

Portugal/Portugal

INTRODUCTION

General

| | |
|------------------------------------|--|
| <i>Capital/Other major cities:</i> | Lisbon/Oporto, Amadora, Braga |
| <i>Area:</i> | 92,391 km ² |
| <i>Population:</i> | 10.61m |
| <i>Language:</i> | Portuguese |
| <i>Currency:</i> | Euro (EUR) |
| <i>Country telephone code:</i> | 351 |
| <i>National holidays:</i> | |
| 2006 – | 1 Jan, 28 Mar, 14, 25 Apr, 1 May, 10, 15 Jun, 15 Aug, 5 Oct, 1 Nov, 1, 8, 24–25 Dec. |
| 2007 – | 1 Jan, 20 Feb, 6, 25 Apr, 1 May, 7, 10 Jun, 15 Aug, 5 Oct, 1 Nov, 1, 8, 24-25 Dec. |
| <i>Business hours:</i> | 09:00–18:00 (Mon–Fri) |
| <i>Banking hours:</i> | 08:30–16:00 or 10:00–19:00 (Mon–Fri) |
| <i>Stock exchange:</i> | Euronext Lisbon |
| <i>Leading share index:</i> | PSI-20 |

Government

Legislature

- Parliamentary republic with a unicameral Assembly of the Republic (Assembleia da Republica).
- Assembly of the Republic – 230 members directly elected for four-year terms.
- The president is directly elected every five years.
- Portugal joined the European Union in 1986.

Head of state

- Anibal Cavaco Silva, president since 9 March 2006.

Political leader

- José Socrates, PM since 12 March 2005.
- Head of a Socialist Party government.

Economy

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | | 2006 | | |
|---|--------|--------|--------|--------|--------|--------|-------|--------|--------|--------|
| | | | | | | Q3 | Q4 | YEAR | Q1 | Q2 |
| Exchange rate* (EUR†/USD) | 1.0854 | 1.1175 | 1.0626 | 0.8860 | 0.8054 | 0.8201 | 8.415 | 0.8041 | 0.8320 | 0.7962 |
| Interest rate** (MMR) (%) | 4.39 | 4.26 | 3.32 | 2.34 | 2.11 | 2.13 | 2.34 | 2.19 | 2.61 | 2.89 |
| Consumer inflation‡ (%) | + 2.9 | + 4.4 | + 3.6 | + 3.3 | + 2.4 | + 2.6 | + 2.7 | + 2.3 | + 2.9 | + 2.9 |
| Unemployment (%) | 3.9 | 4.1 | 5.1 | 6.3 | 6.7 | 7.7 | 8.0 | 7.6 | NA | NA |
| GDP volume growth‡ (%) | + 4.0 | + 2.0 | + 0.8 | - 1.2 | + 1.2 | + 0.3 | + 0.9 | + 0.4 | + 1.0 | NA |
| GDP (EUR bn†) | 122 | 129 | 135 | 138 | 143 | - | - | 147 | - | - |
| GDP (USD bn) | 113 | 116 | 127 | 155 | 178 | - | - | 183 | - | - |
| GDP per capita (USD) | 11,012 | 11,256 | 12,338 | 14,939 | 17,010 | - | - | 17,474 | - | - |
| BoP (Goods/services/income) as % GDP | - 13.4 | - 12.7 | - 10.0 | - 8.0 | - 9.2 | - | - | - 10.8 | - | - |

* Period average. † PTE (Portuguese escudo) until 1999, EUR since 1999 @ PTE200.482 per EUR.

** From 2000 3 month Euro interbank rate. ‡ Year-on-year.

Source: International Financial Statistics, IMF, August 2006.

Sectoral distribution of GDP (% of GDP)

- Agriculture 5.3%
- Industry 27.4%
- Services 67.3% (2005 estimate)

COUNTRY CREDIT RATING

Fitch Ratings rates Portugal's issuer credit as:-

| Term | Local Currency Rating | Foreign Currency Rating |
|-------------------------------|------------------------------|--------------------------------|
| Short | - | F1 + |
| Long | AA | AA |
| Long term rating alert | Outlook Negative | |

Source: www.fitchratings.com August 2006

LEGAL AND REGULATORY

Central bank

- The Portuguese central bank, Banco de Portugal, is an independent institution which operates in accordance with the 1998 Organic Law of the Banco de Portugal and its amendments. The Banco de Portugal is a member of the European System of Central Banks (ESCB).

