

MEMORANDUM

OF

UNDERSTANDING

**THE CHINA SECURITIES
REGULATORY COMMISSION**

**COMISSÃO DE VALORES
MOBILIÁRIOS OF BRAZIL**

REGARDING SECURITIES REGULATORY CO-OPERATION

BEIJING

November 12, 1997

1. INTRODUCTION

The China Securities Regulatory Commission in China - CSRC and the Comissão de Valores Mobiliários of Brazil - CVM (thereafter referred as "the Authorities"), recognizing the increasingly international activity between the financial markets and financial services sectors of Brazil and China 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) China Securities Regulatory Commission

The CSRC has been established with the approval of the State Council of the People's Republic of China as the executive agency of the Securities Commission of the State Council in the supervision and regulation of the national and futures market in China.

(b) Comissão de Valores Mobiliários (Brazil)

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.

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, 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. promoting and securing the fitness and properness of dealers, investment advisers, and other financial market practitioners, promoting high standards of fair dealing and integrity in their conduct of business;
- d. 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;
- e. 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 China, 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;
- f. enforcement of the laws and regulatory requirements relating to takeovers and mergers and share repurchases;
- g. disclosure of interest in the securities of companies;
- h. breaches of companies legislation; and
- i. any other matters agreed upon by the 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 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.
- 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 Appendix 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;
- f. Any documents or other materials provided in response to a request under this Memorandum and any copies thereof must be returned to the requested Authority on request.

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. TECHNICAL COOPERATION

The respective Authorities intend to work together to identify and address, subject to the availability of personnel and resources, the training and technical assistance required to facilitate the development of the regulatory framework for securities markets both in China and Brazil.

9. CONTACT PERSONS

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

10. ENTRY INTO EFFECT

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

11. TERMINATION

This Memorandum may be terminated as to any Authority by that Authority giving thirty days' written notice to the other Authority. This Memorandum of Understanding will continue to have effect with respect to all requests for assistance that are made before the effective date of termination.

SIGNED THIS 12TH DAY OF NOVEMBER 1997 IN BEIJING.

IN DUPLICATE IN THE CHINESE, PORTUGUESE, AND ENGLISH LANGUAGES, ALL VERSIONS BEING EQUALLY AUTHENTIC. IN THE EVENT OF ANY DISCREPANCY BETWEEN DIFFERENT VERSIONS OF THIS MEMORANDUM OF UNDERSTANDING, THE ENGLISH LANGUAGE VERSION SHALL PREVAIL.

**CHINA SECURITIES
REGULATORY COMMISSION**

**COMISSÃO DE VALORES MOBILIÁRIOS -
BRAZIL**

Zhou Zhengqing

Chairman

Francisco da Costa e Silva

Chairman

APPENDIX A - LIST OF CONTACT PERSONS

Comissão de Valores Mobiliários, Brazil

Eduardo Manhães Ribeiro Gomes

Superintendent, International Affairs

Comissão de Valores Mobiliários

Rua Sete de Setembro, 111 - 31º Andar

20050-901 Rio de Janeiro- RJ

BRAZIL

Tel: 55 21 212-0263

Fax: 55 21 212-0292

E-MAIL: intl@cvm.gov.br

China Securities Regulatory Commission

Director-General

Department of Foreign Affairs

Jin Yang Plaza

16 Jin Rong Street

Beijing 100032

The People's Republic of China

Tel: (8610) 6621-0205; 6621-0203

Fax: (8610) 6621-0206

