of those it serves, whether by markets, by creditors or by the holder's own moment of hardship. That restriction on the alienability of the entitlement is a justified and proportionate limitation under

Article 52(1) of the Charter and respects the essence of the right, since it attaches to the underlying entitlement only, while amounts distributed are the holder's property, freely usable and inheritable, and it is necessary so that the objective of durable, broadly held capital ownership is not defeated by immediate liquidation. Amounts distributed, once received, are ordinary property of the holder, inheritable and freely usable.

(21) Member States should administer entitlements through national vehicles, since Member States hold the civil registries and payment infrastructure that administration requires. Administration fees should be capped and entitlements portable, so that the quality of a Member State's administration cannot diminish the substance of a citizen's entitlement. The cap on fees limits the freedom of designated vehicles to set prices; that limitation is necessary and proportionate to prevent the erosion of the entitlement by administrative costs. The administration of entitlements is a service of general economic interest, and the cap is compatible with the freedom to conduct a business on the conditions Article 106(2) TFEU attaches to such services and proportionate under Article 52(1) of the Charter; Member States remain free to compensate designated vehicles for verifiable net costs above the cap.

(22) The history of pooled public assets is a history of raids. The assets of the Reserve should therefore be protected by enumerated prohibitions on lending, guarantee, transfer and encumbrance in favour of public authorities, and the Reserve should not acquire sovereign debt, so that it cannot become a captive purchaser of the obligations of any government. The exclusion of sovereign debt is a rule of portfolio governance internal to the Reserve, securing its independence, and restricts no movement of capital by any other person. An ordinary regulation cannot bind future legislatures, and this Regulation does not pretend otherwise; what it can do is ensure that no derogation from these protections arises by interpretation, and that any future weakening must be enacted expressly, in public, informed by the independent assessment its reporting provisions require.

(23) Penalties for non-compliance should be effective, proportionate and dissuasive, and set at a level meaningful to undertakings of the scale designated. Fines and periodic penalty payments should accrue to the general budget of the Union and not to the Reserve, so that the body holding assets for citizens never acquires a financial interest in the punishment of undertakings. Where an undertaking governed by the law of a third country persistently refuses to comply with its core obligations, the Commission should be empowered, as a measure of last resort and subject to proportionality, to prohibit the making available of the relevant goods and services on the internal market, since no other means of enforcement reaches an undertaking with no assets in the Union. Such a prohibition restricts the freedom to conduct a business recognised by Article 16 of the Charter of Fundamental Rights of the European Union, and should accordingly remain available only where no less restrictive measure can secure compliance, for as long as the refusal persists and no longer. So conditioned, the prohibition respects the essence of that freedom: it is temporary, reversible on compliance and confined to the goods and services concerned, and it leaves the undertaking's activity outside the internal market untouched.

(24) The premise of this Regulation, that automation at the designated scale durably decouples output from labour and concentrates ownership, is an empirical claim, and empirical claims can prove wrong. The Commission should monitor adoption, employment effects and ownership concentration, and where the evidence does not support the premise, should state so expressly and propose amendment or repeal. A regulation founded on a falsifiable claim should carry its own test.

(25) In order to keep the methodologies for counting turnover, employment and value, and for calculating the retention necessary to preserve the real capital of the Reserve, aligned with technological and market developments, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of amendments to Annexes I and II. The essential elements of this Regulation, including the designation criteria, the percentage and terms of the warrant, the entitlement and its protections, are laid down in the enacting terms and are not subject to delegation. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.

(26) In order to ensure uniform conditions for the implementation of this Regulation as regards the establishment of the list of independent valuers and their appointment, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council.

(27) The administration of entitlements involves the processing of personal data, limited to what the identification of holders and the execution of distributions require. That processing is necessary for the performance of a task carried out in the public interest, and no data beyond those fields should be collected or retained. Regulation (EU) 2016/679 applies to such processing. The European Data Protection Supervisor was consulted in accordance with Article 42(1) of Regulation (EU) 2018/1725 of the European Parliament and of the Council and delivered an opinion on [date].

(28) Since the objective of this Regulation, namely to ensure on the basis of harmonised rules that the gains of hyper-automated production in the internal market are broadly owned, cannot be sufficiently achieved by the Member States, because the undertakings concerned operate across the entire internal market and national measures would create the very divergence this Regulation removes, but can rather, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.

(29) This Regulation respects the fundamental rights and observes the principles recognised by the Charter of Fundamental Rights of the European Union, in particular Articles 16, 17, 20 and 47 thereof, concerning respectively the freedom to conduct a business, the right to property, equality before the law and the right to an effective remedy and to a fair trial.

(30) Application of the substantive obligations of this Regulation should be deferred so that undertakings, Member States and the Commission can prepare, while the notification obligation applies from entry into force so that the first designations follow without delay,

Article 1: Subject matter and scope

1. This Regulation lays down harmonised rules ensuring the participation of citizens of the Union in the capital value created by hyper-automated undertakings operating in the internal market.

2. To that end, this Regulation establishes:

(a) criteria and a procedure for the designation of covered undertakings;

(b) an obligation on covered undertakings to issue citizens' capital warrants to the European Citizens' Capital Reserve;

(c) the European Citizens' Capital Reserve and the rules governing its holdings and conduct;

(d) an individual entitlement of citizens of the Union to distributions from the Reserve, administered through national vehicles;

(e) rules protecting the Reserve and individual entitlements.

3. This Regulation applies to undertakings offering goods or services in the internal market, irrespective of their place of establishment.

4. This Regulation is without prejudice to Directive (EU) 2016/2341 and to Regulation (EU) 2019/1238, save as expressly provided in Article 11.

Article 2: Definitions

For the purposes of this Regulation, the following definitions apply:

(1) 'undertaking' means an entity engaged in an economic activity, regardless of its legal status and the way in which it is financed, including all linked enterprises within the meaning of Article 3(3) of the Annex to Recommendation 2003/361/EC;

(2) 'covered undertaking' means an undertaking designated pursuant to Article 3;

(3) 'automated cognitive services' means services whose provision depends to a significant extent on software systems, including artificial intelligence systems within the meaning of Article 3(1) of Regulation (EU) 2024/1689, performing tasks that would otherwise require human cognitive labour;

(4) 'citizens' capital warrant' means a financial instrument issued pursuant to Article 5 which confers the right to subscribe for shares in a covered undertaking;

(5) 'Reserve' means the European Citizens' Capital Reserve established by Article 8;

(6) 'liquidity event' means any of the following:
(a) the admission of shares of the covered undertaking to trading on a regulated market or multilateral trading facility, in the Union or in a third country;
(b) a change of control of the covered undertaking;
(c) one or more transactions within any period of 12 months by which shares representing at least 20 % of the capital of the covered undertaking are transferred for consideration;

(7) 'change of control' means the acquisition, directly or indirectly, of decisive influence over the covered undertaking within the meaning of Article 3(2) of Regulation (EC) No 139/2004;

(8) 'full-time equivalent' means the annual working time of one person employed full time, calculated in accordance with Annex I and including labour contracted from third parties in accordance with point 3 of that Annex;

(9) 'fair market value' means the value determined in accordance with Annex I on the basis of the most recent funding transaction, independent valuation or observable market price, whichever is most recent;

(10) 'holder' means a natural person in whom an entitlement is vested pursuant to Article 10;

(11) 'national vehicle' means the body or arrangement designated by a Member State pursuant to Article 11 to administer entitlements;

(12) 'distribution' means a payment made from the Reserve to holders pursuant to Article 10.

Article 3: Designation of covered undertakings

1. An undertaking shall be designated as a covered undertaking where:

(a) it provides automated cognitive services, or goods or services whose production depends to a significant extent on automated cognitive systems, in the internal market;

(b) the economic output of the undertaking is substantially decoupled from its employment of labour; and

(c) the position referred to in points (a) and (b) is durable.

2. An undertaking shall be presumed to satisfy:

(a) point (a) of paragraph 1, where it achieves an annual Union turnover equal to or above EUR 7,5 billion, or where its fair market value amounts to at least EUR 75 billion, and it provides the goods or services referred to in that point in at least three Member States;

(b) point (b) of paragraph 1, where its annual worldwide turnover from the provision of the goods and services referred to in point (a) of paragraph 1, divided by the number of full-time equivalents engaged in that provision, each calculated in accordance with Annex I, equals or exceeds EUR 5 million;

(c) point (c) of paragraph 1, where the thresholds in points (a) and (b) of this paragraph were met in each of the last two financial years.

