



CENTER FOR FINANCIAL
AND CAPITAL MARKETS
STUDIES

BEYOND THE REGULATOR'S DATA

*Enforcement on the Brazilian
Capital Market*

2021

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Presentation

2021 ENFORCEMENT REPORT

Information about the enforcement actions is essential to assess the effectiveness of the capital market laws.

This report presents the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários - CVM) enforcement actions during 2021. The Center for Financial and Capital Markets Studies of Getulio Vargas Foundation Law School data adds to CVM's accountability efforts. It provides an independent and analytical view of its outcomes. These figures are compared with 2019's results to demonstrate how enforcement action has evolved. Our research is based on publicly available information and organizes data beyond the official reports.

Our objective is to identify long-term trends and their relationship with CVM's legal mandate. According to the Brazilian Capital Markets Law, CVM must guarantee a fair, efficient, and transparent market. It must protect investors from issuer misconduct, executive wrongdoing, insider trading, and market abuse to achieve this goal.

It is worth noting that the CVM's enforcement actions exist within a broader context that includes educational, consultative, and oversight initiatives. Some activities are taken directly and others indirectly through self-regulatory bodies like BSM, ANBIMA, and APIMEC.

CVM is the regulatory agency responsible for regulating, monitoring, and punishing offenders in the Brazilian securities market. The penalties are applied under an administrative sanctioning proceeding conducted according to Law n. 6,385/1976 and Law n. 9,784/1999.

DISCLAIMER

This report was produced by researchers working for several different institutions. Please note that the material and any opinions do not necessarily reflect those of the Brazilian Securities and Exchange Commission (CVM), the Getulio Vargas Foundation, or any other institutions the researchers have any prior or current association.

Administrative Proceedings Decisions and Settlements Agreements

MAIN FINDINGS (1/2)

CVM ENFORCEMENT ACTIONS IN 2021

The number of sanctioning administrative proceeding decisions ruled by CVM dropped compared to past years. After reaching a historical record of 109 sanctioning administrative proceeding decisions in 2018, the number of cases has decreased, particularly after 2020 (63 cases against 98 in 2019), reaching 56 in 2021.

According to the CVM's data, the decrease of ruled cases coexists with expanding the number of new proceedings with potential sanctioning consequences. There were 346 proceedings by the end of 2021, presenting an increase of 36,7% compared to the previous year.

Some factors identified in 2020 continue to hamper greater agility in the conclusion of cases through trial, particularly the fact that CVM continued to work with unfilled vacancies of Commissioners throughout 2021.

The well-known budget problems have followed the unfilled Commissioners' seats. Although hard to quantify, its effects could be even more damaging in 2022 since National Congress has decided on a significant cut in the CVM's budget.

However, its worth noting that the new sanctioning regime adopted by Law No. 13.506/017 has not been followed by a greater intensity of enforcement action, especially when measured by the cases taken to trial (while the settlement agreements have remained somewhat stable in recent years, as will be seen).

Despite that, based on the analysis methodology applied by MFCap to data from the last three years, it is possible to notice a dynamism in the type of decided cases. In 2021 there was a prevalence of subjects related to issuer, whether due to corporate matters (45.6% of the accusations), misstating information (12.9%), or associated with the disclosure of financial statements (9.2%). This data contrasts with the one observed in 2020, when market abuse (23.8% of the cases) and public offering (15.9%) were highly representative, alongside corporate matters (27.0%).

At the same time, other issues remained with specific stability in 2021: there was no significant change in the percentage of convictions (50.3% of the analyzed accusations) nor in the prevalence of natural persons as accused (86.9%).

Administrative Proceedings Decisions and Settlements Agreements

MAIN FINDINGS (2/2)

CVM ENFORCEMENT ACTIONS IN 2021

The total value of pecuniary fines applied each year confirms a more modest sanctioning activity. In 2021 the total value reached its lowest point at least since 2016 – even in a new context in which the amount of the potential pecuniary fine has increased from R\$500,000 to R\$50 million by the Law No. 13.506/2017 (applicable to facts that occurred after its entry into force).

The decrease in 2021's monetary amounts can be better understood by looking at some detailed data. The analysis of the MFCap brings an important finding, which concerns the bias created by the existence of cases with very significant fines in previous years. Contrary to 2020 (when almost half of the value of the total penalties resulted from a single case), in 2021, the largest fine applied was much less representative of the total (about 5%).

We found that CVM reviewed 282 settlement agreement proposals in 2021, compared to 274 in 2019 and 178 in 2020.

In percentage terms, there was an increase in rejected proposals (57.3% in 2021, 43.8% in 2020, and 37% in 2019). Among the accepted proposals, the prevalence of obligations to pay amounts remains (98.3% of the cases with accepted proposals).

Market abuse, portfolio management, misstatements, and failures in providing services by intermediaries were the themes that most appeared in the conduct related to the proposed settlement agreements.

As for the total amount of the obligation to pay established in the settlement agreements, there has been an increase in the last two years. In the amounts obtained by CVM with the settlement agreement in 2019, MFCap recorded total payments of R\$ 66.2 million and R\$ 43.5 million in 2020, against approximately R\$ 69 million in 2021.

Administrative Proceedings Decisions

OVERALL RESULTS

ADMINISTRATIVE SANCTIONING PROCEEDINGS IN 2020

There were decisions on 56 CVM administrative sanctioning proceedings in 2021. These cases involved 206 defendants, including 179 individuals, 25 legal entities, and 2 investment funds.

