

THE ACQUISITION  
AND LEVERAGED  
FINANCE  
REVIEW

EIGHTH EDITION

**Editor**  
Fernando Colomina Nebreda

THE LAWREVIEWS

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AND LEVERAGED  
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# PREFACE

It is fair to say that the acquisition and leveraged finance industry has shown resilience in relation to the difficult global situation arising from the covid-19 pandemic, particularly in comparison to the previous global crisis in 2008. Generally speaking, while in the first semester of 2020 the deal flow slowed as a result of covid-19 as private equity (PE) houses were forced to shift their focus onto already existing portfolios, there was a noteworthy increase in the acquisition and leveraged market activity in the second semester, predominantly in the last quarter. The following defensive industries have demonstrated their ability to withstand the covid-19 crisis: pharmaceuticals; bio sanitary; food; technology, media and telecommunications; and logistics, among others.

Covid-19 vaccines are providing confidence to market players, therefore facilitating the ability to agree on valuations, and also reducing gaps between the expectations of both seller and buyer. The result is more mergers and acquisitions (M&A) activity. Besides, it is reasonable to expect that the emergency measures taken by governments worldwide to address the hardships caused by covid-19 (such as state aid measures or public restrictions regarding foreign direct investment) will gradually be removed. This should, in principle, also lead to more deal flow in the M&A sector.

We are currently witnessing fierce competition in the acquisition and leveraged finance market due to the following factors: (1) an abundance of liquidity (perhaps even more than the previous year since some PE houses now hold additional 'dry powder' that was allocated to 2020 but which they could not use because of covid-19); (2) a low-interest-rate environment, which is likely to persist for several years; and (3) the fact that US investors are increasingly entering EU markets seeking a higher yield and vice versa.

The above is, in turn, resulting in more flexible terms for sponsors. It is also helping to consolidate the trend on convergence between both high-yield structures and loan structures and US and European markets in the world's most sophisticated financial hubs. Once again, this means that careful and thoughtful monitoring of domestic circumstances is imperative.

Finally, as indicated by the European Leveraged Finance Association, it is worth remarking that 'the leveraged finance market is undergoing a seismic shift in approach to ESG [environmental, social and governance] and sustainability'. Indeed, ESG has emerged dramatically in the acquisition and leveraged finance industry as evidenced by the blossoming of loans and bonds linked to sustainability in 2021. Terms will continue to unfold as market players intend to develop broadly ESG terms that go beyond pricing considerations. To this end, transparency will be a key factor in the success of the cross-border expansion tied to this nascent trend.

Many thanks to everybody who has participated in this publication, and a special thank you to Law Business Research.

We sincerely hope that this edition of *The Acquisition and Leveraged Finance Review* will be of assistance to you in this challenging era.

**Fernando Colomina Nebreda**

Latham & Watkins

Madrid

November 2021

# NETHERLANDS

*Sandy van der Schaaf and Martijn B Koot<sup>1</sup>*

## I OVERVIEW

In 2020, the covid-19 pandemic had a major impact on M&A activity in the Netherlands. The M&A market slowed down significantly in the first six months of last year. The M&A deals picked up again in the second half of 2020 and the activity continued to be strong through year-end. The total number of M&A transactions decreased by approximately 15 per cent compared to the previous year. Despite the covid-19 pandemic, the total value of the M&A transactions increased from €80 billion to €86 billion.

The vast majority of the acquisition and leveraged finance transactions in the Netherlands are financed by attracting loans from Dutch and larger European banks. Small facilities (up to €30 million) are usually funded by a single bank, whereas midsize facilities (between €30 million and €250 million) and large facilities (in excess of €250 million) are usually funded by a syndicate of banks. In the case of small acquisition loans, banks typically use their own standard templates, but especially in the case of larger loans, the loan documentation that is used is often based on the Loan Market Association (LMA) templates.

Although still less frequently used compared to bank financing, other forms of acquisition financing, such as debt capital markets (DCM) financing, US private placement debt and equity financing and especially debt fund financing, are continuing to increase in the Netherlands.

## II REGULATORY AND TAX MATTERS

### i Regulatory matters

Since 1 January 2007, the Act on Financial Supervision (Wft) regulates the financial sector in the Netherlands and contains detailed rules on the supervision of the main financial market parties, being banks and insurers, investment firms, collective investment schemes (i.e., investment companies and unit trusts) and financial service providers.

