CONSOLIDATED TEXT
OF THE SECURITIES MARKET LAW

Legislative Decree No. 861

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UNIQUE ORDERED TEXT OF THE SECURITIES MARKET LAW
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TITLE I

PRELIMINARY PROVISIONS AND DEFINITIONS

Article 1.- Purpose and Scope of the Law.

The purpose of this law is to promote the orderly development and transparency of the securities market and protection of investors.

This law applies to public offerings of marketable securities and their issuers, public offerings of stock, intermediation agents, stock exchanges, securities clearing and settlement institutions, securitization companies, securities mutual funds, investment funds, and all other participants of the securities market, as well as the supervision and control body. Unless otherwise expressly stated, its provisions are not applicable to private offerings of securities.

Article 2.- Territorial Scope.

The provisions of this law, unless stated otherwise, apply to all marketable securities offered or traded within the national territory.

Article 3.- Marketable Securities.

Marketable securities are those issued massively and freely tradable. Their holders are granted credit, ownership or property rights, or rights over the issuer's capital, equity or profits.

For the purpose of this law, the negotiation of rights and indexes of marketable securities is equivalent to the negotiation of the securities themselves.

Any limitation to the unrestricted transferability of marketable securities contained in the bylaws or the relevant issuance agreement has no legal effect.

Article 4.- Public Offering.

A public offering of marketable securities is a public invitation to one or more individuals or legal persons of the general public, or specific segments thereof, to carry out a legal placement, acquisition or disposal of marketable securities.

Article 5.- Private Offering. (*)

The offering of marketable securities not included in the preceding article is a private offering. Notwithstanding the above, the following are considered private offerings:

a) An offering that exclusively targets institutional investors. The marketable securities acquired by these investors cannot be transferred to third parties, unless such third party is another institutional investor or the security is previously entered in the Securities Market Public Registry.

b)The offering of marketable securities with a face value equal or in excess of two hundred fifty thousand Nuevos Soles (S/. 250,000.00). In this case, the securities cannot be transferred by the original buyer to third parties with lower face values or placement prices.

c) Those stipulated by CONASEV.(**)

(*) Article amended by Article 6 of Law No. 29720.

(**) The actual name of CONASEV is Superintendence of Securities Market

Article 6.- Intermediation.

Intermediation is the purchase, sale, placement, distribution, brokerage, commission or trading of securities in the marketable securities market on behalf of a third party. Intermediation also refers to the regular acquisition of securities on one's own account with the purpose of ultimately placing them among the public and earn a price differential.

Article 7.- Control and Supervision.

The Peruvian Securities and Exchange Commission (CONASEV) is the public institution in charge of the oversight of and compliance with this law.

It is authorized to interpret, on an administrative basis, the scope of the legal provisions regarding the subject matters hereof, pursuant to ordinary law regulations and the general principles of law. It is also authorized to issue the corresponding regulations.

Unless stated otherwise, the competencies granted to CONASEV by this law are exercised by its Board of Directors.

Article 8.- Terms.

The terms listed below have the following scopes for the purpose of this law:

a) Intermediation agents: Intermediation agents in the securities market;

b) Exchanges: The stock exchanges;

c) Rating Agencies: Risk rating agencies;

d) CONASEV: The Peruvian Securities and Exchange Commission;

e) Official gazette: "El Peruano" official gazette, in the capital of the Republic, and judicial publications elsewhere;

f) Days: Business days;

g) Issuer: The private or public law subject that issues marketable securities;

h) Mutual funds: Mutual funds with investments in securities;

i) Economic group: One resulting from the application of the General Law on Banking, Financial and Insurance Institutions; (1)

j) Institutional investors: Banks, financial and insurance companies governed by the General Law on Banking, Financial and Insurance Institutions, intermediation agents, private pension fund management companies, investment fund management companies, mutual fund management companies, as well as foreign entities engaged in similar activities, and other persons CONASEV classifies as such;

k) Corporations Law: The General Corporations Law;

l) General Law: The General Law of the Financial and Insurance Systems and Organic Law of the Superintendence of Banking and Insurance; (*)

m) Centralized mechanism: The centralized mechanism for securities trading;

n) Relatives: Relations to two degrees of consanguinity, one degree of kinship, and spouses;

o) Indirect ownership: One resulting from the application of the General Law on Banking, Financial and Insurance Institutions; (1)

p) Registry: The Securities Market Public Registry;

q) Representative of the bondholders: The beneficiary referred to in the General Corporations Law for the issuance of obligations;

r) Management companies: The management companies in charge of securities mutual funds;

s) Brokerage firms: The brokerage firms,

t) Intermediary firms: The intermediary firms in securities;

u) Superintendence: The Superintendence of Banking and Insurance;

v) Audit firms: Audit firms registered in the Single Registry of Audit Firms;

w) Securities: The marketable securities;

x) Security listed for the stock exchange session: Security listed in the stock exchange to be negotiated during the trading session;

y) Relationship: One resulting from the application of the General Law on Banking, Financial and Insurance Institutions. (1)

z) Central Government: Political and administrative bodies that comprise the State-funded Public Bodies referred to in the Law on Budget Management, Law No. 27029 or successor regulations; (**)

(*) Item replaced by Article 1 of Law No. 27649.

(**) Item added by Article 1 of Law No. 27649.

(1) Note: The Twenty Second Final and Complementary Provision of Law No. 26702 states that CONASEV, through a general provision, shall establish the criteria regarding relationships, for direct and indirect ownership, and economic groups, in the matters governed by the Securities Market Law. Such concepts are regulated in CONASEV Resolution No. 090-2005, Regulations on Indirect Ownership, Relationships and Economic Groups.

Article 9.- Supplementary Regulations.

The following regulations apply on a supplementary basis:

a) The General Corporations Law;

b) The Commercial Code and the Securities Law;

c) The local and international stock exchange and commercial practices, as appropriate; (*)

d) The General Regulations for Administrative Procedures; (*)

e) The General Law of the Financial and Insurance Systems and Organic Law of the Superintendence of Banking and Insurance; (*)

f) The Civil and Civil Procedures Codes; and, (*)

g) The Criminal Code (**).

(*) Item replaced by Article 2 of Law No. 27649.

(**) Item added by Article 2 of Law No. 27649.

TITLE II

MARKET TRANSPARENCY

Chapter I

General Principles

Article 10.- Quality of Information.

Any information that under this law shall be submitted to CONASEV, the exchange, the entities in charge of the centralized mechanisms, or the investors, shall be true, sufficient and timely. Once such institutions have received the information, it shall be made available to the public immediately.

Article 11.- Publicity.

The announcements regarding the issuance, placement or intermediation of securities and any other activity carried out in the stock exchange shall not cause confusion or mistake.

Article 12.- Market transparency. (*)

Any act, omission, practice or conduct that hinders the integrity or transparency of the market is forbidden, including:

a) Providing false or misleading signals regarding the supply or demand of a security, for its own benefit or the benefit of third parties, through transactions, proposals or fictitious transactions that: i) increase or reduce the price of securities or financial instruments; ii) increase or reduce their liquidity; or, iii) fix or maintain their price, except as set forth in paragraph f) of article 194.

   Furthermore, it is also forbidden for directors, managers, members of the investment committee, officers and persons involved in the investment process of an institutional investor, for its own benefit or the benefit of third parties, to manipulate the price of their securities or financial instruments portfolio, or the portfolio managed by another institutional investor, through transactions, proposals or fictitious transactions, leading to the increase or reduction of the price or the liquidity of the securities or financial instruments comprising such portfolio.

   Fictitious transactions are those where no real transfer of securities or financial instruments, or rights thereon or similar, occurs; or those where, although an actual transfer of securities or financial instruments occurs, no consideration is paid.

b) Making transactions or encouraging the purchase or sale of securities or financial instruments through any misleading or fraudulent act, practice or mechanism.

c) Providing false or misleading information regarding the status of a security or financial instrument, its issuer or its businesses, that due to its nature may influence its liquidity or price, including spreading rumors and false or misleading news through the media, the internet or any other means of communication.

Unless stated otherwise, this assumption does not include the opinions or projections issued by economic, financial or investment analysts or journalists, provided that such opinions or projections are substantiated through a technical report, as appropriate.

d) The purchase or transfer securities or financial instruments entered in the Registry by the directors, officers and workers of the stock exchanges and other entities in charge of operating centralized mechanisms, clearing and settlement institutions, including the director of the trading session, unless they obtain the previous authorization of CONASEV. Such restriction is not applicable to the following:

1. Fully paid-up shares;

2. Shares subscribed by exercising the preemptive right stipulated in the General Corporations Law;

3. The securities obtained as a user of a utility service or acquired for purposes of tax relief;

4. Certificates of participation in mutual funds; and,

5. Others established by CONASEV through a general regulation.

In all cases, such persons shall abstain from participating in the general shareholders' meetings of the corporations where they hold shares and are subject to CONASEV control and oversight.

CONASEV, through a general regulation, may identify and forbid other situations, market abuse conducts or violations of the transparency and integrity of the securities market.

(*) Article amended by Article 3 of Law No. 29660.

Chapter II

Securities Market Public Registry

Sub-chapter I

General Provisions

Article 13.- Purpose.

The Registry is the site where the securities, securities issuance programs, mutual funds, investment funds and participants of the securities market as defined in this law and the relevant regulations are registered, with the purpose of making the information thereon publicly available, allowing decision-making by investors and ensuring the market's transparency.

The legal persons entered in the Registry and the issuer of registered securities are obliged to submit the information set forth in this law and other general provisions and are accountable for the truthfulness of such information.

Article 14.- Entity in charge of the Registry.

CONASEV is responsible for maintaining the Registry and determining its organization and operation on the basis of access to information and administrative simplification principles stipulated in Law No. 25035 and Legislative Decree No. 757.

Article 15.- Sections.

The Registry has the following sections, notwithstanding additional sections that may be established by CONASEV in to adapt to market conditions:

a) Marketable securities and issuance programs;

b) Intermediation agents in the securities market;

c) Mutual funds;

d) Investment funds;

e) Special purpose entities;

f) Investment fund management companies;

g) Mutual fund management companies;

h) Securitization companies;

i) Risk rating agencies;

j) Publicly held corporations;

k) Securities clearing and settlement institutions;

l) Stock exchanges and other entities in charge of operating centralized trading mechanisms; and,

m) Arbitrators.

Article 16.- Access to Information

The information stored in the Registry is freely available to the public. Except as provided in Article 34 hereof, any person has the right to request a copy, whether simple or certified, of the data, reports and documents registered therein.

As an exception, CONASEV, following a duly substantiated written notice, may decide to keep certain documents confidential, or reject the issuance of copies, when the disclosure thereof breaches express legal regulations or in the presence of a substantiated assumption that such disclosure shall cause a severe damage to the issuers or third parties. CONASEV cannot keep the confidentiality of significant events or financial information.

Article 16A.- Duties to the Clients and the Market. (*)

Registry listed securities market players, either receiving or executing investment orders or providing counsel or managing securities on behalf of third parties or independent properties, shall act diligently and

transparently in the interest of their clients and to protect market integrity. Furthermore, they shall minimize the risk of conflicts of interest and, in case of dispute, will prioritize the interest of their clients, in an unbiased manner.

These persons shall carry out their activities in an orderly and sensible manner, protecting their clients' interests as their own, ensuring that they have all the necessary information about their clients and keeping them duly informed.

(*) Article added by Article 4 of Law No. 27649.

Article 16-B.- Comprehensive risk management. (*)

The legal persons authorized by SMV shall establish a comprehensive risk management system, adequate for the type of business, that comprises a set of objectives, policies, mechanisms, procedures, methodologies, internal regulations and measures designed to identify potential events that may have a negative impact on the operations and services they carry out in the securities market, pursuant to the general regulations set forth by SMV.

(*) Article added by Article 8 of Law No. 30050.

Sub-chapter II

Registration

Article 17.- Obligation to Register.

The publicly offered securities and securities issuance programs must be entered in the Registry. No previous administrative authorization is required.

The registration of securities that will not be offered publicly is optional. In this case, the issuer submits to all obligations arising from this law.

Article 18.- Security or Issuance Program Registration.

To enter a security or security issuance program in the Registry, documents stating their characteristics, the issuer's and, if applicable, the rights and obligations of their holders, shall be submitted to CONASEV.

Except as provided in Article 23, the registration of a specific security of the issuer implies that all securities of the same class are automatically registered.

Article 19.- Procedure.

The registration of the security or program is only subject to compliance with the requirements set forth in the preceding Article. The analysis of the issuer's economic-financial situation is not required.

Article 20.- Deadline for Registration.

The deadline for CONASEV to register a security or program in the Registry is thirty (30) days as from the date of the request. Such deadline may be extended only once for as many days as required for the requesting party to clear any objections raised by CONASEV in connection with omissions of information or breach of the general regulations set forth for such purpose.

Once the issuer meets the preceding requirements, including before the deadline, CONASEV has five (5) days to proceed to the registration.

Article 21.- Special Deadline.

In the case of issuers that have issued securities of the same class through a public offering in the last twelve (12) months, and provided that during such period they were not sanctioned by CONASEV on the basis of serious or very serious infringements, the deadline referred to in the first paragraph of the preceding Article shall not exceed seven (7) days.

Article 22.- Effects of Registration.

Entering a security in the Registry does not certify its worthiness, the issuer's solvency, or the risks involved in the security or the offering.

Article 23.- Partial Registration of Share Capital. (*)

The shareholders that represent at least twenty five percent (25%) of the issuer's share capital may request the registration of their shares. In such case, the registration is limited to shares owned by the requesting parties, which shall be categorized in a new class, and the issuer shall make the relevant amendments to the bylaws and adopt the necessary agreements to create the new class of shares and go through the formalities needed to enter the shares in the Corporations Registry and the Securities Market Public Registry.

The creation of the new share class and the amendment to the bylaws are governed by Article 128 of the Corporations Law. Therefore, the simple quorum established in Article 125 of such Law shall be met for the installation of the General Shareholders' Meeting. Moreover, the provisions of the issuer's bylaws that for such purpose require quorums or majorities higher than those referred above are not applicable.

The following obligations stipulated in Article 88 of the Corporations Law are not applicable to the creation of the new share class in this case:

(i) The previous approval by the special meeting of the shareholders of the class to be eliminated or those who shall have their rights or obligations modified; and,

(ii) The approval of those affected by the elimination of the share class or the changes to the obligations under their charge.

(*) Article amended by Article 1 of Legislative Decree No. 1061.

Article 24.- Registration of Debt Securities.

The holders of debt securities may request the registration of such securities in the Registry in accordance with the provisions of this law and the terms established in the issuance agreement or, as the case may be, the equivalent instrument. If no regulation has been set forth on this regard, the request shall be backed up by the holders of such securities that represent the absolute majority of the outstanding amount issued.

Article 25.- Obligations of the Issuer.

In the cases foreseen in Articles 23 and 24, once the request for the registration of the security backed up by the required number of security holders has been made, the issuer is obliged to submit to CONASEV the information necessary for registration. Moreover, in the case of the registration referred to in Article 24, the issuer shall bear the risk rating costs of the security for which registration is being requested, unless agreed otherwise.

Article 26.- Registration Promoted by the Issuer.

Notwithstanding the provisions in Articles 23 and 24, the registration of the securities may be requested by the issuer when agreed by the General Shareholders' Meeting or equivalent body, or when it is done pursuant to the terms set forth in the issuance agreement or equivalent legal instrument.

Article 27.- Other Entries in the Registry.

The registration of cases that are not defined in this Sub-chapter shall be subject to the provisions of the relevant sections of this law and the general provisions issued by CONASEV.

Article 28.- Significant Events. (*)

The registration of a security or issuance program entails the obligation by the issuer to inform CONASEV and, if applicable, the corresponding exchange or entity in charge of operating the centralized mechanism, about significant events, including ongoing negotiations, the value and offering made on such security or program, as well as to disclose such events in a truthful, sufficient and timely manner. The information shall be submitted to such institutions and disclosed as soon as the event takes place or the issuer becomes aware of it, as applicable.

The significance of an event is measured in terms of the influence it may have on a sensible investor to modify its decision of whether to invest in the security.

(*) Article replaced by Article 5 of Law No. 27649.

Sub-chapter III

Obligation to Report

Article 29.- Financial Information.

The provisions of the preceding Article do not exempt the issuer from the timely submission to CONASEV and, if applicable, to the corresponding exchange or entity in charge of operating the centralized mechanism, of the information requested by them and, necessarily, the information listed below:

a) Their financial statements and indicators, containing the minimum information generally indicated by CONASEV, at least once every quarter; and,

b) Its annual report, with the minimum information generally established by CONASEV.

These documents shall be available to the securities holders at the registered office of the issuer.

Article 30.- Accounting Standards.

CONASEV establishes the accounting standards for the preparation of the financial statements and their corresponding notes by the issuers and other natural or legal persons under its control and supervision, as well as the method of presentation of such statements.

The audited financial information to be submitted to CONASEV or, if applicable, to the exchange or entity in charge of operating the centralized mechanism, pursuant to legal or administrative provisions, shall be defined by the audit firms that are independent from the audited legal person or equity.

Article 31.- Banking, Financial, Insurance and Pension Fund Management Companies.

The financial information referred to banking, financial, insurance, and other companies regulated by the Superintendence or by the Superintendence of Private Pension Fund Management Companies, is submitted in accordance with the provisions set forth by such institutions.

Article 32.- Transfer Information.

Any transfer of securities entered in the Registry equal to or higher than one per cent (1%) of the issued amount, carried out by or in favor of any of the directors and managers of the issuer, their spouses and relatives up to one degree of consanguinity, shall be informed by the issuer to CONASEV and the exchange or entity in charge of operating the centralized mechanism wherein the security is registered, as applicable, within five (5) days after the transaction is notified to the issuer. The notice shall indicate the number of the transfer securities, and the price paid. This information shall be disseminated immediately by CONASEV and the corresponding exchange or entity in charge of operating the centralized mechanism.

Furthermore, in line with the requirements of the preceding paragraph, the issuers shall inform such institutions about the transfer of capital stock entered in the Registry, carried out by persons that directly or indirectly hold ten percent (10%) or more of the issuer's capital or by persons that, due to an acquisition or disposal, hold or lose such percentage.

Article 33.- Information on Destruction, Loss, Theft or Encumbrance.

Within one day of becoming aware of deterioration, loss or theft of a security or any legal measure or act that affects the security, the issuer or person in charge of its custody shall inform such event to the exchange or entity in charge of operating the centralized mechanism wherein they are registered, as well as to CONASEV. In cases of securities' loss or theft, such institutions shall make these events publicly known in an adequate manner.

In case of deterioration, loss and theft of marketable securities, the provisions of the Securities Law are applicable. (*)

(*) Paragraph amended by the Second Amending Provision of Law No. 27287

Sub-chapter IV

Confidential Information

Article 34.- Confidential Information.

An event or ongoing negotiation can be designated as confidential when its premature disclosure may cause damage to the issuer.

The corresponding agreement shall be adopted by at least three-fourths (¾) of the members of the relevant corporation's Board or its equivalent. In the absence of the Board of Directors or the abovementioned body, the confidentiality agreement shall be executed by all managers.

Article 35.- Information to CONASEV.

The agreement mentioned in the preceding Article shall be notified to CONASEV within the day following its execution.

The event shall be disclosed promptly after the cause for the confidentiality ceases to exist.

Article 36.- Liability.

Those who, willfully or negligently, contribute with their vote to adopt an agreement to designate an event or business as confidential when the assumptions defined for such purpose in Article 34 have not occurred, are subject to joint and several liability, among them and before the corporation, for the damages such action causes to third parties.

Sub-chapter V

Exclusion from the Registry

Article 37.- Exclusion of a Security.

The exclusion of a security from the Registry occurs by way of CONASEV's substantiated resolution, when one of the following grounds for exclusion exists:

a) Request of the issuer when the registration of the securities originated from its own will, or the will of the issuer and the holders, backed up by the favorable vote of those representing at least two thirds (2/3) of the securities issued when the registration is a consequence of the exercise of the rights set forth in Articles 23, 24 and the second paragraph of the Third Final Provision of the Law; (*)

b) Extinction of the rights over the security, due to amortization, total redemption or other cause;

c) Wind-up of the issuer;

d) Diminished public interest in the security, as a consequence of its holding concentration or any other reason, in the opinion of CONASEV;

e) The maximum suspension term elapses and the reasons that gave rise to the measure are not cleared, except for companies that by mandate of special laws have the obligation to register their securities in a trading session or in the Registry; and, (*)

f) Any other cause that entails a serious risk to the market's safety, transparency or the adequate protection of investors.

(*) Item replaced by Article 6 of Law No. 27649.

Article 37-A.- Exclusion of shares. (*)

A Supreme Decree countersigned by the Minister of Economy and Finance may allow to establish the assumptions and conditions under which the shares may be excluded from the trading sessions of the companies comprised within Legislative Decree No. 802.

The provisions of the preceding paragraph shall not be applicable to agricultural sugar companies that qualify as publicly held corporations.

(*) Article added by Article 2 of Legislative Decree No. 1061.

Article 38.- Consequence of the Exclusion.

In order to exclude the security, a previous purchase public offering is mandatory, in accordance with Article 69.

Article 39.-Repealed by the Seventeenth Temporary and Final Provision of Law No. 27649.

Chapter III

Privileged Information and Duty of Confidentiality

Sub-chapter I

Privileged Information

Article 40.- Definition. (*)

For the purpose of this law, privileged information is understood as any information referring to an issuer, its businesses or one or several securities issued or guaranteed by them, that has not been disclosed to the market, and the public knowledge of which, due their nature, may influence the liquidity, price or quotation of the issued securities. It also comprises the confidential information referred to in Article 34 of this Law and the one obtained from the acquisition or disposal transactions to be carried out by an institutional investor in the securities market, as well as that referred to purchase public offerings.

(*) Article amended by Article 1 of Legislative Decree No. 1061.

Article 41.- Assumption of Access.

Unless proof to the contrary is provided, for the purpose of this law, it is assumed that the following parties have access to privileged information:

a) The directors and managers of the issuer and the institutional investors, as well as the members of the Investment Committee of the latter, if applicable;

b) The directors and managers of the corporations related to the issuer and the institutional investors;

c) The shareholders that individually or jointly with their spouses and relatives up to one degree of consanguinity hold ten percent (10%) or more of the capital of the issuer or the institutional investors; and,

d) The spouse and relatives up to one degree of consanguinity of the persons mentioned in the preceding paragraphs.

Article 42.- Other assumptions.

Moreover, unless proof to the contrary is presented, for the purpose of this Law, it is assumed that the following persons have access to insider information, to the extent that they may have had access to the fact subject matter of the information: (*)

a) The partners, managers and personnel in charge of the audit of the audit firms hired by the issuer; (**)

b) The shareholders, partners, directors, managers and members of the: i) Investment risk rating committee of the risk rating agencies, ii) Investment risk rating commission referred to in Law Decree No. 25897, iii) Price making companies referred to in Title XIV of this Law, iv) Entities referred to in Article 69 of this Law, v) Valuation companies for the purpose of acquisition public offerings and, vi) Those mentioned in Law No. 28739;(**)

c) The managers, advisors, operators and other representatives of intermediation agents;

d) The members of the board of directors, managers and other officers of the exchanges and entities in charge of operating centralized mechanisms;

e) The directors, officers of institutions in charge of the control and supervision of issuers of publicly offered securities or institutional investors, including CONASEV, and the Superintendence. (**)

f) The directors, managers and other officers of the securities clearing and settlement institutions;

g) Dependent employees working under the direct management or supervision of directors, managers, administrators or liquidators of the issuer and institutional investors;

h) The persons that supply temporary or permanent counseling services to the issuer in connection with management decision making;

i) The officers of financial institutions in charge of credits in favor of the issuer;

j) The officers of the issuer and institutional investors, as well as their related companies; and,

k) The relatives of the persons mentioned in paragraphs a), b) and c) of the preceding Article and those mentioned in the above paragraphs.

(*) Paragraph amended by Article 1 of Legislative Decree No. 1061.

(**) Item amended by Article 1 of Legislative Decree No. 1061

Article 43.- Prohibitions.