Chart 02 – Administrative sanctioning proceedings results, by accusation - CVM 2021

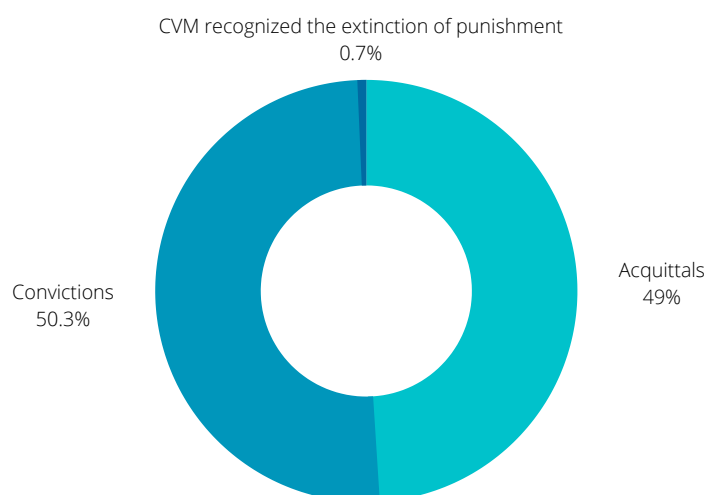
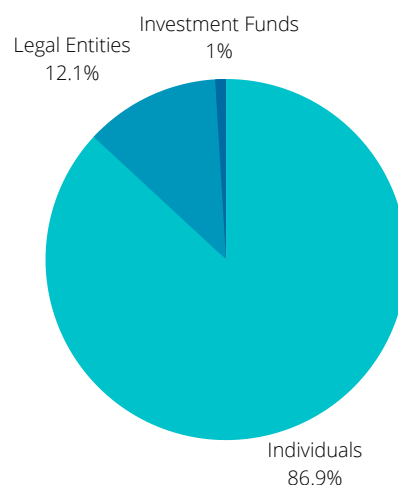


Chart 01 - Individuals, Legal Entities and Investments Funds charged in administrative sanctioning proceedings - CVM 2021



CHARGES

The 56 decisions on administrative sanctioning proceedings in 2021 assessed 294 charges against 206 defendants.

CONVICTIONS

These 294 charges resulted in 148 convictions and 144 acquittals. In 2 decisions, the CVM recognized the extinction of punishment.

56

Administrative
sanctioning proceedings
decisions in 2021

294

Charges in 2021

50,3%

Of cases resulted in
convictions

Administrative Proceedings Decisions

TYPES OF MISCONDUCT AND CASES OUTCOMES

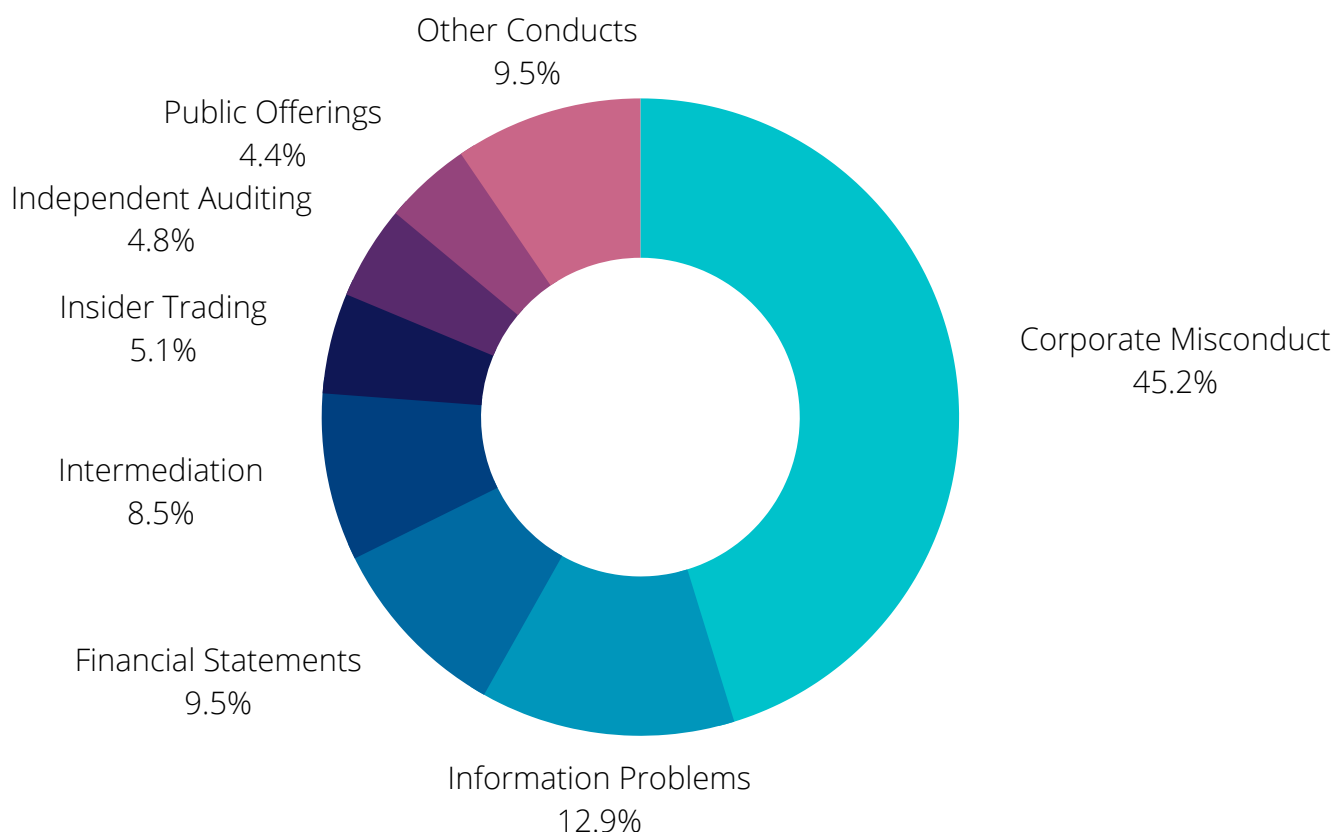
TYPES OF MISCONDUCT

The 294 charges in PAS judged in 2021 involved corporate misconduct (133), information problems (38), financial statements (28), intermediation (25), insider trading (15), independent auditing (14), public offerings (13), portfolio management (7), service delivery failures (6), market illicit (6) and others (9).

