Compilation of Legislation on the 
Cape Verde Capital Markets
FICHA TÉCNICA

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Compilation of Legislation on the Cape Verde Capital Markets
Supplementary Legislation

Reference to legislation that is related to Capital Markets:

- **Commercial Company Code**
  Legislative Decree No. 3/99, of 29th March – O.B. No. 9 - I Series

- **Single Tax on Income**
  Law No. 127/IV/95, of 26th June – O.B. No. 20 - I Series
  Decree-Law No. 1/96, of 15th January – O.B. No. 1, I Series

- **Money Laundering**
  Law No. 17/VI/2002, of 16th December – O.B. No. 36, I Series

- **Credit Institutions and Ancillary Banking Services**
  Law No. 3/V/1996 of 1st July – O.B. No. 20, I Series
  Decree-Law No. 52-E/90 of 4th July – O.B. No. 26, I Series

- **Minimum Share Capital Credit Institutions and Ancillary Banking Services**
  Ministerial Order No. 19/2005, of 14th March – O.B. No. 11, I Series

- **Foreign Exchange Law**
  Decree-Law No. 25/98, of 29th June – O.B. No. 23, I Series
  Decree-Law No. 26/98, of 29th June – O.B. No. 23, I Series

- **Government Bonds**
  Decree-Law No. 62/94, of 28th November – O.B. No. 39, I Series
  Decree-Law No. 63/94, of 28th November – O.B. No. 39, I Series
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Foreword

The current compilation of legislation on Capital Markets is the initiative of the AGMVM (Auditoria Geral do Mercado de Valores Mobiliários), whose objective is to promote the development of capital markets and other financial instruments and intermediation activities, as well as to disclose, facilitate and support the implementation of the legislation on capital markets to all those who, in one way or another, deal with this market.

Due to the scattering of current legislation on capital markets and its dynamic growth, this initiative purports to consolidate the current legislation into a single document for easy consultation. As soon as it is feasible, the AGMVM shall make all said information available on the website www.bcv.cv, where it shall be globally accessible.

We hope that this compilation shall be of great use to all users.

Nevertheless, the consultation of said legislation does not dispense with the need to consult the original version of the legislation in the Official Gazette wherein it was published.

Banco de Cabo Verde, June 2007
1. General Market Structure

- Law No. 52/V/98, of 11th May, Securities Market Code
- Decree No. 63/99, of 2nd November, Covered Bonds
- Ministerial Order No. 38/2000, of 27th November, Book-entry Securities
- Regulation No. 1/2000, of 27th November, Public Offers
- Regulation No. 1/2005, of 22nd January 2007, Market Costs
- Regulation No. 2/2006, of 22nd January 2007, Market Costs
- Rectification Regulation No. 2/2006, of 5th March 2007
Law No. 52/V/98, of 11th May

Establishes the fundamental principles governing the structure, functioning and operations of the Securities Markets.

(Securities Market Code)

O.B. No. 18 - I Series

General Provisions
Primary Market
Secondary Markets
Public Offers
Infractions and Sanctions
Final Provisions
Law No. 52/V/98
of 11th May

By the people's mandate, the Assembly, in accordance with sub-paragraph b) of article 186 of the Constitution, decreed the following:

SECURITIES MARKET CODE

TITLE I

General Provisions

CHAPTER I

Objective, scope and general provisions

Article 1

Object

This Code's objective is to establish the fundamental principles and provisions for governing the structure, functioning and operations of the securities markets and the activities which the players carry out in said markets.

Article 2

Scope

1. The provisions of said Code are applicable to all the securities issued, traded or marketed in national territory.

2. The following is excluded from the previous paragraph:

   a) Securities of a monetary nature, except when the legislation on same states the contrary;

   b) Other securities with respect to which the implementation of this Code is, wholly or partially, expressly excluded by specific legislation that regulates same.

Article 3

Definitions

For the purposes of this Code, the following definitions shall apply:

   a) Securities – shares, bonds and any other securities, whatever the nature or form, or form of representation, even if merely book-entry, issued by any persons or entities, public or private, in homogeneous groups which confers identical rights to its holders, and that are lawfully capable of trading in an organized market;

   b) Securities Market – all organised markets or controlled by the competent authorities and wherein said securities are traded;
c) Primary Market – the securities market through which issuers issue said securities and distribute same to the investors;

d) Secondary Market – all securities markets organised to ensure that said shares are bought or sold after being distributed to the investors in the primary market;

e) Financial Intermediaries or authorised intermediaries – persons or entities, individual or legal, public or private, legally qualified to carry out any financial intermediation activity in securities markets, on a professional basis;

f) Stock exchange operators – all financial intermediaries legally authorised to carry out stock exchange transactions;

g) Competent Authorities – persons or entities, public or private, responsible for the organisation and functioning of the stock exchanges, or for the control of the activities therein carried out and compliance with the legal and regulatory provisions related thereto;

h) Issuers – persons or entities, public or private, that issue securities;

i) Investors - persons or entities, public or private, who, by self or through other persons or entities, invest temporarily or permanently in securities with financial resources in their possession;

j) Public subscription companies – companies that have a part or the whole capital disseminated to the public, by virtue of a public subscription, in a capital increase, having resorted to a public subscription, or its shares being or having been admitted to trading on a stock exchange or having been the object of a public offer for sale or exchange.

2. Similar to securities are the economic rights detached from said securities, provided capable of trading independently in a secondary market.

3. The professional activities covered by the definition set forth in sub-paragraph e) of number 1 includes not only the operations that the financial intermediaries carry out on behalf of third parties, but also those that are found to be legally or statutorily authorised or obliged to carry out for own account, within the scope of the functions that same performs in the securities market.

4. A company with public subscription, for all purposes, shall stop being considered as such by a declaration from the Office of the Auditor-General of the Securities Market, being made public by means of a notice published in the Stock Exchange Bulletin, which shall only be issued as soon as the General Meeting of the company has passed such a resolution by a majority greater than 90 % of the votes corresponding to the share capital.
CHAPTER II
Office of the Auditor-General of the Securities Market

Article 4
Supervision of the Securities Market

1. An Office of the Auditor-General of the Securities Market is established, dependent on the Governor of the Cape Verde's Central Bank - BCV (Banco de Cabo Verde).

2. The Office of the Auditor-General of the Securities Market is responsible for the supervision of the securities market.

3. The Office of the Auditor-General of the Securities Market is directed by an Auditor-General, who shall be assisted by two members, with all being appointed by the Governor of the BCV, on proposal from the Board of Directors.

4. The following constitutes the powers of the Office of the Auditor-General of the Securities Market:

   a) Oversee the trends in the primary and secondary markets, shares, bonds and other securities;

   b) Inspect the activity of the stock exchange and all the players in the securities markets;

   c) Confirm the compliance of the duty to inform the public which looms over the issuers of securities admitted to trading on the stock exchange;

   d) Stipulate compulsory admission to listing of securities;

   e) Grant the registration of public offers to subscription and public offers for the sale of securities;

   f) Authorise or prohibit the carrying out of takeover bids;

   g) Regulate on matters that are assigned by law;

   h) Carry out all acts that allow the assignment of liabilities and the institution of competent disciplinary procedures, and report to the competent legal authorities the possible irregularities of the criminal procedure in the functioning of the securities market;

   i) Impose fines referred to in this Code and supplementary legislation;

   j) Exercise other powers that are assigned by legislation or regulations applicable to the securities market and also, that are necessary for the effective performance of his/her functions.
Article 5

Incompatibilities

Any staff member of the Office of the Auditor-General services is prohibited from:

a) Exercising remunerated functions in financial intermediaries or for own account, any financial intermediation activity, including consultancy on securities investments;

b) Carrying out for own account, directly or through a third party, any stock exchange operations with the exception of operations on national and foreign public funds and other such securities.

CHAPTER III

Financial Intermediaries

Article 6

General duties

1. In the execution of any operations and the provision of other intermediation services in securities assigned thereto, the financial intermediaries shall provide services to its clients with the greatest diligence, loyalty, impartiality and discretion and with the greatest respect for their interests, and shall, namely:

a) Execute transactions in the best conditions available on the market, without prejudice, however, to the strict observance of the instructions received from the client;

b) Comply with the greatest speed the orders received from the client for the purchase or sale of securities or, in the case of the order being discretionary, then the time for execution shall be the one considered to be the most suitable for the purposes of the provisions in the previous paragraph;

c) Refrain from carrying out and encouraging clients to execute repetitive operations of buying and selling securities, when said operations are not justified and has as the only and principal aim the charging of the corresponding commissions or any other objective which is alien to the clients’ interests;

d) Refrain from assigning to self any securities which the clients have requested at the same price or higher;

e) Refrain from selling securities of which it is the holder instead of identical securities whose sale was so ordered by its clients at the same price or lower.

2. The financial intermediaries have the duty to increase investors’ confidence in the securities market, with a greater marketing conduct, strictly observing the
legal and regulatory provisions applicable to intermediation activities exercised as rules of professional ethics to which it is subject, and refraining from carrying out or taking part in any transactions or actions capable of putting at risk the regular functioning, transparency and credibility of the market.

3. In compliance with that established in the previous number, the financial intermediaries shall take into consideration, on the one hand, the level of knowledge, experience and professionalism of the clients with regard to the securities market and on the other hand, the financial position and the reflection it may have on same, corresponding to the degree of risk, operations ordered and services provided.

4. Financial intermediaries that have knowledge of any strategy designed to manipulate supply and demand or prices on the securities markets, practices that include insider dealing, acts through which a financial intermediary illegally avails of a dominant position which it relishes on the market, or any other serious irregularities included in the general provisions of the previous number, shall take the necessary measures, which are within its grasp, so as to thwart it, immediately reporting said facts to the Stock Exchange and the Office of the Auditor-General of the Securities Market.

Article 7

Professional Secrecy

1. The financial intermediaries, members of its boards and including employees, agents, commissioners and any other persons that provide services on a permanent or incidental basis, shall become subject to professional secrecy on all that relates to the operations carried out and services provided to its clients and also on any facts or information regarding said clients or third parties and whose knowledge is gained from exercising the said activities.

2. The duty established in the previous paragraph ceases when:
   a) The intermediary and the persons mentioned in number 1 of this article have provided information or supplied other details to the Office of the Auditor-General of the Securities Market or stock exchange, within the framework of the respective powers and in the cases and terms expressly set forth in this Code or in specific legislation thereto;
   b) The existence of any legal provision that removes this duty;
   c) The disclosure of information or supply of the details in question had been authorised in writing by the person relating thereto.

Article 8

Regulation of intermediation activities

The regulation of financial intermediation activity including the conditions
of access to the financial intermediation activity in the Stock Exchange shall be established by Law.

**Article 9**

**Fidelity Bond of Market Operator**

Before commencing activities at the stock exchange, every market operator shall provide a fidelity bond so as to guarantee the liabilities incurred by him/her in the transactions wherein he/she takes part, in accordance with the legal document referred to in the previous article.

**CHAPTER IV**

**Securities**

**SECTION I**

**General provisions**

**Article 10**

**Form of representation**

1. Notwithstanding the provisions set out in article 123, public fund, shares, bonds and the other securities may be represented by certificates or simply book-entry.

2. When dealing with shares and other securities convertible in shares or that assign rights to its subscription or acquisition, the issuer’s memorandum and articles of association shall establish the form of representation, it is understood, notwithstanding anything to the contrary, that both are admitted.

3. The representation mode chosen for each issue, although in series, shall be mandatorily applicable to all the securities.

**Article 11**

**Bearer and nominal securities**

1. The certificated securities are represented by bearer or nominal securities, convertible or not, according to the legal provisions applicable, in the statutory provisions by which the issuer is governed or, if said legislation or provisions so allow, in the terms and conditions set for each issue.

2. The book-entry securities shall follow the system of the bearer or nominal securities, depending on what is set out in the legal and statutory provisions applicable or in the conditions of the respective issue.

**Article 12**

**Categories of securities**

1. Securities of the same nature and issue shall confer identical rights on the title holders.
2. Exception to the provisions of the previous number are bond issues and other debt securities in series, wherein each series may have different conditions for remuneration, maturity or interest from that established for the rest.

3. The securities issued by the same entity, albeit in different issue or series, and that assign the holders thereto equal rights constitute a category.

**Article 13**

**Exercise of rights**

1. Whenever the exercise of rights inherent to any securities depends, legally or statutorily, on the respective presentation or deposit, in any form and at any entity, the same may be substituted by a declaration issued and authenticated by a financial intermediary, substantiating that said securities are deposited with same, provided that the declaration is presented or submitted by the date stipulated in the law or contract for the presentation or deposit.

2. In the previous number and when the exercise of rights depends on the corresponding securities being maintained by the holder concerned until the date of said exercise, on issuing the declaration, the financial intermediary shall block said securities in the account wherein same are deposited, until the date stated for that purpose by the persons concerned, which shall appear on the declaration as the deadline. During this period, no operations may be carried out that imply the transfer of ownership of said securities or of the rights for whose exercise the declaration is requested.

3. When dealing with subscription rights or with any rights that can be detached from the securities relating thereto, and which are capable of being exercised or traded separately, the financial intermediary may, at the request of an interested party, issue independent documents intended to be the base for said exercise or trade, simultaneously recording the fact in the account wherein the securities in question are deposited, whereby as from the date of issue of said documents and except for the return of same without having been used, the securities may only be traded with the exclusion of said rights.

**SECTION II**

**Certificated Securities**

**Article 14**

**Fungibility**

1. Securities of the same nature and nominal value, issued by the same entity, which are fully paid up and which grant the holders equal rights irrespective of their numbering, shall be considered to be fungible.

2. Nominal securities are only considered to be fungible when, in addition to
fulfilling the requirements set forth in the previous number, are subject to the deposit system envisaged in the following article.

Article 15

Deposit system

1. The deposit of securities may only be carried out in financial intermediaries legally authorised to accept securities from the public for safekeeping and management and stock trading orders.

2. The deposit of securities shall only be considered to have been established when the depositaries receive the corresponding securities.

3. It is incumbent on the depositary financial intermediary to exercise reasonable care and prudence required for evaluating the authenticity of the securities handed in for deposit.

4. Under no circumstances shall the deposit of securities imply that ownership is transferred to the depositary, even if same is used for different purposes to those resulting from the deposit agreement.

5. When securities that are considered to be fungible are deposited, the depositary may return identical securities but with different numbering on termination of the deposit.

6. Nominal securities that are deposited in an authorised financial intermediary and that meet the conditions set forth in paragraph 1 of the previous article, are considered to be fungible for all purposes, including those specified in the previous number, while deposited.

7. The deposit system established in this article is alternative to the registration system set out in the commercial legislation, with:

a) The cancellation of the registration, initiated on the very day by the depositary financial intermediary with the issuer, when registered securities are deposited;

b) The registration of the securities, initiated on the very day by the depositary financial intermediary with the issuer, when the deposit is terminated.

8. The issuers of securities subject to registration and admitted to trading on the stock exchange are obliged to exercise the movements referred to in the previous number on the working day following the receipt of the corresponding communications.
SECTION III
Book-entry securities

Article 16
Book-entry securities

The book-entry securities shall be regulated by specific legislation.

TITLE II
Primary Market

CHAPTER I
General Provisions

Article 17

Who may issue securities?

Securities may only be issued by legal persons and other public and private entities duly authorised by general and particular legislation, respective statutes or organic law.

Article 18

Public subscription

1. For the purposes of this Code, it is deemed to be a public offer for subscription whenever same is not reserved for a restricted number of natural or legal persons.

2. The offer of securities is reserved for a restrictive number of persons when all the following requirements are cumulatively met:

   a) The offer is aimed at a group of recipients heretofore identified that is deemed to be in possession of enough information to correctly evaluate the securities which are the object of the offer;

   b) Being securities directly offered to the recipients by the offerers or representatives, on such conditions that only same may accept the offer.

3. The offer for shares by companies admitted to trading on the stock exchange, even if not meeting the requirements set forth in number 1, is always deemed to be public.

4. The offer of securities offered simultaneously to public and private subscription is always deemed to be public.

5. By means of an Order from the Finance Minister, amounts lower than whereof securities may not be offered for public subscription may be established.
Article 19
Private subscription

For the purposes of this Code, all subscriptions that may not be classified as public in accordance with the previous article shall be considered to be private subscriptions.

CHAPTER II
Public offers for subscription

Article 20
Registration

1. The carrying out of any public offer for subscription is subject to the prior registration of the issue at the Office of the Auditor-General of the Securities Market.

2. The rules to be complied with in the application for registration shall be established in a regulation to be passed by the Office of the Auditor-General of the Securities Market.

Article 21
Decision of the application for registration

The application for registration is deemed as tacitly deferred if the Office of the Auditor-General of the Securities Market does not issue an opinion within 30 days, as from the date of receipt of the application for registration or any additional point or information requested.

Article 22
Calendar

1. Together with the application for registration, the issuer shall propose the dates, after authorisation is granted, for the securities offer, it being incumbent on the Office of the Auditor-General of the Securities Market to establish same, taking into account the financial market environment.

2. When an issue with reservation of preference and public subscription is involved, the subscription period reserved for holders of preference rights may not be less than 15 days and shall precede the period reserved for subscription by the general public.
Article 23

Advertising

The Office of the Auditor-General of the Securities Market, by means of regulation, shall establish the terms and conditions for the advertising of securities offers regulated in this Chapter.

Article 24

Withdrawal of the offer

1. After the commencement of the subscription period, the public offer for the subscription of securities may only be withdrawn by authorisation of the Office of the Auditor-General of the Securities Market and provided it is based on irregular changes and unpredictable circumstances without which the issuer based itself to carry out the operation.

2. The legal provisions on the disclosure of the issue shall apply to the withdrawal of the offer.

3. The withdrawal of the offer may not, under any circumstances whatsoever, take place after the end of the issue period.

4. On withdrawal of the offer, the issuer shall, in the 20 days ensuing, return all the monies received from the investors and, having elapsed said period without any reinstatement, the legal default interest rate shall be added to the amount in debt as from the date of the offer’s withdrawal.

Article 25

Suspension or prohibition of offer

1. The Office of the Auditor-General of the Securities Market may, at any time, suspend, withdraw or prohibit a public offer for the subscription of securities that is underway or that is thought to be underway:

   a) Without the necessary authorisations;
   b) Without the prior registration of the issue;
   c) In conditions different to those set out in the registration;
   d) Based on incorrect or false information, being illegal or in contravention of the law;
   e) In breach of other applicable legal provisions and regulations which shall put the lawful interests of the subscribers at risk.

2. The withdrawal and suspension of the offer shall be publicised in identical conditions to that required for the disclosure of the issue.
3. On the withdrawal of the offer, all acts exercised within said context are deemed to be null and void, with the securities subscribers thereto becoming entitled to the right of receiving the monies submitted, with the previous number 4 being applicable, and compensation for any damages.

4. In the case of suspension, investors may, at any time until the end of the second working day after that on which the suspension ends and the offer is reinstated, once the defect has being remedied, cancel the obligations and demand the refund of the amount spent.

**Article 26**

**Issues excluded**

This Title is not applicable to public offers for the subscription of securities representing public debt, which is governed by specific legislation.

**TITLE III**

**Secondary markets**

**CHAPTER I**

**General provisions**

**Article 27**

**Statement**

Secondary markets of securities are:

a) The stock exchange;

b) The over-the-counter market.

**Article 28**

**Stock exchange**

The stock exchange has the following objectives:

a) To keep premises and systems equipped with the necessary resources for the operation, in appropriate conditions of efficiency, continuity and liquidity, with the aim of protecting the interests of the public and of investors, of a free and open market for the trading of securities through authorised financial intermediaries;

b) To ensure, by self or through third parties, the appropriate services for the registration, clearing and settlement of said operations;

c) To disclose enough and timely information on the transactions carried out;

d) To exercise other activities that are imposed or allowed by law or authorised
by the Office of the Auditor-General of the Securities Market within the scope of its main object described in the abovementioned paragraphs.

Article 29

Over-the-counter market

Included in the over-the-counter market are all the buy and sell operations of securities carried out over the counter, for own or third party account, by stock exchange operators or any other financial intermediaries legally authorised to carry out this type of transactions.

CHAPTER II

Stock exchange

SECTION I

Establishment and supervision

Article 30

Incorporation

The Stock Exchange shall be incorporated by Law.

Article 31

Incorporation and internal rules

1. The stock exchange shall be incorporated by Government legislation.

2. The internal rules for the stock exchange shall be approved by the Minister of Finance.

Article 32

Closing and suspension

1. There shall be closure of the stock exchange when the Council of Ministers so decides, by decree-law, enabling the Government, if so decides, to request a preliminary opinion from the Office of the Auditor-General of the Securities Market.

2. The total or partial suspension of the activity of the stock exchange, irrespective of the period for the suspension, shall be established by ministerial order from the Finance Minister.
SECTION II  
Stock exchange markets  
SUBSECTION I  
General provisions  
Article 33  
Stock exchange markets  

In the stock exchange there shall mandatorily be an official listed market and, furthermore, an unlisted securities market may be established by regulation of the Office of the Auditor-General of the Securities Market.

Article 34  
Parallel markets  

1. Except for the cases and where expressly set forth and regulated in this Code, any public meetings wherein securities is traded or offered for trade are forbidden.

2. The trades carried out in breach of the provisions of the previous number may not be heard in court.

SUBSECTION II  
Official listed market  
Division I  
Admission to listing  
Article 35  

Securities that may be admitted to listing  

1. The following may be admitted to listing:

a) National and foreign public funds and securities equated thereto;

b) The shares and bonds issued by national and foreign companies or entities;

c) Any other securities that by order of the Finance Minister may be admitted to listing.

2. For the purposes of this Code, the following shall be considered as public funds:

a) National debt securities;

b) Securities issued by national public institutions and public funds;

c) Any other national securities that may be considered as public funds, when
stipulated by law;

d) Securities issued by foreign entities similar to the abovementioned.

3. Securities lending by any national companies or entities with collateral by the State of Cape Verde are equated to national public funds.

4. Securities lending by any foreign companies or entities with collateral by a foreign State and in addition, loans issued by international financial institutions are equated to foreign public funds.

**Article 36**

**Admission to listing of public funds**

1. The national and foreign public funds and the securities equated thereto shall be admitted to listing by authorisation of the Finance Minister, with dispensation from any other formalities.

2. The admission to listing shall be officiously and mandatorily considered by the Finance Minister, with regard to sub-paragraphs a), b) and c) of number 2 of the previous article, as soon as the securities become negotiable.

3. With regard to the remaining provisions set out in number 1, the admission to listing shall be officiously established as a matter of regular procedure by the Office of the Auditor-General of the Securities Market or requested by the issuer or any other bearers of securities to be listed.

**Article 37**

**Admission to listing of shares**

1. The admission to listing of shares shall be subject to the cumulative confirmation of the following requirements:

   a) The issuing company must constituted and functioning in accordance with the legal and statutory provisions applicable;

   b) The legal position of the shares must be in accordance with the legal provisions applicable;

   c) The foreseeable market capitalisation of the shares being requested for admission to official listing or, in absence thereof, the company’s own capital, including the results not distributed in the last financial year, may not be lower than 100,000,000$00;

   d) The company must have published the annual reports and financial statements for the last two financial years when applying for admission;

   e) The shares must be freely negotiable;
f) Until the moment of admission to listing, a satisfactory distribution of shares with the public must be ensured;

g) The application for admission to listing must include all the shares of the same class that are admitted;

h) The company must show a satisfactory economic and financial position.

2. Exceptionally, the stock exchange may revoke the condition set forth in sub-paragraph d) of the previous number whenever same is recommended for market reasons and provided that the investors have all the information necessary to make an informed assessment of the company and the shares whose admission to listing is requested.

3. A satisfactory distribution is deemed when the shares which are requested to be admitted to listing are distributed among the public in a percentage not lower than 10% of the share capital subscribed and represented by said class of shares or, in absence thereof, not less than 50,000 shares.

4. The Government shall promote the conditions necessary for the admission to listing of shares in commercial companies of minor dimension.

Article 38

Admission to listing of bonds

1. The provisions of sub-sub-paragraphs a), b), d), e), g), and h) of number 1 and number 2 of the previous article shall apply to the admission to listing of bonds, with the necessary changes.

2. The admission to listing of bonds is likewise subject to the cumulative confirmation of the following conditions:

a) The amount of the debenture loan being admitted may not be not lower than 20,000,000$00;

b) The payment of capital and interest must be fairly guaranteed and found to be substantiated.

3. Convertible bonds and bonds or other securities that give the right to the subscription or acquisition of shares may only be admitted to listing if the shares referred thereto have already previously been admitted to listing or were admitted simultaneously.

4. The admission to listing may be authorised without compliance with the provisions of the previous number provided that the stock exchange considers that the bondholders have all the information necessary to make an informed assessment of the share value with regard to said bonds.
Article 39

Material representation of foreign securities

1. The securities issued by non-national entities and that are materially represented shall be in accordance with the rules in force in the State of issue.

2. If the material representation is not found to be in accordance with the national rules in force, the stock exchange must make this fact public knowledge before admission to listing.

Article 40

Admission to listing of foreign securities

1. The securities issued by foreign entities that are not public funds or similar may only be admitted to listing if found to have all the conditions confirmed from which depends the admission to listing of national securities with identical nature.

2. The stock exchange may equally require that the securities admitted to listing are already listed in the stock exchange of the country where the headquarters or principal premises of the issuer are established or the country wherein they had been issued.

Article 41

Admission to listing of new securities

1. The entities with securities admitted to listing shall apply for admission of all new securities of the same nature and class issued, within 120 days as from the date of being fully paid up or when freely negotiable, if the latter occurs before.

2. When dealing with certificated securities, the delivery of definitive certificates shall only be done in the time period indicated in the previous number when another time period has not been established by specific legislation thereto.

3. Shares of the same class that are part of a lot designed to keep control of the company or are not traded for a period established by special agreements may be exempted from admission to listing by the stock exchange, without prejudice of informing the public of said fact and of there not being any risk of prejudicing the holders of shares whose admission is requested.

4. For the purposes of this Code, paid up is understood, when dealing with shares, to be the date of signing the public deed and the last day of issue, when dealing with bonds.

Article 42

Compulsory admission to listing

1. The admission to listing of shares and bonds may be determined by the Office of the Auditor-General of the Securities Market provided that it is of public interest.
2. The admission mentioned in the previous number does not prejudice the preliminary hearing of the issuer and of the stock exchange.

3. The issuer shall provide the stock exchange with all the documents and information that are requested, with the objective of ensuring the availability on the stock exchange of the process equal to that organised in accordance with number 2 of the following article.

Article 43
Application for admission to listing

1. The admission to listing shall be requested through a market operator, by the issuer or holders which hold at least 10% of the securities to be listed.

2. The rules to be complied with in the application, procedure and decision of the requests for the admission to listing shall be set out in a stock exchange circular.

Article 44
Authority for admission

The admission of any securities to listing, suspension and exclusion, and the readmission of the suspended or excluded securities fall under the responsibility of the stock exchange.

Article 45
Notification

1. Applicants shall be notified of the decisions regarding the admission process within 30 days after receipt of the application or, if the stock exchange requests supplementary information, within 30 days from the receipt of said information.

2. Failure to communicate the decision regarding the admission application within the period set forth in the previous number shall be considered as tacit approval of the application, with the stock exchange having the duty of executing the necessary measures for the admission to take place.

3. The decision to suspend and exclude shall be communicated to the issuer on the very day wherein it is made.

Article 46
Prospectus

1. The admission to securities to listing on the official listed market shall be subject to the publication by the issuer of a prospectus, approved by the stock exchange as an integral part of the admission to listing process.

2. The prospectus shall be published as follows:
a) By the insertion of the whole text in the stock exchange bulletin; or

b) By making available to the public, at the stock exchange and premises of the market operators, a brochure containing the contents of the prospectus, with a notice in the stock exchange bulletin announcing that the prospectus was made available in this manner.

3. The publication of the prospectus by any of the methods set forth in the previous number shall take place within eight days prior to the date of the commencement of transactions.

4. The members of the Board of Directors or Management Board and the Supervisory Board or similar entity of the issuer are responsible for the adequacy, objectivity, truth and topicality of the information set out in the prospectus.

5. The following are not dependent on the publication of the prospectus for the admission to listing:

a) National and foreign public funds and other such securities;

b) Shares resulting from an increase in capital by incorporation of reserves issued by a company that is already in possession of shares of the same class admitted to listing or shares gratuitously assigned to any other security to shareholders of the same entity already listed on the stock exchange;

c) Shares resulting from the conversion of convertible bonds, or the exercise of the right to subscription or acquisition of shares by holders of bonds or other securities that confer said right, provided that the shares previously issued by the same company are already listed on the same stock exchange;

d) Shares issued in substitution of others in the same company, already listed on the same stock exchange, provided that the new share issue does not involve an increase of subscribed capital.

6. The stock exchange shall establish by circular the contents of the prospectus and any other rules necessary for the implementation of the provisions in this article.

**Article 47**

**Publication of the admission, exclusion, suspension and readmission to listing**

The admission, suspension, exclusion and readmission of any securities are made public by means of a notice published by the stock exchange in the official stock exchange bulletin, at the issuer’s expense.
Article 48

**Admission, readmission and maintenance fees**

1. Fees shall be due for the admission to listing and the readmission of excluded securities, with the exception of national and foreign public funds and other such securities. Said fees shall be established by regulation of the Office of the Auditor-General of the Securities Market and shall relate to the par value of the capital to be admitted or readmitted.

2. The entities with securities admitted to listing on a stock exchange, with the exception of the issuers of national and foreign public funds and other such securities, in respect of securities of said nature, shall pay a periodic maintenance fee to be established in a regulation by the Office of the Auditor-General of the Securities Market referred to in the previous number.

Division II

**Bonds of entities with securities admitted to the official listed market**

Article 49

**General information for the stock exchange**

Entities with securities admitted to listing shall report the following facts to the stock exchange as soon as possible:

a) Draft amendment to the memorandum and articles of association by the date convening the General Meeting for the approval of proposed change and respective approval;

b) File for bankruptcy or, from the date on which it is known, the application for the declaration of bankruptcy, as well as the respective sentence;

c) The admission to listing on a foreign stock exchange of any securities issued by same;

d) Report and financial statements of the Board of Directors, together with the opinion by the Supervisory Board and certificate by an independent auditor registered in accordance with article 126, within 30 days after approval in the General Meeting;

e) Any other information requested by the stock exchange or that may be established by circular.

Article 50

**General information for the market**

1. Entities with securities admitted to listing shall publish in the official stock exchange bulletin:
a) The annual reports and financial statements, together with opinion and certificate as required in sub-paragraph d) of the previous article, within a period of 30 days after approval in the General Meeting;

b) The composition of the Board of Directors and Supervisory Board and respective changes thereto.

2. Shall the company simultaneously draw up non-consolidated annual accounts and consolidated annual accounts, both shall be made available to the public.

3. The stock exchange may authorise the company to publish only the consolidated or non consolidated accounts when it considers that the accounts which were not published did not contain important supplementary information.

**Article 51**

**Information to be disclosed to the market by companies with listed shares**

1. The companies with shares admitted to listing shall publish announcements, as soon as possible, on the following facts in the stock exchange bulletin:
   
a) Any changes to the inherent rights of the different classes of shares;

b) Important changes confirmed in the structure of holdings;

c) New facts that took place in its sphere of activity which are not of public knowledge and which are capable, by the impact on the asset or financial position of the company or on the normal course of business, of bringing about an important variation in its share listings.

2. There is an important change in the structure of holdings in equity whenever any person, single or legal, directly or through an intermediary, acquires or resells shares in such a way that with said acquisition or resale surpasses the threshold of 10%, 20%, one third, 50% or two thirds of the voting rights corresponding to the share capital.

3. In respect of sub-paragraph c) of number 1, the stock exchange may exempt the company from this duty if the disclosure of certain information shall prejudice the legitimate interests of the company.

**Article 52**

**Information to be disclosed to the market by entities with listed bonds**

1. The entities with bonds admitted to listing shall publish, as soon as possible, announcements on the following facts in the stock exchange bulletin:
   
a) Any changes to the rights of bondholders which result in changes to the conditions of the loan or interest rate;

b) New facts occurring in its sphere of activity that are not of general knowledge and are important for compliance with its obligations;
c) Convening bondholders meetings and appointment of respective representative;

d) Any changes to the rights inherent to the different classes of shares referred to in convertible bonds.

2. With regard to sub-paragraph b) of the previous number, the stock exchange may exempt the issuer from said duty if disclosure is such that it would prejudice the legitimate interests of said entity.

Article 53

Other general information

1. National or foreign issuers that have securities admitted to listing on the official listed market shall mandatorily publish the following facts:

a) The issue of new shares or the reduction of share capital;

b) New debenture loan issues and respective guarantees;

c) The allocation and payment of dividends or other income to shareholders;

d) The exercise of subscription or incorporation rights;

e) Conversion operations;

f) The payment of interest or premiums or redemption of bonds and other securities representing debt;

g) The date and venue for conducting bond draws;

h) The draw results.

2. The publications referred to in the previous number shall be carried out within the following time periods:

a) Within 30 days as from the date of signature of the respective deed, for the facts set out in sub-paragraph a);

b) Within 30 days as from the date of the respective resolution by the competent governing bodies, for the facts set out in sub-paragraph b);

c) Within two working days after being carried out, for the fact set out in sub-paragraph h);

d) With a minimum of 15 days in advance, in respect of the facts set out in sub-paragraphs c) to g).

3. The publications referred to in this article shall be made in the stock exchange bulletin, without prejudice to other forms of disclosure set out in legal or statutory provisions.
DIVISION III
Suspension and exclusion from the official listed market

Article 54
Suspension of the listing

The following shall be suspended from listing:

a) The securities in relation to which a supervening cause that had prevented the admission to listing is confirmed, if in existence as at date of same;

b) The bonds and other fixed-income securities whose capital or interest is not paid in two consecutive maturity payments, except if there is an agreement among the interested parties;

c) The securities whose shortage of transactions hinders the functioning of a regular market;

d) The securities whose listings exhibit abnormal oscillations or are capable of affecting, temporarily or permanently, the regular functioning of the market;

e) The securities in relation to which other facts, which the stock exchange may establish by means of a circular, are substantiated.

2. In the decisions to suspend the listing, a period wherein the company shall remedy the error shall be established, when applicable, at the risk of the said securities being excluded from listing.

Article 55
Exclusion from listing

The following securities shall be conclusively excluded from the listing:

a) Those substituted by others, by conversion, from the same or different entity;

b) Those which for any reason shall be considered as defunct;

c) Those issued by companies who have been declared bankrupt;

d) Those whose listing has been suspended and the fact that the reason for same has not been remedied within the time period stipulated in the suspension decision;

e) Those in regard to which the stock exchange considers that a normal and regular market may not be maintained, due to special circumstances that shall be explained in a notice published in the stock exchange bulletin.
Article 56
Cancellation of the suspension of listing

The suspension of listing shall be cancelled as soon as:

a) The period stipulated for rectifying the situation that led to the suspension has ended;

b) The conditions for the purpose set out in the decision that decreed same have been confirmed;

c) The facts that determined it have ceased.

2. The cancellation of the suspension shall be automatic in the case of sub-paragraph a) of the previous number, and may be applied for by any interested parties or decided of own motion by the stock exchange in the case of sub-paragraphs b) and c).

Article 57
Readmission to listing of excluded securities

1. Shall the facts that determined the exclusion from listing of any security no longer apply, the issuer may apply for readmission to listing.

2. For the purposes of this Code, the application for readmission to listing shall be considered as a new application for admission to listing and shall dispense with the presentation of any documents that already exist in the process for the previous admission and which are still current.

SUBSECTION III
Stock exchange sessions

Article 58
Definition

1. Stock exchange session shall be understood to be the period of operation of the stock exchange during which operations on securities may be carried out.

2. The stock exchange sessions may be normal or special.

Article 59
Chairmanship and supervision

1. Stock exchange sessions shall be presided over and supervised by the stock exchange, in accordance with what may be established in the internal regulation.

2. The provisions of the previous number do not exclude the exercise of supervisory powers assigned to the Office of the Auditor-General of the Securities
Market, with the stock exchange providing all the means necessary for the performance of said functions.

Article 60

Public nature

1. Stock exchange sessions are public, enabling persons who are not included in number 3 to take part therein.

2. The authority referred to in the previous number shall be understood as only the access by the public to areas especially reserved for said purpose, with said persons being forbidden to have any contact whatsoever with the persons on the trading floor reserved for carrying out operations or any acts which disturb same in carrying out their functions.

3. The following are not allowed to enter the stock exchange:
   a) Minors, except when accompanied by the respective legal representatives or in the case of school excursions;
   b) Disabled and handicapped persons, in accordance with civil law;
   c) Persons carrying firearms, except in the case of peace officers requested by the stock exchange or in the exercise of their duties;
   d) Individuals who are found to be intoxicated or show signs of abnormalities of any kind that may disturb the functioning of the sessions;
   e) Any persons on whom disciplinary, infraction or penal sanctions have been imposed, provided that the prohibition of access to the stock exchange is expressly stated in the respective decision.

4. The stock exchange shall order the immediate dismissal of any persons who are found to be in one of the situations set forth in the previous number or who infringe the regulatory concepts of the functioning of the stock exchange or who disturb the agenda of the sessions, and shall request the aid of the public force when circumstances so require.

Article 61

Access to the trading floor

Only the following persons may enter the trading floor for trading:

a) Employees of the stock exchange that are providing service in that part of the trading floor;

b) Representatives of stock exchange operators;

c) Any other persons whose access to the stock exchange is occasionally
authorized, provided that said persons are not found to be included in any deterrent referred to in number 3 of the previous article.

**Article 62**

**Normal sessions**

1. Normal stock exchange sessions are designed for the current trading of securities admitted to listing or trading on a stock exchange.

2. The weekly number of normal sessions and the respective schedule shall be established in the stock exchange circular.

3. In the normal stock exchange sessions, security lots greater than the maximum limit defined by a stock exchange circular may not be traded and the operations on lots less than the minimum limit defined in the same circular shall not be considered in the fixing of prices and may be subject to specific rules established therein to this effect.

**Article 63**

**Special sessions**

1. The stock exchange may organise special sessions designed for:

   a) The trading of securities not listed in any stock exchange, when the volume of securities in question or the manner in which same shall be traded so justify;

   b) The assessment of the results for takeover bids or public offers for sale;

   c) The trading of lots of securities admitted to trading in a stock exchange, when greater than the maximum limit referred to in number 3 of the previous article.

2. The application for the sessions provided in this Article shall be made through the stock exchange operators, by the issuers of the securities to be traded, by whoever is in their possession or has some real right or by a party interested in the trade to be carried out, always specifying the nature and quantity of the securities and the set or minimum price ultimately established to this effect.

3. The stock exchange may request from the applicant stock exchange operator the information deemed vital for the appraisal of the application.

4. Authorised sessions shall be announced at least eight days in advance in the stock exchange bulletin.

5. The trades set forth in this article shall always be carried out through the stock exchange operators and shall be reported, with the results being published under the item ‘Trades carried out in special sessions’ in the stock exchange bulletin on the very day on which the session took place.
6. The rules to be observed for the trading of securities in a special session and the contents of the notice referred to in previous number 4 shall be set out in a stock exchange circular.

**Article 64**

**Auction sale of securities**

1. The auction sale of securities shall always be carried out in the stock exchange through a stock exchange operator, as follows:
   
a) In a normal stock exchange session, in the case of securities admitted to trading where the lots to be traded do not exceed the maximum limit referred to in number 3 of article 62;

b) In a special session, pursuant to and in compliance with the provisions in the previous article, in the remaining cases.

2. The auction shall be executed in accordance with the court instructions, with the order that orders the auction sale of the securities specifying the nature, class and quantity of the securities to be resold, indicating the stock exchange operator encumbered with the sale and, in the case set out in sub-paragraph b) of the previous number, establishing the minimum price for said purpose.

3. The costs which fall upon the seller of the securities in the stock exchange shall be borne by the stock exchange operator encumbered with the sale, who shall present the account of such costs to the competent court for the purposes of being refunded in the final account of the process within the scope of the sale.

4. The transactions carried out according to this article shall be recorded in a special book, with the registrations being signed by the competent body of the stock exchange and by the stock exchange operators involved, and a copy of same shall be submitted to the authority that ordered the sales.

**SUBSECTION IV**

**Stock exchange operations**

**Division I**

**General provisions**

**Article 65**

**Concept**

For the purposes of this Code, stock exchange transactions shall be considered to be:

a) The buy and sell transactions, carried out in normal stock exchange sessions, of securities admitted to trading in any of the markets referred to in article 33;
b) Transactions of any other securities, when carried out in special stock exchange sessions.

**Article 66**

**Who may carry out stock exchange transactions?**

1. Stock exchange transactions are mandatorily carried out by stock exchange operators.

2. The activities to be carried out by the stock exchange operators in the stock exchange may only be carried out by members of its governing bodies, directors or other authorised representatives who are duly registered for said purpose in a special register organised by the stock exchange.

3. The stock exchange shall only admit to the register referred to in the previous number competent persons suitably qualified to carrying out said activities, under the terms to be determined in a stock exchange circular, which likewise shall establish the conditions and requirements for the registration and cancellation of records.

**Article 67**

**Fees for carrying out stock exchange transactions**

The fees due for all stock exchange transactions shall be established in a regulation by the Office of the Auditor-General of the Securities Market.

**Article 68**

**Brokerage**

For the provision of their services, stock exchange operators have the right to the brokerage established in identical terms to those set forth in the previous article.

**Article 69**

**Subject to pecuniary duties inherent to the operations**

All of the taxes and fees relative to the operations carried out by stock exchange operators in the stock exchange shall be for the account of their principals.

**Article 70**

**Risk of operations**

Unless otherwise stated, the ownership and risk of the rights and obligations inherent to the securities passes to the buyer as from the moment the stock exchange operation is carried out.
DIVISION II

Object of the operations

Article 71

Securities that may be traded on the stock exchange

1. Without prejudice to the provisions of articles 63 and 64, only the following may be the object of stock exchange transactions:
   
a) Securities admitted to trading;

b) Any other securities whose trading on the stock exchange is authorised by legal provisions or Ministerial Order by the Finance Minister.

2. Without prejudice to the provisions of article 64, only securities that are fully paid-up and found to be free from encumbrances or charges, as well as any other limitations or obligations as to the patrimonial and social rights that integrate same or its transferability, may be traded on the stock exchange.

Article 72

Obligation of stock exchange operations

1. The trading, via the stock exchange, of securities that are admitted therein is compulsory.

2. Exceptionally, when circumstances so require, the Office of the Auditor-General of the Securities Market may authorise, by regulation, that a certain security admitted to trading on the stock exchange does not have to be compulsorily traded on said market.

Article 73

Operations with irregular securities

1. Damaged or amortised securities, as well as any others that are not capable of conferring the corresponding rights to the acquirers, may not be traded on a stock exchange.

2. Whenever a stock exchange operator delivers to his principal securities considered to be irregular, namely for being amortised, damaged or without the corresponding coupons, in addition to incurring liability for disciplinary action, shall substitute the same securities for others with satisfactory conditions, without additional costs for the principal.
DIVISION III
Types of operations

Article 74

General provisions

1. Only spot transactions, or others that shall be authorised by Ministerial Order of the Finance Minister, may be carried out in the stock exchange.

2. Spot transactions are those wherein the obligations reciprocal to the contracting parties, consisting in the delivery of securities relating thereto and payment of the respective price, that become irrevocable on the carrying out of the transaction and shall be complied with within the maximum time period and in accordance with the rules established by the stock exchange in the circular referred to in article 89.

DIVISION IV

Stock exchange orders

Article 75

Definition and general principles

1. Orders relative to the buying and selling of any securities on the stock exchange are called stock exchange orders and may be given by any interested party:

   a) In any case, directly to the stock exchange operator that shall execute same whether dealing with buy orders or sell orders;

   b) When dealing with buy orders of financial securities legally authorised to receive securities from the public for safekeeping and management;

   c) When dealing with buy orders of book-entry securities, from any financial intermediary authorized to provide the service of registering securities of said nature;

   d) When dealing with sell orders, to financial intermediaries that are responsible for the accounts wherein securities are deposited or registered.

2. Only stock exchange operators may execute stock exchange orders, whereby in the cases of sub-paragraphs b), c) and d) of the previous number, financial intermediaries shall immediately convey the stock exchange orders they receive to those who shall execute them.

Article 76

Rules to be complied with by the principals

1. Only securities that are incorporated in the deposit system established in article 15 and which the principal has legal capacity to act on the day of the respective stock exchange order, may be subject to cash sell operations.
2. For the purposes of compliance with the provisions of the previous number, stock exchange operators may not execute any sell order without the principal making delivery, for deposit, of the securities to be traded or indicating the financial intermediary with which same is deposited or registered and said intermediary confirms the availability of said securities and their blocking for transaction.

3. Stock exchange operators may not execute any buy order without first receiving from the principal the amount likely for the payment for the buy ordered.

4. Non-compliance by the principal of the provisions of the previous numbers shall release the stock exchange operator from the obligation of complying with the respective order.

5. The stock exchange operator to whom the stock exchange order was conveyed in compliance with the provisions of this article shall not be exempted from compliance, without prejudice, when dealing with sell orders, of lawfully carrying out steps deemed to be reasonably necessary to evaluate the authenticity and availability of the securities to be resold, prior to executing the order.

6. The orders conveyed directly to the stock exchange operators by the financial intermediaries, pursuant to number 2 of article 75, shall not apply to the provisions of numbers 2 and 3, but without prejudice to the compliance with the provisions of number 1.

**Article 77**

**Manner, content and mode of stock exchange orders**

The manner, content and mode of stock exchange orders shall be defined in a stock exchange circular.

**Article 78**

**Executing stock exchange orders**

1. Stock exchange orders shall be executed by the stock exchange operator with the greatest diligence and strict observance of the priority and instructions of the orderer.

2. Without prejudice to the provisions of number 5 of article 76, the priority of stock exchange orders for the purposes of the previous number is the sequential number of reception by the stock exchange operator, unless the conditions established by the orderer impose said execution for a time subsequent to that corresponding in accordance with the referred numbering or expressly confer to the stock market operator total or partial discretionary powers to be carried out when deemed most convenient, without prejudice to the priority of other orderers.
SUBSECTION V
Quoting and trading

Article 79
Definition and general principles

1. Quotation is the price at which the securities are traded on the official listed market, provided that is based on a quantity equal to or higher than the minimum lot.

2. Quotation is established in a market system, in accordance with the provisions of a stock exchange circular, so as to ensure the transaction of as many securities as possible, the appropriateness of the respective prices and the transparency of the operations carried out.

3. The circular mentioned in the previous number shall likewise establish the acceptable trading systems and the respective rules.

4. The quotation of any security traded on a stock exchange shall be independent from dividends, interest and other matured income.

5. The interest and other similar payments corresponding to the time period between the last due date and the settlement date of the operation in question shall be paid by the buyer to the seller with the acquisition price.

Article 80
Legal and public price of the listed securities

1. The last quotation carried out on an official listed market, contained in the stock exchange bulletin, establishes the legal and public price of the respective securities.

2. On the unlisted securities market the pricing is not considered as quotation for any legal purposes.

SUBSECTION VI
Record of transactions and stock exchange bulletin

Article 81
Record of transactions in normal sessions

1. At the end of each operation carried out in a normal stock exchange session, the seller stock exchange operator shall prepare and sign a note recording the operation, in triplicate, in standard format to be provided by the stock exchange, with an indication of the date, security traded, quantity traded and the quotation or pricing, with said note thereafter likewise being signed by the buyer stock exchange operator.
2. The original note referred to in the previous number is for the seller stock exchange operator, the duplicate for the buyer stock exchange operator and the triplicate for the stock exchange.

3. In accordance with the trading system used, the notes referred to in this article may be produced by the stock exchange by computer, without prejudice to the compliance, with the due adaptation, of that established in the previous number.

Article 82

Minutes of the special sessions

1. At the end of each special session, the stock exchange shall prepare minutes, wherein shall appear:

a) The nature and class of securities traded in the session;

b) The quantity traded per each stock exchange operator;

c) The prices recorded;

d) Any other details that the stock exchange requires.

2. The minutes shall be signed by the competent body of the stock exchange and by the participating stock exchange operators.

Article 83

Stock exchange bulletin

1. The stock exchange prepares the stock exchange bulletin daily.

2. On the days when stock exchange sessions are held, the stock exchange bulletin shall mention all the securities admitted to listing or trading on the stock exchange, divided by special sections for each stock exchange market and differentiating the following:

a) The name of the issuer;

b) When dealing with shares, their nominal value, the quantity admitted to trading, the amount of dividend or other remuneration allocated to each share and the date when the last distribution took place;

c) When dealing with bonds and other debt securities, their nominal value, quantity, yield, daily interest and year of issue, interest due dates and the amortization period;

d) When dealing with other securities, and in accordance with the respective characteristics and special conditions of issue or trading, details corresponding to that referred to in sub-paragraphs b) and c).

3. On the days when stock exchange sessions are held and with regard to each of
the securities that during the stock exchange session were traded or the object of buy and sell proposals, albeit without the closing of any transaction, the stock exchange bulletin shall in addition record the following:

a) The quotations or prices recorded;

b) The best buy and sell proposals presented and not met;

c) The quantity traded.

4. In the case of more than one quotation being carried out on the same security, the stock exchange bulletin shall likewise state the first and last quotation carried out and, if more than two, the highest and the lowest recorded.

5. The stock exchange may, in addition, publish in the stock exchange bulletin other details as to the characteristics of the securities admitted to trading and the transactions carried out, which are considered to be important for the clarification of the market.

6. In addition to that set forth in the previous numbers and to what is established in other provisions of this Code and its regulation or in general or special legislation, the following shall also be published in the stock exchange bulletin:

a) The admission or departure of stock exchange operators;

b) The composition and changes to the governing bodies of the market operators;

c) The admission of any persons to the register referred to in number 2 of article 66 and the cancellation of said registration;

d) The disciplinary sanctions imposed on persons and entities referred to in the previous paragraphs, when same shall be disclosed in accordance with the respective sentence;

e) Everything that is determined by the Finance Minister, the Office of the Auditor-General of the Securities Market or the stock exchange, within the context of the respective powers, in the light of ensuring the defence of the investors and the regularity, efficiency and transparency of the market.

7. The application by the issuer, financial intermediaries or legal authorities or police, with regard to any certificated securities that have been lost or misplaced or were the object of theft, robbery, fraud, embezzlement or falsification, and also the notice terminating any of the abovementioned situations shall be gratuitously published in the stock exchange bulletin.
**Article 84**

**Publication of other quotations or prices**

It is prohibited to advertise or edit bulletins or notes, relative to securities traded on the stock exchange, with different quotations or prices from that contained in the stock exchange bulletin.

