



Update

Momentum



Finance and Governance

May 4, 2017

PROHIBITION OF ISSUANCE OF BEARER SECURITIES

LAW NO. 15/2017, OF MAY 3

Law no. 15/2017, of May 3, imposes the prohibition on the issuance of bearer securities, and it amends the Securities Code and the Commercial Companies Code. Pursuant to the terms of Article 2 of Law no. 15/2017, issuing bearer securities is now prohibited from the date of entry into force of said law.

Law no. 15/2017 **entered into force on May 4, 2017**, and following said prohibition, bearer securities must be converted into registered securities, within six months, from the entry into force of the law. The conversion, therefore, must be made by November 4, 2017.

As of this date, Law no. 15/2017 provides for the prohibition of the transfer of bearer securities, as well as the suspension of the right to participate in the distribution of results associated with bearer securities.

According to the terms of Article 3 of Law no. 15/2017, the conversion of the bearer securities in circulation into registered securities shall be subject to regulation by the Government within 120 days of the entry into force of the law in question (i.e. until September 4, 2017).

As a consequence of the prohibition provided for in the law under analysis, the relevant diplomas in this area were amended. The Securities Code was amended as regards its Articles 52 and 97 (1), as follows:



- *Article 52 - Registered securities*

All securities are registered securities, the issuance of bearer securities no longer being allowed.

- *Article 97 - Indications on securities*

1 - In addition to the indications referred in points a) and b) of (1) of Article 44, securities must contain the following elements:

a) Order number;

b) Number of rights represented by the security, and, where applicable, total nominal value

c) Identification of the holder.

The amendment to the Companies Code affected Articles 272, point d), 299 and 301, as follows:

- *Article 272 - Mandatory content of the contract*

The company contract must contain the following elements in particular:

[...] d) The registered nature of the shares;

- *Article 299 - Registered shares*

Shares are registered, the issuance of bearer shares no longer being allowed.

- *Article 301 - Coupons*

Shares may be provided with coupons for the collection of dividends.



The revocatory rule, contained in Article 6 of Law no. 15/2017, affects the following legal provisions:

- *Article 52 (2), Articles 53 and 54, Article 63 (1), point a), Article 101 and Article 104 (1), of the Securities Code; and*
- *Article 299 (2), and Article 448 of the Commercial Companies Code.*

As a result of the revocation of Article 448 of the Commercial Companies Code, Law no. 15/2017 should have provided for the amendment of paragraph 5, of Article 528, of the same law, as regards administrative offences.

The main purpose of the prohibition on the existence of bearer securities, together with the short time frame for its implementation, shows a clear desire to replace the inherent opacity of the bearer nature of these securities for greater transparency and control over the effective ownership of the securities and their transfer, in line with European rules on the prevention of money laundering and financing of terrorism.

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