

# CVM/DPDC Bulletin on Consumer/Investor Protection



Departamento de Proteção e  
**Defesa do Consumidor**

Secretaria de  
**Direito Econômico**

Ministério da  
**Justiça**



## ➤ Objectives and Risks

Before investing, you should have in mind that there is risk on any kind of investment. The financial market can help you multiply your savings (which are not necessarily your savings account, but whatever you save from your daily expenses and reserves for the future) and therefore help reaching your goals faster (homeownership, for instance) or even to enable other goals which seemed impossible at first. But it should be known that the higher the expectations for profit (return or profitability), the higher also the risks of losing a part of or all the money invested.

Risks are not exclusive for investments, but in this area, the expectations of profit usually go hand in hand with the possibility of losses. The greater the profitability, the greater the risk. This is not about the possibility of being conned or falling into a financial scam, but about the natural risks of the financial market.

Additionally, it is important to have a realistic evaluation of your current financial situation and your intended short-, medium- and long-term goals (homeownership, retirement funds etc). A family budget, listing income and expenses, is surely a first step towards identifying how your situation is and then planning a way to balance your finances, forming a reserve for unforeseen situations and for achieving your goals in the future.

Once a goal is defined, it is time to choose the type of investment that meets your needs, gathering, of course, information on your characteristics and, particularly, on the opportunities and risks involved. It is worth reminding that every investment involves a probability of failure, despite the fact that the degree of risk is variable.

In the case of the markets regulated by the CVM – Securities and Exchange Commission, the most common investments are company shares (the consumer/investor becomes one of the company owners, within the capital limit), shares of investment funds and clubs (as a shareholder, the consumer/investor will own a portion of the equity of the fund or club, which is comprised by a portfolio of assets available in the financial and capital markets, such as shares, government securities and certificates of deposit) and collective investment contracts (in which someone collects funds from various investors to develop an activity, such as raising cattle, by offering a compensation or other form of investment return).

The CVM warns that, before investing or whenever you receive an investment offer, you should make sure that the person is authorized to offer bonds or securities to the public, as well as whether these investments do, in fact, exist. The Commission receives annually several reports of irregular offers, made by persons not authorized to exercise such activities. In many cases, the scam is revealed after delivery of the resources, and by then recovery is very difficult.



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## ➤ Market Advisory

Usually, the consumer/investor is contacted by one of the entities authorized to intermediate market operations, such as a broker, dealer or bank. These entities can clarify doubts and, even, according to the case, administer the consumer's/investor's resources, provided the entity is registered under the CVM to exercise such activity.

Some of the aforementioned institutions may hire authorized persons to contact consumers/investors.

In the case of financial products, such as shares and investment funds, these persons (independent agents, or "agentes autônomos") must be registered with the CVM and hired by a securities broker-dealer. Independent agents can receive orders from the consumer/investor (such as to buy or sell a share) and forward them to the institution that will intermediate the operation (securities broker or dealer), but they are not allowed to receive funds, nor manager the securities portfolio of the consumer/investor.

To consult the registration of a participant (brokers, distributors, autonomous agents, fund administrators, for instance), access "Market Participants" on the CVM's website – English version (<http://www.cvm.gov.br/ingl/indexing.asp>).

## ➤ Alerts and Risks

It is always worth reminding that you can lose money when you invest and that makes important to check if risks are suitable to your personal investing goals (short- or long-term) and risk tolerance (conservative, moderate, bold etc.).

It is also essential that the consumer/investor, before investing, investigate whether the organization offering the investment is registered with the CVM. It is crucial to highlight that such entity may help in making investment decisions, but the final word will be, invariably, the customer's/investor's.

Do not believe in promises of easy or excessively high returns, nor take into consideration rumors, tips and information from sources that are not authorized to offer advice on investments. INVESTIGATE before INVESTING.

It is possible to obtain information on shares, funds, clubs, collective investment contracts, among others, consulting the CVM's website under the link "Proteção e Educação ao Investidor". There you will find information on the most common scams, what needs special attention and information of interest to citizens.

If you identify an irregular action, it is important that you contact the CVM, through the service channels provided at the end of this bulletin.

*"... autonomous agents must also be registered with the CVM and hired by a securities broker-dealer."*

### Attention:

Independent agents are not allowed to receive funds, nor manager the securities portfolio of the consumer/investor. The decision to purchase or sale an asset must always be made by the investor.

*"... there is no there is no guaranteed profitability, and the capital invested may be lost."*

*"Do not believe in promises of easy or excessively high returns, nor take into consideration rumors, tips and information from sources that are not authorized to offer advice on investments. INVESTIGATE before INVESTING."*

## ➤ Queries, Questions and Complaints

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To obtain information from the CVM, consult the service channels provided in this leaflet.

The CVM, on its website, issue Investor Alerts to warn consumer/investor to scams that come to its knowledge through reports or simple consultations. The cooperation with the DPDC and with the National System of Consumer Defense will enable CVM to expand these consumer/investor guidance activities.

## ➤ Partnership between the CVM and the DPDC for Investor Protection and Assistance.

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In order to improve and promote the expansion of consumer/investor regulatory, surveillance and educational activities, the Securities and Exchange Commission (CVM) and the Secretariat of Economic Law (SDE), of the Ministry of Justice, by the Department of Consumer Defense and Protection (DPDC), have signed a cooperation agreement on December 1st, 2010.

Such agreement has as its main purpose the collaboration between the two entities towards investor protection and guidance, thus defining the procedures adopted for technical cooperation and information exchange.



## ➤ The Securities and Exchange Commission (CVM)

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The CVM - Comissão de Valores Mobiliários, is a federal agency linked to the Ministry of Finance. It was instituted by the Law # 6.385 of December 7, 1976 and must regulate and supervise the securities market, disciplining those who violate the established rules. The securities market is comprised of a set of investment products offered to the public, such as publicly traded company shares and investment fund shares, among others. Since it is a market on which there may be losses and there is no guaranteed profitability, investor protection does not mean covering losses arising out of ups and downs in the price of a share, for instance, but through supervision and enforcement actions that ensure that the rules are met and, mainly, offering a set of information that enables the citizen to make informed investment decisions.

In 1998, CVM launched the PRODIN - Investor's Assistance and Protection Program, specifically directed to protect and to assist investors. A citizen may resort to the Program's service channels whenever there are questions or when faced with problems, but the best way of protecting yourself from inadequate decisions is by acquiring information.



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# PRODIN

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A federal agency linked to the Ministry of Finance