Bank supervision

- The Banco de Portugal supervises the banking sector within Portugal.
- In 2000, the Banco de Portugal, Securities Exchange Commission (CMVM) and the Portuguese Insurance Institute established the National Council of Financial Supervisors. The Council has two main roles - the promotion of cross-sector financial supervision, and co-operation with regulators in other countries.

Resident/Non-resident status

- A resident company is a company that has its head office or place of effective management in Portuguese territory (mainland Portugal, the Autonomous Regions of Madeira and the Azores and their territorial waters).

Bank accounts

- Foreign exchange accounts and domestic currency (EUR) accounts can be held by residents both domestically and abroad, and accounts in domestic currency are convertible into foreign currency.
- Non-resident bank accounts are permitted in Portugal, denominated in either domestic or foreign currency. Non-resident accounts in domestic currency are convertible into foreign currency.
- Interest can be offered on savings and time deposits.
- Overdraft facilities are permitted and widely used by companies.

Reporting

Reporting regulations

- Reporting regulations require all transactions between residents and non-residents, payments made/received on resident accounts held abroad to be reported to the Banco de Portugal when they exceed EUR 12,500.
- However, banks can report all transactions and/or apply simplified reporting.
- The information is reported on a monthly basis, within ten working days after the end of the month.

Reporting method

- The majority of larger companies in Portugal report directly to the Banco de Portugal.
- Banks can undertake the reporting on behalf of their corporate clients but the accuracy of all reported information ultimately remains the resident's responsibility.
- Data can be submitted to the Banco de Portugal via e-mail or via BPnet (a secure internet connection between Banco de Portugal and resident banks).

Anti-money laundering / Counter-terrorist financing*

- Portugal has implemented the relevant EU anti-money laundering directives ('Decree No. 313' of 1993, 'Decree No. 325' of 1995, 'Decree-Law 5' of 2002, 'Act No. 52' of 2003 and 'Law Establishing The Regime For The Prevention And Repression Of The Laundering Of Benefits Of Illicit Origin' No. 11/04 of 2004).
- A Financial Action Task Force (FATF) member, Portugal observes most of the FATF-49 standards. Portugal is also a member of the South American Financial Action Task Force (GAFISUD) with observer status.
- Portugal has established a financial intelligence unit (FIU), the *Unidade de Informação Financeira (UIF)* which is a member of The Egmont Group.
- Financial institutions in the broadest sense are required to report suspicious transactions to the Director of Public Prosecutions.
- As from 1 January 2006 non-banking financial institutions must submit detailed annual Control and Supervision Reports to the Commission by 30 June the following year.

- Cross-border transactions involving cash, non-manufactured gold, and certain negotiable financial instruments exceeding EUR 12,500 must be declared to Customs.
- Account opening procedures require formal identification of the customer unless the customer is a financial or credit institution or insurance company with its head office in an EU Member State, FATF country or an EU branch of a third-country institution or insurance company. Formal identification includes photograph, name, place and date of birth but there is currently no requirement to record or verify address.
- Currently, there is no requirement to identify underlying beneficial owners of legal entities.
- All financial institutions must identify clients for transactions exceeding EUR 12,500 and demand written proof from customers regarding the origin and beneficiary of such transactions. There are additional thresholds for mandatory identification of clients by other institutions and professions.
- All records must be kept for at least ten years.

*Supplied by BCL Burton & Copeland (www.burtoncopeland.co.uk for background explanatory article). Data as at May 2006.

Exchange controls

- No exchange controls apply in Portugal.
- Portugal participates fully in EMU. On 28 February 2002, the euro (EUR) replaced the Portuguese escudo (PTE) as sole legal tender with a conversion rate of PTE 200.482:EUR 1.

TAXATION*

Resident/Non-resident

- A company is considered resident in Portugal if its head office or place of effective management is located in Portuguese territory (mainland Portugal, the Autonomous Regions of Madeira and the Azores and their territorial waters).

