

Dépôt  
Annexe

CENTRAL  
BANKING  
LEGISLATION

Volume II: Europe

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# CENTRAL BANKING LEGISLATION

A collection of  
Central Bank, Monetary and Banking Laws

Volume II: Europe

Statutes and related materials  
selected and annotated by

HANS AUFRICHT

With the assistance of  
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*Preface by Pierre-Paul Schweitzer*

## INTERNATIONAL MONETARY FUND MONOGRAPH SERIES

- No. 1. Central Banking Legislation: A Collection of Central Bank, Monetary and Banking Laws, selected and annotated by Hans Aufricht (1961)  
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## PORTUGAL

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## Publication of Statutes and Regulations

Statutes, decrees, and other public notifications are published in the *Didrio do Governo*.

## The Charter of the Bank of Portugal, 1931

NOTE:—The Bank of Portugal (Banco de Portugal) was established by virtue of a Decree of November 19, 1846 and was originally governed by the provisions of this Decree and of the Law of November 26, 1846 confirming the Organic Law of the Bank of Portugal. The 1846 Decree and Law were designed to ensure, or at least to strengthen, the Bank's exclusive right to issue notes. However, the note issue monopoly of the Bank was clearly set forth for the first time in paragraph 12 of the contract between the Board of Directors of the Bank and the Government, dated December 10, 1887. From 1887 to 1931, a Charter was in force which had been drawn up in accordance with the Law of July 29, 887 and related Decrees of December 3, 1891 and July 16, 906. The Bank is at present governed by the Charter of June 30, 931, as amended.

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### CHAPTER I. FOUNDATION, HEADQUARTERS, PURPOSES, DURATION AND LIQUIDATION OF THE BANK

**Art. 1.** The Bank of Portugal, retaining the same name, shall continue its legal existence in the form of a joint-stock company with limited liability for an indeterminate period of time and shall henceforth be governed by the Charter approved by Decree No. 19962 of June 29, 1931 and amended by decisions of the Extraordinary General Meetings approved by Decrees No. 26476 of March 30, 1936, No. 29959 of October 7, 1939, No. 4 35575 of April 3, 1946, No. 37535 of August 31, 1949, No. 38478 of October 29, 1951, No. 43242 of October 18, 1960, No. 43342 of November 22, 1960 and No. 44432 of June 29, 1962.

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**Art. 2.** The Bank shall have its head office in Lisbon and branches or agencies in all capitals of administrative districts in metropolitan Portugal.

*Par. 1.* It may have branches, agencies or correspondents in other localities where they are recognized as useful, as well as delegations from its head office to the Council of Lisbon and correspondents abroad.

*Par. 2.* The opening of branches and agencies as provided in the foregoing paragraph shall require the authorization of the Minister of Finance.

Art. 3. The Bank of Portugal, during the thirty years from July 1, 1961 through June 30, 1991, shall retain the privilege granted it by the contract of December 10, 1887 and successively maintained or renewed by the contracts of December 4, 1891, April 29, 1918, June 29, 1931, June 28, 1961 and the contract authorized by Decree-Law No. 44432 of June 29, 1962.

*Sole Paragraph.* Should the privilege cease to exist before the debts of the State are paid in full, the State shall be obligated to repay the Bank, on that date, the amount owed to it.

Art. 4. The Bank of Portugal, during this extension of its privilege and thus through June 30, 1991, shall exercise in metropolitan Portugal the functions of bank of issue, central bank and reserve bank, and those of general cash department of the Treasury and central exchequer of the Treasury in the administrative districts, in accordance with such legal, contractual and statutory regulations as govern or may in future govern its privilege and functions.

*Sole Paragraph.* In order to fulfill the obligation thus assumed, the Bank of Portugal shall ensure the regularity and continuity of the note issue as a public service and shall exercise the functions of banker of the State; and, under the guidance of the Minister of Finance, shall:

1. Promote the coordination of the money supply with the requirements of economic activity;
2. Regulate the functioning of the money market;
3. Ensure settlement of the exchange operations required by the national economy, under the applicable legislation and regulations and the clearing agreements and bilateral and multilateral payments agreements signed by the Government, or by the Bank with authorization from the Government;
4. Act as lender to the banking system.

Art. 5. If, before the end of the period referred to in Article 4, losses should occur which reduce the paid-up capital to three fourths of the former amount, and if the General Meeting of Shareholders does not immediately replenish such capital by new subscriptions, the Bank shall be dissolved by decree of the Government, with the consent of the Office of the Attorney General of the Republic, and consequently liquidated.

Art. 6. If the Bank is liquidated, its assets and liabilities shall be appraised by three experts, one appointed by the Government, one by the Bank, and one by agreement between the Government and the Bank. The nominal value of the shares shall be delivered to the shareholders and the excess shall be divided in the proportion of one third for them and two thirds for the State.

## CHAPTER II. CAPITAL AND RESERVES

Art. 7. The capital stock of the Bank of Portugal shall be increased to two hundred thousand *cantos*, in shares of one *conto* each.

*Par. 1.* The present shares shall be replaced by new ones in the proportion of one old to one new share.

*Par. 2.* This exchange shall take place over a period of eighteen months from the effective date of the present Charter, except in the case of *force majeure* duly proved by the shareholder.

*Par. 3.* If the exchange is not made because present shares are not submitted, a corresponding amount of new shares shall be offered to the public in the name and for the account of the shareholder and subject to such conditions as may be prescribed by the Bank.

Art. 8. The issues required to carry out the capital increase provided for in Article 7 may be made in one or more series of shares, by agreement with the Government, it being incumbent on the General Council of the Bank to establish the price and other conditions governing the offer to the public of the shares to be issued.

*Sole Paragraph.* The shares to be issued, insofar as they exceed the quantity needed to replace old shares, shall be registered.

Art. 9. Preference in acquiring shares issued under Article 8 shall be given to shareholders of the Bank in relation to the nominal value and proportion of shares which they hold, and no shareholder shall, in the exercise of this right of preference, acquire a number of shares larger than that proportionally due him.

*Par. 1.* This Article shall be applicable to the entities and institutions referred to in Article 12 of this Charter and Article 19 of Decree-Law No. 42641 of November 12, 1959?

*Par. 2.* If the ownership of shares is divided into usufruct and property rights, the right of preference shall also be divided: half for the holder of the usufruct and half for the holder of the property rights.

*Par. 3.* The Bank shall negotiate the new shares in respect of which the right of preference was not exercised.

Art. 10. The possession of a share entails compliance with the Charter and with the decisions regularly and legally taken by the General Meeting, and each share shall be entitled to a proportional and equal part in the ownership of the assets and the distribution of the profits.

Art. 11. The liability of a shareholder shall be limited to the face value of the shares he holds.

Art. 12. State and local independent agencies and establishments under State control shall not be allowed to acquire shares in the Bank, directly or indirectly.

*Par. 1.* Shares in the Bank that are held by the State on the effective date of the present Charter shall be disposed of as provided in Article 11(1) of Decree No. 19870 of June 9, 1931, without prejudice to the State's representation at the Bank's General Meeting, in consideration of Decree No. 12251 of August 30, 1926.

*Par. 2.* Local independent agencies and public establishments and establishments in the public service that are now shareholders in the Bank of Portugal may retain the shares they hold, but the number of votes of each such body shall not exceed ten, whatever the number of shares held. These establishments may be represented at the Bank's General Meeting by the Treasury, even if it is not a shareholder in the Bank.

Art. 13. There may be certificates of one, five and ten shares.

*Par. 1.* Of the total shares, sixty per cent must be represented by shares registered in the names of individuals or companies of Portuguese nationality or in the names of Portuguese private or public entities, as referred to in Part II of Law No. 1994 of April 13, 1943.

*Par. 2.* The provisions of Part IV of Law No. 1994 shall be observed in the transfer of shares.

*Par. 3.* Registered shares may be invested in bearer shares and vice versa, at the choice of the shareholders, but without prejudice to the provisions of the foregoing paragraphs.

Art. 14. Ownership of registered shares shall be transferred by any method of transfer permitted by law. Ownership of bearer shares shall be transferred by simple delivery of the certificate.

*Sole Paragraph.* If a share or certificate is owned by two or more persons, they may receive the dividends jointly; but to exercise the other rights of shareholders they shall designate and cause to be registered only one of them as such.

Art- 15. The Bank of Portugal shall have two reserve funds:

1. A legal reserve, which may be as large an amount as the capital of the Bank, formed by the accrual of five per cent of the disposable annual profits and designed to constitute a supplementary capital. The value of the present general reserve fund, which shall be discontinued, shall be transferred to the legal reserve.
2. A special reserve, without limitation, which exists at present on the books of the Bank and which shall be formed by: (a) Ten per cent of the total disposable annual profits;  
(b) The amount of the total disposable annual profits belonging to the Bank under the last part of Article 37, item 5, that is transferred to this reserve by decision of the General Meeting on the

proposal of the General Council. This reserve shall continue to be used, as hitherto, to cover all depreciation of assets not shown in the annual profit and loss account and also to ensure a minimum dividend of six per cent for distribution as return on capital.

*Sole Paragraph.* Independently of these reserve funds, the Bank of Portugal, in entering its assets and liabilities on the books and drawing up the balance sheets, shall observe the rules of administrative prudence which govern the formation of reserves, as referred to in Article 74 of Decree-Law No. 42641 of November 12, 1959, and the principles of proper protection of the currency and credit

Art. 16. Neither the legal nor the special reserve shall be shown as constituting a part of the Bank's assets, and their yield shall be shown in the profit and loss account.

### CHAPTER III. PRIVILEGES OF THE BANK AND NOTE

Art. 17. The notes issued by the Bank of Portugal shall continue to represent gold currency, to be legal tender without limitation throughout the territory of metropolitan Portugal and to enjoy exemption from the stamp tax and any other taxes.

Art. 18. The privilege granted to the Bank of Portugal shall obligate the State to protect the rights of the Bank and the exercise of the issue function and, specifically:

To grant to no other enterprise or institution the right to issue notes in metropolitan Portugal;

2. Not to issue or reissue, itself, notes of any kind, except for its right to issue fractional currency;
3. To put into circulation only through the Bank of Portugal, and at its request, the fractional currency referred to in item 2 above.

Art. 19. Liability for the note issue of the Bank of Portugal shall be that of the Bank alone.

Art. 20. The Bank of Portugal shall undertake to redeem notes, when requested by the holders, in specie or foreign gold currency, at the option of the Bank, and to buy all coined or bar gold offered it, all in accordance with Art 1 of Decree No. 19869 of June 9, 1931.

*Par. 1.* The convertibility of the notes of the Bank shall be unlimited as to quantity, but the Bank shall not be required to exchange for gold amounts of less than two hundred *cantos* [200,000 escudos].

