

## FORM FBOT—EXHIBIT A-5

**Request:** Attach the national statutes, laws and regulations governing the activities of the foreign board of trade and its respective participants.

**Response:**

The relevant national statutes, laws and regulations are included as Attachments A-5-1 through A-5-4. Some of these statutes have been amended since the 2008 No-Action Request. In this regard, the current versions of (i) CVM Instruction 461, enacted in 2007; (ii) Law 6385, enacted in 1976; and (iii) Law 6.404<sup>1</sup>, enacted in 1976, are included with amendments marked in track changes. Additionally, CVM Instruction 387, was replaced by CVM Instruction 505, enacted on September 27, 2011, as previously highlighted in BVMF's 2011 Part 30 Annual Questionnaire.

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<sup>1</sup> Law 6.404 was provided in response to Exhibit A-1 and is enclosed as Attachment A-1-2.

**CVM INSTRUCTION # 461, DATED OCTOBER 23, 2007**

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The **PRESIDENT OF COMISSÃO DE VALORES MOBILIÁRIOS - CVM** [*Brazilian Securities and Exchange Commission*] hereby announces that the Collegiate, at the meetings held on September 17 and 18, 2007, in view of the provisions of Article 8, item I, and 18, item I, letter "f" of Law No. 6,385, of December 7, 1976, RESOLVED to enact the following Instruction:

**SCOPE AND PURPOSE**

Art. 1 This Instruction governs the operation of regulated markets of securities, as well as the formation, organization, operation and dissolution of stock exchanges, securities and exchange commissions, organized markets and non-organized markets.

**CHAPTER I**

**REGULATED MARKET OF SECURITIES**

**Section I**

**Scope**

Art. 2 The regulated markets of securities comprise organized stock exchanges, organized markets and OTC markets.

Art. 3 Organized markets of securities shall mean the physical space or electronic system designed for the negotiation or registration of operations with securities by a certain number of people authorized to trade, whether they are acting on their own account or on behalf of a third party. 2

§1 Organized markets of securities are the stock exchanges, commodities and futures markets and the organized over-the-counter markets.

§2º Organized markets of securities shall be managed by managing entities authorized by CVM.

Art. 4 Conducted in a non-organized over-the-counter market is considered the transaction of securities in which a broker intervenes as an intermediary, a member of the distribution system referred to in items I, II and III of Art. 15 of Law No. 6,385, of 1976, with the business not being transacted or registered in an organized market that satisfies the definition of Art. 3.

Sole paragraph. A transaction of securities in which a member of the distribution intervenes as a party will also be considered a transaction in a non-organized over-the-counter market when any such transaction results from the activity of securities

underwriting on their own account or for the purpose of resale in the market or the acquisition of outstanding securities for resale on its own account.

## **CHAPTER II**

### **ORGANIZED MARKETS OF SECURITIES**

#### **Section I**

##### **Classification of Organized Markets of Securities**

Art. 5 An organized market of securities shall be considered by CVM as an organized exchange or an organized over-the-counter market, depending, in particular, on the following:

I – the existence of a system or environment for registration of operations previously effected;

II – rules adopted in their transaction environments or systems for pricing, as described in Articles 65 and 73, in the case of an exchange, and Articles 95 and 96, in the case of an organized over-the-counter market;

III – possibility of direct participation in the market, with no intervention of any intermediary;

IV – possibility of postponing the disclosure of information on the transactions carried out;

V – volume traded in their environments and systems; and

VI – investor audience targeted by the market.

Sole paragraph. The characteristics referred to in items I, III and IV are only admitted for organized over-the-counter markets, in the manner set forth, respectively, in Articles 92, item III, 93 and 105 of this Instruction.

Art. 6 CVM may order the transformation of the organized over-the-counter market in an exchange, the change of operation procedures or rules of organized over-the-counter market or the amendment of waivers or special authorities granted pursuant to this Instruction, by reason of actual characteristics of the market.

Sole paragraph. The order referred to in the introductory paragraph shall be issued according to the procedure set out in Art. 115 of this Instruction.

#### **Section II**

##### **General Rules**

Art. 7 The operation and dissolution of organized markets of securities depends on CVM prior approval.

§1 Organized markets of securities may be divided into trading segments, taking the characteristics of the transactions carried out, the securities traded, the issuers thereof, the transaction system used and the quantities traded into account.

§2 The operation and dissolution of the trading segment are contingent upon CVM's prior consent, in writing.

§3 Every information or advertising material referring to organized markets of securities shall mention, in an outstanding manner, its nature of either an exchange or of an organized over-the-counter market.

Art. 8 Any non-corporate advertising material should be sent by the management entity to CVM in its full version, no later than five (5) days prior to the dissemination thereof.

§1 For the purposes of this Article, non-corporate advertising shall mean the advertising that constitutes an offer of products or services related to organized markets of securities.

§2 The material referred to in the **introductory provision** hereof shall:

- a) use clear and moderate language;
- b) not underestimate the risk involved in transactions with the product or service in question; and
- c) be consistent with the principles of clarity, completeness and truthfulness of the information.

§3 CVM may, at any time, request rectification, changes or even the suspension of advertising disclosure established in the **introductory provisions** hereof.

## **CHAPTER III**

### **MANAGING ENTITIES OF ORGANIZED MARKETS OF SECURITIES**

#### **Section I**

##### **General Rules**

Art. 9 Organized markets of securities shall compulsorily be structured, maintained and inspected by managing entities authorized by CVM, organized as associations or stock corporations, and shall meet the requirements of this Instruction.

§1 The requirements set forth by this Instruction for the structure, organization and operation of the managing entity of organized markets of securities may be complied with, in whole or in part, by corporate entities controlled thereby, by its controlling company or by third-party contractors, provided that, at CVM's discretion, the purposes envisaged by the imposition of these requirements are attained.

§2 The rules of this Instruction that pertain to the duties of conduct and responsibility of partners, managers, employees and representatives of the markets managed thereby, inasmuch as they apply to the markets managed by them, when they are independently organized, whether as a controlled company whose stock capital is owned entirely by the managing entity or as a company controlled thereby.

§3 For the purpose of the application of the provisions of §§ 1 and 2, the managing entity shall submit to CVM, when the application for the license of operation as an organized market, its legal, corporate, capital, equity and organizational structure.

§4 CVM Collegiate may waive the compliance with the requirements imposed by this Instruction for the structure, organization and operation of the managing entity, provided that the requirements are consistent with the market structure and nature to be managed by the entity, or the purposes envisaged for the imposition of these requirements are attained by alternative mechanisms adopted by the entity.

Art. 10. A partner in the managing entity of organized items, for the purposes of this Instruction, shall be considered the member or shareholder, according to the form of legal organization.

Sole paragraph. The partner status may be a condition precedent for the authorization to operate, according to the bylaws of the managing entity.

Art. 11. A person authorized to trade, for the purposes of this Instruction, shall be considered the individual or legal entity duly authorized, by the managing entity, to participate in the environments or systems of trading or registration of transactions in the organized market.

Sole paragraph: The participation referred to in the **introductory provisions**, in the cases and conditions set forth by the managing entity of an organized market:

I – by intermediaries, on their own name or on behalf of third parties;

II – by special operators, on their own name or on behalf of an intermediary;

III – on their own name, on behalf of other corporate entities or investment funds, directly and with no requirement for the intervention of an intermediary.

Art. 12. The same company may establish and manage more than one organized market of securities, provided that:

I – it satisfies the requisites established for each category of organized market;

II – it obtains specific authorization from CVM;

III – it keeps segregated controls of the operating risks of each market; and

IV – it provides the self-regulation department with appropriate financial funds and specialized human resources for the supervision of each of the markets, by adopting the segregation mechanisms required for adequate inspection.

Art. 13. Aside from the activities required for their participation as managers of organized markets of securities, these entities may:

I – manage securities clearing, liquidation and custody systems, as long as they have obtained specific authorizations from CVM or the Central Bank of Brazil;

II – provide technical, administrative and managerial support relating to its corporate purpose to the persons authorized to trade;

III – undertake, either directly or indirectly, educational, promotional and editorial activities related to their corporate purpose and to their markets managed thereby;

IV – provide market development services; and

V – engage in other business, upon CVM's prior consent, in writing.

§ 1 Except for any interest arising out of their financial investment policy, the managing entity of an organized market and their controlled companies shall only hold an equity interest in third parties engaging in business similar to or related with their own.

§ 2 The managing entity of an organized market shall not hold an equity interest in any person authorized to trade in the markets under its responsibility.

## **Section II**

### **Duties of Managing Entities**

Art. 14. The managing entity of an organized market shall maintain the balance between its own interests and the public interests to be served, as the party responsible for the preservation and self-regulation of the markets managed thereby.

Art. 15. The managing interest will be in charge of approving the organization and operation rules of the markets managed thereby, which shall encompass, as a minimum, the following:

I – conditions for admission to and continued action as a person authorized to trade in the markets managed thereby, including as a partner, if required, subject to the provisions of Art. 51, §2;

II – procedure for admission, suspension and exclusion of persons authorized to trade in the markets managed thereby, including as a partner, if required;

III – definition of the classes, rights and responsibilities of the persons authorized to trade in the markets managed thereby;

IV – definition of the transactions permitted in the markets managed thereby, as well as of the inspection structures of the transactions carried out;

V – requisites for admission to trading and maintenance of authorization for transactions with securities in the markets managed thereby, as well as the cases of suspension and cancellation of the trading authorization; and

VI – creation and operation of a self-regulatory department, according to Section II of Chapter IV.

Sole paragraph. CVM may deny the approval of the rules or request alterations thereof, at all times as it considers them insufficient for the proper operation of the securities market, or otherwise that they breach any legal or regulatory provision, subject to, as far as the need of alterations is concerned, the procedure described in Section VIII.

Art. 16. The managing entity of an organized market of securities shall:

I – keep a record of the transactions in the trading environments managed thereby for no less than five (5) years, or through the closing of investigations in the event that CVM notifies the managing entity of any existing investigation procedure;

II – except if the direct settlement between persons authorized to trade is expressly set forth in a regulation, to undertake the physical and financial settlement of transactions carried out in trading environments managed thereby, whether directly or using, for that purpose, a clearing and settlement entity authorized by CVM and by the Central Bank of Brazil;

III – promote cooperation between and coordination of the entities responsible for supervision and inspection, for the clearing and settlement, as well as for the handling of information pertaining to the transactions carried out, at all times when these services are not provided in-house.

Sole paragraph. The provision of clearing and settlement services by the managing entity itself or by any entity retained by the latter shall be contingent upon specific authorizations granted by CVM and the Central Bank of Brazil.

Art. 17. The managing entity of organized markets of securities shall also be responsible for approving the rules of conduct required for the proper operation thereof and for the maintenance of high ethical trading standards in the markets managed thereby, for which it shall provide detailed information on the obligations of its managers, employees, representatives and controlling shareholders, as well as on the persons authorized to trade, their managers and representatives.

§1 The managing entity shall establish the sanctions in the event of non-compliance with the rules set out in the **introductory provisions** hereof, always with due regard for the right to adversary proceedings.

§2 The rules of the **introductory paragraph** shall govern, as a minimum, the form of trading, the amount of securities admitted for trading in organized markets of securities managed by the managing entities, the employees and representatives thereof, as well as by the managers, employees and representatives of the persons authorized to trade, so as to ensure the control of these agents by the managing entity and by the person authorized to trade, as well as to prevent improper transactions by these agents.

Art. 18. Subject to the provisions of Supplementary Law No. 105, of January 10, 2001, the managing entities of organized markets of securities should agree upon themselves the following mechanisms and rules:

I – exchange of information on facts that might affect the regularity and transparency of the transactions carried out in their markets, at all times when the securities traded therein are admitted for trading in more than one organized market; and

II – that render the clearing and settlement of transactions effected outside their environments and trading systems.

### **Section III**

#### **Organization of Managing Entities**

Art. 19. The managing entity of an organized market, irrespective of its legal form of organization, should necessarily count on the following bodies:

I – Board of Directors, with an Audit Committee;

II – a Chief Executive Officer;

III – a Self-Regulation Council;

IV – a Self-Regulation Department; and

V – a Chief Officer for Self-Regulatory Affairs.

§1 The agencies referred to in the **introductory provisions** have the duties and responsibilities set forth by the bylaws, subject to the provisions of this Instruction.

§2 The self-regulatory activities will be solely incumbent upon the agencies mentioned in items III to V of the **introductory provisions**, with the assigned activities of supervision and inspection being prohibited to the Board of Directors and to the Chief Executive Officer.

§3 The prohibition established in §2 does not impair the participation of officers of the managing entity in the Self-Regulation Council, subject to the provisions of Art. 47.

§4 The provisions of §2 does not exempt either the Board of Directors of its tasks listed in Art. 24, VIII, or the Chief Executive Officer of his authorities described in Art. 28, items II to VII, and in Art. 64.

### **Section IV**

#### **Bylaws**

Art. 20. The bylaws should establish the rules referring to the administrative structure of the managing entity that ensures the adequate operation of the market managed thereby and the performance of its self-regulatory functions, also providing the rules on:



I – election, taking of office, replacement and removal of members of the Board of Directors and of its Audit Committee, of the Self-Regulation Council, of the Chief-Executive-Officer and of the Chief Officer of the Self-Regulation Department;

II – minimum requirements for the appointment to the Board of Directors and its Audit Committee, Self-Regulation Council and to the offices of Chief Executive Officer and Chief Officer of Self-Regulation;

III – the duties of the Board of Directors, the Chairman of the Board, of the Chief Executive Officer and of the Chief Officer of Self-Regulation, subject to the provisions of this Instruction;

IV – merger, consolidation, spin-off, transformation and dissolution of the managing entity;

V – summons, competence and operation of a general meeting, with at least one annual meeting scheduled to be held in the four first months subsequent to the closing of the financial year;

VI – a maximum term for preventive suspension, by the Chief Executive Officer, of a person authorized to trade (Art. 28, VII); and

VII – the authority in charge of the admission, suspension and exclusion of people authorized to trade, except in the event of a measure arising out of penalties imposed by the Self-Regulation Council (Art. 49).

§1 As the status of partner is a requisite to be granted authority to operate in a marked managed by the entity, the bylaws should:

I – govern the aspects specified in items I to III of Art. 15; and

II – provide for the free trading of equity securities or of stock issued by the managing entity of the market.

§2 The amendments to the bylaws will be subject to CVM's prior consent, to be granted according to the procedure established in Chapter VIII.

## **Section V**

### **General Meeting**

Art. 21. The general meeting has the authority to elect and remove the members of the Board of Directors and to deliberate on all the acts pertaining to the managing entity, with due regard, however, for preserving the autonomous nature of the self-regulation structure referred to in Chapter IV.

Sole paragraph: The notice of the general meetings of the managing entities, together with the proposal for the management, if any, shall be sent to CVM simultaneously with the disclosure thereof.

## Section VI

### Administration

Art. 22. The administration of the managing entity of the organized market shall be incumbent upon the Board of Directors, the Chief Executive Officer and other Officers, and the bylaws should specify the powers of the Board of Directors and of the officers, subject to the provisions of this Instruction.

Sole paragraph. The officers of the managing entity should perform the duties conferred upon them by the law, the regulatory rules and the bylaws in order to attain the entity's purpose and satisfy its interests, always with due respect for the public interest in the proper operation of an organized market managed thereby..

Art. 23. The officers should be individuals with the qualifications, knowledge and technical capabilities required for the performance of the duties assigned to them.

§1 When the case is one of a proposal from the managing entity's controlling shareholder or administration, the call of the general meeting in which it is intended to elect an officer should be made with the provision that all the information specified in Enclosure IV are available in a signed statement executed by the candidate subject to the penalties of law.

§2 The following circumstances shall operate to preclude the officer's election or the hire of an employee or relevant representative of the managing entity:

I – the occurrence of any of the preclusion cases established in Law No. 6,404, of 1976, except if the Law admits a waiver thereto by the general meeting;

II – the award rendered in a judgment on any of the offenses specified in Chapter VII-B of Law No. 7,492 and in Law No. 9,613, of 1998, unless the reinstatement thereof has already been ordered;

III – the submission of misrepresentations, of false, inaccurate or incomplete statements, for their extent or contents, if they are relevant for checking the *introductory provisions* and the provisions of §1 hereof.

§3 For the purposes of the application of the provisions of §2, an employee or representative shall mean the one to whom a management role is assigned, according to the organizational chart presented by the managing entity upon the request of authorization or at the time of the update thereof.

§4° The officers who fail to satisfy the requisites set forth for the position by reason of a supervening or unknown fact at the time of endorsement of their name shall be removed immediately, and any such occurrence shall be notified to CVM.

## Section VII

### Board of Directors

## **Subsection I**

### **Competence**

Art. 24. It will be incumbent solely upon the Board of Directors:

I – approve the rules referring to the general operation of the market managed, the regulations thereof, as well as the rules referring to the admission, suspension and exclusion of individuals authorized to trade;

II – approve the rules referring to the admission to trade, suspension and exclusion of securities and the corresponding issuers, if applicable;

III – without prejudice to the competence assigned to the Chief Executive Officer in Art. 64, I, order the market recess, in whole or in part;

IV – select and remove independent auditors, in the manner established by the Audit Committee (Art. 27);

V – establish the events, time periods and effects of the filing of appeals to the Board of Directors, in particular in the cases specified in Articles 28 and 64;

VI – try the appeals in the cases provided for in the bylaws or in a regulation;

VII – approve the budget of the Self-Regulation Department and of the Self-Regulation Council, as well as the work schedule corresponding thereto;

VIII – examine the reports specified in Art. 45, prepared by the Chief Officer of the Self-Regulation Department and deliberate on any arrangements required by reason of the contents thereof;

IX – approve the annual report of internal control of operating risks, as well as the business continuation plan addressed in Art. 63;

X – elect and remove the Chief Executive Officer and other Officers;

XI – elect and remove members of the Self-Regulation Council; and

XII – elect and remove members of the Self-Regulation Department from the independent members of the Self-Regulation Council (Art. 38).

§1 The documents referred to in item VII shall be remitted to CVM within five (5) business days from their approval, accompanied, if applicable, of the grounds for the rejection of the proposal submitted by the Self-Regulation Council.

§2 Only the independent members of the Board of Directors shall take part in the deliberation specified in item XII.

## **Subsection II**

## **Structure**

Art. 25. The corporate bylaws of the managing entity shall contain the rules pertaining to the structure and operation of the Board of Directors, subject to the following precepts:

I – the majority of its members shall consist of independent directors, as provided for in Art. 26; and

II – there shall not be any director related to the same person authorized to trade, or the same entity, concern or group to which the same person authorized to trade belongs.

Art. 26. An independent director is the one who has no relationship to:

I – the managing entity, the direct or indirect controller thereof, or otherwise the company under a directly or indirectly common control therewith;

II – the officer of the managing entity, the direct or indirect controller thereof, or otherwise any controlled entity thereunder;

III – a person authorized to trade in its market; and

IV – a member who owns an interest of 10% or more of the voting capital of the managing entity.

§1 A relation to the persons identified in the **introductory provisions** hereof:

I – an employment relationship or any other relation arising out of the provision of permanent professional services or the holding of an interest in any administrative, consulting, tax or advisory body;

II – the direct or indirect corporate interest equal to or higher than ten percent (10%) of the total company's capital or the voting capital; or

III – being a spouse, significant other or relative to the second degree.

§2 For the purpose of the provisions of item I of §1 hereof is equated to the one existing within one year at the latest prior to the taking of office as a member of the Board of Directors.

§3 For the purpose of the introductory provisions hereof, a relationship shall not be considered the participation in any administrative or inspection body as an independent member.

## **Section VIII**

### **Audit Committee**

Art. 27. The Audit Committee is the body of the Board of Directors and shall have the authority to review the following matters:

I – propose to the Board of Directors the appointment of independent auditors and ratify the choice made;

II – accompany the internal audit results, as well as to propose to the Board of Directors any actions required to improve them;

III – analyze the financial statements of the managing entity, also making the recommendations that they see as necessary for the Board of Directors; and

IV – assess the internal controls referred to in Art. 75, as well as the annual report mentioned therein, for their effectiveness and sufficiency.

## **Section IX**

### **Chief Executive Officer**

Art. 28. It is incumbent upon the Chief Executive Officer:

I – on request, send to CVM the information referring to its transactions with securities within the time period, in the manner and details specified, including the specification of the final the final committed parties;

II – admit, suspend or exclude securities from the transaction;

III – promote, without prejudice to the activities carried out by the Self-Regulation Department, the real-time supervision and surveillance of the transactions carried out in the markets managed thereby;

IV – take measures and adopt procedures to inhibit transactions likely to be violations of legal rules and regulatory standards;

V – cancel any transactions carried out, provided that they have not yet been liquidated, in the market managed, or otherwise suspend or request the clearing and settlement entities to suspend the liquidation thereof, at all times as there is a risk that they can be violations of legal rules and regulatory standards;

VI – immediately report to the Chief Officer of the Self-Regulation Department any facts that of which he/she may become aware that can be a violation of the legal rules and regulatory standards;

VII – preventively order, without prejudice to the specific duties of the Self-Regulation Department, the suspension of activities of a person authorized to trade, in the cases specified in the standards referred to in item IV of Art. 15 or, in the event of any apparent violation of the rules of conduct specified in Art. 17, subject to the maximum term established in the bylaws, and immediately communicating the suspension to the Chief Officer of the Self-Regulation Department to CVM and to the Central Bank of Brazil;

VIII – establish, with due regard for comprehensive previous disclosure to the interested parties and to CVM:

a) the periodic contributions of the persons authorized to trade and of the issuers of securities admitted to trade;

b) the fees, commissions and any other costs to be charged for the services as a result of the compliance with their functional, operating, normative and supervisory duties;

IX – introduce the punishments established by the Self-Regulation Council;

X – immediately notify CVM on the occurrence of events that may impair the regular operation of the markets managed thereby, regardless if temporarily; and

XI – send to CVM and to the Chief Officer of the Self-Regulation Department, daily by the subsequent day:

a) a report on the transactions submitted to auction and of the transactions cancelled, in case of an exchange market;

b) a report on the balance of individualized positions in the futures and securities markets; and

c) a report containing the daily movement of transactions in each environment or trading system and system of registration of transactions, including the identification of the persons authorized to trade and the final committed buyer and seller.