Tax year

- The accounting year corresponds to the calendar year, unless the company chooses a different year end. The tax year also corresponds to the calendar year. A tax year different from the calendar year may be adopted by permanent establishments of non-residents or by other entities, in the latter case upon request to the Minister of Finance.
- The self-assessment method is used for the calculation of corporate income tax (CIT). Companies are required to make three equal prepayment instalments, totalling 75% (for companies with a turnover equal to or less than EUR 498,797.90) or 85% (for companies with a turnover that exceeds EUR 498,797.90) of the previous year's corporate tax. A special payment is also due, and the amount of this is assessed with reference to the difference between 1% of the annual turnover of the previous tax year and the prepayments made during that year. The special payment has a minimum value of EUR 1,250 and, when higher, the special payment corresponds to that limit plus 20% of the excess, with an absolute maximum of EUR 70,000.
- Returns must be filed before the end of the fifth month of the following year.

Corporate taxation

- The general rate is 25%. Many municipalities make an additional non-deductible surcharge, which cannot exceed a maximum of 10% of the corporate income tax (the prevalent maximum total rate is 27.5%). Companies whose annual turnover does not exceed EUR 149,639.37 qualify for a rate of 20% (subject to the satisfaction of certain other conditions).
- The profits of a controlled foreign company subject to a 'privileged tax regime' are taxable on its most immediate Portuguese shareholder that is subject to the normal CIT regime, irrespective of the distribution of income by the non-resident entity.

Advance tax ruling availability

- Advance rulings are available. They bind the tax authorities, except in the case of a court decision.

Thin capitalisation

- Thin capitalisation regulations limit the deductibility of interest on loans from a non-resident related party with which the Portuguese company has a special relationship. Interest paid on 'excessive financing' will not qualify as a deductible expense. A debt/equity ratio of 2:1 will be used to determine whether a company is excessively financed. The concept of a special relationship for these purposes is equivalent to that applicable for transfer pricing purposes.
- The Portuguese State Budget for 2006 introduced a relevant amendment to the Portuguese thin capitalisation rules whereby the above mentioned regulations will not apply whenever the financing derives from an EU resident company.
- All forms of debt, including those under which guarantees have been granted by a foreign related entity, provided the lender is also a foreign entity, are taken into account for the purposes of the ratio. The equity includes the share capital and all other component elements of the equity, except for those related to unrealised gains or losses.
- The ratio is computed separately for each foreign lender. Where the level of debt is exceeded, the interest payments may nevertheless be allowed as a deduction where the taxpayer proves that the loan conditions are still comparable to those available in the market. The comparison uses set criteria to show that the Portuguese borrower could have obtained the debt financing, from a third party, under the same or similar conditions. The proof, to be made by the taxpayer, must be included in its tax file.
- Furthermore, for shareholders' loans, the deductible interest shall not exceed the 12 month Euribor rate in force at the day the loan was granted, plus a 1.5% spread. However, this rule only applies where transfer pricing rules do not apply.

Transfer pricing

- Portuguese transfer pricing provisions came into force in 2002 and contain specific rules on the determination of arm's length prices and on what constitutes a special relationship between the parties involved. A special relationship is deemed to exist where one of the companies involved has the power to exercise significant influence in the management of the other company. A special relationship is also deemed to exist whenever one of the companies involved is resident in a country, territory or region with a 'privileged tax regime'.
- The transfer pricing law applies to transactions between domestic Portuguese companies as well as to transactions between Portuguese companies and foreign companies. The existence of transactions with entities which may be covered by these rules has to be declared to the Portuguese tax authorities.
- The methods prescribed to ascertain an arm's length price for transactions between related parties include the comparable uncontrolled price method, the resale-minus method and the cost-plus method. If none of these methods is applicable, or if they fail to provide a reliable measure of the terms and conditions that unrelated parties would agree upon, then other methods should be used (the profit-split method, the transactions-net-margin method or another reasonable method).
- If the prices agreed upon in transactions between related entities are not arm's length prices, and the taxpayer has not taken timely steps to correct this situation, the Portuguese tax authorities may adjust the prices accordingly.

