

# ACTIVITIES REPORT 2014



## MISSION

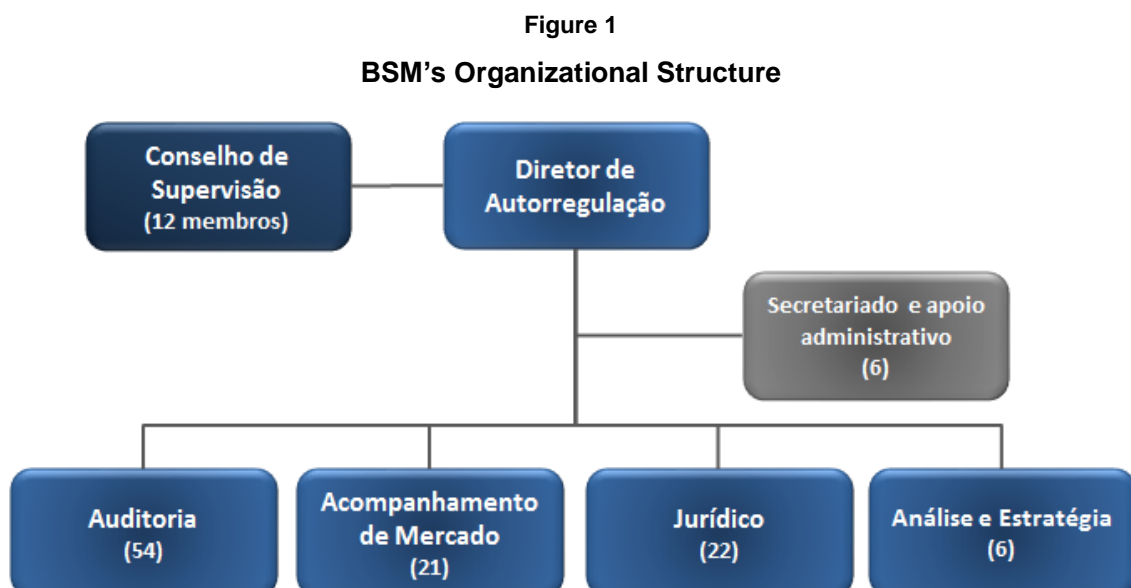
We protect the integrity of the markets managed by BM&FBOVESPA and the investors who trade on them.

## MANDATE

- ✓ Market surveillance to identify any abnormal trading conditions or behavior capable of putting at risk the regular functioning, transparency and credibility of BM&FBOVESPA's markets
- ✓ Inspection and auditing of BM&FBOVESPA's participants to verify compliance with the applicable laws and regulations
- ✓ Oversight of BM&FBOVESPA's activities as an issuer of listed securities and manager of securities markets
- ✓ Conducting disciplinary administrative proceedings to investigate irregularities, and penalizing offenders
- ✓ Managing the Investor Compensation Mechanism (MRP)

## ORGANIZATION CHART

BSM's organizational structure, designed to assure achievement of its objectives, is shown in **Figure 1**.



NB: Numbers in parentheses refer to the number of professionals employed by each department.

## **INTRODUCTION**

The year 2014 was characterized by significant local volatility, mainly due to international economic instability and the presidential election in Brazil.

In this challenging environment BM&FBOVESPA found space to grow. Average daily trading volume in the BOVESPA segment (equities) reached record highs and there was a net positive balance of more than R\$20 billion in trading by foreign investors.

The ongoing debate about the conditions for financing Brazil's development highlights the role of the capital markets as a source of funding for investment, especially long-term investment in infrastructure.

This role is all the more important at a time when governmental funding is diminishing because of much-needed fiscal adjustment, and when banks are lending less because of rising interest rates and growing regulatory restrictions on banking institutions.

Given this contraction in public funds available for investment and in medium- and long-term bank credit, the capital markets are clearly an important source for companies and governments to finance their activities.

For the capital markets to perform this function, it is essential that they remain trustworthy in the eyes of businesses, governments, producers and investors.

The Brazilian capital markets are recognized worldwide for their integrity and quality, and for the sophistication of their infrastructure and regulation.

This is the setting in which BSM carries out its primary mission, which is to maintain the integrity and fairness of BM&FBOVESPA's markets so as to ensure that issuers, investors, players in search of hedging opportunities and all other actors involved in the transactions executed on these markets are treated fairly and offered an appropriate environment for their trading activities.

BSM stands out for the high standards to which it hews in its procedures. These have proved essential in addressing the challenges to regulation from new products and services and technological evolution of the markets.

BSM has kept pace with the growing complexity of financial product offerings and the electronification of trading by investing in technology and personnel training, so that it can perform its market supervision duties properly.

In 2014 BM&FBOVESPA introduced a new market access model with two types of participant: Full Trading Participant (PNP) and Trading Participant (PN).

PNPs are intermediaries that already had access to the Exchange's trading systems, and the requirements applicable to these institutions remain unchanged.

***“These reports [audit reports produced by BSM] are a valuable source of information for assessing the risks posed by intermediaries, and are used as a reference tool [by CVM].”***

(CVM's Semiannual Risk-Based Supervision Report for January-July 2014)

To contribute to national and international regulatory discussions, BSM organized and participated in several forums and events in 2014. In November, for

example, it held a seminar on Enforcement Challenges in Securities Markets, which was attended by experts from several countries, as well as employees of BSM and BM&FBOVESPA. CVM, the Central Bank, ANBIMA, ANCORD and CETIP were also represented at the event.

PNs are intermediaries (brokerage houses, broker-dealers and banks) that do not have direct access to the Exchange's trading systems and will access them through PNPs. This model already existed in practice and was known in the market as “trading on behalf”. The novel aspect of the new access model, which recognizes these institutions as participants in BM&FBOVESPA's markets, is that they must now comply with the basic Guidelines of the PQO (Operational Qualification Program), and submit to BSM's supervision and enforcement. Moreover, their customers will

now be covered by the Investor Compensation Mechanism (MRP).

