

# Structured Finance & Securitisation

*Contributing editor*  
Patrick D Dolan



2019

GETTING THE  
DEAL THROUGH

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# Structured Finance & Securitisation 2019

*Contributing editor*

**Patrick D Dolan**

**Norton Rose Fulbright US LLP**

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# Preface

## Structured Finance & Securitisation 2019

Fifth edition

**Getting the Deal Through** is delighted to publish the fifth edition of *Structured Finance & Securitisation*, which is available in print, as an e-book and online at [www.gettingthedealthrough.com](http://www.gettingthedealthrough.com).

**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 **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 Bermuda and Australia.

**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.gettingthedealthrough.com](http://www.gettingthedealthrough.com).

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.

**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 editor, Patrick D Dolan of Norton Rose Fulbright US LLP, for his continued assistance with this volume.

GETTING THE   
DEAL THROUGH 

London  
February 2019

# Switzerland

Lukas Wyss, Johannes Bürgi and Maurus Winzap

Walder Wyss Ltd

## General

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

Securitisation has developed in Switzerland without specific supporting legislation, and there is no regulatory authority for securitisation transactions. Accordingly, the general legal framework is relevant as for any other financing transaction, such as the Swiss Code of Obligations, (particularly in matters relating to the formation of the special purpose vehicle (SPV), and the transfer of receivables and the asset), general capital markets regulations and regulatory and tax regulations. However, a practise has evolved over time that ensures that securitisation transactions are viewed favourably by competent authorities being willing to issue advance ruling confirmations about the regulatory and other treatment of securitisation transactions (eg, FINMA rulings, consumer credit regulations rulings, tax rulings, etc).

Also, no specific listing rules apply to asset-backed securities, and the SIX Swiss Exchange generally applies the same listing rules as for issuance of bonds. However, issuing SPVs benefits from certain relaxed standards in the approval process.

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

Not applicable. See question 1.

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

Given that the market for securitisations in Switzerland is still developing, there is no reliable data available that would provide for a comprehensive overview.

However, the number and volume of public securitisation transactions placed and listed in Switzerland has increased substantially in the auto lease and credit card sectors during the past four years. In 2017 and 2018, the public Swiss ABS market has seen a number of transactions by constant ABS issuers, such as AMAG Leasing AG, Multilease AG and Swisscard AECS GmbH. In addition, Valiant Bank has issued its inaugural tranche of 250 million Swiss francs covered bonds and a second tranche of 500 million francs covered bonds. There appears to be a lot of activity around RMBS and covered bonds transactions and it is expected that a number of transactions might come to market within the next 18 months, even though there are different attractive refinancing opportunities for mortgage lenders. Such alternative refinancing opportunities are mainly driven by the low interest environment and the high liquidity in the market. Also, market lending platforms continue to grow and are eagerly looking at refinancing opportunities, including ABS or ABS like structures.

In July 2017, BMW (Schweiz) AG closed a new public Swiss auto lease ABS transaction. The transaction features the issuance of €325 million Class A Floating Rate Notes via BMW's Luxembourg platform Bavarian Sky Europe SA (acting in respect of its Compartment Swiss Auto Leases 2). This was one of the first Swiss public ABS transactions issued in euros. As euro issuances normally attract more international investors, it was important that the transaction was structured so that no Swiss withholding tax is incurred on interest payments under the notes. In November 2017, Valiant Bank AG successfully placed a 250 million francs covered bond with a 10-year term and carrying a coupon

