



Comissão de Valores Mobiliários

Protegendo quem investe no futuro do Brasil

Protecting those who invest in the future of Brazil

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**Conference on The Development of Stock Exchanges in Chile
Santiago, June 26, 2008**

- **Recent evolution of the Brazilian securities market**
- **Regulatory and self-regulatory initiatives**
- **Trends on regulation and self-regulation in Brazil**

***Recent evolution of
the Brazilian
securities market***

- **Trading Value at BOVESPA .. shrinking**
 - ❑ 1997: 15.9 US\$ bi
 - ❑ 2000: 8.5 US\$ bi

- **Trading of Brazilian Companies' ADRs in the NYSE (as a % of the total) .. growing**
 - ❑ 1997: 1.2%
 - ❑ 2000: 33.2%

- **Delistings**
 - ❑ 589 listed companies at BOVESPA in dec/1996
 - ❑ 495 listed companies at BOVESPA in dec/2000

- **8 IPOs between 1995 and 2000**
- **Only one company went public between 2001 and 2003**
- **Only large deals with dual listing in the NYSE were deemed feasible**
 - ❑ The American regulatory environment was more attractive to the investors than the Brazilian one
- **Only a few international banks led equity offerings there**
- **Basically institutional investors were targeted**

➤ Remarkable growth in securities offerings:

- ❑ 2003: 4 bi US\$
- ❑ 2004: 11 bi US\$
- ❑ 2005: 30 bi US\$
- ❑ 2006: 57 bi US\$
- ❑ 2007: 86 bi US\$
- ❑ 2008 (jan-jun): 42 bi US\$

➤ Specifically, in equity offerings:

- ❑ 2006: 14.3 bi US\$ (53% secondary)
- ❑ 2007: 38.8 bi US\$ (53% secondary)
- ❑ 2008 (jan-jun): 8.5 bi US\$ (88% primary)

- In 2007, 80% (31 bi US\$) of the share offerings' total volume were placed in IPOs
- 64 new listings in 2007 (111 since 2004)
- more than 70% (average) bought by foreign institutional investors
- 2 listings of foreign issuers (BDRs)
- São Paulo was the 5th market in absolute financial volume of share offerings in world terms
 - ▣ behind the New York, Shanghai, London and Hong Kong stock exchanges (source: WFE)

Regulatory and self-regulatory initiatives

- **1995: set up of the IBGC – Brazilian Corporate Governance Institute**
- **1998: ANBID launched its self-regulatory code for public offerings of securities**
- **2000: BOVESPA launched its listing segments Novo Mercado and Corporate Governance Levels 1 and 2**

- **2001: Corporate and Securities Market Acts reforms**
- **Capital Markets' Strategic Plan (by wide range of industry players and entities)**
- **Efforts to remove CPMF tax from exchange trades (38 bps in every payment)**
- **BEST Project: Brazil Excellence in Securities Transactions (exchanges, clearings, ANBID, Treasury Dept., Central Bank and the CVM): road show**

- **2002 / 2003: review of extremely important regulation**
 - ❑ **on tender offers, including the ones due to delisting and sale of controlling block**
 - ❑ **on disclosure of material information by public companies**
 - ❑ **on public offerings of securities**
 - ❑ **on investment funds (including open ended funds distributed to the retail investors, hedge funds, funds that invest in asset backed securities and PE/VC funds)**

- **2005: strengthen enforcement as top strategic priority**
 - ❑ **Faster decision on enforcement cases, bigger penalties**
 - ❑ **Consultative activity (prevention)**
 - ❑ **Investor education**

Trends on regulation and self-regulation in Brazil

- **Self-regulation potential pros**
 - ❑ Familiarity and knowledge of businesses and problems
 - ❑ Agility (possibility to act faster)
 - ❑ Flexibility
- **Self-regulation potential weaknesses**
 - ❑ Too much familiarity
 - ❑ Lack of willingness to enforce rules
 - ❑ Lack of resources to perform the job, due to short term commercial interests

- **New rules for exchanges and organized over-the-counter markets**
 - ❑ **More independence (separate governance structure and budget from the market itself)**
 - ❑ **Provision of the necessary resources to self-regulation (annual work plan and budget submitted to the CVM)**
 - ❑ **Use of legal mandate of the SRO to effectively enforce rules**
 - ❑ **Periodic reporting of activities to the CVM**
- **Close monitoring by the Commission**
- **One of the pillars of CVM's risk-based supervision policy**

- **Previous analysis of securities offerings' documents by self-regulatory entities (proposal now on public hearing)**
 - ❑ **Issuers get fast track in the CVM if previous analysis has been made**
 - ❑ **MoU with ANBID to be signed**
 - ❑ **ANBID's staff was trained according to standards defined by the CVM**

- **CVM to consider penalties (or consent decrees) already imposed at the SRO level when deciding on the same case**
 - ❑ MoU being negotiated with ANBID on enforcement
 - ❑ The same possibility is already granted to the exchanges by present CVM's regulation
- **Research Analysts – APIMEC (proposal now on public hearing)**
 - ❑ More emphasis on enforcement of the professional code of conduct
 - ❑ Closer supervision by the CVM

Thank You

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