



February 4, 2004
001/2005-DG

C I R C U L A R O F F I C I A L L E T T E R

Members of the Brazilian Commodities Exchange

Re: Arbitration Regulation

Dear Sirs,

This is to announce that the Board of Directors of *Bolsa Brasileira de Mercadorias*, the Brazilian Commodities Exchange, has approved the attached Regulation of the Arbitration Chamber.

For additional clarification please refer to the Executive Board, and contact Edilson or Marco.

Yours sincerely,

Edemir Pinto
Chief Executive Officer

BOLSA BRASILEIRA DE MERCADORIAS
BRAZILIAN COMMODITIES EXCHANGE

BOARD OF DIRECTORS

9th SESSION - RESOLUTION

Approves the Arbitration Regulation of the Arbitration Chamber of the Brazilian Commodities Exchange.

The Board of Directors of *Bolsa Brasileira de Mercadorias*, the Brazilian Commodities Exchange, on a session held as of the date hereof, upon exercising its authority under item II of article 48 of the Bylaws,

RESOLVES:

Article 1 - To approve the attached Regulation, which shall govern the operation of the Arbitration Chamber of the Brazilian Commodities Exchange.

Article 2 - This Resolution takes effect as of the date hereof.

Plenary Room of the Board of Directors of the Brazilian Commodities Exchange, on July 22, 2004.

Edemir Pinto
Chief Executive Officer

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BOLSA BRASILEIRA DE MERCADORIAS
BRAZILIAN COMMODITIES EXCHANGE

**ARBITRATION REGULATION
OF THE ARBITRATION CHAMBER**

**CHAPTER I
PURPOSE**

Article 1- The Arbitration Chamber of *Bolsa Brasileira de Mercadorias*, the Brazilian Commodities Exchange, as presided over by the Chief Executive Officer and the Regional Chief Officers, and as composed by Arbitration Panels, each linked to a Regional Operational Center, and by the Office of the Secretary General, is established for the purpose of settling disputes of any nature arising out of contracts closed by members and any third parties within the scope of the Exchange, in strict compliance with this Regulation, the Exchange By-laws and with other rules adopted by the Brazilian Commodities Exchange, as well as by Law No. 9,307 dated September 23, 1996.

**CHAPTER II
ADHERENCE TO ARBITRATION**

Article 2 - Pursuant to the provisions of the Exchange By-laws, any party engaging in business with the Brazilian Commodities Exchange, or trading within the scope of the Exchange markets, shall be required to submit to arbitration for settlement of disputes.

Article 3 - Members of the Brazilian Commodities Exchange may not engage in business with third parties that despite being contractually bound to do so, refuse to submit to arbitration, under this Regulation, disputes arising out of contracts closed within the scope of the markets managed by the Brazilian Commodities Exchange, or that refuse to abide voluntarily by an arbitration award.

Sole paragraph - Upon identifying an event of refusal or noncompliance with the rule established in the main provision of this article, the Brazilian Commodities Exchange shall notify such event to the pertinent domestic and international organisms.

Article 4 - For purposes of this Regulation and the applicable legislation, the Brazilian Commodities Exchange shall include in its contracts an arbitration commitment whereby the contracting member and/or contracting party shall undertake to submit to arbitration in the event of a dispute.

CHAPTER III ARBITRATION PANEL

Article 5 - Each Regional Operating Center, or CRO, shall have an Arbitration Panel composed of a minimum of ten (10) and a maximum of thirty (30) arbitrators selected from among natural persons of recognized capacity and specialized knowledge of the markets managed by the Brazilian Commodities Exchange and of the industry segments that trade on these markets.

Paragraph 1 - In order to establish an Arbitration Panel for each CRO, the members and/or technical personnel of the Brazilian Commodities Exchange shall forward to the Chief Executive Officer nominations of persons whose qualifications meet the requirements set forth in the main provision of this article.

Paragraph 2 - The Chief Executive Officer shall submit the list of persons nominated pursuant to the preceding paragraph for approval by the Board of Directors.

Paragraph 3 - Persons whose nomination is approved by the Board of Directors shall be appointed to the Arbitration Panel for two-year terms, reappointment being permitted.

Paragraph 4 - Upon hearing the other Board members, the Chief Executive Officer may replace any arbitrator.