3. Where an undertaking meets all the thresholds laid down in paragraph 2, it shall notify the Commission thereof within two months after those thresholds are met, providing the information listed in Annex I. A failure to notify shall not prevent designation on the basis of the facts available to the Commission.

4. The Commission shall, without undue delay and at the latest 45 working days after receiving the complete information referred to in paragraph 3, designate by decision the undertaking as a covered undertaking.

5. The undertaking may, with its notification, present sufficiently substantiated arguments demonstrating that, exceptionally, although it meets all the thresholds in paragraph 2, it does not satisfy the requirements of paragraph 1. Those arguments shall be taken into account only where they manifestly call the presumption into question; arguments based on the definition of the relevant market shall not be taken into account. Where such arguments require detailed assessment, the Commission may open a market investigation pursuant to Article 4(1) instead of designating within the period laid down in paragraph 4.

6. The Commission may designate as a covered undertaking any undertaking that satisfies the requirements of paragraph 1 without meeting the thresholds of paragraph 2, following a market investigation conducted pursuant to Article 4.

7. The obligations laid down in this Regulation shall apply to a covered undertaking irrespective of whether its shares are admitted to trading, and designation shall precede any liquidity event wherever the thresholds of paragraph 2 are met before that event.

8. An undertaking shall not segment, divide, combine or restructure its activities, or acquire or dispose of undertakings, where the main purpose or one of the main effects thereof is to avoid meeting the thresholds laid down in paragraph 2. The Commission shall disregard any such arrangement when applying this Regulation, and shall likewise disregard any attribution of consideration the main purpose or one of the main effects of which is to reduce the turnover referred to in point (b) of paragraph 2.

9. The Commission is empowered to adopt delegated acts in accordance with Article 15 to amend the methodology laid down in Annex I where necessary to reflect technological and market developments. Those delegated acts shall not amend the thresholds laid down in paragraph 2.

Article 4: Market investigation and review of designation

1. The Commission may conduct a market investigation for the purpose of Article 3(6). It shall conclude the investigation within 12 months by a decision designating the undertaking or closing the investigation.

2. The Commission shall review each designation at least every three years, and whenever the covered undertaking so requests on the basis of a substantial change in the facts on which the designation was based.

3. The Commission shall repeal a designation where the covered undertaking has not satisfied the requirements of Article 3(1) for two consecutive financial years. Repeal shall not be granted where the failure to satisfy those requirements results from an arrangement referred to in Article 3(8). Repeal shall not affect a citizens' capital warrant already issued, save that a warrant not yet crystallised shall lapse five years after repeal if no liquidity event has occurred by that date.

4. Before adopting a decision under this Article or under Article 3, the Commission shall communicate its preliminary findings to the undertaking concerned and give it the opportunity to be heard within a period of not less than 20 working days.

Article 5: The citizens' capital warrant

1. Within three months of its designation, a covered undertaking shall issue to the Reserve a citizens' capital warrant.

2. The citizens' capital warrant shall entitle the Reserve, upon the first liquidity event following issuance and only upon such an event, to subscribe at nominal value for newly issued shares representing 3 % of the fully diluted capital of the covered undertaking determined immediately before that event.

3. The citizens' capital warrant shall:

(a) confer no voting rights, no rights of information beyond those provided in this Regulation and no right to participate in the management of the covered undertaking, and the shares subscribed pursuant to it shall be non-voting for as long as they are held by the Reserve;

(b) be incapable of settlement in cash or in assets other than the shares referred to in paragraph 2;

(c) be non-transferable, save to a successor of the Reserve established by Union legislative act;

(d) impose no obligation on the covered undertaking prior to a liquidity event other than the notification obligation in paragraph 5.

4. The subscription referred to in paragraph 2 shall take effect by operation of law at the completion of the liquidity event. Where the law governing the covered undertaking does not give effect to the first sentence, the covered undertaking shall take all measures necessary to procure a subscription of equivalent effect no later than the completion of the liquidity event. The dilution resulting from the subscription shall not exceed the percentage laid down in paragraph 2. A covered undertaking shall not be required to hold more than one citizens' capital warrant in respect of the same designation. The subscription shall be executed within 20 working days of the delivery of the valuation referred to in Article 6, and the shares shall be paid up in full in cash at their nominal value upon execution.

5. A covered undertaking shall notify the Reserve and the Commission of any impending liquidity event no later than the earlier of its public announcement and 30 working days before its completion.

6. Article 49, Article 68(1), (2) and (3), the first subparagraph of Article 70(2) and Article 72 of Directive (EU) 2017/1132, and any corresponding provisions of the law of a Member State conferring pre-emption rights, requiring a decision of the general meeting or requiring an expert report on consideration, shall not apply to the issuance of the citizens' capital warrant or to the subscription of shares pursuant to it. Provisions of the law of a Member State restricting the proportion, issuance conditions or characteristics of non-voting shares shall not apply to the extent that they would prevent the issuance or holding of shares pursuant to this Article.

7. The issuance, offer and subscription of shares pursuant to this Article shall not constitute an offer of securities to the public for the purposes of Regulation (EU) 2017/1129, and the admission to trading of those shares shall be exempt from the obligation to publish a prospectus under that

Regulation where shares of the same class are already admitted to trading on the same regulated market.

8. The valuation of the fully diluted capital for the purposes of paragraph 2 shall be performed by an independent valuer appointed in accordance with Article 6, and shall be open to challenge before the courts in accordance with Article 7 separately from any other element of the designation or the event.

Article 6: Independent valuation

1. The valuation referred to in Article 5(8) shall be performed by a valuer who is independent of the covered undertaking, of the Reserve and of any party to the liquidity event, appointed by the Commission from a list established after an open call. The Commission shall establish the list and make appointments by means of implementing acts, adopted in accordance with the examination procedure referred to in Article 16(2).

2. The valuation shall determine the fully diluted capital of the covered undertaking immediately before the liquidity event, in accordance with internationally accepted valuation standards and, where the event itself establishes a price, on the basis of that price.

3. The valuer shall deliver the valuation within 20 working days of the completion of the liquidity event. The costs of the valuation shall be borne by the covered undertaking.

4. Where a court finds, pursuant to Article 7, that the valuation overstated the fully diluted capital, the Reserve shall transfer back to the covered undertaking, or cancel, the shares subscribed in excess of the percentage laid down in Article 5(2). Where a court finds that the valuation understated it, the covered undertaking shall issue the missing shares to the Reserve.

5. A challenge to the valuation shall not suspend the liquidity event or the subscription.

Article 7: Safeguards and judicial review

1. A challenge to the valuation referred to in Article 6 may be brought, separately from any challenge to the designation or to the liquidity event, before the courts of the Member State in which the covered undertaking has its registered office or, where it has none in the Union, before the Court of Justice of the European Union.

2. The dilution borne by the shareholders of a covered undertaking in consequence of this Regulation shall not exceed the percentage laid down in Article 5(2), determined on the basis of the valuation under Article 6 as corrected, where applicable, pursuant to Article 6(4).

3. This Regulation shall not affect any right of shareholders to compensation under the law of a Member State against parties other than the Reserve.

Article 8: The European Citizens' Capital Reserve

1. The European Citizens' Capital Reserve is established. The Reserve shall have legal personality and shall enjoy in each Member State the most extensive legal capacity accorded to legal persons under the law of that Member State.

2. The Reserve shall hold its assets exclusively for the benefit of holders. Its assets and income shall not constitute revenue of the Union or of any Member State and shall not be entered in the general budget of the Union or in any public budget.

3. The Reserve shall be financed exclusively by the instruments referred to in Article 5, by the proceeds of their crystallisation and by the returns on its assets. It shall receive no contribution from, and shall make no payment to, the general budget of the Union or the budget of any Member State.

4. The Reserve shall retain from its realised income in each financial year the amount necessary to preserve the real value of its capital, calculated in accordance with the methodology laid down in Annex II, and shall make the remainder available for distribution pursuant to Article 10(6). No distribution shall be financed by borrowing or by the disposal of holdings effected for the purpose of the distribution.

5. The Reserve shall publish annually audited accounts, the valuation of its holdings and the calculation referred to in paragraph 4.