CORPORATE WRONGDOING AS THE MOST FREQUENT TYPES OF MISCONDUCT

Cases of corporate misconduct represent half the decision in 2021, followed by informational problems, irregular practices in financial statements, and issues related to intermediaries. Market illicit, which in 2019 and 2020 appeared in large numbers in the sanctioning action of the CVM, were not very representative in 2021.

Chart 03 – Types of misconduct in administrative sanctioning proceedings - CVM 2021



(*) To make the graph, the cases classified as "portfolio management", "service failures", "market illicit" and "others" were aggregated into "other conducts".

Administrative Proceedings Decisions

OVERVIEW OF CORPORATE CASES

Following the 2020's trend, acquittals outnumber executive's convictions. In 2021, the 133 accusations of corporate misconduct resulted in 89 acquittals and 44 convictions.

Of these 44 convictions, 32 ended with the imposition of a fine and 12 with a warning.

Next to corporate misconduct, misstating information were found in 12 cases, in which there were 26 executive involved and 39 accusations. In this matter, there was a high number of convictions (29), which resulted in 25 fines.

Still, on a topic related to the corporate, six cases of irregularities in the financial statements were ruled in 2021, involving 19 executives and 28 accusations. There were 15 acquittals and 13 convictions, with the fine being the most common penalty (10), followed by three warnings.

In 2021, the 133 accusations of corporate misconduct involved 95 defendants and were concentrated in 18 sanctioning administrative proceedings. Almost all accused are managers of publicly-held companies (92), with only 3 controlling shareholders.

Corporate cases involve breaches of the duties of executives, problems with capital increase, irregularities in the convening and holding of meetings, abuse in the exercise of voting rights, and conflict of interests.

As of 2020, executives' breach of the duty of care is the most frequent accusation, with 54 occurrences. It is also worth noting violations of the duty of loyalty, which appear in 11 allegations against executives. Unlike 2020, there were three cases involving irregularities in the capital increase this year.

133

Accusations in corporate misconduct

54

Accusations involving duty of diligence of executives

66%

Were acquitted in corporate matters involving shareholders and executives

Administrative Proceedings Decisions

OVERVIEW OF PUBLIC OFFERINGS

PUBLIC OFFERS IN THE CONTEXT OF ENFORCEMENT

In 2020, problems related to the public offering or distribution of securities were the third most frequent topic in the CVM's sanctioning activity, occurring in 15.9% of the processes analyzed. In 2021, the matter lost representativeness, and accusations in this area dropped to 4.4.% of total analyzed conduct, present in 6 cases.

Of the 13 charges brought to trial in 2021, 12 concern a possible violation of art. 19 of Law No. 6.385/1976, which requires prior registration of public distribution of securities. The last one dealt with non-compliance with the mandatory public offering (OPA, in Portuguese) rule.

In contrast to the settlement agreements, at least in the cases brought to trial, the cases deal with irregular distribution and not with non-compliance with the rule applicable to registered offers, e.g., CVM Instruction No. 400/2003 and CVM Instruction No. 476/2009.

For the 12 charges relating to the violation of art. 19 of Law No. 6.385/1976, the absolute predominance is of cases linked to irregular offers in the real estate area, a topic that has been part of the regulatory agenda of the CVM at least since 2013, when the first alert was published to market about "condominium hotel," or "condo hotel." Subsequently, the matter received specific treatment, with CVM Instruction No. 602/2018.

In all analyzed cases of distribution without registration, the penalty applied was a pecuniary fine. In four convictions, the value was determined according to the value of the operation, as admitted by art. 11, §1, II of Law No. 6.385/1976.

The profile of judged cases contrasts with the growth in the number and volume of offers (including IPO), which didn't affect the shape of ruled cases in 2021. Another factor that also didn't significantly influence the results is the dissemination of the use of crypto-assets, which may configure securities in the face of art. 2 of Law No. 6.385/1976.

6

Number of proceeding involving public offers matters

0

Proceeding involving the conduct of underwriters or other intermediaries active in the distribution

8

Convictions for breaching art. 19 of Law No. 6.385/1976

Administrative Proceedings Decisions

OVERVIEW OF INTERMEDIATION

THE INTERMEDIATION OF SECURITIES

Problems in the performance of members of the distribution system (or even activities carried out without the mandatory prior authorization) showed a slight increase concerning 2020, with 25 decisions (8.5% of the accusations brought to trial by the Collegiate). In the previous year, intermediation activity was not very representative in the universe of administrative proceedings ruled by the CVM, with only 4.8% of the cases in the sample studied in 2020.

The basic rule for the intermediation of securities in the secondary market is CVM Resolution No. 35/2021 (formerly CVM Instruction No. 505/2011), which addresses the necessary compliance with the rules, procedures, and internal controls of the stockbrokers. According to the MFCap survey, only three cases addressed this issue (one of them limited to customer registration issues), resulting in the application of warning sentences for the legal entity and its administrators (2 cases) and fines (1).

For its part, although there are more than 17,000 investment advisors (the new name for autonomous investment agents, according to Law No. 14,317/2022) in the country, in 2021 there were few cases that addressed problems in their conduct: 4 autonomous investment agents were accused of practices prohibited by CVM Instruction No. 497/2011 (currently, CVM Resolution No. 16/2021) and CVM Instruction No. 8/1979 (CVM Resolution No. 62/2022), with the application of pecuniary penalties ranging from BRL 50,000 to BRL 250,000, as well as a fine of suspension.

