São Paulo Stock Exchange and the Brazilian Capital Market
The São Paulo Stock Exchange – BOVESPA – was founded in 1890 and has a long tradition in serving the Brazilian capital market. As a result of the Brazilian capital market restructuring process, which was concluded in 2000, BOVESPA became Brazil’s only stock exchange.

In 2007, after restructuring, BOVESPA was no longer a not-for-profit civil company with a mutual structure wholly owned by its brokerage firms. In October 2007, following the international trend, the exchange concluded the process of demutualization and reorganization of ownership, to go public and have its own shares listed.

As of the reorganization of its ownership, BOVESPA became a subsidiary of BOVESPA Holding Group. BOVESPA Holding is a for-profit public listed company that holds all the capital of BOVESPA and CBLC, which are operational private companies. BOVESPA Holding also holds an interest in BOVESPA Institute, a socio-environmental responsibility institution organized as a non-profit association.

BOVESPA and CBLC hold interests in the equity of BSM - Bovespa Supervisão de Mercado, whose role is supervising and monitoring markets managed by BOVESPA and CBLC.

BOVESPA manages the stock exchange and organized over-the-counter markets where shares, options, fixed-income bonds, fund-shares and other assets are traded.
REGULATORY FRAMEWORK

Brazil’s National Monetary Council (CMN) and the Securities and Exchange Commission (CVM), are independent federal agencies attached to the Ministry of Finance and regulate the stock market in Brazil.

The Law 6385 of 1976 – also known as the Securities Market Act – set up the CVM with regulatory powers over all stock market participants, services and activities and over stock exchange and organized over-the-counter market management bodies, brokerage firms, public companies and investors. The Law gives CVM the authority to investigate, judge and sanction irregularities in the market.

In 2001, the Law 10303 amended the Law 6385/76 and strengthened the structure of the capital market and the CVM powers, in particular: fixed mandates for members of the Board of Commissioners with a budget more appropriate to perform its functions, and market manipulation and insider trading became criminal offenses under the new legislation.

CAPITAL MARKET MAIN REGULATORY FRAMEWORK

- The Securities Market Act (Law 6385/76 as amended by Law 10303/01) regulates the CVM, Intermediary Agents, Exchanges and any issues involving securities;
- The Corporations Law (Law 6404/76 as amended by the Law 10303/01) regulates publicly traded companies and issuers in the stock market;
- The CVM’s Instruction on functioning of exchanges (CVM Instruction 461/07) governs the structure and functioning of exchanges and states rules for Loss Reimbursement. The CVM Instruction 461/07 replaced the CMN Resolution 2690/00.

BOVESPA

BOVESPA is the largest stock exchange in Latin America and accounts for some 75% of the volume of shares traded in the region, according to statistics from the World Federation of Exchanges (WFE).
100% of trades are now carried out electronically.

EQUITIES AND DERIVATIVES

In 1997, BOVESPA introduced the electronic trading system called MEGA BOLSA. This system, also known as NSC, was licensed from Atos, which is part of the Euronext group (formerly the Paris Bourse), and is used by over 20 stock and derivatives exchanges all over the world.

On average, orders entered into MEGA BOLSA are executed and confirmed in less than half a second, respecting priority in terms of price and time.

- Fully electronic trading environment
- Order driven trading system
- Average response time less than half a second

MAIN TYPES OF ORDERS

MARKET ORDER Investors specify only the amount and characteristics of the securities or rights they wish to buy or sell. The broker must fulfill the order in the moment it is received.

MANAGED ORDER Investors specify only the amount and characteristics of the securities or rights they wish to buy or sell. Fulfilling the order will depend on the judgment of the broker.

DISCRETIONARY ORDER An equity and bonds portfolio manager or a representative of more than one client sets the conditions under which the order will be fulfilled. Once fulfilled, the broker will indicate:

- the name of the investor (or investors)
- the amount of securities to be attributed to each of them
- the respective prices

LIMIT ORDER The transaction will only be executed at a price equal to or better than the one specified by the investor.

MATCHED ORDER An investor requests the sale of one security or right to acquire another, and stipulates which transaction is to be executed first. The transaction will only be settled if both orders are fulfilled.

FINANCING ORDER The investor requests the purchase or sale of a security or a right on a certain market and the simultaneous sale or purchase of the same security or right on the same or another, with a different settlement date.

STOP ORDER The investor specifies the minimum price at which the purchase or sale order of the security or right is to be executed.
INVESTOR ACCESS

To trade on BOVESPA investors must choose a brokerage firm authorized to trade on its markets. The services offered and alternatives for accessing the market will differ depending on the each broker’s profile. A full list of brokers and their services are available at the website www.bovespa.com.br/english, at the Brokers section.

In recent years, BOVESPA has been developing stock market access alternatives for retail and institutional investors. Home Broker was launched in 1999 as an Internet trading environment developed for individual investors (retail) to access the stock and options market. Home Broker enables investors to send orders to MEGA BOLSA for immediate or programmed execution using their broker’s website. In addition, the brokerage firm provides the clients with web pages to access their portfolio positions, share quotations, market reports, and other services.

For institutional investors, brokers offer automated institutional connections enabling their clients to have their own MEGA BOLSA terminal. As it is the case for trades through Home Broker, institutional investors’ orders go through their brokers, who determine the operational limits for each investor and then pass them to BOVESPA’s order book.