The persons that have insider information are forbidden from:

a) Revealing or giving the information to other persons until it is made available to the market;

b) Recommending to carry out transactions with securities about which they hold insider information; and,

c) Unlawfully using and profiting, directly or indirectly, in their own benefit or the benefit of third parties, from insider information.

These persons are obliged to ensure that their subordinates comply with the prohibitions established in this article.

The persons who fail to comply with the prohibitions established in this article shall surrender the obtained benefits to the issuer or fund, when the information refers to transactions of mutual funds, investment funds, pension funds, or other funds managed by institutional investors.(*)

(*) Paragraph amended by Article 6 of Law No. 29720.

Article 44. Return of Short-Term Profits.(*)

Any profit earned by the directors and managers of the issuer, as well as the directors, managers, members of the investment committee and persons involved in the investment process of the managing companies, of the investment fund management companies, and the pension fund management companies, arising from the purchase and sale or the sale and purchase, within a three-month period, of securities issued by the issuer, shall be handed over in its entirety to the issuer or the equity, as applicable. The provisions of this paragraph are independent from those relating to the unlawful use of comply with information.

Through general provisions, CONASEV can regulate the provisions of this article, as well as the assumptions for the exemption of the profit return obligation.

Sub-chapter II

Duty of Confidentiality

Article 45.- Confidentiality of Identity. (*)

Directors, officers and workers of the intermediation agents, mutual fund, investment in securities and investment funds management companies, risk rating agencies, issuers, representatives of bondholders, as well as directors, members of the Board of Directors, officers and workers of exchanges and other entities in charge of operating centralized mechanisms, as well as of securities clearing and settlement institutions, are forbidden to provide any information on the buyers or sellers of the securities listed in the stock exchange or other centralized mechanisms, unless they have their written authorization, CONASEV requested such information, or the exceptions mentioned in Articles 32 and 47.

Similarly, the preceding prohibition also extends to the information regarding buyers and sellers of marketable securities traded off the centralized mechanisms, as well as that referred to subscribers or purchasers of securities placed through primary or secondary public offering.

In case of breach of the preceding provisions, the abovementioned subjects, notwithstanding the corresponding sanction, are joint and severally liable for the damages caused. (*) (1)

(*) Article replaced by Article 8 of Law No. 27649.

(1) Note: CONASEV Resolution No. 074-2010-EF-94.01.1, published on July 25, 2010, establishes the scope of the confidentiality of identity regulated by this article.

Article46.- Obligations of CONASEV Personnel.

The directors, officers and workers of CONASEV are obliged to maintain the confidentiality of the information accessed by them as stipulated in the preceding Article.

Article 47.- Exceptions.

The duty of confidentiality does not apply to the directors and managers of the subjects mentioned in the two preceding Articles, in the following cases: (*)

a) In the presence of requests issued by judges, courts and prosecutor in the regular exercise of their functions and which refer to a specific process or investigation, wherein the person referred to in the request is a party to.

b) When the information refers to transactions executed by persons involved in drug-trafficking or who are suspected of participating in it, contributing to it, or concealing it, and which is directly requested to CONASEV or, through it, to the exchanges, other entities in charge of operating centralized mechanisms, securities clearing and settlement institutions, as well as intermediation agents, by a foreign government with which the country has signed an agreement to fight and sanction this crime; and,

c) When the information is requested by control bodies of countries with which CONASEV has signed cooperation agreements or memorandums of understanding, provided such petition is made through CONASEV and that the laws of such countries consider similar prerogatives for the information requests submitted by CONASEV.

d) When the information, whether individual or contained in the registries, is requested by the Financial Intelligence Unit of Peru, as part of its investigation functions as defined by its charter, as amended. (**)

e) When the information is requested by the National Superintendence of Tax Administration, in the regular exercise of its functions and referring to the income attribution, losses, credits and/or withholdings that shall be made to the participants, investors and, in general, any contributor, in accordance with the Income Tax law. (***)

(*) Paragraph replaced by Article 9 of Law No. 27649.

(**) Paragraph added by the First Complementary, Temporary and Final Provision of Law No. 28306.

(***) Item added by the Second Final Provision of Law No. 28655. This paragraph was repealed tacitly by the Second Complementary Final Provision of Law No. 29492 that recognizes greater prerogatives to SUNAT to access information protected by the confidentiality of identity.

Note.- Through the laws listed below, the following entities are allowed access to information protected by the confidentiality of identity:

(i) Congress of the Republic through an Investigation Commission created pursuant to Article 97 of the Political Constitution of Peru and the Intelligence Commission of the Congress of the Republic established by Article 36 of Legislative Decree 1141 (Article 15-C of Law No. 27806).
(ii) The Office of the Ombudsman (Article 15-C of Law No. 27806).
(iii) SUNAT.- Law No. 29492, Law amending the Single Harmonized Text of the Income Tax Law, approved by Supreme Decree No. 179-2004-EF, as amended, establishes in the Second Complementary Provision the following: "*TWO.- Confidentiality of identity. The information referred to in paragraph e) of Article 47 of the Single Harmonized Text of the Securities Market Law, approved by Supreme Decree No. 093-2002-EF, as amended, as well as that concerning the transactions carried out in the securities market that generate income or loss, may be requested during a supervision process or periodically in the form, term and conditions established by the National Superintendence of Tax Administration (SUNAT) through superintendence resolution*".
(iv) Office of the Peruvian Comptroller General (Article 15-C of Law No. 27806).

Article 48.- Employment.

The failure to keep the confidentiality referred to in this Chapter is considered a serious offense for labor purposes.

TITLE III

PUBLIC OFFERING OF SECURITIES

Chapter I

General Provisions

Article 49.- Obligation to Register.

The public offerings of securities require their previous entry in the Registry, except for securities issued by the Central Bank and the Central Government, as well as the exception considered in Article 66.

The issuance and trading of securities by the Central, Regional and Local Governments and the Central Bank are subject to the provisions of the relevant regulation on authorization thereof.

Article 50.- Intermediary.

In public offerings of securities, the participation of an intermediation agent is mandatory, except for the cases established in Articles 63 and 127, and the primary placement of participation certificates of mutual funds and investment funds.

Article 51.- Obligation of the Issuer.

The issuers of registered securities are subject to the following regulations:

a) The directors and managers are prohibited from receiving corporations' money or goods on loan, or use the corporations' goods, services or credits for their own benefit, or the benefit of relations, without previous authorization of the Board of Directors;

b) The directors and managers are forbidden from profiting from their position, through any means whatsoever and to the detriment of the corporate interest to obtain unlawful advantages for their benefit or their relations; and,

c) The execution of each act or agreement that involves at least five percent of the assets of the issuing corporation with natural legal persons related to their directors, managers or shareholders that directly or indirectly represent more than ten percent of the corporation's capital, requires the previous approval of the board of directors, excluding the related director. When calculating the five percent, the last relevant financial statements shall be taken into account.

In the transactions wherein the issuing company's controlling shareholder also exercises the control of the legal person participating as the counterparty in the corresponding act or agreement subject to the board of directors' previous approval, it is additionally required to submit the terms of such transaction to a review by an entity external to the issuing company. An external entity is the audit firm or other legal persons determined by CONASEV through a general provision.

The entity that reviews the transaction shall not be related to the involved parties, or the directors, managers or shareholders owning at least ten percent of the share capital of such legal persons. The entity that audited the issuing company's financial statements in the last two years is considered to be related to it, among others.(*)

CONASEV is responsible for defining the scope of the control and relationship terms and for regulating the participation of the entity external to the corporation and other aspects of this article.(**)

The benefits obtained in breach of this Article shall be returned to the corporation, without prejudice of damages and criminal court filings, as appropriate.

(*) Item c) amended by Article 6 of Law No. 29720.

(**) Paragraph added by Article 6 of Law No. 29720.

Article 52.- Suspension of the Offering.

In any circumstance that, in the opinion of CONASEV, may affect the interest of the investors, it may order the suspension of the public offering of a specific security, until such deficiency is cured.

Article 52-A. Null Awards. (*)

In public offerings of marketable securities, their award may be declared null and void under the supervening assumptions of devastating natural disasters or terrorist attacks, provided that they substantially affect the offering and no settlement has been made on the securities 'offering.

(*) Article added by Article 7 of Law No. 29720.

Chapter II
Primary Public Offering

Article 53.- Primary Public Offering.

A primary public offering of securities is the public offering of new securities by legal persons.

Article 54.- Requirements for Security Registration.

In order to enter in the Registry a security to be offered in a primary public offering, the following shall be submitted to CONASEV:

a) Details of the issuer's legal representative, who shall meet the profile and formalities established by CONASEV;

b) Documents referred to the issuance agreement, defining the characteristics of the securities to be issued and the duties and rights of their holders;

c) The draft of the informative prospectus on the issuance; and,

d) The issuer's audited financial statements, including their explanatory notes and the corresponding opinion, for the last two years, when permitted by the period of incorporation.

Moreover, the issuer shall obtain the security's risk rating, when applicable.

Article 55.- Exceptions.

Notwithstanding the provisions of the preceding Article, CONASEV, through general provisions, may exempt certain placement categories from complying totally or partially with the requirements established in the preceding Article. For such purpose, it takes into account the issuer's nature, the securities to be issued, the amount of the issuance, the number of investors targeted, the special characteristics, or other circumstances deemed warranted.

Article 56.- Information Prospectus.

The informative prospectus shall contain all the necessary information to facilitate the investor's decision-making.

The informative prospectus shall describe at least the following:

a) The characteristics of the securities, as well as their holder's rights and obligations;

b) The relevant clauses of the issuance agreement or the bylaws for the investor;

c) The factors that imply a risk to the investors' expectations;

d) Name and signature of the persons in charge of preparing the informative prospectus: structuring entity or its representative, as the case may be, as well as the issuer's main administrative, legal, accounting and financial officers.

e) The issuer's audited financial statements, including their explanatory notes and the corresponding opinion, for the last two years, when permitted by the period of incorporation;

f) The detailed guarantees of the issuance, as applicable;

g) The procedure to be followed for placing the securities;

h) The complementary information determined by CONASEV through general provisions.

Article 57.- Preliminary Announcement.

After the procedure referred to in Article 54 starts, the issuer or offeror, on his/her own account, may promote the offering in accordance with the general provisions established by CONASEV regarding the pre-placement or pre-sale, as the case may be.

Article 58.- Obligation to Deliver the Prospectus.

The corresponding informative prospectus shall be available to the potential underwriter or acquirer for consultation in the offices of the placement agent or issuer, as the case may be, as a prior condition to the placement or sale of the security. If the potential underwriter or acquirer requests a copy of the informative prospectus, the placement agent or issuer, as the case may be, is obliged to provide one, for which prospectus it may charge a price that shall not exceed the prospectus's printing cost. (*)

One copy of the informative prospectus shall be delivered to CONASEV before the placement starts.

While the public offering placement is in effect, the issuer or offeror is obliged to keep the informative prospectus updated. Any change to the prospectus shall be submitted to CONASEV before its submission to the investors.

(*) Paragraph replaced by Article 10 of Law No. 27649.

Article 59.- Acceptance.

The underwriting or acquisition of securities presupposes the acceptance by the underwriter of all terms and conditions of the offering, as they appear in the informative prospectus.

Article 60.- Responsibility for the Prospectus' Contents. (*)

The persons referred to in item d) of Article 56 are joint and severally liable with the issuer or offeror, before the investors, for inaccuracies or omissions in the prospectus regarding the scope of their professional and/or functional competence.

(*) Article replaced by Article 11 of Law No. 27649.

Article 61.- Placement Deadline. (*)

The placement of the security, within or outside a program, shall be carried out within the deadline established by the SMV through general provisions.

(*) Article amended by Article 7 of Law No. 30050.

Article 62.- Impediment for the Public Offering.

The issuer or offeror cannot make a public offering of securities when it has failed to meet the information obligations referred to in Articles 28 to 33, until such situation is cured.

Article 63.- Intermediary Exception.

The issuers may directly place the short-term instruments they issue through a public offering. Similarly, the companies subject to the control and supervision of the Superintendence can directly place non-share securities issued by them when authorized by the General Law.

Chapter III

Secondary Public Offering

Article 64.- Secondary Public Offering.

A secondary public offering of securities is one with the purpose of transferring previously issued and placed securities. The secondary public offerings include, among others, the acquisition public offering, the purchase public offering, the public sale offering and the exchange offer.

Sub-chapter I

Public Sale Offering

Article 65.- Public Sale Offering.

A public sale offering is one carried out by one or more natural or legal persons with the purpose of transferring previously issued and acquired securities to the general public or certain portions thereof.

Article 66.- Requirements.

When natural or legal persons decide to carry out a public sale offering of securities previously entered in the Registry, they shall submit to CONASEV a prospectus containing the information determined by such institution through general provisions.

For securities not entered in the Registry, the holders who want to carry out a public sale offering shall meet the registration requirements set forth in Articles 23 and 24, as applicable.

If the requirements mentioned in the preceding paragraph are not met, the registration of the security shall not be necessary. However, the information established by CONASEV through general provisions shall be submitted.

Article 67.- Liability.

The provisions contained in Chapter II of this Title shall be applicable to the public sale offering, as the case may be.

Sub-chapter II

Acquisition and Purchase Public Offering

Article 68.- Public Offering for the Acquisition of Significant Participation. (*)

The natural or legal person that intends to acquire or increase, directly or indirectly, in one or several successive acts, significant participation in a corporation that has at least one class of shares with voting rights listed in the stock exchange, shall carry out an acquisition public offering aimed at the shareholders with voting rights and holders of other securities susceptible of granting voting rights within such corporation.

(*) Article replaced by Article 12 of the Law No. 27649.

Article 69.- Purchase Public Offering by Exclusion of the Security from the Registry. (*)

The exclusion of a security from the Registry determines the joint and several obligation of the parties responsible for it of carrying out a purchase public offering aimed at the other holders of the security.

The price of the offering shall not be lower than the established quotation in accordance with the criteria set forth by CONASEV through a general regulation. In its absence, the minimum price shall be determined by an audit firm, bank, investment bank or consultancy firm appointed by CONASEV, at the expense of the parties responsible for the exclusion, pursuant to internationally accepted valuation practices.

The price shall be expressed and paid in money, within the term established for settling cash transactions.

In the case of securities registered or traded in centralized mechanisms, the offering shall be made in such centralized mechanisms.

(*) Article replaced by Article 13 of Law No. 27649.

Article 70.- Irrevocability.

The conditions under which the securities mentioned in the preceding section were offered are irrevocable.

Article 71.- Regulations. (*)

CONASEV is responsible for issuing regulations to oversee the regime for acquisition public offerings and the conditions to obtain exceptions from such, and for determining the cases in which a public offering of subsequent acquisition is required, the consequences of not doing so, and the applicable regulations.

Moreover, such entity is authorized to request the relevant remedies or complements when it considers that the provided information is incomplete, inaccurate or false.

(*) Article replaced by Article 14 of Law No. 27649.

Article 72. Non-compliance. (*)

In case of non-compliance with the regulations above, the following shall be applied:

a) The person who acquires or increases its material participation, either through a direct or indirect acquisition, acting individually or collectively, in an arranged manner or not, and fails to follow the corresponding procedure, will see his/her exercise of political rights in regards to the acquired shares through a decision of CONASEV, and is obliged to sell them under the terms and deadlines determined by CONASEV through a general regulation. While the suspension of the abovementioned securities is in effect, such shares shall not be considered for establishing a quorum.

Notwithstanding the above, CONASEV may determine, in an exceptional and additional basis, the suspension of the rights inherent to the shares held prior to the acquisition or increase of the material participation, and it may also determine that such prior holding shall not be considered for the purposes of establishing a quorum.

If a capital gain is obtained from the sale of the acquired shares, it shall be delivered to the shareholders that transferred such securities. Any agreement adopted by the corporation's bodies is null and void when, for the adoption thereof or the election of the members of such bodies, the representation of the acquired

shares omitted the obligation to carry out an acquisition public offering, as well as any act of disposal carried out with such securities. The abovementioned nullity is applied by operation of law through the resolution of CONASEV's competent body that issues a decision on the infringement of the regulations governing the acquisition public offerings.

CONASEV can replace, upon request of the party and provided it is more beneficial for the market, the sale obligation for an acquisition public offering (OPA is the Spanish acronym) aimed at one hundred percent of the share capital. In this case, the OPA shall be at the highest price paid for the unlawfully acquired shares or the price determined by a valuation company in accordance with the provisions of CONASEV established through general regulation, whichever is higher, provided the fine for infringing the OPA's regulations has been previously paid in full.

Similarly, if there is a positive differential between the OPA's price and the price at which the unlawfully acquired shares were transferred, the offeror shall pay such differential.

The provisions of this item apply to breaches of the obligation to carry out an acquisition public offering

b) CONASEV does not exclude the security from the registry if no purchase public offering has been made as mentioned in Article 69.

The filing of a contentious-administrative action does not prevent the execution of CONASEV's provisions, unless decided otherwise through a well-reasoned preliminary injunction, and provided that, in such case, a sufficient cash guarantee has been posted as bond for costs, surety bond or bank warrant bond, for an amount equal to fifty percent of the amount of the OPA that should have taken place, in accordance with the criteria determined by CONASEV through a general regulation. A promissory note is not admissible as a bond for costs, nor any means other than those listed above.

(*) Article amended by Article 6 of Law No. 29720.

Article 73.- Voluntary Acquisition Public Offering.

The acquisition public offering system can be used voluntarily in the cases not covered in Article 68, either for voting shares or any other security, provided it is listed in the Registry. In such case, the offering shall be irrevocable.

Article 74.- Consideration.

The price offered in the purchase public offering referred to in Article 69 shall be expressed and paid money, whether in national or foreign currency, indicating in the latter case the currency in which the payment shall be made and, if applicable, the exchange rate.

For the case of the acquisition public offering referred to in Article 68, the price may also be expressed and paid in securities. In such case, the following Sub-chapter shall be applicable.

Sub-chapter III

Exchange Offering

Article 75.- Public Exchange Offer.

A public exchange offer is one for the disposal or acquisition of securities when the consideration is offered to be paid with other securities either partially or in full.

Article 76.- Terms of the Exchange.

The proposed exchange of securities shall clearly determine the nature, valuation and characteristics of the securities offered in exchange, as well as the proportions in which such exchange shall take place.

Article 77.- Registration Obligation.

The securities offered in exchange shall be entered in the Registry.

Article 78.- Applicable Provisions.

The provisions concerning primary public offerings, sale public offerings and acquisition public offerings are applicable to the public exchange offerings, as appropriate.

Chapter IV
International Offerings

Article 79.- Applicable Regime.

Notwithstanding the regulations considered in this law, the legal persons incorporated abroad that intend to carry out a securities public offering in the country shall observe the general provisions established by CONASEV, which in turn shall take into account the internationally accepted terms for the regulation of the securities market, in order to protect the corresponding issuers and investors.

Moreover, CONASEV can exempt from compliance of the regulations considered herein the persons who intend to carry out a securities public offering in the country simultaneously with a securities offering abroad, in order to meet terms and conditions internationally accepted in securities markets. (*)

(*) Paragraph amended by Article 6 of Law No. 29720.

TITLE IV
MARKETABLE SECURITIES
Chapter I
General provisions

Article 80.- Form of Representation.

The securities may be represented by annotations on account or through securities, whether they are subject matter of a public or a private offering. Whichever their form of representation, they grant the same rights and obligations to their holders.

Article 81.- Execution of Debt Securities. (*)

Marketable debt securities issued through public or private offering are executable- securities. For securities represented by annotations on account, such condition falls on the certificate referred to in Article 216.

(*) Article amended by the Second Amending Provision of Law No. 27287.

Article 82.- Short-term Instruments. (*)

When issuing short-term instruments, issued and placed both through public or private offering, whichever their term, the provisions of the Securities Law shall apply, as well as CONASEV's. The provisions

referred to concerning the issuance of obligations contained in the General Corporations Law apply on a supplementary basis.

(*) Article amended by the Second Amending Provision of Law No. 27287.

Chapter II

Shares

Article 83.- Registered Shares. (*)

As an alternative, the shares entered in the Registry may be listed for trading in a stock exchange session.

(*) Article amended by Article 1 of Legislative Decree No. 1061.

Article 84.- Shares in Portfolio.

If agreed by the General Shareholders' Meeting, with the quorum and majority necessary to modify the bylaws, the corporations with share capital representative shares listed in the stock exchange session may temporarily:

a) Keep non-subscribed shares of its own issuance in portfolio. The amount represented by such shares cannot be taken to capital until the shares are subscribed by third parties; and,

b) Acquire and keep portfolio shares issues by itself and post them to profits and unrestricted reserves, provided the amount of these shares is reflected in a reserve until they are amortized or disposed of. The rights of these shares are suspended while they remain in the corporation's possession, and they shall not be taken into account when determining the quorums and majorities required by law and the bylaws.

Such agreement shall be reported as a significant event.

The total number of shares of own issuance kept in the portfolio shall not exceed ten percent (10%) of the share capital.

Article 85.- Corporations with Registered Securities. (*)

The corporations that have entered public offering securities in the Registry are subject, additionally, to the following provisions:

a) They shall have a dividend policy approved by the General Shareholders' Meeting, expressly defining the criteria to be used for profit sharing. The implementation of such policy, as amended, if applicable, shall be reported at least thirty (30) days before its application, and is considered a significant event of mandatory compliance, except for duly substantiated force majeure events.

b) They shall not agree a rate in excess of six percent (6%) in the profit sharing of the economic year for their directors, unless such circumstance is disclosed as a significant event within the first month of the corresponding economic year.

The Stock Exchanges shall establish in their internal regulations, the registration date for and delivery of benefits, its frequency and how far in advance it shall be informed to the market.

The regulations referred herein apply to any marketable security, as appropriate.

(*) Article replaced by Article 16 of Law No. 27649.

Chapter III
Bonds

Article 86.- Definition.

The public offering of debt securities for a term longer than one year can only be made through bonds, in accordance with the provisions hereof, and the provisions on obligation issuance in the Corporations Law. Private law legal persons different from corporations can also issue bonds in accordance with such provisions.

The provisions of the first paragraph do not apply to banking or financial companies. The issuance of bonds or other debt securities for terms longer than one year by such companies shall be subject to the General Law.

Article 87.- Representative of the bondholders(*)

Any issuance of bonds, including those of financial lease, requires the appointment of a representative of the bondholders, except when the issuances are aimed at institutional investors pursuant to the conditions established by CONASEV.

Any natural or legal person that meets the requirements established by CONASEV through general regulation can be appointed as the representative of the bondholders. In any case, the issuer, the structuring entity or the persons they are related to, cannot be appointed as representatives of the bondholders, pursuant to the regulations approved by CONASEV. (**)

(*) Article amended by Article 1 of Legislative Decree No. 1061.

(**) Paragraph amended by Article 6 of Law No. 29720.

Article 88.- Contents of the Issuance Agreement.

The issuance agreement executed by the issuer and the representative of the bondholders establishes their duties and rights, as well as those of the future bondholders.

In the case of a primary public offering, the issuance agreement shall contain, in addition to the provisions set forth in the Corporations Law, the following:

a) The characteristics of the issuance regarding:

i. Total amount, series and coupons;

ii. Face value, terms, grace period, interest rate, premium, if any, and the face value readjustment rate, in accordance with Article 1235 of the Civil Code, if applicable;

iii. Drawing, redemption and guarantees, if any; and,

iv. Description of the relevant aspects of the issuance program the securities belong to, if applicable.

b) Restrictions to the issuer's acts and responsibilities that it shall undertake to safeguard the interests of the bondholders, such as:

i. The continuous submission of information regarding its economic-financial standing and the changes to its administration;

ii. The conservation and replacement of assets allocated in the exclusive guarantee of the bondholders;

iii. The right of the bondholders to carry out inspections and audits;

iv. The procedure to elect the bondholders' representative; and,

v. The duties and responsibilities of the bondholders' representative.

c) The provisions on the arbitration of disputes between the corporation, the bondholders and the bondholders' representative, arising from or related to the obligations and rights set forth under the terms of the issuance, the Corporations Law or this law, pursuant to the provisions of Title XII; and,

d) Any other information established by CONASEV through general provisions.

