



Liquidation and Restructuring Services for Luxembourg Funds and Entities



The better the question. The better the answer. The better the world works.

Introduction

EY provides leadership in difficult and complex situations to rapidly solve, execute and transform outcomes. Our teams help clients achieve their strategic goals – winding down entities reaching the end of their lifecycle, buying or selling a distressed asset, restructuring a business, addressing underperformance or preserving value through bankruptcy.

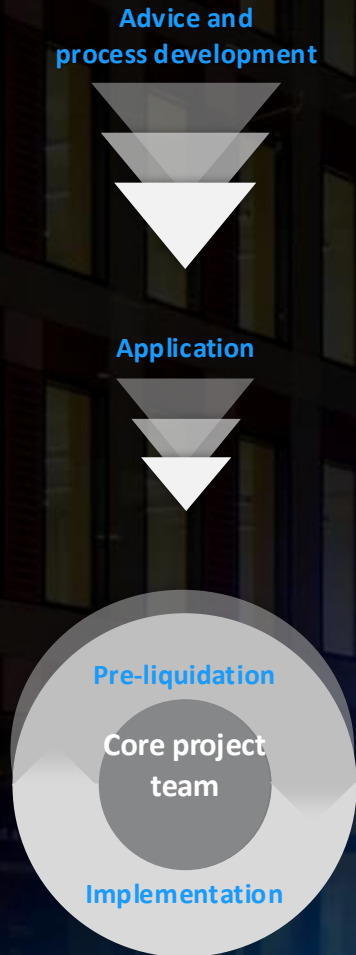
We provide the following services in Luxembourg:

- **Voluntary liquidations** – we act as liquidators for investment funds to ensure that winding-down is conducted in an orderly manner and in compliance with Luxembourg law. This frees up valuable management time to focus on their core business.
- **Formal insolvency** – we can be appointed as liquidators for entities placed into bankruptcy proceedings or act in an advisory role to recover value for stakeholders
- **Restructuring** – we can advise on restructuring options available in Luxembourg to distressed stakeholders seeking to preserve value or act as a restructuring officer (*conciliateur d'entreprise or mandataire de justice*)

We assist clients dealing with:

- Cash or liquidity issues
- Preservation of value
- Refinancing
- Restructuring of debt
- Underperformance
- Recovering value from debtors
- Solvency or debt
- Covenant issues

How EY can help in the liquidation?



Phase 1 – Immediate action

- EY can help develop a comprehensive liquidation program and a detailed step-by-step plan that meets your needs
- We bring proven methodology and a wealth of experience to help you with developing an optimal pre-liquidation, liquidation and post-liquidation process

Phase 2 – Ongoing advice and support

The cycle of ongoing support and advice continues throughout the project and includes:

- Liaising with various service providers
- Providing a solutions-based approach to resolve issues quickly and ensure a smooth, efficient liquidation
- Creating an environment of clear and consistent communication and monitoring

Phase 3 – Implementation and liquidation

- Implementation and liquidation involves the appointment of EY as a liquidator or as an administrative assistant to the liquidator
- A dedicated liquidation team coordinates the process to minimize liquidation-related costs and ensure efficient liquidation proceedings

Why EY?

Acting as liquidator

- EY would be appointed as liquidator of the entity by resolution of the shareholders (subject to CSSF approval if it is an entity falling under its supervision)
- When all assets have been realized and all liabilities have been identified, provisioned and settled as appropriate, the liquidator convenes the shareholders to the closing extraordinary general meeting with a view to deliberate upon the closure of the liquidation process

Providing administrative assistance to the liquidator

- EY may also provide administrative assistance to the appointed liquidator which may be a related party e.g., director, general partner or shareholder of the entity
- The appointed liquidator may be an individual or legal entity
- EY would coordinate the whole liquidation process, but the powers of signatures remain in hands of the liquidator



Overview: Standard solvent liquidation process in Luxembourg

The chart below sets out the indicative and non-exhaustive steps for a voluntary (solvent) liquidation procedure for an entity as stipulated by Luxembourg law:

| Phase I Pre-liquidation preparation | Phase II 1 st shareholder meeting | Phase III Liquidation phase | Phase IV Final shareholder meeting | Phase V Post closure formalities |
|--|--|--|--|---|
| <ul style="list-style-type: none"> ▪ Approval by the supervising authority (e.g., CSSF) of the liquidator, if required ▪ Resolution of the board to liquidate ▪ Convening notice of the shareholder meeting | <ul style="list-style-type: none"> ▪ Vote of the dissolution and liquidation of the entity ▪ Appointment of liquidator ▪ Appointment of a statutory auditor (réviseur d'entreprises agréé) to the liquidation | <ul style="list-style-type: none"> ▪ Reviewing the financial position ▪ Realization of assets ▪ Identification and settlement of liabilities and commitments ▪ Termination of contracts ▪ Advances on liquidation proceeds instructed at the discretion of the liquidator | <ul style="list-style-type: none"> ▪ Vote of the closure of the liquidation proceedings ▪ Approval of the report of the statutory auditor to the liquidation ▪ Approval of the liquidator's report and closing liquidation accounts ▪ Discharge of the liquidator and statutory auditor duties | <ul style="list-style-type: none"> ▪ Payment of final liquidation proceeds ▪ Placement of non-distributed assets with the Caisse de Consignation ▪ Legal and tax deregistration ▪ Final reporting to the supervising authority, if applicable ▪ Deletion from the trade register |

EY support throughout the whole pre-liquidation and liquidation process

Process overview

Why EY?