*Par. 2.* The sale of foreign exchange shall be effected at a price that shall not exceed theoretical parity in the relation established in Art. 1 of

Decree No. 19869 of June 9, 1931, plus the costs of shipping the gold. The basis shall be the rate in London, and the Bank shall publish in the *Diario Governo* the quotations (gold points) thus determined at which it will deal in gold currency.

Art. 21. The Bank may issue notes in denominations of twenty escudos, fifty escudos, one hundred escudos, five hundred escudos and one thousand escudos.

*Par. 1.* With the approval of the Government, the Bank may create other types of notes or new plates for existing ones.

*Par. 2.* Before issuing any new plate or new type of note, the Bank shall submit a description thereof to the Minister of Finance, who shall publish it in the *Diario Governo*.

Art. 22. The fractional currency in denominations of two and a half escudos, five escudos, ten escudos and twenty escudos, and of ten centavos, twenty centavos, fifty centavos and one escudo, shall be manufactured and issued by the State.

*Sole Paragraph.* The amount to be issued of currency referred to in this Article shall be determined by agreement between the State and the Bank, in accordance with the requirements of the national economy.

Art. 23. The Bank shall exchange its notes at its head office, branches and agencies for its notes of other nominal values or for fractional currency, to such amount as it considers necessary for the money supply.

In places Where it has no agencies, the Bank, by agreement with the Government, shall facilitate the exchange of its notes through the offices of the Treasury.

*Sole Paragraph.* At branches and agencies in continental Portugal and the adjacent islands, however, the Bank shall not be obligated to exchange more than a certain total of notes each day and may postpone the exchange of a larger quantity until those branches and agencies receive the necessary supplies for exchange.

A table showing the maximum total of notes and the period of postponement, in accordance with transportation conditions for each branch and agency, shall be prepared by agreement between the Government and the Bank, but such period may not exceed four days nor such amount be less than twenty thousand escudos in continental Portugal.

Art. 24. When notes of any kind or made from any plate are withdrawn from circulation, the Board of Directors of the Bank shall set and publicly announce the period during which they are to be exchanged.

At the end of this period the said notes shall cease to be legal tender, but the Bank shall continue to be obligated to receive them at any time, for its own account or for the account of the State, in accordance with Article 25.

Art. 25. Ten years from the end of the period set for the withdrawal from circulation of notes of any kind or made from any plate, the Bank shall deduct from the amount of the money supply and credit to the account of the Treasury the amount of such notes not collected.

As these notes are presented for exchange or redemption, the Treasury shall assume responsibility for their payment, for which purpose the Bank shall present to the Treasury a warranted list of the notes.

*Sole Paragraph.* On July 1, 1931 action shall be taken in conformity with the first part of this Article in connection with the amount representing notes withdrawn from circulation by public notice the period of which expired on or before June 30, 1921.

#### CHAPTER IV. RESERVES FOR CURRENCY IN CIRCULATION

Art. 26. The Bank shall maintain a reserve equal to at least fifty per cent of the amount of notes in circulation and other sight liabilities.

*Sole Paragraph.* Notes in circulation are those issued and delivered to the public by the Bank and still held by the public.

Art. 27. The reserve referred to in Article 26 shall consist only of:

- (a) Coined and bar gold;
- (b) Balances with first-class banks domiciled abroad, payable at sight or within ninety days;
- (c) Sight checks and payment orders issued by bodies of recognized credit standing on first-class banks domiciled abroad;
- (d) Bills in portfolio accepted by first-class banks domiciled abroad, payable within one hundred and eighty days;
- (e) Treasury notes or other similar obligations of foreign States at terms of not more than ninety days.

*Par. 1.* In this reserve, twenty-five per cent of the note circulation and other sight liabilities shall always be represented by coined or bar gold. *Par. 2.* The items referred to in (b), (c), (d) and (e) of this Article shall be payable in foreign currency directly convertible into gold; in the currencies of member countries of the International Monetary Fund to which Article VIII, Section 4, of the Fund Agreement is applicable; in foreign exchange having a special guarantee of the gold value and of redemption in gold; or in units of account used in international clearing, provided that such units are defined in terms of a specific weight of gold and are redeemable or eligible for settlement in gold or in any of the currencies referred to above.

*Par. 3.* The General Council of the Bank shall determine, in accordance with economic and financial circumstances, which of the currencies, for, exchange and units of account that meet the criteria indicated in paragraph 2 are to be given preferential status for purposes of inclusion in this reserve of the items listed in that paragraph.

*Par. 4.* Temporarily, until repayment is completed, items of the nature of those mentioned in (b) and (e) of this Article now held by the Bank may continue to be counted in the reserve even if their maturity exceeds that specified.

Art. 28. Obligations and liabilities of the Bank payable in not more than one hundred and eighty days, expressed in foreign currency or in units of account used in international clearing, shall be deducted in calculating the amount of the reserve.

Art. 29. That part of the note circulation and other sight liabilities that is in excess of the amount representing the value of the reserve referred to in Article 26 shall be fully guaranteed by the following:

- (a) Coined or bar gold, balances in foreign currency or units of account, foreign exchange and securities of foreign States not included in the reserve in question;
- (b) Credits arising from the operations allowed under Article 30, item 11, of this Charter;
- (c) Portuguese public debt securities now held by the Bank to replace those delivered to it under Clause 8(1) of the contract of June 29, 1931;
- (d) The temporary balance of the free current account opened by the Bank for the State under Article 41;
- (e) National development bonds issued under Decree-Law No 38415 of September 10, 1951 and Decree-Law No 42946 of April 27, 1960 which the Bank has acquired from third persons or direct from the State, but only to the limits set in those Decree-Laws and in the contracts signed with the State, the maturity of these securities being not more than five years;
- (f) The Bank's commercial portfolio;
- (g) Credits arising from loans secured by commercial bills or securities of the Portuguese State granted under this Charter to the credit institutions referred to in Article 2(a), (c) and (d) and the paragraphs thereof of Decree-Law No 42641 of November 12, 1959;<sup>5</sup>
- (h) Fractional currency acquired by the Bank;
- (i) Checks in escudos which the Bank *owns* and holds, the honoring of which requires presentation for payment

*Par. 1.* The credits referred to in (b) of this Article, when expressed in 'it gold, shall be entered on the books at the value corresponding to the tei amount of gold delivered by the Bank for the account and to the order of the State, according to the basic price of gold as derived from the fol-

Summarized below, p. 588.

lowing relationships: 28.75 escudos are equal to 1 U.S. dollar of the weight and fineness in effect on July 1, 1944, and 1 troy ounce is equal to 35 U.S. dollars.

*Par. 2.* The State shall deliver to the Bank, by December 31 of each year the amount of two thousand five hundred *contos* 12,500,000 escudos], which shall be credited on the Bank's books to a special account designed to permit the State to acquire, annually and gradually, the securities referred to in (c) of this Article, to a maximum equal to the balance of the account and at the average quotation for operations effected during the year on the Lisbon Exchange.

*Par. 3.* The items referred to in this Article shall include:

- Credits arising from the intervention of the Bank, in its capacity as bank of issue for continental Portugal and the adjacent islands, in payment operations between those territories and the overseas provinces, provided for and regulated by contract signed between the State and the Bank for the execution of the clearing and interterritorial payments system introduced by Decree-Law No. 44703 of November 17, 1962;
- Bonds issued by the Escudo Area Monetary Fund under Decree-Law No. 44703 of November 17, 1962 for payment of the capital of that fund, and acquired by the Bank of Portugal as agreed by contract between the State and the Bank.

#### CHAPTER V. OPERATIONS OF THE BANK Art.

30. The Bank may carry out the following operations:

##### 1. Discount:

- (a) Bills, extracts of invoices, warrants, and other similar documents relating to commercial transactions;
- (b) Drafts and promissory notes guaranteed by pledges of stocks or bonds quoted on the Lisbon or the Oporto Exchange;
- (c) Treasury notes of the Portuguese State at not more than ninety days;
- (d) National development bonds issued under Decree-Law No. 38415 of September 10, 1951 with maturities of not more than five years.

##### 2. Buy or sell:

- (a) Bar or coined gold;
- (b) Foreign exchange;
- (c) Securities of the Portuguese State;
- (d) National development bonds issued under Decree-Law No. 42946 of April 27, 1960 with maturities of not more than five years.

##### 3. Grant, for commercial purposes and for periods of not more than one hundred and eighty days, loans secured by: (a) Gold, whether coined or not;



- (b) Foreign exchange;
  - (c) Securities of the Portuguese State;
  - (d) Securities of foreign States quoted on the exchanges of the principal financial markets;
  - (e) Bills and payment orders payable in Portugal or abroad in Portuguese or foreign currency.
4. Sign on its own behalf, in the name of the State, or for the account and by order of the State, clearing and payments agreements and contracts with similar public or private establishments domiciled abroad to facilitate the carrying out of the operations referred to in item 2 (*a*) and (*b*), above; such agreements and contracts may involve the obtaining or granting of credit within certain limits of time or value, and the security, when it is necessary to stipulate it, may be restricted to guaranteeing the Bank against exchange risks. It may also effect, with the above establishments or with international institutions, any exchange and other operations necessary for compliance with the obligations arising either from the said agreements and contracts or from other similar ones concluded directly by the State.
  5. Grant credits in Portugal and abroad in accordance With banking usage and practice or by special order.
  6. Effect, for the account of others, not only collections, payments and transfers of securities or cash but also any other banking operations not expressly prohibited in this Charter.
  7. Accept sight deposits on current account.
  8. Receive and keep on deposit jewelry, precious metals and objects, credit instruments and other securities and documents representing value.
  9. Take charge of the collection of receipts and the payment of obligations of the State and of other public-law entities, as well as any operations of the Treasury, in Portugal and abroad, all in accordance with the agreements and contracts signed for the purpose between the Bank and the State or other interested public-law entities.
  10. Carry out, with the credit institutions referred to in Decree-Law No. 42641 of November 12, 1959, Article 2(a), (*c*) and (*d*) and its paragraphs, operations for lending money and opening credits, the latter being on current account, with securities of the Portuguese State as guarantee.
  11. Ensure, through appropriate credit operations previously approved by the General Council and by the ordinary General Meeting convened on an extraordinary basis at the request of the Governor,

Summarized below, p. 588. See Art. 100, below.

the means necessary for the participation accepted by the State in the capital of international organizations designed to facilitate clearing and payments between countries that define their currencies in terms of gold.

*Par. 1.* The Bank of Portugal, in the exercise of its function as regulator of the money market, shall, by express agreement with the Minister of finance and in accordance with the country's economic and financial position, set limits on direct discounts to be made by the Bank in Lisbon and Oporto, which limits shall not include bank acceptances held by the Bank for discount.