§1 The authority for the deliberations referred to in item VIII may be attributed by the bylaws of the Management Council, whether in whole or in part.

§2 The Chief Executive Officer shall make the arrangements required to preserve the confidentiality of the information obtained in the performance of their tasks.

Art. 29. The Chief Executive Officer shall provide any member of the Board of Directors with information undisclosed to the public referring to:

I – transactions carried out in the trading environments of the markets managed thereby;

II – positions in custody; and

III – positions held in the futures market and securities loan market.

Art. 30. The Chief Executive Officer shall meet the requisites of independence set forth in items III and IV of Art. 26, but shall not be affected, however, by the rule of § 2 of Art. 26.

## **Section X**

### **Financial Year and Financial Statements**

Art. 31. The financial year of the managing entity shall end on December 31 of each year, with the preparation of financial statements being compulsory for the financial

statements at the end of the financial year, in the form established by Law No. 6,404, of 1976, and by CVM regulation applicable to publicly held companies.

§1 The entity's financial statements shall be audited by an independent auditor registered with CVM.

§2 The independent auditor shall present a detailed report containing:

I – the operation of internal controls and accounting procedures, containing the identification of the internal controls and accounting procedures, or otherwise of the inefficacy thereof; and

II – the quality and safety of the operating procedures and systems, including those measures provided for in rupture, contingency or emergency situations, pursuant to Art. 63.

§ 3 The following also applies to managing entities:

I –the duty to provide quarterly information applicable to open companies; and

II – the duty to provide the form of annual information – IAN, and of the update thereof, all applicable to open companies.

§4 The financial statements, accompanied by an auditors' report, as well as the quarterly information and the IAN form shall be available from the page of the managing entity in the world wide web. Upon the grant of authorization to the managing entity, CVM may waive compliance with §§ 3 and 4, considering the size and the investor audience targeted by the market to be managed by the entity.

## **Section XI**

### **Corporate Equity or Capital**

Art. 32. The company's equity or capital of the managing entity will be divided, as applicable, into quotas, equity securities or shares.

Sole paragraph. The economic and financial standing of the managing entity shall always be adequate to the proper operation of the markets managed thereby, with CVM being entitled to order capital contributions or equity adjustment, at all times as it considers that the entity's financial or economic standing is not consistent with either its duties or the conditions it should have to perform them, with due regard for the procedure described in article 115 hereof.

## **Section XII**

### **Equity Interests or Corporate capital**

Art. 33. The acquisition by an individual or corporate entity, or by a group of people acting jointly or representing the same interest, a direct or indirect interest equal to or

higher than fifteen percent (15%) of the equity or corporate capital entitled to vote of a managing entity of organized market shall be contingent upon CVM's prior approval.

§1 For the purpose of application of the rule established in the **introductory provisions**, to an corporate interest equal to or higher than fifteen percent (15) will be equated the acquisition of interest that, if added to the one previously held by the persons specified in the **introductory provisions**, causes these persons to hold direct or indirect corporate interest equal to or higher than fifteen percent (15%) of the equity or corporate capital entitled to vote in a managing company of organized markets.

§2 For the purposes of this Instruction, the majority interest of the people mentioned in the introductory provisions of this Instruction will be considered as representative of the same interest that the controller of the persons specified in the **introductory provisions**, the companies controlled by them, their affiliates and the companies under direct or indirect control therewith.

§3 In its review on the grant of authority mentioned in the introductory provisions, CVM should consider, aside from the compliance with the requisites set forth in this Instruction in relation to the managing entity's controlling company, in particular the relevance of the organized market for the Brazilian capital market, the existence or non-existence of a formal commitment to ensure the maintenance of the organized market in the domestic territory, and the establishment of satisfactory terms for the participation of local investors and the access of Brazilian locals authorized to trade.

§4 The acquisition or assignment of five percent (5%) or more of equity securities or shares of the same type or class, issued by the managing entity, is subject to the provisions of Art. 12 of CVM Instruction No. CVM 358, of 2002.

Art. 34. The person authorized to trade in an organized market or group of persons acting jointly or representing the same interest, as well as their direct or indirect controllers, and persons submitted to direct or indirect common control, should not hold more than ten percent (10%) of the corporate equity or voting capital of its managing entity.

Art. 35. Without prejudice to other measures that might be imposed by CVM, the default in the compliance of the provisions of this Section shall imply the limitation of voting rights inherent to the interest in the corporate equity or capital, which limitation shall be established in the bylaws of the managing company, which shall operate to prevent the exercise of the limited voting rights.

§2 Without prejudice to the legal cancellation and of applicable administrative proceedings for sanctions, the amendments to the bylaws and other corporate deliberations based on votes that infringe the limitations established in this Section do not produce any effect vis-à-vis CVM.

## **CHAPTER IV**

### **SELF-REGULATION OF ORGANIZED MARKETS OF SECURITIES**

#### **Section I**



## **Self-Regulation Structure**

Art. 36. The Self-Regulation Department, the Chief Officer of Self-Regulation and the Self-Regulation Council of the managing entities' bodies in charge of inspecting and supervising the transactions carried out in organized markets of securities under their responsibility, of the persons authorized to trade therein, as well as the organization and supervision activities of the market developed by the managing entity itself.

§1 The Self-Regulation Department and the Self-Regulation Council will also be in charge of inspecting and supervising the managing entity's proper supervision of the obligations of security issuers, if any.

§2 The Self-Regulation Department, the Chief Officer of the Self-Regulation Department and the Self-Regulation Council will be in charge, as provided for in this Instruction, in the company's bylaws and regulations, of supervising ex-officio or by notice to the Chief Executive Officer or third parties, the compliance with the market and managing entity's operating rules, as well as to impose the penalties arising out of the violation of the rules, the compliance with which they are responsible for the supervision.

§3 The managing entity of the organized market may form an association, controlled entity or entity under common control, for a specific purpose, which performs the supervision and inspection referred to in this article, or otherwise engage an independent third-party to perform these tasks.

§4 In the case of §3, the controlled company or the third-party contractor shall observe the confidentiality constraints, as well as the other rules established for the Self-Regulation Council, the Chief Officer of Self-Regulation and the Self-Regulation Department.

Art. 37. The Self-Regulation Department and the Self-Regulation Council should:

I – be functionally independent from the managing entities' bodies of the markets that it is in charge of supervising;

II – be independent of the management of funds provided in the budget itself, and shall be sufficient for the performance of the activities under its responsibility; and

III - have broad access to records and other documents relating to the operating activities of the markets it is in charge of supervising, the clearing and settlement entity that provides these services for the markets, if applicable, and other persons authorized to cooperate, for which they will count on the Chief Executive Officer's cooperation and shall keep, at the disposal of CVM and the Central Bank of Brazil, if applicable, of the audit reports prepared.

§1 The Self-Regulation Department, the Chief Officer of Self-Regulation Department and the Self-Regulation Council shall make the arrangements required to preserve the confidential nature obtained by reason of their competence, as well as those specified in the reports and processes that they are in charge of conducting.

§2 The arrangements referred to in §1 shall include:

I – a clear and accurate definition of the practices that ensure the adequate use of the installations, equipment and files common to more than one managing entity's sector;

II – the protection of information by all its members by all its members, including as far as the planning of self-regulatory activities, the reports arising out thereof and proceedings initiated, thereby prohibiting the transfer of information to non-authorized persons or the ones that might be improperly used.

Art. 38. The Chief Officer of the Self-Regulation Department is responsible for the conduction of the works of the Self-Regulation Department.

§1 Except for the Chief Officer of the Self-Regulation Department, the members of the Board of Directors or the Board of Officers, neither the employees nor the managing entity's representatives who perform any other duties in the managing entity.

§2. The Chief Officer of the Self-Regulation Department shall be elected by the Board of Directors from among the members of the Self-Regulation Board, as defined under article 26, and may only be removed by the Board of Directors in the cases provided under article 39, due regard being given to the provision of paragraph 2 of article 24. *(Text added by CVM Instruction n. 508, of October 19, 2011)*

§3. In the event of removal of the Chief Officer of the Self-Regulation Department, the Board of Directors shall promptly decide on whether the Chief Officer of the Self-Regulation Department should remain a member of the Self-Regulation Board. *(Text added by CVM Instruction n. 508, of October 19, 2011)*

I – decide on the permanence or not of the Chief Officer of Self-Regulation as a member of the Self-Regulation Council; and

II – choose, albeit provisionally, the replacement of the Chief Officer of the Self-Regulation Department, from the independent members of the Self-Regulation Council.

§4 Within five (5) days from the removal of the Chief Officer of Self-Regulation, a detailed report containing the reasons considered by the Management Council for said removal, including the performance review of the Self-Regulation Department during the term of the removed Chief Officer of Self-Regulation.

§5 CVM may order the public disclosure of a report provided for in §4 of this Article.

Art. 38-A. Any interim replacement in the event of removal of the Chief Officer of the Self-Regulation Department, or of vacancy of the office, shall observe the charter and operating rules of the operator of organized securities markets. *(Text added by CVM Instruction n. 508, of October 19, 2011)*

Art. 39. The Chief Officer of the Self-Regulation Department and the other members of the Self-Regulation Council:

I – will be elected for and removed from by the Board of Directors;

II – shall be elected for a renewable fixed three-year term;

III – will only be removed from their offices by reason of a waiver, court award or sanctioning proceedings initiated by CVM, in both cases for unappealable decision that leads to the impairment or disqualification or, if the Board of Directors so decides, the Board of Directors, based on a well-grounded and detailed proposal on the circumstances that gave rise thereto, presented by any member of the Board of Directors or of the Self-Regulation Council; and

IV – are subject to the impairments referred to in §2 of Art. 23.

Sole paragraph. The removal of the Chief Officer of the Self-Regulation Department or of any members of the Self-Regulation Council, as well as the conditions governing any such removal, shall be considered by CVM in the assessment of the self-regulation activities developed by the managing entity, including those referring to the non-observance of the independence and autonomy principles established in Art. 37.

Art. 40. The structure of the Self-Regulation Department, including the name and summarized résumé of the main officers, aside from the other human resources and materials available for the conduction of the work shall be informed to CVM annually, as shall any amendments thereto during the year.

Art. 41. The managing entity shall cause a specific Code of Conduct to be approved for the members of the Self-Regulation Department and of the Self-Regulation Council, which shall govern, as a minimum:

I – the rules applicable to the performance of their tasks, in which also the cases of impediment of the performance of those members;

II – the conditions under which its members may hold and trade securities transacted in the environments and systems of the organized market; and

III – the procedures and sanctions, including the suspension, in the event of disciplinary infringements.

## **Section II**

### **Self-Regulation Department**

Art. 42. The managing entity shall maintain a Self-Regulation Department, the purpose of which is to essentially to exercise, subject to the authority of the Self-Regulation Department (Art. 46), the supervision and inspection of the transactions carried out in organized markets of securities under its responsibility and of the persons authorized to trade therein.

Sole paragraph. The managing entity shall establish effective mechanisms and procedures for the Department to supervise the compliance with their standards and rules of conduct, as well as the applicable regulation, so as to identify any violations,

abnormal trading conditions or behaviors susceptible of putting the regularity of operation, the market transparency and credibility at risk.

Art. 43. It shall be incumbent upon the Self-Regulation Department, without prejudice of any other duties as it may be assigned:

I – the supervision of transactions carried out in the markets managed by the entity, for the purpose of detecting any defaults in compliance likely to represent violations of the legal rules and regulatory standards;

II – directly and broadly supervise the persons authorized to trade;

III – point out the deficiencies in the compliance with the legal standards and regulatory rules identified in the operation of the markets managed by the entity, notwithstanding their being attributable to the managing entity itself, as well as the activities of the persons authorized to trade, thereby following up on the programs and measures adopted to repair them;

IV – initiate, instruct and conduct administrative proceedings of a disciplinary nature to identify the breaches of the rules it is responsible for the supervision;

V – propose to the Self-Regulation Council the application of the penalties set forth in Art. 49, if applicable; and

VI – take due note of the claims submitted concerning the operation of organized markets of securities managed by the managing entity, following up on the progress thereof, as well as the measures arising out of the receipt thereof.

§1 The Self-Regulation Department may, in the performance of its activities, request that the persons authorized to trade and the market managing entity provide all the information, however confidential, required for the performance of the duties assigned thereto.

§2 The bylaws of the managing entity may establish that some sanctions referred to in item V be applied by the Chief Officer of the Self-Regulation Department, with the possibility of appeal to the Self-Regulation Council.

§3 The Self-Regulation Department reports directly to the Self-Regulation Council and to the Board of Directors, in the latter case only for insofar account reporting on its activities and performance of the annual work schedule are concerned.

### **Subsection I**

#### **Account Reporting**

Art. 44. The Chief-Officer of the Self-Regulation Department shall send to CVM:

I – right away, the information on any event or indications of an event of severe breach of CVM rules, including, without limitation, the ones described in CVM Instructions No. 08, of October 8, 1979, and 358, of 2002; and

II – monthly, by the fifteenth day of the subsequent month, and upon approval of the Self-Regulation Council:

a) a descriptive report on the possible failure to observe the legal rules in effect in the organized market of securities under its responsibility and any deviations found in the transactions in the period, with the indication of the committed parties, as well as the arrangements made;

b) report on the audits completed in the period, including the names of the persons authorized to trade that have been supervised, the scope of the work completed, the period covered, the final result, the irregularities identified and the arrangements adopted; and

c) report on the list of administrative proceedings initiated, including those referring to the use of the loss reimbursement mechanism, with the identification of the persons interested and the respective conducts.

Art. 45. The Chief Officer of Self-Regulation shall prepare every year, for approval of the Self-Regulation Council, the following documents:

I – account reporting on the activities developed by the Self-Regulation Department, audited by independent auditors registered with CVM, also specifying the main persons in charge in each of them, as well as the measures adopted or recommend as a result of their action; and

II – report contained the estimate proposal for the subsequent financial year.

Sole paragraph. The reports in this article shall be sent to the Self-Regulation Council, which, after the appreciation thereof, will send them to the Board of Directors and, on the same day, to CVM.

### **Section III**

#### **Self-Regulation Council**

##### **Subsection I**

##### **Powers and Structure**

Art. 46. The Self-Regulation Council will be in charge of supervising the activities of the Self-Regulation Department and consider the proceedings initiated, instructed and conducted thereby.

§1 It shall be incumbent upon the Self-Regulation Council, without prejudice to other attributions assigned thereto:

I – approve the regulation of the procedures followed to initiate and handle the proceedings and the transaction and execution of terms of commitment to be observed, and this regulation, as well as any changes thereto, will only produce their effects upon approval by CVM, subject to the procedure established in Chapter VIII;

II – instruct the General Director to apply the penalties provided for in Art. 49;

III – prepare its own internal bylaws; and

IV – approve the documents referred to in item II of Art. 44, as well as the information on any arrangements, the recommendations and qualifications that have been proposed as a result of the facts observed; and

V – approve the proposed estimate and the annual work schedule of the Self-Regulation Department;

§2 In the event that the company's bylaws provide for the application of certain sanctions by the Chief Officer of Self-Regulation, the authority of the Self-Regulation Council shall necessarily include the trial of appeals against these decisions.

§3 The outcome of the trial on the proceedings, as well as the disciplinary sanctions applied, and should be sent to CVM within five (5) business days.

Art. 47. The Self-Regulation Council shall consist of at least two thirds (2/3) of independent members, pursuant to Art. 26, one of them elected for the Self-Regulation Department.

§1 The President of the Self-Regulation Council shall be elected by the other members thereof, among other independent members, and shall not perform the role of Chief Officer of the Self-Regulation Department.

§2 The President of the Self-Regulation Council is responsible for the conduction of the Council administrative proceedings of the Council and represent them vis-à-vis CVM.

## **Subsection II**

### **Submission to Penalties**

Art. 48. They are subject to the penalties applied to the Chief Officer of Self-Regulation or by the Self-Regulation Council, the members of the managing entity, the persons authorized to trade, as well as the officers and representatives of the persons mentioned above.

Sole paragraph. The issuers and their officers are also subject to the penalties referred to in the **introductory provisions**, when the supervision of the obligations undertaken by them vis-à-vis the managing entity of the organized market is attributed to the Self-Regulation Department.

## **Subsection III**

### **Penalties**

Art. 49. The breach of the rules the inspection of which is incumbent on the Self-Regulation Department submits the breaching parties to the regulatory penalties.

§1 Without prejudice to the advertising mechanisms adopted by the managing entity pursuant to the regulation referred to in the **introductory provisions** of this article, the suspension or cancellation of the authority for an authorized person to operate shall be immediately notified to CVM and to the Central Bank of Brazil.

§2 The funds collected from penalties and terms of commitment executed in the scope of self-regulation shall revert, in their entirety, to the activities set forth in this Chapter or for indemnification to the benefit of the damaged third parties.

§3 There will be no appeal to CVM against the decisions of the Self-Regulation Council.

§4 The investigated party may request that penalty imposed on it or the provision agreed upon in the term of commitment executed in the self-regulatory scope be submitted to CVM based on the execution of the term of commitment.

§5 In the trial of breaches of legal rules within its authority, CVM may reduce the penalties it may apply and those that may have been imposed in the scope of self-regulation.

§6 In administrative proceedings vis-à-vis CVM, the purpose of which is to establish the facts already determined in the scope of self-regulation, the maximum penalty established in Art. 11, §1, of Law No. 6,385, of 1976, shall be calculated by adding the amount of the penalty imposed by self-regulation to that applied by CVM when both are of the same nature.

## **CHAPTER V**

### **TRANSACTIONS IN THE ORGANIZED MARKET OF SECURITIES**

#### **Section I**

##### **General Rules**

Art. 50. The transaction environments or systems should ensure that the offers and transactions be conducted clearly and prices be calculated in an adequate manner.

§1 In the case of organized markets of securities designed only to the registration of operations previously occurred, the registrations should be carried out by means of systems or based on the adoption of procedures that yield adequate information on the transactions effected, including any possible discrepancy in relation to the standards of similar transactions, with the possibility of denying the registration of discrepant transactions.

§2 Upon the verification that the organized market is not taking the necessary arrangements for compliance with the provisions of this Article, CVM may direct the adoption of supplementary measures and, in case the deficiencies found cannot be cured, cancel the authority for operation of the organized market of securities.

#### **Section II**

## **Persons Authorized to trade**

Art. 51. The transactions in an organized market may only be conducted by a person authorized to trade in that market.

§1 The admission of a person authorized to trade in an organized market of securities depends on the authorization of the managing entity, which shall consider its organization, the human resources and materials required and the creditworthiness and professional ability of the persons acting on their behalf.

§2 The requisites for admission as a person authorized to trade shall observe the principles of equality of access and respect for competition.

§3 The minimum requirements for admission and maintenance as a person authorized to trade shall contemplate, as a minimum the possible equity needs allocated to the protection against risks in any of the activities authorized, the segregation of activities designed to prevent conflicts of interest and the existence of a department in charge of seeing that the standards and rules of conduct applicable to the operations carried out in the market are observed.

§4 The managing entities may establish other requirements, including untainted reputation, or point to other restraints to admission and retention of the person authorized to trade, at the discretion of its Board of Directors.

§5 The managing authority shall not be allowed, prior to obtaining CVM's consent, in writing, either to establish a maximum limit of persons authorized to trade or to reduce a limit previously approved, notwithstanding if approved by classes or for the exercise of certain rights of access to the markets maintained thereby.

Art. 52. The persons authorized to trade on their own or on behalf of third parties, in an organized market:

I – shall submit to and enforce the decisions of the administration, inspection and supervision bodies of the managing entity; and

II – shall provide all the information, as required by the administration, inspection and supervision bodies of the managing entity.

## **Section III**

### **Responsibility for the Transactions**

Art. 53. The persons authorized to trade are responsible for the transactions carried out in organized markets, whether to the committed parties or to their counterparties.

§1 The persons authorized to trade are also responsible for:

I – the transactions conducted without any representation powers or without the appropriate authority;



II – the loss or improper assignment of securities;

III – the eviction, jointly and severally with the assignor; and

IV – for the settlement of the transactions effected.

§2 The responsibility set forth in this Article may be excluded from the transactions simply registered in an organized market.

#### **Section IV**

##### **Operations in Organized Markets of Securities**

Art. 54. According to the provisions established by the managing entity of organized markets, the transactions may be carried out on their own name on behalf of third parties.

