ANBIMA

Non-resident investors guide

for investing in the brazilian financial and capital markets

About this guide

This Non-Resident Investors Guide for Investing in the Brazilian Financial and Capital Markets (the "Guide") has been prepared to assist non-resident investors ("NRIs") seeking to invest in the Brazilian financial and capital markets ("BFCM"). Although this Guide should not be regarded as a comprehensive explanation of every aspect of investing in the domestic markets, it is intended to serve as an overview of the key requirements and implications involved in making such investment. Additionally, this Guide may not address all exceptions and specific situations that may arise in connection with certain types of investments or investor profiles. Accordingly, NRIs are encouraged to seek external professional advice before making any investment decision based on the information provided herein.

Over the past several years, Brazilian lawmakers and regulatory authorities have undertaken a comprehensive overhaul of the legal and regulatory framework governing the domestic foreign exchange market. Among the stated objectives driving such reform was the promotion of NRI investment in Brazil. To that end, rules governing NRI investment have been thoroughly revised to enhance legal certainty, ensure alignment with international standards, and eliminate redundant requirements. A clear understanding of the current legal and regulatory framework may assist NRIs not only in identifying the applicable compliance obligations, but also in devising potential investment opportunities.

Investing in the BFCM may be of interest to NRIs not only as a means of gaining exposure to local firms and/or the official sector, but also because the domestic markets are supported by a robust legal and regulatory framework that is largely aligned with international market practice and, in some respects, provides additional protections to investors, NRIs included. At the same time, the domestic markets present certain distinctive features that NRIs should consider in advance to make well-informed investment decisions.

With that in mind, this Guide aims to help NRIs navigate the BFCM landscape by addressing the following main topics: (1) BFCM structure and main types of investments; (2) the legal and regulatory framework governing foreign investments in Brazil; (3) the steps and requirements that NRIs must complete for investing in the BFCM; and (4) a general overview of the instruments and assets available for investment in the BFCM, along with the applicable tax treatment. To that end, this Guide is organized as follows:

Table of contents

I

THE STRUCTURE OF THE BRAZILIAN FINANCIAL AND CAPITAL MARKETS

The legal framework governing the BFCM comprises two principal statutes: (i) Federal Law No. 4,595, dated December 31, 1964 ("Law 4,595"), which establishes the structure of the Brazilian Financial System and regulates the operations of private and public financial institutions; and (ii) Federal Law No. 6,385, dated December 7, 1976 ("Law 6,385" and, together with Law 4,595, the Financial and Capital Markets Laws or "FCM Laws"), which defines the assets that qualify as securities and sets forth the framework for the local capital markets, including the issuance, distribution, and trading of securities and the functioning of organized markets. These statutes provide the foundation for NRIs to understand how the BFCM is structured and supervised.

As in many other jurisdictions, the FCM Laws assign powers to a set of governmental bodies to regulate and oversee the BFCM. The local authorities entrusted with such responsibilities are organized as follows:

I. **CMN**. The National Monetary Council (Conselho Monetário Nacional or "CMN") is responsible for establishing monetary and credit policy and setting the guidelines for regulating the BFCM. Although it does not have powers to directly supervise market participants, it defines the regulatory framework that governs the financial system and provides the foundation upon which the other authorities establish more prescriptive rules.

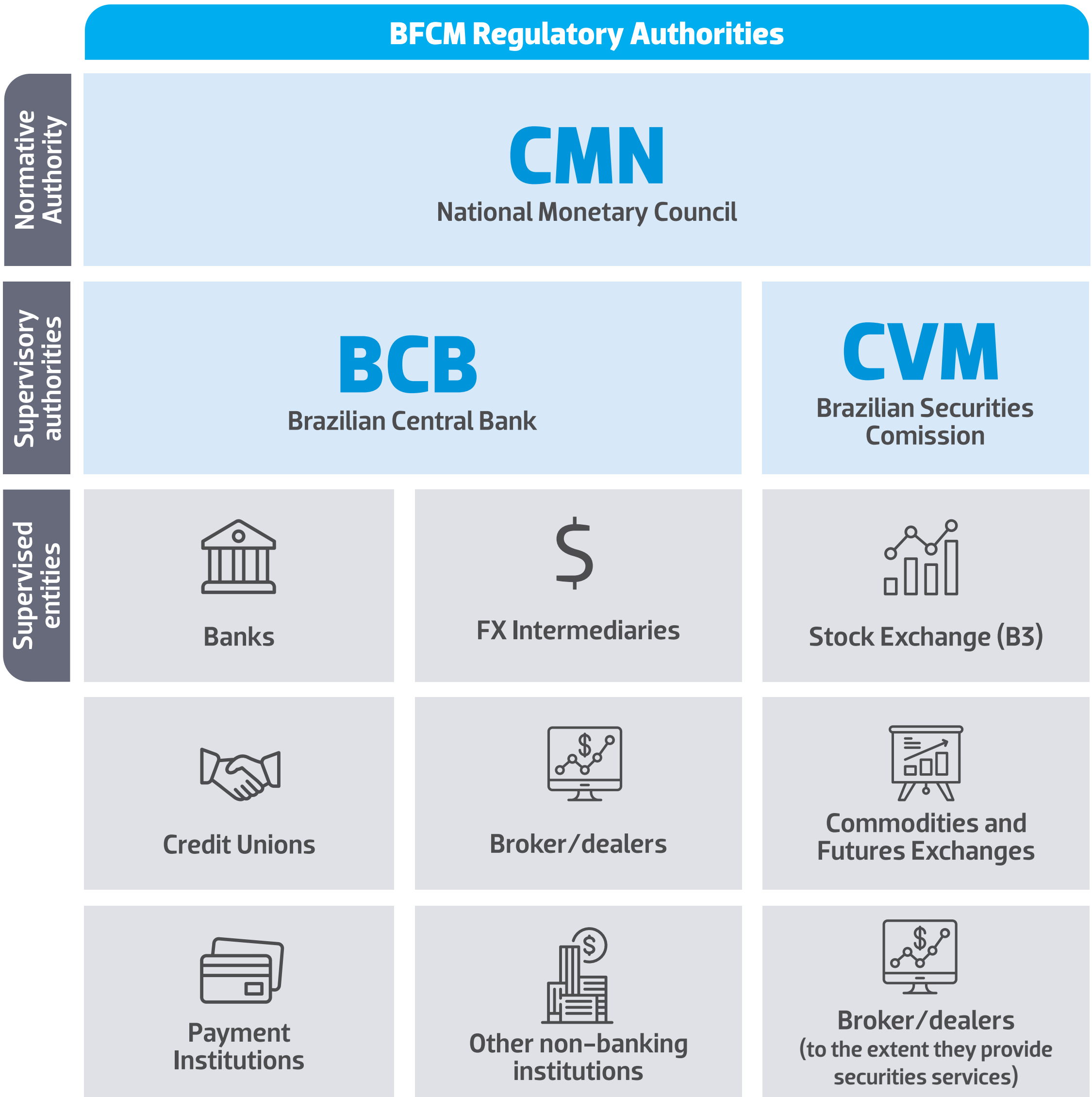
II. **BCB.** The Brazilian Central Bank (Banco Central do Brasil or "BCB") has powers that include the regulation of the financial and payments sector at large and the oversight of the market participants operating therein. A broad range of market participants are regulated and supervised by the BCB, including (i) banks; (ii) payment institutions; (iii) broker-dealers; and (iv) financial market infrastructures ("FMIs"), among others.[1]

