

# Structured Finance & Securitisation 2021

Contributing editors  
Cadwalader, Wickersham & Taft LLP



**Publisher**

Tom Barnes  
tom.barnes@lbresearch.com

**Subscriptions**

Claire Bagnall  
claire.bagnall@lbresearch.com

**Senior business development manager**

Adam Sargent  
adam.sargent@gettingthedealthrough.com

**Published by**

Law Business Research Ltd  
Meridian House, 34-35 Farringdon Street  
London, EC4A 4HL, UK

The information provided in this publication is general and may not apply in a specific situation. Legal advice should always be sought before taking any legal action based on the information provided. This information is not intended to create, nor does receipt of it constitute, a lawyer-client relationship. The publishers and authors accept no responsibility for any acts or omissions contained herein. The information provided was verified between January and March 2021. Be advised that this is a developing area.

© Law Business Research Ltd 2021  
No photocopying without a CLA licence.  
First published 2015  
Seventh edition  
ISBN 978-1-83862-724-9

Printed and distributed by  
Encompass Print Solutions  
Tel: 0844 2480 112



---

# Structured Finance & Securitisation 2021

## Contributing editors

Cadwalader, Wickersham & Taft LLP

---

Lexology Getting The Deal Through is delighted to publish the seventh edition of *Structured Finance & Securitisation*, which is available in print and online at [www.lexology.com/gtdt](http://www.lexology.com/gtdt).

Lexology Getting The Deal Through provides international expert analysis in key areas of law, practice and regulation for corporate counsel, cross-border legal practitioners, and company directors and officers.

Throughout this edition, and following the unique Lexology Getting The Deal Through format, the same key questions are answered by leading practitioners in each of the jurisdictions featured. Our coverage this year includes new chapters on Malta, the United Kingdom and the United States.

Lexology Getting The Deal Through titles are published annually in print. Please ensure you are referring to the latest edition or to the online version at [www.lexology.com/gtdt](http://www.lexology.com/gtdt).

Every effort has been made to cover all matters of concern to readers. However, specific legal advice should always be sought from experienced local advisers.

Lexology Getting The Deal Through gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We also extend special thanks to the contributing editors, Cadwalader, Wickersham & Taft LLP, for their assistance with this volume.



London  
March 2021

---

Reproduced with permission from Law Business Research Ltd  
This article was first published in April 2021  
For further information please contact [editorial@gettingthedealthrough.com](mailto:editorial@gettingthedealthrough.com)

# Contents

<b>Bermuda</b>	<b>3</b>	<b>Malta</b>	<b>56</b>
Nathalie West Walkers		Andrew J Zammit, Kurt Hyzler and Nico Fauser GVZH Advocates	
<b>Denmark</b>	<b>9</b>	<b>Portugal</b>	<b>63</b>
Michael Steen Jensen and Mikkel Fritsch Gorrissen Federspiel		Paula Gomes Freire, Benedita Aires and Inês Perez Sanchez VdA	
<b>France</b>	<b>17</b>	<b>Spain</b>	<b>74</b>
Olivier Hubert and Arnaud Pince De Pardieu Brocas Maffei		Jaime de la Torre Viscasillas, Miguel Cruz Roperero and Tania Esteban Logroño Cuatrecasas	
<b>Greece</b>	<b>25</b>	<b>Switzerland</b>	<b>84</b>
Christina Faitakis and Christos Paraskevopoulos Karatzas & Partners		Lukas Wyss, Johannes A Bürgi, Maurus Winzap and Roger Ammann Walder Wyss	
<b>Ireland</b>	<b>31</b>	<b>United Kingdom</b>	<b>90</b>
Stephen McLoughlin, Callaghan Kennedy and Lynn Cramer Maples Group		Robert Cannon, Assia Damianova and Sabah Nawaz Cadwalader, Wickersham & Taft LLP	
<b>Japan</b>	<b>39</b>	<b>United States</b>	<b>98</b>
Motohiro Yanagawa, Takashi Tsukioka and Yushi Hegawa Nagashima Ohno & Tsunematsu		Maurine Bartlett, Peter Dodson, Robert Kim and Gary Silverstein Cadwalader, Wickersham & Taft LLP	
<b>Luxembourg</b>	<b>48</b>		
Denis Van den Bulke Vandenbulke			

# Portugal

Paula Gomes Freire, Benedita Aires and Inês Perez Sanchez

VdA

## GENERAL FRAMEWORK

### Legislation

- 1 | What legislation governs securitisation in your jurisdiction?  
Has your jurisdiction enacted a specific securitisation law?

In the context of securitisation, a general legal framework applicable to securitisation transactions was approved by Decree-Law No. 453/99 of 5 November 1999, as amended from time to time, notably by Decree-Law No. 144/2019 of 23 September 2019 and Law 25/2020 of 7 July (the Securitisation Law).

The Securitisation Law has implemented a specific securitisation legal framework in Portugal, which contains a simplified process for the assignment of credits for securitisation purposes. In fact, the sale of credits for securitisation is effected by way of assignment of credits, such being the customary terminology, consisting in a true sale of receivables under the Securitisation Law as the purchaser is the new legal owner of the receivables. It corresponds to a perfected sale of receivables, although there are some specifics relating to exercise of means of defence and set-off rights against the securitisation vehicle, described below.

In particular, the Securitisation Law regulates, among other things:

- securitisation vehicles;
- receivables eligibility criteria;
- types of assignors;
- licensing, authorisation, and assignment requirements;
- notification of borrowers;
- servicing of the assigned credits; and
- segregation of assets and bankruptcy-remoteness.

The Portuguese jurisdiction also has several sets of rules governing the following subjects on securitisation transactions:

- the Securitisation Tax Law and general debt issuance tax legal framework, governing all tax matters on securitisation transactions;
- offers and listing of securitisation bonds are governed by the Securities Code (approved by Decree-Law No. 486/99, as amended from time to time);
- specific regulation issued by the Portuguese Securities Commission, which is the Portuguese markets and securities regulatory body in charge of supervising the securities market and, in particular, of securitisation transactions and relevant players, establishing rules on accounting and own funds requirements of securitisation vehicles; and
- specific regulation issued by the Bank of Portugal applicable to originators assigning credits or loans for securitisation purposes to securitisation vehicles under the Securitisation Law.

Being directly applicable, in all member states, to securitisations the securities of which were issued on or after 1 January 2019, the Portuguese jurisdiction also embraced the entry into force of Regulation

(EU) 2017/2402 (the Securitisation Regulation), laying down a general framework for:

- securitisation;
- defines securitisation and establishes due diligence requirements;
- risk retention and transparency requirements for parties involved;
- criteria for credit granting;
- requirements for selling securitisations to retail clients;
- a ban on re-securitisation;
- requirements for securitisation special purpose entities; and
- conditions and procedures for securitisation repositories.

The Securitisation Regulation also created a specific framework for simple, transparent and standardised securitisation (STS securitisation), enabling the Portuguese market to successfully debut with two STS securitisations (residential mortgage-backed securities (RMBS) and auto loans, respectively) notified to the European Securities and Markets Authority (ESMA) as meeting the requirements of articles 19 to 22 of the Securitisation Regulation (STS requirements).

### Applicable transactions

- 2 | Does your jurisdiction define which types of transactions constitute securitisations?

Yes. The Securitisation Law defines securitisation by reference to article 2(1) of the Securitisation Regulation. It includes:

- traditional securitisation: an assignment of credits where the assignee is a securitisation vehicle (ie, a securitisation company (STC) or a securitisation fund (FTC));
- synthetic securitisation: a securitisation whereby a bank (originator) buys credit protection on a portfolio of loans from an investor by the execution of a derivative contract or hedging agreement;
- STS securitisation: an assignment of credits that meet the criteria set out in articles 20 or 24 of the Securitisation Regulation; and
- non-STS securitisation: risk transfers and credit assignments that meet the requirements in article 4 of the Securitisation Law.

