French M&A: Navigating the Hamon Law after the 2026 Reform

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French M&A transactions may require one of two employee-related procedures before the seller can enter into a binding sale agreement: direct notification of employees under the so-called *Hamon Law*, or information and consultation of the target's work council (*comité social et économique*, or CSE). Neither route gives employees or the CSE a veto, but the applicable process must be identified at the outset and built into the transaction timetable.[1][2]

Law No. 2026-403 of 26 May 2026, applicable to sales concluded on or after 27 July 2026, substantially recasts the regime:

1. deletion of the direct employee notification in companies with a CSE employing at least 50 employees;
2. where direct employee notification remains required, the minimum period has been reduced from two months to one month and the maximum civil fine from 2% to 0.5% of the sale price.

Although unfamiliar to many investors, this additional procedural step in French M&A needs to be scoped early and documented carefully.[2]

Key takeaways:

- **Covered transactions:** a sale of a *fonds de commerce* or a majority stake in a French private limited liability company (*société à responsabilité limitée* / SARL) or a French company limited by shares (*société par actions*, i.e. an SAS, SA or SCA).
- **Two alternative routes:** direct notice applies principally below 50 employees; where a CSE with full statutory powers is required and in place, only the CSE is informed and consulted.
- **No employee or CSE veto:** non-compliance with the applicable process creates distinct civil and, for CSE consultation, potentially criminal risks.

1. The Scope of the Hamon Regime

The rules cover the sale of a *fonds de commerce* (a business operated as a going concern, comprising a bundle of tangible and intangible business assets and rights and necessarily including its customer base, but generally excluding the seller's liabilities) and the sale of more than 50% of the equity interests in a French private limited liability company (*société à responsabilité limitée* / SARL), or shares or securities giving access to a majority of the capital of a French company limited by shares (*société par actions*, i.e. an SAS, SA or SCA). The regime is limited to transactions legally characterised as sales; it does not generally extend to other transfer techniques and there are some express exceptions.[3][4]

2. Which Procedure Applies After the 2026 Reform?

The key question is whether the target is required to have, and has in place, a CSE exercising the full statutory powers applicable to companies with at least 50 employees. The revised legislation no longer uses the former SME (Small and Medium-sized enterprises) financial thresholds. A company required to have such a CSE but lacking one - including where a formal *procès-verbal de carence* records the absence of elected representatives - falls back into the direct-notification route.[2][3][4]

TRANSACTION	TARGET / CSE STATUS	REQUIRED STEP	EARLIEST SIGNING
Covered business or majority share sale	No obligation to have a CSE with full statutory powers (principally < 50 employees)	Direct notice to every employee	**At least 1 month before signing**
Covered business or majority share sale	Full-powers CSE required and in place (generally 50+ employees)	Inform and consult the CSE; no separate individual Hamon notice	**Before the seller is irrevocably committed**
Covered business or majority share sale	Full-powers CSE required but not in place, including a formal procès-verbal de carence	Direct notice to every employee	**At least 1 month before signing**
Express exceptions	Family sale; listed pre-insolvency and insolvency proceedings; qualifying prior information within 12 months	No direct Hamon notice	Confirm the exception before relying on it

3. Information Content and Evidence

The direct notice is deliberately limited: employees must be told that a sale is contemplated and that they may submit an offer. The buyer's identity, the proposed price, the SPA terms and detailed financial or strategic information need not be disclosed. Employees are subject to a duty of discretion, subject to limited disclosure to advisers assisting with an offer.[3][4]

Notice may be delivered by any method establishing a certain receipt date. In practice, accepted methods include a meeting with a signed attendance register, posting with signed acknowledgements, certified email, hand delivery against receipt, registered letter with acknowledgement of receipt, or service by a judicial officer (*commissaire de justice*). For registered letters, the relevant date is the date of first presentation. A complete evidence file should be retained.[5]

Overall, the reform should make French M&A transactions easier to execute and their timetables more predictable. Companies with a CSE exercising full statutory powers **are no longer required to carry out individual employee notifications in parallel with the CSE information and consultation process**. By removing this duplicative procedural layer and shortening the remaining notification timetable, the reform reduces the administrative burden and execution risk associated with French transactions, while preserving the CSE's role in the process.

4. Transaction Mechanics: Signing, Waivers and CSE Consultation

For direct employee notification, the one-month period is measured by reference to the date on which the binding sale contract is entered into, not completion or the subsequent transfer of title. A SPA remains a binding contract from signing even if completion is subject to conditions precedent. Earlier signing is possible only once every employee has confirmed that they will not submit an offer. Those confirmations should be written, transaction-specific and obtained after the notice has been given.[3][4][6]

5. Consequences of Non-Compliance

A breach of the direct Hamon notification regime does not automatically invalidate the sale. Where a liability action is brought, the court may, at the public prosecutor's request, impose a civil fine of up to 0.5% of the sale price, in addition to potential civil liability. If a notified sale does not occur within two years after the employee offer period, a later sale must be notified again.[2][3][4][7][8]

PRACTICAL DEAL SEQUENCE

1 SCOPE	2 ROUTE	3 PROCESSES	4 CLEARANCE	5 SIGNING
Confirm the transaction type, headcount and full-powers CSE status at term-sheet stage.	Choose direct employee notice or CSE consultation and build it into the timetable.	Deliver traceable notices or launch the CSE consultation with complete information.	Wait one month or collect waivers; alternatively, complete the CSE consultation.	Enter into the binding sale agreement only once the applicable process permits it.

REFERENCES

[1] Law No. 2014-856 of 31 July 2014 — original Hamon Law.
[2] Law No. 2026-403 of 26 May 2026, Art. 22 — 2026 simplification reform.
[3] French Commercial Code, Arts L. 141-23 to L. 141-28 — business sales.
[4] French Commercial Code, Arts L. 23-10-1 to L. 23-10-12 — majority share sales.
[5] French Commercial Code, Arts D. 141-3 et seq. and D. 23-10-1 et seq. — evidence and permitted notice methods.
[6] French Commercial Code, Art. D. 23-10-1 and Conseil d'Etat, 8 July 2016, No. 386792 — the sale date is the date the contract is concluded.
[7] French Labour Code, Arts L. 2312-8 and L. 2317-1 — CSE consultation and obstruction risk.
[8] Constitutional Council, Decision No. 2015-476 QPC, 17 July 2015 — annulment sanction held unconstitutional.