

INTERLOCKING DIRECTORATE & EVIL INTERLOCKING DIRECTORATE

INTERLOCKING DIRECTORATE:

"*Interlocking Directorate*" is the lawful agreement which does not involve cartel, dumping or *HYPER-DUMPING* practices between a Center of Financial Power, with a defined and stated capital and a Center of Management Power, agreed between directors and management serving on the boards of two or more "private" corporations operating in the same or in different economic sectors, which under total transparent purposes and without Conflict of Interests, after consulting audit companies or supervisory bodies, from on a single Decision Center, agree on corporate and/or financial and/or securities market transactions, with the purpose of maximizing their business, aiming to results to be benefit of stockholders and investors, without violating market rules, bypassing sovereignty or violating agreements and international treaties. *In TREATY ON INTERNATIONAL SECURITIES AND FINANCIAL LAW – VOLUME II, "WEAKNESSES OF MECHANISMS FOR THE CONTROL AND INSPECTION OF NORMATIVE AND REGULATORY SYSTEMS OF INTERNATIONAL SECURITIES AND FINANCIAL MARKETS – SOLUTION: APPLICATION OF THE EFS SYSTEM - EFFICIENT FINANCIAL SAFETY SYSTEM STANDARD"* - Imprensa Livre Publishing House - By: Prof. Édison Freitas de Siqueira – www.edisonsiqueira.com

EVIL INTERLOCKING DIRECTORATE:

"*EVIL Interlocking Directorate*" is the unlawful agreement which involves cartel, dumping or *HYPER-DUMPING* practices, organized under a center of financial and management power, with defined or undefined capital, of unidentified origin or property – or only partially identified – which omits "conflict of interests", agreed between directors and management serving on the boards of two or more "private" corporations operating in the same or in different economic sectors - which after consulting audit companies or supervisory bodies – publicly – from a single decision committee or under a centralized guidance, agree on corporate and/or financial and/or securities market transactions. The main feature of the "*EVIL Interlocking Directorate*" is the purpose of dominating markets, make regulations, decisions, restrictions and sanctions set by WTO (World Trade Organization) ineffective and, using stock exchange houses around the world, aims to control and manipulate prices of stocks, commodities, ADRs (American Depositary Receipts) and derivatives. As a standard, the transaction is carried out with the purpose of changing existing market concepts and parameters before and after the transaction is carried out, in order to justify legal "*Tag Alongs*" and illegal *Tag Alongs (EVIL Tag Along)*, mergers, incorporations, which financial and securities support involves, among others, from hyper-structured transactions, which scope influences and changes free market standards. This agreement may or may not benefit from omission or protection on the part of supervisory bodies, having or not a country government as a partner. As a rule, the goal of those transactions is to enrich individuals or private corporations, which identification is easily verified by the changes in assets and by "*Watered Stock*" transactions carried out right after market positions are transferred to the market through group movement which, always on short or long term are only possible to the detriment of investors, sovereignty of countries and minority stockholders. *In TREATY ON INTERNATIONAL SECURITIES AND FINANCIAL LAW – VOLUME II, "WEAKNESSES OF MECHANISMS FOR THE CONTROL AND INSPECTION OF NORMATIVE AND REGULATORY SYSTEMS OF INTERNATIONAL SECURITIES AND FINANCIAL MARKETS – SOLUTION: APPLICATION OF THE EFS SYSTEM - EFFICIENT FINANCIAL SAFETY SYSTEM STANDARD"* - Imprensa Livre Publishing House - By: Prof. Édison Freitas de Siqueira – www.edisonsiqueira.com

TAG ALONG & EVIL TAG ALONG

TAG ALONG:

Tag along is the public offering for the acquisition of common stocks, including or not preferred stocks, involving – during a first stage - the block of voting stocks that ensures the exercise of control over the company and, during a second stage, the offer to purchase the remainder stocks. In this type of aggressive acquisition of stock control, the first stage is only homologated and enforceable in the market if the second stage is fully performed. This is because the formal purpose is to ensure minority stockholders to exercise the RIGHT OF FIRST REFUSAL or not, for the purchase of stocks at the same price offered by the creator of the TAG ALONG and also to ensure the portion of stocks in excess of the controlling block, a quotation equal to or above 80% over the selling price. The operation is therefore a guarantee of the preemption right, while it sets a form of direct or indirect transfer of stocks from a particular company in favor of the buyer / investor, normally from the private sector, which operates directly (in its own name) or indirectly (through an association or stock participation / investment fund created for this purpose). The transaction almost always causes withdrawal of stocks from the market, eliminating the free float. In TAG ALONG transactions, the minority stockholders are compelled to sell their stocks for the offered price, given the fact that the TAG ALONG consequence is the immediate lack of market liquidity in respect of the stocks subject to the aggressive acquisition. For this reason, many TAG ALONGS precede operations of incorporation or merger, because after the acquisition of almost 100% stake of a company, there is no reason not to merge or incorporate it with the buyer, a keeping the companies separated doubles the operational costs which can be managed from only one out of the two companies. *In TREATY ON INTERNATIONAL SECURITIES AND FINANCIAL LAW – VOLUME II, "WEAKNESSES OF MECHANISMS FOR THE CONTROL AND INSPECTION OF NORMATIVE AND REGULATORY SYSTEMS OF INTERNATIONAL SECURITIES AND FINANCIAL MARKETS – SOLUTION: APPLICATION OF THE EFS SYSTEM - EFFICIENT FINANCIAL SAFETY SYSTEM STANDARD"* - Imprensa Livre Publishing House - By: Prof. Édison Freitas de Siqueira – www.edisonsiqueira.com