CHAPTER IV

SECRETARY GENERAL OF THE ARBITRATION CHAMBER

Article 6 - The Chief Executive Officer of the Brazilian Commodities Exchange shall appoint the Secretary General of the Arbitration Chamber, who shall provide to arbitrators administrative and operating support in connection with arbitration proceedings, in addition to performing the activities that may be necessary for the regular processing of arbitration proceedings, in particular the following:

- a) issuing and delivering notices and notifications to the parties and the arbitrators;
- b) declaring the conclusive opening of arbitration proceedings;
- c) processing and filing case records;
- d) drawing up minutes and similar other documents;
- e) providing logistic and other support to the arbitrators, as may be required for them to carry out their duties, including assistance at meetings and hearings;
- f) providing information to the parties to arbitration proceedings, as may be necessary for the processing thereof;
- g) performing other functions, as allocated by the Chief Executive Officer.

Sole paragraph - The Chief Executive Officer of the Brazilian Commodities Exchange may appoint Regional Secretaries that shall act locally at the CRO to which they are linked, in order to assist the Secretary General in performing the activities established in the main provision of this article.

CHAPTER V

ARBITRATION PROCEEDING

– PREPARATORY PROCESS

SECTION I - CLAIM AND ARBITRATION REQUEST

Article 7 - A party to a dispute, acting individually, or the parties, acting jointly, may initiate arbitration proceedings by filing arbitration request addressed to the Secretary General of the Arbitration Chamber of the Brazilian Commodities Exchange, and delivered to the central office of the CRO concerned with the dispute.

Paragraph 1 – The arbitration request shall contain:

- a) the name, identification and address of the parties involved;
- b) a detailed description of the dispute and the respective arguments;
- c) copies of the contracts and other documents related to the dispute;
- d) appointment of an arbitrator and his alternate from among those making up the Arbitration Panel linked to the relevant CRO;
- e) indication of the value attributed by estimate to the dispute;
- f) indication of the evidence to be given; and
- g) evidence of payment of the arbitration costs, as determined in accordance with the Table of Arbitration Costs then in effect.

Paragraph 2 - A party may submit arguments:

- a) directly; on its own behalf; and/or
- b) as represented by legal representatives or qualified attorneys duly empowered to represent the Principal (the party) and practice acts on its behalf during the arbitration proceedings.

Paragraph 3 - Irrespective of the form of representation they choose, as per paragraph 2, natural persons must attend all hearings in person, subject to application of the penalties foreseen in chapter II of this Regulation.

Paragraph 4 - Irrespective of the form of representation they choose, as per paragraph 2, legal persons must attend all hearings through representatives that have actual knowledge of the facts of the case, subject to application of the penalties foreseen in chapter II of this Regulation.

Paragraph 5 - A party shall be entitled to appoint an arbitrator listed in the Arbitration Panel of a different CRO than the one to which the arbitration request is delivered, provided the related expenses shall be for the sole account of the party making such appointment.

Article 8 - Should any of the requirements listed in paragraph 1 of article 7 not have been met, the Secretary General or the relevant Regional Secretary shall order such requirement fulfilled by the claimant within a ten- (10-) day term, by means of an addendum to the arbitration request.

Article 9 - In the event of a failure to meet the requirement by the expiration of the term set forth in article 8, the claim will be shelved.

Sole paragraph - In the event foreseen in the main provision of this article, the arbitration costs shall not be returned to the claimant.

Article 10 - On determining that the arbitration request is complete, the Secretary General or the relevant Regional Secretary shall take action to give notice of the claim and arbitration request to the other party, by attaching copies thereof to the notice, in addition to copies of this Regulation, of the Table of Arbitration Costs then in effect, and of the Arbitration Panel linked to the relevant CRO.

SECTION II - ANSWER TO ARBITRATION REQUEST

Article 11 - The respondent shall address the answer to the Secretary General or Regional Secretary of the Arbitration Chamber, and deliver it to the central office of the CRO concerned with the dispute within a term of ten (10) days following receipt of the documentation referred to in article 10, which answer shall meet the following requirements:

- a) respondent's name, identification and address;
- b) counter-arguments to the claim and arbitration request submitted by the claimant;
- c) copies of the contracts and other documents it may have in connection with the dispute;

- d) appointment of an arbitrator and his alternate from among those making up the Arbitration Panel linked to the relevant CRO;
- e) indication of the evidence to be given; and
- f) evidence of payment of the arbitration costs, as determined in accordance with the Table of Arbitration Costs then in effect.

Article 12 - Except in the absence of an appointed arbitrator and his alternate, which shall be supplemented by a decision of the Chief Executive Officer of the Brazilian Commodities Exchange, the Secretary General or the relevant Regional Secretary shall order the respondent to fulfill any missing requirement listed in article 11 within a term of ten (10) days, by means of an addendum to the answer to the arbitration request.

