



**BM&FBOVESPA**

*The New Exchange*



**The 2008 Meeting of the Latin America  
Corporate Governance Roundtable  
December 2<sup>nd</sup>**

**Role of Stock Exchanges in Corporate Governance:  
the Impacts of Demutualization and Cross-Border Integration**

**BM&FBOVESPA S.A.**

**Cristiana Pereira**

**Special Projects and Integration Officer**

## 2007

- August - demutualization
- October- IPO, and listing at Novo Mercado
  
- September- demutualization
- November- IPO, and listing at Novo Mercado

**BOVESPA**  
HOLDING

**BM&F**  
BRASIL

## 2008

- May 08 - shareholders of BOVESPA Holding and the shareholders of BM&F S.A. approved the merger of the exchanges and the incorporation of BM&FBOVESPA S.A.

**BM&FBOVESPA**  
The New Exchange 

- ✓ Strengthening before the international competition and adjusting to an integrated market dynamic
- ✓ Higher flexibility and response velocity to the changes in the domestic and international scenario
- ✓ Capital raising to new investments
- ✓ Liquidity and valorization of the brokerage houses' (members) investments
- ✓ Strengthening the commercial focus
- ✓ Become a stronger international player

- ✓ Separation between the “trading access” and the “decision making power”
  - The trading access and the others services provided by the Stock Exchange are, generally, separated from the ownership of shares
  - The decision-making power now belongs to the shareholders (that will not be, necessarily, the former brokerage houses or the former members)
  
- ✓ Corporate governance reinforcement and strategy
  - For-profit corporation, the management will be more competitive
  - Adoption of a “Business Model”
  
- ✓ Regulation
  - Changes in the self-regulation model after the demutualization
  - Jurisdiction conflicts in the merger process

The Stock Exchange keeps the self-regulatory activities

- If the stock exchange acts in a relapse way regarding its regulatory activities, it can cause damage to its commercial image
- The stock exchange has a better display to perform the trading supervision as well as the compliance of the public companies. It is its task providing a regulated market

Dissociation between the commercial activities and the regulatory activities inside the demutualized stock exchange

- Launch of a non-for-profit entity to take care of the regulation activities, under the same holding, but constituted by an independent board and an independent management

Outsourcing of the regulatory activities

- Launch of a non-for-profit entity, fully disentailed and constituted by members that do not have entails with it or interest in the stock exchange activities
- Regulatory activities fully attributed to a governmental body.

- All common shares with equal voting rights
- Full tag-along rights
- Majority of board of directors composed of independent members. Very strict definition of independence including:
  - No commercial relationship with Bovespa
  - Cannot be a controlling shareholder of any company listed on the Bovespa
  - If a board member of any listed company, must be an independent director of that entity
- All board members are non-executives
- **Listed in the Novo Mercado**