EVIL TAG ALONG:

Evil Tag along is the public offering for the acquisition of common stocks – and sometimes including preferred stocks – previously agreed upon between the offering party and the selling parties to take place at an overvalued or undervalued price. Such as Tag Along, the EVIL Tag Along involves – during a first stage - the negotiation of a block of stocks that ensures the exercise of the control over the company and during a second stage, the offer to purchase the remainder stocks. Therefore, the basic difference between Tag Along and EVIL Tag Along is the lack of transparency and the lack of voluntary or involuntary perception of that fact by the corporate supervisory bodies. In this type of aggressive acquisition of stocks control the stages of traditional Tag Along are repeated, which, *per se*, is already a board line in respect of the effects caused to the value of stocks quotations. The first stage of negotiation stage is only homologated and enforceable in the market if the second stage is fully performed. This is because the formal purpose is to ensure minority stockholders to exercise the RIGHT OF FIRST REFUSAL or not, for the purchase of stocks at the same price offered by the creator of the TAG ALONG and also to ensure the portion of stocks in excess of the controlling block, a quotation equal to or above 80% over the selling price. The EVIL TAG ALONG is different from Tag Along because its price is already distorted in the negotiations of the public offering, a fact that eliminates the light balance of a traditional Tag Along. Therefore, the operation that should be guarantee for the preemption right and form of direct or indirect transfer of stocks from a particular company in favor of the buyer / investor becomes an instrument that generates instability in stock prices and in the corporate relationship of a particular company. The transaction always causes withdrawal of stocks from the market, eliminating the free float. While in Tag Along transactions the minority stockholders are compelled to sell their stocks for the offered price, in the EVIL TAG ALONG transactions the consequence is inevitable by virtue of the targeted lack of market liquidity that the operation causes in respect of the stocks prices subject to the aggressive acquisition. Many EVIL TAG ALONGS are supported by a strong influence of Sovereign Funds or mechanisms that transform private pension / investment funds, banks, corporate groups and stocks investment funds into extension of the sovereignty of governments, or government agents who operate to their own benefit or under strategic political purpose, characteristics which are never included in traditional Tag Along. *In TREATY ON INTERNATIONAL SECURITIES AND FINANCIAL LAW – VOLUME II, "WEAKNESSES OF MECHANISMS FOR THE CONTROL AND INSPECTION OF NORMATIVE AND REGULATORY SYSTEMS OF INTERNATIONAL SECURITIES AND FINANCIAL MARKETS – SOLUTION: APPLICATION OF THE EFS SYSTEM - EFFICIENT FINANCIAL SAFETY SYSTEM STANDARD"* - Imprensa Livre Publishing House - By: Prof. Édison Freitas de Siqueira – www.edisonsiqueira.com

DUMPING & HYPER-DUMPING

DUMPING:

The expression DUMPING, may have its origin in the archaic Icelandic *thumpa* (to hit someone), having also been used as a synonymous word for temporary ammunition warehouse. In modern English the verb "dump" means to toss away, dispose of or throw away.

The juridical definition of DUMPING is stated by the article VI at the GATT/1994, in the Antidumping Agreement of the WTO Uruguayan round of negotiations. WTO's defines the practice of DUMPING at the article 2.1 of its rulings, as the "product introduced in the market for an inferior price to its normal value when destined to the consumption in the exporting country in normal conditions of trade.

HYPER-DUMPING:

Hyper Dumping are actions and legal businesses carried out to the order of a country, organization or National, Binational or Multinational Public body, which aim to overthrow the rules of "Free Competition" and violate rules, warnings, sanctions or restrictions of the WTO - World Trade Organization. These actions and legal businesses are carried out from a Center of Power of organizational, institutional, economic and government management involving one or more countries - united for the purpose of organizing and carrying out hyper-structured market transactions, on a commercial and international securities and financial sectors, to render rules, warnings, sanctions or restrictions imposed by WTO ineffective through the utilization of mechanisms, companies, funds and private banks, as well as State organizations which - without making it public, throughout the transaction period – use huge quantity of own capital and / or capital owned by third parties. "

The essence of "HYPER-DUMPING", is to refrain from focusing on subsidies or phytosanitary difficulties, for example, counterproposals to products and / or services from the country under sanction, often accused of being approaching or dominating markets exactly by virtue of violation to those rules.