*Par. 2.* The operations authorized in item 1(c) and item 2(c) of this Article, as regards Treasury notes, shall not exceed the limit of five hundred thousand *cantos* [500,000,000 escudos] set in Article 41, less the amount of drawings by the State on the account to which that Article refers.

*Par. 3.* The total amount of bonds discounted under item 1(d) of this Article shall at no time exceed the limit of five hundred thousand *cantos* [500,000,000 escudos] and shall not be counted in the limit on direct discounts referred to in paragraph 1 of this Article.

*Par. 4.* The total amount of national development bonds acquired under item 2(d) of this Article shall at no time exceed the limits agreed between the State and the Bank under Articles 5 and 11 of Decree-Law No. 42946 of April 27, 1960.

*Par. 5.* The operations referred to in items 3 and 10 of this Article shall require the decision of the General Council of the Bank, which shall determine, for each institution involved in the operations the maximum amount, in accordance with the position of the money market, to which loans or credits may be granted and shall define the legal regime for such operations.

*Par. 6.* In conformity with the contracts signed with the State with the prior authorization of the ordinary General Meeting convened in extraordinary session at the request of the Governor, the Bank may under the guidance of the Minister of Finance and in accordance with the law, exercise the functions of central bank and reserve bank of the escudo area according to the legal system laid down in Decree-Laws No. 44016 of November 8, 1961 and No. 44698, No. 44699, No. 44700, No. 44701, No. 44702 and No. 44703 of November 17, 1962, and participate, as bank of issue of continental Portugal and the adjacent islands, in the execution of the system of clearing and interterritorial payments introduced by the last-named of the above Decree-Laws, also when such participation involves the granting or obtaining of credit within certain limits as to time and value, and likewise perform, under the same contracts, the functions of:

—Agent of the said system of clearing and interterritorial payments; —  
Agent of the Escudo Area Monetary Fund referred to in Decree-Law No. 44016 and established by Decree-Law No. 44703; —Depository of the said Fund.

*Par. 7.* Also in accordance With the contracts referred to in the foregoing paragraph, the Bank may acquire bonds issued by the Escudo Area Monetary Fund for payment of its capital.

Art. 31. The Bank shall be authorized to rediscount abroad or to give its commercial portfolio, its portfolio of securities, or its portfolio of notes and gold bills as guarantee, to obtain the credits referred to in Article 30, item 4.

Art. 32. It shall be the duty of the Board of Directors to set the regulatory interest rate on operations.

*Sole Paragraph.* The rate, which shall be the same at the head office of the Bank and at its Oporto branch, may differ by one-half per cent at other branches and agencies but in any case shall be uniform for all such other branches and agencies.

Art. 33. The Bank shall continue to be authorized to establish any interest rates below the regulatory rate, according to the nature and category of the operations.

Art. 34. The Bank may not carry out the following operations:

- (a) Buy stock in the Bank for its own account;
- (b) Rediscount in Portugal bills or other similar securities belonging to its commercial portfolio;
- (c) Deal in securities on the Exchange that cannot be liquidated immediately, or deal for the account of others;
- (d) Credit interest for cash received on current account, except in cases of reciprocity based on contracts signed with similar public or private establishments domiciled abroad; cases of express stipulation in clearing or payments agreements signed by the State, or by the Bank for itself, in the name of the State or for the account and by order of the State; and cases of credit from international monetary institutions when the crediting of interest is specified in the articles of the said institutions;
- (e) Promote or participate in the creation of commercial enterprises, whether banking enterprises or others, except in the cases specially provided for in this Charter;
- (f) Enter into risk or insurance business (*Empreender negociações de risco ou de seguro*);
- (g) Buy and sell commercial goods for its own account;
- (h) Own real property or the rights to real property, other than the real estate necessary for the performance of its functions, except for

purposes of conveyance or auction or to ensure the repayment of credits, in which cases the property shall be liquidated as soon as possible;

- (i) Draw or accept escudo bills not payable at sight;
- (I) Grant, directly or indirectly, loans to the State or to other public-law entities or offer any form of guarantee of credit operations effected by them, except in the conditions and cases provided for in Article 30, items 1(d), 2(d) and 11, and in Article 41;
- (k) Grant credits without security or with guarantees rendered contrary to the provisions of this Charter.

*Sole Paragraph.* The prohibition in (I) and (k) of this Article shall not be applicable to operations or acts covered by Article 30, paragraphs 6 and 7.

Art. 35. The Bank may participate, or maintain its present participation, in the capital of the investment banks referred to in Article 2, paragraph 2, of Decree-Law No. 42641 of November 12, 1959,<sup>8</sup> or of foreign or international establishments and organizations, and, in due accord with the terms of this Charter, exercise in any of them any positions in the management, board of auditors or general meeting.

#### CHAPTER VI. OBLIGATORY PUBLICATIONS

Art. 36. The Bank shall send to the Government for immediate publication in the *Diário do Governo*:

- (a) Weekly, a summary statement of the Bank's assets and liabilities showing the items forming the reserve under Article 13 of Decree No. 19870 of June 9, 1931, the amount of notes in circulation, and any sight liabilities;
- (b) Annually, the report of the Board of Directors with respect to the actions taken during the year, the accounts for the year and the balance sheet, after they have been discussed and approved by the General Meeting.

#### CHAPTER VII. BALANCE SHEET AND DIVIDENDS

Art. 37. At the end of each year the Bank's balance sheet shall be drawn up as of December 31.

The disposable annual profits shall be determined by deducting the following from the gross profits:

- (a) The amount of all administrative expenses and annual outlays;
- (b) The amount to be used for amortization of bad or doubtful debts, the depreciation of assets, and the reserve for other contingencies for which it is considered necessary to provide.

When these deductions have been made, the annual balance of the profit and loss account of the Bank shall be determined and shall be distributed in the following form and order:

1. Five per cent to the legal reserve until it equals the capital of the Bank;
2. Ten per cent to the special reserve, without limitation;
3. Five per cent for allowances and other aid to the staff of the Bank, with a minimum of one thousand *contos* [1,000,000 escudos];
4. A dividend of six per cent on the shares;
5. Eighty per cent of the remainder for the State, with a minimum of twelve thousand *contos* [12,000,000 escudos], and the remainder, after deduction of the amount necessary to increase the dividend to seven per cent, for distribution in equal parts between the State and the Bank.

*Sole Paragraph.* The Bank shall be exempt from any charge or tax on that part of the profits that belongs to the State.

Art. 38. A part of the shareholders' dividend shall be paid to them in July and the rest when the accounts for the fiscal year have been approved.

#### CHAPTER VIII. RELATIONS BETWEEN THE STATE AND THE BANK

Art. 39. In the exercise of the functions of general cash department of the Treasury and central exchequer of the Treasury in the administrative districts in metropolitan Portugal, both the head office of the Bank and its branches and agencies shall perform the functions proper to these public services, under the terms and within the scope defined in the contracts and agreements concluded for the purpose between the State and the Bank.

Art. 40. Receipts, expenditures and transfers of funds in metropolitan Portugal for account of the Treasury, at the head office and subsidiary offices of the Bank acting as general cash department of the Treasury, and at the head office and at branches and agencies in the capitals of administrative districts acting as central exchequer of the Treasury, shall be effected in accordance With the legal provisions applicable to the functioning of these public services.

*Par. 1.* The expenses of transferring funds in implementing the provisions of this Article shall be borne by the Bank

*Par. 2.* The Directors of Finance in the capitals of the administrative districts shall examine, at the Bank's branches and agencies, the documents on operations of the State in their districts.

*Par. 3.* All accounts for which the Bank is responsible shall be processed at the Directorate-General of the Treasury and audited by the Central Audit Department.

Art. 41. The Bank of Portugal shall open for the State a free current account, the balance of which may not exceed five hundred thousand *contos* [500,000,000 escudos].

All drawings by the State on this account shall be made only on the basis of budgetary receipts for the current fiscal year and under Article 20 of Decree No. 19869 of June 9, 1931.

The total of Treasury notes held by the Bank of Portugal as a result of operations conducted under Article 30, item 1(c), shall be counted as utilization of this limit of five hundred thousand *contos* [500,000,000 escudos], and consequently deducted therefrom.

Art. 42. The Bank shall not make available to the State or to instrumentalities [*servicos dependentes*] of the State, directly or indirectly, in the form of loans or overdrafts, any amounts whatsoever, except in the conditions and cases provided for in Article 41 and in Article 30, items 1(d), 2(d) and 11. <sup>9</sup>

It shall not guarantee Treasury bills or other obligations of the State or of instrumentalities of the State, nor make payments for the account of the State for which the Bank does not have immediately available funds to the State's credit.

*Sole Paragraph.* The provisions of this Article shall not hinder the carrying out of any banking operations otherwise allowed by the present Charter between the Bank and the credit institutions of the State.

Art. 43. So long as its privilege to issue notes is effective, the Bank shall not be subject to any special regulations involving the limitation or alteration of the powers granted to the Bank, other than those provided in the present Charter.

#### CHAPTER IX. ADMINISTRATION

##### SECTION I. ORGANIZATIONAL PROVISIONS

An. 44. The Bank shall be directed by the Governor, with the collaboration of the Deputy Governors; it shall be administered by the Board IE of Directors; and its accounts shall be audited by the Board of Auditors.

Art. 45. The General Council shall be formed by the meeting of the Board of Directors and the Board of Auditors, under the chairmanship of the Governor.

Art. 46. The Board of Directors shall be composed of eleven members, namely:

The Governor, who shall be chairman;  
Two Deputy Governors for the State;

Eight Directors elected by the General Meeting, one of whom shall be Deputy Governor for the Bank.

*Par. 1.* Both the Governor and the Deputy Governors for the State shall be appointed from among persons of recognized competence and experience, according to legal terms and conditions.

Appointment shall be for five years, renewable one or more times.

*Par. 2.* The Directors shall be elected for four years, renewable one or more times. The terms of office of four Directors, however, shall end every two years.

*Par. 3.* The Deputy Governor for the Bank shall be elected by the General Council for two years, renewable one or more times.

Art. 47. The Board of Auditors shall be composed of four members elected by the General Meeting for four years, whose terms of office may be renewed one or more times for the same period. The terms of office of two members of the Board of Auditors, however, shall end every two years.

Art. 48. The terms of office of the Directors and of the members of the Board of Auditors shall end on December 31 of the last year of the four-year period, but shall continue until the session of the General Meeting which is to approve the accounts for the period and hold the necessary elections.

Art. 49. The Annual Reports of the Board of Directors shall indicate the names of the members whose terms of office have ended.

Art. 50. The Governor and the Deputy Governors for the State shall be Portuguese and shall draw the same salary as the Directors.

Art. 51. The Governor and the Deputy Governors for the State shall not be shareholders in the Bank, and they shall not be required to furnish security for the exercise of their offices.

