

Law No. 148/2015 of 9 September

Approves the Legal Framework on Audit Oversight, transposing Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, and ensures the execution into national legislation, of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014, on specific requirements regarding statutory audit of public-interest entities.

The Portuguese Parliament decrees the following, as per Article 161/c of the Constitution:

Article 1 Purpose

1 – Said Law:

- a) Partially transposes into national law, Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts;
- b) Ensures the partial execution into national legislation of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repeals Commission Decision 2005/909/EC.

2 – In fulfilment of the provisions of the previous number, the current law approves the Legal Framework on Audit Oversight and the amendment to the following Acts:

- a) Statutes of the Securities Market Commission approved by Decree-Law No. 5/2015 of 8 January;
- b) The Securities Code approved by Decree-Law No. 486/99 of 13 November;
- c) Commercial Companies Code approved by Decree-Law No. 262/86 of 2 September.

Article 2 Approval of the Legal Framework on Audit Oversight

The Legal Framework on Audit Oversight is approved and is hereinafter referred to as 'legal framework', and is published as an annex to the current law and is an integral part thereof.

Article 3

Oversight of public-interest entities

1 – Public-interest entities adopt one of the management and oversight models provided for in Article 278/1 of the Commercial Companies Code and as to the model in paragraph a/ of said article, the provided in Article 413/1/b of the same Code is applicable.

2 – Without prejudice to other applicable legal requirements pertaining to the activity sector, the corporate type or other particularities, the oversight body of public-interest entities is subject to at least the following composition requirements:

- a) Shall include at least one member that has an adequate academic qualification for carrying out duties and knowledge in auditing or accounting;
- b) Its members shall have all have prior training and experience within the sector wherein the entity operates; and
- c) The majority of its members, including the chairperson, shall be considered independent, as provided for in Article 414/5 of the Commercial Companies code.

3 – Without prejudice to other legal, contractual and statutory duties, which they are entrusted with, the oversight body of public-interest entities, is subject to the following duties:

- a) Inform the management body of the statutory audit results and explain how said has contributed towards the integrity of the preparation and disclosure of financial information process, including the role that the oversight body played in said process;
- b) Monitor the preparation and the disclosure of financial information process and provide recommendations or proposals to ensure its integrity;
- c) Oversee the effectiveness of the internal quality control and risk management systems and internal auditing, if applicable, as regards the preparation and the disclosure of financial information process, without infringing its independency;
- d) Monitor annual individual and consolidated statutory audits, namely its execution taking into account possible findings and conclusions of the CMVM - Comissão do Mercado de Valores Mobiliários (The Portuguese Securities Market Commission), the competent authority for audit oversight, pursuant to Article 26/6 of the EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014;

- e) Verify and monitor the independency of the statutory auditor and the audit firm as per the legal terms, including Article 6 of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014, particularly verifying the adequacy and approve the rendering of other services, including audit services pursuant to Article 5 of the mentioned regulation; and
- f) Select the statutory auditors and the audit firms to be proposed for appointment at the general meeting and impartially recommend the first choice as per Article 16 of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014.

4. As to public-interest entities without legal personality, the oversight requirements provided for in the previous paragraphs, are applicable to the relevant management entity.

Article 4
Disclosure duties of conflicts of interest and secrecy of the Statutory Auditors Bar Association

1. The Statutory Auditors Bar Association (OROC) informs the CMVM of situations wherein there is a likelihood of conflicts of interest during the exercise of its duties for the purposes of oversight.

2 - Within the framework of its duties of audit oversight, it is required of the Statutory Auditors Bar Association, its holders, employees and the individuals that directly or indirectly, either permanently or occasionally provide services to same, the fulfilment of the secrecy duty, *mutatis mutandis*, as provided for in Article 354 of the Securities Code.

Article 5
Amendment to Decree-Law No. 5/2015 of 8 January

Articles 7, 10 and 20 of the CMVM Statutes, approved by Decree-Law No. 5/2015 of 8 January, will now read as follows:

«Article 7
 [...]»

- a)
- b)
- c)
- d)
- e) The General Board of Audit Oversight referred to in Article 35 of the legal framework of audit oversight.

Article 10
[...]

- 1 -
- 2 -
- 3 - Members of the Management Board shall all have the adequate knowledge of the relevant issues for the audit oversight activity.
- 4 - *(previous paragraph 3)*

Article 20
[...]

- 1 -
- 2 - The statutory auditor is mandatorily appointed by the Government member responsible for finance from among the statutory auditors or the audit firms registered with the CMVM.
- 3 -
- 4 -
- 5 -

Article 6
Amendment to the Securities Code

Article 8, 245 and 389 of the Securities Code, approved by Decree-Law No. 486/99 of 13 November, shall now read as follows:

«Article 8
[...]

1 - A statutory auditor or an audit firm shall draw-up an audit report on the annual financial information contained in financial reporting document or in the prospectuses that:

- a)
- b)
- c)

2 - The statutory auditor and the audit firm mentioned in the previous paragraph are for the purposes of said Code, hereinafter, auditor and auditing, as the activity carried out by same.

3 - *(Repealed.)*

Article 245
[...]

- 1 -
- a)
- b) Report drawn-up by a the auditor;
- c)
- 2 -
- a)
- b) Data of the statutory audit carried out pursuant to the terms and purposes provided for in the Commercial Companies Code, if said is not required by another legal rule.
- 3 -
- 4 -
- 5 -
- 6 -

Article 389
[...]

- 1 -
- 2 -
- 3 -
- a)
- b)
- c)
- d) Publication or disclosure of information that does not include a report or an opinion drawn-up by an auditor or absence of a statement that informs that the information has not been subject to an audit, when such is requested by law;
- e)
- 4 -
- 5 -

Article 7...»
Amendment to the Commercial Companies Code

Article 413 of the Commercial Companies Code approved by Decree-Law No. 262/86 of 2 September will now read as follows:

«Article 413
[...]

- 1 -
- 2 -

- a)
- i) Balance sheet total: €20 000 000;
- ii) Net turnover: €40 000 000;
- iii) Average number of employees during the period: 250;

- b)

- 3 -
- 4 -
- 5 -
- 6 -»

Article 8
Legislative Assessment

Three years after the entry into force of said Law, the Government promotes the assessment of the results of its application and of other legislation adopted within the framework of the transposition of Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 and its execution into national law, of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014 and considers due to said assessment, the need or timeliness for said revision.

Article 9
Transitional provisions

1 - The CMVM is competent in the performance of its duties as an audit oversight entity to handle ongoing lawsuits opened by the National Oversight Audit Board (CNSA) on the date of the entry into force of said Law, including its representation during the legal stage.

2 - All lawsuits and proceedings pending at the date of entry into force of this Law, shall be immediately transferred to the CMVM and taken up by the CMVM.

3 - The human resources of the supervisory and inspection teams passed by resolution of the CNSA in progress at the date of entry into force of the current Law, are temporarily assigned, for a maximum period of one year by the entities that have indicated same, in accordance with the terms already assigned to the CNSA, so as to ensure the conduct and conclusion of the outstanding lawsuits and procedures.