BOVESPA runs the secure connection between the brokers’ sites and MEGA BOLSA. Brokers develop, in their websites, the facilities they wish to offer to their retail or institutional clients. Investors with access to Home Broker or using the automated connection may follow offers in real time.
AFTER-MARKET

In order to facilitate investors’ access to the market, since 1999 trading hours were extended and include a night session, called the After-Market, trading from 5:30pm to 7pm (during Daylight Saving Time, from 6:30pm to 7:30pm).

The After-Market trades are in the cash market only and trading volumes are subject to limits based on the liquidity of the stock. There are restrictions on price fluctuations of 2% (above or below) of the closing prices for the regular session. Prices of trades made during the night session do not affect calculations of BOVESPA’s indices or the following trading day opening prices.

MARKET MAKERS

Some assets traded on BOVESPA rely on market makers to ensure liquidity.

New rules for Market Makers were introduced in 2003. The Market Maker’s role is to promote the liquidity of a certain asset.

Market Makers may be brokers, securities dealers, or banks (multiple banks or investment banks) and, by becoming accredited for this role, they assume the duty of placing firm purchase and sale bids for a predetermined amount of assets known to everybody.

By registering offers, the Market Maker provides a reference price for trading in the assets and boosts their liquidity, allowing investors to leave their positions when they wish to do so.

EXTERNAL CONTINGENCY UNIT

BOVESPA and CBLC have an External Contingency Unit providing a backup site to the market. In the event of a disaster, the exchange can guarantee up to 24 hours trading and system continuity.

The backup site complies with international security standards and has a backup platform for trading, a back-office processing support, and administrative and executive functions.

All data relating to trades executed on the Exchange is recorded and disseminated in real time at the operational centers and the backup site, located and functioning on separate telecommunications and electric power grids of the main office building.

BOVESPA’S MARKETS AND PRODUCTS

At BOVESPA shares issued by Brazilian companies (cash market) are traded, as well as their derivatives (options, forward and futures markets) and certificates of shares of foreign companies.

- Cash Market
- Options Market
- Forward Market
- Single-Stock Futures Market
- Fixed-Income Market
- Organized Over-The-Counter Market
SEcurities Traded On Bovespa

Securities eligible for trading on BOVESPA’s electronic systems are listed below in alphabetical order:

- Additional Potential Construction Certificates (CEPAC)
- Audiovisual Investment Certificates
- Brazilian Depository Receipts (BDR)
- Credit Receivables Investment Fund Shares (FIDC)
- Debentures
- Debenture Forward
- Exchange Traded Funds (ETF)
- Investment Fund Shares in FIDC - FIC/FIDC11 Shares
- Non-standardized Options – Warrants
- Options on Indices
- Options on Stocks
- Promissory Notes
- Real Estate Investment Fund Shares (FII)
- Real Estate Receivable Certificates (CRI)
- Single-Stock Futures
- Shares
- Share Deposit Certificates
- Stock Forward
- Subscription Rights and Receipts
- Subscription Warrants

For more details of securities available for trading, access the Market link in the website www.bovespa.com.br/english.

EQUITIES

Shares are negotiable nominative securities, representing a fraction in the capital stock of a certain company. In Brazil, the Corporations Law allows companies to issue two types of shares:

- Ordinary or Common Shares (ON) with voting rights at the company’s shareholder meetings;
- Preferred Shares (PN) offer preference for receipt of earnings or reimbursement of capital in the event of the company being liquidated. However, preferred shares do not grant voting rights or restrict them.

Preferred shares may be subdivided into types A, B, C or another letter appearing after “PN”. The characteristics of each type are stated by the issuer company in its bylaws and, therefore, vary from one company to another, so no general definition may be given.

Options Market

The options market on stocks and BOVESPA indices is quite substantial. The International Options Market Association’s (IOMA) Derivatives Market Survey of 2006 rated BOVESPA the world’s third largest market for options on stocks in terms of number of contracts and traded value. A retrospective of recent years shows that BOVESPA has consistently been one of the top five markets for trading options on equities.

At BOVESPA, call options follow the American model, meaning that they can be exercised at any time until the expiration date, while put options follow the European model, and may only be exercised on the expiration date.

Expire dates of stock option contracts always take place on the third Monday of each month, whereas the indices options expire every month, on the Wednesday closest to the 15th day.
FORWARD MARKET
The forward market provides a chance to buy or sell a certain number of shares at a fixed price for delivery within a defined period (from 12 to 999 days as of the trading date). Settlement may be made by the expiration of the contract.

BOVESPA also offers forward contracts in points. This product allows the seller to trade its position in the secondary market without affecting the terms agreed in the original contract. There is also the flexible option contract, under which the buyer may replace the shares underlying a forward contract by selling shares bought in the same market and using the proceeds to buy shares in other companies in the cash market.

SINGLE-STOCK FUTURES MARKET
An operation in BOVESPA’s single-stock futures market comprises the purchase or sale of listed shares, at a price agreed between the parts, for settlement on a specific and previously authorized future date.

Usually, the price of a future contract on a certain share is expected to be equivalent to the cash price plus a fraction corresponding to the expected interest rate between the time of trading the single-stock future contract and the contract’s settlement date.

The single-stock future market complements other types of derivatives traded on BOVESPA by enabling investors to implement strategies combining different markets.

FIXED-INCOME MARKETS

BOVESPA FIX
BOVESPA Fix is the integrated platform environment for the trading, custody and settlement of corporate bonds. It provides market participants and investors with a regulated and all-electronic environment for trading fixed-income instruments.

The system, designed to allow investors to trade debentures, commercial papers and mortgage-backed securities, among others, provides total transparency since its offers and prices are disseminated to the whole market on a real-time basis. This contributes to enhance price discovery and the “mark-to-market” of institutional investors’ portfolios. Additionally, the BOVESPA Fix trades are settled by CBLC, following the DVP procedures in T+0 or T+1 settlement cycles.

