

## IFIAR 2020 Member Profile – CMVM

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| <b>1. Jurisdiction</b>       | <b>1.1 Insert the name of the jurisdiction in English:</b><br><br>Portugal  |
| <b>2. Member<sup>1</sup></b> | <b>2.1 Insert the name of the Member, both in the local language and in English:</b><br><br>Comissão do Mercado de Valores Mobiliários (CMVM)<br><br>Portuguese Securities Market Commission  |
|                              | <b>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</b><br><br>Rua Laura Alves, nº 4 - Apartado 14258<br>1064-003 Lisboa, Portugal<br><br><u>Tel.:</u> +351 213 177 000<br><u>Fax:</u> +351 213 537 077<br><u>E-mail:</u> <a href="mailto:cmvm@cmvm.pt">cmvm@cmvm.pt</a><br><u>Website:</u> <a href="http://www.cmvm.pt/en/Pages/homepage.aspx">http://www.cmvm.pt/en/Pages/homepage.aspx</a>   |
|                              | <b>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</b><br><br>Pursuant to the Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 and the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014, new legislation has been passed in Portugal: Law no. 140/2015 of 7 September 2015 (which approved the new Statute of the Portuguese Institute of Statutory Auditors / Ordem dos Revisores Oficiais de Contas) and Law no. 148/2015 of 9 September 2015 (which approved the legal framework of audit oversight).<br><br>Such new legislation has, inter alia, (i) determined the extinction of Conselho Nacional de Supervisão de Auditoria (CNSA), and (ii) conferred Comissão do Mercado de Valores Mobiliários (CMVM), as from 1 January 2016, the powers for the public oversight of statutory auditors (sole |

<sup>1</sup> In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

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|   | <p>practitioners), statutory audit firms, auditors and audit entities from Member States and third countries registered in Portugal as well as all audit activity undertaken by them.</p> <p>CMVM has the exclusive power , among others legally defined by national and European legislation:</p> <p>a) To ensure quality control and oversight of statutory auditors and statutory audit firms carrying out the statutory audit of public-interest entities, as well as oversight on other auditors arising from any complaint of other national or foreign authorities;</p> <p>b) To assess the performance of public interest entities’ supervisory bodies, in accordance with article 27 of Regulation (EU) No 537/2014, of the European Parliament and of the Council of 16 April 2014;</p> <p>c) To issue the necessary regulations on matters within the scope of its powers, consulting the Portuguese Institute of Statutory Auditors / <i>Ordem dos Revisores Oficiais de Contas</i> (OROC) for such purpose;</p> <p>d) To examine and decide administrative infraction proceedings, including the enforcement of the respective penalties;</p> <p>e) To oversee the duties carried by OROC, especially with regards to all procedures concerning auditors’ registry and the quality control carried out by the latter.</p> <p>CMVM is the designated national authority in accordance with article 20 of Regulation (EU) No 537/2014, of the European Parliament and of the Council of 16 April 2014.</p> <p><b>2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe these changes with an appropriate level of detail:</b></p> |
| <p><b>3. Governing Body Composition and members</b></p> | <p><b>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not<sup>2</sup>. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p>  |