4 – Reference to CNSA in legal and regulatory documents, administrative acts, contractual documents or other, are considered compatible with the CMVM, *mutatis mutandis*.

5 – The CNSA archive is immediately transferred to the CMVM.

6 – Statutory auditors, statutory audit firms and other entities enrolled with the Statutory Auditors Bar Association, active at the date of entry into force of this Law, shall be automatically registered with the CMVM for the purposes of the Legal Framework on Audit Oversight and in the Securities Code.

7 – During the audit oversight duties, the CMVM verifies the maintenance of compliance with the registration requirements of statutory auditors and audit firms, and other entities registered with the Statutory Auditors Bar Association, active at the date of entry into force of this Law.

8 – The entry into force of this Law does not imply termination of on-going mandates of the oversight bodies of public-interest entities, nor does it affect the current structure and composition of said bodies, until the date for renewal or termination of the relevant mandates.

Article 10

Final provision

1 – For the purposes of the provisions of paragraph 6 of the previous Articles, the Statutory Auditors Bar Association sends the CMVM all relevant information for said purpose by 31 December 2015.

Article 11

Regulations

The regulations necessary for the implementation of the norms referred to in this Law remain in force, *mutatis mutandis*, until the commencement of new regulations on said matter.

Article 12

Repeal

1 – Without prejudice to paragraph 3, the following shall be repealed:

- a) Decree-Law No. 225/2008 of 20 November, amended by Decree-Law No. 71/2010 of 18 June;
- b) CMVM Regulation No. 1/2014.

2 – Articles 8/3, 9 and 9-A of the Securities Code.

3 – During the period referred to in Article 9/3, Articles 14 and 15 of the CNSA Statutes, approved by Decree-Law No. 225/2008 of 20 November, amended by Decree-Law No. 71/2010 of 18 June, will remain transitorily in force.

Article 13
Entry into force

1 – Without prejudice to the provisions of the following paragraph, this Law shall enter into force on 1 January 2016.

2 – Articles 9/6 and 10 shall enter into force 30 days following the publication of this Law.

Approved on 22 July 2015.

The Chair of the Assembly of the Republic, Maria da Assunção A. Esteves.

Promulgated on 25 August 2015.

For publication.

The President of the Republic, Aníbal Cavaco Silva

Countersigned on 27 August 2015.

The Prime Minister, Paulo Sacadura Cabral Portas, Deputy Prime Minister.

Annex
(Referred to in Article 2)

Legal Framework on Audit Oversight

CHAPTER I
General Provisions

Article 1
Purpose

The Legal Framework of Audit Oversight (hereinafter referred to as the legal framework) regulates the public oversight activity of statutory auditors (ROCs), statutory audit firms (SROCs), auditors and auditing entities of EU member states and from third countries registered in Portugal. It defines the competence, organisation and functioning of this oversight system, in conjunction with the provisions on public-interest entities as per EU Regulation No 537/2014 of the European Parliament and of the Council of 16 April 2014 and its delegated acts.

Article 2
Definitions

For the purposes of the provisions of the current legal framework, the following shall mean:

- a) «Affiliate of an audit firm», a company, regardless of its legal form, that is related to a SROC via a social, control or management participation;
- b) «Auditor of a Member State», a natural person that audits the annual individual or consolidated accounts of a company with head-office in the European Union, and is registered as an auditor in a Member State.
- c) «Auditor of a third-country», a natural person that audits annual individual or consolidated accounts of a company with head-office outside the European Union, and that is not registered as an auditor in any Member State.
- d) «Audit entity of a Member State», an entity, regardless of its legal form, that audits the annual individual or consolidated accounts of a company, registered as an audit entity in any Member State;

- e) «Audit entity of third-country», an entity, regardless of its legal form, that audits the annual individual or consolidated accounts of a company with head-office outside the European Union and that is not registered as an audit entity in any Member State;
- f) «Member State», Member State of the European Union;
- g) «Host Member State»:
 - i) The Member State, wherein an auditor, approved in its home Member State, also intends to be a member as per the terms of Article 177 of the Statutes of the Statutory Auditors Bar Association (EOROC); or
 - ii) The Member State, wherein the audit entity, approved in its home Member State, intends to be a member or is already a member as per the terms of Article 185 of the EOROC;
- h) «Home Member State», the Member State, wherein an auditor or an audit entity has obtained its first approval;
- i) «Public interest duties», those defined in Article 41 of the Statutes of the Statutory Auditors Bar Association;
- j) «Medium-sized companies» companies that are not micro companies nor small companies and that on the balance-sheet date, do not surpass at least two of the following three criteria:
 - i) Balance sheet total: €20 000 000;
 - ii) Net turnover: €40 000 000;
 - iii) Average number of employees during the period: 250;
- k) «International auditing standards» means International Standards on Auditing (ISAs), International Standard on Quality Control (ISQC 1) and other related standards issued by the International Federation of Accountants (IFAC) via the International Auditing and Assurance Standards Board (IAASB), to the extent that said may be relevant to statutory audit;
- l) 'International accounting standards' means International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations (Interpretations Committee SIC -IFRIC), subsequent amendments thereto and related interpretations, and future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB);
- m) 'Oversight/Surveillance body':
 - i) In the case of public limited companies and other entities that adopt, by legal or statutory obligation, one of the oversight models provided for in the Commercial Companies Code, the oversight board, the audit committee or the general and supervisory board;

- ii) In other entities, other bodies that perform auditing duties similar to those exercised by the bodies mentioned in the previous subparagraph;
- n) 'small enterprises' means undertakings which, at the balance sheet date, do not surpass the limits of at least two of the following three criteria:
 - i) Balance sheet total: € 4,000,000;
 - ii) Net turnover: € 8 000 000;
 - iii) Average number of employees during the period: 50;
- o) 'Person who does not carry out the ROC profession' means a natural person who, during his/her participation in the public oversight system and during the three years immediately prior to such participation, has not performed statutory audits, has not been a holder of voting rights in a SROC or equivalent, has not been a member of the management or oversight board of a SROC or equivalent, nor employed or associated or otherwise, with a SROC or equivalent;
- p) 'Network' means the broader structure:
 - i) The purpose of cooperation to which a ROC or SROC belongs to; and
 - ii) The purpose of profit and cost sharing, or the sharing of ownership, common control or management, common internal quality control policies and procedures, common business strategy, the use of a common brand or of a significant part of professional resources;
- q) 'Statutory audit' means the audit of accounts carried out in compliance with the legal or constitutional provision;
- r) 'Voluntary audit' means the auditing of accounts carried out in compliance with contractual obligations;
- s) 'Statutory auditor' or 'ROC' means a natural person registered with the OROC, in accordance with the EOROC, to carry out statutory audits;
- t) 'Group ROC' means the ROC or SROC which carries out the statutory audit of consolidated accounts;
- u) 'Audit firm' or 'SROC' means a legal person registered with the OROC, in accordance with the EOROC, to carry out statutory audits;
- v) 'Audit partner' or 'key audit partners'
 - i) The ROC appointed by a SROC for an audit, as the key person responsible for the statutory or voluntary audit; or

- ii) In the case of an audit on a group, at least the ROC appointed by a SROC as the key entity responsible for the statutory or voluntary audit of the group and the ROCs appointed as the key entity responsible for the major branches; or
- iii) The ROC or ROCs that sign the statutory audits or the audit reports.