Leaving this assumption aside, as a rule, "HYPER-DUMPING" is materialized through the use of securities and financial market transactions, through which, outside the territory of the sanctioned country, it purchases the stock control or dominates the management of companies operating in the same economic sector where the sanctions are applied, keeping the companies that led their countries to request WTO the imposition of the same sanctions away from international litigation. Thus, through the acquisition of international competitors, absorption of markets or through exercising their control and management, the sanctioned country neutralizes the origin of the claim that gave rise to WTO imposition, defrauding the entire anti-dumping system". *In TREATY ON INTERNATIONAL SECURITIES AND FINANCE LAW – VOLUME II, "WEAKNESSES OF MECHANISMS FOR THE CONTROL AND INSPECTION OF NORMATIVE AND REGULATORY SYSTEMS OF INTERNATIONAL SECURITIES AND FINANCIAL MARKETS – SOLUTION: APPLICATION OF THE EFS SYSTEM - EFFICIENT FINANCIAL SAFETY SYSTEM STANDARD" - Imprensa Livre Publishing House - By: Prof. Édison Freitas de Siqueira – www.edisonsiqueira.com*

Therefore, in the same lines, the concept of "HYPER-DUMPING", *still according to Professor Édison Freitas de Siqueira, is...*

"the way in which the punished and warned country or country under WTO restriction, without disclosing itself as a State, directly or indirectly, using private companies operating in the sector under restriction, purchases and / or dominates the management of companies within the WTO member countries that requested the application of punishments, warnings and restrictions against the country it belongs to and that holds control on products or services which are affected by WTO ruling. Dominating and controlling the market under WTO protection, the State that is subject to punishment avoids them, and from subject to punishment, becomes an entity, company, or market protected by the same sanctions". *In TREATY ON INTERNATIONAL SECURITIES AND FINANCE LAW – VOLUME II, "WEAKNESSES OF MECHANISMS FOR THE CONTROL AND INSPECTION OF NORMATIVE AND REGULATORY SYSTEMS OF INTERNATIONAL SECURITIES AND FINANCIAL MARKETS – SOLUTION: APPLICATION OF THE EFS SYSTEM - EFFICIENT FINANCIAL SAFETY SYSTEM STANDARD" - Imprensa Livre Publishing House - By: Prof. Édison Freitas de Siqueira – www.edisonsiqueira.com*

CURRENCY SWAP & STOCK MATCHED SWAP

CURRENCY SWAP:

Currency Swap is the securities market procedure which – in its origin – corresponded and corresponds to the accomplishment of two simultaneous foreign exchange transactions: A cash transaction (spot) and a reverse term transaction (forward). This type of operation aims to guarantee (hedge) the probable or possible exchange rate fluctuations, ensuring a return to the initial position without the realization of losses. Normally the CURRENCY SWAP is carried out in four steps. Examples: An investor wants to invest US\$ 1,000,000.00 (one million dollars) in a particular commodity or to buy securities of local or foreign debt traded in Brazil, under the assumption to receive a gain of 10% in a 90 days investment. Therefore, in the first step of the CURRENCY SWAP, the investor exchanges dollars for reais under authorization of the Central Bank of Brazil. In the second step of the CURRENCY SWAP, knowing that its investment is for a determined period of - 90 days - and that the gain shall be of approximately 10%, the investor seeks the Stock Exchange House - Futures Market - and with its reais, plus the 10% gain, closes a contract to buy U.S. dollars in the futures market, forecasting the exchange variation - for ninety one days – in order to have sufficient reais required to buy back its dollars, realize its profits and send the capital to the investor's country of origin. The third step is the purchase of local debt securities or commodities with the reais. The fourth step of the CURRENCY SWAP is therefore the sale of the position in reais for the period of 90 days, concluding the operation - also known as 4x4 Operation or Box Operation - one day prior to the maturity of the purchase of dollars in the Futures Market.

STOCK MATCHED SWAP:

The **STOCK MATCHED SWAP** is based on mutual and combined purchase and sale of stockholders, mathematically scheduling successive movements of purchase and sale of a particular stock, which come and goes, changing ownership among investors criminally organized. The STOCKS MATCHED SWAPS are carried out until the market, in a group movement, observing the price increase of a given stock, go to the Stock Exchange and buy the papers from the creators of the shady deal, which immediately leave the position and water (*Watered Stock*) the gain on other stocks, eliminating the proof of manipulation, acting as if it was a portfolio transaction – *In TREATY ON INTERNATIONAL SECURITIES AND FINANCE LAW – VOLUME II, "WEAKNESSES OF MECHANISMS FOR THE CONTROL AND INSPECTION OF NORMATIVE AND REGULATORY SYSTEMS OF INTERNATIONAL SECURITIES AND FINANCIAL MARKETS – SOLUTION: APPLICATION OF THE EFS SYSTEM - EFFICIENT FINANCIAL SAFETY SYSTEM STANDARD" - Imprensa Livre Publishing House - By: Prof. Édison Freitas de Siqueira – www.edisonsiqueira.com*

CHINESE WALL & "CONFLICT OF INTERESTS"

CHINESE WALL:

"**Chinese Wall**" is the set of procedures and governance policies which subject people involved in the several market agents and segments of the securities and / or financial systems. The herein discussed rules subject those people and market agents to the obligation of avoiding the undue communication of individuals in different sectors of a same entity or mutually combined entities. Those rules also aim to avoid the "Conflict of Interests". The "Conflict of Interests" takes place when people or market agents – simultaneously – hold opposing and overlapping positions, which decisions – from inside or in favor of one or the other parties interested in a legal or market relationship -, always jeopardize or benefit a particular individual or market agent which is under its supervision or management, to the detriment or benefit of another. This formal and material ambiguity withdraws 100% of the reliability of decisions taken by the individual or body under "Conflict of Interests", because – supposedly – they will always be jeopardizing the party that granted them an unilateral vote of confidence. Therefore, those rules aim to set a "wall" or "barrier" among market agents and the people who represent them, in such a way to ensure that the management of own assets does not communicate with interests or gains that the manager of assets owned by third parties must seek. This mandatory segregation is justified not only under the law but also in the ethical positioning to avoid the "occurrence of conflict of interests", a feature that, for itself, withdraws reliability, legality and transparency from the management of assets owned by third parties. In international market, the *CHINESE WALL* rules – which govern the Stock Exchange Houses (NYSE, Euronext, Latinex) and also determined some procedures and legislation that govern the major Stock Exchange Houses and markets around the world, are detailed in the *Exchange Securities Act of 1934* and in *Sarbanes Oxley Law* of January 23, 2002. In Brazil, the *CHINESE WALL* Rules are the subject matter of Resolutions and Instruction issued by the National Monetary Council, Circular Letters of the Central Bank of Brazil, CVM (Brazilian Securities and Exchange Commission) Instructions and of Laws 4.595/64, 4.728/65 and 63.385/76. The disclosure of this condition of material and formal ambiguity is the only way to reduce the "Conflict of Interests" effect. When all the parties involved – no exceptions made – are fully aware of the "Conflict of Interests" and may protect themselves from it – there is a balance in relationships arising from the involved parties' consent, which are no longer eligible victims, to take part in the decision. In the Sarbanes Oxley Law this disclosure is called "*disclosure clause*". *In TREATY ON INTERNATIONAL SECURITIES AND FINANCE LAW – VOLUME II, "WEAKNESSES OF MECHANISMS FOR THE CONTROL AND INSPECTION OF NORMATIVE AND REGULATORY SYSTEMS OF INTERNATIONAL SECURITIES AND FINANCIAL MARKETS – SOLUTION: APPLICATION OF THE EFS SYSTEM - EFFICIENT FINANCIAL SAFETY SYSTEM STANDARD" - Imprensa Livre Publishing House - By: Prof. Édison Freitas de Siqueira – www.edisonsiqueira.com*

WATERED STOCK:

The expression *WATERED STOCK* has its origin in the common practice of ancient cattle breeders who, upon engaging the sale of a given quantity of livestock, prior to the arrival of the slaughterhouse truck or kilometers prior to the delivery of cattle used to offer the cattle a large quantity of salt water to that the lot of cattle – artificially – gained weight during the weighting process, so that the slaughterhouse buying the cattle would pay for the overweight without noticing the fraud once the proof of the fraud was eliminated by the same cattle through the urine, watering – all over the field – the profit of the seller and the loss of the buyer, the latter only noticed when the cost of the artificial weight loss was not transferred to the market in a group movement.

In the securities market, WATERED STOCK is the procedure implemented by one or more persons or companies, with or without the support of governments, stockholders, banks, financiers, audit companies, risk evaluation agencies or related companies aiming to – through mutual transactions – artificially manipulate / increase prices and quotations of stocks, commodities or ADRS, such papers immediately transferred to third parties or to the group members, for subsequent sale to third parties – again -, causing a market movement which attracts groups of investors expecting to keep the level of gains, in such a way that upon the decrease of the overvalued price, the paper is already diluted – watered – in several market positions which absorb the loss – in a non impressive form. – In TREATY ON INTERNATIONAL SECURITIES AND FINANCIAL LAW – VOLUME II, "WEAKNESSES OF MECHANISMS FOR THE CONTROL AND INSPECTION OF NORMATIVE AND REGULATORY SYSTEMS OF INTERNATIONAL SECURITIES AND FINANCIAL MARKETS – SOLUTION: APPLICATION OF THE EFS SYSTEM - EFFICIENT FINANCIAL SAFETY SYSTEM STANDARD" - Imprensa Livre Publishing House - By: Prof. Édison Freitas de Siqueira – www.edisonsiqueira.com

THREE TIMES:

THREE TIMES is the stock market operation that characteristically happens in three times (hence the name). The stock market operations part of THREE TIMES involve in firstly – first time – the purchasing of assets (stock, ADRs, commodities, derivatives, debentures, bonds of public and private debt, futures exchange, etc.). A secondary operation - second time – involves the selling of these papers; finally, a third moment – third time – involves the transference of this position to a third party. When the last phase happens, as a consequence of previously agreed first and second operations, there is asset price manipulation (**STOCK MATCHED SWAP**) - the third time is considered as stock watering, this means the transferring of the resulting costs and gains from the price manipulation of a certain asset to the market. It is important to differentiate this definition from the situations in which there is no asset price manipulation and no previous agreement about the asset's price with the buyer in the "second time", characterizing the "third time" as a normal operation of the market of someone who sold an asset on which one was no longer interested about or that has already accomplished the expectation about it. - In TREATY ON INTERNATIONAL SECURITIES AND FINANCIAL LAW – VOLUME II, "WEAKNESSES OF MECHANISMS FOR THE CONTROL AND INSPECTION OF NORMATIVE AND REGULATORY SYSTEMS OF INTERNATIONAL SECURITIES AND FINANCIAL MARKETS – SOLUTION: APPLICATION OF THE EFS SYSTEM - EFFICIENT FINANCIAL SAFETY SYSTEM STANDARD" - Imprensa Livre Publishing House - By: Prof. Édison Freitas de Siqueira – www.edisonsiqueira.com

SOVEREIGN WEALTH FUND and EVIL SOVEREIGN WEALTH FUND:

SOVEREIGN WEALTH FUND are reserves from a country made available in the form of bonds, financial values, real estate and stock invested in the domestic and foreign stock markets and in other markets.