<sup>2</sup> An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

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|  | <p>The Executive Board of the CMVM is currently composed by:</p> <p>Gabriela Figueiredo Dias (Chair)<br/> Rui Correia Pinto (Board Member)<br/> João Gião (Board Member)<br/> José Miguel Almeida (Board Member)</p> <p>All of the board members are independent from the audit profession.</p> <hr/> <p><b>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</b></p> <p>According to the CMVM’s Statutes, the members of the CMVM’s Management Board are chosen from among individuals with renowned suitability, technical competence, fitness, professional experience and training that is adequate for exercising their duties. They should have, as a whole, adequate knowledge in matters relevant to the oversight of audit activity. Their appointment is carried out by the Portuguese Finance Cabinet Member and is subject to a public hearing before the competent committee of the Portuguese Parliament and profile evaluation in the Portuguese Recruitment and Selection Committee for Public Administration (CRESAP).</p> <hr/> <p><b>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <hr/> <p><b>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</b></p> <p><input type="checkbox"/> Yes                      <input type="checkbox"/> No                      N/A</p> <hr/> <p><b>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</b></p> <p style="text-align: center;">N/A</p> <hr/> <p><b>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>Does this include a “cooling-off” period for former auditors?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes to either of the above, please describe:</b></p> |
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|                                | <p>Notwithstanding the response “No” to the above, we understand it is important to clarify that CMVM’s Management Board members carry out their duties on an exclusive basis and may not, in particular: (i) maintain any relationship or contractual relationship either directly or indirectly, paid or unpaid, with companies, groups of companies or other entities of the regulatory body activity or hold any shares or interests in companies, groups of companies or other entities recipients of the CMVM activity; or (ii) maintain, directly or indirectly, any relationship or contractual relationship, whether paid or unpaid, with other entities whose activities may conflict with their duties and powers.</p> <p>As such, according to the Portuguese law, the members of the Management Board of the CMVM cannot be auditors. In theory, they may have been auditors in the past, but the legal requirements as well as the profile evaluation undertaken by the Portuguese Recruitment and Selection Committee for Public Administration (CRESAP), as mentioned above, prevent the appointment of Board members who may have conflicts of interest.</p> |
|                                | <p><b>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</b></p> <p>CMVM’s Supervisory Board, appointed by the Portuguese Finance Cabinet Member, is the body that supervises and monitors the financial management and the legal compliance of CMVM, and is composed by three members, one of which must be a statutory auditor (sole practitioner).</p>   |
| <b>4. Funding Arrangements</b> | <b>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</b>   |
|                                | <p>According to the Portuguese law, the CMVM's audit oversight activity is financed by own revenue, especially through contributions, fees and other charges due under the CMVM’s Statutes, which are approved through a ministerial order. In addition, the CMVM is also entitled to receive an amount equal to 40% of the proceeds from fines, appropriations and costs of processes within the context of audit oversight.</p>   |

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|                                    | <p><b>4.2 Is the funding free from undue influence by the profession?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</b></p> <p style="text-align: center;">N/A</p>   |
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| <p><b>5. Inspection System</b></p> | <p><b>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p>  |
|                                    | <p><b>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p>The CMVM develops the following types of supervision within the scope of the audit supervision activity:</p> <p>On-site supervision - Consider the internal risk model and the guidelines provided for in European Regulation No. 537/2014. The scope of these supervisions included the internal quality control system of the firms that carry out statutory audits of PIE and audit files of PIE, is carried out to prove the compliance with international auditing standards and applicable legal and regulatory requirements.</p> <p>Off-site supervision - includes, among others, the following activities: Analysis of the suitability of the auditors, auditor rotation, distinct auditing services, prevention of money laundering and financing of terrorism, analysis of the reporting duties provided for in CMVM Regulation No. 4/2015.</p> <p>Supervision of Quality Control exercised by the Order of Statutory Auditors (OROC) –This responsibility covers the supervision of the quality control system carried out by OROC, under the terms of article 69 of the National Law (EOROC) and paragraph 2 of article 4 and paragraph 8 of article 25 of the National Law (RJSA). This included the auditors and auditing companies that do not perform statutory audit of PIE accounts.</p> <p>Registers and other procedures - Under the terms of article 6 of National Law (RJSA), the CMVM is also responsible for the respective endorsements of PIE auditors.</p> |

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|  | <p><b>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</b></p> <p style="text-align: center;">N/A</p> <p><b>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</b></p> <p>The CMVM exercises quality control under the terms set forth in Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014. In this context, as foreseen in the article 26, the quality assurance reviews of statutory auditors and audit firms that carry out statutory audits of public-interest entities on the basis of an analysis of the risk and: (a) in the case of statutory auditors and audit firms carrying out statutory audits of public-interest entities other than those defined in points (17) and (18) of Article 2 of Directive 2006/43/EC at least every three years; and, (b) in cases other than those referred to in point (a), at least every six years.</p> |
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| <p><b>6. Audit and Financial Market</b></p>  | <p><b>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member's oversight or mandate.</b></p> <p>As of December 31, 2019 (1) are registered a total of:</p> <ul style="list-style-type: none"> <li>- 1.402 statutory auditors</li> <li>- 185 audit firms, of which 53 auditing PIE.</li> </ul> <p>With reference to December 31, 2019 there are a total of 1 108 PIE.</p> <p style="text-align: center;"><i>(1) Draft numbers, the final numbers will be available at May 31, 2020.</i></p> <p><b>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</b></p> <p>For the year ended December 31, 2019, the total turnover (fees reported to CMVM) of the 4 most representative audit firms in Portugal (Deloitte, KPMG, EY and PwC) represented 42% of the total turnover.</p>  |
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| <p><b>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</b></p> | <p><b>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Registration/Licensing</li> <li><input type="checkbox"/> Audit and/or Ethics Standard Setting</li> <li><input type="checkbox"/> Permanent Education of Auditors</li> <li><input checked="" type="checkbox"/> Enforcement</li> <li><input checked="" type="checkbox"/> Other: <i>Oversight of the audit quality control carried out by OROC</i></li> </ul>  |