***“The utilization [by BSM] of these two [market supervision] tools has changed the way in which the self-regulatory organization performs market supervision, while also increasing the efficiency and assertiveness of its supervision of trading.”***

(idem)

In addition, BSM partnered with ANBIMA and CETIP to organize IOSCO's 39th Annual Conference, hosted by CVM on September 28-

Alongside the regulatory enhancements made and the strengthening of its supervision activities, BSM intensified its enforcement actions in respect of market participants, eliminating vulnerabilities and fostering development of a compliance culture.

October 2 in Rio de Janeiro. IOSCO's annual conferences are the most important global meetings on securities market regulation and supervision. This edition had more than 600 participants from 97 different jurisdictions.

In sum, it was a year of hard work and positive achievements. The main results of BSM's activities in carrying out its mandate in 2014 are described in the following pages.

## **AUDITING OF PARTICIPANTS**

BSM is responsible for supervision of BM&FBOVESPA's participants. It discharges this duty by auditing institutions to examine compliance with the applicable laws and regulations.

BSM's auditing activities are summarized below by type of audit, scope and methodology.

### **Pre-Operational Audits**

To be admitted by BM&FBOVESPA as a participant in a given category and hence have access to its markets, an institution must meet a number of operational, technological and financial requirements.

Compliance with these requirements is verified by BSM in pre-operational audits. As shown in **Table 1**, 13 pre-operational audits were performed in 2014.

### **Operational Audits – Trading Participants**

Operational audits appraise BM&FBOVESPA participants' infrastructure and processes, including such items as technology infrastructure, information security, and business continuity plans, as well as "home broker" online trading platforms and procedures for customer registration, order reception, registration and execution, collateral

management, settlement, custody, and risk management. Investment club administration and management are also verified, as are self-employed investment agents linked to participants.

BSM's Operational Audit Program is annual and covers 100% of BM&FBOVESPA's Full Trading Participants (PNPs), intermediaries with direct access to trading systems, although a waiver is possible for participants with high scores in the previous year, in accordance with the new methodology for classifying the results of operational audits implemented in 2013.<sup>1</sup>

In 2014, annual audits were waived for four participants in light of the previous year's operational audit results. The other 65 active participants were audited normally. Field auditing of all these institutions ended on February 2, 2015, and audit reports were issued by March 5, 2015, in accordance with BSM's Work Program for 2014.

As already mentioned, self-employed investment agents linked to participants are inspected as part of the scope of operational audits. These inspections are designed to verify agents' physical and technological structures, as well as their procedures. The number of self-employed agents audited in 2014 totaled 832.

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<sup>1</sup> The complete methodology for classification of the results of operational audits was published in External Communication 002/2013-DP, available from BM&FBOVESPA's website (Rules / Notifications for Market Participants).

## **Operational Audits – Registration Participants**

In addition to managing exchange markets on which securities, commodities and derivatives are traded, BM&FBOVESPA also manages an organized over-the-counter (OTC) market, an environment in which assets, derivatives and transactions are registered for the purposes of disclosure to the authorities.

BSM audits BM&FBOVESPA's Registration Participants, and audited two such institutions in 2014.

### **Indirect audits**

Indirect auditing combines information obtained from a range of sources and treated with statistical software. This activity, considered a complement to direct audits, assesses participants' compliance with rules by analyzing the entire universe of information instead of samples only.

Indirect audits covered the following items in 2014:

- ✓ Compliance with the minimum requirements regarding financial situation and net worth established by BM&FBOVESPA's rules
- ✓ Related-party transactions and own-account transactions by the institution

- ✓ Analysis of investors' and participants' proprietary current accounts to detect irregular extension of credit to customers
- ✓ Investor portfolio turnover and churning<sup>2</sup>
- ✓ Verification of compliance by participants with their own operational rules and parameters
- ✓ Certification of professionals

Non-compliant participants and individuals were notified by BSM, which sent 144 letters requesting explanations or ordering cessation of practices deemed irregular.

### **DMA auditing**

DMA stands for Direct Market Access, which occurs when the investor accesses the Exchange's trading system directly by means of an automated connection. Four categories of DMA are currently available for direct access to BM&FBOVESPA.<sup>3</sup>

Regardless of the DMA model used, an investor can only access the Exchange under the responsibility of a participant, which is responsible for monitoring customers' trades and setting trading limits for them.

To preserve market integrity, it is important for participants to have adequate systems for

<sup>2</sup> Churning is excessive trading by a broker in a customer's account, largely to generate commissions.

<sup>3</sup> Details of BM&FBOVESPA's Direct Market Access (DMA) models can be obtained from BM&FBOVESPA's website (Services / Trading Solutions / Direct Market Access (DMA)).

controlling pre-trading risk (systems that check whether orders sent and positions held by customers comply with certain prerequisites).

BSM is responsible for auditing these pre-trading risk control tools, and audited 22 of these tools in 2014.

### ***Auditing of BM&FBOVESPA's oversight of issuers' fulfillment of obligations***

BM&FBOVESPA has rules for the listing of securities issuers and supervises compliance with these rules through its Issuer Regulation Department.

BSM is charged with verifying whether BM&FBOVESPA correctly performs supervision of compliance with listing rules by issuers.

### ***MRP audits***

MRP audits are performed to clarify technical issues in proceedings relating to claims against the Investor Compensation Mechanism (MRP).<sup>4</sup>

In 2014 BSM produced 107 audit reports for the fact-finding and investigative stage of MRP proceedings.

### ***Other audits***

BSM also performs specific audits requested by the regulators or BM&FBOVESPA, and in response to other factors such as reports of suspicious activities or complaints. In 2014 BSM performed 13 specific audits.

### ***Audits performed in 2014***

**Table 1** presents a breakdown of the audits performed by BSM in 2014.

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<sup>4</sup> For more information about the MRP, see the specific section of this Report (p. 17).



**Table 1**  
**Audits performed in 2014**

Type of audit	No.
Pre-operational	13
Operational – Trading Participants (brokerage houses, broker-dealers)	65
Operational – Self-Employed Investment Agents	832
Operational – Registration Participants	2
Indirect (based on indicators)	(1)
DMA (Direct Market Access)	22
Issuers	(2)
MRP	107
Other (specific audits)	13

(1) Audits of all participants, related parties or transactions, according to the item to be assessed.

