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Corporate M&A 2026

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Luxembourg: Law and Practice

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LUXEMBOURG

Law and Practice

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Contents

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1. Trends

1.1 M&A Market

The EU M&A market faced headwinds in 2023 and 2024 due to persistent macroeconomic uncertainty, geopolitical tensions, and rising interest rates. These circumstances impacted market sentiment, valuations, and the cost of debt financing deals, leading to an overall decrease in cross-border M&A volumes globally and in the Luxembourg market, although certain resilient sectors showed selective deal activity in the second half of 2024.

However, 2025 has seen a clear rebound in both deal values and M&A activity compared with 2024, supported by falling volatility in interest rates, improved investor confidence and more favourable financing conditions. In Luxembourg, M&A activity has accelerated further in 2025, driven by sector-specific consolidation and strategic acquisitions, especially in financial services, asset management and technology sectors.

Looking ahead to 2026, deal makers remain cautiously optimistic. Market forecasts anticipate further acceleration in M&A activity as macro-economic conditions stabilise and private equity firms seek to deploy uncommitted dry powder accumulated during recent years. Financing conditions are expected to improve further, encouraging both corporate acquirers and financial sponsors to pursue strategic transactions with greater confidence.

Additionally, companies are seeking to enhance their competitiveness in the evolving market landscape through supply chain restructuring, energy transition policies, digital transformation and the rapid integration of AI, further fostering deal opportunities.

At the same time, ongoing legislative and regulatory developments continue to play a significant role in shaping M&A activity, impacting deal structures, compliance requirements and strategic decision-making for both companies and investors. These regulatory dynamics remain key market drivers alongside traditional financial and strategic considerations.

1.2 Key Trends

The number of M&A deals steered through Luxembourg vehicles into other markets remains high, even as domestic deal volume is relatively small and mostly focused on the financial sector. Political stability, the robust legal framework and the growing fund and finance industries contribute to making the Luxembourg market a key hub for cross-border transactions, facilitating a significant volume of M&A activity targeted at European-based assets through Luxembourg-based structures.

There is a mix of private and public M&A transactions in Luxembourg, while the key sectors remain diverse, and M&A targets are typically located outside of Luxembourg. M&A transactions with European targets initiated from a Luxembourg (investment fund or other) structure remain common due to the attractiveness of the stable and positive legal and business environment in Luxembourg.

In recent years, the structuring of M&A deals has evolved in response to increasing market complexity and risk factors. For instance, the due diligence process has become increasingly crucial, requiring deeper assessments of the financial conditions and the impact of external factors such as the energy crisis, recent geopolitical tensions and inflationary pressures on the target companies' business volumes (including supply chain, imports and exports, currency controls, business continuity, insurance and risks to material contracts). At the same time, the growing use of AI-driven tools has significantly accelerated due diligence processes, enabling more efficient data review, risk identification and document analysis, while also raising new considerations relating to data accuracy, cybersecurity and regulatory compliance. While the impact of the COVID-19 pandemic has largely subsided, heightened importance has been given to discussions on material adverse change clauses or political force majeure elements, along with a more thorough evaluation of compliance risks, including AML/KYC and sanctions compliance, as well as counterparty and governance risks associated with a potential investment. In addition, ESG matters have become an important element for M&A due diligences.

In response, parties are re-evaluating deal structures, with purchasers increasingly opting to mitigate liquidity concerns by reducing the amount of cash considerations. Earn-out provisions, such as tying a portion of the purchase price to the performance of the target company after closing, have proven to be an effective tool for purchasers to manage risk and mitigate market volatility.

At the same time, AI is also transforming deal-making. Companies are starting to leverage AI-driven analytics to streamline operations and optimise investment strategies, making AI adoption an important element of M&A activity in 2025 and expected to remain so in 2026 and beyond.

See also **3.1 Significant Court Decisions or Legal Developments**.

1.3 Key Industries

Key sectors in the M&A market in Luxembourg, apart from the fund industry, include cargo transportation and logistics, energy, automotive and engineering, as well as technology, media and telecommunications. Consistent with recent years, the technology sector has been a significant driver of market activity, both nationally and globally, and is expected to maintain its prominence in 2026 given the ongoing pursuit of digital transformation and the rise of AI.

The investment funds industry continues to play a major role in the Luxembourg financial and legal market. As of 31 December 2025, the total net assets of Luxembourg supervised undertakings for collective investments (UCIs) amounted to EUR6,199.370 billion. UCI net assets increased in 2025, with the overall volume rising by 6.52% over the past 12 months. It thus appears evident that although market challenges persist, equity markets showed signs of recovery in 2025, fuelled by optimism surrounding rate cuts and decreasing inflation.

Several significant transactions were announced in 2025 and early 2026, in both the financial sector and non-financial sector.

In February 2025, Blackfin Capital Partners, a private equity firm, completed its acquisition of Lemanik Asset Management, a Luxembourg-based third-party management company. The transaction, which received approval from the CSSF, positions Blackfin to support Lemanik Asset Management as an independent provider while pursuing further acquisitions of independent management companies and specialised divisions of asset managers and banks.

In May 2025, Apex Group, the global fund and asset servicing provider, announced it had acquired a majority stake in Tokeny, a Luxembourg-based fintech specialising in tokenisation solutions, which provides an institutional-grade platform for the compliant tokenisation of financial assets on blockchain networks.

In September 2025, FE fundinfo, a UK-headquartered financial data and technology provider, announced the acquisition of AlphaOmega, a Luxembourg-based regulatory reporting specialist. The acquisition expands FE fundinfo's presence in Luxembourg, making Luxembourg the second-largest global operation centre after the UK, reinforcing the Grand Duchy's position as Europe's leading investment fund centre. The deal follows FE fundinfo's 2022 acquisition of Fundsquare, further consolidating its presence in the Luxembourg fund services market.

In September 2025, Keyrock, the Brussels-based crypto liquidity provider, announced the acquisition of Turing Capital, a Luxembourg-registered alternative investment fund manager, to launch its asset and wealth management division. The new division will focus on delivering long-term digital asset strategies to institutional and private investors.

