

Luxembourg: CRD VI Implementation

The Law of 5 May 2026 ("**New Law**"), published in the Luxembourg Official Journal, transposes Directive 2024/1619 ("**CRD VI**") into national law and significantly amends the Law of 5 April 1993 on the financial sector ("**LFS**").

The New Law also transposes Regulation (EU) 2024/2987 and Directive (EU) 2024/2994 (EMIR 3 Package).

In brief

Luxembourg completed CRD VI transposition through the Law of 5 May 2026 (Draft Bill No. 8627), published in the Official Gazette on 6 May 2026.

Beyond the new third-country branch regime addressed in our [previous alert](#), the New Law introduces:

1. A harmonized prudential framework for material transactions and reorganizations, i.e., **(a)** acquisitions/disposals of "material holdings", irrespective of the nature (regulated or not) of the target entity; **(b)** "material transfers" of assets and/or liabilities and **(c)** mergers/divisions (together "**Material Transactions**") applicable to credit institutions and (mixed) financial holding companies ("**Obligated Entities**")
2. Enhanced fit and proper requirements for management body members and key function holders of credit institutions and professionals of the financial sector (including investment firms) ("**PSF**"), pending EBA guidelines and CSSF Circular 12/552 updates
3. New ESG and crypto-asset risk management obligations for credit institutions and CRR investment firms (together "**CRR Institutions**")

The New Law entered into force on 10 May 2026. No general grandfathering period applies, save for the third-country branch regime ("**TCB**"), which is applicable as from 11 January 2027.

In this issue

[Key takeaways](#)

[In more detail](#)

[Part A - New prudential framework for Material Transactions](#)

[Part B - Enhanced fit & proper framework. ESG competencies and crypto-assets exposure risk management](#)

[Related Content](#)

Key takeaways

- Integrate prudential assessments of Material Transactions alongside existing qualifying holdings analyses, noting the potential for overlap between the two frameworks in certain cases.
- Anticipate additional supervisory engagement, enhanced documentation requirements and potentially longer execution timelines for prudentially Material Transactions and intragroup reorganizations.
- Review fit & proper frameworks, appointment procedures and supporting documentation for management body members and key function holders of credit institutions and PSFs.
- Update governance documentation and skills matrices to evidence that CRR Institutions' management bodies collectively possess the knowledge, skills and experience required to oversee ESG and crypto-assets related risks.
- Prepare for more formalized regulatory expectations regarding individual role, function records and mapping and ongoing training frameworks as regards management bodies.
- Monitor forthcoming EBA regulatory technical standards ("RTS") and implementing technical standards ("ITS") expected to further specify requirements applicable to prudentially Material Transactions, as well as revised EBA guidelines on internal governance and fit and proper assessments, and subsequent updates to CSSF prudential procedures and Circular CSSF 12/552.

In more detail

Part A - New prudential framework for Material Transactions

One of the most significant developments introduced by CRD VI is the establishment of a harmonized prudential assessment framework for certain corporate operations involving Obligated Entities.

The new framework applies to Material Transactions as described above.

CRD VI introduces a structured ex ante notification and supervisory review regime, under which competent authorities must be able to assess proposed Material Transactions prior to their implementation and, where appropriate, intervene. Such assessment is to be carried out from both a prudential perspective, including the impact on the financial soundness and governance of the institution, and an anti-money laundering and counter-terrorist financing (AML/CFT) perspective.

Acquisition or disposal of “material holdings”

Under the New Law, reflecting Article 27a of CRD VI, the direct and/or indirect acquisitions of a “material holding” by an Obligated Entity in any type of company (“**Proposed Acquisition**”) is subject to prior written notification to its national competent authority, which in the case of Luxembourg Obligated Entities, is the CSSF.

A holding qualifies as a “material holding” where it reaches or exceeds 15% of the eligible capital of the Obligated Entity. This threshold applies both on an individual basis and, where relevant, on a consolidated basis, thereby capturing transactions at both entity and group levels.

Importantly, this framework applies irrespective of whether the target itself is a regulated financial institution or not, thereby significantly expanding the scope of supervisory scrutiny.

The regime establishes a harmonized ex ante supervisory process, under which competent authorities must acknowledge receipt of the notification and assess the Proposed Acquisition within a defined timeframe. This assessment is conducted from a prudential perspective (including the impact of the Proposed Acquisition on the financial soundness, governance and risk profile of the Obligated Entity) and, where relevant, from an AML/CFT perspective.

The New Law further provides that where the Proposed Acquisition concerns a qualifying holding in a credit institution within the meaning of Article 22(1) of Directive 2013/36/EU (as transposed in Luxembourg under Article 6(5) of the LFS), the Obligated Entity remains subject to the parallel notification and assessment requirements applicable to qualifying holdings.

Accordingly, while the existing regime applicable to acquisitions of qualifying holdings under the LFS remains fully applicable, the New Law introduces a distinct and complementary layer of supervision, focusing on the impact of the transaction on the Obligated Entity itself, rather than solely on the regulatory status or characteristics of the target.

