



Transitional rules for UK financial services providers

Under the transitional regime approved by Decree-Law 106/2020, credit institutions, investment firms and management companies with head office in the United Kingdom and without establishment in Portugal may continue to provide services in Portugal in the year 2021 provided certain conditions are met.

The transitional period set out in the Agreement on the withdrawal of the United Kingdom from the European Union ends on 31 December 2020. As a result, the European Union law, in particular, the rights of establishment and the freedom to provide services will cease to apply to UK entities.

In order to ensure a smooth transition, the Government approved Decree-Law 106/2020, which establishes a transitional regime applicable to the provision of financial services by entities based in the UK without establishment in Portugal, including the following rules:

- **Receipt of deposits, granting of credit, payment services and issuance of electronic money:** new contracts or new operations may only be entered into in Portugal after prior authorisation from the Bank of Portugal, which must be requested within three months as of 1 January 2021. Any acts which are necessary to comply with the contracts already executed may be performed until 31 December 2020.
- **Investment services and activities and services related to Collective Investment Schemes (CIUs):** credit institutions, investment firms and management companies authorised to provide services in Portugal under the right of establishment or the freedom to provide services may continue to provide services in Portugal, provided that, within three months, they inform the Portuguese Securities Market Commission (*Comissão de Mercado de Valores Mobiliários* – “**CMVM**”) if they (i) intend to terminate ongoing contracts or (ii) request an authorisation to maintain its activity in Portugal, within six months of 1 January, 2021. CIUs may continue to be marketed in Portugal provided that the management entities provide the CMVM with information on the CIUs within three months.
- **Insurance contracts:** contracts covering risks located in Portuguese territory or for which Portugal is the Member State of commitment will remain in force until the end of the contract, without prejudice to any right of early termination. These contracts may not be extended beyond the transitional period defined in the withdrawal agreement and may only be amended for the benefit of the policyholder or when the amendment results from the application of a mandatory legal rule. Insurance companies must send information on these contracts to the Insurance and Pension Funds Supervisory Authority (*Autoridade de Supervisão de Seguros e Fundos de Pensões* – “**ASF**”) within two months.
- **Representation of bondholders:** the entities that have been designated to represent investors may continue to provide their services until the expected maturity of the issue or program.

The transitional regime will be in force between 1 January 2021 and 31 December 2021, with the exceptions described above.

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