(2) Annual audits to verify whether self-regulation relating to issuer supervision is correctly performed by BM&FBOVESPA's Issuer Regulation Department.

**MARKET SUPERVISION**

BSM's market supervision activities consist of the deployment of procedures to monitor the markets operated by BM&FBOVESPA with the aim of detecting deviations that may relate to the execution of irregular transactions.

The aim of these activities is to identify practices such as market manipulation, improper use of privileged information, insider trading, creation of artificial demand, supply or pricing, unfair practices, and the irregular exercise of activities in the securities markets.

All bids, offers and transactions processed by BM&FBOVESPA's markets are analyzed by BSM's market surveillance systems. Alerts are

issued when deviations that may relate to irregularities are detected, triggering investigation by BSM's specialists.

If necessary, BSM can ask the participants involved in suspicious transactions for clarification. If there is evidence of irregularities, a Market Oversight Report is opened to deal with the case.

In recent years BSM's technical staff has continuously enhanced the filters and parameters used by its supervision systems, leading to increased efficiency on the part of the technical team responsible for analyzing alerts. **Chart 1** plots the rising assertiveness of BSM's analyses.

**Figure 2:**

**Simplified flow chart of market supervision activities**

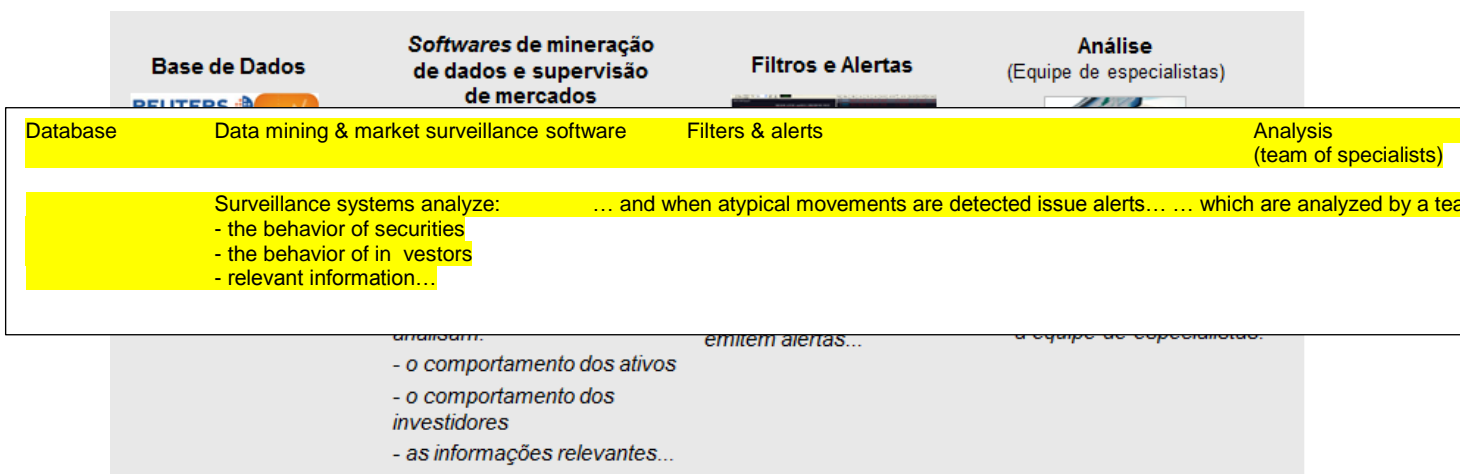


Figure 3:  
 Number of orders, trades, alerts, analyses and reports in 2014

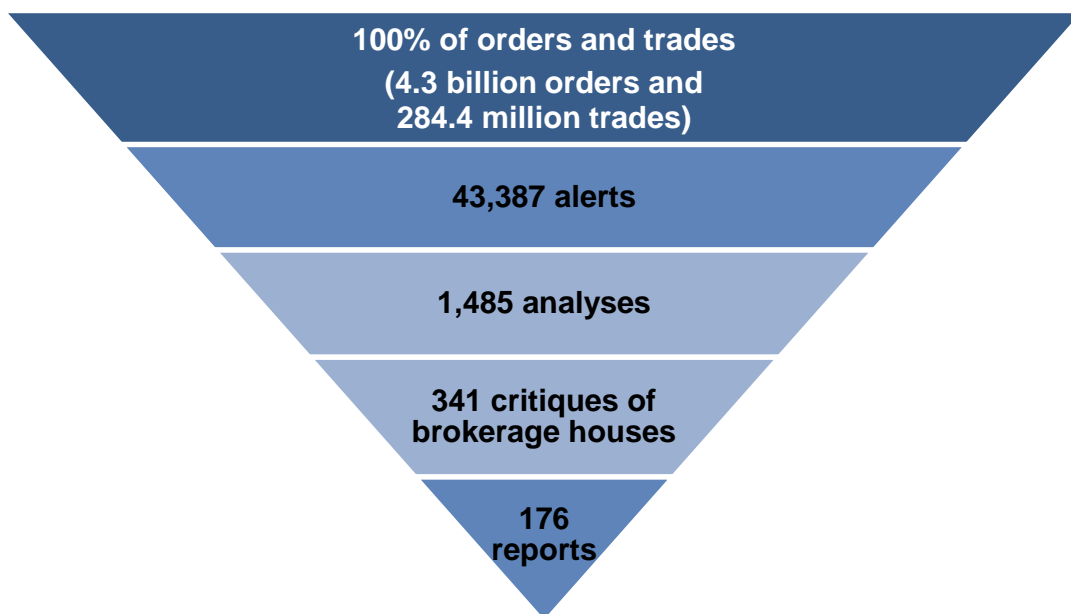
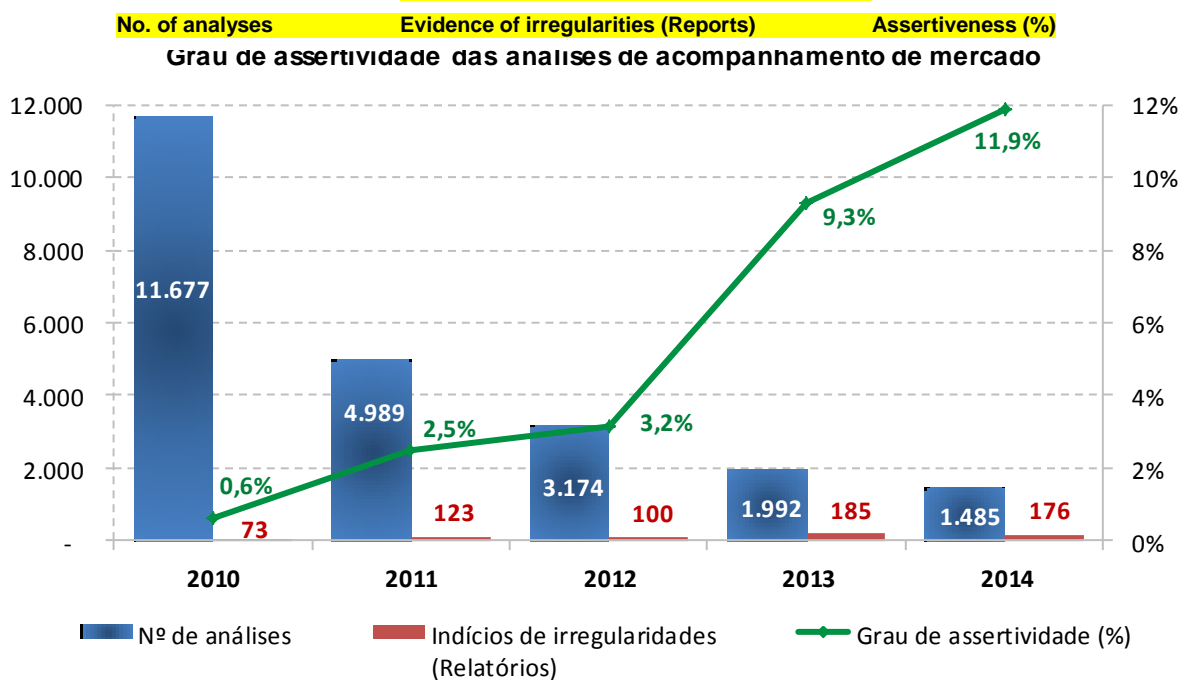


Chart 1  
 Assertiveness of market surveillance analyses