Indicated by the CVM as one of the priorities in terms of supervision for the 2021-2022 Biennium, the activity of irregular intermediation had two judged cases, both resulting in the acquittal of the five people involved for possible violation of art. 16 of Law No. 6,385/1976 (which requires prior authorization from the local authority to carry out intermediation activities).

2

Number of processes involving rules, procedures and internal controls of stockbrokers

4

Autonomous Investment Agents had their conduct brought to trial in 2021.

1

Case with irregular intermediary acting in the price formation in the distribution of shares

Administrative Proceedings Decisions

SANCTIONS

148 PENALTIES WERE IMPOSED IN 2021

The most common sanction was financial penalties: 115 were applied in 2021. Other penalties such warnings (30), prohibitions (2) and disqualification (1) were far less common.

Chart 04 - Penalties applied in administrative sanctioning proceedings - CVM 2021

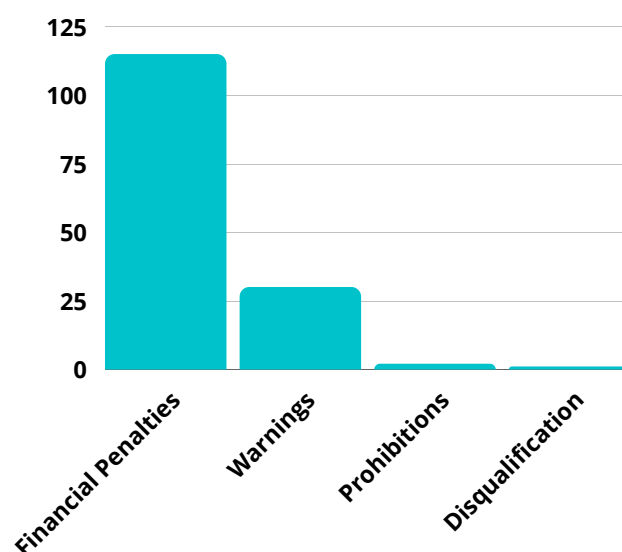


Table 01 - Number of Acquittals, Convictions and Time-Barred Cases by topic in administrative sanctioning proceedings - CVM 2021

Area	Acquittals	Convictions	Prescription	Total
Corporate	89	44	0	133
Information misstatement	9	29	0	38
Financial statement	15	13	0	28
Intermediation	10	14	1	25
Insider trading	6	9	0	15
Audits	7	7	0	14
Unregistered public offerings	4	9	0	13
Portfolio management	0	7	0	7
Failure to provide services	1	5	0	6
Market abuse	0	6	0	6
Others	3	5	1	9
Total	144	148	2	294

PENALTIES

According to article 11 of Brazilian Capital Markets Law (Law No. 6,385/1976), the CVM can apply a range of penalties, including warnings, financial penalties, temporary disqualification from holding posts or engaging in activities regulated by the CVM for up to 20 years, suspending business permits or registration, temporarily prohibiting certain activities or transactions, or involvement in certain capital market transactions, for up to 20 years. Law No. 13,506/2017 also entitles the CVM the power to prevent parties from contracting with state-owned financial institutions or bidding for government contracts (for up to five years). However, it has yet to apply this penalty.

Administrative Proceedings Decisions

SANCTIONS

CVM APPLIED AROUND R\$ 22 MILLION IN FINANCIAL PENALTIES IN 2021

In 2021, there was a significant drop in the total financial penalties. If in 2019, the total amount of fines amounted to R\$ 1.04 billion and, in 2020, about R\$ 880 million, in 2021, the amount of penalties totaled approximately R\$ 22 million.

As for the value of the total fines, the highlight is the convictions in corporate misconduct, which totaled around R\$ 5.3 million in 2021.

The highest fine was defined in Administrative Proceedings Decisions (Processo Administrativo Sancionador - PAS -, in Portuguese) on an irregular public offer of R\$ 1.220.000,00. The criterion to determine this amount was 20% of the amount raised (PAS 19957.010438/2017 - 81).

For the other misconduct, the average value of the penalty varies from R\$ 50,000 - for illegalities related to intermediation - to R\$ 300,000 - for wrongdoings in portfolio management.

Table 02 - Minimum, average and maximum financial penalties by topic - Administrative sanctioning proceedings - CVM 2021

Area	Number of fines	Value of fines		
		minimum	maximum	total
Portfolio management	7	25	500	1.985
Audits	7	45	250	790
Financial statement	10	55	170	1.155
Failure to provide services	3	150	500	800
Market abuse	5	227	588	1.616
Insider trading	9	45	949	3.410
Intermediation	5	25	200	425
Unregistered public offerings	8	53	1.220	2.343
Corporate	32	28	400	5.377
Information misstatement	25	50	500	3.568
Others	4	70	200	490
Total	115	773	5477	21.959

Administrative Proceedings Decisions

ADDITIONAL INFORMATION ABOUT PENALTIES

CALCULATING FINANCIAL AND NON-FINANCIAL PENALTIES APPLIED IN 2021

For calculating the fines, in 18 charges (out of the 115 penalties applied), the value of the transaction, the benefit gained, or the loss caused to third parties was used as a reference (as provided for in art. 11, § 1, II to IV of Law No. 6,385/1976).

The possibility of calculating the amount through this legal provision is used only in a few situations, representing just over 10% of the total pecuniary penalties analyzed by the MFCap in 2021.

The reference of the economic advantage obtained (*e.g.*, the benefit) was used in 11 convictions, six of which were defined as twice the value of the benefit obtained or the loss avoided (in five cases related to insider trading and one of inequitable practice).

