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Regulates accreditation and activities performance of independent auditors in the securities market; defines the duties and responsibilities of administrators of audited entities in their relationship with independent auditors, and revokes CVM Instructions N°s 216 of June, 1994, and 275 of March 12, 1998.

The Chairman of the Securities Commission - CVM announces that the Board of Commissioners, meeting on this date, and in view of Articles 1, subparagraph V, 22, sole paragraph, subparagraphs IV and 26, Paragraphs 1 and 2 of Law N°6385 of December 7, 1976, and in view of Art. 177, Paragraph 3 of Law N° 6404 December 15, 1976, RESOLVE to issue the following Instruction:

REGISTRATION, ITS CATEGORIES AND CONDITIONS

Art. 1 – An independent auditor, in order to carry out activities within the securities market, is subject to registration at the Securities Commission, regulated by this Instruction.

Art. 2 – Registration of independent auditors encompasses two categories:

I – Independent Auditor – An individual (AIPF) who is an accountant and who satisfies the requirements as stated in articles 3 and 5 of this Instruction;

II – Independent Auditor – Firms (AIPJ) a member of a professional society, and which satisfies the requirements as stated in Articles 4 and 6 of this Instruction.

Paragraph 1 – The Commission shall maintain a register of those parties authorized to issue and sign auditing reports in the name of each professional society in the ambit of the securities market.

Paragraph 2 – For the effect of this Instruction, responsible parties include partners, directors, and other auditors who are part of the professional group of each society who have met the requirements contained in this Instruction.

Paragraph 3 – For the effect of registering within the category of Independent Auditor – Individual, the interested party should meet the following conditions:

I – Be registered in the Regional Accounting Council in the category of auditor;

II – Have carried out financial audits within the national territory for a period of not less than five years, consecutive or not, counted from the date of registration in the Regional Accounting Council in the category of accountant, according to the terms of Art. 7;

III – To be exercising the activity of independent auditor, maintaining a legalized professional office under one's own name, with premises that are compatible with the exercise of the activity, under conditions that guarantee the keeping, the safety, and the confidentiality of documents and information resulting from this activity, as well as privacy in regard to relations with clients;

IV – To possess concrete, up to date knowledge regarding the field of activity, of business, and of the accounting practices and operations of clients, as well as possessing an operational structure adequate for their number and size; and

V – To have been approved in a qualifying examination as described in Art. 30.

Article 4 – For registration in the category of Independent Auditor- Company, the interested party should meet the following conditions:

I – Be registered in the Civil Register of Companies as a company, constituted exclusively to offer professional auditing services and other services inherent to the accounting profession;

II – That all partners be accountants and that at least one half of these be registered as responsible professionals in accordance with Paragraphs 1 and 2 of Article 2;

III – That the document of incorporation or other equivalent constituent act states that the company assumes liability for reparation of injury caused to third parties, due to culpability or fraud in the exercise of professional activities and that the partners shall respond individually and without limit actions for the obligations after the assets of the company have been exhausted.

IV – That both the partners and other responsible professionals be duly registered in the Regional Accounting Council;

V - That all responsible professionals be authorized to issue and sign auditing reports in the name of the company, according to the terms of Paragraphs 1 and 2 of Article, 2, exercising auditing activity for accounting statements proven in the terms of Art. 7; within the territory of Brazil for a period of not less than five years, whether consecutive or not, counted from the date of registration in the Regional Accounting Council in the category of accountant;

VI – That all responsible professionals have been approved in a qualifying examination as provided in Art. 30;

VII – That they maintain a legally constituted office in the name of the company with premises that are compatible with the exercise of the activity of independent auditors, in conditions that guarantee the keeping, safety, and confidentiality of the documents and information resulting from this activity, as well as privacy in the relationship with their clients; and

VIII - That a permanent professional staff be maintained in accordance with the number and size of their clients, with constantly updated knowledge regarding their field of endeavor, business, accounting and operational practices.