Furthermore, in February 2026, Chesnara, the UK-listed life and pensions consolidator, agreed to acquire Scottish Widows Europe, a Luxembourg-based closed life insurer, from Lloyds Banking Group for EUR110 million. The transaction adds EUR1.7 billion in assets under administration and approximately 46,000 policies with holders in Germany, Austria and Italy. Chesnara intends to use the Luxembourg platform as a base for further European consolidation, citing the Grand Duchy's position as a major cross-border insurance hub. Completion is expected towards the end of 2026, subject to regulatory approvals.

As for deals in the non-financial sector, in January 2026, Luxembourg-based EmTroniX, a developer of advanced space electronics, announced its merger with French antenna and radio frequency specialist Anywaves to form a unified industrial group. The combined entity will operate across France, Luxembourg and the United States, employing over 110 staff, with a focus on delivering integrated radio frequency and payload subsystem technologies to commercial, institutional and defence space customers. The transaction reflects ongoing consolidation among European space SMEs seeking to offer fully integrated solutions.

In February 2026, Eurofiber, the Dutch digital infrastructure provider, announced the acquisition of LuxNetwork, a B2B telecommunications operator based in Luxembourg, which operates a high-capacity DWDM network connecting Luxembourg to major European digital hubs including Frankfurt, Brussels, Paris and Amsterdam, serving financial institutions, technology companies, and media operators.

In February 2026, Flix, the German mobility group known for its Flixbus and Flixtrain brands, announced it had acquired a majority stake in Flibco, the Luxembourg-founded digital platform specialising in airport transfers, which operates in seven countries and serves major European airports including Brussels-Charleroi, Frankfurt, Milan-Malpensa, London-Stansted and Bergamo, based on an asset-light model with local partners. SLG (formerly Sales-Lentz Group), the previous majority shareholder, retains a significant minority stake and remains a strategic partner.

Also in February 2026, Fielmann Group, the Hamburg-based optical and audiology giant serving around 30 million active customers through more than 1,200 points of sale in Europe and the United States, announced the acquisition of Opti-Vue, the leading exclusive vision care network in Luxembourg, which operates ten shops with around 80 employees and will continue to operate independently while benefiting from the Group's scale and resources. The transaction reflects Fielmann's strategy of selectively integrating local brands with strong roots while respecting their identity and operational autonomy.

Moreover, in February 2026, InPost S.A. (a Luxembourg-incorporated company) and a consortium comprising Advent International, FedEx Corporation, A&R Investments Ltd. and PPF Group announced an agreement for an all-cash public tender offer through a Luxembourg vehicle for all InPost shares at EUR15.60 per share, for a total transaction value of approximately EUR7.8 billion. InPost is a leading e-commerce solutions operator in Europe, specialising in out-of-home deliveries and automated parcel lockers. Following the transaction, the consortium will be structured with Advent at 37%, FedEx at 37%, A&R at 16%, and PPF at 10%. Completion of the transaction is expected in the second half of 2026, with the publication of the offer document anticipated in Q2 2026.

2. Overview of Regulatory Field

2.1 Acquiring a Company

Legal Framework for the Acquisition of Luxembourg Companies

The key legislation for M&A deals is the Luxembourg Law of 10 August 1915 on commercial companies, as amended (the "Corporate Law"). Since undergoing a comprehensive reform in 2016, this legislation has further bolstered Luxembourg's appeal as a destination for M&A and joint ventures by providing an even better corporate vehicle platform. Additionally, the contractual provisions within Luxembourg's Civil Code, governing the relationships between transaction parties, contribute to the country's stable legal framework for the sale and purchase of company vehicles in Luxembourg.

On 23 August 2023, the Ministry of the Economy introduced before the Luxembourg Parliament a draft bill of law No 8296 (the "8296 Bill") regarding a mandatory ex ante notification and screening procedure for mergers concerning certain entities operating in Luxembourg. The 8296 Bill provides that any merger, acquisition or creation of a joint venture that does not fall under the EU merger control regime set out in Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the "EU Merger Regulation") shall be notified in advance to the Luxembourg competition authority, if (i) the aggregate turnover realised in Luxembourg by

all enterprises involved in the concentration exceeds EUR60 million; and (ii) at least two of the enterprises participating in the concentration generate an individual turnover in Luxembourg of at least EUR15 million. The 8296 Bill was expected to be converted into law in the course of 2025; however on 3 June 2025, the Council of State issued an opinion formally opposing the 8296 Bill in its current form, citing significant structural, legal and drafting deficiencies that fail to meet constitutional standards of legal certainty.

Lastly, on 23 January 2025, the bill of law No 8053, transposing Directive (EU) 2019/2121 on cross-border conversions, mergers and divisions, has been adopted by the Luxembourg Parliament (the "Merger Control Law") and entered into force four days after its publication in the Luxembourg Official Journal. The provisions will facilitate corporate mobility within the EU by harmonising domestic legislation with regard to cross-border conversions, mergers and divisions. Furthermore, the Merger Control Law enhances the protection of creditors, particularly those with outstanding claims, without undermining the transaction, while also introducing the right of withdrawal for minority shareholders with voting rights and establishing the right of employees to be informed about the impact of the forthcoming transaction on their employment conditions.

Most Common Ways to Acquire a Company

The most common ways to acquire a company in Luxembourg are either by buying shares in the company operating the target business (a share purchase) or by buying the target business itself (an asset purchase). In a share purchase, the shares of the company are transferred to the buyer by the shareholders of the target company by means of a share purchase agreement, with all the target company's assets and liabilities being acquired by the buyer. In an asset purchase, the parties (ie, the buyer and the company itself) enter into an asset purchase agreement which specifies the assets, liabilities and obligations to be transferred to the buyer as a result of the acquisition. Since an asset purchase leads to a change of ownership of the assets themselves, more consents and approvals are likely to be required compared to a share purchase.

Another means of acquiring control over a company is by a merger. Under the Companies Law, a merger can be carried out by absorption of one or more companies by another or by incorporation of a new company. In respect of a merger by absorption, one or more companies transfer to another pre-existing absorbing company, following dissolution without liquidation of the absorbed companies. In respect of a merger by incorporation of a new company, several companies transfer to a new company that they form, similarly leading to a dissolution without liquidation of the absorbed companies. The absorbing company (whether pre-existing or newly incorporated) will assume all the assets, liabilities and obligations of the absorbed companies.

