

**Law no. 6.385 of December 7, 1976**

**THIS IS A FREE TRANSLATION. ANY QUESTIONS ARISING FROM THE TEXT MAY ONLY BE ELUCIDATED BY CONSULTING THE ORIGINAL IN PORTUGUESE.**

**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, 2001Text as determined by Law 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, 2001Text as determined by Law 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, 2001Text as determined by Law 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, 2001Text as determined by Law 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, 2001Text as determined by Law 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, 2001Text as determined by Law 10.303, of October 31, 2001)*

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

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

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

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

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

I – require that the issuers be incorporated as stock corporations; (Text added by Law no. 10.303, of October 31, 2001Text 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 no. 10.303, of October 31, 2001)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)Text added by Law 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)Text added by Law 10.303, of October 31, 2001)*

*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)Text added by Law 6.422 of June 8, 1977)*

*Sole Paragraph. With due regard for the provisions of this law, control of the financial and stock markets shall continue to be exercised by the Central Bank of Brazil, pursuant to current legislation.*

*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 no. 10.303, of October 31, 2001Text 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, 2002Text as determined by Law 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 no 10.411, of February 26, 2002Text 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 no 10.411, of February 26, 2002Text 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 no 10.411, of February 26, 2002Text 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 no 10.411, of February 26, 2002Text 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 no 10.411, of February 26, 2002Text 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, 2002Text as determined by Law 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 no 10.411, of February 26, 2002Text 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 no 10.411, of February 26, 2002Text 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 no. 10.303, of October 31, 2001Text 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-Law no 3.995, of October 31, 2001Text 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-Law no 3.995, of October 31, 2001Text 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-Law no 3.995, of October 31, 2001Text 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 no. 10.303, of October 31, 2001Text 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 no. 10.303, of October 31, 2001Text 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 no. 10.303, of October 31, 2001Text 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-Law no 3.995, of October 31, 2001Text 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, 2001Text as determined by Decree 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, 2001Text as determined by Decree 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, 2001Text as determined by Law 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, 2001Text as determined by Law 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, 1997Text as determined by Law 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, 1997Text as determined by Law 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, 1997Text as determined by Law 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, 1997Text as determined by Law 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, 1997Text as determined by Law 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, 1997Text as determined by Law 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, 1997Text as determined by Law 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, 1997Text 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, 1997Text as determined by Law 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, 1997Text as determined by Law 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, 1997Text as determined by Law 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, 2001Text as determined by Decree 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, 1997Text added by Law 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, 2001Text as determined by Law 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, 1997Text added by Law 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, 1997Text added by Law 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, 1997Text added by Law 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, 2001Text as determined by Law 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, 1997Text added by Law 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, 2001Text as determined by Law 10.303, of October 31, 2001)*

*VII – securities clearing and settlement entities. (Text added by Law no. 10.303, of October 31, 2001Text added by Law 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, 2001Text as determined by Decree 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, 2002Text as determined by Law 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, 2002Text as determined by Law 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, 2001Text as determined by Law 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, 2001Text as determined by Law 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, 2002Text as determined by Law 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, 2002Text as determined by Law 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, 2002Text as determined by Law 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, 2002Text as determined by Law 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, 2002Text as determined by Law 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. (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. (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. (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. (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. (b) the characteristics of the issuance and the use of the proceeds thereof;*
- c. (c) the seller of the securities;*
- d. (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 no. 9.457 of May 5, 1997Text 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 no. 9.457 of May 5, 1997Text 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 no. 9.457 of May 5, 1997Text 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 no. 9.457 of May 5, 1997Text 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 no. 9.457 of May 5, 1997Text 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 no. 9.457 of May 5, 1997Text 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, 1997Text added by Law 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, 1997Text added by Law 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, 1997Text added by Law 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 no. 9.457 of May 5, 1997Text 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-Law no 3.995, of October 31, 2001Text 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-Law no 3.995, of October 31, 2001Text 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-Law no 3.995, of October 31, 2001Text as determined by Decree 3.995, of October 31, 2001.)

II - the management report and financial statements; (Text as determined by Decree-Law no 3.995, of October 31, 2001Text 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-Law no 3.995, of October 31, 2001Text 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, 2001Text as determined by Decree 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-Law no 3.995, of October 31, 2001Text 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, 2001Text as determined by Decree 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, 2001Text as determined by Decree 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)Text as determined by Decree 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 of 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 prevision 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, 2001Text as determined by Law 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, 1997Text as determined by Law 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, 1997Text as determined by Law 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**