Article 13 - In the event of a failure to meet the requirement by the expiration of the term set forth in article 12, the respondent shall be precluded from exercising such right at a future date, and shall be subject to application of the penalties foreseen in chapter II of this Regulation

Article 14 - A copy of the answer shall be forwarded to the claimant, for the latter to submit a rebuttal within the subsequent ten- (10-) day term, if it so deems fit.

SECTION III - COUNTERCLAIM

Article 15 – In the event the respondent wishes to file counterclaim, this must be accomplished by means of a separate petition delivered to the CRO concerned with the dispute within a term of ten (10) days following receipt of the documentation referred to in article 10.

Article 16 - A copy of the counterclaim shall then be forwarded to the other party, for it to answer the counterclaim within a term of ten (10) days following receipt thereof.

SECTION IV - ARBITRATION TRIBUNAL

Article 17 - Upon completion of the procedures established in the preceding sections, the Secretary General or the relevant Regional Secretary shall give the appointed arbitrators notice of their appointment to participate in the arbitration tribunal.

Paragraph 1 - Within a term of five (5) days following receipt of the notice required in the main provision of this article, the arbitrators shall forward a response to such appointment.

Paragraph 2 - Upon accepting the appointment, the arbitrators, acting by mutual agreement within five (5) days from their acceptance, shall appoint a third arbitrator, and his alternate, from among those making up the Arbitration Panel linked to the relevant CRO.

Paragraph 3 - The third arbitrator and his alternate shall be selected from among lawyers, and shall be required to respond within five (5) days from the date of his appointment.

Paragraph 4 - Upon accepting the appointment referred to in paragraph 2, the third arbitrator shall act as president of the arbitration tribunal.

Paragraph 5 - If the arbitrators appointed by the parties fail to appoint the third arbitrator within the term set forth in paragraph 2, the Chief Executive Officer of the Brazilian Commodities Exchange shall supplement such failure by selecting and appointing the third arbitrator.

Article 18 - Arbitrators may not refuse an appointment except if, owing to his or her relations with a party or ties with the case, he or she should be disqualified or recuse the appointment based on the legal rules governing disqualification or recusal of a judge at law. Arbitrators shall be subject to the same duties and responsibilities applicable to judges at law under the Code of Civil Procedure.

Paragraph 1 - Upon occurrence of an event of disqualification or recusal, as defined in the main provision of this article, or in the event developments suggest the appointed arbitrator might not act

with the required impartiality and independence in a particular arbitration proceeding, this arbitrator shall be required to disclose such circumstance to the Chief Executive Officer, and shall then be replaced by his or her alternate.

Paragraph 2 - Noncompliance with the rules set forth in this article shall entail for the arbitrator exclusive liability for any ensuing losses and damages.

Article 19 - Should the alternate arbitrator also be subject to disqualification or recusal, the appointment procedure foreseen in this Regulation shall be repeated within ten (10) days following receipt of the notice of disqualification or recusal.

Article 20 - Prior to the establishment of the arbitration tribunal, the appointed arbitrators shall be required to sign an instrument attesting to their independence and commitment to discharge the arbitration duties impartially, competently, diligently and confidentially.

Sole paragraph - The instruments of independence shall be attached to the record of the relevant arbitration proceeding.

Article 21 - Upon acceptance of the appointment by the three (3) arbitrators, the arbitration tribunal shall be deemed formed and instated, and the arbitration proceeding conclusively opened.

CHAPTER VI ARBITRATION PROCEEDING

SECTION I – SETTLEMENT

Article 22 - Promptly upon the conclusive opening of arbitration proceedings, the Secretary General or the relevant Regional Secretary shall forward to the arbitrators full copies of the case record, and schedule and issue summons to the parties and the arbitrators for a settlement hearing to take place within a maximum period of twenty (20) days.

Sole paragraph - If the parties agree to settle, the arbitrators, as assisted by the parties, shall prepare a settlement instrument that

the parties, the arbitrators and two (2) witnesses shall sign, and which shall meet the following requirements:

- a) name, full identification and address of the parties, the arbitrators and the Secretary General and/or the relevant Regional Secretary;
- b) a report on the issue in dispute;
- c) the terms and conditions of settlement, an accurate description of the object of settlement, the form of settlement, the manner and assigned terms for the parties to comply with their obligations under the settlement, if any;
- d) a declaration of liability for payment of the arbitration fees and expenses;
- e) other provisions the arbitrators may deem convenient to include; and
- f) the place and date of settlement.

Article 23 - If at any time the parties to the arbitration proceeding decide to settle, the arbitrators, on request, may declare such event by means of a confirmatory arbitration award, which shall observe the requirements set forth in this section.