6. The Reserve shall not be considered an investment firm within the meaning of Directive 2014/65/EU, an alternative investment fund or an alternative investment fund manager within the meaning of Directive 2011/61/EU, or an institution for occupational retirement provision within the meaning of Directive (EU) 2016/2341.

7. The Commission is empowered to adopt delegated acts in accordance with Article 15 to amend the methodology laid down in Annex II where necessary to preserve the real value of the capital of the Reserve in the light of market developments.

Article 9: Prohibited holdings and conduct of the Reserve

1. The Reserve shall not:

(a) exercise, directly or indirectly, any voting right attached to any share it holds;

(b) seek or accept representation in the administrative, management or supervisory bodies of any undertaking;

(c) give instructions, formally or informally, to any undertaking in which it holds an interest;

(d) acquire an interest in any undertaking otherwise than pursuant to Article 5, by reinvestment of its income or by prudent diversification of crystallised holdings;

(e) borrow, save for temporary liquidity purposes not exceeding 2 % of the value of its assets;

(f) grant loans or guarantees;

(g) enter into derivative contracts, save for hedging currency risk on assets it holds.

2. The Reserve shall manage its holdings with the sole objective of long-term preservation and growth of value for the benefit of holders.

Article 10: The citizens' entitlement

1. Every citizen of the Union who has attained the age of 18 years shall hold an entitlement under this Regulation.

2. The entitlement shall arise by operation of law. It shall not be subject to any condition relating to income, wealth, employment, contribution history or any other personal circumstance, nor to any application, save registration for payment purposes with a national vehicle.

3. All entitlements shall be equal. No act of the Union or of a Member State shall differentiate between holders in the amount distributed per holder in respect of the same period.

4. The entitlement shall comprise:
(a) the right to an equal share of every distribution declared by the Reserve in respect of a period during which the holder was living and met the condition in paragraph 1; and
(b) the right to have undistributed amounts standing to the holder's account with a national vehicle treated as the holder's property, which shall be inheritable in accordance with the law applicable to succession.

5. The entitlement referred to in paragraph 4(a) shall be personal to the holder. It shall be incapable of assignment, pledge, attachment or seizure, and it shall not be capable of surrender or redemption against payment.

6. The Reserve shall declare a distribution at least once in each calendar year in which the realised income of the Reserve, after operating costs and the retention determined pursuant to Article 8, permits a distribution greater than zero. Distributions shall be paid through national vehicles into the individual account of each holder.

Article 11: National vehicles

1. Each Member State shall designate, within 12 months of the entry into force of this Regulation, one or more national vehicles to administer entitlements. Existing institutions within the meaning of Directive (EU) 2016/2341, providers within the meaning of Regulation (EU) 2019/1238 and statutory funds may be designated. By way of derogation from Article 7 of Directive (EU) 2016/2341, an institution designated as a national vehicle may carry out the account administration and distribution activities provided for in this Regulation. A provider within the meaning of Regulation (EU) 2019/1238 designated as a national vehicle shall maintain holders' accounts separately from any product governed by that Regulation, and the requirements of that Regulation shall not apply to those accounts.

2. A national vehicle shall:

(a) maintain an individual account in the name of each holder registered with it;

(b) credit distributions to holders' accounts without deduction other than charges permitted under paragraph 3;

(c) treat amounts standing to a holder's account as the holder's property in accordance with Article 10(4)(b);

(d) apply no condition of access other than identity and the condition in Article 10(1).

3. Charges levied by a national vehicle on holders shall not exceed the costs actually incurred in administering the accounts and in any event 0,3 % annually of the amounts administered. A Member State may compensate a national vehicle for verifiable net costs exceeding that ceiling; such compensation shall not be charged to holders or to the Reserve.

4. Where a Member State has not designated a national vehicle, or where the designated vehicle does not comply with paragraph 2, a holder residing in that Member State may register with a national vehicle of another Member State, which shall not refuse the registration on grounds of residence.

5. National vehicles shall process personal data in accordance with Regulation (EU) 2016/679 and only for the purposes of this Regulation.

Article 12: Protection of the Reserve and of entitlements

1. The assets of the Reserve and the entitlements of holders shall not be cancelled, written down, compulsorily redeemed, seized, transferred, suspended, lent, encumbered or otherwise applied, in whole or in part, for the benefit of the general budget of the Union, of any Member State or of any public body, by any act of the Union or of a Member State.

2. The Reserve shall not acquire or hold, directly or indirectly, debt instruments issued or guaranteed by the Union, by a Member State, by a regional or local authority of a Member State, by a central bank or by any body the obligations of which are guaranteed by any of them.

3. This Regulation shall not be interpreted as authorising any authority of the Union or of a Member State to derogate from paragraphs 1 and 2.

4. Every holder, and every national vehicle acting for its holders, shall have the right to an effective remedy before a court or tribunal against any act or omission infringing this Article, in accordance with Article 47 of the Charter of Fundamental Rights of the European Union.

Article 13: Penalties

1. The Commission may by decision impose on a covered undertaking fines not exceeding 10 % of its total worldwide turnover in the preceding financial year where it finds that the undertaking, intentionally or negligently:

(a) fails to issue the citizens' capital warrant in accordance with Article 5(1);

(b) fails to take the measures required by the second sentence of Article 5(4);

(c) fails to notify a liquidity event in accordance with Article 5(5);

(d) supplies incorrect, incomplete or misleading information under Article 3(3) or Article 4;

(e) circumvents or attempts to circumvent Article 3(8).

2. The Commission may by decision impose periodic penalty payments not exceeding 5 % of the average daily worldwide turnover of the covered undertaking in the preceding financial year for each day of continued non-compliance, in order to compel compliance with the obligations referred to in paragraph 1.

3. Where a covered undertaking that is not established in the Union persistently fails to comply with the obligations referred to in points

(a) and (b) of paragraph 1, the Commission may by decision, as a measure of last resort and for no longer than the non-compliance persists, prohibit the making available of the goods and services referred to in point (a) of Article 3(1) on the internal market by that undertaking.

4. In fixing the amount of a fine or periodic penalty payment, the Commission shall have regard to the gravity, duration and recurrence of the infringement. Before adopting a decision under this Article, the Commission shall give the undertaking the opportunity to be heard.

5. The Court of Justice of the European Union shall have unlimited jurisdiction within the meaning of Article 261 TFEU to review decisions under this Article and may cancel, reduce or increase the fine or periodic penalty payment imposed.

6. Fines and periodic penalty payments imposed under this Article shall accrue to the general budget of the Union. They shall not accrue to the Reserve.

Article 14: Monitoring and evaluation

1. The Commission shall monitor, on the basis of data published by the European Central Bank, Eurostat and the national statistical institutes:

(a) the diffusion of automated cognitive systems among undertakings in the Union;

(b) the distribution of household holdings of equity instruments in the Union;

(c) the share of value added accruing to labour and to capital in the sectors in which covered undertakings operate;

(d) the number of designations, crystallisations and distributions under this Regulation and their amounts.

2. By 31 December 2032, and every three years thereafter, the Commission shall evaluate this Regulation and submit a report to the European Parliament, the Council and the European Economic and Social Committee.

3. The report shall state, on the basis of the indicators in paragraph 1, whether the premise of this Regulation that gains from automated cognitive systems accrue disproportionately to the holders of the systems remains supported by the evidence. Where the report finds that the share of undertakings referred to in point (a) of paragraph 1 exceeds one quarter and that neither the indicator in point (b) nor the indicator in point (c) of that paragraph shows the concentration the premise predicts, the report shall say so expressly and shall be accompanied, where appropriate, by a proposal for the amendment or repeal of this Regulation.

4. Where a report under paragraph 2 accompanies or precedes a proposal for the amendment of Article 5, Article 8, Article 10 or Article 12, it shall include an independent assessment of the effect of the proposal on the entitlements of holders.

5. The report shall be published.

Article 15: Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2. The power to adopt delegated acts referred to in Article 3(9) and Article 8(7) shall be conferred on the Commission for a period of five years from the entry into force of this Regulation. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the five-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.

3. The delegation of power referred to in Article 3(9) and Article 8(7) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.

5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

6. A delegated act adopted pursuant to Article 3(9) or Article 8(7) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 16: Committee procedure

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 17: Transitional provisions

1. An undertaking that meets the thresholds laid down in Article 3(2) on the date of entry into force of this Regulation shall make the notification under Article 3(3) within two months of that date.