Art. 52. The Deputy Governors shall assist the Governor generally and shall ensure, in particular, that those of their functions entrusted to them by him are carried out without prejudice, as regards the Deputy Governors for the State, to the other duties incumbent on them.

Art. 53. The Governor shall always be chairman of any committees formed by the General Council or the Board of Directors, and in either case may delegate this power to one of the Deputy Governors.

Art. 54. The Governor shall be replaced, when he is absent or unable to attend and when the position is vacant, in the following manner and order:

By the Deputy Governor for the State with the higher seniority and, all else being equal, the one who is older;

1. By the Deputy Governor for the Bank;

2. By the Director with the highest seniority and, all else being equal, the one who is oldest.

Art. 55. The salaries of the Directors and of the members of the Board of Auditors shall be fixed, excluding any participation in the annual profits, by a committee of three shareholders elected at the regular ordinary session of the General Meeting, one of them being the Chairman of the Meeting, who shall be chairman of the committee.

The committee shall meet whenever called by the chairman, but at least every four years.

*Sole Paragraph.* Salaries shall be paid monthly.

Art. 56. All shareholders of the Bank who meet the conditions laid down in Articles 57 and 60 may be elected Directors or members of the Board of Auditors, with the following exceptions:

1. Shareholders in the conditions referred to in Article 1 of Decree No. 15538 of June 1, 1928;

2. Managers or members of banking houses, or directors or members of the board of auditors, or managers of other banks and credit establishments.

Art. 57. Only a shareholder who is a Portuguese national by birth or naturalization and who holds fifty or more shares in the Bank that are free and unencumbered and registered or deposited in accordance with Article 95, item 1, may be elected a Director.

Art. 58. A Director entering on duty shall, on doing so, deposit as guarantee of his performance of his duties one hundred shares owned by him, free and unencumbered, which shall be made nontransferable by entry on the shares themselves and which shall not be returned until the General Meeting has approved the balance sheet and accounts for the Director's last fiscal year.

Art. 59. Vacancies occurring in the Board of Directors shall be filled, until the first ordinary General Meeting fills them definitively, by shareholders designated by the General Council of the Bank.

*Par. 1.* The same procedure shall be followed if any Director is unable to perform his duties for more than sixty days, without prejudice to the period of validity of the term of office of such Director.

*Par. 2.* The ordinary General Meeting may fill vacancies on a final basis that have been filled by shareholders designated by the General Council under this Article without reference to the period of time referred to in Article 95, item 1, mentioned at the end of Article 57.

Art. 60. Only a shareholder who is Portuguese by birth or naturalization and who holds fifty or more shares in the Bank, free and unencumbered and registered or deposited in accordance with Article 95, item I, may be elected a member of the Board of Auditors.

Art. 61. Members of the Board of Auditors entering on duty shall be governed by all the provisions of Article 58, the guarantee deposit, however, being limited to a minimum of fifty shares.

Art. 62. The provisions of Article 59 shall be applicable to the Board of Auditors.

*Sole Paragraph.* Terms of office currently being served by substitute members shall be extended to the first ordinary General Meeting.

Art. 63. The following may not be members of the General Council of the Bank at the same time:

1. Two or more members of a commercial firm or two or more managers of a commercial firm or any joint-stock company;
2. Fathers and sons, brothers, uncles and nephews, brothers-in-law, fathers-in-law and sons-in-law, stepfathers and stepsons.

Art. 64. No member of the General Council of the Bank may carry out any operation individually at the Bank. No such member may take part in votes on motions concerning any operation involving enterprises or commercial companies in which he has an interest, or of which the manager or a member of the firm is a person related to the Council member as specified in Article 63.

Art. 65. The liability of the Governor, the Deputy Governors, the Directors and the members of the Board of Auditors shall be prescribed in their contracts of appointment.

*Par. 1.* The term of office of Directors and members of the Board of Auditors shall always be revocable when the General Meeting considers it advisable.

*Par. 2.* The liability of the Governor and the Deputy Governors for the State shall also be regulated by the applicable part of the legislation governing them specifically.

## SECTION II. THE GOVERNOR

Art. 66. The Governor shall have the following powers:

1. To represent the Bank in all judicial and extrajudicial acts;
2. To supervise the activities of the Bank, preside over its administration and follow the day-to-day business activities;

3. To supervise the services and the staff of the Bank;
4. To see that the legislation and regulations governing the operation of the Bank are complied with;
5. To propose to the General Council or to the Board of Directors any changes in the internal administration of the Bank or any measures in connection with such administration as he may find advisable for the conduct of operations or to increase the efficiency of the Bank's services;
6. To initial the books, with the exception of the minute book;
7. To have the General Meeting convened by the Chairman of the Meeting, specifically for the purpose of submitting to it the plan for carrying out operations previously approved by the General Council, in cases where the decision of the General Meeting is required under this Charter;
8. To direct the work of the General Council and the Board of Directors, presiding over their meetings and convening meetings not required under this Charter Whenever he considers it necessary and urgent for the Bank's operation;
9. To obtain compliance with the decisions of the General Meeting, the General Council and the Board of Directors, except as provided in Article 67,
10. To represent the Bank in all cases referred to in Article 35, being authorized, however, to delegate such representation to the Deputy Governors or the Directors;
11. To participate in all acts that fall within his competence by express or implied indication in this Charter and the administrative regulations, and to supervise all matters related to the interests of the Bank and its general business, as well as to do all else specially incumbent on him by legal or contractual disposition, furnishing the Government, when he considers it advisable, with reports and information concerning the functioning of the money and exchange markets and the activity of the Bank on those markets.

Art. 67. The Governor, or his substitute, shall always have the deciding vote at the meetings or sessions over which he presides; and he may suspend implementation of the decisions of the Board of Directors in order to submit them to the General Council, convened in urgent session, and, communicating such action to the Government, suspend all decisions of the Board and of the Council that in his opinion are manifestly contrary to the law, the present Charter, or the interests of the State.

This last suspension shall be considered revoked if the Governor has not acted on it within two weeks from its date.

Art. 68. The Board of Directors shall supervise and direct all of the general business of the Bank, under the Charter and the regulations, the following being particularly within its competence and power:

1. To carry on all operations authorized by this Charter, in accordance with the applicable regulations and within the limits allowed by prudence and good administration;
2. To fix the conditions governing operations within the competence of the Bank and the limits on credit to its customers when such credit is not more than two thousand *cantos* [2,000,000 escudos];
3. To control and supervise all Bank services;
4. To assist in handling the operations of the Bank, responsibility for this duty being distributed according to the internal regulations;
5. To appoint and dismiss correspondents and employees and to approve all security offered the Bank under the regulations;
6. To direct and check on the operations of branches and agencies and to visit them in turn, the visits being made by one or more Directors or by delegates enjoying the full confidence of the Board of Directors, and to keep the necessary check on the business of correspondents;
7. To prepare, for submission to the General Council of the Bank, the regulations for branches and agencies, the administrative regulations, and any other regulations necessary for the operation of the Bank;
8. To furnish the Board of Auditors with all business documents requested by them for examination of the Bank's position;
9. To submit to the General Council of the Bank any proposals concerning the opening, changing, or closing of branches, agencies, correspondents and delegations from the head office to the Council of Lisbon;
10. To propose to the General Council all matters which the Board considers conducive to the furtherance and security of operations, and particularly matters related to the opening or changing of branches;
11. To submit accounts annually to the ordinary General Meeting and to propose, in conformity with the decision of the General Council, the dividend and the distribution of excess profits, under Article 37;
12. To convene the General Meeting for the purposes designated in Article 37 and Article 100, items 4 and 5; to submit for the decision of the General Council matters within its competence and all other matters on which no rules have been established; and to deal, finally, with everything related to the economic activity of the Bank, observing and causing to be observed the Charter, the regulations, the decisions of the General Meeting, the General Council and the Bank's Stabilization Committee, and the Board's own decisions.

Art. 69. Whenever it is necessary in urgent circumstances to take a decision on any matter within the competence of the Board of Directors, and the Board cannot be called together in time, such decision may be

taken by a committee consisting of the Governor, one or more. Deputy Governors and the two Directors responsible for the day-to-day handling of business.

The decision shall be implemented only when taken by affirmative vote of at least two thirds of the committee, and must be reported to the Board of Directors at its first meeting after the date of the urgent decision.

*Sole Paragraph.* The committee shall meet when the Governor considers it advisable, or whenever requested by the two Directors responsible for the day-to-day handling of business.

Art. 70. When, even in urgent circumstances, it is necessary to implement a decision on any matter within the competence of the General Council, and the Council cannot be called together in time the Board of Directors shall make the decision, and shall report it and its rationale to the General Council, convened thereafter.

Art. 71. The Board of Directors shall hold two obligatory meetings a week and shall not constitute a quorum or be able to make decisions unless the majority of the members then in office are present.

Decisions shall be taken by a majority of votes, and the Governor and all other members of the Board shall be required to vote.

Art. 72. Mention shall be made, summarily but clearly, in the minutes of the Board of Directors of all matters dealt with at the meetings which cannot be considered mere routine. The minutes shall be written and signed by the Secretary to the Board and Council of the Bank and initialed by the Governor after he has made sure they are correct.

Art. 73. The Board of Directors, for the direct supervision of the business of the Bank, shall be divided into as many categories as necessary to check and supervise operations, each category being in the charge of a Director selected to direct and supervise the service in question.

The following categories shall be considered obligatory:

- (a) General accounting;
- (b) Staff;

- (c) Discounts and transfers;
- (d) Deposits, collections and miscellaneous operations;
- (e) Issue and amortization of notes;
- (f) Exchange operations, monetary reserve and foreign relations;
- (g) Registration and movement of shares;
- (h) Branches and agencies;
- (i) Operations with the Treasury;
- (j) Legal questions;
- (k) General cash department; (l)  
Economic and statistical research;
- (m) Library and files;
- (n) Premises, machinery and maintenance.

The Directors shall direct and exercise immediate supervision over the operations or services under their control; they shall give written or oral opinions on the matters entrusted to them concerning which the Board of Directors needs information; they shall propose to the Board such measures as they consider advisable to improve or expand their respective services and shall submit annually to the Board a report summarizing the status of those services and the results obtained.

*Par. 1.* This division of duties shall not limit the right of all members of the Board to check and examine the transactions of the Bank in general and to propose measures concerning any of them.

*Par. 2.* No Director may be in charge of more than three categories.

*Par. 3.* There shall always be two Directors responsible for directing the day-to-day business activities, this duty being assigned according to seniority.