III. **CVM**. The Brazilian Securities Commission (Comissão de Valores Mobiliários or "CVM") is responsible for regulating and supervising the securities market. Its mandate covers the oversight of the issuance and distribution of securities, trading and intermediation on organized markets, and the administration of securities portfolios. A broad range of market participants are regulated and supervised by the CVM, including (i) broker-dealers, to the extent they provide securities services, such as the intermediation of trades; (ii) organized markets, such as exchanges and over-the-counter ("OTC") markets and their respective operators; and (iii) central securities depositories ("CSDs"), among others.

The role of the Brazilian Federal Revenue Service (*Receita Federal do Brasil*, or "RFB") should also be highlighted, as it is the authority responsible for federal tax and customs administration. It plays a key role in the assessment, collection, supervision, and enforcement of taxes levied on financial transactions and investments. In addition to its oversight and auditing functions, the RFB is expected to perform an important interpretative and instructive role by issuing guidance on the interpretation and application of the tax regime applicable to NRIs. It supervises compliance with ancillary obligations and fosters international cooperation in tax matters. Through these functions, the RFB is expected to contribute to legal certainty, the integrity of the tax system, and the prevention of tax evasion.

1 – The BCB also has authority to regulate the domestic foreign exchange market, as further detailed below.

Considering the foregoing, the roles assigned by FCM Laws to each government authority in charge of regulating and supervising the BFCM might be depicted as follows:[2]



In addition to a robust legal framework and competent regulatory authorities, Brazil also offers NRIs a complete infrastructure needed for making investments in the BFCM in a safe and efficient manner, operated by established and well-regarded market participants that adhere to the principles and guidelines set forth by international standard-setting bodies, such as the Bank for International Settlements (BIS) and the International Organization of Securities Commissions (IOSCO), as applicable. To illustrate this point, the following sections provide a brief description of the main categories of investments that NRIs may access through the BFCM.[3]

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2 – Source: BCB

3 – Please refer to Chapter VI for a more detailed description of the investments available in the BFCM, along with their respective tax treatment.

a. Securities

Law 6,385 provides a list of the instruments that should be treated as securities, which includes shares, corporate bonds, warrants, fund quotas, derivatives, among others.[4] Besides the instruments expressly mentioned by law, instruments offered to the general public that have characteristics typically associated with securities shall be treated accordingly — which are generally referred to as *collective investment agreements*.[5] To assess whether a certain instrument falls under the concept of securities, one must conduct a case-by-case analysis considering aspects such as whether (i) the return on the investment depends on the efforts of a third party; (ii) the investment is made jointly with other investors, in a collective endeavor; and (iii) there is a clear expectation of profits, among other aspects.[6]

In view of the above, the legal definition of securities is not clear-cut and varies depending on the context of the transaction. As a result, NRIs should seek professional advice whenever there is any doubt whether a given instrument qualifies as a security under the local rules. This is not solely a theoretical matter; rather, it has direct implications on how such instruments are traded, custodied, settled, and taxed.[7]

Securities issued locally are traded on domestic organized markets, which follow the typical definitions existing in other jurisdictions: exchanges and OTCs. As a rule, investors must engage a local broker to route and execute their orders on local organized markets.[8] Exchange and OTC operators are regulated and supervised by the CVM and must comply with strict regulatory requirements related to market integrity, risk management, corporate governance, among other aspects.

Local exchanges function as systems whereby bids and asks are displayed and matched in a central order book, both in spot and futures markets. Local exchanges ensure fair pricing based on the bids/asks placed by investors or intermediaries (observing price-time priority) and enable dissemination of pre- and post-trade data about quotes and trades. Securities traded on local exchanges consist mainly of shares, fund quotas, and derivatives.[9]

4 – The complete list is provided in Article 2 of Law 6,385.

5 – As provided in Article 2, item IX of Law 6,385.

6 – The assessment of such aspects is based on the CVM Board case law.

7 – As further detailed in Chapter III.

8 – For more information on the engagement of a local broker by NRIs, please refer to paragraphs 50 to 52.

9 – Exchange-traded derivatives are chiefly futures and options covering a wide range of underlying assets, such as shares, indexes, commodities and currencies.