## Regulatory Restriction – CVM Inst. 461/07

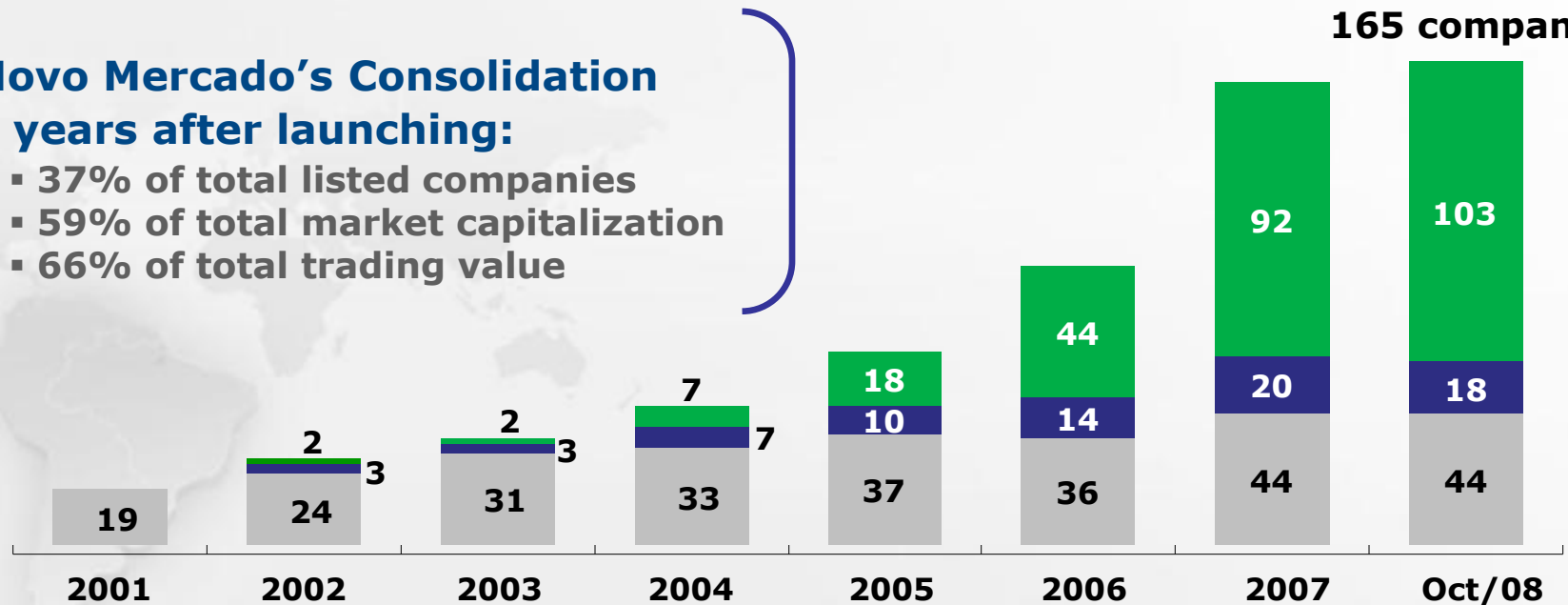
- On ownership:
  - Shareholder ownership restriction: 15% of the number of shares
  - CVM has discretion to prohibit acquisition.
  - Brokers cannot withhold more than 10% of the networth or voting shares.
- Voting restriction

## Bylaws' Restriction

- Only voting shares, but with voting restrictions:
  - Shareholder Voting Restriction: 7% of the number of shares
    - In any Extraordinary Shareholders' Meeting for the purpose of amending or revoking this provision, no shareholder or Group shall cast votes in a number greater than 1% of the number of shares

## Novo Mercado's Consolidation 8 years after launching:

- 37% of total listed companies
- 59% of total market capitalization
- 66% of total trading value