Sole paragraph - The settlement instrument and the confirmatory arbitration award shall produce the same effects as an arbitration award.

SECTION II – ARBITRATION COMMITMENT

Article 24 - If no settlement is achieved at the settlement hearing, the arbitrators, as assisted by the parties and the Secretary General or the relevant Regional Secretary, shall prepare the arbitration commitment based on the facts, arguments and documents provided during the preparatory process contemplated in sections I, II and III of chapter V, provided the arbitration commitment shall meet the following requirements:

- a) name, full identification and address of the parties, the arbitrators and the Secretary General and/or the relevant Regional Secretary;

- b) the matter that shall be submitted to arbitration;
- c) the authorization for the arbitrators to decide based on equity, if this is agreed between the parties;
- d) a declaration of liability for payment of the arbitration fees and expenses;
- e) other provisions the arbitrators may deem convenient to include; and
- f) the place where the arbitration award shall be issued.

Sole paragraph - The arbitration commitment shall be signed by the parties, the arbitrators and two (2) witnesses.

SECTION III – EVIDENCE AND HEARINGS

Article 25 - The arbitrators may take the depositions of the parties, hear witnesses, order expert investigations and order production of other evidence, as deemed necessary, whether at their own discretion or pursuant to a petition submitted by a party.

Paragraph 1 - The depositions of the parties and the witnesses shall be taken at a previously scheduled and notified time, date and place, and shall be recorded in a written document signed by the party or witness, or at his or her request, and by the arbitrators.

Paragraph 2 - Assigning terms for the parties to give evidence, whereas taking the peculiarities of each case into account, shall be an exclusive prerogative of the arbitrators.

Article 26 - In the event of replacement of an arbitrator during the arbitration proceeding, the substitute shall have the prerogative of deciding whether to repeat the production of proof previously submitted.

SECTION IV – FINAL ARGUMENTS

Article 27 - Within a term of ten (10) days commencing on the date of the discovery hearing or the date of production of the evidence referred to in article 25, the parties shall submit their final arguments.

Sole paragraph - In the absence of a discovery hearing or submission of the evidence referred to in the main provision, the president of the arbitration tribunal shall establish a term for the parties to submit their final arguments.

SECTION V – ARBITRATION AWARD

Article 28 - Commencing on the date assigned for submission of the final arguments, the arbitrators shall have a thirty- (30-) day term within which to issue the arbitration award, unless the arbitration commitment provides otherwise or if an extension of such term is authorized by the parties.

Article 29 - The arbitrators shall meet to deliberate about the arbitration award, pursuant to resolutions taken with the affirmative vote of a majority of the arbitrators, each of whom shall be entitled to one vote. A dissenting arbitrator shall be entitled to present a separate vote, if he or her so deems fit.

Article 30 - The majority vote rule shall also be observed in respect of other decisions in the course of the arbitration proceeding. Should there be no agreement by a majority of the arbitrators, the vote cast by the president of the arbitration tribunal shall prevail, including as to matters involving interpretation and application of this Regulation.

Article 31 - The arbitration award shall be written by the president of the arbitration tribunal and signed by the three arbitrators, provided it shall include the following minimum requirements:

- a) a report of the case, with the names of the parties and a summary of the dispute;
- b) the grounds of the decision, including reasons of fact and reasons of law, with express indication as to whether the arbitrators decided the case based on equity;
- c) the provisions grounding the solution of the matters submitted to arbitration, as well as the time period allowed for compliance with the decision, as the case may be;
- d) the determination of the arbitration costs and expenses, as well as the apportioning of such costs and expenses between the parties;

- e) the dissenting vote, if any;
- f) other dispositions the arbitrators may deem appropriate; and
- g) the place and date of the award.

SECTION VI – ENFORCEMENT OF ARBITRATION AWARD

Article 32 - Pursuant to article 38 of this Regulation, the parties shall be notified of the full contents of the arbitration award by mail or any other means of communication.

Paragraph 1 - After having been notified, the parties shall have a term of fifteen (15) days within which to comply with the arbitration award.

Paragraph 2 - Should a defeated party fail to comply with the arbitration award within the abovementioned term, the winning party shall be entitled to enforce it in court, with the defeated party then being subject to the penalties foreseen in chapter II of this Regulation.

CHAPTER VII ARBITRATION EXPENSES

Article 33 - The arbitration expenses shall be supported by the party initiating the arbitration proceeding, or by both parties, equally, if this is the decision of the arbitrators and/or of the Secretary General and /or of the Regional Secretary.

