CAPITAL MARKETS

CLIENT ALERT

MARCH/2020

CVM ISSUES GUIDELINES FOR LISTED COMPANIES AND FINANCIAL INTERMEDIARIES IN RESPECT TO THE IMPACTS OF COVID-19

As consequence of the global dissemination of COVID-19, the Brazilian Securities and Exchange Commission ("CVM") issued guidelines to Brazilian listed companies as well as to financial intermediaries that operate in the Brazilian capital markets. With respect to Brazilian listed companies, the CVM guidelines require such companies to disclose the COVID-19 impacts on the company´ financial statements. The possible stress on financial intermediaries due to the increase in the number of daily transactions carried out in the capital markets is also a matter touched upon by the CVM.

The Brazilian regulator's guidelines issued were Ofício-Circular/CVM/SNC/SEP/nº 02/2020 and Ofício-Circular nº 02/2020-CVM/SMI. In the first regulation, CVM guides companies that have not issued their financial statements relating to the fiscal year ended on December 31, 2019, to register, in a subsequent event note, the economic impacts resulting from COVID-19, as per CPC 24.

For companies that have already issued their year end financial statements and are already preparing the first quarterly report (ITR) of 2020, the guidance is that they pay special attention to the risks and uncertainties generated by COVID-19, given that they may directly impact the preparation of the intermediary financial statements.

In addition, the CVM recommends that companies evaluate the necessity of issuing material facts and updating their reference forms for those companies that issue guidance with updated projections risk estimates related to COVID-19.

In Circular No. 02/2020-CVM/SMI, the recommendations deal with the action plans (business continuity plans) that should be implemented by financial intermediaries in cases of stress generated by the increase in the number of transactions.

For this purpose, the CVM recommends that the action plans (*business continuity plans*) of such financial intermediaries contemplate, at least, procedures and estimated deadlines for the re-start and recovery of activities in case of

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interruption of the critical business processes, as well as the procedures in the reception and execution of client orders.

In addition, the CVM emphasizes the duty of financial intermediaries to inform their clients about the impacts on the rendering of services resulting from possible stresses caused by the dissemination of COVID-19 and to make available, to clients, service channels by phone, electronic mail or other electronic message systems.

The compliance with CVM recommendations contributes to the regular operation of companies and the Brazilian capital markets, as well as can avoid penalties for non-compliance with the rules issued by CVM for moments of crisis such as the one the country is currently experiencing as a result of the dissemination of COVID-19.

The Veirano Advogados' capital markets team has extensive experience in advising public companies and financial intermediaries and is available to provide further clarification on these matters.

We are at your disposal if you have any questions or need additional information.

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