The issuance agreement can be entered in the Public Registries as a public deed.

Article 89.- Advance Redemption.

If the public offering provided for the advance redemption of the bonds, the procedure shall offer a fair treatment in such regard to all bondholders.

Article 90.- Guarantees.

In addition to the guarantees set forth in the Corporations Law, a bank warrant bond, bank deposit, bank certificate in foreign currency deposited in a local financial institution, surety bonds of insurance companies and others established through general provisions, may also be drawn up during the issuance.

For entering or registering these guarantees, it is not necessary to identify the bondholders individually. Indicating the name of their representative shall suffice.

The custodian or depositary of the guarantees, as the case may be, cannot be related to the issuer.

Article 91.- Repealed by the Seventeenth Temporary and Final Provision of Law No. 27649.

Article 92.- Duties of the Bondholders' Representative.

The bondholders' representative shall exercise its functions with due business diligence, protecting the interests of the bondholders as his/her own.

The functions of the bondholders' representative, notwithstanding those set forth in the Corporations Law, are those defined in the issuance agreement and by the Bondholders' Meeting and, particularly, the following:

a) Ensuring the compliance with the commitments made by the issuer before the bondholders;

b) Verify that the issuance guarantees have been duly constituted;

c) Verify the existence and value of the assets allocated as guarantee and ensure that they are duly insured, at least for an amount proportional to the amount of the outstanding obligations; and,

d) Start and continue arbitration procedures and judicial and out of court actions, particularly those for the purpose of collecting interests or capital past due, execution of guarantees, conversion of obligations, and to perform conservation acts. For such purpose, without need for a power of attorney, the bondholders 'representative shall enjoy the powers described in Articles 74 and 75 of the Code of Civil Procedures, unless the bondholders expressly revoke the representation.

The bondholders' representative cannot relinquish his assignment until the Bondholders' Meeting appoints a replacement, unless the Bondholders' Meeting agrees to exempt the representative from such obligation.(*)

Any stipulation aimed at limiting the functions of the bondholders' agency or responsibility before the bondholders is null and void.

(*) Paragraph amended by Article 1 of Legislative Decree No. 1061.

Article 93.- Duty of Confidentiality.

The bondholders' representative shall maintain absolute confidentiality on the matters that are made known to him for the performance of his duties, unless such disclosure is absolutely necessary for the better fulfillment of his functions.

Article 94.- Amendments to the Issuance Agreement.

The Bondholders' Meeting shall decide on moving the deadline established for the redemption of the obligations or their conversion into shares to an earlier or later date when it has not been stipulated in the issuance agreement and, in general, on any amendment to the issuance conditions.

Article 95.- Convertible Bonds.

Bonds convertible into shares may be issued, for their placement through public or private offering, provided that the Board defines the bases and modalities of the conversion and agrees on increasing the capital in the necessary amount.

Article 96.- Conversion Procedure.

The bondholders may request a conversion at any time, in accordance with the procedure and deadline established in the issuance agreement or determined by the Board.

The administrators shall issue the corresponding shares within three (3) months following the date when the exercise of the conversion right was notified to the corporation. The capital increase shall be entered in the Commercial Registry through a statement with a signature authenticated by notary issued by the administrators.

No preemptive rights apply to the capital increase arising from the conversion.

Article 97.- Capital Reduction and Increase.

As long as convertible bonds exist, neither a reduction of capital that implies the refund of contributions to shareholders nor the write-off of the passive dividends will be possible, unless the bondholders are

previously offered the possibility to convert them before such reduction, or the transaction is approved by all bondholders.

As long as there are convertible bonds, if a capital increase is charged against profits or reserves, or the capital is reduced due to debt, the ratio for the exchange of bonds into shares shall be modified in a proportion in line with the increase or deduction amount, in such a way that it affects the shareholders and bondholders equally. Moreover, when capital is increased due to new contributions, the corresponding adjustment shall be applied to the conversion formula of bonds convertible into shares.

Chapter IV

Short-term Instruments

Article 98.- Short-term Instruments Public Offering. (*)

Short-term instruments are debt securities issued for terms no longer than one year, and can be issued through securities or annotations on account. Only the Commercial Papers foreseen in the Securities Law can be used as short-term instruments. CONASEV may authorize the issuance of other marketable securities, an regulate their characteristics, conditions, and the formalities of the issuance agreement, representatives, guarantees and other aspects that allow making a public or private offering of such securities. Similarly, CONASEV is authorized to exempt the securities that comprise short-term instruments from the requirements and formalities set forth by the General Corporations Law and other regulations applicable.

If represented by annotations on account, they shall be nominative, and are additionally governed by the provisions of Chapter I of Title VIII hereof. Such rule also applies to bearer securities that are replaced by their representation through annotations on account.

When appropriate, the provisions of the last paragraph or Article 88 shall apply to the short-term instruments issued through public offering.

(*) Article amended by the Second Amending Provision of Law No. 27287.

Article 99.- Renewal or Extension.

In no case shall the extension or renewal of short-term instruments exceed one year, counted as from the dates of their issuance.

Article 100.- Issuances by Banks and Financial Entities.

For the issuance of short-term instruments, the banks and other financial entities domiciled in the country shall be subject to the provisions of the General Law.

Chapter V

Preemptive Rights Certificates

Article 101.- Preemptive Rights.

Capital shareholders shall have the right to subscribe the shares issued by the corporation as a result of capital increases through new contributions, proportionally to the face value of the shares owned.

The corporation's shareholders shall also have a preemptive right over the convertible bonds issued by the corporation, proportionally to their interest in the share capital. A similar right is granted to the holders of

convertible bonds belonging to previous issuances, in a proportion calculated on the basis of the conversion.

Notwithstanding the provisions above, the issuance agreement of the convertible bonds may establish the preemptive right to subscribe new shares to the holders of convertible rights.

Article 102.- Obligation to Issue a Certificate.

The corporation whose capital shares or convertible bonds, in the cases considered in the preceding Article, are registered or traded in exchange sessions or other centralized mechanism, shall issue securities known as "Preemptive Rights Certificates", which grant no other right than the exercise of the preference for the subscription of new shares or convertible bonds, as the case may be.

The issuance of preemptive right certificates from securities represented by annotation on account is also carried under the same representation regime. (*)

(*) Paragraph added by Article 6 of Law No. 29720.

Article 103.- Repealed by the First Repealing Provision of Law No. 27287, Securities Law.

Article 104.- Repealed by the Seventeenth Temporary and Final Provision of Law No. 27649.

Article 105.- Free Trade.

Preemptive rights certificates can be freely traded, within or off the stock exchange, within the term established in the General Shareholders' Meeting or the Board of Directors' agreement, as applicable. Such term cannot be shorter than fifteen (15) days or longer than sixty (60) days, and it is counted as from the date when the certificates were made available or the premium was fixed.

Article 106.- Preemptive Right Deadline.

In no case shall the term granted to exercise the preemptive right over the shares or bonds convertible into shares be shorter than fifteen (15) days. After the preemptive right term elapses, the shareholders or bondholders are authorized to subscribe the shares or obligations, respectively, that were not subscribed, in the proportion held by them.

Article 107.- Exception to the deadlines.

In the case of international issuances, the deadlines referred to in the three preceding articles may be adjusted to international standards.

Article 108.- Rights Granted.

The acquirers of preemptive rights certificates are entitled to subscribe the shares or convertible bonds under the same conditions mandated by the law or the bylaws for the shareholders or bondholders.

In all cases, through the certificate holder's single order, the intermediation agent can exercise the preemptive right before the issuer, in representation of its holder.(*)

(*) Paragraph added by Article 6 of Law No. 29720.

Chapter VI
Other Marketable Securities

Article 109.- Supplementary Application.

The provisions of Chapter III of this Title apply, when relevant, to other non-share securities mentioned in Article 3.

CONASEV is responsible for enacting the necessary complementary regulations.

TITLE V
CENTRALIZED TRADING MECHANISMS
Chapter I
General provisions

Article 110.- Centralized trading mechanisms. (*)

The centralized trading mechanisms regulated by this Law are those that encompass or interconnect simultaneously several buyers and sellers with the purpose of trading securities, derivatives and instruments that are not issued massively.

The trading of securities carried out in an exchange session and other centralized mechanisms, under the corresponding regulations and observing the information and transparency requirements, is deemed a public offering.

(*) Article replaced by Article 17 of Law No. 27649.

Article 111.- Authorization and Supervision.

CONASEV establishes the requirements to be met by the organizers of the centralized mechanisms, authorizes their operation, approves their internal regulations and supervises the operations carried out therein.

Article 112.- Executive Merit of Operations Certificate.

The documents to register the transactions carried out in the centralized mechanisms governed by this law may be executed if they are certified by the stock exchange or the institution in charge of operating the corresponding centralized mechanism, as appropriate.

Article 113.- Assumption of Spouse Consent.

In the transactions carried out in the centralized mechanisms regulated by this law, it is assumed, by operation of law, that the disposing party's spouse has provided his/her consent, in the cases when it is required, if in the absence of a separate property regime.

Article 114.- Trading off the Centralized Mechanisms.

The security being traded in a centralized mechanism can also be traded off it, observing the corresponding regulations, unless the conditions for their issuance or any special applicable regulations for their trade determine a specific mechanism.

Article 115.- Irrecoverability.

The securities traded within the centralized mechanisms governed by this law are irrecoverable.

This does not exonerate the transaction intermediation agent from any liability arising from the failure to comply with its obligations.

Article 116.- Electronic Trading Systems.

The provisions applicable to centralized mechanisms shall be applicable to the electronic trading system operated in a stock exchange or entity responsible for operating centralized mechanisms, as relevant.

CONASEV is responsible for determining the regulations that are not compatible with the nature of electronic trading systems.

Chapter II

Exchange Session

Article 117.- Definition. (*)

An Exchange Session is the centralized mechanism wherein the brokerage firms, pursuant to the corresponding internal regulations of the Exchanges, trade securities listed in the Registry, as the case may be, and derivatives previously authorized by CONASEV.

(*) Article replaced by Article 18 of Law No. 27649.

Article 118.- Frequency.

The exchange sessions shall be carried out every day, at the hours determined in the corresponding internal regulations. Such daily schedule can only be suspended through CONASEV resolution on the basis of a force majeure event and strictly for the period defined by circumstances.

Article 119. Exchange Session Director. (*)

The exchange session is conducted by an exchange officer, known as Exchange Session Director, whose main function is supervising that the trading in such centralized mechanism is carried out in an ordered and transparent manner, and pursuant to the specific regulations on transactions and other applicable regulations.

To carry out its functions, the Exchange Session Director is authorized to:

a) Issue a final settlement for the matters that arise during the exchange session regarding the transactions' validity. He/she is authorized to declare the transactions that are carried out against the law and the applicable statutory regulations null and void.

b) Enforce the corresponding measures, pursuant to the exchanges' internal regulations approved by CONASEV.

c) Suspend the trading of one or several securities or the entire exchange session pursuant to the regulations on the matter.

d) Suspend a brokerage firm on the basis of the information provided by the Securities Clearing and Settlement Institution (ICLV) regarding the non-compliance by such firm in the settlement of transactions or reimbursement of guarantee margins, in accordance with the exchanges' internal regulations.

e) Others determined by CONASEV through general provisions.

The Exchange Session Director shall have operating and administrative autonomy and independence, and inform and report to the board of directors or steering council of the corresponding exchange.

(*) Article amended by Article 6 of Law No. 29720.

Article 120.- Repealed by the Fifth Complementary Final Provision of Legislative Decree No. 1061.

Article 121. Appointment. (*)

The board of directors or steering council of each exchange is responsible for appointing the Exchange Session Director and his/her substitute, with the approving vote of the absolute majority of its members.

The corresponding exchange communicates such event to CONASEV, which may reject the appointment due to a non-compliance of the requirements and impediments set forth in the regulations on the matter. In case of death, resignation, dismissal, sickness, absence or inability to hold the position, the regular Exchange Session Director is replaced by the substitute Exchange Session Director immediately. Such situation shall be notified to CONASEV.

The regular Exchange Session Director and his/her substitute can only be dismissed from their office through substantiated resolution of the board of directors or steering council of the corresponding exchange or by CONASEV's decision. The dismissal decision adopted by the exchange's board of directors or steering council shall be notified to CONASEV, and such measure can be revoked by the abovementioned supervisor. In this case, CONASEV's decision cannot be appealed.

(*) Article amended by Article 6 of Law No. 29720.

Article 122.- Repealed by the Seventeenth Temporary and Final Provision of Law No. 27649.

Article 123.- Over-the-counter Trading.

The securities listed in an exchange session can be traded off such mechanism. In such cases, the participation of a brokerage firm is required, that shall certify the transaction and its timely settlement, stating the amount, price and date in which it occurred. Such certification shall be delivered to the issuer, and reported to CONASEV, the exchange and the securities clearing and settlement institution where they are registered.

Chapter III

Other Centralized Trading Mechanisms

Article 124.- Definition.

Other centralized trading mechanisms are those that trade in securities not listed for the exchange session.

Article 125.- Internal Regulations.

The internal regulations of other centralized mechanisms shall specify at least the following:

a) The tradable securities and, if applicable, the requirements and conditions for their registration, suspension and withdrawal;

b) The daily duration of each trading session;

c) The conditions for the consensus, reconciliation and settlement of the transactions arising from them;

d) The intermediation agents that participate in the mechanism; and,

e) The obligation to report of the issuers, the intermediation agents participating in the mechanism and the parties responsible for its operation.

Article 126.- Non-Massive Issuance Instrument.

Trading in centralized mechanisms of instruments other than mass issuances is governed by the provisions of the relevant internal regulations.

Article 127.- Intervention of Intermediation Agents.

When the centralized mechanism operates in an exchange, the intervention of a brokerage firm in the trading of securities is mandatory.

When such mechanisms do not operate in an exchange, the intermediation agents indicated in their corresponding regulations shall intervene in the trading of securities.

SMV is authorized to establish, through general provisions, the assumptions and conditions under which the securities transactions carried out for institutional investors do not require the participation of an intermediation agent.(*)

(*) Last paragraph amended by Article 7 of Law No. 30050.

Chapter IV

Trading Suspension and Market Exclusion

Article 128.- Trading Suspension.

When there is any circumstance that, in its opinion, may affect the investors' interest, the steering council of the corresponding exchange or a similar body of the entity in charge of operating the centralized mechanism, under liability, shall order the suspension of the trading of one or more securities or the transactions with such securities in the centralized mechanism for a period that shall not exceed five (5) days.

The suspensions shall be notified immediately to CONASEV, with the purpose of confirming or rejecting the measure. CONASEV may, through a substantiated resolution, declare the measure null and void.

Article 129.- Suspension of Registered Securities.

Notwithstanding the preceding Article, CONASEV exercises the power to suspend one or more securities in one or more centralized mechanisms.

The suspension ordered by CONASEV cannot exceed one year and is applicable when one of the following occurs:

a) If it is found that the information or background supplied for entering the security in the Registry, exchange session or other centralized mechanism is false or seriously jeopardizes the investors' interests;

b) If it is verified that the issuer uses deceptive advertising or delivers false information to the exchanges or other centralized mechanisms, or the intermediation agents; and,

c) Others that pose a risk to the investors' public interest.

Similarly, the suspension determined by CONASEV can include the trading of a security off the centralized mechanisms, when warranted.

Items a) and b) can also be grounds for security exclusion, depending on their impact on the market. Likewise, the exclusion of the security from the Registry implies its exclusion from the centralized mechanism.

TITLE VI

STOCK EXCHANGES

Chapter I

Functions and Characteristics

Article 130.- Definition and Purpose. (*)

The exchanges are legal persons of special characteristics that can adopt the legal structure of civil associations or corporations. Their purpose is facilitating the trading of registered securities, supplying services, systems and mechanisms adequate for the fair, competitive, orderly, continuous and transparent intermediation of publicly offered securities, derivatives and instruments not subject to massive issuance, and traded through centralized trading mechanisms other than the trading session operated by the exchange.

(**) CONASEV may delegate in one or more exchanges the powers granted by this Law, regarding brokerage firms and the issuers of securities listed in such exchange. When the exchanges exercise an administrative function, their activity shall be governed by the Law of the General Administrative Procedure and the complementary regulations issued by CONASEV. (**)

Similarly, the exchanges, with CONASEV's authorization, may facilitate the trading of products comprising goods from agricultural and livestock, mining, fisheries and industrial sources or destinations, and complementary services, representative securities thereof, or agreements related to them, which are governed by the regulations of the product market, in its entirety, except for such aspects determined by CONASEV as not applicable or compatible with this Law. CONASEV can require the exchange to have an additional capital and equity on the basis of operations and activities to be carried out. (***)

(*) Article replaced by Article 19 of Law No. 27649.

(**) Paragraph added by Article 1 of Legislative Decree No. 1061.

(***) Paragraph added by Article 6 of Law No. 29720.

Article 131.- Self-Regulation. (*)

The exchanges have the authority to regulate the trading and transactions carried out through centralized trading mechanisms under their responsibility, as well as the activity of intermediation agents in such mechanisms, In addition, and through CONASEV authorization, the exchanges may exercise the following powers:

a) Regulatory power, which entails the issuance of regulations to ensure the due operation of the securities intermediation;

b) Supervision power, which entails supervising the compliance with the market's regulations and self-regulation rules by the intermediaries; and,

c) Disciplinary power, which entails the application of sanctions to intermediation agents that operate in the centralized mechanisms under its responsibility, who fail to meet the market's regulations and self-regulation rules.

These functions shall be carried out under the terms and conditions previously determined by CONASEV, through general regulations.

The faculties mentioned in the preceding paragraphs may be exercised by self-regulating entities different from the stock exchanges, and for such purpose they shall observe the general regulations established by CONASEV. CONASEV is responsible for authorizing the organization and operation of such entities, as well as of supervising and sanctioning them.

In no case shall the self-regulating faculties imply the exercise of a public function and, therefore, they do not limit CONASEV's regulation, supervision and sanction functions.

(*) Article amended by Article 1 of Legislative Decree No. 1061.

Article 132.- Functions.

The exchanges' functions are:

a) Enter and register the securities for their trade in the exchange, as well as exclude them. The agreements adopted by the exchange on such regard shall be effective after the registration or exclusion of the security in or from the Registry;

b) Encourage transactions with securities;

c) Propose to CONASEV the implementation of new facilities and products in stock exchange trading;

d) Publish and certify the quotation of securities traded therein;

e) Provide services related to securities trading;

f) Provide the brokerage firms with premises, systems and mechanisms that allow the transparent approximation of the purchase and sale proposal for the registered securities and the unbiased execution of the corresponding orders; (*)

g) Offer true, accurate and timely information on the securities registered therein, the course of business, and significant events of the issuers of such securities, as well as information regarding the brokerage firms and stock exchange transactions;

h) Promote and facilitate the means to settle through conciliation the disputes arising between the brokerage firms or between them and their principals. CONASEV shall regulate such function through general regulations; and,(**)

i) Item repealed by the Fifth Complementary Final Provision of Legislative Decree No. 1061.

j) Item repealed by the Fifth Complementary Final Provision of Legislative Decree No. 1061.

k) Develop and manage the trading of products, representative securities thereof or agreements related thereto, and related or complementary services and transactions, pursuant to the regulations that govern the product market, as well as to develop and manage the trading of derivatives, notwithstanding the direct or indirect performance of other related and compatible activities, authorized by CONASEV.(***)

(*) Item replaced by Article 21 of Law No. 27649.

(**) Item amended by Article 1 of Legislative Decree No. 1061.

(***) Item amended by Article 6 of Law No. 29720.

Article 133.- Equity. (*)

The minimum equity or capital required for Exchanges is four million and 00/100 Nuevos Soles (S/. 4,000, 000.00), fully paid-in in cash since the start of its operations.

If the net equity decreases to an amount below the minimum share capital or equity, as the case may be, the Exchange shall remedy such deficiency within the term defined by CONASEV. After such term elapses, CONASEV shall suspend the operation authorization and, if the deficiency subsists, it may revoke such authorization.

Article 134.- Associates.(*)

If the exchange is a civil association, the condition of associate is held by the brokerage firms, which shall acquire a certification of participation in the corresponding exchange through a firm purchase offer within a term of sixty (60) days. If the certificate cannot be obtained in the market within such term, the exchanges shall issue a participation certificate at the average price of the transactions of the last twelve (12) months, or the equity value, whichever is higher.

Only associates have voting rights in the Exchange, under equal conditions.

(*) Article replaced by Article 23 of Law No. 27649.

Article 135.- Participation Certificates. (*)

If the exchange is categorized as a civil association, the participation certificates issued by the exchanges have no face value. They can be transferred to brokerage firms or third parties, or redeemed under the conditions agrees by the exchanges. Subject to a sanction of invalidity, they can only be transferred in an exchange session.

(*) Article replaced by Article 24 of Law No. 27649.

Article 136.- Guarantees. (*)

To operate in an exchange, the brokerage firms shall guarantee the compliance of the obligations arising from their participation in the securities market through:

If the exchange is categorized as a corporation:

a) Pledge in favor of CONASEV on securities the selection criteria of which shall be established by the Exchange and approved by CONASEV;

b) Bank warrant bond in favor of CONASEV;

c) Surety bond issued by insurance companies in favor of CONASEV; or,

d) Bank deposit to the order of CONASEV.

The amount of the guarantees mentioned above, as the case may be, shall be at least four hundred thousand and 00/100 Nuevos Soles (S/. 400,000.00). Through supreme decree countersigned by the Ministry of Economy and Finance, such amount may be modified.

Such guarantee exclusively backs the compliance of the obligations of the brokerage firm in the securities market.

If the Stock Exchange is categorized as a civil association, the participation certificate acquired by the brokerage firm exclusively refers to the obligations arising from its participation in the securities market. Such certificate may be sold by mandate of CONASEV, when the guarantees are insufficient to cover its obligations as brokerage firm.

The guarantees referred to in this article have an intangible nature and cannot be subject to a legal measure or lien.

CONASEV is responsible for issuing regulations that are necessary to make this article applicable.

(*) Article replaced by Article 25 of Law No. 27649.

Article 137.- Shares (*)

If the exchange is categorized as a corporation, it may issue one or more share classes, with or without voting right. The shares may be registered to be traded in the exchange session.

No person can, on its own or through its related parties, be direct or indirect owner of shares issued by an exchange that represent more than ten percent (10%) of the voting share capital, or exercise a voting right in excess of such percentage.

Such restriction does not apply in the cases of corporate merger among stock exchanges or between stock exchanges and clearance of securities settlement and liquidation entities authorized by SMV, provided they met the following minimum requirements: (*)

(*) Last paragraph replaced by Article 2 of Law N° 30708

a) The stock of the legal person controlling the merged stock exchanges or the stock exchanges and the securities settlement and liquidation entities will be included in the Registry. (*)

(*) Subparagraph replaced by Article 2 of Law N° 30708

b) That, whether by operation of law or as provided by the bylaws, a diversity is observed in the ownership and the exercise of the voting rights of the legal person controlling the exchange incorporated in Peru, in such a way that the restriction contained in the second paragraph of this article or similar restrictions are complied with within such controlling legal person, provided they are previously approved by CONASEV. The provisions of this item do not prevent the execution of agreements between shareholders that seek to protect the rights of the minorities.

c) The controlling corporation is supervised by a body with functions equal to CONASEV's.

d) The exchange incorporated in Peru implements control mechanisms that allow it to become aware in a timely basis of the compliance with the limits referred to in item b), in such a way that if a non-compliance occurs, it can report it immediately to CONASEV.

e) Other conditions established by CONASEV through general regulations.

CONASEV is responsible for defining the scope of the corporate integration concept.

The corporate integration between exchanges referred to in the preceding paragraphs shall not be possible if the legal person controlling the exchange incorporated in Peru is based on tax havens.

The requirements to authorize the corporate integration between exchanges pursuant to the provisions above are requirements to maintain the operating authorization and to operate as an exchange in Peru.