2. Where the shares of a covered undertaking were admitted to trading before the entry into force of this Regulation, that admission shall not constitute a liquidity event. The citizens' capital warrant of such an undertaking shall crystallise upon the first liquidity event within the meaning of point (b) or point (c) of Article 2(6) occurring after its designation.

3. A liquidity event completed before the entry into force of this Regulation shall not give rise to any obligation under Article 5.

Article 18: Entry into force and application

1. This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

2. It shall apply from [OP: please insert the date 18 months after the date of entry into force of this Regulation], with the exception of Article 3(3), Article 11(1) and Article 17(1), which shall apply from the date of entry into force of this Regulation.

3. This Regulation shall be binding in its entirety and directly applicable in all Member States.

Annex I: Methodology for turnover, employment and value

1. Union turnover

Annual Union turnover comprises the amounts derived by the undertaking during the financial year from the sale of products and the provision of services to undertakings or consumers in the Union, after deduction of sales rebates and of value added tax and other taxes directly related to turnover. Turnover is attributed to the Union where the customer is established or, in the case of consumers, resident in the Union. Intra-group transactions are excluded. Where the undertaking comprises linked enterprises, turnover is calculated on a consolidated basis.

2. Turnover of the automated segment

The turnover referred to in point (b) of Article 3(2) comprises the worldwide turnover derived from the provision of the goods and services referred to in point (a) of Article 3(1). Where such goods or services are sold together with other goods or services for a single consideration, the consideration is attributed between them on a consistent and documented basis reflecting their relative stand-alone value.

3. Full-time equivalents

The number of full-time equivalents engaged in the provision referred to in point 2 comprises: (a) persons employed by the undertaking, in proportion to their annual working time relative to full-time employment; (b) persons placed at the disposal of the undertaking, or performing services which form part of that provision, under contracts with third parties, including temporary agency work, service contracts and subcontracting, in the same proportion; (c) persons engaged through any other arrangement the substance of which is the supply of labour to that provision. A person is counted under only one of points (a) to (c). The number is the annual average for the financial year. Labour engaged in the development, maintenance, supervision and support of the automated cognitive systems concerned forms part of the provision.

4. Fair market value

Fair market value is determined by reference to the most recent of the following, adjusted for capital raised or returned since: (a) the price per share paid in the most recent transaction in which shares representing at least 2 % of the capital were issued or transferred for consideration to persons independent of the undertaking, applied to the fully diluted capital; (b) an independent valuation prepared in accordance with internationally accepted valuation standards within the preceding 12 months; (c) where shares of the undertaking are admitted to trading, the average market capitalisation over the preceding six months.

5. Information accompanying a notification

A notification pursuant to Article 3(3) contains: (a) the identity of the undertaking and of all linked enterprises; (b) the calculations referred to in points 1 to 4, with the data and attribution bases used; (c) the audited financial statements for the last two financial years; (d) a description of the goods and services referred to in point (a) of Article 3(1) which the undertaking provides, and of the automated cognitive systems on which their provision depends; (e) the law governing the undertaking and, where that law is the law of a third country, the measures by which the undertaking intends to give effect to Article 5.

Annex II: Methodology for the retention preserving real capital

1. Retention

The amount to be retained pursuant to Article 8(4) in respect of a financial year is the amount necessary so that the capital of the Reserve at the end of that year, measured at fair value, is not lower in real terms than its capital at the end of the preceding financial year, after account is taken of: (a) inflation, measured by the harmonised index of consumer prices for the Union published by the Commission (Eurostat); (b) unrealised changes in the fair value of the Reserve's holdings, to the extent recognised under point 3.

2. Distributable amount

The distributable amount for a financial year is the realised income of the Reserve for that year, comprising dividends, interest, proceeds of disposals in excess of carrying value and other realised returns, less the retention under point 1 and less the administrative costs of the Reserve. Where the retention under point 1 equals or exceeds realised income, the distributable amount is zero; the shortfall is carried forward and retained from the realised income of subsequent years before any distribution.

3. Smoothing

For the purposes of point 1, changes in fair value are recognised evenly over five financial years from the year in which they arise. The distributable amount for a financial year does not exceed the greater of: (a) 125 % of the average of the distributable amounts for the three preceding financial years; and (b) 2 % of the capital of the Reserve at the end of that year.

4. Exclusions

For the purposes of point 2, realised income excludes amounts obtained by borrowing and the proceeds of disposals of holdings effected for the purpose of funding a distribution.

Memorandum: the objections, at full strength

The case against this Regulation

Drafted first, before any article, on the discipline this project inherits: if the instrument cannot survive this file, we fix the instrument, not the prose. Each objection is stated in its strongest form, with its best sources. Each ends with the design consequence it imposes. The consequences accumulate into the constraints table at the end, which is the checklist the articles must clear before anything else is written.

Objections marked **CONCEDED** are limits of the instrument that the memorandum states plainly rather than argues away. That is not a courtesy. It is what distinguishes a legal proposal from campaign copy, and it is the entire credibility strategy of this project.

A. Legal

1. This is expropriation

The objection, at full strength. A statutory requirement that undertakings issue equity warrants to a public reserve takes property. Article 17 of the Charter of Fundamental Rights protects the right to own, use and dispose of lawfully acquired possessions, and permits deprivation only in the public interest, in cases and under conditions provided for by law, and subject to fair compensation paid in good time. A compulsory warrant dilutes existing shareholders with no compensation at all; the dilution is the point. Article 345 TFEU adds that the Treaties shall in no way prejudice the rules in Member States governing the system of property ownership. The Court has narrowed Article 345 considerably, but a hostile Legal Service reading has ample material, and shareholders of affected firms will litigate from day one.

What it gets right. A warrant requirement does transfer value from existing shareholders to the reserve. Pretending dilution is not a taking of value would be dishonest, and the memorandum must not do it.

The answer the instrument must give. Three structural choices, none optional. First, the warrant must be drafted as a condition of access to the Single Market for a defined category of undertaking, prospective and uniform, in the family of regulatory obligations the Court has upheld when proportionate (capital requirements, universal service obligations, DMA gatekeeper duties), not as a seizure of existing holdings. Second, it must apply only above high, objective thresholds, so proportionality review has something to hold on to. Third, it must carry consideration: the reserve is a passive, non-controlling holder, the warrant crystallises only at liquidity events, and the covered undertaking receives the legal certainty of a single harmonised regime in place of twenty-seven national experiments. Whether that consideration is sufficient is the single largest legal risk in the project, and Gate 1 exists to test it.

The drafting research (18 August) settled the architecture to use: BRRD is the judicially validated template for interfering with equity by act of law (Kotnik C-526/14, Ledra C-8/15 P, Aeris Invest C-535/22 P), and the instrument adopts its machinery: an honest interference recital naming Charter Article 17, a full proportionality recital under Article 52(1) of the Charter, and a quantified executional safeguard with independent, separately challengeable valuation. One adaptation is mandatory: BRRD's counterfactual is insolvency, and a permanent regime cannot lean on crisis reasoning (Dowling C-41/15), so our floor is executional rather than counterfactual: the interference can never exceed the stated 3 % in execution, its price is set by the liquidity event itself under an independent and separately challengeable valuation, and no application of the instrument may take more than the interference it names. The doctrine underneath is older than any of this: property in the Union legal order is not an unfettered prerogative but is protected in its social function, and may be restricted in the general interest where the restriction is proportionate and leaves the right's substance intact (Hauer 44/79; Bosphorus C-84/95). The instrument's restriction is quantified, event-bound and substance-preserving by construction, which is what those cases require the legislature to show.

Design consequence. DC-1: prospective warrant on future value creation at defined events, never retroactive transfer of existing shares. DC-2: high group-consolidated thresholds. DC-3: passivity and crystallisation-at-events written into the instrument itself.

2. This is a tax, and the EU may not levy it this way

The objection, at full strength. Call it a warrant; it functions as a levy. Article 114(2) TFEU excludes fiscal provisions from internal market harmonisation, so if the measure is fiscal in substance the chosen legal base collapses; the honest bases would be Article 113 or 115, which require unanimity in Council, which is unobtainable. The Commission has refused ECIs that drift into own-resources territory, and the Legal Service reads substance, not labels. The dividend side makes it worse: a recurring payment to every adult, funded by an obligation on firms, looks like a tax-and-transfer scheme wearing a corporate-finance costume.