The loss inflicted to third parties was used as a criterion in three convictions (administration of third-party resources and provision of other services) and the value of the operation in the other 4 cases (public offerings).

Concerning non-financial penalties, the hypotheses of warning, prohibition, and disqualification were used.

In 2020 there is an increase in the number of warnings, from 12 to 30 in 2021. However, it is interesting to remember that the number in 2021, although higher than in 2020, is lower than in 2019, when 43 warnings were applied.

Separately, other types of penalties appear. There is only one disqualification (36 months) in a market manipulation case; there are two temporary bans of one year for a subject of irregular portfolio management and 24 months for the exercise of the activity of a tied agent.

18

Convictions with a penalty of fine in which the value was expressly calculated based on the value of the illicit operation, on the advantage obtained or loss avoided

30

Convictions whose penalty was the warning

2

Cases with a penalty of temporary prohibitions

Administrative Proceedings Decisions

CALCULATING FINANCIAL PENALTIES

APPLYING THE NEW FINANCIAL PENALTIES CALCULATION RULES

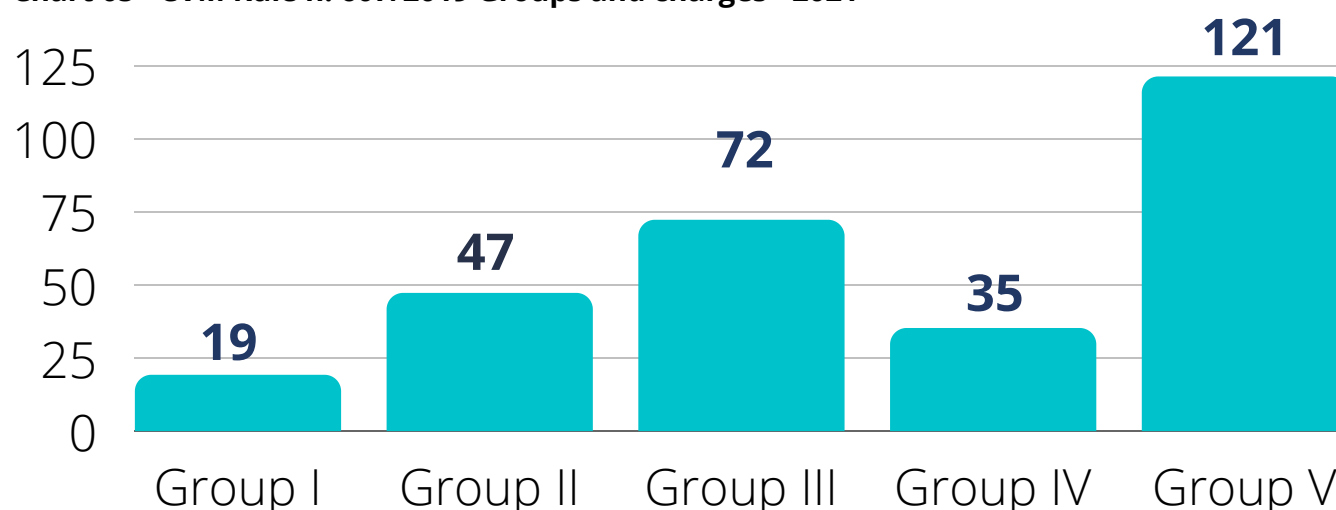
Law No. 13,506/2017 and CVM Rule n. 607/2019 (currently, CVM Resolution No. 45/2021) elevated the maximum financial penalty from R\$ 500,000 to R\$ 50 million. Furthermore, under the new regulation, monetary penalties can now be calculated to reflect the harm caused by wrongdoing. CVM can also use the amount of issuance or illegal transaction to calculate financial penalties (which can now represent up to twice the transaction amount that triggered the case). Penalties can also be based on the economic advantage obtained or loss avoided by wrongdoing (the rate, in this case, remained unaltered at three times the benefit received).

Article 62 of CVM Resolution No. 45/2021 adopted a three-step penalty calculation process. First, a baseline penalty is defined, then CVM applies any aggravating or mitigating circumstances and subsequently considers any reasons for reducing the penalty.

The article sets specific limits on the baseline penalty depending on the type of crime. It divides the types of wrongdoing into five separate groups, each with a particular ceiling based on their severity.

For this report, a hypothetical application of the new dosimetry was carried out for the cases judged in 2021, in which, for the most part, the CVM analyzed conduct practiced before Law no. 13,506/2017. When distributing the 294 charges considered by the CVM according to the groups described in Annex A of CVM Resolution No. 45/2021, it appears that they were primarily concentrated in Group V (with a maximum base penalty of BRL 20 million), followed by Groups III (R\$ 3 million) and II (R\$ 600 thousand).

Chart 05 - CVM Rule n. 607/2019 Groups and charges - 2021



Administrative Proceedings Decisions

APPLYING THE NEW PENALTY CALCULATION RULES

THE NEW FINANCIAL PENALTY CALCULATION RULE IN PRACTICE

As in 2020, in 2021, the Commissioners were concerned about applying the new criteria for calculating the penalty provided for in CVM Resolution No. 45/2021, especially in the express indication of aggravating and mitigating factors.

On the other hand, it is worth noting that, considering the date of the irregularity object of the judgment (based on what was informed in the report or the votes), at least in theory, in 19 cases (involving at least 99 charges) it would already be possible to apply the

new level of penalties and using the three-phase system to determine the penalty to be applied.

In cases where there was an attempt to use the three-phase system, there was a mix of expressions that would still depend on additional explanations to understand its precise scope in setting the base penalty ("proportionality" and "reasonableness") with other more objective ones. and easily more easily verifiable, such as "background", "recidivism", "confession" or "plurality of aggrieved investors".