of 0.375 per cent. The transaction was the first public covered bond issuance entirely structured under Swiss law with a Swiss guarantor. A second tranche of 500 million francs covered bonds with a six-year term and carrying a coupon of 0.125 per cent was placed in April 2018. On 28 November 2017, Multilease AG closed its second public Swiss auto lease ABS transaction involving the issuance by First Swiss Mobility 2017-2 AG of 267.3 million francs zero per cent Class A Notes, 16.5 million francs 1 per cent Class B Notes and 14.8 million francs 2 per cent Class C Notes, due in 2027. On 18 April 2018, AMAG Leasing AG closed its fourth public Swiss auto lease ABS transaction involving the issuance by Swiss Car ABS 2018-1 AG of 275 million francs Notes with a coupon of 0.120 per cent, due in 2028. The proceeds of the transaction were primarily used to refinance AMAG Leasing AG's 2016-1 transaction. On 15 June 2018, Swisscard AECS GmbH closed its sixth public Swiss credit card ABS transaction involving the issuance by Swiss Credit Card Issuance 2018-1 AG of 190.4 million francs 0.10 per cent Class A Notes, 6.6 million francs 0.875 per cent Class B Notes and 3 million francs 1.875 per cent Class C Notes (all due 2023). Finally, on 19 November 2018, AMAG Leasing AG closed its fourth Swiss auto lease securitisation transaction involving the issuance by Swiss Car ABS 2018-2 AG (the issuer) of 250 million francs asset-backed notes with a coupon of 0.22 per cent, due in 2028.

A number of private ABS transactions (ie, transactions that are refinanced through ABCP platforms or through direct investors or banks) have been extended and renewed. Also, the number of trade receivable securitisation transactions involving Swiss receivables or Swiss sellers, or both, has increased.

While it has been rather silent on the commercial mortgage-backed securities and residential mortgage-backed security (RMBS) side, it can be expected that players will continue to consider securitisation transactions in the real-estate sector, given that regulators around the world will increase the pressure on players from a regulatory capital perspective (in particular with a view to Basel IV).

In addition, there is a larger number of privately placed deals in various asset categories, such as trade receivables, auto leases and loans, commodities receivables and similar asset categories. Many of these Swiss securitisation transactions are refinanced through conduit platforms, rather than through the direct issuance of debt instruments to the private market.

Finally, banks, in particular, regularly look at and pursue synthetic securitisation transactions in various asset categories.

## Regulation

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

There is no specific regulatory authority for securitisation transactions. However, various regulatory authorities are relevant in the context of Swiss securitisation transactions, such as the SIX Exchange Regulation of the SIX Swiss Exchange for listing-related matters, the Swiss Financial Market Supervisory Authority (FINMA) for certain regulatory matters (ie, confirmation of non-licensing requirements, non-consolidation in bankruptcy, non-application of anti-money laundering considerations (depending on the structure of the transaction and the underlying asset category), in each case as relevant) and cantonal regulators for consumer credit licensing, if relevant. In addition,

transactions are typically presented and signed off by relevant tax authorities by way of tax ruling.

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

No. Given that there is no specific securitisation legislation, there is no licensing requirement for originators, servicers and issuers as such.

It is, however, important to carefully analyse each securitisation structure on a case-by-case basis, particularly in light of the specific underlying assets and the business conducted by the originator.

As an example, originators active in the consumer loan business must be licenced under the Swiss Consumer Credit Act unless certain exemptions apply, such as exemptions for captive service providers. Accordingly, it is important to structure the transaction so that the issuer does not require a respective licence.

Typically, issuers do not require a licence as a bank under the Swiss Federal Banking Act, provided they are refinanced through the issuance of publicly placed (listed) bonds or privately placed notes. Also, issuers typically do not qualify as collective investment schemes under the Swiss Federal Act on Collective Investment Schemes given the focus on the refinancing through the issuance of public or private capital market instruments. Indeed, this needs to be carefully analysed and structured on a case-by-case basis.

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

Not applicable. See question 5.

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

Not applicable. See question 5.

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

Because there is no specific securitisation legislation in Switzerland, there are no public disclosure requirements that relate, as such, to issuances in the framework of securitisation transactions. Accordingly, when issuing securities to the public capital market in Switzerland, the general prospectus and listing requirements will have to be considered, depending on where and to what investor base the securities will be marketed.

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

As there is no specific securitisation legislation in Switzerland, there are no ongoing public disclosure requirements that relate, as such, to issuances in the framework of securitisation transactions. As with any other issuer, issuing SPVs listed on the SIX Swiss Exchange will have to comply with general Swiss capital market regulations, such as the ad hoc publicity as per the listing rules of the SIX Swiss Exchange.