A **SOVEREIGN WEALTH FUND** is considered to be an instrument for the maintenance and enhancement of a country's Monetary Reserves, destined to finance investments of its own or through third parties when purchasing real estate, and mainly, stock, ADRs, debentures, bonds of public and private debt domestic or foreign -, commodities, futures and derivatives, among other bonds negotiated in the exchange over-the-counter or on the exchange's lists or quotes and also electronically. A **SOVEREIGN WEALTH FUND** also directs its investments to the economic development when buying assets or the controlling position of companies, banks and equities that have – directly or indirectly – the possibility of becoming an instrument for economic development. Usually the reserves aim businesses in companies that have their headquarters in the same country of the **SOVEREIGN WEALTH FUND**; however it has increasingly become very ordinary that **SOVEREIGN WEALTH FUNDS** invest outside their country of origin. When this happens, so as to respect the sovereignty of the other countries and not to infringe international treaties and agreements, these operations, their partners and investments are fully disclosed as being of "State Interest".

The **SOVEREIGN WEALTH FUNDS** have also been created with the intention of differentiating the "National Savings/Monetary Reserves" from the so-called "Currency Exchange Reserves", which in fact are transitory reserves that remain temporarily in a country.

In relation to the reserves considered as Domestic Savings, when they constitute **SOVEREIGN WEALTH FUNDS** these funds also have the objective of granting juridical and institutional environment and personality that will allow these reserves to have liquidity and versatility so they can benefit from the same kind of gains and profits any other investor in the stock market does. So a **SOVEREIGN WEALTH FUND** aims at maintaining, increasing and distributing the wealth of a certain national government.

On the other hand an **EVIL SOVEREIGN WEALTH FUND** acts in a non-transparent (undisclosed) manner, using structured operations (hyper-structured), complex networks of companies, holdings and subsidiaries, usually "offshore" or "tradings" headquartered in tax paradises that are not under the jurisdiction of the courts of police from its country of origin. The main purpose of an **EVIL SOVEREIGN WEALTH FUND** is to use reserves originated in a State so as to rapture wealth, influence markets without having to respect rulings, subtract property, citizenship, sovereignty and, ultimately, enriching people and organizations outside the objectives of a regular **SOVEREIGN WEALTH FUND**, also to enhance and support political projects whose goal are not formally set or measured.

Thus, the difference between **EVIL SOVEREIGN WEALTH FUNDS** and the other **SOVEREIGN WEALTH FUNDS** resides in the bad intention, undisclosed purposes, will to control markets without making public the partners involved or the origin of the reserves used. While **SOVEREIGN WEALTH FUNDS** aims at maintaining, increasing and distributing the wealth from a disclosed State, the **EVIL SOVEREIGN WEALTH FUND** raptures wealth and disrespects international rules, treaties and agreements to the detriment of peoples citizenship rights, sovereignty of nations with the sole intention of enriching certain organizations and their staff without formally stating their existence or intentions.

To create a **SOVEREIGN WEALTH FUND** is a very important political decision to any country of well formed economy and financial system. Follows the list of publicly disclosed **SOVEREIGN WEALTH FUNDS** up to September 2008: "Algeria - Revenue Regulation Fund; Angola - Reserve Fund for Oil; Australian Future Fund; Azerbaijan - State Oil Fund; Bahrain - Mumtalakat Holding Company; Bolivia - SWF planned; Botswana - Pula Fund; Brazil - SWF presumed; Brunei Investment Agency; Canada - Alberta's Heritage Fund; Chile - Pension Reserve and Social and Economic Stabilization Fund; China-Africa Development Fund; China Investment Corporation; China - National Social Security Fund; China - SAFE Investment Company; Hong Kong Monetary Authority Investment Portfolio; India - SWF presumed; Iran - Oil Stabilisation Fund; Ireland - National Pensions Reserve Fund; Japan - SWF presumed; Kazakhstan National Fund; Kiribati - Revenue Equalization Reserve Fund; Korea Investment Corporation; Kuwait Investment Authority; Libyan Investment Authority; Malaysia - Khazanah Nasional; Mauritania - National Fund for Hydrocarbon Reserves; New Zealand Superannuation Fund; Nigeria - Excess Crude Account; Norway - Government Pension Fund – Global; Oman - State General Reserve Fund; Qatar Investment Authority; Russia - National Welfare Fund; Saudi Arabia - Public Investment Fund; Saudi Arabia - SAMA Foreign Holdings; Singapore - Government of Singapore Investment Corporation; Singapore - Temasek Holdings; Taiwan - National Stabilisation Fund; Thailand - SWF presumed; Timor-Leste Petroleum Fund; Trinidad and Tobago; Heritage and Stabilization Fund; UAE - Abu Dhabi Investment Authority; UAE - Emirates Investment Authority; UAE - Investment Corporation of Dubai; UAE - Mubadala Development Company; UAE - RAK Investment Authority; USA - Alaska Permanent Fund; USA - Alabama Trust Fund; USA - New Mexico State Investment Office Trust; USA - Permanent Wyoming Mineral Trust Fund; Venezuela – FIEM; Vietnam - State Capital Investment Corporation original".