#### **Section V**

##### **Consideration**

Art. 55. The consideration established by the managing entity of organized markets (Art. 28, item VIII, "a" and "b") shall be reasonable and proportionate to the services provided, and shall not constitute a mechanism of undue restriction of access to the markets managed thereby.

Sole paragraph. CVM shall not approve in advance the consideration established for the managing entity, but may request a detailed breakdown thereof, instruct its review or establish highest limits.

#### **Section VI**

##### **Registration of Committed Parties**

Art. 56. The managing entity of organized markets shall maintain:

I – a list of the committed parties entitled to trade in the markets managed thereby, permanently updated by the persons authorized to trade; and,

II – a record of the transactions that enables the identification of the committed party of each operation, pursuant to the terms of CVM regulation.

Sole paragraph. The managing entity shall transmit the registration information to the clearing and settlement entity that provides these services, if applicable, in order to maintain a sole and updated record, including the observations concerning the committed parties in default.

#### **Section VII**

##### **Admission to Trading of Securities**

Art. 57. The following may be traded in organized markets of securities registered by CVM.

§1 The admission to trade in a specific organized market of securities depends on the corresponding managing entity in charge thereof.

§2 The admission to trade in an organized market of securities, of other assets than securities shall be contingent upon CVM's prior approval, without prejudice to other authorizations possibly required by other public agencies.

§3 The simultaneous trading of shares in exchanges and organized over-the-counter markets is prohibited, but trading in more than one exchange or organized over-the-counter markets is hereby authorized.

§4 The simultaneous trading of other securities, except for shares, in an organized market of securities different from that in which the issuer has its securities traded, provided that the authorization mentioned in §1 of this Article has been obtained.

## **Section VIII**

### **Self-Listing**

Art. 58. The organized market of securities of issuers may admit to trade securities issued by the corresponding managing entity.

§1 In the case provided for in the **introductory provisions**, the Self-Regulation Department shall certify that the admission to trade of securities issued by the entity ins in accordance with the requirements established in the general rules provided for the remaining issuers, as well as to continuously supervise this conformity and confirm it in the report referenced in Art. 44, II, "a".

§2 The Self-Regulation Department shall inspect the transactions with securities issued by the managing entity itself, with due regard for the compliance with the restraints and limitations to the trading thereof, as established in the bylaws, legal and contractual rules, the inspection by sampling being prohibited.

§3 In case any irregularity in the admission of any securities issued by the entity, in the satisfaction of the conditions for maintenance of the record of these securities or in the transactions carried out with them, the Self-Regulation Department shall promptly communicate the fact to CVM.

## **Section IX**

### **Trading outside Organized Markets of Listed Securities**

Art. 59. Trading outside the organized market of securities admitted therein, except in the following events:

I – private trading;

- II – public distribution during the period of the relevant distribution;
- III – payment of quota funds and investment clubs, in the events admitted in the specific regulation;
- IV – a corporate event that establishes or permits the replacement or exchange of a security with another;
- V – the assignment in a public offer for acquisition; and
- VI – in other cases expressly set forth in the regulation issued by CVM.

## **Section X**

### **Suspension and Exclusion of Securities from Trading**

Art. 60. The rules of operation of the managing entity of organized market shall govern the situations in which the suspension of trading or the exclusion of securities admitted to trade, as well as the information to be provided referring to the securities affected by these measures.

§1 The suspension of trading is justified when:

- I – the requisites for admittance have not been complied with, provided that this is a curable fault; and
- II – there is public news or vague or incomplete information, or otherwise information that casts a doubt on the contents or origin thereof that might have a relevant influence on the quote of the security or mislead investors.

§2 The rules referred to in the **introductory provisions** shall imperatively govern the procedures to be adopted when:

- I – there is information on the existence of an application for bankruptcy, provided that there is risk of the issuer's insolvency, or otherwise of in court or out-of-court recovery;
- II – a request for in-court or out-of-court recovery is denied or the insurer's bankruptcy is awarded; and
- III – the Central Bank of Brazil or the Superintendence of Private Insurance issues a conservatorship, extrajudicial liquidation or special temporary administration of the issuer, with the receiver, liquidator or managing counsel, as applicable, having to communicate the measure to the entity in charge of the management of the organized market in which its securities are mostly traded.

§3 The exclusion of the negotiation is mandatory when:

- I – the requisites for admission have not been satisfied, provided that the reason therefor is not a non-curable default; and

II – the defaults or situations that have given rise to the suspension have not been cured.

§4 The suspension of trading with securities in an organized market causes the suspension of trading of the same security or of others of which they are an underlying asset, in other organized markets of securities, provided that the reasons that have caused the suspension also affect them.

§5 The exclusion of securities, the trading of which is a condition for admission of others implies the exclusion thereof from the organized market of securities where they are traded.

§6 The exclusion shall be immediately notified to CVM.

Art. 61. CVM may require that the managing entity of an organized market that proceeds to the suspension or exclusion of securities from trading, as well as to establish a suspension or exclusion from other securities from trading, as well as to extend the exclusion to other organized markets of securities.

## **Section XI**

### **Disclosure of Information**

Art. 62. The managing entity of an organized market shall disclose at least the following information referring to the markets under its management:

I – characteristics, rules and manuals of operation and trading;

II – information on the characteristics of each security admitted to trading;

III – information on the transactions carried out and the corresponding prices;

IV – any possible and periodic information received from the issuers of securities admitted to trade;

V – in the opening of each trading day, the minimum price, the maximum price, the weighted average price, the reference price or adjustment price and closing price, as well as the quantities traded on the previous trading day; and

VI – an updated list of persons authorized to trade each of its markets.

§1 The contents, means and frequency of the information to be provided publicly shall be adequate to the characteristics of each market, to the level of investors' knowledge and to the structure of several interests involved.

§2 CVM may request the change of the rules applicable to the disclosure of information when it perceives that they are not sufficient for the protection of investors.

## **Section XII**

### **Information Systems and Continuity of Operations**

Art. 63. The managing entity of an organized market shall maintain, at least for five (5) years, or until the completion of the information, when CVM has notified the existence thereof to the managing entity:

I – warehousing and recovery system of data referring to offers and operations carried out to permit a query or tracing thereof, except for, as far as the offers are concerned, the specificities of voice-operated trading systems;

II – the structure of reproduction and safekeeping of the information contained in the computer systems; and

III – a plan of business continuation capable of ensuring the operation of an organized market in rupture or emergency circumstances.

§1 The managing entity shall submit to CVM every year the audit report on its systems, with a proof of its adequacy to the provisions hereof, including those referring to the procedures capable of ensuring continuity thereof according to the plan referred to in item III.

§2 CVM may order the conduction of specific extraordinary audits if there is any indication that the mechanisms adopted do not or may not meet the purposes thereof.

### **Section XIII**

#### **Provisional Remedies**

Art. 64. For the purpose of ensuring the efficient and regular market operation or of preserving high ethical trading standards, the managing entity of an organized market, in a well-grounded decision, without prejudice to the powers assigned to the Self-Regulation Department, has the authority, by decision of the Chief Executive Officer, to:

I – order its own recess in the event of a severe emergency, and immediately notify the fact to CVM;

II – provisionally suspend, a person authorized to trade when the protection of investors so require, and immediately notify the occurrence to CVM to the Central Bank of Brazil and to the Chief Officer of the Self-Regulation Department;

III – prevent the conduction of certain transactions in its trading environments, whenever there are indications likely to represent breaches of the legal rules or regulatory standards; and

IV – cancel the transactions carried out, provided that they have not yet been settled, or suspend the settlement or request that the clearing and settlement entity suspend them, in case there are indications likely to represent breaches of the legal rules and regulatory standards.

### **CHAPTER VI**

## **EXCHANGE MARKETS**

### **Section I**

#### **Characteristics**

Art. 65. Exchange markets are those considered:

I – trade regularly as central and multilateral trading systems that enable the matching and the interaction of offers for the purchase and sale of securities; or

II – allow the transaction of business, whether subject or not to the interference of other persons authorized to trade in the market, where a counterpart is a market former that undertakes the obligation of placement of firm offers for purchase and sale, provided that:

a) the participation of a market former be regulated by the exchange, pursuant to the specific regulation of CVM for market formers, and inspected by the Self-Regulation Department;

b) the exchange establishes maximum limits for the difference between the purchase and sale prices offered by the market former; and

c) the interference of other persons authorized to trade in interval between the offers of purchase and sale, insofar as for the entire amount of that transaction.

Sole paragraph. A centralized and multilateral system is considered that system in which all the offers referring to the same security are directed to the same trading channel, and are exposed to the acceptance and competition by all the parties authorized to negotiate in the system.

### **Section II**

#### **Application for Registration**

Art. 66. CVM's request for authorization of operation of the exchange shall be supported by the documents and information listed in Enclosure II, as provided for in Chapter VIII.

Sole paragraph. CVM may request to the applicant for authorization supplementary elements and information, as well as to carry out the investigation it considers necessary.

### **Section III**

#### **Access Screens to Trading in Foreign Exchanges**

Art. 67. The foreign exchange willing to establish the access screens to their trading systems in Brazil, in the institutions that are members of the distribution system, shall

obtain CVM prior approval, to be granted provided that the candidate to CVM authorization:

I – is recognized as an exchange and is duly authorized to trade as such in its country of origin;

II – is subject to the supervision of the regulatory authority of the capital market of its country of origin, with which CVM maintains an arrangement or agreement for international cooperation or which is a signatory of the Multilateral Memorandum of Understanding of the International Organization of Securities – OICV/IOSCO; and

III – the requisites required for authorization and operation of exchanges in the applicant's country of origin are substantially equivalent to those provided for in this Instruction.

§1 Transactions with securities by the systems of trading referred to in the **introductory provisions** of this Article are restricted to qualified investors, as such considered:

I – the financial institutions;

II – the insurance companies and other capitalization companies;

III – open and closed supplementary social security companies;

IV – the individual or legal entities with financial investments higher than one million reais (R\$ 1.000.000,00);

V – portfolio managers and consultants of securities authorized by CVM, in relation to their own resources;

VI – their own social security introduced by the Union, the States, the Federal District or by the Municipalities;

VII – investment funds designed to investors that satisfy the requirements set forth in this paragraph.

§2 The procedure to grant a cancellation or amendment of authorization set forth in this Article shall be followed in accordance with the provisions of Chapter VIII.

Art. 68. The foreign exchange shall send to CVM:

I – upon receipt of the application for authorization:

a) the documentation to prove that the requisites of Art. 67, items I, II and III have been satisfied;

b) an indication of a resident individual in the country with powers to receive service of process on behalf of a foreign exchange;

c) the list and description of securities admitted to trade, with the issuer's identification, if applicable.

II – as promptly as available, the list of Brazilian intermediaries authorized to trade in their markets, as well as of the representatives thereof;

III – every week, the volume traded by Brazilian intermediaries authorized to trade in their markets;

IV – every year, within forty-five (45) days from the end of the financial year:

a) a list of the Brazilian intermediaries admitted, suspended or excluded in the period;

b) a description on any changes to the corporate governance standards in the exchange, in the exercise of their self-regulation duties, and the relevant alterations in the structure of their management and controlling interest;

c) a descriptive report of the inspections and other investigative procedures involving Brazilian intermediaries carried out in the period;

d) relevant changes to the regulation that governs the authorization and operation of the exchange in its country of origin;

IV – at the request of CVM, within ten (10) days from receipt thereof:

a) data on the transactions carried out, including the identification of final beneficiaries, when this information is available to the foreign exchange;

b) a description of the margin calculation criteria required, guarantees and other information relating to the risk of participants and to the clearing and settlement of the transactions carried out;

c) a description of the characteristics of securities admitted to trade;

d) information on the processes, investigations and inspections in progress involving Brazilian intermediaries or investors;

V – within thirty (30) days from the confirmation of existing indications of irregularities involving Brazilian investors or intermediaries, a description thereof.

Art. 69. The authorization referred to in Art. 67 also depends on the accessibility, sufficiency and quality of the information concerning the assets negotiated in a foreign exchange, as well as of their issuers, if applicable.

§1 In confirming the requisites specified in the **general provisions**, CVM shall consider, among other characteristics considered relevant:

I – if it is a derivative contract, the underlying asset of which has homogeneous characteristics, is produced and quoted on international level; and



II – the accounting standard according to which the financial statements of issuers of the assets traded.

§2 The authorization for installation of a trading screen will exempt the issuers and securities traded thereon from registration, and the authorization may be limited to specific assets and issuers or to some trading segments.

## **Section IV**

### **Authorization to Trade on an Exchange**

Art. 70. The admission of a person authorized to trade on an exchange market depends on the authorization of the managing entity.

Art. 71. The indication on the designation and the address of the person that intends to obtain the authorization to trade, as well as the names of their officers, if applicable, shall be disclosed on the world wide web site of the managing entity and in its official newsletter for the period established in the bylaws or regulations.

Art. 72. During the fifteen (15) days subsequent to the end of the period referred to in the foregoing article, either the Board of Directors or the Chief Executive Officer, as provided for in the bylaws of the managing company, decide on the request for authorization to trade, and shall specify the grounds for the decision made.

§1 The applicant whose application for authorization is denied may appeal against the decision, as provided for in the bylaws.

§2 The managing entity's final decision in the exchange market shall be communicated immediately to CVM.

§3 The bylaws shall provide on the right to review of the Chief Executive Officer's decision that orders the suspension or exclusion of the person authorized to trade.

## **Section V**

### **Trading Rules**

Art. 73. The exchange trading environment or system shall have the characteristics, procedure and trading rules previously established and disclosed that permanently enable:

I – regular, adequate and efficient pricing;

II – the prompt conduction, visibility and registration of the transactions carried out; and

III – the public dissemination of offers and business involving the assets traded thereon fast, comprehensively and in sufficient details for the proper market information and pricing.

Sole paragraph. When the application involves a centralized and multilateral trading system, pricing shall be made through interacting offers, in which preference is given to the one that represents the best price, with due regard for the chronological sequence of the offers entered into the system or trading environment, except in the cases of special trading procedures established by regulation.

Art. 74. The exchange trading rules shall:

I – avoid or curb modes of fraud or manipulation designed to create artificial conditions of demand, offer or price of securities traded in its environments;

II – ensure that all persons authorized to trade in their environments receive equal treatment, subject to the distinctions among the categories that may be specified in their bylaws and regulation;

III – avoid or curb non-equitable practices in its environments; and

IV – establish the variations of prices and quantities offered, in its trading environment that is described as centralized and multilateral, which require the adoption of special trading procedures, as well as the operating procedures required when these variations are reached, subject to the minimum conditions established by CVM in a specific regulation.

## **Section VI**

### **Risk Control**

Art. 75. The managing entities of an exchange market shall maintain risk control systems adequate to the supervision of the risks inherent to their activities, as well as to the compliance with the provisions of this Instruction.

§1 The control risk system shall establish adequate procedures to ensure:

I – the compliance with prudent rules that have been established for the market operation;

II – the regular operation and security of its information systems;

III – the compliance with their duties of information; and

IV – the identification, management and mitigation of relevant risks for the operation of the managing entity.

§2 A report on the risk control systems referred to in the **introductory provisions**, which shall be submitted to the approval of the Board of Directors of the managing entity of the exchange market shall be submitted annually to the Board of Directors, in consultation with the Audit Committee, and sent to CVM within five (5) business days from the approval thereof.

## **Section VII**

## **Disclosure of Information**

Art. 76. The managing entity of an exchange market shall continuously release to the public, during the daily trades, at least the information on each transaction carried out, including the price, quantity and time, with a fifteen (15) minute delay at the latest.

Sole paragraph. The summary of the transactions carried out on the exchange shall be specified in its daily information report, which should be made available on its homepage in the world wide web.

## **Section VIII**

### **Loss Recovery Mechanism**

Art. 77 The managing entity of an exchange shall maintain a loss recovery mechanism for the purpose of ensuring that investors can recover their losses arising out from an action or omission of a person authorized to trade or the officers, employees or representatives thereof in relation to the brokerage of transactions carried out on an exchange or to the custody services, especially in the following events:

I – non-enforcement or unfaithful enforcement of orders;

II – improper use of funds and securities or other assets, also in relation to security financing or loan transactions;

III – delivery of real estate securities to investors or other illegal or restricted circulation assets;

IV – non-authenticity of the endorsement of securities or other assets, illegitimate power-of-attorney or document required for the transfer thereof;

V – conservatorship of order of out-of-court liquidation issued by the Central Bank of Brazil; and

VI – shutdown of activities.

§1 The mechanism of refund of the losses set forth in this chapter shall apply only to transactions with securities.

§2 The loss recovery mechanism may be maintained by the own managing entity of an exchange or by an entity organized or contracted solely to this end.

Art. 78. The managing entity of an exchange market shall enact a specific regulation to govern the loss recovery mechanism, which shall contain, as a minimum:

I – a description of the form of organization and assignment of managers, if applicable;

II – a detailed description of the form of indemnification to the claimants, of the terms of payment and the form of adjustment of amounts;

III – the procedures and terms for the review of the indemnification claims that do not exceed one hundred and twenty (120) days between the date of the indemnification claim and the exchange decision in respect thereof;

IV – the authorities responsible for conducting the process and for the final decision;

V– the origin of the funds;

VI – minimum and maximum amounts of the equity allocated to the reimbursement of losses, which shall be based on the analysis of the risks inherent to its activity, as well as on the criteria for apportionment in case of insufficiency of funds;

VII – policy for the application of funds and mechanism of reimbursement of losses; and

VIII – the form and term for replacing the mechanism whereby the person authorized to trade that has given cause to the claim, of the value paid to the claimant, as well as the penalty established for default in the compliance with this obligation.

Art. 79. The regulation and any subsequent amendments thereof shall be approved in advance by CVM, with due regard for the procedure specified in Art. 117.

### **Subsection I**

#### **Claim Mechanism**

Art. 80. The investor may claim the reimbursement of its loss by way of the mechanism created for this purpose, irrespective of any court or out-of-court measure within eighteen (18) months, as of the date of the occurrence of the action or omission that has given rise to the claim.

Sole paragraph. In any instance of claim referred to under the **main provision**, the maximum amount of funds claimable by way of losses from the investor compensation scheme shall be seventy thousand reais (R\$70,000.00) per investor claimant, however without prejudice to the **Exchange's authority** to set compensation at higher amounts. *(Text added by CVM Instruction n. 499, of July 13, 2011)*

Art. 81. The claim for reimbursement will be presented, on proper grounds, to the managing entity of an exchange market in which the intermediary to whom the request has been given or to whom funds, securities or other assets have been delivered is a person authorized to trade.

§1 When the intermediary is a person authorized to trade in more than one exchange, the reimbursement claim shall be addressed to that in which the transaction that has given rise to the claim has occurred.

§2 In the event that the claim is transferred, if the transferor company has no liability for any such transfer, the latter, jointly with the investor, will be responsible for claiming the reimbursement of the loss.

Art. 82. The decision on the reimbursement claim shall be communicated to the parties immediately, and shall contain, as a minimum:

I – the grounds for the decision;

II – the terms and conditions of the indemnification payable to the claimant; and

III – the indication of the party responsible for the loss that is subject to a reimbursement.

Sole paragraph. The claimant may file an appeal with CVM against the decision that has denied the reimbursement.

Art. 83. In the trial of the appeal referred to in sole § of Art. 82, CVM may require new measures, including the hearing of depositions.

§1 CVM decision shall be rendered within ninety (90) days from the date of receipt of the appeal, subject to the requirements established in Art. 82 and the sections thereof.

§2 The new measures ordered by CVM suspend the term referred to in §1.

Art. 84. The discussion over the right of regress against the person authorized to trade that has given rise to the losses that are the subject-matter of the reimbursement payable to the claimant shall not operate to hinder the payment to the claimant within the time established in the regulation.

§1 In case the person authorized to trade referred to in the **introductory provisions** initiates legal proceedings seeking to suppress his liability, irrespective whether he envisages to hinder the payment to the claimant or not, the managing entity of an exchange market shall immediately notify CVM of the occurrence, and inform whether there is any injunction or early relief granted, in addition to providing all the documentation pertaining thereto.

§2 Without prejudice to the provisions of the foregoing paragraph, the managing entity of an exchange market shall use all the means and resources available to ensure the effectiveness of the decisions rendered in the course of the proceedings regulated hereby.

Art. 85. CVM shall, whenever there is any conflict between managing entities of an exchange market concerning the liability of the corresponding mechanisms of reimbursement, determine which of them will be liable therefor.

Art. 86. The discontinuation of business or termination of the loss reimbursement mechanisms, whether or not it includes the allocation of funds to its contributors, will be contingent upon the prior approval of CVM.

Sole paragraph. The approval shall be given as long it has been demonstrated that the purpose of establishing a loss reimbursement mechanism no longer exists, as well as that it is no longer possible to formulate a claim therefor, and otherwise that all

outstanding debts have been settled and that specific administrative proceedings have been closed.

## **Subsection II**

### **Recordkeeping**

Art. 87. The equity or funds related to the same loss reimbursement mechanism shall be recorded in a specific and special form, in order to ensure the exclusive nature of their allocation.

Art. 88. No later than three months from the closing of each financial year, the managing company of an exchange market, based on the accounting records and documents referring to the loss reimbursement mechanisms, shall prepare the financial statements to be audited by an independent auditor registered with CVM, and made available on the exchange homepage in the world wide web.