The corporate merging of stock exchanges or between stock exchanges and securities settlement and liquidation entities mentioned in the preceding paragraphs is not authorized if the legal person controlling the stock exchange or the securities settlement and agency incorporated in Peru is established in territories where tax rates are low or non-existent. (*)

(*) Parapraph added by Art. 2, Law N° 30708

The requisites to authorize the corporate merging among stock exchanges or between stock exchanges and securities settlement and liquidation entities, pursuant to the provisions set forth above, must be met to maintain the authorization to operate and to operate as a stock exchange or securities settlement and liquidation entity in Peru. (**)

(**) Parapraph added by Art. 2, Law N° 30708

If, after obtaining the authorization for the corporate integration between exchanges, one of the conditions that led to such authorization is breached, the exchange incorporated in Peru shall accredit, within the term established through general Regulations, that it has remedied the non-compliance; otherwise, CONASEV may issue a preliminary injunction, notwithstanding the filing of a sanctioning procedure against the exchange.

(*) Article replaced by Article 1 of Law No. 29638.

Article 138.- Obligations.

The exchanges, in the exercise of their functions, shall observe the following:

a) Operate in premises that allow to adequately receive the representatives of the brokerage firms and the investors during their daily negotiations, and which are equipped with the facilities and appropriate systems to provide satisfactory information and facilitate the transactions;

b) Disclose and keep available to the public the information on the securities' quotations, intermediaries and the transactions carried out in the exchange, as well as the economic standing and the relevant events of the issuers;

c) Immediately inform CONASEV about any irregularity or non-compliance with the regulations of the securities market it becomes aware of during the exercise of its functions; and ensure that its officers and employees meet the internal regulations, observing the principles of professional ethics;

d) Research in a continuous basis the new facilities and products that may be offered, both to current and potential investors and the issuers;

e) Do not grant a differentiated or exclusive treatment to securities clearing and settlement institutions. Moreover, they are forbidden from establishing policies or practices that discriminate the brokerage firms operating therein, or limiting access to their services, and they cannot deny them for unjustified reasons or condition them to the acquisition of supplementary services that are not related to the services rendered; and, (*)

f) Carry out the activities established by CONASEV in the exercise of its faculties.

(*) Item replaced by Article 27 of Law No. 27649.

(**) Item amended by Article 1 of Legislative Decree No. 1061.

Chapter II

Organization and Operation Authorization

Article 139.- Organization and Operation Authorization.

To start their operations, the stock exchanges require the organization and operation authorizations issued by CONASEV. The latter is responsible for establishing the requirements for such purpose, through general provisions.

Article 140.- Operation Requirements.

Before starting operations, stock exchanges shall:

a) Enter the articles of incorporation in the Public Registries;
b) Be listed in the Registry;
c) Have their internal regulations approved by CONASEV;
d) Open their accounting books and other required registries;
e) Have the infrastructure and necessary means to comply with the functions for which they were created;
f) Have the minimum equity contributed in full or the share capital paid in full, as the case may be; and, (*)
g) Register at least ten (10) brokerage firms.

(*) Item replaced by Article 28 of Law No. 27649.

Article 141.- Effective Term and Revocation of Authorization

The exchanges' operation authorization has an indefinite effective term and can only be suspended or revoked by CONASEV as a sanction to a serious breach incurred by the exchange, due to the failure to observe any of the requirements necessary for its operation or due to a continued inactivity for more than fifteen (15) days, unless CONASEV considers that a justified cause exists. Moreover, such authorization can be revoked upon request of the corresponding exchange.

If, when the suspension period elapses, the exchange has failed to correct the deficiencies that caused the suspension, the operation authorization shall be revoked.

The provisions above exclude the cases wherein the suspension of activities is due to force majeure or ordered by CONASEV.

Article 142.- Display of the Authorization.

The operation authorization shall be inserted in the public deed of incorporation, published in the Official Gazette, and permanently displayed in the exchange's premises, in a location visible to the public.

Chapter III
Bylaws and Regulations

Article 143.- Bylaws Contents. (*)

The bylaws of the exchanges shall, at least, refer to the following characteristics.

a) The name or corporate name of the civil association or corporation, as the case may be, which shall include the expression "Stock Exchange";

b) The indefinite period of duration;

c) The impediments to be a member of the Steering Council or Board of Directors, as the case may be, and the sanctions to such members for non-compliance of the Law and its regulations,

d) An indication that the representative shares of their share capital or participation certificates, as the case may be, are freely transferrable;

e) The obligation to issue a new participation certificate in the case foreseen in Article 134;

f) The requirements to be a member of the Steering Council or the Board of Directors, duration of the position and sanctions to such members for non-compliance of the Law and its regulations;

g) The grounds for vacating the position of the member of the Steering Council or Board of Directors, as the case may be;

h) The definition of the frequency in which the general meetings of associates or general shareholders' meeting, as the case may be, indicating the quorum necessary to conduct them;

i) The right to operate in the exchange that corresponds to its associates in the case of a civil association; and,

The mechanisms that ensure the appropriate and timely dissemination to the brokerage firms that operate in the corresponding exchange and to the market in general, of the relevant decisions adopted by the exchange regarding the services it supplies.

(*) Article replaced by Article 29 of Law No. 27649.

Article 144.- Articles of Incorporation.

The articles of incorporation of the exchange, as amended, shall be available to the public in brochures of unrestricted circulation, for free or at cost price.

Article 145.- Approval of fees, bylaws and internal regulations of the exchanges. (*)

CONASEV approves the exchanges' bylaws, as amended, with the exception of capital increases and others established by CONASEV through general regulations; as well as the internal regulations stipulated by the exchanges, as amended.

CONASEV has a maximum of thirty (30) days to approve the bylaws and internal regulations. After such term elapses, if no pronouncement is made by such institution, the internal regulations shall be considered approved.

Other regulations of a general nature related to the functions of the Exchanges shall be notified to CONASEV within three (3) days after their approval. CONASEV may request extensions, amendments or suppressions to their text within thirty (30) days after such communication is received.

The amount of the payments received by the Exchanges that are corporations, for the execution of the functions foreseen in Article 132, is proposed by the exchange and shall be previously approved by CONASEV before its application. For such purpose, the financial equilibrium and equality principles between their users shall be taken into account.(**)

(*) Article replaced by Article 30 of Law No. 27649.

(**) Paragraph amended by Article 1 of Legislative Decree No. 1061.

Article 146.- Internal Regulations.

The exchanges' internal regulations, unless the matter is regulated in the bylaws, shall contain the following:

a) The rights and obligations of the brokerage firms, particularly regarding the moment in which they shall take the orders of their clients to the market and the priority, parity and precedence to be given to them; the conditions in which they can make negotiations on their own; the manner in which the transactions and investment advisories offered to their clients shall be made; (*)

b) Item repealed by the Fifth Complementary Final Provision of Legislative Decree No. 1061.

c) The regulations that govern the registration and entry of securities for their trading in the exchange, as well as those related to the suspension and exclusion of such exchange securities;

d) The operative procedures to carry out the trading mechanisms, the registration of quotations and the dissemination of information related thereto and the issuers;

e) Item repealed by the Fifth Complementary Final Provision of Legislative Decree No. 1061.

f) Item repealed by the Fifth Complementary Final Provision of Legislative Decree No. 1061.

(*) Item amended by Article 1 of Legislative Decree No. 1061.

Article 147.- Registry of Claims and Sanctions(*)

The exchanges are obliged to keep a registry of the disciplinary measures brought by it or the self-regulating bodies to the brokerage firms, their attorneys, operators and other representatives, as well as the administrative sanctions that may have been applied by CONASEV to such persons. Such registry is publicly available.

(*) Article amended by Article 1 of Legislative Decree No. 1061.

Chapter IV

Steering Council and Management

Article 148.- Structure of the Steering Council. (*)

If the Exchange is a civil association, the Steering Council comprises at least five (5) members chosen by the General Meeting.

(*) Article replaced by Article 32 of Law No. 27649.

Article 149.- Requirements.

To be a member of the Steering Council or Board of Directors of an exchange, the following requirements shall be met: (*)

a) Being fully entitled to its civil rights;

b) Having good moral principles; and,

c) Having experience in economic, financial and commercial matters and/or knowledge on the securities market, in a level adequate to the functions to be performed.

(*) Paragraph replaced by Article 33 of Law No. 27649.

Article 150.- Impediments to be a Member of the Board of Directors or Steering Council. (*)

The following cannot be members of the Board of Directors or the Steering Council of an Exchange, as the case may be:

a) The directors, general managers, advisors and other officers and employees of CONASEV, as well as their relatives;

b) The directors, advisors, officers and other workers of other Exchange;

c) Those convicted for the commitment of a crime;

d) Those declared insolvent, intervened, or undergoing an equity restructuring process, while this situation persists;

e) Those who have been dismissed from their position as members of the Steering Council or the Board of Directors of the Exchange or other;

f) Public officers; and,

g) Those disqualified by CONASEV, while the disqualification persists.

If the Exchange is a corporation, the impediments established in the General Corporations Law are applied in an additional basis.

(*) Article replaced by Article 34 of Law No. 27649.

Article 151.- Duration. (*)

The bylaws state that the Board of Directors or Steering Council shall have a specific duration of no more than three (3) years and no less than one (1) year. If the bylaws do not state a duration, it shall be understood as one year. The Board of Directors or Steering Council, as the case may be, is renewed in its entirety at the end of its period, including such directors that were appointed to complete periods.

The directors or members of the Steering Council, as the case may be, can be reelected unless provided otherwise in the bylaws.

(*) Article replaced by Article 35 of Law No. 27649.

Article 152.- Personal Function. (*)

The position as member of the Steering Council or Board of Directors is personal and intransferable.

(*) Article replaced by Article 36 of Law No. 27649.

Article 153.- (*) The vacancies that occur in the Steering Council or Board of Directors, as the case may be, and the appointment of the persons with which such vacancies shall be covered shall be notified to CONASEV within a term of three (3) days.

(*) Article replaced by Article 37 of Law No. 27649.

Article 154.- Abstention. (*)

The members of the Steering Council or the Board of Directors, as the case may be, shall abstain from participating in the deliberation and resolution of matters wherein they or their related persons have an interest, notwithstanding the provisions of Article 180 of the General Corporations Laws, in the case of a corporation.

(*) Article replaced by Article 38 of Law No. 27649.

Article 155.- Ordinary Sessions. (*)

If the Exchange is a civil association, the Steering Council shall meet in an ordinary sessions at least once per month.

(*) Article replaced by Article 39 of Law No. 27649.

Article 156.- Prohibition. (*)

The members of the Steering Council or Board of Directors, as the case may be, cannot acquire or dispose for valuable consideration the securities registered or traded in the corresponding Exchange, unless they have previously obtained CONASEV's written authorization. This prohibition excludes the transactions referred to securities arising from the condition of user of a public utility.

(*) Article replaced by Article 40 of Law No. 27649.

Article 157.- General Manager. (*)

In order to be the general manager of an Stock Exchange, the requirements established in Article 149 are applicable. Moreover, the impediments set forth in Article 150 are applicable to such officer.

(*) Article replaced by Article 41 of Law No. 27649.

Chapter V
Guarantee Fund

Article 158. Nature and purpose. (*)

The Guarantee Fund Administrator is incorporated as a legal person of private law, non-profit special nature, in charge of the administration of the Guarantee Fund, stand-alone independent equity of its administrator.

The Guarantee Fund, as well as its administrator, are governed, in addition to the provisions hereof, by the general regulations approved by CONASEV, its bylaws and internal regulations. CONASEV is in charge of approving the bylaws and internal regulations of the Guarantee Fund Administrator.

The Guarantee Fund has the exclusive purpose of backing up, under the limits and criteria determined by CONASEV, through general regulation, the obligations maintained by the brokerage firms before their principals solely with regards to the operations and activities carried out within and off the centralized mechanisms that operate in the exchanges, determined through firm administrative decision, court order or arbitration award of a res judicata nature. The execution of the Guarantee Fund can only be suspended through express court order.

In the cases of Guarantee Fund Execution, only money in cash is returned. Moreover, the Guarantee Fund covers the payment of the accrued legal interest only when expressly decided by the corresponding legal, arbitration or administrative authority.

The maximum coverage per principal in each brokerage firm is established by CONASEV through general regulation. Similarly, CONASEV determines the frequency with which such fund is executed and the procedure to be followed to that effect.

(*) Article amended by Article 6 of Law No. 29720.

Article 159. Members of the Guarantee Fund Administrator (*).

All brokerage firms duly authorized by CONASEV automatically become members of the Guarantee Fund Administrator.

The brokerage firm that enters into the Guarantee Fund Administrator after its creation shall make contributions during twenty four months for their operations to be backed, unless such firm pays the entrance fee determined by CONASEV through general regulation. (**)

(*) Article amended by Article 6 of Law No. 29720.

(**) Paragraph repealed by Section 1 of the Single Repealing Complementary Provision of Law No. 30050.

Article 160. Guarantee Fund Administrator. (*)

The Guarantee Fund Administrator has a steering council and a technical secretariat with the functions and faculties established in its bylaws. The bylaws and internal regulation of the Guarantee Fund Administrator, as amended, are subject to the provisions issued by CONASEV. The National Superintendence of Public Registries (SUNARP) shall register the Guarantee Fund Administrator in the Registry of Legal Entities in accordance with this Law.

The Guarantee Fund Administrator's Steering Council comprises:

1. Two CONASEV representatives, appointed by their superior, one of them acting as chairman. They may be officers of such entity.

2. Two representatives of brokerage firms.

The members of the steering council hold their position for a renewable period of three years. Their payment is exclusive responsibility of the entities appointing them. The steering council meets at least once per month and adopts its agreements with the majority vote of the attendees. In case of tie, the chairman shall have the casting vote.

The guarantee fund's accounting shall be kept separately from the accounting of its administrator.

(*) Article amended by Article 6 of Law No. 29720.

Article 161.- Article repealed by the Fifth Complementary Final Provision of Legislative Decree No. 1061.

Article 162. Guarantee Fund Resources. (*)

The following are resources of the guarantee fund:

1. The contributions and sanctions paid by the brokerage firms in accordance with the criteria approved by CONASEV through general regulation. The fee for such contributions can be differentiated on the basis of the criteria determined through a general regulation.

2. The reimbursements under the responsibility of the brokerage firm arising from the execution of the guarantee fund.

3. The income arising from the investments made with own resources.

4. Other resources obtained with the approval of the steering council, following prior communication to CONASEV.

The resources of the Guarantee Fund are intangible, then cannot be subject to any legal measure or lien and are allocated to cover the payment of the money reimbursement to be charged against it, as well as all expenses arising from its administration, in accordance with the regulation approved by CONASEV, which shall also stipulate the maximum amount to be allocated to such administration. The Guarantee Fund is not subject to any tax, whether currently existing or to be created.

In no case shall the Guarantee Fund resources be part of the equity in liquidation of the Guarantee Fund Administrator. In case of dissolution and liquidation of the administrator, the future of the Guarantee Fund is determined by CONASEV, applying such resources for the protection of investors in the securities market.

(*) Article amended by Article 6 of Law No. 29720.

Article 163. Reimbursement due to execution of the Guarantee Fund. (*)

The brokerage firms shall reimburse to the Guarantee Fund the amounts that it paid to its principals, as well as the interests and sanctions established by CONASEV. The failure to comply with the contribution or reimbursement to the Guarantee Fund is grounds for the suspension of the operations of the brokerage firm, in accordance with the general regulations approved by CONASEV.

(*) Article amended by Article 6 of Law No. 29720.

Article 164. Resource investment. (*)

The resources of the Guarantee Fund can become deposits in financial institutions, marketable securities and financial instruments in the manner determined by CONASEV through general regulation. The investment of the resources in the fund is carried out under safety, liquidity, profitability and diversification principles.

(*) Article amended by Article 6 of Law No. 29720.

Chapter VI
Dissolution and Liquidation

Article 165.- Dissolution. (*)

In case of Stock Exchange dissolution through agreement of the general meeting or associates meeting, as the case may be, when no legal or bylaws grounds exist, it shall become effective ninety (90) days after the decision has been notified to CONASEV. After this term elapses, its operation authorization shall be canceled.

(*) Article replaced by Article 46 of Law No. 27649.

Article 166.- Liquidation. (*)

Once the Stock Exchange is dissolved, the liquidation process is started, under the charge of two liquidators appointed by the general shareholders' or associates' meeting, as the case may be, and one appointed by CONASEV.

The regulations established in the General Corporations Law are applicable to the exchange's liquidation. If the Stock Exchange is an association, such regulations are executed when applicable.

(*) Article replaced by Article 47 of Law No. 27649.

TITLE VII
INTERMEDIATION AGENTS
Chapter I
General Provisions

Article 167.- Classes of Intermediation Agents.

Corporations that, as brokerage firms or intermediary firms, engaged to securities intermediation in the market, are intermediation agents.

The activities inherent of intermediation agents that are carried out without the relevant authorization entail criminal liability, pursuant to Article 246 of the code on the matter.

Article 168.- Organization and Operation Authorization.

To perform as an intermediation agent, an organization and operation authorization issued by CONASEV is required. CONASEV, through general provisions, shall determine the requirements for each intermediation agent class.

The intermediation agents are subject to the control and supervision of CONASEV.

Article 169.- Term.

The term in which CONASEV shall issue the organization and operation authorization resolution, respectively, is thirty (30) days since the date of submission of the request.

The aforementioned term is extended in as many days as necessary for the requesting corporation to meet the written requirements established, once, by CONASEV, referred to the submission of further information or the modification of the request to meet the regulations set forth for such purpose.

Once the requirements referred to in the preceding paragraph are met, the calculation of the term is restarted, but, in any case, CONASEV has at least seven (7) days to issue the corresponding resolution.

Article 170.- Effective Term of the Authorization.

The operation authorization has an indefinite effective term and can only be suspended o revoked by CONASEV as a sanction to a serious breach incurred by the intermediation agent, or due to a continued inactivity for more than six (6) months or for failing to observe any of the requirements necessary for its operation.

Article 171.- Duty of Diligence and Truthfulness.

The intermediation agents are obliged to carry out their activities in a diligent, truthful and impartial manner, always granting absolute priority to the interest of their principal. If a conflict of interest arises among its principals, the intermediation agent shall remain neutral.

Article 172.- Liquidity and Indebtedness Margins.

The intermediation agents shall meet the indebtedness margins and other minimum conditions of equity liquidity and solvency stated by CONASEV regarding the type of operations, the term, amount or the nature of the traded instruments and the class of intermediates.

Article 173.- Relationship of the Principals.

The relationship between intermediation agents and their principals are governed by the regulations of the commercial commission and this law.

Article 174.- Commissions.

The intermediation agents are free to establish the commissions they receive for their intervention in the operations they execute, observing the actual structure of their costs. The commissions received shall be disclosed to the public.

The provisions of Legislative Decree No. 701 forbid the execution of agreements between intermediation agents with the purpose of fixing uniform commissions or establishing other practices to restrict competition.

Article 175. Orders. (*)

The orders are instructions issued to the intermediation agents, whereby their principals express their decisions regarding the trading of securities or financial instruments and other services that may be provided.

Through the orders, the principals grant their intermediation a mandate to carry out the transactions listed in Articles 194 and 207, as well as to receive the benefits, subscribe shares, or any other activity related to securities or financial instruments, following CONASEV's authorization pursuant to items t) and i) of such articles, respectively.

The orders authorize the intermediation agents to exercise the mandate contained therein. In the case of share subscription, receipt of benefits or similar, the intermediation agents are authorized by the mandate of their principal to act on its behalf, and no additional requirement or conditions shall be necessary, unless those determined by the principal itself.

Pursuant to the paragraphs above, the intermediation agents are obliged to:

a) Comply with the written or telephone orders of their principals, provided they are recorded, notwithstanding other modalities susceptible of later verification established by CONASEV through general provisions.

b) Implement systems that allow recording the orders when they are given by telephone call, registering them at the time they are received. For such purpose, they shall have a system to record orders received by telephone call, as well as a system to record and file them pursuant to the general regulations stipulated by CONASEV. Such recordings, as well as the aforementioned registry, shall be kept for five years and made available to CONASEV in the format it establishes through a general regulation. Since the time the principal issues the order by telephone call, it is understood that it has been previously informed about the conditions to record the orders given by telephone call, as well as the acceptance of the corresponding recording.

c) Only record the orders using the systems, reception and record methods authorized by CONASEV.

Similarly, the intermediation agents shall make available to the principals the policy that accredits the operations carried out on their behalf.

(*) Article amended by Article 6 of Law No. 29720.

Article 176.- Execution of Orders.

The intermediation agents are obliged to execute, on behalf of their clients, the orders received from them for securities trading.

Notwithstanding the provisions of the first paragraph, the intermediation agents can subordinate the compliance with the order solely in the following cases and provided the principal is previously notified:

a) For transactions in cash, the principal shall accredit the ownership of the securities or deliver them or the funds, if its order was to sell or buy, respectively;

b) For forward transactions, the principal shall paid the minimum guarantees or hedges established by CONASEV and, as applicable, the exchange or the entity in charge of operating the centralized mechanism.

The intermediation agents shall abstain from executing their principals' orders when they are aware that they are issued with the purpose of promoting false supply or demand conditions, promoting artificial price oscillations or that they are simulated operations, informing such facts, the following day, to CONASEV and the exchange or entity in charge of the centralized mechanism.

In the exceptions established by CONASEV pursuant to item f) of Article 195, if, after the transaction is carried out, the principal fails to deliver the securities or funds of the sale or purchase transaction, respectively, the brokerage firm may dispose of any sum of money such principal has in the brokerage firm's accounts exclusively to settle such transactions, provided such funds are not allocated to transactions already executed and which are pending settlement.(*)

In purchase transactions where the corresponding funds have not been delivered, the brokerage firm may sell the securities resulting from such transaction. (*)

(*) Paragraph added by Article 48 of Law No. 27649.

Article 177.- Prohibitions.

Intermediation agents are forbidden to:

a) Cause an artificial evolution of quotations in their own benefit or the benefit of third parties;

b) Carry out fictitious transactions or cause them to be carried out, resorting to misleading or fraudulent practices or mechanisms;

c) Unnecessarily fraction the transactions, to the prejudice of the client;

d) Give preference to their own purchase of securities, in the existence of a purchase request by a principal for the same security under equal or better conditions; and,

e) Give preference to the sale of their own securities, in the existence of a sale request by a principal for the same security under equal or better conditions.

Article 178.- Policies.

The policies granted by intermediation agents are reliable evidence that the transactions with securities to be carried out are legal, and serve as supporting proof of the payments made through transfer of securities.

Article 179.- Certification of Operations.

The intermediation agents are authorized to, through their authorized representatives, certify the authenticity of securities transfers they have participated in. Such document is sufficient to record the transfer's entry into the corresponding book of the issuer and/or to record it in the securities clearing and settlement institution, when the security is represented by annotations on account.

Article 180.- Filing.

By ordering a transaction, the principal accepts that it shall be carried out in line with the provisions of this law, CONASEV's regulations and the regulations of the corresponding centralized mechanism, as the case may be.

Article 181.- Amendment of Bylaws.

Any amendment to the bylaws of the intermediation agents that aim at their merger, division or spinoff, as well as the reduction of their capital, shall be previously approved by CONASEV. The term for this is thirty (30) days, counted as from the submission of the corresponding request.

The bylaw amendments of other nature shall be notified to CONASEV within five (5) days after the adoption of the corresponding agreement.

Article 182.- Prohibitions.

No intermediation agent, its shareholders, directors and managers shall be allowed to be shareholder of other intermediation agent. Moreover, none of the aforementioned persons shall be allowed to be manager or director of other intermediation agent.

Article 183.- Requirements for Directors and Managers.

The persons in charge of managing and administrating the intermediation agent shall meet the requirements set forth in Article 149 and not be subject to the impediments established in Article 150.

Article 184.- Dissolution and Liquidation. (*)

CONASEV is responsible for issuing the general provisions to be observed by the intermediation agents when they enter a dissolution and liquidation process, as well as appointing the person or persons to act as liquidator.

(*) Article replaced by Article 49 of Law No. 27649.

Chapter II

Stock Brokerage

Sub-chapter I

General Provisions

Article 185.- Definition. (*)

A brokerage firm is the corporation that, duly authorized, is engaged mainly in carrying out securities intermediation in one or more centralized mechanisms operating in the exchanges.