### *Market Oversight Reports*

In 2014 BSM initiated 176 and completed 163 Market Oversight Reports. Of these, 108 led to case dismissal, 27 led to the adoption of enforcement measures, and 18 were forwarded to CVM.

Cases forwarded to CVM typically relate to situations in which the offenders do not come within BSM's jurisdiction because they are not market participants accredited by BM&FBOVESPA (or their employees or agents).

### *Supervision of trading in securities issued by BM&FBOVESPA*

BSM is responsible for analyzing transactions involving securities issued by BM&FBOVESPA, pursuant to CVM Instruction 461/2007, article 58, to ensure that the general rules for issuers are observed by BM&FBOVESPA as an issuer of shares for trading.

### *Summary of market supervision activities in 2014*

**Table 3** summarizes BSM's market supervision activities in 2014.

**Table 2**  
**Reports initiated, completed and in progress**

<b>Caseload (reports in progress) on January 1, 2014</b>	<b>50</b>
(+) Reports initiated	176
(-) Dismissed	108
(-) Forwarded to CVM	28
(-) Enforcement measures	27
<b>Caseload (reports in progress) on December 31, 2014</b>	<b>63</b>

**Table 3**  
**Market Supervision in Numbers – 2014**

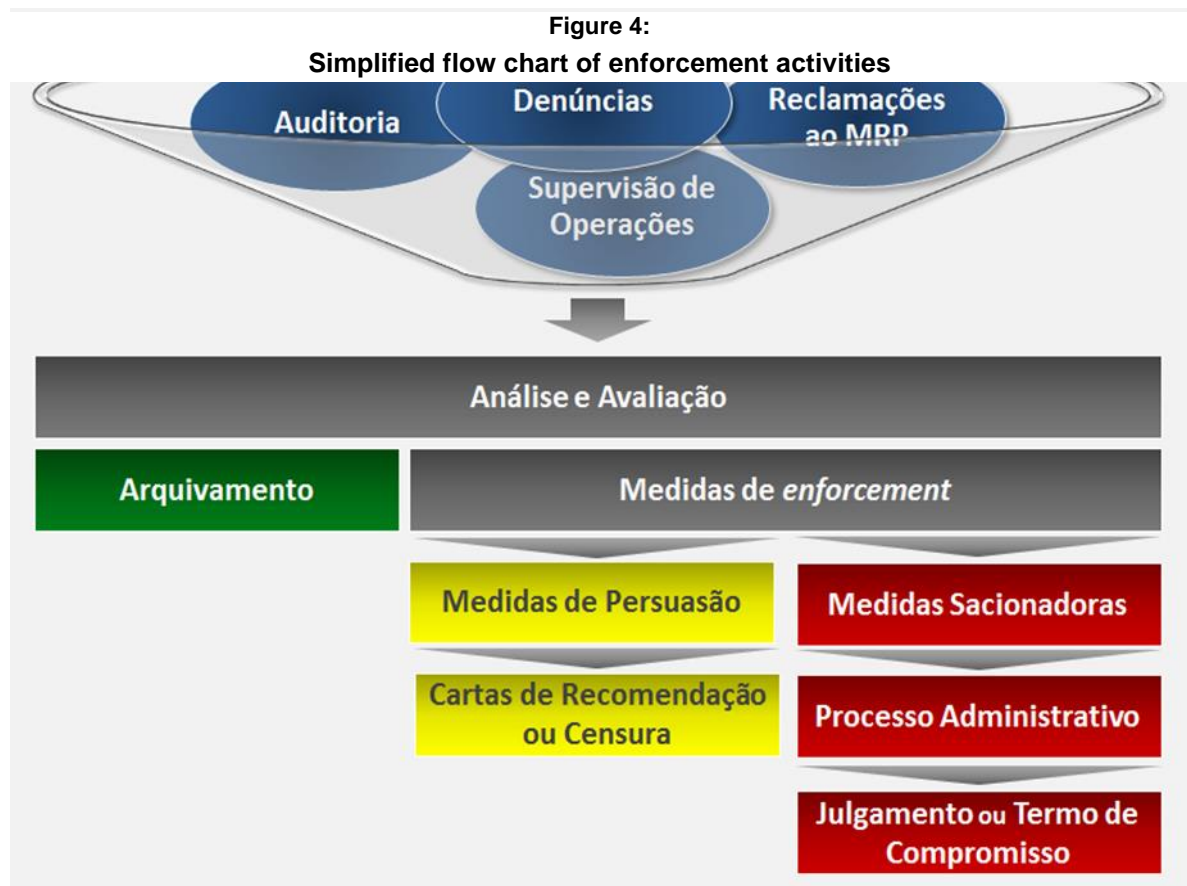
Type of analysis	No. of analyses	Reports produced
Behavior of asset and derivative prices and liquidity (artificial demand, supply or pricing, price manipulation, fraudulent trading, unfair practices etc.)	819	90
Participation by investors (fraudulent trading, money laundering, irregularly exercising activities in the securities market etc.)	539	86
Requests from CVM and other authorized bodies or departments of BSM	127	-
<b>Total</b>	<b>1,485</b>	<b>176</b>