The Securitisation Law regulates a simplified and tax-neutral process for securitisation transactions, which, other than synthetic securitisations, follow a two-step approach:

- transfer of receivables to a securitisation vehicle; and
- subsequent issue of securities or units, subscribed for by one or more investors, using the proceeds to fund the purchase of the receivables.

Once transferred, the assigned portfolio is ring-fenced and fully allocated to the issue of the securities.

## Market climate

### 3 | How large is the market for securitisations in your jurisdiction?

The securitisation market in Portugal has been very active in recent years and securitisation transactions involving receivables originating from several industries have been successfully put together. The banking and finance industry has been, and still is, the most significant, originating both performing or non-performing loans, and secured or unsecured portfolios. Most securitisation transactions have used residential mortgages and corporate and small and medium-sized enterprise (SME) loans, and leasing receivables. Other asset classes have also often been securitised in the Portuguese market, namely tax and social security credits, regulatory credits arising from the tariff-deficit in the electricity sector, non-performing loans, highway toll receivables and future receivables.

Throughout the financial crisis, securitisation mechanics and features continued to be used as an important financing tool, allowing access to European Central Bank liquidity lines by using eligible collateral such as rated asset-backed securities in the Eurosystem monetary policy transactions. This trend only really slowed due to the Bank of Portugal's programme, whereby loans could be directly posted with the Bank of Portugal as collateral against liquidity, even though the Eurosystem operations were still an open option.

Key milestones were achieved with the first two securitisations in the national market of non-performing loans with ratings attributed to the issued notes, the first in 2017 and the second in 2018. Up to this date, securitisations of non-performing loans continue to be arranged.

Also, another key milestone for this year relates to the debut of Portuguese securitisations within the newly established STS framework, with two public securitisations (RMBS and auto-loans, respectively) completed and notified to ESMA as meeting the relevant STS requirements and as a consequence to be labelled STS. Also worth mentioning is the fact that the first of these two securitisations was also the first 'green' RMBS securitisation in the Iberian Peninsula, with the originator committing to use the proceeds from the deal to fund earmarked green building initiatives and sustainable finance projects on the Iberian Peninsula. As a final remark we note that both securitisations were successfully completed in the difficult context of the covid-19 pandemic, after the state of emergency being declared in several countries around the world, including Portugal, which demonstrates both the need and the appetite for this type of transactions.

## REGULATION

### Regulatory authorities

#### 4 | Which body has responsibility for the regulation of securitisation?

The Portuguese Securities Commission (CMVM) regulates and supervises securitisations in Portugal. The CMVM:

- analyses the relevant securitisation documents and regulatory requirements;
- analyses and signs off on the receivables pool of assets to be collateralised by way of the assignment for securitisation purposes;
- approves the assignment of receivables and incorporation of the securitisation fund (where a securitisation fund (FTC) is used as the securitisation vehicle), or the granting of an identification asset-code to the bulk of receivables in the asset securitised portfolio (where a securitisation company (STC) is used as the securitisation vehicle); and
- approves the prospectuses for admission to trading of securitisation notes issued by STCs in Portugal.

Also, without prejudice to the disclosure requirements set out in article 7 of the Securitisation Regulation, the Bank of Portugal (the Portuguese central bank) and, where applicable, the European Central Bank, with respect to certain entities, must be notified by the originators of the securitisation transactions being executed and approved by the CMVM.

### Licensing and authorisation requirements

#### 5 | Must originators, servicers or issuers be licensed?

Securitisation vehicles (STCs and FTCs) as issuers of securitisation securities are subject to registration with the CMVM and subject to supervision of the CMVM.

The Securitisation Law defines which entities may qualify as originators of receivables to be assigned for securitisation purposes, although no specific licence is required for this specific purpose. Under the Securitisation Law, the entities referred to in article 2(3) of the Securitisation Regulation and the Portuguese state and other public legal persons, credit institutions, financial companies, insurance firms, pension funds and pension fund managers are allowed to assign loans for securitisation purposes.

As to servicing of the securitised assets, the mere purchase and management of a certain portfolio of receivables does not, in itself, qualify as a banking or financial activity (unless it is to be carried out on a professional and regular basis or includes any form of credit granting) and should therefore not give rise to the need for any kind of authorisation or licence being obtained.

When the assignor or seller of the securitised pool of assets remains in charge of the collection of receivables, as is foreseen in the Securitisation Law, for example, when a sponsor (as defined in the Securitisation Law) intervenes in the securitisation and the seller is a credit institution, financial company, insurance firm, pension fund or pension fund manager, no licence or authorisation is required for the seller to continue to enforce and collect receivables, including to appear before a court, assuming the debtors are not aware of the assignment. However, should the assignment of the receivables have been notified to the debtors, then the servicer will need to show good and sufficient title to appear in court (such as power of attorney) in the event that its legitimacy is challenged by the relevant debtor. Only a qualified creditor has the relevant legitimacy to claim credit in court.

If another entity is chosen to perform the role of servicer, a third-party replacement servicer is appointed to replace the seller as the original servicer or a back-up servicer is put in place, a CMVM's prior approval to this effect is required under article 5 of the Securitisation Law.

#### 6 | What will the regulator consider before granting, refusing or withdrawing authorisation?

Before approving a securitisation transaction, the CMVM will:

- analyse the relevant securitisation documents and regulatory requirements;
- analyse and signs off on the receivables pool of assets to be collateralised by way of the assignment for securitisation purposes;
- approve the assignment of receivables and incorporation of the securitisation fund (where an FTC is used as the securitisation vehicle), or the granting of an identification asset-code to the bulk of receivables in the asset securitised portfolio (where an STC is used as the securitisation vehicle); and
- approves the prospectuses for admission to trading of securitisation notes issued by STCs in Portugal.

## Sanctions

### 7 | What sanctions can the regulator impose?

The Securitisation Law imposes a specific sanctions framework for the breach of securitisation transactions requirements. Ancillary sanctions include temporary prohibitions on performance of activities. Specific sanctions are provided for the inappropriate labelling of a securitisation as a simple, transparent and standardised securitisation.

## Public disclosure requirements

### 8 | What are the public disclosure requirements for issuance of a securitisation?

Several elements need to be submitted to the CMVM for appreciation and analysis prior to the relevant securitisation transaction approval (in the case of FTCs) or granting of the asset-identification code to the asset pool (in the case of STCs) by the CMVM, such as the securitisation vehicle board approval, own funds statement or due diligence statement confirming asset eligibility for securitisation purposes in accordance with the requirements of the Securitisation Law. Although the Securitisation Law does not foresee specific requirements, disclosure obligations for securitisation transactions are directly applicable via European regulations. As such, the entering into force of the Securitisation Regulation, applicable to securitisations the securities of which were issued on or after 1 January 2019, sets out the disclosure requirements under its article 7 commonly applicable across EU member states. Also, public disclosure requirements being applicable within the context of securitisation are those applicable to private or public offers, or the admission to trading of the relevant securitisation instruments being issued, to which the general rules of the Portuguese Securities Code (generally corresponding to the implementation of the Prospectus Regulation (Regulation (EU) 2017/1129), as amended and currently in force) are applicable.

Moreover, general anti-money laundering requirements under Law No. 83/2017 of 18 August (as amended from time to time), such as communication and reporting requirements in relation to transactions deemed suspicious, may be applicable not only to securitisation vehicles but also in relation to several entities involved in securitisation transactions, such as paying agents and banks holding the relevant transaction accounts being credit institutions that fall within the scope of the definition of 'financial entities' and are therefore bound to comply with such requirements. This information, however, is not a specific requirement of the Securitisation Law and its disclosure corresponds to general disclosure obligations applicable to financial entities.

### 9 | What are the ongoing public disclosure requirements following a securitisation issuance?

Although the Securitisation Law does not foresee specific requirements, disclosure obligations for securitisation transactions are directly applicable via European regulations. As such, following a securitisation issuance, transparency and disclosure requirements as enshrined in the Securitisation Regulation and set out under its article 7 and article 22 are applicable throughout the life of the securitisation.