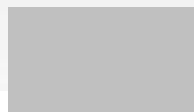


Follow the Regulation



**Basic Segment**

Regulation + more Disclosure



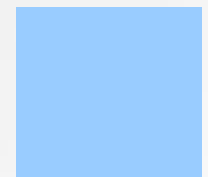
Level 1 + Shareholders Rights



Level 2 + only Common Shares



Adapted Rules for Companies that Look for Gradual Access

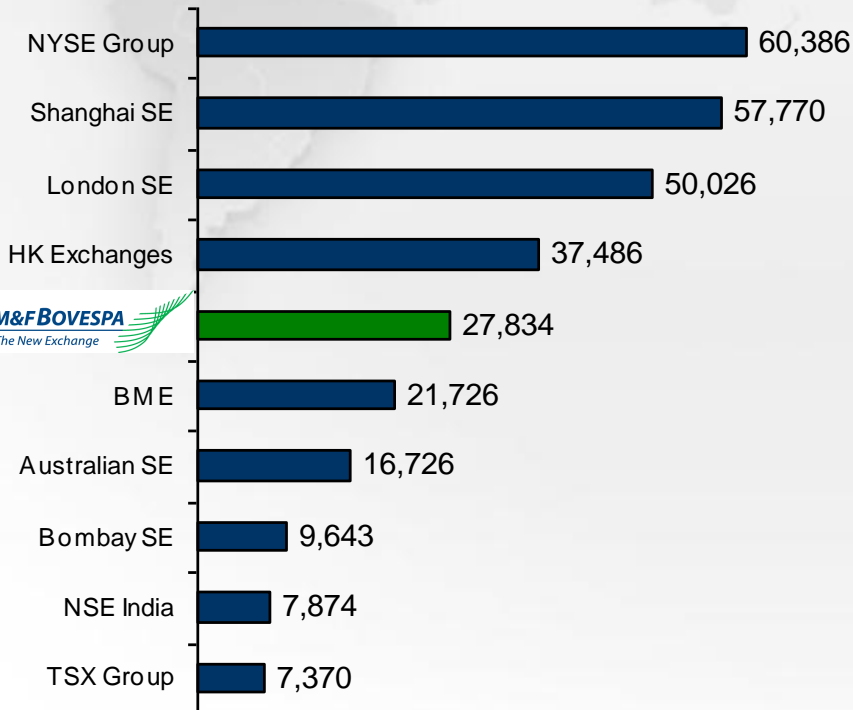




## 2007

- ✓ 64 IPOs
- ✓ 5th largest IPO Market in the world

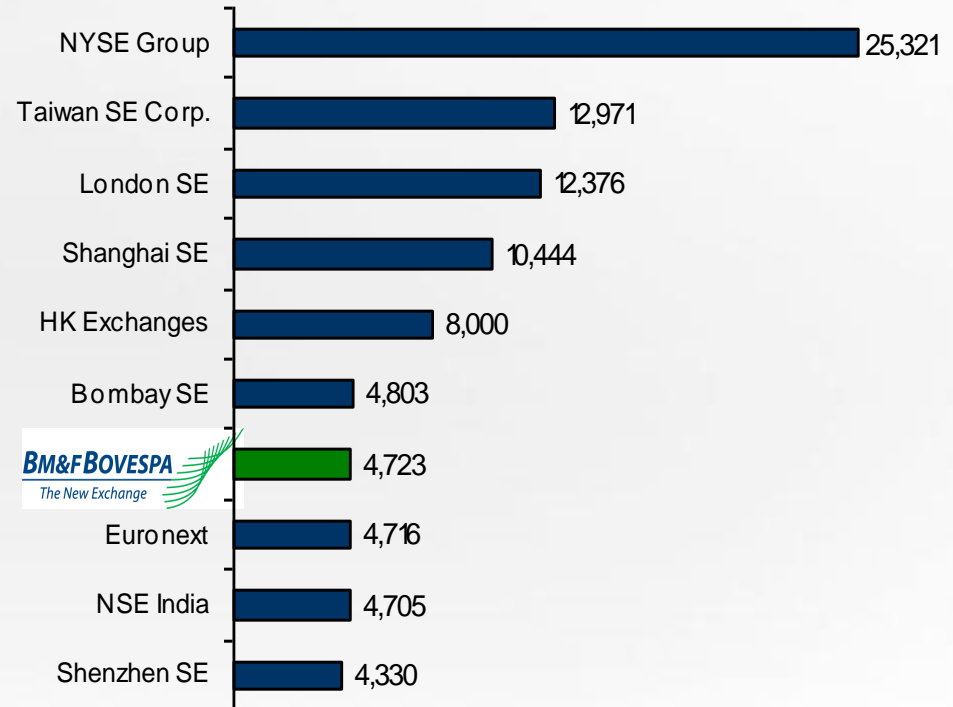
### TOP 10 IPOs MARKETS THROUGH SHARES IN 2007 (USD MILLION)