**SUBSECTION VII**

**Processing and communication of operations**

**Article 85**

**Storage of supporting documents**

1. Stock exchange operators shall store in the archive, for a minimum period of five years, the buy and sell orders received, the notes recording the operations carried out and the duplicates of the buy or sell notes issued.

2. The stock exchange shall store in archive for the time period referred to in the previous number the triplicates of all the notes recording the operations carried out and the contract notes issued.

**Article 86**

**Processing and communication**

1. For each stock exchange order carried out, the trader shall issue until the end of the following working day, a document called the contract note, whose format and contents shall be established by the stock exchange by means of a circular.

2. The contract notes shall be in triplicate, distributed as follows:
   a) The original to the principal;
   b) The duplicate to the compulsory archive of the stock exchange operator, for the purposes of the provisions of number 1 of the previous article;
   c) The triplicate to the stock exchange, for the purposes of the provisions of number 2 of the same article.

3. The stock exchange operators shall communicate to the principal the carrying out of operations that were ordered through the document referred to in the previous numbers, without prejudice to being able to do it prior by any other more expedite means at their disposal.

4. The triplicate for the stock exchange shall be delivered to said entity on the working day following the said issue.

5. The notes referred to in the previous numbers may be prepared and completed by a computer system, without prejudice to authentication by the stock exchange operator.
6. Furthermore, the stock exchange operators shall also, within the time period established in number 1, communicate the operations carried out to the financial intermediaries, where the securities sold are deposited or registered and where they were blocked for transaction, or where the securities acquired shall be deposited or registered, in accordance with the instructions of the principal.

7. The communication required by the previous number shall contain all the information and include all the legal and regulatory details required, within the context of the settlement of operations, for financial intermediaries to carry out the necessary entries in the account of the orderers, and also, in the case of securities bought and in accordance with their nature, shall this be the case, to open in favour of the orderers an account for the deposit of certificated securities or the registration of book-entry securities.

Article 87

Complaints for the non-compliance with stock exchange orders

1. If the trader does not comply with the stock exchange order, or comply with same in different conditions to those established by the principal in the proper order or written instructions attached to same, the principal shall submit a complaint to the Office of the Auditor-General of the Securities Market within ten working days after gaining knowledge of said fact, at the risk of not being able to appeal subsequently, except by judgement obtained for said purpose.

2. If the Office of the Auditor-General of the Securities Market, having heard the stock exchange, considers that the non-compliance or defective compliance of the order is due to the market operator, it shall, having heard the principal and if necessary, through the partial or full execution of the fidelity bond referred to in Article 9, order:

a) That the market operator buy or sell the securities in question, paying or receiving from the principal the amount of the operation that is the most favourable, between what would correspond to the strict compliance of the order and that which was actually executed;

b) That the market operator indemnify the principal for the difference confirmed between the amount that would correspond to the timely compliance of the order and that resulting from the operation actually carried out;

c) The cancellation of the order or operation in question, with the return to the principal of all amounts charged, together with default interest at the legal rate, or the restitution of securities delivered for sale, depending on the case.
SUBSECTION VIII
Settlement of transactions

Article 88

Concept

1. The settlement of a stock exchange transaction entails the submission or placing of the securities, at the disposal of the buyer, called delivery, and the payment to the seller of the respective price, called settlement.

2. The concept of settlement may further include compliance with other obligations resulting directly from the operation carried out.

Article 89

Clearing and settlement system of stock exchange operations

1. The stock exchange shall organise, under its management, a clearing and settlement system for stock exchange orders, the rules of which shall be established by means of a circular.

2. The rules set forth in the previous number shall establish the buy-backs to take place for failures in delivery and shall likewise provide the possibility of financial reversion, whenever there are failed settlements, with the entities that did not deliver the securities timeously or did not make the payments due being held responsible for the damages.

CHAPTER III
Over the Counter (OTC)

Article 90

Tradable securities

Without prejudice to the provision of number 2 of article 72, securities not admitted to trading on the stock exchange shall be traded on the OTC.

Article 91

Limitations to the activity of financial intermediaries

Whenever a transaction on the OTC market of securities admitted to trading is allowed, the Finance Minister may, by means of Ministerial Order, under proposal of or with prior hearing of the Office of the Auditor-General of the Securities Market, prohibit, limit or condition its execution, by own account or third party account, by stock exchange operators.
Article 92
Buy and sell orders

1. The system applicable to stock exchange orders shall apply, with the due modifications, to the orders for trading securities over the counter.

2. Financial intermediaries qualified to operate in the OTC market may only receive and execute sell orders of securities that are deposited or registered in accounts open at same by the orderers.

3. The securities buy and sell orders transmitted to any financial intermediaries and regarding securities admitted to trading on the stock exchange, tradable on the OTC market as provided by the provision of number 2 of article 72, may only be carried out in the latter when the orderer so decides or authorizes in writing, in the order itself or in an independent instruction signed by him and which the financial intermediary shall file with same.

Article 93
Executing orders

In compliance with the orders received for the buy and sell of securities in the OTC market, in addition to the strict compliance of the professional ethics to which they are bound, as well as the applicable provisions of this Code and other legislation and regulation which govern same, financial intermediaries shall:

a) Establish and keep among themselves the necessary contacts, through the greatest globalisation possible of offer and supply in said market, so as to ensure its clients of the best conditions of price and time limit for the execution of the respective transactions;

b) When the situation set forth in number 2 of article 72 occurs, with regard to a certain security admitted to trading, and provided that prior agreement has been obtained from the orderers when necessary, execute the transactions on the stock exchange whenever more favourable conditions are achieved than those in the OTC market.

Article 94
Report of operations on securities traded in a stock exchange

1. Whenever any transactions involving securities admitted to trading on the stock exchange are carried out on the OTC market, the financial intermediaries that executed same shall immediately report this to the stock exchange, under the terms to be determined in a regulation by the Office of the Auditor-General of the Securities Market.
2. On receipt of the communications referred to in the previous number, the stock exchange shall disclose same in accordance with the terms established in the regulation mentioned above.

**Article 95**

**Weekly information**

1. The financial intermediaries that operate in the OTC market shall prepare and submit to the Office of the Auditor-General of the Securities Market and the stock exchange, on the first working day of each calendar week, a report of all the securities bought and sold by the intermediary in said market during the previous week, which shall be published in the stock exchange bulletin.

2. Financial intermediaries that did not carry out any transactions in the week in question must expressly state same.

**Article 96**

**Fees for carrying out OTC transactions**

Fees shall be due for all off-market transactions that are to be established by regulation of the Office of the Auditor-General of the Securities Market.

**Article 97**

**Supervision**

It is incumbent on the BCV (Banco de Cabo Verde), through the Office of the Auditor-General of the Securities Market, to regulate the provisions in this chapter and to supervise the compliance of said execution.

**TITLE IV**

**Public offers**

**CHAPTER I**

**General provisions**

**Article 98**

**Supervisory authority**

It is incumbent on the BCV, through the Office of the Auditor-General of the Securities Market, to supervise the takeover bids or public offers for sale.
Article 99

**Interruption to trading on the stock exchange**

1. The Office of the Auditor-General of the Securities Market may interrupt the trading on the stock exchange of securities which are the object of public offers for acquisition or sale, if and during the time it is deemed necessary or convenient to ensure the regularity and transparency of the market’s functioning and avoid the occurrence of manipulation of the offer, demand or prices of said securities.

2. The interruption of trading may be imposed as from the moment that the Office of the Auditor-General of the Securities Market learns of the preparation for a takeover bid or public offer for sale.

Article 100

**Acceptance and execution**

1. The acceptance of the offer by the recipients is made by means of orders of sell, exchange or buy, depending on the case, in accordance with Article 75.

2. The acceptor may withdraw the acceptance, through revocation of the respective order, at any time up to five days before the deadline of the offer period.

3. During the offer period, the stock exchange operators and other financial intermediaries that directly receive from the interested parties the orders referred to in number 1 may daily submit to the offeror’s representative information on the acceptances received and revoked, with an indication of the overall quantity of securities corresponding to one and another and, in the case of takeover bids, the breakdown either in accordance with the nature and class of the securities whereof same is the object, if dealing with an offer of multiple objects, or in accordance with the consideration chosen, when same bears alternatives.

4. The assessment of the results of the takeover bids or public offers of sale are carried out in a special session of the stock exchange.

**CHAPTER II**

**Takeover bids**

Article 101

**General principles**

1. Takeover bids for shares are contemporaneously directed at all shareholders or holders of a class of shares that are not, besides the offeror, companies that have a dominant or group relationship with the offeror company.

2. The offer may be conditional on the acceptance by holders of a certain minimum number of shares and thus may be limited to a maximum number of shares.
3. The Office of the Auditor-General of the Securities Market may proscribe an offer if it considers that the number of shares acquired was not warranted, or in the case of a bid competing with the one already launched, deem that among the conditions of both there are significant differences for the shareholders.

4. The Office of the Auditor-General of the Securities Market may order that an offer already launched be withdrawn when, in regard to the target company or offeror, changes have taken place that warrant said decision.

**Article 102**

**Launch of the offer**

1. The public offer is organised and launched by a financial intermediary acting in the offeror’s interests and representing same for everything related with the launch and execution of the offer.

2. The launch is achieved by communicating the offer to the Board of Directors or to the Executive Board of the target company and thereafter the offer may not be revoked, except in the case of a competing bid being launched.

3. Within a period of five working days, the Board of Directors or the Executive Board of the target company shall present the offeror with a statement of views on the offer.

4. The offeror shall submit the offer, statement of views and the draft announcement to the Office of the Auditor-General of the Securities Market, who within a period of two working days, if not the case of proscribing the offer, shall authorise the publication of the respective announcement in the stock exchange bulletin.

5. Until publication of the announcement, the offer may only be changed in light of the statement of views referred to in no. 3 or in compliance with the instructions of the Office of the Auditor-General of the Securities Market.

6. After publishing the announcement, the offeror may only change the nature and amount of the consideration offered once, provided that two thirds of the offer period have not elapsed.

7. The offer period may range between 30 and 40 days, as from the publication of the announcement, but if the offer has been changed, the offer initially established shall be increased by a third.

8. In the case of doubt of the actual date for the deadline of the time periods referred to in the previous numbers, said date shall be established by the Office of the Auditor-General of the Securities Market.
Article 103
Contents of the offer

At the launch and announcement, the public offer shall at least contain the following information:

a) Identity of the offeror;
b) Identity of the financial intermediary responsible for the offer;
c) Description of the shares which are the object of the offer, with the identity of the target company;
d) Nature of the consideration;
e) Description of the intended purpose of the acquisition;
f) Description of the relevant factors for the determination of the consideration offered;
g) Description of the stake directly or indirectly held by the offeror in the target company;
h) Description of the stake directly or indirectly held by the target company in the offeror company;
i) Offer period with the express indication of the last date and hour for the receipt of acceptances;
j) Possible conditions assigned to the offer for the acceptance by the holders of a certain minimum number of shares;
l) Possible indication of the maximum number of shares that the offeror proposes to acquire and the criteria for allotment, when necessary;
m) Mention of the right of the shareholder withdrawing the acceptance in the case, until the close of the offer, where a competing bid with more advantageous conditions is being launched;
n) Cases where the offer may become void;
o) Date wherein payment in money is effected or securities representing the consideration are delivered;
p) Place where the shares shall be delivered or exchanged;
q) Description of any expenses, fees or taxes which shall be borne by the shareholders.

Article 104
Consideration of the offer
1. The consideration of the public offer may consist of cash, shares or bonds (convertible or not) of an offeror company or another company wherein same is in a control or group relationship.

2. If the consideration consists of cash, the organising financial intermediary shall guarantee that same is deposited for the sole purpose of the public offer, or shall issue a bank guarantee for payment.

3. If the consideration consists of shares or bonds already issued, the organising financial intermediary shall guarantee that same is deposited and blocked for the sole purpose of the public offer.

4. If the consideration consists of shares or bonds still to be issued, the respective securities, albeit provisional, must be ready for exchange within 45 days, at the latest, after the close of the public offer, without which the Office of the Auditor-General of the Securities Market shall declare the offer to be null and void and the offeror responsible in accordance with the law.

Article 105

Acquisitions during the offer period

1. If, during the period between the decision to launch the offer and the launch, the offeror or company controlled by the offeror or, if the offeror is a company, another company wherein same is in a dominant or group relationship acquires shares in the target company, the most encumbered conditions of said acquisitions shall constitute the minimum condition of the offer.

2. As from the launch and until the close of the offer, the offeror may not, by buying or exchanging, acquire shares in the target company or others wherein same is in a dominant or group relationship.

3. If the offeror is a company, the members of the Board of Directors or of the Supervisory Board are prohibited from acquiring, by buying or exchanging, shares in the target company or other companies wherein same is in a control or group relationship, as from the moment it was decided to launch until the close of the public offer.

4. The financial intermediaries participating in the public offer, the members of its Board of Directors and Supervisory Board, the target company and the members of its Board of Directors and Supervisory Board, other companies wherein same is in a control or group relationship with the target company and the members of its Board of Directors and Supervisory Board, are prohibited from buying or exchanging shares in the target company or in other companies wherein same is in a control or group relationship, as from the moment of gaining knowledge of the offer and until the close of same.

5. The abovementioned is likewise applicable to the securities constituting part of the consideration offered.
6. The breach of the provisions in the preceding articles shall prevent, during a five-year period, the exercise of the rights inherent in the shares thus acquired but not the requirements for the respective obligations, without banning the alienator from demanding compensation from the acquirers for the damages suffered.

**Article 106**

**Limitation of powers of the target company’s management**

1. After receiving the communication of the offer and until the publication of the result of same or, if applicable, until the termination, before, and whatever the cause, of the respective process, the Board of Directors or the Management Board of the target company may not, except if specifically authorised by the General Meeting granted during said period, practise any acts that do not lead back to the normal management of the target company and that by nature or special conditions may relevantly affect the success of the offer or the objectives and intentions announced by the offeror, namely:

   a) Issue shares or convertible bonds in shares;

   b) Issue bonds or other securities, or enter into agreements, that give the right to subscription of shares or acquisition of any security;

   c) Sell or grant the use of a sector or of a significant portion of the share capital, or enter into agreements of offer to purchase to this effect;

   d) Sell or acquire important equity interests or enter into agreements for the sale or acquisition of said interests;

   e) Carry out merger or split operations or enter into agreements for said purpose.

2. Exceptions to the provisions in the previous number are acts carried out in compliance with an obligation correlatively assumed before the date on which the target company has learnt of the offeror’s intention to launch the offer.

3. The Office of the Auditor-General of the Securities Market may, at the request of the Board of Directors of the target company, and at an oral hearing with the offeror whenever deemed convenient, authorise the acts referred to in number 1 when considered necessary for the timely defence or carrying out of relevant and urgent interests for the company.

**Article 107**

**Duty of confidentiality**

Persons who, due to private or public position, have knowledge of a takeover bid being prepared, shall maintain secrecy until the bid is announced. In the case of breaching said duty, the offeror and the shareholders of the target company shall be
held responsible, without prejudice to the pertinence of the provisions established in article 120.

**Article 108**

**Public offer as a compulsory form of acquisition**

1. The purchase or exchange of shares of a company shall necessarily take on the form of a public offer when the following circumstances are cumulatively verified:

   a) When a public subscription company is involved;

   b) The memorandum and articles of association do not stipulate pre-emptive rights for shareholders in the purchase or exchange of shares;

   c) The offeror already possesses shares of the target company which ensures him the control of same or the shares held, together with the shares to be acquired, allocate the control of said company or even when the shares to be acquired, only by self or added to those acquired as from the 1st January of the previous calendar year, except for the purpose of capital increase, allocate 20% of the votes corresponding to the share capital.

2. In the case of the offeror already possessing the shares of the target company that shall ensure him the control of same, the public offer may not be launched for shares corresponding to less than 5% of the capital of that company.

3. The breach of the provisions of no. 1 of this article shall prohibit during a period of five years the exercise of rights inherent in the shares acquired, but not the requirements for the respective obligations, without banning the alienator from demanding compensation from the acquirers for the damages suffered.

4. The Office of the Auditor-General of the Securities Market may dispense with the public offer, as a result of an application to this effect presented by the applicant to the acquirer, when verified, cumulatively, that the purchase or exchange does not have speculative intent, that the number of shares to be acquired, on its own, does not justify the offer and that the increase of influence by the shareholder in the company is not relevant.

5. The provisions of the preceding numbers are not applicable when the obligation to launch a public offer results from the acquisition, directly or indirectly, in the course of a privatisation.

**Article 109**

**Shares counted as from one offeror**

For the purposes of the previous articles, not only the shares belonging to the offeror shall be counted but also:

a) The shares belonging to other shareholders who, by agreement with all,
acquire shares as a result of the public offer;

b) The shares belonging to companies controlled by the offeror or, if the offeror is a company, the shares belonging to companies that are in a controlling or group relationship with an offeror company;

c) The shares wherein the bonds belonging to the proper offeror or any of the companies covered by the preceding paragraphs shall be converted;

d) The shares resulting from bonds with rights to subscription of shares belonging to the offeror or to any of the entities covered by sub-paragraphs a) and b).

**Article 110**

**Public offer for the acquisition of other securities**

The provisions of this chapter shall apply to public offers for the acquisition of convertible bonds in shares or bonds with rights to subscription of shares or rights of acquisition to any other security.

**CHAPTER III**

**Public offers for sale**

**Article 111**

**Concept**

It is deemed, for purposes of this legislation, that the offer for sale of any securities is public whenever it is classified as such by implementation, with the necessary changes, of the criteria defined in article 18.

**Article 112**

**Launch of the offer**

1. The public offers for sale are organised, launched and placed through a financial intermediary acting in the interest of the offeror and representing same for everything that is related to the launch and execution of the offer.

2. The Office of the Auditor-General of the Securities Market may prohibit an offer if it considers that the quantity of securities object of same does not justify it.

3. The securities which are the object of the offer shall, before submitting the corresponding application for registration, be deposited or registered, for the exclusive purpose of the operation, at the financial intermediary responsible for same in accordance with number 1.
Article 113
Registration

1. The carrying out of any public offer for sale of securities shall depend on the preliminary registration at the Office of the Auditor-General of the Securities Market.

2. The application for registration of the public offers for sale shall be submitted at the Office of the Auditor-General of the Securities Market and briefed in accordance with the provisions set forth in this regulation.

Article 114
Decision of the application for registration

The application for registration is considered to be tacitly deferred to the Office of the Auditor-General of the Securities Market if a statement is not issued by same within a maximum of 30 days, as from the date of receipt of the application for registration or any additional detail or information requested.

Article 115
Calendar

The offeror shall, with the presentation of the registration application, propose the dates whereon it shall proceed with the securities offer, after the registration is granted, with the Office of the Auditor-General of the Securities Market being responsible for establishing same between a minimum of 10 and a maximum of 30 days, taking into account the financial market environment.

Article 116
Obligations of the issuer

1. The issuer of the securities that are the object of the public offer for sale, when not the proper offeror, shall be obliged to provide the offeror the information and details necessary for the process of the registration application and the preparation of the offer launch announcement.

2. The issuing entity shall be responsible for the adequacy, objectivity, truth and topicality of all the details and information provided to the offeror, in accordance with the provisions of the previous number.

Article 117
Offer contents

1. The offer is open to the public through the publication of the respective announcement in the stock exchange bulletin, for which the offeror shall be responsible after registration of the bid is granted by the Office of the Auditor-General of the Securities Market.
2. The contents of the announcement for the launch of the offer shall be established by regulation of the Office of the Auditor-General of the Securities Market referred to in number 2 of article 113.

Article 118

Revision of the bid

1. After publication of the offer launch announcement, the Office of the Auditor-General of the Securities Market may, in cases wherein considered to be justified, authorise the offeror to amend the proposal, but only once.

2. The revision of the offer may only be allowed when it consists of a reduction of not less than 5% of the established or minimum price which is defined.

3. The amendment to the offer and the extension of the respective period shall appear in the announcement published in the same manner as the launch announcement, at least two working days prior to the deadline of the offer.

Article 119

Remission

The framework established in articles 24 and 25 shall apply to public offers for sale, with the necessary changes.

TITLE V

Infractions and penalties

Article 120

Insider dealing

1. Whoever, due to capacity as a member of the Board of Directors or Supervisory Board of a financial intermediary or of an issuer of securities or holder of a stake in the respective capital, or by reason of work or services provided, either permanently or occasionally, to said or other entity or in addition, by virtue of the profession or public service exercised, has inside information and knowledge of information covering said nature:

   a) Seeks to benefit therefrom, acquiring or selling for own account or third party account, directly or through an intermediary, securities issued by said entity or other entities to which the information refers;

   b) Or conveys said information to a third party, out of context of the normal performance of position, work, service, profession or public service as a result of having access to same;
c) Or advises or orders a third party, with basis on the same information, to acquire or sell the securities referred to in sub-paragraph a) of this number, shall be punished with imprisonment of up to a year and a fine up to 180 days.

2. In the case of sub-paragraph b) of the previous number, if the person that conveys the inside information is reasonably convinced, on the day that this is imparted to the third party, that said person shall keep it and not use same, directly or by an intermediary, with a view to carrying out any operations on the securities referred to in sub-paragraph a) of the same number, the penalty applicable shall be imprisonment of up to six months and a fine of up to a 120 days.

3. Any person not included in the context of number 1 of this Article, that gains knowledge of inside information whose source may only directly or indirectly be one of the persons referred to therein, and not ignoring that the information assumes said nature, seeks to benefit therefrom, acquiring or selling, for own account or third party account, directly or via third parties, the securities referred to in sub-paragraph a) of the same number, shall be punished with imprisonment of up to a year and a fine of up to 150 days.

4. Inside information is understood to be, for the purposes of this article, information that is not made public, which, being accurate and relating to one or several issuers of securities or one or more securities, would be capable, if given publicity, of influencing sensitive listing or pricing of said securities in the market.

5. The securities to be considered for the purposes of this Article are:

a) Those defined in number 1/a) of article 3 of this Code, when admitted to trading on the stock exchange;

b) The rights mentioned in number 2 of the same article, when they allow the subscription, acquisition or sale of the securities indicated in the paragraph above.

6. The provisions of this article shall not apply to operations carried out for reasons of monetary, forex or management of public debt policy by the State, Central Bank or any other organisation designated by the State for said purpose.

**Article 121**

**Market abuse**

1. Whoever discloses false or misleading information, carries out fictitious operations or other misrepresentations with a view to artificially changing the regular functioning of the securities markets, namely, through the modification of the normal conditions of supply and demand of any other securities in the secondary market and, for this or another mode, the respective quotations or pricing, for the purpose of obtaining a benefit for oneself or another or to cause damages to third
parties, shall be punished with imprisonment of up to a year and a fine of up to six months.

2. The members of the Board of Directors of the issuer of the target securities who, having knowledge of the fact mentioned in the previous number, omit the due care that was reasonably expected from them in order to avoid the said results, shall be punished with imprisonment of up to six months and a fine of up to 120 days.

Article 122
Other infractions

1. The infractions defined in the following sub-paragraphs, whether resulting from the breach of the provisions of this Code referred to, or the breach of the regulation emanating from the Finance Minister, the Office of the Auditor-General of the Securities Market or the stock exchange in compliance with or for the execution of the very same provisions, shall constitute infractions punishable with a fine of 25,000$00 to 30,000,000$00:

a) The exercise of financial intermediation activities without the legal qualifications for said purpose;

b) The breach by any financial intermediaries of the general duties established in this Code or of the professional secrecy to which are obligated;

c) The carrying out of public offers for subscription or public offers for sale without the respective registration having been previously granted;

d) The publication of the announcement for a takeover bid without same having been previously authorised by the Office of the Auditor-General of the Securities Market;

e) The provision of false or misleading information in the advertising of public offers for subscription, in the announcements of public offers for sale or acquisition or in the prospectus for the admission of securities to listing on the stock exchange;

f) The lack of compliance by the issuer of any of the information duties set out in articles 49 to 53;

g) The carrying out by any financial intermediaries in the OTC market of transactions on securities admitted to trading on the stock exchange, except for the transactions authorised in accordance with number 2 of article 72;

h) The receipt of stock exchange orders, by any financial intermediaries, breaching the provisions of articles 75 and 76;

i) The lack of storing and also the lack of submitting to the respective recipients, according to the respective cases, the documents referred to in articles 85 and 86;
j) The omission by financial intermediaries of communicating the execution of operations in the OTC market;

l) The breach, by persons or entities referred to therein, of the requirements in articles 105 and 106.

2. The breaches of the provisions of this Code not expressly stated in the same number, and the regulation arising in compliance with or for the execution of said provisions, that generally refer to the securities issue, the communications and submission of information to the competent authorities, the public offers, the authorizations, approvals and registrations, the publication of information, the rights to subscription and incorporation and other similar rights, the stock exchange and trading sessions and the market operators duties and other financial intermediaries shall constitute punishable infractions in accordance with the previous number.

3. Together with the fines set out in the previous numbers, the following ancillary penalties may be applied to the persons responsible for any infractions, in accordance with the said nature and seriousness or frequency, and taking into account the type of activity of the infractor and the conditions for the exercise of same, in addition to that set out in other legislation:

   a) Seizure and confiscation of the gains possibly obtained by the infractor in carrying out the infraction;

   b) Temporary interdict on the exercise by the infractor of the profession or activity to which the infraction relates;

   c) Restraint in exercising the functions of management, general management, senior management or supervision and, generally, the representation of any financial intermediaries within the context of same or all types of intermediation activities in securities;

   d) Publication by the Office of the Auditor-General of the Securities Market, at the expense of the infractor, of the punishment for the infraction.

4. The penalties referred to in sub-paragraphs b) and c) of the previous number may not be longer than five years, as from the final sentence.

5. If the same fact simultaneously constitutes crime and infraction, the culprit shall always be punished for both infractions, distinct processes being instituted for that end, to be decided upon by the respective competent authorities.

6. When the infraction consists of an irregularity easily remedied and which has not resulted in losses to the investors or the securities market, the Office of the Auditor-General of the Securities Market may decide to issue a simple warning to the infractor, notifying same to remedy the irregularity confirmed within a time period to be established.
TITLE VI
Final provisions

Article 123
Issuance of book-entry securities

The issuance of book-entry securities may not take place until publication of the legislation mentioned in article 16.

Article 124
Legislation and Supplementary regulation

1. The provisions set forth in this Code shall be supplemented, with a view to their execution, by means of legislation by the Government, Ministerial Orders by the Minister of Finance, Regulations by the Office of the Auditor-General of the Securities Market and Stock Exchange circulars.

2. The legislation by the Government, Ministerial Orders, Regulation and circulars mentioned in the previous number, and any other that may emanate and relate to the subject matter covered by this Code, shall be published in the stock exchange bulletin.

Article 125
Absence and impeachment of the Auditor General

In the absence and impeachment of the Auditor General of the Securities Market, and if applicable, until the appointment of said Auditor, the powers shall be exercised by the Governor of the Central Bank, or by whoever does the same.

Article 126
Registration of covered asset monitors

1. Only the covered asset monitors that are registered in the respective professional society may certify the accounts referred to in sub-paragraph d) of article 49.

2. Until the creation of the professional society referred to in the previous number, the Office of the Auditor-General of the Securities Market shall be entrusted with recognising, case by case and following the request for said purpose, the qualifications of the covered asset monitors that purport to exercise the activity referred to in sub-paragraph d) of article 49.

Article 127
Entry into force

This legislation shall come into force thirty days after publication in the Official Bulletin.
Approved on 31st March 1998
The Chairman of the National Assembly, António do Espírito Santo Fonseca.

Promulgated on 24th April 1998.
Hereby published.
The President of the Republic, ANTÓNIO MANUEL MASCARENHAS GOMES MONTEIRO
Signed on 27th April 1998.
The Chairman of the National Assembly, António do Espírito Santo Fonseca
Decree No. 63/99, of 2nd November

Create a financial instrument called covered bonds

O.B. No. 40 - I Series
Decree No. 63/99
of 2\textsuperscript{nd} November

This document, following the reform of the financial sector set out in the Government Programme, creates another financial instrument, the covered bonds.

Covered bonds are securities which grant the bearer the right of lien in respect of mortgage credit and shall permit the issuing institutions a systematic mobilisation of their credits with the public investor, thus, hereby, multiplying its action through resources obtained.

The universe of financial instruments made available to economic brokers is thus broadened with this legislative rule and shall certainly bring some dynamic to the real estate sector, namely, the housing sector.

In fact, credit and parabanking institutions which are found to be in the conditions established in the document thus avail themselves of a new measure of obtaining resources, by simply assigning the redemption of covered bonds available to them. Investors are granted access to a financial product with considerably reduced risk; the real-estate sector, namely the housing sector, shall benefit from a new dynamic factor which the system may produce.

This measure further establishes a framework that excludes the provisions in the Civil Code with regard to the hierarchy of lien rights. In effect, the holders of covered bonds enjoy special lien rights, a necessary condition for the binding nature of said financial instrument and which does not cause any prejudice to the legal certainty, as it is limited to assets belonging, in full ownership, to the mortgagor and over which there is no onus or encumbrance initially.

In accordance with these terms,

Granted by sub-paragraph a) of number 2 of article 216 of the Constitution, the Government hereby decrees the following:

\begin{itemize}
  \item \textbf{Article 1}
  \textbf{Purpose}
  This document creates a financial instrument called covered bonds.

  \item \textbf{Article 2}
  \textbf{Concepts}
  For this decree, the following shall be deemed to be:
  a) Issuers – the institutions authorised to issue covered bonds, in accordance with article 3;
\end{itemize}
b) Covered bonds – debt instruments that incorporate the duty of the issuer to pay the title holder in terms of the conditions of issue, a certain amount corresponding to the capital and interests that grant the right of lien indicated in number 1 of article 7;

c) Mortgage credit – mortgage credit granted by the issuing authorities in the conditions established in article 11;

d) Title holder – the holder of the covered bonds on the date of the exercise of rights;

e) Mortgaged property – real estate burdened by mortgage that guarantees the credit on fulfilment of the covered bonds.

Article 3
Issuers

In accordance with this legislation, the credit or parabanking institutions legally authorised to grant credit guaranteed by mortgage, to finance the construction or acquisition of real-estate and that have own funds of not less than 100,000,000$00, may issue covered bonds.

Article 4
Issuance resolution

1. The issuance of covered bonds shall be the object of a resolution expressly adopted by the board of directors of the issuer wherein shall be stated the justification for the issuance and characteristics of the bonds to be issued, as well as the actual issuance conditions.

2. The issuance shall take place within a maximum period of 6 months as from the resolution referred to in the previous number, which shall lapse at the end of said period.

Article 5
Issuance formalities

1. The issue and public offer for subscription of covered bonds shall not be subject to administrative authorisation or public registration.

2. The issuing institutions shall, prior to any public offer for subscription of covered bonds, advertise in one of the main newspapers of national coverage a prospectus containing all the relevant information on the characteristics of bonds and the issuing conditions, namely the total amount issued, the indication of the right of lien granted by no.1 of article 7 and referred to in sub-paragraphs a), b) and e) to j) of article 6.

3. The prospectus referred to in the previous number shall be sent to the Banco
Article 6

Reference of securities

1. Securities to be issued shall consist of, in compliance with the resolution of the issuing entity:

a) References of the issuer referred to in article 256 of the Commercial Companies Code;

b) Date of resolution for the respective issue;

c) Date of issue;

d) Order number;

e) Nominal value;

f) Term;

g) Interest rate or rates;

h) Maturity dates;

i) Dates or periods wherein the respective redemption occurs;

j) Method of payment, nominal or bearer, of bond;

k) Signatures that bind the issuer.

2. The securities of the covered bonds may be in book-entry form, with the provisions of the Securities Market Code being applicable thereto and, in this case, the respective record shall refer to the details mentioned in the previous number.

3. The securities of covered bonds may be divided or concentrated, according to what is decided for each issue, with the charges being borne by the respective holders, unless otherwise stated.

Article 7

Right of Lien

1. The holders of covered bonds shall enjoy special right of lien over loans assigned to the respective issue, with precedence over other creditors, for the purposes of redemption of capital and receiving of interest corresponding to the respective bonds.

2. Mortgages that guarantee covered bonds shall prevail over any real-estate right of lien.
3. The real-estate right of lien established in no.1 requires registration in the land registry office.

4. The statement of registration of the bond shall include a special reference that the loan secured by same shall be assigned to the compliance of covered bonds, whenever said assignment results from constitutional documents or declarations from the issuer.

5. In the case of bonds already established, the abovementioned shall be carried out by an annotation based on the declaration from the issuer.

6. The cancellation of onus of allocation shall be carried out based on the declaration of the credit institution.

7. No fees shall be due for the registration referred to in numbers 5 and 6, or for the cancellation of the registrations of the onus of allocation, which were drafted under the terms of legislation.

**Article 8**

**Legal Regulation**

The following shall not apply to the issuance of covered bonds:

a) Chapter II of Title IV of the Commercial Company Code;

b) Article 3, sub-paragraph f) of Decree Law No. 42644, of 14th November 1959;

c) Chapter II of Title II of the Securities Market Code.

**Article 9**

**Redemption period**

Covered bonds may not be issued with a period of redemption of less than 3 years and greater than 30 years.

**Article 10**

**Manner of issue**

1. The issue of covered bonds may be executed in a continuous manner or in series, in accordance with the financial needs of the issuer and the demand from investors.

2. Each issue may not be less than fifty million escudos, nor each bond have a par value of less than a thousand escudos.

**Article 11**

**Interest rates**

1. Zero coupon or fixed interest rate mortgage issues may only be justified for mortgage credit at fixed interest rates.
2. In issues with a floating rate, the interest rate of assigned mortgage credit and of covered bonds must be defined with regard to the same reference value.

**Article 12**

**Requirements of mortgage credit**

1. Only matured credit, whereof taxable persons are the issuers, secured by first mortgages established over assets that belong in full ownership to the mortgager and which have no onus or charges, without prejudice to the provision in no.4, may be assigned collateral of covered bonds.

2. The amount of the mortgage credit may not exceed the value of the asset mortgaged.

3. Credits secured by assets or rights which, due to their nature or legal framework, shall not be considered to be of stable and lasting value, are not considered mortgage credits.

4. Mortgage credits secured by guarantee of a credit institution or adequate insurance contract, with a counter guarantee of mortgage that meets the conditions indicated no.1, shall be considered to be mortgage credits.

**Article 13**

**Insurance of mortgaged assets**

1. In the absence of an insurance agreement appropriate to the inherent risks of the nature of the mortgaged assets carried out by the owner of same, the issuer shall enter into the agreement, bearing, in this case, the respective charges.

2. The insurance contract referred to in the previous number shall guarantee a capital of no less than the evaluation value set out in the following article.

3. The compensation that possibly takes place shall be directly paid by the insurer to the mortgage creditor, up to the limit of the mortgage credit capital.

**Article 14**

**Evaluation of mortgaged assets**

1. The value of the mortgaged assets referred to in sub-paragraph 2 of article 12 shall be established by the issuer in accordance with the following criteria:

   a) In the case of urban buildings, the market value of assets with similar characteristics, use and location;

   b) In the case of rural buildings:

      i) Its timely use in accordance with the possibilities of fact and law;
ii) The profit foreseen by agricultural exploration, cattle breeding or similar.

2. Without prejudice to the provision of the previous number, the value of land shall be determined by taking into account the level of urbanisation, urban improvement, natural characteristics and location.

**Article 15**

**Evaluation report**

The evaluation referred to in the previous article shall be subject to a detailed report at the sole responsibility of the issuer.

**Article 16**

**Limits**

1. With respect to each issuer, the overall nominal value of the covered bonds in circulation may not exceed 80% of the overall value of the mortgage credit indicated in article 12, assigned to said bonds.

2. If, for any reason, the limit referred to in the previous number is exceeded, the issuing entity shall, within five working days following said fact, rectify the situation through one of the following procedures:
   a) Allocation of new covered bonds;
   b) Acquisition in the secondary markets of surplus bonds;
   c) Depositing of money or public debt in *Banco de Cabo Verde*, in the excess value, exclusively assigned to the bond debt service.

3. While in the possession of the issuer, covered bonds shall not enjoy the framework set out in this legislation.

4. The average maturity of covered bonds issued by an entity may not exceed the average life of mortgage credits that are assigned to same.

5. The overall amount of interest to be paid annually as a result of covered bonds may not exceed the amount of interest annually collected from the borrowers of the mortgage credit assigned to said bonds.

**Article 17**

**Register of mortgage credits**

1. The issuer shall keep an updated record, which shall be sent to the *Banco de Cabo Verde* on a quarterly basis, of all the mortgage credits it holds and which have been assigned to covered bonds.
2. Regarding the register referred to in the previous number, the following information shall be stated in relation to each credit:

a) Amount outstanding;
b) Interest rate;
c) Redemption period;
d) Notary public office where the respective mortgage deed was signed;
e) References relating to the final registration of the mortgages in the land registry office.

3. The ownership of the credit recorded in the register referred to in no.1 may only be transferred or burdened in accordance with the issuer allocating the new mortgage credit to the bonds in question, pursuant to this legislation.

Article 18

Accounting system

1. The Banco de Cabo Verde shall establish the accounting rules to be observed by issuers with the objective of at any moment being able to verify the values of covered bonds issued, in circulation and redeemed.

2. Issuers shall inform the Banco de Cabo Verde on a monthly basis of the number and value of covered bonds issued by same that are in circulation.

Article 19

Secondary market

1. Covered bonds may be admitted to listing on the stock exchange in accordance with regulations in force.

2. Covered bonds may integrate the assets of real-estate investment funds, under the conditions that are defined in a specific regulation, and shall be equated to securities listed in the national stock exchange for the purposes of the composition of reserves of social security institutions.

3. Covered bonds shall be considered as bonds issued by entities from Cape Verde for the purposes of the composition of assets that represent or guarantee the technical provisions of insurance companies, as well as the assets representing pension funds.

4. Issuers may freely buy and sell covered bonds issued by themselves with the aim of ensuring the liquidity of the secondary market.

Article 20

Notices of the Banco de Cabo Verde

For implementation of this legislation, the Banco de Cabo Verde may issue notices.
Article 21
Entry into force

This legislation comes into force 60 days after its publication.

Seen and approved by the Council of Ministers.

Carlos Veiga – António Gualberto do Rosário – José Ulisses Correia e Silva.
Promulgated on 25th October 1999.
Hereby published.
President of the Republic, ANTÓNIO MANUEL MASCARENHAS GOMES MONTEIRO
Countersigned on 26th October 1999.
The Prime Minister, Carlos Veiga
Ministerial Order No. 38/2000, of 27th November

This Ministerial Order establishes the framework applicable to registration, handling and control of book-entry securities admitted to listing on the Stock Exchange.

O.B No. 34 – I Series
Ministerial Order No. 38/2000
of 27th November

The international experience in countries that are characterised by business
dynamism and by the degree of development in the securities market amply shows
the utility of book-entry securities, i.e. securities which are not physically represented
by certificates but only by entries in an account. And thus, whether by reduction of
costs and time in which the issue and the circulation of securities is carried out,
or by the simplification which allows a group of operational procedures regarding
the functioning of markets, such as the exercising of patrimonial rights and the
settlement of transactions carried out on the stock exchange.

In this manner, the Securities Market Code approved by Law No.52/V/98, of 11th
May, set out in article 10 the possibility of the existence, corresponding to certificated
securities, of book-entry securities, making same dependent, by means of article 123,
on the possibility of effective issue in national territory of this type of securities, on
the publication of special legislation that specifically regulates same as provided by
article 16 of said Code.

The Commercial Companies Code approved by Decree Law No. 3/99, of 29th
March, did not only strengthen the enshrinement of the possibility of shares
and bonds being merely in book-entry from, authorising their issuance, but also
immediately established a set of rules essential for the registration of said issuance
and ownership. Said rules shall adequately regulate most situations wherein are
found companies to which the Code is applicable.

However, within the context of the implementation, inevitably general, of the
Commercial Companies Code, there is still the need for more thorough regulation of
situations that are more specific, as is the case of securities that, being in book-entry
form, are admitted to listing on the Stock Exchange of Cape Verde.

In fact, the circumstances intrinsically underlining said situation, which is to
enable a higher frequency of transactions involving securities in simple, prompt
and secure conditions, with recourse to professional intermediaries, impose the
establishment of mechanisms specifically aimed at said reality in which the security
of legal commerce is safeguarded in an environment which simultaneously allows as
far as possible the easy and prompt circulation of traded securities.

This shall in fact be a truly important contribution to favour the expansion of
the securities market, since the absence of the possibility of issuing of book-entry
securities and of adequate mechanisms to regulate their handling has been an
inhibiting factor of access to the market by some issuers.

The system established in this legislation registers an adequate co-operation
between the registration of issue accounts, to be created and maintained by issuers, the
registration accounts of the holder of book-entry securities, to be created and maintained by authorised financial intermediaries, and the accounts to control the positions of the various intermediaries, to be created and maintained by the stock exchange.

A set of mechanisms shall be created to regulate the content of these accounts, their judicial value, the liabilities of participants, the various vicissitudes that can occur as a consequence of the handling of book-entry securities and the information to be provided on the accounts for the registration of book-entry securities. The Banco de Cabo Verde shall also be granted supervisory duties in this jurisdiction, in conformity with the general competencies of supervision and monitoring of the securities market already incumbent on said entity.

Pursuant to article 16 of Law No.52/V/98, of 11th May;

The Government of the Republic of Capo Verde hereby decrees, through the Minister of Finance, the following:

CHAPTER I
General provisions

Article 1
(Scope)

This document establishes the legislation applicable to the register, handling and control of book-entry securities admitted to listing on the stock exchange.

Article 2
(Registration and control of book-entry securities)

The system for the registration and control of the issuance and handling of book-entry securities is guaranteed through the existence of the following accounts:

(a) Issue registration accounts, set up and maintained by the issuer or its representative, in accordance with article 4;

(b) Accounts registering the ownership of book-entry securities, set up and maintained by authorised financial intermediaries, in accordance with article 6;

(c) Position accounts representing the total of the values kept in register by each financial intermediary, set up and maintained by the stock exchange in accordance with article 9.

Article 3
(Deposit system)

With the due changes, the accounts registering the ownership of book-entry
securities set out in sub-paragraph b) of the previous article fall under the deposit system established in article 15 of the Securities Market Code, namely for the purposes of observing the rules concerning stock exchange orders.

CHAPTER II

Registration accounts

Article 4

(Issuance registration account)

1. The issuance of book-entry securities admitted to listing shall be performed exclusively by means of the respective registration in an account named ‘Issuance registration account’, set up and maintained by the issuer or by a single institution that same designated and that shall act as representative of the entity.

2. The provision in the previous number does not do away with the need to observe the legal and statutory provisions regarding the issuance of the securities in question, including the authorisations, resolutions and acts of registration due.

3. Financial intermediaries that are members of the clearing and settlement system of operations held by the stock exchange may only be appointed by the issuer in accordance with number 1.

Article 5

(Contents of Issue registration accounts)

1. The issue registration account may be either paper-based or computer-based.

2. The entities that carry out the registrations on computer shall use security means appropriate for this type of format, including security copies kept in a different registry.

3. The issue registration account shall reflect:
   a) The complete identity of the issuer;
   b) The date of issue;
   c) The quantity of securities that incorporate the issue.
   d) The identity and complete characteristics of the securities issued;
   e) The amount and date of the payments for release stipulated and carried out;
   f) The changes that are made to any of the above mentioned;
   g) The date and identity of the financial intermediaries wherein the first ownership registrations were made.
Article 6
(Accounts registering the ownership of book-entry securities)

1. The ownership of book-entry securities shall be exclusively performed through
the respective registration in the registration account named ‘account registering the
ownership of book-entry securities, opened at the request of the stakeholders in an
authorised institution.

2. Only financial intermediaries who are members of the clearing and settlement
system of operations of the stock exchange may provide the service of registering the
ownership of book-entry securities.

3. The provisions set forth in numbers 1 and 2 of the previous article shall apply
to the accounts stipulated in this article.

Article 7
(Contents of the accounts registering the ownership of book-entry securities)

1. The accounts registering the ownership of book-entry securities shall confirm
the ownership, nature, characteristics and legal position of registered securities on
behalf of the respective title holders and shall also show, through appropriate entries
and annotations, the processing of all operations involving registered securities, as
well as the exercise of the respective patrimonial rights.

2. The accounts referred to in the previous number shall reflect the following:

a) Number of account and opening date;

b) Name, domicile and tax number of the holder or holders, in the case of more
than one account holder it shall be presumed that the parts of each holder are
equal, unless otherwise stated in the account;

c) Full identity of securities registered at all times;

d) Entries of debit and credit of the quantities acquired and sold, with the
identification of the bank account where the corresponding financial
movements were made;

e) Allocation and payment of dividends, interest and any other income, with the
identification of the bank account where same were credited;

f) Subscription and acquisition and the free allocation of securities of the same
or different type, to which the registered securities have conferred rights;

g) Total or partial conversion of the securities registered in other securities, with
the specification of new securities and the cancellation of the registration of
converted securities;

h) Detached rights of registered securities;
i) Establishment, modification or withdrawal of usufruct, surety, attachment, lien, collateral, seizure or any other legal position that encumbers the registered securities;

j) Blocking of registered securities, with an indication of the basis therefore, term of validity and quantity of securities covered, and termination of the blocking;

k) Other references that are due by the nature or characteristics of registered securities or by the legal positions relating to same.

3. Any entries on the account shall be dated.

Article 8

Structure of the accounts registering the ownership of book-entry securities

1. The contents of the accounts registering ownership of each holder shall at least be structured by successive subdivision of the following:

   a) Shares, bonds and any other types of securities;

   b) Denomination, by indicating the respective issuer of the security.

2. The structure of accounts registering ownership shall likewise reflect the differentiation of the security, when applicable, in regard to the respective tax system and special class of security holders, when there are legal or statutory limits to the ownership of the securities concerned, taking into account the capacity of its holders.

3. The accounts registering ownership shall furthermore be structured in such a manner that allows the financial intermediary to provide the following at any time.

   a) The relationship of all of the holders of a certain security, indicating the quantity held by each one;

   b) When applicable, the relationship of all holders of certain classes of a certain security, indicating the quantity held by each one;

   c) The complete statement of account of each registered securities holder, both and in regard to a certain type of security and a certain value;

   d) The total quantity of securities registered in accounts under their office, differentiated by types and individual identity of securities.

4. Financial intermediaries authorised to hold accounts registering the ownership of book-entry securities may create internal systems that incorporate all the securities accounts under their office, independently of same being book-entry or certificates and whether or not they are admitted to listing, without prejudice of such system allowing at any time compliance with that set forth in the previous numbers
and likewise clearly showing the differentiation between book-entry securities and certificated securities, for both listed and unlisted securities.

**Article 9**

*(Position accounts of securities admitted to listing)*

1. With regard to each issue, or group of fungible issues, of book-entry securities admitted to listing on the stock exchange, each of the financial intermediaries authorised to hold accounts registering the ownership of book-entry securities shall open at the stock exchange, until the date on which transactions commence or the date on which certificated securities are converted into book entries, an account representing the total shares registered at same.

2. The accounts referred to in the previous number aim to clearly show at all times all of the securities integrated in each issue, the group of fungible issues, held in record at each financial intermediary in accordance with the transfers of ownership arising from the respective trade or from other reasons, with the total balance of each financial intermediary corresponding at all times to the sum of the securities recorded in the individual accounts held by same and the sum of all of the accounts of all intermediaries corresponding to the total quantity of the issue or issues in question.

3. Whenever the stock exchange detects that the total quantity of securities deriving from the sum of the accounts of all of the financial intermediaries does not correspond to the total quantity of the issue or issues in question, it shall in conjunction with said intermediaries and with the issuer, rectify the situation, informing the *Banco de Cabo Verde* of the anomaly and its solution.

4. The rules regarding the opening and handling of accounts referred to in this article, as well as the information to be provided to the issuer, shall be established by the stock exchange by means of a circular.

5. The service provided by the stock exchange in terms of this article may be remunerated under the conditions to be established by the *Banco de Cabo Verde*.

**Article 10**

*(Format, officiousness and proceedings of registrations)*

1. The records, references and annotations in the accounts registering the ownership of book-entry securities shall be made by the financial intermediaries based on documentation legally required for proof of rights or facts to be recorded and, that being the case, a written request by the interested parties, and shall indicate the number of the archive document, including the said request.

2. Financial intermediaries shall undertake the registrations regarding the sale, acquisition or any other operations involving securities registered or to be
registered in the accounts under their responsibility and carried out by them, and shall undertake the remaining registrations on the written request of the holders of the right or subject of the fact to be registered, or by determination of the competent entities.

**Article 11**

(Date and order of registrations)

1. Officious registrations shall be recorded with date of the registered fact.

2. The registrations requested by the interested parties shall be carried by order of submission of requests and date of same.

3. Pending registrations with regard to blocked securities shall be reported on the day the blockage is cancelled.

**Article 12**

(Value and binding nature of the registration of book-entry securities)

1. The registration in the accounts referred to in this legislation shall presume that the legal positions are in accordance with the exact terms of the respective registration.

2. The rights and facts subject to registration shall only become effective with respect to third parties as from when the registration took place; however, the lack of registration may not be invoked by those who had the obligation to undertake same.

3. The rights registered on said securities shall prevail in the order whereby the respective registrations took place.

4. The holders of any rights on book-entry securities may only convey, encumber same or exercise inherent patrimonial and social rights, provided that the securities are registered in an account in their name in accordance with this order.

The registration of any facts or legal positions may be proven by a certificate issued by the registration entity.

**CHAPTER**

**Vicissitudes**

**Article 13**

(Blocking of securities)

1. Securities shall be subject to blocking when the following takes place:

a) Sell order, until the sale takes place, withdrawal of order or deadline of the respective validity period wherein it was not executed;
b) Exercise of rights when said right depends on keeping the ownership of securities in question, with the implementation of the provision in number 2 of article 13 of the Securities Market Code;

c) Request by the respective holder;

d) Stipulation by the Banco de Cabo Verde within the scope of investigation in progress in the exercise of its supervisory functions of the securities market;

e) Legal decision.

2. The blockage hinders the handling or transfer of blocked securities, with the exception of their sale in the case of sub-paragraph a) of the previous number, and also the entries of any records on said securities that do not refer to the termination of the blockage.

Article 14

(Transmission of book-entry securities)

1. The transmission, free of charge or against payment, of listed book-entry securities shall occur on debiting the transferor’s registration account and crediting the buyer’s account or one which shall be opened to this effect.

