



MAYER | BROWN

Working Together for Mutual Benefit:
Non-Recourse Receivables Purchase and
Trade Receivables Securitization

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Who Are We?

- ***Global Receivables and Supply Chain Finance Team***
 - Over 50 professionals across our platform focused on receivables and supply chain finance
 - Coverage across our firm including the US, the UK, France, Germany, Hong Kong, Singapore, Brazil and Mexico
 - We are a go-to law firm for a number of the world's leading participants in the supply chain finance and trade receivables finance markets.



Welcome To Our Webinar Series!

- Supply Chain and Working Capital Finance Webinars
 - 9 webinars from July to November (repeated twice daily)
- Upcoming Programs:
 - October 28 – Credit Insurance — How Does It Actually Work in Supply Chain Finance?
 - November 4 - The UN Convention on the Assignment of Receivables – What Is It, and How Will It Change Trade Finance?
- We will have our normal live programs in New York, London, Singapore and Hong Kong in 2021 – circumstances permitting.

The background of the slide features a close-up, slightly blurred image of several Euro banknotes. The notes are in shades of blue, green, and yellow. The faces of historical figures are visible, and some serial numbers like 'AF 514740' and 'JT 276683' are partially legible. A vertical orange bar is positioned on the left side of the slide, partially overlapping the banknotes.

Supply Chain and Distribution Offering

- Mayer Brown is the only law firm with an end-to-end supply chain and distribution offering including:

Finance (Receivables, Payables, Other Financial Assets, Inventory)

Tax

Customs and Trade

Technology Transactions and IP

Cash Management

Litigation / Enforcement

Regulation

Today's Speakers



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Trade receivables securitization

- Traditionally used for investment grade companies but increasingly seen as an important tool in the wider receivables financing arena
 - Can be structured as off-balance sheet - improves balance sheet debt to equity ratios
 - May accelerate cash from operating activities
 - Diversify funding sources
- Useful product to finance:
 - cross border receivables originated in multiple jurisdictions – cross-collateralisation provides greater financing availability against the assets
 - large pools efficiently (subject to concentration limits)

The background of the slide features a close-up, slightly blurred image of several Euro banknotes. The focus is on the intricate patterns and colors of the currency, with the faces of historical figures visible in the background. A vertical orange bar is positioned on the left side of the slide, partially overlapping the banknotes.

Trade receivables securitization - SPV

- Concentration of receivables in a single insolvency-remote special purpose vehicle (SPV) mitigates exposure to multiple legal and insolvency regimes
- SPV either established as a new group company (typical in the U.S.) or “orphan” company (typical in Europe - shares held in charitable trust) in jurisdictions with tax neutrality and legal ring-fencing
- Insolvency remoteness afforded by limited constitutional powers and/or contractual restrictions (purchase of receivables and obtaining financing only) and independent directors
- Profit extraction – servicing fee, deferred purchase price and/or interest payable on subordinated loans
- Tax/regulatory considerations on choice of SPV location and method of sale

The background of the slide features a close-up, slightly blurred image of several Euro banknotes. The notes are in shades of blue, green, and yellow, with the faces of historical figures visible. The text 'Trade receivables securitization - Documents' is overlaid in white on the left side of the image.

Trade receivables securitization - Documents

- Core documents include:
 - Receivables Loan Agreement or Notes (funding the SPV's purchase of receivables)
 - Receivables Purchase Agreements (under which the SPV purchases the receivables)
 - Servicing Agreement
 - Performance and Indemnity Deed
 - Bank Account Security and Account Control Agreements (to secure cashflows)

The background of the slide features a close-up, slightly blurred image of several Euro banknotes. The focus is on the portrait of a man, likely a historical figure, and the intricate security patterns of the currency. The colors are muted, with shades of blue, green, and yellow. A vertical orange bar is positioned on the left side of the slide, partially overlapping the text area.