Capital gains tax

- Gains arising from the transfer of fixed assets for valuable consideration (regardless of the form of the disposal) are subject to CIT at the same rate as ordinary income.
- The capital gain or loss is computed as the difference between the sales proceeds (net of related expenses) and the value at acquisition, as reduced by any depreciation claimed or deemed to have been claimed. The acquisition cost of an asset may be indexed for the purpose of computing a capital gain or loss on its disposal, provided it has been owned for at least two years. However, financial investments, other than property or capital shares, are not eligible for indexation.
- A partial exemption from CIT may be available under which 50% of the capital gains on the disposal of fixed assets and shares are exempt from tax and the other 50% taxed in the year in which the capital gains are realised. To qualify for this exemption, the proceeds on the disposal of the assets must be reinvested in the period 12 months before to two years after the disposal of the qualifying assets and the assets that are sold must have been held for at least one year. Second-hand assets acquired from a related entity do not qualify for reinvestment purposes. Furthermore, shares that are sold must represent at least 10% of the share capital of a company or have a minimum acquisition cost of EUR 20 million. The taxation of 50% of capital gains derived from the disposal of shares may be subject to additional adjustment depending on the counterparty involved in the transaction.
- Losses on the disposal of shares held for less than three years and acquired from related parties, from entities domiciled in a country, territory or region subject to a 'privileged tax regime' or from Portuguese resident entities subject to a special taxation regime, are not deductible for CIT purposes. Losses on the disposal of shares are not tax deductible when the acquirer is a related party, an entity domiciled in a country, territory or region subject to a 'privileged tax regime' or a Portuguese resident entity subject to a special taxation regime. Moreover, losses on the disposal of shares are not tax deductible when the sale results from the transformation, including the change of the corporate objects, of a company previously subject to a different tax regime concerning the tax deductibility of losses, unless a three year minimum period has elapsed since transformation.
- Only 50% of the annual net capital losses on the disposal of shares, including redemption and amortisation, is deductible for CIT purposes.
- Despite the described general regime, different taxation rates are applicable to capital gains for non-residents, which are subject to a 25% rate (and may benefit from an exemption) and to capital gains obtained by individuals (resident or non-resident) on the disposal of shares, which are subject to a 10% rate (and may benefit from an exemption).

Stamp duty

- Stamp duty is payable on the granting of a loan/financing where the Portuguese company or the Portuguese branch of a foreign company is either the borrower or the lender. The applicable rates (levied for each use of credit) vary depending on the period of use of the credit from 0.04% to 0.6%.
- Guarantees granted to or by a Portuguese company, regardless of the residence country of the other party, are subject to stamp duty (except if ancillary to and given simultaneously with the

loan or other transaction subject to stamp duty) at the same variable rates as above, depending upon the period of the guarantee.

- Stamp duty is payable, at 4% (3% for commissions on guarantees), on interest and commissions charged by a Portuguese or foreign credit or financial institution.
- Stamp duty exemptions can apply, namely to:
 - Transactions and related interest, commissions and guarantees granted between Portuguese and EU credit/financial institutions or other credit/financial institutions not domiciled in a tax privileged jurisdiction as defined by ministerial decree.
 - Shareholder loans and related interest granted for a period of one year or longer are exempt from stamp duty, except when the shareholder is domiciled in a privileged tax jurisdiction as defined by ministerial order.
 - Premiums received on reinsurance relating to companies operating in Portugal as well as premiums and commissions on life insurance policies.

Withholding tax (subject to tax treaties)

| Payments to: | Interest | Dividends | Royalties | Other income |
|------------------------|-----------------|------------------|------------------|---------------------|
| Resident Companies | 15% or 20% | 20% | 15% | - |
| Non-resident Companies | 20% | 20% | 15% | 15% |

- Decree-Law 192/2005, November 7, introduced a single withholding tax rate of 20% on dividends distributed to both resident and non-resident shareholders (the previous rates were 15% for dividends paid to resident shareholders and 25% for dividends distributed to non-resident shareholders), subject to reduction under a double tax treaty. If dividends are distributed to companies resident in another EU member state, this tax will not be due provided that the holding in the Portuguese company that distributes the dividends is at least 20% and it is held for at least two years.
- The above Decree-Law also introduced an autonomous 20% taxation applicable to dividends distributed to totally or partially exempt shareholders whenever the shares have not been held for at least one year previous to the dividend distribution or will not subsequently be held for that same period of time.
- A withholding tax of 20% is levied on interest payments on ordinary loans and credit facilities made to non-resident companies as well as on interest from bank deposits and public and corporate bonds paid to resident and non-resident companies. A 15% withholding tax is due on interest paid by a Portuguese entity or a Portuguese branch of a foreign entity on loans obtained. Some exemptions can be applied (e.g. interest from public bonds paid to non-residents which are not 'tax haven' residents). Portuguese financial institutions and Portuguese branches of non-resident financial institutions are exempt from withholding tax on interest.
- From 1 July 2005, the withholding tax on interest and royalties payable to companies resident in another EU Member State is reduced to 10%, provided that the EU company holds at least 25% of the share capital of the Portuguese company or vice-versa or another EU company holds at least 25% of both companies and, in all cases, the shares are held for at least two years. The 10% rate will be reduced to 5% from 1 July 2009 and no withholding tax will apply from 1 July 2013.