In addition, the Merger Control Law introduces two additional categories of merger by absorption into domestic legislation:

- upstream merger, where a company transfers by way of dissolution without liquidation the entirety of its assets and liabilities to its parent company; and
- side-stream merger, where a company transfers by way of dissolution without liquidation the entirety of its assets and liabilities to an existing company without the issue of new shares by such existing company on the condition that one person is the direct or indirect shareholder of all shares in the merging companies or that the shareholders of the merging companies hold their shares in the same proportion in all of the merging companies.

Alternative Means of Acquisition

Growth by way of strategic partnerships/alliances can be considered as alternative means of acquisition. If a company already has a mature service, it can grow its business by selling a franchise or licence to another company. It is also common in Luxembourg that the parties pool their resources by setting up a joint venture entity. A joint venture entity is a business arrangement of international investors coming together from different regions of the world. By setting up a separate new joint venture entity, the parties may protect their main businesses against the risk of failure of such joint investment.

It is also common for a larger, private company to acquire a group of businesses where the old shareholders of the group roll over into the new structure, set up by the buyer. In this scenario, the old shareholders become minority shareholders in the newly formed entity, retaining a vested interest in the business while benefiting from financial support provided by the buyer. This approach enables old shareholders to maintain involvement in the business while operating as co-investors alongside the buyer.

2.2 Primary Regulators

For M&A transactions relating to the acquisition of regulated corporate vehicles in Luxembourg, the CSSF must approve changes to companies' shareholding structures. Furthermore, the CSSF supervises takeover bids where the target company has its registered office in Luxembourg and the company's securities are admitted to trading on a regulated market in Luxembourg.

In addition, the Luxembourg government can interfere with contemplated acquisitions that involve Luxembourg companies doing business in highly sensitive governmental areas (see **2.3 Restrictions on Foreign Investments**).

For antitrust-related regulators, see **2.4 Antitrust Regulations**.

2.3 Restrictions on Foreign Investments

In order to implement Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019, the law of 14 July 2023 establishing a mechanism for the national screening of foreign direct investments (the "FDI Law") was adopted. This law applies to direct investments not completed before 1 September 2023 made by foreign investors (ie, natural persons or legal entities residing outside the European Economic Area) seeking to acquire control over a Luxembourg entity operating in critical sectors within the Grand Duchy of Luxembourg (such as energy, transportation, water, healthcare, communications, data processing and storage, aerospace, defence, finance, and media, as well as the trade of dual-use goods).

Foreign investments potentially falling within the scope of the FDI Law must be notified to the Luxembourg Ministry of the Economy before their completion together with certain information related to the investment (such as product, services, business operations and countries of business activity). A screening ministerial committee will then perform a preliminary analysis of whether a screening process is necessary. The Ministry of the Economy and the Ministry of Finance will then conduct a screening procedure to assess whether the contemplated FDI is likely to affect security or public order, and a decision will be taken to either prohibit or allow the investment.

Following the screening procedure, the investment may be authorised subject to conditions pursuant to Article 8 (3) of the FDI Law. These may include restrictions on the level of shareholding acquired, the appointment of a government commissioner with participation and veto rights within the company's corporate bodies, and protective measures to preserve strategic assets, such as requirements that intellectual property, know-how and production activities remain in Luxembourg and are not transferred or disclosed without prior approval.

The scope of the regime is potentially broad, covering every investment made in Luxembourg by a non-European investor taking control of a Luxembourg entity operating in one of the relevant sectors. However, the impact of the new FDI Law can be considered minimal. First, the FDI Law does not add any substantial requirements for financial firms, given that any merger or acquisition contemplated by such entities must be in any case approved in advance by the competent regulatory authority. Moreover, the FDI Law does not apply to "portfolio investments", meaning that UCITS retail fund holdings are exempt from the screening regime. Lastly, although private equity fund investments potentially fall under the FDI Law, it is not common for private equity funds based outside the EU to acquire targets in Luxembourg.

2.4 Antitrust Regulations

The authority responsible for regulating competition in Luxembourg is the National Competition Authority (formerly known as the Competition Council), an independent public institution with legal personality and financial and administrative autonomy. Established by the Law of 30 November 2022, the National Competi-

tion Authority is invested with regulatory, investigatory and sanctioning powers in the field of competition, as the power to apply national and European legislation relating to the prohibition of agreements and abuse of a dominant position.

At the European level, the applicable antitrust regulation is the EU Merger Regulation on the control of concentrations between undertakings, which gives the European Commission competence to regulate mergers if certain thresholds are met and certain provisions of the Luxembourg competition law are followed.

For mergers, acquisitions, and joint ventures that fall outside the scope of the EU Merger Regulation, as mentioned in **2.1 Acquiring a Company**, the 8296 Bill aims to establish a pre-emptive screening and notification procedure by the National Competition Authority. Once the proposed transaction has been notified, the National Competition Authority will assess whether to authorise the transaction or initiate a more detailed examination where there are serious doubts about potential harm to competition. Within 90 days, the National Competition Authority may decide to authorise the transaction, impose conditions, or prohibit it altogether.

2.5 Labour Law Regulations

According to the Luxembourg Labour Code, in the event of an asset sale, the company's employees' representative or the employees must be directly informed about the sale before the assets are transferred to the buyer. There is no need to inform or consult the employees in the case of a share sale as the employees remain employed by the same entity.

In general, the employee participation rights apply to (i) a Luxembourg public limited liability company that has had at least 1,000 employees for the previous three years; and (ii) any company incorporated in the form of a Luxembourg public limited liability company of which the Luxembourg government holds a financial participation of 25% or more or that benefits from a "concession" from the Luxembourg government in relation to the exercise of its activity and is named by Grand-Ducal regulation.

Moreover, the Merger Control Law introduces additional rights for employees, creditors and shareholders in cross-border conversions, mergers and divisions among the EU, including the right to be informed and consulted and ensuring the participation of their representatives in negotiations and on the board of their company.

2.6 National Security Review

See **2.3 Restrictions on Foreign Investments**.