## ELIGIBILITY

### Originators

#### 10 | Outside licensing considerations, are there any restrictions on which entities can be originators?

Yes. The Securitisation Law defines which entities may qualify as originators of receivables to be assigned for securitisation purposes, although no specific licence is required for this specific purpose. Under

the Securitisation Law, only the entities referred to in article 2(3) of the Securitisation Regulation, the Portuguese state and other public legal persons, credit institutions, financial companies, insurance firms, pension funds and pension fund managers, are allowed to assign loans for securitisation purposes.

## Receivables

### 11 | What types of receivables or other assets can be securitised?

For simple, transparent and standardised (STS) securitisations, articles 20, 21 and 22 of the Securitisation Regulation set out which receivables or other assets may be securitised. In broad terms, these should respect the principles of simplicity, standardisation and transparency.

For non-STS securitisations, article 4(1) of the Securitisation Law determines that only credits meeting the following requirements may be assigned for securitisation purposes:

- their transfer is not subject to legal or conventional restrictions;
- they convey stable, quantifiable or predictable monetary flows, based on statistical models;
- their existence and enforceability is guaranteed by the originator; and
- they are not subject to litigation and/or given as a guarantee or judicially pledged or seized.

Under article 4(3) of the Securitisation Law, securitisation of future receivables is expressly allowed, provided they both:

- arise from existing relationships; and
- their amounts are known or quantifiable.

For the purpose of assigning future receivables, the originator or assignor assigns to the SPV certain rights over future assets, equivalent to an amount exceeding the debt service due (over-collateralisation).

The originator or assignor of the receivables will then confirm that the future receivables generated during each collection period will be sufficient to cover the agreed debt service. For each interest period, the originator or assignor will transfer to the buyer an amount equivalent to 100 per cent of the debt service in respect of the interest period. Furthermore, if the originator or assignor is unable to originate sufficient future receivables to meet their obligations for a given interest period, they will pay to the buyer an amount equal to the shortfall of future receivables, to ensure all the relevant debt service.

Subject to these limitations, continuous sales are possible under the Securitisation Law, subject to certain restrictions.

## Investors

### 12 | Are there any limitations on the classes of investors that can participate in an offering in a securitisation transaction?

There are no specific limitations on the classes of investors that can participate in a securitisation offer, the general rules on offering being applicable in this situation. However, professional and institutional investors usually have an interest and invest in securitisation securities issued in Portugal under the Securitisation Law. Offers of securitisation securities are not directed to retail investors in the Portuguese market.

## Custodians/servicers

### 13 | Who may act as custodian, account bank and portfolio administrator or servicer for the securitised assets and the securities?

Under the Securitisation Law, there are no specific requirements applicable to the accounts bank of a given securitisation transaction, and any bank duly authorised, licensed and registered with the Bank of Portugal may act as an accounts bank on behalf of the issuer, upon mandate

agreement (usually the accounts agreement) executed between the issuer and the relevant bank on which the transaction amounts shall remain deposited. It is nevertheless common that the relevant transaction documents, namely the accounts agreement, foresee minimum rating requirements applicable to the accounts bank (and a replacement procedure upon the occurrence of a rating downgrade), as for other securitisation transactions in place in the EU market.

As to servicing of the securitised assets (in the case of both of securitisation companies or securitisation funds), the mere purchase and management of a certain portfolio of receivables does not, in itself, qualify as a banking or financial activity (unless it is to be carried out on a professional and regular basis or includes any form of credit granting) and should therefore not give rise to the need for any kind of authorisation or licence being obtained.

When the assignor or seller of the securitised pool of assets remains in charge of the collection of receivables – as is foreseen in the Securitisation Law, for example, when a sponsor (as defined in the Securitisation Law) intervenes in the securitisation and the seller is a credit institution, financial company, insurance firm, pension fund or pension fund manager, no licence or authorisation is required for the seller to continue to enforce and collect receivables, including to appear before a court, assuming the debtors are not aware of the assignment. However, should the assignment of the receivables have been notified to the debtors, then the servicer will need to show good and sufficient title to appear in court (such as power of attorney) in the event that its legitimacy is challenged by the relevant debtor. Only a qualified creditor has the relevant legitimacy to claim credit in court.

If another entity is chosen to perform the role of servicer, a third-party replacement servicer is appointed to replace the seller as the original servicer, or a back-up servicer needs to be put in place. The Portuguese Securities Commission's prior approval to this effect is required under article 5(4) of the Securitisation Law.

## Public-sector involvement

### 14 | Are there any special considerations for securitisations involving receivables with a public-sector element?

The Portuguese state and other public legal persons are expressly included in the group of entities authorised to assign loans for securitisation purposes. The Securitisation Law also permits that, subject to the legal requirements applicable to tax credits securitisation, the Portuguese state and the Portuguese social security may assign loans for securitisation purposes even where they are conditional or subject to litigation, in which case, such public entities as the originator may not represent and warrant in the relevant assignment agreement that the assigned credits exist or are enforceable.

## TRANSACTIONAL ISSUES

### SPV forms

#### 15 | Which forms can special purpose vehicles take in a securitisation transaction?

The Securitisation Law regulates two different types of securitisation vehicles for the Portuguese market:

- securitisation funds (FTCs); and
- securitisation companies (STCs).

### FTC

An FTC is a separate portfolio of receivables with no separate legal personality. An undivided ownership interest in the FTC is held jointly by the holders (individuals or corporate) of securitisation units in the FTC, with no liability regarding losses of the FTC.

An FTC structure consists of:

- the fund itself (FTC); and
- a management company or fund manager, which manages the FTC under the terms of its fund regulation.

The fund manager must:

- be a limited liability financial company;
- be an entity approved by the Portuguese Securities Commission (CMVM);
- have its registered office in Portugal;
- have its share capital fully represented by book-entry, nominative shares;
- have a minimum initial capital of €125,000;
- be exclusively allocated to the management of one or more funds on behalf of the unit holders; and
- include in its name 'Sociedade Gestora de Fundos de Titularização de Créditos' or 'SGFTC'.

Fund managers are subject to specific capital requirements and must meet the minimum levels of own funds, which article 19 of the Securitisation Law prescribes by reference to article 71.º-M of Law No. 16/2015 of 24 February 2015.

Fund managers can have a number of different FTCs under management. They are responsible for obtaining approval of the incorporation of each new FTC from the CMVM. The incorporation of a fund is deemed to occur on payment of the subscription price of the relevant securitisation units, upon the CMVM's approval being obtained.

Additionally, a servicer must be appointed under the fund regulation to collect and manage the portfolio assigned to the FTC.

### STC

An STC must:

- be a public limited liability company;
- be an entity approved by the CMVM;
- have its share capital fully represented by book-entry, nominative shares;
- have a minimum initial capital (capital inicial mínimo) of €125,000;
- include in its name 'Sociedade de Titularização de Créditos' or 'STC'; and
- engage exclusively in the carrying out of securitisations, namely by acquiring, managing and transferring receivables, and issuing securities to fund these acquisitions.

The incorporation of STCs is subject to an approval process with the CMVM and, although they do not qualify as financial companies, this process imposes compliance with a number of requirements that are similar to those arising under all relevant banking law requirements.

These requirements may be said to have an impact in terms of the shareholding structure of STCs to the extent that full disclosure of both direct and indirect ownership is required for the purposes of allowing the CMVM to assess the reliability and soundness of the relevant shareholding structure. The same applies in respect of the members of corporate bodies, namely directors, who must be persons whose reliability and availability must ensure the capacity to run the STC business in a sound and prudent manner.

The shares in STCs can be held by one or more shareholders, although ownership is subject to certain requirements. To establish an STC, prospective shareholders must obtain approval from the CMVM, which will only be granted when it is shown that they meet the Securitisation Law's 'fit and proper' requirements (which have been recently updated); namely, that they are capable of providing sound and prudent management.

STCs are also subject to capital requirements and must meet the minimum levels of own funds, which article 43 the Securitisation

Law prescribes by reference to article 71.<sup>o</sup>-M of Law No. 16/2015 of 24 February 2015.