(*) Article replaced by Article 50 of Law No. 27649.

Article 186.- Requirements to Start Operations.

Before starting its operations, any brokerage firm shall:

a) Publish the operation authorization in the Official Gazette;

b) Enter in the Registry;

c) Have a certificate of participation in the exchange it intends to operate if such exchange was incorporated as a civil association or sign an agreement with the corresponding exchange, in accordance with the text previously approved by CONASEV, if the exchange is a corporation; and,(*)

d) Post the guarantee referred to in Article 136 hereof.(*)

e) Make the initial contribution to the Guarantee Fund and Liquidation Fund in the amount established by the SMV through a general regulation. The initial contribution is not reimbursable and is governed by the conditions determined by the SMV.(**)

(*) Item replaced by Article 51 of Law No. 27649.

(**) Paragraph added by Article 8 of Law No. 30050.

Article 187.- Impediments. (*)

The position of director, manager or other representative of the brokerage firms cannot be filled:

a) By directors, managers or those holding an equivalent managerial position in companies with securities listed in the Stock Exchanges wherein the brokerage agent is an associate or shareholder;

b) By representatives of legal persons where they act as director and general manager of companies with securities listed in the exchanges wherein the brokerage firm is an associate or shareholder; and,

c) Others determined by CONASEV through general provisions.

The impediments foreseen in this Article are not applicable to the members of the Steering Council or the directors of the Stock Exchanges and securities clearing and settlement institutions, in the cases when the securities issued by such entities are listed in the Exchange.

(*) Article replaced by Article 52 of Law No. 27649.

Article 188.- Consequence of the revocation of authorization. (*)

The revocation of the operation authorization of a brokerage firm entails the termination of its association with the corresponding exchange if it has been incorporated as a civil association.

(*) Article replaced by Article 53 of Law No. 27649.

Sub-chapter II
Capital and Guarantee

Article 189.- Minimum capital.

The minimum capital required for brokerage firms is one million Nuevos Soles (S/. 1,000,000.00), fully paid-in in cash. Such capital shall be paid in full since the start of operations.(*)

Moreover, the net equity of brokerage firms cannot be lower than the minimum capital. The equity deficit that may be incurred shall be covered within thirty (30) days after its verification by CONASEV.

(*) Paragraph amended by Article 7 of Law No. 30050.

Article 190.- Repealed by the Seventeenth Temporary and Final Provision of Law No. 27649.

Article 191.- Repealed by the Seventeenth Temporary and Final Provision of Law No. 27649.

Article 192.- Guarantee Survival. (*)

The guarantees referred to in Article 136 shall be kept in place until six (6) months have elapsed since the ceasing of activities of the brokerage firm or until the legal actions that, within such term, would have been filed against the brokerage firm by the beneficiaries of such guarantee, are resolved through final judgment. Such beneficiaries shall be necessarily condemned on the corresponding legal costs if their claim is not accepted.

(*) Article replaced by Article 54 of Law No. 27649.

Article 193.- Article repealed by the Complementary Amending Fourth Disposition of Law Nº 29782.

Sub-chapter III
Operations

Article 194.- Operations.

Stockbrokers are authorized to carry out the following operations:

a) Buy and sell securities on behalf of third parties as well as their own behalf in or outside of the centralized mechanisms

b) Provide assessment regarding securities and exchange operations, as well as providing its clients with an information and data processing system;

c) Place in the national or international market, securities with or without total or part guarantee of their placement, within the terms and subject to the conditions agreed upon;

d) Place in the country foreign-issued securities;

e) Temporarily buy part or the totality of primary issues of securities as well as temporarily purchase securities for their subsequent placing among the public;

f) Promote the launching of public and private securities and facilitate their placement, being able to temporarily stabilize their prices or favor the liquidity of such securities, as long as there is a previous agreement with the issuer or bidder and subject to the provisions set forth by CONASEV.

g) Represent bondholders;

h) Place in the market the bonds they issue, using the resources obtained for the their activities;

i) Provide portfolio management services

j) Manage mutual funds and investment funds;

k) Offer custody services of securities;

l) Keep the accounting records of their principals' securities subject to the provisions in Articles 212, 219 and 220;

m) Give credits, from their own resources, solely with the aim of facilitating the acquisition of securities by their principals, registered or not in the exchange and guaranteed by the securities;

n) Receive credits from companies of the financial system for the carrying out of their activities;

o) Carry out buying and selling transactions of foreign currency under the regulations and general provisions set forth by the SMV.(*)

p) Carry out transactions in the international market within public external debt instruments, on behalf of their principals or themselves;

q) Carry out securities loans and repurchase agreements according to the general provisions established by CONASEV;

r) Act as trustee in securitization trusts;

s) Execute operations of futures, options and other derivatives, according to the general provisions established by CONASEV; and,

t) Carry out all other operations and services compatible with intermediation services in the stock market and commodities market, provided that CONASEV previously authorizes them. (**)

u) Represent their clients, at their request, for the exercise of preemptive rights as well as for the reception of profits. (***)

(*) Item amended by Article 7 of Law Nº 30050

(**) Item amended by Article 6 of Law Nº 29720

(***) Item added by Article 7 of Law Nº 29720

Article 195.- Prohibitions.

The stock brokers are subject to the following prohibitions, notwithstanding those considered in Article 177 and others arising from this law:

a) Destine the funds or securities received from their principals to operations or purposes different to those for which they were entrusted;

b) Ensure returns for the investment portfolios they manage, unless they are fixed-income securities;

c) Cover losses of their principals as a consequence of operations entered into according to law;

d) Make proposals of buying or selling of securities without an express order;

e) Receive buying and selling orders of securities from persons other than their holder or duly authorized representative;

f) Execute and/or record operations without checking the existence of the resources and financial instruments or securities entered into, or execute orders corresponding to operations of such a nature, with exception of the assumptions that through general provisions are established by CONASEV.(*)

g) Disclose directly or indirectly false, biased or imprecise information on intermediation operations in the securities market;

h) Misreport the liquidity condition of a security;

i) Charge securities held in custody on behalf of their clients without having their written approval; and,

j) Participate in non-authorized operations.

(*) Item replaced by Article 55 of Law Nº 27649.

Article 196.- Duties and Liabilities.

The duties and liabilities of the stockbrokers are to:

a) Present operations accurately, precisely and clearly;

b) Check the identity and legal capacity of their principals; the authenticity and integrity of the securities they negotiate, as well as the endorsements, as the case may be; and the registration of the last holder in the issuer's register;

c) Assume the payments of the securities or financial instruments ordered to sell and the delivery of the securities or financial instruments ordered to buy. (*)

d) Keep, in addition to the accounting books required by law, all other records that through general provisions CONASEV may determine;

e) Allow CONASEV to audit their books, registers and operations;

f) Provide CONASEV, with the frequency required, information concerning their activities and operations, as well as their audited financial statements;

g) Report to CONASEV within twenty (20) days, the decisions adopted concerning the opening of new offices or the closing of operating ones, thus complying with the requirements established by general provisions.

h) Obtain CONASEV's authorization to sign contracts of representation that enable third parties to act on behalf of the company within or outside their corporate headquarters. CONASEV will issue an opinion within fifteen (15) days of the filing of the request;

i) Issue certifications of the entries in their books for the operations in which they have brokered, only on request by one of the participating parties or by court order; and,

j) Have an automated system for the reception, registration of orders and operation assignments.

(*) Item replaced by Article 56 of Law Nº 27649.

Article 197.- Order Term.

If a stockbroker receives money from a principal for the buying of securities, without defining a deadline, it must complete the order within five (5) days. On expiry of that term, it must return the money to the principal, unless a later deadline is fixed.

The stockbroker must proceed in the same way when it receives the order to sell securities without specification of the deadline to complete the order.

Sub-chapter IV
Representatives

Article 198.- Definition.

The stockbroker's representative is he/she one who is authorized to act on the former's behalf in all acts related to the exercise of his/her functions. CONASEV shall determine the requirements to be met by stockbroker agents.

Article 199.-.- Repealed by the Seventeenth Temporary and Final Provision of Law Nº 27649

Article 200.- Joint and Several Liability.

The stockbrokers are jointly and severally liable with their operators and other representatives for all their acts of misconduct, as well as their omissions, when the principals are prejudiced.

Sub-chapter V
Subsidiaries

Article 201.- Setting-up of Subsidiary.

For the carrying out of the activities referred to in items j) and r) of Article 194, the stockbrokers shall set up subsidiaries in each case. Such subsidiaries are set up as corporations. The approval of a majority of stockholders is not necessary.

Article 202.- Relationship to the Stockbroker's Capital.

The stockbroker's overall investments in the subsidiaries cannot be greater than forty percent (40%) of the stockbroker's paid-up capital and reserves. Likewise, its participation in the subsidiary's share capital cannot be smaller than two thirds (2/3).

Article 203.- Impediment.

The managers, officials and employees of the subsidiary, may not, under any circumstances, act as agents of the head office.

Chapter III

Securities Intermediary Companies

Article 204.- Definition.

A securities intermediary company is the duly authorized corporation focusing on intermediation of securities not listed on the exchange.

Article 205.- Minimum capital.

The minimum capital for an intermediary company is six hundred and seventy thousand Nuevo soles (S/. 670 000.00), fully subscribed and paid in cash. Such capital must be entirely placed and paid in cash when the company starts operating. (*)

The intermediary company's equity cannot be smaller than its minimum capital. The deficit in equity incurred shall be covered within the following thirty (30) days after being objected by CONASEV.

(*) Paragraph amended by Article 7 of Ley Nº 30050.

Article 206.- Guarantee.

Intermediary companies shall draw up a guarantee in favor of CONASEV in support of the commitments with their principals. Such guarantee can adopt any of the modalities foreseen in Article 190.

The guarantee may be executed through a CONASEV resolution to ensure coverage for all liabilities resulting from the exercise of its functions in the securities market. If the guarantee is executed, the intermediary company will immediately replenish it.

The aforementioned guarantee must be maintained until six (6) months after the company's activities stop or until the charges pressed against it by its beneficiaries are fully satisfied. The latter shall pay the involved costs if their claim does not proceed.

A Supreme Decree signed by the Ministry of Economy and Finance will determine the amount and conditions of the guarantee.

Article 207.- Transactions.

Intermediary companies are authorized to carry out the following operations:

a) Place public securities issued in the country or overseas, and carry out the operations mentioned in items c) and e) of Article 194;

b) Organize, manage and oversee securities portfolios, prior authorization from CONASEV;

c) Buy or sell, securities not registered in the Exchange, on behalf of themselves or third parties;

d) Buy or sell, with the intervention of brokerage firms, exchange registered securities, on behalf of themselves or third parties;

e) Advise and inform investors in the securities market;

f) Promote the launching of public and private securities;

g) Give credits with its own resources only to facilitate the purchase of securities by its clients and with the guarantee of such securities;

h) Accept credits from companies of the national financial system for performing its activities; and,

i) Other authorized by CONASEV.

Article 208.- Applicable Regulations.

Intermediary companies are subject to the same prohibitions, obligations and liabilities as brokerage firms, when applicable, and to general provisions by CONASEV.

TITLE VIII

EXECUTION AND SETTLEMENT TRANSACTIONS

CHAPTER I

Securities Represented by Book Entries

Article 209.- Representation by Book Entries

Representation through book entries can include all or part of the securities included in one single emission or series of securities. The form of representation of securities is a voluntary decision of the issuer. Although it is a condition for their issuance, it may be amended.

For the conversion of a series or issuance, from bonds to account entries or conversely, the chosen issuer must meet the requirements established in the by-laws, underwriting agreement or an equivalent legal instrument, or lacking that, Article 134 of the Corporations Law and Article 94 of this law, when they are debt securities.

Notwithstanding the above, the conversion of bonds to account entries can also be carried out on request by their holders when their representation through annotations on account is necessary for their trading in a centralized mechanism. In this case, the conversion shall only take place with respect to the securities corresponding to the holders' requesting it and may be reverted at their request and cost, subject to the type of securities chosen by the issuer, by-laws, underwriting agreement and other applicable legal instruments.

For the conversion of bonds into annotations on account certain information must be transmitted to the securities settlement and liquidation agency about the accounting cost basis of such bonds, as per the Income Tax Act. (*)

In all cases of securities represented by account entries, resulting cash benefits, repayments or other similar rights for the issuer must flow through the securities settlement and liquidation of their registering entity. Likewise, the issuance of new securities resulting from securities represented by annotations on account, including the issuance of paid up shares or preemptive rights certificates should also be represented by annotations on account. (**)

(*) Paragraph amended by Article 1 of Legislative Decree Nº 1061.

(**) Paragraph added by Article 8 of Law Nº 30050.

Article 210.- Condition for Trading.

CONASEV is authorized to require that all securities or certain categories thereof, be represented by annotations on account before they can be traded in a centralized mechanism.

Article 211.- Registration and Public Deed.

The representation of securities by annotations on account takes place by their registration in the respective accounting book of the securities settlement and liquidation institution.

Previously, the issuer must submit to the respective securities settlement and liquidation institution dealt with in Chapter III of this Title, as well as to CONASEV and the stock exchange or entity responsible for the management of other centralized mechanisms, as the case may be, the copy of the public deed stating the conditions and characteristics of the securities to be represented by annotations on account.

When the nature of the security does not require the public deed of issuance, the legal document requested by CONASEV shall be submitted.

Article 212.- Accounting Book. (*)

The accounting book of the securities represented by annotations on account corresponding to an issuance is attributed to a single securities settlement and liquidation institution.

In the case of securities negotiated in an exchange or in centralized mechanisms operating outside of an exchange, the securities settlement and liquidation institution can keep the accounting book on its own or jointly with its participants. In the latter case, the institution only keeps the central register, the participants being in charge of keeping the individual account registers corresponding to the mentioned central register.

After assessing market conditions and the certification of compliance with the requirements it establishes, CONASEV may authorize a registry system other than those previously described.

(*) Article replaced by Article 57 of Law Nº 27649.

Article 213.- Subscription and Transfer.

The subscribers and holders of securities represented by annotations on account have the right to the first registration, free of charge.

The transfer of securities represented by annotations on account operates by accounting transfer. The registration in favor of the purchaser has the same effects as the traditional certificates and is effective against third parties from the moment it is carried out.

Article 214.- Bona Fide Purchaser.

The issuer can only oppose the bona fide purchaser of securities represented by annotations on account the motions resulting from the subscription regarding the deed or legal instrument mentioned in Article 211 and those it could have evoked if the securities had been represented by certificates.

Article 215.- Legal Validity of the Accounting Book.

Whoever is lawfully recorded in the entries of the accounting book held by the securities settlement and liquidation institution is considered their legitimate holder and can require from the issuer the fulfillment of the services resulting from the security.

The issuer that, in good faith and without negligence, provides a service in favor of the person so entitled in the accounting book is released from any further obligation, even if the recipient is not the security holder.

The transfer of the holder's rights, as well as the exercise of such rights, requires their prior recording in the accounting book.

The information contained in the Accounting Book prevails with respect of any other content in the list or other register. (*)

The provision in this Article is applicable to the accounting books kept by the direct participants in the securities settlement and liquidation institution, when such institution only keeps the central register of the individualized accounts corresponding to the institution's central register.

(*) Paragraph added by Article 58 of Law Nº 27649.

Article 216.- Certificate. (*)

For purposes of transfer and exercise of the rights derived from the securities represented by account entries or the limited rights or charges established on them, ownership can be accredited with a certificate issued by the securities settlement and liquidation institution.

This certificate grants no more rights than those stated in it. The certificate's disposition is null and void.

By means of general regulations, CONASEV shall regulate the emission, validity and procedures applicable to the certificate referred to in this article.

(*) Article replaced by Article 59 of Law Nº 27649.

Article 217.- Establishment of Rights and Charges.

The establishment of the right of usufruct, charges and seizure of securities represented by annotations on account must be registered in the respective account.

The registration of the guarantee equals the possessory displacement of the bond. The establishment of the charge is effective against third parties as from its registration.

Article 217-A.- Stock Pledge on Securities (*)

When marketable equities or securities are stock pledged, both represented through annotations on account, the stock pledge will be regulated by provisions in this law and its complementary bylaws.

The stock pledging of securities represented by bonds or by annotations on account comprised in issuances total or partially represented through annotations on account, as well as the provisions in force in case of amendment in the form of representation of these securities, shall be regulated by CONASEV through general regulations.

Likewise, CONASEV shall regulate through general regulations, stock pledging of securities related to the execution of operations in centralized trading mechanisms.

The stock pledging of securities or securities for public offering comprised in issuances represented only by bonds, should include precautionary measures for identity protection as foreseen in article 45 hereto.

(*) Article added by Article 2 of Legislative Decree Nº 1061.

Chapter II

Central Securities Repository

Article 218.- Securities Tradable in Exchange Sessions.

For a security to be traded in an exchange session, it must previously be registered in a securities settlement and liquidation institution, for its representation through book entries, so that the transfer of such securities is carried out through a book transfer.

By means of general regulations, CONASEV can establish the cases where securities, negotiated in an exchange session, may remain in foreign institutions in charge of securities' custody, settlement and liquidation.

Article 219.- Registration of Transactions.

At the closing of each trading day, the exchanges, or when appropriate, the entities responsible for the management of centralized mechanisms will provide the securities settlement and liquidation institution with the information corresponding to the transactions carried out, to update their records. The intermediation agents have the same obligation regarding transactions carried out outside the centralized mechanisms.

Article 220.- Form of Register.

The direct participants must register the securities in the securities settlement and liquidation institution, indicating if they act on their own or on a third party's account, in the form established by their internal bylaws. If these bylaws establish the accounting records will be kept by means of individual bond holders accounts, they will register in their records the details of third party accounts.

Participants shall have permanent access to the updated statements of their respective accounts. (*)

(*) Paragraph replaced by Article 60 of Law Nº 27649.

Article 221.- Presumption of Property

For the purposes of all transactions in the securities market, the owner of the securities is considered to be that who appears as such in the records of the securities settlement and liquidation institution, as well as in the records of authorized direct participants, when the institution is only in charge of the central register.

Article 222.- Information and Contracts with the Bondholders.

The participants will verify the identity and other information of the bondholders included in their registers, and keep such information updated; likewise, they will draw up a contract with them, stating the bond holder's rights pursuant to the internal securities settlement and liquidation institution's bylaws.

Chapter III

Securities Clearance and Settlement Institutions

Article 223. Definition. (*)

The securities clearance and settlement institutions are public limited companies whose main objective is the registration, custody, settlement and clearance of securities and derived instruments authorized by CONASEV; as well as non-massive instruments and commodities, the latter pursuant to Law N° 26361, the Commodity Exchange Act.

(*) Article amended by Article 6 of Law Nº 29720.

Article 224.- Participants.

Intermediation agents, banking and financial firms, insurance and reinsurance companies, management firms, investment fund management firms and pension fund managers can participate in such entities, as well as other national or foreign individuals defined by CONASEV through general regulations.

The institution's internal bylaws fix the requirements to become direct or indirect participant.

Article 225.- Issuers' account

The securities settlement and liquidation institution can provide the issuers with a special account to record the securities of the bond holders, if they so wish. If so, the issuers will be responsible for the stocking of those securities.

Article 226.- Special Rules.

The securities settlement and liquidation institution must observe the following special rules, as well as those included in the Corporations' Act:

a) Its duration is indefinite;

b) The minimum company capital is two million Nuevos Soles, (PEN S/. 2 000 000) and should be entirely paid in cash before the start of operations;

c) Repealed by the Seventeenth Temporary and Final Provision of Law Nº 27649.

d) Except for securities exchanges, no person, on their own behalf or on behalf of related parties, can own, direct or indirectly, shares issued by the securities settlement and liquidation institution above ten percent (10%) of the voting company capital, nor exercise voting rights above such percentage.

Such restrictions do not apply in cases of corporate merging between securities settlement and liquidation institutions or between them and stock exchanges, whether locally or internationally, authorized by the SMV, provided they meet the requirements set forth by the latter by virtue of a general character provision and dispositions under article 137, as applicable. A stock exchange may not hold stock holding in no more than one securities settlement and liquidation entity, unless authorized by the SMV. (*)

(*) Paragraph amended by Article 2 Law 30708

e) Its bylaw must establish mechanisms to ensure appropriate and timely reporting to their participants and the market in general, with regards to all relevant decisions adopted by securities settlement and liquidation institution regarding the services it provides; (**)

f) Its accounting must separately identify the securities received for their custody and/or registration;

g) They are entered in the Register;

h) Repealed by the Seventeenth Temporary and final Provision of Law Nº 27649.

i) The board must inform CONASEV of all transactions with securities registered in the respective securities settlement and liquidation institution, carried out by its officials and employees who have access to the information in its registers, as long as such institution keeps the accounting register itself; and,

j) They are forbidden to give preferential or exclusive treatment to its participants, issuers or other parties related to the process of settlement and liquidation of transactions, or establish policies or practices that discriminate against them as regards access to their services, unjustifiably deny them nor condition them to the purchase of supplementary services not related to the services they offer. (**)

The impediments foreseen in Article 150 of the Securities Market Act apply to securities settlement and liquidation institution directors. The references to the exchanges in items b) and e) of such Article should be understood as valid for enforcing the provisions in this paragraph with respect to the securities settlement and liquidation institutions. (***)

(*) Item amended by Article 7 of law Nº 30050.

(**) Item amended by Article 62 of Law Nº 27649.

(***) Paragraph added by Article 62 of Law Nº 27649.

Article 227.- Functions.

The functions of the securities settlement and liquidation institution, in addition to carrying out the transactions associated with and directly related to their main objective as authorized by CONASEV are as follows:

a) Keep the register referred to in Articles 212 and 219;

b) Record securities not registered in the Stock Exchange;

c) Carry out the transfer, settlement and liquidation of securities derived from their trading in the exchanges or, if appropriate, in centralized mechanisms that operate outside the former, as well as the respective compensation and cash settlements;

d) Certify the acts carried out in the exercise of its functions, at the request from one of the interveners or by court order;

e) Manage the liquidation fund;

f) Ensure that the information in its registers is consistent with that held by the participants, exchanges or other entities in charge of centralized mechanisms and the issuers;

g) Ensure that the participant comply with the regulations related to the settlement and liquidation and those established in their internal dispositions;

h) Provide the issuers with information concerning securities transfers; and,

i) Manage the margins associated to the transactions they settle.

Likewise, they are authorized to act as counterparty in all buying and selling of securities in which they take part, pursuant to the general regulations enacted by CONASEV.

Article 228.- Authorization and supervision (*)

The organization and functioning of the securities settlement and liquidation institution require CONASEV's authorization, pursuant the procedures set out by general regulations. Such organism approves securities settlement and liquidation institutions' bylaws and subsequent amendments, except for capital increases and others that CONASEV establishes through general dispositions, their internal regulations and their amendments; it also monitors and supervises the activities of the mentioned institutions. (**)

CONASEV has a maximum period of thirty (30) days to approve the bylaws and internal regulations. When the stated period has elapsed, without any statement from said institution, the referred to bylaws and internal regulations shall be considered approved.

(*) Article replaced by Article 63 of Law Nº 27649.

(**) Paragraph amended by Article 1 of Legislative Decree Nº 1061.

Article 229.- Suspension of Operations.

The securities settlement and liquidation institution can only suspend their operations if authorized through a CONASEV's Resolution, for reasons of force majeure, and while circumstances so warrant.

Article 230.- Delegation of Powers.

CONASEV may delegate in the securities settlement and liquidation institution, one or more of the powers that this law bestows upon it regarding its participants.

Article 231.- Liquidation Fund. (*)

Each securities settlement and liquidation institution should constitute a liquidation fund to provide greater security to the compensation or liquidation process, and cover the risk of counterparty default.

With CONASEV's authorization, the liquidation fund may be replaced by an insurance policy to cover the abovementioned risk.

The liquidation fund shall not be made up with equity from securities settlement and liquidation institution. Separate accounting is required.