Like any other jurisdiction, it is market standard practice that servicer reports and investors' reports are provided on a monthly basis.

### Eligibility

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

No restrictions exist, other than licensing requirements relating to the underlying business.

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

Swiss securitisation transactions have been based on:

- trade receivables;
- commodity warehouse receipts;
- auto leases and loans;
- credit card receivables;
- residential mortgage loans;
- commercial real estate loans; and
- loans to small and medium-sized businesses.

There is no class of receivables that is more likely than others to be the subject of a securitisation in Switzerland, even though the market has recently seen many public transactions involving auto leasing and credit cards.

Accordingly, any type of asset can be securitised, but general considerations around suitability of assets for securitisations transactions apply in Switzerland as well.

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

No. Transactions that are offered to the Swiss public capital market can be offered to any investor, including retail investors. However, it might be that certain lead managers apply considerations around investor suitability and might apply (internal) guidelines in the distribution process. Nevertheless, relevant foreign capital market regulations would have to be complied with in connection with any placement of securitisation transactions outside of Switzerland.

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

As a matter of SIX Swiss Exchange's listing rules, the principal paying agent must qualify as a Swiss bank or a Swiss broker, dealer licenced by the FINMA. As a matter of Swiss law and on the basis that securitisation transactions typically do not qualify as collective investment schemes, there is no other mandatory requirement in relation to the custodian, the trustee or the portfolio administrator or servicer.

Nonetheless, the various roles are subject to rating agency requirements (in the case of rated deals) or subject to considerations and requests from investors.

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

Except in relation to the enforceability of the receivables, no special considerations apply for public-sector receivables. In the due diligence process, parties should focus in particular (as for any other securitisation transaction) on transferability and enforceability of the receivables as well as immunity considerations of the respective public institution.

### Transactional issues

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

First, it should be decided whether to use a Swiss vehicle or a foreign vehicle. Various considerations should be made, depending on the underlying asset.

Generally, it will be very difficult to use non-Swiss SPVs where the underlying asset relates to real estate located in Switzerland, given that cantonal withholding taxes may be incurred on any interest payment secured by Swiss real estate.

Also, it might be the case that the transfer of a receivable or an asset abroad is not desirable for other reasons, such as data protection considerations, particularly where the underlying documentation does not provide for a proper waiver of data protection.

Also, it should be noted that interest payments on debt instruments issued by a Swiss vehicle directly to multiple investors attract Swiss withholding tax at a rate of 35 per cent. While Swiss withholding tax is generally recoverable, the process for doing so might be burdensome for non-Swiss investors and even a Swiss investor would suffer a delay in recovering the withholding tax. If an investor is located in a jurisdiction that does not benefit from favourable double tax treaties or does not otherwise benefit from treaty protection (such as tax-transparent funds), Swiss withholding tax might not be fully recoverable or be recoverable at all. Swiss withholding tax can be structured away if a non-Swiss vehicle is used. However, this adds much complexity to the structuring process because there will also be a strong focus on the true sale analysis from a tax perspective.

Finally, Swiss originators that do not form a presence abroad normally have the inclination to go with a Swiss SPV for cost-efficiency and organisational purposes.

In Switzerland, an SPV may take the form of a limited liability stock corporation (AG) or a limited liability company (GmbH).

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

The formation of an AG or GmbH is relatively straightforward and takes between two and four weeks, depending on the relevant cantonal commercial register involved. Minimum capitalisation for the AG is 100,000 Swiss francs and for the GmbH 20,000 Swiss francs. This is, however, often irrelevant because originators frequently hold equity pieces instead. Formation costs are minimal and would not exceed a couple of thousand Swiss francs.

Typically, Swiss SPVs are held by the respective originator (given that availability of charitable trust structures or similar structures is limited in Switzerland), but some rating agencies request the implementation of golden shareholder structures that provide the (independent) golden shareholder or shareholders with some control (veto rights) at the level of the shareholders' meeting. However, accounting considerations may require the SPV to be held by fully independent shareholders. Essentially, all transactions involving Swiss SPVs provide for an independent director structure giving the independent director some control (veto rights) at board level.