Full details of assets available for trading on BOVESPA Fix may be obtained at the website www.bovespafix.com.br (Portuguese only)

SOMA FIX
SOMA Fix is the fixed-income securities trading platform in the organized over-the-counter market managed by BOVESPA.

EXCHANGE TRADED FUND (ETF)
The first ETF in the Brazilian market was launched by the Brazilian Development Bank (BNDES) in 2004 and is known as the BOVESPA Brazil Stock Index (PIBB). The aim of this equity investment fund is to track the performance of the Brazil Index 50 (IBrX 50), one of the main benchmark indices of the Brazilian stock market. This ETF is traded under the ticker PIBB11.
The Protected and Participative Investment (POP), was introduced in February 2007 as a structured equity product traded on BOVESPA for investors who wish to obtain protection for their investments on the stock exchange.

POP provides protection against losses (depreciation) of investments in shares; in exchange for this protection, investors give up a certain percentage of the potential gains of this investment. In essence, the POP is a combination of three instruments: a share (cash market) and its corresponding call and put options (options market).

When buying the product, investors define the level of protection desired by choosing which series to invest in. For example, choosing a series with a percentage participation of 80%, it would work as follows:

a) if the share price falls, the investor receives the total amount of the protected capital or;

b) if the share price rises, the investor gives up 20% of the resulting gains.

Although the POP combines these three instruments, a single order or instruction is all that is needed to buy or sell it in the market. In addition to protecting all the capital invested, the POP series alternatively foresee the investor participation of either 70% or 80% of gains. In this latter case, the investor retains a larger portion of the gains from a rising share price. Note that the amount of the protected capital selected by the investor may be less than the amount paid for the POP.

For more information on this product, including a simulation, visit www.bovespa.com.br/pop
INDICES

INDICES - MAIN BENCHMARKS

BOVESPA develops and calculates several indices measuring the behavior of the stock market in Brazil. The BOVESPA Index - IBOVESPA - has the longest history and was initially compiled in 1968.

The shares in IBOVESPA’s theoretical portfolio account for 80% of the number of trades and financial volume in BOVESPA’s cash market (round lot). Weightings of stocks in IBOVESPA depend on their liquidity.

IBrX-50 and IBrX are composed respectively by the 50 and 100 most traded shares on BOVESPA’s cash market, and their weightings in the indices reflect the market value of the shares in circulation.

Portfolios are reviewed every four months, taking the track record of the 12 previous months, for the periods January to April, May to August, and September to December. As a result, stocks may be included in these indices, or excluded from them.

The ITEL, IEE, and INDX Sector Indices reflect the performance of the telecommunications, electric, and industrial sectors respectively.

The Corporate Sustainability Index (ISE) portfolio is reviewed every 12 months, when companies are asked to respond to a business sustainability questionnaire. The Special Corporate Governance Stock Index (IGC) is altered whenever a company adheres to one of the three special corporate governance levels. The Special Tag Along Stock Index (ITAG) portfolio is modified as companies include better conditions for minority shareholders in their statutory provisions for cases involving the sale of controlling interests - better than the ones required by law.

The current composition of the indices, statistics and additional information may be found at the website www.bovespa.com.br/english, in the section MARKET > Indices.
# BOVESPA’S INDICES

<table>
<thead>
<tr>
<th>Index</th>
<th>Classification</th>
<th>Based on</th>
<th>Main Characteristic</th>
<th>Composition / Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBOVESPA</td>
<td>Broad Index</td>
<td>01/02/1968</td>
<td>Shares accounting for 80% of traded volume</td>
<td>Shares accounting for 80% of the number of trades and financial volume traded in the cash market (round lot)</td>
</tr>
<tr>
<td>IBrX-100</td>
<td>Broad Index</td>
<td>12/28/1995</td>
<td>Top 100 most traded shares in the cash market</td>
<td>Top 100 shares most traded in terms of number of trades and financial volume, in the cash market, weighted in accordance with the number of shares in circulation (free float)</td>
</tr>
<tr>
<td>IBrX-50</td>
<td>Broad Index</td>
<td>12/30/1997</td>
<td>Top 50 most traded shares in the cash market</td>
<td>Top 50 shares most traded in terms of number of trades and financial volume, in the cash market, weighted in accordance with the number of shares in circulation (free float)</td>
</tr>
<tr>
<td>IVBX-2</td>
<td>Segment Index</td>
<td>12/30/1999</td>
<td>50 second-tier companies</td>
<td>50 shares ranked in decreasing order of liquidity (starting from the 11th), measured by their tradability over the last 12 months</td>
</tr>
<tr>
<td>IEE</td>
<td>Sector Index</td>
<td>12/29/1994</td>
<td>Electrical power sector shares</td>
<td>All exchange listed shares of the electrical power sector companies</td>
</tr>
<tr>
<td>ITEL</td>
<td>Sector Index</td>
<td>12/30/1999</td>
<td>Telecommunications sector shares</td>
<td>All exchange listed shares of the telecommunications companies</td>
</tr>
<tr>
<td>IGC</td>
<td>Segment Index</td>
<td>06/25/2001</td>
<td>Shares issued by companies voluntarily adopting special corporate governance practices</td>
<td>Shares in all companies that adhered to Novo Mercado, Level 1 or 2, with weighting in accordance with the Corporate Governance commitment. Novo Mercado companies stocks have weight 2, Level 2s have weight 1.5 and Level 1s have weight 1</td>
</tr>
<tr>
<td>ITAG</td>
<td>Segment Index</td>
<td>12/30/2002</td>
<td>Shares of companies that in the event of sale of control, provide better conditions for minority shareholders than required by law</td>
<td>All the shares of companies that offer special tag along rights (spreading control premium) and which were traded at least in 30% of the trading sessions over the last 12 months, weighted depending on the number of shares in circulation (free float)</td>
</tr>
<tr>
<td>ISE</td>
<td>Segment Index</td>
<td>12/01/2005</td>
<td>Approximately 40 shares issued by companies highly committed to business sustainability and social responsibility</td>
<td>Shares of companies most committed to business sustainability and socio-environmental responsibility, as selected by BOVESPA on the basis of a questionnaire filled out yearly by companies</td>
</tr>
<tr>
<td>INDX</td>
<td>Sector Index</td>
<td>07/03/2006</td>
<td>Industrial sector shares</td>
<td>Shares of industrial sector companies among the 150 top ranked for negotiability index, weighed according to their free floats</td>
</tr>
</tbody>
</table>
CORPORATE GOVERNANCE