The context

For regulated entities, the CSSF, Luxembourg's supervisory authority, pre-approves the liquidation scheme and the prospective liquidator. The appointment of an external Liquidator is then submitted to the vote of the shareholders. The responsibilities and determination of the powers of the liquidator are defined by the amended Law of 10 August 1915 on commercial companies' law.

The mission

The liquidator must realize all the assets and liabilities of the fund and distribute the net assets to the shareholders. The liquidator may be relieved from inventory and refer to the accounts of the fund. The liquidator may, under his responsibility, for special or specific operations, delegate to one or more proxies such part of his powers he determines and for the period he will fix. During the liquidation process, control of operations is in the hands of professionals who may have extensive powers, hence the need of a competent liquidator. EY Global independence policies and processes are designed to enable our professionals to comply with the independence standards of the International Ethics Standards Board for Accountants (IESBA), with more stringent requirements were prescribed by applicable regulators. In addition, our mandates are subject to satisfactions of local anti-money laundering (AML) requirements.

The liquidator's remuneration

The liquidator's remuneration is typically determined on the basis of:

- Time spent by the liquidator and its staff members in attending to matters arising in the liquidation
- Their individual fee rates, which are based on their qualifications and experience

Measures to support the process

An integrated service tailored to your needs in the hands of a dedicated team coordinating the liquidation process

- Preparation of corporate documents and termination of contractual arrangements
- Tax and compliance due diligences
- Transaction due diligences
- Local prudential reporting

We consider the following matters are key to the successful delivery of the project

- Pilot the liquidation plan and periodical status report to the relevant service providers
- Periodical communication to investors / stakeholders

Your potential benefits

- A dedicated liquidation team coordinating the process to minimize liquidation-related costs and ensure efficient liquidation proceedings
- Outsourcing the liquidation process to EY's dedicated team allows you to focus on your core business and strategy, saving you valuable management time



A dedicated liquidation team

EY's dedicated liquidation team has extensive experience in dealing with:

- Terminating contractual arrangements
- Bringing and defending litigation claims
- Communicating periodical information and valuation estimates to the shareholders
- Responding to regulatory investigations
- Resolving disputes or litigations
- Advances on liquidation bonus distributed in cash/in kind
- Solving tax or legal compliance issues
- Regulatory de-registrations
- Unclaimed redemption proceeds

Expertise in liquidation of investment companies and businesses

- Recover debts and deal with illiquid or complex assets
- Value different asset classes
- Hedging activities

Expertise in liquidation of private equity/real estate companies

- PE liquidations can often involve multiple entities spread across more than one jurisdiction
- Clients tell us that setting-up the PE structure is easy but winding-down is another game altogether, best left to an expert
- Winding-down these structures are inherently complex due to their past history (potential tax exposures, SPA guarantees) and require an experienced liquidator who can coordinate the whole process

Frequently asked questions

Why should I engage EY Luxembourg as liquidator?

For a regulated investment fund, the nominated liquidator must be approved by the regulator (e.g., the CSSF). In order to assume an appointment, the nominated liquidator must provide guarantees of good repute and professional skill (see article 145(1) of the Law of 17 December 2010 relating to undertakings for collective investment, as amended) (UCI Law) and the appointment is not a matter to be taken lightly as it carries certain responsibilities and duties to stakeholders and that of the fund itself (see article 143 (8) of the UCI Law, as amended). Ramifications from the conduct of the liquidators may arise as legal actions can be brought against them for up to a maximum of five years from the publication of the liquidation's closure (see article 143 (10) of the UCI Law, as amended). The conclusion is that acting as liquidator is not a simple matter to be taken lightly, even in the context of a solvent voluntary liquidation.

EY Luxembourg has extensive experience dealing with the liquidation of various regulated investment funds, and obtaining approval from the CSSF to act as the liquidator. EY Luxembourg has a dedicated restructuring and liquidation team to ensure that the liquidation of the fund is handled efficiently by an independent third party and in compliance with applicable law.

What is the average timeline to complete the voluntary liquidation process for an investment fund?

Assuming there are minimal liquid assets and distributions to be made, we would say approximately six to nine months from commencement of liquidation to dissolution. During this period, the liquidator oversees the finalization of the opening liquidation accounts (i.e., covering the financial period up to the date of commencement of liquidation), realizes any residual assets and makes interim distributions to shareholders, and drafts the liquidator's final report to shareholders. The accounts contained in the liquidator's final report itself will be audited by a statutory auditor (*réviseur d'entreprises agréé*) who is appointed during the liquidation period. The timeline for completion may be extended if there are further extraordinary matters arising to be dealt with by the liquidators.