Art. 89. The unaudited financial statements of the mechanism shall be remitted monthly to CVM no later than by the fifteenth (15th) day of the subsequent month.

## **Subsection III**

### **Administrative Expenses**

Art. 90. For the purpose of recovering the essential expenses for the operation of the loss recovery mechanism, the managing entity of an exchange market will be entitled to collect, for its management, a fee approved in advance by CVM.

## **Subsection IV**

### **Disclosure**

Art. 91. The managing entity of an exchange market shall broadly disclose to investors the existence, the purposes, the objectives and the mode of operation of the loss recovery mechanism.

## **CHAPTER VII**

### **ORGANIZED OVER-THE-COUNTER MARKETS**

#### **Section I**

##### **Characteristics**

Art. 92. The organized over-the-counter market may trade in one or more of the following forms:

I – as a centralized and multilateral trading system, defined pursuant to Art. 65, and which enables the matching and interaction of offers for the purchase and sale of securities;

II – by carrying out transactions, whether subject or not to the interference of other persons authorized to trade in the market that undertakes the obligation to place firm purchase and sale offers;

III – through the registration of transactions previously carried out.

Art. 93. In an organized over-the-counter market, the trading or registration of transactions previously carried out may occur without the direct participation of an intermediary that is a member of the securities distribution system, provided that, in this case, according to the regulation procedures, the settlement of the transaction is contractually guaranteed by the managing entity of an organized over-the-counter market or, alternatively, directly by the parties to the transaction.

## **Section II**

### **Rules of Trading and Registration**

#### **Subsection I**

##### **Trading Systems**

Art. 94. The trading environments and systems of an organized over-the-counter market shall have the characteristics, procedures and rules of negotiation previously established and disclosed that enable, on a permanent basis, a regular, adequate and efficient pricing, as well as the prompt trading and registration of the transactions effected.

Art. 95. In the case of a centralized and multilateral trading system, pricing shall be made by interacting offers, in which preference will be given to offer that represents the best price, according to the chronological order of entry of offers into the trading environment or system, except in the cases of special trading procedures provided for in a regulation.

Art. 96. In the case of a market in which the counterparties are market formers, per the description in item II of Art. 92, their action shall be regulated and inspected by the managing entity of an organized over-the-counter market, pursuant to the terms of a specific CVM regulation for market formers.

Art. 97. The rules of trade of the trading system of organized over-the-counter markets shall:

I – prevent or curb modes of fraud or manipulation designed to create artificial demand, offer or price conditions of the securities traded in their environments;

II – ensure equal treatment to the persons authorized to trade in their environments, subject to the distinctions between categories that are stipulated in their bylaws and regulation; and

III – prevent or curb non-equitable practices in their environments.

#### **Subsection II**

## **Recordkeeping Systems**

Art. 98. The rules and procedures of organized over-the-counter markets that operate as a registration system shall enable the managing entity to identify and curb modes of fraud or manipulation designed to create artificial demand, offer or price of the securities.

Art. 99. The records of transactions previously carried out shall be made through the systems or the adoption of procedures that enable adequate information on the prices of the transactions effected, including as far as any discrepancy in relation to the standards of similar business, being allowed to reject the registration of discrepant transactions.

## **Section III**

### **Request for Registration**

Art. 100. The application for authorization to CVM for operation of an organized over-the-counter market shall be supported by the documents and information listed in Enclosure III, and shall observe the procedures specified in Chapter VIII.

Sole paragraph. CVM may:

I – request from the applicant elements and information, carry out the investigations and supplementary information, as well as to conduct the investigations deemed necessary; and

II – waive the submission of documents and information contained in Enclosure III, whenever they are not reasonable after weighing, inter alia, the following aspects:

- a) managing entity's lean structure;
- b) number of persons authorized to trade;
- c) number and nature of investors with access to the organized over-the-counter market;
- d) business volume; and
- e) market size and relevance.

## **Section IV**

### **Structure of the Organized Over-the-Counter Markets**

Art. 101. The managing entities of organized over-the-counter markets are exempted from the observance of:

I – the limitations to the acquisition of the equity interest or corporate interest described in Articles 33 and 34, with the preservation of the legal instruments, however, that ensure the exercise of CVM's police power over the shareholders, officers and persons authorized to trade; and



II – the compulsory existence of the Audit Committee specified in Art. 27.

Art. 102. The Board of Directors of the managing entity of an organized over-the-counter market shall be formed by at least twenty-five percent (25%) of independent officers, as set forth in Art. 26.

Art. 103. Without prejudice of the provisions of Articles 101 and 102, CVM may establish limits to the exercise of voting rights in managing entities of organized over-the-counter market or make a decision to apply minimum independence requirements to its officers, in which case it shall apply the evaluation criteria established in item II, sole paragraph of Art. 100.

## **Section V**

### **Authorization to Trade in an Organized Over-the-Counter Market**

Art. 104. The admission of a person authorized to trade in an organized over-the-counter market shall require authorization of the managing entity, with the application of the provisions of Articles 71 and 72.

## **Section VI**

### **Disclosure of Information**

Art. 105. The managing entity of an organized over-the-counter shall make the information available on each business carried out, including the price, quantity and time.

§1 The information referred to in the **introductory provisions** may be disclosed or not in a continuous manner during the trading sessions, as well as in individualized form or grouped by sets of trade, with the entity's disclosure policy having been approved in advance by CVM, which may authorize a delayed disclosure or a grouped disclosure of the information in question, depending on:

I – of the organized over-the-counter market;

II – of the standardization degree of the asset or contract traded;

III – of the fact of being a market segment for large lots or not; and

IV – the type of investor that has access to the segment or to the market.

§2 The summary of the transactions carried out in the organized over-the-counter market shall be stated in the daily information report, which will be made available on its homepage in the world wide web.

§3 When the case is one of a record market, the disclosure policy referred to in § 1 may provide on alternative disclosure forms and contents of the transactions which, at CVM's discretion, produce a similar effect to the ones described in this article.

## Section VII

### Inspection and Supervision of Organized Over-the-Counter Markets

Art. 106. The managing entity of an organized over-the-counter market may adopt self-regulation structures different from the ones specified in Chapter IV, provided that:

I – it maintains the bodies in charge of inspection and supervision of the transactions executed in their environments and systems, as well as of the persons authorized to trade thereon; and

II – it observes, insofar as the bodies referred to in item I hereof, the principles of independence and autonomy set forth in Art. 37.

Sole paragraph: The inspection and supervision bodies mentioned in the **introductory provisions** hereof shall prepare and send to CVM the reports described in Articles 44 and 45, in the form and within the time periods agreed upon therein.

Art. 107. CVM shall assess, in each case, the structure designed for the performance of the duties established in this Section, being entitled to order the amendments required to ensure the reliability of the market under review, for which it will use the evaluation criteria set forth in the sole paragraph, item II, of Art. 100.

## Section VIII

### Loss Recovery Mechanism

Art. 108. It is not required that an organized over-the-counter market to maintain the loss recovery mechanism specified in Section VIII of Chapter VI.

Sole paragraph. The managing entity of an organized over-the-counter market shall disclose, in a visible manner, in any information material designed for the investor audience, as well as in its advertising actions, the non-existence of the loss recovery mechanism referred to in the **introductory provisions**.

## CHAPTER VIII

### PROCEDURES

#### Section I

#### Procedure of Authorization for the Managing Entity of an Organized Market

Art. 109. The request for authorization to operate as a managing entity of the organized market shall be made by filing an application supported by the documents described in Enclosure I, and necessarily accompanied by the application for authorization to operate of an organized market, supported by the documents described in Enclosure II, whenever it is an exchange market, or Enclosure III, whenever it is an organized over-the-counter market.

§1 The authorization shall be considered automatically granted if the application is not rejected by CVM within ninety (90) days from the date of the application filing.

§2 The term referred to in §1 may be interrupted only once if CVM requests that the applicant submits additional documents and information referring to the application for authorization, with the ninety(90)-day term beginning to run as of the compliance with the requirements, for CVM's final decision.

§3 For the compliance with any requirements set forth in § 2, a term not longer than sixty (60) days shall be granted.

## **Section II**

### **Procedure of Operating Authorization of an Organized Market**

Art. 110. The application for operating authorization of an organized market shall be made jointly with the managing entity's request, pursuant to Art. 109, or by a managing entity authorized by way of an application supported by the documents described in Enclosure II, for the case of an exchange market, and of Enclosure III, for the case of an organized over-the-counter market.

§1 The authorization shall be considered automatically granted if the application is not rejected by CVM within one hundred and twenty (120) days, in case of an exchange market, or ninety (90) days, in case of an organized over-the-counter market, from the date of application filing.

§2 The term referred to in §1 may be interrupted only once if CVM requests additional documents and information from the applicant referring to the authorization application, with the ninety (90)-day time period, in case of an exchange market, or sixty (60) days, in case of an organized over-the-counter market, beginning to run as of the date of the compliance with the requirements, for CVM's final decision.

§3 For the satisfaction of any requirements set forth in §2, a term not longer than sixty (60) days will be granted.

## **Section III**

### **Provisions Common to the Foregoing Sections**

Art. 111. The authorizations referred to in Articles 109 and 110 will be denied in the event that:

I – the application is not accompanied by the necessary elements for the appreciation thereof or, in case they are not delivered, the supplementary elements and information requested;

II – any untrue or inaccurate information in the documents presented with the application, at all times when any such information, given its extent or contents, would be relevant for the appreciation of the request for authorization;

III – the applicant does not have either the human, technical and material capabilities or the financial resources adequate to the market management or for the compliance with the provisions of this Instruction; or

IV – the requirements made by CVM are not met, as to their substance, or otherwise if it is determined that the requisites and conditions established in this Instruction for the applicant's formation and operation have not been observed, in the case of Art. 109, or for the market operation, in the case of Art. 110.

Sole paragraph. The denials mentioned in this article may be appealed against to the Collegiate, in the form and within the time established by the regulations in effect.

Art. 112. CVM may condition the efficacy of the authorization that it may grant to the managing entity of an organized market or for the operation of an organized market to the implementation of future events described in the decision that grants the authorization, which shall also specify the latest date for the occurrence of said events, whereupon, if they have not been implemented, the authorization will no longer be valid.

Art. 113. The operating authorization of a managing entity of an organized market or for the operation of an organized market will be granted by the Superintendence of Market and Intermediary Relations – SMI, but will only produce its effect within thirty (30) days from the notice thereof.

§1 Within the time period set forth in the introductory provisions, the Collegiate may confirm the authorization granted and request the applicant's compliance with additional requirements or reform the authorization decision.

§2 In case the Collegiate submits new requirements, as provided for in §1, the term for the compliance thereof cannot be no longer than thirty (30) days, whereupon the Superintendent shall inform to the Collegiate the result of the compliance with the requirements, and the Collegiate shall decide, no longer than fifteen (15) days thereof, on whether to confirm the authorization or reverse it, within fifteen (15) days at the latest, and shall confirm the authorization, with or without amendments to the suspensive conditions or revoke it.

§3 In formulating the initial requirements for the application for operating authorization of the managing entity of an organized market or for the operation of an organized market, the Superintendent shall send them to the Collegiate for knowledge, in which it shall report on the progress of the procedure in the first annual meeting of the Collegiate held after the information has been sent.

§4 The procedure referred to in the foregoing sections also applies to the authorization for access screens for trading in foreign exchanges, as provided for in Art. 67.

Art. 114. In the review of the applications for operating authorization of the managing entity of an organized market or for the operation of an organized market, CVM shall give preferred treatment to the substantial compliance with the rules hereof, whenever the purposes of these rules can be attained by alternative, considerably less expensive means than the ones set forth herein.

## **Section IV**

### **Procedure for Cancellation of Authorization**

Art. 115. The operating authorization for a managing entity or for the operation of an organized market may be cancelled:

I – at the request of the managing entity of an organized market, by means of an application containing the reasons therefor, as well as a copy of the minutes of the general meeting that has deliberated on this matter;

II – by CVM Collegiate, after the administrative proceedings in which the right to adversary proceedings and broad defense are ensured, in the following circumstances:

a) if it is detected that the operating authorization has been obtained using misstatements or other illegal means;

b) if, by reason of a duly proven supervening fact, it becomes evident that the entity or market no longer satisfies the requisites and conditions established in this Instruction to be granted the authorization; or

c) if it is proven that the entity failed to comply with any CVM's decision or does not have the capability to observe and cause the observance, by the persons authorized to trade, of its rules and contracts, as well as of the law and of CVM's regulations; and

d) if the authorized entity fails to commence its activities within the term established in the application for authorization.

Art. 116. The procedure mentioned in Art. 115, II, shall be conducted in the following sequence:

I – SMI, after analyzing the elements of proof that it deems necessary, shall summon the managing entity of an organized market to submit its answer within fifteen (15) days, which term can be extended by ten (10) additional days, with the summons specifying the following:

a) that it is a procedure likely to culminate with the cancellation of the authorization, as provided for in this Section;

b) that the authorization or authorizations may be cancelled by reason of the proceedings; and

c) the detailed failures or omissions of the managing entity, from among those described in item II of Art. 115.

II – the managing entity of an organized market may, within the term granted for its answer:

a) challenge SMI's allegations or explain why the adoption of the measures directed by SMI are not required; or

b) request the extension of a term not to exceed sixty (60) days for the compliance with the requirements made or for the repair of the deficiencies pointed out by SMI.

III – SMI, within ten (10) days, shall render its decision thereon by:

a) accepting the allegations of the managing entity;

b) granting the term requested for compliance with the requirements made or correction of the deficiencies; or

c) canceling the authorization for either the market operation or the managing entity, as applicable.

§1 The decision referred to in item III, "c" can be appealed against to the Collegiate within fifteen (15) days, with a suspensive effect.

§2 The Collegiate will render a decision on the appeal no later than within five (5) ordinary sessions after the referral thereof to the Reporting member.

§3 The sanctioning proceedings against officers, controlling partners or other parties responsible for the managing entity or for the organized market based on the same facts that gave rise to the proceedings referred to in Art. 115 cannot be initiated prior to the final decision on the latter.

§4 The proceedings referred to in Art. 115 shall be necessarily preceded by at least one summons, with a minimum thirty(30)-day notice for compliance, in which SMI points out the arrangements that it deems necessary on the part of the managing entity of an organized market. .

§5 The cancellation of the operating authorization for the managing entity implies the cancellation of the operating authorization for all the markets managed thereby.

§6 The provisions of this section shall also apply to the authorization for access screens for trading on foreign exchanges, as established in Art. 67.

## **Section V**

### **Procedures referring to Acts Contingent upon Prior Approval**

Art. 117. Without excluding other matters provided for in this Instruction, the following will be subject to CVM's prior approval to produce an effect:

I – the operating rules of organized markets of securities or organized segments of securities, as well as the amendments thereto;

II – the amendments to the bylaws of the managing entities of an organized market;

III – the company's and the administrative bodies' resolutions that result in a substantial change in the structure of the managing entity's organization, of an organized market of securities or of the self-regulation activities of organized markets of securities;

IV – the procedures to be followed by the Self-Regulation Department and the Self-Regulation Council of managing entities of the organized market of securities in the initiation and handling of disciplinary proceedings on administrative level and in the execution of terms of commitment; and

V – if existing, the regulation that governs the operation of the loss recovery mechanism (Art. 78).

§1 In the matters addressed in this article, the term for CVM's approval is of twenty (20) business days from the date of submission of the relevant application or of the amendment to the company's bylaws, as applicable, or of the submission of the supplementary clarification or information requested by CVM.

§2 Upon the compliance with the requirements that may be formulated only once, with a maximum ten (10)-business day term for compliance, CVM will have a ten (10)-business day term to render its decision, to be counted starting on the filing of the corresponding application or of the submission of the supplementary clarification or information requested.

§3 In case CVM does not render a decision on the request or on the compliance with the requirements within the terms specified in §§ 1 and 2 hereof, the documents presented shall be considered approved.

§4 The provisions of this article shall not apply to the amendments occurred as a result of decisions of other public agencies in respect of matters not encompassed by CVM's legal jurisdiction.

## **CHAPTER IX**

### **CVM'S JURISDICTION**

Art. 118. In addition to the authority described in this Instruction, CVM may, in relation to any of the regulated markets referred to in this Instruction:

I – suspend the enforcement of the rules adopted by the organized markets of securities, if they are considered inadequate to the performance thereof, and shall direct the adoption of the measures as it deems necessary;

II – cease the enforcement of the decisions rendered by the organized markets of securities, in whole or in part, especially if the case involves protecting investors' interests;

III – cancel the transactions carried out and pending settlement in regulated markets, or order the clearing and settlement entities to suspend the settlement thereof, in the cases of transactions likely to represent breaches of the legal rules and regulatory standards;

IV – order the recess of the organized market of securities for the purpose of preventing or correcting irregular market situations established in the regulations in effect;

V – lift and reverse the operating authorization of the organized market of securities;

VI – require that the organized market of securities, on a preventive basis, temporarily removes members of the Board of Directors or of the Executive Board if there is any indication that a violation incompatible with the exercise of the office for which they have been elected or appointed has been committed until the conclusion of the corresponding administrative proceedings, which should be completed by CVM within one hundred and twenty (120) days from the date of the presentation of their answers, whereupon the manager in question may be reconducted to his/her position, if applicable;

VII – order that the organized market of securities suspend the activities of its members and of the persons authorized to trade who have any relation with the transactions carried out in its environments and systems, or the immediate removal of its officers in the performance of their duties in that scope, if there is any indication that a violation incompatible with the performance of its activities in an organized market of securities has been committed, until the conclusion of the corresponding administrative proceedings, which shall be completed by CVM within one hundred and twenty (120) days;

VIII – direct the re-preparation of the financial statements of the managing entity of an organized market of securities that are not in compliance with Law No. 6,404/, of 1976, and with the regulation applicable thereto;

IX – establish the liability, by way of administrative proceedings, of the managing entity of an organized market of securities that has not arranged for the reinstatement of funds of the loss recovery mechanism, if any, within sixty (60) days from the date when this balance has fallen short of the minimum amount established in the regulation;

X – refuse the approval of rules or procedures that require amendments, at all times as it considers them insufficient for the adequate operation of the organized market of securities or contrary to the legal or regulatory provisions.

Art. 119. The failure to comply with the rules of this Instruction constitutes a severe breach of the rules of this Instruction for the purposes of § 3 of Art. 11 of Law No. 6,385, of 1976.

## **CHAPTER X**

### **FINAL AND TRANSITIONAL PROVISIONS**

#### **Section I**

##### **Legal Notices**

Art. 120. The legal notices referring to securities or other assets destructed, disappeared or unduly retained shall be filed by the managing entities of the organized market of the corresponding securities, so as to allow easy access and tracking, if necessary, with this information being also disclosed, for knowledge of the persons authorized to trade and of other managing entities of the organized market of securities, thereby preserving the confidential nature of information on the persons involved.



## **Section II**

### **Publication of Normative Acts**

Art. 121. The normative acts, resolutions and deliberations related to the organized markets of securities shall be published in the managing entity's official report and on its homepage in the world wide web.

## **Section III**

### **Adjustment to the Instruction**

Art. 122. The managing entity of an organized market of securities currently authorized by CVM to operate, on a final or temporary basis, shall adapt to the provisions of this Instruction, no later than two hundred and seventy (270) days from the date of its inception.

*Art. 122 amended by CVM Instruction 468, dated APRIL 18, 2008.*

Sole paragraph. The temporary or conditional authorities existing today for the managing entities of the organized market become final, without prejudice to the contents of the **introductory provisions**.

Art. 123. CVM's Instructions No. 42, of February 28, 1985; No. 179, of February 13, 1992, No. 184, of March 19, 1992; No. 203, of December 7, 1993, No. 263, of May 21, 1997; No. 344, of August 17, 2000; No. 362, of March 5, 2002; No. 379, of November 12, 2002; Art. 6 of CVM Instruction No. 312, of August 13, 1999; Articles 1 to 14 and 17 of Instruction No. 243, of March 1, 1996; CVM Instruction No. 250, of June 14, 1996; Articles 2 to 7, introductory provisions, and §1 of Art. 8, Articles 10, 13, 15 and 16 of CVM Instruction No. 297, of December 18, 1998; sole paragraph of Art. 1 and Art. 3 of CVM Instruction No. 20, of, of February 15, 1985.

Art. 124. This Instruction enters in effect on the date of its publication.

*Original signed by*

**MARIA HELENA DOS SANTOS FERNANDES DE SANTANA**

**President**

### **ENCLOSURE I**

#### **DOCUMENTS REQUIRED FOR OPERATING AUTHORIZATION AS AN MANAGING ENTITY OF THE ORGANIZED MARKET**

I – Corporate acts and subsequent amendments thereto, duly updated and prepared in accordance with the legal formalities.

II – Consolidated financial statements prepared pursuant to Law No. 6,404/76 and the remaining rules issued by CVM, audited by an independent auditor registered with CVM and covering the three preceding financial years.

III – Proof of payment of the equity or company's interest.

IV – Feasibility study that proves its financial and economic standing to attain its corporate purpose, with the description of the human, technical and material resources pertaining to the exercise of its activities.

