

## Venture capital funds in Luxembourg

Located in the heart of the European Union, Luxembourg is the largest investment fund center in Europe and the second largest in the world after the United States. Luxembourg's investment funds have a dominant position in Europe both for retail and institutional investors and are also recognized in Asia Pacific, Latin America and the Middle East. To keep this position, Luxembourg has constantly updated its legal toolbox to be fully adapted to the business needs of investors and businesses. The Lux legal toolbox facilitates the easy implementation of typical common law structuring, despite being a legal system based on a civil code.

To assist in identifying the optimal structure for fundraising, here is an overview of typical Luxembourg vehicles adapted for venture capital:

- **Unregulated SLP**

Special limited partnerships (société en commandité spéciale – SLP) are inspired by the Anglo-Saxon limited partnership. The SLP is designed to grant parties the highest level of contractual freedom and structuring flexibility.

- **SICAR**

SICAR stands for société d'investissement en capital à risque – that is, a company investing in risk capitals. These are investment vehicles designed specifically to suit the needs of venture capital investors. SICARs allow investment in entities in view of launches, development or listing on a stock exchange and are not subject to risk-spreading requirements. SICARs are supervised by the Luxembourg regulator and may give more comfort to potential investors.

- **RAIF**

RAIF stands for reserved alternative investment fund. Luxembourg RAIFs (whose exclusive object can be the investment in risk capital instruments, as for SICAR) offer a non-regulated alternative investment fund platform that is not subject to the direct supervision of the Luxembourg regulator which is managed by an authorized AIFM (alternative investment fund manager). This regime is designed for the structuring of alternative investment funds for an offering to an international qualified investor base under an already well-known label. The principal benefits include efficient structuring and investor protection.

- **EuVECA**

The Luxembourg European Venture Capital Fund (EUVECA) structure can also elect for the EU label for managers of investment funds investing primarily in venture capital. Subject to compliance with eligible asset diversification and other rules set forth in applicable EU regulations, registered EuVECA managers benefit from a "passport" enabling them to market their funds to qualified investors throughout the EU. EuVECA may represent a great opportunity if you are or contemplate being based in Luxembourg.

## Key figures in Luxembourg's venture capital



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- Venture capital funds represents circa 10 percent of the Luxembourg regulated and unregulated funds<sup>1</sup>; and
- Circa €9 billion is invested in venture capital through Luxembourg funds.

Finally, Luxembourg is engaged in the development of several incubators (such as the Luxembourg House of Financial Technology, the Lux Future Lab and the Technoport) as well organizing conferences (such as ICT Spring). These initiatives allow fund managers to meet and network with potential investors and key executives from major companies, benefit from visibility and find new customers while seeking investment opportunities.

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<sup>1</sup> Not including the UCITs which are not designed for private equity or venture capital.

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