Other Services

Restructuring and liquidation services are part of our wider Strategy and Transactions practice through which EY offers a broad range of services around the capital agenda of its clients:

Preserving capital

- Assessment of risks around liquidity positions
- Advisory on distressed situations
- Refinancing debt, equity and other obligations

Investing capital

- Planning and structuring acquisitions
- Integrated due diligence and valuation
- Support in deal negotiations

Optimizing capital

- Business review
- Improving working capital and releasing cash
- Legal entity rationalization

Raising capital

- Sell-side due diligence
- Capital raising advice
- Debt/equity offering support
- Developing cost and tax efficient structures

Transaction support

- Buy-side due diligence
- Sell-side services (exit readiness, vendor due diligence, vendor assistance)
- Post-closing assistance (completion accounts, confirmatory due diligence)
- Support in deal negotiation/SPA drafting
- Develop of tax-efficient acquisition or disposal structures

Mergers and acquisitions

- Lead advisory services for acquisition, divestments, mergers
- Assistance in structuring, valuation, negotiations and closing of M&A deals
- Capital raising advice
- Debt/equity offering support

Valuation and business modelling

- Valuation of the business, shares and intangible assets
- Valuation of capital equipment
- Business modelling
- Valuation of employee stock options
- Value dispute resolution
- Valuation expert testimony

Real estate

- Valuation services for various purposes including financial reporting, collateral, expert opinion and dispute resolution, and feasibility studies
- Outsourcing of fund valuation functions and oversight of periodic portfolio valuations
- Transaction services for buy/sell side M&A mandates, and facilitating capital and debt raises for real estate portfolios
- Development services for land/building acquisition, legal and financial structuring, construction costs evaluation, and project management

Why EY

Dedicated hands-on, integrated and multidisciplinary team of advisors



Tailored liquidation approach



Global network for complex liquidations involving several jurisdictions



Contacts with decision makers and regulators



Greatest value delivered for you

One-shop approach

- Full-service advisor for end-to-end service solutions
- Dedicated team with expertise to address the whole range of issues arising in the course of liquidations: regulatory, tax, accounting, HR etc., to ensure a smooth liquidation process

Proven Expertise

- Extensive liquidation experience with proven track record
- First-class project teams and integrated solutions
- Client-centric work style and true partnership-based approach

Global network for multi-jurisdictional liquidations

- EY's global network of professionals delivers an integrated approach for complex liquidations across more than 96 countries
- The global-yet-local perspective is complemented by a deep knowledge of local market conditions and the regulatory nuances

Global network for multi-jurisdictional liquidations

- Detailed understanding of the liquidation procedures and the steps leading to liquidation
- Good working relationship with regulators and authorities
- Dedicated financial services professionals

Our Experience

Project Tile

Appointed as voluntary liquidator of UCITS fund reaching end of lifecycle with task of distributing circa EUR 100M to investors. Interim distribution paid within two months and liquidation was closed within six months.

EY Value Delivered

Timely capital return to investors and efficient completion of the liquidation.

Project Flex

Appointed to conduct independent review of a multinational company placed into bankruptcy proceedings in Luxembourg, with reporting to the bankruptcy curator.

EY Value Delivered

Multi-disciplinary advice spanning audit, accounting and liquidation in a one-stop shop (OSS) format for the client's benefit.

Project Sunrise

UCITS fund placed into liquidation. Ninety percent (90%) of cash surpluses distributed to investors over the course of two months. Liquidation completed within nine months, followed by final distribution.

EY Value Delivered

Timely capital return to investors and efficient completion of the liquidation.

Project Pepper

Advice and assistance to the present liquidators of a Luxembourg holding vehicle parked under an investment fund. Subsequently appointed as replacement liquidators. Worked with management to close-out all remaining issues identified and to close liquidation within three months of appointment.

EY Value Delivered

Residual matters at the tail-end of a liquidation closed-out effectively leveraging a multi-disciplinary team.

Banque Havilland

Acting as court-appointed joint administrators in the suspension of payment (administration) proceedings of Banque Havilland.

EY Value Delivered

Highly complex, regulated and large sized project managed efficiently in the interest of multiple stakeholders. Entity in scope reorganized under new name.

An integrated service offering

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EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

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About EY-Parthenon

Our unique combination of transformative strategy, transactions and corporate finance delivers real-world value – solutions that work in practice, not just on paper.

Benefiting from EY's full spectrum of services, we've reimagined strategic consulting to work in a world of increasing complexity. With deep functional and sector expertise, paired with innovative AI-powered technology and an investor mindset, we partner with CEOs, boards, private equity and governments every step of the way – enabling you to shape your future with confidence.

EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit www.ey.com/parthenon.

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