

CVM INSTRUCTION No. 306, OF MAY 5, 1999.

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Addresses the management of securities portfolios and revokes CVM Instructions Nos. 82, of September 19, 1988; 94, of January 4, 1989 and 231, of January 16, 1995.

The Chairman of the Securities and Exchange Commission - CVM hereby announces that the Board of Commissioners, in a meeting held on this date, and in view of articles 8, items I and III and 230 of Law 6385 of December 7, 1976, decided to issue the following Instruction:

SCOPE AND PURPOSE

Article 1 - The rules set forth in this Instruction regulate the management of securities portfolios.

DEFINITION

Article 2 - The management of securities portfolios consists of the professional management of funds or securities, subject to the inspection of the Securities Commission, that have been placed under the control of the manager, with authorization to purchase and sell bonds and securities on behalf of investor.

AUTHORIZATION

Article 3 - The professional management of securities portfolios can only be carried out by an individual or legal entity authorized to do so by the CVM.

Sole Paragraph. The CVM is not liable for the procedures and assistance provided by managers of securities portfolios. (NR)

- **Sole Paragraph as amended by CVM Instruction No. 364, of May 7, 2002.**

INDIVIDUAL MANAGERS

Article 4 - The authorization to act as manager of securities portfolios shall only be granted to individuals domiciled in the Country who have:

I – graduated from a university-level course, at a school officially accredited in the Country or abroad;

II – professional experience of:

a) at least three years in specific activities directly related to the management of third-party funds in the financial market; or

b) at least five years in the capital market, in an activity that provides evidence of aptitude to manage third-party funds; and

- **Item II, paragraphs "a" and "b", as amended by CVM Instruction No. 364, of May 7, 2002.**

III – unblemished reputation.

Paragraph 1. The CVM can exceptionally waive compliance with the requirement set forth in item I hereof, provided that the party has at least seven years' professional experience as described in item II.

- **Former sole paragraph renumbered to Paragraph 1 by CVM Instruction No. 364, of May 7, 2002.**

Paragraph 2. The CVM can exceptionally waive compliance with the requirement set forth in item II hereof, provided that the party is renowned for its knowledge and qualifications in an area of expertise that qualifies such party to perform activities of management of securities portfolios.

- **Paragraph 2 added by CVM Instruction No. 364, of May 7, 2002.**

Paragraph 3. The activities of the party as an investor in the securities market or the management of third-party funds in a non-remunerated manner shall not be acceptable as professional experience for purposes of compliance with the provisions set forth in item II hereof.

- **Paragraph 3 added by CVM Instruction No. 364, of May 7, 2002.**

Paragraph 4. For purposes of providing evidence of the experience described in item II "b" and in Paragraph 1 hereof, the party shall submit to the examination of CVM a request providing objective justification to the alleged qualification to manage third-party securities portfolios.(NR)

- Paragraph 4 added by CVM Instruction No. 364, of May 7, 2002.

Article 5 - The request for authorization to exercise portfolio management activities, by an individual, must include the following documents:

I – request signed by the party;

- Item I as amended by CVM Instruction No. 364, of May 7, 2002.

II – résumé listing professional information that evidence the experience of the party, as per article 4 hereof, duly signed by the party;

- Item II as amended by CVM Instruction No. 364, of May 7, 2002.

III – registration form duly filled-in, as per Attachment III hereto; (NR)

- Item III as amended by CVM Instruction No. 364, of May 7, 2002.

IV – copy of the certificate of graduation from a university-level course and the main courses mentioned in the résumé;

- Item IV added by CVM Instruction No. 364, of May 7, 2002.

V – copy of the enrollment card in the Individual Taxpayers' Register and identification card; (NR)

- Item V added by CVM Instruction No. 364, of May 7, 2002.

VI – statement issued by current and past employers informing the activities that used to be performed by the party and listing the periods of time when such activities were developed or, as the case may be, copy of the articles of association of any company in which the party is or has been a partner; (NR)

- Item VI added by CVM Instruction No. 364, of May 7, 2002.