#### SECTION IV. BOARD OF AUDITORS

Art. 74. The Board of Auditors shall function throughout the year and shall:

- I. Examine the weekly balance sheets, the general balance sheet and the documents and reports submitted by the Board of Directors while it is in office;
2. Inspect the internal administration of the Bank and see whether the Charter regulations, and orders regarding its management are being correctly executed;
3. Call the attention of the Board of Directors to any matter it believes should be studied;

Attend, by delegation and in accordance with Article 76, the meetings of the Board of Directors;

4. Examine the books, the strongboxes and the vaults of the Bank whenever it considers it advisable;
5. Append to the Annual Report of the Board of Directors its opinion concerning the documents referred to in item 1, above, and concerning the accounts for the previous year, the fixing of the dividend and any other proposals of the Board of Directors, indicating what it considers best for the interests of the public and the Bank;
6. Convene the General Meeting referred to in Article 100, item 5;
7. Take part in the discussions and resolutions of the General Council.

Art. 75. The Board of Auditors shall elect from among its members a chairman and a secretary, and shall keep a book of minutes containing the decisions taken at its meetings and describing the manner in which the various activities for which the Board is responsible were carried out.

The Board of Auditors shall not be considered as forming a quorum or able to take decisions unless a majority of the members then in office are present. It shall take decisions by a majority vote.

Art. 76. The members of the Board of Auditors may attend the ordinary meetings of the Board of Directors when they consider it advisable, but with an advisory vote only concerning the matters there dealt with, it being obligatory, however, that one of its members, according to seniority, attend the said meetings.

Art. 77. The Board of Auditors shall hold one obligatory meeting a week and as many others as may be necessary for the performance of its functions.

#### SECTION V. STABILIZATION COMMITTEE

Art. 78. There shall be a Committee with the special function of giving its opinion on the cost and general volume of credit in any form.

*Sole Paragraph.* This Committee, of which the Governor shall be chairman, shall meet whenever convened by him and shall have as members:

- (a) The Deputy Governors for the State;
- (b) The Deputy Governor for the Bank;
- (a) The Directors responsible in the Bank for supervising the operations provided for in Article 73(c) and (f).



## SECTION VI. GENERAL COUNCIL

Art. 79. The General Council shall meet at least once a month to take cognizance of operations as a whole and of the general position of the Bank, and to decide on matters submitted to it under the organizational provisions.

It shall be the special responsibility of the General Council:

1. To elect biennially by secret ballot the Deputy Governor for the Bank;
2. To set the monthly salary of the Director superintending Category (e) [Article 73];
3. To set the limits on credit in excess of two thousand *contos* [2,000,000 escudos] to customers of the Bank;
4. To draw up the lists of employees at the Bank's head office and subsidiaries and determine the periods of employment;
5. To determine, on the proposal of the Board of Directors, the total capital of the Bank under Article 8 and its Sole Paragraph, and to decide on the writing, issue and amortization of notes;
6. To appoint and dismiss the directors of branches and agencies under Articles 81 and 82, and the cashier in the special case referred to in Article 83;
7. To decide on the creation of discount committees when it considers this advisable and to appoint the members thereof under Article 86;
8. To decide, on the proposal of the Board of Directors, on all matters it considers conducive to the furtherance and security of operations, and especially matters related to the opening of agencies, correspondents' offices and delegations from the head office to the Council of Lisbon; and also on the desirability of proposing to the General Meeting the opening of any branch, or its change to an agency, and vice versa; submitting these decisions for the approval of the Government when necessary, as provided in Article 2 and Article 89, paragraph 2;
9. To discuss and approve the regulations for branches and agencies, the administrative regulations of the Bank and any other operating regulations submitted to it by the Board of Directors;
10. To determine the distribution of the profits of the Bank, for submission to the General Meeting;

To request that an extraordinary session of the General Meeting be called when it considers it necessary;

11. To regulate, finally, all matters submitted to it by the Board of Directors in connection with the administration and general organization of the Bank.

Art. 80. The General Council shall not be considered to have formed a quorum or to be in a position to take decisions unless the majority of the members of the Board of Directors and the majority of the members of the Board of Auditors referred to in Articles 71 and 75 are present.

All members of the General Council shall have a vote at its meetings.

This Council shall be governed by the provisions of Article 71, where applicable to votes, and of Article 72.

## CHAPTER 31. BRANCHES, AGENCIES AND CORRESPONDENTS

Art- 81. A number of Directors not exceeding five, all appointed by the General Council of the Bank, one of whom shall be chosen as chairman by the Council, shall be responsible for the administration of branches, under the general responsibility of the Bank.

The managers of branches shall direct the day-to-day business, supervise all sections of the staff, take part in the decisions and administrative activities for which they share responsibility, and see that the law, the Charter and the regulations are complied with.

The management of branches, which shall be responsible for its actions vis-a-vis the Bank, shall have the duty of deciding, executing and exercising all powers of administration under the organizational and regulatory provisions.

Art. 82. As a rule, agencies shall be managed, under the general responsibility of the Bank, by two agents appointed by the General Council of the Bank.

The two agents, with identical administrative powers and with responsibility for their actions, shall direct the business activities authorized by the regulations and instructions from the head office, in conformity with the advantage and interests of the Bank and the established rules.

Art. 83. The administration of agencies may also be entrusted to a single agent, but in this case there shall be a cater whose office shall, in addition to the special functions of cash office for the agency, also exercise such administrative functions as may be established by regulation.

Art. 84. Correspondence and other acts and documents regarding operations for which branches and agencies are responsible, including those arising out of the exercise of the functions of general cash department of the Treasury and central exchequer of the Treasury in the various administrative districts, shall be signed in conformity with the applicable regulations.

An. 85. The managers of branches and the agents, on taking charge of their offices, shall furnish security for compliance with their responsibilities.

*Par. 1.* It shall be the duty of the Board of Directors to establish the terms, conditions and amount of the security, and the items of which it is to be composed.

*Par. 2.* The security, with the items composing it on the day the official leaves office, may be returned or canceled only after the General Meeting has approved the balance sheet and accounts for the fiscal year concerned.

Art. 86. When circumstances make it advisable, there may be organized, at each branch or agency, a local discount committee appointed by the General Council and headed by the manager of the branch or by any of the agents concerned.

Art. 87. Special regulations subject to Government approval shall determine the operations for which branches and agencies are to be responsible, in accordance with Articles 30, 32, 33 and 34, and shall establish their administrative organization on the basis of Articles 81, 82 and 83. These regulations shall be drawn up by the Board of Directors and approved by the General Council.

Art. 88. The opening of branches shall always require the approval of the ordinary General Meeting. The opening of agencies, correspondents' offices and delegations from the head office shall be decided on by the General Council of the Bank without prejudice to approval by the Government when necessary.

Art. 89. Agencies must be changed to branches when the expansion of their business and their probable permanence justify such action and when the change is authorized by the General Meeting. When any agency is in these circumstances, the Board of Directors shall submit the matter to the General Council, which shall decide on it.

*Par. 1.* The changing of any branch to an agency or correspondent's office shall also be decided on by the General Meeting on the proposal of the General Council of the Bank.

*Par. 2.* The changing of agencies to branches, and vice versa, after authorization by the General Meeting of the Bank, may become effective only with government approval.

#### CHAPTER XI. GENERAL MEETING

Art. 90. All shareholders of the Bank shall be represented in the General Meeting, whose work shall be directed by a Chairman or Vice-Chairman and by two Secretaries or Deputy Secretaries, all elected every two years by the Meeting and eligible for re-election.

*Par. 1.* In the absence, or inability to attend, of the Chairman or the Vice-Chairman, one of the Secretaries or Deputy Secretaries, in order of importance, shall replace him.

*Par. 2.* The Chairman may delegate to the Vice-Chairman or to one of the Secretaries or Deputy Secretaries the power conferred on him by the Charter or the administrative regulations to sign or initial the books and other documents of the Bank.

Art. 91. There shall be sessions of the General Meeting as follows:

- (a) Ordinary sessions, regular or convened on an extraordinary basis;
- (b) Extraordinary sessions.

Sessions of the General Meeting, whether ordinary or extraordinary, shall comprise all shareholders holding fifty or more fully paid-up shares.

Art. 92. Shareholders employed by the Bank shall not take part in any General Meeting.

Art. 93. Shareholders attending ordinary or extraordinary sessions of the General Meeting shall have a number of votes proportional to the number of shares they hold, with the following limitation:

Each group of fifty shares shall entitle the holder to one vote, the number of votes not to exceed ten regardless of the number of shares held, except in compliance with the final part of Article 12, paragraph 1, of this Charter.

*Sole Paragraph.* The administrative regulations shall determine the conditions to be met for implementation of the provisions of this Article.

Art. 94. A shareholder who is entitled to attend the General Meeting, ordinary or extraordinary, shall be entitled to be represented at such Meeting by proxy, but the authorization to act as proxy may be given only to another member of the General Meeting concerned and shall entail the power of the proxy to discuss and vote as he sees fit.

*Par. 1.* The proxy shall have as many votes as he is entitled to on the basis of the shares he holds and those held by his constituents.

*Par. 2.* All legal entities holding shares in the circumstances required for eligibility to attend the Meeting shall, for purposes of this Article, be counted as shareholders, provided that they are represented by one individual. In this case the individual representing them shall be entitled to the votes of the legal entities he represents, but shall not represent any other shareholder by proxy.

*Par. 3.* Authorizations to act as proxy shall be presented on or before the day preceding the session of the General Meeting, except as provided in Article 107, paragraph 1.

Art. 95. The following provisions shall govern the preparation of the list of shareholders to be admitted to the General Meeting:

- I. Registered shares must be entered in the Bank's registers, and bearer shares deposited with the Bank, at least five months before the date of the session.
2. When shares are held as a result of legacies or marriage, the time they have been in the possession of the former holder shall if necessary be counted in making up the period referred to above.

*Sole Paragraph.* The period of five months referred to in this Article for registration or deposit of the shares entitling the holder to admittance to or representation at the General Meeting shall not preclude the convening of such Meetings in ordinary or extraordinary session at the times set in the present Charter, even though such times may be shorter than the five-month period.

Art. 96. The General Meeting shall never be composed of more than three hundred shareholders.

*Par. 1.* After shares have been deposited for the period established in item 1 of Article 95 for attendance at a General Meeting, the management of the Bank shall check whether this may cause the number of members of such Meeting to exceed three hundred and, if such is possible, shall prepare a list of depositors stating the number of votes to which each is entitled.

*Par. 2.* After the number of possible votes has been obtained, it shall be divided by three hundred, and shareholders holding a number of votes equal to or higher than the quotient shall be approved immediately as members of the General Meeting.

*Par. 3.* Shareholders not meeting the conditions in the foregoing paragraph shall be invited to group themselves together in such a way that each group has a number of votes equal to or higher than the quotient referred to in that paragraph, with the shareholders choosing as proxy one shareholder to represent them at the Meeting.