INSTRUCTIONS FOR THE REGISTRATION APPLICATION

Article 5 - Applications for registration as Independent Auditor (Individual) shall be accompanied by the following documents:

I - application form (Annex I);

II - copy of the accountant identity card, category accountant, or equivalent certification, issued by the Regional Accounting Council;

III - registration information (Annex II);

IV - copy of the business license permit or valid equivalent issued by local government of the locale where the applicant exercises the activity, such license proving the legal registration of the office in the applicant's name;

V - proof of exercise of auditing activity, in accordance with the contents of Article 7;

VI - certificate of having passed a professional qualifying examination as described in Article 30; and

VII - legal statement (Annex III).

Article 6 - Applications for registration as Independent Auditor (Company) shall be accompanied by the following documents:

I - application form (Annex III)

II - copy or certificate of incorporation instrument or equivalent constituent act, and subsequent changes with proof of inscription and registration in the Civil Records of Companies and inscription in the Regional Accounting Council;

III - list of addresses of headquarters and offices, if applicable;

IV - list of entities in which it's the company, its members and responsible professionals have participated as shareholders and which act or offer services in the ambit of the securities market, indicating the respective areas of activity;

V - copy of business license or equivalent document issued by the local government of the jurisdiction where the headquarters and offices as well, if this so applies, that constitutes proof of legal status.

VI - proof of registration in the National Register of Companies of the Finance Ministry for the company headquarters and offices as well, if this so applies.

VII – copy of the charter issued by the Regional Accounting Council for the company headquarters and offices as well, if this so applies.

VIII - legal statement (Annex V);

IX - the indication of at least two partners as representatives of the company in its contacts with CVM, such representatives

to be charged with faithfully maintain contacts for any clarifications regarding obedience to this Instruction and the exercise of professional activity in the ambit of the securities market;

X - copy of accounting identification card in the category of accountant or equivalent certification issued by the Regional Accounting Council, of the partners and other responsible professionals;

XI - registration information of the partners and other responsible professionals (Annex II);

XII - proof of the exercise of auditing activities for each of the responsible professionals, according to the terms of Art. 7; and

XIII - certification of the passing of professional qualification exams of each of the responsible professionals, as required by Art. 30.

PROOF OF AUDITING ACTIVITY

Article 7 - The exercise of auditing activity may be proven through presentation of the following documents:

I - copies of audit reports accompanied by accounting statements audited, issued and signed by the interested party as published in specialized newspapers or magazines, one of which per year being sufficient; or

II - a copy of the individual employee register or declaration of the auditing firm registered in the CVM, signed by its representative partner, and copy of the work card of the professional, observing the terms of Paragraphs 2 and 3 of this article.

Paragraph 1 - At the criterion of CVM, proof of experience in the audit of financial statements may be satisfied as well through the presentation of:

- a. - copies of audit statements and respective accompanying reports issued and signed by the interested party, accompanied by the respective accounting statements, certified by the audited entity, containing express authorization for such documents to be presented to the Securities Commission with the objective of providing evidence of the auditing activity of the interested party, one of which per year being sufficient; or
- b. declaration of a government entity, publicly traded company or major, recognized company signed by its legal representative, which should contain all information pertinent to such employment, swearing that the interested party has carried out audits of financial statements.

Paragraph 2 - In cases encompassed within clause II and within letter "b" of Paragraph 1 of this article, proof shall be provided of the exercise for at least two years of direction or supervision in the area of auditing of financial statements, beginning with the date of the applicant's registration within the category of accountant.

Paragraph 3 - Proof of fulfillment of the requirement described in this article may be for continuous or discontinuous periods of time, as long as the sum of the time exercising the activity is not less than five years.

EXAMINATION OF THE APPLICATION AND TIME PERIOD FOR GRANTING OF REGISTRATION

Article 8 - The application for registration as an independent auditor shall be examined by the CVM which may require documentation to complement that which is initially presented, updated documentation, as well as the presentation of other documents, including audit working papers, that it judges necessary.

Article 9 - The period specified for granting registration is thirty days, beginning on the date of official receipt of the application by CVM.

Paragraph 1 - The stated period having past without any response from the Commission, it may be assumed that the application for registration has been approved. The applicant may then request the issuance of the respective Declaration, except in cases in which it is shown that the applicant is not duly instructed or documented.

