Portugal

RISK & COMPLIANCE REPORT

DATE: March 2018

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Executive Summary - Portugal	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering Assessment
Medium Risk Areas:	Corruption Index (Transparency International & W.G.I.))

Major Investment Areas:

Agriculture - products:

grain, potatoes, tomatoes, olives, grapes; sheep, cattle, goats, pigs, poultry, dairy products; fish

Industries:

textiles, clothing, footwear, wood and cork, paper, chemicals, auto-parts manufacturing, base metals, porcelain and ceramics, glassware, technology, telecommunications; dairy products, wine and other foods; ship construction and refurbishment; tourism

Exports - commodities:

agricultural products, food products, wine, oil products, chemical products, plastics and rubber, hides, leather, wood and cork, wood pulp and paper, textile materials, clothing, footwear, machinery and tools, base metals

Exports - partners:

Spain 22.7%, Germany 12.4%, France 11.9%, Angola 6.5%, UK 5.3%, Netherlands 4.2% (2012)

Imports - commodities:

agricultural products, chemical products, vehicles and other transport material, optical and precision instruments, computer accessories and parts, semi-conductors and related devices, oil products, base metals, food products, textile materials

Imports - partners:

Spain 32%, Germany 11.5%, France 6.6%, Italy 5.3%, Netherlands 4.9% (2012)

Investment Restrictions:

The Government of Portugal recognizes the value of foreign investment and sees such investment as an important engine of economic growth.

The Portuguese legal system is based on non-discrimination with regard to the national origin of investment, and foreigners are permitted to invest in all economic sectors open to private enterprise. However, there are limitations on both foreign and domestic investments with regard to certain economic activities. Portuguese government approval is required in the following sectors: defense, water management, public telecommunications operators, railway, maritime transportation and air transport. Any economic activity that involves the exercise of public authority also requires government approval. Private sector companies can operate in these areas only through a concession contract.

Contents

Section 1 - Background

Following its heyday as a global maritime power during the 15th and 16th centuries, Portugal lost much of its wealth and status with the destruction of Lisbon in a 1755 earthquake, occupation during the Napoleonic Wars, and the independence of its wealthiest colony of Brazil in 1822. A 1910 revolution deposed the monarchy; for most of the next six decades, repressive governments ran the country. In 1974, a left-wing military coup installed broad democratic reforms. The following year, Portugal granted independence to all of its African colonies. Portugal is a founding member of NATO and entered the EC (now the EU) in 1986.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Portugal is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Portugal was undertaken by the Financial Action Task Force (FATF) in 2017. According to that Evaluation, Portugal was deemed Compliant for 12 and Largely Compliant for 22 of the FATF 40 Recommendations.

Key Findings

Overall, there is a fair level of understanding of the money laundering/terrorist financing (ML/TF) risks in Portugal, especially by law enforcement authorities and financial supervisors. However, there is a mixed level of understanding amongst DNFBP supervisors.

The National Risk Assessment (NRA) was based on public and private participation and provides an overview of the nature and level of ML/TF risks in Portugal. The methodology can still be improved and a review of specific sectors still needs to be conducted in order to have a comprehensive overview of ML/TF risks in the country, in particular, in respect to TF risks associated with Non-Profit Organisations (NPO).

Financial intelligence, primarily based on suspicious transaction reports (STRs), is collected, used and disseminated amongst authorities for AML/CFT purposes. Operational authorities have direct or indirect access to comprehensive databases held by relevant agencies in order to facilitate the circulation and use of information for ML/TF investigations.

Assessors have concerns regarding the resource implications of the dual system of reporting suspicious transactions to both the FIU and the Public Prosecution office (DCIAP), and about the FIU's capacities to adequately process and analyse the increasing number of STRs received. In addition, the FIU does not have relevant resources to produce strategic analysis.

Authorities show a high degree of commitment and capacity to investigate and prosecute ML cases, including complex cases, consistent with the main ML risks in the country. Criminal sanctions applied are proportionate and dissuasive.

Portugal has had good results in freezing assets at the early stage of ML investigations to prevent the flight and dissipation of assets. This practice, combined with the use of the "enlarged confiscation" regime, demonstrates the prosecution's priority to make crime unprofitable for criminals.

TF is pursued as a distinct criminal activity, and parallel financial investigations are conducted to support counter-terrorism investigations. TF assets and instrumentalities related to TF activities are seized and confiscated. TF prosecutions have been initiated, but there have been no TF convictions in Portugal to date.

Designations at the UN level apply directly in Portugal without the need for EU transposition. Processes and procedures are in place to fully implement TFS in relation to TF and PF, and authorities demonstrated a high degree of competency in coordinating CFT and CPF activities. □ Portuguese authorities have been active in investigating and disrupting potential PF cases and cooperate well with authorities of other jurisdictions.

In the financial sector, the application of proportionate mitigation measures by financial institutions (FIs) is satisfactory. Progress still needs to be made regarding the understanding of the beneficial ownership (BO) requirements. The application of risk-based supervisory models is ongoing, with Banco de Portugal being the most advanced in this regard.

Regarding DNFBPs, the understanding of ML/TF risks in the sector as a whole is moderate, including by sectors at higher risk of ML/TF. Supervisors conduct limited AML/CFT supervisory activities, which primarily follow a rule-based approach. Measures to prevent and detect unauthorised activities are applied in sectors where informal activities are a major issue.

There is generally a good level of transparency of basic information on legal persons and arrangements, including foreign trusts established in the Madeira Free Trade Zone (FTZ). Sanctions applicable to non-compliance with transparency obligations are not dissuasive. Information on beneficial ownership is mainly available from FIs, but the lack of understanding of the requirements by some FIs creates some concerns about the reliability of this information.

International cooperation between Portuguese authorities and foreign counterparts is proactive and collaborative, and provided upon request and spontaneously, with priority given to terrorism and TF-related requests. Mutual Legal Assistance (MLA) and extradition are mainly used as complementary tools, in addition to more informal cooperation channels.

Risks and General Situation

Over the last years, the overall economic, financial and social context of Portugal has been heavily affected by the 2008 global financial crisis. The financial sector has been particularly hard hit, with banks in Portugal facing deteriorating balance sheets and liquidity pressure. The country is now going through a gradual recovery, but this situation has created vulnerabilities that could be potentially exploited by criminals. Portugal has a relatively low rate of violent crime. It has increasingly developed a diversified and service-based economy where tourism plays an important role and the real estate market shows stable growth. Due to its geographical position, Portugal is a transit country between Latin America and West Africa to the rest of Europe, which facilitates the flows of funds, including illicit funds.

Portugal published a summary of its national ML/TF risk assessment in 2015, which highlighted that the main ML predicate offences in the country are tax crimes, drug trafficking, fraud and corruption. The NRA also establishes that vulnerabilities include, inter alia: anonymous operations and transactions; informal transfer systems; the lack of knowledge of beneficial owners and existence of bearer securities; the lack of transparency in the real estate sector; and lack of resources for the supervision of compliance with AML/CFT requirements. Portugal also identified specific business sectors at risk, in particular the banking sector, real estate and high-value goods dealers, as well as countries which pose the most significant ML/TF risks for the country.

On the TF side, the NRA indicates that the major risks to the country relate to Islamist groups and separatist movements, but overall the TF risk level is deemed to be low.

US Department of State Money Laundering assessment (INCSR)

Portugal is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

Portugal has AML laws and enforcement mechanisms that meet international standards and has taken steps in 2017 to further improve AML legislation. The majority of money laundered in Portugal is narcotics-related, according to Portuguese officials, who have noted significant criminal proceeds also come from corruption, trafficking in works of art and cultural artifacts, extortion, embezzlement, tax offenses, smuggling, prostitution, organized crime, gambling, and aiding or facilitating illegal immigration. Suspicious funds from Angola continue to be used to purchase Portuguese businesses and real estate. Portugal has taken steps throughout 2017 to strengthen its AML legislation; new laws decrease the size of payments that can legally be made in cash, create a national registry of transaction recipients, and compel attorneys to report suspected money laundering activities to authorities. In late 2017, Portugal proposed laws relaxing bank secrecy and allowing tax inspectors access to information on bank accounts suspected of being affiliated with money laundering.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Portugal is a transit point for narcotics entering Europe. Portugal's long coastline, vast territorial waters, and privileged relationships with countries in South America and Lusophone Africa make it a gateway country for South American cocaine and a transshipment point for drugs coming to Europe from West Africa. Portugal has a significant number of dual-nationals who move wealth between Angola and Portugal.