*Par. 4.* The list of shareholders referred to in paragraph 3 shall be published at least a week before the date of the Meeting in two Lisbon papers and in the *Diario do Governo*.

*Par. 5.* The powers of proxy conferred for the purposes of paragraph 3 shall be presented at the head office of the Bank on or before the day preceding that of the Meeting, and that office shall be open for this purpose during the usual hours even if the day preceding the Meeting is a holiday.

Art. 97. The following may attend the General Meeting to represent shareholders:

- I. A member of the management of any bank, company, partnership or legally recognised corporation, as its agent;
2. A husband for his wife and a father for his minor children;

A guardian or trustee for his charge;

3. One member of a commercial firm for the firm;
4. The legal representative of a testamentary estate for an undivided estate;
5. The proxy of a shareholder, under the provisions of Article 94;
6. The proxy (under the provisions of Article 94) of a husband and wife under a jointly granted power of attorney, or of parents for their minor children.

*Par. 1.* Shares held jointly by husband and wife shall entitle one person to attend the Meeting; representation by one person shall not be based on counting together shares held separately by husband and wife or by counting together the portions of minor children, those under guardianship and other charges.

*Par. 2.* The provisions of paragraph 2 of Article 94 shall be applicable to fathers, guardians and trustees having more than one child, person under guardianship, or other charge, entitled to representation at the Meeting.

*Par. 3.* The documents proving the right to attend the General Meeting under this Article shall be delivered to the Bank on or before the day preceding the date of the Meeting, and the Bank shall be open for this purpose during the usual hours on the day preceding the Meeting, even if the day is a holiday.

Art. 98. The General Meeting shall hold its regular ordinary session at the beginning of each year, before the end of March, to discuss and vote on the balance sheet and other documents presented by the Board of Directors as well as to discuss and vote on the report of the Board of Auditors and elect officials of the Bank.

*Par. 1.* For implementation of the provisions of this Article, the Board of Directors, two weeks before the date set for the Meeting, shall have distributed to the shareholders the Annual Report, balance sheet and report of the Board of Auditors, and the list of shareholders entitled to attend the ordinary and extraordinary sessions.

*Par. 2.* During the same period there shall be on display at the Bank, for examination by shareholders, all documents referred to in this Article, as well as the general books of the Bank and the list of shareholders who may attend the ordinary and extraordinary General Meeting.

Art. 99. It shall be the duty of the General Meeting:

1. To elect the shareholders who are to serve as officers, the part of the Board of Directors that is elected, the Board of Auditors and any committees;

2. To take cognizance of all acts of administration and control of the Bank and of the proposals or plans presented **to** it and indicated in the notices of the Meeting;
3. To resolve and decide on all other acts referred to in this Charter as within its competence;
4. To supervise all matters relating to the Bank's business.

*Sole Paragraph.* The General Meeting may and shall, when it considers it necessary, appoint special committees of inquiry to examine the acts referred to in item 2 of this Article.

Art. 100. In addition to the session referred to in Article 98, the General Meeting may hold ordinary sessions convened on an extraordinary basis:

1. When the Chairman and Secretaries consider it necessary;
2. When the Governor of the Bank has requested it;
3. When it is necessary to fill any of the positions of officers presiding over the General Meeting that have become vacant as a result of death or resignation;
4. When it becomes necessary to elect Directors to the Board of Directors or members of the Board of Auditors;
5. When a session is requested by the majority of the Board of Directors or the Board of Auditors;
6. When twenty shareholders who were entitled to attend the last ordinary General Meeting, and who attended it, request a session in a memorandum giving reasons and signed by all of them. When a session of the General Meeting is held for the last reason it shall not take up the matter unless at least three fourths of the signatories of the memorandum are present, failure to appear being considered renunciation of the request.

**Art. 101.** The ordinary General Meeting may function when, at the time indicated, more than one fourth of the shareholders comprising the Meeting are present or are represented, and they hold shares the value of which is not less than ten per cent of the paid-up capital of the Bank; decisions shall be valid by a majority vote of the Meeting.

*Sole Paragraph.* A roll call shall not be refused if requested by five or more shareholders and approved by a number of them representing at least one fifth of the votes of the shareholders present in person or through their representatives.

**Art. 102.** If, at the time a Meeting is first convened, the number of shareholders required for an ordinary session under Article 101 is not

present, another session shall be called, which shall be held within thirty days but never earlier than two weeks later, decisions taken at that time being valid no matter what number of shareholders is present or what proportion of the capital is represented.

**Art. 103.** The extraordinary General Meeting shall meet only to decide on the amendment of the Charter, and the period of duration, increase of capital, dissolution and liquidation of the Bank.

*Par. 1.* This Meeting shall be called only:

1. If decided on by the General Meeting in ordinary session;
2. If requested by the Governor;
3. If requested by the General Council of the Bank;
4. If requested by shareholders who together represent at least one tenth of the paid-up capital of the Bank.

*Par. 2.* The extraordinary General Meeting called as provided in item 4 of the preceding paragraph shall be governed by the last part of Article 100.

**Art. 104.** For the extraordinary General Meeting to decide to alter or amend the Charter, to increase or reduce the capital, or to extend the duration of the Bank or dissolve or liquidate it, it shall be necessary:

1. That all shareholders meeting the conditions of Article 91 be called;
2. That the Meeting be attended by one fourth of the shareholders called or their representatives;
3. That the Meeting decide in the affirmative on the prior opinion of a special committee, and that the decision be taken by the number of votes representing at least one fourth of the paid-up capital of the Bank; in the case of dissolution and liquidation, however, votes representing at least one half of the capital shall be required.

*Sole Paragraph.* The decision of the General Meeting shall be authorized by law in cases which require legislative backing.

**Art. 105.** If a quorum is not formed or an adequate vote is not obtained at the first session at which any matter within the competence of the General Meeting is to be decided, a new session shall be called in not more than thirty days or less than two weeks, in which case the Meet-Mg shall form a quorum with one eighth of the shareholders called, and the decision shall be valid if it has a number of votes representing at least one eighth, of the paid-up capital of the Bank; in the case of dissolution and liquidation of the Bank, however, votes representing at least one fourth of the said capital shall be required.

*Sale Paragraph.* If no quorum is formed or adequate vote taken at this session, a third shall be called, in which case the provisions of Article 102 shall be applicable.

**Art. 106.** General Meetings shall not decide or resolve matters not germane to those for which they were convened; however, decisions and resolutions taken in accordance with the regulations shall be binding, even on absent or dissenting shareholders.

**Art. 107.** Calls to a General Meeting shall be made in the name of the Chairman by letter from the First Secretary sent to the domicile of the shareholders known to the Bank; and by announcement signed by the First Secretary and published in the Official Gazette at least two weeks in advance, except in urgent and extraordinary cases.

*Par. 1.* In these cases, presentation of the documents referred to in Articles 94, 96 and 97 may be made from the date the Meeting is called until the actual opening date.

*Par. 2.* The letters convening the Meeting shall always indicate briefly the purpose for which it has been called.

**Art. 108.** Election to the offices of Chairman, Vice-Chairman, Secretary and Deputy Secretary of the General Meeting, and to positions on the Board of Directors and the Board of Auditors, shall be by secret ballot and an absolute majority of votes. If an absolute majority is not obtained on the first vote, however, a relative majority shall suffice for the second ballot

*Par. 1.* In case of a tie, the shareholder with the highest seniority shall be elected and, if seniority is equal, the shareholder holding the largest number of shares; if the number of shares is equal, the question shall be decided by lot.

*Par. 2.* The provisions of this Article and paragraph 1 thereof shall be observed in electing any committee not appointed by acclamation of the General Meeting.

**Art. 109.** The offices of Chairman, Vice Chairman, Secretary and Deputy Secretary of the General Meeting and of the General Council shall preclude the holders from occupying any other post or accepting any other employment with the Bank.

## CHAPTER XII. GENERAL AND TEMPORARY PROVISIONS

**Art 110.** Questions arising between the State and the Bank of Portugal in regard to the interpretation and execution of their contracts shall be decided, finally and without appeal, by three arbitrators: one appointed by the Government; another by the Bank; and the third, who shall preside, shall be the President of the Supreme Court.

**Art. 111.** So long as the provisions of Decree No. 20683 of December 29, 1931 and Decree-Law No. 22496 of May 4, 1933 remain in effect, the accounts of the Bank of Portugal shall be kept in compliance with the rules agreed between the Government and the Bank.

*Par. 1.* The gold referred to in Clauses 13 and 14 of the contract of June 29, 1931 and Articles 27 and 29 of this Charter shall be entered on the books at its value according to the base price of gold resulting from the relationships: 28.75 escudos are equal to .1 U.S. dollar of the weight and fineness in effect on July 1, 1944; and 1 troy ounce is equal to 35 U.S. dollars.

*Par. 2.* Foreign currency shall be entered on the books at the parity rate of each in conformity with the relationships given in this Article. *Par. 3.*

Of the increment resulting from the valuation of gold made in rt application of paragraph 1 above, part shall be used for full repayment of the debts of the Treasury to the Bank of Portugal referred to in Clauses 10, 11 and 14 of the contract of June 29, 1931, and the remainder shall be credited to a special account for use in meeting possible disequilibria arising from a change in the value of the gold held by the Bank and the payments required by operations or transactions involving gold or by the movement of gold, and for other purposes agreed between the State and the Bank.

*Par. 4.* Such changes and entries as are required for compliance with this Article shall be made on the books of the Bank.

**Art. 112.** To facilitate compliance with Article 7 of the present Charter and to prevent the capital of the Bank from being represented by fractions of a share, the Bank shall acquire from the State, for cancellation, the certificate now held by the latter having the value of one third of one share in the Bank.

**Art. 113.** The Bank shall be excused from payment of all taxes and fiscal charges on the value of its assets and the increase in capital and reserves arising from the provisions of this Charter and the contract approved by Decree-Law No 44432 of June 29, 1962.

**Art. 114.** Until such time as the regulatory and organizational system of the Bank is altered, there shall continue in effect, wherever they are not contrary to the present Charter, the present regulations as amended by decision of the General Council according to circumstances and need.

**Art. 115.** The provisions of Article 114 shall also be applicable to the administrative regulations approved by Decree of April 23, 1891 and to those of branches and agencies approved by Decrees of May 24, 1897 and July 17, 1916, but government approval has not yet been granted to the decisions of the General Council of the Bank concerning the manufacture and issue of notes and the services involved in the functions of general

cash department of the Treasury and central exchequer of the Treasury in the administrative districts.

Art. 116. The Bank may adopt, without prejudice to its guarantees and interests, any measures it considers suitable for facilitating the settlement and repayment of transactions now pending but not permitted by the new organizational or regulatory provisions.

*Sole Paragraph.* The guarantee furnished by the State for the liability arising from repayments for execution of Article 2 of Decree No 18946 of October 21, 1930 shall continue to exist until repayment has been completed.