3. Recent Legal Developments

3.1 Significant Court Decisions or Legal Developments

Know Your Customer/Anti-Money Laundering

The two main legislative developments in the field of know your customer (KYC) and anti-money laundering (AML) in Luxembourg are the Law of 13 January 2019 (the "RBO Law") introducing a register of beneficial owners (RBO) for legal entities registered in the Luxembourg Trade and Companies Register (*Registre de commerce et des sociétés*, or RCS), and the Law of 10 July 2020 (the "RFT Law") establishing a register of fiducies and trusts and introducing a series of measures increasing the transparency of the beneficial ownership of trusts, fiducies (ie, fiduciary arrangements) and similar legal arrangements. Such legal framework has a major impact on M&A transactions where the structures are meant to hide the beneficial owners from the purchasers following the sale, whether for tax or for other purposes.

On 29 July 2022, a law was published with the aim of aligning the Law of 12 November 2004 (the "AML Law") with the wording of the Financial Action Task Force (FATF) Recommendations and increasing international co-operation between supervisory authorities for investigations and on-site inspections. The Law of 29 July 2022 also amended the RFT Law, clarifying that the beneficial owner information shall be updated within one month of any change.

Moreover, on 29 November 2022, the Court of Justice of the European Union ruled that the "public access" feature of the Luxembourg RBO (as required by Article 30 of Directive (EU) 2018/843 – ie, AMLD V) consti-

tutes a violation of the Charter of Fundamental Rights of the EU (the "CJEU Ruling"). Following the CJEU Ruling, the European Directive 2024/1640 (AMLD VI) was introduced to limit access to the RBO only to certain individuals and entities, such as competent authorities, self-regulatory bodies, obliged entities and persons demonstrating a legitimate interest. Subsequently, Luxembourg amended its RBO Law on 23 January 2025 (effective from 1 February 2025) to align with the updated EU legal framework.

It is also worth reminding that as from 12 November 2024, all natural persons must include their Luxembourg national identification number (LNIN) when being registered with the RCS. For residents of Luxembourg, the LNIN corresponds to their social security number. Non-residents, such as foreign managers who do not already have an LNIN, must apply for one before completing their RCS registration.

Environmental, Social and Governance

The recent implementation of Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR) and Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (the "Taxonomy Regulation") led to an increasing impact of ESG matters in the M&A market in the Grand Duchy, especially due to the importance of the Luxembourg investment fund industry on M&A transactions. The implementation of effective environmental, social and governance (ESG) policies and strategies by target companies is likely to influence their attractiveness, and will, in practice, enhance due diligence procedures as investors aim to ensure that companies comply with ESG standards and disclosure requirements.

The Taxonomy Regulation and the SFDR have been subject to substantial changes over the past few years. For instance, the European Commission Delegated Regulation (EU) 2022/1288 (RTS SFDR), applicable as of 1 January 2023, provides for more detailed disclosure requirements under the SFDR, with prescribed-form reporting templates for Articles 8 and 9 SFDR funds, as well as technical guidance on the obligations under the Taxonomy Regulation and the SFDR. Moreover, starting from 1 January 2023, certain gas and nuclear activities, upon satisfaction of strict requirements, are being introduced among the transitional activities contributing to climate change mitigation, therefore being subject to the disclosure provisions under the Taxonomy Regulation and to additional disclosure requirements for companies operating in such sectors. Further implementation of substantial and technical aspects of these regulations is currently being discussed, demonstrating the EU's active efforts to enhance sustainability standards and practices in the financial sector.

On the same topic, the Corporate Sustainability Reporting Directive (CSRD) entered into force on 5 January 2023 with the aim of developing a more standardised approach to sustainability reporting across the EU. Among other things, the CSRD requires large companies operating in the EU, as well as listed SMEs and non-EU companies with substantial activities in the EU, to disclose information on the impact of their business on people and the environment and their ESG performance in annual financial reports. The CSRD focuses on the "double materiality" approach, which requires affected companies to assess and report the reciprocal impact between their operations and ESG-related risks and impacts.

The first CSRD reporting deadline was 1 January 2025, covering the 2024 financial year, for companies previously subject to the Non-Financial Reporting Directive (NFRD). Companies not previously covered by the NFRD, including certain large corporations, must comply for the 2025 financial year, with their first reports due by 1 January 2026.

Moreover, on 5 July 2024, the Corporate Sustainability Due Diligence Directive (CSDDD) was published in the Official Journal of the EU, and came into force on 25 July 2024. The CSDDD aims to introduce a sustainability due diligence obligation for large EU companies and non-EU companies with significant EU activities to conduct human rights and environmental due diligence to identify their sustainability impacts and, where adverse actual or potential risks are identified, to take appropriate measures to prevent and mitigate such impacts. The CSDDD will come into force gradually, with the first group of companies (ie, companies with more than 5,000 employees and a net turnover

of EUR1,500 million) being required to comply from 26 July 2027.

On 26 February 2025, the EU Commission introduced the so-called Omnibus Simplification Package to streamline sustainability-related regulations. This package includes two proposed directives: the "Stop-the-Clock" Directive, which postpones the compliance timelines for the CSRD and the CSDDD, and a second directive proposing substantive amendments to both frameworks. The Stop-the-Clock Directive delays the CSRD reporting timeline by two years for "wave 2" filers (primarily large non-listed companies), and extends the CSDDD transposition deadline by one year, with the first-time application of CSDDD obligations postponed to 26 July 2027. The EU Commission also proposed raising CSRD thresholds to companies with over 1,000 employees and turnover above EUR50 million or assets over EUR25 million, exempting about 80% of previously covered firms, and narrowing CSDDD due diligence to focus mainly on direct suppliers. This initiative mainly aims to reduce administrative burdens by 25%, with potential savings estimated at around EUR40 billion for European companies. On 16 April 2025, the Stop-the-Clock Directive was published in the Official Journal of the European Union, with member states now required to transpose it into national law by 31 December 2025. With the Stop-the-Clock Directive enacted, attention now shifts to the second directive in the Omnibus Package, which outlines the more substantive revisions to the CSRD and CSDDD obligations. These reforms are still undergoing the EU's legislative process.