NOVO MERCADO, LEVEL 2 AND LEVEL 1
CORPORATE GOVERNANCE LISTING SEGMENTS

In 2000, prior to the corporate scandals that occurred in several countries, BOVESPA realized that there was a need for listing segments with strict corporate governance rules in order to attract new investors and new companies and develop the Brazilian capital market. This finding led to the introduction of the Novo Mercado.

The corporate governance rules of Novo Mercado go beyond obligations established by the Corporations Law and aim to reduce investor risk and improve companies’ valuations. Risk perception may be minimized due to the rights and guarantees assured to shareholders, and full disclosure reduces asymmetrical access to information for controlling shareholders, company managers, and market participants.

Adhesion to the segments is voluntary, but to adhere to the special listing segments, companies must sign a contract with BOVESPA.

HIGH CORPORATE GOVERNANCE STANDARDS

Companies listed on the Novo Mercado may only issue shares with voting rights, known as ordinary or common shares. Going through changes of such magnitude in the capital structure has been easier for companies now going public than for those already listed on BOVESPA.

In order to ensure that all companies are able to take steps towards greater commitment to best practices in corporate governance, BOVESPA has also created two intermediate levels of corporate governance: Level 1 and Level 2.

NOVO MERCADO
RULES RELATED TO GOVERNANCE STRUCTURE AND SHAREHOLDER RIGHTS

Some of the highlights among these rules are the requirement for capital to be composed exclusively of common or ordinary shares with voting rights; in the case of sale of a controlling interest, all shareholders are entitled to sell their shares at the same price (100% tag along); in the event of delisting or cancellation of a company’s Novo Mercado contract with BOVESPA, it must make a public offer to buy back shares from all shareholders for at least their economic value; the Board of Directors must comprise at least five members, 20% of them must be independent members and the maximum mandate must be two years.

The company is also committed to keeping at least 25% of shares as free float.

TRANSPARENCY RULES

Disclosing more comprehensive financial data, including quarterly reports with cash flow statements and consolidated reports reviewed by an independent auditor, are some of the requirements. The company should also provide annual financial reports based on an internationally accepted
standard (US GAAP or IFRS). Another requirement refers to the need for monthly disclosure of trading of company stocks by its directors, executive officers, and controlling shareholders.

ENFORCEMENT

BOVESPA assumes the task of supervising and enforcing the standards and rules stipulated in the Listing Regulation and Special Corporate Governance Levels.

If any rule is broken, sanctions will be imposed on those responsible for the corresponding obligation. There are fines stipulated for officers, company, and controllers. As a last resort, there is the possibility of delisting the company and in this case, the latter would be forced to make a public offer to all shareholders at economic value.

MARKET ARBITRATION PANEL (CAM)

In 2001, BOVESPA introduced the Market Arbitration Panel (CAM), so that companies, officers, minority shareholders, controlling shareholders and BOVESPA have means of solving disputes quickly, using the services of specialists in corporate matters and conflict resolution techniques as alternatives to going to court.

The Market Arbitration Panel’s scope is limited to issues related to the Corporation Law, capital market regulations, and the listing rules. Under the Arbitration Law, the panel’s final sentence may not be appealed into the judicial system. Its decisions are forwarded to the judiciary power for enforcement only.

The panel has numerous advantages, such as speed and lower costs, and the issues involved in a dispute remain confidential.

The bylaws of Novo Mercado and Level 2 listed companies must include a stipulation on using the panel to settle any disputes or controversies that may arise in relation to the capital market. The aim of this requirement is to ensure the effectiveness of the rules.

LEVEL 2

Level 2 requires companies to accept and fulfill all obligations stipulated in the Novo Mercado regulations with few exceptions.

Level 2 listed companies are entitled to maintain preferred shares. In the event of selling the controlling interest in the company, preferred shareholders are assured tag along rights for at least 80% of the price paid for the controlling shareholder’s common or ordinary shares. The preferred shares are also entitled to vote in certain critical situations, such as approval of a company’s merger and acquisition deals or contracts between the controlling shareholder and the company, whenever those decisions are subject to approval by the Shareholders General Meeting.

LEVEL 1

Level 1 requires companies to adopt practices favoring transparency and access to information for investors. This means they must disclose additional information to the legally required items, as stated in the Novo Mercado rules, such as more comprehensive financial reports, details of trading by officers, executives or controlling shareholders and deals.
involving related parties. Listed companies in this segment must also maintain a free float of at least 25%. As of 2002, BOVESPA tightened its listing rules to require any new listing involving a public offering of shares or bonds convertible to shares to be registered on BOVESPA Level 1, at least.