V – A descriptive report addressing the following issues:

a) procedures, structures and, if applicable, risk controls that ensure the compliance with the legal rules;

b) the governance structure of the managing entity;

c) internal audit procedures;

d) organization chart of the managing entity, specifying the number of persons pertaining to each area or position, as well as information on the type of qualifications required;

e) the inspection and supervision structure provided for in Chapter IV or in Art. 111, whenever the entity involved is a managing entity of an organized over-the-counter market, including the name and qualification of the occupants of executive positions; and

f) an annual self-regulation schedule and the list of human and material resources available for the attainment thereof.

VI – Member list of the Board of Directors, Executive Board, Self Regulation Council and Chief Officer of the Self-Regulation Department, specifying, for each of them:

a) the name, title, initial and final dates of the mandate;

b) professional experience and academic qualifications for the performance of the corresponding roles;

c) document or certificate to prove that the requisites imposed by this Instruction have been fulfilled; and

d) activities and sectors under its responsibility.

VII – In the event of a managing entity organized as a stock corporation, a report naming all the shareholders that, either directly or indirectly, own 5% or more of any type or class of securities of its issuance. In the event of a managing entity organized in an associative manner, a list of the ones who have contributed or that are entitled to receive proceeds in case of liquidation, of 5% or more of its equity. In both cases, the report shall mention, for each of the persons named therein:

- a) the full company's name;
- b) the number of shares and other securities or the quantity of securities owned by them;
- c) approximate equity interest;
- d) the existence or not of any controlling relationship; and
- e) information on the existence of operating agreements.

VIII – Code of Conduct applicable to the functional and directive organization chart of the managing entity and to the members of the Self-Regulation Department and Council.

## **ENCLOSURE II**

### **DOCUMENTS REQUIRED FOR THE APPLICATION OF THE OPERATING AUTHORIZATION FOR AN EXCHANGE MARKET**

I – Regulations, contracts and other documents that govern

- a) trading in its environments and systems;
- b) the list, suspension and exclusion of issuers of real estate securities admitted to trading; and
- c) the admittance, suspension and exclusion of parties interested in trading, including the criteria and conditions applicable to each case, as well as their representatives with access to the trading environments and systems;
- d) consideration collected;
- e) loss recovery mechanisms.

II – Descriptive report addressing the means of access to trading and trading schedules.

III – Descriptive report audited by an independent auditor registered with CVM:

- a) trading systems, record and reproduction of information;
- b) on the settlement system, and the respective data replication system, if the administrative entity of an exchange market is authorized by CVM to perform the activities directly or by contract with a clearing and settlement agency authorized by CVM.

IV – Code of conduct applicable to the persons authorized to trade and their representatives with access to the trading environments and systems.

V – Information on companies affiliated to or controlled by the managing entity of an exchange market or with which it maintains a relationship of a contractual or any other

nature, referring to the trading on the systems used in the transactions carried out in their environment and liquidation of business, if applicable.

VI – As soon as available, a list in alphabetical order of all the persons authorized to trade in the exchange market, as well as of their representatives, including the following information:

- a) name;
- b) date of grant of authorization to trade or to act as its representative, with access to the trading environment and systems, and informing, in this case, the name of the grant of authorization to trade, with access to the trading environments and systems, also informing, in this case, the name of the institution to which it is connected and the nature of the relationship maintained;
- c) address and telephone of the corporate headquarters;
- d) description of the activities developed by the person authorized to trade;
- e) association category or category of authorization granted.

VII – As soon as available, the list and description of the real estate securities admitted to trading, with the indication of the issuer's name, if applicable.

### **ENCLOSURE III**

#### **DOCUMENTS REQUIRED FOR THE APPLICATION AUTHORIZATION FOR TRADING IN NA ORGANIZED MARKET OF SECURITIES**

I – All the documents required in Enclosure II, except for letter "e" of item I.

### **ENCLOSURE IV**

#### **DOCUMENTS TO BE SUBMITTED BY THE CANDIDATES TO MANAGEMENT AND INSPECTION OFFICES IN ORGANIZED MARKETS**

- I – Full qualification;
- II – Complete description of personal experience, mentioning the professional activities performed before, as well as professional and academic qualifications;
- III – Type of professional relationship intended with the management entity of a managing entity of an organized market;
- IV – Information on awards, notwithstanding if not passed in rem judicatam, in this latter case referring to materials connected to the financial and capital markets.

Chapter I

**GENERAL PROVISIONS**

**Article 1.** The following activities shall be governed by and controlled in accordance with this law: *(Text as determined by Law no. 10.303, of October 31, 2001)*

I- The issuing and distribution of securities on the market; *(Text as determined by Law no. 10.303, of October 31, 2001)*

II- The trading and intermediation on the securities market; *(Text as determined by Law no. 10.303, of October 31, 2001)*

III- The trading and intermediation in the derivatives market; *(Text as determined by Law no. 10.303, of October 31, 2001)*

IV- The organization and operation of Stock Exchanges; *(Text as determined by Law no. 10.303, of October 31, 2001)*

V- The organization and operation of commodities and Futures Exchanges; *(Text as determined by Law no. 10.303, of October 31, 2001)*

VI- The management of securities portfolios and the custody of securities; *(Text as determined by Law no. 10.303, of October 31, 2001)*

VII- The auditing of publicly-held corporations; *(Text as determined by Law no. 10.303, of October 31, 2001)*

VIII- The services of securities consultants and advisors *(Text as determined by Law no. 10.303, of October 31, 2001)*

**Article 2.** The following securities shall be subject to the provisions of this law: *(Text as determined by Law no. 10.303, of October 31, 2001)*

I – shares, debentures and subscription bonuses; *(Text as determined by Law no. 10.303, of October 31, 2001)*

II – coupons, rights, subscription receipts and split certificates relating to the securities indicated in item I; *(Text as determined by Law no. 10.303, of October 31, 2001)*

III – certificates of deposit of securities; *(Text as determined by Law no. 10.303, of October 31, 2001)*

IV – debentures certificates; *(Text added by Law no. 10.303, of October 31, 2001)*

V – shares of mutual funds investing in securities and shares of investment clubs investing in any type of assets; *(Text added by Law no. 10.303, of October 31, 2001)*

VI – commercial papers; *(Text added by Law no. 10.303, of October 31, 2001)*

VII – futures, options and other derivatives agreements whose underlying assets are securities; *(Text added by Law no. 10.303, of October 31, 2001)*

VIII – other derivatives agreements regardless of the respective underlying assets; and *(Text added by Law no. 10.303, of October 31, 2001)*

IX – when publicly offered, any other collective investment instrument or agreement that creates the right of participation on profits or remuneration, including as a result of the rendering of services, and whose profits derive from the efforts of the entrepreneur or from the efforts of third parties. *(Text added by Law no. 10.303, of October 31, 2001)*

Paragraph 1. The following are excluded from the provisions of this law: *(Former sole paragraph turned into paragraph 1 by Law no. 10.303, of October 31, 2001)*

I - Federal, State, or Municipal government bonds; *(Text as determined by Law no. 10.303, of October 31, 2001)*

II - negotiable instruments guaranteed by a financial institution, with the exception of debentures. *(Text as determined by Law no. 10.303, of October 31, 2001)*

Paragraph 2. The issuer of the securities referred to in this article, as well as their managers and controlling parties, are subject to the rules established by this Law with respect to publicly-held corporations. *(Text added by Law no. 10.303, of October 31, 2001)*

Paragraph 3. The Securities Commission of Brazil shall be responsible for issuing regulations in order to give effect to the provisions of this article, being empowered to: *(Text added by Law no. 10.303, of October 31, 2001)*

I – require that the issuers be incorporated as stock corporations; *(Text added by Law 10.303, of October 31, 2001)*

II – require that the financial statements of the issuers, or information concerning the applicable project, be audited by an independent auditor registered with The Securities Commission of Brazil; *(Text added by Law 10.303, of October 31, 2001)*

III – waive the requirement of participation of a company comprising the system established in article 15 of this Law in a public offering of securities; *(Text added by Law no. 10.303, of October 31, 2001)*

IV – establish standard clauses and conditions to be adopted in the investment instruments and agreements to be traded in Stock Exchanges or in organized or non-

organized over-the-counter markets, and refuse the trading of any issue that fails to meet such standards (*Text added by Law no. 10.303, of October 31, 2001*)

Paragraph 4. It is a condition precedent for validity of the (types of) relevant derivatives contracts in items VII and VIII of the main provision, which are entered into after the effective date of Provisional Measure No. 539 dated July 26, 2011, that such contracts are registered at a clearing house or utility providing clearing, settlement and registration services under license of the Central Bank of Brazil or the Brazilian Securities Commission. (*Text added by Law no. 12.543, of December 8, 2011*)

**Article 3.** The National Monetary Council shall:

I - define the policy to be observed in the organization and operation of the securities market;

II - regulate the use of credit within the said market;

III - establish the general guidelines to be observed by The Securities Commission of Brazil in the performance of its duties;

IV - define the activities of The Securities Commission of Brazil to be performed in coordination with the Central Bank of Brazil;

V - approve the staff and personnel regulation of The Securities Commission of Brazil establish the remuneration of the chairman, commissioners, holders of trusted positions, and other employees. (*Text added by Law no. 6.422 of June 8, 1977*)

VI - for purposes of the monetary policy and foreign exchange policy, to set specific conditions for the trading of derivatives contracts, irrespective of the nature of the investor, with authority further:

a) to require deposits to be made (based) on the notional amount of such contracts; and

b) to set limits, deadlines and other conditions applicable to trading in derivatives contracts. (*Text added by Law no. 12.543, of December 8, 2011*)

Paragraph 1. Except as provided under this Law, the supervision surveillance of financial and capital markets shall continue to be exercised by the Central Bank of Brazil, pursuant to applicable legislation. (*Text added by Law no. 12.543, of December 8, 2011*)

Paragraph 2. The specific conditions contemplated in item VI of the main provision of this article shall not apply to open positions as of the publication date of the act that establishes such conditions. (*Text added by Law no. 12.543, of December 8, 2011*)

**Article 4.** The National Monetary Council and *The Securities Commission of Brazil* shall perform the duties provided for under the law in order to:

I - stimulate the creation of savings and their investment in securities;

II - promote the expansion and the regular and efficient operation of the stock market, and stimulate permanent investments in the capital stock of publicly held corporations controlled by private Brazilian capital;

III - guarantee the efficient and correct operation of stock markets and over-the-counter markets;

IV - protect securities holders and market investors against:

- a. the irregular issue of securities;
- b. illegal acts of officers and controlling shareholders of publicly held corporations, or managers of securities portfolios;
- c. the use of relevant information not disclosed to the market. *(Text added by Law 10.303, of October 31, 2001)*

V - avoid or prevent any kind of fraud or manipulation intended to create artificial conditions of supply, demand or price of the securities traded on the market;

VI - guarantee public access to information on the securities traded and the corporations issuing them;

VII - guarantee the observance of equitable business practice on the securities market;

VIII - guarantee compliance with the conditions established by the National Monetary Council regarding use of credit.

## Chapter II

### ABOUT THE SECURITIES COMMISSION OF BRAZIL

**Article 5.** The Securities Commission of Brazil is an independent government entity linked to the Ministry of Finance, with own legal entity and assets, endowed with independent administrative authority, absence of hierarchic subordination, fixed mandate and stability of its Board of Commissioners, and financial and budgetary autonomy, is hereby created. *(Text as determined by Law no 10.411, of February 26, 2002)*

**Article 6.** The Securities Commission of Brazil shall be managed by a chairman and four commissioners appointed by the President of the Republic, after approved by the Federal Senate, who shall be individuals of faultless reputation and acknowledged competence in capital markets. *(Text as determined by Law 10.411, of February 26, 2002)*

Paragraph 1. The mandate of the Board of Commissioners shall be of five years, with no reconduction, having to be renewed each year one fifth of the members of the Board. *(Text as determined by Law 10.411, of February 26, 2002)*



Paragraph 2. The members of the Board will only lose the mandate in case of resignation, transited judicial conviction or administrative procedure. *(Text as determined by Law 10.411, of February 26, 2002)*

Paragraph 3. Regardless the provisions of the penal law and the improbity administrative law, the non-observance, by the chairman or one of the commissioners, of the duties and the inherent prohibitions to their position may cause their dismissal. *(Text as determined by Law 10.411, of February 26, 2002)*

Paragraph 4. The Minister of Economy shall provide the administrative procedure, which will be taken by a special commission, and the President of the Republic may impose the preventive removal of the duties, as it is necessary, and also judge the case. *(Text as determined by Law 10.411, of February 26, 2002)*

Paragraph 5. In case of resignation, death or loss of the duties of the President of The Securities Commission of Brazil the one which that is at longest duty or the most aged commissioner, in this order, shall be in charge, regardless of his attributions, until new designation. *(Text as determined by Law no 10.411, of February 26, 2002)*

Paragraph 6. In case of resignation, death or loss of the duties of a chairman, there will be a new designation for his position in order to complete his mandate, according to this law. *(Text as determined by Law 10.411, of February 26, 2002)*

Paragraph 7. The Securities Commission of Brazil shall operate as a deliberation agency in accordance with its internal regulation, which shall establish the duties of the chairman, the commissioners, and the board. *(Text as determined by Law 10.411, of February 26, 2002)*

**Article 7.** *The Securities Commission of Brazil* shall meet all expenses required for its operation with funds from:

I - appropriations of the monetary reserves referred to in article 12 of Law no. 5.143 of October 20, 1966, as amended by Decree-Law no. 1.342 of August 28, 1974, which may be granted by the National Monetary Council;

II - appropriations which that may be assigned to it in the federal budget;

III - revenue from services rendered by The Securities Commission of Brazil, with due regard for the schedule approved by the National Monetary Council;

IV - income from assets and contingent revenue.

V - fees payable in exchange for the exercise of its police powers, as provided by law. *(Text added by Law 10.303, of October 31, 2001)*

**Article 8.** *The Securities Commission of Brazil* shall:

I - regulate the matters expressly provided for in this law and in the Corporation Law (Law no. 6.404, of December 15, 1976), with due regard for the policies defined by the National Monetary Council;

II - administer the registrations instituted by this law;

III - permanently control the activities and services of the securities market, as provided for in article 1, and disclose information relating to the market, individuals participating in it and the securities traded thereon;

IV - propose to the National Monetary Council any establishment of maximum limits for prices, commissions, fees and any other benefits charged by the market brokers;

V - control and inspect publicly held corporations, giving priority to those not recording a profit on their balance sheets or those failing to pay the minimum compulsory dividend.

Paragraph 1. The provisions of this article do not exclude the authority of the Stock exchange, the Commodities and Futures exchanges, and of the entities of clearing and settlement with regard to their members and the securities traded thereon. *(Text as determined by Decree- Law no 3.995, of October 31, 2001)*

Paragraph 2. Shall be of public access all the documents and files of administrative procedures, excepted those which secrecy is essential for the defense of the privacy or the social interest, or which secrecy is assured by express legal disposal. *(Text as determined by Decree 3.995, of October 31, 2001.)*

Paragraph 3. Pursuant to the provisions of its regulations, the *The Securities Commission of Brazil* may:

I - publish a draft rule with a view to receiving suggestions from interested parties ;

II - at its discretion summon any person who may contribute information or opinions for the purpose of improving the regulations to be enacted.

**Article 9.** The Securities Commission of Brazil with due regard for the provisions of article 15, paragraph 2, may: *(Text as determined by Decree 3.995, of October 31, 2001)*

I- examine and extract examples of accounting records, books or documents, including electronic programs, magnetic and optical files, as well as any other files, and also the paperwork of independent auditors. All of them have to be organized and preserved intact for at least 5 (five) years. *(Text as determined by Decree 3.995, of October 31, 2001)*

- a. individuals and corporations pertaining to the securities distribution system (article 15);
- b. of publicly-held corporations and other issuers of securities and, whenever there are indicia of illegal activities, of the corresponding controlling and controlled companies, affiliated companies and companies under common control; *(Text as determined by Law 10.303, of October 31, 2001)*
- c. investment funds and corporations;
- d. securities portfolios and custodians (articles 23 and 24);
- e. independent auditors;
- f. securities analysts and consultants;

g. any other individuals or legal entities whenever they participate in any irregularities, which shall be investigated according to item V of this article, to ensure the non- occurrence of any illegal acts and inequitable acts. *(Text as determined by Law no 3.995, of October 31, 2001)*

II – issue subpoenas requesting information or clarifications to the persons indicated in item I, under penalty of a fine, without prejudice to the penalties set out in article 11; *(Text as determined by Law 10.303, of October 31, 2001)*

III – request information from any government agency, autarchy or public corporation;

IV – require publicly-held corporations to republish their financial statements, reports or informations released, duly corrected or amended;

V – investigate, through administrative proceedings, illegal acts and inequitable practices of managers, members of the finance committee and shareholders of publicly-held corporations, intermediaries, and other market participants; *(Text as determined by Law 10.303, of October 31, 2001)*

VI - apply the penalties provided for in article 11 to any person committing the violations referred to in the previous item, regardless of civil or criminal responsibility.

Paragraph 1. In order to prevent or correct abnormal market situations, the The Securities Commission of Brazil may: *(Text as determined by Decree 3.995, of October 31, 2001)*

I - suspend trading of securities or declare the recess of a stock exchange;

II - suspend or cancel the registrations provided for in this law;

III - publish information or recommendations for the purpose of informing or advising market participants;

IV - prohibit market participants, under the penalty of fine, from performing any activities it may specify, which it considers to be harmful to normal market functioning.

Paragraph 2. The procedure, under the item V of this article, may be preceded by an investigation process, which shall ensure the secrecy that the public interest demands, which is necessary for clearing the facts, and shall be subject to the procedure established by The Securities Commission of Brazil. *(Text as determined by Decree-Law no 3.995, of October 31, 2001)*

Paragraph 3. Whenever the public interest demands, the Comissão (Brazilian Securities Commission) CVM may disclose the establishment of the procedure under paragraph 2. *(Text added by Decree-Law no 3.995, of October 31, 2001)*

Paragraph 4. In the investigation into the infringement of regulations under the securities market, The Securities Commission of Brazil shall prioritize the violation of the severe nature of the law, which penalties shall educate and prevent the individuals

participating in the market. *(Text as determined by Decree-Law no 3.995, of October 31, 2001)*

Paragraph 5. The judgment sessions of the Board related to the administrative inquiries as referred in item V of this article, shall be of public nature, access of third parties may be restrained should of the public interest be involved. *(Text as determined by Decree-Law no 3.995, of October 31, 2001)*

Paragraph 6. The Securities Commission of Brazil shall have authority to investigate as well as to impose penalties on the violators of the laws under the market whenever: *(Text as determined by Decree-Law no 3.995, of October 31, 2001)*

I. If there has benefit causes damages to individuals living in Brazilian territory, wherever the accident has happened; *(Text as determined by Decree-Law no 3.995, of October 31, 2001)*

II. Material actions or omissions have happened in Brazilian territory. *(Text added by Decree- Law no 3.995, of October 31, 2001)*

**Article 10.** The Securities Commission of Brazil may enter into agreements with similar entities in other countries, or with international entities, for assistance and cooperation in the investigations relating to infringement of regulations pertaining to the securities market occurring in Brazil and abroad. *(Text as determined by Law no 10.303, of October 31, 2001)*

Paragraph 1. The Securities Commission of Brazil may refuse to provide the assistance referred to in the this Section 10 (first part) *caput* of this article when the public interest needs to be preserved. *(Text as determined by Law no. 10.303, of October 31, 2001)*

Paragraph 2. The provisions of this Section shall also apply to information deemed confidential by law. *(Text as determined by Law no. 10.303, of October 31, 2001)*

**Article 11.** *The Securities Commission of Brazil may impose the following penalties on the violators of any provision of this law, the Corporation Law, or its resolutions, as well as any other legal provisions which that are The Securities Commission of Brazil responsibility to enforce:*

I - warning;

II - fine;

III - suspension from duties of a director administrator or member of the fiscal councilstatutory audit committee of a publicly-held corporation, from an entity taking part of the distribution system, or from other bodies which require authorization by, or registration with, The Securities Commission of Brazil; *(Text as determined by Law no. 9.457 of May 5, 1997)*

IV - temporary disqualification, up to a maximum period of 20 years, from occupying the posts mentioned in the previous item; *(Text as determined by Law no. 9.457 of May 5, 1997)*

V - suspension of the authorization or registration for the execution of the activities covered by this law;

VI - cancellation of the registration or of the authorization to carry out the activities covered by this law; (*Text as determined by Law no. 9.457 of May 5, 1997.*)

VII - temporary prohibition, up to a maximum period of 20 years, from practicing certain activities or transactions, to the entities that compose the distribution system or other entities that depend on authorization by, or registration with, *The Securities Commission of Brazil*; (*Text as determined by Law no. 9.457 of May 5, 1997.*)

VIII - temporary prohibition, for a maximum period of 10 years, to operate, directly or indirectly, in one or more types of transaction in the securities market. (*Text as determined by Law no. 9.457 of May 5, 1997.*)

Paragraph 1. The fine shall not exceed the larger of the following amounts:

I - R\$ 500,000.00 (five hundred thousand Brazilian Reais); (*Text as determined by Law no. 9.457 of May 5, 1997.*)

II - 50 per cent of the amount of the securities issuing or of the irregular operation; or (*Text as determined by Law no. 9.457 of May 5, 1997*)

III - three times the amount of the economic advantage gained or loss avoided due to the violation. (*Text as determined by Law no. 9.457 of May 5, 1997**Text as determined by Law 9.457 of May 5, 1997.*)

Paragraph 2. If the offense is repeated, the fines of the previous paragraph can be imposed and multiplied up to three times or, alternatively, the penalties provided for in items III to VIII of this article may be applied. (*Text as determined by Law no. 9.457 of May 5, 1997*)

Paragraph 3. Except for the provisions of the previous paragraph, the penalties provided for in items III to VIII of the *caput* of this article will only apply when there has been a serious breach, as defined by the rules of *The Securities Commission of Brazil*. (*Text as determined by Law no. 9.457 of May 5, 1997*)

Paragraph 4. The penalties may only be imposed by observing the procedure provided for in paragraph 2 of Article 9, above, and the interested party may appeal to the Council of Appeals of the National Financial System. (*Text as determined by Law no. 9.457 of May 5, 1997*)

Paragraph 5. The Securities Commission of Brazil may, at its discretion, according to the public interest, suspend, at any moment, the administrative procedure opened in order to investigate illegal acts over the securities market legislation, if the defendant or accused signs a settlement instrument compromising to: (*Text as determined by Decree-Law no 3.995, of October 31, 2001.*)

I - refrain from the activities or acts regarded as illicit by The Securities Commission of Brazil, and;

II - amend the irregularities, including offering compensation for losses.