Trade receivables securitization – Key points to consider

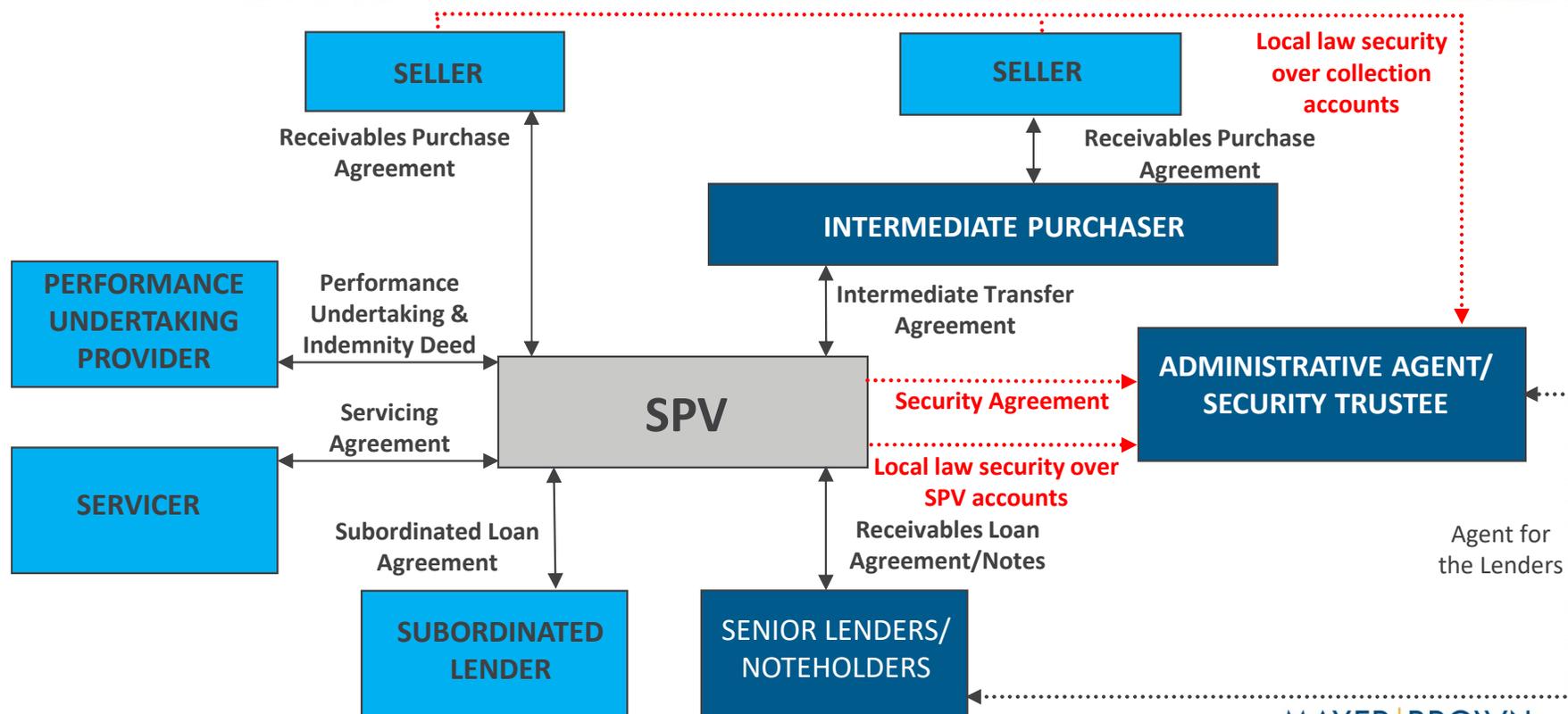
- True sale formalities in each country where receivables are originated
- Anti-assignment provisions need legal diligence
- Any conflicts or collateral overlaps with existing secured credit facilities
- Cash management and servicing – commingling, sweeps, security
- Perfection requirements specific to each country



EU Securitization Regulation

- EU Securitisation Regulation applies to securitisations that issue new securities or create new securitisation positions from 1 January 2019
- Is it a “securitisation”?
 - Transaction or scheme where the credit risk of an exposure/pool of exposures is tranching
 - Payments are dependent on the performance of the exposure/pool of exposures
 - Subordination of tranches determines distribution of losses through life of transaction or scheme
- Obligations relating to due diligence, risk retention and transparency