Paragraph 2 - The thirty day period shall be suspended for one time if the CVM requests additional information or documentation necessary for examining the application for registration; or it may condition its approval on modifications of pertinent documentation.

Paragraph 3 - For its final decision CVM reserves the right to a period of five business days, in case the rest of the period stated in Paragraph 2 is less than this amount of time.

Article 10 - An application for registration as Independent Auditor – firm when an accountant is included, within the terms of Articles 15 and 35 of this Instruction, has had his or her registration cancelled or suspended by the CVM and when the penalty period of such cancellation or suspension has not been completed.

Sole Paragraph - An application for Independent Auditor – Individual under the same conditions will also be rejected.

Article 11 - Registration in the category of Independent Auditor – Individual shall not be granted to an accountant who is a partner, director, or responsible professional or who has an employment relationship with an Independent Auditor – Company.

Article 12 - When the application has been approved the CVM shall issue a Declaration which will be published in the Official Press.

Sole Paragraph - The Declaration, published in the Official Press, constitutes a document of record for registration in the CVM, and as such is valid in all parts of the national territory.

Article 13 - If the application is rejected, the Securities Commission shall notify the applicant through correspondence which will clarify the reasons for the rejection.

Article 14 - A decision of denial is subject to voluntary appeal to the Board of Commissioners of CVM, according to the norms in force.

CASES OF AUTOMATIC SUSPENSION AND CANCELLATION

Article 15 - The Independent Auditor – Individual, and Independent Auditor – Company and their responsible professionals respectively, may have their registration with the CVM suspended or cancelled, other possible legal sanctions notwithstanding, in cases in which:

I - the falsity of either documents or declarations presented for obtaining registration with the CVM are proven;

II - any conditions necessary for their concession or their maintenance are unfulfilled or if the an over riding impeding situation is proven;

III - they have suffered suspension or cancellation of their professional registration or if such registration is under judgement, by the controlling organ of the profession; or

IV - they have been, by judicial decree:

a. - declared insolvent;

b. - been found guilty in a criminal process or for a crime or misdemeanor of an economic nature;

c. - prohibited from exercising a public office; or

d. - declared unable to exercise their civil rights.

Paragraph 1 - The CVM shall give prior notice to the independent auditor of its decision to suspend or to cancel his or her registration, within the terms of this article, granting the suspended party a ten business day period beginning with the date of the receipt of the communication, to present a defense or to normalize his or her registration.

Paragraph 2 - The decision to suspend or to cancel a registration, according to the terms of this article, is subject to a voluntary appeal with the effect of suspension, to the Board of Commissioners of this Commission, according to norms in force.

PERIODIC AND OCCASIONAL INFORMATION

Article 16 - The Independent Auditor – Individual and the Independent Auditor – Company shall send annually by the last business day of the month of April, the information requested in Annex VI relative to the previous year.

Article 17 - Notwithstanding the right of the CVM to requesting at any time the updating of any document or information, the Independent Auditors shall, whenever there are any changes, forward to CVM:

I - within a period of ten days of the occurrence:

a. - Registration information (Annex II); and

b. - copy of the accountant identify card or equivalent certificate of new partners or responsible professionals.

II - within a period of thirty days of the date of its occurrence:

a. - transcription, certificate, or copy of the alterations of act of incorporation with proof of their deposit in the Civil Register of Companies and in the Regional Accounting Council; and

b. - legal declaration (Annexes III and IV) and other documents listed in Articles 5 and 6 of this Instruction.

Article 18 - Independent Auditors who do not maintain their registration up to date or who do not present clarifications and information specified in this Instruction shall be subject to a daily fine, obeying the following values:

I - Fine of R\$50, 00 (fifty reais) – for failure to present information and documents requested in clause II of Art. 17 of this Instruction;

II - Fine of R\$100,00 (one hundred reais) - for the failure to present the information and documents requested in Article 16, in clause I of Article 17, and in Paragraphs 1 and 2 of Article 28 of this Instruction.