Under the Wft, it is prohibited for a credit institution to attract, obtain or have redeemable funds from the public. The definitions of ‘credit institution’, ‘redeemable funds’ and ‘public’ are concepts of European law.<sup>2</sup> In the absence of European guidance, ‘public’ under the Wft means anyone other than professional market parties or parties forming part of a restricted circle. If a party attracts, obtains or has redeemable funds with a minimum amount

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1 Sandy van der Schaaf and Martijn B Koot are both partners at HEUSSEN.

2 European Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms.

of €100,000 (or its equivalent in another currency) per drawing, the lender is considered to be a professional market party. This means that as long as the amount of the initial loan granted by each lender (including any assignee or transferee) to a Dutch borrower is at least €100,000 (or its equivalent in another currency) the borrowings by the Dutch borrower are allowed. It is common practice to include wording in the facility agreement stipulating that a loan to a Dutch borrower shall at all times be provided, assigned or transferred to or otherwise assumed by a lender that does not form part of the public.

## **ii Money laundering and sanctions**

On 1 August 2008, the Money Laundering and Terrorist Financing (Prevention) Act (Wwft) entered into force implementing the European directive on prevention of the use of the financial system for the purpose of money laundering and terrorist financing (the Third Anti-Money Laundering Directive). On 1 December 2020, the Sixth Anti-Money Laundering Directive was transposed into Dutch law by way of an amendment of the Wwft.

The Wwft applies to banks and other financial undertakings as well as to certain persons or legal entities, such as life insurance companies, investment firms, trust companies, external accountants and tax advisers, lawyers and notaries, casinos and companies that distribute credit cards.

The objective of the Wwft is to prevent and combat money laundering and the financing of terrorism in order to guarantee the integrity of the Dutch financial system. The Wwft imposes two main obligations on relevant institutions or persons: (1) performing customer due diligence; and (2) reporting unusual transactions. As part of the rules on customer due diligence, the Wwft requires a financial undertaking to conduct a risk analysis both prior to entering into a relationship with a customer and on an ongoing basis.

Sanction regulations are rules instituted in reaction to breaches of international law or human rights violations. Pursuant to Dutch sanction regulations, a financial undertaking may be required to freeze funds and assets of particular persons or organisations, or be restricted in providing funds or services to such persons or organisations. Sanction regulations require financial institutions to adapt their administrative organisation and internal controls to meet the requirements under the applicable sanction regulations.

Fines may be imposed on the offender under the anti-money laundering or sanction regulations. In addition, failure to comply with certain requirements under the anti-money laundering and anti-terrorist financing regulations or the sanction regulations constitutes a criminal offence under the Dutch Economic Offences Act.

## **iii UBO register**

Under new legislation entered into force on 27 September 2020, all companies, other legal entities and partnerships incorporated or established under Dutch law are required to register their ultimate beneficial owners (UBOs) in a public UBO register. The introduction of a UBO register is part of the implementation of the Fourth and Fifth European Anti-Money Laundering Directives, and the purpose of the register is to combat financial and economic crime, such as money laundering. An ultimate beneficial owner is defined as 'the natural person who ultimately owns or controls a company or other legal entity or partnership'. The UBO register is part of the Trade Register of the Dutch Chamber of Commerce. All relevant entities already existing on 27 September 2020 must register their UBO or UBOs within 18 months from 27 September 2020 (i.e., no later than 27 March 2022).

The Netherlands will also establish an UBO register for trusts and similar legal structures. It is yet unknown when this separate UBO register will be introduced in the Netherlands.

#### **iv Tax issues**

The Netherlands does not levy any withholding taxes with regard to any payments of principal or interest by a borrower under a loan agreement (except for subordinated loans with a maturity in excess of 50 years and profit-linked interest). The Netherlands also does not levy any stamp duties. In principle, interest payments on acquisition debt made by a Dutch borrower are deductible subject to various statutory restrictions.

### **III SECURITY AND GUARANTEES**

#### **i Types of security rights and guarantees in the Netherlands**

In Dutch acquisition financing transactions, the security package depends on the risk profile and the assets of the relevant debtor. Under Dutch law, the concept of a floating charge does not exist. For each type of asset, a specific security right can be vested to secure present and future monetary payment obligations. However, it is possible to combine various rights of pledge in one omnibus pledge agreement.

There are two types of security rights that can be created over assets: a right of pledge and a right of mortgage. A right of pledge can be established over movable assets (e.g., inventory, equipment, stock and commodities), receivables (e.g., trade receivables, intercompany receivables, bank account receivables and insurance receivables), registered shares and intellectual property rights. A right of mortgage can be established over registered property (i.e., real estate, registered vessels and aircraft).