Council Directive (EU) 2018/822 (DAC6)

The Law of 25 March 2020 implementing Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU on mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (DAC6) will continue to have a significant impact on M&A transactions.

Moreover, on 3 May 2023, the Luxembourg parliament adopted a law transposing into national legislation the seventh amendment to Directive 2011/16/EU on administrative cooperation in the field of taxation (DAC7). DAC7 contains several sections that complement and extend the existing domestic rules on tax transparency and exchange of information.

In addition, in October 2023, the EU Council adopted further amendments to Directive 2011/16/EU on administrative cooperation in the field of taxation (DAC8). These amendments mainly extend the reporting obligations to service providers or operators involved in providing crypto-asset services to EU resident customers. The rules are applicable from 1 January 2026.

The latest amendment to Directive 2011/16/EU, known as DAC9, was proposed by the EU Commission on 28 October 2024, and adopted by the European Parliament on 12 February 2025. DAC 9 integrates the OECD's GloBE (Global Anti-Base Erosion) top-up tax information return into EU law, simplifying multinational enterprises' (MNEs) filing obligations. Member states were required to transpose the new rules into their national laws by 31 December 2025. Luxembourg transposed DAC 9 into national law with effect from 1 January 2026.

New Insolvency Law

The law of 7 August 2023 on business preservation and modernisation of bankruptcy law, which implements Directive 2019/1023/EU, entered into force on 1 November 2023, thus increasing the attractiveness and competitiveness of Luxembourg's restructuring and insolvency framework (the "New Insolvency Law"). The new regime modernises the old insolvency law, introducing new reorganisation procedures, measures for early financial difficulty identification, abolishing certain measures, and reclassifying fraudulent bankruptcy as an offence instead of a crime. The first decision opening a judicial reorganisation proceeding under the new regime was issued by the Luxembourg district court sitting in commercial matters (*tribunal d'arrondissement de Luxembourg, siégeant en matière commerciale*) on 22 November 2023 and further case law developments are expected to explore and clarify the practical implementations of the New Insolvency Law.

Finally, the changes in the field of takeover law and antitrust regulations (see **2.4 Antitrust Regulations**) as well as the restrictions described in **2.3 Restric-**

tions on Foreign Investments have an impact on M&A transactions.

Deferred Payment of Share Capital

On 16 December 2025, the Luxembourg government introduced a draft bill No 8669 (the "8669 Bill") amending the Corporate Law to increase flexibility in the paying-up of the minimum share capital of a private limited liability company (*société à responsabilité limitée* S.à r.l.). While the share capital would still need to be fully subscribed at incorporation, the payment of cash contributions could be deferred for up to 12 months, subject to the terms set out in the articles of association. The 8669 Bill, currently under review by the Chamber of Deputies and the Council of State, aims to facilitate faster company formations, in particular where the opening of bank accounts or related funding formalities may cause delays.

New Carried-Interest Regime

On 22 January 2026, Luxembourg's Parliament approved bill No 8590, introducing a new carried interest regime designed to provide a clearer and more competitive tax framework. The law was formally promulgated on 3 February 2026 after the Council of State granted the waiver of the second constitutional vote. The new regime distinguishes between (i) contractual carried interest, not linked to a direct or indirect participation in the fund, which is taxed as extraordinary miscellaneous income at one-quarter of the applicable progressive individual income tax rate, and (ii) equity-linked carried interest, connected to an actual participation in the fund, which may benefit from capital gains tax treatment, and potentially from applicable exemptions, subject to certain conditions. Eligibility is limited to (i) natural persons performing management functions as employees, partners, managers or directors of alternative investment funds (AIFs), alternative investment fund managers (AIFMs) or management companies, and (ii) natural persons effectively involved in the management of an AIF under a services agreement, whether entered into directly or through one or more intermediary entities. Purely administrative or support functions are expressly excluded from the scope of the regime.

3.2 Significant Changes to Takeover Law

See **2.4 Antitrust Regulations** with regard to the public consultation on the possible implementation of a merger control regime in Luxembourg. Outside of this, there have been no notable changes to takeover law.

4. Stakebuilding

4.1 Principal Stakebuilding Strategies

The bidder does not normally build a stake in the target or have control over the target company during the process as the bidders prefer to avoid such risk in case the final offer fails or the investment loses its value.

Building a stake in a target company is, however, possible subject to certain requirements, namely that such purchases are not trying to circumvent provisions that require transparency in the process.

4.2 Material Shareholding Disclosure Threshold

The Law of 11 January 2008 on transparency requirements for issuers (the "Transparency Law") provides that securities holders that acquire or sell securities must notify the target company of the percentage of voting rights they reach following a purchase or a sale of securities, whenever the percentage exceeds or falls below any of the following thresholds: 5%, 10%, 15%, 20%, 25%, 33.33%, 50% and 66.66%. The holder of securities must also notify the target company of the percentage of voting rights if it reaches, exceeds or falls below any of the above-mentioned thresholds following a change in the number of voting rights in the company.

The thresholds are calculated based on the aggregate number of outstanding shares with voting rights in the target company, including those whose voting rights are suspended.

4.3 Hurdles to Stakebuilding

In addition to the disclosure requirements mentioned in **4.2 Material Shareholding Disclosure Threshold**, the target company's articles of association may contain additional disclosure requirements. In such a case, these notifications must be sent to the target

company in compliance with the rules set out in the articles, but do not need to be made public under the Transparency Law.

4.4 Dealings in Derivatives

Dealings in derivatives are allowed in Luxembourg.

4.5 Filing/Reporting Obligations

An announcement is required for a public takeover bid in Luxembourg when a certain threshold of shareholding is reached by the bidder, as described in **4.2 Material Shareholding Disclosure Threshold**. Furthermore, certain rules also require ongoing or even earlier notifications to supervising authorities, as mentioned in **2.2 Primary Regulators**.

4.6 Transparency

In principle, the disclosure requirements depend on the nature of the transaction and the character of the target company. If the shares or other securities of the target company are listed on a regulated market, different disclosing requirements will apply (see **2.2 Primary Regulators**). Also, if targets to be acquired are supervised by the financial supervisory authority, that authority needs to grant approval to the acquisition before it can be implemented.