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|  | <p><b>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</b></p> <p>CMVM has the legal competence to oversee all registration procedures carried out by OROC.</p> <p>Statutory auditors who do not intend to carry out public interest activities may not be registered in CMVM. However, for all those auditors who intend to carry out public interest activities, the registration in CMVM is mandatory, and is made directly by CMVM based, but not limited to, OROC's registration file, whose copy must be sent to CMVM within five days of its request.</p> <hr/> <p><b>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</b></p> <p><input type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</b></p> <p style="text-align: center;">N/A</p> <hr/> <p><b>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</b></p> <p><input type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</b></p> <p style="text-align: center;">N/A</p> |
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|   | <p><b>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</b></p> <p><input checked="" type="checkbox"/> <b>Directly</b>                      <input type="checkbox"/> <b>Through Referral</b></p> <p>The Legal Department of CMVM (autonomous and independent from the audit supervision department), charges and decides on administrative issues within the competence of the CMVM. The Legal Department proposes sanctions to the Board of Directors which decides.</p> <p>The national law (Law n.º 148/2015) stipulates in the article 4 that the CMVM has the responsibility to instruct and decide on administrative, including applying administrative sanction.</p> <p><b>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</b></p> <hr/> <p><b>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</b></p> <p>CMVM has the responsibility for the supervision of the audit quality control carried out by OROC over the statutory auditors and audit firms that do not audit PIE.</p> |
| <p><b>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</b></p> | <p><b>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</b></p> <p>In addition to the audit oversight, CMVM regulates and supervises the markets in financial instruments, as well as the entities that act therein, in accordance with the Portuguese Securities Code and the relevant complementary legislation.</p> <p>The CMVM also has the following responsibilities:</p> <ul style="list-style-type: none"> <li>• Sanction breaches of the Securities Code and of supplementary legislation;</li> <li>• Ensure the stability of financial markets by contributing to the identifying and preventing systemic risk;</li> <li>• Contribute to the development of financial instrument markets;</li> <li>• Provide information and handle complaints from retail investors;</li> <li>• Mediate conflicts between entities subject to its supervision and between them and investors;</li> <li>• Assist the Government and its member responsible for Finance;</li> <li>• Perform any other duties assigned to it by law.</li> </ul>  |



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|                                       | <p>The CMVM carries out its duties autonomously having the following at its disposal for said purpose:</p> <ul style="list-style-type: none"> <li>• Management, administrative, financial and asset autonomy;</li> <li>• Structural, functional and technical independence;</li> <li>• Own bodies, services, personnel and assets;</li> <li>• Regulation, regulatory, supervisory, oversight and infraction sanctioning powers.</li> </ul> <p>The CMVM is part of the European System of Financial Supervision and the National Council of Financial Supervisors.</p>  |
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| <b>9. Major Events and Activities</b> | <p><b>9.1 Describe any recent major events and activities:</b></p> <p>We highlight the following special activities developed during 2019:</p> <ol style="list-style-type: none"> <li>1) Development of a model of audit quality indicators (AQI);</li> <li>2) Graduation model of findings;</li> <li>3) Development of a guidelines related to the assessment of the suitability of the auditors; and</li> <li>4) Finalization the revision process of Law no. 140/2015 of 7 September 2015 (which approved the new Statute of the Portuguese Institute of Statutory Auditors / <i>Ordem dos Revisores Oficiais de Contas</i>) and Law no. 148/2015 of 9 September 2015 (which approved the legal framework of audit oversight).</li> </ol> |