Operating under more flexible regulatory requirements, local OTCs also present many of the characteristics found in other jurisdictions. In this venue, parties may negotiate and execute bilateral trades without being subject to thorough pre- and post-trade transparency about quotes and trades. Securities traded via OTCs include corporate bonds, securitization securities, and derivatives.[10]

A set of FMIs facilitates the settlement of trades executed on local exchanges and OTCs, which adhere to international standards and are regulated and supervised by the BCB and/or CVM. Local securities settlement systems operate, in the majority of cases, on a delivery versus payment (DvP) basis, settling spot trades within one (1) business day, or, for trades on exchanges involving shares, fund quotas, and currency derivatives, two (2) business days.[11] On exchanges, the securities settlement system also operates as a central counterparty ("CCP"), intermediating all trades and carrying out a multilateral netting between all buyers and sellers. In the context of OTCs, the transacting parties settle the trade bilaterally, so they must account for counterparty credit and liquidity risks.

CSDs also play an important role in the settlement of trades executed on exchanges and OTCs. Local CSDs provide securities accounts and central safekeeping services for securities. Securities held by investors are kept in individual accounts, segregated from other assets held by other investors and intermediaries, thereby avoiding commingling risks. Investors must engage a local custodian to maintain their securities account in the CSD environment.[12] Securities are transferred between individual accounts following the commands of securities settlement systems and/or appointed custodians.

b. Financial Assets

Another typical investment of the BFCM is financial assets (ativos financeiros). Local regulations do not provide a broad definition of financial assets. However, from a practical perspective, such assets may be broken down into three (3) broad categories: [13]

10 – OTC-traded derivatives are chiefly swaps and other bespoke derivatives.

11 – Article 115 of BCB's Resolution No. 304, of March 20, 2023.

12 – For more information on the engagement of a local custodian by NRIs, please refer to paragraphs 48 and 49.

13 – Financial assets are generally described in Article 2 of CMN's Resolution No. 4,593, of August 28, 2017 ("CMN Resolution 4,593"). Although the mentioned provision outlines the main characteristics of financial assets, it does not provide an exhaustive list of assets that fall under this category. Noting the vagueness surrounding the matter, the BCB is currently working with market participants to prepare a complete list of assets that should be treated as financial assets, known as the Catálogo de Ativos Financeiros (*CAF*).

I. debt instruments issued by financial institutions (or in relation to which financial institutions are obligors), such as certificates of deposit, letters of credit and certificates of structured transactions (*certificados de operações estruturadas*);

II. assets that are registered or held in custody in the systems of FMIs or financial institutions in accordance with the BCB's regulations. Among the financial assets pertaining to this category are credit card receivables, electronic trade bills (duplicatas escriturais) and electronic bank credit notes (*cédulas de crédito bancário escriturais*); and

III. government bonds, as addressed in the following item.

In general, applicable rules do not regulate how trades in financial assets should be executed or settled, so transactions involving this type of asset may occur privately according to the terms agreed by the parties. Notwithstanding, financial assets issued by local financial institutions (the first category mentioned above) must be registered with trade repository systems or deposited with central depository systems.[14]

NRIs must consider a broad range of factors before investing in this type of asset, including counterparty risk, supporting documentation and regulatory compliance. To the extent possible, NRIs should rely on professional advice when investing in local financial assets.

C. Government Bonds[15]

Along with a consolidated market of tradable instruments issued by private firms, the BFCM also offers opportunities for NRIs seeking exposure to the Brazilian sovereign sector. The federal authority meets their financing, operating, and investment needs by issuing debt instruments in the domestic market and offshore. Bonds issued by state and municipal bodies are often associated with higher credit risk and lower liquidity, as they are issued and traded on segregated venues. The market for federal government bonds ("FGBs"), in turn, is considered well-established, featuring different types of participants, standardized practices and centralized clearing. As a result, the secondary market of FGBs is considerably active.

14 – Articles 3 and 4 of CMN Resolution 4,593.

15 – As mentioned, from a regulatory perspective, government bonds fall into the category of financial assets, but, given their specific characteristics, this Guide will address them separately.

The National Treasury is the entity responsible for issuing FGBs.[16] FGBs are issued in book-entry form and traded on the Centralized Settlement and Custody System (Sistema Especial de Liquidação e de Custódia or "SELIC"), an official FMI operated by the BCB that functions simultaneously as central depository, settlement system, and trading venue for all transactions involving FGBs.[17] SELIC functions as a real-time gross settlement system (RTGS), meaning that trades in FGBs are settled individually and on an instantaneous basis. By trading FGBs on SELIC, investors may execute transactions typically carried out in government bond markets worldwide, such as outright purchases, repurchase transactions, forward purchases and auction bids.

Direct access to SELIC is restricted to local banks, broker-dealers and other regulated institutions. Therefore, investors seeking to trade FGBs are required to engage a direct participant to hold their FGBs in a segregated account and intermediate trading orders on SELIC systems.

Individual investors (regardless of whether they reside in Brazil or abroad) may also invest in FGBs through the Tesouro Direto, a platform developed by the National Treasury in partnership with a local FMI provider, with a view to enabling access to the government bond market for a broader retail base.[18] As with SELIC, the investor must engage an intermediary, usually local banks or brokers, to hold the FGBs and submit orders in the *Tesouro Direto* environment.

By investing through Tesouro Direto, individual investors may acquire fractional interests in FGBs, which reduces the capital outlay required to make investments. The maximum investment limit per investor is BRL 2 million per month, calculated based on FGBs purchased during that period. Provided that such cap is observed, there is no limit on the total outstanding FGBs that individual investors may hold. Importantly, Tesouro Direto does not offer a secondary market, although the National Treasury undertakes to repurchase at prevailing market prices on a daily basis.[19]

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16 – Article 1 of Federal Law No. 10,179 of February 6, 2001 ("Law 10,179").

17 – Article 5 of Law No. 10,179.

18 – FGBs traded on Tesouro Direto are custodied in Companhia Brasileira de Liquidação e Custódia, a central depository associated to B3.

19 – According to the information available in B3 Circular Letter (Ofício Circular) No. 133/2024-PRE, dated October 8, 2024, and in the Tesouro Direto Regulations (Regulamento do Tesouro Direto).