What it gets right. The boundary is real and the characterisation battle decides registrability. This is the objection most likely to kill the full ask at Gate 1.

The answer the instrument must give. The measure must take nothing in money from any undertaking in any year. No cash flows from firms to the state at all. The reserve receives instruments, holds them, and distributes returns on what it owns, exactly as any shareholder does. Dividends to citizens are property income from an owned portfolio, not the proceeds of a levy: the Norwegian fund's distributions are not a tax on anyone. The drafting must police this line everywhere: no revenue-based charges, no minimum payments, no cash-settlement options that would let the obligation collapse into a fee. And the ask must be layered so that if the Legal Service still reads it as fiscal, the severable outer layer (assess and propose instruments for citizen participation in automated productivity gains) registers on its own.

Recalibration from the drafting research: registration is a lower hurdle than this objection assumes. The test is "manifestly outside" the Commission's powers (Reg 2019/788 Art 6(3)(c)), partial registration is judicially established (C-899/19 P), and the Commission registered the EU wealth-tax ECI in 2023. The characterisation fight is real but is fought in Council, after registration. The layering therefore protects the campaign moment; the warrant-not-levy drafting protects the instrument's life after it.

Design consequence. DC-4: no monetary flow from undertakings; instruments only. DC-5: distributions defined as property income of the reserve. DC-6: severable layering for partial registration.

3. The Union has no competence to pay citizens a dividend

The objection, at full strength. Even if the warrant survives, the dividend side has no home. The Union budget operates under an own-resources ceiling; a Union body paying a recurring universal benefit to every adult has no Treaty basis; social security design is a Member State competence; and subsidiarity review would ask, fairly, why citizen accounts must be European at all when Ireland, Denmark and the Netherlands run national systems that work. Table 29 makes the point against us: pension funding runs from 49.1% in the Netherlands to 0.0% in France. Systems this different cannot be harmonised, and should not be.

What it gets right. The Union genuinely cannot and should not run twenty-seven citizens' accounts from Brussels, and the proposal dies at subsidiarity review if it tries.

The answer the instrument must give. Split the instrument along the competence line. The Union harmonises what is genuinely single-market: which undertakings issue warrants, on what terms, to what kind of reserve, with what governance. Custody and distribution federate to Member States through existing rails: Denmark has LD, Ireland has MyFutureFund, Poland has PPK, the Netherlands is mid-conversion into individual DC pots. The precedent is PEPP: a Union framework, national compartments. The Union never touches the money; it defines the instrument and the minimum standards (universality, lock-up, raid-proofing) that national implementations must meet.

Design consequence. DC-7: Union-level warrant and reserve standards; Member State custody and payout through existing pension rails. DC-8: minimum standards, not uniform machinery.

B. Economic

4. Firms will pass the cost to consumers, so citizens pay their own dividend

The objection, at full strength. The incidence literature on corporate taxation is unambiguous that legal and economic incidence differ; a substantial share of corporate burdens lands on workers and consumers. A warrant obligation raises the cost of operating in Europe; covered firms reprice; the citizen's dividend arrives net of the citizen's own higher prices. The scheme is then a circular pump with deadweight loss.

What it gets right. Some pass-through of any burden is real and claiming zero incidence would be amateurish.

The answer the instrument must give. Equity dilution has materially different incidence from a flow charge. A levy on revenue enters marginal cost and prices directly; a one-time issuance of warrants exercisable at future liquidity events changes the division of a future capital gain among shareholders and does not enter this year's marginal cost at all. The firm's optimal price today is unchanged by who owns claims on its eventual exit value. Pass-through is not zero, because expected dilution can raise the cost of capital at the margin, and the memorandum should say so, with the honest note that this effect is second-order next to any revenue levy, which is precisely why the instrument is a warrant and not a levy.

Design consequence. DC-9 (reinforces DC-4): the obligation must never be convertible into a flow charge, because the incidence answer depends on it.

5. Covered firms will leave, or never come

The objection, at full strength. Draghi's report already concedes the ground: it is too late for the EU to develop systematic challengers to the major US cloud providers; the US ITK market grows at 12.7% against Germany's 4.1%; only four of the world's top fifty technology companies are European. Add a warrant obligation and the marginal AI investment goes to London, Zurich or Austin. Worse, thresholds invite structuring: a revenue-per-employee test is gamed by pushing headcount into subcontractors, exactly the offshore structuring Capgemini's numbers already show at scale.

What it gets right. Threshold gaming is certain, not possible, and the competitiveness anxiety is the strongest political headwind in Brussels this decade.

The answer the instrument must give. The obligation attaches to selling into the Single Market, not to being located in it, exactly as the DMA and GDPR attach. The empirical record since is that gatekeepers absorbed designation and stayed, because 450 million high-income consumers are not optional; the DMA investigations into AWS and Azure did not produce an exit, they produced compliance teams. Structuring is answered by consolidation: thresholds computed on group-consolidated figures including contracted-out labour by economic substance, with the burden on the undertaking to show otherwise. And the honest concession: at the margin some investment will route elsewhere, which is a real cost, to be weighed in the memorandum against the documented cost of the alternative, which is that the gains concentrate entirely outside Europe anyway. The Synergy history is the exhibit: Europe declined to regulate its cloud market into openness, and its providers fell from 29% to 15% of their own home market unregulated.

Design consequence. DC-10: market-access nexus, not establishment nexus. DC-11: group consolidation with substance-over-form headcount rules.

6. Warrants on private companies cannot be valued, voted or sold

The objection, at full strength. The covered class is dominated by private undertakings. A reserve holding warrants on private micro-giants holds paper with no market price, no liquidity and no exit; either it pressures for early listings, distorting capital markets, or it sits on unvalued claims for a decade and the dividend it promises cannot be paid. Meanwhile the governance question is a trap in both directions: a passive mega-holder is the feeble owner of the Bebchuk critique, and an active one is a political sovereign shareholder in every major firm. Greece's HCAP shows the overcorrection: maximal raid-proofing achieved by placing the asset beyond citizens' reach entirely.

What it gets right. All of it. This is the hardest design problem in the instrument, harder than the legal base.

The answer the instrument must give. The warrant is dormant until a liquidity event: listing, change of control, or qualifying secondary sale. Until then it requires no valuation, pays nothing and votes nothing; at the event it converts at the event price, with no discretion. This matches the book's own window (claim the stake while the asset forms, crystallise when the market prices it) and removes the valuation and governance problems in one move: the reserve holds non-voting economic interests, permanently, by statute, accepting the Bebchuk cost deliberately because the alternative, a politically voted stake in every large firm, is worse. The dividend in early years is funded by crystallisations, not by holdings, and the memorandum must say plainly that the dividend starts small and compounds, Norway-style, and that anyone promising otherwise is not us. Two-thirds of Norway's fund is compound return; the honest pitch is the rule, not the first cheque.

Design consequence. DC-12: event-triggered crystallisation, no ongoing valuation. DC-13: permanently non-voting economic interests. DC-14: the dividend is communicated as compounding from small, never as immediate income.

C. Empirical

7. The European labour share has not fallen, so the diagnosis is wrong

The objection, at full strength. AMECO, verified at source: the EU27 adjusted wage share fell 1.2 points in thirty years; Germany's is at a series high; France is above its 1995 level; compensation of employees was a larger share of EU output in 2025 than in 2015, 2019 or 2022. The corporate profit share spike of 2022 has fully reversed to below its 2019 level. The Regulation's premise, that machine-driven gains are leaving European labour, is contradicted by the best available aggregate data, and any recital claiming otherwise is checkable and wrong.

What it gets right. Everything it states. This project's own evidence base established it, and no recital may argue a European labour-share collapse.

The answer the instrument must give. The premise is ownership, not the wage share. Sixty per cent of euro-area households own their home; eleven per cent own listed shares; the top decile holds eighty-three per cent of directly held shares against the bottom half's two; the bottom half's portfolio is sixty-three per cent housing and three per cent equity. That distribution is current, verified and undisputed, and it means that however large the machine's dividend turns out to be, almost no European holds an instrument that pays it. The Regulation is insurance whose premium is cheapest before the event: if the mechanism documented at the platform layer (French software and cloud growing at +8.2% on price increases while the services layer shrinks; German software at +9.9% against services at +3.1%) reaches the aggregate labour market, the stake exists; if it never does, citizens own a diversified claim on European technology, which is not an injury. The in-time test is the answer to the premature-legislation charge, not a vulnerability of it.

