WHAT'S NEW ?

Reform of SCSs and SCSp in Luxembourg: towards a new framework for compartmentalised AIFs

Bill No. 8814, lodged with the Chamber of Deputies on 30 July 2026, proposes amendments to the amended law of 12 July 2013 on alternative investment fund managers (the "AIFM Law"). Its principal purpose is to introduce, within the AIFM Law, a new framework allowing certain alternative investment funds established in the form of a société en commandite simple ("SCS") or société en commandite spéciale ("SCSp") to adopt a multi-compartment structure without falling under a Luxembourg regulated or semi-regulated fund product regime such as the SIF, SICAR, RAIF or Part II funds.

The text is still at the draft stage. It was lodged and referred to the Conseil d'État on 30 July 2026 and may therefore evolve during the legislative process. The analysis below relates to the initial draft published on Legilux and does not prejudge the content of any legislation ultimately adopted.

A targeted development of Luxembourg's structuring toolkit

SCSs and SCSp occupy an important place in the structuring of alternative investments in Luxembourg. Their appeal lies in particular in the flexibility of their contractual arrangements and, in the case of an SCSp, its lack of legal personality.

Until now, the ability to create within a single structure compartments benefiting from statutory segregation of assets and liabilities has, in substance, been associated with Luxembourg's main fund regimes.

Bill No. 8814 seeks to address this limitation without changing the general legal framework of the SCS or SCSp. It does not create a new standalone fund product; rather, it introduces a specific option under the AIFM Law for SCSs and SCSp meeting the conditions set out in the proposed new Article 28bis.

The proposed new Article 28bis of the AIFM Law

The core of the proposed framework lies in the introduction of a new Article 28bis relating to "multi-compartment AIFs". Under the initial draft, the mechanism would be limited to AIFs established in the form of an SCS or SCSp and managed by an alternative investment fund manager ("AIFM") authorised in Luxembourg or another EU Member State in accordance with the AIFMD framework.

The proposed scope requires several points to be highlighted:

- the structure must be an SCS or an SCSp;
- it must qualify as an AIF within the meaning of the AIFM Law;
- it must not fall under a Luxembourg fund product regime to which compartmentalisation rules already apply;
- it must be managed by an AIFM authorised in the European Union under the conditions set out in the draft Bill.

The proposed framework therefore does not apply indiscriminately to all SCSs and SCSp. An SCS or SCSp used simply as a holding or commercial vehicle, without qualifying as an AIF, would not be able to benefit from this option under the proposed Article 28bis.

The key innovation: statutory segregation between compartments

The main legal significance of the draft lies in the recognition of a separation between the assets allocated to the different compartments. In its general approach, the draft follows a concept already known to Luxembourg fund law for compartmentalised funds: assets allocated to a compartment are liable for the commitments, debts and obligations relating to that compartment, subject to the arrangements provided for in the constitutional documents and the final legislation.

This distinction is important. In an SCS or SCSp not subject to a fund product regime, contractual mechanisms can already be used to organise separate investment pools. The Bill seeks to go further by giving compartmentalisation a specific statutory basis.

For an investor or creditor, however, the precise scope of this segregation will remain critical.

The drafting of the constitutional documents, the identification of the assets and liabilities of each compartment and the financing documentation will need to be consistent with the separation principle adopted by the draft.

A structure potentially suited to multiple strategies

Subject to the adoption of the legislation, the proposed mechanism would make it possible to bring together within a single SCS or SCSp several compartments corresponding to distinct strategies or portfolios. By way of illustration, a single structure could comprise one compartment dedicated to private equity, another to real estate and a third to private debt.
The benefit does not lie solely in accommodating several strategies. Compartmentalisation may also be relevant where a sponsor wishes to distinguish between several portfolios, co-investment transactions or categories of exposure while retaining a common legal platform.
However, the framework should not be presented as a universal solution: the choice between a compartmentalised SCS/SCSp, a vehicle falling under a fund product regime or several standalone vehicles will depend, among other things, on the investment strategy, investor profile, financing requirements and the fund's operational arrangements.