2. In the case of trades carried out on the stock exchange, the financial intermediaries that received the respective buy and sell orders shall officiously and mandatorily be obliged to register said orders in the stakeholders’ accounts, in observance of that established in the Securities Market Code and in the rules applicable to the clearing and settlement system.

Article 15

(Conversion of certificated securities into book-entry securities)

1. The conversion into book-entry securities of certificated securities admitted to listing which any issuer decides to proceed, shall mandatorily include the entire issue whereof the securities to be converted resulted and, if such is the case, all of the securities constituting fungible issues with same.

2. For the purposes of conversion, the issuer shall publish a notice in at least one national newspaper of mass circulation and in the stock exchange bulletin, announcing the event and establishing the time period of no less than sixty days so that the holders of said security may carry out the respective deposit with the financial intermediary in accordance with the conditions established in article 6.

3. On the first working day following the closing date for the period established by the issuer, financial intermediaries shall proceed as follows:

a) Open, on behalf of the holders of the converted securities, the accounts registering the holder of book-entry securities, corresponding to securities
to be converted which had been submitted and those which had already been deposited.

b) Make a note on the certificates of the respective conversion and delivery them to the issuer.

4. The issuing entity shall cancel or destroy the securities which it received in accordance with the previous number, and shall open up the registration account of the issue.

5. At the end of the period defined for the conversion, the issuer shall publish, in the format set out in number 2, an announcement stating the quantity of securities converted and, in the event of them not corresponding to the totality of the issue or issues covered, the contents of the provisions in the following number.

6. Once the period defined by the issuer for the conversion has elapsed, and in the event of there being no delivery of securities constituting the issue or issues included in said securities, only the respective securities shall be legalised so as to apply for registration in their favour. These securities may not be validly traded nor the respective rights exercised until the holders convert them in conformity with that set forth in this article.

7. The issuer shall record the missing securities in a special account that shall be created to this effect whose balance shall, at all times, represent the quantity of securities not yet converted.

8. The dividends, interest and any other income regarding the securities that were not converted shall be credited by the issuer in a special account to be opened specifically for this purpose and which shall subsequently be debited as and when the conversion of the corresponding securities takes place by undertaking for credit in the account of the respective holder, to be carried out by the financial intermediary that presents the securities for conversion.

9. In the event of none of the securities being converted, the stock exchange shall withdraw the quantity of securities not converted from trading with the amount subsequently converted being restored to trading as and when the conversions take place, by means of the issuer communicating same to the stock exchange.

10. All charges inherent in the conversion of certified securities into book-entry securities shall be at the issuer’s expense, with no costs whatsoever falling on the interested parties.

Article 16

(Conversion of book-entry securities into certificates)

1. The issuer that decides to convert an issue of book-entry securities into certificated securities shall publish an announcement of said fact in a national
newspaper of wide circulation and in the stock exchange bulletin, indicating the date as from which the securities shall be available for delivery.

2. The issuing entity shall be responsible for agreeing with all financial intermediaries qualified to keep accounts registering ownership on a specific date for the delivery of the securities, which shall take place on a single day for all, in accordance with the total quantities of securities concerned with each one registered.

3. Financial intermediaries shall be responsible for recording the conversion in the accounts registering the ownership of book-entry securities, on the date of the delivery of the securities, and for depositing the securities on behalf of the respective holders.

4. The stock exchange shall encourage the technical interruption of trading under the conditions deemed necessary.

5. The charges associated to the creation of securities and the developments deemed necessary for the initial distribution shall be wholly borne by the issuer.

**Article 17**

*(Conversion of book-entry securities into certificated securities for foreign trading)*

1. When it proves necessary for foreign trading to be allowed, the holders of book-entry securities shall request the financial intermediary wherein said securities are registered to initiate the respective conversion into certificated securities, if said trading does not depend on any authorisation from Cape Verde or any country in which it is purported to be traded, or if it does depend, presenting the interested parties with proof of the necessary authorisation.

2. The issuance of securities shall be made by the issuer on the financial intermediary’s indication.

3. Securities may not be traded or be the object of any legal deal on the national market, except for the reconversion into book-entry securities, obliging the mention of same being included in the securities.

4. With the delivery of the securities by the issuer to the financial intermediary, and by the latter to the respective holder, the issuer and the financial intermediary shall record the conversion of the quantity of securities in question in the issuance registration account and in the ownership registration account, respectively.

5. The reconversion of certificated securities into book-entry securities shall depend on the request from their legitimate holder, together with securities, presented to an authorised financial intermediary.

6. The exercise of any rights inherent to the securities referred to in this article...
shall be done in accordance with the general procedure applicable to certificated securities.

7. Only the initial holder and the persons that confirm having acquired same by foreign trading shall be considered to be the legitimate holders of the securities.

8. The costs of converting the book-entry securities into certificated securities and the reconversion from the latter to book-entry securities, in accordance with this article, shall be wholly borne by the interested parties.

CHAPTER IV

Information

Article 18

(Information for holders)

1. Financial intermediaries shall send to the holders of accounts registering the ownership of book-entry securities under their care a notice of the launches carried out, whenever any movement or subsequent registration in the respective accounts takes place, with the service of the proof of the entry related thereto being carried out.

2. On the opening date of the accounts, and whenever requested to do so, financial intermediaries shall send to the holders of accounts registering the ownership of book-entry securities under their care a print-out of same, specifying the nature, class, characteristics and quantity of securities registered therein, as well as the indication, if applicable, of the existence of any encumbrances, charges, limitations or obligations that are registered against said securities.

3. When requested to do so, financial intermediaries shall provide the beneficiaries of any rights of usufruct, encumbrances or charges and other limitations or obligations with a certificate confirming the registration, nature and conditions, as well as the respective amendment or withdrawal.

4. The documents referred to in this article may be produced by computer, without prejudice to their signature, albeit by rubber-stamp, by an authorised representative of the financial intermediary.

5. It shall apply to the provisions of article 13 of the Securities Market Code.

Article 19

(Other information)

1. Whenever necessary and timely, financial intermediaries authorised to keep ownership registration accounts shall provide the issuer with information requested by same and which is necessary for the issuer to comply with its obligations regarding the exercise by holders of the patrimonial rights inherent to the securities issued, and may adequately control the conditions and results of said exercise.
2. In the case of book-entry securities that follow the framework for nominal securities, financial intermediaries shall provide issuers, at their request, with reports containing the identity of the securities holders and the quantity held by each one.

3. When the law or the memorandum and articles of association of the issuer impose restrictions on the percentage of the respective share capital that may be held by a group of shareholders that belong to a certain category of individuals or legal persons, and in the case of book-entry shares that follow the framework for nominal securities, authorised financial intermediaries shall provide the issuer, at its request, with reports containing an indication of the shares held by shareholders falling under said categories.

CHAPTER V

Final and contingent provisions

Article 20

(Liability)

The issuer, by itself or jointly with the institution named by same, in regard to the registration accounts of issues, and the financial intermediaries, in regard to accounts registering the ownership of securities held, shall be answerable independently of the fault for the damages caused to the holders of rights on registered securities or third parties, as a result of the omission, irregularity, error, shortcomings or delay in carrying out or amending the registrations, unless it can be proved that the injured party was at fault.

Article 21

(Professional secrecy)

Without prejudice to the provisions of articles 18 and 19, financial intermediaries and their employees shall be subject to professional secrecy on the contents of ownership registration accounts and the documentation relating thereto, which may only be accessed by holders, as to the matter concerned therewith, the Banco de Cabo Verde, in exercising supervisory functions of the securities market, and the legal authorities in the scope of the process.

Article 22

(Prohibition from pursuing activity)

The Banco de Cabo Verde may prohibit the financial intermediary authorised in accordance with this legislation to keep accounts regarding registration, issues or the ownership of book-entry securities, from carrying out said activity when it deems justified in the exercise of its general supervisory powers that the intermediary in question does not display being in possession of technical capacity or resources to guarantee the provision of registration services in appropriate conditions of efficiency and security.
Article 23

(Securities already issued)

Any book-entry securities, ultimately issued before the enactment of this legislation, shall become subject to the provisions contained therein if said securities were admitted to listing on the stock exchange, with the issuers being responsible to taking all the actions necessary to bring into conformity the respective legal status, in accordance with this regulation.

Article 24

(Supervision)

The Banco de Cabo Verde shall be responsible for supervising the compliance with the provisions of this regulation.

Article 25

(Entry into force)

This Ministerial Order comes into force on the date of publication.

Regulation No. 1/2000, of 27th November
Public Offers for Subscription and Sale

Registration with the Bank of public offers for subscription and public offers for sale of securities and their advertising.

O.B. No. 48 - II Series
Regulation No. 1/2000
Public Offers for Subscription and Sale

In accordance with the provisions of articles 20 and 113 of Law No. 52/V/98 of 11th May, the Banco de Cabo Verde, hereinafter referred to as ‘the Bank’, approved the following Regulation:

CHAPTER I
General Provisions
Article 1
Scope

This Regulation establishes the Framework applicable to registration with the Bank of the public offers for subscription and the public offers for sale of securities, and in addition, the format and content of the advertising of said offers.

Article 2
Exclusions

1. The following are not subject to the framework set forth in this Regulation:
   a) The issuance of shares corresponding to capital increases by the incorporation of reserves;
   b) The issuance of shares intended for the substitution of others in the same company, without a capital increase or changes to the rights or positions concerning the shareholders resulting therefrom.

2. The provisions of the previous numbers do not do away with the obligation to publish the issuances therein specified, in accordance with the provisions of the Securities Market Code.

CHAPTER II
Registration of the Public Offers for Subscription
Article 3
Presentation and application for registration

1. The application for the registration of public offers for subscription shall be presented to the Bank through an application signed by the representatives of the issuer or, when the issue is aimed at constitution inclined towards a public offer for subscription of a public limited company, by the respective promoters and, when applicable, by the financial intermediary or leader(s) of the consortium of financial intermediaries responsible for placing the issue, and shall be applied for in accordance with the provisions of the following number.
2. The application for registration shall include the following documents:
   a) A copy of the minutes of the deliberations or resolutions by the issuer’s management boards or, when applicable, the legislation or administrative measures which, under the legal and statutory provisions applicable, approve the issue;
   b) An updated copy of the memorandum and articles of association or organic law of the issuer;
   c) A certificate from the commercial registry or, when dealing with an entity that is not subject to commercial registration, a document with the same legal status emanating from those with the powers for said purpose, substantiating the existence and date of establishment of the issuer, the amount of share capital and the identity of all the members of the Board of Directors and the Supervisory Board;
   d) The management reports, financial statements, opinions by the Supervisory Board and legal certification of the issuer’s financial statements with regard to the last three financial years, or only of the last financial years, if it has been incorporated for less than three years;
   e) A copy of the placement contract signed with the financial intermediary or consortium of financial intermediaries responsible for placing the issue and, if applicable and not included in same, the liquidity contract;
   f) A draft of the launch announcement of the public offer for subscription, drawn up in accordance with article 12 of this regulation;
   g) The auditor’s report of the issuer carried out by an independent auditor, where the documents referred to in sub-paragraph d) for at least the last two financial years, have not yet been audited.

3. In addition to the documents set out in the previous number, an appropriate technical, economic and financial feasibility study on the issuer or the specific undertaking at stake shall also be presented whenever:
   a) It is anticipated that the issuer shall incur losses in the current financial year;
   b) Dealing with a share issuance and the set amount is superior to the own capital of the issuer, when the latter is not a financial institution.

4. The feasibility study shall mandatorily contain the following details:
   a) Identity and grounds for the assumptions used;
   b) Description of the principal investments;
   c) Description of the future activities of the issuer;
e) Financial statements of the estimated results with regard to the next three years;

f) Findings of the feasibility study.

5. If the issue is aimed at the incorporation inclined towards a public offer for subscription of a public limited company, the application for registration shall only contain the documents referred to in sub-paragraphs e) and f) of number 2, and also the following:

a) A statement identifying all the promoters of the incorporation of the company;

b) A document substantiating the compliance by said promoters with the obligation of subscribing and paying up the minimum share capital, as legally specified, with an indication of the number and value of the shares subscribed and paid up by each one of them;

c) A copy of the draft memorandum and articles of association;

d) A certificate substantiating the provisional registration of said project.

6. Whenever, on account of the prior registrations of the public offer for subscription or the public offers for sale, some of the documents required in sub-paragraphs b), c) and d) of number 2 are already in the Bank's possession and are found to be originals, the applicant may dispense with presentation of same, mentioning the fact and the indication of the process wherein were included.

**Article 4**

**Application procedure**

On receipt of the process, the Bank may:

a) Request from the applicants additional details, information or clarification that are considered necessary for the appraisal of the application;

b) Request from third parties any other details or information that is required for the same purpose;

c) Specify as a condition to the registration a preliminary introduction in the launch announcement of the offer or in any other documents in the application, of modifications or addenda that is judged to be necessary to ensure compliance with the legal provisions and regulations applicable, and, namely, the appropriate protection of investors, requesting the applicants to present a new reformulated version of said documents.
Article 5

Rejection of the Application

1. The Bank shall refuse to register the public offer for subscription whenever one of the following circumstances is ascertained:

   a) Lack of presentation of any documents referred to in Article 3 or additional details, information, clarifications or reformulated documents referred to in the previous Article;

   b) The issuer is not constituted in accordance with the legislation that governs it or legal position that allows its subsistence or the normal development of its activities within the context of said legislation;

   c) Lack or irregularity of the approval of the issue by the competent Board, or discordance of the securities to be issued with the legal and statutory provisions that govern same;

   d) The launch announcement of the offer does not meet the necessary conditions for the approval, in accordance with article 14.

2. In the case of the previous number, if the restrictive fault or defect of the registration of the offer can be remedied, the Bank shall only refuse the application if the issuer, after being so notified to provide same within a reasonable period established by the Bank, does not act within said time period for the respective discharge.

Article 7

Lapse of Registration

The registration lapses, for all purposes, if the launch announcement of the public offer for the subscription is not published within a year as from the date of the last balance sheet on which the registration is based.

Article 8

Registration Expenses

For the registration of the public offers for subscription and other services related thereto, the issuer shall pay the fees that are established for the purpose in the appropriate regulation.
CHAPTER III
Registration of the Public Offers for Sale

Article 9

Presentation and application for registration

1. The registration for the public offers for sale shall be made in consideration of the application presented to the Bank by the offeror, together with all the documents referred to in the following number and signed by the offeror, by the single financial intermediary or by the leader or leaders of the financial intermediaries consortium responsible for the operation in accordance with article 112 of the Securities Market Code.

2. The application for registration shall be submitted with the following documents:

   a) A short explanatory note of the operation and objectives;

   b) Supporting documents of any prior authorisations, registrations or declarations whereof the carrying out of the operation is dependent due to specific legislation;

   c) Equivalent documents, for the public offer for sale, to that required for the public offer of subscription in sub paragraphs e) and f) of number 2 of article 3, and also, as regards the offer and the offeror, if same is not an individual, identical documents to that referred to in sub paragraphs a), b) and c) of the same number;

   d) If the issuer of the securities that are the object of the offer is not the offeror, the documents set out in sub paragraphs b) and c) of number 2 of article 3, with regard to the issuer, and thus also, in any case, the provisions in sub paragraphs d) and g) of the same number, equally applicable to said entity;

   e) Supporting documents of the prior deposit or registration in number 3 of article 112 of the Securities Market Code.

3. The provisions of sub paragraph 6 of article 3 on the public offer of subscription shall apply to the application for the registration of the public offer for sale.

Article 10

Procedure, decision and lapse

The provisions of articles 4 and 7 of this Regulation shall apply, with the respective changes, to the procedure, decision and lapse of the application for the registration of the public offer for sale.
Article 11

Registration expenses

For the registration of public offers for sale and other control services provided by the Bank, the offerors shall pay the fees that are established to this effect in the appropriate regulation.

CHAPTER IV

Advertising of the Public Offers

Article 12

Joint launch announcement of offer and prospectus

1. The entities that purport to carry out a public offer for the subscription of shares or a public offer for the sale of shares shall publish a launch announcement which consists of the details set out in numbers 1, 2 e 4 to 9 of the Annex to this Regulation, approved by the Bank as an integral part of the registration of the offer.

2. The entities that purport to carry out a public offer for the subscription of bonds, or a public offer for the sale of bonds, shall publish a launch announcement which consists of the details set out in numbers 1 and 3 to 9 of the Annex to this Regulation, approved by the Bank as an integral part of the registration of the offer.

3. When the offeror or, if different, the issuer of the securities that are the object of the offer, purports to present an application for the admission to listing on the stock exchange of said securities within a period of six months after the date of the assessment of the offer's results, it may present a process for the application of the offer's registration and publish a single information document that simultaneously fulfils the requirements for the launch announcement and the prospectus for the admission to listing, namely by individualism in the normal content of the prospectus to the admission of information described in numbers 2 or 3, depending on the case, of the launch announcement; in this case, said information shall become part of Chapter II of the prospectus, with the compensation set out below.

4. The single information document referred to in number 3 shall be named the ‘Prospectus of the Offer (for public subscription/public sale) and the official admission to listing’.

Article 13

Reduction of the content and dispensation with the announcement

In the case of a public offer for the subscription of shares, if the issuer already has shares of the same class listed on the stock exchange, the Bank may:

a) In the case of an issue with a pre-emptive right for investors, authorise, following an application substantiated by the parties that omit from the
announcement any information considered to have already been placed at the disposal of the investors, duly updated and in suitable format, by means of publication to which the issuer is obliged due to the provisions in the Securities Market Code, or totally dispense with the publication of the announcement;

b) If, independently of the issue having a pre-emptive right or not for the shareholders, the number or value of shares to be issued is less than 10% of the number or value corresponding to the shares already listed, authorise, following an application substantiated by the parties, the total or partial dispensation with the announcement, insofar as it considers that the information that shall have been included in the announcement is already at the disposal of investors, and is updated and in a suitable format, by means of a publication by the issuer in accordance with the previous paragraph.

**Article 14**

**Refusal to approve the announcement**

The Bank shall refuse the approval of the launch announcement for the public subscription or public offer for sale when it deems that the investors’ interests are not to be sufficiently protected, on account of one of the following circumstances being ascertained:

a) Lack of truth in the information contained therein, shown in same or verified by information or knowledge that, by any manner, the Bank has;

b) Lack of objectivity in the announcement, namely by containing forecasts, interpretations, assessments or other merits not clearly sustained by substantiated facts or in necessary relations or substantiated in existence among said facts;

c) The announcement is incomplete in regard to the information required, or worded in vague or ambiguous terms or any other manner capable of misleading investors;

d) The operation is organised or its implementation is planned in unfair conditions to investors or conditions that in any way imply an unjustified discriminatory treatment among same;

e) In general, the announcement does not conform, in terms of content and format, to the provisions of this regulation.

**Article 15**

**Publication of the announcement**

1. The publication of the launch announcement of the offer for public subscription or the public offer for sale shall take place within at least five days from the date on
which the presentation of the orders for the subscription or purchase by the parties may commence.

2. The publication referred to in the previous number shall mandatorily be made in the stock exchange bulletin, without prejudice to its disclosure in newspapers, brochures or other means of disclosure which the parties intend to use.

**Article 16**

**Advertising of the offers**

1. All advertising actions, irrespective of the type, carried out by the issuer, financial intermediaries or any other service providers with the aim of placing the issue or sale shall be prepared in accordance with the general principles of lawfulness, truthfulness, objectivity and fairness and may not mislead the public on the reality of the facts, positions, activities, business, results, values or prospects, and must be in strict harmony with the content and meaning of the information contained in the launch announcement of the offer.

2. The advertising referred to in the previous number shall be clearly identified as such, whatever the means of disclosure used, and shall state, depending on the case, that a comprehensive announcement or the existence of same shall be apropos published.

**Article 17**

**Approval by the Bank**

1. The advertising referred to in the previous article shall be subject to prior approval by the Bank.

2. Approval shall be considered to have been granted and the advertising commenced if the Bank does not issue a statement on same within two days following the date on which the information to be advertised was submitted.

When it deems that the draft advertisement does not comply with the provisions of the previous article, the Bank may refuse to approve said disclosure or subject same to changes that are appropriate for the information to be published.

**Article 18**

**Commencement of the advertising actions**

1. Without prejudice to that established in the previous article, the advertising related to placing the issue or sale may only commence after being presented at the Bank together with the application for the registration of the issue or sale.

2. When the Bank concludes, via a preliminary examination of the respective application, that the principle of the registration of the issue or sale is not viable, it shall order the deferment of any advertising regarding the launch of the operation until the final decision on the viability of the application has been taken.
CHAPTER V
Final provisions

Article 19

Entry into force

This Regulation comes into force on the date of its publication in the Official Bulletin.

– The Governor, Olavo Garcia Correia.

Annex

Preliminary information

a) The business name of the issuer and if different, of the offeror.
b) Other details to which the issuer is legally compelled in its publications, and at least the headquarters, object and constitution date of the issuer of the securities that is the object of the offer and, if different, of the offeror.
c) The type of announcement.
d) The date the announcement was prepared.
e) Optionally, the logo of the issuer and if different, of the offeror.

1. Persons that take the responsibility for the announcement and its content.

1.1. Name and functions of the natural persons, or name and headquarters of the legal persons that take on the responsibility for the content of the information contained in the announcement.

1.2. Declaration by the persons mentioned in the previous point ensuring that the details registered in the announcement are correct, objective, real and satisfactory.

2. Information regarding the issue or sale of shares.

2.1. Decisions or resolutions that gave origin to the issue or sale.

2.2. Description of the general characteristics and conditions of the operation, with an indication of the amount of the issue or sale, quantity, nominal value, category and form of shares, identity, if that is the case, of the sectors of recipients of the operation and distribution of the shares by said sectors, and in addition, the special rules applicable to each sector of recipients.

2.3. Indication of the price for the subscription or sale, or the criteria for said determination, and conditions for its implementation or payment, if applicable for each segment of the operation, as well as the indication of the mode and period for the repayment of the value corresponding to the purported bonds that were not assigned.
2.4. Rights inherent to the shares to be assigned.

2.5. Description of the existence of possible preference rights in the subscription or purchase and conditions of its exercise, and also a description of possible limitations to the right of acquisition by certain entities or group of entities.

2.6. Form, mode and period of subscription or sale, with the express indication of the last day and hour that the acceptances may be received.

2.7. Description of the financial institutions that guarantee the placement or sale and, if foreseen, the firm underwriting, and of the institutions wherein the orders for subscription or sale may be presented.

2.8. Statement on whether the company already has listed securities on the stock exchange and if it has or not undertaken to request said admission as to the bonds object of the offer.

2.9. Detailed description of the purpose of the issue or sale and the purpose that is purported to be given to the product of same.

2.10. Criteria for the allocation or allotment to be adopted if the acceptances received exceed the quantity of the bonds that are the object of the offer.

2.11. Possible assignment of the offer to conditions of acceptance by persons that, in a group, acquire the minimum number of securities offered.

2.12.  The cases wherein the offer may be null and void.

2.13. Date and place of the assessment of the offer’s results.

2.14. Date and manner of the delivery and settlement of the offer.

2.15. Indication of any expenses, fees or taxes that shall be borne by the acquirers.

3. Information regarding the issue or sale of bonds.

3.1. Decisions or resolutions that gave origin to the issue or sale.

3.2. Description of the general characteristics and conditions of the operation, with an indication of the amount of the issue or sale, nominal value quantity, indication of the currency of the loan, category and form of bonds, identification, if applicable, of the sectors of recipients of the operation and distribution of the bonds by said sectors, and in addition, the special rules applicable to each sector of recipients.

3.3. Indication of the price for the subscription or sale, or the criteria for said determination, and conditions for its implementation or payment, if applicable for each segment of the operation, and also the indication of the mode and period for the repayment of the value corresponding to the purported bonds that were not assigned.

3.4. Description of the existence of possible preference rights in the subscription
or purchase and conditions of its exercise, and also a description of the possible limitations to the right of acquisition by certain entities or group of entities.

3.5. Dates on which the payment of the interest and amortisation shall take place.

3.6. Nominal interest rate and real yield.

3.7. Description of any other benefits assigned to bonds.


3.9. Taxation system applicable.

3.10. Possible guarantees aimed at ensuring the redemption of bonds and the payment of interest.

3.11. Form, mode and period of subscription or sale, with express indication of the last day and hour that the acceptances may be received.

3.12. Description of the financial institutions that guarantee the placement or sale and, if foreseen, the firm underwriting, and of the institutions wherein the orders for subscription or sale may be presented.

3.13. Statement on whether the company already has listed securities on the stock exchange and if it has or not undertaken to request said admission as to the bonds object of the offer.

3.14. Detailed description of the purpose of the issue or sale and the purpose that is purported to be given to the product of same.

3.15. Criteria for the allocation or allotment to be adopted if the acceptances received exceed the quantity of the bonds that are the object of the offer.

3.16. Possible assignment of the offer to conditions of acceptance by persons that, in a group, acquire the minimum number of securities offered.

3.17. The cases wherein the offer may be null and void.

3.18. Date and place of the assessment of the offer’s results.

3.19. Date and manner of the delivery and settlement of the offer.

3.20. Indication of any expenses, fees or taxes that shall be borne by the acquirers.

3.21. Indication of the legislation designated as applicable in the resolution of the issue of bonds and the competent courts in the event of litigation.

4. Identification of the issuer.

4.1. Reference to specific legislation to which the issuer, or the offeror, if different, may be subject.
4.2. Historical note on the functioning and activity of the issuer and, if different, of the offeror.

4.3. Maximum and minimum quotes of the securities that the issuer has listed on the stock exchange in each twelve-month period prior to the issue or sale.

5. Functioning of the issuer.

5.1. Indication of the manner in which the statutory distribution of profits is carried out and statutory distribution of net assets in the case of liquidation.

5.2. Description of conditions of access to the shareholder or bondholder meetings and the conditions for the exercise of voting rights.

5.3. Framework for the transfer of securities.

5.4. Indications concerning knowledge of the existence in the last financial year or the current financial year of public offers carried out by third parties with regard to the securities of the issuer and public offers carried out by the issuer with regard to securities of another entity.

6. Share capital of the issuer.

6.1. Amount of the authorised equity capital, subscribed and paid-up, as well as its representation.

6.2. Conditions that are subject to the changes of the capital and special rights or privileges of the various types of securities represented therein.

6.3. Quantity and value that is depicted in the company’s assets as own shares held by same.

6.4. Framework describing the trend for the last three years in results, distribution of profits and dividends paid and developments in the share capital and reserves.

7. Activity of the issuer.

7.1. Staff – permanent staff trends in the last three years.

7.2. Main business premises – brief description of the number and geographic distribution of the main business premises, land and other premises; reference to whether the entity is or not the owner of the business premises.

7.3. Activities and production of the entity – brief description, with an indication of the production volume and confirmed sales in the last three years.

7.4. Guidelines and future prospects, for two successive years, in the areas of sales, production, staff and financial position.


8.1. Comparative table summarising the financial statements for the last three financial years, or the elapsed financial years if the entity has been incorporated for less than three years.
8.2. Table describing the cash flows of the last three financial years.

9. **Composition of the management boards.**

9.1. Description of the natural or legal persons comprising the management boards.

9.2. Description of the state representatives on the management boards.

The Governor of the Cape Verde Bank, *Olavo Garcia Correia.*
Market Costs

Regulation No. 1/2005, of 2\textsuperscript{nd} January 2007
O.B. No. 4 - I Series

Regulation No. 2/2006, of 22\textsuperscript{nd} January 2007
O.B. No. 4 - I Series

Rectification to Regulation No. 2/2006, of 5\textsuperscript{th} March 2007
O. B. No. 10 - I Series
Regulation No. 1/2005

Market costs

In accordance with articles 4, 48, 67 and 96 of the Securities Market Code, the Office of the Auditor-General of the Securities Market, hereinafter referred to as AGMVM, approved the following Regulation:

Article 1

Scope

This Regulation establishes the framework applicable to the functioning costs of the securities market, with regard to fees and commissions due for the actions or conditions set forth in same, namely, the amounts applicable, the indication of entities that shall bear the charges and those wherein same constitutes income, and the mode of respective collection.

Article 2

Registration fee for public offers for subscription

1. A fee is due for registration with the AGMVM of the public offers for subscription of securities, by the issuer or persons establishing the company with public offer, according to the cases that constitutes the consideration for the services of confirming the requirements and approving the registration documents, the so-called registration act, and in addition, other services, namely control services, related to the registration carried out.

2. The registration fee for the public offers for subscription constitutes income for AGMVM.

3. The fee has a fixed value of 100,000 Escudos.

4. The payment of fees shall be carried out by crossed cheque to the order of AGMVM, submitted together with the application for the registration of the offer.

5. In the case of dismissal of the registration application, the AGMVM shall refund half of the fee, by crossed cheque in favour of the drawer of the cheque referred to in the previous number, delivered together with the dismissal notification.

6. Entities which request the registration of a public offer for subscription of securities, showing proof that said transaction is directed at promoting the economic and financial recovery of the issuer, are exempt from the payment of any fees.

Article 3

Registration fee for public offers for sale

1. A fee shall be due by the offeror for registration with the AGMVM of public offers for sale as consideration for the services of confirming the requirements and
approving the registration documents, the so-called registration act, as well as other control services related to the registration.

2. The registration fee for public offers for sale constitutes income for the AGMVM.

3. The fee has a fixed value of 100,000 Escudos.

4. The provisions of numbers 4 and 5 of the previous article relating to the registration fee for the public offer for subscription of securities is applicable to the registration fee for public offers for sale.

**Article 4**

**Fee for the admission to listing**

1. For the admission to listing of any securities, with the exception of national and foreign public funds and securities equated thereto, the issuer shall pay the following fees, calculated on the nominal value of the capital to be admitted:

   a) 1.50‰, for bonds;
   
   b) 1.50‰, for investment funds in public debt;
   
   c) 2.00‰, for other investment funds.

2. In any case, the fee shall have the following minimum and maximum amounts:

   a) 100,000 thousand Escudos and 1,500,000 thousand Escudos, respectively, for bonds;
   
   b) 100,000 Escudos and 1,000,000 Escudos, respectively, for investment funds in public debt;
   
   c) 200,000 Escudos and 2,000,000 Escudos, respectively, for other investment funds;
   
   d) 250,000 Escudos and 3,000,000 Escudos, respectively, for other securities.

3. In the case of admission to listing of new shares resulting from a capital increase, issued by a company with shares already listed, only the minimum fee referred to in sub-paragraph c) of the previous number shall be paid.

4. No fees shall be due in the case of the admission to listing of shares resulting from the conversion of listed bonds.

5. The fees for admission to listing constitute income for the Stock Exchange.

6. The fee shall be paid to the Cape Verde Stock Exchange by the fifth working day following the notification of the decision for the admission to listing; trading on the stock exchange shall not commence without proof of payment.
Article 5

Fee for periodic maintenance of listing

1. The entities with securities admitted to listing on the stock exchange shall pay, in favour of same, a fee for periodic maintenance that constitutes consideration for the general services provided by the Stock Exchange.

2. The fee for maintenance relates to the market capitalisation, regulatively to each issue listed, and shall have the following amounts:
   a) 1.00 %0, in the case of bonds;
   b) 1.50%0, for investment funds in public debt;
   c) 2.000/00, in the case of other investment funds;
   d) 1.25 %0, in the case of other securities.

3. In any case, the fee shall have the following minimum and maximum amounts:
   a) 100,000 Escudos and 1,500,000 Escudos, respectively, for bonds;
   b) 100,000 Escudos and 1,000,000 Escudos, respectively, for investment funds in public debt;
   c) 200,000 Escudos and 2,000,000 Escudos, respectively, for other investment funds;
   d) 150,000 Escudos and 3,000,000 Escudos, respectively, for other securities.

4. The fee for periodic maintenance is an annual fee, due on 1st January of each year with reference to the previous calendar year, and shall be paid by 31st January.

5. As to the securities that have not been listed during the previous calendar year, whether as a result of having been admitted to listing in said year or having been excluded therefrom, the amount proportional to the period in the calendar year during which the securities were admitted shall be paid.

6. The issues admitted to listing as national or foreign public funds and securities equated thereto are exempt from paying the fee referred to in this article.

Article 6

Fee for readmission to listing

1. For the readmission to listing of securities previously excluded, the issuer shall pay the following fees, calculated on the par value of the capital to be readmitted:
   a) 0.50‰, for bonds;
   b) 0.75‰, for other securities.
2. There shall be no payment of fees as set forth in this article if the readmission is confirmed within a year from the exclusion date.

3. The provisions in numbers 2, 5 and 6 of article 4 shall apply to the fee for readmission to listing.

**Article 7**

**Fee for carrying out stock exchange transactions**

1. The following buy and sell fees shall be due for payment by the buy trader and by the sell trader for the carrying out of stock exchange operations, whether in normal or special sessions, and shall be mandatorily reflected on its principals:

   a) A fixed commission of 1,000 Escudos per transaction, on transactions carried out on investment funds;

   b) 1.00 ‰ of the transaction value, in transactions carried out on bonds;

   c) 1.25‰ of the transaction value, in transactions carried out on other securities.

1. The fees for carrying out stock exchange transactions constitute income for the Stock Exchange.

2. The collection of fees for carrying out stock exchange transactions shall be processed within the context of the settlement of transactions carried out, in accordance with the terms defined in the respective stock exchange circular.

**Article 8**

**Fee for carrying out over-the-counter transactions**

1. The buy and sell fees set forth in this article, to be paid by the buyer financial intermediary and the seller financial intermediary, which shall be compulsorily reflected on its principals, shall be due for the carrying out of any transactions involving securities on the OTC market, free of charge or against payment.

2. Of the fees referred to in this article, 25% constitute income for the Cape Verde Stock Exchange and 75% for the AGMVM.

3. The fees for carrying out off-market transactions are as follows:

   a) A fixed commission of 1,700 Escudos per operation, in transactions carried out on investment funds;

   b) 4.00 ‰, of the transaction value, in transactions carried out on bonds;

   c) 5.00 ‰, of the transaction value, in transactions carried out on any other securities.
4. Under the provisions of number 2 of article 72 of the Securities Market Code, when securities admitted to listing on the stock exchange are traded on the OTC market, the fees referred to in the previous number, applicable to said transactions, with the exception of those carried out on investment funds, shall be tripled.

5. For the transactions carried out on investment funds, as provided for in number 4, a fixed commission of 2,000 Escudos per operation shall be charged.

6. For the purposes of the provisions of the previous numbers 3 and 4, transaction value shall be deemed to be:

   a) In the case of a transfer against payment, the greater of the following three values: value declared of the operation, value of the operation at the securities’ nominal value or, in the case of listed securities, the value of the operation at the last quotation on the stock exchange;

   b) In the case of a transfer free of charge, the larger of the following two values: value of the operation at the nominal value of the securities or, in the case of listed securities, value of the operation at the last quotation on the stock exchange.

7. The payment of fees shall be carried out by crossed cheque to the order of AGMVM, submitted together with the weekly information regarding the operations carried out referred to in article 95 of the Securities Market Code.

8. The financial intermediaries authorised to carry out transactions on the OTC market are responsible for the timely payment of fees concerning the transactions wherein conducted, for own account or on behalf of clients, independently, in the latter case, of proceeding with the timely collection from the principals.

**Article 9**

**Brokerage commission**

1. For carrying out stock exchange transactions on behalf of clients, whether in normal or special sessions, the market operators shall charge brokerage commissions freely determined by same, complying overall, for each operation, but without prejudice to the provisions of the following number, a minimum value of 100 Escudos and a maximum value of 2.50‰ of the transaction value.

2. When, in the same stock exchange session, the execution of the same stock exchange order on the same security is divided in the carrying out of more than one operation, the brokerage commission applicable, as provided in the previous number, shall be determined by reference to the group of transactions thus carried out.

3. For each stock exchange order received but not executed, the stock exchange operators may charge, at the time of cancellation, repeal or lapse of the order, and even if same is renewed, a commission with a maximum of 100 Escudos.
Article 10

Over-the-counter market commission

1. Stock exchange operators and other financial intermediaries legally and statutorily authorised to carry out operations on the over-the-counter market shall charge commissions freely determined by same for carrying out said operations, in accordance overall, for each operation, a minimum value of 250 Escudos and a maximum of 3.00‰ of the transaction value, determined in accordance with number 5 of article 8 of this regulation.

2. When, under the provisions of number 2 of article 72 of the Securities Market Code, the securities admitted to listing on the stock exchange are traded on the OTC market, the commission referred to in the previous number, applicable to said operations, shall be tripled.

3. For each order received for carrying out operations on the OTC market, but not executed, the stock exchange operators and other financial intermediaries authorised to operate on said market may charge, at the time of cancellation, repeal or lapse of the order, and even if same is renewed, a commission with a maximum of 150 Escudos, or 1,000 Escudos shall the order concern securities admitted to listing on the stock exchange and traded on the OTC market, as provided for in number 2 of article 72 of the Securities Market Code.

Article 11

Registration of stock exchange operators in the register kept by the stock exchange

1. Each trader shall pay the Cape Verde Stock Exchange a non-refundable fee in the fixed amount of 500,00 Escudos for the respective registration in the register kept by said stock exchange.

2. Annually, as from the second calendar year following the registration, each stock exchange operator registered in the register referred to in the previous number shall pay the Cape Verde Stock Exchange a non-refundable fee in the amount of 250,000 Escudos, which payment shall be provided by 31st January of each year.

Article 12

Book-entry securities accounts

1. For the custody of dematerialised securities at the Cape Verde Stock Exchange, the issuer shall pay the following fees, calculated on the value of the securities held in account during the said period:

   a) 0.05‰, for public debt securities;

   b) 0.20‰, per annum, paid in twelfths, for other investment funds;
c) 0.50‰, for other securities admitted to listing;
d) 1.00‰, for other securities not admitted to listing;

2. The fees referred to in the previous paragraph constitute income for the Stock Exchange, with the corresponding amount being paid by the 10th of each month.

3. In the acquisitions in accordance with sub-paragraph c) of number 1 of article 108 of the Securities Market Code, a fee of 2.00‰ shall be charged to the acquirer, in favour of the Cape Verde Stock Exchange, on the securities which are the object of the acquisition.

4. Transfers free of payment between accounts of the same bank at the Central for Clearing and Custody or between the accounts of the banks shall be subject to a fee of 1700 Escudos.

5. The fees charged by stock exchange operators and other authorised financial intermediaries, on the interest, dividends, loan repayments and final securities custody require prior authorisation from the AGMVM.

Article 13
Publications

For the publication in the stock exchange bulletin of the publications mandatorily required by the legislation in force, the entities that are obliged to request said publication shall pay costs amounting to 15,000 escudos per page.

Article 14
Repeal


Article 15
Entry into force

This Regulation comes into force on the date of its publication in the Official Bulletin.

Regulation No. 2/2006

Market Costs

Conscious of the growing importance in the creation of a favourable environment for receiving capital, namely, investment funds, a set of legislative documents was embodied, aiming at attracting foreign capital and the reform of the Cape Verde Financial System and Capital Market.

Nevertheless, it is equally important to demarcate other measures necessary for the viability of any reform, such as the care with the updating of market functioning costs, with the intention of always keeping it competitive, when compared to other recipient capital countries.

Within this context, and with a view to the adequacy and improvement of the domiciliation conditions for investment funds, under the provisions of Articles 4, 48, 67 and 96 of the Securities Market Code, the Office of the Auditor-General of the Securities Market - AGMVM, passed a resolution approving the following regulation:

Article 1

Object amendment and addendum

1. The following are amended: Article 4/1/b); Article 4/2/b); Article 5/2/b); Article 5/3/b); Article 7/1/a); Article 8/3/a); Article 8/4; Article 8/5; Article 12/1; Article 12/3 and/4, all of Regulation No. 1/2005, of 12th December.

2. The following are addenda: sub-paragraph c) to Article 4/1; sub-paragraphs c) & d) to Article 4/2; sub-paragraph c) to Article 5/2; sub-paragraphs c) and d) to Article 5/3; Article 8/8, with the Article gaining a new numbering; sub-paragraph d) to Article 12/1, all of Regulation No. 1/2005, of 12th December.

3. The articles with amendments and addenda mentioned above shall be replaced by the following wording:

3.1.

Article 4

Fee for admission to listing

1. For the admission to listing of any securities, with the exception of domestic and foreign funds and other such securities, the issuer shall pay the following fees, calculated on the nominal value of the capital to be admitted:

a) 1.50‰, for bonds;

b) 1.50‰, for investment funds in public debt;

c) 2.00‰, for other securities.
2. (. .. )
   a) \(100,000\) Escudos and \(1,000,000\) Escudos, respectively, for investment funds in public debt;
   b) \(200,000\) Escudos and \(2,000,000\) Escudos, respectively, for other investment funds;
   c) \(250,000\) Escudos and \(3,000,000\) Escudos, respectively, for other securities.
(. ..)
3.2.

   **Article 5**

   **Fee for periodic maintenance of listing**

1. (. .. )
2. ( ... )
   b) \(1.50\%\), for investment funds in public debt;
   c) \(2.00\%\), in the case of other investment funds;
   d) \(1.25\%\), in the case of other securities.
3. ( ... )
   b) \(100,000\) Escudos and \(1,000,000\) Escudos, respectively, for investment funds in public debt;
   c) \(200,000\) Escudos and \(2,000,000\) Escudos, respectively, for other investment funds;
   d) \(150,000\) Escudos and \(3,000,000\) Escudos, respectively, for other securities.
C .. )'
3.3.

   **Article 7**

   **Fees for carrying out stock exchange operations**

1. ( ... )
   a) A set commission of \(1,000\) Escudos per operation carried out on investment funds.
( .. )”
3.4.
“Article 8
Fees for carrying out off-market operations

(...)  
3.(...)  
   a) A set commission of 1,700 escudos per operation, on operations carried out on investment funds;  
   (... )

4. When, under the provisions of number 2 of article 72 of the Securities Market Code, securities admitted to listing on the stock exchange are traded off-market, the fees referred to in the previous number, applicable to said transactions, with the exception of those carried out on investment funds, shall be tripled.

5. For transactions carried out on investment funds, in accordance with number 4, a set commission of 2,000 Escudos shall be charged per operation.

6. This number 6 shall be replaced by the wording of the previous number 5;

7. This number 7 shall be replaced by the wording of the previous number 6;

8. This number 8 shall be replaced by the wording of the previous number 7.”

3.5.

“Article 12
Book-entries securities accounts

1. For the custody of dematerialised securities at the Cape Verde Stock Exchange, the issuer shall pay the following fees calculated on the value of the securities held in account during the said period:

   a) 0.05‰, per month, for public debt securities;

   b) 0.20‰, per month, paid in twelfths, for investment funds;

   c) 0.50‰, per month, for other securities admitted to listing;

   d) 1.00‰, per month, for securities not admitted to listing.

   (... )

4. The free transfers of payment between the accounts of the same bank at the Central for Clearing and Custody or between the accounts of the banks shall be subject to a fee of 1700 Escudos.

   (... )”
Article 2

Changes and publication

The amendments and the addenda resulting from this regulation shall be inserted in the amended regulation that shall be published in full.

Article 3

Entry into force

This legislation shall come into force on the date of its publication in the Official Bulletin.

Office of the Auditor-General of the Securities Market, in Praia, on 30th November 2006. – The Auditor-General, Maria Encarnação Alves Silva Rocha

________________________

Office of the Auditor-General of the Securities Market

Rectification

For containing errors, Regulation No. 2/2006, published in Official Bulletin No. 4, I Series, of 22nd January 2007, is hereby rectified:

Where the following reads:

Article 1

Objective

Amendment and addendum

(...)  
3.1

Article 4

Fees for admission to listing

2. (...)  
  a) Escudos and 1.000.000 Escudos respectively, in the case of public debt investment funds;

It shall read:

Article 1

Object

Amendment and addendum
3.1.

**Article 4**

**Fees for admission to listing**

2. (...)

a) 100,000 Escudos and 1,000,000 Escudos respectively, in the case of public debt investment funds;

For containing errors, Regulation No. 1/2005, of 9th December 2005, published in Official Bulletin No. 4, I Series, of 22nd January 2007, is hereby rectified:

Article 7 is republished as follows

**Article 7**

**Fees for stock exchange operations**

1. The buy and sell fees to be paid by the buy trader and sell trader, respectively, which shall be mandatorily reflected on the principals, shall be due for the carrying out stock exchange transactions, whether in normal sessions or special sessions:

a) A fixed commission of 1,000 Escudos per operation, on operations carried out on investment funds;

b) 1.00/₀₀ of the value of the operation, on operations carried out on bonds;

c) 1.25/₀₀ of the value of the operation, on operations carried out on any other securities.

2. Fees for carrying out stock exchange operations shall constitute income for the Stock Exchange.

3. The collection of fees for carrying out stock exchange operations shall be processed within the context of the settlement of transactions carried out, in accordance with the terms defined in the respective stock exchange circular.

Financial Intermediation

Law no. 53/V/98, of 11 May
Ministerial order no. 48/98, of 14 September
Regulation no. 3/2000, of 27 September
Law no. 53/V/98, of 11 May

This sets forth the conditions for access to and performance of Securities Intermediation activities.

O.B. no. 27 - I Series

Amendment

Due to an error in the publication of Official Bulletin no. 18, of 11 May, Law no. 53/V/98, which sets forth the conditions for access to and performance of Securities Intermediation activities, is published anew.
Law no. 53/V/98
of 11 May

By the people's mandate, the General Meeting decrees, pursuant to sub-paragraph b) of article 186 of the Constitution, the following:

CHAPTER I
General provisions

Article 1
(Scope)

This order sets forth the conditions for access to and performance of securities intermediation activities, hereinafter briefly referred to as securities intermediation activities or simply intermediation activities.

Article 2
(Intermediation activities)

1. Securities intermediation activities are considered those involving:

a) The canvassing of investors to subscribe, buy, sell or exchange securities or to carry out other operations on these, as well as the canvassing of clients for any type of securities intermediation services;

b) The provision of consulting services on securities investments;

c) The placing of securities issued by any entity in the primary market;

d) The provision of services related to the organisation, registration or obtaining of the authorisation, launch and implementation of public offers;

e) The reception of orders from investors for the subscription or transaction of securities and respective implementation by the financial intermediary who receives them, when authorised to operate in the stock market or in another market for which the orders are intended, or otherwise through another legally qualified intermediary;

f) The proprietary trading of securities through a financial intermediary authorised to negotiate in the stock market or in other secondary markets;

g) The opening and handling of accounts for the deposit of certified securities or registration of book-entry securities, as well as the provision of services related to the associated rights;

h) The management of third-party securities portfolios, with a view to ensuring not only the management of these securities and the exercise of the associated rights, but also the performance of any operations involving these securities;
i) The setting up and management of securities and real-estate investment funds;

j) The performance of security custodian duties involving the securities that incorporate the funds referred to in the previous sub-paragraph;

2. The canvassing of investors or clients is considered to be all activities that involve:

   a) Approaching persons, albeit sporadically, either in public places or at their home or place of work, to propose or advise them to subscribe, buy, sell or exchange securities, or try to obtain the participation of these persons in other securities operations or get them to use any intermediation services envisaged in the previous number.

   b) Regularly proposing or advising persons to perform the operations or to use the services mentioned in the previous sub-paragraph through letters, circulars, telephone calls or any other form of communication sent or made to their home or place of work.

3. Canvassing activities are forbidden, irrespective of the individual or legal person wishing to undertake them, when these involve the subscription, buying, selling or exchange of any securities, when these operations legally require the publication of a prospectus or of any other documentation and said publication did not take place or was dispensed with under the applicable terms.

4. The professional consultancy services referred to in sub-paragraph b) of number 1 include the provision to investors or potential investors, on an individual basis, of advice on the subscription, buying, selling or exchange of securities, on the exercise of the associated rights, namely the right to the respective conversion or sale or to the subscription or buying of other securities, or to the management of securities portfolios belonging to these investors.

5. In the cases of sub-paragraph h) of number 1, the authorisation of the holder of the portfolio to enable the financial intermediary to carry out any operations involving the securities that make up the portfolio must be provided in a written document and must set the terms, limits and degree of discretion with which these management acts may be practised by the intermediary.

Article 3

(Financial intermediaries)

1. Financial intermediaries are considered to be those individuals or legal persons authorised to carry out one or more of the securities intermediation activities referred to in the previous article.
2. Intermediation activities may only be carried out by individuals or legal persons expressly qualified as financial intermediaries by means of obtaining the authorisation and registration envisaged in this order.

3. Each financial intermediary may only carry out, from among those envisaged in number 1 of the previous article, those securities intermediation activities that have been authorised and which are included in the by-laws, in the case of a legal person.

CHAPTER II

Access to financial intermediation

SECTION I

Authorisation

Article 4

(Prior authorisation)

The exercise of any securities intermediation activities by individuals or legal persons, as well as the incorporation of financial intermediaries of any category that are not individuals, depend on prior authorisation, to be granted case-by-case by the Finance Minister, by order.

Article 5

(Requirements)

1. The authorisations referred to in the previous article may only be granted when:

   a) The financial intermediary has enough own financial resources, given the nature of the activities to be carried out;

   b) The financial intermediary, in the case of an individual, or the members of its management and supervisory committees, in the case of a legal person, as well as all of the other persons that in effect direct or supervise its activities internally, are competent, have suitable experience and do not have any of the incapacities or inhibitions envisaged in the next article;

   c) In the case of a company, the members holding more than 10% of the share capital are competent;

   d) The financial intermediary has an organisation and human and material means technically suited to the type and volume of the activities to be carried out.

2. In the case of authorisation for the incorporation of a financial intermediary, the applicant or promoters must ensure that the requirements set forth in the previous number have been met when the financial intermediary is incorporated.
3. The Finance Minister, by ministerial order, having heard the opinion of the *Banco de Cabo Verde*, is entrusted with establishing the minimum amount of own financial resources required under the terms of sub-paragraph a) of number 1 for each category of financial intermediaries, when said amount has not been fixed in the respective special legislation, and with updating said amount whenever necessary.

4. For the purposes of sub-paragraph c) of number 1, members holding a share of more than 10% are not considered to be competent when they can negatively influence the company’s healthy and prudent management of its activities, for any reason duly founded by the competent authority granting the authorisation.