## ENFORCEMENT

An effective system of supervision requires adequate treatment of the problems and infringements identified, ranging from educational measures and persuasion to the application of penalties, as appropriate, so that offenders can be given guidance or penalized and the problems remedied.

These enforcement activities aim to improve the standard of participants' conduct, encourage the implementation of adequate internal controls by market institutions, penalize offenders, and prevent repetition of violations.

The evidence of infringements and violations detected by BSM's supervision and auditing activities is analyzed and may lead to enforcement actions, which range from recommendations that the institution implement improvements to its processes and controls to the initiation of disciplinary administrative proceedings (PADs), potentially resulting in penalties for the participant(s) concerned.



### ***Letters of Recommendation and Letters of Admonition***

When non-conformities whose materiality or seriousness is not elevated are detected during market supervision activities, BSM may send a Letter of Recommendation indicating the need for improvements to the institution's internal controls, for example. In such cases the participant is usually required to submit an action plan specifying the measures it will take to remedy the non-conformities identified and the timeframe for implementation of the improvements.

Letters of Admonition are another enforcement instrument available to BSM. These warn participants that BSM has detected irregular practices of some kind, requesting an explanation for the behavior identified and/or ordering the participant to cease and desist from the practice deemed irregular on pain of disciplinary administrative proceedings.

In 2014 BSM sent 144 Letters of Recommendation and two Letters of Admonition.

### ***Disciplinary Administrative Proceedings (PADs)***

Infringements of laws, rules and regulations by participants in BM&FBOVESPA's markets may be judged in administrative proceedings held by BSM. These may involve not only BM&FBOVESPA's participants but also their

representatives (e.g. owners or directors) or agents (e.g. traders or self-employed investment agents).

Administrative proceedings may result in the following penalties pursuant to BSM's bylaws:

- ✓ A warning
- ✓ A fine
- ✓ Suspension lasting up to 90 days
- ✓ Temporary disqualification lasting up to ten years
- ✓ Other penalties provided for in BM&FBOVESPA's rules

To guarantee the validity of their decisions, BSM's administrative proceedings observe universally accepted procedural principles, particularly the right to a full defense and the right to an adversarial hearing, as well as the principles of legality, fairness, proportionality, and primacy of the public interest.

Administrative proceedings may also conclude with a consent order, which typically requires an offender to undertake to implement measures designed to prevent any repetition of the occurrences that gave rise to the proceedings and pay a monetary consideration.

In 2014 BSM analyzed 118 consent order proposals, approving 43 and denying 15. In 60 cases, acceptance was conditional upon an increase in the monetary penalty or implementation of additional measures.

In 2014 BSM initiated 25 administrative proceedings with 81 defendants. **Table 4** shows a breakdown by type of defendant.

**Table 4**  
**Defendants in Disciplinary Administrative Proceedings Initiated During 2014**

Type of defendant	No.
Participants	26
Directors of Participants	23
Traders	18
Self-Employed Investment Agents	14
<b>Total</b>	<b>81</b>

**Tables 5** and **6** show a breakdown of these administrative proceedings by origin and the main problems that gave rise to them.

**Table 5**  
**Origin of Disciplinary Administrative Proceedings Initiated in 2014**

Origin	No.
Participant Audits	11
Market Supervision	10
Investor Compensation Mechanism (MRP)	4
<b>Total</b>	<b>25</b>

Twenty-one of the administrative proceedings initiated arose from investigations conducted as part of BSM's supervision and inspection activities, while four arose from irregularities

identified in proceedings relating to MRP claims.<sup>5</sup>

**Table 6**  
**Substance of Disciplinary Administrative Proceedings Initiated During 2014**

Substance	No.	%
Artificial demand, supply or pricing	10	17%
Irregular activities of self-employed investment agents	8	14%
Unfair practices	5	9%
Churning	5	9%
Orders irregularly or not recorded	4	7%
Irregular portfolio management	3	5%
Conflicts of interest	3	5%
Non-compliance with financial and equity requirements	3	5%
Irregularities in investment club management	2	3%
Deficiencies in registration details	2	3%
Problems in money laundering prevention mechanisms	2	3%
Other	12	20%
<b>Total</b>	<b>59</b>	<b>100%</b>

**Table 7** shows the outcomes of the administrative proceedings completed in the

<sup>5</sup> Administrative proceedings may be initiated to judge irregularities identified during the investigation phase of MRP cases, regardless of the verdict reached in the latter (i.e. whether or not the investor's claim is accepted).



period 2010-14, specifying the number of administrative proceedings completed, the number of defendants involved and, for all defendants in aggregate, the number of convictions, acquittals and consent orders. In the case of convictions, the penalties are also listed.