Where a proposed acquirer fails to notify the intended acquisition in advance or proceeds with the acquisition of the “material holding” despite regulatory opposition, the CSSF may take appropriate measures, including suspending the associated voting rights or seeking the nullity or annulment of votes cast, without prejudice to additional sanctions.

Material transfers of assets and/or liabilities

In line with Article 27f of CRD VI, the New Law requires that Obligated Entities notify the CSSF in writing in advance of any material transfer of assets and/or liabilities executed through a sale or any other type of transaction (“**Proposed Transfer**”). Such notification must be submitted by each Obligated Entity involved in the relevant transaction, including both the transferring and the receiving entity.

This obligation applies irrespective of whether the Proposed Transfer occurs on a stand-alone basis or within a group. In intra-group scenarios, each participating entity remains individually responsible for complying with the notification requirement.

For the purposes of determining materiality, a Proposed Transfer is deemed “material” where its value reaches at least 10% of the total assets or liabilities of the relevant Obligated Entity. Where the transfer takes place between entities belonging to the same group, this threshold is increased to 15%. For parent financial holding companies and parent mixed financial holding companies, the assessment must be carried out on a consolidated basis.

When calculating the above thresholds, certain categories of transfers are expressly excluded and should not be taken into account. In particular, the following shall not be considered:

- Transfers involving non-performing assets
- Transfers of assets intended to form part of a cover pool for covered bonds
- Transfers of assets designated for securitization
- Transfers of assets or liabilities carried out in the context of resolution measures within the meaning of Directive 2014/59/EU

It should be noted that, unlike other types of Material Transactions under CRD VI, the Proposed Transfers are not subject to prior approval by the CSSF and may be implemented following notification.

However, failure to comply with the notification requirement may prompt the CSSF to take appropriate supervisory or enforcement measures, including the imposition of administrative sanctions.

Mergers and divisions

Obligated Entities participating in mergers or division operations, including transactions resulting in the transfer of all or part of their assets and liabilities to one or more existing or newly established entities as further defined by the New Law ("**Proposed Transactions**") are also required to submit a prior written notification to the competent authority which will be responsible for supervising the entity(ies) resulting from the Proposed Transaction.

Such notification must be made after the draft terms of the transaction have been finalized and formally approved at corporate level, and in advance of the completion of the Proposed Transaction.

Where multiple Obligated Entities are involved, the notification obligation applies to each participating Obligated Entity and must be addressed to the competent authority responsible for the supervision of the entity (or entities) resulting from the transaction.

This requirement does not apply to mergers or divisions carried out in the context of recovery and resolution measures within the meaning of Directive 2014/59/EU.

In addition to the notification requirement, the completion of a Proposed Transaction is subject to prior approval by the competent authority. In this context, the competent authority will assess whether, following completion, the transaction preserves the prudential soundness of the entities concerned. This assessment is notably based on considerations comparable to those applicable to acquisitions of qualifying or material holdings, including:

- The reputation, integrity and financial soundness of the financial stakeholders involved in the Proposed Transaction
- The ability of the resulting entity to comply, on an ongoing basis, with applicable prudential requirements under CRD, CRR and other relevant legislation
- The robustness and feasibility of the implementation plan of the Proposed Transaction
- Any concerns relating to money laundering or terrorist financing risks in connection with the Proposed Transaction

The competent authority may, where appropriate, request additional information or impose conditions, limitations or remedial measures aimed at ensuring compliance with prudential requirements and safeguarding financial stability.

Certain intra-group mergers or divisions may benefit, according to the provisions of the New Law, from a simplified assessment or exemption from the prior approval requirement, without prejudice to the ongoing obligation to notify the Proposed Transaction in advance.

Failure to comply with the applicable notification and/or approval requirements, including completion of a transaction without prior supervisory clearance, may trigger supervisory intervention and enforcement measures, including administrative sanctions, in accordance with the powers conferred on the competent authority under CRD VI.

Practical implications for transactions and reorganizations

Obligated Entities should now integrate the new requirements into transaction planning and execution processes at an early stage. In practice:

- Acquisitions and disposals may trigger an additional prudential assessment workstream, including in transactions involving non-regulated targets.

- Transaction timelines should now accommodate supervisory review periods and potential “stop-the-clock” information requests.
- Where both qualifying holdings and prudential Material Transaction regimes apply, Obligated Entities should ensure consistency across filings, supporting documentation and transaction narratives.
- Prudential materiality analyses should be embedded into transaction screening and approval processes from the outset.
- Intragroup reorganizations may also fall within scope, requiring careful sequencing analysis and potentially earlier supervisory engagement.

Although many internal reorganizations are already reviewed in practice through supervisory dialogue or qualifying holdings assessments, CRD VI formalizes and harmonizes prudential assessment mechanisms at EU level, which may result in more structured procedural and documentation requirements for intragroup restructurings.

Early regulatory assessment is therefore likely to become increasingly important for transaction execution certainty, implementation planning and transaction timetables.

Part B - Enhanced fit & proper framework. ESG competencies and crypto-assets exposure risk management

Enhanced fit & proper framework

The New Law also reinforces the existing suitability framework applicable to members of the management body and extends more formalized assessment requirements to key function holders within credit institutions and PSFs.