**Article 6**

*(Incapacity to hold office in financial intermediaries)*

The duties concerning the management or supervision of the activities of individual financial intermediaries or of the members of the management companies of financial intermediaries that are legal persons may not be carried out by persons who:

a) Were declared, *res judicata*, bankrupt, insolvent or responsible for the bankruptcy or insolvency of companies in which they had a dominant position or were members of the board, directors or managers;

b) Held the offices referred to in the previous sub-paragraph in companies whose bankruptcy or insolvency was prevented, suspended or avoided by the State’s intervention, by an out-of-court settlement or by similar means;

c) Were condemned for the crimes of forgery, robbery, theft, fraud, embezzlement, extortion, breach of trust, disloyalty or usury;

d) Have an employment contract or a contract for the provision of services with other financial intermediaries or with any individual or legal person with qualifying holdings in the financial intermediary in question, or are their board members, directors, managers, member of the supervisory board or consultants, unless if said entity which, depending on the case, is fit to authorise the incorporation or registration of the financial intermediary, feels that there is no incompatibility in having multiple functions;

e) Do not have, in the reasoned decision of the competent entity, depending on the case, the competence and experience required in sub-paragraph b) of number 1 of the previous article to authorise the incorporation or registration of the financial intermediary, or who, due to having multiple functions or due to any other reason justified in the same decision, are considered by said entity as not meeting the requirements needed for the good performance of the office;

f) Have any other inhibition or incapacity envisaged in general law or in the
special legislation on the category of financial intermediary in which they wish to hold office.

Article 7
(Application for authorisation)

1. The application for authorisation shall be made with the documents necessary to confirm the requirements indicated in article 5.

2. Besides the documents required in the previous number, the applicant must also present an activity programme specifying the intermediation activities for which authorisation is requested, the main operations to be carried out, the services to be provided in the scope of these activities and the organisational structure of the company.

Article 8
(Assessment of the request)

1. The authorisation shall be preceded by statements of opinion issued, within the scope of the respective competence, by the Office of the Auditor-General of the Securities Market.

2. The Finance Minister and the entities entrusted, pursuant to the previous number, with issuing a statement of opinion on the respective process may ask the applicants for all of the documents, information or additional clarifications considered necessary, and proceed to make all of the inquiries deemed fit in order to assess the request or to draw up the respective statements of opinion.

3. The statements of opinion referred to in number 1 must be submitted to the Finance Minister within a period of one month, if the assumption envisaged in the previous number is not confirmed, or else within two months, counting from the date on which the statements were requested by the competent entity based on the application for authorisation with all of the legally necessary documents.

4. The statements not delivered within the period of time established in the previous number shall be considered to have been granted.

Article 9
(Decision)

1. If the authorisation request was accompanied by all of the legally required information, the decision shall be pronounced and communicated to the applicants within the maximum period of two months, counting from the date on which it was submitted.

2. Whenever, under the terms of number 2 of the previous article, it becomes necessary to obtain any documents, information or additional clarifications from
the applicants or to make any inquiries, both in order to draw up the statements of opinion envisaged therein and for the decision of the request, the term referred to in the previous number shall be extended by a period equal to the one during which the process waited for the supply of said information; the decision, however, may not be communicated more than six months after the submission of the application.

3. The lack of decision within the period of time established above shall be understood as implied rejection; however, the applicants are entitled to learn the reasons for said rejection within a reasonable period of time.

**Article 10**

*(Expiry of the authorisation)*

The authorisation granted shall become null and void if the applicants expressly renounce it, if the performance of the activity does not start within a 12-month period and, in the case of the incorporation of a financial intermediary, if said incorporation does not occur within a 6-month period, the time period starting on the date on which the authorisation is communicated.

**Article 11**

*(Cancellation of the authorisation)*

1. The authorisation granted may be cancelled in the following situations:

a) When it was obtained through false declarations or other unlawful means;

b) When the intermediary no longer has sufficient own funds or no longer complies with one of the prudential restrictions or capital adequacy limits set forth in article 15;

c) When serious violations are committed in the management, in the organisation, in the accounting records or in the internal supervision of the company;

d) When one of the authorisation requirements is no longer met;

e) When the financial intermediary ceases or significantly reduces its activity for a period of more than six months;

f) When the financial intermediary does not comply with the laws, regulations and instructions that discipline the intermediation activity, or supplies the Finance Minister, the *Banco de Cabo Verde* or the Office of the Auditor-General of the Securities Market with false, misleading or incomplete information, or violates a prohibition or requirement legitimately imposed by any of these entities.

2. When based on lack of competence or experience required for the persons mentioned in sub-paragraphs b) and c) of article 5, the cancellation shall only be
proclaimed if, in the period laid down, the financial intermediary does not replace the person or persons in question with another or others whose registration is accepted.

3. The cancellation shall be decided upon by the entity which, on the date on which it shall be proclaimed, is deemed fit to grant the authorisation in question, and shall be adequately established.

4. The cancellation of the authorisation prevents the performance of all of the activities falling under said authorisation.

5. When the authorisation was granted for the incorporation of the financial intermediary, the following shall be observed:

a) If the cancellation covers all of the activities include in the corporate purpose, it shall imply the dissolution of the intermediary, under the legal terms;

b) If the cancellation does not cover all of the activities include in the corporate purpose, the intermediary may continue to perform those activities that continue to be authorised.

SECTION II
Registration

Article 12
(Registration)

1. Without prejudice to that set forth in number 2 of article 24, financial intermediaries may only begin to pursue securities intermediation activities which they have been authorised to perform after forming part of the special register organised by the Office of the Auditor-General of the Securities Market.

2. The register mentioned in the previous number shall contain the following information:

a) The signature or denomination of the financial intermediary, the indication of the share capital and other identification elements;

b) The date of incorporation, in the case of a legal person;

c) The place of business or registered offices;

d) The intermediation activities which the financial intermediary is authorised to carry out;

e) In the case of the financial intermediary being a legal person, the identification of the members of the respective management companies and the identification of the shareholders holding a share of more than a 10%;
f) In the case of the financial intermediary being an individual, the identification of those responsible for the management and supervision of the authorised activities;

g) The identification of the financial intermediary’s nominees with management powers;

h) The location and date of creation of any branches, agencies or delegations and the capital with which the branches were established or which was possibly assigned to the agencies or delegations.

3. If the financial intermediary has its headquarters abroad, the registration shall include, besides the information set out in sub-paragraphs a) to f) of the previous number:

a) The date on which it was authorised to set up business or on which it started its activities in Cape Verde;

b) The capital with which it operates in Cape Verde;

c) The identification of the persons in charge of its representation and of the management and supervision of its activities in the country.

4. The following shall be endorsed to this article:

a) All of the amendments to the elements indicated in the previous numbers; however, the facts regarding these amendments shall not be legally enforceable for the purposes of this order until the endorsement has been effected;

b) The sanctions applied and the extraordinary measures that may be demanded of the financial intermediary.

Article 13
(Process)

1. The registration must be applied for to the Office of the Auditor-General of the Securities Market within a period of 20 days counting from the date of authorisation, unless it involves the incorporation of the financial intermediary, in which case the period shall count from the date of its definitive incorporation.

2. The application must include all of the documents necessary to confirm the elements referred to in number 2 or 3 of the previous article and, when applicable, a certificate of the deed or equivalent document of incorporation of the financial intermediary and of its registration number in the commercial registry.

3. The marginal notes envisaged in number 4 of the previous article shall be compulsorily requested of the Office of the Auditor-General of the Securities Market by the stakeholders within a period of 10 days counting from the date on which the amendment is made.
Article 14
(Refusal to accept registration or endorsement)

The registration shall be rejected whenever any of the elements which shall be included have not been confirmed, in which case, the interested parties shall be notified to provide the missing information or to remedy shortcomings or irregularities of the requirement or of the documentation presented.

CHAPTER III
Conditions for the performance of the activity

Article 15
(Capital adequacy)

1. With a view to ensuring capital adequacy and, namely, the solvability of the financial intermediaries, the Banco de Cabo Verde, having heard the opinion of the Office of the Auditor-General of the Securities Market, shall be responsible for setting the following prudential restrictions to the carrying out of operations which the financial intermediaries are authorised to practise:

   a) Limits to the subscription, albeit for subsequent placement in the market, or to the guarantee of the placement of issues and of public offers for the sale of securities.

   b) Limits and forms of coverage of borrowed resources and of any other liabilities belonging to third parties;

   c) Limits to the issuance of bonds;

   d) Limits to the concentration of risks in a single entity, in a single activity sector, in a single region or in a single country;

   e) Minimum limits to the provisions designed to cover credit risks, market risks or any other risks;

   f) Other limits deemed necessary.

2. The Banco de Cabo Verde is responsible for setting forth, for the purposes of the previous number, the information that may be included in financial intermediaries’ own funds, as well as for defining the characteristics of said funds.

3. The Banco de Cabo Verde is further responsible for establishing the criteria necessary to ensure that, at all times, the capital of financial intermediaries is adapted to the dimension of their activity and to the risks assumed by them, and may also establish relationships to be observed among on-balance-sheet items and between own funds and the total number of assets and of off-balance-sheet accounts, weighted or not by risk coefficients.
4. The powers granted to the Banco de Cabo Verde in the previous numbers shall be exercised through a notice published in the Official Bulletin.

5. In order to exercise the powers assigned to it in numbers 1 to 3 and to supervise the observance of the rules laid down, the Banco de Cabo Verde may demand of financial intermediaries, on a regular basis or not, the documents and any other data and information it deems fit.

Article 16
(Accounting and operating records)

1. The accounting of financial intermediaries shall be organised in accordance with the standards and instructions issued by the Banco de Cabo Verde.

2. In the exercise of the competency referred to in the previous number, the Banco de Cabo Verde shall hear the opinion of the Office of the Auditor-General of the Securities Market in order to assess the rules on recording transactions and other accounting standards considered vital to guarantee the regular processing and control of transactions and the provision of other securities intermediation services, as well as to ensure, within the scope of its duties, adequate supervision of the activities of financial intermediaries.

Article 17
(Clients’ securities)

1. Financial intermediaries must keep their securities accounts separate from those belonging to clients or which they hold on their behalf, observing to this effect the accounting standards that are set forth under the terms of the previous article.

2. The Office of the Auditor-General of the Securities Market may regulate the handling conditions, usage, control and any other aspects related to the money financial intermediaries received from their clients to carry out the transactions to which they bound themselves, or which they received from third parties on behalf of their clients and, namely:
   a) Demand that it be deposited in credit institutions, in a general client account or in individual client accounts, which are separate from the financial intermediary’s accounts;
   b) Define the opening, handling and registration conditions of said accounts, namely specifying those cases and the terms under which said accounts may be debited.

Article 18
(Information on holdings)

1. The shareholder who, either directly or through an intermediary, holds shares
representing at least 10%, 20%, a third, 50% or two thirds of the share capital of a financial intermediary must inform the Office of the Auditor-General of the Securities Market of the percentage of the respective holding and of the corresponding voting rights.

2. The information envisaged in the previous number must be communicated to said entity when the shareholder, for any reason, ceases to hold shares or market share representing the percentages referred to in the previous number.

3. Financial intermediaries that are shareholders of another financial intermediary must inform the latter, as well as the Office of the Auditor-General of the Securities Market, of the percentage of its holding, irrespective of the volume, and of the corresponding voting rights, as well as of any changes made to this information.

4. The notifications envisaged in numbers 1 to 3 shall be made in writing up to 20 days following the date on which the facts took place.

5. Financial intermediaries must inform the Office of the Auditor-General of the Securities Market:
   a) During the month of April of each year, and insofar as they are knowledgeable of this information, of the identity, amount and percentage of the holdings, and of the corresponding voting rights, of the shareholders who have more than 10% of their share capital;
   b) Within the 20-day period following the date on which they are informed, of the holdings referred to in numbers 1 and 3 and of the respective changes.

6. Without prejudice to other applicable sanctions, non-compliance with the obligations set forth in number 1 to 3 shall prevent financial intermediaries from exercising their voting rights corresponding to the holdings in question, until the notifications foreseen therein have been made.

**Article 19**

*(Certificate of the books of financial intermediaries)*

1. Financial intermediaries are obliged to issue, in accordance with their books, certificates of the registrations regarding the operations in which they participate, whenever they are requested to do so by the competent authorities or by their clients.

2. When the clients of financial intermediaries ask for a certificate of facts that are beyond their direct intervention in the operations, the certificate may only be issued after obtaining the written consent of all of the participants.

**Article 20**

*(Information of a statistical nature)*

Financial intermediaries are obliged to send to the *Banco de Cabo Verde*, to the
Office of the Auditor-General of the Securities Market and to the Stock Exchange
statistical data and information that are requested by each of these entities within the
scope of the respective competencies.

Article 21

(Simultaneous performance of intermediation activities)

The Office of the Auditor-General of the Securities Market may, by way of
regulation, impose on financial intermediaries that simultaneously pursue various
securities intermediation activities the observance of any special organisation and
operating conditions or standards, whenever it deems necessary to ensure, in the
interest of investors and of the market, the regular processing and adequate control of
the corresponding operations or to prevent conflicts of interest that could be brought
about by having multiple functions.

CHAPTER IV

Financial intermediation in the stock exchange

Article 22

(Stock exchange operators)

1. Only financial intermediaries that set themselves up as stock exchange
operators may pursue the securities mediation activity through the carrying out of
stock exchange operations.

2. Stock exchange operators may:

a) Have as their primary object the pursuit of intermediation activities in the
stock exchange, by receiving investors’ orders for the trading of securities,
and respective execution, and may also pursue the intermediation activities
indicated in sub-paragraphs g) and h) of number 1 of article 2 of this order; or

b) Have as their primary object the pursuit of intermediation activities in
the stock exchange, either by receiving investors’ orders for the trading
of securities, and respective execution, or by the proprietary trading of
securities, and may also pursue all of the intermediation activities envisaged
in number 1 of article 2 of this order, with the exception of those indicated in
sub-paragraphs i) and j).

3. a) The stock exchange operators referred to in sub-paragraph a) of the previous
number must include the expressions “securities broker” or “broker” in their
signature;

b) The stock exchange operators referred to in sub-paragraph b) of the previous
number must include the expressions “securities broker-dealer”, “broker-
dealer” or “dealer” in their signature.
Article 23
(Form, share capital and other requirements)

1. Stock exchange operators shall set themselves up as a joint-stock company or a private limited company and have to meet the following requirements:

   a) They must have their headquarters in national territory;

   b) They must have a minimum share capital of 10,000,000$00, in the case of the stock exchange operators referred to in sub-paragraph a) of number 2 of article 22, or of 50,000,000$00, in the case of the stock exchange operators referred to in sub-paragraph b) of number 2 of article 22;

   c) In the case of public limited companies, all of the shares must be nominative.

2. Stock exchange operators may only organise themselves after the shareholders provide proof that the company’s capital has been fully paid up, with the exception of a deferment of not more than 30% of the cash contribution for a period of no more than three years, in this case the stock exchange operators referred to in sub-paragraph a) of number 2 of article 22.

3. The shares of these companies may not be quoted on the stock exchange.

Article 24
(Authorisation and registration)

1. The provision in chapter 11 of this order for financial intermediaries in general applies to the authorisation and registration of stock exchange operators.

2. Stock exchange operators shall also be part of a register to be organised by the stock exchange, pursuant to that set forth by the latter through a circular, with the registration in this register conditioning the start-up of activity with the Stock Exchange.

3. The Stock Exchange shall charge the operators a registration fee, the amount of which shall be defined in the circular referred to in the previous number.

Article 25
(Participation of stock exchange operators in other companies)

1. Stock exchange operators may not have holdings in other stock exchange operators.

2. The holdings of the stock exchange operators referred to in sub-paragraph b) of number 2 of article 22 in other companies may not exceed:
a) 20% of own funds or 10% of the company’s share capital, in relation to each holding held;

b) in total, their own funds.

3. When a stock exchange operator referred to in sub-paragraph a) of number 2 of article 22, as a result of a lawsuit for the reimbursement of credits, buys holdings in any company, they must resell them within a one-year period; in exceptional cases, the Office of the Auditor-General of the Securities Market may authorise the extension of this period for an additional year.

4. When a stock exchange operator referred to in sub-paragraph b) of number 2 of article 22, as a result of the subscription of issues or of a lawsuit for the reimbursement of credits, buys holdings that exceed the limits defined in number 2, they must sell the exceeding amount within a one-year period; in exceptional cases, the Office of the Auditor-General of the Securities Market may authorise the extension of this period for an additional year.

5. After the period, either the initial period or the extension, foreseen in numbers 3 and 4 above, has elapsed, the rights associated to the holdings that are kept, namely the right to vote and the right to share in the profits, shall be suspended until said holdings have been resold.

Article 26

(Holdings of the shareholders, members of the management companies and employees)

1. Members of the management and supervision bodies of stock exchange operators are forbidden:

a) To have a holding in the share capital, belong to the management or supervision bodies or perform any duties in other stock exchange operators;

b) To belong to the management or supervision bodies of any publicly subscribed companies or companies that have a dominant or group relationship with companies of this nature;

c) To hold more than 20% of the capital of the companies referred to in the previous sub-paragraph.

2. The prohibitions set forth in the previous number are extensive to:

a) Shareholders holding more than 20% of the capital of the stock exchange operators;

b) Those holding management positions in the stock exchange operators.
Article 27
(Forbidden operations)

1. Stock exchange operators are forbidden from:
   a) Providing personal or real guarantees in favour of third parties;
   b) Purchasing own shares;
   c) Acquiring real estate, with the exception of that necessary to set up their own business;
   d) Performing any farming or industrial activity or any other commercial activity;
   e) Granting any form of credit.

2. Stock exchange operators may not associate themselves or establish any type of protocol or social dialogue process with other stock exchange operators with the aim of carrying out transactions.

3. The stock exchange operators referred to in sub-paragraph a) of number 2 of article 22 are forbidden from proprietary trading with any other companies

Article 28
(Reserves)

1. A fraction of no less than 10% of the net profit of stock exchange operators established in each financial year must be used to create legal reserve, to the extent of the share capital.

2. Stock exchange operators must also set up special reserves, aimed at reinforcing net assets or to make up for losses unable to be met through the profit and loss account; in this regard, the Banco de Cabo Verde may define minimum limits, pursuant to article 15 of this order.

Article 29
(Extraordinary measures)

Shall any situation of disequilibrium affect the regular functioning of a stock exchange operator or upset the equilibrium of the securities market, the extraordinary measures envisaged for credit institutions may be taken against the stock exchange operator.

Article 30
(Fidelity bond of market operator)

1. Before commencing activities at the stock exchange, every market operator
shall provide a fidelity bond so as to guarantee compliance with the obligations and liabilities it becomes liable to vis-à-vis its clients, as a result of the operations it is entrusted with carrying out in the stock exchange.

2. The collateral shall be for the amount of 1,000,000$00, in the case of the stock exchange operators referred to in sub-paragraph a) of number 2 of article 22, or of 5,000,000$00, in the case of the stock exchange operators referred to in sub-paragraph b) of number 2 of article 22, and may be paid in any of the following ways:

   a) Cash deposit with the Banco de Cabo Verde;
   b) Irrevocable bank guarantee provided by a national credit institution;
   c) Fidelity guarantee insurance.

3. The deposit, bank guarantee and insurance referred to in the previous number shall be made on behalf of the Office of the Auditor-General of the Securities Market.

4. The Office of the Auditor-General of the Securities Market may, whenever it deems necessary, change the amounts referred to in number 2, by way of regulation.

5. The collateral is inalienable and immune from attachment and shall not meet any obligations entered into by the stock exchange operator before or after providing it and that are not related to the pursuit of its professional activity, pursuant to the following article.

   Article 31
   (Scope and use of the guarantee)

1. The collateral provided pursuant to the previous article shall guarantee the interested parties against any of the following acts practised by the stock exchange operator:

   a) Failure to return, when due, the securities delivered for the execution or collateral of any stock exchange operation;
   b) Failure to refund, when due, any amounts delivered for stock exchange operations;
   c) Failure to deliver securities purchased in the stock exchange with resources deposited by the instructing client or which were subsequently liquidated by the client;
   d) Failure to pay the price of securities sold in the stock exchange or the balance of deposits in a current account kept by the stock exchange operator to carry out stock exchange operations;
   e) Illegitimate non-performance, albeit partial, of any stock exchange orders,
or unjustified execution of said orders under different terms from those established by the instructing client,

f) Failure to deliver the balance of securities deposits kept in a current account held by the stock exchange operator to carry out stock exchange operations;

g) Repayment or delivery of false, extinct, deteriorated, irregular, encumbrances or non-negotiable securities or securities of a different nature or category from those that were involved in the stock exchange order;

h) Repayment or delivery of securities without the associated rights.

2. Shall any of the circumstances envisaged in the previous number prevail, the injured party must submit its complaint to the Office of the Auditor-General of the Securities Market within a period of ten days after it becomes aware of the fact, under penalty of not being able to do so at a later date, save through a court ruling obtained to this effect.

3. If the Office of the Auditor-General of the Securities Market, having heard the opinion of the stock exchange and of the stock exchange operator in question, deems that the facts fall under the scope of the guarantee provided, it shall call for the collateral paid to the extent necessary in order to indemnify the interested party.

**Article 32**

*(Reintegration and increase of the collateral)*

1. Whenever the security is used for the purposes for which it was intended or becomes insufficient, the stock exchange operator in question shall reintegrate or increase the collateral within the time period defined by the Office of the Auditor-General of the Securities Market, which may not be more than ten days.

2. When the security provided by a certain stock exchange operator, taking into consideration the situation of the securities market in general or of the stock exchange market in particular, in relation to the volume and type of proprietary trading and intermediation by the stock exchange operator in question, or the level of responsibility taken on by said operator, proves to be insufficient, the Office of the Auditor-General of the Securities Market shall decree, at its own initiative or on the proposal of the Board of Directors of the Stock Exchange, that the security be reinforced.

3. If the stock exchange operator does not comply with the provision in number 1, it shall be suspended from the activity until the collateral has been reintegrated or increased as ordered.
CHAPTER V
Rules of conduct and of professional ethics

Article 33
(Scope of application)

1. In addition to the other duties established in the applicable legislation and regulation, financial intermediaries are obliged, in the pursuit of their securities intermediation activities, to observe the rules of conduct and of professional ethics defined in this chapter.

2. The rules of conduct and of professional ethics must also be observed in the pursuit of the respective professional activities and in all of the activities resulting therefrom or related to them by the members of the management companies and by the employees or any co-workers, albeit occasional, of financial intermediaries.

Article 34
(Market defence)

Financial intermediaries shall conduct themselves according to strict standards of integrity and honesty and must:

a) Ensure that their actions taken within the scope of any activity pursued by them are characterised by the greatest competence, rigor and absolute transparency of processes, abstaining from adopting any behaviour that may affect the credibility of any market in which they operate;

b) Manage the orders which were entrusted to them in an exempt and responsible manner, respecting the principle of the smooth functioning of the market;

c) Abstain from performing any actions leading to a situation of unfair competition, namely by bypassing compliance with any legal and regulatory provisions applicable to the intermediation activities pursued by them.

Article 35
(Competence and diligence)

1. In all of their activities, financial intermediaries must assure their clients of high levels of competence and diligence.

2. The duties of competence and diligence set forth in the previous number imply the obligation of financial intermediaries to provide their organisation with the necessary technical and human resources so as to ensure that the respective activities and services provided by them are of high quality and efficiency, namely:

a) They must have competent and informed human resources on a permanent basis, which means that they shall use very strict criteria when recruiting
staff and shall also provide their staff or co-workers with adequate vocational training for the performance of the duties assigned to them;

b) They must equip themselves with enough technical resources in order to back up the various intermediation activities carried out and the services consequently provided with the highest standards of quality and efficiency;

c) They must strive to have a clear understanding of their clients’ wishes and objectives, as well as of the circumstances in which the services provided by them are requested by clients;

d) They must strive to obtain a suitable understanding of their clients’ situation, particularly as regards their degree of knowledge and experience in the securities market;

e) They must ensure that the management mandate, shall it exist, is provided in writing and clearly and objectively defines the terms, limits and the degree of discretion of the nominee.

**Article 36**

*(Equal treatment)*

Financial intermediaries must assure all of their clients of equal treatment, without discriminating among them based on their rights on account of the nature or priority, in terms of time, of their orders or of the services requested or of any other circumstance envisaged in the applicable legal and regulatory provisions.

**Article 37**

*(Prevalence of clients’ interests)*

Financial intermediaries must give absolute priority to the interests of their clients, both in relation to their own interests, irrespective of the nature, and in relation to the interests of the members of their management companies, of their staff and other co-workers and of third parties and to this effect must:

a) Carry out adequate internal control regarding the conditions in which the various services are provided to their clients;

b) Define the regime that is applicable to the personal operations to be carried out by the members of the management companies, employees and other co-workers, disciplining the types and modalities of operations authorised and the securities involved in said operations, the domiciliation of accounts and the information provided on the operations carried out.
Article 38

(Conflicts of interest among clients)

Financial intermediaries shall strive to avoid the arising of conflicts of interest among their clients, both in the scope of the same activity and in the scope of different securities intermediation activities pursued by them, and when said conflicts arise, despite all of their endeavours, they shall resolve them fairly, without giving undue preference to any client in particular.

Article 39

/Internal organisation and functioning of intermediaries/

1. With the aim of avoiding conflicts of interests between financial intermediaries and their clients or among clients of different securities intermediation activities pursued by the same intermediary, whenever it is technically and economically viable, these activities shall be organised and carried out in areas of autonomous decision, by staff exclusively assigned to each of them, without any interference in or from any other area with which said conflicts may arise.

2. Financial intermediaries shall also take the necessary measures in their internal organisation and functioning to:

a) Prevent the circulation of confidential information within their structure. This information, which was obtained in the performance of the respective duties and which, not having yet been disclosed to the public, may influence the quotations or transaction prices of any securities inside and outside the stock exchange, shall be limited to the services or persons directly involved in each specific type of activity or operation;

b) Make sure that the information referred to in the previous sub-paragraph is not used in operations which involve the financial intermediary, its management and supervision staff or other staff members, or which are of interest to their other clients or third parties;

c) Set up suitable rules, procedures and organic mechanisms to ensure and control the internal compliance with the ethical standards and legal and regulatory provisions to which the financial intermediary and the persons referred to in the preceding sub-paragraph are bound in the performance of their activities and duties, as well as to sanction any violations;

d) Set up internal mechanisms to make a fair assessment of clients’ complaints.

Article 40

(Duty to inform)

Moreover, with regard to the duty to inform to which they are bound by the
applicable legal or regulatory provisions, financial intermediaries must ensure that they provide sufficient information tailored to the client’s needs, in accordance with strict principles of lawfulness, truthfulness, sufficiency, objectiveness, opportuneness and clarity, and must:

a) Provide their clients with clarification and information which they need in order to take a reasoned decision on the investment or transaction they wish to carry out and also, in operations which, due to their nature or conditions, involve special risks, explain to them the content of said risks and the financial consequences that could be brought about shall the transactions be executed;

b) In the case of rendering securities portfolio management services, inform their clients on the risks to which they are subject as a result of the management, particularly taking into account the investment objectives, the degree of discretion granted to the intermediary and the specialised technical services which the intermediary is able to ensure;

c) Clearly inform their clients, before carrying out the operations or providing the services in question, of any personal interest they may have in these operations or services;

d) Provide impartial, competent and objective support when the client so requires in order to make a decision, namely because the client requests it, because the client clearly has very little experience or knowledge of the securities market or due to the client’s oversight;

e) Promptly inform their clients of the execution and results of the operations they carry out on their account, of any special difficulties that arise or of the unfeasibility of said execution, and of any facts of circumstances of which they become aware, not subject to professional secrecy and susceptible of justifying, when necessary, the revision and amendment or cancellation of the corresponding orders;

f) Clearly inform their clients of the nature of the services provided, of their conditions and of the respective costs.

**Article 41**

*(Relationship with the competent entities)*

Financial intermediaries must provide the supervision and control authorities to which they are subject and the management companies of the securities market with their entire collaboration, they must promptly satisfy the requests made by the latter within the scope of their competencies and they must refrain from raising obstacles to the performance of the respective functions.
Article 42

(Advertising)

1. Financial intermediaries must observe strict principles of lawfulness, truthfulness, objectiveness, sufficiency, opportuneness and clarity in all of their advertising, irrespective of the form used or of the purposes for which it is intended.

2. When a financial intermediary resorts to the advertising services provided by another entity, it must ensure that said entity observes that set forth in the previous number.

CHAPTER VI

Final provisions

Article 43

(Conflicts of interest)

1. Financial intermediaries authorised to operate in a secondary market may not perform any of the following actions without the written authorisation of their clients:

a) Act as counterparty in the operations carried out on the clients’ account;

b) Subscribe or purchase, on behalf of their clients, for securities portfolios whose management is entrusted to them, securities issued by them or which are the object of a public offer for subscription, for sale or for exchange launched by them or whose placement was ensured by them;

c) Perform, on their clients’ account, any other operations of a similar nature that could lead to a conflict of interests with them.

2. Financial intermediaries must declare to the Office of the Auditor-General of the Securities Market the economic ties and connections or contractual relationships they have with third parties and which, in the pursuit of their specific activity, on their own account or on behalf of third parties, may lead to conflicts of interests with any clients.

Article 44

(Other general obligations of financial intermediaries)

1. Besides the general duties set forth in the Securities Market Code and of those resulting from the rules of conduct and professional ethics set forth in this order, financial intermediaries authorised to operate in secondary markets have the following general obligations:

a) To certify themselves, depending on the cases, of the existence, authenticity, validity, regularity, negotiability or availability of the securities in whose negotiation they participate or which are deposited or registered through them;
b) To certify themselves of the identity, capacity and contractual legitimacy of their principals;

c) To execute with competence and diligence, in perfect harmony with the orders received and in the best interest of the principal, the operations with which they are entrusted, always placing the interests of the client before their own interests, as well as before those of other clients or of third parties who shall not legitimately prevail over the client's interests, and ensuring in all circumstances that the principal is not mislead in relation to the object, conditions or circumstances of the transaction;

d) To ensure the adequate and punctual execution and settlement of the transactions carried out;

e) To organise and keep appropriate records of the operations carried out, filing these records and all other documents related to said operations for at least five years.

2. Financial intermediaries, the members of their management companies, in the case of legal persons, or those responsible for their management and supervision, in the case of individuals, as well as their employees, nominees, principals and any other persons that provide them with permanent or accidental services are bound by professional secrecy on everything regarding the operations carried out and the services provided to their clients, as well as on facts and information on said clients or third parties of which they become aware during the pursuit of said activities.

3. The duty set forth in the previous number ceases when:

   a) The financial intermediary and the persons indicated in the previous number have to provide information or other details to the Banco de Cabo Verde, to the Office of the Auditor-General of the Securities Market or to the Stock Exchange, within the scope of their respective competencies;

   b) There is another legal provision that does away with this duty.

   Article 45

   (Amendments to the Memorandum and Articles of Association of the Financial Intermediary)

   1. Any amendments to the Memorandum and Articles of Association of financial intermediaries are subject to the prior authorisation of the Office of the Auditor-General of the Securities Market, which shall announce its decision within a period of 20 days counting from the date on which all of the information necessary to this effect is delivered.

   2. An exception to the provision in the previous number is the amendment to the memorandum and articles of association as a result of a merger, demerger or change
to the corporate purpose of the financial intermediaries. Just as with these actions, said amendment shall depend on the authorisation of the **Banco de Cabo Verde**, to which the general authorisation regime defined in chapter II shall be applied, with the necessary adaptations.

3. The charters for the establishment and amendment of the memorandum and articles of association of the financial intermediaries may not be entered into without the confirmation of the authorisations envisaged in this order.

4. The authorisations referred to in this article must be communicated to the member of the Government responsible for the Finance area.

**Article 46**

*(Remuneration of financial intermediaries)*

1. The commissions to which financial intermediaries are entitled for their intervention in the trading of securities shall be defined in a regulation drawn up by the Office of the Auditor-General of the Securities Market.

2. All of the other financial intermediation services are freely remunerated.

**Article 47**

*(Pursuit of the activity of stock exchange operator by credit institutions)*

1. The Finance Minister may, when he deems that the structuring of the national financial system and the degree of development and circumstances of the market's functioning so advise, having heard the opinion of the **Banco de Cabo Verde** and of the Cape Verde Stock Exchange, authorise, through an ministerial order of a general nature, the pursuit of the activity of stock exchange operator by credit institutions with their offices in the national territory.

2. The authorisation referred to in the previous number shall necessarily be confined to the pursuit of the activity of stock exchange operator under the terms of sub-paragraph b) of article 22.

3. The authorisation referred to in this article does not do away with the need for authorisation of the registration for the pursuit of the activity referred to in articles 4, 12 and 24 of this order.

4. The provisions in articles 22, no. 3, 23, no. 3, 25, no. 2 and 27, no.1 do not apply to credit institutions that pursue the activity of stock exchange operator.

**Article 48**

*(Entry into force)*

This order enters into force forty-five days after its publication in the Official Bulletin.

Approved on 31 March 1998
The Chairman of the National Assembly, António do Espírito Santo Fonseca.

Promulgated on 24 April 1998.

Hereby published.

The President of the Republic, ANTÓNIO MANUEL MASCARENHAS GOMES MONTEIRO

Signed on 27 April 1998.

The Chairman of the National Assembly, António do Espírito Santo Fonseca.

Secretary-General of the National Assembly, on 21 July 1998. – The Chairman of the National Assembly, António do Espírito Santo Fonseca.
Ministerial order no. 48/98, de 14 of September

Authorises the banks with their offices in national territory to pursue the activity of stock exchange operator.

O.B. no. 34 - I Series
Ministerial order no. 48/98
of 14 September

Pursuant to article 47, no. 1 of Law no. 53/V/98, of 11 May;
In exercising the right granted by sub-paragraph b) of article 217 of the Constitution, the Government decrees the following:

Article 1
Scope
Through this ministerial order, banks with their headquarters in national territory are authorised to pursue the activity of stock exchange operator, pursuant to article 47 of Law no. 53/V/98, of 11 May.

Article 2
Accounting
The Banco de Cabo Verde shall be responsible, if necessary, for defining special accounting standards applicable to banks that pursue the activity of stock exchange operator.

Article 3
Remission
The provision in this regulation does not exempt banks from fully complying with the rules of conduct and professional ethics, or from all of the general obligations that bind financial intermediaries.

Article 4
Validity
This order enters into force immediately.
Office of the Minister of Finance, 26 August 1998.
The Minister, José Ulisses Correia e Silva.
Regulation no. 3/2000, de 27 de Novembro

Financial Intermediaries Registrations

O.B. no. 48 - II Series
Regulation no. 3/2000 of 27 November

Registration of Financial Intermediaries for the pursuit of securities intermediation activities.

Under the provision of articles 12, 13 and 14 of Law no. 53/V/98 of 11 May, which sets forth the conditions for the access to and pursuit of securities intermediation activities, the Banco de Cabo Verde, briefly referred to as Banco, approved the following regulation:

**Article 1**

**Object**

The purpose of this regulation is to complement the provisions in Law no. 53/V/98 with regard to the registration of financial intermediaries.

**Article 2**

**Registration**

1. For the purposes of registration with the Bank's Special Register, financial intermediaries must deliver the documents referred to in number 2 of article 13 of Law no. 53/V/98 together with the application, unless for some reason said documents are already held by the Bank.

2. The application must list each of the securities intermediation activities indicated in article 2 of Law no. 53/V/98 which the applicant wishes to pursue in effect.

3. The registration is considered to have been successful if the CMVM does not refuse it within a period of 30 days counting from the date on which it receives the complete application or on which it receives complementary information subsequently requested, shall that be the case.

**Article 3**

**Requirements that depend on the registration**

The granting and maintenance of the registration shall depend on the confirmation by the applicant that it:

a) has the necessary authorisations for the pursuit of securities intermediation activities which require registration;

b) has all of the human, technical, material and organisational means necessary for the pursuit of each of the activities it wishes to pursue so as to ensure high standards of efficiency and security in the services provided.
Article 4

Technical, material and organisational means

1. For the purposes of sub-paragraph b) of article 3, financial intermediaries must indicate the following, in particular, among the technical and material means:
   
   a) the characteristics of the computer systems used in the pursuit of each activity, which shall at least ensure the functions defined in Annex B to this regulation;
   
   b) the premises where the activities shall be pursued;
   
   c) a proposal of the internal regulations;

2. In the internal regulations, the financial intermediary must indicate the organisational structure and internal control systems put in place in relation to the pursuit of each of the intermediation activities, setting out the procedures and the rules adopted, taking into consideration:

   a) the prevention of the occurrence of conflicts of interests between clients and the financial intermediary and between clients and the members of the management companies or co-workers of the financial intermediary, ensuring the separation between proprietary trading and third-party trading;

   b) the prevention of the unauthorised use of information and the violation of the rules of professional secrecy;

   c) the suitable separation of duties into execution, registration and control.

Article 5

Human resources

1. The human resources assigned to each intermediation activity must be suited to the performance of the activity in accordance with the general objective set forth in article 6 of the Securities Market Code and in sub-paragraph b) of article 3 of this regulation.

2. The suitability referred to in the previous number includes the aptitude and professional competence of the persons assigned to each activity.

Article 6

Individual registration

1. The persons covered by the registration for each type of intermediation activity are included in Annex A of this regulation.

2. Financial intermediaries must provide the following information for each person covered by the registration:
a) a questionnaire and declaration in accordance with the form approved by the 
Banco de Cabo Verde;

b) credentiation for the pursuit of the duties subject to registration, when required.

3. The persons who carry out the duties referred to in sub-paragraph d) of points I, II, VI and VII of Annex A, shall they not belong to the company’s board of directors, must meet the necessary conditions in order to represent the company in its relations with the Banco de Cabo Verde, ensuring the provision of reliable information requested within the scope of the supervision.

Article 7
Suitability and competence

1. Suitability is assessed exclusively in terms of the performance of the duties subject to registration based on the information provided in the questionnaire referred to in sub-paragraph a) of no. 2 of article 6.

2. Professional competence is assessed exclusively for the exercise of the duties to be performed and must be confirmed by the financial intermediary, subject to prior registration with the Banco de Cabo Verde.

3. Persons who provide false or inaccurate information or who omit relevant facts are not considered suitable.

Article 8
Multiple functions

The persons registered in the Terms of Annex A to perform the duties referred to in sub-paragraphs a) and b) of points II), VI) and VII) may not be registered for proprietary trading in the same intermediary or in any other.

Article 9
Registration changes

1. Any changes to the information based on which the registration was granted must be communicated to the Banco within a period of 15 days after they occur, with a view to the respective endorsement.

2. Endorsements to the registration are based on the information in no. 1 of article 2, under the same terms required for the initial registration, depending on the information to be registered.

3. Any changes to the registration that imply the pursuit of new activities are subject to the provision in the previous article.

4. Any changes to the persons registered must observe the criteria defined in
article 6. Failure to do so may lead to the endorsement being rejected and, pursuant to sub-paragraph a) of article 13, may cause the registration to be cancelled.

**Article 10**

**Suspension of the registration**

The *Banco de Cabo Verde* may suspend, as a precaution, for a maximum period of 60 days, the registration of the pursuit of any of the activities carried out by the financial intermediary, or the exercise of duties by persons subject to registration, whenever the financial intermediary performs any actions or any situations arise that could disturb the regular functioning of the market or place in jeopardy the legitimate interests of investors.

**Article 11**

**Cancellation of the registration**

1. The *Banco de Cabo Verde* may cancel the registration of financial intermediaries in relation to each or all of the securities intermediation activities, whenever:

   a) There is supervention of any circumstances that may hinder the granting of the registration, shall they not have been remedied in the time period stipulated by the *Banco*;

   b) The rules governing the financial intermediation activity or the market are violated, which may disturb the regular functioning of the market or place in jeopardy the legitimate interest of investors.

**Article 12**

**Activity start-up**

Once financial intermediaries have been granted the registration, they must inform the *Banco* of the activity start-up date.

**Article 13**

**Entry into force**

This regulation enters into force on the date it is published in the *Official Bulletin*.

ANNEX A

Persons covered by the Registration

I. Reception and transmission of orders on behalf of third parties

1. The persons who carry out the following duties in intermediaries that pursue the activity of executing and transmitting of orders on behalf of third parties are subject to registration with the Banco:

   a) Supervision and control;
   b) Reception and registration of orders;
   c) Checking and registration of operations carried out;
   d) Relations with the Banco de Cabo Verde.

2. Supervision and control duties are considered to be those that involve responsibility for the activities carried out in sub-paragraphs b) and c) of the previous number, including compliance with the legal, regulatory and ethical standards.

3. The duty referred to in sub-paragraph b) includes the responsibility for the centralised service of the reception of orders, when existent, and respective transmission to the intermediary that shall execute it.

4. The duties referred to in sub-paragraph c) normally fall under the back-office and are tangible signs of the control of operations and involve registering the operations carried out, checking the physical and financial settlement of the operations, as well as the submission of the respective notifications to clients.

5. The duties referred to in sub-paragraphs a), b) and c) of number one and others equated to these must be carried out by different persons.

II. Reception and execution of orders on behalf of third parties

1. The persons who carry out the following duties in intermediaries that pursue the activity of executing orders on behalf of third parties are subject to registration with the Banco de Cabo Verde:

   a) Supervision and control;
   b) Execution of orders;
   c) Rechecking, registration and distribution of orders executed;
   d) Relations with the Banco.

2. Supervision and control duties are considered to be those that involve responsibility for the activities carried out in sub-paragraphs b) and c) of the previous number, including checking the conformity of executed orders with the client’s instructions and compliance with the legal, regulatory and ethical standards.
3. The duty referred to in sub-paragraph b) includes the responsibility for the introduction of offers in the trading system, in conformity with the client's instructions.

4. The duties referred to in sub-paragraph c) normally fall under the back-office and are tangible signs of the control of the execution of stock exchange orders received and involve the allocation of orders executed and the registration of the operations carried out.

5. The duties referred to in sub-paragraphs a), b) and c) of number one and others equated to these must be carried out by different persons.

III. Proprietary trading of securities

The person responsible for the management of the financial intermediary's own portfolio is subject to registration with the Banco de Cabo Verde.

IV. Placement, organisation, launch and execution of public offers of subscription or transaction

The person responsible for the supervision and control of the information submitted for the conduct of proceedings subject by law to registration or assessment by the Banco de Cabo Verde is subject to registration with the Banco de Cabo Verde.

V. Deposit of certified securities, registration of book-entry securities and related services

The person responsible for the control of the deposit and registration of securities is subject to registration with the Banco de Cabo Verde.

VI. Management of securities portfolios belonging to third parties

1. The persons who carry out the following duties in intermediaries that pursue the activity of portfolio management are subject to registration with the Banco de Cabo Verde:

   a) Supervision and control;
   b) Investment decisions;
   c) Checking, registration an accounting of the operations carried out
   d) Relations with the Banco de Cabo Verde.

2. The duties referred to in sub-paragraph a) include the responsibility for the supervision and control of the activities carried out by the persons who perform the duties referred to in sub-paragraphs b) and c) of the previous number, with regard to compliance with the portfolio management contracts and with the legal, regulatory and ethical standards.

3. Investment decision duties are all those concerning the effective management of portfolios, which includes the definition and execution of the investment plan.
4. The duties referred to in sub-paragraph c) normally fall under the back-office and are tangible signs of the execution control of the investment decisions, when carried out autonomously.

5. The duties referred to in sub-paragraphs a), b) and c) of number one and others equated to these must be carried out by different persons.

VII. Management of investment funds

1. The persons who carry out the following duties in the investment fund management companies are subject to registration with the Banco de Cabo Verde:

   a) Supervision and control;
   b) Investment decisions;
   c) Checking, registration and accounting of the operations carried out;
   d) Relations with the Banco de Cabo Verde.

2. The duties referred to in sub-paragraph a) include the responsibility for the supervision and control of the activities carried out by the persons who perform the duties referred to in sub-paragraphs b) and c) of the previous number, with regard to compliance with the investment fund management regulations and with the legal, regulatory and ethical standards.

3. Investment decision duties are all those concerning the effective management of investment funds, namely the buying and reselling of securities, the carrying out of other investment fund applications and the use of the management techniques and instruments permitted to investment funds.

4. The duties referred to in sub-paragraph c) normally fall under the back-office and are tangible signs of the execution control of the investment decisions, when carried out autonomously.

5. The duties referred to in sub-paragraphs a), b) and c) of number one must be carried out by different persons.

VIII. Carrying out of the duties of custodian of securities integrated in investment fund portfolios

The person responsible for the control of the deposit and registration of securities integrated in investment fund portfolios is subject to registration with the Banco de Cabo Verde.

ANNEX B

Computer resources

1. In the provision of the reception and transmission of orders on behalf of third parties, the computer resources available must ensure the following duties:
a) The registration of orders when these are not received electronically;
b) The transmission of orders, when applicable, to the central service of the recipient of the data.

2. In the provision of the reception and execution of orders on behalf of third parties, besides the requirements resulting from the intervention of the market in which the orders were executed, the computer resources available must ensure the following duties:
   a) The registration of operations;
   b) The issuance of records of the operations carried out, including buy and sell notes.

3. In the provision of the placement, organisation, launch and execution of public offers for subscription or transaction, the computer resources available to financial intermediaries must make it possible to assess at all times during the placement or implementation of the offer, the number of offers received by the financial intermediaries involved that accepted by investors.

4. In the provision of the deposit of certified securities and the registration of book-entry securities, the computer resources available must ensure the following duties:
   a) The registrations and other annotations to be made pursuant to the provision in article 15 and following of the Securities Market Code, making possible the reconstruction in chronological order of the registrations per security and per client;
   b) The issuance of launch notifications;
   c) The issuance of account statements, including the issuance of account statements with only the movements between certain dates, as well as the original and final positions.

5. In the provision of the management of securities portfolios belonging to third parties, the computer resources available must ensure the following duties:
   a) The control of the composition of the portfolios, including the breakdown per client of the bank accounts opened by the management company on behalf its clients;
   b) The provision of information to the clients and supervision authorities, in accordance with the regulatory and contractual requirements in force.

6. In the provision of investment fund management services, the computer resources available must ensure the following duties:
   a) The integration between the registration of operations in the fund's portfolio
and the respective accounting entries;

b) The valuation of the assets making up the fund’s portfolio, using external sources of information and the consequent appraisal of the value of the unit;

c) The provision of information to the market and to the supervision authorities in compliance with the regulatory standards in force;

d) The production of financial records supporting the activity of the fund and of the management company.

The Governor of the Banco de Cabo Verde, Olavo Garcia Correia.
Cape Verde Stock Exchange

Law no. 39/V/97, of 17 November

Law no. 51/V/98, of 11 May

Decree-Law no. 49/98, of 21 September

Decree-Law no. 14/2007, of 2 April
Law no. 39/V/97, of 17 November

Grants tax exemptions to companies that participate in the Stock Exchange.

O.B. no. 44 - I Series
Law no. 39/V/97
of 17 November

By the mandate of the persons, the National Assembly decrees, pursuant to sub-
paragraph b) of article 186, of sub-paragraph a) of no. 2 of article 187 and of sub-
paragraph i) of article 188 of the Constitution, the following:

Article 1

(Donations from companies to the Stock Exchange activity)

1. The donations of companies and other institutions to the Stock Exchange, for a
period of three years and as from the date on which it actually begins to operate, are
considered as costs of the respective financial year, for the purposes of the single tax
on income (IUR).

2. For the purposes of this law, the date on which the Stock Exchange actually
begins to operate shall be understood as the first normal Stock Exchange session.

Article 2

(Bonds quoted on the stock exchange)

Non-government bonds admitted to trading on the Stock Exchange, for a period
of three years counting from the date on which it actually starts operating, shall
benefit from a reduction of 20% of the respective return for the purposes of IUR.

Article 3

(Shares quoted on the stock exchange)

The dividends of shares quoted on the stock exchange, for the respective year,
shall only count for 80% of their amount for the purposes of IUR.

Article 4

(Benefits to Stock Exchange operators)

Those bodies that, under the legal terms, come to pursue the financial
intermediation activity in securities on the Stock Exchange, shall be exempt from
paying IUR, for a period of three years, in relation to the profit obtained in the
pursuit of said activity.

Article 5

(Benefits to Issuers)

Business corporations quoted on the stock exchange benefit from a reduction
of 15% of the respective return for the purposes of income tax, for a period of three
years, as from the date on which they are admitted to trading.
Article 6
(Benefits to Investors)

Entities that purchase securities in business corporations quoted in the stock exchange shall benefit, in terms of IUR, from a deduction from the taxable amount of the purchase value deducted from the resale, for a period of three years, counting from the date on which the Stock Exchange actually begins to operate, after proof of ownership of the securities in question has been provided, under the terms to be regulated.

Article 7
(Validity)

The entry into force of this law coincides with the legal measure which creates the Cape Verde Stock Exchange.

Approved on 29 October 1997.

The Chairman of the National Assembly, António do Espírito Santo Fonseca.

Promulgated on 7 November 1997.

Hereby published.

The President of the Republic, ANTÓNIO MANUEL MASCARENHAS GOMES MONTEIRO

Signed on 10 November 1997

The Chairman of the National Assembly, António do Espírito Santo Fonseca.
Law no. 51/V/98, de 11 May

Establishes the Cape Verde Stock Exchange

O.B. no. 18 - I Series
Law no. 51/V/98
of 11 May

By the mandate of the persons, the National Assembly decrees the following under the terms of sub-paragraph b) of article 186 and sub-paragraph i) of article 188 of the Constitution:

Article 1
(Establishment)

The Bolsa de Valores de Cabo Verde, S.A.R.L., hereinafter referred to as Stock Exchange, is hereby established.

Article 2
(Nature)

The Stock Exchange is a joint-stock company with exclusively public capital.

Article 3
(Object)

The object of the Stock Exchange is to carry out operations involving securities under the terms established by law.

Article 4
(General principle)

The Stock Exchange is at the service of developing the economy of Cape Verde by providing its services to all national and foreign economic agents and shall develop the activity with permanent and absolute respect for the principles of safeguarding the public interest and protecting the interests of investors.

Article 5
(Legal regime)

The Stock Exchange is governed by this law, by the regulation issued under the terms of the following article, by its Memorandum and Articles of Association and respective regulations, by the Securities Market Code and by the regulatory provisions approved thereunder, as well as by the legal standards applicable to public limited companies.

Article 6
(Regulation)

The Government shall approve the necessary standards for the enforcement of this Act, namely as regards the following matters:
a) Donations to be granted to the Stock Exchange and associated rights;

b) Bodies, services and functioning of the Stock Exchange, including matters concerning the rights and duties of staff members and of the members of the management committees of the Stock Exchange;

c) Economic and financial management of the Stock Exchange;

d) Disciplinary jurisdiction of the Stock Exchange, as well as the market surveillance powers of the Stock Exchange operators and their representatives;

e) Installation scheme of the Stock Exchange;

f) Memorandum and Articles of Association of the Stock Exchange.

**Article 7**

*(Entry into force)*

This order enters into force 45 days after its publication in the Official Bulletin.

Approved on 30 March 1998

The Chairman of the National Assembly, *António do Espírito Santo Fonseca*.

Promulgated on 24 April 1998.

Hereby published.

The President of the Republic, *ANTÓNIO MANUEL MASCARENHAS GOMES MONTEIRO*

Signed on 27 April 1998.