There are 11 casinos in Portugal managed by eight public cooperatives licensed by the Ministry of Economy. Business interests from China (Macau) have significant involvement in some of the cooperatives. The State Secretary for Tourism supervises and monitors casinos. Portuguese authorities legalized online casinos in 2015.

KEY AML LAWS AND REGULATIONS

Portugal has a comprehensive AML enforcement mechanism which conforms to European Union and 1988 UN Drug Convention and UNTOC standards. Money laundering is a criminal offense. Banks are held to reporting standards by the Bank of Portugal and the Securities Market Commission. Banks adhere to KYC and STR regulations.

Portugal's FIU operates independently as a department of the Portuguese Judicial Police. The FIU is responsible for gathering and publishing information pertaining to AML and tax crimes investigations, as well as coordinating with other judicial authorities.

Portugal is a member of the FATF.

Portugal has no major deficiencies in its AML enforcement apparatus.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Although the general legal principle in Portugal is that only individuals are subject to criminal liability, there are exceptions. Paragraph 2 of Article 11 of the Criminal Code provides for criminal corporate liability for white-collar crimes, money laundering, crimes against public health, cybercrime, and certain other crimes.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Portugal conforms with regard to all government legislation required to combat money laundering

EU White list of Equivalent Jurisdictions

Portugal is on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Portugal is not considered to be an Offshore Financial Centre

Reports

US State Department Narcotics Report 2017

Portugal is a transshipment point for drugs originating from South America and West Africa destined for other European countries, but is neither a center of drug production nor a significant source of drugs destined for the United States. Revenues garnered from the narcotics trade in Portugal are repatriated to traffickers in South America. In addition to direct shipments from South America, traffickers consistently use former Portuguese colonies Guinea-Bissau and Cabo Verde as transshipment, refueling, and storage points for cocaine-laden vessels from South America en route to Europe. In 2016, Portuguese authorities continued to combat the transshipment of cocaine through their borders, and MDMA (ecstasy), hashish, and heroin remained readily accessible within the country.

Portugal's law enforcement cooperation with the United States and other international partners to combat drug trafficking continues to be outstanding. The U.S. Drug Enforcement Administration and the Portuguese Judicial Police (PJ) conducted multiple, successful coordinated investigations throughout 2016.

The Government of Portugal vigorously investigates and prosecutes drug traffickers traversing Portuguese territory. It also continues to enforce and update 2013 legislation criminalizing the possession and sale of certain analogue chemicals used to produce new psychoactive substances, including synthetic cathinones commonly referred to as "bath salts." A customs mutual assistance agreement is in force between Portugal and the United States, as are protocols to the 2003 U.S.-EU extradition and mutual legal assistance agreements. Lisbon is also home to the European Monitoring Center for Drugs and Drug Addiction (EMCDDA). Portugal is also a member country of the Maritime Analysis and Operations Center-Narcotics (MAOC-N), headquartered in Lisbon. The United States is a permanent observer to MAOC-N.

Portugal focuses much of its drug control effort on treatment and prevention. Since 2001, personal use quantities of drugs have been decriminalized. Drug possession is still prohibited, however, and those individuals found by law enforcement to have "personal use" amounts are referred to the Drug Addiction Dissuasion Commission, consisting of multi-disciplinary teams charged with assessing users and deciding the appropriate sanction and referral to educational or treatment programs. The Portuguese Ministry of Health's Institute on Drugs and Drug Addiction operates numerous drug treatment centers. Universal drug use prevention is part of the Portuguese school curriculum. Law enforcement entities patrol the areas surrounding schools to prevent and protect students from drug trafficking, as part of the "Safe Schools" initiative. Law enforcement also participates in community awareness and training activities.

US State Dept Trafficking in Persons Report 2016 (introduction):

Portugal is classified a Tier 1 country - is a country whose government fully complies with the Trafficking Victims Protection Act's (TVPA) minimum standards.

Portugal is a source, transit, and destination country for men, women, and children subjected to forced labor and sex trafficking. Trafficking victims primarily originate from Africa and Eastern Europe, and, to a lesser extent, Latin America and Asia. Most victims are subjected to forced labor. Foreign labor trafficking victims are exploited in agriculture and domestic service, while Portuguese victims are exploited in restaurants, agriculture, and domestic service, primarily in Portugal and Spain. Poor and uneducated Portuguese in the country's rural interior are especially vulnerable to forced labor networks in Spain, which may extend into Northern and Eastern Europe. Although most forced labor victims are men, authorities noted an increase in the number of female forced labor victims in 2015. Foreign women and children, mostly from Africa and Eastern Europe, and Portuguese women and children are subjected to sex trafficking within the country. Portuguese victims have also been subjected to sex trafficking in other countries, mostly in Europe. Children from Eastern Europe, including those of Roma descent, are subjected to forced begging and forced criminal activity in Portugal. Organized criminal networks operate trafficking rings in the country; some recruit victims abroad to exploit in Portugal, while others recruit domestically to exploit both within Portugal and abroad. Authorities report traffickers bring women and children, many from African countries, to Portugal to claim asylum before bringing victims to other European countries to be exploited in trafficking.

The Government of Portugal fully meets the minimum standards for the elimination of trafficking. Authorities increased the number of trafficking investigations, although the number of convictions decreased significantly. The government continued to fund three NGO-operated shelters and multidisciplinary teams to assist victims. Authorities identified more potential trafficking victims than the previous year. While authorities continued efforts to identify labor trafficking victims and hold labor traffickers accountable, the government identified few sex trafficking victims. The government sometimes prosecuted sex trafficking cases under pimping statutes, which carried less stringent penalties.

Latest US State Dept Terrorism Report - 2009

Portugal worked proactively with other nations to combat terrorism and disrupt funding for terrorist groups. Because Portugal does not have any indigenous terrorist groups, the legal system and law enforcement focus is on preventing international groups from establishing operations on its soil.

Portuguese and American officials shared counterterrorism information effectively, including information on threat assessments and terrorist operative activities. In cooperation with other European Union partners, the Portuguese government continued to participate actively in ongoing EU efforts to remove institutional barriers to cooperation on counterterrorism.

In September 2008, the Government of Portugal created a new Secretary General for Internal Security, a move designated to facilitate communication between the Judicial Police, Public Security Police, and the National Republican Guard. As a result, the distinct law enforcement agencies were able to share information about terrorism investigations more effectively.

In August 2009, Portugal accepted two Guantanamo detainees for resettlement.

Portugal contributed approximately 145 Portuguese troops that were deployed in Afghanistan in support of ongoing International Security Assistance Force and NATO operations, including a C- 130 transport aircraft with a supporting crew of 42 personnel on a three-month mission to support Afghan elections in August.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	63
World Governance Indicator – Control of Corruption	81

Foreign companies operating in Portugal may encounter some instances of corruption, but they do not identify corruption as a problem for thier operations. Corruption and abuse of power are most prevalent at the municipal level, particularly in the areas of urban planning and public procurement. The Portuguese Criminal Code makes it illegal to give or accept a bribe, and there is a law (in Portuguese) that establishes the terms of liability for corruption offences in international trade and private activities. Amendments (in Portuguese) to the Criminal Code comply with GRECO, UN and OECD's recommendations on fighting corruption. Individuals and companies are criminally liable for corruption offences, including bribery of foreign public officials in international commerce. Facilitation payments are prohibited, and gifts and hospitality may be considered illegal depending on their intent. Recurring corruption scandals involving high-level politicians, local administrators and businesses abusing public funds have revealed that safeguards to counter corruption, and abuses of power have been somewhat inefficient in Portugal. **Information provided by GAN Integrity.**

Corruption and Government Transparency - Report by US State Department

Corruption plays a limited role in Portugal's business culture. Although U.S. firms occasionally encounter limited degrees of corruption in the course of doing business in Portugal, they do not identify corruption as an obstacle to foreign direct investment. Portugal has ratified the OECD Anti-bribery Convention and has passed legislation to bring its criminal code in compliance with the Convention. Tax evasion remains a problem for the government, which has implemented several initiatives to improve collection rates. In July 2010, Portugal passed a series of laws to combat corruption that included increased penalties for bribery (both active and passive) and extended statutes of limitations for certain corruption-related crimes, such as bribery and abuse of official function.