**THE RELEVANCE OF THE SPECIAL CORPORATE GOVERNANCE LISTING SEGMENTS**

As of 2004, with the Brazilian economy picking up speed, several companies decided to go public, make offerings, and list their stock on BOVESPA. The history of offerings and listing in the new special corporate governance segments established by BOVESPA points to a process of cultural change and consolidation of the Novo Mercado. The Brazilian market has clearly defined a new standard - the only model for new listings accepted by investors is the Novo Mercado - with the exception of very specific cases of companies listed on Level 2 or Level 1. The latter two are mainly for companies listed prior to the introduction of BOVESPA’s special governance levels.

By the end of 2007, more than 150 companies were listed in BOVESPA’s Special Corporate Governance Levels. For details of these companies, visit [www.bovespa.com.br/english, section COMPANIES > Investors > Listed Companies](http://www.bovespa.com.br/english, section COMPANIES > Investors > Listed Companies).

After the release of the special corporate governance listing segments in December 2000, BOVESPA developed its Special Corporate Governance Stock Index (IGC). The index covers all companies traded in the special corporate governance segments so that investors can monitor the performance of

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**Novo Mercado, Level 1 and Level 2 segments annual participation in BOVESPA’s market capitalization**

<table>
<thead>
<tr>
<th>Year</th>
<th>Level 1</th>
<th>Level 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>16%</td>
<td>24%</td>
</tr>
<tr>
<td>2002</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>2003</td>
<td>46%</td>
<td>35%</td>
</tr>
<tr>
<td>2004</td>
<td>54%</td>
<td>48%</td>
</tr>
<tr>
<td>2005</td>
<td>57%</td>
<td>53%</td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**Novo Mercado, Level 1 and Level 2 segments annual participation in BOVESPA’s total volume**

<table>
<thead>
<tr>
<th>Year</th>
<th>Level 1</th>
<th>Level 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td>2002</td>
<td>35%</td>
<td>39%</td>
</tr>
<tr>
<td>2003</td>
<td>39%</td>
<td>48%</td>
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<tr>
<td>2004</td>
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<td>2005</td>
<td>53%</td>
<td>53%</td>
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<tr>
<td>2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
this group of companies. Whenever a company adheres to Novo Mercado or Levels 1 or 2 listing regulations, its shares are included in the theoretical portfolio of the index.

On July 1, 2005, BOVESPA introduced the Special Tag Along Stock Index (ITAG) comprising shares in companies that voluntarily guarantee their shareholders tag along rights beyond those legally required.

**BOVESPA MAIS**

**GRADUAL ACCESS TO BRAZILIAN CAPITAL MARKETS**

In February 2008 BOVESPA MAIS was launched as a listing segment of the organized over-the-counter market managed by BOVESPA. This segment was created to make the Brazilian stock market more accessible to a greater number of companies, especially those willing to gradually access the market.

Therefore, small and medium business companies are the main target, since they considered the Brazilian stock market as an important capital raising alternative. Also, these are the companies whose intention is to adopt distinctive listing strategies, such as lower volume offerings, increased market visibility in order to add value to their shares and more concentrated offerings. Companies listed on BOVESPA MAIS tend to attract the interest of investors looking for medium-term and long-term returns, when compared to companies listed on the main market.

The listing rules of BOVESPA MAIS are similar to those of Novo Mercado. Likewise, companies listed on it are committed to implementing good practices of corporate governance and transparency through the signature of a contract with BOVESPA.

For further information about BOVESPA MAIS, such as listing requirements and trading rules, access the website [www.bovespa.com.br/english](http://www.bovespa.com.br/english), section Companies > Corporate Governance > BOVESPA MAIS
BOVESPA plays an active role in several discussion forums and international associations:

**World Federation of Exchanges (WFE)** - member of its Board of Directors and Working Committee;

**The Ibero-American Federation of Exchanges (FIAB)** - BOVESPA chaired the organization until September 2007, and is currently on the Executive Committee while chairing the Working Committee;

**The International Organization of Securities Commissions (IOSCO)** - BOVESPA is on its Self-Regulatory Organizations Consultative Committee.

The principles and recommendations of the federations and associations, such as WFE and IOSCO’s market principles, are fully adopted and followed by BOVESPA, its Bylaws and Regulations, and by its Board.

BOVESPA is a member of the **Association of National Numbering Agencies (ANNA)**. Since 1995, it has been Brazil’s numbering agency - the only institution authorized to attribute International Securities Identification Numbers (ISINs) for securities in Brazil.

BOVESPA is actively engaged in the leadership of international discussions on best practices for Corporate Governance, as well as in forums organized by the **OECD (Organization for Economic Cooperation and Development)**, the **IFC (International Finance Corporation)** and the **World Bank**.
HISTORICAL SERIES - QUOTATIONS
Aimed at a wide range of users including fund administrators, investment analysis companies and institutional investors, BOVESPA keeps Historical Series of Quotations to quickly and efficiently provide a wide range of information on Exchange traded securities from a database going back to 1986.