Table 03 - Justifications for conviction in PAS - 2021

Reason	Mitigating	Aggravating	Total
Prior violations	80	8	88
Severity	9	29	38
Characteristics of the specific case	18	10	28
Proportionality/reasonableness	20	0	20
Repeated practice/systematic behavior	0	19	19
Plurality of affected investors	8	0	8
Duration of conduct	2	3	5
Confession of wrongdoing	4	0	4
Recidivism	0	2	2
Others (=7)	11	4	15

CALCULATING PENALTIES ACCORDING TO CVM RESOLUTION N. N.º 45/2021 (FORMERLY, CVM INSTRUCTION N.º 607/2019)

Inspired by the three-phase process used in Brazilian criminal proceedings, CVM Resolution No. 45/2021 describes how financial penalties should be calculated: "Article 62. Unless issuing a warning, to calculate a penalty, the Board of Commissioners shall first establish the baseline penalty, then apply any aggravating or mitigating circumstances and subsequently any reasons for reducing the penalty, in that order".

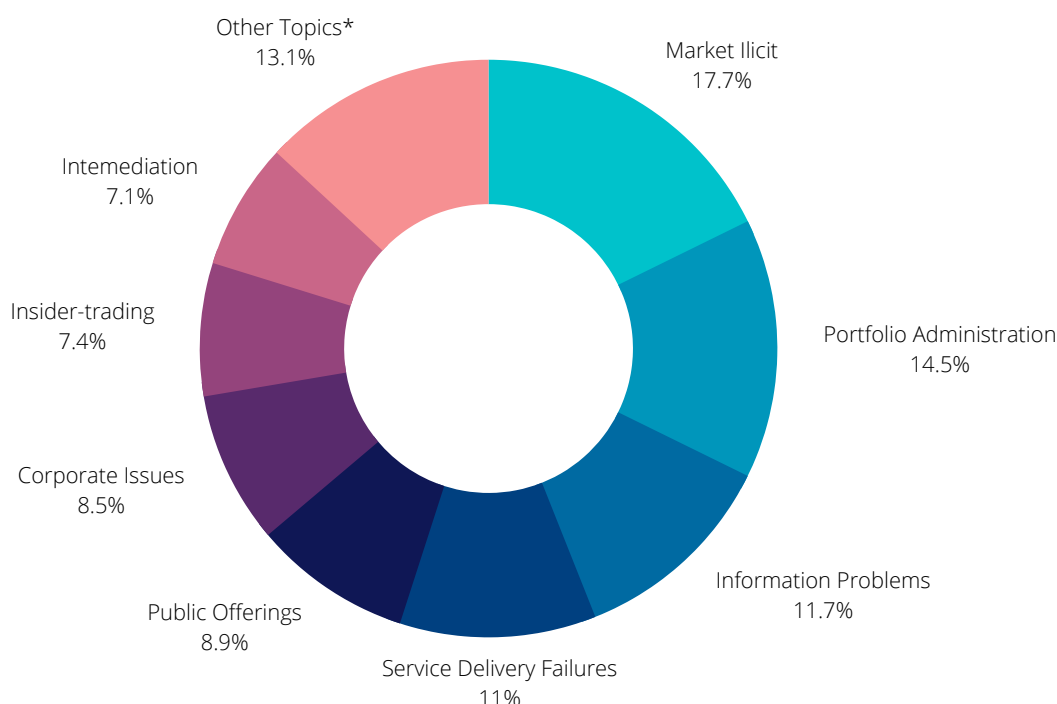
Settlements Agreements

TYPES OF CASES

The 282 conducts assessed in TCs in 2021 deal with market illicit (50), portfolio administration (41), information problems (33), service delivery failures (31), public offerings (25), corporate issues (24), insider trading (21), intermediation (20), independent audit (19), financial statements (8), price manipulation (5) and others (5).

Corporate issues are less representative, and the profile of proposals for 2021 follows the pattern of 2020, with a predominance of market illicit. Proposals on charges in market abuse and portfolio management have the highest number of rejections (64% and 63.4%, respectively). On the other hand, it is noteworthy that, of the 33 proposals involving informational problems, 29 were accepted (87.8%).

Chart 06 – Settlement agreements applications by area - CVM 2021 (*)



(*) To make the graph, the cases classified as "independent audit", "financial statements", "price manipulation" and "others" were aggregated into "other topics".

SETTLEMENTS AGREEMENTS BY LAW 6,385/1976

Article 11 of Law 6,385/1976 forbids CVM to initiate enforcement actions (and requires it to suspend them) if CVM approves a settlement agreement with a party under investigation. A settlement agreement is only accepted if the regulator deems it appropriate and opportune in light of public interest. The law states that applicants must agree to cease any alleged wrongdoing and correct any misconduct, including compensating any affected parties.

Settlements Agreements

APPLICATION ANALYSIS RESULTS

SETTLEMENTS AGREEMENTS IN 2021

The 282 conducts assessed in settlements agreements in 2021 were related to 101 administrative proceedings.

They came from 163 individuals and 72 legal entities. Unlike 2020, no investment fund proposals were registered.

