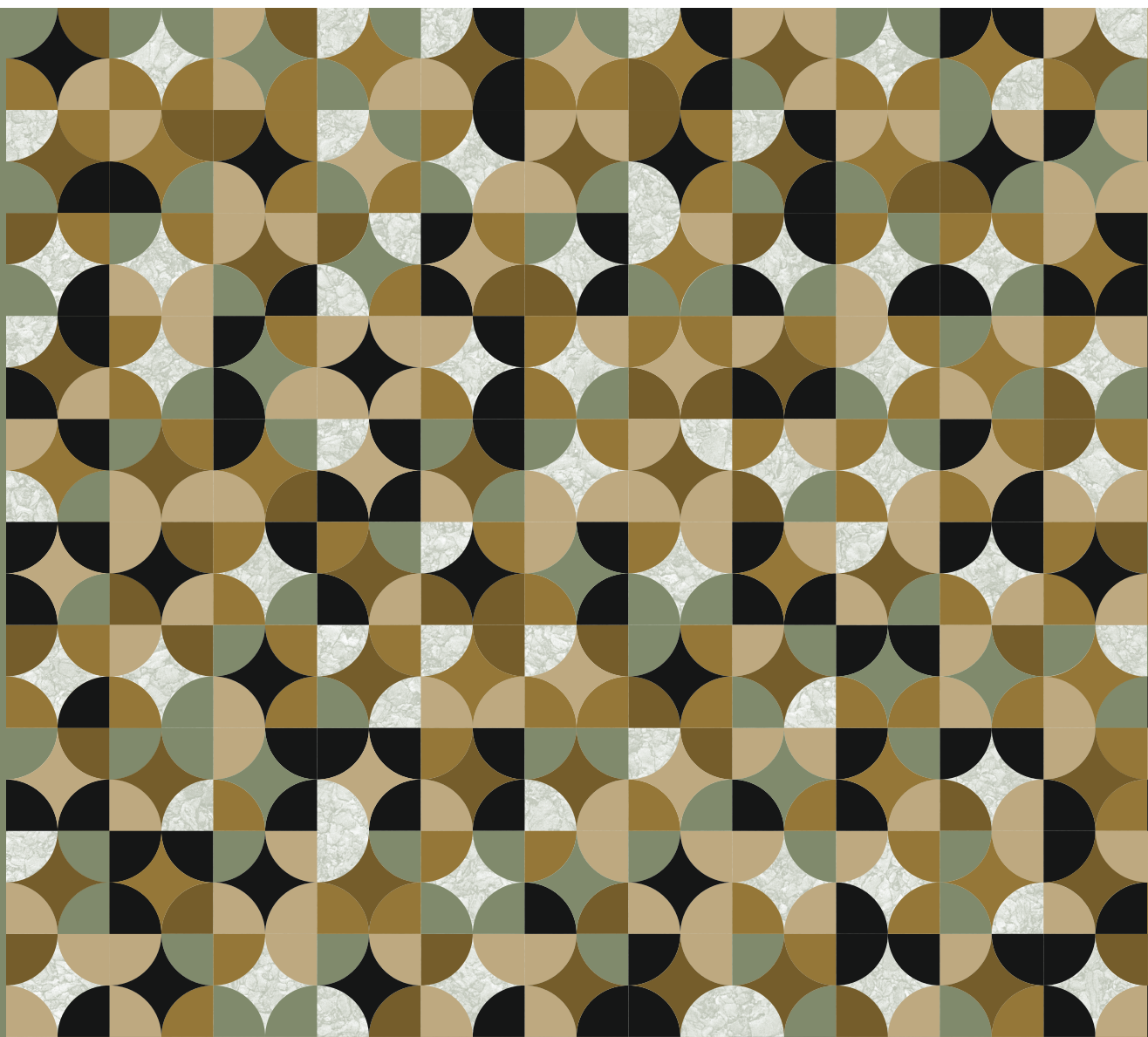




BANCO DE PORTUGAL
EUROSYSTEM

Code of Conduct for the Members of the Board of Auditors of Banco de Portugal



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**BANCO DE
PORTUGAL**
EUROSYSTEM

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Preamble

Whereas, in accordance with paragraph 2 (a) of the Regulation of the Board of Auditors, the Board of Auditors shall “appraise the adequacy of the general control and reporting culture in Banco de Portugal and monitor compliance with its codes of ethics and conduct, including the treatment of any irregular acts and frauds”;

Whereas, in accordance with subparagraph (b) of the same Regulation, the Board of Auditors shall be responsible for “monitoring and appraising the processes for overseeing and controlling compliance with the applicable law, regulations and standards”;

Whereas Guideline (EU) 2015/855 of the European Central Bank (ECB) of 12 March 2015 laying down the principles of a Eurosystem Ethics Framework on minimum standards for the ECB and national central banks when conducting monetary policy operations and managing the ECB’s foreign reserve assets;

