

MEMORANDUM OF UNDERSTANDING  
BETWEEN  
COMISSÃO DE VALORES MOBILIÁRIOS  
AND  
SECURITIES AND FUTURES COMMISSION

1. INTRODUCTION

The Comissão de Valores Mobiliários of Brazil ("CVM") and the Securities and Futures Commission of Hong Kong ("SFC") (hereafter refer as "the Authorities"), recognizing the increasingly international activity between the financial markets and financial services sectors of Brazil and Hong Kong and the corresponding need to establish and foster cooperation between the authorities responsible for regulating their respective financial markets and services for the protection of investors and preservation of market integrity, have reached the following understanding.

## 2. FUNCTIONS OF EACH AUTHORITY

### (a) The Comissão de Valores Mobiliários

The CVM is responsible for regulation of the corporate securities market. Its functions include registration of companies open to public subscription; registration of public issues; registration of portfolio administrators; authorizing establishment of stock exchanges and brokerage houses and over-the-counter dealers; suspending or canceling registration accreditations or permits; suspending the issue, distribution or trading of a particular stock, regulating registration of companies for the purpose of trading their securities on the floor of the stock exchange or over-the-counter; monitoring disclosure of information on the performance of companies and relevant facts that are of interest to the market; specifying disclosure mechanism; specifying format for the presentation of information; delisting a security or suspending trading on the exchange; providing guidance to investors and receiving their complaints and suggestions; requiring the participants of the market and other government agencies to supply information or explanations; and penalizing, through administrative investigations, any illegal acts or inequitable practices committed by officers or shareholders of publicly held companies, brokers or any other persons participating in the market.

### (b) The Securities and Futures Commission

The SFC is the Commission established by the Securities and Futures Commission Ordinance to regulate securities and futures markets and



leveraged foreign exchange trading in Hong Kong. The functions of the SFC include administering securities, futures and leveraged foreign exchange trading legislation for the protection of investors and maintenance of the integrity of the markets; administering all relevant requirements to ensure full disclosure to and fair treatment of public shareholders and investors; supervising and monitoring the activities of the Exchange Companies and clearing houses of Hong Kong to ensure that they discharge their responsibilities in a professional and impartial manner; regulating dealers, leveraged foreign exchange traders, investment advisers and other registered persons; and encouraging the development of securities and futures markets in Hong Kong and the increased use of such markets by investors in Hong Kong and elsewhere.

### 3. SCOPE

Through the machinery set up by this Memorandum, the Authorities hereby agree to promote mutual assistance and the exchange of information so that the Authorities may effectively perform their respective duties according to law.

Under the foregoing general theme, the scope of this Memorandum will include the following:

- (a) supervising and monitoring the securities and futures markets, leveraged foreign exchange trading, their clearing and settlement activities, ensuring compliance with the relevant laws and regulatory requirements;



- (b) enforcement of the laws and regulatory requirements relating to dealing in, arranging deals in, managing and advising on securities, futures contracts, and other investment products;
- (c) enforcement of the laws and regulatory requirements relating to leveraged foreign exchange trading;
- (d) promoting and securing the fitness and properness of dealers, investment advisers, leveraged foreign exchange traders and other financial market practitioners, promoting high standards of fair dealing and integrity in their conduct of business;
- (e) enforcement of the laws and regulatory requirements relating to insider dealing, market manipulation and other fraudulent practices in relation to listed companies, securities, futures contracts, and other investment products;
- (f) ensuring compliance by issuers of and offerors for securities, and directors, officers, shareholders and professional advisers of all companies listed, or applying for listing, on the securities markets of either Brazil or Hong Kong, with any duties under any relevant laws and regulatory requirements and any obligation to make full, accurate and immediate disclosure of information relevant to investors;
- (g) enforcement of the laws and regulatory requirements relating to takeovers and mergers and share repurchases;



- (h) disclosure of interest in the securities of companies;
- (i) breaches of companies legislation; and
- (j) any other matters agreed upon by all Authorities, to the extent permitted by the applicable laws and practices.