In terms of legal attributes and benefits, it is fair to say that both vehicles are quite similar, as they both allow for a full segregation of the relevant portfolios and their full dedication to the issued securities. While in a fund structure, this is achieved through the structure itself, as the assets of each fund are only available to meet the liabilities of such fund. In a company structure, certain relevant legal provisions establish a full segregation principle and a creditor's privileged entitlement over the assets that are so segregated, and that collateralise a certain issue of notes.

This segregation principle means that the receivables and other related assets and amounts existing at a given moment for the benefit of an STC, and that are related to a certain issuance of notes, constitute an autonomous and ring-fenced pool of assets, which is exclusively allocated to such issuance of notes. It is not, however, available to creditors of the STC, other than the noteholders and to the services providers existing specifically in the context of such issuance of notes, until all the amounts due in respect of the notes have been repaid in full. To this effect, the assets integrated in each autonomous and ring-fenced pool of assets are listed and filed with the Portuguese Securities Commission (CMVM) and subject to an asset identification code that is also granted by the CMVM.

In addition to the above, and to render this segregation principle effective, the noteholders and the other creditors relating to each series of securitisation notes issued by the STC are further entitled to a legal creditor's privilege (equivalent to a security interest) over all of the assets allocated to the relevant issuance of securitisation notes, including assets located outside Portugal. In fact, according to article 63 of the Securitisation Law, this legal special creditor's privilege exists in respect of all assets forming part of the portfolio allocated to each transaction related to an issuance of notes. This has effect over those assets existing at any given time for the benefit of the STC that are allocated to the relevant issuance of securitisation notes.

### SPV formation process

#### 16 | What is involved in forming the different types of SPVs in your jurisdiction?

The Securitisation Law establishes two types of securitisation vehicle that are subject to different forms of incorporation, but which are similar in legal attributes and benefits, as they both allow for a full segregation of the relevant portfolios and their full dedication to the issued securities.

While in a fund structure this is achieved through the structure itself (as the assets of each fund are only available to meet the liabilities of such fund), in a company structure, certain relevant legal provisions establish a full segregation principle and a creditor's privileged entitlement over the assets that are so segregated and that collateralise a certain issue of notes. Also, the costs, timing and transaction documents to put together a securitisation transaction under the Securitisation Law are very similar.

The choice of using an FTC or an STC structure in a given securitisation transaction is essentially left to investors, who will be more familiar with the pool separation concept provided by a fund, rather than a legal creditor's privilege. Therefore, historically, securitisations in Portugal have used FTCs because of market perception and the indirect link to a foreign jurisdiction being more usual for securitisation purposes.

Initially, in securitisations transactions in the Portuguese market:

- the FTC acquired the assets and issued securities (securitisation units), and
- an SPV (generally in Ireland or Luxembourg) subscribed for the securitisation units and issued notes, which were purchased by the final investors.

This was essentially investor-driven, as it was felt that it would be difficult to place units with investors (as they are not pure debt instruments but quasi-capital instruments).

Since the first Portuguese securitisation with an STC in 2004, under which tax claims and social security claims credits were assigned by the Portuguese state to Sagres, STC, SA, the STC has spread in the market and has been generally accepted by institutional investors. In recent years, securitisations have essentially adopted the STC, with a direct issuance out of Portugal where the assignment of loans is fully governed by Portuguese law and subject to full supervision of the CMVM.

### Governing law

#### 17 | Is it possible to stipulate which jurisdiction's law applies to the assignment of receivables to the SPV?

When an assignment of credits for securitisation purposes is executed under the Securitisation Law, the securitisation vehicle is incorporated in Portugal under the Securitisation Law and the legal requirements and licences are requested to the CMVM (namely the attribution of the asset identification code, which enables the full segregation of the asset pool), such assignment of credits shall be governed by Portuguese law. However, there is nothing preventing the remaining transaction documents of a given securitisation transaction from being governed by other laws, and it is usual that, for instance, the accounts agreement of a given securitisation transaction is governed by the law of incorporation of the relevant bank being mandated by the issuer to perform the role of accounts bank.

Portuguese law does not generally require that an assignment of receivables be governed by the same law that governs the assigned receivables. However, our experience (and that of the Portuguese authorities) is that assignment agreements for Portuguese-originated receivables have usually been governed by Portuguese law.

In any case, given article 14 of EC Regulation No. 593/2008 (the Rome I Regulation) and, when the Rome I Regulation does not apply, the risk that a Portuguese court would attempt to enforce a solution similar to that which is set out therein, the parties to an assignment of Portuguese-originated receivables for securitisation purposes should comply with the obligor notification procedures or exemption of notification procedures set out in the Securitisation Law.

### Asset acquisition and transfer

#### 18 | May an SPV acquire new assets or transfer its assets after issuance of its securities? Under what conditions?

As to the purchase of new assets by the issuer of the securitisation securities, and without prejudice to our remarks on the assignment of future receivables, continuous sales would be possible under the Securitisation Law provided they are in compliance with the eligibility criteria required under the Securitisation Law and the original receivables agreement does not foresee any restrictions on the assignment. However, sellers have rather opted to carry out securitisation transactions with revolving periods for assignment of additional receivables on a periodic basis, against payment out of collections and additional funding by issuance of further notes, rather than continuous sales.

Also, the Securitisation Law imposes a restriction on the transfer of securitisation transaction assets, whereby the issuer may only assign receivables to FTCs, other STCs, credit institutions and financial companies authorised to grant credit pursuant to article 45(1) of the Securitisation Law. The issuer may further assign securitised receivables in accordance with articles 45(2) and 45(3) of the Securitisation Law in the following cases:

- the securitised receivables correspond to non-performing loans;
- retransfer to the assignor and acquisition of new loans in replacement, if:

- there are changes to the receivables features when renegotiating the respective conditions between the relevant borrower and the assignor; or
- under the terms of the Securitisation Regulation; and
- reassignment to the originator whenever there are latent defects on the securitised receivables.

The Securitisation Law further requires that the receivables assigned by the Portuguese state and the Portuguese social security for securitisation purposes may be transferred by the relevant securitisation vehicle to STCs and FTCs only, subject to the relevant assignor's prior consent.

## Registration

### 19 | What are the registration requirements for a securitisation?

Securitisation vehicles (STCs and FTCs) as issuers of securitisation securities are subject to registration with the CMVM.

There are no specific formality requirements for an assignment of credits under the Securitisation Law. A written private agreement between the parties is sufficient for a valid assignment to occur (including an assignment of loans with underlying mortgages or other guarantees subject to registration under Portuguese law). Transfer by means of a notarial deed is not required. In the case of an assignment of mortgage loans, the signatures to the assignment contract must be certified by a notary public, lawyer or the company secretary of each party under the terms of the Securitisation Law, such certification being required for the registration of the assignment at the relevant Portuguese Real Estate Registry Office.

Additionally, the assignment of any security over real estate or of an asset subject to registration in Portugal is only effective against third parties acting in good faith further to registration of such assignment with the competent registry by, or on behalf of, the assignee. The assignee is entitled under the Securitisation Law to effect such registration.

To perfect an assignment of mortgage loans and ancillary mortgage rights, which are capable of registration at a public registry against third parties, the assignment must be followed by the corresponding registration of the transfer of such mortgage loans and ancillary mortgage rights in the relevant Real Estate Registry Office.

The Portuguese real estate registration provisions allow for the registration of the assignment of any mortgage loan at any Portuguese Real Estate Registry Office, even if the said Portuguese Real Estate Registry Office is not the office where the mortgage loan is registered.

The registration of the transfer of the mortgage loans requires the payment of a fee for each mortgage loan.

Concerning promissory notes, the usual practice is for these to be blank promissory notes in relation to which the originator has obtained from a borrower a completion pact that grants the originator the power to complete the promissory note. To perfect the assignment of such promissory notes to the assignee, the assignor must endorse and deliver these instruments to the assignee.