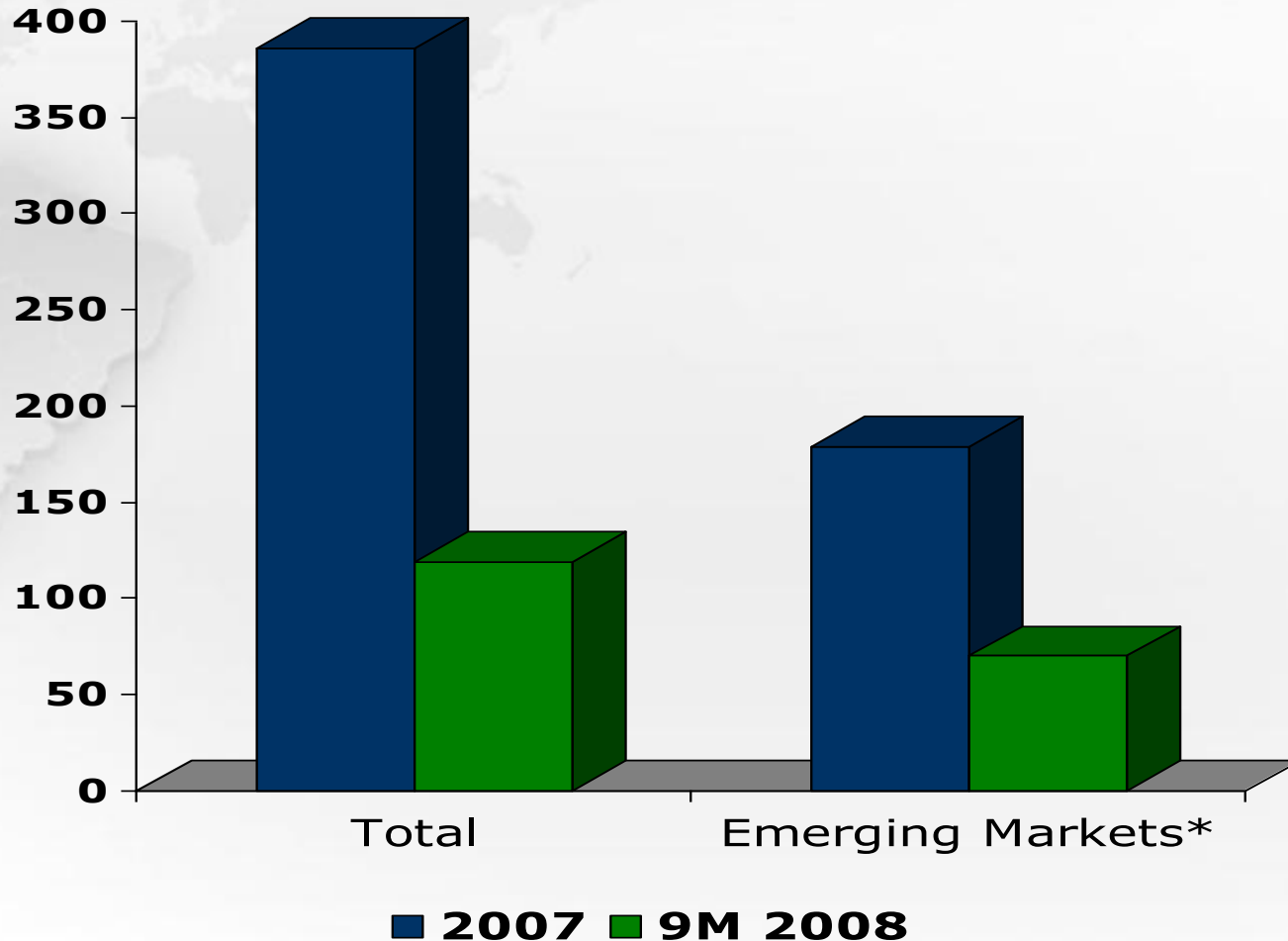
## 2008 (Jan-Sep)

