

Appointment of loan servicing companies as bondholders' representatives

A minor amendment – a major facilitation

As of 18 May 2021, loan servicing companies licensed under Greek law 4354/2015 may be appointed as bondholders' representatives

Recent law 4799/2021 (Government Gazette issue A' 78/18.05.2021) introduced amendments to the provisions of Greek law 4548/2018 on bond loans with respect to the entities which may qualify as bondholders' representatives.

What's new?

Article 64 paragraph 2 of Greek law 4548/2018 allows loan servicing companies of Greek law 4354/2015 (**Servicers**) to be appointed as bondholders' representatives in bond loans that have been issued not only under the current legal framework but also for bond loans that have been issued under the previous framework of Greek law 3156/2003.

Why is this important?

This change is addressing a common problem to the transfer of bond loans which are included in portfolio transfers in the context of either a sale under Greek law 4354/2015 or a securitisation under Greek law 3156/2003. Until today, finding a suitable bondholders' representative has always been a separate work stream running in parallel with loan portfolio transfers, due to the fact that the Servicers assigned with the servicing of the entire loan portfolio could not act as bondholders' representatives for the bond loans of the relevant portfolio.

The recent change will facilitate the transfer of bond loans both under Greek law 4354/2015, and

under Greek law 3156/2003, and enhance the efficiency of servicing of the purchased bond loans. In particular, prior to the introduction of the new provision:

- (a) Servicers had to legally assess whether the involvement of the bondholders' representative was required for the exercise of the bondholders' rights under the bond loan or not. Such assessment, as well as the actual involvement of such bondholders' representative, resulted in unnecessary delays and costs; and
- (b) the solution of the single bondholder being appointed as bondholders' representative was available as an option; such solution raised interpretative issues related to the special-purpose character of the entities purchasing the bond loans.

The amendment resolves all the above once and for all by merely enabling the Servicers to be appointed as bondholders' representatives. This has been another long anticipated change to the right direction, since Servicers were actually acting all this time as bondholders' representatives in the course of exercising their duties under the loan servicing agreement with the owner of receivables. The application of the new provision to bond loans issued under the previous framework is also very useful because Servicers will be appointed as bondholders' representatives to such bond loans without having to switch the governing law from Greek law 3156/2003 to Greek law 4548/2018.

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