5. Negotiation Phase

5.1 Requirement to Disclose a Deal

Negotiations with a target company can be kept confidential provided that the parties comply with the rules set out in Regulation (EU) No 596/2014 (the "Market Abuse Regulation"), which encompasses insider dealing, unlawful disclosure of inside information and market manipulation.

In any case, the bidder and the target company are required to announce a public bid no later than at the time of reaching an agreement (conditional or unconditional) on the bid. Normally this happens when the bidder and the target company sign a document containing the terms and conditions of the bid.

In the case of bid information, which qualifies as insider information within the meaning of the Market Abuse Regulation, the parties may be required to make disclosures earlier in case such bid information is leaked. In general, the target company must also inform the public as soon as possible of inside information that directly concerns that company, whenever such information arises, in a manner that enables fast access and complete, correct and timely assessment of the information by the public.

5.2 Market Practice on Timing

At the moment, there is no applicable information in relation to market practice on timing in Luxembourg.

5.3 Scope of Due Diligence

With regard to legal due diligence, it is normally the responsibility of the buyer to send a detailed information request to the seller for information about the constitution of the target, as well as the relevant information on the target's property and employees, its existing contracts and licences, etc. In practice, the target company creates a virtual data room where the buyer will have access to documents of any kind pertaining to the target company covering all the areas of due diligence – ie, legal, tax and commercial. There are also certain mandatory requirements for the documents to be published under the law of 19 May 2006 implementing Directive 2004/25/EU on takeover bids, as amended (the "Takeover Law").

In terms of the timing to conduct due diligence, there might be differences between public and private deals. In particular, when a significant amount of information has already been made public, listed target companies may expect the bidder to conduct due diligence in a shorter period of time. Conversely, in the case of antitrust hurdles, the bidder may require the conduct of detailed due diligence over several months. However, technology advancements, including the increasing integration of AI software to conduct legal due diligence, are enabling rapid review of large document sets and helping to complete the due diligence process more swiftly and efficiently.

The due diligence process is also influenced by several other factors, including changes in the legislation and market dynamics (eg, ESG impact as described in **3.1 Significant Court Decisions or Legal Developments**). Pandemics, economic conditions and geopolitical tensions further underscore the importance

of thorough due diligence, as described in **1.2 Key Trends**.

5.4 Standstills or Exclusivity

If the bidder has obtained insider information that has not yet been made public by the target company, the relevant provisions of the Market Abuse Regulation become applicable and prohibit the bidder from trading in the target company's securities.

The target company may also use contractual restrictions on the bidder by demanding the inclusion of a standstill commitment in the definitive agreements. This would prevent the bidder from trading on the target company's securities and acquiring a controlling interest in the target.

Exclusivity provisions can also be included, for example in the letter of intent agreed between the parties.

5.5 Definitive Agreements

Following the issuing of a reasoned opinion recommending the bid by the target company's board of directors, the parties can enter into a non-binding letter of intent or a memorandum of understanding where the intention of the parties to carry out the proposed transaction will be recorded. In addition, the parties normally enter into a non-disclosure agreement, especially with regards to virtual data rooms.

6. Structuring

6.1 Length of Process for Acquisition/Sale

The length of an M&A transaction varies according to the transaction volume and the target company. The acquisition process may be completed in a few weeks when the transaction volume is small and the target company does not operate internationally. In all cases, the findings of the due diligence have an impact on the length of the process, especially if major roadblocks are found. Geopolitical tensions, pandemics and recent macroeconomic factors have also increased the severity of the due diligence process, which now requires more focus on the financial situation of the target company. In addition, if the target company/group operates internationally, the due diligence and negotiation of the share purchase agreement could take more than a year to complete due to the complexity of the transaction. In addition, the antitrust procedure alone can take several months and delays are possible due to the different pace of approvals by authorities in different jurisdictions.

6.2 Mandatory Offer Threshold

The Takeover Law covers squeeze-out and sell-out rights for the M&A of Luxembourg-based target companies. In accordance with its provisions, a natural or legal person acquiring, alone or with persons acting in concert with it, control over a company by holding 33.3% of the voting rights is required to make a mandatory takeover bid to all the shareholders in a Luxembourg company.

6.3 Consideration

The consideration for all the shares in the target company is more often in cash but all or part of the consideration can also be in securities. The main difference relates to a risk of value loss, which does not normally exist in relation to cash considerations. For example, a payment in kind, whether in the form of stocks, receivables or options, etc, might lose value immediately after the closing of the M&A deal due to market developments.

Cash payment as consideration is more practical in terms of post-closing purchase price adjustments. A portion of the purchase price can also be tied to the performance of the target company after closing by way of earn-out provisions, which may give both parties more security and certainty.

6.4 Common Conditions for a Takeover Offer

In addition to the conditions required by the applicable laws, such as consent from merger control authorities or the Ministry of the Economy (as described in **2.3 Restrictions on Foreign Investments**), offers are mostly subject to extensive contractual conditions. These include pre-offer conditions such as providing certainty for the funding, antitrust approvals and non-occurrence of material adverse change.

6.5 Minimum Acceptance Conditions

The management body of the target company initially approves the transaction. Subject to the articles of association of the target company, there might sub-

sequently be a shareholder vote if certain matters (eg, if the transfer of the shares in the target company is more than a certain percentage) are stipulated in the articles of association of the target company and reserved for shareholders, which triggers the approval from the general meeting of shareholders to be adopted by, for example, a majority or a supermajority of the votes cast.

6.6 Requirement to Obtain Financing

In accordance with the Takeover Law, committed funding is required prior to announcing an offer. The bidder can only make a bid once it has ensured it has the capacity to supply the full cash consideration. The bidder must also take all reasonable steps to make sure that there is availability for any other type of consideration. The description of the financing of the bid must be included in the offer documentation.

6.7 Types of Deal Security Measures

Break fees are not prohibited in Luxembourg under the applicable laws. Break fees are regularly negotiated between the parties at the beginning of the transaction as commonly the breakdown of negotiations results in payment of damages by the responsible party. Moreover, the judge may adjust the agreed break fees if they are manifestly excessive or derisory.