Chart 08 - Settlement agreement applications accepted and rejected - CVM 2021

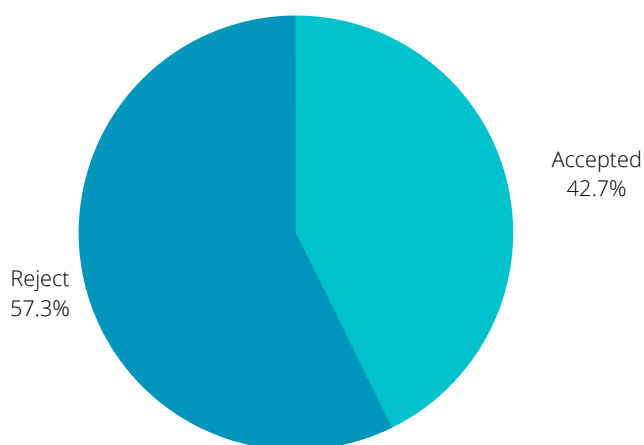
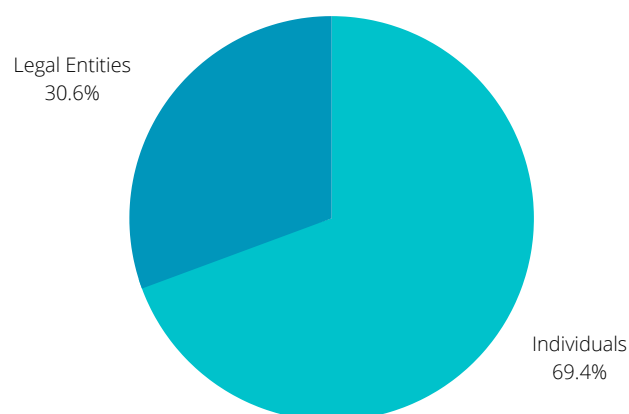


Chart 07 - Proportion of Individuals and Legal Entities filing settlement agreement applications - CVM 2021



NUMBER OF SETTLEMENT AGREEMENTS ACCEPTED AND REJECTED

Of the 282 conducts assessed in settlements agreements considered by the CVM in 2021, 161 were rejected, 120 were accepted, and 1 was not decided.

101

Administrative
proceedings with
settlement agreement
applications

42,7%

Of settlement agreement
applications were accepted in
2021

30,6%

Of settlement agreement
applications were filed by legal
entities

Settlements Agreements

REASONS FOR ACCEPTING AND REJECTING APPLICATIONS

MOST FREQUENT REASONS GIVEN

The most mentioned reasons for accepting or rejecting proposals are identified in the table below - remembering that the decision may contain more than one of these expressions. The primary justification is the generic expression "sufficiency or insufficiency to discourage conduct."

For the rejection of proposals, the seriousness and visibility of the case, the characteristics of the specific case, and the history of the proposer are the most frequent reasons.

Table 04 - Reasons for accepting or rejecting settlements agreements - CVM 2021

Reason	Accepted	Rejected	Total
Insufficient to discourage	61	48	109
Case severity/visibility	26	71	97
Convenience/opportunity	42	50	92
Similar cases	59	17	76
The applicant's track record	48	26	74
Characteristics of the specific case	12	42	54
Preventive purpose of SA	38	2	40
Legal obstacle	6	18	24
Insignificant/disproportionate amount	0	22	22
Prior violations	12	9	21
Others (=30)	71	74	145
Total	375	379	754

109

Opportunities in which the decision on the term of commitment was justified based on the sufficiency - or not - to discourage the conduct.

97

Cases decided based on the severity and visibility of the case.

92

Express mentions of "convenience and opportunity" for the consideration of terms of engagement

Settlements Agreements

OBLIGATION BY THE TYPE OF CASE

AMOUNTS THE CVM COLLECTED FROM APPROVED SETTLEMENTS AGREEMENTS IN 2021

In 2021 settlement agreements, applicants agreed to pay approximately R\$ 69 million. The amount is higher than that disclosed by the CVM due to the different methodologies.

In the MFCap sample, the most prominent proposal involves conduct associated with insider trading. The obligation to pay was established at R\$ 20.2 million, three times the economic advantage obtained by the proponent.

Chart 09 - Obligations in settlements agreements accepted - CVM 2021

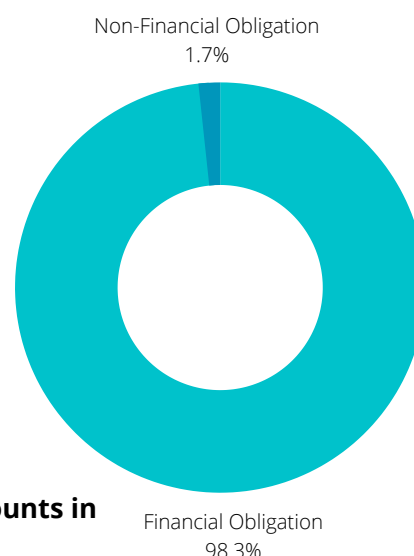


Table 05 - Minimum, Maximum and Average Amounts in settlement agreements accepted - CVM 2021

Area	Total oblig. to pay	Value of oblig. to pay			
		Minimum	Maximum	Average	Total
Portfolio management	15	100	319	125	2.476
Audits	7	120	578	300	2.381
Financial statement	1	89	89	89	89
Failure to provide services	6	285	500	500	2.785
Market abuse	18	100	4.080	329	18.082
Insider trading	10	24	20.203	370	25.990
Intermediation	11	58	649	105	2.774
Unregistered public offerings	10	60	500	143	1.995
Information misstatement	29	50	1.120	345	11.531
Corporate	9	29	260	75	1.094
Total	116	915	28.298	2.381	69.197

98,3%

Obligations in accepted settlement agreements included financial obligation

R\$ 69MI

Total amount payable under settlement agreements accepted in 2021

2

Number of applications accepted that included non-financial obligation

Settlements Agreements

SEVERITY OF CASES ANALYZED

SEVERITY CLASSIFICATION - CVM RULE N.º 45/2021

As already mentioned, with the enactment of Law No. 13,506/2017, the maximum limits for applying pecuniary penalties by the CVM have been expanded.