Article 34 - Pursuant to articles 7 and 11 of this Regulation, and based on the Table of Arbitration Costs, the parties shall make prior deposit by way of advanced payment of the arbitration expenses.

Article 35 - Should either party fail to pay the arbitration expenses and fees, the other party may advance the amount payable for the arbitration to proceed.

Sole paragraph - In the event described in the main provision of this article, the arbitration award shall establish the party that shall bear the burden of the arbitration expenses and/or fees.

Article 36 - Should any payment prescribed in this Regulation not be made, the Secretary General or the relevant Regional Secretary may suspend the arbitration proceeding or order its shelving, without prejudice to the prerogative of collecting any amount effectively due and of applying the penalties foreseen in this Regulation and in other rules issued by the Brazilian Commodities Exchange.

Article 37 - The payments shall be made in accordance with the Table of Arbitration Costs.

CHAPTER VIII

NOTICES, TERMS AND DOCUMENTATION DELIVERY

Article 38 - For all due purposes, notices shall be given to the parties, the arbitrators, the Secretary General and the Regional Secretary directly, by means of personal delivery, or by registered letter, or through a Registry Office of Deeds and Documents.

Sole paragraph - Notices may also be sent by fax, telex, e-mail or similar other means, provided remittance thereof can be confirmed by original documents personally delivered to the Secretary General or the relevant Regional Secretary, or confirmed by means of registered letter.

Article 39 - The notices shall indicate the term assigned for compliance with actions ordered or requested.

Article 40 - Assigned terms shall be counted as established by law, in number of consecutive days, with exclusion of the date of receipt of a notice and inclusion of the expiration date of the term.

Article 41 - In the absence of a term specifically assigned for any particular action, a term of ten (10) days shall prevail, without prejudice of the provision of article 42.

Article 42 - If necessary, the terms foreseen in this Regulation may be extended, at the discretion of the president of the arbitration tribunal.

Article 43 - Any and all documents and petitions directed to the arbitration tribunal shall be addressed to the Secretary General or the relevant Regional Secretary of the Arbitration Chamber and delivered to the central office of the CRO concerned with the disputed.

CHAPTER IX GENERAL PROVISIONS

Article 44 - Arbitration proceedings shall always be conducted at the premises of the Regional Operating Center of the Brazilian Commodities Exchange to which the arbitration request was first delivered.

Article 45 - Unless otherwise agreed by the parties or ordered by the president of the arbitration tribunal, arbitration proceedings shall be processed and conducted in the Portuguese language.

Article 46 - Doubts about the interpretation or application of this Regulation shall be settled by the arbitrators and, ultimately, by the Chief Executive Officer of the Brazilian Commodities Exchange.

Article 47 - Awards issued by the Arbitration Tribunal on the merits of a case are autonomous and independent decisions, not binding on to the Brazilian Commodities Exchange.

Article 48 - The arbitrators shall adopt the principles of procedural savings and celerity.

Article 49 - The arbitrators shall adopt all measures deemed necessary or convenient for the appropriate course of arbitration proceedings, for which purpose, if necessary, they may petition the competent court to issue appropriate judicial measures.

Article 50 - Arbitration proceedings conducted under this Arbitration Regulation are confidential. The parties, the arbitrators, the Secretary General, the relevant Regional Secretary and any party having access to the proceedings shall be bound by duty of confidentiality, and may thus be held liable for undue disclosures to any third parties, provided the Brazilian Commodities Exchange,

upon express consent granted by the parties, may disclose the full contents of the arbitration award.

CHAPTER X EFFECTIVENESS

Article 51 - This Regulation, which was approved by the Board of Directors of the Brazilian Commodities Exchange, shall take effect on the date of its publication.

Article 52 - Previous rules and regulations concerning arbitration are superseded by this Arbitration Regulation.

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TABLE OF ARBITRATION COSTS

For processing and establishment of arbitration proceedings, each of the parties, i.e., claimant(s) and respondent(s), shall deposit an amount corresponding to one percent (1%) of the value attributed to the case in the arbitration request, provided a minimum amount of two thousand and five hundred *Reais* (R\$2,500.00) and a maximum of twenty-five thousand *Reais* (R\$25,000.00) shall apply.

The deposits concerning the costs and/or related to any other procedure or order shall be made to bank account number 6157-3 held by the Brazilian Commodities Exchange at Banco do Brasil S.A., branch number 3344-8, and the deposit forms shall be attached to the arbitration request and the answer to the arbitration request, or attached to the record of the case by means of a petition delivered to the CRO concerned with the dispute.