II

FRAMEWORK OF FOREIGN INVESTMENT REGIMES IN BRAZIL

Law No. 14,286, of December 29, 2021 ("Law 14,286"), governs the Brazilian foreign exchange market ("BFEM"), investments held abroad by Brazilian residents and investments held in Brazil by NRIs. The statute was enacted with the purpose of modernizing and simplifying the local foreign exchange system, enhancing legal certainty and aligning Brazilian rules with international standards and best practices. The regulatory and supervisory authority responsible for foreign investment in Brazil is primarily the BCB, whose mandate covers broad powers to regulate the BFEM and its participants, as well as the requirements related to NRI investments.[20]

A key legal aspect of the BFEM is that the Brazilian lawful currency, the *Real*, is legal tender. This means that the Real is the sole means of payment accepted locally, and all obligations enforceable within the Brazilian jurisdiction shall be settled exclusively in Reais. As a result, all inbound and outbound remittances of funds must be effected through foreign exchange transactions ("FX Transactions") to convert the relevant foreign currency into Reais (and vice versa).

20 – Nevertheless, the CMN is entrusted with establishing the BFEM's guidelines and principles governing monetary and foreign exchange policy.

Only institutions authorized to operate in the BFEM by the BCB may enter into FX Transactions with their clients ("FX Intermediaries").[21] To settle currency conversions under FX Transactions and process cross-border fund transfers, FX Intermediaries rely on correspondent banking relationships with foreign financial institutions active in the global foreign exchange market.[22] Most FX Intermediaries are connected to the (SWIFT) global messaging network.

The counterparty to the FX Intermediary in FX Transactions is the Brazilian resident, either natural person or entity, seeking to receive or remit funds from or to a foreign jurisdiction. FX Intermediaries and their clients have freedom to agree on the terms of FX Transactions, although certain limits and restrictions may apply depending on the FX Intermediary executing the transaction.[23] While foreign exchange rates may be negotiated between FX Intermediaries and their clients, they generally do not materially differ from the official exchange rate published by the BCB (known as the PTAX rate), which serves as the market benchmark, plus a spread charged by the FX Intermediary.[24]

Pursuant to Law 14,286, an NRI is defined as any individual or legal entity domiciled or headquartered abroad.[25] The statute also defines foreign investments in Brazil as any asset, right, financial resource or other holdings owned by an NRI within Brazilian jurisdiction. As a key principle, Law 14,286 provides that foreign investments shall receive the same treatment as investments held by Brazilian residents, provided they comply with applicable regulations.[26] Consequently, NRIs have the same status as Brazilian residents when investing in the BFCM, enjoying the same rights and regulatory safeguards and being protected from discriminatory practices.[27]

21 – The regulated institutions that may operate as FX Intermediaries are listed in Article 29 of BCB's Resolution No. 277, of December 31, 2022 ("BCB Resolution 277").

22 – Such arrangements are usually structured via nostro and vostro accounts.

23 – For instance, spot FX Transaction executed by payment institutions in the capacity of FX Intermediaries are capped at US$ 100,000 (one hundred thousand U.S. Dollars).

24 – As disclosed at the BCB's website https://www.bcb.gov.br/.

25 – Article 1, I, of Law 14,286. This definition includes Brazilian individuals who have declared definitive exit from Brazil.

26 – Article 9 of Law 14,286.

27 – Nevertheless, some restrictions may apply to NRIs when investing in sectors regarded as of public interest, such as energy, oil, telecommunications, among others.

Having set forth the general considerations regarding the BFEM, it is worth addressing the foreign investment regimes available to NRIs. Generally speaking, there are three (3) regimes governing foreign investments regulated by the BCB and CVM, which are mostly defined by the underlying assets being invested. Each of these regimes is described below:

Foreign Debt Transactions ("FDT")	Foreign Direct Investment ("FDI")	Foreign Portfolio Investment ("FPI")
Covers credit facilities extended by NRIs to Brazilian borrowers, consisting of a wide range of cross-border debt arrangements, such as direct loans, international bond issuances, cross-border leases, export prepayments, private placement of debt instruments, among others.	Refers to the direct equity interest held by NRIs in Brazilian entities.	Covers NRIs' investments in the BFCM (i.e., securities, financial assets and FGBs) and constitutes the main subject of this Guide.

While the FDT and FDI regimes are not within the scope of this Guide, being aware that they exist is important for the NRI to make an informed decision when investing under the FPI regime.

Defining the applicable foreign investment regime in advance is crucial for determining the regulatory treatment of the NRI's investment, as applicable rules and requirements vary significantly.[28] Failing to adhere to the proper foreign investment regime may subject the NRI to constraints on disposing of its investments in Brazil, restrictions on remitting funds to or from Brazil in connection with such investments, and, more importantly, the forfeiture of the favorable tax treatment enjoyed by FPI.[29]

28 – FDT and FDI are regulated by BCB's Resolution No. 278, of December 31, 2022, while FPI is governed by BCB and CVM's Joint Resolution No. 13, December 3, 2024 ("Joint Resolution 13"), and, for foreign investments in securities, also CVM's Resolution No. 13, of November 18, 2020 ("CVM Resolution 13").

29 – As further detailed in Section V, NRIs investing under the FPI regime benefit from a more favorable tax treatment in comparison to those holding investments tied to FDT/FDI.

Non-Resident Accounts (NRAs)

Local foreign exchange rules allow non-resident individuals and legal entities, including NRIs, to hold funds in Brazil in a banking or payment account maintained by an FX Intermediary (Non-Resident Accounts or "NRAs").[30] NRAs must be denominated in Reais and enjoy the same legal status applicable to local accounts held by Brazilian residents. As a result, by holding an NRA, NRIs should be able to contract the same banking and payment products available to Brazilian residents, including wire transfers,[31] Pix transfers, payment through bank payment slips, among others. However, not all services and products may be available to the holders of NRAs in practice due to commercial and operational reasons.