Tax treaties

- The above withholding taxes may be reduced (dividends, interest and royalties) or avoided (other income) under a tax treaty entered into by Portugal. The reduction or exemption may operate upfront or through a refund mechanism. Formalities apply in both cases.

Sales taxes/VAT (incl. financial services)

- As a general rule, services rendered by Portuguese providers are subject to Portuguese VAT. Internal sales of goods, import of goods and intra-community acquisition of goods considered located in Portugal are liable to Portuguese VAT. The standard rate of VAT is 21% (15% outside of the mainland).
- There is a medium rate of 12% (8% outside of the mainland) that applies mainly to services related to food and beverages and some transformed food products, and a reduced rate of 5% (4%

outside of the mainland) applicable to some essential and non-transformed food products, books, magazines and newspapers, water, medical services, medicines, electricity, passengers transport, hotels, etc.

- Exports are zero-rated.
- Most financial services are exempt from VAT.

Payroll and social security taxes

- Employers are liable for social security contributions of 23.75% on employee remuneration with no ceiling (special rules may apply to members of the board of directors or other corporate boards). The contributions are deductible for corporate tax purposes.

*All tax information supplied by Deloitte (www.deloitte.com). Data as at 1 May 2006.

BANKING

Major banks

| Bank | Total assets (USDm) |
|---|---------------------|
| | 31 Dec. 2005 |
| Caixa Geral de Depósitos | 101,983 |
| Banco Comercial Português | 90,646 |
| Banco Espírito Santo Group | 59,238 |
| Banco Santander Totta | 45,075* |
| Banco BPI | 35,573 |
| Caixa Económica Montepio Geral | 16,475 |
| Caixa Central de Crédito Agrícola Mútuo | 11,052 |

* Figures for 31 December 2004.

Source: www.bankersalmanac.com

Overview

- There are approximately 39 commercial banks (a significant number of which are foreign-owned), five savings banks, around 114 mutual rural credit institutions and numerous other credit institutions. There are also around 34 branches of foreign credit institutions in Portugal.
- Rapid financial deregulation and privatisation have led to a major consolidation of the Portuguese banking sector in recent years.
- In terms of total assets and capital, Banco Comercial Português and the state-owned Caixa Geral de Depósitos are Portugal's leading banks. The Espírito Santo Group, Banco Santander Totta (part of the Spanish BSCH Group) and Banco Português de Investimento (BPI) are the other main banks.
- Banco Comercial Português recently launched a bid to acquire Banco BPI.

PAYMENT INSTRUMENTS

Payment statistics

| | Millions of transactions | | | Traffic (EUR billion) | | |
|-----------------------------|--------------------------|----------------|--------------------|-----------------------|----------------|--------------------|
| | 2003 | 2004 | % change 2004/2003 | 2003 | 2004 | % change 2004/2003 |
| Cheques | 242.6 | 230.6 | -5.0 | 361.6 | 361.4 | -0.05 |
| Credit transfers | 90.2 | 76.0 | -15.7 | 596.9 | 781.5 | 30.9 |
| Bills of exchange (efeitos) | 4.6 | 4.7 | 2.2 | 4.2 | 4.5 | 8.4 |
| Direct debits | 143.1 | 144.6 | 1.1 | 22.0 | 24.2 | 9.7 |
| Debit/Credit card payments | 675.7 | 693.0 | 2.6 | 21.2 | 23.2 | 9.5 |
| Card-based e-money | 1.14 | 0.5 | -56.1 | 0.00 | 0.00 | - |
| Total | 1,157.2 | 1,149.4 | -0.7 | 1,005.8 | 1,194.7 | 18.8 |

Source: ECB Blue Book statistical update, March 2006.

Credit transfers

- The credit transfer is the dominant cashless payment instrument in Portugal in terms of value.
- Corporate clients commonly use the two main types of credit transfer – the standing order and variable standing order – in order to pay suppliers and employees.
- Credit transfers can be paper-based or automated although over 90% are currently automated.