Whereas Guideline (EU) 2015/856 of the European Central Bank of 12 March 2015 laying down the principles of an Ethics Framework for the Single Supervisory Mechanism, of which Banco de Portugal is part;

Whereas on 31 May 2016 the Board of Directors of Banco de Portugal approved the “Regulation of the Ethics Committee and of the General Duties of Conduct of the Employees of Banco de Portugal”, with the purpose of implementing the necessary measures for compliance with said guidelines;

Whereas the Board of Directors, taking into consideration its special responsibilities as Banco de Portugal’s decision-making body, set forth a Code of Conduct for its members with more stringent rules than those applicable to the employees of Banco de Portugal;

Whereas the need for a *Code of Conduct for the members of the Board of Auditors* that (i) considers the nature and specificities of their functions and the specific situation of its members and (ii) establishes behavioural standards that, beyond scrupulous compliance with the law, meet the high standards of ethical conduct expected for the exercise of the audit function of Portugal’s central bank;

Whereas the Board of Auditors, under the applicable legislation, is not a decision-making body, and does not exercise executive functions, but only and exclusively audit and advisory functions, that shall be pursued autonomously and independently from (i) Banco de Portugal and all its bodies and structures, (ii) the entities falling under Banco de Portugal’s scope for action, namely credit institutions and financial companies and (iii) other entities with relevant economic relations with Banco de Portugal;

Whereas the members of the Board of Auditors perform audit functions on a non-exclusive basis and may therefore carry out personal and professional activities outside Banco de Portugal without prejudice to compliance with the principles, rules and procedures required of the audit functions, with a particular focus on compliance with legal and regulatory requirements or the independence required for the aforementioned functions;

Whereas the Board of Auditors of Banco de Portugal has a collegiate nature in the exercise of the Bank’s and the Autonomous Funds’ public audit functions, in the framework of the applicable legislation;

The Board of Auditors of Banco de Portugal, at its meeting on 27 September 2016 decided to approve the *Code of Conduct for the members of the Board of Auditors of Banco de Portugal*, composed of the following provisions:

1. Scope of application

1.1. This Code of Conduct (hereinafter referred to as the ‘Code’) lays down rules and standards of conduct for the members of the Board of Auditors of Banco de Portugal (hereinafter referred to as the ‘Board members’).

1.2. The Code contains the ethical principles and standards to follow and clarifies the benchmarks to be used in assessing the degree of compliance with obligations taken on by the Board members, when monitoring and auditing Banco de Portugal and the autonomous funds that legally fall under its sphere of competence.

2. Definitions

For the purposes of this Code of Conduct:

Conflict of interest means a situation where the Board members have a private, personal or professional interest that may influence the impartial, objective and independent performance of their duties.

Private or personal interest means any benefit or potential benefit of a financial or non-financial nature, for the Board members, their family members, friends or acquaintances, in the context of the Board's functions.

Duty of secrecy means the obligation not to disclose information on facts or elements that come to their knowledge through or by virtue of their duties.

Inside information means information on facts or elements that come to their knowledge through or by virtue of their duties, which has not been made public or is not accessible to the public and the use of which may lead to advantages for the members themselves or third parties.

3. General duties of conduct

3.1. In accordance with European and Portuguese rules, Board members, when exercising their functions, shall be exclusively at the service of public interest, as defined, according to the applicable principles and rules, by the competent bodies of the European System of Central Banks and Banco de Portugal, and shall abide by the principles of lawfulness, justice and impartiality.

3.2. In their conduct, Board members shall show loyalty to Banco de Portugal, and shall act honestly, independently, transparently and impartially, while observing the highest standards of ethical conduct and avoiding situations liable to give rise to conflicts of interest or harm Banco de Portugal's image and reputation.

3.3. Board members shall be mindful of the importance of their individual duties and

responsibilities and act in a way that promotes public trust in Banco de Portugal and contributes to its effective operation and good image.

4. Prevention of conflicts of interest

4.1. Board members shall avoid any situation liable to give rise to conflicts of interest with the performance of their duties and shall always be in a position to act with full independence and impartiality.

4.2. During their term of office, Board members shall not carry out any activities or provide services, whether remunerated or not, in entities subject to Banco de Portugal's supervision or in whose supervision Banco de Portugal participates under the Single Supervisory Mechanism, as well as in groups of enterprises controlled by those entities, nor in entities with relevant economic relations with Banco de Portugal.

4.3. Should Board members, on the date of their appointment, carry out activities or exercise functions within the scope of professional situations that are incompatible with the exercise of their audit functions, including those referred to in paragraph 4.2, they shall interrupt them during their term of office and may resume them after its end.

4.4. In the performance of academic, teaching, scientific, professional or personal activities, Board members shall not disclose or use information to which they have access through or by virtue of their duties and which has not been published or cannot be accessed by the public.

5. Duty of secrecy and use of inside information

5.1. Duty of secrecy

5.1.1. Pursuant to the European and national rules governing Banco de Portugal's activities,

Board members are bound by the duty of secrecy, even after the termination of employment with Banco de Portugal.