Section 3 - Economy

Portugal has become a diversified and increasingly service-based economy since joining the European Community - the EU's predecessor - in 1986. Over the following two decades, successive governments privatized many state-controlled firms and liberalized key areas of the economy, including the financial and telecommunications sectors. The country joined the Economic and Monetary Union in 1999 and began circulating the euro on 1 January 2002 along with 11 other EU members.

The economy grew by more than the EU average for much of the 1990s, but the rate of growth slowed in 2001-08. The economy contracted in 2009, and fell again from 2011 to 2014, as the government implemented spending cuts and tax increases to comply with conditions of an EU-IMF financial rescue package, signed in May 2011. A modest recovery began in 2013 and gathered steam in 2014 due to strong export performance and a rebound in private consumption. Although austerity measures were instituted to reduce the large budget deficit, they contributed to record unemployment and a wave of emigration not seen since the 1960s.

A continued reduction in private- and public-sector debt could weigh on consumption and investment in 2016, holding back a stronger recovery. The prior centre-right government passed legislation aimed at reducing labour market rigidity, and, this, along with sustained fiscal discipline, could make Portugal more attractive to foreign direct investment. Under the centre-right government, the budget deficit fell from 11.2% of GDP in 2010 to 3.5% in 2015, reaching the EU-IMF target of 4%, but still above its EU fiscal obligations, under the excessive deficit procedure. EU-IMF financing expired in May 2014. The new centre-left Socialist government, however, has signalled that it will unwind spending cuts associated with austerity while remaining within EU fiscal targets.

Agriculture - products:

grain, potatoes, tomatoes, olives, grapes; sheep, cattle, goats, pigs, poultry, dairy products; fish

Industries:

textiles, clothing, footwear, wood and cork, paper and pulp, chemicals, lubricants, automobiles and auto parts, base metals, minerals, porcelain and ceramics, glassware, technology, telecommunications; dairy products, wine, other foodstuffs; ship construct

Exports - commodities:

agricultural products, foodstuffs, wine, oil products, chemical products, plastics and rubber, hides, leather, wood and cork, wood pulp and paper, textile materials, clothing, footwear, machinery and tools, base metals

Exports - partners:

Spain 25%, France 12.1%, Germany 11.8%, UK 6.7%, US 5.2%, Angola 4.2%, Netherlands 4% (2015)

Imports - commodities:

agricultural products, chemical products, vehicles and other transport material, optical and precision instruments, computer accessories and parts, semiconductors and related devices, oil products, base metals, food products, textile materials

Imports - partners:

Spain 32.9%, Germany 12.9%, France 7.4%, Italy 5.4%, Netherlands 5.1% (2015)

Banking

The Portuguese banking system witnessed very important structural changes over the last three decades from a government-controlled system to a market-driven environment fully integrated in the European Union. These profound structural and operational changes such as the abolishment of administrative interest rates in the 80´s, liberalization and harmonization in the 90´s and related implementation legislation has brought Portuguese banking regulations in line with EU legislative practices.

The Portuguese banking system is still quite concentrated, with the six largest banks accounting for around 95% of the sector’s total assets.

These banks also have substantial holdings in non-traditional banking business sectors,such as insurance and brokerage firms The largest banking groups in Portugal include Millennium BCP, Banco Espírito Santo (BES), Banco Português de Investimento (BPI), Banco Comercial Português (BCP), Banco Santander Totta, and state-owned Caixa Geral de Depósitos (CGD). The recent crisis in international financial markets and the resultant global economic slowdown has led to particularly unfavorable conditions for banking activities worldwide.

The Portuguese economy is relatively small and highly integrated in the eurozone and, therefore, susceptible to market conditions. The Portuguese banking sector, like other sectors of the Portuguese economy, has been affected by the eurozone debt crisis.

Banks have faced difficulties obtaining financing in the international wholesale markets and have increasingly resorted to the European Central Bank for liquidity. Some banks have also suffered losses on financial assets although they have not been exposed significantly to the subprime market and related transactions. Nevertheless, Portuguese banks continue to maintain Tier 1 capital ratios of over 8 percent and to show strong capacity for adapting to adverse conditions.

At present, only Banco Portugues de Negocios (BPN) has been nationalized (2008), the first bank nationalization in Portugal since 1975. At the time of nationalization BPN had lost approximately 700 million euros from declining investment values due to the global financial crisis. The Ministry of Finance stressed that BPN was taken over as a result of an ongoing investigation into mismanagement and malfeasance.

As a member of the EU, Portugal offers a modern banking system with advanced financial products. The country has one the most advanced inter-banking networks in the world. ATMs and bank branches are easily found all over Portugal. Electronic banking is widespread, and Internet banking is offered by all major banks.

Stock Exchange

Since 1995 the Portuguese Future and Options Exchange has operated under an agreement with the Lisbon Stock Exchange, it introduced the PSI-20 index as an underlying for futures and options contracts. The PSI-20 mirrors the price dynamics of 20 leading Portuguese stocks that together represent more than three quarters of the Portuguese market capitalisation. The Securities Market Commission (CMVM) regulates and supervises the securities markets, including public offers, the activities of all the market operators and securities issuers; financial intermediaries in securities and collective investment institutions.

The Euronext Lisbon was formed in 2002 when the shares of the Lisbon And Porto stock exchanges were acquired by Euronext N.V. and the exchange was merged into the pan-European exchange.

Section 4 - Investment Climate

Summary

Portugal emerged from an extended economic crisis and successfully completed its European Union-IMF bailout program in 2014, registering moderate growth for 2014 and 2015 and decreasing, but still high, unemployment. The structural reforms implemented since 2011 have created an economic and regulatory climate that is favorable to foreign investment. Corporate taxes and unit labor costs have decreased, while new investment incentives have been established. The government has also taken important steps toward improving the efficiency of its judicial system, creating two specialized courts (for intellectual property and competition) and streamlining court districts and the Code of Civil Procedure.

Portugal's economy is tightly coupled to the European Union (EU). Fellow EU member states remain Portugal's biggest trading partners and its largest investors. Portugal complies with EU law for equal treatment of foreign and domestic investors. Outside of Europe, Portugal maintains significant links with former colonies Brazil, Angola, and Mozambique.

The European Central Bank (ECB) acts as central bank for the euro (€) and determines monetary policy for the 19 Eurozone member states, including Portugal. Portugal's banking sector has faced a number of challenges over the past several years, including costly central bank-led restructuring of Banco Espirito Santo (succeeded by Novo Banco) in 2014 and Banif in 2015.

Following national legislative elections, a center-left Socialist government formed a minority government that has publicly promoted the importance of foreign investment and has projected an image of economic stability. However, recent events have generated negative press on the direction of the country's investment climate. In one of its first actions, the Socialist government cancelled planned urban transportation concessions granted to British, Spanish, and French firms in the country's two most populous cities, Lisbon and Porto. The current government also re-visited the privatization of the national airline TAP, completed under the previous administration. The parties eventually negotiated a deal to reduce the private purchaser's stake in the company to a minority share with management control.

Actions of other government institutions have also raised questions regarding the country's attitude toward foreign investment. In December 2015, the independent Bank of Portugal conducted a selective bail-in of certain bond issues of Novo Banco, imposing almost €2 billion in losses on mostly foreign investors, including several large U.S. investment funds. Fourteen international asset management firms affected by the decision filed suit in Portuguese courts in April 2016. Finally, in early 2016 Portugal's newly elected president publicly expressed concerns against the alleged intensified foreign ownership of the country's financial sector, which was broadly interpreted as an allusion to Spanish and Angolan controlling interests in several banks and reported Spanish interest in acquiring Novo Banco.

Table 1

Measure	Year	Index or Rank	Website Address

TI Corruption Perceptions Index	2014	31 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	23 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	30 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2014	$2,053	bea.gov/international/factsheet/factsheet.cfm?Area=321
World Bank GNI per capita	2014	$21,360	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The Government of Portugal recognizes the value of foreign investment and sees such investment as an important engine of economic growth. The country exited its three-year EU-IMF bailout program in May 2014, and has successfully regained access to international bond markets with yields approaching historic lows.

Other Investment Policy Reviews

Portugal has not undergone an OECD or UNCTAD Investment Policy Review in the last ten years. Current investment climate snapshots are available through the Economist Intelligence Unit and the World Bank's Doing Business Report.

