



IFIAR 2019 Member Profile – CVM

<p>1. Jurisdiction</p>	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>Brazil</p>
<p>2. Member¹</p>	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>CVM – Comissão de Valores Mobiliários <i>Securities Commission of Brazil</i></p> <hr/> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p>Website Address: www.cvm.gov.br</p> <p>Postal Address: Rua Sete de Setembro, 111 Rio de Janeiro, RJ, 20050-901 Brazil</p> <p>Contacts:</p> <p>Mr. Eduardo Manhães Ribeiro Gomes Director, Office of International Affairs Phone: +55 21 3554-8263 Email: eduardom@cvm.gov.br</p> <p>Mr. José Carlos Bezerra da Silva Chief Accountant, Office of the Chief Accountant and Auditor Supervision Phone: +55 21 3554-8268 Email: josec@cvm.gov.br</p> <p>Mr. Uwe Kehl Deputy Director, Office of International Affairs Phone: +55 21 3554-8359 Email: uwek@cvm.gov.br</p> <p>Mr. Madson de Gusmão Vasconcelos Manager, Auditor Registration and Supervision Phone: +55 21 3554.4368 Email: madson@cvm.gov.br</p> <hr/> <p>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the</p>

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.



	<p>authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</p> <p>Authority and responsibilities are conferred mainly by the Securities and Corporation Laws, as amended (Laws Numbers 6.385/76, 6.404/76, and 10.303/01).</p> <p>The Securities Law – 6.385/76 provides that audit firms and independent auditors are required to be registered with the CVM in order to audit publicly held corporations and other entities acting in the securities market.</p> <p>With regard to auditing, legal provisions include powers to:</p> <ul style="list-style-type: none"> (i) supervise, oversee, and inspect auditors that audit public corporations, investment funds, and other market participants (ii) regulate the activities of auditors within the securities market (iii) register independent auditors (iv) examine and make copies of work papers (v) apply sanctions: warnings, fines, suspensions, and registration withdrawals <p>CVM Instruction 308/99 regulates accreditation and activities of independent auditors within the securities market.</p> <p>2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> <p>Not Applicable.</p>
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p>

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.



	<p>Mr. Marcelo Barbosa – Executive Chairman Term: 25/Aug/2017 to 14/Jul/2022</p> <p>Mr. Carlos Alberto Rebello Sobrinho – Commissioner Term: 24/Sep/2018 to 31/Dec/2019</p> <p>Mr. Henrique Machado – Commissioner Term: 20/Jul/2016 to 31/Dec/2020</p> <p>Mr. Gustavo Machado Gonzalez – Commissioner Term: 13/Jul/2017 to 31/Dec/2021</p> <p>Ms. Flavia Perlingeiro – Commissioner Term: 15/Mar/2015 to 31/Dec/2023</p> <p>The organizational structure includes the Office of the Chief Accountant and Auditor Supervision, with two divisions: Accounting, mainly for internal consulting, and Auditing, in charge of registration, supervision and inspections.</p> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The governing body is comprised of an Executive Chairman and four Commissioners, chosen among persons of sound reputation and recognized competence regarding capital markets, appointed by the President of Brazil after the Federal Senate approval, for five-year staggered terms.</p> <p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p>Not Applicable.</p>
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	<p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>All members of the CVM governing body should comply with Federal Law No. 12.813/2013 – Conflict of Interest Law which establishes an intermission period of 6 (six) months after leaving office, before accepting any professional position that could pose conflict of interest.</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role?)</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p> <p>Not Applicable.</p>
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>The main funding is the federal government budget. CVM generates its own revenues charging fees and fines from capital market participants, and collecting resources from legal settlements under the Securities Act’s consent decree clause. However, all resources must be sent to the central government to be included in the federal annual budget.</p> <hr/> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>As stated above, the source of CVM’s funding is the federal government budget.</p>



<p>5. Inspection System</p>	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <p>Not Applicable.</p> <hr/> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>CVM started inspections in 1978, soon after its establishment through the Securities Law (Law No. 6.385/76). The Department of On-Site Inspections used to carry the direct inspection program “on demand” i.e. on a case-by-case basis. In 2011 the Supervisory System Based on Risk – SBR was initiated and a direct periodic inspection program was implemented, in addition to the mentioned “on-demand” inspections.</p> <p>In 1999 a peer review system with recurring inspections undertaken by the Brazilian professional organization (<i>Conselho Federal de Contabilidade – CFC</i>) was implemented. The system continues to operate to this day. The CVM retains the ultimate responsibility for this system and exercises full oversight, remaining empowered to carry out its own direct inspections at any time (CVM Instruction 308/99).</p> <p>In additional to regular and recurring inspections under SBR, a number of internal and external factors may also generate inspections, such as:</p> <ul style="list-style-type: none"> -financial statement reviews by CVM staff -results of inspections performed in public companies or investment funds -liaison with banking and insurance regulators -results of the reports produced by the peer review system -complaints or whistle-blowing
<p>6. Audit and Financial Market</p>	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</p> <p><u>Number of Audit Firms Subject to Inspections</u></p>