The use of an NRA by a non-resident does not, by itself, determine the regulatory framework applicable to investments carried out in the BFCM. Funds held in an NRA are already within the Brazilian jurisdiction and, as a result, may be used to make investments in the BFCM without the need for the immediate execution of an FX Transaction. Nevertheless, whether such investments fall under the regulatory framework applicable to foreign investments in the BFCM depends on whether the NRI invests, through an NRA, in typical assets of the BFCM (such as, for instance, certificates of deposit issued by the bank maintaining the NRA).[32]

30 – The setting up of NRAs (or Contas de Não Residentes – CNRs) is governed by Article 67 of BCB Resolution 277.

31 – Pix is the domestic fast payment system.

32 – Please refer to paragraph 38 below for more information on the use NRA in the context of investments in the BFCM.

III

INVESTING IN THE BRAZILIAN FINANCIAL AND CAPITAL MARKETS (BFCM)

As mentioned, FPI is a foreign investment regime specifically tailored for NRIs investing in the BFCM. Among the main principles that govern the FPI are legality, economic rationality, conformity with the conditions typically adopted in international markets and equal treatment of NRIs and Brazilian residents as to arrangements and modalities of investments, including with regard to registration and operational requirements.[33] The sections below provide an overview of the main topics that NRIs should consider when making investments under the FPI.

a. Eligible assets and restrictions

Eligible assets available to NRIs through the FPI comprise securities, financial assets and FGBs that must be, depending on their nature, **book-entered**, **custodied**, **registered** or **deposited** by institutions duly authorized to provide such services by the BCB and CVM.[34] While meeting this requirement might be easier for securities and FGBs, since they are mostly recorded in central depository systems, it might be more challenging if the underlying asset constitutes a financial asset, as such assets may be recorded in a variety of ways (including in a regulated institution's internal books). NRIs should seek external advice if there is any uncertainty as to whether a given asset is eligible to be subject to the FPI.

33 – Articles 2 and 5 of Joint Resolution 13.

34 – Article 9 of Joint Resolution 13.

As a way to support market integrity and ensure that NRIs' investments follow BFCM standards, local regulations set out restrictions for NRIs to trade assets subject to FPI, especially in relation to securities. Firstly, NRIs must trade securities exclusively on local organized markets.[35] There is a set of exceptions to this rule expressly prescribed in the applicable regulations, such as subscriptions, corporate reorganizations, redemptions, conversions into other types of securities, public offerings, tender offerings, among others.[36] In addition, NRIs cannot assign their positions in local securities to foreign third parties outside Brazil, except when such assignment is due to corporate reorganizations (including mergers and spin-offs) or NRIs' death, or upon CVM authorization.[37]

NRIs are also forbidden from using offshore accounts to receive payments, make transfers or carry out other financial movements related to their FPI. As a rule, all financial flows resulting from the FPI must take place in Brazil, through NRI's local intermediaries.[38]

To fund their FPI investments, NRIs usually execute an inbound international transfer, whose funds enter into the Brazilian jurisdiction through the execution of an FX Transaction by the legal representative. NRIs may also make FPI investments using funds previously remitted to or received in Brazil and held in their respective NRAs, in which case an FX Transaction would not be required.[39] In this event, NRIs cannot use the funds of the NRAs to invest in the BFCM on behalf of Brazilian residents, so as to prevent the commingling of investments held by NRIs and Brazilian residents.[40]

b. Local service providers

In order to invest in the BFCM, NRIs must engage a set of local service providers, entrusted with representing the NRI for regulatory purposes, handling financial flows and intermediating the NRI's transactions with local FMIs and organized markets. Although applicable regulations treat the functions assigned to those service providers in a separate manner, they are usually carried out by the same entities or entities pertaining to the same economic group, provided they hold the required authorizations to do so.[41]

35 – Article 10 of Joint Resolution 13.

36 – For a complete list of transactions that can be undertaken by NRIs outside local organized markets, see article 19 of CVM Resolution 13.

37 – Article 20 of CVM Resolution 13

38 – Article 13 of Joint Resolution 13. Agricultural derivatives are exempt from this rule, whose settlement may take place abroad, provided that specified regulatory requirements are observed.

39 – Please note that opening an NRA for making investment under the FPI is completely optional.

40 – Article 15 of Joint Resolution 13.

41 – Article 6, Sole Paragraph, of Joint Resolution 13.

With a few exceptions, NRIs must engage the following local service providers to make investments under the FPI: (i) legal (and tax) representative; (ii) local custodian; and (iii) local broker. If the NRI intends to invest in the BFCM by remitting funds from abroad, an FX Intermediary will also take part in the process. The role played by each local service provider in enabling FPI investments is described in the following sections.

i – Legal (and tax) representative

The legal representative must be a financial institution, broker-dealer or a clearing service provider authorized to operate by the BCB.[42] Notably, under the current regulatory framework, the legal representative is not necessarily the same entity as the "tax" representative required under local tax rules, although it may also assume this role.[43]

The legal representative plays a central role in supporting the NRI's activities related to the FPI. It is responsible for keeping the NRI's CVM and tax registrations up to date,[44] submitting periodic reports regarding the FPI investments to the CVM,[45] addressing any information requests from local authorities, and maintaining the records of all investment-related inflows and outflows, including supporting documentation. It is also the counterparty of the FX Intermediary in the execution of FX Transactions related to cross-border remittances in connection with the FPI. The legal representative also ensures compliance with the applicable regulatory requirements, including limits on financial transfers and the proper satisfaction of operational and contractual obligations.[46]

The legal representative is also responsible for acting as the NRI's designated process agent, authorized to receive legal documents, notices from local authorities and court summons related to the FPI. However, the legal representative's services do not include acting as attorney-in-fact (with ad judicia powers) on behalf of the NRI in court proceedings; the NRI remains solely responsible for taking the measures necessary to defend its interests in local courts.

42 – Article 7 of Joint Resolution 13.