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

Yes. Under Swiss conflict-of-law rules, the transfer and assignment of a right or a receivable can generally be governed by the law chosen by the parties concerned. However, according to article 145 of the Swiss Private International Law Act, choosing a law in favour of a law other than that governing the underlying right or receivable may not be asserted against the underlying obligor under the assigned receivable, unless the obligor agreed to the choice of law. Therefore, consent being absent, the general approach is to have the assignment and transfer governed by the law of the underlying right or receivable.

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

Yes. Revolving securitisation transactions involving the ongoing acquisition of new assets to the SPV replenishing its asset pool are quite common in Switzerland. There are no specific conditions, except conditions inherent to the transaction such as:

- compliance with eligibility criteria;
- compliance with concentration limits;
- absence of performance-trigger events; or
- absence of other early-amortisation events.

While continued acquisition of assets is often seen in Swiss transactions, the transfer of assets by the SPV after the issuance of its securities is generally limited by standard non-disposal undertakings. Such non-disposal undertakings allow the SPV to dispose of assets held by it in compliance with the relevant collections' policies only, or in compliance with, the transaction documents (eg, mandatory repurchases). Additionally, the corporate purpose of SPVs is typically limited so that the SPV may only contract within the scope of the transaction documents. Accordingly, the limited corporate purpose limits the risk that the asset SPV will dispose of its assets in breach of the non-disposal undertakings.

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

There are no registration requirements as such, but the SPV (as any other legal entity) must be registered with the competent commercial register. Also, if the originator is a regulated entity (such as a licensed bank), further approval requirements may apply.

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

Provided that the underlying agreements between the obligors and the originator allow for the free assignment and transfer of the receivable or relevant asset, the obligors do not need to be informed of the assignment and transfer and the securitisation accordingly. However, prior to notification, the obligors may validly discharge their obligations by paying to the originator (acting on an undisclosed basis as servicer) and in the event of bankruptcy of the originator, such payments would form part of the bankrupt estate of the originator, until the obligors are notified (see question 28 on commingling). Also, a valid and unconditional

assignment and transfer to the SPV requires that the SPV may notify the obligors at any point in time, even when it is the general understanding of the parties that obligors shall only be notified on occurrence of a specific notification event. To be on the safe side, it is recommended that names and addresses of obligors are provided to the SPV. Also, the SPV must be granted the contractual right to notify obligors prior to the occurrence of a notification event.

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

Generally, a waiver of confidentiality and data protection is valid under Swiss law, even though the special requirements of the Swiss Data Protection Act and other relevant legislation must be followed.

Special considerations must apply if the originator is subject to special confidentiality obligations, such as Swiss banking secrecy. Even though a waiver is generally valid, some originators apply a more severe standard as a matter of policy by using data trustee structures in particular, where information would otherwise be transferred abroad.

## 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?

In Switzerland, the relationship between rating agencies and issuer is generally governed by the underlying engagement. It appears that the focus of rating agencies is not really different from the focus they apply in other jurisdictions. Accordingly, rating agencies focus on the performance of the underlying assets, such as default ratios, delinquency ratios and the underlying security. Another focus of rating agencies is generally the solvency of the servicer and the ability of the servicer to service the portfolio for the SPV (including due diligence on systems and processes). Undoubtedly, the focus may shift depending on the underlying asset. In addition, rating agencies focus on legal structure and any legal pitfalls, such as the true sale analysis in true sale transactions and the bankruptcy-remoteness of the SPV.

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

The board members (or directors) of the AG or the directors of a Swiss GmbH are ultimately responsible for the overall management and supervision of the company, a responsibility that cannot be withdrawn from and for which each individual director is ultimately liable according to article 754 et seq of the Swiss Code of Obligations.

This duty includes:

- the overall direction of the company and issuing the necessary directives;
- determining the organisational structure of the company;
- appointing and dismissing the persons entrusted with management and representation, and determining the method of signature;
- ultimate supervision of the persons entrusted with company management;
- organisation of accounting, financial control and financial planning, to the extent that the latter is necessary for management of the company;
- drawing up the annual report and the remuneration report;
- preparing for the general meeting and executing its decisions; and
- notifying the judiciary should the company become over-indebted.