In case of dissolution and liquidation of the securities settlement and liquidation institution and after paying up its obligations with proceeds from the liquidation fund. After refunding the investment made by the securities settlement and liquidation institution the surplus, if any, shall be transferred to CONASEV that will deliver it to participants with similar aims as those of the liquidated fund.

(*) Article replaced by Article 64 of Law Nº 27649.

Article 232.- Duty of Confidentiality. (*)

In addition to provisions under Article 47 hereto and provided CONASEV is properly reported, the securities settlement and liquidation institution is authorized to provide information on the securities currently or formerly registered, to whosoever has or had the right or whosoever accredits his/her legitimate right to it.

Exceptionally the securities settlement and liquidation institution is authorized to provide the information in its records when requested by foreign institutions in charge of the recording, custody, compensation, liquidation or conversion of securities with which they have agreements for the carrying out of services and only as exclusively related to their main objective and as long as such information is necessary for delivering such services; and additionally provided both contracting parties have entered a confidentiality agreement regarding the disclosure of information.

(*) Article replaced by Article 65 of Law Nº 27649.

Article 233.- Prohibitions.

Securities settlement and liquidation institution are prohibited from exercising any rights on the securities registered in them, or using them freely. They shall exclusively devote themselves to offering the services described in Article 227 hereto.

Article 234.- Liability.

The omission, inaccuracy and delay of the registrations and, in general, the violation of the rules established for the registration and deposit of securities, bears liability of the respective securities settlement and liquidation institution and results in the obligation of providing compensation in like securities, if possible, to the affected parties, notwithstanding the corresponding sanctions. Recurrence of violations will result in the takeover, suspension or revocation of the institution's authorization to operate.

There is no liability when the fact arises from an act or omission entirely attributable to the interested party or issuer.

Article 235.- Payment.

The services offered by the securities settlement and liquidation institution are paid for by the direct participants or other users of their services. Fees are proposed by the institution and approved by CONASEV, taking into account the principles of financial stability and equality among the users.

Pursuant to the provisions of Legislative Decree Nº 701, agreements between the direct participants with the aim of fixing uniform commissions or other practices restrictive to the competition is prohibited.

Article 236.- CONASEV's authority.

It is CONASEV's responsibility to authorize the operation of the accounting records and identification and control systems applicable to the securities represented by annotations on account.

Likewise, CONASEV establishes the rules to regulate the relations among the securities settlement and liquidation institution their direct participants and the issuers.

Article 237.- Dissolution and Liquidation. (*)

Once securities settlement and liquidation institution is dissolved, the liquidation process begins. Two liquidators will be appointed by the shareholder's meeting and one by CONASEV. CONASEV will decide if the securities deposited or recorded in the securities settlement and liquidation institution, and the

resources derived from the liquidation of operations, the administration of guarantees or the distribution of earnings or rights derived from such securities will be temporarily administered by it or by another one body. In no case shall such securities or resources form part of the equity in liquidation.

(*) Article replaced by Article 66 of Law Nº 27649.

Title IX

MUTUAL FUNDS AND THEIR ADMINISTRATION COMPANIES

Chapter I

Securities Investment Mutual funds

Subchapter I

General Provisions

Art. 238.- Mutual Funds. (*)

Mutual funds' investment in securities are an independent asset created from contributions by natural persons or legal entities to be invested in financial products and operations. The mutual funds are managed by a corporation called a 'management company' of mutual funds' investment in securities, acting on behalf and at the risk of fund members.

(*) Article replaced by Art. 67, Law No. 27649.

Art. 239 Units. (*)

The mutual funds' equity is divided into shares, which may be different sets of shares for the same kind of funds. This must be indicated in the participants' disclaimer of the respective fund, pursuant to the norms set forth by CONASEV. The fund or series of shares, if any, shall have equal value and characteristics and will be represented by a participation certificate, issued by the management company on behalf of the fund, and can adopt the form of title securities or book entries.

(*) Article modified by Art. 1, Legislative Decree No. 1061.

Art. 240.- Open-ended investment fund.

The mutual funds' equity is liable to modification as a result of new purchases and redemptions of existing ones.

Art. 241.- Registration and supervision.

CONASEV is responsible for the mutual funds' registration, as well as authorizing their transfer to another management company and their control and oversight.

The performance and operation of mutual funds shall be subject to the law, to the general dispositions set forth by CONASEV, to its participant disclaimer and to the signed contract with the participant. (*)

(*) Paragraph replaced by art. 68, law No. 27649.

Art. 242.- Registration.

In order to enter a mutual fund in the Register, the management company shall submit to CONASEV the fund's participant disclaimer and the model contract to be signed between the company and the participants. (*)

The entry will take effect within twenty (20) days of the submission. CONASEV can raise objections once, in which case the time limit shall be suspended until the objections have been corrected. Once corrected and if the previous conditions have been fulfilled, CONASEV will register the mutual fund within (5) days.

The registration mentioned herein shall be simultaneously executed with the issuing of the operating license of the management company, as appropriate.

(*) Paragraph replaced by Art. 69, Law No. 27649.

Art. 243.- Participant disclaimer.

The regulations for participation in mutual funds and the simplified prospectus shall contain, as established by SMV through a general rule, the following subparagraphs, among others: (*)

(*) Paragraph replaced by Article 2, Law N° 30708

a) Name of the mutual fund;
b) The term of the mutual fund, even if it is undetermined;
c) The investment policies, including the level of diversification and specialization and the risk levels;
d) The placement plans for the participant certificates to be issued;
e) The valuation procedures of its equity;
f) The criteria that shall serve as basis for the distribution of benefits obtained by the mutual fund, if any;
g) The commissions earned by the management company for managing the mutual fund and the expenses to be paid by both the company and the mutual fund;
h) The information provided to the participants, noting the content, regularity and the media used for its disclosure;
i) Norms for purchase, redemption and transfer of the participant certificates, if applicable;
j) The mechanisms to be used for resolving any discrepancy between the management company and the participants, and which may include those mentioned in Title XII;
k) The trustee's name and functions. (**);
l) Concentration and participation policies and limits for the participants;
m) Criteria for selection and renewal of the mutual fund's auditing firm and the management company itself;
n) Rights and obligations of the management company and the participants;
o) The procedure to amend the participation regulations and/or the simplified prospectus; (*) (**)
p) Norms for mutual fund transactions in securities issued by persons connected to the management company and the transactions of the latter to the mutual fund participation certificates;
q) The procedure regarding the transfer of mutual fund administration and liquidation; and,
r) Others that could determine CONASEV by general dispositions.

(*) Paragraph replaced by Art. 70, Law No. 27649.

(**) Paragraph replaced by Art. 2, Law No. 30708.

Art. 244.- Placement.

The distribution of participation allocations in a mutual fund includes placement and/or promotion activities, in turn including advertising and/or consultancy. The allocation of quotas may be performed by the management society or third parties hired by it to that purpose, including, in this latter case, the distributors of the quotas mentioned in article 258.
The allocation of participation quotas in a mutual fund must be preceded by at least the delivery of an updates simplified prospectus.

The participants must be made available the corresponding participation regulations and simplified prospectuses for no valuable consideration, through the means and on the deadlines set forth by SMV through a general rule. (*) (**)

(*) Article replaced by Art. 1, Legislative Decree No. 1061.

(**) Article replaced by Art. 2 Law 30708

Art. 245.- Fund requirements.

The management company, before initiating its activities on the mutual fund, must fulfill the following requirements:

a) To enter the mutual fund in the Registry;

b) The net worth of the mutual fund must not be under four hundred thousand Soles (S/ 400 000,00); and,

c) A warrant bond must be provided as required in Article 265 A.

Additionally, once the term determined by the SMV expires, same which shall not exceed 12 months as from the beginning of the mutual fund's activities, there must be at least 50 participants, unless SMV, by virtue of general dispositions, accepts a smaller number, fitting the nature and financial structure of the fund.

If after the mutual fund's activities start or the deadline mentioned in the preceding paragraph expires, the net worth or number of participants fails to reach or falls below the minimum numbers set forth in this article, at the request of the management society or ex-officio, SMV may determine the conditions and terms for their regularization. If the deadline expires, and such condition has not been regularized, SMV will issue a decision to close the fund or any other appropriate measure, same which will be adopted after having evaluated the specific characteristics of each case. (*) (**)

(*) Article replaced by Art. 72, Law No. 27649.

(**) Article replaced by Art. 2, Law N° 30708

Art. 246.- Participants.

The status of participant in a mutual fund is acquired by:

a) Subscription of participation certificates when the management company receives the investor's contribution;

b) Acquisition of participant certificates in accordance with the provisions of the following article; or,

c) Awarding of participant certificates held in co-ownership, succession due to death or other forms permitted by law. When a participation certificate is jointly owned by more than one person, the certificate holders shall appoint one among them to represent them before the management company.

Art. 247.- Transfers.

The transfer of mutual funds' participation certificates will be made pursuant to regulations yet to be established.

The transfer has no effect on the management company, as long as it has not been not communicated to it in writing; or against third parties, if it has not been entered in the register of members kept by the management company.

The management company is obliged to register, without any formalities, the transfers that are requested under the provisions of this Article.

Art. 248.- Conveyance. (*)

The participant may request full or partial conveyance of shares to another mutual fund, according to the general provisions established by CONASEV.

Without prejudice to the provisions in the preceding paragraph, along with the conveyance request, management companies are obliged to redeem the shares of the initial mutual fund and purchase the new mutual fund shares in favor of the requesting investor, once the fund receives the corresponding money.

(*) Article assimilated by Art. 2, Legislative Decree No. 1061.

Art. 249.- Maximum participation. (*)

No individual or legal person may, directly or indirectly, hold more than ten percent (10%) of the net assets of a mutual fund, except in the case of:

a) Founder contributors, during the two (2) first years of operation, who must gradually reduce their stake in the mutual fund, according to a share selling plan;

b) The participation increase resulting from a decrease in the number of shares because of redemptions by other participants. In the latter case, the participant shall not acquire new shares if his/her investment represents an excess over the assets of the fund; and,

c) Other cases according to the criteria established by CONASEV general provisions.

SMV may determine by virtue of general dispositions a larger percentage than that mentioned in the first paragraph under this article to take account of the funds' nature and financial structure. (*) (**)

(*) Article replaced by Art. 73, Law No. 27649.

(**) Paragraph replaced by Art. 2. Law N° 30708

Subchapter II

Investments

Art. 249.- Permitted investments.

The mutual fund's resources may be invested in:

a) Registered securities;

b) Securities not registered in the Register, pursuant to the general provisions established by CONASEV;

c) Deposits in financial entities incorporated in the country, as well as instruments representing them;

d) Deposits in foreign financial institutions, as well as instruments representing them and securities issued abroad pursuant to general provisions established by CONASEV;

e) Options, futures and other derivative instruments, pursuant to the conditions established by general provisions of CONASEV;

f) Securities issued or guaranteed by State agencies, traded in Peru or abroad;

g) Repo transactions; and,

h) Structured yield financial instruments investments in funds as determined by SMV and pursuant to the general dispositions provided to that end (*) (**)

(*) Paragraph replaced by Art. 74, Law No. 27649.

(**) Paragraph replaced by Art. 2. Law N° 30708

Art. 250.- Diversification and rating criteria in mutual funds.

The diversification of mutual fund resources must proceed pursuant to the following criteria:

a) Financial instruments representing the same entity participation: according to the current total shares;

b) Financial instruments or transactions that constitute debts or liabilities of one entity: according to the issuer's debts or liabilities;

c) Financial instruments representing participation, and / or financial instruments or transactions that constitute debts or liabilities of one entity: according to the mutual fund total assets.

The limits mentioned in this sub-paragraph do not apply to those investments in financial instruments or transactions that constitute debts or liabilities of states, central banks or international organizations Peru is a member of, which may be equivalent to the 100 % of the mutual fund's total assets, provided that such investments meet the liquidity, risk, information and diversification conditions established by CONASEV; and,

d) Financial instruments representing participation and financial instruments or transactions that constitute debts or liabilities of one or more entities within the same economic group: according to the mutual fund total assets.

For purposes of enforcing the diversification criteria, the term 'entity' includes natural persons, legal entities, mutual funds, investment funds, securitization assets, states, central banks or international organizations, as appropriate.

Theses diversification criteria shall not apply to mutual funds whose investment policy primarily considers investments in one or more mutual funds. Through general provisions, CONASEV establishes the percentages for the diversification criteria indicated in this article and may regulate different types of mutual funds -taking in account their investment policy or other relevant characteristics- which will not be applied such criteria. (*)

(*) Paragraph modified by Art. 1, Legislative Decree No. 1061.

Art. 251.- Excess. (*)

The excess investment and unforeseen investments in the mutual fund investment policy, that are not the fault of the management company, must be corrected in accordance with the general provisions issued by CONASEV. The excess investment and unforeseen investments in the mutual fund investment policy, arising by the fault of the management company, must be corrected within a period not exceeding six (6) months, pursuant to general CONASEV provisions.

(*) Article replaced by Art. 76, Law No. 27649.

Art. 252.- Prohibitions.

The management companies may not use mutual funds to:

a) Take debts;

b) Grant guarantees, except those resulting from trading with derivative assets;

c) Participate in active credit transactions or advance payments, except on securities issued or guaranteed by the government, or bank or financial companies;

d) Obtaining loans and credits, except those received from banks or financial companies to meet their temporary liquidity needs;

e) Pledge securities and documents, unless for securing loans and credits obtained pursuant to the provisions in the preceding paragraph; and,

f) Invest in shares of investment funds management companies, fund agents and intermediary companies, and in shares managed by the same fund management company. In the latter case, CONASEV may execute exceptions regarding general provisions.

(*) Section replaced by Art. 1, Legislative Decree No. 1061.

Art. 253.- Trust obligations. (*)

The titles or documents representing the assets in which the mutual fund's resources are invested must be submitted by the administration company to an entity authorized to provide trust services.

Trusts holding mutual fund investments are subject to the rules established by CONASEV, who sets the requirements and conditions for trustees and their functions and powers. The trustees' actions are subject to CONASEV's oversight.

Notwithstanding the above, the management company may act as trustee of the participant certificates it issues.

(*) Article replaced by Art. 77, Law No. 27649.

Art. 254.- Encumbrances.

The assets and rights constituting the mutual funds' assets cannot be subject to encumbrances, injunctions or prohibitions of any kind, except in the case of issued guarantees arising from the funds' own operations.

Art. 255.- Investments Committee.

For each mutual fund management, the management company shall appoint an Investment Committee consisting of not less than three (3) natural persons, who will be responsible for deciding the fund's investments. An Investment Committee may perform such role in respect of more than one mutual or investment fund managed by the same management company.

Subchapter III

Oversight Committee

Art. 256.- Repealed by the 17th transitional and final provision contemplated in Law No. 27649.

Art. 257.-Repealed by the 17th transitional and final provision contemplated in Law No. 27649.

Art. 258.-Repealed by the 17th transitional and final provision contemplated in Law No. 27649.

Chapter II

Management Companies

Art. 259.- Definition.

The management companies of mutual funds in securities are corporations whose sole object is the administration of one or more mutual funds. They may also manage investment funds pursuant to the

relevant laws. CONASEV authorizes the organization and functioning of the management company, and controls and supervises it.

Art. 260.- Minimum Capital. (*)

The minimum capital of management companies is fixed at seven hundred fifty thousand Nuevos Soles (PEN S/. 750 000.00), which must be fully paid at the time of starting operations.

The management company's net worth may not be smaller than the summation of the net worth of the mutual funds and investment funds it manages, in the percentages determined by SMV by virtue of a general disposition. Under no circumstance, shall the percentage rate determined by SMV exceed 0.75% and it may establish different percentage rates to reflect the funds' nature and structure. (*)

(*) Paragraph replaced by Art. 2. Law N° 30708

Through general provisions, CONASEV may increase the minimum equity required from management companies, pursuant to the characteristics of the funds it manages and market conditions.

(*) Article replaced by Art. 78, Law No. 27649.

Art. 261.- Funds management. (*)

The mutual fund's administration is a fiduciary responsibility that comprises the fund's operation, managing the fund's assets and quota allocation.

The fund's operation embraces all activities required to meet the management company's administrative obligations, including carrying the mutual fund's books, determining the value of issued quotas, keeping participants' holdings registries, among others.
The mutual funds' asset management activity comprises the decisions to invest, divest and to identify, measure, control and manage the portfolio's inherent risks.

The administration company may manage or handle more than one mutual fund, with the fund's net worth being independent from each other and from that of the administration company.

(*) Paragraph replaced by Art. 79, Law No. 27649.

(**)Paragraph replaced by Art. 2. Law N° 30708

Art. 262.- Accounting.

The accounting and recording of transactions by the management company and the fund it manage, shall be kept separately, pursuant to the general provisions established by CONASEV. Such accounting and bookkeeping is subject to examination and review by auditing firms.

Art. 263.- Impediments.

The following may not be founders, directors, managers or representatives of management companies or distributors as described in article 258 of this act, nor members of the Investments Committee, nor:
(*) (**)

a) A person hindered by law;

b) Directors, consultants , officers and other employees of CONASEV or their relatives;

c) Anyone who, at any time, has been convicted for a felony;

d) Anyone who has been declared bankrupt, even if the procedure has been dismissed, or anyone who has been declared insolvent while such condition survives;

e) Anyone who has been dismissed or penalized for serious or gross misconduct by CONASEV, the Superintendence of Banks, Insurance Companies and Pension Fund Administrators, or dismissed from office as director, manager, or representative of a company subject to CONASEV's control or oversight; and,

f) Those who have legal collection debt for an amount exceeding fifty percent of their net worth and total annual income. (***)

(*) Paragraph replaced by Art. 7, Law No. 30050.

(**) Paragraph replaced by Art. 2. Law N° 30708

(***) Paragraph added by Art. 2. Law N° 30708

Art. 264.- Prohibitions.

The management company, its directors, managers, shareholders holding more than ten percent (10 %) of its capital and the members of the Investment Committee, are prohibited from:

a) Acquiring, leasing, using or exploiting, directly or indirectly, property, rights or other assets of the funds they manage; or leasing or ceding in any form for consideration, the assets, rights or other assets to the fund under management, except in duly justified cases previously authorized by CONASEV; (*)

b) Lending money or granting guarantees to such funds, and conversely;

c) Charging the fund directly or indirectly for any unauthorized service provided;

d) Being a shareholder, director, manager or member of the Investment Committee of another management company; and,

e) Performing other roles as determined by CONASEV general provisions.

The management company shall compensate the mutual funds under their management for the damages it or any of its employees or persons rendering services to them may cause them, as a result of the execution or omission, as appropriate, of any of the prohibitions contained in this law or in the general regulations issued by CONASEV. The aforementioned involved persons will be jointly liable for remedial payments.

(*) Section replaced by Art. 80, Law No. 27649

Art. 265.- Obligation to inform.

The management companies will send CONASEV information on themselves and the mutual funds they manage, pursuant to CONASEV's general provisions.

Art. 265 A.- Guarantee. (*)

The management companies shall post a guarantee for CONASEV, in support of their commitments to the fund's participants, for an amount not under the percentage established by CONASEV through general provisions, depending on the managed net assets of each mutual fund.

The guarantee mentioned in the preceding paragraph is intangible and cannot be subject to court action or assessment. The guarantee may take the following forms:

a) Bank deposit to the order of CONASEV;

b) Bank letter of guarantee to CONASEV; and,

c) Surety bond issued by insurance companies to CONASEV.

CONASEV may require larger guarantees depending on the volume and nature of mutual funds, or other substantiated circumstances.

(*) Article incorporated by Art. 81, Law No. 27649

Art. 265 B.- Guarantee enforcement. (*)

The guarantee may be executed by CONASEV, when during the administration of any mutual fund, the management company falls into any of the following:

a) Failure to comply with the obligations contracted towards the participants, in accordance with legal regulations in force;

b) Engaging in fraud or negligence in the performance of their activities, causing harm to the mutual fund;

c) Entering the management company or mutual fund in liquidation, in order to pay the liquidators , as the management company cannot take care of its expenses;

d) Paying the mutual fund assets that are taxed, during a liquidation process; and,

e) Others established by CONASEV.

Once the guarantee is executed, in whole or in part, the management company shall immediately reinstate it.

Art. 265 C.- Guarantee enforcement. (*)

The guarantee mentioned in Article 265 A should remain valid for six (6) months after the end of the management company's activities or until a court decides on any charges pressed by the guarantee holders. If their claim is dismissed, the defendants will bear the legal costs, as assessed in the court's ruling.

(*) Article incorporated by Art. 83, Law No. 27649

Chapter III

Intervention, Dissolution and Settlement of the Management Company

Art. 266.- Intervention. (*)

The management company will be intervened by SMV when one or more mutual funds managed by it faces circumstances that could harm the funds' participants.

Also, the SMV may intervene the management company, pursuant to the provisions in Title XV of this Act.

Art. 267.- Dissolution and liquidation.

When the management company files for dissolution and liquidation or any of the mutual funds goes into liquidation, CONASEV, within twenty (20) days of reaching the agreement to dissolve the fund will appoint the liquidator of the fund or mutual fund and the management company. In both cases, the expenses for these functions will be borne by the management company, unless otherwise decided by CONASEV.

Exceptionally CONASEV may authorize the management company to wind down the mutual funds under its management or to appoint the liquidator.

Art. 268.- Participants Meeting and Administration Transfer.

SMV shall, by means of general rules, determine the convener of the Participants Meeting when the management company goes into liquidation. The Participants Meeting shall be held within thirty (30) days. Its agreements shall be adopted by absolute majority of the interests represented in the fund's assets (*).

The abovementioned Meeting shall decide on the future of the mutual fund, may decide its liquidation or replace the management company. In the latter case, they may appoint a new management company.

(*) Paragraph modified by Art. 7, Law No. 30050

Title X

Risk Rating Agencies

Chapter I

General Provisions

Art. 269.- Description.

A risk rating agency is a legal entity whose sole purpose is to categorize securities, but may carry out additional activities pursuant to general CONASEV provisions.

Art. 270.- Organization.

The rating agencies can be established under any of the forms permitted by the Company Act.

Art. 271.- Control and Supervision.

CONASEV will approve the organization and operation of rating agencies.

The rating agencies must be registered to operate and are subject to control and supervision by that public body.

Art. 272.- Minimum Capital.

Rating agencies must hold a minimum capital or assets, pursuant to their corporate type, of four hundred thousand Nuevos Soles (PEN S/. 400 000), which must be fully paid when they start operating.

Art. 273.- Members. (*)

Members of rating agencies include shareholders or partners, directors, managers, members or alternate members of the Rating Committee, experts and other personnel directly or indirect involved in rating processes.

The members must be exclusively devoted to rating. They are forbidden to own securities issued by any other legal entity, except mutual fund stock.

CONASEV shall evaluate and authorize exceptional cases where the independence and objectivity of the rating agencies are not affected.

The members are subject to the obligations of this law and they shall permanently meet the requirements established in it, as well as those that, in general, CONASEV may determine.

(*) Article replaced by Art. 84, Law No. 27649

Art. 274.- Impediments. (*)

Members of rating agencies members may not include the following:

a) Those impeded to act as directors and managers, pursuant to the Corporations General Act;

b) Bankrupt individuals while their condition subsists, as well as directors, managers or legal representatives of bankrupt legal entities, when bankruptcy fraud was a determined and there is no final court decision or an order of stay;

c) Insolvent persons while their condition subsists;

d) Persons previously sanctioned by CONASEV for gross misconduct; and,

e) Anyone who may impair the rating agencies' independent and objective rating.

Art. 275.- Personnel.

Rating agencies' staff must be highly qualified and experienced. Their staffing and changes thereof must be reported to CONASEV.

Art. 276.- Rating Committee.

All rating agencies must include a Rating Committee consisting of not less than three (3) members and their alternates, charged with rating securities' risk.

Art. 277.- Fees.

Rating agencies' fees are freely decided by a contract between the parties. They should refrain from charging rates fixed by suppliers' associations or syndicates.

Agreements between rating agencies to establish uniform fees or other trade restriction practices are subject to the provisions under Legislative Decree No. 701.

Art. 278.- Prohibitions.

Rating agencies are prohibited from rating public offering securities if their partners, shareholders, managers, members or alternates of the rating agencies or officers in charge of project rating are, impeded from exercising such activities.