Laws/Regulations on Foreign Direct Investment

The Bank of Portugal (Portugal's central bank) defines FDI as "an act or contract that obtains or increases enduring economic links with an existing Portuguese institution or one to be formed." A non-resident who invests in at least 10% of a resident company's equity and participates in the company's decision-making is considered a foreign direct investor. The Portuguese legal system is based on non-discrimination with regard to the national origin of investment, and foreigners are generally permitted to invest in all economic sectors open to private enterprise, subject to a few exceptions (see below).

Business Registration

Citizens, Portuguese or otherwise, can register a business in person at one of 214 offices of the government's "Empresa na Hora" registration service. More information is available at: http://www.empresanahora.pt/ENH/sections/PT_inicio. Businesses can also be registered online through the "Citizen's Portal" available at: https://bde.portaldocidadao.pt/evo/landingpage.aspx. A company must typically register with the Directorate General for Economic Activity (DGAE), with the Tax Authority (AT), and with Social Security. The online registration process can take as little as one to two days.

In line with the EU, Portugal defines an enterprise as micro, small, and medium-sized based on its headcount, annual turnover, or the size of its balance sheet. To qualify as a micro-enterprise, a company must have less than 10 employees and no more than €2 million in revenues or €2 million in assets. Small enterprises must have less than 50 employees and no more than €10 million in revenues or €10 million in assets. Medium-sized enterprises must have less than 250 employees and no more than €50 million in revenues or €43 million in assets. The SME Support Institute (IAPMEI) offers financing, training, and other services for SMEs based in Portugal: http://www.iapmei.pt/

More information on laws, procedures, registration requirements, and investment incentives for foreign investors in Portugal is available here, at AICEP's website: http://www.portugalglobal.pt/EN/InvestInPortugal/investorsguide2/howtosetupacompany/Paginas/ForeignInvestment.aspx

Industrial Promotion

The Portuguese Agency for Foreign Investment and Commerce (AICEP) is the lead agency for promotion of trade and investment. AICEP is responsible for the promotion of global Portuguese trademarks, the export of goods and services, and attraction of foreign direct investment (FDI). It is the point of contact for investors with projects of more than €25 million or companies with a consolidated turnover of more than €75 million. For foreign investments not meeting these thresholds, AICEP will make a preliminary analysis and direct the investor to assistance agencies such as the Institute of Support to Small- and Medium Sized Enterprises and Innovation (IAPMEI), a public agency within the Ministry of Economy that provides technical support, or to AICEP Capital Global, which offers technology transfer, incubator programs and venture capital support.

AICEP does not favor specific sectors for investment promotion. It does, however, provide a "Prominent Clusters" guide on its website where it advocates investment in Portuguese companies by sector: http://www.portugalglobal.pt/EN/SourceFromPortugal/prominent-clusters/Pages/prominent-clusters.aspx

Limits on Foreign Control and Right to Private Ownership and Establishment

Portuguese law is based on a principle of non-discrimination. There are no requirements for mandatory Portuguese shareholders and no limitations on the repatriation of profits or dividends. Nonetheless, shareholders that are not resident in Portugal must obtain a Portuguese taxpayer number for tax purposes. EU residents may obtain this number directly with the tax administration (in person or by means of an appointed proxy); non-EU residents must appoint a Portuguese resident representative to handle matters with tax authorities.

The rules that apply to foreign investors are the same that rule national investment; foreign investment is not subject to any special registration or notification to any authority (without prejudice of mandatory registration obligations or compliance with regulatory obligations in specific activities).

However, there are limitations on both foreign and domestic investments with regard to certain economic activities. Portuguese government approval is required in the following strategic sectors: defense, water management, public telecommunications, railway, maritime transportation and air transport. Any economic activity that involves the exercise of public authority also requires government approval. Private sector companies can operate in these areas only through a concession contract.

Portugal limits foreign investment with respect to the production, transmission, and distribution of electricity, the manufacturing of gas, the pipeline transportation of fuels, wholesale services of electricity, retailing services of electricity and non-bottled gas, and services incidental to electricity and natural gas distribution. Any concessions for electricity and gas sectors are assigned only to limited companies with their headquarters and effective management in Portugal.

Portugal limits foreign investment in the provision of executive search services, placement services of office support personnel, and publicly-funded social services.

Investors wishing to establish new credit institutions or finance companies, acquire a controlling interest in such financial firms, and/or establish a subsidiary must have authorization from the Bank of Portugal (for EU firms) or the Ministry of Finance (for non- EU firms). In both cases, the authorities carefully consider the proposed transaction, but in the case of non-EU firms, the Ministry of Finance especially considers the impact on the efficiency of the financial system and the internationalization of the economy. Non- EU insurance companies seeking to establish an agency in Portugal must post a special deposit and financial guarantee and must have been authorized for such activity by the Ministry of Finance for at least five years.

Privatization Program

Portugal launched an aggressive privatization program in 2011 as part of its EU-IMF bailout, covering state-owned enterprises in the air transportation, land transportation, energy, communications, and insurance sectors.

The bidding process has been public, transparent, and non-discriminatory to foreign investors. Indeed, foreign companies have been among the most successful bidders since the beginning of the program. Chinese, Omani, and French companies have purchased large stakes in Portugal's electricity utility (EDP), its electricity and natural gas grid operator (REN), its airport operator (ANA), and the insurance arm of the state-owned bank (Caixa Seguros). In addition, Portugal's postal service (CTT) sold 70% of its shares to public investors on the Lisbon stock exchange in 2013. Most recently, the government sold a 66% stake in the national airline, TAP, in November 2015. However, the incoming government renegotiated the sale in February 2016, reducing the purchaser's stake to 45% of capital, though with continued management control.

Screening of FDI

The government of Portugal does not screen, review, or approve foreign direct investments.

Competition Law

Law No. 18/2003, dated June 6, governs protection and promotion of competition in Portugal. It specifically prohibits collusion between companies to fix prices, limit supplies, share markets or sources of supply, discriminate in transactions, or force unrelated obligations on other parties. Similar prohibitions apply to any company or group with a dominant market position. The law also requires prior government notification of mergers or acquisitions that would give a company more than 30% market share in a sector, or mergers or acquisitions among entities that had total sales in excess of €150 million in the preceding financial year. The Competition Authority has 60 days to determine if the merger or acquisition can proceed. The European Commission may claim authority on cross-border competition issues or those involving entities large enough to have a significant EU market share.

2. Conversion and Transfer Policies

Foreign Exchange

Portugal is a member of the Eurozone and uses the euro. Portugal does not have exchange controls and there are no restrictions on the import or export of capital. Any party that transfers €10,000 or more outside of the country in foreign banknotes, gold, travelers' checks, or bearer securities must declare it to the Portuguese customs authorities.

The Eurozone has a freely floating exchange rate.

Remittance Policies

There are no limitations on the repatriation of profits or dividends.

3. Expropriation and Compensation

Under Portugal's Expropriation Code, the government may expropriate property and its associated rights if it is deemed to support the public interest, and upon payment of just compensation. The code outlines criteria for calculating fair compensation based on market values. The decision to expropriate as well as the fairness of compensation can be challenged in national courts.

In 2005, the Portuguese Parliament passed a Water Resources Law that required owners of properties bordering coasts, rivers, and reservoirs to present evidence of private ownership dating to at least 1864 by a deadline of January 2014, or otherwise face government seizure of the land. The law elicited public protests from property owners, including many British expatriates, which in turn pressed Parliament in May 2014 to establish broad exemptions and eliminate the deadline for presentation of evidence of ownership. To date, there have been no public cases of expropriation of such properties.

There have been no other cases of expropriation of foreign assets or companies in Portugal in recent history.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Portuguese legal system is a civil law system, based on Roman Law. The hierarchy among various sources of law is as follows: (i) Constitutional laws and amendments; (ii) the rules and principles of general or common international law and international agreements; (iii) ordinary laws enacted by the Parliament; (iv) instruments having an effect equivalent to that of laws, including approved international conventions or decisions of the Constitutional Court; (v) regulations used to supplement and implement laws. The country's Commercial Company Law and Civil Code define Portugal's legal treatment of corporations and contracts. Portugal has specialized family courts, labor courts, commercial courts, maritime courts, intellectual property courts, and competition courts. Portugal has been a party to the New York Convention since 1994.