Sole Paragraph - The values referred to in this Article shall be reduced by one-half when the Independent Auditor does not have clients within the Securities Market.

NORMS REGARDING THE EXERCISE OF THE ACTIVITY OF AUDITOR WITHIN THE SECURITIES MARKET

Article 19 - The Independent Auditor, in the exercise of activity in the securities market, should obey and see that his or her employees and delegates obey, the specific rules issued by the CVM.

Article 20 - The Independent Auditor – Individual and the Independent Auditor – Firm, all of their partners and members of their professional staffs shall, as well, observe the rules issued by the Federal Accounting Council –CFC and the technical pronouncements of the Brazilian Accountant Institute – IBRACON, in matters of professional conduct upon exercising the activity and in the issuance of auditing opinions and reports.

Article 21 - Auditing opinions and the documents destined to satisfy the requirements of the Securities Commission shall be issued and signed, with a sole indication of professional category and with the registry number in the Regional Accounting Council, in the case of Individuals, or with an indication of professional category, registry and roster number in the Regional Accounting Council, respectively, of the responsible professional and of the corporate body in the case of firms.

POSSIBILITIES OF IMPEDIMENT AND INCOMPATIBILITY

Article 22 - The Independent Auditor – Individual, the partners and other members of professional staff of the Independent Auditor – Company, shall not carry out independent audits when there are, within the audited entity, parties whom the Independent Auditor controls or is controlled by, or those belonging to the same economic group, contrary to the rules of the Federal Accounting Council –CFC in regard to independence.

Article 23 - According to rules of independence defined by the CFC in regard to entities the auditing service of which is the Independent Auditor's responsibility, the Independent Auditor and the individuals and companies to which he or she is linked may not:

I - acquire or keep titles or securities issued by the entity, that it controls or is controlled by, or members of the same economic group; or

II - to render consulting services that could result in the loss of objectivity and independence.

Sole Paragraph - Examples of consulting services for the effects of this article are:

I - advising in organizational re-structuring;

II - valuation of companies;

III - revaluation of assets;

IV - determination of values for the effect of constituting provisions or technical reserves and previsions for contingencies;

V - tax planning;

VI - remodeling of accounting systems, of information and of internal control; or

VII - any other product or service that influences or that may come to influence the decisions taken by the administration of the institution audited.

Article 24 - The Independent Auditor shall cease to execute the function upon occurrence of situations foreseen in article 22.

Sole Paragraph - Upon verifying the non-observance of the directions of this article, the Securities Commission shall order the substitution of the Independent Auditor.

DUTIES AND RESPONSIBILITIES OF INDEPENDENT AUDITORS

Article 25 - In the exercise of his or her activities within the securities market, the Independent Auditor shall, as well:

I - assure:

- a. - that accounting statements and auditor conclusions are disseminated in newspapers in which their publication is obligatory and that these correspond to the accounting statements as audited and to the auditor's opinion as originally issued;
- b. that information and accounting and financial analysis presented in the management's of the entity are in accord with the audited financial statements;
- c. that parties receiving the accounting results are in accordance with terms of corporate law, with company statutes and with rules issued by CVM; and

- d. possible non-compliance with legal terms and regulations applicable to the audited entity and/or relative to its condition as a member of the securities market, that have, or may come to have relevant impacts on financial statements or on the operations of the audited entity.

II - develop and forward to the administration and, when requested, to the Auditing Committee, a report that contains its observations in regard to deficiencies or weaknesses of internal controls and accounting procedures of the audited entity;

III - preserve for at least five years or longer, at the express determination of this Commission in the case of administrative investigations, all documentation, correspondence, working papers, reports and written opinions regarded to the exercise of functions;

IV - indicate with clarity and precision the accounts or subgroups of accounts of assets, liabilities, proceeds, and net worth that are affected by the adoption of accounting procedures that conflict with the Fundamental Principles of Accounting, as well as effects on obligatory dividend and on profit or loss per stock, according to the case, whenever issuing a special revised report of quarterly statements or a contrary opinion or with reservations.