	<p>Number of independent auditors registered (Dec. 2018): 371 (329 firms and 42 individual practitioners).</p> <p><u>Number of Public Interest Audits (Feb 2019 data)</u></p> <p>–Number of issuers registered with the CVM: 615</p> <p>–Number of companies listed on B3 (formerly Bovespa): 336</p> <p>–Market Capitalization: USD 1.04trn</p> <p>–Number of registered investment funds: 17,200</p> <ul style="list-style-type: none"> - 8,005 ‘mainstream’ funds regulated CVM Instruction No. 555 - 6,774 funds-of-funds and - 2,421 other funds (ABS funds known (FIDCs), real estate investment funds (FIs), private equity funds etc.) <p>–AUM: USD 1.9trn</p> <hr/> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</p> <p>Relevant market share of the largest audit firms is estimated regarding the number of public interest audits as follows:</p> <ul style="list-style-type: none"> • PricewaterhouseCoopers – 12% • KPMG – 22% • Ernst & Young – 16% • Deloitte – 9% • BDO RCS – 7%
<p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p>	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p><input checked="" type="checkbox"/> Registration/Licensing</p> <p><input type="checkbox"/> Audit and/or Ethics Standard Setting</p> <p><input checked="" type="checkbox"/> Permanent Education of Auditors</p> <p><input checked="" type="checkbox"/> Enforcement</p> <p><input type="checkbox"/> Other: _____</p> <hr/> <p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p>



	<p>Only auditors registered in the CVM can audit in Brazilian securities market. CVM must grant the license to auditors that meet certain requirements such as professional experience, administrative structure and registration in the Brazilian professional organization (<i>Conselho Federal de Contabilidade - CFC</i>).</p>
	<p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>Not Applicable</p>
	<p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>Regarding continuing education, CVM requires a pre-determined minimum and monitors an ongoing program performed by the Brazilian professional organization (<i>Conselho Federal de Contabilidade – CFC</i>). CFC guides, regulates and supervises the exercise of the accounting profession. Accountants and practitioners from the audit profession are involved in CFC decision-making.</p>
	<p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description</p>



	<p>of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>Not Applicable</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p>Not Applicable</p> <p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>CVM's statutory responsibilities include the supervision, oversight, inspection and enforcement of other securities market participants in addition to auditors. The supervision of financial reporting and securities regulation are also included in CVM's responsibilities.</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>1976 – Establishment of the CVM. Registration, supervision, enforcement and 'on-demand' inspection of independent auditors.</p> <p>1999 – CVM Instruction 308/99. Changed the requirements for auditors' registration, and addressed the following issues:</p> <ul style="list-style-type: none"> • audit firm rotation (5 years) • peer review system overseen by CVM • mandatory continued education for auditors • qualification exam system for auditors <p>2003 – CVM Instruction 381/03. Requires that audited companies disclose the amount of audit fees versus non-audit fees.</p> <p>2004 – First 'round' of audit firms' rotation.</p> <p>2007/08 – Independent academic study on audit firms' rotation cost-benefits analysis, published in July 2008.</p> <p>2009 – The second 'round' of audit firms' rotation was postponed to 2011 due to the IFRS convergence process (by 2010).</p> <p>2009 – Translation of ISAs, for their planned adoption in 2010 for audits of listed companies.</p> <p>2010 – Adoption of IFRSs and ISAs.</p>



	<p>2011 – CVM Instruction 509/11. Allows audit firms’ rotation period to be extended from 5 to 10 years, for those publicly held companies with a proper Audit Committee (<i>Comitê de Auditoria Estatutário</i>).</p> <p>2011 – Beginning of periodic direct inspections conducted by CVM, based on Supervision Based on Risk – SBR criteria.</p> <p>2018 – New regulation on automatic suspension of the registration of an audit firm or RT (<i>Responsável Técnico</i> – auditor responsible for specific engagements and qualified to sign audit reports) in the event of non-compliance with peer review / continued education rules.</p> <p>2019 – New regulation prohibits auditors from concomitantly being a partner and a RT for more than one firm.</p>
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