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# Corporate M&A 2025

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**Luxembourg: Trends and Developments**

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## Trends and Developments

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## Introduction

Since the end of World War II, the Grand Duchy of Luxembourg (Luxembourg) has experienced steady and substantial economic growth, driven primarily by its political stability, social harmony, and strategic location at the heart of Europe.

Despite its small size, Luxembourg has played a pivotal role as a founding member of the European Union, actively shaping its development and positioning itself at the forefront of numerous European financial and economic reforms.

With a business-friendly environment, Luxembourg has emerged as a global financial powerhouse. It ranks as the second-largest investment fund centre in the world, behind only the United States, and holds the top position in Europe.

Additionally, Luxembourg has become the preferred destination for private equity firms seeking to establish investment platforms for acquisitions. Its status as a leading financial hub and key player in the private equity sector allows Luxembourg to closely track the latest trends and developments in M&A activity, reinforcing its influence in global finance.

## Market Activity Overview

At the beginning of 2024, deal activity was relatively subdued as market participants remained cautious amid lingering economic uncertainties. However, as the year progressed, a significant shift emerged following the European Central Bank's decision to lower interest rates in response to easing inflationary pressures. This move not only reduced borrowing costs but also bolstered overall market sentiment, prompting companies to revisit and accelerate their strategic growth plans.

Gradually, these favourable conditions spurred an uptick in M&A activity. Firms increasingly leveraged the fall in interest rates to finance acquisitions and other strategic investments, culminating in a robust finish to the year.

In 2024, the Luxembourg M&A market witnessed a series of significant acquisitions. While not exhaustive, the following notable transactions provide a glimpse into the dynamic trends shaping the market, underscoring the region's growing appeal as a hub for strategic investments and financial innovation:

- the sale by Edmond de Rothschild of its Luxembourg third-party asset servicing activities to Apex Group;
- the sale by Marlin Equity Partner of Talkwalker by Hootsuite; and
- the acquisition by Utmost Group of Lombard International.

In terms of deal structuring, with the evolving market conditions, we may experience a rebalance toward a more seller-friendly environment, which could lead to a shift in payment structures and mechanics used in transactions. While in a buyer's market there is a focus on minimising upfront cash disbursements – by use of vendor loan notes, earn-out clauses, and completion accounts to bridge valuation gaps – these mechanisms may evolve if sellers regain more negotiating power. We could see a reduced reliance on earn-outs, as sellers might demand higher fixed valuations, and a decline in completion accounts in favour of locked-box mechanisms that provide greater certainty at signing.

## Legal Developments and Their Impact on the Corporate and M&A Environment

The long-awaited transposition of the Mobility Directive has finally been adopted.



In its willingness to modernise and simplify company law rules across the European Union, the European Parliament and the Council adopted Directive (EU) 2017/1132 related to certain aspects of company law (the Company Directive).

The Company Directive established provisions for cross-border and domestic mergers. Nonetheless, the Company Directive did not provide any provisions in connection with cross-border divisions and cross-border conversions. To realise cross-border divisions and conversions, to date, Luxembourg practitioners rely on a distributive application of the laws of the member states involved in the transactions.

In order to fill the legal void left by the Company Directive, on 27 November 2019, Directive (EU) 2019/2121 (the Mobility Directive) was adopted by the European Parliament and the Council.

The Mobility Directive amended the Company Directive to improve the current regime applicable to cross-border mergers and introduced new provisions for the harmonisation of cross-border divisions and conversions.

The Mobility Directive aims to facilitate cross-border company mobility while strengthening stakeholder protection.

The deadline for the implementation of the Mobility Directive was 31 January 2023. Luxembourg introduced its implementation bill, Bill No 8053 (the 8053 Bill) on 27 July 2022. With almost a two-year delay, on 23 January 2025, the Luxembourg Parliament adopted the 8053 Bill (the New Law). The New Law was published on 26 February 2025.

The Luxembourg legislature has adopted a minimalist approach in its implementation to minimise any potential negative effects on business as a result of the new rules introduced by the Mobility Directive.

The goal of the New Law is to simplify and improve the current regime where possible and to implement all mandatory provisions. Optional provisions of the Mobility Directive have been transposed only if they facilitate corporate mobility.