V - make possible, in the case of substitution by another auditor, taking into consideration aspects of confidentiality and through prior agreement with the audited entity, access of the newly contracted auditor to documents and information that serve as a basis for the issuance of special revision reports of quarterly statements and auditor opinions of previous years.

Sole Paragraph - If any relevant irregularity is identified in regard to what is stated in clauses I and II, the Independent Auditor shall communicate the fact to CVM in writing within a minimum period of twenty days, counted from the date of occurrence.

DUTIES AND RESPONSIBILITIES OF ADMINISTRATORS AND FISCAL COUNCIL

Article 26 - The entity, upon contracting independent auditing services, should furnish auditors all elements and necessary conditions for the fully carrying out their functions.

Paragraph 1 - The audited entity shall give to the Independent Auditor a letter of administrative responsibility, in accordance with the rules approved by the Federal Council of Accounting –CFC.

Paragraph 2 - The responsibility of the administrators of audited entities for the information contained in accounting statements or in declarations they supply does not exclude the Independent Auditor of responsibility in the matter of the report of special review of quarterly statements or in the audit report, nor does it remove the obligation for the Independent Auditor to adopt auditing procedures required under the circumstances.

Article 27 - The managers of audited entities shall be held responsible if they contract Independent Auditors who do not meet the conditions contained within this Instruction, especially in terms of their independence and if their registration is in order within the Securities Commission.

Sole Paragraph - Any possible legal sanctions notwithstanding, if the lack of independence or lack of registration of an auditor in this CVM is established, the audit shall be considered without effect in attending the law and rules of the Commission.

Article 28 - The management of the audited entity shall, within a period of twenty days, communicate to CVM a change of auditor, whether there exists a rescindment of the service contract or not, with a explanation of the change, and containing the approval of the substitute auditor.

Paragraph 1 - When the period expires without the management of the audited entity having provided the required information, the Independent Auditor shall notify CVM of the substitution within a period of ten days beginning from the date of closing of the period conferred to the management of the company.

Paragraph 2 - The Independent Auditor who does not agree with explanation presented for his or her substitution shall forward to CVM the reasons for disagreement within a period of thirty days, beginning with the date of the substitution.

Paragraph 3 - Disobedience of this article shall subject the entity and the Independent Auditor to a daily fine, according to the terms of art. 18 of this Instruction.

Article 29 - The Auditing Committee the audited company, when meeting, shall verify the obedience by the administrators of the terms of articles 27 and 28.

PROFESSIONAL QUALIFYING EXAMINATION

Article 30 - The professional qualifying examination shall take place no later than the first quarter of every year in order to qualify persons for Independent Auditor for the exercise of auditing of financial statements for all entities that are part of the securities market.

Sole Paragraph - The professional qualifying examination shall be administered by the Federal Accounting Council –CFC, in conjunction with the Brazilian Accounting Institute – IBRACON or by an institution authorized by CVM under the terms to be defined in a separate act.

ALTERNATING OF AUDITORS

Article 31 - An Independent Auditor, whether an Individual or a Company, may not provide services for the same client for a period of more than five consecutive years, counted from the date of the issue of this Instruction, and requiring a minimum interval of three years before being re-contracted.

INTERNAL QUALITY CONTROL

Article 32 - The Independent Auditor shall implement an internal quality control program according to guidelines issued by the Federal Accounting Council CFC and the Brazilian Institute of Accountants – IBRACON, which seeks to guarantee full compliance to the rules that govern the activity of the audit of financial statements and of the norms issued by this Securities Commission.

Paragraph 1 - The internal quality control program shall be established according to the structure of the professional staff and the complexity of the services to be carried out in the case of the Independent Auditor – firm, and according to professional competence in the case of the Independent Auditor – Individual.

Paragraph 2 - The internal quality control program may be developed in conjunction with other Independent Auditors or under an agreement with a specialized institution. The Independent Auditor – Company should nominate a responsible partner for the implementation and management of this program.

Paragraph 3 - The internal quality control program shall be required twelve months after the publication of the norms and guidelines approved by the Federal Accounting Council – CFC which will regulate this matter.

