

CVM INSTRUCTION No 419, OF MAY 2, 2005

Provides for the enrollment of non-resident investors, amends and adds provisions to CVM Instruction No. 387, of April 28, 2003, and adds a provision to CVM Instruction No. 325, of January 27, 2000.

The President of the Securities Commission - CVM announces that the plenary body, in a meeting held on April 27, 2005, based on Art. 18, item II, indents "a" and "c" of Law No. 6.385, of December 7, 1976, RESOLVED to issue the following Instruction:

Article 1 - The following Art. 12-A is added to CVM Instruction No. 387, of April 28, 2003:

"Art. 12-A. Brokerage houses may enroll non-resident investors in a simplified manner, according to the rules issued by stock exchanges and entities managing organized over-the-counter markets, provided that:

I – the non-resident investor is a client of a foreign intermediary institution with which it is duly enrolled pursuant to the applicable laws of the country of origin of the latter;

II – the foreign intermediary institution mentioned in item I assumes the obligation before the brokerage houses of presenting, whenever requested, all duly updated information required by the CVM Instructions governing enrollment of investors in the ambit of the securities market, as well as other information required by Brazilian government agencies with inspection authority;

III – the brokerage house:

a) sets criteria enabling an evaluation of the degree of trustworthiness of the intermediary foreign institution;

b) adopts the necessary measures for the purpose of ensuring that whenever requested the client information on record shall promptly be supplied by the foreign institution; and

c) ensures that the foreign institution adopts adequate practices for identification and enrollment of clients, in keeping with the applicable legislation of the respective country of origin.

IV – the country in which the foreign intermediary institution is located is not deemed to be a High-Risk Country vis-à-vis money laundering and funding of terrorism and, in

relation to fighting such illegalities, is not classified by international organisms as a non-cooperative country; and

V – the body that regulates the capital market of the country of origin of the foreign intermediary institution has executed with CVM a mutual cooperation agreement allowing the parties to exchange financial information about investors.

Paragraph 1. The rules mentioned in the main provision must include at least the following requirements:

I – mandatory execution of written agreements between the brokerage houses and the foreign intermediaries, the minimum contents of which must include:

a) a representation by the foreign intermediary that it has the record information required under the CVM Instructions governing enrollment of investors in the ambit of the securities market, and that it undertakes at all times to maintain such information updated;

b) an undertaking from the foreign intermediary to supply to the brokerage house or CVM, within the terms set by stock exchanges or entities managing organized over-the-counter markets or by CVM, duly updated supplementary record information on the non-resident investors;

c) covenants establishing that the Brazilian laws shall govern the agreement, and electing the jurisdiction of Brazilian Courts to settle disputes arising out of the agreement, with the inclusion of an arbitration commitment whereby the arbitration takes place in Brazil being permitted; and

d) a covenant determining the termination of the agreement in the event of noncompliance with the obligation to supply record information on non-resident investors at the request of brokerage houses, stock exchanges and entities managing organized over-the-counter markets, or of Brazilian government agencies with inspection authority.

II – prohibition of use by brokerage houses of simplified enrollment information regarding clients that operate through foreign intermediaries that have disregarded the obligation to supply information on non-resident investors;

III – the terms and manner for brokerage houses to communicate to the stock exchanges or organized over-the-counter markets of which the former are members, the execution, termination or amendment of the agreement, as well as any noncompliance with any provisions thereof;

IV – the rules for safekeeping by brokerage houses of the agreements mentioned in item I; and

V – inclusion of verification of conformity of agreements to, and compliance by brokerage houses with, the rules pertaining to periodic audits of brokerage houses by the [relevant] stock exchange or organized over-the-counter market.

Paragraph 2. The stock exchanges and organized over-the-counter markets shall prior to the effectiveness thereof submit the rules mentioned in the main provision to approval by the plenary body of CVM.

Paragraph 3. The stock exchanges and organized over-the-counter markets shall maintain at the disposal of CVM an updated list of all agreements between the foreign intermediary and the brokerage houses subject to self-regulation by them.

Paragraph 4. The provisions of this article apply, as applicable, to central depositories, clearing and settling houses, and their respective participants, in the relationship with custodians that act as custodians of securities of non-resident investors."

Article 2 - The main provision of Art. 10 of CVM Instruction No. 387, of 2003, becomes effective with the following wording:

"Art. 10. The record mentioned in the main provision of the preceding article must contain at least the information foreseen in Paragraph 1 of Art. 3 of CVM Instruction No. 301, of April 16, 1999, except in the event foreseen in Art. 12-A."

Article 3- The following Paragraph 3 is added to Art. 5 of CVM Instruction No. 325, of January 27, 2000:

"Paragraph 3. In events where the non-resident investor acts through a foreign intermediary institution, it is permitted that the agreement mentioned in item III be executed by the foreign institution in the name of the non-resident investor, provided that, on the terms of the current regulations, the custodian institution ensures that the non-resident investor is duly enrolled with the foreign institution."

Article 4 - The stock exchanges and entities managing organized over-the-counter markets shall adapt their regulations to the provisions of this Instruction within at most thirty (30) days counting from its publication.

Article 5 - The brokerage houses that choose to enroll non-resident investors in a simplified manner shall until July 31, 2005 regularize the information on their clients pursuant to the provisions of this Instruction.

Article 6 - This Instruction comes into effect on the date of its publication in the Federal Official Gazette.

Original signed by

MARCELO FERNANDEZ TRINDADE

President

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MAY ONLY BE ELUCIDATED BY CONSULTING THE ORIGINAL IN PORTUGUESE**