Paragraph 6. The instrument referred to in the previous paragraph does neither imply a confession of the matter or a recognition that the conduct was illicit. *(Text added by Law no. 9.457 of May 5, 1997.)*

Paragraph 7. The commitment letter shall be published in the Federal Official Gazette, describing the period assigned for compliance with the obligations that have been undertaken, and shall constitute an extrajudicial collection instrument. *(Text as determined by Law no. 10.303, of October 31, 2001)*

Paragraph 8. If the obligations are not fulfilled in time, the *The Securities Commission of Brazil* shall reopen the suspended administrative procedure in order to apply the relevant penalties. *(Text added by Law no. 9.457 of May 5, 1997.)*

Paragraph 9. When applying the penalties provided for in this law, special consideration will be given to any person who voluntarily confesses an offense or provides relevant information concerning the commitment of an offense. *(Text added by Law no. 9.457 of May 5, 1997.)*

Paragraph 10. The Securities Commission of Brazil shall regulate the observation of the provisions of paragraphs 5 to 9 of this article to the proceedings ruled by the Stock Exchanges, Futures Exchanges, entities of the organized over-the counter market and entities of clearing and settlement. *(Text as determined by Decree-Law no 3.995, of October 31, 2001)*

Paragraph 11. The fine imposed for not complying with an order of the The Securities Commission of Brazil under item II of article 9, and item IV of paragraph I of article 9, shall not exceed R\$ 5,000.00 (five thousand Brazilian Reais) for each day of delay, and its imposition is independent of the administrative procedure provided for in item V of article 9, above. *(Text as determined by Decree-Law no 3.995, of October 31, 2001)*

Paragraph 12. The party may appeal to the Board of Commissioners, within 10 days from the decision to impose the fine provided for in the previous paragraph without suspensive effect. *(Text added by Law no. 9.457 of May 5, 1997.)*

**Article 12.** When an investigation, established in accordance with paragraph 2 of article 9, concludes that a crime which merits public prosecution has occurred, the *The Securities Commission of Brazil* shall notify the Public Attorney's Prosecutor's Office in order to file a criminal suit.

**Article 13.** *The Securities Commission of Brazil* shall provide consulting and advisory services to securities market participants or to any investor.

Sole Paragraph. *The Securities Commission of Brazil* may, at its own discretion, disclose its responses to the public.

**Article 14.** The Securities Commission of Brazil may provide forecast, in its own budget, appropriations for the endowment of funds to Stock Exchanges and Futures Exchanges. *(Text as determined by Law no. 10.303, of October 31, 2001)*

## Chapter III

### DISTRIBUTION SYSTEM

**Article 15.** The securities distribution system comprises:

I - financial institutions and other corporations engaged in the activity of distributing securities issues:

- a. (a) as agents of the issuing corporation;
- b. (b) for their own account, underwriting or purchasing the issue in order to place it on the market;

II - corporations engaged in the activity of purchasing securities available on the market, in order to resell them for their own account;

III - corporations and independent agents engaged in intermediation activities in the trading of securities, on stock exchanges or the over-the-counter market;

IV - stock exchanges;

V - organized over-the-counter markets; *(Text added by Law no. 9.457 of May 5, 1997.)*

VI – commodities brokers, special operators and the commodities and futures exchanges; and *(Text as determined by Law no. 10.303, of October 31, 2001)*

VII – securities clearing and settlement entities. *(Text added by Law no. 10.303, of October 31, 2001)*

Paragraph 1. The Securities Commission of Brazil shall define: *(Text as determined by Decree-Law no 3.995, of October 31, 2001.)*

I – the types kinds of financial institution which may perform activities in the securities market, as well as the transactions it may carry and the services it may provide on this market.

II – the specialization of transactions or services to be observed by the corporations in the market, as well as the conditions which they may accumulate their types kinds of transactions and services.

Paragraph 2. With respect to financial institutions and other corporations authorized to perform simultaneously transactions or services on the securities market and on markets subject to Central Bank of Brazil supervision, the duties of the *The Securities Commission of Brazil* shall be limited to the activities governed by this law and shall be exercised taking into account the duties of the Central Bank of Brazil.

Paragraph 3. The National Monetary Council shall regulate the provisions of the previous paragraph, ensuring the coordination of services between the Central Bank of Brazil and The Securities Commission of Brazil.

**Article 16.** The following activities shall require prior authorization The Securities Commission of Brazil :

I - distribution of securities issues on the market (article 15, I);

II - purchase of securities for resale, for their own account (article 15, II);

III- intermediation or brokerage on operations involving titles; *(Text as determined by Law no 10.411, of February 26, 2002.)*

IV- clearing and settlement on operations involving titles. *(Text as determined by Law no 10.411, of February 26, 2002.)*

Sole Paragraph. Only independent agents and corporations registered with The Securities Commission of Brazil may engage in securities mediation or brokerage activities outside the stock exchange.

**Article. 17.** The Stock Exchanges, Futures Exchanges, organized over-the-counter market entities and securities clearing and settlement entities shall have administrative and financial autonomy, and shall operate under supervision of The Securities Commission of Brazil. *(Text as determined by Law no. 10.303, of October 31, 2001)*

Paragraph 1. Stock Exchanges, Futures Exchanges, over-the-counter market entities and securities clearing entities, as ancillary entities of The Securities Commission of Brazil, shall be required to supervise their respective members and the securities transactions carried out by them. *(Text as determined by Law no. 10.303, of October 31, 2001)*

**Article 17-A.** (Vetoed)(VETOED)

**Article 18.** *The Securities Commission of Brazil shall:*

I- The Securities Commission of Brazil shall rule: *(Text as determined by Law no 10.411, of February 26, 2002.)*

a) Conditions for obtaining the authorization or registration required for carrying out the activities referred to in article 16, and the respective administrative procedures; *(Text as determined by Law no 10.411, of February 26, 2002.)*

b) Conditions regarding the good reputation, financial capacity, and technical qualifications which corporation officers and any other individuals participating in the securities market; *(Text as determined by Law no 10.411, of February 26, 2002Text as determined by Law 10.411, of February 26, 2002.)*

c) Conditions regarding the constitution and dissolution of stock exchanges, entities of the organized over-the-counter market, as well as entities of clearing and settlement, their legal constitution and the appointment of members of their boards; *(Text as determined by Law no 10.411, of February 26, 2002.)*

d) The exercise of disciplinary authority by the Stock Exchanges and organized over-the-counter market, concerning the trading of securities, and by entities of clearing and



settlement over their members, the imposition of penalties, and cases of exclusion. (*Text as determined by Law no 10.411, of February 26, 2002*)

e) The number of broker-dealers which may be members of a stock exchange; requirements or conditions for admission regarding credibility, financial capacity, and technical qualifications of their managers; and representation on the stock exchange floor trading;

f) Management of stock exchanges, entities of the organized over-the-counter market and entities of clearing and settlement; fees, commissions and any other amount charged by stock exchanges and entities of clearing and settlement or their members, as the case may be; (*Text as determined by Law no 10.411, of February 26, 2002.*)

g) Conditions regarding forward operations;

h) Conditions for constitution and dissolution of the Futures Exchanges, their legal form, administration institutions and their components. (*Text as determined by Law no 10.411, of February 26, 2002Text as determined by Law 10.411, of February 26, 2002.*)

II - define:

(a) the types of operations stock exchanges and over-the-counter markets may engage in; the methods and practices to be observed on the market; the accountability of intermediaries in operations;

(b) the pattern of artificial conditions of supply, demand, and price of securities, or of price manipulation; and fraudulent operations and inequitable practices in securities distribution or intermediation;

(c) the rules applicable to the record of operations, to be kept by the entities that compose the distribution system (article 15).

## Chapter IV

### TRADING ON THE MARKET

#### *Section I*

#### **Issue and Distribution**

**Article 19.** No public issue of securities shall be distributed on the market without prior registration with The Securities Commission of Brazil.

Paragraph 1. The sale, the promise to sell, the offer to sell or underwrite, as well as the acceptance of an order to sell or underwrite securities, when practiced by an issuing corporation, its founders, or persons considered equivalent to such, shall be considered acts of distribution, subject to the provisions of this article.

Paragraph 2. For the purposes of this article, the following shall be considered equivalent to an issuing corporation:

I - its controlling shareholder and any entities controlled by the corporation;

II - the co-obligor named in the securities;

III - the financial institutions and other corporations referred to in item I of article 15;

IV - anyone who has underwritten securities of an issue, or has purchased them from the issuing corporation for the purpose of placing them on the market.

Paragraph 3. A public issue is characterized by:

I - the use of sales or underwriting lists or bulletins, leaflets, prospectuses, or advertisements directed at the public;

II - the search for underwriters or purchasers of securities by employees, agents, or brokers;

III - trading carried out in a store, office, or establishment open to the public, or by using public communication services.

Paragraph 4. A public issue may only be placed on the market through the system provided for in article 15, and *The Securities Commission of Brazil* may require the participation of a financial institution.

Paragraph 5. *The Securities Commission of Brazil* shall issue rules governing the enforcement of the provisions of this article, and may:

I - define other situations which, for registration purposes, constitute a public issuing, as well as cases in which such registration may be dispensed, bearing in mind the interests of the investing public;

II - establish registration procedures and specify the information to be supplied with the application, including that with respect to:

(a) the issuing corporation, the business or activities it is or intends to be engaged in, its financial and economic situation, management, and principal shareholders;

(b) the characteristics of the issuance and the use of the proceeds thereof;

(c) the seller of the securities;

(d) the parties participating in the distribution, their remuneration, and their relationship with the issuing corporation or the seller.

Paragraph 6. *The Securities Commission of Brazil* may condition such registration to a minimum capital of the issuing corporation and a minimum amount of issue, as well as

to the disclosure of any information it may deem necessary to protect the interests of the investing public.

Paragraph 7. The registration application shall be accompanied by prospectuses and any other documents to be published or distributed, for the offering, advertising, or promotion of an issue.

**Article 20.** *The Securities Commission of Brazil* shall order the suspension of any issuance or distribution which that is not being made in accordance with the previous article, particularly when:

I - the issuance has been deemed as fraudulent or illegal, even after it has been registered;

II - the offer, release, promotion, or announcement of the securities is being made under conditions other than those contained in the registration, or with false, fraudulent, or substantially inaccurate information.

## *Section II*

### **Negotiation on the Stock Exchange and on the Over-the-Counter Market**

**Article 21.** In addition to the registration referred to in article 19, the *The Securities Commission of Brazil* shall maintain:

I - registration for trading on the stock exchange;

II - registration for trading on the over-the-counter market, either organized or not. (*Text as determined by Law 9.457 of May 5, 1997.*)

Paragraph 1. Only the securities issued by a corporation registered in accordance with this article may be traded on the stock exchange and the over-the-counter market.

Paragraph 2. The registration referred to by article 19 implies the registration for the over-the-counter market, but not for a stock exchange or an organized over-the-counter market entity. (*Text as determined by Law 9.457 of May 5, 1997.*)

Paragraph 3. The activities carried out with the participation of the corporations or professionals listed in items I, II, and III of article 15, or in their premises, excluding those made on stock exchanges or on systems administered by entities of the organized over-the-counter market, are considered as being on the non-organized over-the-counter market. (*Text as determined by Law 9.457 of May 5, 1997.*)

Paragraph 4. Each stock exchange or entity of the organized over-the-counter market may lay down its own requirements for accepting securities for trading on their floors or systems, once prior approval has been given by the *The Securities Commission of Brazil*. (*Text as determined by Law 9.457 of May 5, 1997.*)

Paragraph 5. The organized over-the-counter market shall will be run administrated by entities which that shall operate after previous authorization of the *The Securities*

*Commission of Brazil*, which shall issue general rules regarding (*Text as determined by Law 9.457 of May 5, 1997.*)

I - the conditions for their constitution and dissolution, their legal form, and the appointment of members of their boards; (*Text added by Law 9.457 of May 5, 1997.*)

II - the exercise of disciplinary authority over their members, the imposition of penalties, and cases of exclusion; (*Text added by Law no. 9.457 of May 5, 1997.*)

III - requirements or conditions for admission regarding credibility, financial capacity, and technical qualifications of the managers and officers of their members; (*Text added by Law no. 9.457 of May 5, 1997.*)

IV - management of the entities, fees, commissions, and any other amount charged by the entities or their members, as the case may be; (*Text added by Law no. 9.457 of May 5, 1997.*)

Paragraph 6. *The Securities Commission of Brazil* shall issue regulations regarding the enforcement of the provisions of this article, specifying:

I - the cases in which when the registration may be dispensed, refused, suspended, or canceled;

II - the information and documents which that shall be submitted by the corporation for obtaining registration, and the respective procedures.

III - the cases in which the securities may be simultaneously negotiated on a stock exchange and on the over-the-counter market, organized or not. (*Text added by Law 9.457 of May 5, 1997.*)

**Article 21-A.** The Securities Commission of Brazil shall issue rules regarding the nature of the minimum information and its periodical presentation by any party who have access to relevant information. (*Text added by Decree 3.995, of October 31, 2001.*)

## Chapter V

### **PUBLICLY HELD CORPORATIONS**

**Article 22-A.** Corporation shall be considered to be as publicly held when its securities are accepted for trading on the stock exchange or over-the-counter market.

Paragraph 1. *The Securities Commission of Brazil* shall issue regulations applicable to publicly held corporations, concerning: (*Text as determined by Decree 3.995, of October 31, 2001.*)

I - the kind of information which must be supplied and how often; (*Text as determined by Decree 3.995, of October 31, 2001.*)

II - the management report and financial statements; (*Text as determined by Decree 3.995, of October 31, 2001.*)

III - the purchase of shares issued by the corporation itself and the disposal of treasury shares;(Text as determined by Decree 3.995, of October 31, 2001.)

IV - accounting standards; reports and opinions of independent auditors; (Text as determined by Decree-Law no 3.995, of October 31, 2001.)

V- information which shall be supplied by officers, members of the statutory audit committee, controlling and small shareholders relating to the purchase, exchange or sale of securities issued by the corporation and by controlled or parent corporations (Text as determined by Decree 3.995, of October 31, 2001.)

VI - the disclosure of resolutions of the general meeting and the corporation's management bodies, or of relevant events occurring in its operations which may considerably influence the decisions of investors to buy or sell securities issued by the corporation; (Text as determined by Decree-Law no 3.995, of October 31, 2001.)

VII - the holding, by publicly held corporations with shares traded on the stock exchange or organized over-the-counter market, of annual meetings with their shareholders and securities market participants, in the city where most of the operations involving the corporation's securities took place the year before, in order to disclose their financial situation and projected figures, and to answer requests for clarifications; (Text as determined by Decree-Law no 3.995, of October 31, 2001.)

VIII - other topics envisaged by law. (Text as determined by Decree-Law no 3.995, of October 31, 2001.)

Paragraph 2. The regulations of the The Securities Commission of Brazil concerning the provisions of items II and IV of the previous paragraph shall apply to financial institutions that are authorized to function by the Central Bank of Brazil, if they are not contrary to its rules. (Text as determined Decree-Law no 3.995, of October 31, 2001).

## Chapter VI

### **PORTFOLIO MANAGEMENT AND CUSTODY OF SECURITIES**

**Article 23.** The professional management of securities portfolios of other individuals is subject to prior authorization of The Securities Commission of Brazil.

Paragraph 1. The provisions of this article shall apply to the professional management of funds and securities delivered to the administrator, with authorization for such administrator to buy or sell securities on behalf of the principal.

Paragraph 2. *The Securities Commission of Brazil* shall establish the rules to be observed by the managers and their remuneration, pursuant to the provisions of item IV of article 8.

**Article 24.** The Securities Commission of Brazil shall authorize securities custody activities, which shall be carried out exclusively by financial institutions and entities of

clearing and settlement. (*Text as determined Decree-Law no. 3.995, of October 31, 2001*).

Sole Paragraph. Custody of securities is defined as the activities of depositing securities for safekeeping, receiving dividends or stock dividends, redemption, amortization or reimbursement, the exercise of underwriting rights, without the depositary having powers to transfer the securities deposited or reinvest the amounts received, except upon the express authorization of the depositor in each instance.

**Article 25.** Except in the event of a mandate for a period of no longer than one year, the portfolio manager and the custodian may not exercise the voting rights of the shares under their management or custody.

## Chapter VII

### INDEPENDENT AUDITORS,

### SECURITIES ANALYSTS AND CONSULTANTS

**Article 26.** Only audit firms or independent auditors which are registered with the *The Securities Commission of Brazil* may audit, for the purposes of this law, the financial statements of publicly held corporations and institutions, companies or corporations which compose the securities distribution and intermediation system.

Paragraph 1. *The Securities Commission of Brazil* shall determine the conditions for registration and the respective procedures, and shall define the cases in which such registration may be denied, suspended, or canceled.

Paragraph 2. Independent auditors or auditing firms shall be subject to civil liability for any losses caused to third parties as a result of fraud or fault in the exercise of the functions provided for in this article.

Paragraph 3. In addition to the provisions of the previous paragraph, independent auditors or auditing firms are administratively responsible, before the Central Bank, for the acts or omissions when auditing financial institutions and other entities that are authorized to function by the Central Bank of Brazil. (*Text added by Law no. 9.447 of March 14, 1997*)

Paragraph 4. In the event of the last paragraph, the Central Bank of Brazil will enforce the offenders the penalties provision in this article 11 by law. (*Text added by law no. 9.447 of March 14, 1997*)

Paragraph 5. (VETOED) (*Text added by law no. 10.3003, of October 31, 2001*)

**Article 27.** *The Securities Commission of Brazil* may establish regulations regarding the activities of securities analysts and consultants.

CHAPTER Chapter VII-A

**ACCOUNTING STANDARDS BOARD**

(Chapter VII-A added by Law 10.303, of October 31, 2001)(Chapter VII-A added by Law no10.303, of October 31, 2001)

**Article 27- A.** (VETOED). *(Text added by Law no. 10.303, of October 31, 2001)*

**Article 27- B.** (VETOED). *(Text added by Law no. 10.303, of October 31, 2001)*

CHAPTER Chapter VII-B

**CRIMES AGAINST THE CAPITAL MARKETS**

(Chapter VII-B added by Law no10.303, of October 31, 2001)

Market manipulation *(Text added by Law no. 10.303, of October 31, 2001)*

**Article 27-C.** To engage in fraudulent transactions or other deceitful action aiming at artificially changing the regular operation of the securities markets in Stock Exchanges and in futures and commodities exchanges, over-the-counter markets or organized over-the-counter markets for the purpose of obtaining undue advantages or profits for oneself or others, or to cause damage to third parties:

Penalty – imprisonment of one (1) to eight (8) years and fine of up to three (3) times the amount of the undue advantage obtained as a result of the crime. *(Text added by Law no. 10.303, of October 31, 2001)*

Misuse of privileged information *(Text added by Law no. 10.303, of October 31, 2001)*

**Article 27-D.** To use relevant information not yet disclosed to the market, which one may know and which must remain confidential, so as to create undue advantages, for oneself or others, through the negotiation of securities, in one's behalf or on behalf of others: *(Text added by Law no. 10.303, of October 31, 2001)*

Penalty – imprisonment of one (1) to five (5) years and fine of up to three (3) times the amount of the undue advantage obtained as a result of the crime. *(Text added by Law no. 10.303, of October 31, 2001)*

Irregular exercise of position, profession, activity or function (*Text added by Law no. 10.303, of October 31, 2001*)

**Article 27-E.** To act in the securities market, whether free of charge or not, as an institution belonging to the distribution system, as a collective or individual portfolio manager, self-employed investment agent, independent auditor, securities analyst, fiduciary agent or to exercise any position, profession, activity or function without being so authorized by or registered at the applicable administrative authority, when required by law or regulation:

Penalty – imprisonment of six (6) months to two (2) years and fine. (*Text added by Law no. 10.303, of October 31, 2001*)

**Article 27-F.** The fines imposed to the crimes set forth in Sections 27-C and 27-D shall be applied according to the damage caused or the undue advantage obtained by the agent. (*Text added by Law no. 10.303, of October 31, 2001*)

Sole Sub-ArticleParagraph. In case of repeated offense, the fine may reach up to three times the amounts set forth in this Section. (*Text added by Law no. 10.303, of October 31, 2001*)

## Chapter VIII

### TEMPORARY AND FINAL PROVISIONS

**Article 28-A.** The Central Bank of Brazil, The Securities Commission of Brazil, the Supplemental Social Security Agency, the Internal Revenue Service and the Superintendency of Private Insurance shall keep a system for the exchange of information relating to the supervision in their respective areas of jurisdiction of the securities market. (*Text as determined by Law no. 10.303, of October 31, 2001*)

Sole paragraph. The obligation to keep on a confidential basis the information obtained through the exercise of supervisory powers by the entities referred to in this Section 28 (first part) may not be invoked as an impediment for the exchange of information provided for herein. (*Text added by Law no. 10.303, of October 31, 2001*)

**Article 29.** (*Revoked by Law no. 10.303, of October 31, 2001*)

**Article 30.** (*Revoked by Law no. 10.303, of October 31, 2001*)

**Article 31.** In any legal proceedings or actions regarding matters included under the authority of The Securities Commission of Brazil, the latter shall always be notified and be given the opportunity to submit an opinion or render explanations within a period of fifteen days of the date of the notice. (*Text as determined by Law no. 6.616 of December 16, 1978*)

Paragraph 1. The notification shall be made in person or by mail, depending on the existence of *The Securities Commission of Brazil* offices in the city in which the action or proceeding was filed. (*Text as determined by Law no. 6.616 of December 16, 1978*)



Paragraph 2. If *The Securities Commission of Brazil* submits an opinion or renders explanations, it shall be notified of all subsequent proceedings, either through the official journal which that publishes court procedures or by notified mail, under the terms of the previous paragraph. *(Text as determined by Law no. 6.616 of December 16, 1978)*

Paragraph 3. *The Securities Commission of Brazil* is given the right to appeal if the parties fail to do so. *(Text as determined by Law no. 6.616 of December 16, 1978)*

Paragraph 4. The period for the purpose of the preceding paragraph shall begin to run as of the day immediately after the day on which the period afforded to the parties ends, regardless of further notice. *(Text as determined by Law no. 6.616 of December 16, 1978)*

**Article 32.** The fines imposed by The Securities Commission of Brazil, after the final administrative decision, shall be collected in court in accordance with the procedures established in the Code of Civil Procedure for execution proceedings.