Compartment-by-compartment liquidation

The draft also provides for autonomy in the life cycle of the compartments. The liquidation of one compartment would not, in itself, trigger the liquidation of the other compartments. The liquidation of the last remaining compartment would result in the liquidation of the AIF as a whole.
This option may be of practical interest for platforms whose portfolios have different investment horizons. It would make it possible to wind up one compartment without requiring the simultaneous dissolution of the structure as a whole.

Investments between compartments

The draft provides, subject to certain conditions, for one compartment to invest in another compartment of the same AIF. The mechanism is subject to safeguards designed, in particular, to prevent reciprocal holdings or circular investment structures. Voting rights attached to the relevant holdings are also subject to a specific regime.
This option could be useful in structures comprising related strategies or co-investment pools. It will nevertheless need to be considered in light of conflicts of interest, the fund documentation and the applicable operational requirements.

Flexibility within the AIFM framework

The reform does not amount to a general deregulation of SCSs and SCSp. It expressly forms part of the AIFM Law and applies to vehicles that meet the definition of an AIF and are managed under the conditions set out in the draft.

The requirements applicable under the AIFM Law, particularly those relating to investor disclosures, therefore remain relevant. In particular, the draft provides that the use of a multi-compartment structure and its terms must be set out in the constitutional documents and that the investment policy of each compartment must be described in accordance with the requirements of the AIFM Law.

This new compartmentalisation option should also be distinguished from the requirements arising under the various Luxembourg fund product regimes. The draft specifically targets SCSs and SCSp that are not already governed by those regimes.

What potential use cases should be considered?

The draft does not set out a list of eligible investment strategies. Its usefulness should therefore be assessed by reference to the structure sought. A number of situations may nevertheless be particularly suited to this flexibility:

- platforms bringing together several private markets strategies;
- co-investment structures designed to accommodate several transactions or portfolios;
- parallel vehicles intended to replicate in Luxembourg a compartmentalised structure existing in another jurisdiction;
- portfolios with different investment horizons or risk profiles;
- structures in which establishing a new vehicle for each investment pool would be disproportionate.

These use cases should nevertheless be regarded as illustrations rather than conclusions of the legislator.

Their relevance will depend on the structure adopted and on the legal, tax, regulatory and operational considerations specific to each project.

A particular focus on legal documentation

The introduction of statutory compartmentalisation increases the importance of the constitutional documents. These will need, in particular, to provide for the creation of the compartments, their investment policies and the terms governing their operation.

For sponsors and their advisers, the issue will therefore not simply be whether a compartmentalised structure is appropriate, but also how precisely to define the boundaries between the different pools of assets, the allocation of economic rights, governance rules, transfer mechanisms and, where applicable, the financing arrangements specific to each compartment.

Where does the reform currently stand?

Bill No. 8814 was approved by the Government Council on 17 July 2026 and subsequently lodged with the Chamber of Deputies and referred to the Conseil d'État on 30 July 2026. As at the date of this article, it therefore remains a draft Bill.

The text may be amended during the parliamentary process. Accordingly, in any legal or commercial communication, it is preferable to refer to a "proposed framework", "proposed reform" or "Bill No. 8814", rather than to a regime that is already in force.

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Key takeaways

Bill No. 8814 introduces a targeted but potentially significant development of Luxembourg AIF law. Its principal contribution is to allow, subject to certain conditions, an SCS or SCSp qualifying as an AIF and managed by an AIFM authorised in the European Union to operate as a multi-compartment vehicle without having to fall under a Luxembourg fund product regime.

For private equity, real estate, infrastructure and private debt players, the potential benefit lies in combining two characteristics: on the one hand, the flexibility inherent in Luxembourg limited partnerships and, on the other, compartmentalisation based on statute rather than solely on contractual arrangements.

The practical impact of the reform should nevertheless be assessed with caution until the legislative process has been completed. For existing structures and new projects, it may already be appropriate to identify situations in which a compartmentalised structure could provide an alternative to establishing multiple vehicles or using a fund product regime.