The New Law set up two regimes: a general regime applying to domestic transactions and cross-border transactions between a Luxembourg company and a non-EU company, and a special regime applying to cross-border transactions between a Luxembourg company and an EU company.

The general regime does not differ much from the current applicable regime, so we do not anticipate any major changes from the existing practice. However, the establishment of the special regime will have a major impact on the practice and accordingly will likely involve a period of adaptation by the Luxembourgish practitioners in its implementation.

It is worthwhile to shed light on the main innovations brought by the New Law.

The New Law provides a new tool to facilitate corporate reorganisations. It is now possible to have side-stream mergers within the framework of a merger by absorption without the issuance of shares. Such simplified procedure is available for mergers between companies held directly or indirectly by the same person or by the same shareholders in the same proportion. Such a

side-stream merger will apply to both domestic and cross-border transactions.

As mentioned before, the New Law strengthens the rights of the shareholders for the three categories of cross-border transactions by introducing an exit right to the shareholders. Shareholders involved in transactions within the scope of the general regime will not be granted such an exit right. The opportunity to withdraw will apply to shareholders who voted against the approval of the cross-border transaction. The dissenting shareholders will be able to sell all of their voting shares in exchange for cash compensation to be made within two months of the transaction's effective date. A partial exit will not be offered to them. Non-voting shares and beneficiary shares (*parts bénéficiaires*) will not have access to the exit right. Similarly, the exit right will not apply to shares that have been transferred between the date of publication of the cross-border transaction draft term and the date of the cross-border transaction's general meeting. If shareholders who have exercised their exit rights deem the proposed cash compensation unreasonable, they are entitled to seek additional compensation through a Luxembourg court. This request must be filed within one month after the shareholders' general meeting, but it will not suspend the cross-border transaction in question.

The shareholders who were not entitled to exercise their exit right or did not exercise their exit right may challenge the proposed share exchange and request an additional cash payment. This challenge must be submitted to the Luxembourg court within one month of the shareholders' general meeting. However, submitting the challenge does not delay the completion of the cross-border transaction.

The New Law also introduces a new control of legality. Indeed, the realisation of the cross-border transaction will require the prior issuance by the notary of a pre-operation certificate (the Certificate). The notary will not issue such a Certificate if he/she determines that all the conditions, formalities, and procedures pertaining to the cross-border transaction are not met or that the cross-border transaction is seriously (*manifestement*) implemented for abusive, fraudulent, or criminal purposes. It remains to be seen if and to what extent the introduction of this new notarial obligation to assess the abusive, fraudulent, or criminal nature of the transaction will have an impact on cross-border transactions.

A last innovation that deserves some attention as a matter of practice is that the management body of the relevant company shall draw up a special report for shareholders and employees explaining and justifying the legal and economic aspects of the cross-border transactions, as well as explaining the implications of the cross-border operation for employees and, in particular, for future operations of the company. The report must be addressed to both shareholders and employees, either in a single report with two different sections or in two separate reports. There are some exceptions. The report to be addressed to shareholders is not required if all the shareholders decide to waive such report or all the shares are held by a sole shareholder. Likewise, the report addressed to the employees may be omitted if the company or its subsidiaries have no employees other than members of the management body. It seems likely that few Luxembourg companies will be able to benefit from the ability to omit the report to employees as many will have an indirect subsidiary at some level with employees.

## *The Luxembourg national identification number for natural persons, a new requirement from the Luxembourg Register of Commerce and Companies*

Starting from 12 November 2024, all natural persons (such as managers, directors, shareholders, and statutory auditors) who are registered or required to register with the Luxembourg Register of Commerce and Companies (RCS) must provide their Luxembourg national identification number (LNIN).

However, this requirement does not apply when the natural person is (i) a judicial representative (*mandataire judiciaire*) appointed in a procedure registered with the RCS or (ii) a representative of a foreign company that has established a branch in Luxembourg.

The LNIN is a unique identification number assigned by the National Register of Natural Persons (*Registre National des Personnes Physiques*) under the law of 19 June 2013, concerning the identification of individuals. For those affiliated with Luxembourg's social security system, the LNIN corresponds to the commonly known "*Matricule*" or CNS number.