**Article 33.** (Revoked by law no. 9.873, of November 23, 1999)

**Article 34.** This law shall come into force at the day of its publication. *(Text as determined by Law no. 9.457 of May 5, 1997.)*

**Article 35.** Provisions to the contrary are hereby revoked. *(Text as determined by Law no. 9.457 of May 5, 1997.)*

Brasília, December 7, 1976

ERNESTO GEISEL - President, Republic of Brazil

MÁRIO HENRIQUE SIMONSEN - Minister of Finance

JOÃO PAULO DOS REIS VELLOSO - Minister of Planning

**CVM INSTRUCTION No. 402, OF JANUARY 27, 2004.**

Establishes rules and procedures for organization and operation of commodities brokerage houses.

The **CHAIRMAN OF THE BRAZILIAN SECURITIES AND EXCHANGE COMMISSION - CVM** informs that the Plenary Body **RESOLVED** to issue the following Instruction in a meeting held on the date hereof, pursuant to the provisions of articles 8, I, 15, VI, and 16, all of Law No. 6385, of December 7, 1976:

**SCOPE AND PURPOSE**

Article 1 This Instruction establishes rules and procedures for organization and operation of commodities brokerage houses that trade or register transactions with securities in commodities and futures exchanges.

Sole paragraph. For the purposes hereof, companies authorized to trade or register transactions with securities in commodities and futures exchanges shall be deemed commodities brokerage houses.

**ACTIVITY**

Article 2 In order for them to operate, commodities brokerage houses depend on prior registration with the CVM, pursuant to the provisions of article 11 hereof.

Sole paragraph. In order for them to obtain the registration referred to in this article, the brokerage houses shall:

- I - be incorporated as a joint-stock company or limited company;
- II – be admitted as a member of a commodities and futures exchange;
- III – indicate to CVM an officer appointed pursuant to the bylaws or a technically qualified managing partner, pursuant to the provisions of article 8, who shall be responsible for compliance with the provisions hereof; and
- IV – adopt, in its corporate name, the term “commodity brokerage house”.

**MEMBERSHIP SHARES OR SHARES**

Article 3 Membership shares or shares issued by the commodities and futures exchange and held by commodities brokerage houses serve as privileged guarantee, upon pledge of assets that may be invoked before third parties, pursuant to the provisions of the Brazilian Civil Code, of the debts of the commodities brokerage house to the stock exchange to which it belongs, pursuant to the regulations and procedures defined by it.

Sole paragraph. Commodities brokerage houses shall pledge the assets in behalf of the commodities and futures exchange upon their admission as member.

**OPERATING RULES**

Article 4 In transactions carried out in commodities and futures exchanges, commodities brokerage houses are liable as regards their clients, other dealers for which they have operated and the stock exchange itself:

I – for their good and actual settlement;

II – for legitimacy of the securities delivered on any account, as well as by their regular receipt and delivery, endorsement or transfer;

III – for registration, in behalf of the clients bound thereto and in compliance with the instructions issued by them;

IV – for legitimacy of the power-of-attorney and of the other documents required for the transfer of securities; and

V – for compliance with and adoption of high credibility and ethical standards.

Article 5 Commodities brokerage houses shall keep confidentiality of the transactions carried out and services provided, including of the names of their clients, only disclosing them upon their authorization or pursuant to the provisions of the legislation and regulations in force.

Paragraph 1 Commodities brokerage houses shall, in the event of default on or violation of the statutory provisions or regulations by a client, and notwithstanding the applicable judicial and extrajudicial remedies, inform the commodities and futures exchange about the facts and request, should this be the case, adoption of the corresponding procedures for execution on the guarantees of the client in default, and also for disclosure to market.

Paragraph 2 Should the guarantees executed pursuant to the provisions of the preceding paragraph be owned by third parties or should they have been provided by third parties, on any account, the commodities and futures exchange must make the corresponding disclosure to the market.

Paragraph 3 In the event of default by a client, the commodities brokerage house shall, in any case, inform the commodities and futures exchange about the transactions that resulted in the default, providing evidence of their regular standing, as well as of the investigations made for collection of client.

Article 6 Commodities brokerage houses shall meet asset and financial conditions, pursuant to criteria established by the commodities and futures exchange.

Article 7 Commodities brokerage houses may not, during specific performance of their duties:

I – carry out transactions representing, in any way, the granting of funding, loans or advance payments to their clients;

II – purchase assets not intended for their own use, except for those received as settlement of doubtful debts, in which case they shall sell them within a one-year term as of their receipt, which term can be extended up to two (two) times, at CVM's discretion;

III – obtain loans or funding from financial institutions, except for those linked to the purchase of assets for their own use and to the performance of activities contemplated in the respective corporate purposes, pursuant to the provisions of the legislation in force; and

IV – to carry out transactions involving end clients without identification in the commodities and futures exchange, pursuant to the legislation in force.

#### MANAGEMENT

Article 8 Only individuals resident in Brazil who submit the documents referred to in schedule I hereto may be a member of management of commodities brokerage houses:

Sole paragraph. CVM may, at its discretion, request additional documents and information deemed necessary for authorization to occupy the position of member of management of commodities brokerage houses and for evidencing their credibility and technical ability.

#### FINANCIAL STATEMENTS

Article 9 Commodities brokerage houses shall prepare trial balances and, on the last day of the months of June and December of each year, financial statements that must be audited by an independent auditor registered with the CVM.

Article 10. Commodities brokerage houses are subject to the rules for preparation and disclosure of financial statements applicable to the securities brokerage houses.

Paragraph 1 The following documents related to the activities performed by commodities brokerage houses shall be available for the CVM and shall be sent to the commodities and futures exchange:

- a) monthly trial balances, within fifteen (15) days after the end of each month; and
- b) financial statements, as well as opinions and reports prepared by the independent auditors to which article 9 hereof refers, within ninety (90) days after the end of each period.

Paragraph 2 Commodities brokerage houses shall disclose the trial balances, financial statements and respective opinions prepared by the auditors within the same terms referred to in the preceding paragraph on its Web page, if any, and on the page of the commodities and futures exchange to which they are linked.

#### REGISTRATION OF COMMODITIES BROKERAGE HOUSES

Article 11. Registration as commodities brokerage houses shall be issued by the Market Relations and Brokers Superintendence within thirty (30) days as of receipt by the CVM of the request for registration for their operation.

Paragraph 1 The request shall be accompanied by the information mentioned in schedule II hereto.

Paragraph 2 After the end of the term contemplated herein, should the CVM have issued no opinion to the contrary and provided compliance with all formalities contemplated herein, the request for registration shall be deemed approved.

Paragraph 3 The thirty-(30-)day term may be interrupted a single time in the event CVM requests additional information to the interested party, and a new thirty-(30-)day term shall initiate as of the date of compliance with the requirements.

Paragraph 4 A term not exceeding sixty (60) days as of receipt of the respective correspondence shall be granted for compliance with the requirements, under penalty of denial of the request.

Paragraph 5 Should the registration for operation contemplated in this article not be requested within one hundred and eighty (180) days as of admission of the commodities brokerage house as member of the commodities and futures exchange, it shall sell its membership shares or its shares, as the case may be, by auction.

#### DENIAL OF THE REQUEST

Article 12. Denial of the request for registration of commodities brokerage houses with the CVM shall be informed in writing to the interested party and to the commodities and futures exchange, and all accompanying documents shall remain available to the applicant for a ninety-(90-)day term.

#### CANCELLATION

Article 13. The CVM may cancel the registration for operation of a commodities brokerage house in the event:

I – the commodities brokerage house fails to start operations within one hundred and eighty (180) days as of the date of registration;

II - the commodities brokerage house requests cancellation;

III - there is any misrepresentation as regards any information or document submitted to obtain registration;

IV – in view of a duly evidenced new fact, it is proven that the commodities brokerage house registered no longer meets any of the requirements or conditions contemplated herein, established for granting of registration; or

V - the commodities brokerage house, in the performance of its activities, fails to comply with any of the obligations contemplated herein.

Paragraph 1 In the event contemplated in item III hereof, the CVM shall send an official letter to the Government Attorney's Office to bring the appropriate criminal action, without prejudice to the imposition of the applicable administrative penalties.

Paragraph 2 Registration for operation of commodities brokerage houses shall also be cancelled in the event of sale of the membership share or of the shares issued by the commodities and futures exchange.

Paragraph 3 In any case, cancellation of the registration for operation of commodities brokerage houses shall be made without prejudice to the requirement of compliance with all obligations of the brokerage house.

#### APPEAL

Article 14. It is possible to appeal to the Plenary Body against the decisions issued by CVM's Market Relations and Brokers Superintendent, pursuant to the regulations in force.

## GENERAL AND TEMPORARY PROVISIONS

Article 15. The following actions related to commodities brokerage houses shall depend on the prior approval by the CVM, which shall voice its opinion about them within up to thirty (30) days as of the date of request:

I – change of legal form, consolidation, merger and spin-off;

II – management investiture;

III – investiture of members of the supervisory board and members of other bodies installed pursuant to the bylaws;

IV – sale of share control; and

V – liquidation of the company upon resolution by the shareholders.

Paragraph 1 Upon submitting their request referred to in the main provision of this article, commodities brokerage houses shall simultaneously inform the commodities and futures exchange about this submission.

Paragraph 2 The CVM shall consult with the commodities and futures exchange, which shall have a term of up to fifteen (15) days to voice its opinion.

Paragraph 3 After the end of the term contemplated in the main provision of this article and should the CVM have issued no opinion to the contrary, the request for performance of the action at issue shall be deemed approved.

Article 16. The following actions related to commodities brokerage houses shall be informed to the CVM and to the commodities and futures exchange within five (5) business days as of the date they are resolved upon:

I – change in the registered office's address;

II – undertaking and termination of activities of offices or branches;

III – change in the amount of the capital stock;

IV – sale of membership shares or of shares issued by commodities and futures exchanges; and

V – any amendment to the bylaws or articles of association.

Article 17. For purposes of the provisions of article 11, paragraph 3 of Law No. 6385/76, violation of the provisions contained in articles 2, 4, 5, 6, 7, 9, 15, and 16 shall be deemed a serious breach.

Article 18. The provisions of articles 2, 8, 9, 10, 11, 12, 13 and 15 shall not apply to commodities brokerage houses incorporated as securities brokerage companies or securities dealerships, investment banks and multiple service banks with investment portfolio.

Article 19. Commodities brokerage houses in operation on the date of publication hereof shall be adapted to the provisions hereof within a ninety-(90-)day term as of the date on which this Instruction comes into force, in compliance with the provisions of the preceding article.

Article 20. This Instruction shall come into force within thirty (30) days after the date of its publication.

*Original counterpart signed by*  
**LUIZ LEONARDO CANTIDIANO**  
Chairman

## SCHEDULE I

### DOCUMENTS TO BE SUBMITTED FOR REGISTRATION OF MANAGING PARTNERS OR OFFICERS APPOINTED PURSUANT TO THE BYLAWS OF COMMODITIES BROKERAGE HOUSES

1. Request by the brokerage company referring to the managing partner or officer appointed pursuant to the bylaws referred to in article 2, III, sole paragraph hereof;

2. Résumé containing personal data (full name, nationality, home address, electronic address for correspondence, contact telephone numbers, ID number and number of enrollment with the Individual Taxpayers' Registry – CPF), education and professional data evidencing his or her experience of the securities, commodities and futures market;

3. Statements informing, under the penalties of Law:

a) that he or she is not unable to occupy positions in financial institutions and other entities the operation of which depends on authorization issued by the CVM or by the Central Bank of Brazil, Private Insurance Superintendence and Supplementary Welfare Office;

b) that he or she has not been convicted for any crimes by a final and unappealable decision, provided the possibility of rehabilitation;

c) that he or she is not included in the List of Bad Checks Issuer of the Central Bank of Brazil;

d) that he or she has not been, in the last five (5) years, manager of an entity subject to control and surveillance by the CVM, the Central Bank of Brazil, the Private Insurance Superintendence or the Supplementary Welfare Office the authorization of which was revoked during this period or which was subject to a situation of bankruptcy, reorganization proceedings, intervention, extrajudicial liquidation or to a situation of special provisional management;

e) if he or she was awarded an adverse judgment, in the last five (5) years, for breach of rules governing the CVM, the Central Bank of Brazil, the Supplementary Welfare Office and the Private Insurance Superintendence, explaining the respective nature thereof; and

f) that he or she agrees to give the CVM notice in the event of change in his or her registration data.

4. Copy of his or her Individual Taxpayers' Registry card and identification card.

## SCHEDULE II

### DOCUMENTS TO BE SUBMITTED FOR REGISTRATION OF COMMODITIES BROKERAGE HOUSES

1. Presentation of the brokerage house, containing at least the following information:

a) Corporate name of the commodities brokerage house;

b) Trade name;

c) Number of enrollment with the National Corporate Taxpayers Register - CNPJ;



- d) Complete address of the registered office and branches;
- e) Contact telephone and fax numbers, which shall be in the public domain;
- f) Electronic contact address; and
- g) Address of the Web page of the brokerage house or of the Web page of the commodities and futures exchange to which it is linked.

2. Certified copy of the duly restated articles of incorporation of the commodities brokerage house and company's registration card issued by the Federal Income Office;

3. Presentation of the controlling shareholders: if individuals, personal data (full name, nationality, home address, electronic address for correspondence, contact telephone numbers, ID number and number of enrollment with the Individual Taxpayers' Registry – CPF), education and professional data; if a legal entity, provide the information referred to in item 1;

4. Updated document issued by the commodities and futures exchange to which the commodities brokerage house is linked, evidencing its acceptance as member admitted to act as dealer of agreements traded therein;

5. Statement of the officer elected pursuant to the bylaws or managing partner in charge, who agrees to give the CVM notice in the event of change in any information related to the registration of the commodities brokerage house with the instrumentality; and

6. Financial statements of the commodities brokerage house, audited by an auditor registered with the CVM, related to the immediately preceding fiscal year, as well as the trial balances prepared until the relevant date.

**CVM INSTRUCTION # 505, DATED SEPTEMBER 27, 2011**

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Provides rules and procedures applicable to dealings in securities on regulated securities markets.

**THE CHAIRMAN OF THE BRAZILIAN SECURITIES COMMISSION (CVM)** announces that at a meeting held on September 21, 2011, and with grounds on the provisions of indents “a” and “c” of item II of article 18 of Law No. 6,385 dated December 7, 1976, the Board of Commissioners **APPROVED** the following Instruction:

**CHAPTER I - DEFINITIONS**

Article 1. For purposes of this Instruction and as used herein:

I – “intermediary”<sup>TN1</sup> means an institution licensed to operate and do business as a participant member of the securities distribution system, which engages in the buying and selling of securities on regulated securities markets both for its own account and for the account of third party clients;

II – “special operator” means a natural person or proprietary firm licensed by a market operator (according to the operator’s own licensing rules and requirements) to engage in the buying and selling of securities on organized securities markets both for its own account and for the account of an intermediary;

III – “Committeeperson” or “Client” means a natural or legal person, investment fund, investment club or non-resident investor, on behalf and for the account of whom a transaction in securities is carried out.

IV – “Clearing House Member” or “Clearing House Agent” means a financial institution or equivalent institutions<sup>TN2</sup> which, acting as counterparty to a clearing house, provides services undertaking responsibility for clearing and settling transactions in securities;

V – “order” means action whereby a Committeeperson investor gives instructions for an intermediary acting on its behalf and for its account to buy or sell securities or register a transaction in securities, under conditions the client specifies;

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<sup>TN1</sup> Refers broadly to securities brokerage firms, including broker-dealers, agency brokers, etc.

<sup>TN2</sup> Refers to non-bank financial companies; non-bank firms.

VI – “entailed persons” means

- a) Any of an intermediary’s directors and officers, employees, and brokers and other agents performing front office (intermediation) or middle and back office (operating support) functions for the intermediary;
- b) independent agents hired to provide services to an intermediary;
- c) other professionals engaged by an intermediary to provide services directly related to front office (intermediation) or to middle and back office (operating support) functions;
- d) natural persons that directly or indirectly control an intermediary company or participate in the controlling group of an intermediary company;
- e) companies directly or indirectly controlled by an intermediary or by persons entailed with an intermediary;
- f) a spouse, common law spouse or domestic partner, and the underage children of the persons listed under indents “a” through “d”; and
- g) investment funds and investment clubs where a majority of the shares or units are held by entailed persons, unless management of the funds or assets has been deferred to independent (who are not people entailed) professional managers.

## CHAPTER II – INTERMEDIATION ACTIVITIES IN REGULATED MARKETS

Article 2. The intermediation of transactions carried out on regulated securities markets shall be performed exclusively by institutions licensed to operate and do business as participant members of the securities distribution system and engage in the buying and selling of securities on regulated securities markets both for their own account and for the account of third party Committeepersons.

Article 3. An intermediary shall be required to adopt and enforce or implement:

I – adequate and effective rules for compliance with the provisions of this Instruction; and

II – internal controls and procedures aimed to monitor the implementation, enforcement and effectiveness of the rules required under item I above.

Paragraph 1. The rules, procedures and internal controls referred to in this provision shall be:

I – put in writing;

II – suitable for compliance monitoring; and

III – made available for consultation by any of the persons listed under article 1, item VI, indents “a” through “c”, and by the Brazilian Securities Commission (CVM), the operators of organized markets in which a given intermediary is licensed to operate and, as the case may be, the self-regulation department of such operators.

Paragraph 2. An intermediary shall be deemed to be in breach of the provisions of items I and II of the main provision of this article where the rules, procedures and internal controls required thereunder are absent or deficient, and in the event of failed or deficient enforcement or implementation thereof.

Paragraph 3. The following shall be deemed evidence of deficient rule enforcement or deficient implementation of the internal controls and procedures:

I – recurrent failures; and

II – absence of consistent and verifiable records of method application outcomes.

Article 4. An intermediary shall be required to appoint:

I – a statutory director to handle compliance with the rules provided herein; and

II – a statutory director to oversee the operation of the internal controls and procedures established pursuant to item II of the main provision of article 3.

Paragraph 1. An intermediary shall report the appointment or replacement of any of the statutory directores referred to in items I and II of this article both to the CVM and the operator or operators, as applicable, of the organized markets in which it is licensed to operate. Any such reporting shall take place within seven (7) business days after the event.

Paragraph 2. A restriction shall apply preventing the accumulation of the functions contemplated under items I and II of the main provision by a single executive officer.

Paragraph 3. The function contemplated under item II of the main provision may not be performed in combination with activities related to an intermediary’s trading desk.

Paragraph 4. The statutory directores referred to in items I and II of the main provision shall perform their duties pursuant to the principles of integrity, good faith and professional ethics, while exercising the degree of care and diligence a prudent reputable professional in a like position would use in the circumstance.