WEBSITE
WWW.BOVESPA.COM.BR/ENGLISH
BOVESPA is one of the main sources of information on the Brazilian capital market. In addition to publications and guides for local and foreign investors, its website contains information on products and services, such as:

Market Information - the site offers historical series for trading, indices, investor participation, market capitalization, as well as market legislation and regulation, reports and other statistics;

Listed Companies - the site holds data for companies listed on the exchange, including financial and corporate data;

Brokers - the site contains a list of brokers dealing on BOVESPA with details of the services they provide;

Daily trading summary - the site offers a daily summary of trading for all listed companies, including price, volume traded, number of trades, participation in BOVESPA indices and total trading value. Data are supplied for the previous month and the year-to-date;

General information - the site contains detailed information on aspects such as BOVESPA’s organizational structure, governance, financial reports, products, its stock-market educational campaign, its corporate citizenship achievements, among others.
PROGRAMS FOR VISITORS

BOVESPA, in São Paulo and its regional units in Curitiba, Fortaleza, Recife, Porto Alegre, and Rio de Janeiro run a special Visitor Program for groups of investors and students, foreigners and Brazilians. It includes a presentation in Portuguese or English explaining BOVESPA's main features, its markets, trading systems, projects, indices and statistics. Visits may be scheduled through the website or by email (visite@bovespa.com.br).

PUBLICATIONS

BOVESPA publishes and distributes a series of guides, manuals and brochures on the stock market - some available in English and Spanish too - with the aim of helping the public to understand BOVESPA's activities; they are available on the website through the link BOVESPA > Publications.

REVISTA BOVESPA
(BOVESPA MAGAZINE)

Published quarterly and distributed in Brazil and internationally, Revista BOVESPA carries articles, news, analyses and interviews on subjects related to stock and financial markets and the Brazilian and international economies.

VIRTUAL LECTURES

BOVESPA’s website has English and Spanish versions, and there are several video presentations on issues of interest to investors. These presentations may be found in the section BOVESPA > How to Invest > Webcasting.

DAILY NEWS BULLETIN (BDI)

Everyday the Daily News Bulletin (BDI) provides full data for the latest trading session. It is also available at the website www.bovespa.com.br (only in Portuguese).

PRESS OFFICE AND PRESS ROOM

BOVESPA has a department handling contacts with the press. Brazilian or foreign registered journalists are given access to real time data on the performance of indices, volume traded, and shares most actively traded through a dedicated phone line. For more details, or to register, call (55 11) 3233-2025.

Additionally, BOVESPA offers its Press Room on the mezzanine of its main building, where journalists may use a full infrastructure for editing news and personally track market indices as they evolve in real time.

BOVESPA NEWS

BOVESPA News is an email information service for foreigners published in English and Spanish, and it covers the main developments in the Brazilian capital market. If you would like to receive it, just access the website and register free of charge on BOVESPA's page in English/Spanish. All previous editions are available for consultation through the archive link on the same page.

Access:
www.bovespa.com.br/bovespanews
EDUCATING THE PUBLIC

ENLARGING THE INVESTOR BASE
BY EDUCATING THE PUBLIC

In 2001, BOVESPA initiated a campaign focused on educating the Brazilian public in relation to the main concepts and principles of the stock market. The campaign, which is called BOVESPA Where You Are (“BOVESPA VAI ATÉ VOCÊ”), takes the capital market closer to civil society, showing people that investment in shares is accessible for the general public. With a simple and direct language, BOVESPA goes anywhere a large number of people is to present the stock market, its concepts and its importance for the economic chain. Our main challenge is to make the stock market more popular and show people why the stock exchange is at the heart of a country’s economy and how they can become part of the chain of economic growth.

As part of this project, a number of initiatives have been developed such as “BOVESPA at the Beach”, “BOVESPA at the Factory/Company”, “BOVESPA at the University”, “BOVESPA at the Subway Stations”, “BOVESPA at the Airport”, “BOVESPA at the Country Club”, “BOVESPA at the Judiciary”. For these events, BOVESPA innovated by creating a “Bov-car”, a mobile stand mounted on a van, where individuals interested in the capital market are assisted by promoters, or technicians trained to explain how the market works. Videos, CD-ROMs, manuals and brochures, all educational and using simple language, have been especially developed by BOVESPA to assist in this work.

ESPAÇO BOVESPA

In September 2006, Espaço BOVESPA (Bovespa Space) was established in the area where the old outcry sessions used to be held, and has already welcomed over 180,000 people. Visitors may obtain information on the stock market, contact brokers, and watch a 3D institutional video. Espaço BOVESPA is open to the public from 10am to 5pm everyday, except for Sundays.
THE STOCK MARKET AS AN ALTERNATIVE FOR LONG-TERM ASSET GROWTH

Since starting its outreach program, BOVESPA has had the opportunity to respond to questions about how to invest in shares for over 400,000 people. A key pit is that our campaign has reached over 4,300 institutions, including universities, airports, subway stations, and dozens of sporting clubs all over Brazil. Since August 2002, some 2,000 new investment clubs have been founded, and more than 80,000 people contacted BOVESPA through its service channels.

EDUCATIONAL PROGRAM

BOVESPA runs an Educational Program focused on assisting students of public and private schools to provide information on the capital market and its importance for the country. It also explains basic concepts of economics and finance. Through this program, students and teachers at several educational institutions, from elementary school to university, have now had an opportunity to visit BOVESPA or attend lectures on their own premises.
The Brazilian Clearing and Depository Corporation (CBLC) performs the depository, clearing house, settlement, central counterpart and risk management services for the Brazilian capital market and its participants. Since 2007, it has been a wholly owned subsidiary of BOVESPA Holding.

CBLC acts as Central Counterpart and provides settlement services for shares (in the cash and derivatives markets), corporate fixed-income securities, and loans of shares. Trades in stocks are paid at net value (multilateral netting). This means that net positions are calculated over all instruments and markets, and settled in local currency when CBLC directly accesses the Central Bank’s Reserve Transfer System (STR). Real-time gross settlement functionality is also available for special transactions such as public offerings.

