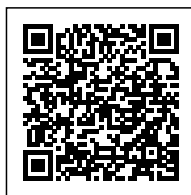


CONVERSION OF BEARER SECURITIES REGIME - FCB

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Following the publication of Law 15/2017 of 3 May (the “Law”) in May 2017 – that foresees the prohibition of bearer securities as part of the international recommendations to make company ownership more transparent (as a means of fighting money laundering and the financing of terrorism) – Decree-Law 123/2017 of 25 September (the “Regulation”) was published in September 2017. It establishes the procedure for the conversion of bearer securities into nominative securities.

Ultimately the deadline created – following the publication of the Regulation, for issuers of existing bearer securities to undertake the conversion process of bearer securities into nominative securities without any prejudicial consequences for their holders – was of little more than a month.

This was because the law granted the Government almost as long to bring in the conversion regulations (120 days) as it had originally given for existing bearer securities to be converted into nominative securities without any prejudicial consequences for their holders (six months).

To simplify the process, these changes can be decided at the level of the companies' management (usually the board of directors), without having to resort to approval by the general meeting of the shareholders.

Companies that have issued bearer securities must publish the conversion of bearer securities on their website, should they have one, on the Ministry of Justice's publications' website and on the information disclosure system of the Portuguese Securities Market Commission, when applicable.

The abovementioned notice should include, inter alia: (i) the identification of the securities; (ii) the date of the resolution of the amendments to the articles of association and other documents related to the conversion of the bearer securities into nominative securities; (iii) the estimated date for registration of the amendments to the articles of association and other documents subject to registration at the commercial registry; and (iv) the expected consequences of the non-conversion of the securities during the transitional period.

If the securities are registered in a centralised system, the notice must indicate the date of conversion of the registered securities. Where the securities were issued with certificates (not registered in a centralised system), the certificates must be returned to the issuing company, or a financial institution that holds them, by 31 October 2017 to be updated or exchanged for new ones.

Bearer securities registered in a centralised system or with a single financial institution which are not converted into registered securities by 3 November 2017 will be converted automatically, with the entity that manages the centralised system or the financial institution, as the case may be, having the duty to convert them at their own initiative.

The remaining bearer securities that are not converted by 3 November can only be used to request their conversion to the issuing company. While such securities are not converted, any proceeds from them – such as profits – will be deposited into a bank account to guarantee payment to their holders once they have been converted.

The management entity of the centralised system, the financial institutions and the issuers must update their securities' registries following the conversion due.

Issuers must also request registration at the commercial registry, in particular, of changes to the articles of association and other documents subject to commercial registration.

In summary, although in a very fairly short timescale, the Portuguese regime on the mandatory conversion of bearer securities into nominative ones (which is in principle in line with the remainder of the European jurisdictions) is quite lenient by allowing late conversions – the major penalties being the prohibition of transfers and the withholding of proceeds until such conversion takes place. For example, in the UK, bearer securities that were not surrendered were cancelled, or in Ireland, if a company has issued bearer shares and does not convert them into registered shares within 18 months of the Irish equivalent law coming into force, the Minister for Finance will become the shareholder.

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