More generally, pursuant to Swiss corporate law, directors have the duty to act in the company's best interest. The best interest of a company is measured, inter alia, against a company's business purpose, which, in the context of a securitisation transaction, is typically limited to the entering into and the performance of its obligations under the transaction documents. Any action outside of that scope might expose a director to liability. These duties are owed to the company. Directors may be held liable not only towards the company but also towards shareholders and creditors of the company for any damage caused by an intentional or negligent breach of duties. Negligence covers all forms of negligence including simple negligence in complying with a director's duties.

There is no Swiss legislation suggesting that directors need to be independent, but it should be noted that the duty of care is always owed to the company, rather than to the shareholder or the originator.

Also, as mentioned above, it is generally required of rating agencies and investors that at least one board member is independent from the originator. Further independence requirements may be imposed, depending on the target accounting structure.

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

There are no risk retention rules in Switzerland. In particular, Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) (amending Regulation (EU) No. 648/2012)), including Part 5, has not yet been adopted by Switzerland and transposed into Swiss law.

However, for the purposes of not negatively affecting distribution, a number of transactions impose covenants on the originator to retain, on an ongoing basis, a material net economic interest in the transaction in an amount equal to at least 5 per cent (or a higher percentage as may be required from time to time in accordance with the applicable Risk Retention Rules) of the nominal value of the assets as required pursuant to article 405(1)(d) of the CRR and article 51 of Commission Delegated Regulation (EU) No. 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision as though the respective legal framework had been implemented in Switzerland.

### **Security**

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

Typically, investors ask for a comprehensive security package over the assets held by the SPV, even though an investor should be able to rely on its (exclusive) indirect access to the assets held by the SPV on the basis of the bankruptcy remoteness analysis that applies to an SPV.

Therefore, security packages often include the underlying receivables, bank accounts and claims under transaction agreements. However, it should be noted that some transactions have been structured without a security package in order to overcome a negative tax treatment or other obstacles. In those transactions, the bankruptcy-remoteness analysis was considered to be robust enough for investors and rating agencies to rely on an unsecured structure.

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

In relation to receivables and bank accounts, the execution of a security assignment agreement by the parties is sufficient to perfect the security interest in the receivables and the bank accounts. No notification is required, even though it is standard to notify the account bank, which is normally involved in the transaction in any event. However, prior to notification of the obligors, the obligors may validly discharge their obligations by paying the originator or the SPV, and in the event of bankruptcy over the SPV, such payments would form part of the bankrupt estate of the SPV, until the obligors are notified.

For the purposes of avoiding insolvency risks in relation to the security agent or trustee and given that the concept of a security trust is not known under Swiss law, security is typically provided for the benefit of a security trustee that holds the security under an English law-governed trust for the benefit of the secured parties, even when the security agreement itself is governed by Swiss law.

#### **27 How do investors enforce their security interest?**

Given that security interest is normally held by a security trustee, enforcement steps are to be initiated by the security trustee and vary depending on the nature of the security interest. Enforcement in a receivable that is assigned for security purposes may be pursued by simply collecting the receivable from the obligor or selling a portfolio of receivables to a third-party investor.

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

Yes. Commingling is generally considered to be a risk in Swiss securitisation transactions because collections held in the originator's or

servicer's account would form part of the bankrupt estate in a bankruptcy scenario, unless previously swept into the SPV.

Commingling risk is typically addressed by imposing relatively short time periods to sweep collections into the SPV's collection account. Some transactions provide for shortened time periods to sweep the collections on and after the occurrence of certain commingling risk triggers.

Because the commingling risk falls away as soon as obligors pay directly into a collection account held by the SPV, notification events are typically structured to occur at a relatively early stage in the process so that obligors may be notified well ahead of an originator's potential bankruptcy.

Commingling risk is further mitigated by setting up servicing facilitator or even (warm or cold) back-up servicer structures, aimed at keeping the redirection period (ie, the time period needed to make obligors pay directly into an SPV-held collection account) as short as possible.