Article 3

Public-interest entities

For the purposes of this legal framework and of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014, the following entities shall be considered to be public-interest entities:

- a) Issuers of transferable securities admitted to trading on a regulated market;
- b) Credit institutions;
- c) Investment firms;
- d) Contractual or corporate collective investment undertakings, provided for in the CIU General Framework approved by Law No. 16/2015 of 24 February;
- e) Venture capital firms, venture capital investment firms and venture capital funds, provided for in the Legal Framework on Venture Capital, Social Entrepreneurship and Specialised Investment, approved by Law 18/2015 of 4 March;
- f) Specialised alternative investment firms and specialised alternative investment funds, provided for in the Legal Framework on Venture Capital, Social Entrepreneurship and Specialised Investment, approved by Law No. 18/2015 of 4 March;
- g) Securitisation firms and securitisation funds;
- h) Insurance and reinsurance undertakings,
- i) Holding companies when the shares held either directly or indirectly, confer the majority of voting rights in the credit institutions referred to in subparagraph /b;
- j) Holding companies in the insurance sector and mixed insurance holding companies;
- k) Pension funds;
- l) Public companies that for two consecutive years, show a turnover of more than € 50 000 000 or total net assets of more than € 300 000 000.

Article 4 **CMVM duties**

1 – The CMVM is responsible for the public oversight of ROCs, SROCs, auditors and audit entities of EU Member states and of third countries that are registered in Portugal, pursuant to this legal framework and other applicable legal provisions, including all audit activity carried out by same.

2 – The duty provided for in the previous paragraph shall include the final supervision of all entities and activities for which the OROC is also responsible for, including supervising of procedures and acts of registration provided by OROC and the quality control systems by OROC implemented pursuant and for the purposes of said Statute.

3 – The duty of the OROC in matters of audit oversight and pursuant to its Statute, shall not hinder the oversight tasks of the CMVM provided for in paragraph 1.

4 – The CMVM is exclusively responsible for, apart from other duties legally defined by national and European legislation:

- a) Ensuring quality control and inspection systems of ROCs and SROC on auditors carrying out statutory auditor on public-interest entities including inspection of other auditors due to formal allegation by another national or foreign authority;
- b) Assessing the performance of the oversight body of public-interest entities, as provided for in Article 27 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014;
- c) Issuing the required regulations on matters within the scope of its duties thereby consulting the Bar Association for said purpose;
- d) Initiating and ruling on administrative infractions proceedings including applying administrative infraction sanctions.

5 – The CMVM is the appointed national authority, pursuant to Article 20 of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014.

6 – Concerning public-interest entities, and if necessary, the CMVM and the European Competition Network (ECN) shall regularly monitor developments in the market that provides statutory audit of accounts and assesses same pursuant to Article 27 of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014.

Article 5 **Protection of personal data**

Handling personal data in the context of national application of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014 is governed by Law No. 67/98 of 26 October and EC Regulation No. 45/2001 of the European Parliament and of the Council of 18 December 2000.

CHAPTER II
Access and registration

SECTION I
General provisions

Article 6
Registration for carrying out public-interest duties

1 – Without prejudice to the registration in the OROC, the CMVM is responsible for registering ROCs, SROCs and audit entities of Member States and of third countries, who wish to carry out public-interest duties pursuant to the terms defined in the current legal framework.

2 – The ROCs, SROCs, auditors and audit entities of Member States and of third countries registered at the CMVM, may only carry out public-interest duties if said are registered with the CMVM, pursuant to the terms and for the purposes of the current legal framework.

3 – The registration with the OROC by ROCs, SROCs, auditors and audit entities of Member States that do not wish to carry out public-interest duties ensures the qualification for all purposes and activities not included in the public-interest duties.

4 – The CMVM may by regulation, develop the contents of the requirements mentioned in the current chapter for the registration and exercise of public-interest duties, particularly registration of ROCs, SROCs, auditors and audit entities of Member States and of third-countries that audit public-interest entities.

Article 7
Registration requirements

1 – Registration with the CMVM referred to in paragraph 2 of the previous article shall be made by the CMVM upon request of the interested party and organised based on data and communication referred to in Article 10.

Article 8
Registration purposes

The purpose of registration with the CMVM, as per the terms of the current legal framework, aim to ensure prior control of the requirement for the exercise of public-interest duties and to allow organisation of oversight.

SECTION II
Registration of statutory auditors and audit firms

Article 9
Registration initiation and procedure

1 – For the purposes of the provisions of the previous article, the ROC and SROC shall submit the registration application to the CMVM according to the format provided by the CMVM and shall include documents that support the information therein.

2 – For the purposes of registration with the CMVM, said may request additional information mentioned in the previous number that may be deemed necessary for the decision.

Article 10
**Notice of registration by the Statutory
Auditors Bar Association**

1 – Following the application for registration of the ROC or SROC with the CMVM, the latter requests the Statutory Auditors Bar Association (OROC), the registration application file for the purposes of examining the application made to the CMVM.

2 – The OROC shall communicate the data requested by the CMVM within a five-day period as from the submission of the request.

Article 11
Resolution

1 – The CMVM's resolution is notified to the applicant within a 30-day period as from the date of receiving the complete application.

2 – The period referred to in the preceding paragraph shall be suspended as a result of the notification mentioned in paragraph 2 of the subsequent Article and for the period specified therein.

3 – Failure to notify within the period referred to in paragraph 1 shall not constitute an implied deferral of the request.

Article 12
Registration refusal

- 1 – The CMVM refuses registration in the following circumstances:
 - a) The application is incomplete as to the data contained therein;
 - b) The application contains false statements;
 - c) The requirements for propriety, qualification, professional experience and adequacy of human, material financial and organisational means, have not been met for carrying out the activity.

- 2 – If the CMVM refuses the registration, said notifies the applicant beforehand and provides a 10 day period wherein the applicant may remedy, if applicable, the inadequacies of the registration and so too, give opinion as to the CMVM's analysis.

Article 13
Cancellation and suspension of registration

- 1 – The grounds for cancelling a registration by the CMVM are:
 - a) Verification of circumstances that would prevent registration if said have not been remedied within the period set by the CMVM;
 - b) The registration has been obtained by means of false statements or via any other irregular means.

- 2 – If, due to its nature, the fact or situation that determines the registration's cancellation under the terms of the preceding paragraph, does not ultimately affect the technical qualification, suitability or independence of the ROC or the SROC and said can be remedied within a reasonable times period, the CMVM may otherwise, suspend the registration for a period that said considers appropriate.