All assets under custody at CBLC are dematerialized and kept in the form of electronic records. CBLC has a transparent system for asset management that allows a perfect identification of final beneficiaries. CBLC also centralizes all corporate payments, providing daily information for market participants and issuers. Reconciliation with issuers and registrars is made daily.

CBLC has an active and important international presence, and fully adheres to BIS, G-30, CPSS-IOSCO and ISSA recommendations on settlement and compensation. CBLC is a founder member of ACSDA, as chair from 2001 to 2003, and is currently a member of its Executive Committee. CBLC is also CCP-12’S Group current president and a member of ISSA. Additionally, CBLC was one of the members of the Brazilian delegation to the Hague Convention and is currently a member of the UNIDROIT convention.

The regulatory environment provides a sound legal base for irrevocable and final settlement, multilateral compensation and guarantees on securities deposited as collateral (Law 10214/01, Central Bank Circular 3057/01 and CBLC’s Rules and Procedures). The regulations (Law 6404/76, CVM’s Rules and CBLC’s Rules and Procedures) recognize asset fungibility, fiduciary property, dematerialization, and segregation of accounts, which ensures the integrity of all processes adopted by CBLC.

CBLC rules are approved by the CVM and the Central Bank of Brazil, and may be accessed at www.cblc.com.br

CBLC provides services as depository, clearing house, settlement, central counterpart, risk management, and asset lending.

- Central Securities Depository (CSD)
- Central Counterpart (CCP)
- Securities Settlement System (SSS)
- Risk Management
- Securities Lending

All assets under custody at CBLC are fully dematerialized in the form of electronic book-entries and identified by ISIN code numbers. CBLC has a system for maintaining segregated accounts that enables the custody in the name of the final beneficiary. This system enables CBLC to provide information directly to holders of assets. In addition to reports sent to investors every month, they may also check...
their positions through the Investor's Electronic Channel (CEI), a service available on the Internet.

CBLC has an operational arrangement with BOVESPA to receive all corporate information in real time (all issuer companies must disclose information to BOVESPA). CBLC manages services that include corporate information, processing and payment in local currency, transfers of securities and reconciliation of positions with participants and issuer companies. CBLC also issues proxy-voting reports to members upon request.


CBLC also manages the Tesouro Direto (Direct Treasury), a product of Brazil’s National Treasury, which enables individual investors to trade government debt bonds over the Internet. For more details, visit http://www.tesouro.fazenda.gov.br/tesouro_direto/.

SETTLEMENT SERVICES

BOVESPA's trading systems are integrated with CBLC’s system, so the latter automatically receive trades executed and becomes the central counterparty for all trades in real time. Trades require additional information for settlement procedures which include the final beneficiary’s identification and information on the custodian for delivering the assets.

The introduction of the new Brazilian Payments System in April 2002 enabled CBLC to settle in bank reserve money. CBLC adopted the Delivery Versus Payment, or DVP model 3, in which delivery of assets to the buyer takes place simultaneously with payment to the seller, calculating a single net position to each investor. The settlement cycle is T+3 (three days) for shares, T+1 (one day) for derivatives and depending on the participant’s choice, T+0 or T+1 (on the day or within one day) for fixed income markets. CBLC also provides real-time gross settlement for special transactions such as primary or secondary distributions.

RISK MANAGEMENT SERVICES

In order to guarantee the settlement of all trades CBLC has several layers of protection. In an event of a payment failure CBLC adopts a hybrid loss-sharing model combining collateralization (defaulters pay) and mutualization (survivors pay). Based on collateral previously posted, CBLC risk management system calculates operational limits to its clearing agents. The operational limits are monitored in real-time and all collateral posted is marked-to-market on a daily basis.

Intraday collateral deposits and updates of limits are allowed. CBLC systems calculate the collateral that must be posted based on historical scenarios. Each clearing agent must also make a contribution to the mutualized settlement fund proportional to its individual contribution to the overall risk. The Settlement Fund is calculated submitting the whole portfolio to several stress scenarios. CBLC accepts securities traded in the international markets as collateral that can be transferred to CBLC’s collateral accounts held at the Depository Trust Company & Clearing Corporation (DTCC) or Euroclear.

A differential feature in the Brazilian market is the segregation of collateral accounts. The risk and the collateral in the derivatives market and in the securities lending program are segregated and controlled at the final investor level. In case of a default by the Clearing Agent and/or Brokerage House, the positions and respective collateral of the non-defaulting investors are transferred to a non-defaulting Clearing Agent and/or Brokerage House. CBLC run back tests in order to verify the risk management systems’ accuracy and monthly submits its overall risk exposure to the Board.

For more details of risk management processes, visit www.cblc.com.br, section Risk Management > What it is.
CBLC administers the Securities Lending Program (BTC), and acts as central counterpart for its transactions. Participants that borrow assets (“borrowers”) and “lenders” choose from offers available in the system and register security-lending transactions corresponding to the offers which attend to their needs.

In order to increase efficiency and reduce delivery failures in the settlement process, CBLC also uses the securities lending service to open a position on behalf of the defaulting party and ensure the delivery of assets. If securities are not available through this mechanism, the repurchasing procedure is initiated.