Art. 117. The signature of the Governor, one of the Deputy Governors, or two of the Directors shall be adequate to obligate the Bank.

*Par. 1.* The public or notarial acts and the correspondence or other documents sent to official agencies shall require the signature of the Governor or one of the Deputy Governors.

*Par. 2.* The notes and shares issued by the Bank shall require the signature and seal of the Governor and one of the Directors.

*Par. 3.* Except in the cases referred to in the foregoing paragraphs the signature of one of the Directors and one of the high-ranking employees of the Bank, or of two such employees jointly, shall be adequate, when so decided by the Board of Directors.

*Par. 4.* Correspondence and other documents sent to official agencies the nature of which does not justify signature by the Governor or one of the Deputy Governors under paragraph 1 shall be signed by two Directors, but in routine cases the Governor may authorize two high-ranking employees chosen by him to sign.

Art. 118. To such officers or employees as may so request, the Bank may grant medium-term or long-term loans to facilitate the purchase construction of their own houses.

*Sole Paragraph.* The Board of Directors shall decide the amount, guarantee and other conditions of the loans on the basis of the family and financial circumstances of the persons concerned.

Art. 119. Persons in the service of the Bank shall be entitled to sickness and retirement pensions on terms to be defined by the General Council, which shall also determine the conditions in which the Bank may grant survivors' pensions to the Widows and minor children of persons in its service.

Art. 120. Members of the General Council of the Bank who have exercised their functions for at least twenty years, consecutively or with interruptions, shall be entitled to receive on retirement a monthly pension equal to the salary received on the date they leave the Bank, for whatever cause.

- Par. 1.* When a position has been held for less than twenty years but more than five, the provisions of this Article shall be applicable with the difference that in this case the amount of the pension shall be the amount corresponding to the product of the number of years spent in the position multiplied by one twentieth of the salary.
- *Par. 2.* For purposes of this Article, there shall be added to the time in the position here referred to the time spent in previous positions on the staff of the Bank.

*Par. 3.* In case of death, the General Council may grant the widow and minor children a monthly pension corresponding to half the salary or pension received by the deceased.

## Decree-Law No. 46492

1. The recent evolution of the money markets in our country has shown the need to adopt measures to improve the conditions in which they function. In Article 27 of Law No. 2124 of December 19, 1964 it was expressly established that: "In carrying out the reform and adaptation of the financial structure to present conditions of national economic development, the Government shall promote the measures considered necessary for the effective functioning of the banking system and the capital market,"

Furthermore, the various enactments dealing with financial matters that have been promulgated recently show the Government's firm intention to take active steps toward the general objectives defined above. With the reorganization of the credit system and the banking structure in the overseas provinces (Decree-Law No. 45296 of October 8, 1963), the definition of the general conditions governing export credit and export credit insurance operations (Decree-Law No. 46303 of April 27, 1965), the amendment of the provisions governing the investment of foreign capital on Portuguese territory (Decree-Law No. 46312 of April 28, 1965), the control of the creation and operation of investment funds and their related management companies (Decree No. 46342 of May 20, 1965) and the publication of regulations governing issue and circulation of overseas development bonds (Decree-Law No. 46380 of June 11, 1965), significant steps have already been taken toward perfecting the country's monetary and financial instruments.

Meanwhile, some alterations are urgently needed in the credit system of continental Portugal and the adjacent islands.

2. In the first place, considering the position of the Bank of Portugal as the bank of issue, central bank and reserve bank, as defined in its Charter or organic laws and in its contracts with the State, and the functions it has to exercise in consequence, with special reference to the money market, it

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The Decree-Law was promulgated by the Minister of Finance on August 18, 1965 and published in the *Diário do Governo* of the same date.

is necessary to clarify or redefine the nature and scope of the powers that have been or should be granted to the Bank. As a general principle, it is essential that the Bank of Portugal, in its above-mentioned capacity and in exercise of the powers defined in Paragraph 2 of Article 14 of Decree-Law No. 42641 of November 12, 1959,<sup>2</sup> shall have at its disposal the instruments of monetary policy provided by current legislation, using them under the guidance of the Government and always in step with the evolution of those markets. Only thus can the Bank act, from moment to moment, so as to regulate the operation of the money market and ensure that the money supply is in line with the requirements of economic activity. Furthermore, the powers in this sphere entrusted to the central banks in most of the Western countries are a sufficiently clear example.

3. One of the features that have come to characterize the evolution of the money market in recent years has been the considerable intensification of interbank competition, particularly in the demand for available funds. Such competition has caused some confusion in this market, revealing the need for some intervention designed to forestall it.

Hence, it is considered appropriate to set down with greater precision the rules and regulations governing bank deposits, especially time deposits, and to establish rules for cash reserves and other guarantees for commercial banks' sight and short-term liabilities, more in keeping with the principal categories of those liabilities. And, while the mobilization of certain funds for lending operations is facilitated by a relaxation of time limits, nevertheless recent developments make it advisable to introduce appropriate quantitative and qualitative measures relating to the creation of paper credit by commercial banks, and to the productive utilization of the sight liabilities or very short-term liabilities collected by the commercial banks, with the ultimate objective of a selective expansion of bank credit.

It is also evident that the effects of certain shortcomings in the interest rate structure have become more pronounced; they have certainly contributed not only to the intensification of some pressures on the money market, but also to continued weakness of the capital market. In these circumstances, while the central bank will have to make the rates for credit operations uniform for the whole territory of continental Portugal and the adjacent islands, it has also become necessary simultaneously to modify and extend the system of legal interest rate limits for banks' lending and borrowing operations. Moreover, with a view to stimulating the demand for bonds, it is appropriate to consider, in addition to other measures, granting to certain securities the benefit of exemption from, or reduction of, the capital investment tax and the complementary tax in respect of the interest on the said securities.

4. Finally, with direct reference to the resources without which the Bank of Portugal cannot properly exercise its functions as the bank of issue, central bank and reserve bank, the Government reco \_\_\_\_\_ that it is vital that the Bank have at its disposal adequate data on the position and activity

<sup>2</sup>For the text of Art. 14, see below, p. 597.

of the money and capital markets. Indeed, without access to information that is regular, up-to-date and as complete as possible, it is extremely difficult for the bank of issue to exercise the functions entrusted to it, or to provide timely information on the evolution of these markets for the Government

#### THEREFORE:

Considering the provisions of Article 27 of Law No. 2124 of December 19, 1964;

Taking due note of the provisions of Decree-Law No. 41403 of November 27, 1957 and Decree-Law No. 42641 of November 12, 1959, together with the Charter or organic laws of the Bank of Portugal and the contracts between the State and the said Bank;

After consulting the National Credit Council;

By virtue of the authority conferred by Article 109, Paragraph 2, part 1, of the Constitution, the Government decrees and I promulgate, with force of law, the following:

#### CHAPTER I. OPERATIONS OF CREDIT INSTITUTIONS

Art. 1. Deposits of cash holdings [*disponibilidades monetárias*] in credit institutions shall take one of the following forms:

- (a) Demand deposits;
- (b) Time deposits;
- (c) Notice deposits.

*Par. 1.* Demand deposits shall be payable immediately.

*Par. 2.* Time deposits shall be payable only at the end of the period for which they were made, which period shall not be less than thirty days. Deposits in commercial banks shall not be made for a period exceeding one year

*Par. 3.* Notice deposits shall be payable at the end of the period for which the depository has received notice in writing, as stipulated in the notice clause. This period shall not exceed ninety days.

Art. 2. Total cash holdings of commercial banks, constituted by cash on hand, demand deposits with the bank of issue of metropolitan Portugal and national development bonds, shall at all times be at least equal to the total of the following amounts:

- (a) Fifteen per cent of the sight liabilities in Portuguese currency;
- (b) Ten per cent of the total of time and notice deposits in Portuguese currency made for periods of thirty to ninety days, inclusive;
- (c) Five per cent of the total deposits in Portuguese currency made for periods of more than ninety days.

*Sole Paragraph.* In addition to demand deposits and other immediately payable liabilities, notice deposits in Portuguese currency at less than thirty days shall also be considered sight liabilities for the purposes of this Article.

Art. 3. Checks issued by commercial banks either on their own branches (or vice versa) or on other credit institutions shall not be counted among the items listed in Paragraph 1 of Article 57 of Decree-Law No. 42641 of November 12, 1959 as part of the cash holdings of commercial banks referred to in the preceding Article.

Art. 4. In determining the liquidity situation of the commercial banks, the surplus of cash holdings over and above the minimum amounts found to exist in conformity with the provisions of Article 2 will be considered as cover for the various categories of liabilities enumerated in that Article, in proportion to the minimum amounts referred to.

Art. 5. That part of the value of liabilities in Portuguese currency mentioned in Article 2, items (a) and (b), Which exceeds the amount of cash holdings constituted as indicated in that same Article and calculated in conformity with the preceding Article must always be completely guaranteed by the assets mentioned in Article 60 of Decree-Law No. 42641, but commercial paper held by correspondents in Portugal and balances with credit institutions domiciled in Portugal, referred to in items (b) and (j) of that Article, respectively, may be payable in a maximum period of not more than one hundred eighty days.

Art. 6. The total amount of the commercial banks' sight liabilities in Portuguese currency and of time or notice deposits in Portuguese currency in commercial banks for periods of thirty days or more shall be wholly guaranteed at all times by the sum of the following assets:

- (a) The cash assets referred to in Article 2;
- (b) The assets referred to in Article 60 of Decree-Law No. 42641, with the amendment mentioned in Article 5 of the present Decree-Law;
- (c) Securities in the commercial portfolio with maturities of more than six months but not more than two years, represented by discounted bills, receipts, abstracts of invoices and warrants;
- (d) Loans or current accounts with maturities of more than one year but not more than two years, guaranteed in any legally permissible manner.

*Sole Paragraph.* Those amounts of the assets referred to in items (c) and (d) of the present Article which do not arise from investment of the commercial banks' own capital shall never exceed the amount of deposits in Portuguese currency made with those banks for periods exceeding ninety days, except in the cases provided for in item (d) of Article 62 of Decree-Law No. 42641.

Art. 7. No credit institution shall grant to its correspondents powers to effect any banking operation without previous authorization by the Minister of Finance.

## CHAPTER II. INTEREST RATES

Art. 8. Commercial banks shall not pay interest at rates higher than the following limits:

- (a) One half of one per cent on demand deposits;
- (b) One and one-fourth 'per cent on notice deposits at less than thirty days;
- (c) Two and one-half per cent on time or notice deposits at thirty to ninety days, inclusive;
- (d) Three and one-half per cent on time deposits at more than ninety days and up to one year.