43 – An NRI may appoint more than one representative, separating the representative's regulatory-compliance duties from those arising under tax legislation. To make their respective responsibilities clear, any legal representative who assumes tax-related obligations will be referred to in this paper as the "**tax representative**."

44 – More on the NRI's registration with the CVM in Section c, (i), hereunder.

45 – The legal representatives must submit reports to the CVM every month and semester containing the information provided for in Annex B and Annex C of CVM Resolution 13.

46 – Article 8 of Joint Resolution 13.

NRIs incorporated as legal entities, investment funds and trusts are required to file for a Brazilian Tax ID (*Cadastro Nacional da Pessoa Jurídica*, or "CNPJ")[47] to invest in the BFCM. Such filing is made by a legal representative before CVM, who shall provide information on the NRI (e.g., NRI name, address) and appoint the tax representative.

Tax legislation also requires foreign investments in Brazil's financial and securities markets to be carried out through a previously designated tax representative and assigns that representative responsibility for complying with tax obligations arising from transactions carried out on behalf of the investor.[48] However, the tax representative is not responsible for withholding and collecting income tax on financial investments when specific legislation assigns that duty to a third party, such as the effective paying source.[49]

Applicable regulations provide for certain exemptions from the NRIs' obligation to appoint legal representatives. NRIs who are natural persons are generally exempt from appointing a legal representative. Such appointment is only required in the specific scenario where a natural person executes FX Transactions to fund investments in financial assets or FGBs in an amount exceeding BRL 2,000,000 in any given month.

In turn, from a regulatory perspective, NRIs incorporated as legal entities are exempt from engaging a legal representative only if they use their NRA to fund their investments in financial assets or FGBs (no threshold applied). In all other instances, NRIs incorporated as legal entities must retain a legal representative to carry out FPI investments. This exemption reflects the regulatory framework's recent softening of the rules on legal representation; however, the RFB has not yet issued any guidance that would similarly waive the requirement to appoint a tax representative.

ii – Local custodian

Engaging a local custodian is of particular importance if the NRI intends to invest in local securities, as they are recorded in a CSD. Local custodians of securities must be incorporated as local banks, broker-dealers, or clearing service providers authorized to provide custody services by the CVM.

48 – Please refer to footnote 43.

49 – Article 79 of Law No. 8,981/1995 and Article 128 of Brazilian National Tax Code (Law No. 5,172/1966).

In such capacity, local custodians must: (i) maintain and update all records and supporting documentation of all securities held by the NRI; (ii) open the NRI's individual custody account in the CSD systems; (iii) implement internal controls capable of identifying transactions potentially associated with fraud, money laundering, or other financial crimes; and (iv) ensure that all positions and movements recorded in the NRI's custody account are accurate down to the ultimate beneficial owner ("UBO") level.

As to other types of assets subject to the FPI regime, the requirement to engage a local custodian varies depending on the type of asset that is the subject of the FPI. Broadly speaking, NRIs must engage a custodian to invest in financial assets to the extent that they are recorded in central depository systems authorized by the BCB. As to FGBs, the direct participant of SELIC or Tesouro Direto that serves as the intermediary of the NRI also performs custodian functions. Custody of financial assets and FGBs involves similar functions and responsibilities as custody of securities, although under less prescriptive regulations.

iii – Local broker

Retaining a local broker is also mandatory to invest in securities issued or traded in Brazil. Local brokers are subject to a dual regulatory regime: while the BCB is responsible for supervising and authorizing such entities to operate, the CVM has the authority to oversee them with respect to the provision of securities services, particularly intermediation in local organized markets.

Acting as the NRI's intermediary in local organized markets, the local broker is responsible for, among other things: (i) executing all trades on the NRI's behalf and maintaining accurate registration data; (ii) identifying the UBO in all orders and providing the NRI with detailed information regarding executed trades, holdings, and cash movements; (iii) assessing the suitability of products and transactions considering the NRI's investment profile and financial capacity, while maintaining the internal controls necessary to detect potential fraud, money laundering, or other irregularities; and (iv) complying with the organized market operator's rules on trade allocation, registration, and pre-trade risk management, ensuring that all transactions are properly recorded, monitored, and aligned with applicable regulations.

To trade FGBs, the NRI is required to retain a direct participant of SELIC and Tesouro Direto to act as its intermediary duly accredited with those venues. With respect to financial assets, the obligation to engage a designated intermediary must be assessed on a case-by-case basis. In these events, the local intermediary in charge of executing the NRI's order might not be required to hold a broker-dealer license.[50]