On the other hand, follows the list of States the present investigation identified to have used **EVIL SOVEREIGN WEALTH FUNDS**: The Federative Republic of Brazil, The Bolivarian Republic of Venezuela. These governments use, in an undisclosed and not transparent way, many holdings, banks, private investment and pension funds as agents "Interest of State" operations that do not have quality intentions. In TREATY ON INTERNATIONAL SECURITIES AND FINANCIAL LAW – VOLUME II, "WEAKNESSES OF MECHANISMS FOR THE CONTROL AND INSPECTION OF NORMATIVE AND REGULATORY SYSTEMS OF INTERNATIONAL SECURITIES AND FINANCIAL MARKETS – SOLUTION: APPLICATION OF THE EFS SYSTEM - EFFICIENT FINANCIAL SAFETY SYSTEM STANDARD" - Imprensa Livre Publishing House - By: Prof. Édison Freitas de Siqueira – www.edisonsiqueira.com

ASSETS:

Word from English that refers to rights, ownership and propriety that bear economic value. Assets indicates propriety of goods, estate, stock, copyrights or derivation from ownership of expectation to gains, dividends, profit or any other benefit that can be measured, evaluated and counted. Thus Asset can be conceptualized as the economic value attributed to a property, ownership, quality or expectation of profit. In accountancy Assets are divided in two categories: **Current Assets** – short term liquid assets (cash, stock, rents, equities, receivables and highly liquid goods, dividends or rents of high certainty and whose value can be transferred within a term); **Long Term Assets** – credits and investments that will be received in longer term, future interest; **Deferred Assets** – spending with services that will benefit the results in a longer term or next accountancy term; **Fixed Assets** – Assets that are fixed, like machinery, estate, equipment, etc.; **Intangible Assets** – copyrights, patents, brands, in the Brazilian legislation they are considered Fixed Assets, once they can be subjected to depreciation within the regular rules of accountancy. The gains from this kind of Asset, royalties, rents, and copyright, which are transferred within an accountancy year or term (according to the rules of IBRACON) may either be considered short term or long term assets. In **TREATY ON INTERNATIONAL SECURITIES AND FINANCIAL LAW – VOLUME II, "WEAKNESSES OF MECHANISMS FOR THE CONTROL AND INSPECTION OF NORMATIVE AND REGULATORY SYSTEMS OF INTERNATIONAL SECURITIES AND FINANCIAL MARKETS – SOLUTION: APPLICATION OF THE EFS SYSTEM - EFFICIENT FINANCIAL SAFETY SYSTEM STANDARD"** - Imprensa Livre Publishing House - By: Prof. Édison Freitas de Siqueira – www.edisonsiqueira.com

COMPLIANCE:

In English "to comply with" means to be in accordance to. The noun COMPLIANCE refers to "an institution or procedure that is in obedience of rules from this institution or market where this institution operates". The importance of this concept is about how it is used. COMPLIANCE is the current jargon attributed to agents and businesses made in the stock exchange and financial markets that are in accordance with the rulings and the law. In the banking sector the assessment of COMPLIANCE is made by the banks so as to discover if a certain client (under the jurisdiction of its regulating agency) has licit origin for its money, enough warranties for a certain negotiation, records and balance sheets in accordance to market's requirements. COMPLIANCE, in this sense, varies according to the institutions and professionals that the law allows to present assessment reports confirming that a certain company, person or goods are in accordance (comply with) with the rulings. For this reason exist internal and external auditing, mortgages, formal warranties, accountants, lawyers, rating agencies, depository banks, warrantors, etc. All of them are COMPLIANCE measuring and assessment instruments. Hence, modern legislations, as the famous Sarbanes-Oxley, sanctioned in the USA in 2002, after the well-known ENRON/ARTHUR ANDERSEN scandal, attribute civil, criminal and solidary liability to the companies, people, accountants, internal and external auditing, rating agencies, depository banks, lawyers and directors that for their acts or their omission have neglected, or been imprudent, or been inaccurate when not disclosing that a certain company does not comply with the rules of a certain market. That is the reason why for a company to achieve the "investment grade" level (according to the criteria of more developed markets) it is necessary that these companies are in full COMPLIANCE with the accountancy rules, transparency rules, rules that determine the absence of "conflict of interest", rules that demand "Chinese Wall" practices; and that the managers of these companies prove to have currently paid the dividends to their shareholders, and also to have policies on the respect of minority shareholders, to punctually pay the bonds they have issued (or convert in shares) on the due date; and mainly that the balance sheets, auditing reports and management reports truly and fully reflect the credits, debts, investments, and agreements of a company. In **TREATY ON INTERNATIONAL SECURITIES AND FINANCIAL LAW – VOLUME II, "WEAKNESSES OF MECHANISMS FOR THE CONTROL AND INSPECTION OF NORMATIVE AND REGULATORY SYSTEMS OF INTERNATIONAL SECURITIES AND FINANCIAL MARKETS – SOLUTION: APPLICATION OF THE EFS SYSTEM - EFFICIENT FINANCIAL SAFETY SYSTEM STANDARD"** - Imprensa Livre Publishing House - By: Prof. Édison Freitas de Siqueira – www.edisonsiqueira.com