VII – statement, duly signed by the party, informing:

a) whether he/she is qualified to occupy a position with financial institutions and other entities authorized to operate by CVM or by the Central Bank of Brazil, insurance companies, private pension entities and publicly-held companies; (NR)

b) whether he/she has been sentenced following charges for bankruptcy crimes, malfeasance in office, active or passive bribery, graft, market rigging, insider trading, undue occupation of a position, profession, activity or job in the securities market, embezzlement, crime against the welfare, public faith, properties, the National Financial System or to a criminal penalty that prevents, even if temporarily, the access to public positions;

c) whether he/she is included in the Register of NSF Check Issuers;

d) whether he/she has instruments under protest;

e) whether, over the last five years, he/she was subject to any penalty as a result of his/her activities as a manager or member of the audit committee of an entity subject to the control and inspection of CVM, of the Central Bank of Brazil, of the Supplementary Pension Office or of the Private Insurance Superintendence; and

f) whether his/her assets have been frozen following a decision of a judicial or administrative authority.

- Item VII, paragraphs "a" to "f" added by CVM Instruction No. 364, of May 7, 2002.

Paragraph 1. In the cases described in paragraphs "d" and "e" of item VII, CVM can examine and evaluate the individual standing of each party and may grant the intended authorization. CVM shall make such decision in a discretionary manner following an analysis of the circumstances of each case.

- Paragraph 1 as amended by CVM Instruction No. 364, of May 7, 2002.

Paragraph 2. If the statements described in item VI hereof cannot be obtained, the party shall submit copies of the pages of his/her employment card that prove the experience described in the résumé.

- Paragraph 2 added by CVM Instruction No. 364, of May 7, 2002.

- **Article 6 revoked by CVM Instruction No. 364, of May 7, 2002.**

LEGAL ENTITY MANAGERS

Article 7 - The authorization to exercise the activities of management of securities portfolios shall only be granted to legal entities domiciled in the Country that:

I – describes as its corporate purpose the management of securities portfolios and that is duly incorporated and registered with CNPJ;

II – assigns the responsibility for the management of securities portfolios to a director, delegate manager or managing partner authorized to exercise the activity by CVM; and

- **Item II as amended by CVM Instruction No. 364, of May 7, 2002.**

III – establishes and maintain a technical department specialized in the analysis of securities.

Paragraph 1. The legal entity shall be allowed to hire third parties duly authorized by CVM to render the services described in item III hereof.

Paragraph 2. In the case described in the preceding paragraph, the request for authorization must include [a copy] of the agreement executed with the party authorized by CVM.

Paragraph 3. The director, delegate manager or managing partner in charge or of the party that has been hired pursuant to Paragraph 1 hereof can only be replaced by an individual equally accredited by CVM, as described in this Instruction.

- **Paragraph 3 as amended by CVM Instruction No. 364, of May 7, 2002.**

Paragraph 4. In cases of impairment of the person in charge that lasts for over thirty days, the replacement shall take responsibility for the management of securities portfolios, which shall be informed to CVM in writing within one business day as of the event.

Paragraph 5. The director, delegate manager or managing partner directly in charge of the management of third-party securities portfolios cannot be in charge of any other activity in the capital market, either within the institution or in other institutions.

- **Paragraph 5 as amended by CVM Instruction No. 364, of May 7, 2002.**

Paragraph 6. The director, delegate manager or managing partner directly in charge of the management of third-party securities portfolios can only be in charge of the same activities in associated companies, as defined in the law.

- **Paragraph 6 as amended by CVM Instruction No. 364, of May 7, 2002.**

Paragraph 7. CVM can analyze the appointment of more than one director in charge, if the legal entity manages securities portfolios of different natures and provided that the administrative structure thereof contemplates the existence of a rigid division of activities among them, to be developed in an independent and exclusive manner, especially with regard to the decision-making process relating to investments.

- **Paragraph 7 added by CVM Instruction No. 364, of May 7, 2002.**

Paragraph 8. The technical department is responsible for the preparation of investment studies and analysis to support the decisions to be made, maintaining proper records containing the justifications for the recommendations made.

- **Paragraph 8 added by CVM Instruction No. 364, of May 7, 2002.**

Paragraph 9. The assignment of responsibility for the management of securities portfolios to a delegate manager or managing partner shall be included in the articles of association of the legal entity.