The assignment of marketable debt instruments is perfected by the update of the corresponding registration entries in the relevant securities accounts, in accordance with the Portuguese Securities Code.

## Obligor notification

### 20 | Must obligors be informed of the securitisation? How is notification effected?

Article 6(1) of the Securitisation Law establishes a general rule pursuant to which the assignment of the receivables becomes effective towards the obligors upon notification of the sale of the receivables. However, a relevant exception applies under article 6(4) of the Securitisation Law:

the assignment of receivables becomes immediately valid and effective between the parties and towards the obligors upon the execution of the relevant assignment agreement, irrespective of the obligor's consent, notification or awareness, when the assignor is, inter alia, a credit institution or a financial company.

Note that notification to the obligors is generally required, even in the case of article 6(4) of the Securitisation Law (as described above), when the servicer of the receivables is not the assignor of the receivables. Also, in the case that the relevant receivables contract expressly requires the consent or notification of the obligors, then such consent or notice is required for the assignment to be effective against such obligors.

Under article 6(6) of the Securitisation Law, any set-off rights or other means of defence exercisable by the obligors against the assignee are crystallised or cut off on the relevant date the assignment becomes effective between the parties:

- regardless of notification when such notice is dispensed as above; or
- upon notification or awareness of the debtor when such is required.

Under the Securitisation Law, when applicable as per the procedure described above, notification to the debtor may be given by means of a registered letter. Such notification will be deemed to have occurred:

- on the third business day following the date of posting of the registered letter; or
- in relation to debtors who have given their prior consent via email with notification of receipt to the email address in the relevant receivables contract.

There is no applicable time limit to the delivery of notice to the obligors, taking into account in any case that, if no exception applies, the assignment shall only be effective towards the obligors upon delivery of the relevant notice. The notice can be delivered after commencement of any insolvency proceedings against the obligor or against the seller, and the contractual documents for securitisation transactions usually include provisions to allow the assignee to be able to notify all the obligors in the event that the seller or assignor does not do so. The CMVM usually requires that the notice of assignment to the borrowers be delivered within a period of three business days as from the relevant assignment, although there is no formal deadline required under the Securitisation Law.

When required, notice of assignment of credits must be given to each obligor, even though notice may be given for future credits.

### 21 | What confidentiality and data protection measures are required to protect obligors in a securitisation? Is waiver of confidentiality possible?

Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 (the General Data Protection Regulation, GDPR) and Law No. 58/2019 of 8 August 2019 (Data Protection Act) supplementing the GDPR provide for the protection of natural persons with regard to the controlling or processing of personal data and on the free movement of such data.

Pursuant to the GDPR, any controlling or processing of personal data requires express consent from the data subject, unless the controlling or processing is necessary in certain specific circumstances as provided under the relevant laws. Transfer of personal data to an entity within an EU member state must be notified to the relevant data subjects and, depending on the intended terms and purposes, must be authorised by said data subjects.

## Credit rating agencies

### 22 | Are there any rules regulating the relationship between credit rating agencies and issuers? What factors do ratings agencies focus on when rating securitised issuances?

The Securitisation Law does not contain any specific provisions governing the relationship between credit rating agencies and issuers of securitisation securities.

Although no specific provisions exist within the context of securitisation transactions, we may say that rating of securitisation issues in Portugal has been severely affected by the banking sector crisis and the economic instability of the past four years in that country; in particular, by the financial adjustment programme outlined and controlled by the International Monetary Fund, the ECB and the EU, as well as recent developments in the Portuguese banking sector. The rating of securitisation issues in Portugal is still affected by related caps on Portugal's national debt.

However, the recent growth of the Portuguese economy has positively impacted the ratings of Portugal's national debt, which may impact a rating's attribution to securitisation issues.

## Directors' and officers' duties

### 23 | What are the chief duties of directors and officers of SPVs? Must they be independent of the originator and owner of the SPV?

An FTC is a separate portfolio of receivables with no separate legal personality. An undivided ownership interest in the FTC is held jointly by the holders (individuals or corporate) of securitisation units in the FTC, with no liability regarding losses of the FTC.

An FTC structure consists of:

- 1 the fund itself (FTC); and
- 2 a management company or fund manager, which manages the FTC under the terms of its fund regulation.

The fund manager must:

- be a limited liability financial company;
- be an entity approved by the CMVM;
- have its registered office in Portugal;
- have their share capital fully represented by book-entry, nominative shares;
- have a minimum initial capital (capital inicial mínimo) of €125,000;
- be exclusively allocated to the management of one or more funds on behalf of the unit holders; and
- include in its name 'Sociedade gestora de fundos de titularização de créditos' or 'SGFTC'.

Fund managers are subject to specific capital requirements and must meet the minimum levels of own funds which article 19 the Securitisation Law prescribes by reference to article 71.<sup>o</sup>-M of Law 16/2015 of 24 February.

Fund managers can have a number of different FTCs under management. They are responsible for obtaining approval of the incorporation of each new FTC from the CMVM. The incorporation of a fund is deemed to occur on payment of the subscription price of the relevant securitisation units, upon the CMVM's approval being obtained. Additionally, a servicer must be appointed under the fund regulation to collect and manage the portfolio assigned to the FTC.

As the FTC itself has no legal personality, its management is entrusted to the Fund Manager, which must manage the fund in accordance with the fund regulation and with certain legal limitations on the management of the FTC such as, for example, the requirement that the Funds' funds are used for the initial or subsequent acquisition of credits

(for securitisation purposes) and that such credits represent at least 75 per cent of the securitisation funds' assets.

In its turn, an STC must:

- be a public limited liability company;
- be an entity approved by the CMVM;
- have their share capital fully represented by book-entry, nominative shares;
- have a minimum initial capital (capital inicial mínimo) of €125,000;
- include in its name 'Sociedade de Titularização de Créditos' or 'STC'; and
- engage exclusively in the carrying out of securitisations, namely by acquiring, managing and transferring receivables, and issuing securities to fund these acquisitions.

The incorporation of STCs is subject to an approval process with the CMVM and, although they do not qualify as financial companies, this process imposes compliance with a number of requirements that are similar to those arising under all relevant Banking Law requirements.

These requirements may be said to have an impact in terms of the shareholding structure of STCs to the extent that full disclosure of both direct and indirect ownership is required for the purposes of allowing the CMVM to assess the reliability and soundness of the relevant shareholding structure. The same applies in respect of the members of corporate bodies, namely directors, who must be persons whose reliability and availability must ensure the capacity to run the STC business in a sound and prudent manner.

The shares in STCs can be held by one or more shareholders, although ownership is subject to certain requirements. To establish an STC, prospective shareholders must obtain approval from the CMVM, which will only be granted when it is shown that they meet the Securitisation Law's "fit & proper" requirements (which have been recently updated) namely that they are capable of providing sound and prudent management.

STCs are also subject to capital requirements and must meet the minimum levels of own funds which article 43 the Securitisation Law prescribes by reference to article 71.<sup>o</sup>-M of Law 16/2015 of 24 February.

## Risk exposure

### 24 | Are there regulations requiring originators and arrangers to retain some exposure to risk in a securitisation?

Although the Securitisation Law does not foresee specific requirements as to retention obligations for securitisation transactions, Portugal, as an EU member state, is subject to European rules and regulations and, in particular, with the entering into force of the Securitisation Regulation, to the risk retention rules laid down in its article 6.

In itself, the originator, sponsor or original lender of a securitisation shall retain on an ongoing basis a material net economic interest in the securitisation of not less than 5 per cent – interest being measured at the origination and determined by the notional value for off-balance-sheet items. Where the originator, sponsor or original lender have not agreed between them who will retain the material net economic interest, the originator shall retain the material net economic interest. Multiple applications of the retention requirements for any given securitisation are not allowed and neither may the material net economic interest be split among different types of retainers (nor, likewise, subject to credit-risk mitigation or hedging).

## SECURITY

### Types

25 | What types of collateral/security are typically granted to investors in a securitisation in your jurisdiction?