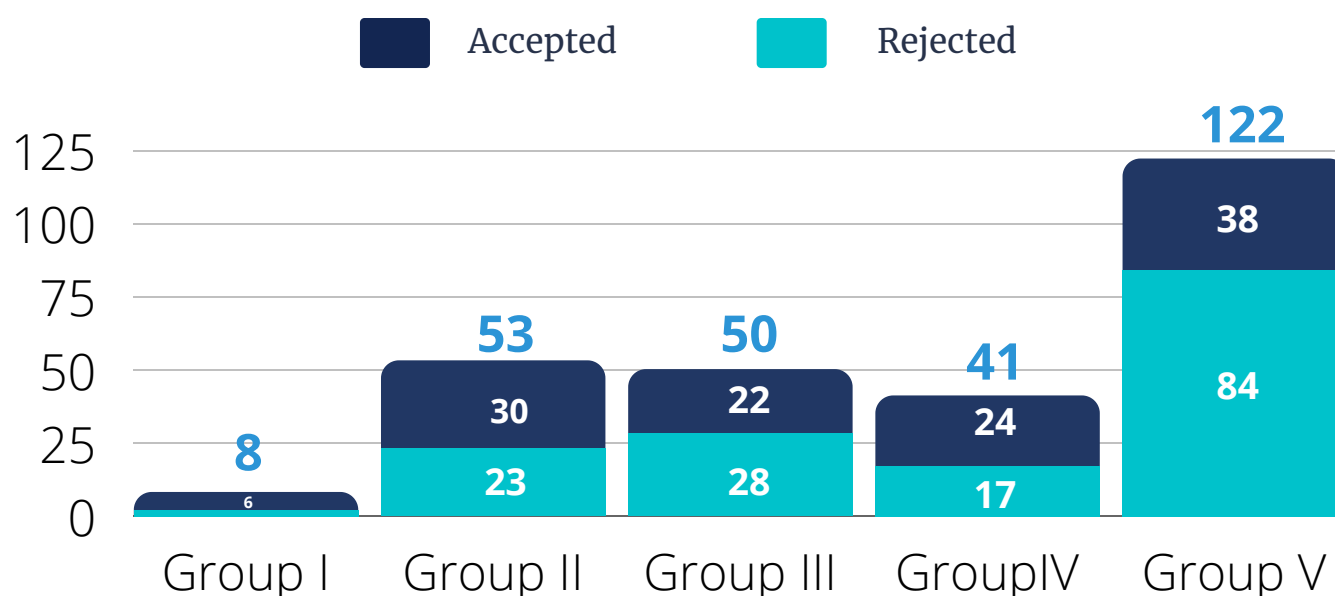
To guide the application of these new references, CVM Resolution No. 45/2021 (which replaced CVM Instruction No. 607/2019) divided the conducts into five groups according to their severity.

As for the decided administrative proceedings, an exercise was carried out to hypothetically apply this classification to settlement agreements analyzed in 2021.

When distributing the 282 proposals analyzed by the CVM according to the groups described in Annex A of the regulation mentioned above, it appears that the accusations were primarily concentrated in Group V, followed by Group II, diverging from what was observed in the judged cases.

Based on the 2021 results, it can be seen that in the most severe cases (Group V), most proposals are rejected, while the percentage of proposal acceptance increases when the severity is lower (Groups I, II, and even III).

Chart 10 – CVM Rule 45/2021



Notes on Methodology and the Research Database

This report analyzed the judgments of sanctioning processes and the decisions on settlement agreements carried out throughout 2021 by the CVM. These decisions were collected on the agency's website by consulting trial guidelines and news. Consultations were closed in March 2021, so any decisions taken in 2021 and not disclosed until that date were not considered.

For sanctioning administrative proceedings, the date considered was the day of the decision. This seems to be the criterion adopted by the CVM to formulate its annual report, which also notes the judgment of 56 administrative proceedings. This report points out that the total amount of fines is R\$22 million, while the CVM indicates a total amount of R\$19.3 million. This difference can be explained by possible discrepancies in calculating the net value or conversion of values.

For settlement agreements, the date considered is the day of the commissioners' decision, and not the day of signature of the term. There are decisions in settlement agreements that deal with different sanctioning processes. In these cases, each sanctioning process was computed. This may represent a methodological difference with the CVM, which pointed out that 98 sanctioning procedures were submitted to settlements agreements, while this report observes 103. In any case, the amount of obligations to pay is similar: R\$ 71.8 million by the CVM vis-à-vis R\$69.2 million in this report

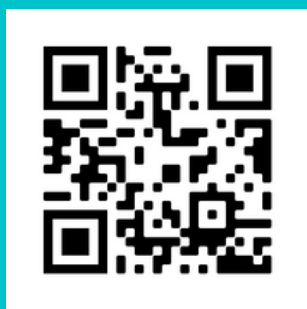
The unit of analysis adopted was the illicit acts imputed to the accused, called conducts throughout the report. It means that, for sanctioning processes, each accusation was individually classified according to a general theme, the legal norm that supports the indictment and the outcome of the trial. As a rule, the proposals are specified in the settlement agreements according to each conduct. In a few cases, there are global proposals, and in these, the value of the proposals was divided equally.

Naturally, there is a more significant number of conducts than the number of accused. In addition, the accused may have accusations against them that refer to different themes. Finally, administrative processes can bring together a plural number of defendants with other profiles. For these reasons, this report chooses not to classify administrative procedures and settlement agreements under a single theme, as this would reduce the accuracy of the portrait drawn.

To quote the data and graphs in this report, the authors suggest mentioning the Center for Studies in Financial and Capital Markets of FGV Direito SP (MFCap/FGV Direito SP), under the coordination of Viviane Muller Prado.

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