- **Paragraph 9 added by CVM Instruction No. 364, of May 7, 2002.**

Article 8 - The request for authorization to exercise activities of management of securities portfolios, submitted by a legal entity, must include:

I – request signed by the legal representative;

- **Item I as amended by CVM Instruction No. 364, of May 7, 2002.**

II - copy of the duly consolidated certificate of incorporation;

- Item II as amended by CVM Instruction No. 364, of May 7, 2002.

III – copy of the evidence of enrollment in the National Registry of Legal Entities;

- Item III as amended by CVM Instruction No. 364, of May 7, 2002.

IV – document including the appointment of the managing partner, delegate manager or director in charge of the activity;

- Item IV as amended by CVM Instruction No. 364, of May 7, 2002.

V – information about the technical department, including the number of employees, the nature of the activities developed by its members and the available infrastructure, including a detailed list of equipment, programs and services, belonging to the company or to third parties, used as part of the activity of portfolio management, or, as the case may be, the agreement with the party authorized by CVM to render services of such nature;

- Item V as amended by CVM Instruction No. 364, of May 7, 2002.

VI – information about the profile of investors with whom the company intends to develop its activities; and

- Item VI added by CVM Instruction No. 364, of May 7, 2002.

VII – registration form, duly filled-in, as per Attachment IV hereto.

- Item VII added by CVM Instruction No. 364, of May 7, 2002.

TERM FOR THE GRANTING OF AUTHORIZATION

Article 9 - The authorization to exercise the activity of management of securities portfolios is granted by means of a Declaratory Ruling, to be issued within thirty days as of the date of the filing of the request with CVM, together with the corresponding documents.

Paragraph 1. After the term described in this article, if CVM does not issue any statement to the contrary, the request for authorization is deemed approved, and the party shall be able to request the issuance of the corresponding Declaratory Ruling.

Paragraph 2. The thirty-day term can be suspended only once, if CVM should request additional information from the party. A new thirty-day term shall begin to run as of the date when the requirements are met.

Paragraph 3. The compliance with the requirements shall take place within sixty days as of the receipt of the corresponding notice, under penalty of rejection of the request.

Paragraph 4. The CVM shall return to the party the request for authorization and the documents attached thereof without making any requirement, by means of a substantiated official letter, if it verifies that such requests or documents are irremediably irregular or illegal, or that the necessary documents have not been attached to the request.

- Paragraph 4 added by CVM Instruction No. 364, of May 7, 2002.

REJECTION OF AUTHORIZATION AND APPEAL

Article 10 - The rejection of a request for authorization to exercise the activity of management of securities portfolios must be informed in writing to the party. All documents attached to the request shall be available to the party for ninety days as of the receipt of the notice informing of the rejection, after which they shall be destroyed by the CVM.

Sole Paragraph. The decision of the Superintendent that rejects the request is subject to appeal to the Full Board of the CVM, pursuant to the regulation in effect.

CANCELLATION OF THE AUTHORIZATION

Article 11 - The authorization to exercise the activity of management of securities portfolios, by individuals or legal entities, can be cancelled regardless of an administrative investigation:

I – if any falsity is found to affect the documents or statements submitted by the manager to be granted accreditation; or

II - if, as a result of a duly-evidenced supervening fact, it is verified that the person authorized by the CVM no longer meets any of the requirements and conditions defined herein for the granting of the authorization; or

- Item II as amended by CVM Instruction No. 364, of May 7, 2002.

III – if the manager of the securities portfolio fails to submit the information described in article 12 hereof for over two consecutive years.

- Item III added by CVM Instruction No. 364, of May 7, 2002.

Paragraph 1. The decision of the Superintendent that cancels the authorization is subject to appeal to the Full Board of the CVM, pursuant to the regulation in effect.

Paragraph 2. In the event described in item I hereof, the CVM shall send an official letter to the Public Prosecutors' Office suggesting the filing of a criminal action, without prejudice to the application of the pertinent administrative penalties.

REQUEST FOR CANCELLATION

Article 11-A - The request for cancellation of the authorization to exercise the activity of management of securities portfolios must include a statement to the effect that, as of the date of the request, the party no longer exercises the activity of management of securities portfolios.