iv – Engaging local service providers through foreign intermediaries

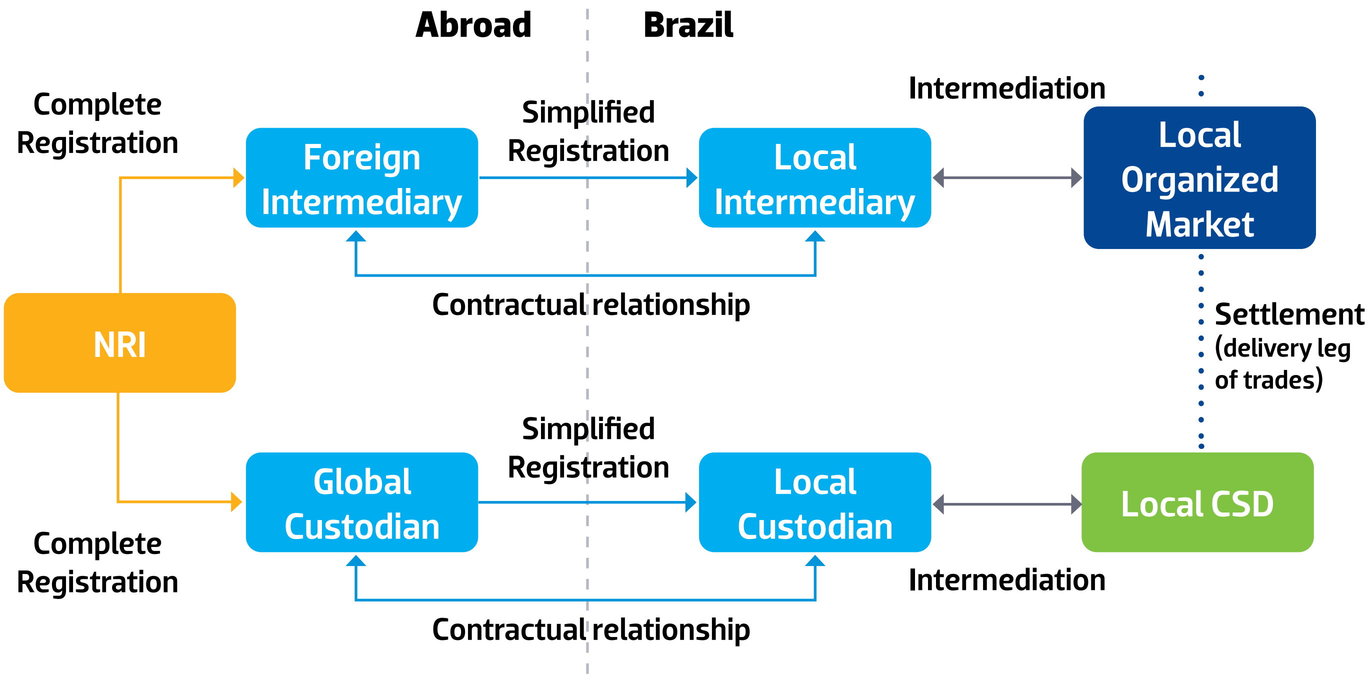
NRIs are not required to engage directly with the local service providers to make investments via the FPI regime. Direct interactions with local service providers might be carried out by foreign intermediaries engaged by the NRI overseas, such as global custodians or international brokers, provided that these institutions have contractual relationships with the local broker-dealers or custodians, as applicable. Under this structure, the local service providers must ensure that the foreign intermediaries maintain robust know your client ("KYC") and anti-money laundering and counter terrorist financing ("AML/CFT") procedures and controls. Only NRIs approved by the foreign intermediary's KYC and AML/CFT policies are eligible to invest via the FPI regime.

The foreign intermediaries must guarantee that the NRI identification records are duly updated and make NRIs aware that their investments held in the BFCM are subject to Brazilian law.[51] The foreign intermediaries must also provide the local service providers with all necessary information for compliance with Brazilian regulatory requirements, including suitability, ongoing monitoring and record-keeping obligations. Foreign intermediaries are forbidden from conducting any active solicitation or marketing in Brazil, as all client-facing activities must be performed exclusively by the local service providers duly authorized to do so.

The foreign intermediaries are generally registered as NRI holders of omnibus accounts and their respective clients as participants of such accounts.[52] As market practice, the entity acting as the omnibus account holder is usually the global custodian. Further, by accessing the BFCM through foreign intermediaries, NRIs may undergo a simplified onboarding process with local service providers.[53]

50 – For instance, commercial banks may serve as intermediaries of NRIs in SELIC and Tesouro Direto venues.
51 – As further detailed in Section c hereunder.
52 – For more information about the omnibus account, see paragraphs 60 and 61 below.
53 – As further detailed in paragraphs 73 and 75 below.

The scenario in which the NRI accesses the BFCM through foreign intermediaries may be depicted as follows:



c. Registrations with local authorities

Besides engaging the local service providers, NRIs incorporated as legal entities and seeking to invest in local securities must be accredited with both the CVM and the RFB, the local federal tax authority. NRIs who are natural persons are exempt from the CVM registration but shall be registered with the RFB to invest in local securities. The registrations are issued automatically upon the submission of the required information and documents in the electronic systems of the mentioned authorities.

The procedures for obtaining such registrations are usually handled directly by the NRI or by the local tax representative on behalf of the NRI.

i – Registration with the CVM

To issue the CVM registration, the legal representative must submit the following information in the CVM's electronic system:[54] (a) corporate name; (b) full address; (c) email address; (d) country of tax domicile; (e) account type (as explained below); (f) legal qualification; (g) tax representative information; (h) custodian information; (i) contact details; and (j) NRI's statement that the information submitted is accurate.

54 – Article 1 of Appendix A to CVM Resolution 13.

The NRI may be registered with the CVM as: (i) holder of an individual account; (ii) holder of an omnibus account; and/or (iii) participant of an omnibus account. The holder of the omnibus account may trade its own investments or investments held by the other participants of the account. By contrast, the participants of the omnibus account may only trade their own investments. To be registered as a holder of an omnibus account, the NRI must be incorporated as a foreign bank, investment fund, insurance company, securities dealer or other types of legal entities expressly specified by CVM regulations.[55]

NRIs may simultaneously hold individual accounts, hold omnibus accounts, and/or participate in different omnibus accounts. The legal representative of such NRI must obtain a separate registration number from the CVM for each account modality.

ii – Registration with the RFB

If the NRI is an entity domiciled abroad, the CNPJ with the RFB is automatically issued once the NRI, through its legal representative, has its registration issued by the CVM.[56] CVM's systems facilitate the issuance of the CNPJ, without the need to file a separate request with the RFB.

NRIs who are natural persons must obtain an Individual Brazilian Tax Registration Number for Natural Persons (*Cadastro de Pessoa Física* or "CPF") with the RFB.

It is important to note that the CNPJ or CPF issued according to the terms above is exclusively used for activities associated with investments in the BFCM. For NRIs incorporated as entities, the NRI holding the CNPJ may be required by the RFB to provide additional documents and information regarding the identification of UBOs.
For such purposes, a UBO is defined as: (i) the natural person who, ultimately, directly or indirectly, owns, controls, or has significant influence[57] over the entity; or (ii) the natural person on whose behalf a transaction is conducted.

The characterization of a UBO extends to any natural person who, by virtue of being part of the entity's corporate chain, falls within the foregoing criteria. Certain categories of entities may be exempt from disclosing UBO information; however, whether a particular exemption applies requires a case-by-case analysis of the NRI's investment structure and corporate chain.