As a consequence, any natural person who needs to be registered with the RCS will need to provide the RCS with his/her LNIN otherwise it will not be possible to finalise the filing process with the RCS.

If the natural person already has an LNIN, he/she simply needs to communicate it during the filing with no supporting documents being requested. If the natural person does not yet have an LNIN, he/she must request its creation during the filing. To do so, he/she needs to provide the RCS with the following information and supporting documents to the RCS:

- full name as stated on their identity card or passport;
- date, place and country of birth;
- gender (male, female, unknown);
- nationality; and
- private address (number, street, postcode, city, country).

The RCS will forward details related to gender, nationality, and private address to the *Centre des Technologies de l'Information et de l'État* for inclusion in the Luxembourg National Register of Natural Persons. However, this data will not be stored in the RCS system.

To verify the submitted information, a copy of the individual's identity card or passport must also be provided. If the address is not mentioned on these documents, one of the following additional supporting documents, which must not be older than six months, must be submitted:

- a certificate of residence issued by the municipality; and
- a declaration of honour from the person concerned stamped or countersigned by the relevant authority in charge of confirming the residence, an embassy, a notary, or a police station;

If none of these documents can be provided, the natural person can provide a utility bill (water, electricity, gas, telephone or internet access bill).

These additional supporting documents must be translated into French, German, Luxembourgish or English if they are not in one of these languages. A simple (ie, not sworn) translation is sufficient.

The LNIN assigned by the RCS is not publicly available. It will be sent directly by post to the

private address of the natural person to whom the LNIN has been assigned. However, if the natural person has expressly authorised the person in charge of the filing to receive the newly created LNIN, the LNIN will appear on the receipt of the filing.

If the natural person is already registered with the RCS, there is a transitional period applicable for which the date of expiry has not yet been set. During this transitional period, the LNIN may be provided or its creation be requested, as applicable, either on a voluntary basis or when submitting a new filing related to these natural persons or the associated company.

No costs will be invoiced by the RCS for providing or requesting the creation of an LNIN during the transitional period.

After the expiry of the transitional period, it will become mandatory to provide the LNIN or request its creation for the natural persons registered or due to be registered with the RCS. Non-compliance with this obligation may lead to the rejection by the RCS of any future filings, whether such filings pertain to the natural persons or the companies with which they are connected.

Such new formality with the RCS does not have a direct impact on M&A transactions per se. Nevertheless, special attention should be brought to this new requirement notably for transactions which must be completed within a tight timeline. Indeed, the date of effectiveness of some transactions will depend on the filing and publication of the corporate documents. Any delay in the filing due to a default of the LNIN may cause some complications that are easy to avoid by anticipating such new requirement.

## *Emergence of a veritable competition law in Luxembourg*

On 24 November 2022, the Luxembourg Parliament adopted a new law on competition law, which came into force on 1 January 2023 (the Competition Law).

The Competition Law transposed Directive 2019/1 of the European Parliament and the Council into Luxembourg law with the aim of strengthening the independence of the Luxembourg national competition authority and its investigating and fining powers.

The Competition Council (*Conseil de la concurrence*) changed its name to the National Competition Authority (*Autorité de la concurrence du Grand-Duché de Luxembourg*) and became an “*établissement public*” (ie, a legal person governed by public law with financial and/or administrative autonomy).

The Competition Law did not establish a national merger control regime in Luxembourg. Indeed, Luxembourg remains the only member of the European Union without such a regime. Currently, the powers of the National Competition Authority are limited to an ex post intervention allowing it to sanction a merger if such merger constitutes an abuse of dominant position.

Nonetheless, following the positive reception of a public consultation launched by the Ministry of Luxembourg on 20 January 2022, the Ministry of Economy introduced the bill of law No 8296 (the 8296 Bill) to the Luxembourg Parliament on 23 August 2023.

The 8296 Bill aims to create an ex ante regime. The National Competition Authority will review the merger before such merger is completed. For this purpose, where relevant thresholds are met

((i) a combined turnover of all parties involved of over EUR60 million; and (ii) at least two of the parties involved have an individual annual turnover generated in Luxembourg of over EUR15million), the entities will be required to notify the National Competition Authority of their intended mergers.