Break fees gained heightened relevance in the wake of the COVID-19 pandemic, and they were still common in 2024 and 2025 amid ongoing geopolitical uncertainties, macroeconomic volatility, and increased regulatory scrutiny, as deal makers seek enhanced contractual protections. In the years to come, it is expected that break fees will continue to play a crucial role in private M&A transactions.

In tender offers, the break fee can be agreed to be paid either to the shareholders of the target company or to the target company itself.

Non-solicitation provisions are also quite commonly seen in practice.

6.8 Additional Governance Rights

Bidders have a formal obligation, when filing a tender offer, to apply for 100% of the share capital, apart from specific simplified offers where they can seek only 10% of the capital. As long as a bidder does not cross the 33.3% mandatory offer threshold, it can choose to enter into different agreements to obtain additional governance rights. The most common agreement for this purpose is a shareholders' agreement, which may cover a variety of subjects – eg, providing a bidder with specific rights with regards to the management of the target company. For example, a holding of 10% allows shareholders to request the convening of general meetings of shareholders or to add points to the agenda of such general meetings.

6.9 Voting by Proxy

Shareholders are allowed to vote by proxy in Luxembourg.

6.10 Squeeze-Out Mechanisms

The governing law in Luxembourg for the mandatory squeeze-out and sell-out of securities of companies admitted or previously admitted to trading on a regulated market or having been offered to the public is the Law of 21 July 2012 (the "Luxembourg Squeeze-Out and Sell-Out Law").

The Luxembourg Squeeze-Out and Sell-Out Law applies:

- if all or part of a company's securities are admitted to trading on a regulated market in one or more EU member states;
- if all or part of a company's securities are no longer traded, but were admitted to trading on a regulated market and the delisting became effective less than five years ago;
- if all or part of a company's securities were the subject of a public offer which triggered the obligation to publish a prospectus in accordance with Directive 2003/71/EC (the "Prospectus Directive"); or
- if there is no obligation to publish according to the Prospectus Directive, where the offer started in the previous five years.

In accordance with the Takeover Law, when an offer is made to all the holders of securities carrying voting rights in a company that has listed its securities on a regulated market and if, following such offer, the bidder becomes a majority shareholder by holding secu-

rities representing 95% or more of the share capital and 95% or more of the voting rights, the offeror is entitled to squeeze out the minority shareholders, if any.

To exercise the squeeze-out right, the majority shareholder must first inform the CSSF, committing to complete the squeeze-out, and then inform the target company and make the decision public without delay. The information must be made accessible quickly and on a non-discriminatory basis.

Within one month of notification to the CSSF and the target company, the majority shareholder must communicate the proposed price and a valuation report of the securities, followed by providing the information without delay to the company concerned and making it public. Minority shareholders may oppose the proposed price of the squeeze-out, in which case the CSSF must determine the final price within three months from the opposition deadline.

6.11 Irrevocable Commitments

Although allowed, irrevocable commitments are not commonly implemented. Prospective bidders tend to prefer obtaining the control of a block of shares bought from a core/majority shareholder. Parties mainly negotiate for irrevocable commitments to tender the shares to acquire a key shareholding before filing the tender offer.

7. Disclosure

7.1 Making a Bid Public

In accordance with the Takeover Law, a decision to make a bid must be notified to the CSSF and made public by the bidder. In addition, the board of directors of the target company and the bidder must inform the employee representatives as soon as the bid has been made public.

After announcing its decision to make a bid, the bidder must draw up an offer document containing the necessary information for the shareholders of the target company to reach a proper and duly informed decision on the bid. Before publishing the offer document, a draft of it must be submitted to the CSSF for approval within ten business days from the day the bid was made public.

7.2 Type of Disclosure Required

Under the Takeover Law, the offer document must contain the terms of the bid, the identity and other details of the bidder, the securities for which the bid is made, and all the conditions to which the bid is subject, etc. The mandatory information to be included in the offer document is set out in Article 6 (3) of the Takeover Law.

In addition, the board of directors of the target company must communicate its opinion on the bid by drawing up and making public a document setting out its opinion and the arguments on which it is based. The document shall include the board's view on the effects of implementing the bid on all the company's interests, and more specifically on employment, and the bidders' strategic plans for the target company and their likely repercussions on employment and the location(s) of the company's place(s) of business as set out in the offer document.

7.3 Producing Financial Statements

The offer document usually includes information regarding the target company's financial status. Financial statements are made public annually in the RCS.

7.4 Transaction Documents

In principle, the approved offer document must be disclosed in full. The target company and the bidder may refrain from disclosing sensitive information (eg, information containing business secrets) where the disclosure would be detrimental to the important interests of the target company or of the bidder.

8. Duties of Directors

8.1 Principal Directors' Duties

According to Luxembourg law, the management body of the target company shall act neutrally and in the best corporate interest of the target company. It is also obliged to comply with the provisions of the Corporate Law and the articles of association of the target company. This includes the obligation to manage the company's business in good faith with prudent care and to

refrain from acting against the company's corporate object. The Corporate Law also imposes certain general duties on directors and managers, such as the general management of the company, representation of the company towards third parties and upholding their duty to avoid any conflict of interests.

The duty of the management is to act in the best interest of the company, not its shareholders. The corporate interest of the company is most commonly aligned with the interest of the shareholders but it can also include the interest of the company as a whole, including that of the shareholders, employees and creditors.

8.2 Special or Ad Hoc Committees

The principles set out by the Luxembourg Stock Exchange require the board of directors of listed companies to establish special or ad hoc committees where necessary for the proper performance of the company's tasks or to examine specific topics and advise the board.

The special/ad hoc committees are also used in cases where conflicts of interest arise because of proposed business combinations. The company's board is obliged to act in the best interest of the company, meaning that a conflict of interest may create the need to establish an independent committee to investigate a particular matter.

Regardless of the establishment of a separate committee, the liabilities and powers remain with the company's board.

8.3 Business Judgement Rule

As described in **8.1 Principal Directors' Duties**, the board of directors (and individual directors) must act prudently and in the best interest of the company. Therefore, the board of directors must continue to act in accordance with the interest of the company in the context of a takeover (also in adopting defence measures). Where there is a breach of this fiduciary duty causing direct damage to the shareholders or to a third party in the context of a takeover, the members of the board of directors may be held liable jointly or severally in accordance with the Corporate Law.