Design consequence. DC-15: recitals argue ownership concentration and mechanism, never wage-share decline. DC-16: the memorandum presents the instrument's value under BOTH futures, arrival and non-arrival.

8. The best microdata finds nothing for AI to answer for

The objection, at full strength. Humlum and Vestergaard, on Danish registers covering twenty-five thousand workers: precise null effects on earnings and hours, nothing above two per cent, two years after ChatGPT. The OECD finds no break in postings for exposed occupations and a flat euro-area youth gap. The German federal government told the Bundestag there are keine Hinweise that AI has reduced entry-level chances. Only a fifth of EU firms with ten or more staff used any AI in 2025. Legislating a permanent constitutional-grade structure on this evidence is panic dressed as foresight.

What it gets right. The nulls are real, well-identified and from the best registers in Europe. The memorandum cites them in full or loses its credibility.

The answer the instrument must give. Three things, honestly. First, the nulls measure wages and hours, not ownership: a uniform shift of returns from labour to capital is structurally invisible to difference-in-differences designs, which the Danish authors themselves concede (the absence of measurable labour market effects is not evidence that nothing is happening), and their working paper's estimate that only three to seven per cent of productivity gains passed through to earnings vanished from the published version along with the paper's own title. Second, the diffusion number cuts both ways: a mechanism used by a fifth of firms has not yet had its aggregate chance, which is the argument for building the instrument before rather than after. Third, the memorandum should carry its own falsification condition, in the open: if adoption passes a quarter of firms and neither factor shares nor ownership-weighted gains have moved by a defined date, the accelerationist premise is wrong and the case reduces to the ownership-gap argument alone, which stands on its own feet. A proposal that states what would refute it is a different genre from everything else in Brussels, and that is the point of this project.

Design consequence. DC-17: cite the strongest nulls in the memorandum itself. DC-18: a stated falsification condition with a date.

D. Political

9. You are building the next honeypot, and Europe raids honeypots

The objection, at full strength. In one article of law, Poland cancelled 51.5% of the units in every member's pension account and took the Treasury bonds first. Spain drew its reserve fund down 97% and passed the protection law afterwards. Hungary took the lot. Ireland's NPRF, the closest thing to this proposal an EU state has built, was liquidated into a bank rescue within a decade of its creation. Even the Union itself announced InvestAI at 200 billion and reprogrammed existing funds to stage it.

The historical base rate for European states leaving large pools of citizens' capital alone is poor, and a bigger pool is a bigger prize. Estonia adds the mirror case: given the claim and the exit simultaneously, a quarter of the fund walked out in a month, and the leavers earned below the median.

What it gets right. This is the book's own chapter 10 thesis returned as an objection, and it is the strongest political argument in the file. The raid is not a tail risk; on the European record it is the modal outcome.

The answer the instrument must give. Design against the actual statutes, clause by clause. Against Poland: the reserve may not hold the sovereign debt of any Member State or of the Union, removing the self-dealing channel that made OFE worth cancelling. Against Spain: the prohibition on disposal is in the founding Regulation from day one, not retrofitted, and amendment of the protection provisions is reserved to express legislative change accompanied by a published independent assessment of the effect on holders; a Regulation cannot prescribe voting thresholds or delays for future legislatures, and pretending otherwise would hand critics the easiest ridicule in the file. Against Ireland: no emergency-use clause of any kind, because the NPRF's raid was lawful under its own emergency provisions. Against Estonia: the periodic entitlement is incapable of surrender or redemption against payment, so there is no exit for a buyout to purchase, which is the failure Estonia proved; amounts already distributed are the holder's property, inheritable, the Danish device that held. Against Greece: raid-proofing must never be achieved by removing the citizen's claim, which is the failure dressed as success. And one honest sentence the memorandum must contain: no drafting defeats a determined future sovereign; the design goal is to make the raid loud, slow and electorally expensive, which is the most any constitution has ever achieved.

Design consequence. DC-19: no sovereign debt holdings. DC-20: entrenchment as friction from day one: express amendment only, a published independent assessment, and honesty about Treaty limits. DC-21: no emergency clause. DC-22: individual claims incapable of surrender; distributed amounts owned and inheritable. DC-23: the raid-resistance claim is stated as friction, never as impossibility.

10. The EU cannot even disburse what it announces

The objection, at full strength. The AI Gigafactories call opened eighteen months after the 200 billion announcement; construction is promised from 2027; the Commission's sovereign-cloud tender awarded 180 million against a single hyperscaler's 33.7 billion in Spain. The institutional metabolism that would operate this Regulation moves at a pace the underlying economy does not recognise. A citizens' reserve run at that pace would crystallise warrants years late and distribute nothing for a decade.

What it gets right. The disbursement record is accurately damning and the memorandum gains nothing by disputing it.

The answer the instrument must give. Put no Union spending machinery on the critical path. The obligation runs directly from covered undertakings to the reserve: warrants issue by operation of law upon crossing the thresholds, crystallise by operation of law at events, and the reserve's task is custody and distribution, not procurement. Nothing needs to be built, tendered or disbursed for the instrument to function; the contrast with InvestAI is the design, not an embarrassment to it.

Design consequence. DC-24: self-executing obligations by operation of law; no grant, tender or programme machinery anywhere in the instrument.

E. Philosophical

11. Everyone gets richer anyway: the consumer surplus answer

The objection, at full strength. Nordhaus estimated that innovators capture around two per cent of the social value of their innovations; the rest diffuses to consumers through falling prices and new possibilities. The steam engine made everyone richer without a single citizen holding a warrant on Boulton and Watt. If AI follows the pattern, the ownership question is a distraction: the gains arrive in everyone's basket regardless of whose name is on the equity.

What it gets right. Consumer surplus is real, large and the main channel through which technology has historically raised living standards. The book concedes it; the memorandum must too.

The answer the instrument must give. Two facts sit beside the diffusion story without contradicting it. First, the lag: British real wages stagnated for roughly half a century after Watt while output exploded, and the broadening arrived through unions, franchise and factory legislation, not through prices alone; the people who lived inside the pause did not get those decades back, and whoever owned the mine did not wait. An instrument claimed at the door is the difference between experiencing the pause with and without an asset. Second, the stock and the flow are different questions: cheaper consumption and concentrated wealth are compatible, and the euro area currently demonstrates the combination, with record employment beside an ownership distribution of eighty-three against two. The dividend does not obstruct diffusion; it adds an ownership channel beside the price channel.

Design consequence. DC-25: the memorandum affirms consumer surplus and positions the instrument as additive to it, never as a correction of a falsehood.

12. A dividend buys neither status nor purpose

The objection, at full strength. Positional goods reprice against any universal transfer: give everyone more and the house in the right street costs more. And income without work solves rent, not Tuesday afternoon: the structure, standing and belonging that employment supplies as a by-product are not in the reserve's gift. The proposal oversells what capital income can do for a displaced person.

What it gets right. CONCEDED in full. These are the book's own chapters 11 and 13 and they bind its regulation exactly as they bind its argument.

What the memorandum must therefore say. The instrument's scope statement, prominently: this Regulation addresses the distribution of machine-generated capital income and nothing else. It does not promise status, purpose, meaning or the best table, and any campaign material that implies otherwise is wrong by the proposal's own text.

Design consequence. DC-26: an explicit scope-and-limits recital.

13. This is universal basic income with extra steps

The objection, at full strength. Strip the corporate finance and a citizen receives a recurring unconditional payment from a public body. That is UBI, a policy the electorate has weighed repeatedly and cheaply funded versions of which already failed to collect even an ECI's signatures. The warrant machinery is complexity added to disguise a transfer as a return.

What it gets right. The payment is indeed unconditional and universal, and the family resemblance is real at the point of receipt.

The answer the instrument must give. The difference is not in the receiving but in the standing. A benefit is a flow from the annual budget, renegotiated annually, cancellable by simple majority, funded by a shrinking wage base; the account here is property, in the citizen's name, inheritable, funded by returns on assets the citizen collectively owns. Poland could cancel account units by statute precisely because they held claims on the state itself; Denmark's LD has paid for forty-six years because it holds market assets in named accounts. The tagline is the answer in six words: capital for all, so the dividend follows. The order is the argument.

Design consequence. DC-27 (reinforces DC-22): named, inheritable individual accounts, so the UBI comparison fails on legal form, not on rhetoric.