Direct debits

- Direct debits are commonly used for recurring payments such as utility bills and insurance premia.
- Direct debits usually carry no charge, provided that they are processed via an automated system.
- Direct debits can either be processed by SICOI (see Payment Systems) or via an older system, where bilateral arrangements exist between companies providing direct debit services and between banks.

Cheques

- Cheques are widely used for corporate and private transactions.
- However, cheque usage has been in decline over recent years in favour of electronic payment instruments.
- Several banks provide services to accelerate cheque collection, ranging from lockbox solutions to cheque express services whereby cheque data are captured electronically by the customer and forwarded to the bank ahead of physical cheque delivery.

Bills of exchange

- Discountable bills of exchange are widely used by companies.
- Bills of exchange are subject to stamp duty.

Card payments

- The usage of payment cards has increased rapidly over recent years and they now account for over half of all cashless payments.
- Card payments have increased in usage largely as a result of the development by SIBS (*Sociedade Interbancária de Serviços* – Interbank Services Company) of the Multibanco automated payment system.
- SIBS also developed the PMB (*Porta-moedas multibanco*) multi-purpose prepaid card for small amounts, however this was discontinued last year.
- The number of ATMs and EFTPOS terminals has increased rapidly in recent years to over 12,600 and approximately 137,000 respectively in 2004.
- Multibanco operates a joint ATM and EFTPOS network, but several banks also have proprietary ATM networks.

Postal instruments

- Postal transfers are primarily used for low-value pension payments.
- However usage has fallen slightly in recent years as bank transfers are gradually becoming more popular with the social security authorities as a method of paying pensions.

PAYMENT SYSTEMS

Type

- The Banco de Portugal manages and acts as the settlement agent for Portugal's payment system, which is composed of three main clearing procedures:
 - the national TARGET-linked RTGS system, SPGT (Sistema de Pagamentos de Grandes Transacções),
 - a primarily high-value gross settlement system, SLOD (Sistema de Liquidação de Outros Depositantes – Settlement System for Other Depositors), and
 - the Portuguese automated interbank exchange and settlement system for low-value payments, SICOI (Sistema de Compensação Interbancária or Telecompensação), which is composed of five sub-systems:
 - the Multibanco sub-system,
 - the cheque sub-system,
 - the electronic funds transfer system (TEI),
 - the direct debit sub-system (SDD – Sistema de Débitos Directos), and
 - the bill of exchange (efeitos) sub-system.
- Jointly owned by Portugal's leading banks, SIBS is the central operational body of the SPGT and Portugal's automated clearing systems.

Participants

- SPGT has 41 participants, including commercial banks, Banco de Portugal, the Treasury, other public organisations and members of the other clearing systems. All participants hold accounts at the Banco de Portugal.
- SLOD has around 84 participants, comprising financial institutions which are not permitted to participate in SPGT.
- The SICOI sub-systems are made up as follows:
 - The Multibanco sub-system has 23 direct participants and 9 indirect participants. .
 - The cheque sub-system has 29 direct participants and 29 indirect participants.
 - The TEI sub-system has 40 direct participants and 18 indirect participants.
 - The SDD sub-system has 26 direct participants and 11 indirect participants. .
 - The bill of exchange sub-system has 21 direct participants and 13 indirect participants. .

Transaction types processed

- SPGT individually settles interbank transfers and cheques above EUR 100,000.
- SLOD usually processes high-value payments, although there is no minimum transaction size.
- SICOI processes all other transactions, irrespective of their value. All retail payments are cleared via SICOI's separate sub-systems:
 - The Multibanco sub-system processes debit and credit card payments made at ATM and EFTPOS terminals.
 - The cheque sub-system processes cheques equal to or below EUR 100,000.
 - The TEI sub-system processes electronic credit transfers equal to or below EUR 100,000.
 - The SDD sub-system processes pre-authorised direct debits.
 - The bill of exchange sub-system processes bills equal to or below EUR 100,000 and accepts commercial bills denominated in foreign currency.

Operating hours

- SPGT's operating hours reflect those of TARGET, i.e. between 06:00 and 17:00 GMT.
- SLOD's operating hours are identical to those of SPGT.
- SICOI operates online 24 hours a day.