#### 4. PRINCIPLES

- (a) This Memorandum sets forth a statement of intent of the Authorities to enhance the protection of investors and to promote the integrity of the securities and futures markets and leveraged foreign exchange trading by providing a framework for cooperation, including channels for communication, increased mutual understanding and the exchange of information.
- (b) This Memorandum does not create any legally enforceable rights nor impose any legally binding obligations. This Memorandum does not modify or supersede any laws or regulatory requirements in force in, or applying to, Brazil or Hong Kong.
- (c) To the extent permitted by the applicable laws and practices, each Authority will use reasonable efforts to provide the other Authority with any relevant information that is discovered which gives rise to a



suspicion of a breach, or anticipated breach, of the regulatory requirements or laws administered by the other Authority.

5. REQUESTS FOR ASSISTANCE OR INFORMATION

- (a) The Authorities may consult at any time about a request or proposed request.
- (b) Requests for information or assistance will be made in writing in English. In urgent cases, requests may be in summary form to be followed within five business days by a full request. The full request will be signed by one of the contact persons set out in Annex A.
- (c) Requests for information or assistance will specify the following:
  - (i) a general description of the information requested (including the identity of persons, etc.);
  - (ii) a general description of the nature of the case and the conduct or suspected conduct which gives rise to the request;
  - (iii) the purpose for which the information is sought (including details of the laws or regulatory requirements pertaining to the matter which is the subject of the request);



- (iv) the link between the specified laws or regulatory requirements and the regulatory function of the requesting Authority;
  - (v) the relevance of the requested information to the specified laws or regulatory requirements; and
  - (vi) to whom, if anyone, onward disclosure of information is likely to be necessary and the reason for such disclosure.
- (d) Each request will be addressed by the requested Authority to determine whether information can be provided under the terms of this Memorandum. In any case where the request cannot be accepted completely, the requested Authority will consider whether there may be any other relevant information which can be given. If the requested Authority believes that other regulatory organizations may possess the information requested or may be more appropriate to provide the assistance requested, or if it is requested to do so by the requesting Authority, it may refer the request to such other regulatory organizations and notify the requesting Authority accordingly.
- (e) In deciding whether to accept or decline a request the requested Authority will take account of:
- (i) matters specified by the laws and regulations in the territory of the requested Authority; and



- (ii) whether it would be contrary to the public interest to give the assistance sought.
  
- (f) The requested Authority may, as a condition of agreeing that assistance is given under the Memorandum, require the requesting Authority to make a contribution to costs. Such a contribution may, in particular, be required where the cost of a request is substantial or where a substantial imbalance has arisen in the cumulative costs incurred.
  
- (g) Any documents or other materials provided under this Memorandum and any copies thereof must be returned on request, to the extent permitted by law.

6. UNSOLICITED INFORMATION

Where one Authority has information which will assist the other Authority in the performance of its regulatory functions, the former may provide such information, or arrange such information to be provided, to the extent permitted by law, on a voluntary basis even though no request has been made by the other Authority. The terms and conditions of this Memorandum will apply if the providing Authority specifies that the information is passed under this Memorandum.





## 7. CONFIDENTIALITY AND USE OF INFORMATION

- (a) Assistance or information will be provided by an Authority only for the purposes of assisting the other Authority to this Memorandum in the performance of its regulatory functions. Any assistance or information provided under this Memorandum should be used by the recipient only for the purposes of performing its regulatory functions and should not be disclosed to any third parties without the prior consent of the provider of the assistance or information. Each Authority will establish and maintain such safeguards as are necessary and appropriate to protect the confidentiality of such information.
- (b) If either Authority becomes aware that information passed under this Memorandum may be subject to a legally enforceable demand to disclose, it will, to the extent permitted by law, inform the other Authority of the situation. The Authorities will then discuss and determine the appropriate course of action.

## 8. CONTACT PERSONS

All communications between the Authorities should be between the principal points of contacts as set out in Annex A unless otherwise agreed. Annex A may be amended by the relevant Authority upon written notice to the other Authority.



9. ENTRY INTO EFFECT

This Memorandum will come into operation from the date of signature by the CVM and the SFC.

Signed this 30th day of May 1997 in Cape Town.

COMISSÃO DE VALORES  
MOBILIÁRIOS

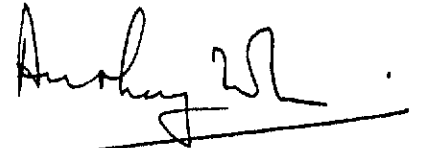


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Francisco Costa e Silva

Chairman

SECURITIES AND FUTURES  
COMMISSION



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Anthony Neoh

Chairman