*Sole Paragraph.* Within the limits established in this Article, the Minister of Finance, upon a proposal of the National Association of Banks and Banking Houses may fix by executive decision more differentiated interest limits corresponding to the length of the notice and deposit periods.

Art. 9. The special credit establishments mentioned in item (d) of Article 2 of Decree-Law No. 42641 shall not pay interest at rates higher than the following limits on any deposits that they are legally authorized to receive:

- (a) Two per cent on demand deposits and notice deposits at less than thirty days, up to the amount of twenty thousand escudos, and one and one-fourth per cent above that amount;
- (b) Two and one-half per cent on time or notice deposits at thirty to ninety days, inclusive;
- (c) Three and one-half per cent on time deposits at more than ninety days and up to one year;
- (d) Four per cent on time deposits at more than one year.

Art. 10. All credit institutions are prohibited from assigning to their depositors any benefits or premiums that could, directly or indirectly, result in returns on their deposits becoming higher than the maximum rates fixed in Article 8 and Article 9, above.

Art. 11. Credit institutions shall not charge interest on their lending operations at rates higher than the following limits:

- (a) In discounting commercial bills and in other credit operations for periods not exceeding six months, the discount rate of the Bank of Portugal plus one and one-half per cent;



- (b) In any credit operations for periods exceeding six months but not exceeding one year, the discount rate of the Bank of Portugal plus two per cent;
- (c) In credit operations for periods exceeding one year, but not exceeding five years, the discount rate of the Bank of Portugal plus two and one-half per cent;
- (d) In operations for periods exceeding five years, the discount rate of the Bank of Portugal plus three and one-half per cent.

*Sole Paragraph.* The Minister of Finance may authorize rates higher than those referred to in items (c) and (d) of the present Article, provided that the operations to which they relate involve the investment of special funds and are intended for purposes of acknowledged interest to the Portuguese economy.

Art. 12. In credit operations effected by the quasi-banking institutions referred to in Article 5 of Decree-Law No. 41403 of November 27, 1957 or through the companies referred to in Decree-Law No. 43767 of June 30, 1961, the maximum interest rates shall not exceed those referred to in the preceding Article.

Art. 13. The interest rates agreed in accordance with the provisions of Article 11 and Article 12 shall be neither reduced nor increased by virtue of a change in the discount rate of the Bank of Portugal during the period for which the operations were undertaken.

Art. 14. Credit institutions and quasi-banking institutions shall not, either directly or indirectly, take the place of depositors, or of others who are their creditors as a result of banking operations, in paying the taxes that such depositors or creditors owe in respect of the interest on the relevant deposits and operations.

Art. 15. The Directorate-General of Taxes and Excise shall exercise the control incumbent upon it with respect to observance of the fiscal regulations relating to interest on deposits in credit institutions.

An. 16. Any commissions charged by credit institutions and by quasi-banking institutions on operations they effect shall be considered as interest for purposes of the limits fixed in Articles 11 and 12.

*Par. 1.* Transfer fees relating to drafts or other commercial bills payable in a market located in an administrative area [*concelho*] other than that in which the discount operation was originated are excepted from the provisions of this Article.

*Par. 2.* The transfer fees referred to in the preceding paragraph shall be fixed by the National Association of Banks and Banking Houses, subject to confirmation by the Inspectorate-General of Credit and Insurance.

*Par. 3.* In the case of loans contracted through the companies referred to in Decree-Law No. 43767, the total of the interest received by the lender plus the commission charged by the intermediary bodies shall remain within the limits fixed in Articles 11 and 12, above.

Art. 17. The Minister of Finance may, by order [*portaria*], upon the recommendation of the Bank of Portugal and after consulting the National Credit Council, change the interest rate limits referred to in Articles 8, 9 and 11, as well as fix interest rates for any other banking operations.

#### CHAPTER M. MONEY MARKET AND BANK OF ISSUE, CENTRAL BANK AND RESERVE BANK

- Art. 18. In special circumstances affecting the monetary and financial situation, and with due regard to the funds needed for national economic development, the Minister of Finance, upon the recommendation of the
  - Bank of Portugal and after consulting the National Credit Council, may, by order, set limits to the credit to be granted by credit institutions and quasi-banking institutions.

An. 19. It is incumbent upon the Minister of Finance, in accordance with Article 14 of Decree-Law No 42641, to formulate directives with a view to promoting coordination of the volume and the distribution of credit with the requirements of each sector of the economy.

Art. 20. The Government shall continue to regulate those credit operations of banks where the purpose is to finance installment sales of consumer durable goods produced on Portuguese soil or imported from abroad, taking into consideration the legal provisions governing medium-term and long-term credit operations set forth in Article 17 of Decree-Law No 44652 of October 27, 1962.

Art. 21. The Minister of Finance may, upon the recommendation of the Bank of Portugal and after consulting the National Credit Council, establish by order:

- (a) The limits and conditions to which the guarantees mentioned in Article 60 of Decree-Law No. 42641 and in Articles 5 and 6 of the present Decree-Law shall be subject;
  - (b) The proportion of national development bonds in the cash assets referred to in Article 2;
  - (c) The ratios referred to in Article 71 of Decree-Law No. 42641.
- Art. 22. The Bank of Portugal, in its capacity as bank of issue, central bank and reserve bank, shall, in accordance with the provisions of Paragraph 2 of Article 14 of Decree-Law No 42641, and in accordance with the provisions of its by-laws and of its contracts with the State, adopt, when

circumstances require, measures designed to regulate the functioning of the money market and to promote the coordination of the money supply with the requirements of economic activity.

Art. 23. In special circumstances affecting the monetary situation, the Bank of Portugal may fix interest rates higher than the standard rate for rediscount operations, and for direct loan operations not included in contracts with credit institutions for the opening of credits on current account, beyond the limits that the Bank of Portugal may announce to these institutions from time to time.

Art. 24. The Bank of Portugal, in its capacity as bank of issue, central bank and reserve bank, may, With the agreement of the Minister of Finance, change the percentages of cash assets set out in Article 2 of the present Decree-Law.

Art. 25. The foreign currency holdings of commercial banks, constituted in accordance with Articles 29 to 36 and Paragraphs 1 and 2 of Article 37 of Decree-Law No. 44699 of November 17, 1962, may be limited by the Bank of Portugal, taking into consideration the situation of the money and exchange markets and the position of the said institutions.

#### CHAPTER IV. CAPITAL MARKET

Art. 26. In conformity with the provisions of Article 27 of Law No. 2124 of December 19, 1964, the Minister of Finance is authorized to adopt the necessary measures to stimulate the capital market With a view to assuring its normal functioning and advancing the national economic development policy.

Art. 27. For the purposes indicated in the preceding Article, the Minister of Finance may, Wholly or partially, exempt both from the capital investment tax and from the complementary tax the interest on bonds issued by those undertakings whose activities are included in the development plans or programs referred to in Article 4 of Decree-Law No. 44652 or, although not included therein, are of major interest from the point of view of national economic development.

#### CHAPTER V. INFORMATION ON MONEY AND CAPITAL

Art. 28. Credit institutions and quasi-banking institutions are required to send to the Bank of Portugal, in accordance With the instructions issued by the said Bank, monthly interim balance sheets and other data concerning their position and the operations they carry out in the money and capital markets.

Art. 29. To supplement the data relating to the general balance o international payments referred to in the Sole Paragraph of Article 7 o

Decree-Law No. 44699, the Bank of Portugal is authorized to seek from any institutions whatsoever, and they are required to supply to the Bank, the data necessary for the periodic preparation of a balance sheet of capital imports and exports, and for the determination of the net external credit or indebtedness of the national economy.

Art. 30. Credit institutions, quasi-banking institutions and the other entities referred to in Articles 28 and 29 shall send copies of the data which they transmit to the Bank of Portugal in compliance with the provisions of these Articles, to the Inspectorate-General of Credit and Insurance.

#### CHAPTER VI. SPECIAL AND TEMPORARY PROVISIONS

Art. 31. Infringements of the provisions of the present Decree-Law shall be punishable in accordance With the general law and with the provisions of Articles 89 to 98, inclusive, of Decree-Law No. 42641.

*Sole Paragraph.* Without prejudice to the penalties provided in the present Article, the National Association of Banks and Banking Houses may apply the disciplinary sanctions prescribed in its by-laws whenever its members adopt competitive practices that are incompatible with the principles of fair competition or that do not conform to good banking practice.

Art. 32. Without prejudice to the penalties provided in Article 31, institutions that do not forward, within the prescribed time limits, the accounting data or other information lawfully asked of them in circulars or instructions sent by registered mail by the Inspectorate-General of Credit and Insurance or the Bank of Portugal and requiring an acknowledgment of receipt, may be fined an amount not exceeding ten thousand escudos.

*Sole Paragraph.* Imposition of the fine shall be the responsibility of the Inspector-General of Credit and Insurance.

Art. 33. Articles 2 to 6 and Paragraph 2 of Article 16 shall enter into orce sixty days after the date of publication of the present Decree-Law.

Art. 34. Deposits in existence on the date of publication of this Decree-Law with conditions differing from those established herein shall be brought into line with the prescribed conditions within the following periods:

- (a) Demand deposits with a notice clause in conformity with Article 50 of Decree-Law No. 42641, up to fifteen days from the date of publication of this Decree-Law;
- (b) Time deposits in conformity with the same Article, starting from the expiration of the period for which they were made.

Art 35. In lending operations effected prior to the date of publication of this Decree-Law, the interest rates agreed upon at the time the operation was realized shall remain unchanged until the relevant due date.

Art. 36. Present bank correspondents shall apply for the appropriate authorization Within a period of thirty days from the publication of the present Decree-Law, and those Which are not granted such authorization shall terminate their activities within sixty days following the decision rejecting their application.

Art. 37. For all fiscal purposes, notice deposits at thirty days or more are considered equivalent to time deposits.

Art. 38. Article 37 of Decree No. 10634 of March 20, 1925, Decree-Law No. 27711 of May 19, 1937, Paragraphs 1 and 2 of Article 41 and Article 42 of Decree-Law No. 41403 of November 27, 1957, the body of Article 11 and Articles 23, 24, 50, 58 and 59, and Paragraphs 2 and 3 of Article 57 of Decree-Law No. 42641 of November 12, 1959, are repealed.

## The Constitution'

### ARTICLE 91

The functions of the National Assembly shall be:

- (1) To make, interpret, suspend and revoke laws;
- (2) To ensure the observance of the Constitution and the laws and to examine the acts of the Government or the Administration;

### ARTICLE 93

The exclusive competence of the National Assembly includes approval of the general principles relating to:

- (b) The Weight, value and denomination of coins;
- (c) The standards for weights and measures;
- (d) The creation of banks or institutions of issue;

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Constituicao Politica. As amended. Approved by a national plebiscite of March 19, 1933 and entered into force on April 11, 1933.