8.4 Independent Outside Advice

Most commonly, each party to an M&A deal appoints its own financial and legal advisers to advise on the fairness and reasonableness of the transaction price and on the matters relating to conflicts of interest, etc. The involvement of an ESG adviser in the early stage of an M&A transaction has also become increasingly common. In addition to investment advisers and lawyers, management can engage other consultants in relation to specific questions arising in the course of a transaction. However, the board of directors/management of the company remains responsible for its decisions even when following the advice of external advisers.

8.5 Conflicts of Interest

The Company Law requires that a director who has, directly or indirectly, an interest of a patrimonial nature that conflicts with the interest of the company in relation to an operation falling within the scope of the board of directors' competence should inform the board of this and must not participate in the deliberation of or voting on the matter. Any conflict of interest must be recorded in the minutes of the board meeting and a report in this respect will need to be made to the shareholders of the company at the next general meeting of shareholders. The company auditor also needs to be informed.

It is recommended that the board of managers/directors of Luxembourg companies identify the circumstances that constitute or may give rise to a conflict of interest and that may entail a material risk of damage to the interests of investors. For this purpose, the boards establish, implement and maintain an effective conflict of interest policy in order to, inter alia, identify such conflicts of interest and to provide for procedures to be followed and measures to be adopted in order to prevent them where possible and to manage such conflicts in an independent manner. The boards are also required to make all reasonable efforts to resolve conflicts of interest or, in cases where a conflict of interest is unavoidable, to seek to address it on an arm's length basis and to disclose it adequately to interested parties.

9. Defensive Measures

9.1 Hostile Tender Offers

The Takeover Law does not restrict hostile bids in Luxembourg; the rules and the process are governed by the provisions of the Takeover Law, which imposes restrictions mostly on the target company. However, hostile takeovers are not common in Luxembourg, as they are not supported by the management of the target company, which will take defensive measures to stop the bid.

9.2 Directors' Use of Defensive Measures

The Corporate Law provides that the transfer of corporate shares or units shall not be valid vis-à-vis the target company or third parties until the transfer has been notified to the management of the target company or accepted by it in accordance with the provisions of Article 1690 of the Luxembourg Civil Code.

If the management of the target company does not deem the offer to be in the best interests of the company, it may resist such offer by employing defensive measures. However, the bidder may still make its offer public, which then becomes a hostile takeover. In this case, the board of directors of the target company may seek another interested party that wants to acquire the target company. The management of the target company may also object to the offer by pleading respective economic or other arguments.

9.3 Common Defensive Measures

See **9.2 Directors' Use of Defensive Measures**.

9.4 Directors' Duties

See **8.1 Principal Directors' Duties** and **8.3 Business Judgement Rule**.

9.5 Directors' Ability to "Just Say No"

See **9.2 Directors' Use of Defensive Measures**.

10. Litigation

10.1 Frequency of Litigation

Litigation in relation to M&A deals is uncommon in Luxembourg, except in hostile public offers, where litigation is a substantive part of the process. Most frequently, M&A litigation comes into question in relation to private M&A transactions.

10.2 Stage of Deal

In principle, litigation happens after a private M&A deal has been completed, and usually concerns either earn-out provisions or warranty claims. In public M&A, litigation is rare, except in hostile takeovers.

10.3 "Broken-Deal" Disputes

While no significant litigation has arisen in Luxembourg from M&A transactions affected by the COVID-19 pandemic, the experience has influenced market practice. Parties now place greater emphasis on the drafting and negotiation of material adverse change (MAC) and material adverse effect (MAE) clauses, with increased attention to carve-outs for pandemics, public health emergencies and systemic events. The pandemic has also reinforced the importance of clearly defining the allocation of risk between signing and closing.

11. Activism

11.1 Shareholder Activism

Shareholder rights and governance in Luxembourg are mainly based on the provisions of the company's articles, the Luxembourg Civil Code, the Corporate Law and, for listed companies, the rules and regulations of the Luxembourg Stock Exchange. Moreover, the Luxembourg Law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies and as amended by the Law of 1 August 2019 (the "Shareholder Rights Law") established specific requirements to encourage shareholder engagement. The Shareholder Rights Law offers a comprehensive framework for more transparency, accountability and increased shareholder rights, including the right of approval of important transactions with related parties.

Following the reform in 2016, the Corporate Law now provides for several rights for minority shareholders, encouraging the management of Luxembourg companies to take greater account of the potential involvement of shareholders, including minority shareholders. Lastly, the Merger Control Law (see **2.1 Acquiring a Company**) provides that in the case of cross-border

conversions, mergers and divisions within the EU, shareholders who vote against the approval of the draft terms have a right to exit and receive cash compensation.

In general, activist shareholders can be motivated by both financial and non-financial objectives, which can be linked to either the short-term or long-term vision of their investment.

Shareholder activism carried out for financial objectives is more commonly linked to the short-term vision of investors. Such shareholder activism is generally applied by activist shareholders using aggressive methods that are aimed at challenging the economic performance of the company, such as cost-cutting and capital allocations (in the form of share redemptions or the payment of dividends), as well as speculative methods (such as short-selling and lending shares) to put pressure on the share market price. The purpose of these transactions is to generate significant volatility that paralyses capital transactions.

Shareholder activism carried out for non-financial reasons is normally linked to the long-term vision of investors. This is a relatively recent trend and is in line with the latest legislative developments on the encouragement of long-term shareholder engagement as incorporated into the Shareholder Rights Law. As a result, there has been a change in investment considerations over the last few years. Shareholders have evolved from having only a short-term view of investment governed by financial considerations to having a long-term view of investment governed more by non-financial considerations involving all stakeholders. This development can be seen in the increasing integration of non-financial factors, such as ESG and sustainability-related consideration, in investment and governance policies.

11.2 Aims of Activists

See **11.1 Shareholder Activism**.

11.3 Interference With Completion

Activists have been seen to attend general meetings of shareholders and ask questions about transactions. However, this is common practice and companies deal with these questions in a professional manner.

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