The judicial system is independent of the executive branch. Indeed, adverse Constitutional Court rulings during the country's bailout period served as a check on the government's ability to implement many austerity measures, including pension cuts and tax increases.

Bankruptcy

The Insolvency and Corporate Recovery Code defines insolvency as a debtor's inability to meet his commitments as they fall due. Corporations are also considered insolvent when their liabilities clearly exceed their assets. A debtor, creditor, or any person responsible for the debtor's liabilities can initiate insolvency proceedings in a commercial court.

The court assumes the key role of ensuring compliance with legal rules governing insolvency proceedings, with particular responsibility for ruling on the legality of insolvency and payment plans approved by creditors.

After declaration of insolvency, creditors may submit their claims to the court-appointed insolvency administrator for a specific term set for this purpose, typically up to 30 days. Creditors must submit details regarding the amount, maturity, guarantees, and nature of their claims. Claims are ranked as follows: (i) claims over the insolvent's estate, i.e. court fees related to insolvency proceedings; (ii) secured claims; (iii) privileged claims; (iv) common, unsecured claims; (v) subordinated claims, including those of shareholders.

Portugal ranked highly (10 of 189 countries) in the World Bank's Doing Business Report "Resolving Insolvency" measure.

Investment Disputes

The UN Conference on Trade and Development (UNCTAD) database and the World Bank's International Centre for Settlement of Investment Disputes (ICSID) database show no cases of investment disputes, pending or concluded, between U.S. or other foreign investors against the Portuguese Republic.

International Arbitration

Portugal has ratified the 1927 Geneva Convention on the Execution of Foreign Arbitral Awards, and in 2002 ratified the 1975 Inter-American Convention on International Commercial Arbitration.

The government promotes non-judicial dispute resolution through the Ministry of Justice's Office for Alternative Dispute Resolution (GRAL), including conciliation, mediation, or arbitration.

More information is available in English at AICEP's website:
http://www.portugalglobal.pt/EN/InvestInPortugal/investorsguide2/howtosetupacompany/Paginas/DisputeResolution.aspx

The GRAL website, in Portuguese, is here: http://www.dgpj.mj.pt/sections/gral

Portugal's Voluntary Arbitration Law enacted in 2011 is based on the UNCITRAL Model Law, and applies to all arbitration proceedings based in Portugal. The leading commercial arbitration institution is the Arbitration Centre of the Portuguese Chamber of Commerce and Industry: www.centrodearbitragem.pt

ICSID Convention and New York Convention

Portugal has been a member of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention - also known as the Washington Convention) since 1965. Portugal has been a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards since January 1995.

Duration of Dispute Resolution – Local Courts

Portugal's judicial system has historically been inefficient, though the country has taken several important steps to increase the speed and quality of judicial proceedings. According to the World Bank's 2015 Doing Business Report, enforcing a contract in Portugal takes an average of 547 days (the OECD average is 539.5 days), costs 13.8% of the value of the claim (OECD average 21.4%), and requires 34 procedures (OECD average 31.5).

As part of its 2011 bailout program, Portugal committed to reforms to restructure its court system and reduce the number of backlogged cases. The country has since established new specialized courts for intellectual property and for competition, reduced the number of court districts, closed underutilized courts, and modified the Code of Civil Procedure to streamline judicial proceedings. Since the fourth quarter of 2012, the number of resolved cases has exceeded the number of new cases, and the speed of resolution has doubled from 2011 to 2013. Portugal also created a new government agency in 2014, the Commission to Supervise Court Officers (CAAJ), to supervise and monitor the work of court officers and judicial administrators.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Portugal is a member of the World Trade Organization (WTO), though with the entry into force of the 2009 Treaty of Lisbon, trade policy and rules on foreign direct investment are exclusive EU competencies, forming part of the common commercial policy.

Of the 41 disputes on Trade-Related Investment Measures (TRIMs) catalogued by the WTO, the EU has been accused of violating TRIMs in six cases, and has been the complainant in nine cases:
https://www.wto.org/english/tratop_e/dispu_e/dispu_agreements_index_e.htm?id=A25

Investment Incentives

The Portuguese government offers investment incentives which can be tailored to individual investors' needs and capital based on industry, investment size, and project sustainability. For example, for smaller investors, 20% of investments up to a maximum of €5 million may be deducted from future tax obligations. More information on investment incentives is available at:
http://www.portugalglobal.pt/EN/InvestInPortugal/Documents/Incentives%20Overview%20in%20Portugal%20%202015.pdf

Research and Development

U.S. and other foreign institutions participating in research and development projects in Portugal may not receive funding from the Portuguese government or from the European Regional Development Funds, except when there is an international agreement or reciprocity mechanism in effect with Portugal's Science and Technology Foundation (FCT). Government funds may be used, however, to reimburse foreign scientists for travel, lodging, and consulting services provided. More information on the regulation of access to funding is available at: http://www.fct.pt/apoios/projectos/regulamento

Performance Requirements

Portugal does not mandate local employment for foreign investors. As a member country of the EU, there is a high level of labor mobility between Portugal and other member states. To work in Portugal, non-EU foreign nationals must be sponsored for a work permit by a Portuguese employer. Alternatively, non-EU foreign nationals may apply for residency through the "Golden Visa" program launched in 2012 by: (i) acquiring property worth €500,000 or more; (ii) transferring funds of €1,000,000 or more; or (iii) creating at least 10 jobs in Portugal. More information on this program is available at:

http://www.portugalglobal.pt/EN/General/Documents/GoldenResidencePermit_sept2015.pdf

Data Storage

While Portugal does not force data localization, according to the Portuguese Data Protection Law (pursuant to the EU's 1995 Data Protection Directive) "data controllers," i.e., people or corporations that process personal data, must register in Portuguese with the national Data Protection Authority (CNPD). Data transfers outside of the EU are only allowed if the recipient country or company ensures an adequate level of protection.

The EU-U.S. Privacy Shield, announced in February 2016, will replace the previous Safe Harbor framework for data transfers between the United States and member states of the EU. In addition, Portugal will be subject to new rules stipulated in the EU's General Data Protection Regulation when it enters into force in coming years: http://ec.europa.eu/justice/data-protection/reform/index_en.htm

6. Protection of Property Rights

Real Property

The Portuguese Constitution provides for the right to private property and grants Parliament the power to establish rules on the renting of property, the determination of property in the public domain, and the rules of land management and urban planning. The Civil Code of 1967, modelled after the Bürgerliches Gesetzbuch, provides for the right to absolute and full ownership, which can be restricted by mortgage, liens, or other security interests. Apart from the Civil Code, additional laws have established or modified rules on time-sharing, condominiums, and land registration.

Property registration is fairly easy in Portugal, and can be done quickly online (https://www.predialonline.pt/PredialOnline/). According to the World Bank's 2015 Doing Business Report, registration is faster and simpler than in most other OECD countries, taking one day to complete one process. The cost, however, is slightly higher than the OECD average at 7.3% of the property value.

Intellectual Property Rights

The government adopted the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) and provisions of the General Agreement on Tariffs and Trade (GATT) in 2003. Portuguese legislation for the protection of intellectual property rights has been consistent with WTO rules and EU directives since 2004. The Arbitration Centre for Industrial Property, Domain Names, and Company Names (ARBITRARE) was established in 2009 to facilitate voluntary arbitration of intellectual property disputes in English or Portuguese, and in 2012, the government created an intellectual property court with two judges.

It is fairly easy for investors to register copyrights, industrial property, patents, and designs with Portugal's Institute of Industrial Property (INPI) and the Inspectorate-General of Cultural Activities (IGAC). Intellectual property can be registered online for a small fee.