- 3 – The CMVM may also suspend or cancel the registration at the request of the ROC or SROC.

- 4 – The CMVM may extend the deadline referred to in paragraph 1/a, at the request of the applicant provided said is duly substantiated.

- 5 – The ROC or SROC whose registration has been cancelled may not request new registration before two years have elapsed, as from the date of the cancellation decision.

Article 14

Communication of amendments

The amendments to the data of the registration application shall be communicated to the CMVM by the OROC within three days after the relevant annotations at the OROC.

SECTION III

Audit entities from other Member States

Article 15

Registration of audit entities from other Member States

1 – Audit entities approved in any Member State may carry out statutory or voluntary audits in Portugal, provided that:

- a) The key audit partner conducting the statutory or voluntary audit on his/her behalf is a ROC;
- b) Are registered with the OROC.

2 – Upon request, the CMVM registers for the purposes of carrying out duties of public interest, the audit entity of a Member State after confirming that said is registered with the OROC.

3 – For the purposes of the registration provided for in the previous paragraph, the OROC shall notify the CMVM of the registration process within a five-day period as from the date of its request.

4 – The CMVM may take all the necessary steps that it may deem appropriate in order to confirm the registration of the audit entity with the competent authority of the home Member State.

5 – The CMVM shall inform the competent authority of the home Member State of the registration of the audit entity.

6 – The CMVM may refuse, suspend or revoke the registration of an audit entity of a Member State, when it considers that the requirements have not been met.

7 – The audit entities authorised to carry out audit activities in another Member State that present audit reports on individual and consolidated accounts of a company with head-office in another Member State and that is an issuer of securities admitted to trading on a regulated market in Portugal, are not subject to registration with the CMVM but may require that the issuer demonstrates that the entity in question is authorised to carry out the audit activity in the home Member State.

Section IV
Third-country auditors and audit entities

Article 16

Registration of authorised auditors and audit entities authorised to carry out audit activity in a third-country

1 – Third-country auditors and audit entities that present an audit report on individual and consolidated accounts of an entity established outside the EU and with securities admitted to trading on a regulated market in Portugal, shall be registered with the CMVM without prejudice to the exemption provided for in paragraph 7.

2 – For the purposes of the previous paragraph, only third-country audit entities may be registered if said, cumulatively, comply with the following requirements:

- a) The majority of the members of the administrative or management bodies of a third-country audit entity comply with the requirements equivalent to those laid down in the applicable legal standards on suitability, academic qualifications, examination and practical training;
- b) The third-country auditor carrying out the statutory audit on behalf of the third-country audit entity, shall comply with the requirements equivalent to those laid down in the applicable legal standards on suitability, academic qualifications, examination and practical training;
- c) Perform the statutory audits of the individual or consolidated accounts provided for in the previous paragraph in accordance with auditing standards applicable in Portugal, including the requirements on independency, objectivity, preparation and assessment of threats to independence and setting of fees established by Portuguese law or equivalent standards and requirements;
- d) Publish on their website, an annual report on the provision of information pursuant to Article 13 of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014, or comply with equivalent disclosure requirements.

3 – For the purposes of paragraph 1, third-country auditors that meet the requirements set forth in subparagraphs b, c and d of the former paragraph, may be registered.

4 – Subject to reciprocity, the CMVM may approve a third-country auditor as a statutory auditor if said entity demonstrates the requirements equivalent to those set out in paragraph 2/b.

5 – Until such time as the Commission adopts the act as per Article 45/6 of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006, as amended by Directive 2014/56/EU, the CMVM shall assess the equivalence referred to in paragraph 2/c.

6 – The CMVM may, based on the reciprocity principle, not apply or amend the requirements set out in paragraph 1, if the third-country auditor or third-country audit entity be subject to public oversight, quality control, inspection and sanctioning regime systems in its home country, that meet the requirements equivalent to those provided in the applicable legal rules.

7 – Third-country auditors and audit entities are exempt from registration if they present an audit report on individual or consolidated accounts referred to in paragraph 1 concerning an entity which is only an issuer of debt securities to be reimbursed:

- a) Admitted to trading on a regulated market situated or operating in a Member State before 31 December 2010 and having a unit par value on the issue date, equal to or greater than €50,000 or, in the case of debt securities in foreign currency, equivalent on the date of the issue, to at least €50,000; or
- b) Admitted to trading on a regulated market situated or operating in a Member State after 31 December 2010 and having a unit par value on the issue date, equal to or greater than €100,000 or, in the case of debt securities in foreign currency, equivalent, at the issue date, to at least €100,000.

Article 17

Registration request of auditors and audit entities authorised to carry out the a audit activity in a third-country

1 – Application for registration with the CMVM of third-country auditors mentioned in the previous article shall include the following updated information:

- a) Full identification, including name, nationality and business address;
- b) Website address if available;
- c) Identification of the competent third-country authority for auditor registration, including address, other contact details and registration number;
- d) Identification of Member State authorities wherein it is registered and the relevant registration number, if applicable;
- e) Information on the compliance with the requirements equivalent to those established in the applicable legal rules concerning suitability, academic qualifications, examination and hands-on traineeship;

- f) Identification of third-country entities that are customers with securities admitted to trading on a regulated market situated or operating in Portugal; and
- g) Information demonstrating the application of international auditing standards and the independency, objectivity and fee setting requirements in Portugal or alike, in providing audit services to entities with securities admitted to trading on a regulated market situated or operating in Portugal.

2 – The application for registration of a third-country audit entity with the CMVM shall include the following updated information:

- a) Full identification including signature, legal form, nationality and head-office;
- b) Website address when available;
- c) Identification of its members, the composition of its governing bodies and the contact person;
- d) Identification of the competent third-country authority for the registration of auditors, address and further contact details, including registration number with same;
- e) Identification of Member State authorities wherein it is registered and the relevant registration number, if applicable;
- f) Information on compliance with requirements equivalent to those established in the national legal rules concerning suitability, academic qualifications, examination and hands-on traineeship by the majority of the members of its administrative bodies and by the auditors that on their behalf, carry out statutory audits of third-country entities with securities admitted to trading on a regulated market situated or operating in Portugal;
- g) Identification of third-country entities that are customers with securities admitted to trading on a regulated market situated or operating in Portugal;
- h) Identification of the partners that provide audit services to entities with securities admitted to trading on a regulated market situated or operating in Portugal, if applicable; and
- i) Information demonstrating the application of international auditing standards and the independency, objectivity and fee setting requirements in Portugal or alike, in providing audit services to entities with securities admitted to trading on the market situated or operating in Portugal.

3 – The CMVM may waive the requirement to provide information as per paragraph 1/g and /i of the preceding paragraph, insofar as the equivalence of the auditing standards and the requirements of independence, objectivity and setting of fees applied have been confirmed by the European Commission or by a competent entity of another Member State.

4 – The application for registration shall comply with the model provided by the CMVM and shall include documents supporting the information contained therein.