As the Securitisation Law establishes a ring-fenced structure, whereby the assigned pool of assets is effectively segregated from the estates of the originator, the issuer and the servicer (as well as of any other transaction parties), it is not usual in Portuguese securitisation transactions to grant security or collateral to investors in securitisation securities. While in a fund structure this segregation is achieved through the structure itself, as the assets of each fund are only available to meet the liabilities of such fund, in a company structure certain relevant legal provisions establish a full segregation principle and a creditor's privileged entitlement over the assets that are so segregated and that collateralise a certain issue of notes.

This segregation principle means that the receivables and other related assets and amounts existing at a given moment for the benefit of a securitisation company (STC), and which are related to a certain issuance of notes, constitute an autonomous and ring-fenced pool of assets that is exclusively allocated to such issuance of notes and that is not, therefore, available to creditors of the STC other than the noteholders, and to the service providers existing specifically in the context of such issuance of notes until all the amounts due in respect of the notes have been repaid in full. To this effect, the assets integrated in each pool are listed and filed with the CMVM and subject to an asset identification code that is also granted by the CMVM.

In addition to the above, and to render this segregation principle effective, the noteholders and the other creditors relating to each series of securitisation notes issued by the STC are further entitled to a legal creditor's privilege (equivalent to a security interest) over all of the assets allocated to the relevant issuance of securitisation notes, including assets located outside Portugal. In fact, according to article 63 of the Securitisation Law, this legal special creditor's privilege exists in respect of all assets forming part of the portfolio allocated to each transaction related to an issuance of notes and therefore has effect over those assets existing at any given moment in time for the benefit of the STC that are allocated to the relevant issuance of securitisation notes.

Also, the provisions of article 60 et seq of the Securitisation Law specifically provide for limited recourse provisions that are valid and binding on the noteholders. Insofar as limited recourse arrangements are concerned, we would furthermore take the view that they correspond to an application in a specific context (that of securitisation) of a possibility of having a contractual limitation on the assets that are liable for certain obligations or debts, which is provided for by Portuguese law on general terms (namely article 602 of the Portuguese Civil Code). Once they result from the quoted provisions of the law, limited recourse shall not be affected by the issuer's insolvency, however remote such an event may be in the context of the Portuguese securitisation vehicles.

Therefore, other than obtaining the relevant approval for incorporation of the fund or asset digit code approval from the CMVM confirming the applicability of the legal creditor's privilege in respect of a given portfolio of receivables pertaining to certain notes issued, no additional formalities are required to perfect such legal creditor's privilege, given that it is not subject to registration, in accordance with the Securitisation Law. Additionally, in some transactions, namely those using a securitisation fund, it is usual to create security over the foreign bank accounts of the vehicle, such as escrow accounts or pledge over accounts as being qualified as a financial pledge under Decree-Law No. 105/2004 of 8 May 2004 (as amended), in line with the financial collateral arrangements directive. The important characteristic of such financial pledges is that

the collateral taker may have the possibility to use and dispose of the financial collateral provided as the owner of it.

### Perfection

26 | How is the interest of investors in a securitisation in the underlying security perfected in your jurisdiction?

As the Securitisation Law itself establishes a ring-fenced structure, whereby the assigned pool of assets is effectively segregated from the estates of the originator, the issuer and the servicer (as well as of any other transaction parties), it is not usual in Portuguese securitisation transactions to grant security or collateral to investors in securitisation securities.

Other than obtaining the relevant approval for incorporation of the fund or asset digit code approval from the CMVM confirming the applicability of the legal creditor's privilege in respect of a given portfolio of receivables pertaining to certain notes issued, no additional formalities are required in order to perfect such legal creditor's privilege, given that it is not subject to registration, in accordance with the Securitisation Law. Additionally, in some transactions, namely those using a securitisation fund, it is usual to create security over the foreign bank accounts of the vehicle, such as escrow accounts or pledge over accounts as being qualified as financial pledge under Decree-Law No. 105/2004 of 8 May 2004 (as amended), in line with the financial collateral arrangements directive. The important characteristic of such financial pledges is that the collateral taker may have the possibility to use and dispose of financial collateral provided as the owner of it.

### Enforcement

27 | How do investors enforce their security interest?

The Securitisation Law establishes itself a ring-fenced structure, whereby the assigned pool of assets is effectively segregated from any transaction parties. No specific or autonomous security is usually required as, in fact, Portuguese securitisation transactions have the benefit of a legal special creditor's privilege (*privilégio creditório especial*) existing in respect of all assets forming part of the portfolio allocated to each transaction related to an issuance of notes (including the transaction bank accounts) and, therefore, having effect over those assets existing at any given moment in time for the benefit of the credit securitisation company and being allocated to the relevant issuance of securitisation notes.

Upon enforcement, the common representative of the noteholders or the trustee will control the cash flowing into the bank accounts on behalf of the secured creditors and noteholders and will ensure that they are repaid in full (to the extent there are sufficient available funds in the transaction accounts for full payment of the notes).

### Commingling risk

28 | Is commingling risk relating to collections an issue in your jurisdiction?

In accordance with the Securitisation Law, in the event of the servicer becoming insolvent, all the amounts that the servicer may then hold in respect of the loans assigned by the originator to the issuer will not form part of the servicer's insolvency estate, and the replacement of servicer provisions in the agreement for the servicing of the receivables executed between the issuer and the servicer shall then apply. The procedure separating the relevant estates of the servicer and the securitisation vehicles is a natural consequence of the segregation principle provided in the Securitisation Law.

In addition, where a collections account is not an exclusive transaction account of the securitisation or the servicer cannot assure a

collections cash sweep to occur daily to a reserve account, we have seen commingling reserve ledgers being set up for the purpose of mitigating commingling risk.

## TAXATION

### Originators

#### 29 | What are the primary tax considerations for originators in your jurisdiction?

Decree-Law No. 219/2001 of 4 August 2001, as amended by Law No. 109-B/2001 of 27 December 2001, Decree-Law No. 303/2003 of 5 December 2003, Law No. 107-B/2003 of 31 December 2003 and Law No. 53-A/2006 of 29 December 2006 (the Securitisation Tax Law), establish the tax regime applicable to the securitisation transactions carried out under the Securitisation Law. Its main goal was to ensure a tax-neutral treatment of the securitisation transactions set up by each one of the securitisation vehicles provided for in the Securitisation Law. Therefore, under articles 2(5) and 3(4) of the Securitisation Tax Law, there is no withholding tax on:

- the payments made by the purchaser (a securitisation company (STC) or a securitisation fund (FTC)) to the seller in respect of the purchase of the receivables;
- the payments by the obligors under the loans; and
- the payments of collections by the servicer (who usually is also the seller) to the purchaser.

The nature or the characteristics of the receivables and the location of the seller have no influence on the tax regime referred to above.

However, the purchaser must be an STC or FTC resident in Portugal for tax purposes to benefit from the special tax regime. There is no recharacterisation risk of the deferred purchase price, as payments of collections are not subject to withholding tax.

Under article 4(1) of Securitisation Tax Law, income generated by the holding (distributions) or transfer (capital gains) of the notes and units is generally subject to the Portuguese tax regime established for debt securities.

According to Circular No. 4/2014 issued by the Portuguese Tax Authorities and to the order issued by the Secretary of State for Tax Affairs, dated 14 July 2014, in connection with tax ruling No. 7949/2014 disclosed by the tax authorities, the general tax regime on debt securities (as established in Decree-Law No. 193/2005 of 7 November 2005, as amended) also applies on income generated by the holding or the transfer of securitisation notes issued by STCs under securitisation transactions.