Art. 279.- Limits.

As of their third year of operation, the rating agencies 'income earned from providing rating services, whether mandatory or voluntary, paid by the same issuer or economic group may not exceed thirty percent (30 %) of their total annual revenues from rating services. This percentage may be amended by Supreme Decree signed by the Minister of Economy and Finance.

Chapter II

Rating Procedures

Art. 280.- Mandatory and voluntary classification.

Legal entities that issue debt securities by public offering must retain the services of at least two (2) rating agencies, independent from each other that will rate such securities on a permanent basis. Debt securities included in a secondary public offering must be also rated. In other cases, risk rating is optional.

CONASEV by means of general provisions may declare exceptions to the aforementioned obligation, or require retaining only one rating agency.

The companies that have voluntarily rated securities or instruments of public offering may only end those processes six (6) months after the issuer has reported its intention to CONASEV and the public, through a notice published in the Official Gazette and in the media for the stock market or the entity charged with operating the centralized mechanism, as appropriate.

(*) Article replaced by Art. 86, Law No. 27649

Art. 281.- Related issuers.

A rating agency cannot out of its own decision rate securities of a given issuer, if it has a relation with or interest in such issuer. A rating agency is regarded as related to or having an interest in an issuer when relatives of one or more of its partners or shareholders are comprised in the provisions of Articles 283 and 284.

(*) Article replaced by Art. 87, Law No. 27649

Art. 282.- Abstention.

Members of the Rating Committee and the managers and staff responsible for conducting rating studies who have an interest in or are related to the issuer shall abstain from participating in the corresponding rating process.

Art. 283.- Relation.

Relations with an issuer include:

a) Managers or directors of the issuer;

b) Direct or indirect owners of more than five percent (5 %) of the issuer's capital; and,

c) Whoever CONASEV so determines by general dispositions.

(*) Article replaced by Art. 88, Law No. 27649

Art. 284.- Interest. (*)

Interest in an issuer exists when:

a) There is a relationship with the issuer as explained in the above article;

b) The individual works for the issuer, renders services to it or depends on it or on anyone related to it;

c) The individual directly or indirectly owns securities issued by it or its economic group, or put or call options of such securities or has accepted them as a guarantee, over and above five percent (5%) of the issuer's capital; and,

d) The individual is a director or manager of the brokerage firm involved in the securities placement on his own or in any companies to which such individual is related.

The provisions in subsection c) do not apply if the issuer is a bank or a financial company, a subsidiary of any of these or in another one governed by law.

(*) Article replaced by Art. 89, Law No. 27649

Art. 285.- Representatives.

CONASEV may appoint one or more representatives to attend meetings of the Rating Committee, who will be responsible only for verifying compliance of the rating process with the law.

Art. 286.- Rating criteria.

The security's rating is based on:

a) The issuer's solvency;

b) The variability of the issuer's economic results;

c) The likelihood of the issuer defaulting on its outstanding obligations;

d) The securities' characteristics;

e) The securities 'liquidity;

f) The information available for rating purposes; and,

g) Other criteria set forth by CONASEV.

Art. 287.- Categories.

The risk categories to be used and their characteristics and symbols shall be established by CONASEV general provisions.

Upon request of the rating agencies, CONASEV can increase the number of rating classes or introduce subcategories. Use is voluntary and requires prior registration with CONASEV and adequate disclosure.

Art. 288.- Methodology.

Methodologies developed by rating agencies will not require prior administrative authorization and must be publicly available in the register.

Art. 289.- Responsibility.

The persons charged with or involved in risk rating will be held jointly and severally liable for damages resulting from their acts, without prejudice to any potential criminal liability.

Art. 290.- Information Update and Privacy.

The contracted rating agencies must keep updated analyses of the activities and financial condition of the issuers, based on essential public or private information while maintaining absolute confidentiality as appropriate.

The rating agency hired by the issuer or CONASEV may require from the issuer information that is not publicly available but is strictly necessary for a proper analysis.

The rating agencies are prohibited from disclosing information that the issuer reasonably considers should not be disclosed to the public.

CONASEV, upon request of from the rating agency or the issuer, will decides whether the information provided is sufficient for the latter.

TITLE XI
SPECIAL SECURITIZATION PROVISIONS
Chapter I
General Provisions

Article 291.- Concept.(*)

Securitization is the process by which equity-whose aim is to back up payment of rights granted to holders of securities issued against said equity- is set up. It additionally comprises transfer of assets to said equity and issuance of the respective securities.

Additionally, the trust equity may back up other obligations with financing entities or multilateral organizations pursuant to the limits and conditions determined by CONASEV through general regulations.

(*) Article amended by Article 6, Law Nº 29720.

Article 292.- Terms.

For the purpose of regulations related to securitization processes contained in the law herein, the terms below will have the following meaning:

a) Assets: Liquid resources and all kinds of goods and rights;
b) Credit asset: The rights, included or not, in securities that grant their holder the right to receive money amounts.
c) Enhancer: The person that grants additional guarantees for paying the rights granted by the securities issued through securitization processes.
d) Originator: The person in whose interest exclusive purpose equity is set up and who is obliged to transfer the assets that make it up.
e) Exclusive purpose equity: The one that backs up payments of rights included in marketable securities issued in a securitization process and other obligations referred to by Article 291. (*)
f) Backup: The guarantee or resource source for paying the rights granted by securities issued in securitization processes; and
g) Servicer: The person who executes the collection of payments connected to the assets that make up exclusive purpose equity.

(*) Subsection amended by Article 6, Law N° 29720.

Article 293.- Applicable Regulations and Control Regime.

The provisions in the title herein establish regulations to which those who perform actions within the securitization processes should be subjected.

In cases in which the securitization process takes place partially in the national territory, the regulations contained in the title herein will be, except otherwise agreed, exclusively applied to acts performed in the country.

CONASEV exercises control and supervision of individuals and corporations that participate in securitization processes. Said public organ is, likewise, authorized to issue the regulations that will govern the abovementioned persons' participation.

Article 294.- Exclusive Purpose Equity.

Securitization can be developed through the following exclusive purpose equities:

a) Trust equities through securitization trusts;
b) Special purpose corporation equities; and
c) Others applicable, as established by CONASEV through general provisions.

Chapter II

Securitizable Assets and Transfer to Single Purpose Equities

Article 295.- Asset Securitization.

To create exclusive purpose equities, all assets and the uncertain expectations mentioned in Article 1409 of the Civil Code which holders are allowed to use freely can be transferred.

CONASEV is authorized to establish limitations to the use of certain assets through general provisions.

Article 296.- Asset Transfer. (*)

Transfer of assets to exclusive purpose equities or to securitization companies or reverse transfer is carried out through legal actions pursuant to their nature.

If an assignment, it can be performed in one or several acts, and the assets can be individualized by indicating their characteristics. The following regime will apply in case of assignment.

a) Except otherwise agreed, the assignment will be applicable vis-à-vis the assigned debtor without need for the notice mentioned in Article 1215 of the Civil Code, as long as the assignor continues to collect payments related to the assigned assets or as long as these are acquired by him again.

b) When the assignor lacks any of the conditions mentioned in the preceding subsection, the afore mentioned notice will be required to keep or obtain, as the case may be, the effects of assignment against the debtor. In this case, once the list of assigned assets is published in the official gazette or in a newspaper of national circulation, the requirement of notifying the debtor established by Article 1215 in the Civil Code is understood as fulfilled.

CONASEV may establish other modalities through which it may notify the assignment to the assigned debtors.

c) Additionally, the assigned debtor may agree to accept the assignment acceptance in advance. In such case, the assignment comes into effect as from the date it is granted with no need for any further notice. The debtor may agree to any other mechanism related to the assignment and about its effects on himself.

(*) Article replaced by Article 90, Law N° 27649.

Article 297.-Transfer by Persons Subjected to Special Supervision and Control.

Corporations subjected to special supervision and control regimes by some public body will be subjected to the rules it establishes for the sale of sets of assets aimed at securitization processes.

Article 298.- Investors Protection.

When nullity or inefficacy may derive in harm to those who might have subscribed or acquired securities through public offering or who, having subscribed or acquired them through a private negotiation, had acted in good faith and might suffer harm, nullity may not be declared by simulation, neither can inefficacy be declared due to fraud regarding the act through which one or more individuals or corporations set up an exclusive purpose equity and oblige themselves to transfer assets to be incorporated to said equity.

Therefore, the provisions establishing the nullity of acts entered into by one person in a process of restructuring, out of court liquidation or bankruptcy-contained in the regulations concerning equity restructuring of corporations in the cases referred to in the preceding paragraph- do not apply.

Likewise, in connection to the act referred to in the first paragraph of the article herein, the person or persons obliged to transfer assets may not, except otherwise agreed, request rescission due to injury, resolution or reduction of his/their payment due to hardship, or resolution due to non-compliance by the purchaser of due payment in the aforementioned cases.

The right of the transferor or third parties to pursue civil, administrative or criminal actions, as may correspond, is maintained.

Article 299.- Criteria to Determine Damage to Investors.

As regards the provisions in the preceding article, subscribers or purchasers of securities suffer damage when paying the security holders becomes impossible, when making said payment becomes difficult or, in any case, it causes degradation in the assigned risk category.

Article 300.- Assets held by the Servicer.

The servicer shall separately keep assets and documents related to them in his hands by virtue of the supplied service.

In case said person entered a dissolution and liquidation process, the entities in charge of liquidation shall hand in said asset and documents to the appointed replacement, if such were the case, or to the person that holds the exclusive purpose equity rights.

Chapter III

Establishment of Single Purpose Equity

Sub Chapter I

Securitization Trust Funds

Article 301.- Securitization Trust.

In the securitization trust, a person called trustor is obliged to make the fiduciary transfer of a set of assets in favor of the trustee to set up an autonomous equity, called trust equity, entrusted to the latter, and which backs up the rights included in the securities whose subscription or acquisition grants their holder the status of trustee and entails other obligations assumed pursuant to Article 191. Only securitization companies mentioned in the following article, except for assumptions established by CONASEV through general provisions, may exercise the functions reserved to the fiduciary agent in the securitization trust. (*)

Through a unilateral act, the securitization company may also set up trust equities. By virtue of said act, the firm obliges itself to the fiduciary transfer of a set of assets to set up a security subject to trust as trust equity, merging into one agent, in such case, the conditions of trustor and fiduciary agent. Said assets and the fruits and income derived from them may not go back to the securitization company's equity until the aim for which the trust was set up is attained, unless otherwise agreed.

The securitization company may hold one or more trust equities.

(*) Amended by Article 6, Law N° 29720.

Article 302.- Securitization companies. (*)

Securitization companies are publicly held corporations of indefinite duration whose exclusive aim is performing the function of fiduciary agents in securitization processes. They may also acquire assets aimed at setting up trust equities that back up security issuances. Exceptionally, the securitization company may carry out other activities authorized by CONASEV.

Securitization companies shall include the expression "Securitization Company" in their corporate name.

(*) Article amended by Article 91, Law N° 27649.

Article 303.- Capital and Equity.

Securitization companies' minimum corporate capital is seven hundred and fifty thousand Nuevos Soles (S/. 750 000) that shall be fully subscribed and paid in before starting their activities.

In no case shall the net equity of securitization companies may be lower than the corporate capital amount set forth in the preceding paragraph.

Said minimum capital shall be increased according to the number and volume of equities which it holds in trust, pursuant to the regulations CONASEV may issue to that effect.

Article 304.- Fiduciary Factor and Administrative Committee.

For every trust, the securitization company appoints a person, called fiduciary factor, who personally manages the trust.

Additionally, when circumstances so require, the securitization company appoints an administrative committee to whose decisions the fiduciary factor is subjected. The securitization company will be jointly liable with the administration committee members for acts performed in executing their decisions concerning the trust equity.

If the administration committee or equivalent organ were foreseen at incorporation due to request of the trustor, the joint liability mentioned in the preceding paragraph is assumed by the trustor and not by the securitization company.

Article 305.- Impediments.

The following cannot be founders, directors, managers, representatives, fiduciary factors or members of the administration committee or equivalent organ:

a) Those prevented by law;

b) Directors, advisors, officials and other CONASEV employees and their relatives;

c) Those who, at any time, have been sentenced for having committed a crime;

d) Those who have been declared bankrupt even if the procedure has been barred; or those insolvent as long as such condition persists;

e) Those who have been demoted by CONASEV, the Superintendence or another public organ from the position of director, manager or attorney of a company subjected to their control or oversight.

Article 306.- Special Obligations.

By virtue of the trust, the securitization company has the following obligations besides those mentioned at incorporation and in the General Law:

a) Keep the trust assets separated from those that make up its equity and of those of other trust equities.

b) Call a trustee meeting when requested by those representing at least one fifth of the rights backed up by the truste equity; or to request instructions when the circumstances so require;

c) Comply with its functions pursuant to the terms established at incorporation;

d) Prepare own financial statements and of each equity under its management according to the regularity and requirements established by CONASEV;

e) Others established by CONASEV.

Article 307.- Supervision and Control.

Securitization companies are subjected to CONASEV's control and supervision. They need an organization and functioning authorization issued by said public organ and should be registered in the Register.

In the case of corporation subsidiaries subjected to a special control and supervision regime from some public organ different from CONASEV, said organs shall issue the corresponding organization permit.

The abovementioned organs shall establish the requirements to be fulfilled to get the permits referred to in the article herein.

Article 308.- Trust incorporation.

The trust incorporation, except when CONASEV establishes a different regime through general provisions, shall be registered in a public deed and cannot be amended without trustee prior consent. (*)

The public deed shall include at least:

a) The trust objective. (**)

b) The individualization of assets to be transferred specifying if they are in the transferor equity or if, on the contrary, they belong to others or are future assets. In such cases, the party assuming the risk of their acquisition or existence shall be mentioned.

Likewise, an indication is needed for assets subjected to charges, encumbrances or are part of a judicial controversy or litigation, arbitration or administrative procedure.

The description of asset requirements and characteristics shall be recorded if individualization cannot be undertaken on the date when the trust is set up.

c) Transfer modality and term of assets that will make part of the trust equity;

d) Trust equity name;

e) The rights, duties and powers of the trustor, the securitization company and the trustee, determining:

i. The terms and conditions of issuance for the securities it will back up, particularly concerning the right to voice and vote among the different security series or classes issued, as well as in them;

ii. The securitization company's powers to delegate certain functions to the trustor or third parties, as well as the limits to its disposal and administration powers in connection to the assets that make up the trust equity.

iii. Causes and powers for deciding removal of securitization company; and

iv. Powers and procedures for selecting the substitute fiduciary in case of resignation, liquidation or removal of the securitization company;

f) Additional guarantees the trustor, securitization company or third parties may have established or, be it the case, those that will have to be established in exercising the title subject to trust;

g) Conditions or terms, the latter of which may be indefinite;

h) Destination of assets at the end of the trust; and,

i) Others established by CONASEV. Said entity may also exempt other parties from requirements described in the preceding subsections. (*)

(*) Replaced by Article 92, Law N° 27649.

(**) Subsection amended by Article 6, Law N° 29720.

Article 309.- Registration.

The trust incorporation shall be registered in the Public Registry when securities are to be publicly offered, except if CONASEV establishes a different regime through general provisions. (*)

In this case, each trust shall be registered at the corresponding Public Registry within 30 days of execution of the public deed, besides incorporation: (*)

a) Amendments introduced to it;

b) Guarantees and other agreements related to the rights granted by the trust;

c) The appointment of persons that will exercise the title subject to trust on behalf of the securitization company;

d) Trust termination; and,

e) Others established through general provisions. Such provisions may exempt entities from some requirements mentioned in preceding subsections. (*)

(*) Replaced by Article 93, Law N° 27649

Article 310.- Trust Equity.

Once established formalities are complied with, incorporation generates an independent equity, different from the securitization company's own equity, trustor, trustee' and the person appointed as addressee of

the trust's remaining assets. The securitization company exercises title subject to trust on said equity pursuant to Article 313.

Article 311.- Intangibility of Trust Equity.

The assets that set up the trust equity are not affected by payment of the obligations and liabilities of the persons mentioned in the preceding article.

Nonetheless, the creditors of the remaining assets' addressee may exercise their rights on them once they have been made available to them in the modality and term established at their incorporation once the trust ends.

Article 312.- Trust Equity Liability.

The assets that make up the trust equity are affected by payment of obligations and liabilities that the securitization company contracts by exercising the title subject to trust described in the following article, by the acts it undertakes to comply with the trust's aim and, generally, pursuant to its incorporation.

The assets that make up the own equity of the securitization company, trustor, trustee and addressee's remnant are not affected by said payment, except as agreed otherwise.

Article 313.- Title Subject to Trust.

The securitization company exercises title subject to trust on trust equity, same which grants full power, including management, use, disposal and claim on assets in the trust equity, and which are exercised according to the trust's aim and observing any limitations established at incorporation.

The title subject to trust on the assets and their guarantees is effective regarding third parties as soon as the fiduciary transfer of registrable assets and guarantees is entered in the corresponding public registry and, in the case of other kind of assets and guarantees, as soon as it is perfected, be it through tradition, endorsement or other requirement mandated by law according to their nature. Regarding transfer of tradable assets backed by a mortgage guarantee, the fiduciary transfer follows registration of incorporation in the public registry. (*)

Registration and other instruments recording the acts performed by virtue of the title subject to trust shall express said circumstance, indicating the corresponding trust equity.

If the incorporation so provides, the provisions in the preceding paragraph apply to the other assets acquired with the proceedings of the trust assets or the product of their disposal.

(*) Paragraph amended of Article 1 of Legislative Decree N° 1061.

Note: CONASEV Resolution N° 068-2009-EF-94.01.1, published on September 24th, 2009, interprets the scope of the final part of the second paragraph in the Article herein.

Article 314.- Issuance of Marketable Securities.

Pursuant to trust incorporation, the securitization company issues freely transferable securities that represent rights backed up by the trust equity. Said securities grant their holder the trustee status.

The rights mentioned in the preceding paragraph may fall in the following classes:

a) Credit content, in which the principal and the interest will be paid with resources from the trust equity;

b) Shares, in which the holder is granted a percentage of the resources stemming from the trust equity;

c) Others, as CONASEV may provide through general provisions;

Securities combining the rights referred to in preceding subsections can be issued.

The trust equity may, likewise, back up securities that represent credit rights issued by third parties if it has thus been established in the inception act.

The trust equity may back up different kinds of securities. When series are issued within each class, the securities that make up each series shall grant equal rights, and differences in the rights granted among different series can be established. If series are not established, securities inside the single same class shall grant equal rights.

Securities can be issued at face value or to the bearer and provisions related to securities pursuant to Law N° 16587 and amendments apply are appropriate. Title VIII of the Law herein will apply when they are represented by book entries.

When the title is represented through securities, it shall express the information CONASEV requires. Titles representing one or more securities can be issued.

Only in the case of securitization trusts can marketable securities backed up with trust equities be issued.

Article 315.- Supervision and Control.

Control and supervision by CONASEV will be performed exclusively in connection to trust equities whose securities are publicly offered.

Article 316.- Nullity of Stipulation against Trustee Meetings.

In the securitization trust in which public offering of securities is made, the stipulation against the obligation of calling meetings referred to by Article 340 in the General Law is null.

Agreements concerning removal and resignation acceptance of the securitization company, when it so corresponds; those related to appointment of representatives and prosecutors; as well as those related to amendments in the trust clauses shall be adopted by trustees that represent the absolute majority of rights granted by the issued securities.

In case there is no appointed representative or securitization company refusal, CONASEV may convene the meeting of trustees by request of holders representing at least one fifth of the rights backed up by the trust equity.

The securitization company that acts as trustee will be prevented from exercising its right to vote. Likewise, any persons related to it are prevented from exercising their right to vote when there is a conflict of interest in the matter to be voted.

Article 317.- Annulment of the Title Subject to Trust.

The title subject to trust of a securitization company is annulled due to:

a) Resignation;

b) Entering a dissolution and liquidation process; and,

c) Removal

In said cases, the securitization company, or its liquidator, must transfer the trust equity's assets to the replacing fiduciary, executing the instruments and contributing to the corresponding registration.

Once the term fixed by regulation elapses without having appointed the person who will assume the title subject to trust of the trust equity, CONASEV will make said appointment.

These appointments may only fall upon another securitization company. In case of exceptional circumstances, the appointment may fall upon a banking company following CONASEV's authorization.

Article 318.- Resignation.

The resignation of the securitization company is possible only following approval by the trustee and the trustor.

In every case, resignation will come into effect as from the date the trust equity is transferred to the new fiduciary.

Any agreement against the stipulations in the article herein is null.

Article 319.- Dissolution and Liquidation.

Dissolution and liquidation of the securitization company will only affect its own equity and not the trust equities under its title.

When a securitization company enters in the dissolution and liquidation process, CONASEV shall appoint the person or persons that will act as liquidator.

A loan on the assets for the value of lost assets or non-identifiable assets from the trust equity up to the amount corresponding to the securitization company liability shall be paid before proceeding to pay others pursuant to the priorities stipulated by Law.

Article 320.- Removal.

The power of the parties concerning decision about removal of the securitization company is subjected to stipulations at incorporation.

If there is no power granted to the trustees or agreement of the parties authorized to decide on removal, it can be determined by CONASEV, ex officio or at the request of the parties, in cases in which intent or gross negligence has been proven.

The request of removal to CONASEV can be made by the trustors, the trustees that represent at least one fifth of the rights backed up by the trust equity or by anyone who has a legitimate interest if the mentioned parties have not requested removal.

Article 321.- Trust Equity Insolvency.

In case of trust equity insolvency, and if no alternative mechanism has been foreseen to safeguard the right of the parties and the authorized third parties pursuant to the law herein regarding collections of their rights with the trust equity, the provisions set forth in regulations related to company equity restructuring shall apply as appropriate.

When any trust equity enters into a dissolution and liquidation process, CONASEV shall appoint the person or the persons who will act as liquidator(s).

Dissolution and liquidation of the trust equity does not affect the securitization company's own equity or the other equities on which it exercises title subject to trust.

Article 322.- Destination of Assets at Trust Termination.

Once the termination of the trust occurs because its objective has been fulfilled, the fiduciary is obliged to pass the trust assets to the addressee of the terminated equity remnant, executing the instruments and contributing to the corresponding registration.

Article 323.- Complementary Regulations.

The securitization trust is additionally governed by provisions related to the trust contained in the General Law as relevant. To that effect, references to the "bank" or "trustee bank", and "superintendence" shall be understood as made to the Securitization Company and CONASEV, respectively.

The regulations contained in Article 315, first paragraph; 317, second, third and fourth paragraph; 321, second, third and fourth paragraph; 325, 328, 329, 330, 331, second paragraph; 332 subsection h); 333, 336, 337, subsection b); 340, last paragraph; 342, subsections a) and c); 343, 344, subsection a) second part, e) and i); and 350, last paragraph in the General Law are not applicable to securitization trusts.

Sub chapter II

Special Purpose Firms

Article 324.- Definition.

Special purpose firms are publicly held corporations whose equity is essentially made up by credit assets and whose corporate objective limits their activity to acquiring said assets and issuing and paying marketable securities backed up with their equity.

Article 325.- Applicable Regulations.

Special purpose firms are governed in first instance by provisions in the law herein and in what corresponds by the regulations applicable to publicly held corporations.

Article 326. Supervision and Control

Special purpose firms are subjected to CONASEV's control and supervision and shall be registered in the registry when the securities they issue are or will be publicly offered.

Article 327. Applicable Special Rules

The following rules govern the incorporation of special purpose firms:

a) It is not necessary to have several shareholders for their incorporation;

b) Their bylaws shall contain:

i. Their name or corporate name which shall include the term "special purpose firm;"

ii. Their corporate objective which shall mention that their activity is limited to acquiring credit assets and issuing marketable securities and that they cannot perform other activities not directly related to this end, or receive resources from the public;

iii. The type of credit assets the firm may acquire, clearly and precisely stipulated.

iv. The regulations concerning distribution of profits that shall mention any limitations that might be established when distributing dividends;

v. The administration regime that shall include the limitations and responsibilities the firm's managers are subjected to in their actions, as well as the power of the holders of the securities they issue for appointing at least one of the members in their management organs.