5 – The application for registration and all supporting documents shall be written in either the Portuguese or English languages.

6 – The provision in the articles concerning the registration of ROC and SROC are applicable, *mutatis mutandis*.

7 – An updated list of third-country auditors and auditors registered with the CMVM is available on the CMVM's website.

Article 18

Registration of third-country auditors and audit entities

1 – The provisions of the articles on registration with the CMVM of auditors and audit entities referred to in Article 149 of the Statute of the Statutory Auditors Bar Association (EOROC) are applicable, *mutatis mutandis*, to the provided for in articles on registration of statutory auditors and audit firms.

2 – Based on the reciprocity principle, the CMVM may approve a third-country auditor as a statutory auditor if said demonstrates fulfilment of the requirements equivalent to those established in Article 16/2/b.

Article 19

Effects of the registration of third-country auditors and audit entities

1 – Third-country auditors and audit entities registered with the CMVM and not previously registered in another Member State, shall be subject to quality control, oversight and sanctions provided for and applicable to the audit activity in Portugal.

2 – Audit report and documents of statutory audits of individual or consolidated accounts issued by third-country auditors or audit entities that are not registered in Portugal, have no legal worth unless otherwise provided for by Law.

SECTION V

Public registration

Article 20

Disclosure of registration

1 – The CMVM shall ensure the organisation and public and centralised disclosure of the following:

- a) ROC and SROC;
- b) Member state and third-country auditors and audit entities.

2 – Whenever applicable, the registration shall be drawn up by the CMVM based on the information communicated to the CMVM by the OROC in accordance with Article 10 including, where applicable, information requested by the CMVM pursuant to Article 9/2.

Article 21

Contents of the public registration record

1 – The public registration referred to in the previous article, identifies each person registered via a specific number.

2 – The information of the public registration is registered and kept in electronic format and is publicly disclosed.

3 – In addition to the facts and information referred to in the following paragraphs, the public registration shall contain the name and address of the entities responsible for the approval, quality control, oversight, sanctioning and public oversight of the registered persons.

4 – The public registration of the ROC contains the following information:

- a) Name, business address and registration number;
- b) If applicable, the company, head-office, website address and the SROC registration number that employs the ROC or with whom said is associated as a business partner or any other designation;
- c) All other registration with competent authorities of other Member States and of third-countries, including if applicable, the names of the registration authorities and their registration numbers.

5 – The public registration of SROC contains the following information:

- a) Company, head-office and registration number;
- b) Legal form;
- c) Contact details, main contact person and, where appropriate, the website address;
- d) Address of each office in Portugal;

- e) Name and registration number of all ROCs employed by or associated as a business partner or any other designation;
- f) Names and business addresses of all business partners or shareholders;
- g) Names and business addresses of all members of the administrative or management bodies;
- h) Identification of the national or international network, if applicable;
- i) All other registrations with the competent authorities of other member States and of third-countries, including names of the registration authorities, if applicable and their registration numbers;
- j) The SROC registered in accordance with Article 185 of the EOROC, if applicable;

6 – Third-country auditors and audit entities shall include a specific list containing the elements listed above for ROCs and SROCs, respectively.

7 – The auditor entities of Member States shall include a specific list containing the data listed in paragraph 5 for SROCs.

Article 22 **Public disclosure**

1 – The information of the public registration are recorded and kept in electronic form and is made available to the public via the CMVM's website.

2 – The substantiated request of any interested party, the CMVM after consulting the OROC, may authorise the non-disclosure of information contained in the public registration, to the extent required to mitigate an imminent and significant threat to the personal safety of any person.

CHAPTER III

Disclosure duties

Article 23 **Transparency report**

The ROCs and SROCs that audit public-interest entity accounts, as defined in Article 3, shall draw up and disclose an annual transparency report in accordance with the terms and conditions laid down in Article 13 of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014.

Article 24

Additional report and the duty to report to the oversight body

1 - The ROC or SROC carrying out the statutory audit of a public-interest entity shall submit an additional report to the oversight body of the audited entity at the latest on the date of delivery of the statutory audit referred to in Article 45 of the EOROC.

2 - The report referred to in the preceding paragraph is in line with the provisions of Article 11/2 and /4 of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014 concerning specific requirements for statutory auditing of public-interest entities.

3 - At the request of the ROC, SROC or the oversight body, the ROC or SROC shall discuss with the oversight body of the audited entity, the fundamental issues arising from the statutory audit of the accounts referred to in the additional report, and in particular, those mentioned in Article 11/2/i of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014.

4 - At the request of the CMVM or of the oversight body, the ROC or SROC shall immediately provide the additional report to said supervisory authority.

5 - The additional report shall also be made available to supervisory authorities and to judicial authorities who request it within the scope of their duties.

6 - The ROCs or SROCs that audit public-interest entities shall:

- a) confirm annually in writing to the oversight body of the audited entity, that its members, including the senior managers and the directors performing the statutory audit, are independent as regards same;
- b) communicate annually to the oversight body of the audited entity all the different audit services provided to same, without prejudice to such services being subject to prior approval by same; and
- c) examine with the oversight body of the audited entity, the threats to its independence and the precautions applied to mitigate those threats, documented in accordance with Article 73/b of the EOROC.

CHAPTER IV
Oversight, cooperation and information

Article 25
Oversight

1 - Within the context of its audit oversight powers, the CMVM exercises the powers and rights set forth in the Securities Code, approved by Decree Law No. 486/99 of November 13, specifically and *mutatis mutandis*, the provisions of Articles 355, 360 to 362, 364 to 366 and 373 to 377 of said Code, are applicable.

2 - The CMVM may, whenever it deems necessary to ensure adequate public oversight of the audit activity:

- a) request any information from the OROC, and said is bound to provide such information;
- b) instruct and issue specific recommendations to the OROC.

3 - The CMVM informs the competent entities on the infractions it has knowledge of during the exercise of its duties of audit oversight.

4 - Whenever inspections are requested by competent authorities of other Member States, they are conducted by the CMVM as part of its audit duties.

5 - Upon request of the competent authority of the other Member State, the respective representatives or agents may be authorised to follow the actions provided for in the previous number.

6 - Inspections and requests foreseen in paragraphs 4 and 5 may only be refused when:

- a) Inspection of ROCs or SROCs may adversely affect Portuguese sovereignty, security or public order or breach national security rules;
- b) judicial proceedings have already been initiated in respect of the same measures and against the same ROC or SROC, vis-à-vis the national authorities;
- c) a final judgment has been passed in Portugal in respect of the same measures and against the same ROC or SROC.

7 - The CMVM may request that quality control be carried out by the competent authorities of another Member State in the latter's territory, and may request that its representatives or agents be authorised to monitor such actions.

8 - Without prejudice to the powers conferred by law on quality control to OROC, the CMVM may, whenever necessary, initiate and conduct quality control activities with any ROC and SROC, and take required measures following the results of the quality control activities.

