

## **RULES OF CONDUCT - BOVESPA**

*GRADUAL CCTVM S/A*

### **RESOLUTION 294/2003 - CA**

States Rules of Conduct to be obeyed by Broker Members of the São Paulo Stock Exchange (Bovespa) in their relationships with their clients and with the securities market.

The Council of the São Paulo Stock Exchange (Bovespa), under powers given by sub-item III of clause 68 of its Bylaws, and in accordance with clause 3 of Instruction 387 from April 28, 2003 issued by the CVM (Securities Commission).

#### **HEREBY DECIDES:**

Clause 1 - Item 23.3 of chapter XXIII of the Operational Regulations of Bovespa, approved by Resolution 286/2003-CA from May 20, 2003, shall now read as follows:

### **23.3 RULES OF CONDUCT**

**23.3.1** The Broker Members of Bovespa should, in their daily activities, obey Rules of Conduct compatible with and necessary for the good performance of their basic fiduciary function, which is part of their function of counseling and intermediation of securities for their clients:

#### **23.3.2** General Rules of Conduct:

- 1) To carry out their Securities Broking activities with probity and to maintain technical and financial capacity therefore;
- 2) To act in best interests of their clients;
- 3) Continually to make their best efforts to maintain the integrity of the market;
- 4) To cause high ethical standards to prevail in trading and behavior, in their relationships with:
  - a) Their clients;
  - b) Other brokers, financial institutions, and other institutions and service providers;
  - c) The competent authorities, especially the CVM (Brazilian Securities Commission) and the Brazilian Central Bank (BACEN);
  - d) Bovespa [itself, and];
  - e) The issuers of securities.
- 5) Not to contribute to:
  - a) Transmission or circulation of untrue or imprecise news or information about the market;
  - b) The creation of artificial conditions of demand, supply or price;
  - c) The use of non-equitable practices;
  - d) The carrying out of fraudulent operations.

6) Not to carry out any transactions that put at risk their own capacity to deliver securities and/or to effect financial settlement;

7) To cause their directors, employees, operators, representatives and independent agents

related to them faithfully to carry out the requirements of law and regulation, especially those

applicable to:

- a) Transactions carried out on stock exchanges;
- b) Settlement of these transactions with the chambers or houses of compensation or settlement; and
- c) Custody of securities.

8) To cause their directors, employees, operators, representatives and independent agents to maintain adequate decorum in their personal behavior and at all times to maintain:

- a) Standards of ethics and conduct compatible with the function being carried out;
  - b) Spotless reputation;
  - c) Standards of moral decency;
  - d) Technical capacity;
  - e) The specialization necessary for exercise of the functions.
- 9) To report to the General Superintendent any manipulation of price, any creation of artificial conditions of demand, supply or price, any non-equities practice, or any fraudulent transaction, of which they become aware.

10) Not to hire or use, in the activities of intermediary or brokerage, individuals or legal entities that are not members of the securities distribution system, and which do not have the due certification or authorization issue by the regulatory agency.

### **23.3.3 Rules of Conduct with Clients**

1) To select clients appropriately and to obtain and keep fully updated their client registry information and such details as are necessary for adequate knowledge and evaluation of them;

2) To make available to their clients all the information and documents the obligatory nature of which arises from rules of the CVM or Bovespa or from other related rules, and also the Operational Rules and Parameters that they may establish;

3) To provide to clients information on the workings and characteristics of the securities market, emphasizing the risk involved in trading of equities;

4) To take measures to avoid any transactions being carried out in a situation of conflict of interest, and to ensure, at all times and in all circumstances, just and

equitable treatment for clients in accordance with the operational rules and parameters;

5) To provide to clients, in a timely fashion, all the documentation relating to the business carried out by them;

6) To maintain secrecy on the transactions carried out by the respective clients and on the services provided to them;

7) To adopt internal controls and to maintain records and documents which definitely assure the faithful execution of orders received from clients, and which allow periodic reconciliation with:

- a) The recording, period of validity, refusal procedure, priority, execution, distribution and cancellation of orders received from the clients;
- b) The amounts received from them or paid to them;
- c) The guarantees demanded and deposited;
- d) The custody positions appearing in statements and reports of movement supplied by the entity providing custody services;
- e) the derivative contracts under its responsibility.

**23.3.4** The Operational Rules and Parameters established by Member Brokers must clearly and objectively show the broker's mode of operation, including, where applicable, their practices in relation to recording of telephone conversations.

**23.3.5** The provisions of this item 23.3 also govern, where applicable, the other participants who operate directly in the markets administered by Bovespa.

Clause 2 - Resolution 288/2003-CA of July 22nd, 2003, is hereby revoked.

The São Paulo Stock Exchange Council Meeting Room

September 02nd, 2003.