The Chairman of the National Assembly, *António do Espírito Santo Fonseca*
Decree-Law no. 49/98, of 21 September

Regulates Law no. 51/V/98, of 11 May, which creates the *Bolsa de Valores de Cabo Verde, SARL*

&

Approves the Respective Memorandum and Articles of Association

**O.B. no. 35 - I Series**

Decree-Law no. 14/2007, of 2 April

Amends articles 3 and 15 of the Memorandum and Articles of Association of the *Bolsa de Valores de Cabo Verde SARL*, approved by Decree-Law no. 49/98 of 21 September.

**O.B. no. 13 - I Series**
Decree-Law no. 49/98
of 21 September

In light of the provision in article 6 of Law no. 51/V/98, of 11 May;

In exercising the right conferred by sub-paragraph a) of no. 2 of article 216 of the Constitution, the Government decrees the following:

CHAPTER I
General provisions

Article 1
(Object)

This act regulates Law no. 51/V/98, of 11 May.

Article 2
(Share capital)

1. The share capital of the Stock Exchange is 50,000,000$00 and has been fully subscribed and paid up by the State.

2. The share capital is represented by nominative shares.

3. The shares representing the capital subscribed by the State shall be held by the Directorate General of Treasury Affairs, with the State’s ownership rights as shareholder and its representation in the general meeting being exercised by whomsoever is appointed by order of the Finance Minister.

CHAPTER II
Donations and associated rights

Article 3
(Donations)

1. Any national or foreign, public or private individuals or legal persons may make cash donations or donations that can be evaluated in terms of cash to the Stock Exchange.

2. As consideration for the donations received, said entities shall enjoy the rights laid down in the following article, in addition to the legally established tax exemptions or benefits.

3. Entities issuing securities admitted to trading that make donations under the terms of this provision shall be further exempted from the regular listing maintenance fee in relation to all listed securities issued by it, in the year in which the donation is made.
4. The donations envisaged in this provision may not be in amount of less than 100,000$00.

5. Only donations in an amount of more than 1,000,000$00 shall be granted the rights set forth in the following articles.

Article 4
(Extraordinary general meetings)

1. The Chairman of the Board of Directors shall mandatorily call an extraordinary meeting of the Board of Directors in each calendar year, which shall be attended by a representative from each of the entities that made contributions to the Stock Exchange, to be designated by said entities on a case-by-case basis.

2. The meeting shall be convened by means of a letter, accompanied by the agenda proposed by the Board of Directors, with prior notice of at least one month.

3. The agenda shall focus on the discussion and provision of information on topics of interest to the securities market in general or to the specific activity of the Stock Exchange.

4. Up to fifteen days before the date of the meeting, any of the entities who shall be participating in the meeting may ask for the inclusion on the agenda of any issues for discussion of requests for information in the scope of the topics referred to in the previous number.

5. The meetings referred to in this article do not have deliberative powers, however, the minutes shall be drawn up and shall include at least the description of the matters discussed, the points of view expressed by the stakeholders and any proposals for action made by the private entities present.

CHAPTER III
Bodies, services and functioning

Article 5
(Conflict of interests)

The members of the Stock Exchange bodies shall abstain from participating in the discussions and from voting any issue affecting or of interest to themselves, to their spouse, relatives up to the third degree of direct lineage or even up to the fourth degree of collateral lineage, or any person or entity, public or private, with whom they have a professional relationship, credit or debt.

Article 6
(Resolutions of the meeting)

While all of the Stock Exchange shares are in the possession of the State, whenever
a law or the memorandum and articles of association require a decision to be taken by the general meeting or deem it convenient to call a general meeting, it is sufficient for the State representative to set down the resolution in the company’s minute book.

Article 7
(Stock exchange sessions)

1. The stock exchange sessions shall be presided over and supervised by the Board of Directors, or by whomsoever they are delegated on.

2. The presidency and supervision powers of the stock exchange sessions shall include the following competencies:
   a) Regulating the opening and closing of the session;
   b) Maintaining order and discipline within the session's enclosed space;
   c) Assessing the normal processing, regularity and transparency of the submission of stock orders and of the execution of operations;
   d) Conditioning or forbidding the carrying out of any transactions or cancelling trades already carried out and taking any other exceptional measures that become necessary to preserve the normal and transparent functioning of the market and the adequate formation of prices, as well as to prevent or repress the manipulation of the offer, of the demand or of the prices of securities.

Article 8
(Records)

The Stock Exchange shall keep updated records of everything related to its activity, including the following matters or documents:
   a) An individual record of listed securities issuers, mentioning the admissions, suspensions, exclusions and readmissions of all securities issued by these entities, and of all other relevant facts in order to characterise the legal position of the issuers and of the securities related to the record;
   b) The identification of the stock exchange operators authorised to carry out operations and their designated nominees;
   c) The third copies of the registration notes of the operations carried out;
   d) The third copies of the purchase or sale notes issued by the stock exchange operators;
   e) The official bulletins of the stock exchange that are published;
   f) The minutes of any special sessions held;
g) The minutes of meetings of the management companies;
h) The disciplinary sanctions applied.

**Article 9**

*(Professional secrecy)*

1. The members of the management companies, Stock Exchange staff and the persons or entities, individual or collective, public or private, which provide any permanent or occasional services, are subject to professional secrecy of any facts learnt during the pursuit of their duties or the provision of the services in question and may not disclose or use said information for their own sake or for the sake of third parties, directly or through an intermediary, for any purposes whatsoever.

2. The duty of professional secrecy shall remain in force even after the persons subject to it no longer work for the Stock Exchange.

3. The provision in the previous numbers does not forego the duty to exchange information or to communicate violations, administrative offences or crimes to the competent authorities.

**Article 10**

*(Conduct of the staff at the service of the Stock Exchange)*

1. The staff of the Stock Exchange must pursue their professional activity, both internally and in terms of their relations with any entities outside the Stock Exchange, in observance of the strictest principles of integrity, exemption, competence and diligence.

2. The staff of the Stock Exchange may not provide third parties with consultancy services within the scope of the securities market, even if said services are provided free of charge.

3. The staff of the Stock Exchange may carry out operations on any securities; however, any transactions involving securities that are not national or foreign public funds or equated securities must be communicated to the Chairman of the Board of Directors, in writing and with acknowledgement of receipt, on the business day immediately following said transactions.

4. The provision set forth in the previous number applies to operations carried out by third parties, on behalf of or in the interest of any co-worker.

5. The provision set forth in the previous numbers also applies to staff with a definite-term employment contract.

6. The violation of the provision in this article shall be considered as a disciplinary offence.
Article 11

(Chairman of the Board of Directors)

1. The Chairman of the Board of Directors is entitled to the remuneration, subsidies and social benefits that are established and periodically adjusted by the general meeting.

2. The Chairman of the Board of Directors may not:
   a) Pursue any other professional activity, public or private, even on a merely consultive basis, with the exception of the teaching activity in officially recognised teaching or vocational training establishments, and as long as these functions are carried out under conditions that have been proven not to affect the adequate performance and availability for the pursuit of the functions in the Stock Exchange;
   b) Carry out, on his/her own behalf or in the interest of third parties, directly or through an intermediary, any transactions involving securities, with the exception of operations involving national or foreign public funds or securities or other such securities.

3. The Chairman of the Board of Directors may only be exonerated on the grounds of a serious deficiency in the performance of his/her duties or prolonged personal impossibility to carry out his/her functions.

Article 12

(Members of the Board of Directors)

1. The members of the Board of Directors of the Stock Exchange may be awarded by the general meeting remuneration or a subsidy proportional to their intervention, under the terms of these Memorandum and Articles of Association.

2. The members of the Board of Directors of the Stock Exchange are prohibited from pursuing a political-partisan activity and from running for elected offices in the central or local government when exercising duties.

CHAPTER IV

Economic and financial management

Article 13

(Annual report and accounts)

As long as the total or the majority of the share capital is held by the State, the Board of Directors shall send the following documents to the Finance Minister:

a) The duly audited report and accounts of the financial year;

b) Any additional information necessary for a full understanding of the
company’s economic and financial situation, its efficient management and its growth prospects.

**Article 14**
*Revenue*

1. The Stock Exchange shall collect and manage its own revenue.
2. The Stock Exchange shall have the following sources of revenue:
   a) The fees for the admission and readmission of securities to trading
   b) The periodic maintenance fee due by the issuers of listed securities
   c) The fee for carrying out stock exchange operations;
   d) The fee for the registration of stock exchange operators in the register;
   e) The revenue from the compulsory publications or other publications made in the official stock exchange bulletin;
   f) The revenue from the sale or signature of the official stock exchange bulletin and of any other studies, works or editions undertaken by the Stock Exchange;
   g) The revenue from activities related to the disclosure, promotion or training carried out by the Stock Exchange;
   h) The revenue from the sale of any nature of promotional products or articles;
   i) The product of the sale or assignment of goods or rights forming part of the assets;
   j) The income resulting from the financial application of its resources;
   l) Any bestowals made in its favour in the State’s general budget;
   m) Any contributions granted to it by any entities;
   n) Any other revenue resulting from activities included in its object or assigned to it by law.

3. The Stock Exchange’s resources may be used to generate returns in any manner permitted by law, with the exception of the application in securities that are not national or foreign securities or other securities.

**Article 15**
*Expenditure*

The Stock Exchange shall have the following expenses:

a) Expenses with remuneration, bonuses, subsidies, social benefits and other staff expenses;
b) Expenses related to the purchase, improvement, maintenance and repair of any equipment or immovable property, as well as everyday office supplies;

c) Any other expenses to be incurred by the stock exchange with the aim of pursuing its duties and competencies.

CHAPTER V
Disciplinary regime

Article 16
(Disciplinary jurisdiction in the Stock Exchange)

1. The following persons are subject to the disciplinary powers of the Stock Exchange:

a) The stock exchange operators, in regard to their general obligations as financial intermediaries and particularly as intermediaries authorised to carry out stock exchange operations;

b) The board members, managers, directors and other employees or representatives of the stock exchange operators, for the obligations to which they are subject as a result of the activity they pursue in the stock exchange or which is directly related to it;

c) The employees of the stock exchange, for the obligations associated to their duties;

d) All of the persons who at all times find themselves on the premises of the stock exchange, in observance of the standards which regulate their permanence on said premises, and the order and discipline that must be maintained while on the premises.

2. The Board of Directors is responsible for establishing, judging and deciding on the disciplinary processes regarding violations committed by the stock exchange operators, by their board members, managers, directors or other employees and represented authorised to pursue activities in the stock exchange, and by the Stock Exchange staff.

Article 17
(Disciplinary offence)

The violation, by the persons and bodies mentioned in the previous article, of the obligations and standards in said article shall be considered a disciplinary offence, punishable under the terms of the following articles, without prejudice to liability for crimes and other administrative infractions where the facts making up said violation simultaneously make the offender liable, or to his/her public liability for the damages caused to the Stock Exchange or to third parties.
Article 18

(Confluence of disciplinary offence and administrative offence or crime)

1. Liability to disciplinary action is independent from public liability and liability for crimes and other infractions of an administrative nature.

2. When the violation is also an administrative offence or public crime, the Board of Directors is obliged to inform the competent authorities thereof immediately to start the corresponding proceedings.

3. Shall there be a confluence of a disciplinary offence with an administrative offence, falling under the jurisdiction the Banco de Cabo Verde, or with a criminal offence, the Board of Directors may, if it deems that this is compatible with the suitable and timeous defence of the interests in question, suspend the disciplinary process until the administrative offence process or the criminal process has been decided upon.

Article 19

(Disciplinary liability of stock exchange operators and their representatives)

1. On behalf of the board members, managers, directors, any other employees and accredited representatives, stock exchange operators are required:

a) To observe, in all of the activities they pursue in the stock exchange or related to it, the provisions of the Securities Market Code and its regulations, as well as the general and special legislation by which they are governed and the ethical standards to which they are subject professionally;

b) To comply with all other regulatory standards and operational rules of the stock exchange, as well as, when applicable, the standards of the same nature, and, where appropriate, the specific legal and regulatory provisions of any autonomous legal entities that are entrusted with services of the responsibility or interest of the Stock Exchange, such as systems for the negotiation, clearing and settlement of operations, for the registration and control of securities or others of a similar nature;

c) To strictly observe the resolutions of the Stock Exchange bodies that are established or related to the special obligations of stock exchange operators and to the standards applicable to their activities;

d) To observe the resolutions of the Stock Exchange bodies that are directly and individually related to them, as well as the resolutions of the Stock Exchange staff, within the scope of the respective competencies;

e) To ensure the good functioning of the stock exchange, the lawfulness, regularity and transparency of the transactions carried out on it, the adequacy of the prices that are formed on it and its prestige and credibility vis-à-vis the issuers, investors and public in general, and whatever else depends on it;
f) To supply the Board of Directors with the requested information, provided that both the request and the answer are put in writing, when said information is legally subject to professional secrecy;

g) To allow the Board of Directors or any other person designated by the Board to examine their operations and accounting books and records or any other documents related to the activities they pursue in the stock exchange or other related activities.

2. The board members, managers, directors or any other employees or representatives of the stock exchange operators authorised to pursue, on behalf of said operators, on either a permanent or transitory basis, any stock exchange activity, shall be personally subject vis-à-vis the Stock Exchange to all of the obligations referred to in the previous number that are related to said activity, and to the disciplinary jurisdiction of the Stock Exchange for the respective non-compliance.

3. The compliance with the resolutions of the bodies of the Stock Exchange and with the determinations of the respective employees does not prejudice the right of stock exchange operators and their representatives in the stock exchange to subsequently protest against said resolutions and determinations, to appeal against them, when appeal is permitted, or, where appropriate, to oppose them by other suitable legal means.

**Article 20**

*(Disciplinary liability of the Stock Exchange staff)*

The legal provisions regarding individual employment contracts shall apply to the disciplinary liability of the Stock Exchange staff.

**Article 21**

*(Disciplinary action against the public)*

The regime applicable to persons in general who at all times are located on the premises of the stock exchange is set forth in the provisions applicable to the Securities Market Code.

**Article 22**

*(Sanctions applicable to stock exchange operators and their representatives)*

The violation of the obligations of stock exchange operators and of their board members, managers, directors or any other employees or representatives is punishable, depending of their seriousness and circumstances, with the disciplinary sanctions listed below, applicable to the stock exchange operator or to the person who committed the violation, or to both, depending on the responsibility of each one:

a) A warning;
b) Temporary suspension of up to two years or the definitive exclusion from any stock exchange activity of the board member, manager, director or other representative or employee of the stock exchange operator who committed the violation;

c) Suspension of up to two years of the stock exchange operator.

Article 23

(Disciplinary regime of the members of the Board of Directors)

The members of the Board of Directors are subject to the disciplinary authority of the Finance Minister, under the conditions to be regulated by Ministerial order.

Article 24

(Process)

All of the acts practised or procedures to be observed in the establishment, preparation and judgement of the disciplinary processes must observe general law.

Article 25

(Publication)

1. The disciplinary sanctions for suspension and definitive exclusion shall be published in the stock exchange official bulletin.

2. The publications referred to in the previous number shall be made:

a) After the time limit for the exercise of a legal remedy has elapsed, shall said remedy not be exercised;

b) If a legal remedy is exercised, after it has been decided on and in the event of the sanction being confirmed.

CHAPTER VI

Installation regime

Article 26

(Installation regime and special Stock Exchange sessions)

1. The Board of Directors of the Stock Exchange may organise special stock exchange sessions and may receive, analyse and decide upon requests for admission to trading.

2. Up to the election of the Board of Directors, the installation of the Stock Exchange is directed and oriented by the Capital Market’s Steering Committee.

3. A technical and administrative support structure, whose staff members shall be requisitioned or recruited through an individual employment contract, shall depend directly on the Commission referred to in the previous number.
4. Government workers or the employees of public companies and of companies with public capital may work for the Stock Exchange on a requisition basis.

5. The length of service rendered pursuant to numbers 3 and 4 above shall, to all effects and purposes, be considered as having been rendered in the place of origin of the requisitioned government worker or employee.

6. The Capital Market’s Steering Committee shall be automatically suppressed with the election of the Board of Directors of the Stock Exchange.

7. The installation period shall take into account the following acts:
   a) Promoting the installation of the Stock Exchange in a suitable building;
   b) Purchasing the necessary equipment and furniture;
   c) Recruiting companies or experts to carry out specific jobs;
   d) All other acts and measures that are deemed necessary in order to provide the Stock Exchange with suitable mechanisms for the pursuit of its object.

8. During the installation period, the Stock Exchange shall collect its revenues and bear its expenses, under the legal and regulatory terms, and shall ensure its economic, financial and asset management.

CHAPTER VII
Final and transitory provisions
Article 27
(Control and supervision of the stock exchange operators and their representatives)

1. Without prejudice to the competencies legally assigned to the Banco de Cabo Verde, the Board of Directors shall control and supervise the activity of the stock exchange operators and respective board members, managers, directors and any other employees or representatives acting in it, with a view to ensuring and checking the adequate enforcement of their obligations.

2. For the purposes of the preceding number, the Board of Directors may, when it considers it vital, order the examination of the operating records and books, accounting records and books or any other documents related to the activities in the stock exchange or other related activities, request any additional information that proves vital and interrogate the board members, managers, directors and other employees operating in the stock exchange.

3. The inspections foreseen in the previous number and the results thereof shall
be confidential and may not be disclosed to any persons inside or outside the Stock Exchange by the Board of Directors or co-workers of the Stock Exchange who take part in them.

4. If the information obtained in terms of this article indicates or proves the practice of any violation, the Board of Directors must order the establishment of the respective disciplinary process based on this information.

**Article 28**
*(Exemptions)*

1. The Stock Exchange shall be totally exempt from the payment of fees and other legal impositions that are due as a result of the incorporation of the company.

2. This order is sufficient basis for the confirmation of the capital, of the assets and for all legal effects and purposes, including registration purposes; any acts necessary for the regulation must be performed by the competent services without the payment of fees or charges and be based on a simple written communication by the Chairman of the Capital Market’s Steering Committee or by two members of the Board of Directors of the Stock Exchange.

**Article 29**
*(Memorandum and Articles of Association)*

1. The Memorandum and Articles of Association of the Stock Exchange, which form an integral part of this order and are signed in annex by the Finance Minister, are hereby approved.

2. The memorandum and articles of association referred to in number 1 of this article do not need to be converted to a public deed and the commercial registration can be made with basis on the official bulletin in which they were published.

**Article 30**
*(Entry into force)*

This order shall become immediately effective.

Seen and approved in the Council of Ministers Carlos Veiga. - José Ulisses Correia Silva.

Promulgated on 14 of September.

Hereby published

The President of the Republic, ANTÓNIO MASCARENHAS GOMES MONTEIRO

Countersigned on 14 September.

The Prime Minister, Carlos Veiga.
Bye-Laws of *Bolsa de Valores de Cabo Verde, SARL*

CHAPTER I
General provisions

Article 1
(Denomination and logotype)

1. The Cape Verde Stock Exchange, hereinafter briefly referred to as Stock Exchange, is a joint-stock company with exclusively public capital that adopts the name *Bolsa de Valores de Cabo Verde, S.A.R.L.*

2. The Stock Exchange shall use its own logotype.

3. The Stock Exchange may also adopt the abbreviated denomination of BVC, which, together with the logotype, shall be mentioned in all correspondence, publications and in all of its external activity in general.

Article 2
(Headquarters and Representation)

1. The Stock Exchange has its headquarters in the city of Praia but it may set up other branches, delegations or any other type of representation in any location of the national territory or outside it.

2. The General Meeting may at any time decide to change the location of the headquarters of the Stock Exchange, within the national territory.

Article 3
(Object)

The purpose of the Stock Exchange is to carry out securities operations under the terms defined by law.

Article 4
(Share capital)

1. The share capital of the Stock Exchange is 50,000,000$00, divided into 50,000 shares of 1,000$00 each, and is fully subscribed and paid up by the State.

2. The share capital is represented by nominative shares.

3. The share capital shall be increased by decision of the general meeting.

Article 5
(Duration)

The duration of the company shall be for an indefinite period of time.
CHAPTER II
Stock exchange bodies

SECTION I
General provisions

Article 6
(Management companies)

The Stock Exchange has the following management companies:

a) The General Meeting;

b) The Board of Directors.

Article 7
(Minutes)

After all meetings of the bodies of the Stock Exchange, minutes shall be drawn up with at least a description of the items discussed and the decisions taken.

Article 8
(Supervision)

The supervision duties shall be assigned to auditing companies of recognised competence.

SECTION II
General Meeting

Article 9
(Composition)

1. The general meeting is made up of the shareholders with voting rights.

2. Every 100 shares correspond to 1 vote in the general meeting.

3. Shareholders holding a number of shares below the amount defined in the previous number may form a group, with one of the group members representing the group as a whole, so as to make up the number necessary to exercise the voting right.

4. Any shareholder with voting rights may be represented in the General Meeting by another shareholder with voting rights through a simple letter addressed to the Chair of the general meeting, who shall assess the authenticity of said letter.

5. The State shall be represented in the general meeting by the persons designated by order of the Finance Minister.

6. The members of the Board of Directors may participate in the agenda of the general meeting, without voting rights.
Article 10
(Chair of the General Meeting)

The chair of the general meeting shall be made up of a chairman, a vice-chairman and a secretary, elected among the shareholders or other persons whose absence shall be compensated for pursuant to the law.

Article 11
(Meetings)

The general meeting shall meet ordinarily at least once a year and extraordinarily whenever the Board of Directors deems it necessary, or when requested by the State shareholder.

Article 12
(Duties)

The general meeting shall be responsible for:

a) Assessing the report by the Board of Directors, discussing and voting the balance sheet and accounts and deciding upon the application of the results;

b) Defining general policies regarding the company’s activity;

c) Electing the General Meeting, the members of the Board of Directors and the Chairman of the Board of Directors;

d) Deliberating on any amendments to the memorandum and articles of association;

e) Deliberating on the remuneration of the Chairman and other members of the Board of Directors;

f) Approving the issuance of bonds;

g) Deliberating on the purchase and resale of shares holdings;

h) Authorising the purchase and resale of real-estate;

i) Deal with any other matter for which the meeting was called.

SECTION III
Board of Directors

Article 13
(Composition)

1. The Board of Directors shall be made up of three or five board members, depending on the decision of the General Meeting.
2. The Chairman of the Board of Directors and the other board members shall be elected by the General Meeting.

**Article 14**

**(Term of office)**

The Chairman of the Board of Directors shall be elected for a four-year term of office, renewable one or more times, and the other board members shall be elected for a two-year term of office, also renewable one or more times.

**Article 15**

**(Substitution)**

Shall any member of a Stock Exchange body renounce their term of office or be prevented from exercising it for more than three months, they shall be replaced by whosoever is designated to this effect.

**Article 16**

**(Duties)**

1. The Board of Directors shall be responsible for:

a) Adopting all of the necessary measures for the good functioning of the Stock Exchange, with a view to safeguarding the public interest and protecting investors’ interests;

b) Proposing to the Banco de Cabo Verde or to the Finance Minister, according to the respective duties, the measures that it deems necessary to fulfil the purpose of the Stock Exchange or to promote the expansion and adequate functioning of the securities market in general, or the quality of the financial intermediation services provided therein;

c) Ensuring the adequate functioning of the trading, clearing and settlement systems;

d) Supervising the operations;

e) Ensuring the provision of information regarding the operations carried out and promoting the publication of the stock exchange’s official bulletin;

f) Drawing up the annual budget, any amendments made thereto, as well as any supplementary budgets;

g) Drawing up the accountability documents of each financial year;

h) Publishing, by 31 April of each year, the Stock Exchange's annual activity report in regard to the previous year, which shall mandatorily include the annual report and accounts;

i) Purchasing, reselling, leasing, renting, lending, whether free or not, any
equipment or real-estate, or rights, desirable for the pursuit of the purpose of the Stock Exchange;

j) Exercising the disciplinary authority of the Stock Exchange;
l) Performing all of the other duties assigned to it by the applicable securities legislation and regulation.

2. The Board of Directors may directly ask any of the State services and public institutes or companies for the information necessary for the performance of its duties and for the pursuit of the purpose of the Stock Exchange.

**Article 17**

*(Duties of the Chairman and of the Vice-Chairman)*

1. The Chairman of the Board of Directors shall be responsible for:
   
a) Representing the Stock Exchange in or out of court;
b) Presiding over the meetings of the Board of Directors;
c) Organising and directing the services of the Stock Exchange.

2. The Vice-Chairman of the Board of Directors shall be responsible for assisting the Chairman in exercising his/her duties and for substituting him/her during any absences or impediments.

**Article 18**

*(Functioning)*

1. The Board of Directors shall meet ordinarily and extraordinarily.

2. The ordinary meetings shall take place on a monthly basis on the day and at the time defined by the Board.

3. The extraordinary meetings shall take place whenever they are convened by the Chairman, on his/her own initiative or by indication of at least three of the Board members.

4. The meetings may only take place with the presence of three of the Board members, one of which is the Chairman or the Vice-Chairman.

5. Whenever a unanimous decision is not reached in regard to any of the deliberations, said deliberations shall be taken by the majority vote of the members present, with the Chairman having a casting vote in the event of a tie.

6. The Board of Directors may deliberate in writing, independently of a meeting, as long as there is consensus.
Article 19

(Urgent decisions)

1. When urgent decisions or measures need to be taken that cannot wait for the convening and holding of an extraordinary meeting of the Board, under penalty of prejudicing the public interest, the interests of the Stock Exchange, of the investors, of the issuers or of the market in general, the Chairman of the Board of Directors may take the measure or decision, informing the Board of said fact in the subsequent meeting, namely describing the nature of the matter or occurrence, or the circumstances leading to the immediate resolution and the measures taken.

2. The decisions or measures of the Chairman of the Board of Directors taken pursuant to the previous number shall be subject to rectification by the Board of Directors in the subsequent meeting.

CHAPTER II

Final provisions

Article 20

(Engagement of the company)

1. The company shall bind itself:

a) By the signature of the Chairman of the Board of Directors and of another board member;

b) By the signature of the appointed nominees, within the scope of the corresponding mandate.

2. In routine matters, the signature of just one of the members of the Board shall suffice.

3. The Board of Directors may decide, pursuant to law, that certain company documents be signed by mechanical processes or with a rubber stamp.

Article 21

(Profit and loss account for the financial year)

The profit and loss account for the financial year shall be allocated in compliance with the law and as determined by the general meeting.

The Minister of Finance, José Ulisses Correia Silva.
Decree-Law no. 14/2007
of 2 April

Whereas the reorganisation of Bolsa de Valores de Cabo Verde, SARL into a more modern and effective form requires changing some of the assumptions laid down in 1998 when it was created;

Whereas the dematerialisation of securities, seen as the foundation for the establishment of a secure secondary market; the existence of a Central Desmaterialised Securities Depository managed by the Stock Exchange and the possibility of the Stock Exchange operating as the National Code Allocation Agency of Cape Verde were not taken into consideration in the memorandum and articles of association of the Stock Exchange that form an integral part of Decree-Law no. 49/98, of 21 September;

Whereas the education of all of the financial intermediaries, of the public in general and the disclosure of the securities market that are seen as critical components for the full establishment of the Cape Verde stock market do not form part of the main or complementary object the Cape Verde Stock Exchange, established in 1998;

Thus,

In exercising the right granted by sub-paragraph a), no.2 of article 203 of the Constitution, the Government decrees the following:

Article 1
Amendments

Articles 3 and 16 of the Memorandum and Articles of Association of Bolsa de Valores de Cabo Verde, SARL, approved by Decree-Law no. 49/98, of 21 September, are amended as follows:

“Article 3º

[...]
The main object of BVC is to:

a) Carry out securities operations;
b) Manage the stock market and the securities trading systems;
c) Manage the centralised book-entry securities registration systems;
d) Manage securities settlement systems and to act as a national code allocation agency;
e) Provide other services related to the issuance and trading of securities that do
not form part of the intermediation activity;

f) Carry out research, consultancy, disclosure, promotion or training activities that contribute to the balanced and sustained growth of the capital markets of Cape Verde;

g) Provide the members of the markets managed by it with the services deemed necessary for the intervention of said members in markets managed by a counterpart entity from another State, with whom they have entered into an agreement.

Article 16

[...]  
1. (...)  
a) (...)  
b) (...)  
c) To ensure the adequate management and functioning of the centralised securities registration systems and of the trading, clearing and settlement systems;

d) (...)  
e) (...)  
f) (...)  
g) (...)  
h) (...)  
i) (...)  
j) (...)  
l) (...)  
2. (...)”

**Article 2**

**Addendums**

No. 2 is appended to article 14 and sub-paragraph m) is appended to no. 1 of article 16, both from the Memorandum and Articles of Association of *Bolsa de Valores de Cabo Verde, SARL*, approved by Decree-Law no. 49/98, of 21 September, with the following amendments:

“Article 14
2. The remuneration of the Chairman and of the other members of the Board of Directors shall be established by the Council of Ministers.

Article 16

m) Deliberate on the creation and existence of the scientific and technical departments, which have become necessary or desirable to achieve its object.”

Article 3

Effects

The Memorandum and Articles of Association of the Cape Verde Stock Exchange shall be binding, or produce effects, on third parties, irrespective of registration.

Article 4

Republication

The text of the Memorandum and Articles of Association of Bolsa de Valores de Cabo Verde SA, approved by Decree-Law no. 49/98, de 21 of September, is republished, with the amendments included in this order.

Article 5

Entry into force

This order shall enter into force on the day following its publication.

Seen and approved in the Council of Ministers

José Maria Pereira Neves - Cristina Duarte

Promulgated on 23 de Março de 2007

Hereby published.

The President of the Republic, PEDRO VERONA RODRIGUES PIRES

Countersigned on 28 March 2007

The Prime Minister, José Maria Pereira Neves
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(Object)

The main object of BVC is to:

a) Carry out securities operations;

b) Manage the stock market and the securities trading systems;

c) Manage the centralised book-entry securities registration systems;

d) Manage securities settlement systems and to act as a national code allocation agency;

e) Provide other services related to the issuance and trading of securities that do not form part of the intermediation activity;

d) Carry out research, consultancy, disclosure, promotion or training activities that contribute to the balanced and sustained growth of the capital markets of Cape Verde;

f) Bolsa de Valores de Cabo Verde, SARL may create and run scientific and
technical departments, which have become necessary or desirable to achieve its object.

**Article 4**  
(Share capital)

1. The share capital of BVC is 50,000,000$00, divided into 50,000 shares of 1,000$00 each, and has been fully subscribed and paid up by the State.
2. The share capital is represented by nominative shares.
3. The share capital shall be increased by decision of the General Meeting.

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4. Any shareholder with voting rights may be represented in the General Meeting by another shareholder with voting rights through a simple letter addressed to the Chair of the general meeting, who shall assess the authenticity of said letter.

5. The State shall be represented in the general meeting by the persons designated by order of the Finance Minister.

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d) Deliberating on any amendments to the memorandum and articles of association;

e) Deliberating on the remuneration of the Chairman and other members of the Board of Directors;

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1. The Chairman of the Board of Directors shall be elected for a four-year term of office, renewable one or more times, and the other board members shall be elected for a two-year term of office, also renewable one or more times.

2. The remuneration of the Chairman and of the other members of the Board of Directors shall be defined by the Council of Ministers.

Article 15

(Substitution)

Shall any member of BVC renounce their term of office or be prevented from exercising it for more than three months, they shall be replaced by whosoever is designated to this effect
Article 16
(Duties)

1. The Board of Directors shall be responsible for:

a) Adopting all of the necessary measures for the good functioning of the Stock Exchange, with a view to safeguarding the public interest and protecting investors’ interests;

b) Proposing to the Banco de Cabo Verde or to the Finance Minister, according to the respective duties, the measures that it deems necessary to fulfil the purpose of the Stock Exchange or to promote the expansion and adequate functioning of the securities market in general, or the quality of the financial intermediation services provided therein;

c) Ensuring the adequate management and functioning of the centralised securities registration systems and of the trading, clearing and settlement systems;

d) Supervising the operations;

e) Ensuring the provision of information regarding the operations carried out and promoting the publication of the stock exchange's official bulletin;

f) Drawing up the annual budget, any amendments made thereto, as well as any supplementary budgets;

g) Drawing up the accountability documents of each financial year;

h) Publishing, by 31 April of each year, BVC’s annual activity report in regard to the previous year, which shall mandatorily include the annual report and accounts;

i) Purchasing, reselling, leasing, renting, lending, whether free or not, any equipment or real-estate, or rights, desirable for the pursuit of the purpose of BVC;

j) Exercising the disciplinary authority of BVC;

l) Performing all of the other duties assigned to it by the applicable securities legislation and regulation;

m) Deliberate on the creation and existence of the scientific and technical departments, which have become necessary or desirable to achieve its object.

2. The Board of Directors may directly ask any of the State services and public institutes or companies for the information necessary for the performance of its duties and for the pursuit of the purpose of BVC.
Article 17

(Duties of the Chairman and of the Vice-Chairman)

1. The Chairman of the Board of Directors shall be responsible for:
   a) Representing the Stock Exchange in or out of court;
   b) Presiding over the meetings of the Board of Directors;
   c) Organising and directing the services of the Stock Exchange.

2. The Vice-Chairman of the Board of Directors shall be responsible for assisting the Chairman in exercising his/her duties and for substituting him/her during any absences or impediments.

Article 18

(Functioning)

1. The Board of Directors shall meet ordinarily and extraordinarily.

2. The ordinary meetings shall take place on a monthly basis on the day and at the time defined by the Board.

3. The extraordinary meetings shall take place whenever they are convened by the Chairman, on his/her own initiative or by indication of at least three of the Board members.

4. The meetings may only take place with the presence of three of the Board members, one of which is the Chairman or the Vice-Chairman.

5. Whenever a unanimous decision is not reached in regard to any of the deliberations, said deliberations shall be taken by the majority vote of the members present, with the Chairman having a casting vote in the event of a tie.

6. The Board of Directors may deliberate in writing, independently of a meeting, as long as there is consensus.

Article 19

(Urgent decisions)

1. When urgent decisions or measures need to be taken that cannot wait for the convening and holding of an extraordinary meeting of the Board, under penalty of prejudicing the public interest, the interests of BVC, of the investors, of the issuers or of the market in general, the Chairman of the Board of Directors may take the measure or decision, informing the Board of said fact in the subsequent meeting, namely describing the nature of the matter or occurrence, or the circumstances leading to the immediate resolution and the measures taken.

2. The decisions or measures of the Chairman of the Board of Directors taken
pursuant to the previous number shall be subject to rectification by the Board of Directors in the subsequent meeting.

CHAPTER III

Final provisions

Article 20

(Engagement of the company)

1. The company shall bind itself:

   a) By the signature of the Chairman of the Board of Directors and of another board member;

   b) By the signature of the appointed nominees, within the scope of the corresponding mandate.

2. In routine matters, the signature of just one of the members of the Board shall suffice.

3. The Board of Directors may decide, pursuant to law, that certain company documents be signed by mechanical processes or with a rubber stamp.

   Article 21

   (Profit and loss account for the financial year)

   The profit and loss account for the financial year shall be allocated in compliance with law and as determined by the general meeting.

   The Minister of Finance, Cristina Duarte.
4. FINANCIAL MANAGEMENT COMPANIES

Decree-Law no. 11/2005, of 7th February

Creates Financial Management Companies
O.B. no. 6 - I Series
This decree-law creates the Financial Management Companies structure, based on the parabanking regime set out in Law 3/V/96, of 1 July. It permits them to manage one or more classes of collective investment undertakings, and establishes the general rules with which they must comply, without prejudice to any additional requirements which may be laid down from time to time by the laws governing such institutions with a view to providing specific protection for prevailing interests.

Thus,

Under the powers conferred by Article 203(2)(c) of the Constitution the Government hereby decrees the following:

Article 1

(Definition and Object)

1. A Financial Management Company is a parabanking institution governed by Law 3/V/96 of 1 July, unless expressly provided to the contrary herein.

2. The object of a Financial Management Company shall consist of one or more of the following:

   a) Management of collective investment undertakings which raise capital from the public, namely:
      1. Securities investment funds;
      2. Real estate investment funds;
      3. Pension funds;
      4. Risk capital funds;
      5. Other collective investment undertakings created by law.

   b) Discretionary and tailored management of portfolios on behalf of third parties, based on powers conferred by the investors, provided that the following instruments are included:
      1. Securities;
      2. Collective investment undertakings units;
      3. Money market instruments;
      4. Financial instruments futures, including other derivative instruments which may be settled in cash;
5. Forward rate agreements (FRAs);
6. Interest rate swaps, currency swaps or equity swaps;
7. Put or call options on the abovementioned instruments, including cash instruments; this category includes currency and interest rate options.

c) Investment consultancy regarding the assets whose management is the object of the company, in accordance with b) above;

d) For the purposes set out in paragraph 2(a), capital is deemed to have been raised from the public when the respective offer:
   1. Is aimed at unspecified investors or at more than 100 investors;
   2. Is preceded or accompanied by prospecting or data gathering of investment intentions from unspecified investors, or by promotional advertising.

e) A holding in the share capital of any type of banking or parabanking institution or finance companies, whether foreign or domestic, shall also be stated in the object of a Financial Management Company, provided that:
   1. Its object is identical or complementary to the object of the Financial Management Company which owns the holding;
   2. The total amount of such holdings does not exceed the own funds of the Financial Management Company which owns the holding.

**Article 2**

**(Type of company and own funds)**

1. A Financial Management Company shall incorporate as a public limited company with nominative or registered bearer shares.

2. A Financial Management Company’s own funds shall not be lower than the sum of the following percentages of the total net value of each one of the collective investment undertakings and assets under their management:
   a) Up to 770,000,000$00: ……………0.5%
   b) Over 770,000,000$00: ………………………0.1%

3. A Financial Management Company which manages pension funds shall comply with the solvency ratios and maintain the guarantee funds set out in the applicable legislation.

4. Own funds means the paid-up capital, reserves, carry-overs and medium and long-term subordinate loans, provided that these are authorised by the *Banco de Cabo Verde* and do not exceed the sum of the remaining categories.
Article 3

(Authorisation and registration)

1. The incorporation of Financial Management Companies and their registration with the Banco de Cabo Verde are governed by articles 8 and thereafter of Law 3/V/96 of 1 July.

2. The Banco de Cabo Verde shall keep a current register of shareholders in Financial Management Companies with holdings of 10% or more of the share capital.

3. The Banco de Cabo Verde may oppose inter vivos transfers of Financial Management Company shares which have the effect of moving shareholders from or to a 10%, 20%, 33%, 50% scale.

4. For the purposes of the preceding paragraph, any entity which wishes to acquire or dispose of such holdings inter vivos shall provide advance notice of its intention to the Banco de Cabo Verde, which will have 30 days in which to make a decision, with silence being construed as approval.

5. A breach of the duty to give prior notice or the conclusion of a transaction opposed by the Banco de Cabo Verde shall empower the Bank to suppress the voting rights attached to the transferred shares, in addition to the legal sanctions applicable to particularly serious breaches.

Article 4

(Duties)

A Financial Management Company shall carry out all the acts and transactions which are deemed necessary for or incidental to the smooth running of the managed collective investment undertakings and assets, according to normal standards of diligence and professional skills, particularly:

a) Those required for the proper implementation of the chosen investment policy, particularly:

1. Selecting the assets which may be acquired by the managed collective investment undertakings or assets, which in the case of the latter may at any given time include any type of movable and immovable property, according to the criteria set by a Financial Management Company which has discretionary management powers;

2. Acquiring and disposing of the assets of the managed collective investment undertakings or assets, and complying with all the procedures necessary for a valid transfer;

b) Exercising the rights attached to the assets of the managed collective
investment undertakings or the assets;
c) Administering the assets of the managed collective investment undertakings or the assets, particularly:
   1. Providing the legal and accounting services necessary to administer the managed collective investment undertakings or assets, without prejudice to the specific legislation applicable to these activities;
   2. Processing and responding to complaints made by unit holders and clients;
   3. Valuing the portfolio, determining the value of the investment units and issuing tax declarations;
d) Complying and controlling compliance with the applicable provisions, the constituent documents of the collective investment undertakings and the contracts entered into with regard to the managed collective investment undertakings or assets;
e) Registering collective investment undertakings unit-holders;
f) Distributing income;
g) Issuing and redeeming collective investment undertakings units;
h) Carrying out clearance and settlement procedures, and sending certificates;
i) Keeping documents on file;
j) Marketing the collective investment undertakings units;
k) Marketing, in Cape Verde, collective investment undertakings units administered by third parties, whether domiciled in Cape Verde or otherwise, in accordance with the law.

**Article 5**

(Duties)

1. In the pursuit of its object, a Financial Management Company shall act at all times in the sole interest of the holders of the assets under its management or the corresponding certificates.

2. Financial Management Companies shall be obliged to administer the managed collective investment undertakings or the assets in accordance with the principle of risk spreading, and performing their duties according to the normal standards of diligence and professional skills.

3. A Financial Management Company may not exercise the voting rights attached
to the securities held by the managed collective investment undertakings or to the assets:

a) By means of a person who also represents the entity with which it is in a controlling or group relationship;

b) With a view to including or maintaining in the constituent documents non-transfer clauses, clauses which restricted voting rights or any other clauses which may adversely affect the success of a takeover bid;

c) With the main objective of increasing the company’s influence over the company with which it is in a controlling or group relationship.

4. The duties set out above and the provisions of Articles 7 and 8 shall be supplementary to the laws and regulations governing managed collective investment undertakings and assets.

**Article 6**

(Remuneration)

The act of administering a managed collective investment undertaking or assets shall be remunerated:

a) By management commissions and performance awards, in accordance under the terms set out in its constituent documents and regulations, as well as under the management agreements or mandates;

b) By commissions for subscription, redemption or transfer of the collective investment undertakings units which it manages, insofar as these are so attributed in the constituent documents, in accordance with the regulations;

c) Other commissions as set out by regulations, management agreement or mandate.

**Article 7**

(Conflict of interests)

1. Financial Management Companies employees and managing or supervisory bodies who have decision-making powers and the power to carry out investments shall not be permitted to perform any duties for another Financial Management Company.

2. The members of the managing or supervisory bodies of the Financial Management Companies shall act independently and in the sole interest of the unit-holders, which interests shall prevail over their own interests and those of any entities with which they are in a controlling or group relationship.

3. Whenever a Financial Management Company manages more than one collective
investment undertaking or asset, it must regard each one as a client and seek to prevent any conflict of interests, and whenever such conflicts are inevitable, they must be solved according to equitable non-discriminatory principles.

4. Whenever joint orders are issued for several managed collective investment undertakings or assets, the Financial Management Companies shall distribute the assets and their respective costs proportionately.

5. A Financial Management Company which manages investment funds and at the same time exercises a discretionary and tailored portfolio management power on behalf of third parties based on powers conferred by the investors, may not invest all or part of a client portfolio in investment units in the collective investment undertaking it manages, except with the prior consent of the client, which consent may be given in general terms.

Article 8
(Prohibited operations)

Financial Management Companies shall not:

a) Take out loans;

b) Grant loans, including guarantees, on its own behalf, with the exception of the occasional advance on salary or allowances to employees;

c) Short sell securities on its own behalf;

d) Acquire collective investment undertakings investment units on its own behalf, except for those which fall within the category of treasury collective investment undertakings or equivalents which are not managed by them;

e) Acquire real estate apart from that required for use in the course of its business and which does not exceed the amount of its own funds.

Article 9
(Contracting out)

1. A Financial Management Company may contract out investment management and administrative duties, in accordance with the following principles:

a) It periodically defines the investment criteria;

b) The contracting out does not relieve the Financial Management Company entirely of its business activity;

c) The Financial Management Company and the depositary remain liable for compliance with regulatory provisions;

d) The subcontractor holds the necessary qualifications and skills to perform
the duties contracted out;

e) The Financial Management Company remains in permanent and effective control of the performance of the duties contracted out and ensures these are carried out in the interest of the clients, providing additional instructions to the subcontractor or replacing the subcontractor, if so required by the interests of the client.

2. The subcontractor shall be subject to the same obligations as are imposed on Financial Management Companies and to the supervision of the Banco de Cabo Verde.

3. The fact that duties have been contracted out may not adversely affect effective supervision by the Financial Management Companies, nor shall it prevent them from acting, or prevent the managed collective investment undertakings or assets from being administered, in the interests of the unit-holders or the clients.

4. The Financial Management Company shall apprise the Banco de Cabo Verde of the terms and conditions of each subcontract prior to completion.

5. The full prospectus for each collective investment undertaking and the contract authorising the management of the assets shall state the duties contracted out by the Financial Management Company.

**Article 10**

(Subcontracted entities)

1. The management of any investments shall only be contracted out to another Financial Management Company or credit institution.

2. The management of any investment shall not be contracted out to a depositary or to any other institution whose interests may conflict with those of the Financial Management Company which is contracting out the duties, or with those of their clients and respective unit-holders.

3. It shall be incumbent on Financial Management Companies to prove that there is no conflict of interest such as that referred to in the preceding paragraph.

4. The management of an investment may only be contracted out to an institution based in a State which is not a member of the OECD if cooperation between the domestic supervisory authority and the supervisory authority in such a State is guaranteed.
Article 11
(Commencement)

This decree-law shall come into force on the day after publication.

Passed by the Council of Ministers

José Maria Pereira Neves – João Pinto Serra

Promulgated on 26 January 2005.

For publication.

The President of the Republic, PEDRO VERONA RODRIGUES PIRES

Countersigned on 31 January 2005.

The Prime Minister, José Maria Pereira Neves
5. COLLECTIVE INVESTMENT UNDERTAKINGS

Decree-Law no. 15/2005, of 14th February
Regulation no. 1/2006, of 18 October
Decree-Law no. 15/2005, of 14th February

Regulates Collective Investment Undertakings

O.B. no. 7 - I Series
Decree-Law no. 15/2005
of 14th February

1. This decree-law regulating collective investment undertakings gathers together in one document the rules governing the main types of investment funds and pension funds and contains detailed provisions on important procedural aspects such as asset valuation, as well as creating the entirely new preferential shares.

There are very clear requirements of thoroughness and transparency imposed on all those who provide services to the funds (managers, depositaries, valuers, auditors) on the one hand, and of full and frequent information for the investors, on the other, subject to the supervisory scrutiny of the Bank of Cape Verde. This guarantees the faith of the public in the collective investment instruments on offer from this country, which are in line with the most rigorous OECD requirements but adorned with the tax and other incentives which make them particularly interesting.

This decree-law starts off by setting out the general principles, and then in the following chapters moves on to the different types of funds; investment funds, securities, real property (with emphasis on the chapters dealing with the innovative preferential shares and real property valuation), with yet another chapter dedicated to pension funds and a final chapter to supervision. It covers in some detail the areas dealt with in the most recent regulations issued by the Bank of Cape Verde.

The framework for closed and open funds is established within the categories of securities and real property.

For securities, which are defined according to their applications in securities of the same name, it does not seek to set out exhaustive lists of different types, dealing only with the special categories for treasury funds and funds of funds. The principle of freedom to create other funds has been enshrined (investment in (i) derivative, financial or other products, (ii) precious metals or the associated certificates, (iii) raw materials and other goods commonly referred to in the international markets as commodities, (iv) works of art, (v) rights on professional athletes’ performances, etc., provided that the Bank of Cape Verde deems each one to be competently run and protected from excessive risk exposure.

It enshrines the principle that decisions of the Bank of Cape Verde may be appealed to the Administrative Court, as is proper to a country where the rule of law applies.

The principle of implied approval will apply generally, along with reasonably short time limits for each of the different licensing stages; rules which will lead to a speedier analysis and faster proceedings, and a heightened respect for the importance and value of the time of others.

2. Investment funds are classified, in terms of the subject of the investment, as
securities or real property funds. With regard to the fixed nature of the capital, they are classified as closed, open or, for real property only, as mixed funds.

All collective investment undertakings are created after receiving authorisation from the Bank of Cape Verde following the application of the management body accompanied by all the most important documents.

In order to avoid an initial offer remaining open permanently, the Bank of Cape Verde may revoke the licence if the minimum share capital is not achieved within the first six months.

The regulations for the management of each fund are very detailed and will be widely publicised so as to ensure that no interested party will subscribe to pension plans or shares without having easy access to the corresponding regulations.

The fund’s units are securities which have no nominal value, can be subscribed to at a wide range of agents (management body, depositary, internet) and are, in the case of open funds, redeemable at any branch of the depositary bank. Subscription and redemption for this category may be suspended at times of critical liquidity for the fund or in a highly unstable market.

The value of each fund is determined and published regularly (daily for open funds and monthly for closed funds). The valuation methods and criteria for the different types of funds have been laid down in detail.

The prospectus is also dealt with in great detail in Appendixes I and II, respectively for the simplified and full versions: the latter defines the content and the matter which must be specially highlighted: the investment type and policy; profile of the investor at whom it is aimed; associated risks; earning power and historical risks, warnings, commissions and charges, marketing, subscription and redemption conditions, policy of income distribution, tax information, telephone number, postal and e-mail addresses of those who can be contacted for information and queries.

The fund’s chart of accounts will be established by the Bank of Cape Verde. Reports and accounts are to be published every six months and reviewed by an external auditor, who is required specifically to give his opinion on compliance with the regulations and the provisions on registration, valuation and control.

In addition to the general law requirements for published information, the composition of each fund must be published quarterly.

The marketing of foreign funds in Cape Verde and Cape Verdean funds abroad is subject to prudential provisions which ensure full information for the investor and the liability of the person who markets them.

3. Securities portfolios will be composed mainly of securities quoted on an organised market in OECD countries or any other country deemed eligible by the Bank of Cape Verde. There are few exceptions, and any other securities cannot
exceed 10% of an open fund and 25% of a closed fund. In addition, the fund may maintain the liquidity reserves it considers sufficient for a correct management, and no other limit is prescribed by law. In practice, it is the responsibility of the Bank of Cape Verde, as the supervisory entity, to request details of the criteria used by the management body and, if necessary, to query and correct them.

Stricter anti-risk concentration rules for open funds, similar to European provisions, have been introduced.

The decree-law deals with the very specific nature of treasury funds, which have very high liquidity demands, and funds of funds where the main concern is related to risk concentration.

It also sets out the rules for groups of funds administered by the same entity and covered by a single prospectus.

In relation to the valuation of securities assets, the rule which applies is that of the last quotation price or, if there is more than one, the quotation price on the market where they were acquired. Unquoted securities are valued at the lower of the book value, nominal or acquisition cost, or the most recent redemption price, if applicable.