- ✓ 4 IPOs
- ✓ 7th largest IPO Market in the world

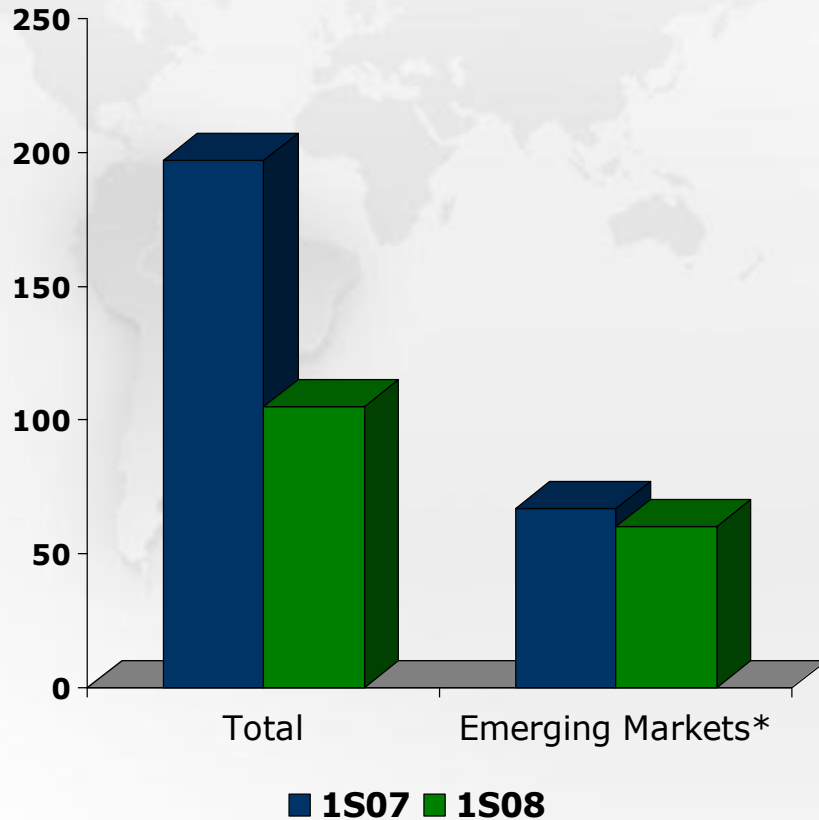
### TOP 10 IPOs MARKETS THROUGH SHARES UP TO Sept 2008 (USD MILLION)



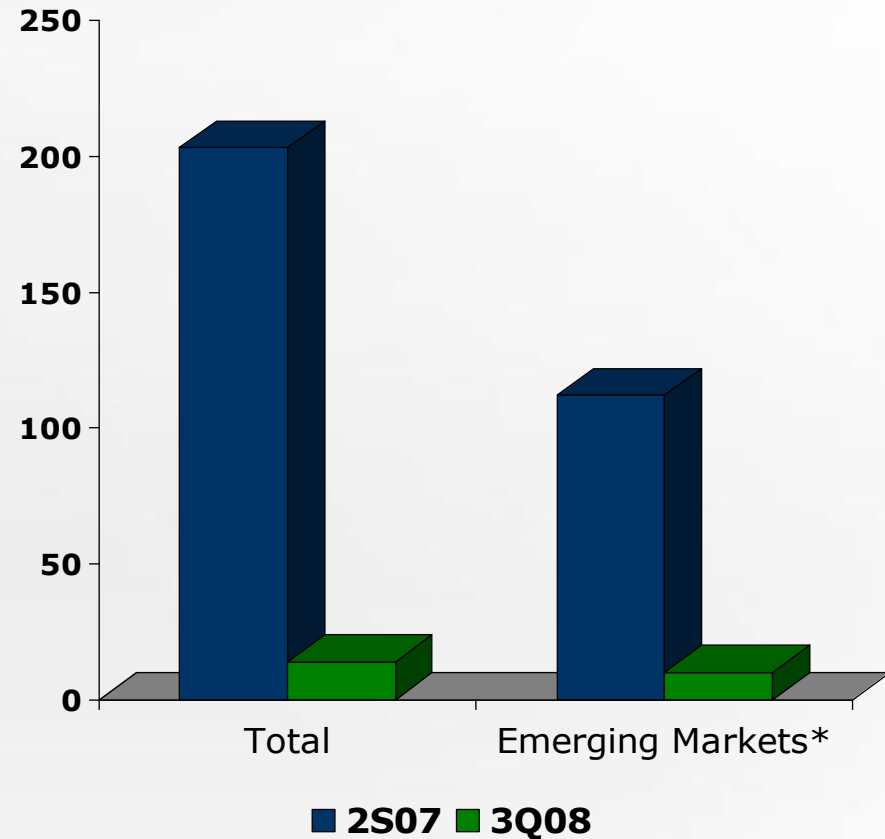
## CAPITAL RAISED THROUGH SHARES - IPOs 2007 X 9M 2008 (USD BILLION)



**CAPITAL RAISED THROUGH SHARES - IPOs  
1S07X 1S08 (USD BILLION)**



**CAPITAL RAISED THROUGH SHARES - IPOs  
2S07 X 3Q08 (USD BILLION)**



\* Member of the IOSCO's Emerging Markets Committee



***BM&F BOVESPA***

*The New Exchange*