A Dutch law security right can only be established over assets that are sufficiently identifiable and transferable or assignable. A security assignment (i.e., transfer of legal title to assets for security purposes) is not allowed under Dutch law.

#### ***Right of pledge over movable assets***

A right of pledge over movable assets can be created as a non-possessory right of pledge or a possessory right of pledge. A right of pledge over (all present and future) movable assets is established by means of a written pledge agreement entered into between the pledgor and the pledgee and, in case of a non-possessory right of pledge, registration thereof with the Dutch tax authorities, unless the pledge agreement is executed in the form of a notarial deed. In the case of a possessory right of pledge over movable assets (which is not commonly used in acquisition financings), the pledgee or a third party appointed by the pledgor and the pledgee and acting on behalf of the pledgee must have effective and exclusive control over the movable assets and the control may not be held together with the pledgor.

#### ***Right of pledge over receivables***

A right of pledge over receivables can either be disclosed or undisclosed. A disclosed right of pledge requires a written pledge agreement between the pledgor and the pledgee and notice of the right of pledge to the relevant debtors and is usually established with respect to intercompany receivables, insurance receivables and bank account receivables. In the case of a right of pledge over bank account receivables, the pledgee usually authorises the pledgor to continue to dispose of the monies held in bank accounts until the occurrence of a certain

event (e.g., an event of default). Pursuant to the general banking terms and conditions, Dutch bank accounts are usually encumbered with a first right of pledge held by the account bank. This first priority right of pledge may be waived by the account bank or limited to fees and costs. In addition, the applicable terms and conditions may contain a pledge prohibition having property law effect. A right of pledge created in breach of such prohibition will be regarded as being null and void.

An undisclosed right of pledge over receivables is established by means of a written pledge agreement between the pledgor and the pledgee that is registered with the Dutch tax authorities. Registration of the pledge agreement with the Dutch tax authorities is not required if the pledge agreement is executed in the form of a notarial deed. For commercial reasons, a right of pledge over trade receivables is generally not notified to the debtors and is, therefore, created as an undisclosed right of pledge over receivables, but notification of the trade debtors is necessary to invoke the right of pledge. In the case of 'absolute future receivables' (i.e., receivables that do not already exist at the time of creation of the right of pledge and that do not directly result from a legal relationship existing at the time of creation of the right of pledge), supplemental pledge agreements need to be entered into. An undisclosed pledge must be registered with the Dutch tax authorities on a regular basis to effectively establish a right of pledge over such receivables.

### ***Right of pledge over shares***

A right of pledge over registered shares in the capital of a Dutch private company with limited liability (BV) or a Dutch public company (NV) is established by means of a deed of pledge of shares executed before a Dutch civil law notary. Owing to the fact that a pledgee can only enforce his or her rights as a pledgee against the company in whose capital the shares are pledged if the company has been notified of the right of pledge, the company is usually a party to the notarial deed. It is common practice to include in the deed of pledge of shares that the voting rights attached to the shares remain with the pledgor until the occurrence of a certain event (e.g., an event of default) upon which the voting rights will transfer to the pledgee. Depending on the articles of association of the company whose shares are being pledged, the conditional transfer of voting rights requires the prior approval of the general meeting of the company. The right of pledge must be registered in the shareholders' register of the company, but this registration is not a constitutive requirement.

The establishment of a right of pledge over other types of shares or equity interests (such as bearer shares, membership interests in a cooperative or partnership interests in a limited or general partnership) is not discussed in this chapter.

### ***Right of pledge over intellectual property rights***

A right of pledge over intellectual property rights is established by means of a written pledge agreement between the pledgor and the pledgee or by means of a deed of pledge executed before a Dutch civil law notary. In general, each written pledge agreement concerning IP rights or related rights, or both, should be registered with the Dutch tax authorities for evidence purposes, and in relation to licences and domain names, this registration is necessary to create a valid right of pledge. In addition, the pledge agreement (or notarial deed, as the case may be) should be registered with the relevant IP register or .nl internet domain name registrar, or both, (if applicable). Each register or registrar has its own requirements for registration.

### ***Right of mortgage over registered property***

A right of mortgage can be established over real estate, registered vessels and aircraft registered in the Netherlands and is established by means of a notarial deed of mortgage executed before a Dutch civil law notary and registration of the right of mortgage in the relevant register.