Paragraph 1. The request for cancellation shall be granted by means of a Declaratory Ruling, to be issued within thirty days, as of the registration of such request with the CVM, whose effects shall retroact to the date of the request. Such request for cancellation shall be deemed approved if the CVM fails to issue any statement during such term.

Paragraph 2. The granting of the cancellation does not prevent the CVM from initiating or developing a procedure to ascertain the liability of the party for events that have occurred until that date.

- Article and paragraphs added by CVM Instruction No. 364, of May 7, 2002.

INFORMATION

Article 12 - The manager of a securities portfolio, whether an individual or legal entity, shall submit to the CVM, by May 31 of each year, information relating to the portfolios under its administration based on the positions on March 31 of such year, as defined in Attachments I and II hereof, in addition to updated record information, as per the provisions set forth in Attachments III or IV, as the case may be

- Main section as amended by CVM Instruction No. 364, of May 7, 2002.

Sole Paragraph. Any change to the information of record relating to the manager of securities portfolios must be informed to the CVM, within fifteen days as of the day of the event, without prejudice to the provisions set forth in the main section hereof.

Article 13 - Whenever a public disclosure of data is made based on historical performances of portfolios under its management or securities and capital market indexes, the manager of securities portfolios must add the following message in a highlighted manner: "THE MANAGEMENT HEREBY WARNS THAT PAST PERFORMANCE CANNOT ENSURE FUTURE RESULTS".

- Main section as amended by CVM Instruction No. 364, of May 7, 2002.

Sole Paragraph. Performance advertisement material must include information on all portfolios under management of the manager and not on merely a few of them, and must cover, at least, the last six months.

RULES OF BEHAVIOR

Article 14 - The individual or legal entity in charge of managing securities portfolios must abide by the following rules of behavior:

I – to fulfill its assignments in such a way as to meet the investment goals of the holder(s) of the portfolio;

II - to employ, when exercising its activities, the same care and diligence as all active and reputable men usually employ in the management of their own businesses, being loyal to the interests of its clients and avoiding practices that could breach their trust, and being held liable for any infractions or irregularities that may be committed under its management;

- Item II added by CVM Instruction No. 450, of March 30, 2007.

III – to fulfill the provisions of the agreement executed with the client, previously and in writing, which must contain the basic characteristics of the services to be rendered, including:

a) the investment policy to be adopted, which must be in line with the profile of the investor, its financial standing and goals;

b) the remuneration payable in exchange for the services;

c) information about other activities that the manager itself may develop in the market and any potential conflicts of interest existing between such activities and the management of the securities portfolio;

d) the risks inherent to the different types of transactions with securities in stock exchanges, over-the-counter markets, futures market and share loan transactions that the manager intends to carry out using investor's funds, explaining that the investment in derivatives may lead to

losses that are greater than the original investment;

e) the authorization, as the case may be, to enable the manager to act as counterparty in the transactions, as per the provisions set forth in article 16. When the client is a legal entity, the name of the individual with powers to grant such authorization must be informed to the manager in writing; and

f) the contents and periodicity of the information to be rendered by the manager to the client.

IV – to avoid behaviors that could breach the relationship of trust with clients;

V – to maintain all documents relating to the transactions with securities that are part of the portfolios under management updated, in perfect order and available to the client;

VI – to maintain the securities that are part of the portfolios under management under the custody of a duly accredited entity and to take all actions as may be useful or necessary to protect the interests of its clients;

VII – to transfer to the portfolio any benefit or advantage that may result from its standing as the manager of the portfolio; and

VIII – to render any information that may be requested by the holder of the portfolio with regard to the securities that are part of the portfolio under management.

Sole Paragraph. The manager must ensure, by means of proper internal controls, the permanent fulfillment of applicable rules and regulations relating to the different investment alternatives and options, to the actual management of the portfolio and to the ethical and professional standards.