EXTERNAL QUALITY CONTROL

Article 33 - Independent Auditors shall, every four years, submit their quality control for review, according to guidelines issued by the Federal Accounting Council – CFC and of the Brazilian Institute of Accountants - IBRACON, which shall be carried out by another Independent Auditor, as registered by the Securities Commission, the choice of whom shall be previously communicated to this Body.

Paragraph 1 - In the case of the Independent Auditor – Firm, the quality control review shall be carried out by a group of auditors that possesses a structure compatible with such a task.

Paragraph 2 - The reviewing auditor shall issue a review report on quality control to be sent to the Independent Auditor and to CVM until October 31 of the year in which the review is carried out.

Paragraph 3 - The first peer review shall be carried out, at the latest, up to two years beginning with the publication of this Instruction.

Paragraph 4 - The Independent Auditor responsible for the peer review shall also observe, in regard to the auditor reviewed, the norms of independence approved by the Federal Accounting Council – CFC.

Paragraph 5 - The Securities Commission may determine the substitution of the Independent Auditor chosen to carry out the peer review when, in its understanding, conditions have not been fulfilled for carrying out the review or for non-observance of the terms of Paragraphs 1 and 4.

CONTINUING EDUCATION PROGRAM

Article 34 - Independent Auditors should maintain a policy of continuous education for their entire staffs and for themselves, and according to guidelines approved by the Federal Accounting Council – CFC and by the Brazilian Institute of Accountants – IBRACON, in order to guarantee the quality and to fully meet the rules that govern the exercise of the activity of the auditing of financial statements.

PENALTIES

Article 35 - The Independent Auditor – Individual, or Independent Auditor – Company and their respective responsible professionals may be warned, fined, or have their Securities Commission registration suspended or cancelled, other possible legal sanctions notwithstanding, when:

I - they act in disobedience to the legal rules and regulation that govern the securities market, including the disobedience of the terms of this Instruction;

II - they carry out inept or fraudulent audits, falsify data or numbers, or conceal information that it is their duty to reveal; or

III - they utilize, for their own benefit or that of third parties, or allow third parties to utilize, information to which they have had access as part of the auditing activity.

Article 36 - Disobedience of the terms contained in this Instruction subjects infractors to the penalties foreseen in art. 11 of Law N°6,385/76.

Article 37 - For the effect of the terms of Paragraph 3 of art. 11 of Law N°6,385/76 disobedience of the terms of articles 20,22,23,25,31,32, 33 and clauses II and II of Article 35 of this Instruction constitute severe infractions.

Article 38 - It is considered that the disobedience of Articles 16, 17, 21, Sole Paragraph of Article 25, Paragraph 1 of Article 26, 27 and Paragraphs 1 and 2 of Article 28 of this Instruction are hypotheses of infractions of an objective nature and subject to summary administrative process.

Sole Paragraph - The summary process shall not be adopted in case of specific or generic repetition.

Article 39 - The Securities Commission shall communicate, through the Official Press, the cancellation or the suspension of registration of an Independent Auditor and shall communicate the occurrence to the pertinent Regional Accounting Council in cases of the application of penalties foreseen in this Instruction.

Sole Paragraph - In the case of cancellation, the documents and declarations presented for obtaining and maintaining registration shall be at the disposal of the interested party for a period of sixty days, after which they may be destroyed.

Article 40 - The Securities Commission shall periodically issue, and shall maintain up to date and available to the market a list of Independent Auditors who have been penalized in administrative hearings.

FINAL AND TRANSITORY DISPOSITIONS

Article 41 - The professional qualifying examination cited in Article 30 shall not be required for Independent Auditors who are already registered in this CVM on the date on which this Instruction enters into force.

Sole Paragraph - Independent Auditors who seek registration with the CVM, beginning with the coming into force of this Instruction, shall be exempted from presenting the certificate of approval of the professional qualifying examination while such an examination has not been regulated.

Article 42 - This Instruction shall enter into force on the date of its publication in the Official Press.

Article 43 - CVM Instructions N° 216, of June 29, 1994, and N°275, of March 12, 1998 are hereby revoked.

**FRANCISCO DA COSTA E SILVA
CHAIRMAN**

Fale com a CVM