Throughout the evaluation carried out by the National Competition Authority, a standstill obligation will be imposed on the merging parties, prohibiting them from proceeding with the merger until the National Competition Authority has completed its assessment. The 8296 Bill also considered the peculiarities of the Luxembourg financial market by excluding from its scope transactions involving companies in the financial and banking sector under certain conditions. There is no available information at this stage regarding the expected implementation date of the 8296 Bill and whether substantial amendments will be made to the 8926 Bill.

In light of the foregoing, it appears that the Competition Law and the introduction of the 8296 Bill could be seen as the first steps in future developments in competition law. The new organisation and expanded powers of the National Competition Authority will be key components of its enforcement regime.

It is certain that by reason of the size of the jurisdiction, the volume of deals involving Luxembourg-based operating companies is rather limited in comparison with other bigger jurisdictions such as Germany or France. Nevertheless, we believe there is an emergence of a veritable Luxembourg competition law, which may have an impact on domestic M&A transactions in the future.

## *Digitalisation of the procedure of incorporation of companies*

In an effort to promote the growth of digital tools and simplify the administrative procedures to enhance the attractiveness of Luxembourg as a financial centre, the Luxembourg Parliament has adopted the law of 7 July 2023 which transposes the Directive (EU) 2019/1151 of the European Parliament and of the Council of 20 June 2019 on the use of digital tools and processes in company law (the Digitalisation Law). The Digitalisation Law came into force on 1 August 2023.

The Digitalisation Law has introduced the possibility for Luxembourg notaries to draw up their deeds and authentic instruments in electronic format subject to certain conditions, except for wills. From a corporate perspective, the main innovation brought by the Digitalisation Law is that it is now possible to incorporate SAs, SARLs and corporate partnership limited by shares (SCAs) online without physical appearance and in an electronic format. The online incorporation can be done by means of standard articles of association made available free of charge by the Notaries' Chamber. The capital must be paid out in cash electronically and the proof of such payment may also be provided electronically. An online incorporation by a contribution in kind is not possible.

## *Modernisation of the insolvency law*

On 19 July 2023, the Luxembourg Parliament adopted the law of 7 August 2023 on business preservation and modernisation of bankruptcy law, which entered into force on 1 November 2023 (the New Insolvency Law). The New Insolvency Law modernises the previous insolvency proceedings by introducing new preventive reorganisation procedures to help financially distressed companies to preserve and ensure the continuity of their business without the risk



of filing for bankruptcy. Thus, the new preventive reorganisation procedures introduced by the New Insolvency Law could potentially generate corporate work in their implementation and accordingly have an impact on M&A activity in Luxembourg.

## Looking Forward

From a macroeconomic perspective, Luxembourg's economy returned to growth in 2024 after experiencing a contraction of its Gross Domestic Product in 2023. However, the recovery remains fragile, with economic activity varying across sectors.

That said, on the deal flow side, signs of renewed dynamism are emerging. Market indicators suggest a strong pipeline of upcoming projects. After struggling in recent years to find buyers willing to meet their valuation expectations – and facing increasing pressure from investors to generate returns – private equity firms are now actively seeking to exit their investments. Meanwhile, declining interest rates are reducing the cost of capital, strengthening buyers' purchasing power, and further supporting economic activity. The long-standing valuation bridge gap is narrowing, facilitating a healthier transaction environment.

Nevertheless, political uncertainties could disrupt this rebound. The protectionist stance seemingly adopted by the United States following Donald Trump's election – particularly the threat of increased tariffs – could have global repercussions, causing a resurgence of inflation, which, in turn, could trigger a renewed rise in interest rates, potentially dampening economic activity.

Despite these challenges, the outlook for 2025 remains optimistic. With liquidity returning to the markets, investor confidence gradually improving, and companies adapting to the evolving macroeconomic landscape, deal-making activity is expected to gain momentum. As businesses and financial players recalibrate their strategies, Luxembourg remains well-positioned to benefit from renewed investment flows, cross-border transactions, and a more dynamic economic environment in the year ahead.

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