Decree-Law No. 193/2005, as amended, is therefore applicable to securitisation notes, notably regarding the requirements on registration of securitisation notes in the relevant clearing systems and on the exemption applicable to income obtained by non-resident holders of such securitisation notes. In this regard, payments of interest and principal on securitisation notes are exempt from Portuguese income tax, including withholding tax, provided the relevant noteholder qualifies as a non-Portuguese resident having no permanent establishment in Portugal. Such exemption does not apply to non-resident individuals or companies if the individual's or company's country of residence is any jurisdiction listed as a tax haven in Ministerial Order No. 150/2004 of 13 February 2004 (as amended from time to time) and with which Portugal does not have in force a double tax treaty or a tax information exchange agreement, provided the requirements and procedures for evidencing the non-residence status are complied with. To qualify for the exemption, noteholders will be required to provide the direct registry entity with adequate evidence of non-residence status prior to the relevant interest payment date, according to procedures required under Decree-Law No. 193/2005.

No specific tax accounting requirements need to be complied with by the seller under the securitisation tax regime. However, Portuguese Securities Commission (CMVM) Regulation No. 1/2002 of 5 February 2002, sets forth the specific accountancy regime for FTCs, and CMVM Regulation No. 12/2002 of 18 July 2002, establishes specific accountancy rules for STCs (although the accounting procedure of this type of corporate entity follows the general Portuguese Accountancy Standards).

Pursuant to the Securitisation Tax Regime, no stamp duty is due on the sale of receivables being securitised or the fees and commissions that fall under article 5 (ie, referring to required acts to ensure good management of the receivables and, if applicable, of the respective guarantees, and to ensure collection services, the administrative services relating to the receivables, all relations with the debtors and also maintaining, modifying and extinguishing acts related to guarantees, if any), and under article 24 (ie, as to any of the described attributions of the depositary), both of the Securitisation Law, that may be charged by the servicer to the purchaser. In addition, no documentary taxes are due in Portugal.

The sale of receivables is exempt from value added tax (VAT) under articles 9(27)(a) and (c) of the Portuguese VAT Code, which is in line with articles 135(a) and (c) of the VAT Directive (EC Directive 2006/112/EC). Pursuant to the Securitisation Tax Regime, no VAT is due on the administration or management of securitisation funds and also on the fees and commissions regarding management services falling under article 5 and transactions undertaken by depositary entities pursuant to article 24 of the Securitisation Law, as described above.

Considering the above, it is important to highlight that the purchase of the receivables is qualified as a true sale transaction under the Securitisation Law, the purchaser being the legal owner of the receivables and therefore subject to tax in Portugal (namely in respect of income arising from the receivables). However, despite being viewed as an ordinary taxpayer, to ensure a tax-neutral treatment on the securitisation transactions, the taxable income of the purchaser tends to be equivalent to zero for tax purposes, as the income payments made to the noteholders are tax-deductible (though subject to the Portuguese interest barrier rule).

### Issuers

#### 30 | What are the primary tax considerations for issuers in your jurisdiction? What structures are used to avoid entity-level taxation of issuers?

The Securitisation Law regulates only two different types of securitisation vehicles for the Portuguese market and the tax regime is applicable to the securitisation transactions carried out under the Securitisation Law - its main goal being to ensure a tax-neutral treatment of the securitisation transactions set up by each one of the securitisation vehicles provided for in the Securitisation Law.

Under articles 2(5) and 3(4) of the Securitisation Tax Law, there is no withholding tax on:

- the payments made by the purchaser (an STC and FTC) to the seller in respect of the purchase of the receivables;
- the payments by the obligors under the loans; and
- the payments of collections by the servicer (who usually is also the seller) to the purchaser.

The nature or the characteristics of the receivables and the location of the seller have no influence on the tax regime referred to above.

However, the purchaser must be an STC or FTC resident in Portugal for tax purposes to benefit from the special tax regime. There is no recharacterization risk of the deferred purchase price as payments of collections are not subject to withholding tax.

The CMVM Regulation No. 1/2002, of 5 February 2002, sets forth the specific accountancy regime for FTCs, and CMVM Regulation No. 12/2002, of 18 July 2002, establishes specific accountancy rules for STCs (although the accounting procedure of this type of corporate entity follows the general Portuguese Accountancy Standards).

Pursuant to the Securitisation Tax Regime, no stamp duty is due on the sale of receivables being securitised or the fees and commissions that fall under article 5 (ie, referring to required acts to ensure good management of the receivables and, if applicable, of the respective guarantees, and to ensure collection services, the administrative services relating to the receivables, all relations with the debtors and also maintaining, modifying and extinguishing acts related to guarantees, if any), and under article 24 (ie, as to any of the described attributions of the depositary), both of the Securitisation Law, that may be charged by the servicer to the purchaser. In addition, no documentary taxes are due in Portugal.

The sale of receivables is VAT-exempt under article 9(27)(a) and (c) of the Portuguese VAT Code, which are in line with article 135(a) and (c) of the VAT Directive (EC Directive 2006/112/EC). Pursuant to the Securitisation Tax Regime, no value added tax is due on the administration or management of securitisation funds and also on the fees and commissions regarding management services falling under article 5 and transactions undertaken by depositary entities pursuant to article 24 of the Securitisation Law, as described above.

Considering the above, it is important to highlight that the purchase of the receivables is qualified as a true sale transaction under the Securitisation Law; the purchaser being the legal owner of the receivables and therefore the purchaser is subject to tax in Portugal (namely in respect of income arising from the receivables). However, despite being viewed as an ordinary taxpayer, in order to ensure a tax-neutral treatment on the securitisation transactions, the taxable income of the purchaser tends to be equivalent to zero for tax purposes since the income payments made to the noteholders are tax-deductible (though subject to the Portuguese interest barrier rule).

## Investors

### 31 | What are the primary tax considerations for investors?

Decree-Law No. 193/2005, as amended, is applicable to securitisation notes, notably regarding the requirements on registration of securitisation notes in the relevant clearing systems and on the exemption applicable to income obtained by non-resident holders of such securitisation notes. In this regard, payment of interest and principal on securitisation notes are exempt from Portuguese income tax, including withholding tax, provided the relevant noteholder qualifies as a non-Portuguese resident having no permanent establishment in Portugal. Such exemption does not apply to non-resident individuals or companies if the individual's or company's country of residence is any jurisdiction listed as a tax haven in Ministerial Order No. 150/2004, of 13 February 2004 (as amended from time to time) and with which Portugal does not have in force a double tax treaty or a tax information exchange agreement provided the requirements and procedures for evidencing the non-residence status are complied with. To qualify for the exemption, noteholders will be required to provide the direct registry entity with adequate evidence of non-residence status prior to the relevant interest payment date, according to procedures required under Decree-Law No. 193/2005.

## BANKRUPTCY

### Bankruptcy remoteness

#### 32 | How are SPVs made bankruptcy-remote?

In Portugal, full portfolio separation and insolvency remoteness is established under the Securitisation Law. This is partly achieved by securitisation funds (FTCs) and securitisation companies (STCs) being exclusively engaged in carrying out securitisations.

Generally, every receivable allocated to the SPV is locked into an autonomous ring-fenced pool of receivables. The receivables are exclusively allocated to the relevant issue of units or securities, and only available to holders of the units or securities, until all amounts due are fully repaid. Recourse is limited to the pool of receivables. The securities' holders cannot claim against the SPV's own funds or, in an STC, assets backing other securities issued by the STC. The pool of receivables is listed and filed with the Portuguese Securities Commission, which grants an asset identification code to the pool.

In addition, the securities' holders and other creditors of each series of securities issued by an STC have a special creditor's privilege over the pool of receivables (granted by article 63 of the Securitisation Law). Therefore, the risk of insolvency of the pool of receivables can be said to correspond to the risk in the underlying assets.

Similarly, an FTC is only required to pay amounts to the extent that it receives the corresponding cash flow as part of collection on the pool of receivables (under article 32(4) of the Securitisation Law). The FTC's recourse is limited to the receivables in the pool. Therefore, from a practical perspective, creditors cannot initiate insolvency proceedings against the FTC.

The FTC is also independent of the fund manager, and is not consolidated with the fund manager if the fund manager becomes bankrupt. The FTC's assets are not available to the fund manager's creditors.