SEPARATION OF ACTIVITIES

Article 15 - Full segregation from the other activities developed by the legal entity must be ensured in the course of the management of securities portfolios. Operating procedures with the following purposes shall be adopted, among others:

I – physical separation of the areas in charge of different activities relating to capital markets, or clear and accurate definition of the practices that ensure the proper use of installations, equipment and files by more than one sector of the company;

II – preservation of confidential information by all managers, collaborators and employees, prohibiting the disclosure of such information to unauthorized individuals or to individuals that could use them in an improper manner, in the course of a decision making process relating to investments of own or third-party funds;

III – implementation and maintenance of training program for managers, collaborators and employees with access to confidential information and/or who are part of the decision-making process relating to investments;

IV – restricted access to files, as well as the adoption of controls that restrict and enable the identification of individuals with access to confidential information; and

V – establishment of policies relating to the purchase and sale of securities by employees, directors and managers of the entity.

Sole Paragraph. If the segregation dealt with in this article is achieved by means of the hiring of a manager of securities portfolios, duly accredited by the CVM, to manage all securities portfolios administered by the institution, then there will be no need to assign a director, delegate manager or managing partner of the managing institution to be exclusively liable for the management and supervision of such funds. Such assignment can be made to the director, delegate manager or managing partner involved with activities other than the administration of the institution's own funds, who must also be accredited by the CVM as manager of securities portfolios. (NR)

- Sole Paragraph as amended by CVM Instruction No. 364, of May 7, 2002.

PROHIBITIONS

Article 16 - The manager of a portfolio cannot:

I – act as counterparty, directly or indirectly, in transactions with portfolios under its management, except in the following cases:

a) when individual portfolios are under management and there is prior, written consent by the holder; or

b) when, despite the manager has been formally hired as the portfolio manager, there is evidence to prove that it has no discretionary power over it and no prior knowledge about the transaction.

II – make any type of material change to the basic characteristics of the service it renders, except when there is prior, written consent of the holder of the portfolio;

III – advertise any guaranteed levels of profitability, based on historical performance of the portfolio, or of securities and capital market rates;

IV – make any quantified promises as to future yields of the portfolio;

V – extend loans or advancements, or credit facilities of any type, using funds under its management, except in case of loans of shares to third parties to enable the performance of transactions authorized to operate by the CVM, provided that there is prior, written consent by the holder of the portfolio;

VI – negotiate the securities that are part of the portfolios under its management, with the

purpose of generating brokerage revenues for itself or third parties;

VII – neglect, in any case, the defense of the rights and interests of the holder of the portfolio, or to overlook such defense; and

VIII –promote transactions with the purpose of breaching tax laws and/or other legal and regulatory rules, even if such transactions improve the evaluation of the portfolio under management.

Sole Paragraph. In cases of public distribution in which the legal entity in charge of the securities portfolio is part of the distribution consortium, the subscription of securities to be included in the portfolio under management shall be admitted, provided that such subscription is carried out at the same conditions as those prevailing in the market or at the conditions that the manager would agree upon with third parties and such fact shall be immediately informed to the CVM.

LIABILITY OF MANAGER

Article 17 - The individual or legal entity, in the course of the activity of management of securities portfolios, is directly liable, in a civil and administrative manner, for the losses arising out of its culpable actions or malicious misconduct and for any actions that violate legal, regulatory or statutory rules, without prejudice to any criminal liability and subsidiary liability of the private legal entity that has hired such manager or supervised its activities in an improper manner.

Sole Paragraph. The members of the investment committee, or similar body, that makes decisions relating to the application of third-party funds, have the same duties as the manager of the portfolio.

PENALTIES AND PUNITIVE FINE

Article 18 - The exercising of the activity of management of securities portfolios by an unauthorized individual or legal entity or by an individual or legal entity whose authorization has been based on false statements or documents and the violation of the rules set forth in articles 14, items I, II ,V, VII and VIII, and 16, items VI to VIII hereof are considered to be grave infractions for purposes of the provisions set forth in article 11, Paragraph 3, of Law No. 6385/76.

Article 19 - The violation of the provisions set forth in articles 7, Paragraph 1; 14, items III, IV, VI and VII and 15, items I to V hereof, by the manager of a securities portfolio is subject to the summary administrative procedure, pursuant to the regulations of the National Monetary Council.