4. Co-owned property, with the exception of condominium property, is excluded from real property investment fund portfolios. The funds may be used only for the enjoyment, resale, or promotion of real and mixed property, of all or part of a property. They may not encumber a building beyond the prescribed limits nor grant loans but they may carry out sales on instalment. A management body may transfer real property between funds under its management only under the supervision of an auditor and a depositary.

In open funds, by reference to their total value, the value of the real property cannot be less than 80% and the value of one sole property cannot exceed 33%, while the level of indebtedness of the fund may not be greater than 35%.

The closed funds framework is relatively similar to that of commercial companies, particularly as regards the possibility of increasing and reducing capital by resolution of the general meeting of the shareholders. But unlimited duration funds are only possible when the shares are quoted on an organised market. Otherwise, they cannot have a duration of more than 10 years, renewable by agreement with the shareholders and the Bank of Cape Verde, provided that the regulations allow for shareholders who do not wish to renew to redeem their shares.

As with the securities funds, closed real property funds benefit from more extensive limits on risk concentration.

Mixed funds contain redeemable and non-redeemable share units, with a greater number of the latter at any given time. The composition of the fund must comply with the rules for open funds.
5. Legally bound to a certain property, preferential shares do not share in the other assets of the fund, but benefit solely from the income generated by the encumbered property. This benefit may consist of a right of periodic occupation.

They may be issued in open funds or in the variable component of a mixed fund.

Transfer is carried out by a private contract to which the depositary bank, which ensures the registration of such shares, must be a party.

Preferential shares which encumber properties situated in Cape Verde may only be held by non-residents.

6. The value of a building is the amount of its sale price under normal market conditions and the free will of the parties. It is not possible to predict this price with the utmost certainty. The decree-law sets out the valuation methods accepted today: the comparative (by simple analogy with current transactions), the future rents adjustment (this is the current net value of the property), the income multiple method (expedited and simplified form of the previous method) and the replacement method (how much it would cost to build today); and obliges the valuers to use these methods, only very rarely allowing others to be used. A very detailed valuation report containing the description and information on valuation and liability must be written.

The real properties in a fund must be valued at least once a year by two independent expert valuers. If their valuations vary by 25% or more, or if they use methods which are not provided for by law, or if they have any reservations, their reports are submitted to the Bank of Cape Verde.

7. Management bodies, depositaries, placement agents and subcontractors, valuers, actuaries and auditors provide specialised services for the funds and must be entirely independent of each other. The decree-law provides for the joint liability to the shareholders of manager and depositary or manager and placement agent.

Their remuneration must be set out in the regulations and the prospectus and consists of management and depositary commissions and subscription and redemption commissions as well as valuers and auditors’ fees.

The funds do not have their own separate administrative bodies and are thus run by third parties – management bodies – vested with the rights and obligations attributed by commercial law to the board of directors and the supervisory bodies of commercial companies. They may, and must in the case of closed or mixed funds, be financial institutions or financial management institutions and may administer more than one fund. The legal framework for financial management companies is set out in a separate decree-law.

Real property funds management companies are not obliged to have an
investment committee whose decisions are binding and which is composed mainly of people who do not sit on the board of directors, and with shareholder representation. But provision must be made for this type of committee in the regulations of the various types of funds, and it is looked upon very favourably in the appraisal of the application to set up the fund.

This decree-law takes care to avoid conflicts of interest, for instance, by prohibiting the accumulation of duties in more than one financial management company and requiring the prior authorisation of the Bank of Cape Verde for transactions which involve the fund and its service providers.

8. Only credit institutions which are authorised to carry on business in Cape Verde and have a minimum capital of 800 million escudos are allowed to act as depositaries. These institutions distribute the income and shares can be subscribed to and redeemed at their branches. They have an important monitoring role to play as regards compliance with the law and regulations by the management body, with which they are jointly liable to the shareholders. In modern terms they are the guarantors for an honest and prudent management and are ultimately the repository of the investors’ trust. They must therefore have their own minimum amounts of capital as well as an untarnished name and reputation.

Their duty as depositaries, in the strict sense, is greater in relation to securities funds than to real property funds. Besides holding the securities in which a fund may be invested additionally, it is incumbent upon them to monitor the prompt compliance of the management body with registration requirements, and thus ensure the immediate legal certainty of business deals carried out with the properties.

9. The management body is allowed to contract the services of salespeople for the share units and consultants for its areas of competence.

The contracts with salespersons (placement agents) are subject to the scrutiny of the Bank of Cape Verde.

10. The valuers of the real property of the funds must be competent and experienced persons and the Bank of Cape Verde is entitled to demand that eligible candidates are registered with the Bank in advance.

The decree-law here also takes particular care to avoid conflicts of interest and lists situations of incompatibility, all of which are the result of a close relationship with the management body, whether as a shareholder, a member of one of the company’s bodies, or as an employee.

11. The auditors are selected from experienced professionals of good name and repute who are approved by the Bank of Cape Verde, but are not restricted to the small number of leading firms in the international markets, some of which have been recently involved in very serious issues publicised throughout the world. It is sufficient that they are suitable, competent and above all independent professionals.
The Bank of Cape Verde will be apprised of the auditors’ reports and the management body is obliged to publish explanations on any reservations or qualifications made by the auditors regarding the funds’ accounts.

12. Pension funds are a means of providing private supplementary financing for the burden of covering the social risks associated with retirement. These funds are new to Cape Verde even though they are very common in most countries, particularly those in which economic development and financial market sophistication has reached the highest levels. These experiences and primarily the experiences of more modest markets, whose features are more in line with those of Cape Verde, have been taken into account during the preparation of this decree-law.

The predominant concern during the preparation of this legislation was the protection of the public investor. In the case of pension funds, particular regard was had to protection of the contributors, shareholders, beneficiaries and associates. Care was also taken to attribute a high priority to the quality of the administration of the funds.

The protection of the contributors, shareholders, beneficiaries and the associates is assured by the contractual conduct required of the management bodies and in the prudential regulation of such bodies and the pension funds under their administration.

This contractual conduct must comply with strict information and transparency requirements. A right of waiver is introduced for individual contributors to the pension funds. The prudential regulations plan sets out an obligation to assess liabilities prior to authorising the creation of pension funds which finance specific or mixed benefit pension plans, or altering the corresponding constituent documents, or creating the office of the responsible actuary, or even preventing the management body from initiating the payment of new pensions if the amount of the pension fund does not exceed the current value of such pensions.

Further, the hub of the contractual protection system for associates, contributors, shareholders and beneficiaries is the possibility of opting for prior administrative approval of constituent documents for closed pension funds and the regulations for the management of open pension funds, as well as for alterations to both.

In relation to the qualitative demands of the administration of the pension funds, it must be noted that the express provisions for a specific regime on over-financing of the fund, on the one hand, and on the procedure for their extinction, on the other, stipulate priorities for the liquidation of the fund’s assets, or allow, expressly and on an exceptional basis, the unilateral discharge of the contract setting up a closed pension fund.

13. It is incumbent on the Bank of Cape Verde to supervise collective investment undertakings in general. It is legally empowered to regulate all aspects of the functioning of the funds and the entities which provide services to them.
The decree-law creates a framework which is detailed enough for funds to set up in Cape Verde even without such regulations, and it is prudent to leave any attempt at issuing regulations until a later time where the experience gained with the funds created in the meantime may lead to the adoption of more detailed measures.

Thus, under the powers conferred by Article 203(2)(a) of the Constitution, the Government hereby decrees:

TITLE I
CHAPTER I
General Provisions

Article 1

Scope of application and definitions

1. This statute regulates Collective Investment Undertakings, hereinafter referred to as CIU.

2. CIUs shall be considered those institutions, legal entities or otherwise, whose objective is the collective investment of capital raised from a public offering, whose operation is subject to the principle of division of risks and the protection of the exclusive interests of investors, namely:
   a) Securities investment funds;
   b) Real-estate investment funds;
   c) Pension funds;
   d) Risk capital funds;
   e) Other institutions as such authorised.

3. The funds referred to in items a), b) and c) of the previous paragraph are ruled by the present decree, when their capital is raised from the public.

4. The raising of capital from the public shall be considered to exist whereby said capital:
   a) Is raised from indeterminate investors;
   b) Is preceded by or accompanied by prospection or gathering of intentions to invest from indeterminate investors or from promotional advertising;
   c) Is raised from a minimum of 100 investors.

5. Risk Capital funds and those that will be created are regulated by specific legislation.

6. The legal system of Securities Investment Funds, hereinafter referred to as SIF,
shall apply on a supplementary basis to all the other CIU, with the exception of those referred to in the previous paragraph.

7. The special legislation on international financial institutions governs the CIU incorporated under it, with this decree-law being applied on a supplementary basis.

8. Whenever this act makes reference to regulations, said regulations shall be understood to mean regulations issued by the Banco de Cabo Verde.

9. The provisions set forth in these statutes shall not be understood to prohibit the creation of structures and operations similar to CIUs through individual contracting of collective investment undertakings, when capital is not raised from the public.

Article 2

Type and format

1. CIUs may be open or closed, depending on whether the investment units are fixed in number or variable.

2. Open CIU investment units are issued and redeemed at any time, upon request from the investor, in accordance with that set forth in the CIU instruments of incorporation.

Article 3

Requirements for the constitution of a CIU

1. CIU can only be constituted whenever adequate conditions are assured of transparency and provision of information relating to the assets in which they invest and the markets where they are traded, their valuation, and content and valuation of the securities representing the CIU asset base to be distributed to the public.

2. The Banco de Cabo Verde may enact regulations to exempt certain types of CIU from compliance with specific duties, according to the characteristics of the CIU. It may also establish the obligation to comply with other duties.

Article 4

Denomination

1. Only CIU shall use the expression “fundo de investimento” (investment fund) or “fundo de pensões” (pension fund) in their designation.

2. The designation unequivocally identifies the type and format of the CIU.

Article 5

Domicile

1. CIUs shall consider themselves to be based in the state in which their registered offices are located and the effective administration of the management body is performed.
2. Financial management companies managing CIUs, authorised in accordance with their Legal Framework, must have their registered offices in Cape Verde and must conduct the management of their operations within Cape Verde.

**Article 6**

**Standalone assets**

CIUs shall not be held responsible, under any circumstances, for the debts of those taking part in the fund, of those institutions that carry out the management, deposit or marketing activities, or for other CIUs.

**Article 7**

**Rights of legitimate interested parts**

1. The legitimate interested parties are investors, unit-holders and the entities referred to in Article 128.

2. Investors in CIU are entitled to:

   a) Receive the investment units issued upon full settlement of the subscription price, within the period specified in the CIU instruments of incorporation;
   
   b) Receive a free-of-charge simplified investment fund prospectus beforehand.

3. Unit-holders and legitimate interested parts are entitled to, namely:

   a) Information in accordance with the terms of this act;
   
   b) Receipt of the redemption value, reimbursement value or the amount raised by liquidation of the investment units.

**Article 8**

**Annual report and accounts of CIU**

1. The management body shall prepare for each CIU under its management the annual report and accounts of the financial ending on 31 December of the previous year, and the semi-annual report and accounts, relating to the first semester, which must include the following documents, in addition to those required by specific regulation:

   a) A management report, including, namely, a description of the activity and the main events concerning the CIU during the period in appraisal;
   
   b) A balance sheet
   
   c) A profit and loss account
   
   d) A statement of the cash flows; and
   
   e) Annexes to the documents referred to in items b) to d).
2. The auditor producing the report on the CIU’s annual report and accounts shall give his opinion on:

a) The valuation carried by the management body of the CIU’s assets, in particular securities and money market instruments not admitted to trading on a regulated market and over-the-counter derivatives;

b) Compliance with the valuation criteria as stated in the instruments of incorporation;

c) Control of subscription and redemption of investment units and further requirements applicable to each type of CIU.

**Article 9**

**Publishing of periodic reports and accounts**

1. The annual report and accounts and respective auditor reports of CIUs shall be published and sent to the Banco de Cabo Verde within:

a) Three months counting from the end of the previous financial year, for annual reports;

b) Two months counting from the end of the first semester of the financial year, for semi-annual reports.

2. The publication referred to in the previous paragraph may be replaced by the disclosure of a notice conveying the information that the documents are at the public’s disposal in the places pointed out in the documents of incorporation and can be sent free of charge to unit holders that so wish.

3. The annual reports and accounts are available, free of charge, to investors, unit holders and others rightfully concerned who apply for them, and shall be available to the public as set forth in the documents of incorporation.

**Article 10**

**Accounting**

1. The Banco de Cabo Verde shall regulate the CIU accounting standards.

2. The management body shall send the monthly balance sheet of the CIU to the Banco de Cabo Verde by the tenth day of the following month.
CHAPTER II
Vicissitudes of CIUs

Article 11
Authorisation and establishment

1. The establishment of a CIU requires prior authorisation from the Banco de Cabo Verde.

2. The request for authorisation, underwritten by the management body, shall be accompanied by the documentation in accordance with the regime of each CIU.

3. The Banco de Cabo Verde may request additional information from the applicants, or suggest any amendments it deems necessary to the drafts submitted within 8 days following the date of their delivery.

4. Applicants shall be notified within a period of 20 days from the date of receipt of the request, or the date on which supplementary information is received, or from the date of any amendments made to the drafts referred in the preceding paragraph.

5. Failure to provide notification within the aforementioned period shall be considered as applied approval of the request.

6. The management body shall provide the Banco de Cabo Verde with the dates for the start-up of the specific activity of each CIU under its management.

7. Investment funds shall be considered to have been constituted at such time as their portfolio included the amount corresponding to the first subscription, whereby said date shall be communicated to the Banco de Cabo Verde.

Article 12
Denial of authorisation

Without prejudice to other legal provisions or regulations, the Banco de Cabo Verde may refuse to grant authorisation when the management body requesting it manages other CIUs in an improper manner.

Article 13
Expiry of authorisation

Authorisation of a CIU shall expire if:

a) Subscription of investment units or the setting up of pension funds does not start within 90 days from notification to the applicants of the authorisation;

b) The management body expressly renounces authorisation or has ceased its activities in relation to the CIU for a period of at least six months.
Article 14
Withdrawal of Authorisation

The Banco de Cabo Verde may withdraw the authorisation of the CIU:

a) As a result of violations of legal standards, regulations or provisions set forth in instruments of incorporation and committed by the management body, should the interests of the unit-holders and protection of the market justify such measure;

b) If, in the six months following the establishment of the CIU, at least 25% of its investment units have not been sold down among a minimum of 100 unit-holders, or should the CIU not reach a net asset value of 50,000,000$;

c) Should the level of dispersion of investment units, the number of unit-holders or the net asset value fail to comply with the terms set forth in the preceding item for a period of more than six months.

Article 15
Amendments

Amendments to the CIU’s instruments of incorporation and agreements signed by the management body with the depositary and the marketing entities shall depend upon the prior authorisation of the Banco de Cabo Verde.

Article 16
Guaranteed CIU

In accordance with the provisions that shall be set forth in relevant regulations, CIUs may be incorporated whereby the guarantees provided by third parties are for the total amount of their assets, whereby said guarantees are for the protection of share capital, a certain income or a certain income profile.

Article 17
Mergers and demergers

CIUs may be subject to mergers and demergers in accordance with the terms set forth in a relevant regulation.

Article 18
Winding up

1. CIUs shall be wound up for the following reasons:

a) Expiry of the period for which they were incorporated;

b) On the decision of the management body based on the interests of the unit
holders;
c) Following the decision of the general meeting of unit-holders, when applicable;
d) When their authorisation is no longer valid;
e) When their authorisation is revoked;
f) Upon cancellation of the registration, winding-up or for any other reason that renders it impossible for the management body to continue the performance of its duties if, within a period of 30 days subsequent to the event, the Banco de Cabo Verde declares that it is impossible to replace the management body.

2. The reasons for winding-up and the liquidation period:
a) Shall be immediately communicated to the Banco de Cabo Verde and published by the management body in the situations set forth in items a) to d) of paragraph 1;
b) Shall be published by the management body in the situations set forth in items e) and f) of paragraph 1;
c) Shall be immediately communicated to the public, whereby notifications shall be affixed in all points of sale by the respective marketing entities.

3. The winding-up shall come into effect upon:
a) Publication, in the situation described in item a) of the preceding item;
b) Notification of the decision of the Banco de Cabo Verde in the situations described in item b) of the preceding paragraph.

4. The actions described in the preceding paragraph shall determine the immediate suspension of subscription and redemption of investment units as well as of the commitment to pension funds.

Article 19
Liquidation, apportionment and dissolution

1. The respective management companies shall be the liquidators of CIUs, except where contrary arrangements are provided for in the instruments of incorporation or when a third party is appointed by the Banco de Cabo Verde in the situations set forth in items e) and f) of paragraph 1 of the preceding article, whereby the costs of the liquidating party shall be borne by the management body.

2. During the period of liquidation:
a) Compliance with the duties to disclose the daily value of the investment units
and the composition of the CIU portfolio is not required;

b) The liquidator shall only carry out those operations that are appropriate to the liquidation, observing during the disposal of assets the terms set forth in this decree-law, namely article 65;

c) The liquidator shall not be subject to the regulations governing the activities of the CIU that are not compatible with the liquidation process;

d) The depositary shall continue to fulfil all its duties and responsibilities.

3. The final value of the liquidation per unit shall be published within five days of said value being calculated, through the means defined for disclosing the daily value of the investment units and the composition of the CIU portfolio.

4. The payment of the proceeds from the CIU’s liquidation to unit-holders shall not exceed the redemption period by more than five working days, except where the Banco de Cabo Verde authorises a longer period upon duly proven justification.

5. Should the liquidating party not sell any CIU assets during the period defined for liquidation, the payment to be made to unit-holders is the amount corresponding to the respective market value within the period of liquidation, whereby assets not quoted shall be valued at their last valuation.

6. Should the sale of the aforementioned assets raise an amount higher than that set forth for the payment of unit-holders, the difference between said amounts shall, when paid-up, be immediately distributed to those participating in the fund on the date of liquidation.

7. The income generated by the assets referred to in item 5 up to the date of their disposal, as well as the income from any other sources generated by the CIU up to the completion of liquidation, shall immediately be distributed to those participating in the CIU on the liquidation date as and when they are paid-up.

8. The CIU’s liquidation accounts, containing express indications of the over-the-counter operations carried out, if required, shall be presented to the Banco de Cabo Verde, accompanied by an auditor’s report drawn up by an auditor registered with the Banco de Cabo Verde, within a period of five days of liquidation.

9. The Banco de Cabo Verde shall consider the CIU extinct upon receipt of the liquidation accounts.

10. The specific rules concerning liquidation, apportionment and dissolution of pension funds as set forth in articles 144 and 145 shall prevail over the preceding articles.

CHAPTER III

Entities providing services to CIUs
Section I
Management companies

Article 20
Management companies

1. CIU management companies may be:
   a) Financial management companies;
   b) Entities specifically set forth for pension funds, in Chapter I of Title V;
   c) If the investment fund is closed, credit institutions and investment companies that have equity of no less 800 million escudos.

2. The start-up of the management activity depends on the prior authorisation and registration as required by law.

3. The Banco de Cabo Verde may, at its discretion, authorise the replacement of the management body when the depositary is in agreement and the CIU’s instruments of incorporation so allow.

4. The management body and the depositary shall be jointly responsible vis-à-vis the unit-holders for compliance with all applicable legal and regulatory duties and obligations arising from the CIU’s instruments of incorporation.

5. The management body and the depositary shall indemnify the unit-holders in accordance with the terms and conditions set forth in a regulation, for losses caused resulting from situations attributable to:
   a) Errors and irregularities in the evaluation or attribution of portfolio operations of the CIU;
   b) Errors and irregularities in the processing of subscriptions, redemptions, pensions and reimbursement in kind;
   c) Charging of amounts not due.

Article 21
Remuneration

1. The activity of managing CIUs is remunerated by means of a management commission.

2. As such, the income of management companies may only include the following:
   a) The management commission, in accordance with the terms set forth in the instruments of incorporation;
b) Commissions regarding the subscription, redemption or transfer of investment units or contracts relating to CIUs managed by the institution, insofar as these are so attributed in the instruments of incorporation, in accordance with the terms set forth in the relevant regulations;

c) Others as set forth in the relevant regulations.

**Article 22**

**Duties of management companies**

1. In the pursuit of its functions, in addition to the specific duties entrusted to it for each type of CIU in accordance with this status, the management body shall:

a) Represent, independently of a mandate, the unit holders and the other legitimate interested parties of the CIU, in the performance of all the rights arising from the respective holdings.

b) Carry out those activities and operations required for the proper implementation of the investment policy, in particular:

1) Selecting the assets to be included in the CIU;

2) Acquiring and liquidating the CIU’s assets, complying with the necessary procedures for their valid and regular transmission;

3) Exercising the rights relating to the CIU’s assets;

c) Managing the CIU’s assets, in particular:

1) Providing legal and accounting services required for the management of CIU, notwithstanding other specific legislation applicable to these activities;

2) Responding to and analysing complaints by unit-holders and other legitimate interested parties;

3) Evaluating the portfolio and determining the value of the investment units and issuing fiscal declarations;

4) Complying with and controlling compliance with applicable regulations, the CIU’s instruments of incorporation and agreements entered into within the scope of the CIU;

5) Registering unit-holders and other legitimate interested parties, in the case of pension funds;

6) Distributing income, pay pensions and reimbursement in kind

7) Issuing and redeeming participation units;

8) Carrying out clearance and settlement procedures, and issuing certificates;
9) Archiving documents.
d) Marketing investment units of the CIUs under its management.

**Article 23**

**General duties**

1. In the performance of their duties, management companies shall act independently and solely in the interests of unit-holders.

2. Management companies are specifically subject to the duties of managing the CIUs in accordance with the principles of risk division and of carrying out the functions assigned to it in accordance with criteria of due diligence and professional competence.

3. Management companies may not exercise the voting rights granted by the securities held by the CIUs they manage:
   a) Through a common representative of the institution in which they have a controlling or group relationship;
   b) In the pursuit of the inclusion or maintenance of statutory clauses of non-transferability, clauses limiting voting rights or other clauses that may affect the success of takeover bids;
   c) With the main aim of reinforcing the influence within the company of the institution with which it has a controlling or group relationship.

**Article 24**

**Conflicts of interests and prohibited operations**

1. Management body employees and administrative bodies that implement investment decisions and execution activities are not allowed to perform any duties within another investment fund management body.

2. The members of the management bodies of the management body shall act independently and in the sole interest of unit-holders.

3. Each CIU managed by the management body shall be considered as a customer.

4. Whenever joint orders are issued for several CIUs, the management body shall carry out the proportional distribution of assets and respective costs.

5. The management body shall not:
   a) Issue loans or offer credit, nor provide guarantees, on its own behalf;
   b) Acquire, on its own behalf, CIU investment units, except those designated treasury CIUs or equivalent and not managed by them;
c) Acquire, on its own behalf, other securities of any type, except government
debt and instruments issued on the regulated market that have been given an
A rating by an internationally recognised risk-rating company;

d) Acquire property apart from that required for the direct performance of its
activities and not exciding its own funds.

6. A management body that is a credit institution shall not be subject to the terms
of items a) to c) of the preceding paragraph.

Article 25

Sub-contracting

1. Management companies may subcontract investment management and
administrative functions, in accordance with the terms set forth in this document
and in other relevant legislation.

2. The subcontracting referred to in the preceding paragraph shall comply with
the following principles:

a) Periodic definition of the investment criteria for the management body;

b) Non-transferral of the management body’s core activities;

c) Continued responsibility by management body and depositary for the
compliance with the terms that regulate the activity;

d) Suitable qualifications and experience, by the subcontracted entity, for the
performance of the subcontracted duties;

e) The duty to control the performance of the duties subcontracted by the
management body, ensuring that they are carried out in the interests of
the unit-holders, specifically providing the subcontractor with additional
instructions or replacing the subcontractor, whenever this is in the interest
of the unit-holders.

3. The subcontractor is subject to the same duties to which the management body
is subject, particularly for the purpose of supervision.

4. Subcontracting shall not impact negatively on the efficiency of the supervision
of the management body nor impede its activities, or those of the CIU under
management, in accordance with the interests of the unit-holders.

Article 27

Sub-contractors

1. Investment management shall only be subcontracted to financial management
companies.
2. Investment management shall not be subcontracted to the depositary or other institutions whose interests may conflict with those of the management body or the unit-holders.

3. The management body shall be responsible for certifying that there are no conflicts of interest, as set forth in the preceding paragraph.

4. Investment management shall only be subcontracted to an institution based in a State outside the OECD if cooperation between the domestic supervisory authority and the supervisory authority of the other State can be assured.

**Article 28**

**Sub-contracting information**

1. The management body shall inform the *Banco de Cabo Verde* of the terms of each subcontract before signing.

2. The full prospectus shall identify the functions that the management body subcontracts.

**Section II**

**Depositaries**

**Article 28**

**Depositaries**

1. The assets making up the CIU’s portfolio shall be entrusted to a single depositary.

2. Credit institutions and investment companies may be depositaries, whereby they shall maintain equity of not less than 800 million Escudos and have their registered offices in Cape Verde or in another OECD Member State and a branch in Cabo Verde.

3. The relationship between the management body and the depositary shall be defined in a written contract, subject to the approval of the *Banco de Cabo Verde*.

4. The replacement of the depositary requires authorisation from the *Banco de Cabo Verde*.

5. The management body shall not act as a depositary for the CIUs it manages.

6. The depositary may subscribe the investment units of the CIUs in which it performs the duties set forth in Article 30, whereby the acquisition of units already issued may only take place in the terms defined in a specific regulation.

7. The limitation set forth in the preceding paragraph shall not apply to the acquisition of units in closed CIUs.
Article 29
Remuneration

The depositary’s activity is remunerated by means of a deposit commission.

Article 30
Duties of the depositaries

1. In the performance of their functions, depositaries shall act independently and in the sole interests of unit-holders.

2. Depositary shall be particularly subject to the following duties:

a) Compliance with the law, regulations, instruments of incorporation of the CIU and the contracts entered into within the scope of the CIU;

b) Holding the CIU assets and the certificates of registration of the CIU’s properties;

c) Receiving as a deposit or registering the CIU’s assets;

d) Carrying out all acquisitions, sales or exercise of the rights related to the assets of the CIU passed on by the management body, except when contrary to the law, regulations or instruments of incorporation;

e) Ensuring that, in operations relating to the assets of CIUs, payment or other benefits are delivered within the deadlines in accordance with due market practice;

f) Verifying the conformity of a CIU’s standing and assets in relation to legislation, regulations and instruments of incorporation;

g) Paying unit-holders the income arising from the units and their redemption value, pensions and reimbursement or proceeds of liquidation;

h) Drawing up and updating a chronological list of all operations carried out for CIUs;

i) Preparing a monthly inventory listing all amounts entrusted to the depositary and the CIU’s liabilities;

j) In the unit-holders’ interest, supervising and ensuring compliance with the legislation, regulations and instruments of incorporation of the CIU, namely as regards:

1) The investment policy;

2) The investment of the CIU’s income;

3) The calculation of the value, issuance, redemption or reimbursement of the units.
3. The safekeeping of the CIU’s assets may be entrusted, in whole or in part, and in agreement with the management body, to a third party, by means of a written agreement, which shall not diminish the depositary’s core responsibilities.

Section III
Marketing institutions

Article 31
Marketing institutions

1. The investment units of the CIU shall be placed by the marketing institutions.

2. The marketing institutions of investment units may be:
   a) Management companies;
   b) Depositaries;
   c) Financial intermediaries registered with or authorised by the Banco de Cabo Verde to place public offers for the distribution or receipt and transmission of orders for third parties;
   d) Other institutions as set forth in the regulations.

3. The relationship between the management body and the marketing institutions shall be governed by a written agreement, subject to the approval of the Banco de Cabo Verde.

4. The marketing institutions shall be jointly responsible with the management body for the losses caused to unit-holders in the performance of their activities.

Article 32
Duties of the marketing institutions

1. Marketing institutions shall act, in the performance of their functions, independently and in the sole interest of the unit-holders and other legitimate interested parties.

2. Marketing institutions are subject to the duty to make available to the subscriber or unit-holder and other legitimate interested parties in accordance with the provisions of this statute or the relevant regulations, any information that has been issued to them by the management body.
Section IV
Auditors and Chartered accountants

Article 33
Auditors

The annual reports and accounts of the CIU are subject to reporting by an auditor or chartered accountant registered with the Banco de Cabo Verde.

Article 34
Duty to denounce

1. The auditor or chartered accountants shall provide the Banco de Cabo Verde with any facts as appraised during the performance of his duties that may indicate an infraction of the legal or regulatory norms that govern the activities of CIUs.

2. Furthermore, he has the duty to bring to the knowledge of the Banco de Cabo Verde an audit report that expresses qualifications, an opinion disclaimer or an adverse opinion.

Section V
Valuators and actuaries

Article 35
Eligibility

1. Valuators are recruited among professionals reputed for their competence and independence that carry their activity, if possible, in the market where the properties are situated.

2. The Banco de Cabo Verde can rule other requirements to be fulfilled by the independent expert valuators, namely as regards their registration with it.

3. The regime of the pension funds’ actuaries is set forth in Article 153.

Article 36
Incompatibility

The following may not be appointed as expert valuators of the property of real estate investment funds or pension funds:

a) Individuals who are members of the board of directors of the management body or have with it a subordinated working relationship;

b) Individuals who have a qualifying holding in the capital of the management body;
c) Legal persons who are in a controlling or group relationship with the management body;

d) Legal persons whose capital is held directly or indirectly, in a percentage of 20% or more, by an individual who has a professional relationship with the management body.

TITLE II
Investment funds in particular
CHAPTER I
Instruments of incorporation

Article 37
Instruments of incorporation

The management body shall draw up the following instruments of incorporation for each investment fund managed:

a) A simplified prospectus;

b) A full prospectus; and

c) Management rules and regulations.

Article 38
Prospectus

1. Each investment fund shall have a simplified and full prospectus drawn up and kept up to date, the content of which shall allow investors to make informed decisions on the proposed investments, mainly the inherent risks.

2. The management body shall submit the prospectuses and their amendments to the Banco de Cabo Verde for approval.

3. All advertising undertaken in relation to an investment fund shall state that prospectuses are available, their locations and the manner in which they may be obtained.

4. The investment fund may only be marketed once its incorporation has been authorized.

Article 39
Simplified prospectus

1. The simplified prospectus shall contain the information included in appendix I to this document, which is an integral part thereof.

2. The simplified prospectus may be used as a marketing tool.
Article 40

Full prospectus

The full prospectus shall at least include the management rules and regulations and the items included in appendix II to this document, which is an integral part thereof, and shall be made available free of charge to investors who request it.

Article 41

Management rules

1. The management rules and regulations shall contain the information identifying the investment funds, the management body, the depositary, the subcontracted bodies and their duties, and shall clearly define the rights and duties of the unit-holders, management body and depositary, the conditions for replacing these bodies, the investment policy and the conditions for liquidation.

2. The management rules shall indicate:

   a) The name of the investment fund, which shall bear a relationship to the investment and income policy, the subscribed and paid-up share capital and the incorporation date;

   b) The name and registered offices of the management body, conditions for its replacement, and the duties and identification of subcontracted bodies;

   c) The name and registered offices of the depositary and the conditions for its replacement;

   d) The identification of the marketing bodies and the marketing channels used;

   e) The valuators of real estate investment funds;

   f) The investment policy of the investment fund, in order to clearly identify its objectives, the assets that may be included in the portfolio, the level of specialisation, if applicable, in geographic, sectorial or asset type terms, the debt limits, highlighting, where required:

      1) The use of derivatives, whether for risk coverage or management techniques, and their respective impact on the risk profile;

      2) The identification of the index followed by the investment funds;

      3) The identification of the bodies, in accordance with the provisions of Article 67/11, in which the investment fund intends to invest more than 35% of its total assets;

      4) The special characteristics of the investment funds as a result of the portfolio composition or management techniques, especially high levels of volatility;
5.9) The investment fund’s income policy, objectively defined in order to make it possible to recognize whether the policy is one of capitalisation or partial or total distribution, and in this case its distribution criteria and frequency.

g) The management body’s general policy towards exercising the voting rights conferred by stock held by the investment fund, if required;

h) The subscription, redemption and transfer commissions of investment funds and respective values;

i) The value of an investment unit for subscription or redemption purposes, indicating whether subscription or redemption are carried out at the unit value published on the date of the request or at the unit value of the following day;

j) The identification of investment units, indicating the different categories and characteristics and the existence of unit-holder voting rights, if any;

k) The minimum amount required for subscription;

l) The maximum period for payment of redemption requests;

m) The initial value of the investment unit for the purposes of incorporation of the investment fund;

n) The transfer conditions of investment units of the CIU;

o) All charges to which the investment fund is subject;

p) The value, method of calculation and charges for the management and deposit commissions, and the maximum value of management commissions in the circumstances set forth in number 3 of article 46;

q) The conditions for suspending subscription and redemption operations of investment units;

r) The rules for calculating the value of investment funds’ assets;

s) The rules for calculating the investment unit’s value, including the time of day used as a reference for the calculation.

3. The management rules for closed investment funds shall also state:

a) The number of investment units;

b) A statement relating to the request for listing on regulated markets;

c) For fixed duration investment funds, the possibility and the conditions under which it can be deferred.

d) The powers, functions and rules for calling unit-holder meetings;

e) The subscription period, criteria for pro-rata allocation and the regime for
incomplete subscription, applicable on the incorporation of investment funds and in the issue of new units;

f) The existence of guarantees, provided by third parties, providing for share capital reimbursement or payment of income, and their respective terms and conditions;

g) The investment fund’s liquidation scheme;

h) Their duration.

Article 42

Amendments to the instruments of incorporation

1. Amendments to the instruments of incorporation are subject to prior approval from the **Banco de Cabo Verde**, whereby they shall be considered approved if the Bank does not manifest itself to the contrary within a period of 15 days of receipt of said request for amendment or the receipt of supplementary information, and shall come into force within 5 working days of the Bank’s approval or the end of the period specified.

2. The amendments set forth in number 4 shall be considered to be tacitly rejected if the **Banco de Cabo Verde** fails to notify the management body of its decision within the period set forth in the preceding item.

3. Amendments to the following items are excluded from the provisions of paragraph 1, shall become effective upon their communication to the **Banco de Cabo Verde**:

   a) Changes to the name and registered office of the management body, depositary, or marketing companies;

   b) Reduction in the total amounts charged for management, deposit, subscription, redemption and transfer commissions, or the definition of other more favourable conditions;

   c) Legislative or regulatory changes or amendments.

4. Unit-holders shall be informed, within a maximum period of 30 days counting from the date on which the management body is notified of the **Banco de Cabo Verde**’s approval, in accordance with the provisions set forth in the regulations, of amendments leading to:

   a) A global increase in the management and deposit commissions to which the investment fund is subject;

   b) Significant changes to the investment policy, when so deemed by the **Banco de Cabo Verde**;
c) Changes to the income policy;

d) Replacement of the management body or depositary or changes to the shareholders holding the majority of the management body’s share capital.

5. The changes referred to in the preceding paragraph shall come into force 45 days after the Banco de Cabo Verde’s approval.

6. In situations where there is a global increase in the management and deposit commissions to which the financial company is subject or significant changes are made to the investment policy, the unit-holders may redeem their units without paying the respective commission, up to one month after the changes have come into force.

CHAPTER II
Publication of information

Article 43
Publication channels

1. Unless otherwise provided for, the publication or dissemination of information required by this directive shall be carried out through one of the following channels:

   a) Widely accessed media in Cabo Verde

   b) The official bulletin of a market management body with its registered offices in Cape Verde.

2. In situations where the publication or dissemination is carried out through one of the channels referred to in items b) and c) of the preceding item, the management body shall provide the Banco de Cabo Verde with a copy within three working days of publication thereof.

Article 44
Portfolio composition

The management body shall publish and send to the Banco de Cabo Verde the composition of the portfolio of each investment fund, the respective net asset value and the number of units in circulation, in accordance with the regulations in force.

Article 45
Earnings and risks

The profit earning and risk measures or indices of investment funds marketed in Cape Verde shall be calculated and published in accordance with the provisions of the relevant regulations.
CHAPTER III
General operating rules

Article 46
Charges and income

1. Investment funds charges include:

   a) The management commission, deposit commission and the remuneration of other service providers whose services are required by law or regulations;

   b) The transaction costs of investment funds’ assets;

   c) Costs arising from audits as required by law or the regulations;

   d) Costs arising from property valuation;

   e) Costs with the disclosure of information as required by law, regulations or supervisory body;

   f) Other disbursements and charges duly documented and arising from legal duties, in accordance with the conditions to be defined by regulations;

   g) The supervision fee payable to the Banco de Cabo Verde.

2. Whenever an investment fund invests in CIU units, directly managed or under delegation, or marketed by the same management body, or by a management body with which it is in a controlling or group relationship, or linked within the scope of common management or by share capital holding, directly or indirectly, of more than 20%, it shall not charge any subscription or redemption charges on the respective operations.

3. An investment fund that invests a major portion of its assets in CIU units shall state in its instruments of incorporation the maximum level of management commissions that may be charged simultaneously by the investment fund itself and the CIUs in which it intends to invest, specifying in its annual report and accounts the percentage of management commissions charged to the investment fund and other CIUs in which it invested.

4. The income of investment funds shall be the product of investments, the lending and transaction of assets comprising said funds, without prejudice of the following article, as well as the income generated by these assets.

Article 47
Prohibited operations

1. The management body shall not undertake, on behalf of the investment funds under its management, any operations liable to cause conflict of interests, other then those referred to in the following items, with:
a) The management body;
b) The bodies that hold more than 10% of the share capital of the voting rights in the management body;
c) The bodies that are in a controlling or group relationship with the management body, or in bodies with which they are in a controlling or group relationship;
d) Bodies in which the management body, or in which it is in a majority or group relationship, holds more than 20% of the voting rights or share capital;
e) The depositary or any body which is in a relationship as set forth in the provisions of items b), c) and d);
f) Members of companies pertaining to the bodies specified in the preceding paragraphs;
g) The employees or staff of any of the bodies referred to in items a) to e);
h) Different investment funds under its management.

2. The management body has a duty to be aware of the relationships set forth in this article.

3. The management body shall not, on behalf of the investment funds it manages, acquire or hold assets issued, held or guaranteed by any of the bodies in paragraph 1.

4. The prohibition in the preceding item shall not be applied when:

a) The trading of securities is carried out on the regulated market on which they are listed; or

b) The securities:

1) Are acquired in a public offer for subscription which conditions include the commitment that they will be submitted for listing on a regulated market;

2) The issuer holds securities already listed on this regulated market; and

3) The listing is obtained within a period of six months from the submission, at the latest.

5. In the situation set forth in item b) of the preceding paragraph, if the listing does not take place within the defined period, the securities shall be liquidated within a 15 day period.

6. The management body may not dispose of assets held by the investment funds it manages on behalf of the entities referred to in paragraph 1, except in the situation provided for in sub-paragraph a) of paragraph 4.

7. The act of holding assets as set forth in this article includes entitlement to said
assets, the use thereof, the situations that confer on the holder the power to manage or dispose of said assets, as well as situations in which, not having any of these powers, the holder is the true beneficiary of its products or may in fact dispose of or manage them.

8. The management body may not:

a) In any way encumber the securities of the investment funds, except when undertaking operations as provided for in articles 64 and 66;

b) Offer credit or provide guarantees on behalf of the investment funds, notwithstanding the possibility that securities, money market instruments or the assets referred to in items c), e), f), and g) of Article 63.1 that are not fully paid-up are acquired for the investment funds;

c) Carry out, on behalf of the investment funds, short selling of the assets referred to in items a), b), c), e), f) and g) of Article 63.1;

d) Acquire for the investment funds any assets that are subject to real guarantees, lien or preventative proceedings, unless in the case of properties which global value, including exoneration, does not exceed the highest value endorsed by a professional valuator to the property free of all charges.

Article 48

Subscription and redemption

1. Investment units are subscribed and payment for their redemption is carried out in accordance with the terms and conditions set forth in the instruments of incorporation.

2. The unit value for subscription and redemption is published on the day of the request or the following working day, in accordance with the instruments of incorporation.

Article 49

Commissions

1. Unit-holders shall only be charged commission on subscription, redemption and transfers, in accordance with the conditions set forth in the instruments of incorporation.

2. Increases to commissions charged for redemption or transfers or changes to their methods of calculation shall only be applied in relation to units subscribed to after the respective alterations have come into force.
Article 50
Suspension

1. Under exceptional circumstances and whenever the interests of the unit-holders or the market so dictate, the management body or the Banco de Cabo Verde may suspend unit subscription and redemption.

2. The management body shall communicate to the Banco de Cabo Verde the aforementioned suspension in advance.

Article 51
Groupings

1. In accordance with the provisions to be set forth in relevant regulations, investment funds managed by the same management body may be grouped in order to provide unit-holders with advantages as regards the transfer of units.

2. The investment funds that are part of a grouping shall be open, whereby their units shall not be marketed outside the group.

3. Investment fund groupings shall have a single full prospectus and a single simplified prospectus that shall indicate the special transfer conditions for the units.

CHAPTER IV
Marketing of investment funds

Article 52
Marketing in Cabo Verde

1. The marketing in Cabo Verde of investment funds units registered in an OECD Member State shall be preceded by the presentation of the following documentation to the Banco de Cabo Verde:

   a) An updated certificate issued by a competent authority of the home Member State attesting that the investment fund complies with the provisions required for the marketing in that State;

   b) Management rules and regulations or instruments of incorporation, if applicable;

   c) Full and simplified prospectuses;

   d) The most recent annual and half-yearly reports and accounts, if applicable;

   e) Information regarding the sales formats of the units.

2. The marketing of investment fund units may start two months after presentation of the documentation set forth in the preceding item, unless the Banco de Cabo Verde is opposed to it, based on pertinent grounds.
3. The investment funds shall adopt the necessary measures to ensure the payment to unit-holders, namely those relating to unit subscription and redemption operations, and the disclosure of information.

4. Investment funds management companies shall provide the documents and information to be published in the country of their domicile in the Portuguese language and shall disclose said documents and information in accordance with the provisions set forth for domestic investment funds.

5. Advertising related to investment funds shall comply with domestic provisions, namely those contained in the Securities legal framework.

6. The marketing in Cabo Verde of CIU units domiciled abroad that fail to comply with the provisions of paragraph 1, shall be subject to authorisation by the Banco de Cabo Verde on a case-by-case basis, pending the regulation of the applicable criteria.

Article 53
Marketing abroad
The marketing abroad of the investment units of CIUs domiciled in Cape Verde shall be preceded by a notification to the Banco de Cabo Verde, falling under the relevant authority of the country in question, provided that it does not conflict with the legislation of Cabo Verde.

TITLE III
Securities investment funds
CHAPTER I
Undertakings for collective investment in closed securities
Article 54
Legal framework applicable
Undertakings for collective investment in closed securities shall comply with the general terms set forth in this document and the specific rules set forth in this chapter, and shall be governed on a supplementary basis by the commercial enterprises legal framework.

Article 55
Unit-holders, investment units and share capital
1. For the purposes of the terms set forth in item b) of article 14, a minimum number of 30 unit-holders shall be considered.

2. Except for that set forth in Article 57.1, the redemption of investment units is not permitted.
3. Upon amendment of the instruments of incorporation, new investment units may be issued for subscription, whereby:

a) The issue has been approved in a meeting of unit-holders convened to this end; and

b) The subscription price shall correspond to the unit value on the day of financial liquidation, calculated in accordance with the terms of article 75, and where there is a report from the auditor drawn up no more than 30 days prior to this date, which expressly defines the evaluation of the assets of the Undertaking for Collective Investment in Closed Securities as carried out by the management body.

4. For the purposes of item b) of the preceding paragraph, in the case of a Undertaking for Collective Investment in Closed Securities whose investment units are listed on a regulated market, the management body shall set the price in the interval between the value calculated in accordance with the terms of that item and the value of the last verified listing in the period defined in the issue prospectus, whereby the auditor shall also provide his opinion on the set price.

5. The number of investment units of the Undertaking for Collective Investment in Closed Securities may only be reduced in the event of redemption as set forth in Article 57.1, whereby the value of the unit shall correspond to that of the last day of the period initially set forth for the duration of the Undertaking for Collective Investment in Closed Securities and there shall be an auditor’s report drawn up not more than 30 days prior to the redemption date, which shall expressly mention the asset evaluation of the Undertaking for Collective Investment in Closed Securities as carried out by the management body.

**Article 56**

**Unit-holders meetings**

1. The following items require a favourable decision from the meeting of unit-holders in a Undertaking for Collective Investment in Closed Securities:

a) Increase in commissions that are payable by the Undertaking for Collective Investment in Closed Securities or its unit-holders

b) Changes to the investment policy;

c) Issuance of new investment units for subscription and their respective conditions;

d) Extensions of the duration of the Undertaking for Collective Investment in Closed Securities or change to indefinite duration;

e) Merger with one or more Undertakings for Collective Investment in Closed Securities;
f) Replacement of the management body;

  g) The liquidation of the Undertaking for Collective Investment in Closed Securities, when it has no fixed term or when liquidation is to be carried out before the end of the term initially set forth;

  h) Other issues that require a decision from the meeting of unit-holders, as set forth in the instruments of incorporation.

2. The meeting of unit-holders may not pass comment on concrete investment decisions or approve guidance or recommendations in this area outside the terms of item b) of the preceding paragraph, except when otherwise set forth in the instruments of incorporation.

3. The call and the functions of the meeting are regulated by the terms set forth in legislation on shareholder meetings, except when otherwise established in the instruments of incorporation, in accordance with the terms of item d) of Article 41.3.

Article 57

Term

1. Undertakings for Collective Investment in Closed Securities with an indefinite term may not exceed 10 years, whereby said term may be extended, on one or more occasions, for a period not longer than their initial duration, when such a decision is reached by the meeting of unit-holders convened in the last six months of the previous term, whereby redemption of investment units for unit-holders who voted contrary to the term extension shall always be permitted.

2. Undertakings for Collective Investment in Closed Securities with an indefinite duration shall only be authorised if the instruments of incorporation permit listing of their investment units on the regulated market.

Article 58

Subscription of investment units

1. The Banco de Cabo Verde unofficially grants the registration of the issuance with the approval of the prospectus concerning the Undertakings for Collective Investment in Closed Securities, authorised under the provisions set forth in these statutes.

2. The offering period shall have time span of no more than 30 days.

3. The investment fund shall be understood as constituted on the date of financial liquidation, which shall take place at the end of the subscription period for all unit-holders.
Article 59
Denial of authorisation

Notwithstanding that set forth in Article 12, the Banco de Cabo Verde may refuse authorisation to constitute Undertakings for Collective Investment in Closed Securities where investment units in other Undertakings for Collective Investment in Closed Securities managed by the same management body are not yet fully subscribed.

Article 60
Cancellation of authorisation

Notwithstanding the provisions set forth in Article 14, the Banco de Cabo Verde may cancel the authorisation of Undertakings for Collective Investment in Closed Securities if listing of their investment units on the regulated market, when required, is not performed within the period of one year following their establishment.

Article 61
Liquidation, apportionment and dissolution

Reimbursement of investment units shall take place within a maximum period of two months counting from the date of dissolution, whereby partial reimbursements may also be carried out.

CHAPTER II
Undertakings for Collective Investment in Open Securities

Section I
Assets of Undertakings for Collective Investment in Open Securities

Article 62
Securities and money market instruments

For the purposes of this title:

a) Securities shall be understood as:

1. Shares and other equivalent assets;

2. Bonds and other instruments representing debt, and:

3. Any other listed securities that confer the right to acquire said securities via subscription or exchange, with the exception of derivatives.

b) Money market instruments shall be understood as transferable instruments
normally traded on the money market, which are liquid and whose value may be determined precisely at any time, namely treasury bills, deposit certificates, commercial paper and other negotiable short-term debt instruments.

**Article 63**

**Portfolio content**

1. The portfolios of Undertakings for Collective Investment in Open Securities shall include highly liquid assets that are stipulated in the following items:

   a) Securities and money market instruments that are:

   1. Quoted or listed on the Cape Verde Stock Exchange or on a regulated market in an OECD Member State, recognised to be operating regularly and open to the public;

   2. Quoted or listed on other regulated markets, with regular operations, acknowledged and open to the public in third States, given that the choice of that market is considered in the Law or in the instruments of incorporation or approved by the Banco de Cabo Verde;

   b) Recently issued securities, given that the issuing conditions include the commitment to request the admission for listing on one of the markets referred to in the preceding paragraph and where said admission is obtained within one year from the date of issue, at the latest;

   c) Investment units:

   1. Of Undertakings for Collective Investment in Open Securities authorised by a European Union Member State in strict compliance with the community directives in force;

   2. Of other UCI, whereby:

      - They correspond to the framework of harmonised UCITS;

      - They are authorised in accordance with legislation under which they are subject to supervision that the Banco de Cabo Verde considers equivalent to that set forth in this statutes, and cooperation with the concerned supervisory authorities is ensured.

      - They ensure a level of protection for unit-holders equivalent to that arising from this statutes, namely in respect of asset segregation, loans and short selling;

      - They draw up annual and half-yearly reports that permit an analysis of assets and liabilities, income and transactions; and

      - They cannot, under the terms of their instruments of incorporation, invest more than 10% of their assets in the investment units of UCI;
d) Sight or term deposits not exceeding a term of 12 months that may be subject to early redemption, with credit institutions based in an OECD Member State or in a third State, in which case it shall be subject to prudential rules equivalent to those set forth in the relevant legislation of Cape Verde;

e) Derivatives traded on the regulated markets referred to in item a);

f) Derivatives traded outside the regulated market, where:

1. The underlying assets are present in this item or are financial indices, interest rates, exchange rates or foreign currency in which the UCITS may invest, in accordance with its instruments of incorporation;

2. The counterparties to the transactions are institutions that are subject to prudential supervision; and

3. The instruments are subject to daily, verifiable, warranted evaluation and can be sold, liquidated or closed at any time at their fair market value, at the discretion of the UCITS;

g) Money market instruments that differ from those referred to in item a), where the issuance or issuer thereof is subject to regulation for the protection of investors or savings, and that:

1. Are issued or guaranteed by central administration institutions at a regional or local level, or by the central bank of an OECD Member State, by the European Central Bank, by the European Union, by the European Investment Bank, by a federation Member State or by a public international institution belonging to one or more OECD Member States.

2. Are issued by a securities issuer licensed to trade on one of the regulated markets as per item a);

3. Are issued or guaranteed by an institution subject to prudential supervision, in accordance with the criteria defined by the Banco de Cabo Verde, or subject to equivalent prudential rules; or

4. Are issued by other institutions recognised by the Banco de Cabo Verde, where investment in these instruments provides investors with a level of protection equivalent to that set forth in paragraphs i), ii) and iii) above and where the issuer:

   - Is a company with capital and reserves totalling a minimum of 10 million Euros and that presents and publishes annual accounts in accordance with accepted international norms and practices; and

   - Is a legal entity that, participating in a group that includes various listed companies, specialises in group financing; or
- Is a company specialised in financing securitisation vehicles that benefit from banking liquidity lines.