Article 328.- Impediments.

The impediments pointed out in Article 305 are applicable to founders, directors, managers and representatives of special purpose firms.

Article 329.- Prohibition of Changing their Corporate Objective.

In special purpose firms, the general shareholder meetings or the corresponding corporate body may not, except otherwise provided, change their corporate objective if they are not previously approved by the holders of securities they have issued through public offering. Changes that may be introduced shall be framed within the stipulations in Article 324 of the law herein.

Article 330.- Special Purpose Firm Controlled by the Originator.

When the special purpose firm is totally controlled by the originator, the following shall be complied with:

a) At least one of the members of each collegiate organ shall be an independent person not related to the originator;

b) The firm may not request its insolvency declaration without approving vote by the independent unrelated person of the corresponding collegiate organ;

c) Its financial records and statements shall be kept by independent persons not related to the originator.

Article 331.- Obligation to Keep Books and Other Documents.

In special purpose firms, notwithstanding provisions in the second paragraph or Article 49 in the trade code, the term during which liquidators shall keep the firm's books and documents is one (1) year after liquidation.

Article 332.- Appointment of Liquidator in Case of Dissolution and Liquidation.

When a special purpose firm enters in a dissolution and liquidation process as a consequence of its being declared insolvent, CONASEV shall appoint the person who will act as liquidator.

Chapter IV

Public Offerings of Securities Packaged by Single Purpose Equities

Article 333.- Regulations Applicable to the Public Offering of Securities.

Securities backed up by exclusive purpose equities may be publicly or privately offered.

When the securities are publicly offered, provisions set forth in Title III of the law herein shall apply. The other regulations related to public offering of marketable securities are also applicable.

Privately offered securities backed up in securitization trusts can only be issued in the cases foreseen in Subsection a), Article 5. (*)

(*) Paragraph added by Article 6 in Law N° 29720.

Article 334.- Special Regulations when Issuing Debt Securities.

Provisions in Articles 89 and 91 of the Law herein are not applicable to the issuance of debt securities backed up by exclusive purpose equities.

Article 335.- Subordination of Profit Due.

In connection with securities backed up by an exclusive purpose equity, payment of the profit due to its holders can be subordinated to a prior payment of another present or future obligation backed up by the same exclusive purpose equity. CONASEV establishes limits and conditions for said subordination through general regulations. (*)

The subordination mentioned in the preceding paragraph applies when the exclusive purpose equity is liquidated.

(*) Paragraph amended by Article 6 in Law N° 29720.

Article 336.- Provisions on Equities and Agents within Securitization.

The provisions contained in the law herein related to security issuers are applicable, in relevant cases, to exclusive purpose equities, the servicer, the originator and the enhancer.

CONASEV shall issue the corresponding regulations for due application of provisions in the Article herein.

Article 337.- Risk Rating Regime.

Risk rating firms shall rate the exclusive purpose equity that backs up marketable securities within a securitization process and the quality of securitization structure used, pursuant to CONASEV general provisions for rating the risk of marketable securities issued within a securitization process.

Article 338.- Incompatible Risk Rating.

Notwithstanding provisions in Title X in the law herein, a risk rating company cannot assume the rating of securities issued within a securitization process when it is considered related or if it has an interest with the originator or the enhancer.

Likewise, the members of the Rating Committee, management, and officials responsible for the rating studies, which have an interest in or are related to said persons shall abstain from participating in the corresponding rating process.

To that end, through general provisions, CONASEV shall provide about the assumptions in which the risk rating company is considered to be related to or has an interest in the originator or the enhancer.

Article 339.-Obligation of Keeping the Risk Rating Updated.

In connection with the securitization structure used, higher risk raters shall keep updated analyses of the originator, the issuer and the enhancer's financial situation and activities, as appropriate, and as confidential indispensable public or reserved information.

Title XII

Conflicts Solutions

Article 340.- Arbitration.

Any controversy or claim the investors may have with issuers, representatives of debt security holders, stockbrokers, stock markets and other ruling organs of centralized mechanisms, management companies, investment fund management companies, securitization companies, fiduciaries and trustees, risk rating companies, security clearance and settlement institutions and, generally, participants in the securities market related to the rights and obligations derived from the law herein may be subjected to arbitration pursuant to the General Arbitration Law.

Investors will have the right, but not the obligation, of subjecting to arbitration any dispute they may have with the abovementioned participants in the stock market. The procedure to select the arbitrators may be freely agreed by the parties once the investor has opted for subjecting the dispute to arbitration. In case of lack of agreement, arbitration will be issued by three (3) arbitrators. In such case, each party will choose an arbitrator and the two chosen arbitrators shall choose the third one who will preside the arbitration tribunal.

Article 341.- Appointment.

If one of the parties fails to appoint the arbitrator as corresponds within a term of ten (10) days after having been requested to do so or if the arbitrators do not agree on the appointment of the third arbitrator within the same term, the second paragraph of Article 21 in Law 26572 will be applicable. In this case, the arbitrator to be chosen shall be duly registered in the registry. Through general provisions, CONASEV will establish the requirements to be complied with by said persons for their registration in the Registry.

Likewise, in case of single arbitration, if the parties had agreed that appointment should be done in mutual agreement or if the parties do not agree on the appointment, once ten (10) days have elapsed from the first proposal, the preceding arrangement will be applied.

Title XIII

Sanctions

Article 342.- Parties Subjected to Sanction. (*)

The persons comprised within the application scope of the law herein who incur in infractions to the Law's provisions and to General Provisions issued by SMV are parties subjected to sanction by the Superintendence of Securities Market. The power to determine existence of administrative infractions regarding all individuals and corporations under their competence expires in four years.

(*) Article amended by the First Complementary Provision Amending Law N° 29782.

Article 343.- Sanctions.

CONASEV is authorized to apply the following sanctions:

a) Admonishing;

b) Fine no less than one (1) UIT (tax unit) or more than seven hundred (700) UIT; (*)

c) Operation license suspension for no more than forty-five (45) days;

d) Suspension of the stockbroker firm for no longer than thirty (30) days;

e) Suspension of the public offering placement, as well as of the trading of one or more securities;

f) Exclusion of a security from the registry;

g) Cancelation of registration in the registry;

h) Cancellation of the operation permit; and

i) Suspension for up to a thirty (30) days term, demotion or disqualification of the Investment Committee, Oversight Committee, Rating Committee Members, as well as of directors, managers, representatives and auditors of the corporation subjected to their control and supervision. (**)

(*) Subsection amended by Article 7 in Law N° 30050

(**) Subsection substituted by Article 95 of Law N° 27649

Article 344.- Repealed by the Fifth Final Complementary Provision of Legislative Decree N° 1061.

Article 345.- Repealed by the Fifth Final Complementary Provision of Legislative Decree N° 1061.

Article 346.- Repealed by the Fifth Final Complementary Provision of Legislative Decree N° 1061.

Article 347.- Civil and Criminal Liability.

Administrative sanctions enforced by the control body are independent from the civil or criminal liability derived from offenses to the law herein and its regulations.

The infringers are obliged to compensate for damages they may have caused for their acts or omissions and criminally respond for said acts in case they have acted with intent, pursuant to Criminal Code laws.

Article 348.- Criteria.

Administrative sanctions to be applied will take into account the offender's background, infraction circumstances, damage caused and its repercussion in the market. Violations will be classified as very serious, serious or minor pursuant to the abovementioned criteria.

Article 349.- Very Serious Infractions.

One of the following sanctions will be applied to the infringer for very serious infractions:

a) A fine of no less than fifty (50) UIT;

b) Suspension of operation permits of no less than ten (10) days;

c) Exclusion of securities from the Registry;

d) Cancelation of registration at the Registry;

e) Revocation of the operation permit; and,

f) Demotion or disqualification.

Article 350.- Serious Infractions.

One of the following sanctions will be applied to the infringer for serious infractions:

a) A fine of no less than twenty-five (25) UIT and up to fifty (50) UIT;

b) Suspension for up to one (1) year from trading of securities or placements of public offerings; and,

c) Suspension of operation permit or representatives of brokerage firms for up to twenty (20) days.

Article 351.- Minor Infractions.

One of the following sanctions will be applied to the infringer for minor infractions:

a) Admonishing; and,

b) A fine of no less than (1) UIT and up to twenty-five (25) UIT;

Article 352. Repealed by the Fourth Complementary Provision that amends Law N° 29782.
Article 352. Repealed by the Fourth Complementary Provision that amends Law N° 29782, published on July 28th, 2011.

Title XIV

Pricing Companies (*)

(*) Title incorporated by Article 2 in Legislative Decree N° 1061.

Article 354.- Pricing Companies.

Securities, financial instruments or other investments authorized by CONASEV in which mutual fund administration companies invest on account of funds under their administration, as well as other entities determined by Supreme Decree countersigned by the Ministry of Economy and Finance, shall be valued by specialized and independent companies with CONASEV operation permit which will be called pricing companies.

Since they are companies under the Superintendence competence, said entity will determine the applicable time and regulation under which investments of entities within their control scope will be subjected to the provisions in the first paragraph of the Article herein, as the case may be.

CONASEV will supervise the pricing companies and regulate their operation and will be authorized to exercise the functions authorized by Law regarding other subjects under their competence concerning said companies.

Corporations incorporated under any of the modalities authorized by the Corporation Law whose corporate objective is to supply calculation services, security valuation rates and/or price determination, financial instruments and other investments authorized by CONASEV are pricing companies.

Through general regulations, CONASEV establishes the minimum capital, organization and functioning requirements, the minimum content in the code of conduct, the limitations and prohibition to acquire, sell or process marketable securities by pricing companies and their participants, exceptions to the obligation of valuing certain securities, financial instruments or operations by supplying companies or contracting their services and others regulations to which pricing companies and their participants shall be subjected to.

Shareholders, directors, managers and personnel related to valuation are participants of a pricing company. The impediments foreseen in Article 274 of the Law herein, as well as provisions in Article 275 are applicable to the persons thereto.

Likewise, participants are forbidden from owning said securities or financial instruments that will, directly or indirectly, be valued, except following prior authorization by CONASEV. (**)

(*) Paragraph amended by Article 6 of Law N° 29720

(**) Paragraph repealed by the Single Complementary Provision that Amends Law N° 29720.

Article 355.- Functions of Pricing Companies.

The following are functions of pricing companies:

a) Provide the calculation and updated determination of prices and/or rates for appraising securities and financial instruments;

b) Determine the yield rates of debt instruments;

c) Supply CONASEV updated prices referred to in Subsection a) as well as yield rates referred to in Subsection b) on a daily basis;

d) Propose the appraisal methodology to be applied by them, which shall be approved by CONASEV. Any proposal to amend the appraisal methodology shall be approved by CONASEV;

e) Deal with observations their clients might have concerning the appraisal methodology or the price appraisal determination; and,

f) Others determined by CONASEV in general regulations.

Title XV

Intervention and Precautionary, Provisional and Corrective Measures (*)

(*) Title incorporated by Article 2 in Legislative Decree N° 1061.

Article 356.- Control.

CONASEV may administratively control the corporations that participate in the securities market which it has authorized in the following cases:

a) Indication of serious irregularities that jeopardize fulfillment of their functions;

b) Transgressions of the law, regulations and provisions approved by CONASEV.

Article 357.- Control Types and Controller Powers.

Control will not exceed one (1) year extendable for six (6) additional months and it can adopt the following modalities;

a) Management supervision, in which case the members of administrative or management organs stay in their positions;

b) Participation in management, in which case, the members of administrative or management organs may be suspended or removed from their positions.

In cases removal from position is provided, the appointed controller will call a general shareholders meeting or a general assembly, if the case may be, for the appointment of replacing directors or board of directors and so that they, in turn, appoint the manager.

The officials appointed by CONASEV controllers have all the necessary powers to perform the functions corresponding to their appointment notwithstanding other additional ones determined by CONASEV.

Article 358.- Precautionary, Provisional and Corrective Measures.

CONASEV is authorized to issue precautionary, provisional and corrective measures concerning the individuals or corporations under its competence, notwithstanding the initiation or not of a sanctioning procedure.

Independently from the power to suspend the operation permits as a sanction, CONASEV may provide suspension of operation permit or some of the functions for which the entity was authorized as a precautionary measure if it fails to comply with one of the necessary requirements for their operation or if there are indications of serious irregularities.

Title XVI

Representation and Transparency (*)

(*) Title incorporated by Article 2 in Legislative Decree N° 1061.

Article 359.- Representation.

Judicial representation and defense of CONASEV is directly exercised by its own representative, the attorneys authorized by its Board of Directors or by the public prosecutor at the institution.

Article 360.- Transparency.

To the extent possible, CONASEV:

a) Will publish any general application relative to the law herein as well as the purpose of said regulation in advance;

b) Will provide stakeholders a reasonable opportunity for making comments to said proposed regulations;

c) When adopting definitive regulations, it will consider substantial comments received from stakeholders regarding proposed regulations; and,

d) Will allow a reasonable term between publication of definitive regulations and their coming into effect.

TEMPORARY PROVISIONS

First. Brokerage firms with a lesser capital than provided by Article 189 shall adequate their corporate capital in a term not exceeding June 30th, 1997.

Second. Corporations that perform as brokerage firms due to a judicial order shall set up a guarantee in favor of CONASEV for an amount equal to the minimum corporate capital percentage mandated for brokerage firms as determined by CONASEV in a term not exceeding June 30th, 1997. Said guarantee may be granted through any of the modalities foreseen in Article 190.

Once said term has elapsed without having granted said guarantees, they may not operate in the market and their status as stock market associate will be suspended.

Prohibitions, obligations and liabilities of brokerage firms are applicable to the aforementioned persons in whatever relevant.

Third. Brokerage firms that manage mutual funds will have a six (6) month term as from the coming into effect of the law herein to transfer the funds under administration to a management company or to proceed pursuant to Article 267 of the law herein.

Fourth. While the Guarantee Fund and guarantee referred to in Articles 158 and 190 do not fully operate, brokerage firms and individuals that exercise as such shall keep the guarantees granted pursuant to Legislative Decree N° 755 and its regulations.

Fifth. A contingency fund is set up for a five (5) year term exclusively aiming at backing up obligations and liabilities derived from intermediation activities in the stock market assumed by brokerage firms up to the limit of said fund.

The extraordinary contribution made by the Lima Stock Exchange of no less than five (5) million Nuevos Soles (S/. 5.000,000) is the initial resource of the contingency fund together with the contribution made by CONASEV with the proceedings of the fines it applies to stock exchange market participants and from 1996 up to an amount of no less than five (5) million Nuevos Soles.

The contingency fund is not equity belonging to the Lima Stock Exchange Market or to CONASEV. Its administration corresponds to the Lima Stock Exchange and CONASEV pursuant to the regulations issued by the latter. The provisions in Articles 163 and 164 of the law herein are applicable.

Said fund can only be executed through CONASEV Substantiated Resolution in cases referred to in the first paragraph. In such case, the people referred to in said paragraph shall return the amounts to the contingency fund plus the interests and penalties set forth through regulations. The Lima Stock Exchange and/or CONASEV will undertake any judicial or extrajudicial actions as corresponds to get the amount returned, as well as payment of interests and penalties that may correspond.

When the fund is liquidated, proportional parts of the contributions made will be given to CONASEV and the Lima Stock Market.

Sixth. The financial companies that act as brokerage firms shall incorporate subsidiaries in a ninety(90)-day term.

Seventh. The stock markets shall submit internal regulation projects related to the subject matters CONASEV determines to the latter within six- (6) months following the law came into force.

Eighth. CONASEV shall issue the relevant regulations for due application of provisions in Articles 316 and 323 of the law herein in case of amendment of the General Law.

Ninth. The stock exchanges which -to the date when the law herein comes into force- supplies security clearance and settlement or other similar services may continue supplying such services until April 30 1997. Once said term has elapsed, said clearance and settlement services may only be supplied by publicly held corporations referred to in Title VIII of the law herein.

In case the stock markets decide to incorporate security clearance and settlement institutions pursuant to provisions in Title VIII of the law herein, these institutions may make contributions in money or goods up to the minimum capital referred to in sub-section b) Article 226 of the law herein, even adopting any division or splitting modalities. To May 1 1997, stock market partners shall be owners of at least eighty percent (80%) of the shares issued by said institutions.

In such case, the stock markets and their partners are exempted from all taxes, including the Income Tax, the General Sales Tax and the duties for registration at the Public Registry in relation to all the equity and shareholding acts, contracts and transfers that the stock markets or their partners may jointly undertake to contribute to the institutions referred to in the preceding paragraph up to the minimum capital foreseen in subsection b) Article 226 of the law herein, provided that the incorporation deed be executed no later than April 30 1997.

Notwithstanding the preceding sub-sections, any of the other corporations mentioned in Article 224 of the law herein which decide to subscribe shares may partake in the incorporation of the institution or do so afterwards. However, the exonerations foreseen in the preceding paragraph will not be applicable to them.

The application of provisions stipulated in the article herein by the stock markets will not change their status as civil association or the tax regime corresponding to them for the income tax or for any other tax.

Tenth. Notwithstanding the stipulations in the preceding provision, the stock markets referred to in its first paragraph may fall under the following temporary regime:

a) To April 30 1997, they may incorporate a security clearance and settlement institution, with up to one hundred percent (100%) share in its shareholding structure, without allocating shares to their partners. To that effect, they may contribute in assets;

b) To April 30 1998, said stock markets may have a share of up to sixty percent (60%) in the institution's capital;

c) To April 30 1999, said stock markets shall have a maximum share of up to twenty percent (20%) in the institution's capital; and,

d) As long as the share percentage mentioned in the preceding subsection is not attained, the security clearance and settlement institutions shall include in their board of directors one member of each corporate association representing brokerage firms, banks, financial institutions, insurance companies and private pension fund management companies.

Stock markets may sell shares from the security clearance and settlement institutions they have incorporated to their partnership or any corporation mentioned in Article 224 of the law herein to attain the stipulated maximum percentage in the capital.

Non-compliance with the conditions referred to in subsections b), c) and d) of the provision herein will cause automatic revocation of the organization and operation resolutions issued in favor of the referred security clearance and settlement institution by virtue of stipulations in Article 228 of the law herein.

Eleventh. The security clearance and settlement institutions referred to in said provision will include in their board of directors one (1) member of each one of the following corporate association representatives until the maximum participation percentage mentioned in subsection c) of the preceding Temporary Provision is attained:

a) Brokerage firms;

b) Banks and financial institutions;

c) Insurance companies; and,

d) Private pension fund management companies.

FINAL PROVISIONS

First. The amounts referred to in the law herein have a constant value and are annually updated at the close of each year as a function of the Wholesale Price Index for Metropolitan Lima regularly published by the National Statistics and Information Institute. The resulting figure for January 1996 is considered as base for the referred index.

Second. Using the oversight powers the law assigns to CONASEV and expressly mentioning the causes that so justify, CONASEV may request the civil judge to order the respective entity to supply CONASEV any information required about the person subjected to investigation in said institution.

The judge will solve the request in a maximum term of five (5) days. If such is the case, the judge will order the corresponding entity to supply CONASEV the requested information within two (2) days.

Third. Repealed by the First Final Provision of Law 28739.

Fourth. Under conduction and direction of CONASEV, the Capital Market Promotion Institute shall be incorporated as a private law legal entity. The proceedings stemming from said institute's activities and the donations it receives are its resources.

Fifth. The Superintendence shall regularly supply CONASEV information regarding the economic groups to which issuers with securities recorded in the registry and issuers with securities not recorded in the registry belong, provided -in the latter case- that such information is used to verify compliance with mutual fund investment limits, as well as the limits of investment funds which shares are placed through public offerings.

Sixth. The audited financial information that corporations not registered in the Registry are obliged to submit to CONASEV may be determined by public accountants with experience of no less than three (3) years in auditing works not linked to the corporation, and registered in the Registry.

Seventh. Repealed by the Seventeenth Temporary and Final Provision in Law 27649.

Eighth. Supreme Decree countersigned by the Ministry of Economy and Finance will establish the regulations needed to facilitate transition referred to in the Ninth and Tenth Temporary Provisions, as well as the applicable regulations and sanctions in case of non-compliance.

Likewise, a Special Commission may be created by Supreme Decree to promote the inception and implementation of security clearance and settlement institutions.

Ninth. The following article shall be included in Chapter I Tile X of the Criminal Code:

"Article 251-A. Anyone who –directly or through third parties- obtains an economic benefit or avoids an economic damage through the use of privileged information will be repressed with prison of no less than one (1) or no more than five (5) years.

If the offense referred to in the preceding paragraph is committed by a director, official or employee of a Stock Market, an intermediation agency, entities overseeing issuers, risk raters, managers of mutual funds invested in securities, pension fund managers, and banking, financial or insurance institutions, the sanction will be of no less than five (5) or no more than seven (7) years."

Tenth. Repealed by Article 1, Law No. 26827.

Eleventh (*)**:** This provision amended Articles 209, 210, 211 and 212 in the Criminal Code. The text in Articles 209 and 211 in the Criminal Code corresponds to the amendment introduced by the First and Final Temporary Provision of the law that amends and complements the Equity Restructuring System enacted by Law 27295 dated June 29 2000.

Likewise, the current text in Articles 210 and 212 of the Criminal Code corresponds to amendments introduced by the Eighth Final Provision in the Law for Strengthening the Equity Restructuring System enacted by Law 27146 dated June 24 1999.

(*)Final Provision replaced by Article 1 in Supreme Decree 018-2003-EF.

Twelfth. The following language shall be added as Article 213-A of the Criminal Code:

"Article 213-A. The fiduciary factor or whoever exercises title subject to trust on a trust equity, or the director, manager or whoever exercises management in a special purpose firm who, in his own benefit or in that of third parties, sells, encumbers, acquires, or others, contravening the aim for which the exclusive purpose equity was set up, will be repressed with prison of no less than two (2), or no more than four (4) years and disqualification of one to two (2) years pursuant to Article 36, subsections 2 and 4."

Thirteenth. Legislative Decree 755 is repealed, except Articles 155 to 157; 260 to 268; 293 and 294. Articles 155 to 157 will still be in effect during the term set forth in Supreme Decrees referred to in Articles 160 and 190 of the law herein.

Fourteenth. Repealed by Article 6 in Law 27323.

Fifteenth. Repealed by the First Repealing Provision in Law 27287, Law on Securities, and by the Seventeenth Temporary and Final Provision in Law 27649.

Sixteenth. Banking entities may issue securities representing rights on shares, bonds and –generally- other securities issued by companies incorporated in the country or abroad, same which will be considered as marketable securities according to the definition established in Article 3 of the law herein. (*)

Likewise, banking and financial entities shall incorporate subsidiaries to:

a) Act as brokerage firms;

b) Establish and manage mutual fund and investment fund programs; and,

c) Exercise fiduciary functions in securitization trusts through securitization companies.

(*) Paragraph replaced by Article 96 in Law 27649.

Seventeenth. All persons are prohibited from performing any act or operation pertaining to stock markets, stockbrokers, management companies, investment fund management companies, securitization firms, special purpose firms, security clearance and settlement institutions and raters. The use in their corporate name of phrases inducing the public to think they are authorized to perform such activities is also prohibited.

Eighteenth. The corporations regulated by special laws are subjected to the provisions in the law herein, as long as they participate in the securities market.

The SMV grants organization and operation permits to brokerage firms, management companies, investment fund management companies, securitization companies and other corporations that are subsidiaries of companies subjected to oversight by the Superintendence of Banking, Insurance and Private Pension Fund Administrators (SBS) and which require authorization by SMV.

For granting authorization to organize a company, opinion of SBS must be requested which is binding. (*)

(*) Paragraph amended by the First Complementary provision amending Law 29782

Nineteenth. Every reference to the Public Securities and Intermediaries Registry contained in Law 26361, its complementary regulations and any other law will be understood as made before the Stock Market Public Registry.

Twentieth. The law herein will come into effect forty-five (45) calendar days following the date of its publication in the Official Gazette, except the Fifth Temporary Provision, which will come into effect the next day following its publication.