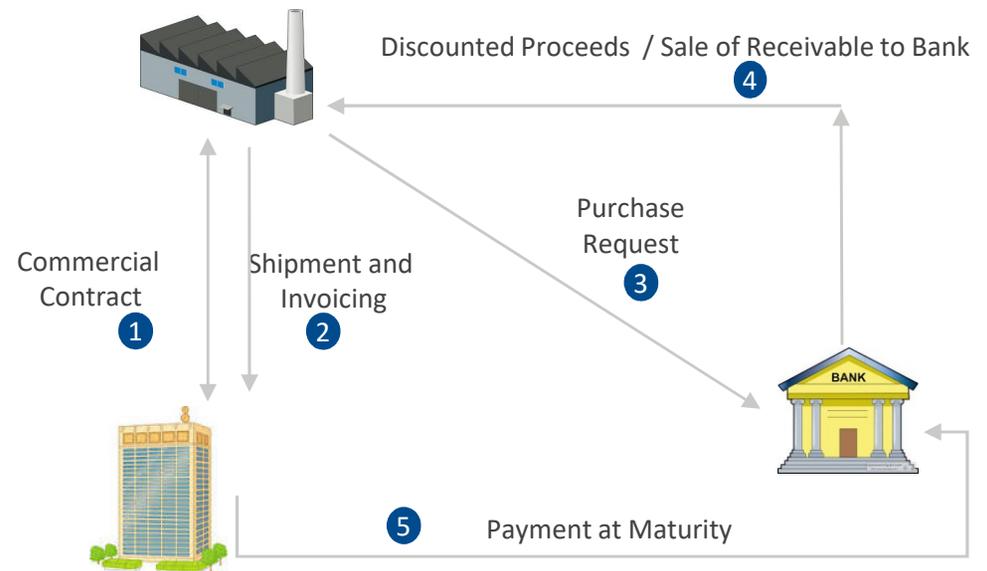
Typical multi-country securitization structure



Non-Recourse Receivables Purchase (NON-RECOURSE FACTORING)

Transaction Flow:

1. Buyer purchasing department purchases goods or services from a Supplier under a standard purchase contract
2. Supplier ships goods and sends invoice to Buyer
3. Supplier sends the bank a purchase request
4. The bank purchases the receivable in a "true sale" and sends the Supplier discounted proceeds of receivable
5. The Buyer pays the receivable on its maturity date as instructed by Supplier



A background image showing several Euro banknotes, including a 100 Euro note and a 50 Euro note, with the faces of the deceased presidents visible. The notes are slightly out of focus and overlap each other.

Key Differences To Securitization

- Typically “off-balance sheet”.
 - The receivables financed are removed from the balance sheet of the Supplier, cash from operations generated.
 - Much easier to create an off-balance sheet result than under a trade receivables securitization (although somewhat less flexible).
- The funder is taking the credit risk on the obligors/Buyers on the actual receivables, not on the Supplier/originator
 - Diversification is not particularly helpful.
- Typically uncommitted facilities or, if committed, commitments will often run only 30/60/90 days.
- Concepts like acceleration don’t exist.

The background of the slide features a close-up, slightly blurred image of several US dollar bills. The focus is on the portrait of George Washington on the one-dollar bill, with other bills partially visible behind it. The colors are muted, with a blue and green tint. A vertical orange bar is positioned on the left side of the slide, partially overlapping the text.

Receivables Purchase Arrangements

- Trade Receivables Securitization
- Factoring
- Invoice Discounting
- Supply Chain programs
- Vendor finance
- Dealer floorplanning
- Asset based lending
- Fintech Platforms

The background of the slide features a close-up, slightly blurred image of several Euro banknotes. The notes are in shades of blue, green, and yellow. The faces of the historical figures on the notes are visible, and some serial numbers like '4740' and 'JT 27 6683' can be seen. A vertical orange bar is positioned on the left side of the slide, partially overlapping the banknote image.

Common Features

- Assignability
- Cash Management
- Balance Sheet Treatment
- Customer tolerance for complexity
- Global businesses
- Trade credit insurance
- Legal true sale opinions

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Why One and not the Other?