14. Pensions already do this; use them

The objection, at full strength. Europe already possesses the machinery for broad capital ownership: the Netherlands has just moved 605 billion into individual DC entitlements, Sweden's premium pension has compounded at 5.35% real since 2000, and the American case shows retirement accounts spreading equity to 58% of households without any statutory warrant. Build pensions, not novelties.

What it gets right. The delivery rails exist, work and are trusted, and any design that ignores them is wasteful.

The answer the instrument must give. Pensions convert wages into ownership, and the wage is the input this transition erodes; every pension vehicle in Europe assumes an employer and a payroll deduction, which is exactly the assumption chapter 6 shows failing. The funded share of accrued pension wealth is 7.8% in Belgium and 0.0% in France: the rails reach the employed of the funded countries and no one else. The warrant severs the funding source from the wage: the reserve's returns flow into precisely those national account rails (DC-7) whether or not the citizen ever held a payroll job. Pensions are the pipe; this is a new source feeding it.

Design consequence. DC-28 (reinforces DC-7): distribution through existing national pension rails; the novelty is confined to the funding source, where it is necessary.

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15. A euro a year is an insult, not a policy

The objection, at full strength. Run the instrument's own simulator on cautious assumptions and it pays a citizen a euro or two a year for its first decade. No rational person values that; no voter campaigns for it; no journalist resists the headline. The apparatus is grotesquely disproportionate to its payload: a new Union body, a designation regime, valuation machinery, comitology, penalties reaching 10 % of worldwide turnover, all to deliver less than the price of a coffee. Worse, the project's own honesty doctrine forbids promising more. An initiative that must, by its own rules, tell every signer "you will not feel this for twenty years" has chosen a message no mass campaign has ever won with. Basic income at least promises the rent.

What it gets right. The early flow is genuinely small, and the campaign is structurally barred from inflating it. The collection risk is real: deferred rewards lose to immediate ones on every doorstep.

The answer the instrument must give. Three parts. First, the smallness is calibration, not failure: the instrument's size tracks the phenomenon's size by construction. Three per cent of little is little, taken from almost no one, and in that world Article 14(3) obliges the Commission to report that the premise failed and to propose amendment or repeal; a permanently small dividend is the falsification condition firing, not the policy limping. The dividend is only ever small in the world where the problem is also small. Second, the claim can only be bought early. The Danish worker's frozen 1978 instalment of DKK 4 368, pointless money at the time, is DKK 119 506 today; two thirds of Norway's fund is compound return, not oil. The alternative timing, claiming the stake after the gains are visible and the owners entrenched, is expropriation and politically impossible. The euro buys the certificate, and the certificate is the point. Third, the stock outruns the flow: on the same cautious assumptions the Reserve stands at roughly EUR 400 of owned capital behind every citizen by year thirty, before any single year's payout impresses. A campaign that shows the payout without the stake is misdescribing its own instrument.

Design consequence. This objection is why DC-14 exists (never lead with an early-year figure), why Article 14(3) carries the falsification condition on its face, and why Annex II distributes income and never principal. It adds one mechanical rule of its own: wherever a per-citizen payout figure is shown, the per-citizen stake in the Reserve is shown beside it (DC-31).

16. This is a golden share, and the Court strikes golden shares down

The objection, at full strength. For twenty years the Court has dismantled every special public equity position in the internal market. Commission v Germany (C-112/05) struck the Volkswagen Law because voting caps and a blocking minority gave public authorities influence exceeding their investment and thereby deterred direct investment; the Portuguese, French, Italian, British and Dutch golden shares fell the same way under what is now Article 63 TFEU. A Union-chartered Reserve holding a statutory 3 % of every covered undertaking is a golden share cast as a regulation: a permanent state-adjacent shareholder no investor chose, planted in the capital structure of every frontier firm, deterring exactly the cross-border investment Article 63 protects. Article 345's neutrality about systems of ownership did not save the Volkswagen Law and will not save this. The deterrence is not hypothetical: every venture round in a covered undertaking now prices a mandatory future dilution.

What it gets right. The dilution is real and investors will price it, and any position that carried control-flavoured rights would fall exactly as Volkswagen fell. The golden-share cases are the controlling jurisprudence for any public equity position, and the instrument must be drafted against them, not around them.

The answer the instrument must give. The golden-share line condemns one thing: special rights of control disproportionate to investment, voting caps, blocking minorities, approval vetoes, board seats, the machinery by which a state steers a company it does not own. The instrument constructs the exact inverse, in the articles rather than in assurances. The Reserve's holding carries no vote, ever (Articles 5(3)(a) and 9(1)(a)); no board presence (Article 9(1)(b)); no instructions (Article 9(1)(c)); no acquisitions beyond the warrant and index-style diversification (Article 9(1)(d)); no leverage or derivatives that would make it a strategic actor (Article 9(1)(e) to (g)). What remains is pure economic participation, the position of any passive minority holder, which is the position Norway's fund holds at comparable scale across European listed undertakings without an Article 63 case ever being brought. What the case law demands of any restriction that survives, the instrument answers on its face: non-discrimination (identical treatment of Union and third-country undertakings under Article 3), an overriding general interest stated in the recitals, and proportionality carried by the fixed 3 %, the independent and separately justiciable valuation (Articles 5(8), 6 and 7) and the Article 52(1) balance. And unlike every struck golden share, this is not a Member State reserving national influence against integration: it is a uniform Union rule for the whole internal market, and its uniformity removes the divergence that national participation schemes would create. The honest residue is that mandatory future dilution is itself a cost investors will price; objection 4 prices it, and proportionality, not denial, is the defence.

Design consequence. DC-13's permanent non-voting rule and Article 9's conduct prohibitions are this objection's answer in law. It adds one rule of its own: no amendment may ever attach a control right, veto or governance privilege to the Reserve's holdings; economic participation is the constitutional maximum (DC-32).

17. You are seizing equity in companies Europe does not govern

The objection, at full strength. The warrant obligation reaches undertakings incorporated in Delaware or Singapore, whose shares sit offshore and whose systems are built offshore, because their services are used in the Union. Public international law lets the Union regulate foreign conduct only where it has immediate, substantial and foreseeable effects in the internal market (Gencor T-102/96; Intel C-413/14 P), and even then it regulates conduct, not ownership: no effects-doctrine case has ever required a foreign parent to dilute its own capital. Third-country governments will treat a compulsory 3 % subscription in their champions as expropriation by regulation, answerable under investment treaties and trade commitments, and they will retaliate. The Union would be claiming a power it would never concede to others: a foreign statute demanding 3 % of a European champion's equity as the price of serving that market.

What it gets right. A warrant on a foreign parent whose only Union link is that its website resolves would overreach and would deserve to lose. The nexus must be economic substance in the Union, not accessibility. Retaliation is a real cost and reciprocity a real argument.

The answer the instrument must give. Four structural choices, all already in the articles. First, the trigger is Union commerce, not Union accessibility: designation requires provision in the internal market with EUR 7,5 billion of annual Union turnover in at least three Member States (Article 3(2)(a)), an economic-presence test far above any effects-doctrine threshold, and the rents being shared are by construction rents drawn from Union users. Second, the undertaking is the group: 'undertaking' consolidates linked enterprises (Article 2(1)), the single-economic-unit principle of Union competition law (Akzo Nobel C-97/08 P), so no thin Union subsidiary can shield the parent to which the automated services' value actually accrues. Third, the mechanism respects foreign company law rather than purporting to override it: for undertakings governed by third-country law the subscription is an obligation of result (Article 5(4)), enforced through Article 13 as a condition of continuing access to the internal market, the architecture of every market-access condition the Union already imposes, and the company-law derogations of Article 5(6) reach Member State law only. Fourth, the condition is universal: Union undertakings bear it identically, so a treaty claim or trade panel has no discrimination to hold on to, and reciprocity runs in the instrument's favour, because a Union that asserts the principle accepts it from others.

Design consequence. DC-10's market-access nexus and DC-2's group consolidation are this objection's answers in law. It adds one rule of its own: for undertakings governed by third-country law, the warrant is an obligation of result enforced as a market-access condition, never a purported override of foreign company law (DC-33).

The constraints table

The articles are drafted against this table. A draft that violates a DC fails review regardless of its prose.