Article 20 - The manager of a portfolio that fails to submit to the CVM the information described in this Instruction of that fails to update its information of record, as per article 12 hereof, is subject to the application of a daily punitive fine at one hundred reais (R\$ 100.00), applicable as of the day after the end of the term defined for the fulfillment of the obligation, without prejudice to the liability set forth in articles 9, V and 11 of Law No. 6385/76.

FINAL AND TRANSITORY PROVISIONS

Article 21 - The manager that is already managing securities portfolios must comply with the provisions of this Instruction within ninety days.

Sole Paragraph. Failure to comply with the provision set forth in the main section hereof shall entail the cancellation of the authorization to exercise the activity of management of securities portfolios.

Article 21-A - The provisions set forth in articles 14 to 16 above apply to activities of management and administration of investment funds registered with the CVM.

Paragraph 1. Except for specific provisions to the contrary, the prohibition found in item I of article 16 above does not apply to investment fund managers and administrators. The regulation of the fund must define, as the case may be, whether or not the manager or administrator can act as counterparty of the fund.

Paragraph 2. The manager and the administrator shall maintain, for five (5) years, separate records documenting the transactions in which they have acted as counterparties of the fund.

- Article 21-A added by CVM Instruction No. 450, of March 30, 2007.

Article 22 - CVM Instructions Nos. 82, of September 19, 1988, 94, of January 4, 1989 and 231, of January 16, 1995 are hereby revoked.

Article 23 - This Instruction comes into force on the date of publication in the Official Gazette of the Federal Government.

Original signed by
FRANCISCO DA COSTA E SILVA
Chairman

ATTACHMENT I TO CVM INSTRUCTION No. 306, OF MAY 5, 1999 PORTFOLIOS UNDER MANAGEMENT – SUMMARY

YEAR

TYPE OF INVESTOR	NUMBER OF	VALUE OF PORTFOLIOS*
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	PORTFOLIOS	R\$ (thousand)
Individual		
Legal entity – non-financial or institutional		
Financial Institution Portfolios		
Pension funds		
Insurance companies		
Variable-income Funds		
Financial Investment funds and Others		
Other Institutional Investors (specify)		
TOTAL		

* Value ascertained according to the same criteria used in the definition of the portfolio value of mutual funds investing in stock.

ATTACHMENT II TO CVM INSTRUCTION No. 306, OF MAY 5, 1999
PORTFOLIOS UNDER MANAGEMENT - ASSETS
YEAR

TYPE OF ASSET	VALUE OF PORTFOLIO* R\$ (thousand)
Shares	
Debentures	
Other securities	
Quotas of Variable-Income funds	
Quotas of Financial Investment Finds	
Quotas of other funds	
Options	
Margins – Warranties	
Other assets	
TOTAL	

* Value ascertained according to the same criteria used in the definition of the portfolio value of mutual funds investing in stock.

ATTACHMENT III TO CVM INSTRUCTION No. 306, OF MAY 5, 1999

INDIVIDUAL

Registration Form of

Provider of Services of Management of Securities portfolio:

1) Name: _____

2) CPF: _____

3) Home Address:

4) City/State/CEP: _____

5) (DDD)PHONE AND FACSIMILE: _____

6) E-mail: _____

7) Legal Entity of which he/she is a Director, Delegate Manager or Managing Partner in charge of providing Services of Management of Securities portfolio:

Name: _____ CNPJ: _____

8) Any funds under management at this time?

ATTACHMENT IV TO CVM INSTRUCTION No. 306, OF MAY 5, 1999

LEGAL ENTITY

Registration Form of

Provider of Services of Management of Securities portfolio

1) Corporate Name: _____

2) Trade Name: _____

3) CNPJ: _____

4) Address of Headquarters: _____

5) City/State/CEP _____

6) (DDD) PHONE and FACSIMILE: _____

7) Mailing Address: _____

8) City/State/CEP: _____

9) E-mail: _____

10) Director, Delegate Manager or Managing Partner in charge of the services of Management of Securities portfolios:

Name: _____ CPF: _____

11) Individual or legal entity hired to provide services of Assessment of Securities (to be filled in only if there is no in-house technical department):

Name: _____ CNPJ/CPF: _____