It is important to note that all decisions in administrative proceedings are public and available on BSM's website (in Portuguese).<sup>6</sup>

**Table 7**  
**Outcomes of Completed Administrative Proceedings**

Year	PADs	Defendants <sup>1</sup>	Consent orders	Decision		Penalty				Total value <sup>2</sup> (R\$ 000)
				Conviction	Acquittal	Warning	Fine	Suspension	Disqualification	
2010	7	9	7	2	-	-	1	-	1	1,028
2011	18	33	16	14	3	7	5	-	2	3,591
2012	7	15	7	6	2	4	1	1	-	900
2013	17	38	15	18	5	8	8	-	2	2,740
2014	45	86	51	24	14 <sup>3</sup>	12	12	-	-	6,659

- (1) The sum of the monetary considerations paid pursuant to consent orders and convictions may exceed the number of defendants, since in some cases the defendant signs a consent order relating to some infringements and is convicted on other charges.
- (2) Total value corresponds to the sum of the fines and monetary considerations pursuant to consent orders effectively paid to BSM in the year in question.
- (3) Includes four cases dismissed involving seven defendants all told.

<sup>6</sup> [www.bsm-autorregulacao.com.br](http://www.bsm-autorregulacao.com.br) (Supervisão de Mercado / Processos Adm. Concluidos).

**INVESTOR COMPENSATION  
 MECHANISM (MRP)**

CVM Instruction 461/2007 requires all organized markets to have an investor compensation mechanism to ensure that investors are compensated for losses resulting from action or omission attributable to market participants. BSM manages BM&FBOVESPA's Investor Compensation Mechanism (MRP) and is therefore responsible for analyzing and ruling on compensation claims filed by investors.<sup>7</sup>

**Chart 2** shows the number of MRP claims in the past five years, highlighting the significant increase in the past three years due to out-of-court liquidation of Diferencial and Corval, brokerage houses that were participants

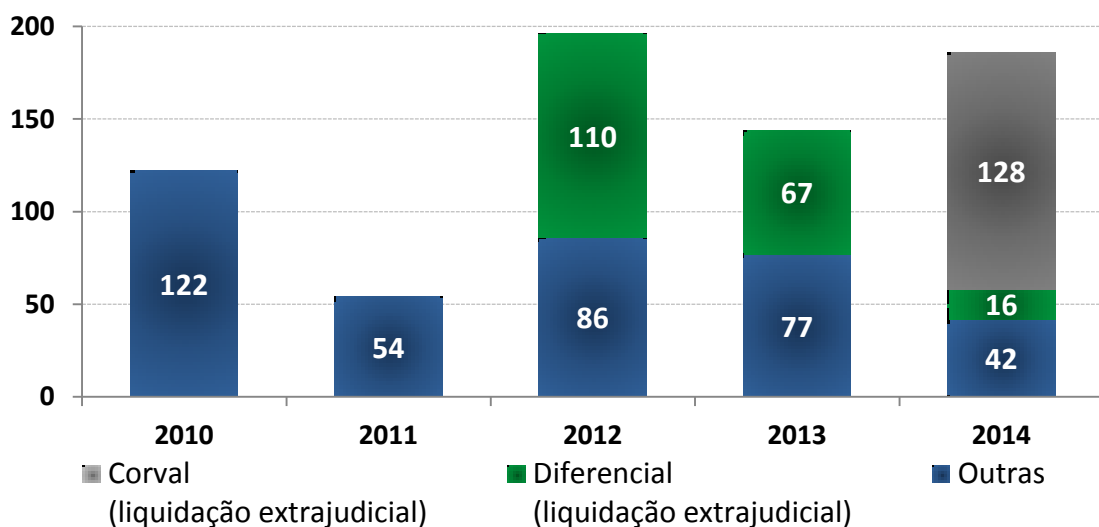
accredited by BM&FBOVESPA.<sup>8</sup>

In 2014 BSM made strenuous efforts to analyze and initiate proceedings on the backlog of claims from customers of Corval and finalize MRP proceedings in respect of claims from customers of Diferencial. Only nine out of 193 claims from customers of the latter had not yet been resolved on December 31, 2014.

**Table 8** shows the number of claims received, completed and in progress in the past five years. It is worth noting that in 2014 BSM completed the processing of a record number of claims (185).

**Table 9** breaks down the 185 claims and proceedings completed in 2014 by dismissals,

**Chart 2  
 MRP claims**



<sup>7</sup> The status of claims filed and BSM's rulings are available at [www.bsm-autorregulacao.com.br](http://www.bsm-autorregulacao.com.br) (MRP / Processos MRP).

<sup>8</sup> The Central Bank of Brazil ordered the out-of-court liquidation of Diferencial and Corval on August 9, 2012, and September 11, 2014, respectively.

denials and claims accepted. The total amount of compensation paid in response to claims accepted in toto or in part was R\$669,800.<sup>9</sup>

**Table 8**  
MRP claims received, completed and in progress – 2010-14  
Initial caseload  
Claims received  
Claims completed  
Final caseload

**Tabela 8**  
**Reclamações recebidas, concluídas e em andamento**

	2010	2011	2012	2013	2014
Estoque Inicial	173	160	119	167	183
Reclamações recebidas	122	54	200	144	186
Reclamações concluídas	135	95	152	128	185
<b>Estoque Final</b>	<b>160</b>	<b>119</b>	<b>167</b>	<b>183</b>	<b>184</b>

**Table 9**  
BSM's decisions on MRP claims  
Decision No. %  
Claims dismissed  
(late filing or failure to meet prerequisites)  
Withdrawal by claimant  
Claims denied  
Claims accepted (totally or partially)

**Tabela 9**  
**Decisões da BSM em relação às reclamações apresentadas ao MRP**

Decisão	Qtde	%
Reclamação arquivada (intempestividade ou ausência de requisitos)	35	19%
Desistência do reclamante	5	3%
Improcedentes	62	34%
Procedentes (total ou parcialmente)	83	45%
<b>Total</b>	<b>185</b>	<b>100%</b>

<sup>9</sup> Not including claims accepted in part where the plaintiff appealed to CVM and the appeal had not yet been heard.

