

financial sector, which included a set of proposals under public consultation. These proposals include:

- In the short term, imposing the legal requirement that companies have at least one independent auditor within their auditing body to all banks and insurance companies (and not only to those that are issuers of securities admitted to a regulated market) and, in the longer term, increasing the requirement on independence to the majority of the members of the auditing bodies of such entities;
- The adoption of a common questionnaire, to be submitted to either one of the regulators, of the information necessary for the verification of the integrity and experience of the members of the management and auditing bodies, as well as the establishment of a duty of periodical renewal of such information;
- Establishing a legal assumption under which the verification of the integrity requirement in respect of a member of the management or supervisory body by either one of the regulators is also suitable for the other regulators, in what has been called the "passport of the member of a corporate body");
- Establishing an obligation for the insurance companies, credit institutions and financial companies to publish and monitor the performance of respective professional codes of conduct;
- Extending transparency obligations of corporate governance and other practices imposed on listed companies, and to credit institutions and insurance companies, as to the issuance of an annual statement on corporate governance and the requirements for minimum contents of the information to be made available on the relevant company's website;
- The creation of a new type of company, an "Investment Company", aimed at replacing several existing types of financial companies with activities that tend to overlap and so reduce the number of possible forms for legal vehicles;
- The adoption of a common official form for the required notifications regarding acquisitions of qualifying holdings in regulated entities, with such forms being available on the regulators' websites;
- Studying the possible standardization of the interpretation of criteria used for attribution of voting rights, and establishing a mechanism to exchange information on qualifying holdings in those cases where the relevant entity is supervised by more than one regulator;

- Eliminating the need to produce two separate reports on internal control, one for the Banco de Portugal and the other for the CMVM, by establishing a unified set of minimum contents and requirements applicable to these reports and by providing a single timeframe for submission to both authorities; and
- Eliminating the need to duplicate reporting obligations on accounting information by concentrating the reporting obligation on the *Banco de Portugal* which, in turn, shall make the relevant information available to the CMVM via a secure channel.

The regulators have proposed the end of 2007 as a deadline for the implementation of most of the above measures, and market participants were invited to comment on the report until the end of September 2007.

These measures seem reasonable and are likely to gather open support from the majority of the market, and may even be seen as helping everybody concerned.

Although nothing is certain at this point, and taking into consideration the level of alignment and commitment the regulators have shown, we anticipate that some (not to say most) of these measures are likely to come into force for 2008.

Portuguese regulators are not yet talking about the implementation of a system of joint regulation, similar to what we see in the UK, but this is a good step, showing a good experience of working together by all three of the Portuguese regulators. Who knows where this co-operation may end?

Pedro Cassiano Santos and Hugo Rosa Ferreira

Portugal

Vieira de Almeida
Lisbon

Financial regulation

The Portuguese financial sector is regulated by three different entities, each with powers to supervise a specific industry: the *Banco de Portugal*, for the banking industry; the *Comissão do Mercado de Valores Mobiliários* (or CMVM), for the securities and investment services industry and the *Instituto de Seguros de Portugal* (or ISP) for the insurance industry.

These three regulators recently joined efforts in the context of the National Council of Financial Regulators – a forum created by the Portuguese government in 2000 to facilitate the exchange of information and co-ordinate the activities between the regulators – and produced a report on the better regulation of the