Portugal is a participant in the eMAGE and eMARKS projects, which provide multilingual access to databases of trademarks and industrial designs. These international efforts assist participating customs authorities in combating sales of counterfeit goods. Other participating countries include France, Austria, Hungary and Spain. Portugal's Food and Economic Security Authority (ASAE), in partnership with other national law enforcement agencies, provides statistics on seizures of counterfeit goods at: http://anti-contrafaccao.com/estatisticas/

Portugal has not been listed in the USTR's Special 301 or Notorious Markets reports, though it was nominated for inclusion in the 2013 Special 301 report by the Pharmaceutical Research and Manufacturers of America (PhRMA), who claimed the country had "ineffective mechanisms to enforce patents," "unrealistic pharmaceutical budgets," and inefficient pricing and reimbursement policies. The country has since established a mandatory arbitration process to more efficiently handle pharmaceutical patent disputes.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at:
http://www.wipo.int/directory/en/details.jsp?country_code=PT

Resources for Rights Holders

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Economic Officer

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American Chamber of Commerce
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7. Transparency of the Regulatory System

As part of its bailout program, Portugal updated its competition law in 2012 to align it with EU competition law. Among many changes, the 2012 law allowed the Portuguese Competition Authority to prioritize cases, and granted new powers of investigation. The new law also revamped merger control rules, modifying market share/turnover thresholds for mandatory filings and eliminating a previous deadline of seven business days to submit a merger filing to the Competition Authority. Finally, in a move to increase transparency, the law mandates that the Competition Authority publish its final decisions in antitrust cases. In parallel with the new law, the government also established a specialized competition court to speed up judicial proceedings. These changes should help foster competition and establish more clear rules for foreign investors, consistent with those of the EU.

According to an IMF review published in October 2014, Portugal's fiscal practices meet most principles of transparency at good or advanced levels. Fiscal reporting is consistent with EU standards, and forecasting and budgeting have improved significantly since the beginning of the bailout. The government regularly publishes budget proposals and execution reports online, and created a user-friendly web application to explain the 2015 budget, available here: http://www.dgo.pt/BIORC/Paginas/Site/index.html

Parliament publishes draft bills on its website, www.parlamento.pt, allowing public review of proposals before they become law.

8. Efficient Capital Markets and Portfolio Investment

The Portuguese Securities Market Commission (CMVM) supervises and regulates securities markets, and is a member of the Committee of European Securities Regulators and the International Organization of Securities Commissions.

The Portuguese stock exchange is managed by Euronext Lisbon, part of the NYSE Euronext Group, which allows a listed company access to a global and diversified pool of investors. The Portuguese Stock Index-20 (PSI20), launched in 1993, is Portugal's benchmark index representing the twenty largest and most liquid companies listed on the exchange.

The Portuguese government returned to the bond market in 2013, and has taken advantage of favorable monetary policies from the ECB to secure financing at record-low yields. In March 2016, Portugal issued €500 million of 5-year bonds at 3.85%, and €621 million of 10-year bonds at 2.875%.

Many debt issuances by Portuguese corporations have also been successful over the last two years. For example, Energias de Portugal, the electricity utility, issued €600 million in 7-year bonds at 2.375% in March 2016, while Galp, Portugal's oil and gas champion, issued €500 million in 6.5-year bonds at 3% in July 2014.

Money and Banking System, Hostile Takeovers

The Bank of Portugal is the country's central bank, and a member bank of the European System of Central Banks. As a member of the Eurozone, Portugal's monetary policy is managed by the ECB, with the sole mandate of maintaining price stability.

Thirty-five banks and 15 credit institutions are registered with the Bank of Portugal. Total bank assets stood at €413 billion in December 2015, representing a steady decrease from €430 billion in 2014 and €460 billion in 2013. Caixa Geral de Depositos (CGD), the largest bank by assets, is state-owned.

In August 2014, the Portuguese government forced Banco Espirito Santo (BES) – one of the country's largest banks – into resolution after the announcement of record losses for the second quarter of 2014. Following the rules outlined in the EU's Bank Resolution and Recovery Directive, the Bank of Portugal announced BES would be split into "good bank" Novo Banco, holding healthy assets and €4.9 billion in new capital from the Portuguese Resolution Fund, and a "bad bank" left with BES equity and potentially unrecoverable loans. An effort to return Novo Banco to private ownership failed in September 2015 when the Bank of Portugal determined that submitted offers were undervalued.

The Bank of Portugal originally announced that senior creditors and uninsured depositors would be transferred in full to Novo Banco and fully protected from losses. However, in December 2015, in order to fill a €1.4 billion capital shortfall revealed by ECB stress tests, the Bank of Portugal decided to extend the 2014 BES resolution and to transfer five of 52 senior bond issues from Novo Banco to the "bad bank." The move reinforced Novo Banco's capital by €1.985 billion while imposing significant losses on the holders of these five bonds. U.S. institutional investors BlackRock and Pimco were among the hardest hit, and are pursuing legal action against Portugal's central bank for violation of the *pari passu* principle of equal treatment for all senior bondholders, highlighting the fact that only foreign-owned bonds were selected for losses.

Also in December 2015, the government and Bank of Portugal sold loss-making state-owned bank Banif to the local subsidiary of Spain's Santander Group for €150 million. In the deal, Santander acquired Banif's banking operations and secured its depositors and senior bondholders, while more toxic assets were transferred to a separate asset management vehicle managed by the Portuguese Resolution Fund. Future losses related to these impaired assets would be borne by the government of Portugal (up to €1.766 billion) and the Resolution Fund (up to €489 million).

At the end of 2015, the Portuguese banking system's Tier 1 Capital ratio and Common Equity Tier 1 (CET 1) ratio stood at 7.6% and 12.4%, respectively. The European Banking Authority estimated that 16.3% of total gross loans in Portugal were nonperforming exposures as of June 2015. In a February 2016 post-bailout program monitoring report, the IMF warned that the Portuguese banking system's balance sheets needed "to be strengthened to avoid further negative surprise and protect taxpayers." Banks would also need to further reduce their debt burden, which was "holding back the economy's growth potential."

Takeovers in Portugal are regulated by the Portuguese Security Code, which follows the EU Directive on Takeover Bids (Directive 2004/25/EC). The CMVM is the competent authority to

supervise takeover bids when target securities are listed in a regulated market located or operating in Portugal, and the issuing company is headquartered in Portugal. More information is available here:
http://www.cmvm.pt/EN/Legislacao_Regulamentos/Codigo%20Dos%20Valores%20Mobiliarios/Pages/Title%20III%20-%20Public%20Offers.aspx?nrmode=unpublished

9. Competition from State-Owned Enterprises

Portuguese law defines an SOE as any company in which the State, or other public entities, can directly or indirectly exercise a dominant influence. Further, a dominant influence is defined as ownership of the majority of share capital, the control of a majority of voting rights, the capacity to designate a majority of the board of directors or management, or the possession of any other special rights that grant a determinant influence on decision-making. State-owned enterprises (SOEs) are active in the banking, healthcare, transportation, and media & entertainment sectors. The Ministry of Finance publishes an annual report on SOEs, presenting annual performance data by company and sector, through a specialized monitoring unit (UTAM):
http://www.utam.pt/docs_prest_contas.html

In sectors that are open to private competition, SOEs often hold dominant market share. In the Portuguese banking sector, state-owned Caixa Geral de Depositos has the largest market share in customer deposits, commercial loans, mortgages, and many other banking services. Similarly, 50% state-owned airline TAP is the leading European carrier to Brazil. On the other hand, RTP, which held a monopoly on television until 1992, currently controls less than 20% of the market, behind private broadcasters TVI and SIC.

According to Law No. 133/2013, dated October 3, SOEs must compete under the same terms and conditions as private enterprises, subject to Portuguese and EU competition laws. Still, SOEs often receive preferential financing terms from private banks.

Through its membership in the EU, Portugal is a party to the Agreement on Government Procurement (GPA).

OECD Guidelines on Corporate Governance of SOEs

Even before entering the bailout program, the OECD's 2011 SOE Governance Reform lauded Portugal as "one of the most active jurisdictions" in introducing new legislation. In March 2008, Portugal's Council of Ministers approved resolution no. 49/2007 which defined the Principles of Good Governance for SOEs according to OECD Guidelines. The resolution requires SOEs to have a governance model that ensures the segregation of executive management and supervisory roles, to have their accounts audited by independent entities, to observe the same standards as those for companies publicly listed on stock markets, and to establish an ethics code for employees, customers, suppliers, and the public. The resolution also requires the Ministry of Finance's Directorate-General of the Treasury and Finances to publish annual reports on SOEs' compliance with the Principles of Good Governance.

As mentioned in the prior section, Law No. 133/2013 requires SOEs to compete under the same terms and conditions as private enterprises, subject to Portuguese and EU competition law. Credit and equity analysts generally criticize SOEs' over-indebtedness and inefficiency, rather than poor governance and ties to government.