### ***Guarantees and other forms of security***

Corporate guarantees and declarations of joint and several liability by the parent company or its (key) subsidiaries, or both, are common in group financings and are either included in the facility agreement or issued as separate guarantees. Guarantee limitations as to the maximum amount of the guarantee are uncommon in the Netherlands.

## **ii Limitations on the granting of security rights and guarantees**

### ***Ultra vires/corporate benefit***

Under Dutch law, granting upstream, downstream and cross-stream guarantees or security is allowed, provided that: (1) this falls within the scope of the corporate objects clause of the company; and (2) there is sufficient corporate benefit for the company. Any legal act entered into by a Dutch company may be nullified by the company or the bankruptcy trustee in the event of bankruptcy if it is ultra vires (i.e., falls outside the scope of the company's objects). A legal act may be ultra vires if: (1) the legal act is not expressly allowed by the objects clause in the company's articles of association and could not be conducive to the realisation of these objects; and (2) the other party was aware thereof or should be aware thereof without an independent investigation. All relevant circumstances of the case should be considered. There is no clear definition of corporate benefit, but it generally means that the contemplated transaction should be in the interest of the company and its stakeholders, whereby in the case of group financings, the interest of the group of companies may prevail over the interest of the individual company and its stakeholders.

### ***Corporate authorisation and capacity***

In the case of a right of pledge over shares in a Dutch company, it should be checked whether the articles of association of the company allow the establishment of a right of pledge over its shares and the transfer of the voting rights attached to the shares. In addition, the articles of association may contain share transfer restrictions. Further, depending on the articles of association, a right of pledge of shares may require a shareholders' resolution of the company approving the (conditional) transfer of the voting rights attached to the shares.

### ***Works council***

A Dutch company with 50 or more employees is required to have a works council. If a works council is in place, the prior advice of the works council needs to be obtained for certain important management board decisions relating to the transactions listed in the Dutch Works Council Act, such as a change of control over the company, borrowing under material loans and the granting of security for material loans, unless the granting of security takes places in the ordinary course of business of the company.

### ***Financial assistance***

Under Dutch law, an NV may not provide collateral, guarantee the price, otherwise guarantee or otherwise bind itself jointly and severally if this is done for the purpose of the subscription or acquisition by third parties of shares in the NV's own capital. In addition, an NV may not grant loans for the purpose of the subscription or acquisition by third parties of shares in the NV's own capital, unless the management board of the NV decides to do so after having received the prior approval of the general meeting of the NV and the following conditions are met with regard to the NV: (1) the loan, including the interest received by the company and the security provided to the company, is provided at fair market conditions; (2) the equity, less the amount of the loan, is not less than the paid-up and called-up part of the capital, plus the reserves that must be maintained in accordance with the law or the articles of association; (3) the creditworthiness of the third party or, in the case of multiparty transactions, of each party involved, has been carefully investigated; and (4) if the loan is granted with a view to the subscription to shares in the context of an increase of the company's issued capital or with a view to acquiring shares held by the company in its own capital, the price at which the shares are subscribed to or acquired is fair.

The financial assistance prohibition also applies to all Dutch or foreign subsidiaries of an NV, including Dutch BVs. Security rights, guarantees and loans granted in breach of this prohibition are regarded as being null and void.

Upon the entry into force of the Act on the simplification and flexibilisation of the rules applicable to Dutch BVs on 1 October 2012, the financial assistance prohibition prohibiting a BV from providing assistance to a third party by way of providing security and restricting the granting of loans for the purpose of acquiring shares in the BV's issued capital, was abolished.

### ***Actio pauliana***

A legal act (such as the granting of guarantees or security rights) performed by a Dutch person (or legal entity) can be nullified upon the initiative of any creditor if each of the following requirements are met (1) the person performing the legal act had no legal obligation to do so, (2) the person performing the legal act and the other party or parties knew or should have known that the legal act would adversely affect the recourse possibilities of present and future creditors and (3) the legal act was prejudicial to the recourse possibilities of the creditors of the person performing the legal act.

This action, generally referred to as *actio pauliana*, is also possible when the company has been declared bankrupt, in which case it will be initiated by the bankruptcy trustee.

