

S.à r.l. or SAS?

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The private limited liability company (*société à responsabilité limitée* or S.à r.l.) is, by number, the most widely used form of companies in Luxembourg. With the introduction of the simplified public limited liability company (*société par actions simplifiée* or SAS) within the Luxembourg legal framework, the question as to whether the SAS may become a credible alternative to the S.à r.l. arises.

Inspired by the French market, the SAS is characterised by a very high degree of flexibility and a very limited level of statutory prescription, notably as regards its mode of governance which can be tailored to the shareholders' needs. Another advantage of the SAS is the ability to include specific clauses in its articles of association aimed at regulating shareholder relations, thereby stabilising the control of the company. The SAS is also less regulated than the S.à r.l. in terms of share transfer restrictions, shareholders exclusion and standstill provisions. Contrary to similar provisions in a shareholders' agreement, such clauses are binding upon third parties if provided for in the articles of association.

The purpose of this client briefing is to highlight the main characteristics and differences between the S.à r.l. and SAS.

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