- Which team
- Internal structure
- Seller/Issuer experience
- Seller/Issuer preference
- Risk Retention
- Revolving requirements
- Working capital or balance sheet management



Where the two roads meet

- Common methods of combining securitization with other methods include:
 - Selling, participating or financing individual or groups of overconcentration in a separate agreement *with* SPV – “out the side”
 - Selling, participating or financing individual or groups of over concentrations *before* they are sold to the SPV – “from the bottom”
 - Single bank or fund funding whole pool and participating or selling certain overconcentrations or exposures to third parties
 - Providing a separate facility to the SPV to finance some or all of the expected residual cash flows (including overconcentrations)
 - Financing, including secured loans or repurchase facilities, related to the SPVs equity (held by an affiliate)

Questions?





Appendix - Upcoming webinars

- 22 July: 10 Most Common Insolvency Questions in Receivables and Payables Finance – A Focus on US
- 29 July: 10 Most Common Insolvency Questions in Receivables and Payables Finance – A Focus on Asia and Europe
- August 12: Capital Markets/Alternative Investors; Investing in the Trade Receivable Asset Class
- August 19: 5 Most Common Questions About Financing Receivables and Payables Through a Platform
- September 2: 5 Most Common Questions About Financing Foreign Receivables; Issues Beyond Simple Perfection, Priority and Enforcement
- September 16: Supply Chain Finance Using Drafts and Bills of Exchange
- October 21: Working Together for Mutual Benefit: Non-Recourse Receivables Purchase and Trade Receivables Securitization
- October 28: Credit Insurance – How Does It Actually Work in Supply Chain Finance?
- November 4: The UN Convention on the Assignment of Receivables – What Is It, and How Will It Change Trade Finance?

Recordings of previous programs can be found here: [Global Receivables & Supply Chain Finance Webinar Series](#)

Presenter Bios



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Massimo Capretta is a partner in Mayer Brown's Chicago and New York offices and a member of the Global Banking & Finance practice. Massimo helps lead the Firm's Global Receivables and Supply Chain Finance Group. Massimo's transactional practice focuses on representing both financial institutions and companies across a broad spectrum of domestic and international financing transactions. He has been involved in transactions spanning a number of key industries including technology, life sciences, automotive, heavy manufacturing, chemicals, metals and energy. Massimo has particular experience with domestic and cross-border trade receivables securitization, asset-based finance, structured inventory finance, factoring, participations, supply chain/vendor finance, trade finance and other receivables monetization strategies platforms. He regularly advises clients on the creation and management of bespoke receivables finance transactions.



Merryn Craske | Partner, London | mcraske@mayerbrown.com

Merryn Craske is a partner in Mayer Brown's London office, focusing on financial assets, securitization and structured finance transactions. She has extensive experience of advising banks, originators and others on securitization and structured finance transactions in a range of asset classes including trade receivables, dealer floorplan, auto loans and leases, residential mortgages, commercial mortgages, consumer loans and insurance premium loans. She regularly assists clients with structuring and documenting multi-jurisdictional securitizations, working closely with local counsel to provide solution-focused advice with respect to transactions in the United Kingdom and across Europe, the United States, Canada, Asia and elsewhere.



Alex Dell | Partner, London | adell@mayerbrown.com

Alex Dell is head of the Banking & Finance group of the London office, as well as co-chair of the firm's asset based lending (ABL) practice. He is focused on multi-jurisdictional receivables financing programs and ABL transactions. Alex advises on a range of true sale issues as well as borrowing base techniques, both from a lender and borrower perspective. He also has an in-depth knowledge of off balance sheet considerations, payables finance, fintech platforms, bill discounting and floorplanning. Alex represents banks, credit funds, sponsors and corporates including some of the world's largest financial institutions and companies. He is widely-recognized as a leading ABL and receivables financing lawyer in the UK. Prior to joining Mayer Brown in 2015, Alex led the Structured Trade & Receivables Finance team with another leading international law firm.

Presenter Bios



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J. Bradley Keck ("Brad") is a partner in Mayer Brown's Chicago office and global co-lead of the Global Banking & Finance practice. He concentrates his practice on private securitizations, financial asset sales, other structured finance and global receivables as well as payables transactions. He has worked with a full array of market participants in a wide variety of transactions, including structuring and maintaining ABCP conduits, private securitizations, whole-loan sales and participations. He has a deep knowledge of, and experience with, trade receivables; IP, franchise and "whole-business" assets; inventory; auto paper (retail and wholesale); leases; loans and various other financial assets.



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