9 - Notwithstanding the provisions of Article 4, the CMVM may not interfere in the statutory audits or in the audit report, when carrying out its duties.

Article 26

General cooperation

1 - The CMVM shall cooperate with the Committee of European Auditing Oversight Bodies (CEAOB), its counterparts and any other entities, national or international, with a view to exercising its audit oversight duties.

2 - Confidential information obtained or transmitted within the framework of audit oversight, may only be used by the competent authorities when necessary, for the performance of their duties under EU Regulation No. 537/2014 of the Parliament and of the Council of 16 April 2014.

Article 27

Use and transmission of information

1 - The information received by the CMVM under this legal framework may only be used within the context of proceedings specifically related with the duties of audit oversight, or in the investigation of administrative, judicial, criminal or infraction cases.

2 - The working documents or those obtained by the CMVM from the ROC or from the SROC, as well as the quality control and inspection reports on reviews or audits in question, may be transmitted to the competent authorities of a third-country, on request provided that:

- a) such documents relate to the review or audit of entities which have issued securities in the third-country requesting the transfer or, are part of a group which publishes consolidated statutory accounts in that country;
- b) the transmission is done via the CMVM;
- c) the competent authorities of the third country concerned meet the requirements considered appropriate, as defined by decision of the European Commission;
- d) cooperation agreements have been concluded with the requesting competent authority on the basis of reciprocity;
- e) the transmission of personal data is processed in accordance with the Law.

3 - The procedures for transmitting the information referred to in the preceding paragraph are defined by the CMVM, upon prior hearing by the National Data Protection Commission.

4 - Without prejudice to Article 36 of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014, the cooperation agreements provided for in sub-paragraph 2/d shall contain and impose:

- a) the duty to substantiate the provision of the requested documents;
- b) a professional secrecy duty applicable to tied-agents that are bound or have been bound to the competent authority;
- c) the protection of the business interests of the auditee, including industrial and intellectual property;
- d) the uses of information received for the sole purpose of performing public oversight, quality control, inspection or administrative, judicial, criminal or infractions proceedings;
- e) the possibility of refusing the information requested whenever said documents:

i) Affect the sovereignty, security or public order of the European Union or the requested Member State;

ii) Have been prosecuted and same information is the purpose or the entities that produced it in Portugal; or

iii) A judgment has already been handed down in court concerning judicial proceedings initiated by the competent authorities in Portugal in relation to ROC or SROC.

5. Without prejudice to paragraph 2, ROCs and SROCs may, in exceptional circumstances, directly transmit documents requested by a competent third-country authority when:

- a) the inspections have been initiated by the competent authority of the third-country requesting said information;
- b) cooperation agreements are in place with the competent authorities of the third-country which concern the content defined in the preceding paragraph, and on a reciprocal basis, also allow the national authorities and the CMVM, direct access to documents produced by auditors and audit entities of a third-country;
- c) the requesting competent authorities of the third-country shall inform the national supervisory authorities and the CMVM, in advance, as the audit oversight authority, of each direct request for information and the rationale for said request.

6. The exchange and dissemination of information with competent authorities of third countries concerning public-interest entities shall follow the rules laid down in Articles 36 to 38 of EU Regulation No. 537/2014, of the European Parliament and of the Council of 16 April 2014.

Article 28

Exchange of information with other entities

1. The CMVM shall provide, within a reasonable time frame, any information requested by competent authorities of other Member States or relevant European Supervisory Authorities, whenever such information proves necessary or convenient for the performance of their audit oversight duties.

2 - If it is not possible to provide the required information within a reasonable time frame, the CMVM shall notify the competent authorities of the relevant reasons.

3 - The information provided under the preceding paragraphs is covered by the professional secrecy duty.

4. The CMVM may refuse to respond to a request for information when one of the situations referred to in Article 25/6 is present, *mutatis mutandis*.

5 - When the CMVM is the addressee of information requested by the competent authorities of other Member States or relevant European Oversight Authorities for the purposes of paragraph 1, it shall without undue delay, take the necessary measures to collate the required information.

6 - Whenever the CMVM becomes aware that activities are being carried out in the territory of another Member State in breach of the Law, it shall notify the competent authority of that Member State, giving it all available information and requesting that information be conveyed regarding relevant developments that may occur.

Article 29

Colleges of competent authorities and delegation of duties

In the exercise of its powers, the CMVM may:

- a) participate in colleges of competent authorities of Member States in accordance with the terms and conditions laid down in Article 32 of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014;

- b) delegate supervisory duties to a competent authority of another Member State, under the terms and conditions laid down in Article 33 of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April.

Article 30

Academic qualification, internships and aptitude tests

1 - The CMVM shall cooperate with the relevant competent audit oversight authorities in order to bring together the academic qualification requirements, taking into account the developments in the field of audit activities and the exercise of the relevant profession, and in particular, the convergence already achieved in the exercise of the profession in question.

2 - The CMVM shall cooperate within the CEAOB to bring together the requirements for the adaptation period and the aptitude test with a view to improving the transparency and predictability of the requirements.

Article 31

Annual disclosure duties

On a yearly basis, the ROCs and the SROC provide the CMVM and the OROC with a list of audited public-interest entities, as per revenue received from these entities. Said revenue is discriminated as per the following:

- a) Revenue from statutory audit;
- b) Revenue from services other than auditing and apart from those referred to in Article 5/1 of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014, which are required by applicable Law;
- c) Revenue from services other than auditing and apart from those referred to in Article 5/1 of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014, which are not required by applicable Law;

CHAPTER V

Organisation and operation

Article 32

General provision

1 - The CMVM exercises the powers and prerogatives defined in the Securities Code, approved by Decree-Law No. 486/99, of November 13, and other regulations applicable to said authority, pertaining to securities, in particular with regard to procedures and the exercise of oversight, oversight powers, cooperation or penalties.

2 - The CMVM carries out its duties relating to audit oversight in order to prevent any conflict of interests arising from the performance of its other duties, in particular as regards the supervision of issuers, financial products and the financial market.

3 - The CMVM establishes in internal regulations, the mechanisms and instruments necessary for the investigation and processing of internal proceedings and procedures for audit oversight, including the articulation between the CMVM's bodies and same with the audit oversight department and restrictions on information sharing between CMVM departments.

Article 33

Management board member responsible for audit oversight

1 - In accordance with Article 12/1/f of the CMVM Statutes, the Management Board shall assign one of its members, the task of audit oversight.

2 - The member of the Management Board who is responsible as per the preceding paragraph may not additionally take on other portfolio duties in oversight or litigation.

Article 34

Decisions of the management board

1 - The management board shall decide on issues concerning audit oversight proposed by the board member responsible for audit oversight.

2 - When the board decides against the opinion or proposal of the board member responsible for the portfolio or department of audit oversight, said will be duly substantiated and recorded.