Sovereign Wealth Funds

The Ministry of Labor, Solidarity, and Social Security manages the Social Security Financial Stabilization Fund (FEFSS), with total assets of around €13.5 billion. Among other restrictions, the law requires that at least 50% of assets are invested in Portuguese public debt, and limits FEFSS investment in equity instruments to that of EU or OECD members. FEFSS acts as a passive investor and does not take an active role in the management of portfolio companies.

10. Responsible Business Conduct

There is strong awareness of responsible business conduct in Portugal and broad acceptance of the need to consider the community among the key stakeholders of any company. Group of Reflection and Support for Business Citizenship (GRACE) was founded in 2000 by a group of companies, primarily multinational corporations, to expand the role of the Portuguese business community in social development. It was the first non-profit organization in Portugal dedicated to corporate social responsibility.

Since its founding, GRACE has engaged in various community projects, participating in the International Day of Volunteers and partnering with local civic groups to rehabilitate public spaces and facilities, create community gardens, and improve the environment. GRACE's GIRO project, the largest corporate volunteer project in Portugal, has organized over 3100 volunteers to the benefit of more than 50 institutions and 13,000 people throughout Portugal. There are several other prominent organizations, such as the Portuguese Business Ethics Association, dedicated to corporate social responsibility in collaboration the Ministry of Economy's Directorate-General of Economic Activities.

Other non-government organizations promote awareness of environmental and good governance issues in business. These include Quercus Portugal, which publishes guidelines and organizes events to promote environmental responsibility in business practices, and Transparencia e Integridade Associação Civica (TIAC), which produces reports on corruption on everything from football match-fixing to conflicts of interest in public and private enterprise. TIAC also allows whistle-blowers to anonymously submit reports of corruption through their website.

As an OECD member, Portugal adheres to the OECD Guidelines for Multinational Enterprises. The Ministry of Economy and AICEP maintain a National Contact Point (NCP) for the promotion of these guidelines; the NCP can be located through this link: http://mneguidelines.oecd.org/ncps/portugal.htm

11. Political Violence

Since the 1974 Carnation Revolution, Portugal has had a long history of peaceful social protest. Portugal experienced its largest political rally since its revolution in response to proposed budgetary measures in 2012. Subsequent demonstrations against government austerity measures and economic policies have resulted in isolated and low levels of vandalism, generally directed at parliamentary facilities. Public workers, including nurses, doctors, teachers, aviation professionals, and public transportation workers have organized peaceful demonstrations periodically in protest of salary cuts and other austerity measures throughout 2015.

12. Corruption

The administration has made recent legislative strides toward further criminalizing corruption. The government's Council for the Prevention of Corruption, formed in 2008, is an independent administrative body that works closely with the Court of Auditors to prevent corruption in public and private organizations that use public funds. Transparencia e Integridade Associação Civica, the local affiliate of Transparency International, also actively publishes reports on corruption and supports would-be whistleblowers in Portugal. In 2010, the country adopted a law that criminalized violation of urban planning rules and increased transparency in political party funding. In 2015, Parliament unanimously approved a revision to existing anti-corruption laws that extended the statute of limitations for the crime of trading in influence to 15 years and criminalized embezzlement by employees of state-owned enterprises with a prison term of up to eight years.

Still, according to a 2016 report by the Council of Europe's Group of States Against Corruption (GRECO), Portugal's anti-corruption legal framework is "fragmented, sometimes incoherent, and has not always been sufficiently thought through. ... Above all, there is very little focus on corruption *prevention* [emphasis in original]." The report highlights a conflicts of interest regime that is "too permissive" to Parliamentarians, allowing them to simultaneously practice as lawyers and engage in other private employment. GRECO also noted a lack of accountability for judges and prosecutors due to the concealing of the outcomes of internal disciplinary procedures. The full report is available at: http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/Eval%20IV/GrecoEval4Rep(2015)5_Portugal_eng.pdf

The European Commission raised similar issues in its 2014 Anti-Corruption Report on Portugal, and also noted an extremely prevalent perception of corruption among the Portuguese populace. According to a 2013 survey, 90% of Portuguese respondents stated that "corruption is a widespread problem in their country" (vs. an EU average of 76%), while 36% of Portuguese respondents said that they "are personally affected by corruption in their daily life" (vs. an EU average of 26%). The report is available at:

http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/docs/2014_acr_portugal_chapter_en.pdf

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Portugal has ratified and complies with both the UN Convention Against Corruption and the OECD Anti-Bribery Convention.

Resources to Report Corruption

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13. Bilateral Investment Agreements

Bilateral Taxation Treaties

Portugal has bilateral investment treaties with Albania, Algeria, Angola, Argentina, Bosnia and Herzegovina, Brazil, Bulgaria, Cape Verde, Chile, China, Democratic Republic of Congo, Congo, Croatia, Cuba, Czech Republic, Egypt, Equatorial Guinea, Gabon, Germany, Guinea-Bissau, Hungary, India, Jordan, South Korea, Kuwait, Latvia, Libya, Lithuania, Macao, Mauritius, Mexico, Morocco, Mozambique, Pakistan, Paraguay, Peru, Philippines, Poland, Qatar, Romania, Russia, Sao Tome and Principe, Senegal, Serbia, Slovakia, Slovenia, Timor-Leste, Tunisia, Turkey, Ukraine, United Arab Emirates, Uruguay, Uzbekistan, Venezuela, and Zimbabwe.

Portugal does not share a bilateral investment treaty or free trade agreement with the United States. With the entry into force of the Lisbon Treaty in 2009, the EU has exclusive competence to negotiate trade and investment agreements and is currently in negotiations with the United States for the Transatlantic Trade and Investment Partnership.

Portugal signed an Income Tax Treaty with the United States in 1994 to prevent double taxation and tax evasion. In 2015, Portugal signed an agreement with the United States to improve international tax compliance and implement the U.S. Foreign Account Tax Compliance Act (FATCA).

14. Foreign Trade Zones/Free Ports/Trade Facilitation

Portugal has one foreign trade zone (FTZ)/free port in the Autonomous Region of Madeira, established in 1987. Continued operation of this foreign trade zone/free port was authorized in accordance with EU rules on incentives granted to member states. Industrial and commercial activities, international service activities, trust and trust management companies, and offshore financial branches are all eligible. Companies established in the foreign trade zone enjoy import- and export-related benefits, financial incentives, tax incentives for investors, and tax incentives for companies.

Under the terms of Portugal's agreements with the EU, companies incorporated in the Madeira FTZ can take advantage of a reduced corporate tax rate of 5% until 2020.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*	USG or international statistical source	USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other

Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2015	€179,410	2014	$230,100	http://data.worldbank.org/country/portugal
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2015	€1,629	2014	$2,053	http://www.bea.gov/international/factsheet/factsheet.cfm?Area=321
Host country's FDI in the United States ($M USD, stock positions)	2015	€1,359	2014	$225	http://www.bea.gov/international/factsheet/factsheet.cfm?Area=321
Total inbound stock of FDI as % host GDP	2015	0.91%	2014	0.89%	N/A

* National Statistics Agency, Bank of Portugal, AICEP. Figures only provided in local currency.

Table 3: Sources and Destination of FDI

EU member states, namely Spain and the Netherlands, remain Portugal's primary sources of inward direct investment. IMF figures coincide with data from the Bank of Portugal and Portugal's National Statistics Agency. Angola lost its place in the top five destinations for Portuguese investment abroad this year.

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	107,475	100%	Total Outward	50,284	100%
Spain	29,477	27%	Netherlands	12,026	24%
Netherlands	25,941	24%	Spain	10,373	21%
Luxembourg	13,163	12%	Brazil	3,906	8%
United Kingdom	8,966	8%	Luxembourg	3,182	6%

France	4,796	4%	Germany	3,156	6%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

IMF figures coincide with data from the Bank of Portugal and Portugal's National Statistics Agency.