EFS SYSTEM – EFFICIENT FINANCIAL SAFETY – SYSTEM

It is the international safety system of the financial and securities market that grants to (1) COSRA¹, (2) UN², (3) WTO³, (4) Bank for International Settlements, (5) Stock Exchanges Worldwide and, especially, to (6) Governments of organized and involved countries, an efficient and safe manner of identifying and evaluating movements of markets that, formally/or informally (but always organized by one only "Center of Power") in a non-transparent way uses significant amount of capital, or assets, or liquid reserves, or property and the power of its own institutions, or third party's institutions. This massive use of economic and financial power is used on the basis of EVIL INTERLOCKING DIRECTORATE, of WATERED STOCK, of EVIL TAG ALONGS, of STOCK MATCHED SWAPS, of DUMPING, of HYPER DUMPING, of CARTEL, and, further, being used to infringe the rules of CHINESE WALL, U.S. Laws SECURITIES EXCHANGE ACT of 1934 and SARBANES OXLEY, spontaneously adopted as SOX standard and international application, of the International Agreements and Treaties of BASEL II, COSRA and WTO, among others. The operation is still characterized by the use of Banks and/or several Business Groups and/or Pension Funds and/or Offshore Companies and/or Investment Funds and/or Employment Security Fund and/or companies or Interest Funds and/or Consortiums and/or Joint Ventures and/or other types of Private or Public Companies that respond to the coordination, articulation and planning of one single Management of a Center of Power. For these reasons the EFS SYSTEM is also useful as an assessment instrument in the establishment of corrective measures (that may also aim at the reversion) in relation to market movements that represent disproportional leverage of market operations that distort the volume or value of commodities, stock, debentures, bonds or any other kind of asset.

The EFS SYSTEM, for this purpose, considers disproportional and in need of deeper analyses any market operation whose volume or values may leverage operations that put at risk of instability the market, its agents, its investors, its financial organizations and the country (or countries) involved. The level of disproportionality will become macroeconomic risk when the amounts involved represent a leverage that is much superior to the hedge or yearly revenue of a certain economic sector, country, company, investors or agents who are the object of a certain investment.

When occurring macro-economic disproportionality, in relation to the parameters imposed by the EFS SYSTEM to the market agents, there will be the triggering of the following mechanisms: GIW (GREAT INVESTOR WARNING) that will start the IMQ (INTERNATIONAL MARKET QUESTION)⁴, with opening of international discussions WHICH SHALL PROVE immediate answers on behalf of the institutional agents of markets and governments involved. These answers are called "EP – EMERGENCY PROCEDURES" that contain four types of measures: 1st) Recommendations to Investors; 2nd.) Warnings to the agents involved, with recommendations of conduct readjustment; 3rd.) Preventive exclusion of the asset or operation or market agents; 4th.) Patrimonial expropriation with the objective of guaranteeing compensations or the ceasing of frauds.

Considering the operations like the ones described, the solution implemented by EFS SYSTEM does not segregate business due to the defined volume of resources and/or the size of the equity involved and/or disproportionality that may exist between the result and position of business hedge. The segregation criterion is the purpose of the market agents and Governments involved.

The model, therefore, aims to identify the movements of capital, assets, equity and Institutional and Political Power, in sufficient proportion to differentiate the group and the set of operations from the other sectors and participants of the market object of investments and to identify the global or local market under attack by market operations that puts this market in a situation of structural risk or frailty by voluntary and involuntary hyper-structuring market operations legally or illegally organized that involve important estate of capitals and equity in one sector of the economy.

The EFS SYSTEM believes that it is the obligation of all countries subscribers of UN-UNITED NATIONS ORGANIZATIONS, COSRA – COUNCIL OF SECURITIES REGULATORS OF THE AMERICAS, WTO- WORLD TRADE ORGANIZATION and the INTERNATIONAL AND INTERBANKING TREATY OF BASEL II to act clearly and with respect to the sovereignty of the peoples, international treaties and agreements, besides introducing, on these countries' "Internal Legal Order", legal and managing provisions necessary to validate the obligations assumed in these international treaties and agreements.

Hence the EFS SYSTEM - "EFFICIENT FINANCIAL SAFETY SYSTEM" does not create, but imposes sole liability of monitoring markets with the intention of identifying abnormalities or distortions, and thus creating the obligation from these observers to send a previous notice to COSRA, WTO, UN and BASEL COMMITTEE, creating what is called commitment of RGC- RESPECT TO GLOBAL COMPLIANCE, made feasible through observation of the formation of important estate movement of capitals and equity or the organization of Investor Groups and/or companies, and/or Sovereign Funds, Pension Fund, Employment Security Funds, Offshores, Interest Funds that operate jointly and produce reciprocal results.

This previous note is called GIW (GREAT INVESTOR WARNING), which identifies investors holding sector based operations with global repercussion.

¹ COSRA – COUNCIL OF SECURITIES REGULATORS OF THE AMERICAS;

² UN- UNITED NATIONS ORGANIZATION

³ WTO- WORLD TRADE ORGANIZATION

The GIW - GREAT INVESTOR WARNING, therefore constitutes a set of formal documents that shall be forwarded (with an agreement of confidentiality) to the chairmen of international organizations and to the World Bank.