In 2006, CBLC launched RADAR, a new tool for managing corporate event information. RADAR supplies real-time data to CBLC participants, with all details of corporate events supplied by issuer companies, from announcement to payment, through the entire lifecycle of the corporate event. RADAR also enables participants to run simulations for their clients based on a specific asset, a certain date or period of time, as well as different types of corporate events, and monitoring subscription periods. RADAR can be easily integrated with participants’ proprietary systems or by XML messaging.
DDA - ASSET DISTRIBUTION SYSTEM

CBLC introduced a new system to manage public offerings in the primary and secondary markets. The Asset Distribution System (DDA) allows participants to check their clients’ offers and provide a real-time status report for the lead coordinator. The system also enables participants to reconcile clients’ offers, simulate offering scenarios at different prices, and access offering-status reports. CBLC also manages parameters for public offerings, centralizes investors’ reserve requests, and monitors the whole offering. In addition, DDA is totally integrated with CBLC’s gross settlement system.

CBLC is the only Brazilian CSD for the equity market and is the only Brazilian CCP for equities, derivatives on equities and corporate bonds markets.
BSM is a non-profit civil association owned in equal parts by BOVESPA and CBLC. BSM started its activities on October 1, 2007, and is a functional and financially autonomous organization with a high degree of independence, its own specialized human resources, infrastructure and budget.

It was created with the aim of analyzing, supervising and inspecting the market independently. In addition it is responsible for the management of the Loss Reimbursement Mechanism (MRP), formerly the Guarantee Fund, which was set up to reimburse investors for losses caused by fraud, bad execution of orders, or other causes. MRP funds come from brokers, and all investors may access the funds claiming directly to BSM.

BSM’s Board of Directors comprises three independent members, one of them being the Organization’s Director for Self-Regulatory Affairs. All members of the Board are elected by the general meeting for a three-year mandate.

Its Board is responsible for approving its own regulatory and operational rules, supervising the administration of the Director for Self-Regulatory Affairs and the main executive officers, and electing and removing the members of the Self-Regulation Committee, a body organized and maintained by BSM.

BSM’s Self-Regulation Committee (CSB) is composed of eleven members, of whom eight are independent and the remaining three are appointed by the market participants of BVSP, CBLC and the issuers listed on BVSP, respectively. All the Committee’s members have a three-year mandate, allowed the reelection (however, in the first election, half of the independents have a two-year mandate).

Among the main duties of this Committee are: judging appeals against the penalties applied by the Director of Self-Regulatory Affairs, by BVSP and by CBLC; establishing penalties to BVSP, to CBLC, to the members of the Board and to the Director of Self-Regulatory Affairs, and judging investors’ claims directed to the Loss Reimbursement Mechanism (MRP).

Except for the judgments related to the MRP, the BSM’s Self-Regulation Committee’s decisions are final, thus appeals to the Securities and Exchange Commission (CVM) can not be made.
BOARD OF DIRECTORS

DIRECTOR FOR SELF-REGULATORY AFFAIRS

SELF-REGULATION COMMITTEE

STRUCTURE
BOVESPA plays an active role in the field of socio-environmental responsibility. In June 2003, it created the Environmental & Social Investment Exchange (BVS&A), a pioneering initiative whose objective is to raise funds for educational and environmental projects run by Brazilian non-governmental organizations (NGOs).

BVS&A brings together projects posed by Brazilian NGOs seeking socially responsible financial resources and investors. By creating an appropriate environment for beneficent investment, BVS&A hopes to stimulate philanthropy and improve prospects for children, teenagers, and young adults.

The general public may donate by acquiring a “socio-environmental share”, which is the donation unit for all projects listed on the BVS&A. All resources are deposited in a bank account and passed on to NGOs in full (with no deduction or commission).

The relationship between BVS&A and BOVESPA Holding guarantees credibility, transparency, and final responsibility for all donations, as well as ensures a secure selection process of its listed NGOs through the implementation of each project.

BOVESPA has yearly held a Socio-Environmental Responsibility Day on June 12 since 2004, and on this day fees charged on share purchases are donated to BVS&A projects.

In August 2007, after the restructuring of BOVESPA, BOVESPA Institute was founded to manage BOVESPA’s social and environmental responsibility activities, including BVS&A.

UN RECOGNITION AND ADHESION TO GLOBAL COMPACT

In April 2004, BOVESPA became the first stock exchange to adhere to the United Nations’ Global Compact. It is an initiative of former UN General Secretary Kofi Annan, aimed at promoting socio-environmental responsibility for the international market and other social actors, in order to foster a more sustainable global economy. This engagement shows the growing efforts made by BOVESPA to promote innovative social responsibility programs that may set an example to be followed by Brazilian companies and financial markets as a whole.

UNESCO (United Nations Educational, Scientific and Cultural Organization) adhered to the BVS&A Board and recognized the international importance of BOVESPA’s initiative.
**ADDITIONAL INFORMATION**

**BOVESPA TRADING HOURS**

**Regular Hours**
(April - October normally)
From 10am to 5pm
After-market: 5:30pm to 7pm

**During Daylight Saving Time**
(October - April normally)
From 11am to 6pm
After-market: 6:30pm to 7:30pm

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**FOR ADDITIONAL INFORMATION ABOUT THE MARKET CALENDAR, VISIT WWW.BOVESPA.COM.BR/ENGLISH, SECTION CALENDAR & HOURS**

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**CONTACTS**

**CIB – BOVESPA’s Information Center**
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**BOVESPA HOLDING**

**INVESTOR RELATIONS**
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Fax: (55 51) 3227-4359 / 3226-6996

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Fax: (55 41) 3223-6203

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Fax: (55 85) 4012-8710

**Recife Unit**
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52020-000 - Recife - PE
Phone: (55 81) 3241-8800
Fax: (55 81) 3241-8800

**Market Ombudsman**
Email: ombudsman@bovespa.com.br

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For more details of the Market Ombudsman role, see www.bovespa.com.br/english > BOVESPA > Ombudsman
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