2. UCITS may invest up to 10% of their net asset value in securities and money market instruments outside the scope of those listed in the preceding item.

3. Additionally, UCITS may hold liquid funds:
   a) In order to make payments against redemptions;
   b) Resulting from the sale of the assets of the UCITS and for subsequent reinvestment;
   c) As a result of the suspension of the investment in the securities referred to in paragraph 1, due to unfavourable market conditions.

4. UCITS may not acquire precious metals or certificates representing them, unless as set forth in article 84.

**Article 64**

**Management techniques and instruments**

1. Management companies may use techniques and instruments suited to the efficient management of the assets of UCITS, in accordance with the terms defined in this document or in the relevant regulation, and in accordance with its instruments of incorporation.

2. The management body shall communicate to the *Banco de Cabo Verde* the use of techniques and instruments referred to in the preceding item, including the type of derivatives, the associated risks, the quantitative limits and the methods used to calculate the risks associated with the transaction of derivatives for each UCIT.

3. The overall exposure of each Undertaking for Collective Investment in derivative instruments shall not exceed its net asset value.

4. The exposure referred to in the preceding item shall be calculated taking into account the market value of the underlying assets, the counterparty risk, future market movements and the time available to close the positions.

5. Whenever a security or money market instrument includes derivatives, the latter shall be taken into account for calculating the limits imposed on the use of derivatives.

6. The management body shall use risk management procedures that allow it to continuously monitor, control and evaluate its positions in derivatives and the respective contribution to the general portfolio risk profile, which shall allow for precise and independent evaluation of the derivatives traded outside the regulated market.
**Article 65**

**Operations outside regulated markets**

1. Operations including assets issued for trading on a regulated market and undertaken on behalf of UCITS may only be carried out over the counter in cases where there is an unequivocal advantage to the unit-holders, especially in terms of the purchase or sales prices, where these are more favourable than their respective listings, or in other situations defined in the relevant regulations.

2. The operations referred to in the preceding item are subject to specific registration organised by the management body.

3. The management body shall not perform the operations set forth in paragraph 1 when they involve securities integrated in portfolios managed by them.

**Article 66**

**Debt**

Management companies may contract loans on behalf of the UCITS that they manage for a maximum duration of 120 consecutive or individual days within the period of a year and up to a limit of 10% of the net asset value of the UCITS, without prejudice to the use of management techniques relating to loans and reinvestment of securities.

**Section II**

**Limits**

**Article 67**

**Limits by entity**

1. UCITS may not invest more than 10% of their net asset value in securities or money market instrument issued by the same body, without prejudice to the following item.

2. The total value of securities and money market instruments held by a UCIT in the issuing bodies in each of which it invests more than 5% of its net asset value may not exceed 40% of said value.

3. The limit referred to in the preceding item is not applicable to deposits and transactions involving derivatives and carried out off the regulated market when the counterparty is an institution that is subject to prudential supervision.

4. The limit referred to in paragraph 1 shall be raised to 35% if the securities or money market instruments are issued or guaranteed by an OECD Member State, by its local or regional authorities, by a third State or by public international bodies of which one or more Member States are OECD members.
5. The limit referred to in paragraph 1 shall be raised to 25% in the case of mortgage securities issued by credit institutions registered in an OECD Member State. The investment in this type of assets may go up to 80% of the net asset value of the UCIT, when this is expressly allowed in the instruments of incorporation.

6. The issuance conditions of the securities mentioned in the preceding paragraph must provide (i) a full and complete guarantee of the commitments due on the assets up to the date of their redemption, and (ii) that these conditions shall be subject to the priority of the reimbursement of capital and payment of interest owed should the issuer fail to comply with its obligations.

7. Without prejudice to the terms set forth in paragraphs 4 and 5, UCITS may not hold more than 20% of its net asset value in securities, money market instruments, deposits and exposure to derivatives outside the regulated market and with the same entity.

8. The limits set forth in paragraphs 1 to 5 shall not be cumulative.

9. The securities and money market instruments referred to in paragraphs 4 and 5 shall not be considered in the application of the 40% limit set forth in paragraph 2.

10. UCITS may invest up to 100% of their net asset value in securities or money market instruments issued or guaranteed by an OECD Member State, by local or regional authorities, by international public bodies of which one or more OECD Member States or a third state are members, whereby they must hold securities from six different issues but securities from one issue may not account for more than 30% of the total assets thereof.

11. The aforementioned investment in the preceding paragraph must be expressly referred to in the instruments of incorporation and in any promotional literature of the issuers in which the management body intends to invest more than 35% of the net asset value of the UCITS, along with the inclusion stating the special nature of the investment policy.

12. The amounts referred to in item b) of Article 63.1 shall not, at any time, exceed 10% of the net asset value of the UCITS and once the term set forth therein has elapsed, shall be included in the calculations for the purposes set forth in paragraph 2 of said article.

13. The companies included in the same group for the purposes of accounting consolidation, in accordance with the internationally recognised accounting standards, are considered a single body for the purposes of calculating the limits set forth in this article.

14. For the purposes of calculating the limits set forth in this article, the underlying assets of derivatives in which the UCITS invests are to be considered.
Article 68

Limits per UCITS

1. A UCITS shall not invest more than 20% of its net asset value in units from a single UCIT as set forth in item c) of Article 63.1.

2. A UCITS shall not invest a total of more than 30% of its net asset value in investment units of the UCITS set forth in paragraph ii) of item c) of Article 63.1.

3. When a UCITS holds UCI units, the assets held by the UCI shall not be taken into account for the purposes of limits per body as set forth in articles 67, 69 and 70.

Article 69

Derivatives limits

1. The exposure of UCITS to a single counterparty in derivatives transactions outside the regulated market shall not be more than:
   
   a) 10% of its net asset value, when the counterparty is a credit institution in accordance with the terms of item d) of Article 63.1;
   
   b) 5% of its net asset value in any other situation.

2. When investing in derivatives based on an index, the amounts therein shall not be considered for the purposes of the limits set forth in articles 67 and 70.

Article 70

Group limits

A UCITS shall not invest more than 20% of its net asset value in securities and money market instruments issued by bodies holding a group relationship.

Article 71

UCITS index limits

1. A UCITS may invest up to 20% of its net asset value in shares or debt securities issued by a single body when the purpose of its investment policy is to reproduce the composition of a specific share or debt securities index, recognised by the Banco de Cabo Verde, in accordance with the following criteria:

   a) Where the index mix is sufficiently diverse;

   b) Where the index represents a standard of reference that is suitable for the markets to which it relates; and

   c) Has been adequately publicised.

2. The limit set forth in the preceding paragraph shall rise to 35%, only in relation
to a single body, if justified by exceptional conditions in the regulated markets where certain securities or money market instruments are dominant.

**Article 72**

**Limits to Undertakings for Collective Investment in Closed Securities**

The composition of the portfolio of Undertakings for Collective Investment in Closed Securities shall comply with the provisions set forth in sections I and II of this chapter, with the following specific conditions:

a) The limit set forth in article 66 shall rise to 20%;

b) The limit set forth in paragraph 2 of article 67 shall not be applied;

c) The limit set forth in item 2 of article 63 shall rise to 25%.

**Article 73**

**Exceptional situations**

1. The limits set forth in this section and paragraph 2 of article 63 may be exceeded when exercising or converting embedded rights to securities or money market instruments held by UCITS or as a result of significant variations in market prices, in accordance with the terms of the regulations.

2. In the situations referred to in the preceding item, decisions taken on investment issues shall give priority to correcting this situation within a maximum period of six months, taking into account the interests of unit-holders.

3. The limits set forth in articles 63.2, and 67 to 72 may be exceeded during the first six months of activity of the UCITS.

**Section III**

**Valuation of investment units and portfolios**

**Article 74**

**Valuation principle**

The UCITS portfolio shall be evaluated at its market value, in accordance with the provisions set forth in its instruments of incorporation, following the provisions defined in the relevant regulations.

**Article 75**

**Calculation and disclosure of the value of investment units**

1. The value of investment units shall be determined by dividing the net asset value of the UCITS by the number of units in circulation.
2. The value of investment units in a UCITS shall be calculated and disclosed every working day, with the exception of the investment units of Undertakings for Collective Investment in Closed Securities, which shall be disclosed monthly, with reference to the last day of the previous month.

3. The value of the investment units shall be disclosed in all points of sale and respective media.

Section IV
Conflict of interests
Article 76
Qualifying holdings

The management body may not carry out operations on behalf of the UCITS under its management that may provide them with significant influence over any company.

Article 77
Management influence

1. The management body may not buy shares in the group of UCITS under its management that entitle it to more than 20% of the voting rights in a company or that allow it to exercise a significant influence on its management.

2. UCITS may not hold more than:
   a) 10% of the shares without voting rights issued by a single body;
   b) 10% of the liabilities of a single issuer;
   c) 25% of the units of a single UCITS;
   d) 10% of the money market instruments of a single body.

3. The limits set forth in items b), c) and d) of the preceding paragraph may be set aside at the time of acquisition if, at that time, the gross value of the bonds or money market instruments of the net amount of the securities issued cannot be calculated.

4. The provisions of the preceding items shall not be applied in relation to securities and money market instruments issued or guaranteed by an OECD Member State, by local or regional authorities, by public international institutions of which one or more OECD Member States is a member or by a third state accepted by the Banco de Cabo Verde.
Article 78
Other limits
The group of UCITS managed by a single management body shall not hold more than:

a) 20% of the stock without voting rights issued by a single body;
b) 50% of the liabilities of a single issuer;
c) 60% of the units from a single UCITS.

CHAPTER III
UCITS with special schemes
Section I
Treasury funds
Article 79
Definition, denomination and regime

1. Treasury funds are open-ended securities investment funds, which investment policy is geared towards assets characterised for being highly liquid.

2. Treasury funds shall contain the expression “fundo de tesouraria” (treasury fund) in their name.

3. Treasury funds shall comply with the general scheme for security investment funds, with the following specific conditions set forth in this section.

Article 80
Composition

1. Treasury funds’ assets shall be highly liquid.

2. For the purpose of applying the composition rules of this kind of funds, other liquid, negotiable debt instruments which value can be determined at any time, are comparable to the securities referred in article 63 paragraph 1.

3. Treasury funds must at all times have a minimum of 35% of their net asset value invested in securities and fixed-term bank deposits with a residual period of less than 12 months, or the assets set forth in paragraph 2 above, the bank deposits being limited to 50% of said net asset value.

3. Treasury funds may not invest in shares, convertible bonds or bonds that entitle them to subscribe shares or the acquisition of another certificate of shares, in certificates of subordinated debt, as well as in participation certificates, unless their liquidity is assured by a suitable institution.
4. Close-ended investment funds may not be purchased for these funds if their regulations do not prohibit the investment in securities as referred in previous paragraph.

Section II
Funds of funds

Article 81
Definition, denomination and scheme

1. Funds of funds are those made up exclusively of investment units of other investment funds.

2. The name of these funds shall contain the expression “fundos de fundos”

3. Funds of funds shall comply with the general scheme for the open-ended security funds, with the following specific conditions set forth in the present section.

Article 82
Composition

1. The funds of funds can invest their assets in investment funds domiciled in Cabo Verde, in OECD Member States or in others approved by the Banco de Cabo Verde.

2. The funds of funds may not invest more than 20% of their overall assets in a single fund.

3. The funds of funds may not invest more than 30% of their assets in investment funds managed by the same management body, without prejudice of the rule set forth in the next paragraph.

4. A management body may constitute funds of funds composed exclusively of investment funds managed by them or by third parties within the same group or controlled by them, providing these funds are identified in the management regulation and no issuing or redemption commissions are charged.

Article 83
Duty to inform

1. The funds of funds must state in the management regulation, in the leaflets and marketing documents, the characteristics of the funds where their assets are invested.

2. The fund of funds management regulation must include a broad description of the expenses and other costs related to the funds where they intend to invest and that the unit holders are expected to bear, directly or indirectly.
Section III

Other security funds

Article 84

Other security funds

Funds may be constituted which objectives are to invest in (i) financial derivatives or other products, (ii) precious metals or certificates representing them, (iii) raw materials and other goods commonly known in international markets as commodities, (iv) works of art, (v) rights on professional athletes performances, (vi) hedge funds, provided that the Banco de Cabo Verde deems the respective management companies to be particularly competent and the investment risks are clearly identified in the leaflets and all the related advertising material.

CHAPTER IV

Information

Article 85

Duty to communicate

1. The members of administrative bodies and other people responsible for CIUS investment decisions shall inform the respective management committees of the acquisition and liquidation of bonds or securities that confer the right to acquire shares by their respective spouses, people with whom they have a relationship of economic dependence or companies in which they participate, whether the acquisitions are carried out in their own names, by representation or on behalf of third parties, or by the aforementioned members on their behalf, within a period of five days of said acquisition or liquidation.

2. The management body shall send the Banco de Cabo Verde the information received in compliance with the preceding item.

Article 86

Voting rights

The management companies shall inform the Banco de Cabo Verde and the market of the justification for the vote trend when exercising the rights inherent to the shares in the portfolio of UCITS managed by them, in accordance with the provisions set forth in the regulations.
TITLE IV
Real estate investment funds

CHAPTER I
Common provisions

Article 87
Type of funds

Real estate investment funds may be open-ended, closed-ended or balanced.

Article 88
Assets of the fund

1. The assets of a real estate investment fund may only be made up of property and other financial instruments.

2. Property may include the assets of an investment fund under right of ownership, building lease or by means of other rights with similar content.

3. The property held by real estate investment funds shall correspond to rural property approved for urbanisation, urban buildings including independent units of horizontal ownership.

4. Property may not be acquired under a system of co-ownership for real estate investment funds, except:
   a) Common parts of buildings under a horizontal ownership regime;
   b) In the scope of property development promotion or property construction projects, providing there is an agreement on the establishment of horizontal ownership, which must take place as soon as the legal conditions allow for it.

5. Capital parts are considered as real estate assets as long as such capital parts allow for the complete control of companies whose:
   a) Tangible fixed assets are constituted by properties as referred to in item 3;
   b) Intangible fixed assets are exclusively related to, or with exceptions of modest value, the purchase and maintenance of the first;
   c) Fixed asset value, added to movable goods or equipment fitted in those buildings and assigned to its normal usage, represents at least 95% of the total assets.

6. For the purposes of paragraph 1, other financial instruments shall be considered to mean bank deposits, deposit certificates, investment units from treasury funds and tradable securities in a highly liquid organised market.
7. The **Banco de Cabo Verde** may define, by regulation, other instruments that can be included in investment fund assets.

**Article 89**

**Permitted activities and operations**

1. Investment funds may pursue the following activities:
   a) The acquisition of property for rent or other forms of onerous use;
   b) The acquisition of property for resale;
   c) The promotion of the construction of buildings.

2. Real estate investment funds may acquire property, the consideration for which is deferred over time. This type of operation shall be taken into account when determining the limits of their indebtedness.

3. The **Banco de Cabo Verde** may, by means of a regulation, establish the conditions and limits under which investment funds are allowed to use derivatives to cover risks.

**Article 90**

**Prohibited operations**

1. Investment funds are especially prohibited from the following operations:
   a) Encumbering in any way their assets, except for the issuance of preferential units and in order to obtain financing, within the limits set forth in this document.
   b) Granting credit, including provision of guarantees.

2. Management companies may not carry out any real estate transactions between different investment funds managed by them without the concurrent opinions of the auditors and the depositaries.

**Article 91**

**Information on the composition of the portfolio**

1. The management companies of real estate investment funds shall publish every quarter, in one of the most read daily newspaper in the area of their registered offices, with reference to the last day of the previous month, the detailed composition of each investment fund managed by them, the respective net asset value and the number of units placed with investors.

2. For each property included in the investment fund portfolio, the following elements shall be indicated:
a) The urban, rural or mixed nature of the property;

b) The name of the property and its location by reference to the place, road, building number or direct neighbours;

c) The area of the property, rent value if applicable, dates and values of the last expert valuations;

d) Utilisation;

e) The book value recorded by the management body;

f) In the case of an individual apartment, the letter or letters of the apartment and its location in the property under horizontal ownership must also be indicated;

g) The property complex or undertaking in which the building is included, when applicable, must also be stated.

CHAPTER II

Real estate open-ended investment funds

Article 92

Composition of the portfolio

1. The following rules apply to open-ended investment funds:
   a) The value of the properties must not represent more than 80% of the total assets of the investment fund;
   b) The value of a single property may not represent more than 33% of the total assets of the investment fund;
   c) The value of properties rented, or those which entail other types of onerous use, to a single entity or a set of entities which, under the terms of the law, are in a dominant or group relationship, or are controlled, directly or indirectly, by the same person, individual or legal, must not exceed 20% of the total assets of an investment fund, unless there is dispersion of sub-lessees or sub-contracted parties.

2. For the purposes of the provision set forth in paragraph 1 b):
   a) A building shall be considered to include all individual apartments of one building governed by the requirements for horizontal ownership, and all contiguous buildings functionally interlinked by the existence of common areas used by all or some units or apartments thereof.
   b) A single site for construction intended for different development projects or types of use may be considered as distinct properties.

3. The management body must be aware of the relationships provided for in paragraph 1 c).
4. The limits defined in items a) to c) of paragraph 1 shall be checked in relation to the average value calculated at the end of each of the previous six months, and the term of two years should be respected, from the date of constitution of the investment fund.

5. In cases duly justified by the management body, the *Banco de Cabo Verde* may authorise investment funds to temporarily hold an asset structure that is not in compliance with some of the provisions of paragraph 1.

**Article 93**

**Indebtedness**

The open-ended real estate investment fund may borrow up to 35% of its total assets.

**CHAPTER III**

**Close-ended real estate investment funds**

**Article 94**

**Nature**

1. Close-ended real estate investment funds shall be governed on a supplementary basis by the law applicable to the public limited companies.

2. The investment units of closed-ended investment funds may be distributed by means of public or private offerings.

3. The term for the offer for distribution has a maximum duration of 60 days, immediately after which the financial liquidation must take place for all participants.

4. Whenever the interests of unit-holders justify it, authorisation for the constitution of new closed-ended investment funds may be denied if the capital from other closed-ended investment funds operated by the same management body is not fully paid up.

**Article 95**

**Duration of the fund**

1. Closed-ended investment funds may have a fixed or indefinite duration.

2. Closed-ended investment funds with a fixed duration may not exceed 10 years, however, the duration may be extended once or twice, for periods not greater than the initial duration, provided that authorisation is granted by the *Banco de Cabo Verde* and that the meeting of shareholders votes in their favour, and the management rules and regulations allow for the redemption of investment units by unit-holders who declare, in writing, to be opposed to such an extension.
3. Closed-ended investment funds with an indefinite duration shall only be authorised if:

a) The management rules and regulations provide for the admission to trading on a regulated market of the fund’s investment units.

b) A credit institution or financial management body with its registered offices in Cabo Verde, in OECD member states or States approved by THE Banco de Cabo Verde, individually or in partnership, ensure the liquidity of a secondary market for the investment units, in terms acceptable by the same Bank; or

c) Unit-holders are given the choice to liquidate the fund before 10 years have elapsed upon its constitution.

Article 96

Capital increases and decreases

1. Through verification by the Banco de Cabo Verde of the legal and regulatory requirements, capital increases and decreases may be carried out, when provided for in the management rules.

2. Capital increases shall observe the following conditions:

a) At least six months must have elapsed since the date on which the investment fund was constituted or since the date of the last capital increase.

b) A favourable resolution must have been adopted by the meeting of shareholders, under the conditions defined in the management rules and regulations. Said resolution must also define the conditions for the increase, in particular whether or not subscription is reserved for the present unit-holders of the investment fund.

c) The increase must be preceded by the drawing up of reports on the evaluation of the investment fund by two independent experts, no more than six months prior to the date of the increase;

d) The subscription price must be defined by the management body, based on objective criteria, to be duly justified in the prospectus for the offering, and using as a reference the equity value of the investment units. For investment funds admitted to trading on a regulated market, the market value of the investment units shall also be taken into consideration and in both cases the auditor of the fund must issue a statement of opinion on the price thus fixed.

3. Capital decreases may only take place in cases of redemption of the investment units of unit-holders who express their opposition to the extension of the duration of the investment fund, or in exceptional cases, if duly justified by the management body. The conditions set forth in items b), c) and d) of the previous paragraph must be observed, with all necessary adaptations.
Article 97

Meeting of shareholders

1. The following shall depend upon the adoption of a favourable resolution by the meeting of shareholders:
   a) An increase in commission payable by the investment fund;
   b) The substantial modification of the investment policy of the fund;
   c) The amendment of the policy of the investment fund income assignment;
   d) An increase or reduction of the capital of the investment fund, with the exception of the reduction following the reimbursement of preferential units, which does not call for deliberation.
   e) An extension of the duration of the investment fund;
   f) The replacement of the management body;
   g) The liquidation of the investment fund, under the terms set forth in Article 99.

2. Under no circumstances may the meeting pronounce itself on actual investment decisions or approve guidelines or recommendations on this matter, unless limited to the exercise of the entitlement referred to in item b) of the previous paragraph.

3. The management regulations must define rules for convening the meeting, as well as its functions and powers, and in cases where these rules are incomplete or insufficient, the legal provisions set forth for public companies should be applied.

Article 98

Composition of the portfolio

1. The provisions set forth in Articles 92 and 93 shall apply to closed-ended investment funds, with the following adaptations:
   a) The value of a single property may not represent more than 50% of the total assets of the investment fund;
   b) The value of properties rented, or those which involve other types of onerous use, to a single entity or a set of entities which, under the terms of the law, are in a dominant or group relationship, or are controlled, directly or indirectly, by the same individual person or legal person, may not exceed 33% of the total assets of an investment fund.
   c) The level of indebtedness may not exceed 50% of the total assets of the investment fund.

2. In cases where the capital of an investment fund is increased, the limits defined in item a) of Article 92.1 shall be respected, as regards the value of the increase, within one year of the date on which the capital is increased.
Article 99

Liquidation

Unit-holders in a closed-ended investment fund may demand its liquidation:

a) As long as this possibility is provided for in the management rules;

b) When, in spite of provisions being made for the admission of the investment units to trading on a regulated market, no trading takes place within 12 months of the date of constitution of the fund.

c) When the entities referred to in item b) of Article 95.3, do not ensure a liquid secondary market for the investment units, or do it at prices significantly below the value of the units, as decided upon by the Banco de Cabo Verde ex officio or at the duly justified request of any unit holder.

CHAPTER IV

Balanced real estate funds

Article 100

Legal framework applicable

Balanced real estate funds are governed by the provisions set forth in this chapter and complementarily by the previous chapter, for all matters not incompatible with its nature.

Article 101

Fixed and variable capital

1. The capital of balanced investment funds is composed of a fixed component and a variable component, represented by two different categories of investment units.

2. The fixed component of the capital of a balanced investment fund must not be lower than its variable component.

Article 102

Categories of investment units

1. Investment units representing the fixed component of the capital of a balanced investment fund confer the right to participate in the meeting of shareholders and to a share of the liquid assets in case of liquidation of the fund.

2. The investment units representing the variable component of the capital of a balanced investment fund only allow the right:
a) To the priority distribution of an individual share of the income of the investment fund;

b) To redeem investment units, under the terms defined in this document and in the management rules and regulations of the investment fund;

c) To the priority redemption of its value, should the fund be liquidated.

**Article 103**

**Distribution of the income**

The management rules and regulations shall define the following matters, in a clear and objective manner, in relation to the distribution of the income from investment units representing the variable component of the capital of a balanced investment fund:

a) The means of calculating the percentage of the income of an investment fund to be distributed;

b) The periodicity and dates of allocation.

**Article 104**

**Subscription and redemption**

1. The marketing of investment units representing the variable component of the capital of the balanced investment fund may only commence after the initial subscription of the investment units representing the fixed component of the capital of the investment fund, and must be carried out under the conditions defined in the management rules and regulations.

2. The subscription and redemption prices of the investment units representing the variable component of the capital of the investment fund shall correspond to the value fixed in the management rules and regulations, plus or minus any commissions for subscription or redemption, to be met by the unit-holders.

3. The provisions set forth for open ended funds shall apply to subscriptions and redemptions of the investment units representing the variable component of the capital of a balanced investment fund, with any needed adaptations.

4. The *Banco de Cabo Verde* may determine the transformation of a balanced investment fund into a closed-ended fund, if the investment units representing the variable component of the capital of the fund are not subscribed within two years of the date of its constitution.

**Article 105**

**Suspension of subscriptions and redemptions**

1. The provisions set forth for open ended funds apply to the suspension of
subscriptions and redemptions of the investment units representing the variable component of the capital of the balanced investment fund, with any necessary adaptations.

2. Once the variable component of the capital of the balanced investment fund is equal to the fixed component, subscriptions of the investment units representing the variable part shall be automatically suspended, and the management rules and regulations of the investment fund must establish the criteria for the pro-rata allotment of subscription requests which have yet to be satisfied.

3. The suspension referred to in the previous number shall only be removed if the fixed component of the capital of the investment fund is increased, or if there are redemptions representing at least 10% of the fixed capital.

Article 106

Composition of the portfolio

The provisions set forth for open-ended funds shall apply to balanced investment funds.

CHAPTER V

Preferential units

Article 107

Notion

1. Open-ended real estate investment funds and the balanced open component may have preferential units which encumber certain properties owned by the fund, with a fixed and invariable percentage of the value of each property corresponding to each one.

2. Preferential units shall not have a share of the further fund assets.

3. Due to its nature, the value of preferential units is not uniform and shall not be published.

Article 108

Special rights

1. These units merely grant their holders the right to share the income generated by the property they encumber and the product of its disposal, in the case of the liquidation of the fund.

2. The unit holders that together encumber one entire property, may at any time, by unanimity, request the redemption, either in kind or in cash, ensuing the respective sale.
Article 109

Remuneration in kind

The remuneration of preferential units may include, either totally or partially, the right to occupy the property for one or more predefined periods during each calendar year.

Article 110

Detachment of encumbered properties

Properties encumbered by preferential units concur for the fund’s total value, but shall be detached from this to determine the value of the common units, to the extent of the percentage of the value encumbered by the issuance of preferential units.

Article 111

Exceptional charges

The management rules and regulations may stipulate an additional commission to be levied only on preferential units.

Article 112

Registration

The issuance and redemption or extinction of preferential units shall be subject to entries to be made in an appropriate register kept by the depositary bank.

Article 113

Transmission

1. The transmission of preferential units *inter vivos* shall be made in writing and must be sanctioned by the seller, the buyer and the depositary bank.

2. The depositary bank shall with due diligence identify the seller and buyer and shall be responsible for the strict execution of the law and fund regulations in regard to the preferential units’ transmission agreement; should these conditions not be observed, it shall not sanction it.

3. The depositary bank shall archive one of the originals of the preferential units’ transmission agreement and shall register the holder or holders.
CHAPTER VI

Valuation of property assets

Article 114

Valuation of properties

1. The properties held by investment funds must be evaluated by two independent expert evaluators, appointed by common agreement amongst the management body and the depositary, at least once every calendar year, under the following conditions:

   a) Prior to their acquisition or disposal, and the reference date for the evaluation of the property may not be more than six months from the date of the agreement in which the price of the transaction is set forth;

   b) Prior to the development of construction projects, in order to determine the value of the property being built;

   c) Whenever circumstances arise, which could lead to significant changes to the value of the property.

2. The value assigned to the properties by the management body may not exceed the higher of the two evaluations.

Article 115

Evaluation objective

The evaluation of a real estate property should be carried out with the aim of providing the management body and unit holders with objective information in relation to the best price which could be obtained if the real estate property were sold between two non-constrained parties at the moment of evaluation, under normal market conditions, for which purpose the expert valuers shall use the methods described in the following articles.

Article 116

Comparative method

1. This method involves the valuation of the real estate by comparison, i.e., according to transactions or actual proposals for the acquisition of real estate with similar physical and functional characteristics, located in the same property market area.

2. This method requires the existence of a representative and plausible number of transactions or actual proposals for acquisition, which are still realistic in relation to the moment of valuation.
Article 117

Future rent discounting method

This method entails determining the real estate value through the sum total of actual or anticipated cash flows and its residual value at the end of the expected investment period or useful life, discounted at a market rate for placements with a similar risk profile.

Article 118

Income multiples method

This method consists of determining the real estate value through the quotient of actual or expected annual rents, net of maintenance charges, and a remuneration rate suited to its characteristics and the investment level risk, taking into account the general conditions of the real estate market at the moment of the valuation.

Article 119

Replacement method

1. This method involves determining the real estate value by the sum of the land market value and all of the costs required to build a property with the same physical and functional characteristics.

2. In determining the final value of the property, the depreciation in function of its age, state of maintenance and useful life assessment, as well as the yields generally practiced shall be taken into account.

Article 120

Other methods

1. The expert valuators shall adopt the method that is best suited to the situation of the real estate property being evaluated.

2. In regard to the valuation, the expert valuators shall take into account all the elements that in accordance with the chosen method may seem relevant, namely the state of conservation of the property and its situation.

3. Should there be any special circumstances that will not allow the expert to correctly determine the value of the property by using the methods set forth in article 116 and following, his valuation report shall lay the grounds for their exclusion and shall adopt another more appropriate method.

4. When essential information for the correct valuation of a real estate property is not available, the expert shall emphasise in his report the limitations of the established value.
Article 121

Valuations report

The valuation report must include:

1. Elements of identification:
   
a) The identification of the valuator, and when a legal person is concerned, that of the intervening valuators;

b) Identification of the real estate which is the object of the valuation;

c) Identification of the fund and the management body;

d) The dates to which the present and last valuation carried out on the real estate property refer.

2. Elements of valuation:
   
a) Detailed description of the characteristics of the real estate property, specifically in relation to its location, state of conservation, type of construction and purpose;

b) Analysis of the market where the property is located, namely its geographical situation and the existence of neighbouring infrastructures which may influence its value;

c) Description of diligences carried out, studies and segment of the market data used and other information relevant for the determination of the value of the property;

d) Grounds for the choice of the valuation methods and detailed description of their application;

e) The value of the rent at the date of valuation, if the property is rented, and if the rent is lower than the market value or, if it is not rented, an estimate of the rentals which it could predictably generate in a free market regime.

f) Estimate of the charges for conservation, maintenance and other charges indispensable to the optimal economic and commercial use of the property;

g) Justification of the rates for updating, remuneration, capitalisation, depreciation and other parameters used by the valuator;

h) Precise indication of any actual acquisition transactions or proposals used in the valuation, in relation to properties with identical characteristics;

i) Indication of the final value proposed for the property.

3. Elements of responsibility
a) Indication of any reservations about the value proposed for the property due to insufficient information available;

b) Declaration by the expert valuator that he carried out the valuation in accordance with these regulations;

c) Identification of the companies that are in a dominant or group relationship with the management body and with which the expert valuator maintains a subordinated work relationship.

**Article 122**

**Information**

1. The *Banco de Cabo Verde* may, whenever it deems necessary, question the expert valuators concerning any matters related with their activity as valuators of real estate investment funds properties.

2. The management bodies must send to the *Banco de Cabo Verde* all the valuation reports that:
   
a) Show estimates of the property value with reserves;
   
b) Show values that diverge more than 25%;
   
c) Include valuation methods different from those set forth in this document.

3. The management bodies must send to the *Banco de Cabo Verde*, within 3 days after have been asked, information relating to the valuation of the assets of the real estate funds’ portfolios.

**Article 123**

**Calculation and disclosure of the equity value of investment units**

1. The equity value of investment units shall be calculated in accordance with the periodicity established in the respective management rules and regulations, within the limits and conditions defined in a regulation issued by the *Banco de Cabo Verde*. Said value shall be calculated at least on a monthly basis, with reference to the last day of the month in question.

2. Rules for evaluating the portfolio of investment funds shall be defined in a regulation by the *Banco de Cabo Verde*.

3. The equity value of investment units shall be published on the day after it is established under the terms set forth in this document, as well as the locations and the means anticipated for the marketing of investment fund units.
TITLE V
Pension Funds

CHAPTER I
General provisions

Article 124
Scope

This Decree-Law governs the setting up and running of pension funds.

Article 125
Concept and object of pension funds

Pension funds are assets earmarked exclusively for the fulfilling of one or more pension schemes.

Article 126
Management and custody of pension funds

Pension funds shall be managed by one or more management bodies and the assets concerned shall be deposited with one or more asset depositaries in accordance with the provisions laid down herein and in particular with Chapter V of the present Title.

CHAPTER II
Pension Schemes

Article 127
Definition

1. Notwithstanding the provisions of article 130 paragraph 4, pension schemes are schemes that define the conditions under which a right arises to receive a pension in the case of pre-retirement, early retirement, old age, and disability or on survival. The above concepts shall be understood in the terms in which they are defined in the respective scheme.

2. Pension schemes may take the form of supplementary professional schemes provided they also comply with the respective legislation.

3. Pension schemes may also expressly provide for the possibility of guaranteeing expenses incurred when paying pensions, namely those relating to social security contributions and those resulting from collective agreements.
Article 128

Associates, participants, contributors and beneficiaries

For the purposes of this Decree-Law:

a) “Associates” are the legal persons whose pension schemes are financed by a pension fund;

b) “Participants” are the individuals whose personal and professional circumstances determine the rights arising under the pension schemes, regardless of whether they contribute to the funding or not;

c) “Contributors” are the individuals who contribute to the fund or the legal persons that make contributions on behalf and in favour of the members;

d) “Beneficiaries” are the individuals with the right to the benefits set out in the pension scheme, whether they are members or not.

Article 129

Pension scheme types

1. Pension schemes may be classified, according to the type of guarantees they provide, as:

a) Defined benefit schemes - where the benefits are pre-determined and the contributions are calculated so as to ensure payment of those benefits;

b) Defined contribution schemes - where the contributions are pre-defined and the benefits are determined according to the contributions paid in and the corresponding accumulated earnings;

c) Mixed schemes – are those which combine the features of the defined benefit and defined contribution schemes.

2. Pension schemes may be classified, according to the type of funding, as:

a) Contributory - schemes where participants make contributions;

b) Non-contributory schemes - where solely the associate funds the scheme.

3. Unless otherwise stated in the pension scheme, a defined benefit pension scheme under which the contributions made by the members is mandatory under the law or under any collective-bargaining agreement shall be held to be a non-contributory scheme.

Article 130

Payment of benefits

1. When payment of the agreed pension begins it may be partially redeemed, as
capital, or it may be changed into another type of annuity provided that both of the following conditions are met:

a) This option is set down in the pension scheme;

b) Until payment of the pension begins, the future beneficiary submits a written request to the management body.

2. The amount of redemption capital and the present value of the annuity resulting from the change shall not exceed one-third of the present value of the pension, calculated using technical assumptions to be defined by the Banco de Cabo Verde.

3. If the management body, associate and beneficiary so agree, total redemption of the pension in payment is possible provided the monthly payment due is less than one-tenth of the national minimum wage for the majority of workers on the date of the redemption.

4. In the case of pension funds that finance contributory schemes, beneficiaries are entitled to a refund calculated on the basis of contributions paid in by the participants in any of the situations set out in article 127 paragraph 1 and also in cases of long-term unemployment, serious illness or permanent disability; these concepts are to be understood in accordance with the terms laid down in the legislation in force.

5. The refund referred to in paragraph 4 above may be paid, on one or more occasions, in the form of an annuity, capital or any combination of the two. The terms laid down in paragraph 2 above shall only apply to the amount that does not result from the member’s contributions.

**Article 131**

**Vested rights**

1. Vested rights exist whenever a participant has the right to benefits under a pension scheme, according to the rules thereof, regardless of whether the participant continues or ceases to be employed by the associate.

2. Participants who meet the conditions described in the previous paragraph shall be known as “vested rights participants”.

**CHAPTER III**

**Pension Funds’ General Regime**

**Article 132**

**Pension fund types**

1. Pension funds may be open or closed funds:
a) A pension fund is considered to be a closed fund when it relates to only one associate or, if there are a number of associates, when there is a business, associative, professional or social connection among them and their approval is needed for a new associate to join the fund;

b) A pension fund is considered to be an open fund when no bond among those joining to the fund is required and the fund membership is solely dependent on acceptance by the management body.

2. Closed pension funds may be set up at the initiative of a company, groups of companies, groups of social or professional associations, or by agreement between employers’ associations and trade unions.

3. Open pension funds may be set up at the initiative of any entity entitled to manage pension funds. The total net value of such a fund shall be divided into units, in whole or in part, which may be represented by certificates.

Article 133
Authorisation to set up pension funds

1. The Banco de Cabo Verde is responsible for authorising the setting up of pension funds, in accordance with the terms of this document.

2. In the case of closed pension funds, authorisation shall be granted following a joint request from the management bodies and founder associates, accompanied by the draft incorporation contract and the technical and actuarial plan, in the case of defined benefit or mixed pension schemes.

3. In the case of open pension funds, authorisation shall be granted following a request from the management body, accompanied by the draft management regulations.

4. An appeal may be lodged with the Minister of Finance should the Banco de Cabo Verde refuse a request to set up a pension fund.

Article 134
Setting up of closed pension funds

1. Closed pension funds shall be set up by means of a written agreement between the management bodies and the founder associates. The agreement and any subsequent amendments shall be published in the Official Bulletin.

2. Pension schemes funded by closed pension funds may be defined benefit, defined contribution or mixed schemes.

3. The written agreement shall include the following:
   a) Name of the agreeing parties;
b) Name of the pension fund;

c) Name, share capital and registered office of the management body or managers;

d) Name of the associates;

e) Indication of persons entitled to be participants, contributors and beneficiaries of the fund;

f) Initial value of the fund with a composition of the assets involved;

g) Aim of the fund and the pension scheme or schemes to be funded;

h) Fund management rules and representation of associates;

i) In the case of funds funding contributory schemes, form of members’ and beneficiaries’ representation, which cannot be delegated to the associate;

j) Conditions under which management of the fund shall be transferred to another management body or the holding of fund instruments and other documents shall be transferred to another asset depositary;

k) Participants’ rights when they are no longer covered by the fund, as well as members’ and beneficiaries’ rights when the fund is wound up or when any of the associates winds up or leaves the fund, notwithstanding the provisions of article 144;

l) Whether loans may be granted to members and the nature of such loans;

m) Conditions under which the management bodies and associates are entitled to amend the contractual clauses;

n) Circumstances under which the fund shall be wound up, notwithstanding the provisions of article 144

**Article 135**

**Closed pension funds management agreement**

1. A management agreement shall be signed between the associates and the management body or managers of a closed pension fund.

2. The management agreement must include the following:

   a) Name of the pension fund;

   b) Name, share capital and registered office of the management body or management bodies;

   c) Name and registered office of the asset depositaries;

   d) Remuneration of the management bodies;
e) Remuneration of the asset depositaries, provided the associate’s prior agreement is not foreseen to be needed to set it;

f) Fund’s investment policy;

g) Conditions under which pensions are granted, if directly by the fund or through an insurance policy;

h) Rules determining the conditions under which loans may be made to participants, if the provision of loans is contemplated;

i) Conditions under which the parties to the agreement are entitled to amend the original management agreement;

j) Definition of the minimum guaranteed return and the duration of the guarantee, should the management body take on the investment risk;

k) Penalties to be applied if fund management is discontinued;

l) Rights, duties and tasks of the management body or management bodies, in compliance with the legislation;

m) Mechanism for articulating and consolidating information among management bodies, if applicable;

n) Indication of the possible signing of investment management, actuarial or administrative mandate agreements, under the terms of article 154 paragraph 7.

3. The management agreement may not annul or amend provisions set forth in the deed of incorporation.

4. Whenever a closed pension fund is managed by more than one management body, under the terms of article 154 paragraphs 4 and 5, the items referred to in paragraph 2 c), d), e), f), j), l) and o) may be included in the contract to be established between each associate(s) and each management body.

5. A copy of the management agreement and of any subsequent amendments hereto shall be sent to the Banco de Cabo Verde

Article 136
Setting up of open pension funds

1. Open pension funds are considered to have been set up on the day on which the first contribution made within the terms of the corresponding management regulations is received. The management regulations and any subsequent amendments shall be published in the Official Bulletin.

2. The management regulations shall include the following:

a) Name of the pension fund;
b) Name, share capital and registered office of the management body;

c) Name and registered office of asset depositaries;

d) Definition of the concepts necessary to a proper understanding of the contractual conditions;

e) Value of the investment unit on the fund’s start-up date;

f) Method of calculating the value of the investment unit;

g) Dates established for calculating the value of the investment unit;

h) Fund’s investment policy;

i) Maximum remuneration of the management body;

j) Maximum and minimum limits of the issuance and reimbursement commissions, clearly indicating their incidence basis;

k) Maximum remuneration of the asset depositaries;

l) Conditions under which management of the fund will be transferred to another management body or the holding of fund instruments and other documents will be transferred to another asset depositary;

m) Definition of the minimum guaranteed return and the duration of the guarantee, describing how the investment policy will achieve that goal, should the management body take on the investment risk;

n) Conditions under which the management body reserves the right to amend the management regulations;

o) Causes for the fund to be wound up, without prejudice of the provisions set forth in article 144.

p) Procedure to be followed if the fund is wound up;

q) Rights, duties and tasks of the management body, in compliance with the legal and regulatory standards;

r) Indication of the possible signing of investment management, actuarial or administrative mandate agreements under the terms of article 154 paragraph 7.

3. Changes to the management regulations that give rise to an increase in the commission payable by the members or by the fund or to a change in the investment policy shall come into effect 90 days after they have been published in a large circulation newspaper.

4. Open pension fund membership contracts shall include the management regulations.
5. The value of each unit, the composition of fund investments and the number of units in circulation shall be calculated and published in a large circulation newspaper at least once a month.

6. The value of each unit shall be calculated by dividing the total net value of the fund by the number of units in circulation.

7. The total net value of the fund is equal to the value of the fund’s assets valued in accordance with the law, net of any liabilities due and unpaid.

**Article 137**

**Individual membership of open pension funds**

1. Individual membership of an open pension fund arises when a contributor initially acquires units.

2. In the case of individual membership of an open pension fund, the units belong to the participants.

3. Pension schemes funded through individual membership of an open pension fund shall be defined-contribution schemes.

4. When the first units are acquired an individual membership agreement shall be signed between the contributor and the management body. This agreement shall include:

   a) Name of the pension fund;
   
   b) Conditions under which the benefits are due;
   
   c) Conditions under which a member’s units may be transferred to another pension fund, laying down any penalties that may apply;
   
   d) Quantification of the remuneration and commissions to be charged.

5. Individual contributors shall express their written agreement with the management regulations. In the absence of such agreement it shall be considered that they were not aware of the regulations, and they shall be entitled to cancel their individual membership within the time period laid down in article 139 and to receive a full refund of all sums paid.

6. It is forbidden to grant loans to members on the basis of units held.

7. As regards the information contained in the individual membership contract, the provisions in the latter part of paragraph 5 and articles 139 and 140 shall apply.

**Article 138**

**Collective membership of open pension funds**

1. Collective membership of an open pension fund arises when associates wishing to join the fund initially acquire units.
2. A number of sponsors may belong to a single collective membership provided there is a business, associative, professional or social connection between them and their approval is needed for new associates to join the collective membership.

3. Pension schemes funded through collective membership of an open pension fund may be defined contribution, defined benefit or mixed schemes, and also contributory.

4. Whenever a pension scheme is funded through more than one collective membership the sponsor shall appoint the management body responsible for overall administrative and actuarial management and for naming the responsible actuary, under the terms laid down in the Banco de Cabo Verde’s regulations.

5. When the first units are acquired a pension fund membership agreement shall be signed between each associate, or group of associates, and the management body. This contract shall include:

   a) Name of the pension fund;
   b) Name of the associate(s);
   c) Indication of persons entitled to be participants, contributors and beneficiaries;
   d) Pension scheme or schemes to be funded;
   e) Indication, where applicable, that the pension scheme is funded by more than one collective membership, under the terms of paragraph 4 of this article, appointing the management body responsible for overall administrative and actuarial management;
   f) Participants’ rights when they are no longer covered by the fund;
   g) Participants’ and beneficiaries rights when the respective collective membership ceases or any of the sponsors is wound up or leaves the fund, notwithstanding the provisions of article 144;
   h) Number of units acquired;
   i) Conditions under which the parties to the contract are entitled to amend the membership agreement;
   j) Conditions under which an associate’s quota may be transferred to another pension fund, laying down any penalties that may apply;
   k) Amount of the remuneration or commission to be charged.

6. In the case of defined benefit and mixed schemes, and in the case of any subsequent changes that affect the pension scheme, the corresponding technical and actuarial plan shall be prepared in accordance with article 151 paragraph 2.
7. In the case of defined benefit and mixed schemes, the actuarial rules laid down herein shall also apply.

8. The items referred to in paragraph 5 c), d), f), g), i) and j) need not be included provided they are contained in the management regulations.

9. The associates shall express their written agreement with the management regulations.

10. It is forbidden to grant loans to members on the basis of units held.

11. The collective membership agreements and any subsequent amendments thereto shall be sent to the Banco de Cabo Verde.

**Article 139**

**Right of waiver**

1. A contributor, other than a legal person, has 30 days following the date of individual membership to an open fund or on which a copy of the corresponding management regulations were received, if later, to send a letter terminating the contract.

2. To be effective, notice of termination shall be sent by registered mail to the registered office of the management body who signed the individual membership agreement.

**Article 140**

**Effects of exercising the right of waiver**

1. The exercising of the right of waiver terminates the individual membership agreement and ceases all duties arising therefrom, effective as from the time it was signed. Any contributions that may have been paid shall be refunded.

2. The management body shall be entitled to a sum equal to the issuing commission. The fund shall be liable for the disinvestments costs that the management body has justifiably incurred in excess of the issuing commission, or the total costs if the commission was not charged.

3. The exercising of the right of waiver does not give rise to any compensation other than that set forth in the paragraph above.

**Article 141**

**Amendments**

1. Amendments to the pension fund incorporation deeds and management regulations, as well as the transfer of the pension fund management among management bodies, require authorisation from the Banco de Cabo Verde.
2. Amendments may not reduce pensions being paid nor vested rights, if any, at the time of the amendment.

3. Whenever amendments to be made to an incorporation deed affect a pension scheme, the respective request for authorisation shall include not only the draft new wording but also the corresponding technical and actuarial plan, in keeping with the provisions of article 151 paragraph 2.

4. The provisions of article 133 paragraph 4 shall apply with the necessary adaptations to the authorisation for the incorporation deeds and management regulations amendments and for the pension fund management transfer.

**Article 142**

**Information for members and beneficiaries**

1. The associate shall inform the members about the pension scheme set out in the incorporation contract or in the collective membership contract and any subsequent amendments within the same, as well as provide, at the members’ request, the information needed for a proper understanding of the scheme.

2. The associate is required to prove he supplied the information referred to in the above paragraph.

3. If pension funds that finance contributory pension schemes fail to comply with paragraph 1 above, the associate shall bear the contribution corresponding to the participant, with no loss of guarantees on the latter’s part, until such obligations have been complied with.

4. Closed pension fund management and open pension fund collective membership agreements may state that the duty to inform members referred to in paragraph 1 above shall fall upon the management body.

5. On request, management bodies shall provide participants of pension funds that finance contributory pension schemes the information needed for their accurate understanding.

6. Beneficiaries in receipt of a pension paid through a pension fund have the right to obtain information about their situation from the management body.

7. In the case of pension funds that finance contributory pension schemes, contributors and participants have the right to receive, at least once a year, from the management bodies information about the amount of the contributions made by them or on their behalf and in their favour, and about the value of their share of the fund.
Article 143

Advertising

1. Advertising that quantifies future results based on management estimates is forbidden unless the fact that it is a simulation is highlighted, compared to all the other lettering used.

2. Documents intended for the public and promotional material regarding open pension funds shall clearly state that the value of the investment units held varies according to the change in the value of the fund’s assets. They shall also state whether there is a guaranteed minimum return.

Article 144

Duration and winding-up

1. Pension funds are of unlimited duration.

2. The winding-up of any of the management bodies or associates shall not give rise to the winding-up of the fund if its replacement takes place. In this case the provisions of the deeds of incorporation or management regulations shall be complied with.

3. The fund manager may not go into voluntary winding-up without first ensuring the continuity of the same fund management by another qualified entity.

4. If the associate does not pay the contributions needed to meet the minimum sums required by the rules in force, the management body is charged, notwithstanding the provisions of the paragraphs below, to propose that the associate corrects the situation or else, if within one year no suitable funding plan has been drawn up, the management body should wind up the fund or the collective membership according to the procedures laid down by the Banco de Cabo Verde.

5. Within 15 days of verifying that there are insufficient funds to cover the present value of pensions in payment, the management body shall notify the associate to make up for the contributions needed within the 180 days following said notice. If the contributions are not made the fund or collective membership should be wound up.

6. The management body who shall send a half-yearly progress report to the Banco de Cabo Verde shall monitor development of the funding plan referred to in paragraph 4 above. The fund or collective membership should be wound up if the plan is not fulfilled.

7. Whenever the imposition of the time limits laid down in paragraphs 4 and 5 above would prejudice the participants and beneficiaries, the Banco de Cabo Verde may accept an extension of those time limits up to a maximum of three years and one year, respectively, on account of a duly reasoned request made by the management body and the associate.
8. Pension funds are inevitably wound up when there are neither members nor beneficiaries and when for any reason, its object is fulfilled. The funds assets shall then be liquidated.

9. The winding-up of a closed pension fund, a share thereof or an open pension fund shall be performed, by means of a winding-up contract after receiving prior authorisation from the Banco de Cabo Verde.

10. The end of a collective membership of an open pension fund shall be performed by means of a winding-up contract signed between the associate and the management body. The Banco de Cabo Verde shall be given prior knowledge of the draft contract.

11. Notwithstanding the need for prior authorisation from the Banco de Cabo Verde, whenever a pension scheme is underfunded under the established rules and if it is concluded on the basis of documentary evidence that it was not possible to obtain the sponsor’s agreement, or in the cases laid down in paragraph 8 above, the management body may unilaterally terminate the incorporation or collective membership contract.

12. The winding-up contract and the unilateral termination shall be published in the Official Bulletin.

**Article 145**

**Liquidation**

1. The management body shall liquidate the assets of a pension fund, or a share thereof, under the terms laid down in the winding-up contract or the unilateral termination set out in article 154 paragraph 11.