Paragraph 5. The statutory director referred to in item II of the main provision shall be required to forward to the board of directors of the intermediary company, by no later than the last business day of the months of January and July of each year, a report for the six-month period ended in the immediately preceding month, which report shall discuss:

I – the findings of internal control effectiveness analyses;

II – the recommendations about uncovered deficiencies and, as the case may be, a corrective plan schedule; and

III – the opinion formulated by the statutory director referred to in item I of the main provision regarding the status of previously uncovered deficiencies and the effectiveness of scheduled corrective plans and implemented corrective actions.

Paragraph 6. The reports prepared pursuant to paragraph 5 shall be kept on file and available for perusal by the CVM and the operators of organized markets in which a given intermediary is licensed to operate and, as the case may be, the self-regulation department of such operators.

Paragraph 7. Without prejudice to the responsibilities of the statutory director officer referred to in items I and II of the main provision, it shall be incumbent on the management bodies of an intermediary:

I – to approve the rules and procedures foreseen under article 3; and

II – to oversee compliance and the effectiveness of the internal controls and procedures foreseen in article 3.

## CHAPTER III – COMMITTEEPERSON REGISTRATION SYSTEM

### Section I – General Rules

Article 5. Any intermediary shall be required to maintain a registration system of Committeeperson identification and other information at least sufficient to fulfill specifically applicable regulations.

Paragraph 1. The Committeeperson registration system may be implemented and maintained in the form of a computer registration system.

Paragraph 2. The electronic Committeeperson registration system required under paragraph 1 above must:

I – allow for prompt access to the Committeeperson registration information kept by the intermediary; and

II – deploy suitable technology for full compliance with the requirements of this Instruction and the regulation specifically applicable to Committeeperson information registration within the scope of securities markets.

Paragraph 3. An intermediary’s Committeeperson registration system must permit identifying the date and substance of any changes and information updating actions performed over time.

Paragraph 4. An intermediary shall be required to identify persons with authority to issue orders on behalf of more than one Committeeperson at any given time, and to give notice thereof to the operators of organized markets in which it is licensed to operate, doing so pursuant to the notice rules and standards adopted by the latter.

Article 6. Any intermediary shall be responsible for registering its clients and updating the client information records in the registration systems of the operators of organized markets in which it is licensed to operate and their clearing and depository facilities, doing so pursuant to the registration rules and standards adopted by the latter entities.

Article 7. Where an intermediary is a member of a financial conglomerate, such intermediary shall be permitted to adopt a unified client registration system.

Sole paragraph. For purposes hereof, “unified client registration system” means a single, unified system of interentailed computers that share a central client information and documentation storage system.

Article 8. Without prejudice to the relevant responsibilities assigned to intermediaries under this Instruction, it shall be permitted for operators of organized markets, clearing and depository facilities, and professional capital markets associations to design, and with consent of the CVM establish and maintain a unified central client registration system.

## **Section II – Simplified Information Records**

Article 9. An intermediary shall be permitted to adopt a simplified identification information system for client non-resident investors, provided however that:

I – any such non-resident investor must be a duly registered client of a foreign brokerage firm (a “foreign intermediary”), identified pursuant to the registration requirements applicable in the home country of such foreign intermediary; and

II – the foreign intermediary referred to in item I above shall have undertaken responsibility towards the local intermediary for presenting upon request duly updated registration information related to the relevant client non-resident investor, in such a

manner as to fulfill the CVM regulatory requirements on client information registration within the scope of securities markets.

III – the local intermediary:

a) shall have established standards permitting an assessment of the level of reliability attributable to the foreign intermediary referred to in item I above;

b) shall have adopted suitable measures to ensure client information is presented by the foreign intermediary promptly upon request; and

c) shall have taken action to ensure the foreign intermediary referred to in item I above adopts suitable client and registration practices, which are compliant with applicable rules in its home country.

IV – the foreign intermediary referred to in item I above must be based in a country other than a high-risk money laundering country and non-cooperative jurisdiction, as designated by international organisms<sup>TN3</sup> that set standards for anti-money laundering measures and combating the financing of terrorism and terrorist acts; and

V – the capital markets regulator in the home country of the foreign intermediary shall have entered into a mutual cooperation and information-sharing arrangement with the CVM, meaning such regulator must be a signatory of the Multilateral Memorandum of Understanding (MOU) adopted by the International Organization of Securities Commissions (IOSCO).

Sole paragraph. It shall be incumbent on market operators to define the minimum information standard for a simplified identification information system and the creation of control mechanisms to guaranty the fulfilment of the provisions of this article..

Article 10. The rules operators of organized markets are to adopt to enforce compliance with the requirements set forth under this Section shall include at least the following requirements:

I – compulsory execution of a written agreement between local and foreign intermediaries, which shall include the following minimum agreement provisions:

a) a commitment by the foreign intermediary to present in a timely manner to the local intermediary, the market operator, or directly to the CVM, duly updated client

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<sup>TN3</sup> Refers mainly to the list commonly known as FATF/GAFI Blacklist issued by The Financial Action Task Force (on Money Laundering)” (FATF), also known by its French name, *Groupe D’Action Financière* (GAFI), an international governmental organism, or IGO.

information in such a manner as to fulfill the CVM regulatory requirements on client information registration within the scope of securities markets;

b) a provision electing the governing laws of Brazil to control the agreement, and recognizing the jurisdiction of the Brazilian courts to hear and settle disputes arising out of the agreement, provided an arbitration commitment clause shall be acceptable as long as the arbitration proceedings are to take place in Brazil; and

c) a clause calling for compulsory termination of the agreement upon a foreign intermediary's failure to comply with the obligation to provide information on client non-resident investors promptly upon request of the local intermediary or the market operator or a Brazilian regulatory and oversight agency.

II – a restriction preventing any licensed intermediary from adopting the simplified registration system to record information concerning non-resident investors that are clients of any foreign intermediary which has defaulted on the obligation to provide timely client information;

III – rules prescribing deadlines and manner by which a local intermediary is to give the market operator notice of the execution, termination or amendment of the agreement prescribed in item I above, as well as to communicate any breaches to the provisions of such agreement; and

IV – rules requiring verification of conformity of agreements executed pursuant to item I above and verification of compliance by intermediaries with the rules pertaining to work programs established by the self-regulation department of operators of organized markets.

Sole paragraph. The operations or organized markets shall be required to:

I – submit for approval by the CVM, prior to the issuance thereof, rules prepared in accordance with the main provision of this article; and

II – keep on file and available for presentation to the a CVM an updated list of agreements between local licensed intermediaries and any foreign intermediaries.

Article 11. The provisions of articles 9 and 10 shall likewise apply, to the extent possible, to clearing facilities and central securities depositories, and to participants with access to these utilities, and shall also govern their relationships with global custodians providing security custody services to non-resident investors.

## CHAPTER IV – ORDERS

### Section I – Order Transmission

Article 12. An intermediary shall only accept for execution orders that are transmitted



I – in writing;

II – by phone or other voice transmission system; or

III – through automated connection systems.

Sole paragraph. Every order shall be registered with records of transmission time, client identity and specific execution instructions, if any.

Article 13. Regardless of transmission method, an intermediary shall be required to keep on file the records of clients' orders and related execution terms.

Sole paragraph. The record keeping system required under the main provision of this article shall be protected against adulteration, and shall be designed to allow for audits and inspections.

#### **Subsection I – Order Transmission by Phone and other Voice Transmission Systems**

Article 14. An intermediary licensed to operate on an organized market shall be required to maintain a recording system to record all orders placed by clients (including through authorized representatives) over the phone or other voice transmission system.

Paragraph 1. Without prejudice to the provision of article 13, the recording system prescribed in the main provision shall be required to control the telephone lines and extensions allocated for use of in-house users.

Paragraph 2. The operators of organized markets shall further regulate the operation of the recording system prescribed in the main provision of this article, in addition to monitoring the system operation.

Paragraph 3. The regulation regarding the recording system operation shall establish minimum availability and information recovery standards and criteria.

Paragraph 4. – The operators of organized markets shall submit for approval by the CVM, prior to the issuance thereof, the recording system operating regulation foreseen in the main provision of this article.

#### **Subsection II - Order Transmission through Automated Connection Systems**

Article 15. Intermediaries may further arrange for clients to place orders through automated systems entailed to the electronic trading systems of organized markets, provided this shall be accomplished pursuant to the rules established by the relevant market operators.

Article 16. In order to set up automated systems for connection to the electronic trading systems of an organized market, a foreign intermediary as well a foreign securities portfolio manager must meet the following requirements:

I – the capital markets regulator in the home country of the foreign intermediary or portfolio manager shall have entered into a mutual cooperation and information-sharing arrangement with the CVM, meaning such regulator must be a signatory of the Multilateral Memorandum of Understanding (MOU) adopted by the International Organization of Securities Commissions (IOSCO); and

II – the foreign intermediary or non-resident portfolio manager must be registered in its home country as a brokerage firm or securities portfolio manager, as applicable.

Article 17. The operators of organized markets shall be required to regulate the operation of automated connection systems.

Paragraph 1. The market operators shall submit for approval by the CVM, prior to the issuance thereof, the automated connection system operating regulation foreseen in the main provision of this article.

Paragraph 2. The operating regulation prescribed under the main provision of this article shall require unlicensed brokerage firms to contractually commit to submit to the self-regulatory authority of the relevant market operator on matters related to the use and operation of the automated connection system.

Article 18. The transactions carried out through automated connection systems shall be under surveillance of the relevant market operator and its self-regulation department.

Sole paragraph. Market operators shall have their self-regulation departments include in their work program the surveillance activity prescribed under the main provision of this article.

## **Section II – Order Execution**

Article 19. Any intermediary shall be required to execute client orders pursuant to the specific instructions provided, and in the absence thereof on a best execution basis.

Sole paragraph. For an assessment and determination as to best execution, an intermediary shall take into account factors as price, costs, speed of execution, certainty of execution and settlement, order size, nature and other criteria relevant to the execution of the order.

Article 20. Intermediaries shall be required to establish order execution rules, procedures and internal controls designed to:

I – ensure they obtain the best possible result available on the market in filling a client’s order;

II – ensure a client’s order can at any time be tied to the related offer<sup>TN4</sup> and the transaction carried out for fulfillment of the order; and

III – ensure clients are consistently informed of the differing venues on which an order may be executed.

Paragraph 1. The order execution rules, procedures and internal controls an intermediary that operates on organized securities markets is required to establish pursuant to this article shall tackle at least the following:

I –acceptable order types;

II – order hours;

III – order transmission method;

IV – the order validity period;

V – refusal and cancellation procedures;

VI – order registration procedures;

VII – order withdrawal or change order requests;

VIII – order execution methodology and criteria;

IX – trade allocation methodology and criteria;

X – factors determining choice of execution venue and trading system, unless included in the client specific instructions.

Paragraph 2. In the event of concurrent orders, time priority shall prevail for execution purposes.

Paragraph 3. In the event of concurrent orders placed by clients where one is a entailed person and the other who are not people entailed, priority shall be given to the order of the who are not people entailed.

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<sup>TN4</sup> Bid or ask, as applicable.

Paragraph 4. Intermediaries shall be required to communicate to clients, prior to any dealings, the rules prescribed under the main provision of this article, and any amendments thereto, which shall also be made available and accessible in their website pages on the Internet.

Article 21. Intermediaries shall be required to file the operating rules prescribed under article 20, and any amendments thereto, with the self-regulation department of the operators of organized markets in which they are licensed to operate, giving due regard to the market operators' own rules and deadlines concerning such filings.

Sole paragraph. Intermediaries that operate on over-the-counter (OTC) markets shall be required to keep on file, and available for presentation to the CVM, the operating rules prescribed under article 20.

### **Section III – Identification of Committeepersons**

Article 22. An intermediary shall be required to identify the Committeeperson at any and all times

I – upon transmitting any orders or transfer orders;

II – upon displaying any offers; and

III – upon closing or registering a trade.

Paragraph 1. Clearing utilities shall only clear and settle trades whose Committeeperson is registered in their client registration systems.

Paragraph 2. An intermediary is required to identify the Committeeperson (and final investor) under any trade carried out through its trading desk within at most thirty (30) minutes after the deal is registered.

Paragraph 3. Where the operating characteristics so justify, the CVM may consent to a market operator extending the deadline for identification of (final investor) Committeepersons.

Paragraph 4. The identity of the final investor and Committeeperson under a trade may be dispensed with in the event of a **block market sell order executed in the context of a “wide share sale”<sup>TN5</sup>** (as specifically defined under local regulation) or certain other trades previously authorized by the CVM.

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<sup>TN5</sup> A more or less literal translation from the Portuguese *venda pulverizada*, used in contrast and as opposed to a sale to sophisticated investors. A wide share sale would typically take place in the context of a secondary market offering and as opposed to which upon closing entails widespread ownership of the shares of an issuer.

Article 23. Except as otherwise permitted under this article, a restriction shall apply preventing the specification of a trade from being revised (“re-specified”).

Paragraph 1. A portfolio manager licensed pursuant to article 23 of Law No. 6,385 dated December 12, 1976, shall be allowed to re-specify the identity of the Committeeperson solely under trades carried out for the account of holders or shareholders of securities portfolios or investment funds under its management, provided any such holder or shareholder shall have been previously identified in its client registration system.

Paragraph 2. A foreign intermediary or a non-resident securities portfolio manager shall only be permitted to re-specify trades carried out for the account of their proprietary portfolios, or of client portfolio holders or of client fund shareholders.

Paragraph 3. An intermediary shall be permitted further to re-specify a trade to correct operational errors, so long as such error shall have been explained and documented pursuant to rules established by the relevant market operator.

## CHAPTER V – SPECIAL STATUS PERSONS

### Section I – Special Operators

Article 24. Special operators shall be permitted to engage directly in the buying and selling of securities on organized stock exchange markets, provided any such buying and selling may only take place in the context of proprietary trading or of trading for the account of intermediaries (as a broker’s broker) and under conditions and circumstances regulated by the organized stock exchanges on which they are licensed to practice.

Paragraph 1. A special operator shall be required to clear and settle trades through a designated clearing house agent with whom a contractually binding services agreement shall have been executed.

Paragraph 2. A restriction shall apply preventing special operator from accepting for execution orders placed directly by the clients of their client intermediaries.

### Section II – Entailed People to an Intermediary

Article 25. Entailed people to an intermediary shall be restricted from trading for their own account (directly or indirectly) other than through the intermediary with whom they are connected.

Paragraph 1. The main provision of this article shall not apply:

I – to financial institutions or equivalent institutions<sup>TN2</sup>; and

II – to entailed people whose dealings are to be carried out on an organized market for which the connected intermediary holds no operating license.

Paragraph 2. For purposes of this Instruction, the dealings of an intermediary's proprietary portfolio shall be deemed to equate to dealings of a entailed persons.

Paragraph 3. Entailed people with two or more intermediaries shall be required to contractually designate just one such intermediary as their broker, on an exclusive basis.

## CHAPTER VI – TRANSFER OF OPERATIONS

Article 26. The operators of organized markets shall be required to establish rules, procedures and internal controls with regard to transfer trades carried out on such venues and trading systems.

Paragraph 1. The rules, procedures and internal controls prescribed under the main provision of this article shall regulate at least the following:

I – minimum agreement provisions relative to transfer arrangements between intermediaries; and

II – identification and registration process applicable to trades resulting from give-up orders.

Paragraph 2. Where a transfer order takes place under specific client instructions, such client shall be required to be registered in the client registration system of each relevant intermediary.

## CHAPTER VII – CLIENT PAYMENTS; MANNER OF RECEIVING PAYMENT

Article 27. Intermediaries shall ensure payments made by clients are implemented by means of bank transfers or checks issued by the clients.

Article 28. Intermediaries shall ensure payments made to clients are implemented by means of bank transfers or checks issued by the clients.

Paragraph 1. For purposes of the main provision of this article, bank transfer payments to a client shall be made to the client's bank account previously identified in its registration information records.

Paragraph 2. Bank transfer payments to a client non-resident investor may be made to a bank account held by the client's designated custodian, provided such

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<sup>TN2</sup> Refers to non-bank financial companies; non-bank firms.

custodian and bank account are identified in the registration information records pertaining to the client.

Article 29. An intermediary shall be required to keep on file records of any and all payments made, which records shall identify:

I – the check number, in the case of check payments;

II – the number of the electronic funds transfer document, in the case of bank transfer payments;

III – the amount paid; and

IV – the payor bank, including branch and bank account identification.

Sole paragraph. Where checks are used for transferring funds between an intermediary and his client shall compulsorily include instructions with the words: "exclusively for the credit of the account of the original favored"

## CHAPTER VIII – RULES OF CONDUCT

### **Section I – Responsibilities of Intermediaries**

Article 30. An intermediary shall be required to perform its functions in good faith, with due professional care and diligence, under fiduciary duty of loyalty to its clients.

Sole paragraph. An intermediary shall be prohibited from serving its own interests or those of connected persons at the expense of the client.

Article 31. An intermediary shall be required to adopt rules, procedures and internal controls which are suitable to prevent a conflict of interest adversely affecting the interests of the client.

Sole paragraph. The rules, procedures and internal controls an intermediary is required to establish under the main provision of this article shall tackle the following:

I – identification of conflicts of interest possibly arising between the intermediary, or entailed persons, and a client, or between or amongst clients;

II – where a conflict of interest does arise, ensuring the intermediary will have the ability to act objectively to provide best execution to the client; and

III – mechanisms to disclose to the client, prior to filling his orders, any existing conflict of interest and the sources of such conflict.

Article 32. The responsibilities of an intermediary include the following:

I – protecting market integrity and fair market practices, including as to client acceptance practices and collateral requirements;

II – controlling client positions, and performing periodic reconciliations of:

- a) executed orders (trades);
- b) positions recorded in the database from which account and trading statements are issued and forwarded to clients; and
- c) position statements provided by clearing utilities, as applicable.

III – maintaining the current account records for the client's operations;

IV – communicating to the CVM any violation or indication of violation of the laws falling under the its enforcement authority within no more than five (5) business days after the event or suspected event;

V – providing clients with information on product offerings and related risks;

VI – providing clients with information on investor compensation schemes established by the operators of organized markets, as appropriate;

VII – on sending brokerage bills, invoices and charge notices, separately identifying charges for brokerage fees, charges for other services and charges for transaction and other fees charged by the market operators and other parties, as applicable; and

VIII – providing clients with information and documents related to trades carried out for the client in the manner and within the deadlines established in the internal operating rules.

Article 33. The rules (and amendments thereto) an intermediary is required to adopt under this Section shall be disclosed in its website page in the Internet before the trading session.

Article 34. An intermediary shall be required to file the internal rules prescribed under both this Section and Chapter II, and any amendments thereto, with the operators of organized markets in which it is licensed to operate or, as the case may be, the operators' self-regulation department. Such filings shall be carried out prior to the rules coming into effect.



Paragraph 1. It shall be incumbent on the operators of organized markets, and their self-regulation departments, to establish the minimum set of internal rules required from intermediaries, and to monitor intermediary adherence to the rules thus adopted.

Paragraph 2. Intermediaries that operate on over-the-counter markets shall be required to keep on file, and available for presentation to the CVM, the internal rules prescribed under this Section.

## **Section II - Restrictions**

Article 35. Intermediaries shall be restricted from:

I – making use of joint bank accounts shared by more than two (2) people;

II – accepting or executing orders from clients not previously registered or whose registration information is outdated;

III – permitting unlicensed persons to perform functions that are proper to participants of the securities distribution system;

IV – performing portfolio management activities without proper CVM authorization;

V – permitting participants of the securities distribution system for whom they are responsible to perform activities for which they are not properly authorized by the CVM; and

VI – collecting from clients brokerage fee or any other fee or commission related to the buying and selling of securities in the course of a public offer of such securities, except, however, where the securities currently trade on the secondary market of an organized securities exchange and provided the relevant clients shall have been previously notified that a public offering is ongoing.

## **CHAPTER IX – RECORD AND FILE KEEPING**

Article 36. Intermediaries shall be required to keep every document and information required under this Instruction, as well as any internal or external correspondence, paperwork, reports and opinions related to their activities, whether hard copies or electronic files, as well as the entirety of the audio recordings required under article 14, and shall do so for a period of no less than five (5) years from the receipt, making or production thereof, or longer, if so expressly required by the CVM in the event of administrative proceedings.

Sole paragraph. With respect to documents, it shall be permitted for the hard copies to be replaced with digital images of the same.

## CHAPTER X – FINAL AND TRANSITORY PROVISIONS

Article 37. Intermediaries shall be required to adjust to the provisions of this Instruction and the rules issued by operators of organized markets by no later than October 1, 2012.

Article 38. For purposes of the provision under Paragraph 3 of Article 11 of Law No. 6,385 dated 1976, a serious breach is defined as a breach of any of the rules provided under articles 2 through 5; 12 through 14; 19; 20; 22; 23; 29 through 32; 35 and 36 hereof.

Article 39. The following instructions are hereby revoked:

I – CVM Instruction No. 122 dated June 6, 1990;

II – CVM Instruction No. 348 dated January 23, 2001;

III – CVM Resolution No. 372 dated January 23, 2001;

IV – CVM Instruction No. 387 dated April 28, 2003;

V – CVM Instruction No. 395 dated September 23, 2003;

VI – Articles 1 and 2 of CVM Instruction No. 419 dated May 2, 2005; and

VII – CVM Instruction No. 437 dated July 5, 2006.

Article 40. This Instruction takes effects as of April 2, 2012.

*Original copy signed by*

**MARIA HELENA DOS SANTOS FERNANDES DE SANTANA**

Chairman