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Reform of the "Hamon Law". A new simplified regime to facilitate French M&A transactions

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Is it the end of the “Hamon Law” Procedure?

Since 2014[1], the so-called “Loi Hamon” requires that any proposed sale of a business (*fonds de commerce*) or direct transfer of a controlling interest in a French SME be preceded by an individual written notification to each employee of the target, allowing each such employee to submit a competing acquisition offer to the seller’s contemplated transaction. Applicable to direct transfers involving more than 50% of a company’s share capital, this procedure may, in some cases, be required concomitantly with the information and consultation process of the works’ council of the target (Social and Economic Committee, “CSE”). These requirements resulted in delays in the transaction process by up to two months and was widely criticized by M&A practitioners for its adverse impact on transaction timelines and the uncertainty it created for prospective buyers. In response to these concerns, Article 22 of the Economic Simplification Law of 26 May 2026[2] significantly reduces the practical impact of these requirements. The reform abolishes the notification regime under the Hamon Law for most companies with 50 or more employees and eases the rules applicable to smaller companies.

What’s new?

- **Removal of the Hamon Law procedure for larger SMEs:** companies with 50 or more employees that have a Social and Economic Committee exercising its full statutory powers are no longer required to implement the employee notification process under the Hamon Law.
- **Notification period reduced to one month**: the employee notification period is reduced from two months to one month for companies with fewer than 50 employees.
- **Reduced sanctions:** the civil fine imposed for failure to comply with the Hamon Law is substantially reduced, from 2% to 0.5% of the purchase price.

- **Effective date:** 27 July 2026 (applicable to transactions completed on or after that date).

No Hamon Law process required for companies with 50 or more employees

The most significant aspect of the reform deals with companies employing 50 or more employees. Under the original 2014 Hamon Law regime, the employee notification requirement applied in addition to the information and consultation procedure of the Social and Economic Committee. As a reminder, where a Social and Economic Committee exists, a seller may not enter into any binding documentation until the Social and Economic Committee has first been informed and consulted and, where applicable, the Hamon Law notification procedure has been completed. The combination of these two requirements used to have a significant impact on M&A transaction timetables, given the maximum two-month waiting period. The parties could, however, shorten the Hamon Law timetable by obtaining a written waiver from each employee confirming their intention not to submit an acquisition proposal.

Under the reform, companies that are required to set up a Social and Economic Committee exercising the powers referred to in the second paragraph of Article L.2312-1 of the French Labour Code (i.e., companies with 50 or more employees whose Social and Economic Committee exercises its “full statutory powers”) are no longer subject to the Hamon Law notification requirement. Accordingly, only the standard Social and Economic Committee information and consultation procedure provided for under the French Labour Code remains applicable. Employee representatives must continue to be informed and consulted on the proposed transaction in accordance with the customary employment law requirements, but there is no longer any requirement to provide separate individual notification to each employee under the Hamon Law.

NB: It should be noted, however, that the employee notification requirement remains applicable where no Social and Economic Committee exercising full statutory powers is in place (including where a formal statement of non-election of employee representatives (procès-verbal de carence) has been issued). In case of doubt, a cautious approach would be to continue applying the Hamon Law procedure.

A shorter timeline for smaller companies

For companies with fewer than 50 employees, the Hamon Law notification procedure remains applicable, although its requirements have been softened. The period during which employees may submit a competing acquisition proposal has been reduced from two months to one month, running from the date on which employees are notified of the proposed transaction.

The notification requirements themselves remain unchanged, and the transaction may still be completed before the expiry of the one-month period if all employees have formally waived their right to submit an offer.

Although these changes do not alter the underlying objective of the Hamon Law — which was to allow employees to submit a competing acquisition proposal — they demonstrate the legislator's intention to facilitate transactions involving SMEs while maintaining appropriate safeguards for employees.

Significantly Reduced Sanctions

The easing of the Hamon Law regime is further reflected in the reduction of the sanctions applicable for non-compliance with the prior notification requirement. This development is consistent with the legislator's broader objective of facilitating transaction execution while reducing execution risk. It should also be noted that, since 2016, non-compliance with the Hamon Law procedure no longer results in the transaction being declared void.

Expanded Scope of Exemptions

Consistent with this objective of facilitating transaction execution, the reform expands the categories of companies excluded from the Hamon Law regime. Companies subject to accelerated safeguard proceedings (*sauvegarde accélérée*) are now excluded, alongside companies undergoing conciliation proceedings, safeguard proceedings (*sauvegarde*), judicial reorganisation proceedings (*redressement judiciaire*) or judicial liquidation proceedings (*liquidation judiciaire*).

The rationale is clear: to facilitate the transfer of businesses facing financial distress.

What does it involve in practice for M&A Transactions?

- **Transaction timeline:** the standalone Hamon Law notification requirement no longer applies to companies with 50 or more employees that have a Social and Economic Committee exercising its full statutory powers. For companies with less

than 50 employees, the notification period has been reduced from two months to one month.

- **Reduced administrative burden:** the reform simplifies the transaction process and reduces the administrative burden on sellers and management teams.
- **Limited residual risk:** the reduction of the maximum civil fine to 0.5% of the purchase price significantly limits potential litigation risk.
- **Current transactions:** the new rules apply to transactions completed at least two months after the enactment of the legislation, i.e., from 27 July 2026.
- **Attention point:** regardless of the target's size, buyers should verify whether the target has a Social and Economic Committee exercising its full statutory powers as this will determine whether the Hamon Law notification requirement remains applicable.

[1] Law No. 2014-856 of 31 July 2014

[2] Law No. 2026-403 of 26 May 2026

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