Finally, rating agencies and investors sometimes ask for commingling reserves. The reserves' size depends on the expected average amount of collections held in the collection account (calculated on the cash-flow model basis) of the originator and the expected redirection period.

### **Taxation**

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

From an originator's overall tax perspective, it is, among other things, absolutely imperative that:

- the respective assets or receivables can be transferred to the issuer without accelerating and triggering any income taxes; and
- the profit potential associated with the underlying business remains with the originator.

For lack of specific tax legislation or tax guidelines, or both, securitisation transactions need to be presented and signed off by the relevant tax authorities by way of advance tax rulings. Typically, a (separate) VAT ruling will cover the following topics:

- VAT (non-) taxation of the transfer of assets or receivables;
- tax point acceleration with respect to VAT due on supplies with respect to transferred assets; and
- receivables and bad debt relief.

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

If the transaction involves a Swiss issuer, it is, among other things, imperative that the additional entity-level corporate income and net equity taxes, which cannot be structured away completely, are kept at a (negligible) minimum. In practice, the effective tax burden can be reduced to a few thousand Swiss francs per year, subject to proper tax structuring. For lack of specific tax legislation or tax guidelines, or both, securitisation transactions need to be presented and signed off by the relevant tax authorities by way of advance tax rulings. Typically, a (separate) VAT ruling will cover the following topics:

- mitigation of VAT costs or leakage on VAT-loaded bought-in services, or both, including servicing; and
- mitigation of joint and several liability issues relating to VAT unpaid by the originator with respect to transferred assets or receivables.

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

Interest payments on debt instruments (such as bonds) issued by a Swiss (securitisation) vehicle directly to widely spread investors attract Swiss withholding tax at a rate of 35 per cent. While Swiss withholding tax is generally recoverable, the process for doing so might be burdensome for non-Swiss investors, and even a Swiss investor would suffer a delay in recovering the withholding tax. In the event an investor is located in a jurisdiction that does not benefit from a favourable double tax treaty with Switzerland or does not otherwise benefit from treaty protection (typically such as tax-transparent funds), Swiss withholding tax might not be fully recoverable, or not be recoverable at all.

Swiss withholding tax can be structured away in the event a non-Swiss vehicle is used. However, this adds a lot of complexity to the



structuring process given that there will also be a strong focus on the true sale analysis from a tax perspective.

### Bankruptcy

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

Bankruptcy-remoteness is generally achieved by the limited corporate purpose of the SPV and limited recourse and non-petition provisions to which counterparties to the SPV are asked to sign up to. In addition, all parties contracting with the SPV are asked to sign up to waiver set-off provisions.

In addition, it should be noted that as a matter of Swiss corporate law, the bankruptcy of a shareholder of the SPV will not lead to the bankruptcy or liquidation of the SPV itself. Rather, a shareholder bankruptcy would result in the SPV's shares falling into the bankruptcy estate of the shareholder and would be sold in the course of such liquidation or bankruptcy. Any such transfer of shares in the SPV would not legally affect the contractual obligations of the SPV under the transaction documents. Also, there is no concept of substantive consolidation under Swiss law (subject to extraordinary cases, such as fraud and abuse of rights), and a bankruptcy of an SPV shareholder would, as a matter of Swiss law, not result in a consolidation of its assets and liabilities with those of the SPV.

#### 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)?

Ultimately, a court would consider the actual mutual will of the parties to a specific agreement. Accordingly, the analysis is highly factual, but one of the important factors that will be considered by a court is the effective transfer of the collection risk relating to a receivable.

Accordingly, any repurchase obligations going beyond the repurchase of ineligible receivables during transfer to the SPV can be critical. However, repurchase options are generally less problematic, but should be considered on a case-by-case basis. Finally, the 'at arm's length' nature of the transfer will also be considered.

#### 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?

As mentioned in question 32, there is no concept of substantive consolidation under Swiss bankruptcy law, unless there are very extraordinary cases, such as fraud and rights' abuse.

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