Article 35

General board for audit oversight

1 - The general board for audit oversight carries out consultative duties concerning audit oversight and is composed of the following:

- a) The chair of the general board for audit oversight appointed from among individuals of renowned merit and knowledge of auditing by the Government member responsible for the finance area;
- b) The member of the CMVM management board, responsible for audit oversight;
- c) A member of the management board of Banco de Portugal (Portuguese Central Bank), to be appointed by same;
- d) A member of the board of directors of the Supervisory Authority for Insurance and Pension Funds, to be appointed by same;

- e) A representative of the General Inspectorate for Finance, appointed by same from among the general sub-inspectorates.

2 – The general board for audit oversight is responsible for:

- a) Issuing opinion on audit oversight in cases provided for by Law or Regulation, including request from the CMVM board member responsible for audit oversight;
- b) Give opinion on draft regulations that include rules with external worth;
- c) Monitor the audit oversight's performance and of the applicable legal framework;
- d) Approve internal regulations.

3 – For those cases referred to in sub-paragraph /b of the preceding paragraph, the member of the CMVM's management board responsible for the audit oversight, shall in advance, request an opinion from the chair of the general board for audit oversight, allowing timely consultation by the entities on the general board for audit oversight.

4 - The chair of the general board for audit oversight may invite individuals and representatives of institutions to attend meetings of said board that are considered important for issues to be discussed at each meeting, albeit with no voting rights and bound by professional secrecy.

5. The ordinary meetings of the general board for audit oversight shall be held on a quarterly basis. Said may be convened extraordinarily at any time. The chair convenes and draws up the agendas for the meetings.

6 - The general board for audit oversight passes resolution by simple majority vote of the participating members. For a resolution to be passed, half of the participants at any given meeting, is required.

7 - Absenteeism shall be justified and members of the general board for audit oversight may be represented by legal or statutory alternates, who have all the rights and duties of those they represent.

8 - The general board passes resolution with the majority of members present, be said full members or alternates, as per the previous paragraph.

9 - Minutes shall be drawn up and signed by the relevant members for each meeting of the general board for audit oversight.

Article 36

Audit Oversight Department

The general duties of the audit oversight department are defined by the CMVM internal rules, approved in accordance with Article 36 of the relevant Statutes.

Article 37
Experts and other professionals

1. In addition to hiring the required human resources for the running of its activity, and in particular with a view to ensuring the quality, regularity and depth of oversight, the CMVM may use temporary external experts as regards banking and insurance issues, and other external professionals, whenever deemed necessary.

2 - The hiring of experts shall meet the following requirements:

- a) Absence of conflicts of interest between said experts and ROC or SROC concerned;
- b) Adequate professional training;
- c) Relevant experience in statutory auditing and financial reporting;
- d) Specific training in quality control.

3. Experts may not, under any circumstance, head or incept the majority of the members of the quality control or inspection teams, or participate in decision-making.

4 - Experts and other external professionals are bound by the duties of CMVM employees, in particular those that safeguard confidentiality of all facts and documents that said are knowledgeable of, whilst performing their duties.

Article 38
Information Sharing

The sharing of information with the General Inspectorate for Finance and with regulatory entities, particularly, Banco de Portugal and the Supervisory Authority for Insurance and Pension Funds in relation to public-interest entities within the relevant sector, is governed by the provisions of article 66 of the Administrative Procedure Code and article 11/2 of the Framework Law on Regulator Entities, approved by Law No 67/2013 of 28 August.

Article 39
Transparency

1. The CMVM shall publish the information, programs and reports referred to in Article 28 of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014, and shall include the work-plan and annual report in its plans and activity reports, respectively.

2 - In addition to the provisions of Article 41/4, the CMVM may determine the disclosure of data on identified situations and conclusions regarding quality control whenever deemed relevant for the public.

CHAPTER VI
Quality control

Article 40

Exercise and oversight of quality control and inspection

1 - Within the scope of its audit oversight duties, the CMVM shall exercise quality control over ROCs, SROCs and auditors and third-country auditors that audit public-interest entities, in accordance with EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014 and oversees and assesses the quality control system carried out by the OROC on other ROCs and SROCs.

2 - The CMVM also carries out the necessary inspections to avoid and correct cases of improper exercise of the audit activity.

Article 41

Quality control and inspection

1 - Without prejudice to the specifics laid down in Article 26 of EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014, the quality control system and the inspections are guided by the following principles:

- a) Independence apropos the monitored ROC and SROC;
- b) Adequacy and sufficiency of resources, namely, human and financial resources;
- c) Competency, ensured by the quality control and inspection by individuals with adequate and specific professional training in quality control and relevant experience in statutory auditing and financial reporting;
- d) Adequacy in personnel recruitment for quality control and inspections, to be carried out based on procedures that ensure qualification and expertise of the personnel selected for the audit service in question, the range of know-how and experience of the team and the absence of conflicts of interest among the members and the ROC or SROC that are monitored;
- e) The scope depth of quality control and inspections, including the verification as to the constancy of the selected files of statutory audits and the level of compliance with applicable auditing standards, independency requirements and adequacy of the resources used and the audit fees practiced, including an assessment of the internal quality control system;
- f) Materialisation, ensuring that as regards each quality control, a report is drawn up containing the main conclusions of the verifications carried out;

- g) Frequency, since quality control is made based on risk analysis and for ROCs and SROCs that carry out statutory audits, at least every six years, for auditors who do not carry out statutory audits of public-interest entities;
- h) Adequacy and proportionality of quality control, taking into account the size and complexity of the activity of the ROC or SROC monitored.

2 - For the purposes of subparagraph /d of the preceding paragraph, the following criteria shall apply to the recruitment of personnel performing quality control and inspection:

- a) Adequate professional training and relevant experience in statutory audit and financial reporting, including specific training and auditing experience in the activity of entity under quality control;
- b) Has not been authorised before at least three years after termination of partner or employee of said ROC or SROC or any other association to said ROC or SROC;
- c) State that there are no conflicts of interest between said individuals and the ROCs or SROCs to be inspected.

3 - For the purposes of paragraph 1/h, when carrying out quality control of statutory audits of annual or consolidated accounts of small and medium-sized enterprises, it should be taken into account that the applicable audit standards are aimed to be applied in a manner proportionate to the scale and complexity of the activities of the audited entity.

4. The overall results of the quality control system shall be published on the CMVM's website during the 3rd quarter of the calendar year subsequent to the relevant quality control cycle.

5 - If quality control is carried out on third-country auditors or audit entities, the CMVM may, on the basis of reciprocity, exempt said from such verification whenever the quality control system of the country of origin is equivalent and has been verified during the previous three years.

6 - The CMVM may, by means of regulations, develop the provisions of this article.

Article 42

Recommendations and the adoption thereof

1 - Whenever any irregularities arise and said are, according to the CMVM's assessment, able to be remedied, oversight reports may conclude with the issuance of recommendations to the ROC, the SROC or the OROC, depending on the case, in order to adopt measures to restore compliance with the law and applicable regulations.

2 - ROCs and SROCs shall adopt recommendations resulting from quality control assessments within a reasonable time-frame, to be established by the CMVM or the OROC.