Clearing cycle details

SPGT

- SPGT settles transfers electronically in real time and with immediate finality.
- The cut-off time for customer payments is 16:00 GMT, while interbank payments are accepted until 17:00 GMT.
- SPGT communicates with its participants via the SIBS interbank payment network.
- Banks submit payment orders electronically in SWIFT format.
- Settlement takes place via the participants' accounts held at the Banco de Portugal.

SLOD

- Like SPGT, the cut-off time for customer payments is 16:00 GMT, while interbank payments are accepted until 17:00 GMT.
- However, intra-day credit is not allotted to its participants.

SICOI

- All transactions are processed in batches apart from those in the Multibanco sub-system, which effects transactions in real time.
- Transaction information is channelled indirectly between banks via SIBS.
- Cheques below EUR 10,000 are truncated, while those above EUR 10,000 (but below EUR 100,000) and irregular cheques are processed via the CIIC, an interbank electronic image exchange system implemented by SIBS and the banking community.
- Customer credit transfers must be submitted by 19:00 GMT and are settled the following day, while interbank transfers must be submitted before 13:45 GMT in order to be settled on a same-day basis.
- Bills of exchange are settled via netting.

CASH MANAGEMENT

Domestic

Notional pooling

- Notional pooling is permitted and widely used and is easier to perform than cash concentration due to local accounting procedures.

Cash concentration

- Cash concentration is permitted and has increased in popularity following adjustments to stamp duty rates.
- Zero- and target-balancing are permitted, including between resident and non-resident entities.
- Both conventional and two-way sweeping are permitted.

Cross-border

- Cross-border sweeping is only offered by a few Portuguese banks, and mostly in affiliation with international banks.
- Cross-border notional pooling and cross-border sweeping are both permitted. However, much depends on the legal and tax circumstances and relationships between account holders, and the countries involved must be considered.

Lifting fees

- Funds transfers between resident and non-resident accounts are usually subject to lifting fees.

Short-term investments

- There are no restrictions against paying interest on current accounts. However, yields tend to be marginal.
- Interest can be paid on demand and time deposits in domestic (EUR) or foreign currency.
- Commercial paper is a short-term investment offered by companies as part of a longer-term programme.
- Treasury bills are issued at discount by the Portuguese Government Debt Agency with maturities of up to one year.
- Certificates of deposit are offered by commercial banks and the Banco de Portugal.
- Some banks offer access to money market funds as part of their suite of short-term investment products.
- Repurchase agreements are also available as a method of short-term investment.

ELECTRONIC BANKING

- Electronic banking is widespread in Portugal.
- However, functionality varies among the systems available, with many incapable of multi-bank transmission or cross-border transmission of payments or information.
- There is no bank-independent electronic banking standard in Portugal.
- Internet banking is offered by all the major banks. The services on offer include the initiation of cash management transactions which enable both private individuals and corporate treasurers to manage their accounts in real time.

TRADE FINANCE

Trading partners

Import

- Spain 28.5%, Germany 13.2%, France 8.5%, Italy 5.1%, UK 4.3%, Netherlands 4.2%.

Export

- Spain 25.5%, France 12.8%, Germany 11.8%, UK 8.1%, USA 5.4%, Italy 4.1%.

Imports/Exports

- Portugal applies the European Union customs code and all associated regulations and commercial policies.

USEFUL CONTACTS

| | | |
|--|---------------------------|--|
| Banco de Portugal | | www.bportugal.pt |
| Leading banks | Caixa Geral de Depósitos | www.cgd.pt |
| | Banco Comercial Português | www.millenniumbcp.pt |
| | Banco Espírito Santo | www.bes.pt |
| Portuguese Bankers' Association | | apbancos@apb.pt |
| Portuguese Association of Corporate Treasurers | | Rui Pedrosa - rpedrosa@rtp.pt |
| Ministry of Finance and Public Administration | | www.min-financas.pt |
| Ministry of Economy | | www.min-economia.pt |
| Lisbon Trade Association / Portuguese Chamber of Commerce and Industry | | www.port-chambers.com |
| ICEP Portugal (Investment, Trade and Tourism of Portugal) | | www.portugalinbusiness.com |
| Invest in Portugal Agency | | www.investinportugal.pt |
| Euronext Lisbon | | www.euronext.pt |
| Interbank Services Company/SIBS | | www.sibs.pt |

HSBC CONTACT DETAILS

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