### ***Security agent***

The general view in the Netherlands is that a right of pledge can only be created in favour of a pledgee if the pledgee itself (and not as representative or trustee of the lenders) is the creditor of the claim for which the right of pledge is created. For this reason, if security is to be held by a security agent, for the purpose of establishing Dutch law security a 'parallel debt' is created whereby each obligor undertakes as an additional and separate obligation to pay to the security agent (in its own name and not as the representative of the lenders) amounts that are equal to the amounts of the loan obligations owed under the loan documents. Subsequently, a Dutch law security right is created in the name of the security agent only (and not also

in the name of the other loan parties) as security for the payment of the parallel debt. The security agent will distribute the proceeds resulting from an enforcement of the security right in accordance with the contractual arrangement agreed upon between the loan parties.

### iii Enforcement of security rights

Under Dutch law, if the debtor is in default with the performance of the secured obligations, a right of mortgage can be enforced by way of a public auction or a private sale authorised by the competent Dutch court. A Dutch law right of pledge can be enforced by way of a public auction, a private sale authorised by the competent Dutch court or a private sale agreed between the pledgor and the pledgee after the pledgee has become entitled to enforce the right of pledge. A disclosed right of pledge over receivables is usually enforced by collection of the receivables after the relevant debtors have been given a notice of enforcement. The same applies with regard to the enforcement of an undisclosed right of pledge provided that the relevant debtors are first notified of the right of pledge. A right of pledge over receivables can also be enforced by way of a public auction, a private sale or a court-ordered private sale. The mortgagee or the pledgee may apply the proceeds from the enforcement towards satisfaction of the secured obligations as they are due and payable.

## IV PRIORITY OF CLAIMS

As a general rule, claims of creditors rank *pari passu*, both in and outside bankruptcy of the debtor, unless Dutch law provides otherwise. Ordinary claims are subordinated to claims with a preferred ranking, such as claims of secured creditors and creditors that have a preference (both over ordinary claims and claims of secured creditors) by virtue of law (such as rights of retention and privileges of the Dutch tax authority and bankruptcy trustees). In the event of bankruptcy of a debtor, all unsecured and unsubordinated creditors are entitled equally to the proceeds of the insolvent debtor's assets pro rata to the amount of their claims.

In the Netherlands, there is no public register in which rights of pledge are registered, and therefore it cannot be verified from publicly available information whether specific assets are encumbered with a right of pledge. Rights of mortgage are registered in the registers maintained by the cadastre.

Under Dutch law, a security right can be a first-, second-, etc., priority ranking security right, whereby the highest priority is given to the security right that was created first in time. In recent case law, the Dutch Supreme Court ruled that parties can contractually agree on a ranking that deviates from the statutory ranking based on when the relevant right of pledge was created. As a result, a right of pledge created second may rank more highly in relation to a right of pledge that was created first, which will then have the junior ranking in relation to the other right of pledge. In the event of a debtor's bankruptcy, a secured creditor can in principle enforce his or her security right as if there was no bankruptcy. However, the court can order a cooling-off period during which the secured creditor may not enforce the security right. The proceeds resulting from the enforcement of a security right are used to repay the claim secured by the first-ranking security right, and any access amount will be used to repay any claim secured by a second-ranking right of pledge (if applicable).

Parties can also agree that the claims of one party are subordinated to the claims of the other party. This is commonly addressed in intercreditor agreements. Pursuant to Dutch case law, the enforceability of a contractual subordination arrangement depends not only

on the wording of such arrangement as the meaning that each of the parties in the given circumstances could reasonably have attributed to the relevant provisions and what they could reasonably expect from each other is, in principle, decisive.

If a company has been declared bankrupt, claims for repayment of equity are subordinated to all other claims on the bankruptcy estate. Because from a Dutch legal perspective shareholder loans do not qualify as equity, claims of shareholders resulting from shareholder loans rank *pari passu* with all other claims on the bankrupt estate.

## V JURISDICTION

### i Choice of law

In general, the parties to an agreement are free to choose the governing law of the agreement. The choice of a foreign law as the law governing an agreement will generally be recognised and applied by the courts of the Netherlands, provided that it does not conflict with mandatory rules of Dutch law or public order.

### ii Submission to jurisdiction

The submission by a Dutch entity to the jurisdiction of foreign courts is valid under Dutch law, subject to the limitations following from the EC Jurisdiction Regulation<sup>3</sup> and does not preclude that claims for provisional measures in summary proceedings and requests to levy pretrial attachments are brought before the competent courts of the Netherlands.

### iii Enforcement of court decision or arbitral award

If an enforcement treaty applies, a final and enforceable judgment rendered by a foreign court against a Dutch entity with respect to its obligations under an agreement governed by foreign law will be recognised by the Dutch courts and could be enforced in the Netherlands, subject to the provisions of the relevant treaty and the rules and regulations promulgated pursuant thereto.