## NOTICES TO COAF

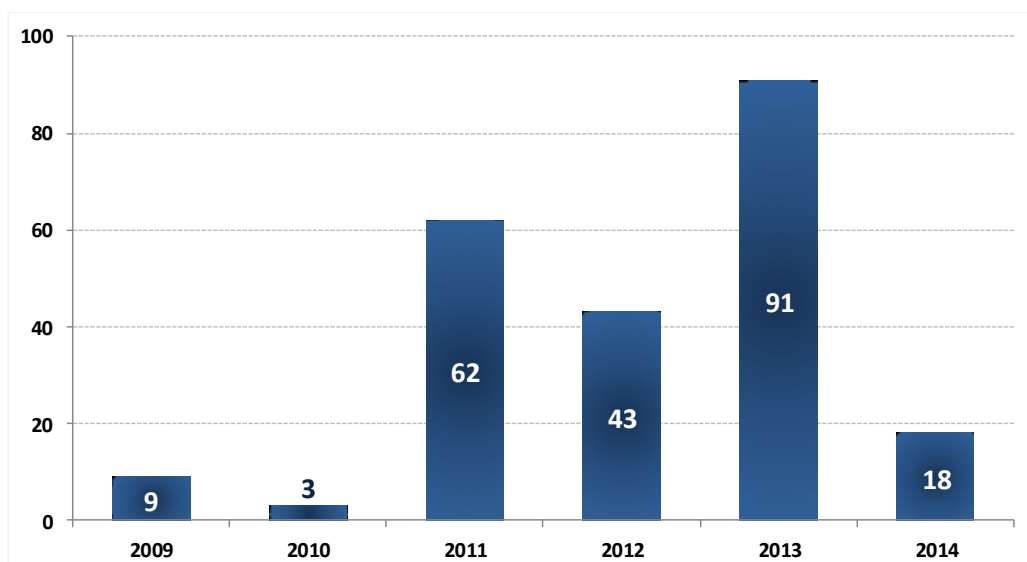
Law 9613/98 and CVM Instruction 301/99 require brokerage houses and other intermediaries, custodians, fund managers, and other individuals or legal entities involved in certain activities to keep an up-to-date customer register and monitor customer transactions continuously, paying special attention to activities that may constitute evidence of money laundering.

Any suspicious activities must be reported to the Financial Activities Control Council (COAF), the government body responsible for preventing and combating money laundering and terrorism financing.

In the course of its supervision and inspection activities, BSM may come across situations that must be reported to COAF. In 2014 BSM filed 18 such notices with COAF.

BSM also works with BM&FBOVESPA's participants to emphasize the importance of maintaining controls designed to prevent the use of securities for money laundering and urging custodians and intermediaries to report suspicious activities to COAF.

**Chart 3**  
**Notices Filed with COAF by BSM**



## **REVIEW OF LEGAL AND REGULATORY FRAMEWORK**

BSM participated in the review of the rules for BM&FBOVESPA's new access model. The new model, which entered into force in August 2014, introduced two types of participant: Full Trading Participant (PNP) and Trading Participant (PN).

PNP is the new category of intermediaries (brokerage houses and broker-dealers) with rights of access to the Exchange's trading systems. The requirements applicable to these intermediaries remain unchanged.

PN is the new category of intermediaries that access the Exchange's trading systems through PNPs authorized to trade directly on the Exchange (as already happened in the model previously known as "trading on behalf").

The novel aspect of the new access model, which recognizes these institutions as participants in BM&FBOVESPA's markets, is that they must now comply with the basic Guidelines of the PQO (Operational Qualification Program), and submit to BSM's supervision and enforcement. Moreover, their customers will now be covered by the Investor Compensation Mechanism (MRP). These rules are in line with BSM's mandate to preserve the integrity of the securities markets and protect investors.

## **INSTITUTIONAL AND INTERNATIONAL RELATIONS**

BSM is in constant touch with Brazilian securities markets regulators at CVM and the Central Bank, both to exchange information on surveillance, supervision and enforcement, and to discuss enhancements to legal norms and regulatory procedures.

BSM also interacts with other self-regulatory organizations and industry associations, such as the Brazilian Association of Financial & Capital Market Institutions (ANBIMA), and the National Association of Securities, Foreign Exchange & Commodity Brokerage Houses (ANCORD).

Internationally, BSM participates in other forums involving regulators and self-regulatory organizations, such as the International Organization of Securities Commissions

(IOSCO), the Council of Securities Regulators of the Americas (COSRA) and the Intermarket Surveillance Group (ISG).

It also participates in working groups and committees in these organizations, such as IOSCO's Affiliate Members Consultative Committee (AMCC). Affiliate members of IOSCO include other self-regulatory organizations and international associations.

**Table 10** lists the main events held in 2014 by the international forums in which BSM participates.

BSM seeks constant dialogue with all actors in the Brazilian markets, organizing events on relevant topics. **Table 11** lists the main domestic events organized by BSM or with its support in 2014, including two workshops held by BSM to offer market participants guidance on specific issues.

**Table 10**

### **Main international forums and events in which BSM participated in 2014**

<b>Forum or organization</b>	<b>Event</b>	<b>Venue</b>	<b>Date</b>
IOSCO Affiliate Members Consultative Committee – AMCC	Mid-Year Meeting	Tokyo	April
Council of Securities Regulators of the Americas – COSRA	Spring Meeting	Mexico City	May
Intermarket Surveillance Group – ISG	Spring Meeting	New Orleans	June
IOSCO Affiliate Members Consultative Committee – AMCC	Fall Meeting	Rio de Janeiro	Sep.
International Organization of Securities Commissions – IOSCO	Annual Conference	Rio de Janeiro	Sep.-Oct.
Intermarket Surveillance Group – ISG	Fall Meeting	Berlin	Sep.

