



CENTRAL BANK OF BRAZIL AND BRAZILIAN SECURITIES AND EXCHANGE COMMISSION ADOPTS NEW RULE ON FOREIGN INVESTMENTS

On December 3, 2024, the Central Bank of Brazil (BCB) and the Brazilian Securities and Exchange Commission (CVM) adopted a new rule on investments by non-resident investors in the Brazilian financial market and in the securities (Joint Resolution No. 13).

The new rule has simplified the requirements for non-resident investors to access the local financial and securities markets, which is expected to result in greater attractiveness, reduction of compliance costs, and positive impacts on the business environment in Brazil.

Joint Resolution No. 13 will come into effect on January 1, 2025, when a set of rules that currently govern foreign investment in the financial and securities markets will be revoked, especially CMN Resolution No. 4,373/2014.

We highlight below the main changes and innovations from Joint Resolution No. 13:

1) Individuals are now exempted from hiring a representative

Non-resident investors who are individuals are waived from hiring a representative in the following circumstances:

- Investments in securities, including from a non-resident account in Brazilian reais, opened in a Brazilian authorized institution, with the use of the investor's own resources.
- Investments in financial assets, including from a non-resident account in Brazilian reais, opened in a Brazilian authorized institution, with the use of the investor's own resources.
- Investments in financial assets, from a non-resident account in Brazilian reais, opened in a Brazilian authorized institution, with the use of the investor's own resources, capped at a monthly investment of BRL 2 million on each intermediary.

Each intermediary is now responsible for controlling the remittances of funds (inflow and outflow) made by the investors under the foregoing exemptions. Also, the new rule has waived the requirement of the investor's registration with the CVM.

Finally, the new rule has added clearing houses and clearing and settlement service providers to the list of entities authorized to perform representation services – when this service remains required.

2) Simplification of investments via non-resident and prepaid payment accounts

The measure brings the form of investment of non-residents closer to the conditions currently applicable to resident investors, benefiting, inclusively, investors who have relocated abroad and who would like to continue investing in the country.

Despite the simplification measures, legal entities remain required to appoint a local representative and to register as a non-resident investor with the CVM.

3) Clarity in the process of changing the investor's residence status

Joint Resolution No. 13 now regulates the hypothesis of change in the investor's residency. A local investor who becomes a non-resident investor is no longer required to redeem or sell its investments upon switching its investor status.

4) New underlying assets for Depositary Receipts

Depositary Receipts may now be underlined by securities issued by securitization companies, investment funds, or other entities supervised by the CVM, in addition to the following previously authorized underlying assets: (i) securities issued by public Brazilian companies; (ii) credit instruments (*títulos de crédito*) issued by financial institutions and other public Brazilian companies licensed by the BCB, and which are eligible to be considered as part to such entities' regulatory capital; and (iii) Real Estate Notes (*letras imobiliárias garantidas*).

5) Discontinuation of the Electronic Declaratory Registration - Portfolio Module (RDE-Portfolio)

Investments will no longer be registered with the RDE-Portfolio of the BCB. Registrations made before the effectiveness of the new rule are waived from updating the RDE-Portfolio and will remain available for consultation purposes only for one year.

6) Discontinuation of FX transactions and mandatory international simultaneous transfers in Brazilian reais

The obligation to carry out simultaneous FX transactions will be discontinued in the event of conversion of (i) foreign direct investment (FDI) into investments in the financial and capital markets – and *vice-versa*; (ii) Depositary Receipts into a FDI; and (iii) Depositary Receipts into investments in the financial and capital markets.

7) Possibility of receiving abroad amounts in connection with adjustments of agricultural derivatives

Joint Resolution No. 13 prevents payments and other financial transactions in an account located outside Brazil. However, this prohibition does not apply to agricultural forward, futures and options derivatives invested by non-resident investors.

8) Documents are now required to remain available for authorities' review for a 10-year period

Supporting documents must remain available for the BCB and CVM review for a minimum period of ten years, counted from the redemption of the investment, subject to further specific periods for supporting documents with respect of preventing money laundering, terrorist financing and the proliferation of weapons of mass destruction – AML/CFT.

9) Risk-based approach and specific AML/CFT procedures

The new rule adopted a risk-based approach *in lieu* of international best practice, and specific requirements for AML/CFT procedures.

PARTNERS RESPONSIBLE FOR THE CONTENT



Our **Banking & Finance** and **Capital Markets** teams are available for any further clarifications.