DC	Constraint	Source objection
DC-1	Prospective warrants on future value; never retroactive transfer	1
DC-2	High, objective, group-consolidated thresholds	1, 5, 17
DC-3	Statutory passivity; crystallisation at events only	1, 6
DC-4	No monetary flow from undertakings; instruments only	2, 4
DC-5	Distributions are property income of the reserve	2
DC-6	Severable layering for partial ECI registration	2
DC-7	Union warrant standards; Member State custody via pension rails	3, 14
DC-8	Minimum standards, not uniform machinery	3
DC-9	Obligation never convertible into a flow charge	4

DC	Constraint	Source objection
DC-10	Market-access nexus, not establishment nexus	5, 17
DC-11	Substance-over-form headcount consolidation	5
DC-12	Event-triggered crystallisation; no ongoing valuation	6
DC-13	Permanently non-voting economic interests	6, 16
DC-14	Dividend communicated as compounding from small	6
DC-15	Recitals argue ownership and mechanism, never wage-share decline	7
DC-16	Value stated under both futures	7
DC-17	Strongest nulls cited in the memorandum itself	8
DC-18	Stated falsification condition with a date	8
DC-19	No sovereign debt holdings	9
DC-20	Entrenchment from day one: express amendment only, published independent assessment, honesty about Treaty limits	9
DC-21	No emergency clause	9
DC-22	Individual claims incapable of surrender or seizure; distributed amounts owned and inheritable	9, 13
DC-23	Raid resistance claimed as friction, never impossibility	9
DC-24	Self-executing by operation of law; no programme machinery	10
DC-25	Consumer surplus affirmed; instrument additive to it	11
DC-26	Explicit scope-and-limits recital	12
DC-27	UBI distinction carried by legal form	13
DC-28	Funding-source novelty only; existing rails for delivery	14
DC-29	Interference capped at the stated percentage in execution; independent, separately challengeable valuation; judicial review	1

DC	Constraint	Source objection
DC-30	Essential elements (trigger, reserve ownership, entitlement, interference) in the articles, never delegated	1
DC-31	Wherever a per-citizen payout figure is shown, the per-citizen stake in the Reserve is shown beside it	15
DC-32	No control right, veto or governance privilege may ever attach to the Reserve's holdings	16
DC-33	For third-country-law undertakings the warrant is an obligation of result as a market-access condition, never an override of foreign company law	17

Status

All objections OPEN until the articles answer them; 12 is CONCEDED by scope. Objections 16 and 17 were added on 20 August 2026 from an external challenge (the Article 63 golden-share line; qualified-effects overreach); their answers were already in Articles 3, 5(4) and 9, which is what drafting against the table is for, and the residue they add is DC-32 and DC-33. Objection 1 carries the largest legal risk and objection 6 the largest design risk. Gate 1's admissibility letter still leads with objections 1 and 2, but recalibrated by the drafting research: registration is the lower hurdle (manifestly-outside test, partial registration, the registered wealth-tax ECI), so the letter tests the characterisation for the Council stage, not for the register.

Memorandum: severability

Severability layering

How the instrument decomposes when institutions start cutting, and what each cut costs. This document is strategy, not law: it binds the drafters and the campaign, and the layer-fidelity gate reviews the articles against it. It exists because the legal-basis gate's standing finding is real: the complete instrument's centre of gravity is contestable, and the honest response is to know in advance which parts stand on which legal basis, and what the ask becomes at each stage of trimming.

The four layers

Layer 0: the question (survives everything)

The ask that survives any trimming, including partial registration of a European Citizens' Initiative under the settled case law allowing it:

> The Commission is asked to assess, and to propose instruments for, the participation of citizens of the Union in the productivity gains of hyper-automated production, including designation criteria for undertakings whose output is substantially decoupled from employment, and mechanisms by which the gains of such production become broadly owned.

Nothing in Layer 0 requires any particular legal basis, because it asks for an assessment and a proposal, which is what an initiative may ask. Registration of Layer 0 is the Gate 1 floor: if the Commission will not register even this, the project's premise about the legal channel fails and the kill criterion in campaign/GATES.md applies.

Layer 1: designation and transparency (Article 114 TFEU, comfortable)

Articles 1 to 4, 14, 16, 18, with Annex I; penalties limited to the notification and information duties; recitals 1 to 7, 24 to 26, 28 to 30.

A regulation that designates hyper-automated undertakings on harmonised criteria, makes the designation public, and reports on adoption, employment effects and ownership concentration. It harmonises exactly the thing Member States are starting to do divergently, on the DMA's own architecture, and it carries the falsification condition. No warrant, no Reserve, no entitlement.

This layer is defensible under Article 114 on the DMA precedent with no novel doctrine. It is also, standing alone, worth having: designation plus the Article 14 evidence base is what every subsequent instrument, Union or national, would build on.

Layer 2: the warrant (Article 114 TFEU, contested; fallback 352)

Articles 5 to 7, 13 in full, 15, 17, with the company-law derogations and the valuation machinery; recitals 8 to 15, 23.

The obligation to issue the citizens' capital warrant, crystallising on the first liquidity event, with the BRRD-pattern safeguards. The Article 114 case: it removes the incentive for divergent national levies and participation schemes (recital 1), harmonises the company-law derogations the subscription needs, and secures the level playing field between Union and third-country undertakings. The attack (legal-basis gate, first run): the centre of gravity is redistribution, not market-building, and Article 114(2) excludes fiscal provisions; the controlling line is Tobacco Advertising (C-376/98), which demands genuine obstacles or appreciable distortions, not a desirable policy. The defence rests on the non-fiscal structure being real (Article 8's insulation, settlement in shares only), not asserted, and on recital 1's divergence record being genuine.

If the characterisation fails, this layer moves to Article 352: unanimity in Council, consent of the Parliament. That is a political mountain, and this document says so rather than pretending otherwise.

Layer 3: the Reserve and the entitlement (Article 352 TFEU, honestly)

Articles 8 to 12, with Annex II; recitals 16 to 22, 27.

The Reserve as a new Union-level body holding assets for citizens, the universal entitlement arising by operation of law, national vehicles, the raid-proofing. Creating a new body with legal personality and a direct Union-to-citizen property relationship is where Article 114 is weakest and where the subsidiarity objection concentrates. The body-creation precedents cut both ways: Article 114 has sustained Union bodies that serve harmonisation (ENISA, C-217/04; ESMA's intervention powers, C-270/12), but a new legal form standing apart from national laws required what is now Article 352 (the European Cooperative Society, C-436/03), and a Reserve owing citizens a direct property relationship resembles the second more than the first. The honest position: Layer 3 is drafted to be defensible under Article 352, and its unanimity requirement is priced in. The campaign's answer to "you will never get unanimity" is the wealth-tax precedent: the fight is meant for the Council, in public, on the record.

Decomposition rules

1. Every layer must function with the layers above it struck. Layer 1 without Layers 2 and 3 is a designation-and-evidence regulation. Layers 1 and 2 without Layer 3 would park crystallised shares with an independent depositary pending a distribution instrument; that escrow amendment is not in the draft, because in the draft the Reserve exists, but it is the prepared answer if Layer 3 is severed in legislative procedure, and no article may be drafted in a way that forecloses it.
2. No article may create a dependency downward on a higher-numbered layer's existence, other than Layer 2's delivery of shares to the Reserve, for which point 1's escrow is the severance answer.
3. The memorandum must argue each layer's basis separately. A single centre-of-gravity argument for the whole instrument concedes the weakest layer's characterisation to the strongest layer's opponents.
4. At Council stage, concessions run top down: Layer 3 is conceded to a separate instrument before Layer 2 is weakened, and Layer 2 is conceded to Article 352 procedure before Layer 1 is

abandoned. Nothing in Layer 1 is conceded; it is the floor above Layer 0.

5. The ECI registration ask is Layer 0 as primary request with the full Regulation annexed as the suggested instrument, so that partial registration, if the Commission insists on it, trims the annex and not the ask.

What this costs and why it is worth it

Layering is a concession in advance, and hostile readers will quote it as lack of confidence. The alternative is a monolith that dies whole at its weakest point, which is how most redistributive proposals at Union level have died. The book's own analysis is that the mechanism matters more than the vehicle: designation and evidence (Layer 1) create the factual record; the warrant (Layer 2) is the mechanism; the Reserve (Layer 3) is one distribution architecture among several possible. Losing Layer 3 to an intergovernmental or successor instrument loses elegance, not the point.