2. When the assets of a fund, or a share thereof, are liquidated, the assets shall bear, up to the limit of their financial capacity:

   a) Expenses chargeable under article 147 d), e), and j);

   b) In the case of pension funds that finance contributory pension schemes, each participant’s individual account, which should be applied in accordance with the rules laid down in the deeds of incorporation or management regulations;

   c) Single annuity premiums that guarantee pensions in payment in accordance with the amount of the pension at the time of the winding-up;

   d) Single annuity premiums that guarantee the payment of pensions relating to members of an age equal to or greater than the normal retirement age laid down in the pension scheme;

   e) A sum that guarantees the vested rights of the participants existing at the time
of the winding-up that should be applied in accordance with the rules laid down in the deeds of incorporation or management regulations;

f) A guarantee for pensions in formation as regards members who are not covered by the previous sub-paragraph;

g) Sums required to secure the updating of pensions in payment, provided that this is set forth in the contract.

3. If, on liquidation, the assets of the fund, or share thereof, prove insufficient the liabilities referred to in the above paragraph shall be met preferentially in the order listed above and, where necessary, on a pro-rata basis.

4. The management bodies and associates subject to prior approval by the Banco de Cabo Verde after the liquidation laid down in the previous paragraph shall decide on the destination of any positive net balance remaining jointly.

5. Except in duly justified cases, whenever the net positive balance referred to in the previous paragraph results from a drastic reduction in the number of participants in pension schemes without vested rights, such balance shall first be used to guarantee pensions that were in formation as regards the participants enclosed by said reduction.

CHAPTER IV
Pension funds’ funding

Article 146
Income

The following constitute income for a pension fund:

a) Contributions made in cash, security assets or real estate by associates or contributors;

b) Income from investments that are part of the fund’s assets;

c) Sales proceeds and refunds from the investment fund’s assets;

d) Profit sharing received from insurance policies issued on behalf of the fund;

e) Insured sums resulting from insurance taken out by the fund under article 152 paragraph 2;

f) Other income.

Article 147
Expenses

The following constitute expenses for a pension fund:
a) Pensions and lump sums paid to fund beneficiaries and/or single annuity premiums paid to insurance companies;
b) Redemption capital and annuities laid down in article 130;
c) Risk insurance premiums paid by the fund;
d) Management and asset depositary remuneration;
e) Sums spent by the fund when placing investments;
f) Costs incurred when purchasing, selling and managing fund assets;
g) The social welfare costs laid down in article 154 paragraph 3;
h) Returning of surplus fund assets to the sponsors where such an action is allowed;
i) Costs of transferring participants’ or associates’ rights between funds;
j) Other expenses related to the fund set out in the contract or management regulations.

Article 148
Asset autonomy

1. Notwithstanding the provisions of the article below, pension fund assets are reserved exclusively for fulfilling pension schemes, paying the related management and asset depositary remuneration, and paying the insurance premiums referred to in paragraph 2 of article 154. The assets shall not be used to meet any other obligations, namely those of associates, participants, contributors, management bodies and asset depositaries.

2. Pension schemes set out in its deeds of incorporation, management regulations or membership agreements shall be paid solely and exclusively by the fund’s assets, or respective share thereof, the value of which shall be the maximum sum available, notwithstanding the associates, participants and contributors liability to pay contributions and any minimum return guaranteed by the management body.

Article 149
Over-funding

1. If, over five consecutive years and for structural reasons, it is found that the value of the share of a pension fund corresponding to the funding of a defined benefit pension scheme annually exceeds a percentage of the present value of the liabilities, whilst maintaining a minimum funding percentage in accordance with the Banco de Cabo Verde’s regulations, the surplus may be returned to the associate.

2. The returning of said surplus is subject to prior approval from the The Banco
de Cabo Verde, following a joint reasoned request from the management body and
the associate.

3. When reaching its decision the Banco de Cabo Verde shall pay heed to the real
circumstances which in each case brought about the surplus funding, taking into
account members’ and beneficiaries’ interests, and shall not authorise the return of
funds when this has resulted, directly or indirectly, from a change in the pension
scheme or from a drastic reduction in the number of members in pension schemes
without vested rights.

4. The returning of the surplus shall be made to the extent and under the
conditions set by the Banco de Cabo Verde.

Article 150

Financial, technical and actuarial management

1. Assets, contributions and pension schemes shall at all times be balanced in
accordance with actuarial capitalisation systems that allow pension fund assets and
forecast incomes to be matched with future pensions due to beneficiaries, on the one
hand, and future management and asset depositary remuneration, on the other.

2. Pension funds may sign contracts with insurance companies or re-insurers to
guarantee the risks of death and permanent disability, when included in the pension
scheme, as well as annuity insurance contracts.

3. In the case of funds that finance mixed or defined contribution schemes,
individual accounts must be kept for each member as regards the part corresponding
to the defined contributions.

4. Notwithstanding the redemption capital option laid down in article 130,
pensions resulting from defined contribution pension schemes shall be guaranteed
through the purchase of an insurance policy signed in the name of and on behalf of
the beneficiary.

5. The pensions referred to in the above paragraph may be paid directly by the
fund if the associates take on payment of any extraordinary contributions to ensure
it retains their amount, and if the requirements for prudence laid down in the Banco
de Cabo Verde’s regulations are met.

6. The terminal funding method may not fund a fund.

7. An actuarial report on the funding of each defined benefit or mixed pension
scheme shall be submitted annually to the Banco de Cabo Verde.

8. The management body may only begin paying new pensions under a
scheme if the amount of the fund exceeds or is equal to the present value of the
pensions currently in payment and the new pensions due, calculated according to
the assumptions set out in the regulations for calculating the minimum funding
requirements, except if a funding plan approved by the Banco de Cabo Verde already exists.

9. The Banco de Cabo Verde shall set the financial, technical and actuarial management rules to be observed when managing funds, namely for the accomplishment of the principles laid down in the above paragraphs.

Article 151

Technical and actuarial plan

1. In the case of defined benefit or mixed pension schemes, a technical and actuarial plan shall be arranged to serve as a basis for calculating contributions to be made by associates and contributors, according to the benefits to be funded and the beneficiaries covered, in keeping with the provisions laid down by the Banco de Cabo Verde.

2. The technical and actuarial plan shall include the following information:
   a) Number of participants and beneficiaries covered;
   b) Assumptions and funding method used;
   c) Present value of liability to be funded;
   d) Amount and frequency of contributions;
   e) Indication of method and time limit for meeting the minimum funding requirements set out by the rules in force;
   f) Any other information deemed necessary for a full understanding of the funding plan.

3. The technical and actuarial plan underlying the funding of each defined benefit or mixed pension scheme shall be reviewed, at least, every three years.

Article 152

Composition of fund assets

1. The nature of the assets making up the pension fund, the corresponding percentage limits and the general principles of matching and valuation shall be defined by a ministerial order issued by the Minister of Finance, after hearing the opinion of the Banco de Cabo Verde.

2. When deciding upon the composition of pension fund assets the management body shall take into account the type of liability being funded so as to guarantee the security of, return from and liquidity of the investments while ensuring their prudent diversification and spread.

3. The accounting and valuation criteria for fund assets shall be defined by the Banco de Cabo Verde’s regulations.
Article 153

Responsible actuary

1. The management body shall appoint a responsible actuary for each defined benefit or mixed pension scheme funded by a pension fund he manages, while simultaneously:

   a) Submitting an application to incorporate a closed pension fund;

   b) Sending a collective membership to an open pension fund.

2. The conditions a responsible actuary must meet shall be laid down in a ministerial order issued by the Minister of Finance, after hearing the opinion of the Banco de Cabo Verde.

3. In addition to preparing the annual actuarial report, the responsible actuary is required to certify:

   a) The actuarial valuations;

   b) The pension fund’s funding level;

   c) The suitability of the technical and actuarial plan;

   d) The present value of the total liabilities for the purpose of determining whether there is surplus funding under article 154;

   e) The suitability of the nature of the assets making up the pension fund in the light of its liabilities, from the time and under the terms laid down for that purpose in the Banco de Cabo Verde’s regulations.

4. A responsible actuary shall be replaced within 45 days of knowledge of the event that requires his/her replacement. Notice shall be given to the Banco de Cabo Verde within 15 days of the new responsible actuary taking office.

CHAPTER V

Pension fund management and custody

Article 154

Management bodies

1. Pension funds may be managed either by financial management companies, in accordance with number 1 of Article 20, or by insurance undertakings which legally pursue the life insurance business in Cabo Verde.

2. The management body shall perform all of its acts in the name of and on behalf of the associates, participants, contributors and beneficiaries. As the fund’s administrator and legal representative, the management body may deal in assets and real estate, make bank deposits in the fund’s name and exercise all rights or perform all acts directly or indirectly related to the fund’s assets.
3. A management body may manage one or more pension funds.

4. Notwithstanding participants’ and beneficiaries’ rights, closed pension funds that involve considerably large amounts may be managed by more than one management body, in circumstances and under conditions laid down by the Banco de Cabo Verde’s regulations.

5. Whenever more than one management body manages a closed pension fund, the associate shall name the management body responsible for consolidating the accounting and for appointing the responsible actuary.

6. Management bodies may not transfer, in whole or in part, the pension fund management powers granted to them by law to third parties, although they may employ the services of third parties where it is convenient for the pursuit of their duties, namely the provision of specialist advice on actuarial and investment matters and the execution, under their supervision and responsibility, of acts and operations of which they are in charge.

7. Notwithstanding their liability towards the pension funds, associates, participants and beneficiaries, management bodies may only delegate the management of part or all of a pension fund’s assets to credit institutions and investment companies legally authorised to manage assets in OECD member countries.

8. A written agreement shall be signed by the management body together with the providers of the services set out in the above paragraphs. The agreement shall ensure the assets are employed to the fund’s objective under the terms to be defined by the Banco de Cabo Verde’s regulations.

Article 155

Management bodies’ duties

Management bodies shall be charged with performing all acts and operations necessary or appropriate for the good administration and management of the pension fund, in accordance with the terms set forth in Article 20, and furthermore shall, depending of the pension fund specialty:

a) Evaluate the fund’s liabilities;

b) Collect the expected contributions and guarantee, directly or indirectly, payments due to beneficiaries;

c) At the beneficiary’s request, pay directly the sums due by the beneficiary corresponding to those referred to in article 127 paragraph 3, by deducting the respective amount from the pension in payment.
Article 156

Forbidden or restricted acts

Management bodies are especially forbidden, on their own behalf or when managing a pension fund, to:

a) Offer pension fund assets to third parties as a guarantee, irrespective of the legal form of the guarantee, except under report or loan agreements or others aimed at ensuring an efficient portfolio management, under the terms of a ministerial order to be issued by the Minister of Finance, after hearing the opinion of the Banco de Cabo Verde;

b) Purchase their own shares;

c) Grant credit on behalf of a pension fund unless it is mortgage credit or credit to participants under the terms laid down in the fund incorporation contract;

d) Grant credit on their own behalf, with the exception of mortgage credit to their employees benefiting from a security for guarantee or a bank guarantee.

Article 157

Internal control

Management companies shall be well and properly organised in administrative and accounting terms and shall employ suitable internal audit procedures.

Article 158

Auditing

1. Management bodies shall provide the Banco de Cabo Verde with the year-end documents relating to the pension funds duly certified by an official auditor or audited by an external auditor.

2. Pension fund management companies shall provide the Banco de Cabo Verde with copies of the management report, balance sheet, profit and loss account, and other financial statements certified by an official auditor or audited by an external auditor.

3. The requirements that must be met by the official auditors and by the external auditors that perform the aforementioned audits shall be laid down in a ministerial order to be issued by the Minister of Finance, after hearing the opinion of the Banco de Cabo Verde.
Article 159

Liquidity

Management bodies shall ensure that the pension funds at all times possess the necessary liquid assets to pay timely pensions and redemption capital to beneficiaries or to pay insurance premiums aimed at covering guarantees set out in the pension schemes.

Article 160

Solvency margin and guarantee fund

1. Management bodies shall have a suitable solvency margin and a compatible guarantee fund.

2. A management body’s solvency margin shall correspond to its assets, free of all and any foreseeable liability, less the intangible items.

3. From the moment they are authorised to manage a pension fund, management bodies shall have and maintain a guarantee fund that shall be an integral part of their solvency margin and correspond to one third of its amount.

Article 161

Composition of the solvency margin of management bodies

1. For the purposes of the solvency margin, a management body’s assets shall consist of explicit and implicit items, the latter by means of prior authorisation from the Banco de Cabo Verde.

2. The items making up the solvency margin are the following:

   a) The paid up share capital;

   b) Half of the share capital not paid up, as long as the paid up share represents a minimum of 25% of the share capital value;

   c) The free legal reserves including the revaluation ones, not representing any commitment;

   d) The profit and losses bottom line, deducted from distributions.

   e) The preferential shares and subordinated loans approved by the Banco de Cabo Verde.

   f) The financial instruments of indeterminate duration and other instruments approved by the Banco de Cabo Verde.

3. The implicit items that are an integral part of the solvency margin are the added values of non-exceptional nature, resulting from the under-valuation of asset elements.
4. The added values of non-exceptional nature resulting from the under-valuation of assets shall not be taken into account for the purposes of building up the minimum guarantee fund.

5. The *Banco de Cabo Verde* lays down the valuation criteria of assets corresponding to the solvency margin.

**Article 162**

**Solvency margin calculation**

1. Notwithstanding the provisions of paragraph 2 below, the amount of the solvency margin shall be calculated in the following way:

   a) If the management body bears the investment risk, the amount shall correspond to 4% of the value of the respective pension funds;

   b) If the management body does not bear the investment risk, the amount shall correspond to 1% of the value of the respective pension funds, provided the term of the management contract is greater than five years and the allocation to cover management expenses set out in the contract is fixed for a period exceeding five years.

2. The amount of the solvency margin may not, however, be less than the following percentages of the value of the pension funds managed:

   a) Up to 25 billion escudos - 1%

   b) The remainder - 1‰.

**Article 163**

**Inadequate solvency margin**

1. Whenever the solvency margin of a management body is found to be insufficient, even if only temporarily or due to special circumstances, or whenever the guarantee fund falls below the minimum limit defined, the management body shall, within a time period to be set by the *Banco de Cabo Verde*, submit a short-term financing plan to the latter in the terms of the paragraphs below.

2. The short-term financing plan shall be based on a suitable business plan that shall include provisional accounts.

3. The *Banco de Cabo Verde* shall establish, on a case-by-case basis, the specific conditions to be observed by the aforementioned financing plan, as well as its follow-up.
CHAPTER VI
Pension funds for Cabo Verdean communities

Article 164
Setting-up

1. Pension funds for Cabo Verdean communities expatriates shall be set-up as open pension funds.

2. Members of a pension fund for Cabo Verde expatriates must have resided permanently abroad for at least one year prior to the respective subscription.

3. The name of these funds shall include the expression “Fundo de Pensões para as Comunidades Cabo-Verdianas” (Pension Fund for Cabo Verde expatriates).

Article 165
Assets monitoring committee

1. Each pension fund for Cabo Verde expatriates shall set up an assets monitoring committee that shall comment on the fund’s investments at least twice a year and shall issue a brief opinion that shall be published once a year.

2. The composition of the assets monitoring committee shall be laid down in the fund’s management regulations.

TITLE VI
Supervision and Regulation

CHAPTER I
Article 166
Supervision

1. It is incumbent on the Banco de Cabo Verde to supervise the provisions set forth in these statutes.

2. The Banco de Cabo Verde, acting in its supervisory capacity, shall issue the required regulations and supervise their compliance.

3. The Banco de Cabo Verde has the legitimacy to judicially request the nullity or cancellation of deals agreed upon by the management bodies resulting in damages for the participants and other legitimate interested parties of the CIUs.

Article 167
Regulation

1. The Banco de Cabo Verde shall be responsible for regulating the provisions of
these statutes, as determined in several of its requirements, namely with regard to the following matters:

a) Type and operating conditions of CIUs;

b) Investment units with special rights and characteristics;

c) Cash payments to the CIUs or to the unit-holders;

d) Asset separation between CIU divisions;

e) Documentation for authorisation and approval;

f) The steps for CIU dissolution and liquidation, liquidation requirements, content of liquidation accounts and respective auditor’s report, as well as mechanisms for releasing sums raised through liquidation;

g) CIU mergers and splits;

h) Subcontracting of operations related to the management activity of CIUs;

i) Loans and repos of securities and use of derivatives in CIU management activities;

j) Operations carried out on behalf of CIUs involving assets listed for trading on regulated markets and carried out off these markets, and their respective registration;

k) CIU income and charges;

l) Assignment of incomes and benefits paid to the management body or other bodies remunerating their activities;

m) Evaluation of CIU assets and calculation of unit values;

n) Compensation for unit-holders resulting from errors, irregularities or other events;

o) Content of CIU instruments of incorporation;

p) Duty to provide information to the public, unit-holders, market and system operators, depositaries and marketing bodies or third party service providers, and among these bodies;

q) CIU accounting;

r) Calculation and publication of UCITS risk and earnings indices or measures;

s) Marketing of CIU units, namely the duties of marketing bodies, the conditions to which they are subject, the minimum content of the marketing contract, requirements for different marketing methods and rules regarding subscription and redemption;
t) Suspension of redemption or subscription transactions;
u) Marketing in Cabo Verde of CIUs registered abroad;
v) CIU groupings;
w) CIU with guaranteed assets or income and guarantee system.

2. The lack of regulations does not prevent the constitution and performance of the CIU, as long as this has been authorised by the Banco de Cabo Verde and the internal rules include adequate guidelines for the clear understanding by the public of the CIU’s object, transactions and risks incurred by participants.

3. While pending of specific regulations, the CIU accounts shall adopt “mutatis mutandis”, those of the credit institutions of Cabo Verde.

**Article 168**

**Commencement**

This Law shall come into force on the day following its publication.

Passed by the Council of Ministers

José Maria Pereira Neves – João Pinto Serra

Promulgated on 26 January 2005.

For publication.

The President of the Republic, PEDRO VERONA RODRIGUES PIRES

Countersigned on 31 January 2005.

The Prime Minister, José Maria Pereira Neves

**ANNEX I**

**Simplified prospectus**

**Summarised presentation of the investment fund:**

Creation date and duration of the investment fund and Member State where the investment fund was incorporated/ registered;

Identification of the divisions, if applicable;

Depositary;

Auditor;

Financial group.

**Information on investments:**
Summarised definition of the goals of the investment fund;

Investment policy and risk profile of the investment fund, highlighting the type of investment fund and specifically mentioning the type of assets in which it invests;

Historical evolution of the results of investment funds and a warning that this is not an indication of its future performance;

Profile of the type of investor at which the investment fund is aimed.

**Economic information:**

Tax system;

Subscription, redemption and transfer commissions;

Other charges, separating the unit-holder from the investment fund’s charges;

Marketing information;

Unit methods;

Unit acquisition methods;

Unit redemption methods;

Information on the transfer of units between investment funds divisions, including applicable commissions;

Frequency and method of income distribution;

Frequency of the publication of unit values.

**Additional information:**

Statement that the full prospectus along with half-yearly and annual reports and accounts may be obtained free of charge upon request, before or after subscription;

Identification of the supervisory authority;

Information on contacts for further clarifications;

Prospectus publication date.

**ANEX II**

**Full prospectus**

**Date of prospectus.**

**Investment fund information:**

Indication of the markets where the investment units are listed for trading;

Accounting cut-off date;
Identification of the investment fund auditor;

Succinct information on the tax system applicable to the investment fund, if applicable, and to the unit-holders, and the existence or otherwise of withholding tax on unit-holder profits and income;

Statement of the location where financial information documentation may be obtained;

Identification of the investment consultants and the essential elements of the respective service contract that may be of interest to the unit-holders;

Indication of the location and publication frequency of the unit value.

**Information relating to the management body:**

Identification of other CIUs managed by the management body;

Identification of the members of the management and supervisory committees of the management body and an indication of their main activities outside the management body, when significant and when they may interfere with the management body’s activities.

**Historical evolution of investment fund results.**

**Profile of the investor at which the investment fund is directed.**

The Prime Minister, *José Maria Pereira Neves*
Regulation no. 1/2006, of 18 October

Regulates the revenue and expenditures of the Collective Investment Undertakings

O.B. no. 40 - II Series
Regulation no. 1/2006

Collective Investment Undertaking (CIU)

With the aim of complying with the provision in Decree-Law no. 15/2005, of 14 February, which regulates the Collective Investment Undertakings,

The Banco de Cabo Verde, through the Office of the Auditor-General of the Securities Market, lays down the following:

CHAPTER I

General provisions

Article 1

Scope

1. Pursuant to the provision in article 167 of Decree-Law no. 15/2005, of 14 February, which approves the Collective Investment Undertakings, hereinafter referred to as CIU, this order regulates the following matters:

a) Revenue and expenditures of the collective investment undertakings;

b) Evaluation of the assets of the collective investment undertakings and calculation of the value of the shares;

c) Content of the instruments of incorporation of the collective investment body.

2. When not provided for separately, the standards of this order shall be applied to the collective investment undertakings foreseen in sub-paragraphs a) and b) of number 2 of article 1 of Decree-Law no. 15/2005, of 14 February.

CHAPTER II

Revenue and expenditures of the collective investment undertakings

Article 2

Management commission

1. In securities investment funds, the assessment costs of assets are included in the management commission.

2. The management commission may include a variable component, as long as the instruments of incorporation of the collective investment undertaking objectively identify said component, the reference parameter, the calculation method and the collection date.

3. The variable component is calculated by reference to the valuation of the collective investment undertaking in minimum periods or multiples of:

a) Three months, in the case of treasury and monetary market funds;
b) Twelve months, in all other cases.

4. The variable component shall be due whenever, subject to the periods referred to in the previous number, the valuation of the unit of the fund:

   a) is positive for the most recent period; and

   b) is greater than the reference parameter defined in the instruments of incorporation of the collective investment undertaking.

5. The variable component may not exceed 25% of the positive difference in valuation of the portfolio of the collective investment undertaking in relation to the reference parameter.

6. The reference parameter shall comply with the provision in article 71 of Decree-Law no. 15/2005, of 14 February and is coherent with the investment policy and the risk of the collective investment undertaking.

7. The collection of the variable component of the management commission may only take place after actual quantification of the respective amount, notwithstanding periodic recognition of same in the portfolio value of the collective investment undertaking.

CHAPTER III

Evaluation of the portfolio and calculation of the value of the units of the Collective Investment Undertakings

Article 4

General principles

1. The relevant methodology and criteria for the valuation of the CIU shall be expressly stated in the management rules and regulations.

2. Management companies must adopt uniform criteria and assumptions for the purposes of the valuation of the same assets in the portfolios of the different CIU they manage.

3. Structured assets which are not traded in a market are valued taking into consideration each component of the asset.

Article 5

Moment of reference

1. The value of the assets which make up the portfolio of the CIU, for the purpose of calculation of the value of a unit in the fund, refers to the moment indicated for valuation in the management rules and regulations for the purposes of determining the prices applicable and the composition of the portfolio.
2. As an exception to the previous number, management companies may opt not to take into account transactions on foreign markets carried out on the day to which the respective valuation refers, for the purposes of composition of a portfolio.

Article 6

Valuation of securities listed on a regulated market

1. The valuation of securities listed on a regulated market shall be carried out on a daily basis and shall correspond to the prices obtained in the markets on which they are listed, reported at the moment of reference, in accordance with the provisions of the following numbers.

2. If an asset is traded on more than one regulated market, the price to be used shall be that of the market which has the greatest quantity, frequency and regularity of transactions.

3. The management companies must define, in the instruments of incorporation of the CIU, the criteria adopted for the valuation of listed assets, from among the following possibilities:
   a) The last price obtained at the moment of reference;
   b) The closing price or reference price published by the entity which operates the market in which the assets are admitted to trading.

4. In the case of debt securities admitted to trading on a regulated market, the prices resulting from application of the criteria referred to in number 3 of the ensuing article may also be considered for the purposes of valuation, if the prices practised in the market are not considered to be representative.

5. The provision in the ensuing article shall be applied to securities admitted to trading on a regulated market which are not traded in the 15 days prior to the respective valuation.

Article 7

Valuation of securities not listed on a regulated market

1. The valuation of securities not listed on a regulated market shall be carried out on a fortnightly basis.

2. The criteria for valuation of unlisted assets, to be set by the management company, must take into consideration all information relevant to the issuer and the market conditions at the moment of reference of the valuation, and must take into account the presumed realisation value of said assets.

3. For the purposes of the previous number, the management company must adopt criteria that are based on the value of firm call offers or, if it is impossible to obtain these, the average value of call and put offers, published through specialised
entities which are not in a controlling or group relationship with the management company.

4. If it is impossible to apply the terms of the previous number, the management companies shall have recourse to valuation models universally used and recognised in the financial markets, ensuring that the assumptions used in the valuation are consistent with market values.

5. The valuation stipulated in the previous number may be performed by an entity sub-contracted by the management company, provided that:

a) Such situation is provided for in the management rules and regulations of the CIU;

b) The management company shall periodically define and examine the assumptions of the valuation models used.

6. In the case of securities which are in the process of being admitted to a regulated market, the management companies may adopt criteria which are based on the valuation of securities of the same type issued by the same entity and which are currently traded, taking into account the fungibility and liquidity characteristics between the issues.

7. Exceptionally, when extraordinary market circumstances justify it, the management companies may adopt different criteria to those established in the instruments of incorporation, provided they have prior authorisation by the *Banco de Cabo Verde*.

### Article 8

**Calculation of the net asset value of the CIU**

1. The net asset value of the CIU is calculated by deducting the value of commissions and charges borne up to the moment of valuation of the portfolio from the sum of the assets which make up the portfolio.

2. The deduction referred to in the previous paragraph must be carried out sequentially, as follows:

   a) Deduction from the portfolio value of the CIU of all of the legal and regulatory charges provided for and identified in the management rules and regulations, with the exception of those related to management, deposit and supervision fees;

   b) Deduction, simultaneously, of the management fee and the deposit fee from the net portfolio value of the CIU; and

   c) Deduction of the supervision fee payable to the *Banco de Cabo Verde* from the portfolio value of the CIU, net of other charges.
Article 9

Errors in valuation of the portfolio of the CIU

1. The management companies must, on their own initiative, repay any losses suffered by unit-holders as a consequence of errors in the process of valuation of the portfolio of the CIU, or in the calculation or publication of the value of the unit attributable to them, whenever:

   a) The difference between the amount which shall have been calculated and the amount actually calculated on subscriptions or redemptions is greater than or equal to 0.5% on an accumulated basis; and

   b) The loss suffered per unit holder is greater than 500 Escudos.

2. The management companies must also reimburse damaged unit holders, in accordance with the terms of the previous paragraph, as a result of any errors which take place in the realisation of transactions on behalf of the CIU or in imputation of subscription or redemption operations to the portfolio of the CIU, specifically as a result of their untimely processing.

3. For the purposes of item a) of paragraph 1, all errors which had not been rectified on the date of the most recent error detected shall be included.

4. The amounts payable under the terms of the previous numbers must be paid to those unit-holders who have suffered damages within a maximum of 30 days after the detection and calculation of the error, unless a different date is set by the Banco de Cabo Verde, and unit-holders must be individually advised of such proceedings within that period.

5. Compliance with the terms of the previous numbers does not preclude the exercise of any right to indemnity which is conferred upon unit-holders under the general terms of the law, specifically in relation to the charging of compensatory interest.

6. Management companies must at all times compensate the CIU, within the period referred to in paragraph 4, for damages suffered as a result of errors which take place in the valuation of the portfolio of the CIU, or in the calculation or publication of the unit value, or in the carrying out of subscriptions or redemptions, which are imputable to them.

Article 10

Information on the valuation of portfolios and units

1. Without prejudice to no. 1 of article 4, management companies must state in the management report of the annual report and accounts of each CIU, the criteria and methods adopted and the assumptions used for the valuation of the different categories of assets which make up the portfolio, with special emphasis on unlisted
securities or those which do not have equivalents.

2. Management companies must, in a note attached to the annual report and accounts of the CIU, disclose the amounts paid to the CIU and to the unit-holders as compensation under the provisions of the previous article.

3. Management companies must publish, by the 10th business day after detection and calculation of the error and through the means used for publication of the value of the unit, the information contained in Annex I of this order, and also the extent to which investors may be reimbursed for any losses suffered.

4. Management companies must keep an up-to-date register, with a minimum history of five years, of the criteria and assumptions used in the valuation of the different categories of assets which make up the portfolio of the CIU.

CHAPTER IV

Content of the instruments of incorporation of the collective investment undertaking

Article 11

Rules for preparation of management rules and regulations and full prospectus

1. The management company must, in accordance with the terms of Annex II to this regulation, prepare a full prospectus for each open-ended CIU.

2. The management company must, in accordance with the terms of Part I of Annex II to this Regulation, prepare management rules and regulations for each closed-ended CIU, in compliance with the specific legal and regulatory provisions for closed-ended CIUs, specifically no. 3 of article 41 of Decree-Law no. 15/2005, of 14 February.

3. For the effects of the communication provided for in no. 4 of article 42 of Decree-Law no. 15/2005, of 14 February, an updated version of the simplified prospectus, highlighting any changes, must be sent to the unit-holders.

Article 12

Rules for preparation of the simplified prospectus

1. The management company must prepare, for each open-ended CIU, a simplified prospectus using language which is clear, concise and easily comprehensible by the common investor, and which contains the information in conformity with the model included in Annex III to this regulation.

2. The Banco de Cabo Verde may determine the introduction of additional information or authorise the exclusion of information envisaged in the previous number, taking into account the special characteristics of the CIU.
3. The content of the simplified prospectus must correspond totally with the substance of full prospectus and may not contradict or modify the content of the full prospectus.

4. A single simplified prospectus must be prepared in relation to each grouping of CIU, containing a general part concentrating on information common to the entire grouping, highlighting the specifics of their requirements, notably in relation to simultaneous subscription and redemption of units within the grouping, and a special part containing information specific to each CIU.

5. The simplified prospectuses of CIUs which forecast an investment of more than 30% of their net asset value in other CIUs must contain, apart from the elements specified in the ensuing article, information on:

   a) The option chosen by the management company in choosing the CIUs in which investment is made and also a brief reference to the respective management policies;

   b) The fact that the management commission, other than that charged in the scope of the CIU, is levied indirectly on the CIUs in which investment is made.

**Article 13**

**Global costs rate**

1. The global costs rate, hereinafter referred to as TGC, of a CIU is the quotient resulting from division of the sum of the management commission, deposit fee, supervision fees, auditing costs and other operational costs of a CIU provided for in Annex IV to this regulation, excluding transaction costs, in any given period, by its average net asset value in the same period.

2. The simplified prospectus must contain the TGC for the immediately previous calendar year, calculated with reference to 31 December, and this calculation must be validated by the CIU’s auditor.

3. Those CIUs referred to in no. 5 of article 12 must calculate and present in the simplified prospectus a TGC that takes into account the TGCs of the CIUs in which they invested.

**Article 14**

**Updating information**

1. Management companies must update the information contained in the simplified prospectus whenever they make changes to the full prospectus that relate to matters included in the simplified prospectus, and must, for this purpose, submit a draft of the updated simplified prospectus to the Banco de Cabo Verde, for its approval, pursuant to no. 1 of article 38 of Decree-Law no. 15/2005, of 14 February.
2. Management companies must update the simplified prospectus by the end of the month of March of each year, in particular in relation to the information referred to in the previous article, to the historical return and risk and to the tax regime applicable, sending an updated copy to the Banco de Cabo Verde by the fifth business day of the following month.

3. The updating of the simplified prospectus in accordance with the previous number does not depend on approval by the Banco de Cabo Verde.

**Article 15**

**Entry into force**

This regulation shall enter into force on the date of its publication in the *Official Bulletin*.


**ANNEX I**

**Form for publication of errors in the calculation of the value of units**

(Information specified in article 10 of the Regulation governing Collective Investment Undertakings)

NAME OF MANAGEMENT COMPANY:

NAME OF UCITS:

CODE OF UCITS:

DESCRIPTION OF THE ERROR:

<table>
<thead>
<tr>
<th>Changes to the value of the unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
ANNEXO II
Model of Full Prospectus
(Information specified in article 11 of the Regulations governing Collective Investment Undertakings)

FULL PROSPECTUS
[“Full name of the CIU”]
(Date)

Authorisation of a CIU means that the Banco de Cabo Verde considers the constitution of that CIU to be in accordance with the applicable legislation, but does not involve any guarantee or liability on the part of the Banco de Cabo Verde in relation to the sufficiency, veracity or objectiveness of the information provided by the management company in this prospectus, nor that it is up-to-date, nor any judgment on the quality of the securities which make up the portfolio of the CIU.

PART I
Management rules and regulations of the CIU

CHAPTER I
General information on the CIU, the management company and other entities

1. THE CIU
   - Name of the CIU
   - Type of CIU
   - Date of authorisation of the incorporation of the CIU by the Banco de Cabo Verde
   - Duration of the CIU and the date of incorporation of the CIU
   - Date of the most recent update of the management rules and regulations
   - Number of unit-holders of the CIU

2. The Management Company
   - Name and headquarters of the management company
   - Type and capital subscribed and paid by the management company
- Date of incorporation of the management company and date of authorisation
- Duties/functions of the management company

3. The Custodian

- Name and headquarters of the custodian.
- Duties/functions of the custodian: a detailed indication of the functions and duties of the depositary entity in the exercise of its activity.

4. The Marketing Entities

- Identification of the Marketing Entities
- Identification of the marketing means

5. The Auditors (for real-estate investment funds)

- Identification of the real-estate auditors

6. Sub-contracted Entities

- Identification of the Sub-contracted Entities
- Identification of the services which are the subject of sub-contracting

CHAPTER II

Investment policy for the portfolio of the CIU and policy on yields

1. Investment policy

1.1. Investment policy of the CIU

- Identification of the objective (e.g.: return/valuation), type of CIU in question and the investment strategy;
- Identification of the type of assets/real-estate and financial instruments that make up the portfolio and respective percentage limits;
- The level of specialisation of the CIU, specifically, in sectoral or geographical terms.
- CIUs which intend to have recourse to the possibility of investment specified in nos. 10 and 11 of article 67 of the Legal Requirements of CIUs, approved by Decree-Law no. 15/2005, of 14 February, must expressly identify the issuers in which the intend to invest more than 35% of the net asset value of the CIU and include a statement making clear the special nature of their investment policy.

1.2. Markets
- Management companies shall indicate only those in which they intend to invest, so as not to dilute the objectiveness of the investment policy. In relation to the markets in which it intends to invest sporadically, this fact shall be expressly stated, with an indication that such investment shall be limited to a residual percentage of the net asset value of the CIU.

- In relation to the markets referred to in sub-paragraph a) of no. 1 of article 63 of the Legal Requirements of CIUs, approved by Decree-Law no. 15/2005, of 14 February, the regulated markets in which the securities are currently admitted to listing or trading shall be indicated, respectively, and not, necessarily, the markets in which the securities are actually traded.

- If the same security is admitted to listing in more than one regulated market, it is not necessary to indicate all markets, exhaustively, but only the most important in terms of liquidity.

1.3. Benchmark (reference parameter)

- In cases in which a reference parameter is adopted (index, rate or other benchmark), its characteristics shall be succinctly explained.

- In the particular case of exchange-traded UCITS, the index reproduced and its principal characteristics shall be clearly identified.

1.4. Legal limits to investment

The legal and regulatory limits to investment shall be indicated, with the specialties in accordance with the type of CIU and also the limits to investments in securities issued by a single entity, as set forth in article 67 of the Legal Requirements of CIUs approved by Decree-Law no. 15/2005, of 14 February.

1.5. Special characteristics of the CIU

Whenever applicable, the special characteristics of the CIU in relation to the composition of the portfolio or its management techniques, specifically high volatility, shall be stated.

2. Derivative financial instruments Instrumentos financeiros derivados

Identify:

- The aims of using such instruments: risk coverage and/or other objectives of proper management;

- The type of operations to be carried out;

- The maximum limits on use;

- The impact on the risk profile.
3. Valuation of assets

3.1. Moment of reference of evaluation:

Indication of the relevant moment for:

- the valuation of the assets which make up the CIU’s portfolio;
- the determination of the composition of the portfolio which must, in principle, take into account all of the transactions carried out up to that moment.

3.2. Rules for valuation and calculation of the value of the unit

Detailed indication of the criteria adopted, according to the type of assets.

4. Exercise of voting rights

If applicable, the general policy of the management company in relation to the exercise of the voting rights conferred by the shares held by the CIU shall be indicated.

5. Management commissions and charges to be borne by the CIU

All charges to be borne by the CIU shall be mentioned, through inclusion of a table of costs (in which the charges directly borne by the investor and those which are payable by the CIU are distinguished) and the Global Costs Rate (TGC) presented in accordance with the provisions of article 13 of these Regulations.

5.1. Management commission

- Value of the commission: when the value of the commission does not correspond to a fixed rate, the maximum percentage amount which such commission may reach must be indicated;
- Method of calculation of commission: commission must be calculated daily, and all of the criteria on which the calculation of commission depends must be indicated;
- Conditions for collection of commission: periodicity of collection.
- Where the management commission is indexed to market reference parameters (index, rate or other), its characteristics shall be briefly explained.

5.2. Deposit commission

- Value of the commission;
- Method of calculation of the commission;
- Conditions for collection of the commission.
5.3. Other charges

- Other charges imputed directly upon the CIU, such as expenses arising from the purchase or sale of the CIU’s securities and others inherent to the management thereof, shall be indicated (e.g. stock exchange and brokerage commission, auditing costs or legal and fiscal costs and expenses relating to the use of forward derivatives, loans and repos);

- In the case of real-estate funds, the typical costs shall be indicated (e.g. costs with the maintenance of assets, costs related to the purchase, sale or lending of assets, real-estate mediation costs, costs related to the compulsory audits;

- It shall be stated that there are charges which are necessarily excluded (e.g. remuneration of consultants or sub-custodians).

6. Rules for determining the results of the CIU and its allocation

7. Policy on yields

Indication of whether it is a capitalisation or distribution CIU, in which case it must be indicated if:

Indicação de que se trata de um OIC de capitalização ou de distribuição; neste caso, deve ainda indicar-se:

- the amounts are subject to distribution (total or partial);
- the criteria;
- the periodicity of this distribution.

CHAPTER III

Units and conditions for subscription and redemption

1. General characteristics of the units

1.1. Definition

1.2. Form of representation

2. Value of the unit

2.1. Initial value

2.2. Value for the purposes of subscription

2.3. Value for the purposes of redemption

3. Conditions for subscription

3.1. Minimum subscription values
- Indication of the amount or number of units, distinguishing between initial and subsequent subscriptions;
- Where there are subscription plans, detailed information shall be given on their functioning.

3.2. Subscription commissions

3.3. Date of effective subscription

4. Redemption conditions

4.1. Redemption commission

4.2. Prior notification

4.3. If applicable, the conditions for transfer of units of the CIU must be identified.

CHAPTER IV

Rights and duties of unit-holders

The rights of unit-holders must be clearly indicated, specifically those which involve:

- Receiving the simplified prospectus before subscription to the CIU, whatever the means of sale of the CIU;
- Obtaining the full prospectus, at no charge, from the management company, the custodian or the placement entities, whatever manner of marketing is used for the CIU;
- Access to the accounting documents of the CIU, which must be sent without charge to unit-holders who request them;
- Subscription and redemption of units in accordance with the law and the conditions contained in the instruments of incorporation of the CIU;
- Receiving their quota of ownership in the CIU in the event of its liquidation;
- Reimbursement by the management company for losses suffered, without prejudice to exercise of the right of indemnity recognised in their favour, under the general terms of the law, whenever, as a result of errors which may be imputed to the management company in the process of valuation, and publication of the value of the unit, the difference between the amount which shall have been calculated in accordance with the rules applicable and the amount actually used in subscriptions and redemptions is equal to or greater than 0.5% of the value of the unit.

A statement must be made of the fact that the subscription of units implies
acceptance of the terms of the management rules and regulations and awards the management company the powers necessary to perform the administration acts of the CIU.

CHAPTER V

Conditions of liquidation of the CIU and suspension of the issue and redemption of the units

1. Liquidation of the CIU

- The conditions for liquidation of the CIU, when carried out on the initiative of the management company, must be clearly indicated, and the applicable period for the purposes of payment of the proceeds of the liquidation must be expressly stated;

- It must be stated that the liquidation decision results in immediate suspension of subscriptions and redemptions of the CIU;

- If applicable, a statement shall be included making clear that the participants may not demand liquidation of the CIU

2. Suspension of issuance and redemption of units

Cases in which the management company, at its discretion, may suspend transactions of subscription and redemption of units, and their effects, must be clearly indicated.

PART II

Information required under Annex II specified in article 40 of the legal requirements of CIUs approved by Decree-Law no. 15/2005, of 14 February

CHAPTER I

Other information on the management company and other entities

1. Other information on the management company

a) Corporate bodies:

- Management companies;

- Inspection bodies;

- Committee of the General Meeting of Stockholders;

- Main functions exercised by the members of the Management Body outside the management company;

b) Group relationships with other entities [custodian, placement entities,
consultants and other service providers] and identification of the economic group to which they belong, if applicable;

c) Other CIUs managed by the same manager in accordance with Table A;

d) Contact details for clarification of any questions relating to the CIU.

2. Investment consultants

Identification of the investment consultants and of the essential elements of the respective service provision contract which might be of interest to the unit-holders.

3. Auditor of the CIU

Identification of the Auditor of the CIU.

4. Supervisory authority of the CIU

Identity of the supervisory authority.

CHAPTER II

Disclosure of information

1. Value of the unit

a) It must be stated that the daily value of the unit is published in all of the places and through all of the means used for the sale of CIU at a distance (specifically, the Internet);

b) It must be highlighted that the daily value of the unit is also published daily through one of the means of publication specified in paragraph 1 of article 43 of the Legal Requirements of CIUs established by Decree-Law no. 15/2005, of 14 February (indicate the means of publication chosen).

2. Admission to trading ào à negociação

If applicable, indicate the market(s) where the units are admitted to trading or the time when this is expected to take place.

3. Consultation on the portfolio of the CIU

It must be stated that the composition of the portfolio of the CIU is published monthly or quarterly, as the case may be, through one of the means of publication specified in no. 1 of article 43 of the Legal Requirements of CIUs, established by Decree-Law no. 15/2005, of 14 February (the means of publication chosen must be indicated).

4. Documentation of the CIU

a) The locations where the documents relating to the CIU are available, and the means by which they are available, must be indicated.
b) In relation to the annual and half-yearly reporting of accounts, it must be stated that prior notification shall be published (indicating the period of notice) through the means of publication specified in no. 1 of article 43 of the Legal Requirements of CIUs, established by Decree-Law no. 15/2005, of 14 February (indicating the means of publication chosen), stating that they are available for consultation in all of the locations and through all of the means of sale and that they can be sent without charge to the unit-holders who request them.

5. Accounts of the CIU

It must be stated that the annual and half-yearly accounts of the CIU are closed, respectively, on 31 December and 30 June, and that they shall be made available, in the former case, for a period of three months following their publication, and in the latter case for a period of two months following their publication.

CHAPTER III

Historical records of the CIU

a) The historic yield and risk of the CIU must be included, in the form of a chart showing the change in the value of the unit and the yield on the CIU in the last 10 calendar years or, if not applicable, in the calendar years which have elapsed since it commenced activity, and also a quantification of the yields obtained and the level of risk ascertained in those periods.

b) It must be stated that the data which serve as a basis for calculation of the historic yield and risk are facts from the past, which, as such, may not be repeated in the future, and there must be an explanatory note on the levels of risk.

CHAPTER IV

Profile of the investor to which the CIU is directed

A characterisation of the profile of the investor to which the CIU is targeted must be given, and the characteristics of the investor which are best suited to investment in the CIU must be indicated, specifically: the investor's level of risk aversion and tolerance for oscillations in the value of the invested capital; the investors' investment objectives, such as: liquidity, yield or tax benefits, and also the preferable period of the investment.

CHAPTER V

Taxation system

The full prospectus must contain a detailed description of all of the taxation factors applicable to the CIU and to the unit-holder.
1. In relation to the CIU, the taxation system applicable must be set out, emphasis being given to the taxation inherent to the securities in which it actually invests or can invest.

2. In relation to the unit-holder, the system that is applicable according to the unit-holders’ category, must be explicitly stated.

**TABLE A**

CIUs managed by the management company as at 31 December xxxx

<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Investment policy</th>
<th>Net asset value of the fund</th>
<th>Number of unit-holders</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
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<tr>
<td>D</td>
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<tr>
<td>E</td>
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<td>F</td>
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<td></td>
</tr>
<tr>
<td>G</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of CIUs</td>
<td>-</td>
<td>-</td>
<td>Total value</td>
<td>-</td>
</tr>
</tbody>
</table>
**ANNEX III**

**Model of Simplified Prospectus**
 *(Information specified in article 12 of the Regulations for the Collective Investment Undertakings)*

### SIMPLIFIED PROSPECTUS
*(Updated on (date). Indication of the date of the last update of the prospectus)*

<table>
<thead>
<tr>
<th><strong>Identification of the CIU</strong></th>
<th>Name and date of incorporation of the CIU, previously called</th>
<th></th>
</tr>
</thead>
</table>

| **Type and duration** | Type and duration of the CIU |  |
| **Management company** | Identification of the management company and of the financial group to which it belongs |  |
| **Investment consultants** | Identification of the investment consultants of the CIU |  |
| **Depositary bank** | Identification of the depository |  |
| **Marketing entities** | Identification of the marketing entities and respective marketing locations and means of the CIU |  |
| **Auditors** | Identification of the real-estate auditors, for real-estate funds |  |
| **Auditor** | Identification of the auditors of the CIU |  |
| **Supervisory authority** | Identification of the supervisory authority |  |
| **Investment policy** | Brief description of the investment policy of the CIU |  |
| **Risk associated to the investments** | The risks associated with the CIU’s investments, indicating the most important, taking into account the type of CIU (e.g. the risk of price variation, credit risk, interest rate risk, foreign exchange risk or country risk). If the CIU invests in derivatives with a purpose other than coverage of risk, the increase of risk associated with this fact must be explicitly highlighted. |  |
| **Investor profile** | The profile of the investor to which the CIU is targeted, and the characteristics of the investor best adjusted to investment in the CIU shall be indicated, specifically their level of risk aversion and tolerance for oscillations in the value of capital invested, their investment goals, such as liquidity, yield or tax benefits, and also the advisable period of investment. |  |
### Change in the value of the unit:
Graph showing the change in value of the unit (last 10 years) and, if applicable, in comparison to the benchmark of the CIU.

### Historic yield and risk:
- Graph showing the change in the yield of the CIU (in the last 10 financial years or, if not applicable, in the financial years that have elapsed since it began its activities), using a scale that suitably represents the volatility of the CIU.
- Quantification of the yields obtained and the level of risk verified in these periods.

### Notices:
A statement making clear that the data which serve as the basis for calculation of historic yields and risk are past events, and, as such, shall not necessarily occur in the future, and an explanatory note on the levels of risk involved.

<table>
<thead>
<tr>
<th><strong>Global Costs Rate (TGC)</strong></th>
<th>The global rate of expenditure (Taxa Global de Custos - TGC) presented under the terms of Article 68, and the average turnover of the portfolio as specified in Annex 10 to this Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Table of Costs</strong></td>
<td>Table of costs in accordance with Annex 10 to this Regulation</td>
</tr>
<tr>
<td><strong>Subscription</strong></td>
<td>The means of determining the value of the unit for the purposes of subscription and redemption and the respective conditions of subscription, redemption and transfer</td>
</tr>
<tr>
<td><strong>Redemption</strong></td>
<td>The means of determining the value of the unit for the purposes of subscription and redemption and the respective conditions of subscription, redemption and transfer</td>
</tr>
<tr>
<td><strong>Distribution of yields</strong></td>
<td>The policy for distribution of the yield of the CIU</td>
</tr>
<tr>
<td><strong>Admission to trading</strong></td>
<td>Indication of the markets where the units are currently admitted to trading, or a statement of expected timetable for such admission, as the case may be</td>
</tr>
<tr>
<td><strong>Publication of the value of the unit</strong></td>
<td>Indication of the locations and frequency of publication of the value of the unit</td>
</tr>
<tr>
<td>Consultation of other documentation</td>
<td>The locations where other documentation relating to the CIU may be consulted, with an indication that the full prospectus and the annual report and accounts may be obtained free of charge, on request, before or after subscription</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Tax requirements</td>
<td>Description of the tax requirements applicable to the CIU and to unit-holders resident in Portugal</td>
</tr>
<tr>
<td>Contacts</td>
<td>Contact details for clarification of any questions relating to the CIU</td>
</tr>
</tbody>
</table>

1. Simplified prospectuses must have a maximum of two pages, in A4 format, for each CIU
2. If the CIU has changed its name in the last 6 months, the previous name must be included
ANNEX IV

(Information specified in article 13 of the Regulations governing Collective Investment Undertakings)

Table of costs charged to the CIU

<table>
<thead>
<tr>
<th>Costs</th>
<th>Amount</th>
<th>% NAV(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management commission</td>
<td></td>
<td></td>
</tr>
<tr>
<td>\textit{Fixed component}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>\textit{Variable component}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposit commission</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervision charge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditing costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GLOBAL COSTS RATE (TGC)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Average for the reference period.

Table of costs charged to the CIU and unit-holders, under the management rules and regulations

<table>
<thead>
<tr>
<th>Costs</th>
<th>% of the Commission(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chargeable directly to the unit holder</td>
<td></td>
</tr>
<tr>
<td>Subscription commission</td>
<td></td>
</tr>
<tr>
<td>Transfer commission</td>
<td></td>
</tr>
<tr>
<td>Redemption commission</td>
<td></td>
</tr>
<tr>
<td>Chargeable directly to the CIU</td>
<td></td>
</tr>
<tr>
<td>Management commission</td>
<td></td>
</tr>
<tr>
<td>\textit{Fixed component}</td>
<td></td>
</tr>
<tr>
<td>Variable component</td>
<td></td>
</tr>
<tr>
<td>---------------------------------</td>
<td></td>
</tr>
<tr>
<td>Deposit commission</td>
<td></td>
</tr>
<tr>
<td>Supervision charge</td>
<td></td>
</tr>
<tr>
<td>Other costs</td>
<td></td>
</tr>
</tbody>
</table>

1 If the commission varies in accordance with any criterion, the criterion must be made explicit.

### 10.3 – Average turnover of the portfolio during the reference period

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading volume</td>
</tr>
<tr>
<td>Average value of portfolio</td>
</tr>
<tr>
<td>Average turnover of portfolio (%)</td>
</tr>
</tbody>
</table>

The Office of the Auditor-General, Valentim Almeida Pinto.