5.1.2. Board members shall ensure that access to information protected by the duty of secrecy is limited to those who need it for the performance of their duties and that the persons to whom they have given access to their information also respect the duty of secrecy.

5.2. General prohibition on misusing inside information

5.2.1. Board members shall refrain from using, even after the termination of employment, inside information to which they have access through or by virtue of their duties in any private financial transaction or for recommending or advising against such transactions.

5.2.2. The obligation provided for in the foregoing paragraph shall continue to apply until the information is made public.

5.2.3. Board members shall ensure that access to inside information is restricted to those who need it for the performance of their duties and that the persons to whom they have given access to their information also respect the general prohibition on misusing inside information.

6. Limits to private financial transactions

6.1. During their term of office, Board members shall not conduct private financial transactions related to:

- a) individual tradable shares and bonds issued by financial institutions established or having a branch in Portugal;
- b) derivatives related to the shares and bonds listed under (a);
- c) combined instruments, where any of the components falls under the provisions of subparagraphs (a) or (b);
- d) fund units the main purpose of which is to invest in bonds, shares or the instruments mentioned in the foregoing subparagraphs.

6.2. Board members may keep the assets resulting from transactions related to the instruments mentioned in the foregoing paragraph, provided that:

- a) they have been acquired prior to their taking office as Board member;
- b) their acquisition took place during the term of office, but did not result from any autonomous initiative by the Board member, originating namely in an inheritance, donation, change in the family or company structure, or in the exercise of subscription rights;
- c) they have not been traded during the term of office.

6.3. The limits to private transactions set forth in the foregoing paragraphs shall not apply if the financial asset management has been placed under the control of one or more portfolio managers with full discretion.

7. Relations with external entities and the general public

7.1. Gifts, awards and other benefits or compensation

7.1.1. Respect for the principles of independence and impartiality is incompatible with acceptance by Board members for their own benefit or for the benefit of a third party of gifts, awards and other benefits or compensation which are connected in any way whatsoever with their duties in Banco de Portugal.

7.1.2. The provisions of the foregoing paragraph shall cover any gifts to the Board member's family, which, albeit indirectly, are in any way connected with the duties performed at Banco de Portugal or where they are considered an attempt at undue influence.

7.1.3. The prohibition envisaged in the foregoing paragraph only admits by way of exception the acceptance of the following gifts:

- a) of mere hospitality, related to the normal performance of their functions and that cannot be considered a benefit;
- b) from other central banks, public bodies and European and international organisations, whose value does not exceed the customary and appropriate amount in a relation with those entities;
- c) from entities other than those mentioned in the foregoing subparagraph, whose value does not exceed EUR 10.

7.1.4. Board members shall refuse the gifts, awards and other benefits or compensation that do not comply with the applicable guidelines.

7.1.5. If it is deemed institutionally inappropriate to return the gifts, awards, benefits or compensation, the Board members shall hand them over to the competent services of Banco de Portugal as soon as possible.

7.2. Relations with external entities

7.2.1. In their relations with financial institutions and other public and private entities, Board members performing their duties shall observe Banco de Portugal's guidance and positions, without prejudice to their independence, acting with quality, integrity and transparency.

7.2.2. Board members shall foster and ensure a good relation with those entities, appropriately observing the rights and duties associated with the various functions of Banco de Portugal's responsibility.

7.3. Relations with the media and public interventions

In their relations with the media and in public interventions, Board members shall be prudent, safeguarding the duty of secrecy and Banco de Portugal's public image at all times.

8. Ethics Committee of Banco de Portugal

8.1. Board members may invite the Ethics Committee to pronounce on any topic affecting

their personal situation and relating to correct observance of the Code.

8.2. Conduct that complies with the Ethics Committee's opinions or recommendations is assumed to comply with the Code.

8.3. All communication between Board members and the Ethics Committee shall be considered confidential, unless with the member's express consent or where there is a serious and imminent security risk for individuals or Banco de Portugal's image.

9. Binding of the Members of the Board of Auditors and staff directly assigned to this Board

9.1. When taking office, Board members shall sign a document expressing knowledge of the content of this Code of Conduct and binding them to its observance, within the scope of the duties comprised in their mandate.

9.2. In addition to their obligations to Banco de Portugal, staff directly assigned to the Board of Auditors shall be subject to the provisions established in this Code and acquaint themselves formally with the ensuing obligations of conduct when commencing their work.

10. Transitional provisions

10.1. The current Board members may keep the assets resulting from the private financial transactions referred to in paragraph 6 of this Code, provided that these assets have been purchased prior to its date of entry into force, and the provisions of paragraph 6.2 (c) shall be applied.

10.2. Following the entry into force of this Code, and whenever there are any changes thereto, the signing and acquaintance set forth in paragraph 9 shall apply.

11. Publication and entry into force

11.1. This Code shall be published in Banco de Portugal's *Boletim Oficial* (Official Bulletin) and released on its website and intranet.

11.2. This Code shall enter into force on the day following the date of publication mentioned in the foregoing paragraph.