When Received the **GIW**, the international entity repeats simultaneously the warning to the Ministries of Foreign Relation, Ministries of Defense and Ministries of Economy of Countries subscribers of COSRA and the International and Interbanking Treaty of Basel, besides the Ministries of countries or country involved in business described in the **GIW - GREAT INVESTOR WARNING**, so that they, along with the International Bodies mentioned, adopt the cautious, stimulating and restrictive measures of the operations that involve the economic fact aroused in the **GIW**, CALLING, or not, the "**IMQ - INTERNATIONAL MARKET QUESTION**", with opening of international discussions WHICH SHALL PROVE immediate answers on behalf of the institutional agents of markets and governments involved. These answers are called "**EP - EMERGENCY PROCEDURES**", which are official procedures and recommendations adopted as a sovereign decision of a country in all the markets involved.

For these reasons the GIW is global concept, as it is its effectiveness in demanding the zeal and transparency. Non-global actions of this kind may be interpreted as "insider information" that may be used wrongly.

The non compliance on behalf of the market agent as to the liability of carrying on in the **GIW**, authorizes the countries involved to consider the operations non informed and not clearly evaluated due to the omission of **GIW** as full of risk and probability of damaging the sector or all global economy, or then consider them (when proved the existence of direct or indirect management of an OSTENSIVE ECONOMIC, POLITICAL AND MANAGING POWER CENTER ORGANIZING AND STRUCTURING), operations of "**EVIL INTERLOCKING DIRECTORATE or HYPER DUMPING or DUMPING or CARTEL**". If it occurs, the immediate consequence is to authorize all government of country or countries with market and investor jeopardized by the operations of **GIW**, to retain and freeze the investments, capitals and assets in general, of companies, business groups, banks, funds of any kind that the **GI – Great Investor** is using or have used to make the not clear consequences and purposes real and economically appreciable. When the operations have as managing party a Country and/or Countries and/or a Sovereign Fund and/or an **EVIL SOVEREIGN WEALTH FUND**, the businesses will be considered as "**Sovereign and Aggression Act**", for effects of international relations among "States".

The EFS SYSTEM is an important instrument of juridical, economic, and political safety and solidity for the financial and stock markets.

The complexity of markets with its global and simultaneous interconnection; the existence of public-held companies with securities negotiated many times on stock exchange worldwide; the existence of banks, audits, brokerage houses and agencies of global risk; the interconnection of the businesses between global investment groups and entities, followed or not by the adoption of SOVEREIGN FUNDS for several countries, associated to the appearance in the last two decades of important consumer markets that opposed the lack of many *commodities*, voluntarily and involuntarily got united, creating systematic movements that make available hundreds of billions of dollars. Sometimes this estate of capital responds to "group movements", in a collective instinct of auto-preservation or search for sustainable earning. However, these movements of market many times are not random and start to create environments whose purpose is to cover abducting and predatory actions of markets. Their characteristic, therefore, as a rule, is to create artificial deviations in the market behavior, causing – from time to time – for the fulfillment of its profits – impoverishment and retrocession of several sectors of the global economy.

These movements of the market when not monitored or properly controlled by international entities make it possible for artificial deviation of values and of market behavior. This is the opportunity for legal or illegal rapture of assets belonging to important business groups, whole sectors of local and global economy and governments, with "spreads" of these billionaire schemes. Some examples are the estate derivative credit market in the North-American financial sector (October 2008) or the crude oil commodity.

The artificial and manipulated floating or the disproportionally leveraged market by voluntary and involuntary movements in relation to any kind of asset (currency exchange rate, commodities, stock, derivatives of any kind) may lead the whole economy to a floatation that induces crisis, or at times the "crash" of the stock market.

These are the factors that have prevented the global economy from reaching higher levels of economic growth, maturation and stability.

Speculators not only speculate but also lead, involuntarily, the market to have a speculative behavior. This is the traditional operating ways of the Watered Stock. Speculators manipulate the market, retain the profits from this speculation and transfer the losses to the State and smaller investors. This way they always end up with more capital and as the owners of big business groups whose acquisition was possible with "spread" operations, leverages and structured operations.

Adopting the EFS SYSTEM is an urgent measure, for the safety of the whole global stock and financial market, the justification of it comes with a simple analyses of the 1929 Crash of the New York Stock Exchange, the Parmalat Case and the Enron/Arthur Andersen Scandal, and recently of the Estate Market Bubble of 2008.

If used the rules and procedures of the EFS-System would have prevented this situation, or at least reduced its consequences by the international debate over the mechanisms and circumstances that led to this global macro economic problems in the global economy and local economies. In **TREATY ON INTERNATIONAL SECURITIES AND FINANCE LAW – VOLUME II, "WEAKNESSES OF MECHANISMS FOR THE CONTROL AND INSPECTION OF NORMATIVE AND REGULATORY SYSTEMS OF INTERNATIONAL SECURITIES AND FINANCIAL MARKETS – SOLUTION: APPLICATION OF THE EFS SYSTEM - EFFICIENT FINANCIAL SAFETY SYSTEM STANDARD"** - Imprensa Livre Publishing House - By: Prof. Édison Freitas de Siqueira – www.edisonsiqueira.com