The New Law introduces definitions of “internal control functions” and “heads of internal control functions” and reinforces governance requirements around these roles.

The revised framework places increased emphasis on:

- The timing and completeness of appointment files
- Individual and collective suitability assessments
- Governance documentation and traceability of decision-making
- Ongoing training and competency monitoring

New procedural expectations for appointments

The revised framework introduces more structured supervisory expectations regarding appointment procedures and suitability assessments of the management body.

Suitability files relating to proposed appointments of management body members must generally be submitted to the CSSF at least 30 working days before the proposed appointment date.

Credit institutions and PSFs will also be required to maintain and update individual statements and a function map setting out the roles, duties, reporting lines and responsibilities of management body members, senior management and key function holders.

ESG expressly embedded into collective suitability

The New Law expressly incorporates ESG-related competencies into collective suitability expectations applicable only to CRR Institutions.

CRR Institutions will therefore need to demonstrate that management bodies collectively possess adequate knowledge, skills and experience relating to ESG risks and sustainability considerations. Institutions should ensure that induction and ongoing training frameworks for management body members cover ESG risks and impacts (as well as ICT risk) and update internal suitability assessments and governance documentation accordingly.

Crypto-asset risk exposures: Strengthened risk management and governance oversight

The new framework explicitly brings crypto-asset (within the meaning of MiCAR) exposures and related services within the prudential risk perimeter, requiring institutions to identify, assess and monitor these risks as part of their overall risk management framework of CRR Institutions.

CRR Institutions must perform ex-ante assessments of any planned -crypto asset exposure and evaluate the adequacy of their internal processes to manage market, counterparty and concentration risks associated with -crypto assets.

At governance level, the management body plays a central role: it remains ultimately responsible for ensuring that appropriate risk management, internal controls and reporting frameworks are in place, including for crypto asset risks. The CSSF is empowered to review these frameworks, require stress testing and scenario analyses on -crypto asset exposures, and assess the adequacy of governance and risk processes addressing such risks.

Recommended governance actions

CRR Institutions should consider:

- Updating board and senior management skills matrices to capture ESG expertise
- Reviewing fit & proper questionnaires, appointment procedures and supporting evidence files
- Formalizing statements of responsibilities and reporting lines for management body members and key function holders
- Ensuring that training programmes appropriately address ESG risk topics

Supervisory implementation and upcoming EBA standards

Although the Luxembourg legislative process is now complete, important aspects of the new prudential transaction and governance framework will continue to evolve through forthcoming EBA regulatory technical standards (RTS), implementing technical standards (ITS) and supervisory convergence practices.

The EBA is currently developing standards specifying, among other matters:

- The information to be submitted for prudentially material transactions
- Supervisory assessment methodologies
- Procedural requirements and timelines
- Aspects of suitability assessment processes

These standards are expected to further shape supervisory expectations and supervisory convergence across the EU.

Circular CSSF 12/552 will be updated following the publication of those EBA guidelines to ensure maximum alignment with the European framework. In the meantime, the current Circular CSSF 12/552 remains applicable, except where provisions of the LFS have been directly amended by the New Law (which apply from its entry into force).

Luxembourg institutions should therefore anticipate progressive alignment of CSSF supervisory expectations and practices with the future EBA framework once the relevant standards are finalized.

Institutions undertaking significant transactions, reorganizations or governance changes during the implementation period should therefore assess potential prudential implications at an early stage.

Related Content

[Luxembourg: New regime for third-country banking services](#)

Contact Information



Laurent Fessmann

Partner

laurent.fessmann@bakermckenzie.com



Jean-François Trapp

Partner

jean-francois.trapp@bakermckenzie.com



Ana Vazquez

Counsel

ana.vazquez@bakermckenzie.com

© 2026 Baker & McKenzie. **Ownership:** This site (Site) is a proprietary resource owned exclusively by Baker McKenzie (meaning Baker & McKenzie International and its member firms, including Baker & McKenzie LLP). Use of this site does not of itself create a contractual relationship, nor any attorney/client relationship, between Baker McKenzie and any person. **Non-reliance and exclusion:** All information on this Site is of general comment and for informational purposes only and may not reflect the most current legal and regulatory developments. All summaries of the laws, regulation and practice are subject to change. The information on this Site is not offered as legal or any other advice on any particular matter, whether it be legal, procedural or otherwise. It is not intended to be a substitute for reference to (and compliance with) the detailed provisions of applicable laws, rules, regulations or forms. Legal advice should always be sought before taking any action or refraining from taking any action based on any information provided in this Site. Baker McKenzie, the editors and the contributing authors do not guarantee the accuracy of the contents and expressly disclaim any and all liability to any person in respect of the consequences of anything done or permitted to be done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents of this Site. **Attorney Advertising:** This Site may qualify as "Attorney Advertising" requiring notice in some jurisdictions. To the extent that this Site may qualify as Attorney Advertising, PRIOR RESULTS DO NOT GUARANTEE A SIMILAR OUTCOME. All rights reserved. The content of the Site is protected under international copyright conventions. Reproduction of the content of this Site without express written authorization is strictly prohibited.

