FORM FBOT—EXHIBIT G-3

Request: A description of the foreign board of trade's disciplinary rules, including but not limited to rules that address the following –

(1) Disciplinary authority and procedures that empower staff to recommend and prosecute disciplinary actions for suspected rule violations and that provide the authority to fine, suspend, or expel any market participant pursuant to fair and clear standards.

(2) The issuance of warning letters and/or summary fines for specified rule violations.

(3) The review of investigation reports by a disciplinary panel or other authority for issuance of charges or instructions to investigate further, or findings that an insufficient basis exists to issue charges.

(4) Disciplinary committees of the foreign board of trade that take disciplinary action via formal disciplinary processes.

(5) Whether and how the foreign board of trade articulates its rationale for disciplinary decisions.

(6) The sanctions for particular violations and a discussion of the adequacy of sanctions with respect to the violations committed and their effectiveness as a deterrent to future violations.

Response:

In Brazil, securities exchanges are regulated by the Brazilian Commission of Securities (*Comissão de Valores Mobiliários* - CVM). CVM is an independent administrative authority that, according to article 37 of the Federal Constitution of Brazil, must observe the principles of legality, impartiality, morality, publicity and efficiency. To improve the market's efficiency, CVM grants authority to entities to self regulate the securities exchange under such entity's supervision.

In this regard, as detailed in Exhibits F and G-1, BSM is a legal entity dedicated to carry out regulatory SRO functions that were inherent to BVMF's activities, such as (i) to oversee the market and the market participant's operations and (ii) enforce any sanction that may be applicable to a market participant. These activities include to establish and manage mechanisms to prevent and correct breaches of applicable laws, rules and regulations, as well as to ensure the integrity of the market and to protect customers from unfair or abusive behavior by market participants BVMF.[1] As a general rule, BSM may prosecute whenever (a) a violation has been found by the audit or market surveillance team in their ordinary follow up of a market participant's activities; (b) a tip has been received, whether provided directly by the tipper or forwarded by another authority when such authority understands that BSM has jurisdiction or better means to prosecute; or (c) BSM identifies any irregularity or violation concerning the market participant when analyzing a claim filed by an investor. For this purpose, market

[1] *See* BVMF Bylaws, Chapter XI, Article 75.

participant also includes the broker, dealer and any representative that is not directly employed by the participant, but acts under such participant's direct supervision. Whenever deemed necessary, further information is obtained by BSM, which then conducts a thorough investigation and detailed analysis of the data gathered by the experts of the audit and/or market surveillance teams. Once sufficient evidence has been obtained, an administrative procedure is started by delivering to the market participant a document containing the accusation and a the report detailing the basis for such accusation.

As provided by CVM Rule 461/2007 and Federal Law No. 6.385/76, BSM has jurisdiction over the markets supervised by BVMF. Accordingly, BSM is required to, pursuant to applicable regulations, the Bylaws, and internal regulations, prosecute market participants not only when there is a violation of rules or failure to comply with the standards set out by such SRO, but also upon request of the Chief Executive Officer or any third party, whether an investor or a whistleblower. CVM Rule 461, Article 82 establishes that appeals of BVMF's decisions related to the Loss Recovery Mechanism (*Mecanismo de Ressarcimento de Perdas*) ("MRP") filed by an investor who had a unfavorable decision in the first instance must be decided by the Board of Directors of CVM.

In addition, according to CVM Rule 461, Article 46, §2º, appeals from decisions of the Chief Officer of Self-Regulation in administrative proceedings must be decided by the Supervisory Board. The decision of the Supervisory Board is final, which means that there is no other administrative avenue for appeal.[2]

The Supervisory Board is composed of 12 directors, being (i) at least eight independent members, and (ii) four non-independent members, including the Chief Self-Regulatory Officer of BSM.[3] The members of the Supervisory Board are elected for a fixed three-year term in office and they hold monthly ordinary meetings. Extraordinary meetings may be summoned whenever required. The Chief of the Supervisory Board is elected from among the independent members of the Board by the other Board members, and may not also serve as the Chief Self-Regulatory Officer of BSM. The Chief of Supervisory Board is responsible for conducting administrative proceedings before the Council and represents the Council vis-à-vis CVM.

CVM Rule 461 also governs the assessment of financial penalties. Article 49, § 2º requires that the amount received by BSM must be applied only (a) towards meeting expenses incurred by BVMF in the course of its self-regulation activities; or (b) to indemnify losses suffered by third parties.

All penalties are applied according to the Manual of Procedures of the MRP and comply with international standards on the establishment of such penalties, including taking into account the background history of the market participant when assessing penalties. Once received, the financial resources derived from fines and penalties are applied in improving the technical capacity for market supervision and the maintenance of the operational structure of the BSM.[4]

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[2] *See* CVM Rule 461, Article 49, § 3º.
[3] *See* CVM Rule 461, Article 47.
[4] *See* CVM Rule 461, Art. 49, §2.

Finally, BSM is also the manager of the MRP Fund, which was created pursuant to CVM Rule 461, to assure investors that they will be compensated for losses originating from certain events, such as operational failures by participants with regard to trading, brokerage, and custody services.