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	135,187	100%	All Countries	38,128	100%	All Countries	97,059	100%
Germany	19,055	14%	Luxembourg	15,660	41%	Germany	17,584	18%
Spain	18,290	14%	Spain	4,397	12%	Italy	15,861	16%
Luxembourg	18,009	13%	United States	3,616	9%	Spain	13,893	14%
Italy	15,997	12%	Ireland	2,523	7%	Netherlands	9,958	10%
Ireland	11,205	8%	United Kingdom	2,142	6%	Ireland	8,682	9%

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments]

Legal system:

Civil law system; Constitutional Tribunal review of legislative acts

International organization participation:

ADB (nonregional member), AfDB (nonregional member), Australia Group, BIS, CD, CE, CERN, CPLP, EAPC, EBRD, ECB, EIB, EMU, ESA, EU, FAO, FATF, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IEA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAIA (observer), MIGA, NATO, NEA, NSG, OAS (observer), OECD, OPCW, OSCE, Paris Club (associate), PCA, Schengen Convention, SELEC (observer), UN, UNCTAD, UNESCO, UNHCR, UNIDO, Union Latina, UNMIT, UNSC (temporary), UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO, ZC

Section 6 - Tax

Exchange control

Capital movements are freely transferable.

Treaty and non-treaty withholding tax rates

Portugal has signed **83 agreements** (**67 DTC** and **16 TIEA** agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Algeria	DTC	12 Feb 2003	5 Jan 2006	Unreviewed	No
Andorra	TIEA	30 Nov 2009	31 Mar 2011	Yes	Yes
Anguilla	TIEA	28 Feb 2011	not yet in force	Yes	Yes
Antigua and Barbuda	TIEA	13 Sep 2010	not yet in force	Yes	Yes
Austria	DTC	29 Dec 1970	27 Feb 1972	Yes	No
Barbados	DTC	22 Oct 2010	not yet in force	Yes	Yes
Belgium	DTC	16 Jul 1969	19 Feb 1971	Yes	No
Belize	TIEA	15 Sep 2010	not yet in force	Yes	Yes
Bermuda	TIEA	10 May 2010	5 Apr 2011	Yes	Yes
Brazil	DTC	16 May 2000	5 Oct 2001	Yes	No
Bulgaria	DTC	15 Jun 1995	18 Jul 1996	Unreviewed	No
Canada	DTC	14 Jun 1999	24 Oct 2001	Yes	No
Cape Verde	DTC	22 Mar 1999	15 Dec 2000	Unreviewed	No
Cayman Islands	TIEA	13 May 2010	18 May 2011	Yes	Yes
Chile	DTC	7 Jul 2005	25 Aug 2008	Yes	No
China	DTC	21 Apr 1998	7 Jun 2000	Yes	No
Colombia	DTC	30 Aug 2010	not yet in force	Unreviewed	Yes
Cuba	DTC	30 Oct 2000	28 Dec 2005	Unreviewed	No
Cyprus	DTC	19 Nov 2012	16 Aug 2013	Yes	Yes
Czech Republic	DTC	24 May 1994	1 Oct 1997	Yes	No
Denmark	DTC	14 Dec 2000	24 May 2002	Yes	No
Dominica	TIEA	5 Oct 2010	not yet in force	No	Yes
Estonia	DTC	13 May 2003	23 Jul 2004	Yes	No
Finland	DTC	27 Apr 1970	14 Jul 1971	Yes	No
France	DTC	14 Jan 1971	18 Nov 1972	Yes	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Georgia	DTC	21 Dec 2012	not yet in force	Unreviewed	Yes
Germany	DTC	15 Jul 1980	8 Oct 1982	Yes	No
Gibraltar	TIEA	14 Oct 2009	24 Apr 2011	Yes	Yes
Greece	DTC	2 Dec 1999	13 Aug 2002	Yes	No
Guernsey	TIEA	9 Jul 2010	not yet in force	Yes	Yes
Guinea-Bissau	DTC	17 Oct 2008	5 Jul 2012	Unreviewed	Yes
Hong Kong, China	DTC	22 Mar 2011	3 Jun 2012	Yes	Yes
Hungary	DTC	16 May 1995	5 Aug 2000	Yes	No
Iceland	DTC	8 Feb 1999	4 Nov 2002	Yes	No
Iceland	DTC Protocol	16 May 2012	not yet in force	Yes	Yes
India	DTC	11 Sep 1998	30 Apr 2000	Yes	No
Indonesia	DTC	9 Jul 2003	11 May 2007	Yes	No
Ireland	DTC	1 Jun 1993	14 Jul 1994	Yes	No
Isle of Man	TIEA	9 Jul 2010	18 Jan 2012	Yes	Yes
Israel	DTC	26 Sep 2006	18 Feb 2008	Yes	No
Italy	DTC	14 May 1980	15 Jan 1983	Yes	No
Japan	DTC	19 Dec 2011	28 Jul 2013	Yes	Yes
Jersey	TIEA	9 Jul 2010	9 Nov 2011	Yes	Yes
Korea, Republic of	DTC	26 Jan 1996	21 Dec 1997	Yes	No
Kuwait	DTC	23 Feb 2010	not yet in force	Unreviewed	Yes
Latvia	DTC	19 Jun 2001	3 Jul 2003	Unreviewed	No
Liberia	TIEA	14 Jan 2011	not yet in force	Yes	Yes
Lithuania	DTC	14 Feb 2002	26 Feb 2003	Yes	No
Luxembourg	DTC	25 May 1999	30 Dec 2000	Yes	Yes
Macao, China	DTC	28 Sep 1999	28 Sep 1999	Yes	No
Malta	DTC	26 Jan 2001	5 Apr 2002	Yes	No
Mexico	DTC	11 Nov 1999	1 Sep 2001	Yes	No
Moldova, Republic of	DTC	11 Feb 2009	18 Oct 2010	Unreviewed	Yes
Morocco	DTC	29 Sep 1997	27 Jun 2000	Unreviewed	No
Mozambique	DTC	21 Mar 1991	1 Jan 1994	Unreviewed	No
Netherlands	DTC	20 Sep 1999	11 Aug 2000	Yes	No
Norway	DTC	10 Mar 2011	15 Jun 2012	Yes	Yes
Pakistan	DTC	23 Jun 2000	6 Apr 2007	Unreviewed	No
Panama	DTC	27 Aug 2010	10 Jun 2012	Yes	Yes
Peru	DTC	19 Nov 2012	not yet in force	Unreviewed	Yes
Poland	DTC	9 May 1995	1 Jan 1999	Yes	No
Qatar	DTC	12 Dec 2011	not yet in force	Yes	Yes
Romania	DTC	16 Sep 1997	14 Jul 1999	Unreviewed	No
Russian Federation	DTC	29 May 2000	1 Jan 2003	Yes	No
Saint Kitts and Nevis	TIEA	29 Jul 2010	not yet in force	Yes	Yes

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Saint Lucia	TIEA	14 Jul 2010	28 Oct 2011	Yes	Yes
San Marino	DTC	18 Nov 2010	not yet in force	Yes	Yes
Singapore	DTC	7 Sep 1999	16 Mar 2001	No	No
Singapore	DTC Protocol	28 May 2012	not yet in force	Yes	Yes
Slovakia	DTC	6 Jun 2001	2 Nov 2004	Yes	No
Slovenia	DTC	5 Mar 2003	13 Aug 2004	Yes	No
South Africa	DTC	13 Nov 2006	22 Oct 2008	Yes	No
Spain	DTC	26 Oct 1993	28 Jun 1995	Yes	No
Sweden	DTC	29 Aug 2002	19 Dec 2003	Yes	No
Switzerland	DTC	26 Sep 1974	17 Dec 1975	No	No
Switzerland	DTC Protocol	25 Jun 2012	not yet in force	Unreviewed	Yes
Tunisia	DTC	24 Feb 1999	21 Aug 2000	Unreviewed	No
Turkey	DTC	11 May 2005	18 Dec 2006	Yes	No
Turks and Caicos Islands	TIEA	20 Dec 2010	25 Jul 2011	Yes	Yes
Ukraine	DTC	2 Sep 2000	3 Nov 2002	Unreviewed	No
United Arab Emirates	DTC	17 Jan 2011	16 Jul 2011	Yes	Yes
United Kingdom	DTC	27 Mar 1968	20 Jan 1969	Yes	No
United States	DTC	6 Sep 1994	1 Jan 1996	Yes	No
Uruguay	DTC	30 Nov 2009	13 Sep 2012	Yes	Yes
Venezuela	DTC	23 Apr 1996	1 Aug 1998	Unreviewed	No
Virgin Islands, British	TIEA	5 Oct 2010	not yet in force	Yes	Yes

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	**Medium Risk**	**Higher Risk**
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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