The application of the Securitisation Law by the courts and government or regulatory authorities is limited to a few cases. These relate to the effectiveness of the assignment of banking receivables against obligors. No specific decision regarding insolvency remoteness of an SPV has yet been issued by the courts or a governmental or regulatory authority.

### True sale

#### 33 | What factors would a court in your jurisdiction consider in making a determination of true sale of the underlying assets to the SPV (eg, absence of recourse for credit losses, arm's length)?

The court would consider the legal requirements and structure (ie, true sale of receivables effective upon assignment between the seller and the issuer and segregation procedure), arm's length and good faith of negotiations.

### Consolidation of assets and liabilities

#### 34 | What are the factors that a bankruptcy court would consider in deciding to consolidate the assets and liabilities of the originator and the SPV in your jurisdiction?

Apart from legal requirements and structure (ie, true sale of receivables effective on assignment between the seller and the issuer and segregation procedure), we believe that the court would carefully take into consideration the relevant pool of assets as segregated and identified in the assignment agreement, as well as the monies described in the relevant transaction reports and evidenced to be included in the transaction accounts.

No specific decision regarding the insolvency remoteness of a securitisation vehicle has yet been issued by the courts or a governmental or regulatory authority.

## UPDATE AND TRENDS

### Key developments of the past year

- 35 | Are there any rules governing securitisations pending in your jurisdiction or reforms under way, such as prohibitions on financial firms betting against the securities they package, improved disclosure and oversight of the asset-backed securities market, rules limiting bank compensation structures that incentivise risk, etc?

Recently enacted legislation and regulations have been referred to throughout this chapter. No other developments are pending as far as we are aware.

- 36 | What legislation or government or industry initiatives are in place or contemplated to address the termination of LIBOR and transition to a substitute rate?

So far, no legislation or guidance has been officially enacted by Portuguese regulators. We are nevertheless monitoring the initiatives at a European level, such as the proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2016/1011 as regards the exemption of certain third-country foreign exchange benchmarks and the designation of replacement benchmarks for certain benchmarks in cessation, which was put forward by the European Commission to the European Parliament on 24 July 2020. Provided the legislative process is concluded as expected, the entry into force of such a regulation will have direct applicability in all member states and Portugal will not be an exception.

As to industry initiatives, apart from the industry protocols being enacted by the International Swaps and Derivatives Association in respect of derivatives, we are not aware of other industry initiative that involves or applies to Portuguese banks and that may be relevant in the context of securitisations.

### Coronavirus

- 37 | What emergency legislation, relief programmes and other initiatives specific to your practice area has your state implemented to address the pandemic? Have any existing government programmes, laws or regulations been amended to address these concerns? What best practices are advisable for clients?

In March 2020, the Portuguese government approved Decree-Law no. 10-J/2020 (which has been subsequently amended from time to time) establishing a temporary legal moratorium on certain financing agreements with a view to protecting the liquidity of companies and families. This regime entered into force on 27 March 2020, initially valid until 30 September 2020, having been extended first until 31 March 2021, and then until 30 September 2021, and includes:

- the prohibition of revocation, in whole or in part, of credit lines and loans, in the amounts contracted, from 27 March 2020 and for all the duration of the measure;
- the extension, for a period equal to the term of the measure, of credits with payment of principal at the end of the contract, together with all its associated elements, including interest and guarantees, namely those provided by the way of insurance or securities; and
- the suspension, during the period of the measure, in relation to credits with partial instalments or other cash amounts payable, of payments of principal, rents and interest in such period. The contractual payment plan is automatically extended, for a period equal to the suspension, so that there are no charges other than



**Paula Gomes Freire**

pgf@vda.pt

**Benedita Aires**

bla@vda.pt

**Inês Perez Sanchez**

iss@vda.pt

Rua Dom Luis I, 28  
1200-151 Lisbon  
Portugal  
Tel: +351 21 311 3400  
Fax: +351 21 311 3406  
www.vda.pt

the variability of the reference interest rate underlying the contract, and all the elements associated with the contracts, including guarantees, are also extended.

The regime is aimed at protecting borrowers (companies and individuals that fulfil certain conditions) from negative effects that might otherwise occur. These measures do not give rise to breach of contract; triggering of early repayment clauses; suspension of interest due during the extension period, which will be capitalised on the value of the loan by reference to the time at which they are due at the rate in force; and ineffectiveness or termination of guarantees granted in connection with the credit, including insurance, sureties and guarantees.

Furthermore, in addition to the above, Law No. 1-A/2020, of 19 March 2020 was enacted, determining the suspension until 31 December 2020 of mortgage foreclosure on a property that is the permanent residence of the borrower.

We note some credit lines were made available under the covid-19 Economic Support Line, such as the covid-19 Support to Economic Activity – Micro and Small Enterprises and the Support line to Medium Enterprises, Small Mid-Caps and Mid-Caps.

To conclude, the moratoria, together with additional measures taken from time to time by the Portuguese government, as well as any measures privately adopted by originators at their own initiative to address the pandemic, notably those relating to additional moratoria or payment holidays in respect of loans granted to individuals and companies permitting borrowers to postpone regular payments under their loans for certain periods, to the extent applicable, may generally affect the capacity of credit institutions to carry out their business as normal. Notwithstanding this, securitisations continue to be and to provide a resourceful source of liquidity that may be useful at the current time. As a consequence, originators and arrangers should consider accommodating certain transaction features such as additional reserves or liquidity lines to mitigate the current risks.

## Other titles available in this series

Acquisition Finance	Distribution & Agency	Investment Treaty Arbitration	Public M&A
Advertising & Marketing	Domains & Domain Names	Islamic Finance & Markets	Public Procurement
Agribusiness	Dominance	Joint Ventures	Public-Private Partnerships
Air Transport	Drone Regulation	Labour & Employment	Rail Transport
Anti-Corruption Regulation	e-Commerce	Legal Privilege & Professional Secrecy	Real Estate
Anti-Money Laundering	Electricity Regulation	Licensing	Real Estate M&A
Appeals	Energy Disputes	Life Sciences	Renewable Energy
Arbitration	Enforcement of Foreign Judgments	Litigation Funding	Restructuring & Insolvency
Art Law	Environment & Climate Regulation	Loans & Secured Financing	Right of Publicity
Asset Recovery	Equity Derivatives	Luxury & Fashion	Risk & Compliance Management
Automotive	Executive Compensation & Employee Benefits	M&A Litigation	Securities Finance
Aviation Finance & Leasing	Financial Services Compliance	Mediation	Securities Litigation
Aviation Liability	Financial Services Litigation	Merger Control	Shareholder Activism & Engagement
Banking Regulation	Fintech	Mining	Ship Finance
Business & Human Rights	Foreign Investment Review	Oil Regulation	Shipbuilding
Cartel Regulation	Franchise	Partnerships	Shipping
Class Actions	Fund Management	Patents	Sovereign Immunity
Cloud Computing	Gaming	Pensions & Retirement Plans	Sports Law
Commercial Contracts	Gas Regulation	Pharma & Medical Device Regulation	State Aid
Competition Compliance	Government Investigations	Pharmaceutical Antitrust	Structured Finance & Securitisation
Complex Commercial Litigation	Government Relations	Ports & Terminals	Tax Controversy
Construction	Healthcare Enforcement & Litigation	Private Antitrust Litigation	Tax on Inbound Investment
Copyright	Healthcare M&A	Private Banking & Wealth Management	Technology M&A
Corporate Governance	High-Yield Debt	Private Client	Telecoms & Media
Corporate Immigration	Initial Public Offerings	Private Equity	Trade & Customs
Corporate Reorganisations	Insurance & Reinsurance	Private M&A	Trademarks
Cybersecurity	Insurance Litigation	Product Liability	Transfer Pricing
Data Protection & Privacy	Intellectual Property & Antitrust	Product Recall	Vertical Agreements
Debt Capital Markets		Project Finance	
Defence & Security Procurement			
Dispute Resolution			

Also available digitally

[lexology.com/gtdt](https://www.lexology.com/gtdt)