**Table 11**

**Events organized and/or supported by BSM in 2014**

<b>Event</b>	<b>Organizers</b>	<b>Date</b>
Workshop on Monitoring Trades, Internal Controls & Compliance	BSM	March
4 <sup>th</sup> Conference on Anti Money Laundering & Terrorism Financing	FEBRABAN	August
Workshop on AML-CFT in Securities Markets	CVM & BSM	October
International Training on Enforcement Challenges in Securities Markets	BSM	November

## ***EDUCATION AND TRAINING***

BSM's management prioritizes the highest possible qualifications for its technical staff and maintains an educational incentive program that awards scholarships to help pay for MBA and other master's courses and postgraduate studies. In 2014, 11 employees received this benefit.

BSM also encourages staff to take specific training course abroad, such as those offered annually by the Securities & Exchange Commission (SEC), which regulates the US stock market, and the Commodity Futures Trading Commission (CFTC), which regulates the US derivatives market.

BSM has also sought to bring experts from other countries to give courses to its entire staff and has held international seminars on relevant topics at its offices since 2011. The 2014 seminar focused on Enforcement Challenges in Securities Markets, featuring speakers from the SEC; the Financial Industry Regulatory Authority (FINRA), the main self-regulatory organization for the US securities industry; IOSCO; the University of St Gallen

(Switzerland); and Brazil's Federal Prosecution Service (MPF), as well as speakers from CVM and BSM.

Almost 100 people attended this course, including staff from BSM and BM&FBOVESPA, and invited representatives of CVM, the Central Bank of Brazil, ANBIMA, ANCORD and CETIP.

With regard to Law 12846/2013 (the "Anti Corruption Law"), a training event was held in second-half 2014 for all BM&FBOVESPA group executive directors and managers to familiarize themselves with the new law and its impact on the activities of BM&FBOVESPA and BSM.



**Table 12**

**International training events in 2014**

<b>Event</b>	<b>Organizer</b>	<b>Dates</b>	<b>BSM attendees</b>
International course on regulation of products and intermediaries in derivatives markets	CFTC	Oct. 20-24	3
Training on enforcement in securities markets	BSM	Nov. 3-4	42
Annual enforcement training	SEC	Nov. 17-21	1

## SECRETARIAT AND ADMINISTRATIVE SUPPORT

BSM's administrative support unit, staffed by six people, plays a vital role in enabling the organization to carry out its activities with maximum efficiency. Its main tasks are as follows.

- ✓ Drafting, sending, receiving and controlling correspondence
- ✓ Scheduling and controlling internal and external meetings, travel and other engagements
- ✓ Drafting, checking and sending applications for reimbursements and payments (Supervisory Board, CRO, managers, staff)
- ✓ Booking flights and accommodation (Supervisory Board, CRO, managers, staff)
- ✓ Controlling office material, equipment, conference rooms, subscriptions to periodicals
- ✓ Documentation – assembling case files, digitizing and filing
- ✓ Personal and telephone service

**Table 13** summarizes the key statistics for these activities.

**Table 13**

**Main secretariat and administrative support activities**

Activity	Total 2014	Monthly ave.
Correspondence items sent	4,230	
Correspondence items received		
Document digitizing – pages scanned		
Meetings with participants		
Processing of receipts (travel expenses, taxis etc.)		
Flight and hotel bookings	1,691	

**PUBLIC INFORMATION SERVICE  
(SAP)**

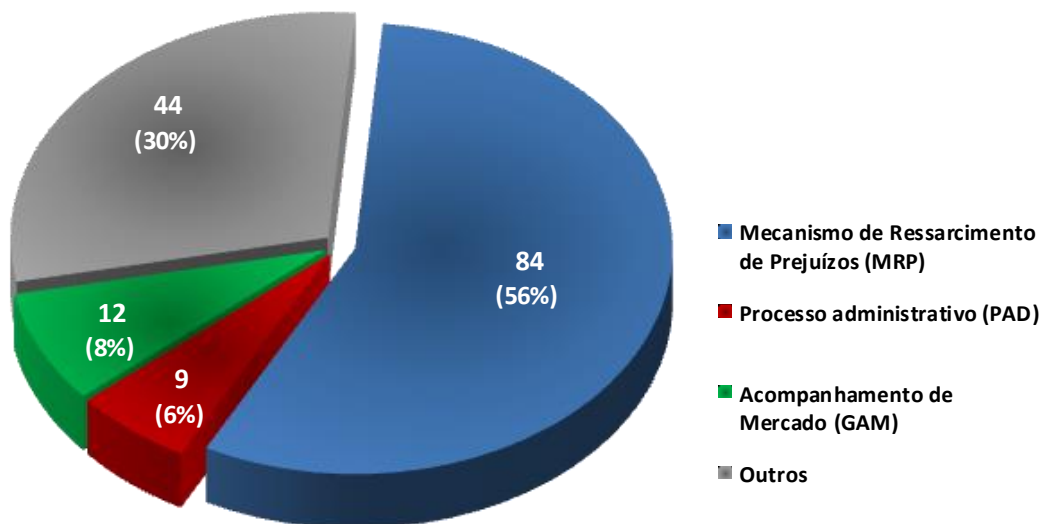
BM&FBOVESPA and BSM maintain a Public Information Service (local acronym SAP) to receive opinions, criticisms and suggestions on the activities of BM&FBOVESPA and its participants as well as BSM itself. It can be accessed by phone, online, and in person at BSM's offices.

Most of the requests for information consisted of queries from investors who wanted to know the status of their MRP claims. It is important to note that up-to-date information on the status of MRP claims is available from BSM's website.

In 2014 it received 149 comments or requests for information on the topics shown in **Chart 4**.

Investor Compensation Mechanism (MRP) – 84 (56%) / Administrative Proceedings (PADs) – 9 (6%) / Market Supervision (GAM) – 12 (8%) / Other – 44 (30%)

**Chart 4**  
**Public Information Service (SAP) – main types of information request and complaint**



## **ACKNOWLEDGMENTS**

Management wishes to express its thanks to employees, the Supervisory Board, BM&FBOVESPA S.A., market participants and the regulatory agencies for the results achieved in 2014.

*São Paulo – April 2, 2015*