3 - The ROCs and the SROCs shall notify the CMVM or the OROC, as applicable, of the way they intend to adopt the recommendations that have been addressed to them, within a maximum period of eight days after the expiration of the period established in the previous number.

4 - In the event that recommendations resulting from quality control are not duly adopted, ROCs and SROCs shall be subject to penalties applicable for the practice of identified unresolved infractions, in accordance with this article.

Article 43

Quality control of member state audit entities

Member state audit entities that carry out audit services in Portugal pursuant to Article 185 of the EOROC, are subject to quality control checks in the Member state of origin and oversight in Portugal, of audits carried out.

CHAPTER VII

Regulation

Article 44

Regulation

1 - The CMVM shall draw up regulations that are required for implementing and developing issues concerning auditing, in consultation with the OROC as regards the following aspects:

- a) Exchange of information between the OROC and the CMVM;
- b) Organisation and functioning of the General Board for Audit Oversight;
- c) Compliance with the duties concerning the exercise of the audit activity;
- d) Information duties by public-interest entities to the CMVM;
- e) Quality control and inspection systems;
- f) Registration and annotation to the ROC, SROC registration, including audit entities of other member states and third-country auditors and audit entities;
- g) Fees;
- h) Specific procedures for receiving and monitoring disclosure of infractions;
- i) Conditions for internal and external information;
- j) Performance assessment of the oversight body of public-interest entities;

2 - The provisions of the preceding paragraph shall not prevent the OROC from establishing standards within the scope of the powers conferred upon it, and in consultation with CMVM, provided they are not inconsistent with the CMVM regulations issued on audit oversight.

CHAPTER VIII
Sanctions system

Article 45
Types of administrative infractions

1 – Breach of the following is considered a very serious administrative infraction and is punishable with a fine that ranges from €25 000 to €5 000 000:

- a) The duty to issue qualified opinion and/or disclaimer of opinion on statutory audits;
- b) The duty to adequately support the opinion that has been issued, namely in relevant areas of financial statements, by obtaining proof of audit and/or appropriate and sufficient audit and documentation of the relevant conclusions;
- c) The duty to register with the CMVM or with the OROC for the exercise of the audit activity;
- d) Auditors' independency and secrecy duties.

2 - Breach of the following is considered a serious administrative infraction and is punishable with a fine that ranges from €10 000 to €2 500 000:

- a) Applicable auditing standards issued by competent authorities, including rules on access to and exercise of the audit activity concerning the organisation, functioning, training of the auditors, including planning, execution, conclusions and quality control of their work, including their opinions;
- b) Duties enshrined within the scope of quality control per public entity;
- c) Orders or decrees of the CMVM;
- d) Duty to file documents concerning legal or voluntary statutory audits and the up keeping thereof;
- e) Duty to provide statements or provide false information to the CMVM;
- f) Framework of the temporary prohibition of the activity imposed as an additional penalty without prejudice to the fact that a more serious sanction may be imposed;
- g) Disclosure, oversight, monitoring duties and verification of compliance with the requirements of independence and selection of ROC and SROC or other duties of the oversight body or its members.

3 – Breach of the following is considered as a less serious administrative infraction and is punishable with a fine that ranges between €2 500 and €500 000:

- a) Reporting duties established by Law;
- b) Duties of publishing annual transparency reports;
- c) Duties not provided for in the previous rules of this article, enshrined in this legal framework or in the European audit regulation, particularly EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014, including regulations of the latter.

4 – Said law is not applicable when the act constitutes an administrative infraction under the Securities Code, approved by Decree-Law No. 486/99 of 13 November.

Article 46
Applicable law

1 – The administrative proceeding process referred to in the current Law, follows the procedural framework, during the administrative and judicial stages and substantive review provided for in the Securities Code, approved by Decree-Law No. 486/99 of 13 November, for said subject matter and additionally, the provided for in the general framework on administrative infractions of Decree-Law No. 433/82 of 27 October, amended via Decree-Laws Nos. 356/89 of 17 October, 244/95 of 14 September and 323/2001 of 17 December and Law No. 109/2001 of 24 December.

2 – The CMVM exercises all the powers and prerogatives provided for in the Securities Code for the supervisory authority in the proceedings arising from the application of the current legal framework, including article 66 of the Administrative Procedural Code approved by Decree-Law No. 4/2015 of 7 January.

Article 47
Deciding on the applicable sanction

Without prejudice to the provisions of paragraph 1 of the previous article, in determining the applicable sanction, the level of cooperation of the agent with the CMVM, shall also be taken into account.

Article 48
Ancillary sanctions

1 - In addition to the fines provided for in Article 45, the following ancillary sanctions may also be applied:

- A) Seizure and forfeiture of the object of the infraction, including the proceeds obtained by the offender due to the misconduct;
- B) Temporary prohibition of the exercise of the profession or activity by the offender;
- C) Withdrawal of the approval or cancellation of the registration required for the exercise of duties.

2. The sanction provided for in sub-paragraph /b of the preceding paragraph may not last more than three years, as from the final enforceable judgement, and may consist in prohibiting:

- a) The ROC or SROC or the key partner from carrying out legal or voluntary statutory audits;
- b) A SROC member or a member of a management body of a public-interest entity from carrying out duties in a SROC or in a public-interest entity.

Article 49

Disclosure of infractions

- 1 - The CMVM informs the CEAOB of cumulative information pertaining to the sanctions applied as per the present chapter on an annual basis.
- 2 - The CMVM informs the CEAOB, as soon as possible, on the application of sanctions prohibiting the exercise of the profession or activity.
- 3 - The CMVM manages a service that receives and monitors communication of infractions that ensures the protection of the personal data of the complainant and the complainee that is the purpose of the CMVM regulation.
- 4 - The SROC establishes adequate procedures for its staff to communicate infractions internally via a specific channel.

Article 50

Disclosure of decision

- 1 - Although its judicial review is requested, the disclosure of decisions condemning the agent for the practice of one or more of the administrative infractions in the current legal framework, is made pursuant to article 422 of the Securities Code, approved by Decree-Law No. 486/99 of 13 November, for a period of five years, as from the date of the right of appeal or expiry of the right of appeal is exhausted and includes the identification of the agent, the type and nature of the infraction, prior to the elimination of personal data that could endanger the personal safety of the user.
- 2 - The disclosure is made anonymously:
 - a) In those cases referred to in article 422 of the Securities Code;
 - b) When same may compromise an ongoing criminal investigation;
 - c) When the risk of repeating the infringement conduct is greatly reduced.

CHAPTER IX
Financial regime

Article 51
Revenue

1 - Without prejudice to Article 32 of the CMVM Statutes, the CMVM's audit oversight activity is financed by its own proceeds, namely by the revenue generated by contributions, fees and charges due pursuant to Article 31 of said Statutes.

2. The proceeds of fines and seizure pursuant to Article 48/1/a and fees of the audit oversight procedures, revert in 40% for the CMVM and the remainder for the State.