If no enforcement treaty applies, a judgment rendered by a foreign court would not automatically be enforceable in the Netherlands. However, under current practice, a final judgment obtained in a foreign court that is not subject to appeal and is enforceable in the foreign country in which it is rendered would generally be upheld by a Dutch court without substantive re-examination or relitigation on the merits of the subject matter of the foreign judgment provided that certain formal and substantive requirements are met.

The enforcement in the Netherlands of a foreign judgment must be performed in accordance with Dutch laws of civil procedure.

A final award issued by an arbitration panel in a foreign country that is enforceable in the foreign country with respect to the obligations of a Dutch entity under an agreement governed by foreign law will be recognised by a Dutch court without re-examination of the merits of the case and will also be enforceable in the Netherlands.

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<sup>3</sup> Council Regulation No. 1215/2012 of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, amended by Council Regulation No. 542/2014 of 15 May 2014.

## **VI ACQUISITIONS OF PUBLIC COMPANIES**

The statutory framework for acquisition of listed companies in the Netherlands consists primarily of the Wft (see Section II.i) and the Public Bid Decree, which provides detailed procedural rules on public bids.

Listed public companies in the Netherlands are subject to the supervision by the Dutch Authority for Financial Markets (AFM). Companies having their registered seat in the Netherlands, but whose shares are listed on a regulated market elsewhere in the European Union, are also subject to supervision by the AFM.

In general, pursuant to the Wft, if a person or institution wishes to make an offer to purchase securities that are listed on a regulated market in the Netherlands, it needs to publish an offer document, which requires the approval by the AFM. In addition, evidence of 'certain funds' must be provided. The evidence of certain funds needs to include a detailed description of the manner in which the funds necessary to pay the offer price will be provided. In practice, the certain funds requirement is often met by way of a commitment letter setting out the main terms of the funding followed by the actual finance documentation once the offer has been published.

A shareholder holding at least 95 per cent of the shares in the capital of a Dutch public listed company can squeeze out the minority shareholders. There are two kinds of squeeze-out procedures, both of which must be initiated before the Enterprise Chamber of the Amsterdam Court of Appeal: (1) a regular squeeze-out procedure; and (2) a special squeeze-out procedure that can only be followed if the majority shareholder has made a public bid. A regular squeeze-out procedure can be initiated at any time and will usually take six to 12 months. Shares that have special voting or other rights attached (such as priority shares) cannot be the subject of a regular squeeze-out procedure. In principle, the court will honour a request for a regular squeeze-out but it must deny the request if certain special circumstances apply. A special squeeze-out procedure is only available for a shareholder having made a public bid and holding not only 95 per cent or more of the issued share capital but also 95 per cent or more of the voting rights attached to the shares of the target company. A special squeeze-out procedure can apply to all kinds of shares, including priority shares. It must be initiated within three months of the completion of the public bid. In the event of a special squeeze-out procedure, whereby the offer price is assumed to be a fair price for the shares subject to the squeeze-out provided that certain requirements are met, the procedure will usually take less time to complete than a regular squeeze-out procedure.

If a party acquires more than 30 per cent of the voting rights attached to the shares in the capital of a company having its registered seat in the Netherlands and whose shares are listed on a regulated market elsewhere in the EU, it is obliged to make a public offer to purchase the remaining shares in the capital of the company. The certain funds requirement does not apply in relation to such a mandatory offer.

## **VII OUTLOOK**

Despite the ongoing covid-19 pandemic, after a promising start in the first quarter of 2021, M&A activity in the Netherlands will likely further grow in the second half of this year. It is expected that the number of distressed M&A deals will increase as a consistently growing number of companies in financial distress will be looking for a buyer and additionally, purchasers with access to sufficient funds will be looking for opportunities to acquire targets

against discounted valuations. Combined with the fact that acquisition and leveraged financing is still easy and cheap for buyers to obtain because of the still exceptionally low interest rates, it is likely that M&A activity will increase throughout 2021.

Aside from covid-19, there are concerns that the M&A market may be negatively affected in the coming years because of developments in international politics and relations and in national politics with international consequences – a rise of protectionist political sentiments with regard to Dutch target companies, international sanctions, new trade tariffs being imposed and the renegotiation of existing international trade agreements may all affect the economy and the M&A market both globally and in the Netherlands in the coming years. Having said this, the Netherlands is still regarded as an important investment destination (in large part) because of its geographic location in Europe, its outstanding infrastructure and its highly skilled work force.

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