55 – See art. 1, paragraph 1, items I to XII, of Annex A of CVM Resolution 13.

56 – Article 7 of RFB Normative Instruction No. 2,119, of December 6, 2022 ("RFB Normative Instruction 2,119").

57 – Significant influence is deemed to exist when a natural person: (a) directly or indirectly holds more than 25% of the entity's share capital or voting rights; or (b) directly or indirectly, whether acting individually or jointly with others, holds or exercises a predominant influence over corporate decisions and the power to appoint the majority of the entity's directors or officers, even without controlling it.

Additionally, there is an annual ancillary obligation requiring the submission of information regarding the UBO of FPI, starting in 2026 for new enrollments with the CNPJ and in 2027 for FPIs previously enrolled with the CNPJ before 2026. If no natural person meets the criteria described above, the FPI's administrator must be disclosed as the UBO for such reporting purposes.

d. Summary matrix of the FPI regulatory requirements

The matrix below summarizes the regulatory requirements as to the appointment of legal representative and obtaining registration with the CVM, considering the applicable exemptions outlined in items (b) and (c) above:[58]

Funding of the FPI	NRA		Cross-border Remittances (FX Transaction)	
Underlying investment	**Financial Assets/FGBs**	**Securities**	**Financial Assets/FGBs**	**Securities**
NRI natural person	**No** Legal Representative **or** CVM registration required.		**No** CVM registration required, but legal representative **required** if the BRL 2,000,000 monthly threshold is reached.	**No** Legal Representative **or** CVM registration required.
NRI Legal entity	**No** Legal Representative **or** CVM registration required.	Legal Representative **and** CVM registration **required**.	Legal Representative **and** CVM registration **required**.	

e. KYC Procedures Conducted by Local Service Providers

Having outlined the principal regulatory requirements applicable to FPI, it is worth examining the practical considerations that NRIs may encounter when engaging the local service providers. This is important because local entities supervised by the BCB and CVM must comply with stringent client identification, AML/CFT, suitability, and reporting requirements. In addition, local market participants may be sensitive to the regulatory and tax risks associated with the domestic foreign exchange market.

58 – Source: BCB

Accordingly, local service providers may conduct more rigorous KYC procedures on NRIs than those typically found in other jurisdictions. In this context, NRIs should be prepared to complete forms, provide documentation, address queries, and execute service agreements. Where the local service providers are the same entity or entities within the same corporate group, the KYC procedure is conducted on a centralized basis.

In addition to customary information and documentation requests, a particularly sensitive aspect of the onboarding process is the proper identification of the NRI's UBO, since, under BCB, CVM and RFB[59] regulations,[60] local service providers are required to identify their clients' UBOs. Under the FPI regime, this matter is especially important not only for AML/CFT purposes, but also because the failure to properly identify the UBO, or the existence of UBOs domiciled in Brazil or in favorable tax jurisdictions, may give rise to different interpretations regarding compliance with requirements for certain tax benefits that would otherwise not be applicable, as further detailed in Section V, General Considerations of Taxation of NRI Investment in the BFCM.

Accordingly, NRIs interested in investing in the BFCM should be aware that legal representatives may request disclosure of the complete corporate chain up to their UBO, together with the relevant supporting documentation[61]. Therefore, before making investments under the FPI regime, NRIs should seek independent professional advice regarding the regulatory and tax implications of their UBO structures.
NRIs may undergo a simplified onboarding process ("SOP") with local service providers if they access the BFCM through foreign intermediaries (i.e., global custodians and foreign brokers) that apply their own KYC and onboarding procedures in accordance with the laws of their respective jurisdictions.[62] Under such arrangement, local service providers may rely, to a certain extent, on the NRI's records maintained by the foreign intermediary. The local service providers and the foreign intermediary must execute a written agreement containing the SOP provisions, which shall be automatically terminated if the foreign intermediary fails to provide the required information relating to the NRI.

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59 – As required by RFB Normative Instruction 2,119, amended by Normative Instruction No. 2,290/25.

60 – Articles 13 to 16 of CVM's Resolution No. 50, of August 31, 2021, and articles 24 to 26 of BCB's Circular 3,978, of January 23, 2020.

61 – Nonetheless, local regulations also provide for certain exceptions to the disclosure.

62 – According to Appendix C of CVM Resolution 50.

To qualify for a SOP, the foreign intermediary must: (i) maintain a complete registration of the NRI; (ii) undertake to provide the local service provider with all identification and due diligence information upon request; (iii) not be domiciled in a jurisdiction that (a) is classified by the Financial Action Task Force as high risk or non-cooperative, or (b) is subject to United Nations sanctions; and (iv) be supervised by a securities regulator that has entered into a cooperation agreement with the CVM and/or is a signatory to the IOSCO Multilateral Memorandum of Understanding.

The SOP must enable the local service provider to furnish the required information regarding the NRI to the CVM and to conduct additional due diligence whenever necessary in accordance with its AML/CFT policies and procedures, including with respect to the NRI's income, financial capacity, and UBOs.

f. Definitive Exit from Brazil

An individual is considered a **tax resident in Brazil** if such person: (i) resides in Brazil on a permanent basis; (ii) enters Brazil with a permanent visa, on the date of arrival; (iii) enters Brazil with a temporary visa to work under an employment relationship, on the date of arrival; (iv) enters Brazil with a temporary visa and completes 184 days, consecutive or not, of permanence in Brazil within a period of up to 12 months; or (v) departs Brazil on a temporary basis or on a permanent basis without presenting a Communication of Definitive Exit from the Country (Comunicação de Saída Definitiva do País – "CSDP"), during the first 12 months of the departure.

An individual is considered a non-resident in Brazil if such person: (i) does not reside in Brazil on a permanent basis and does not fall within any of the residency criteria listed above; or (ii) departs Brazil on a permanent basis, from the date of departure, with the exception of the residency criteria (v) of the list above.[63]

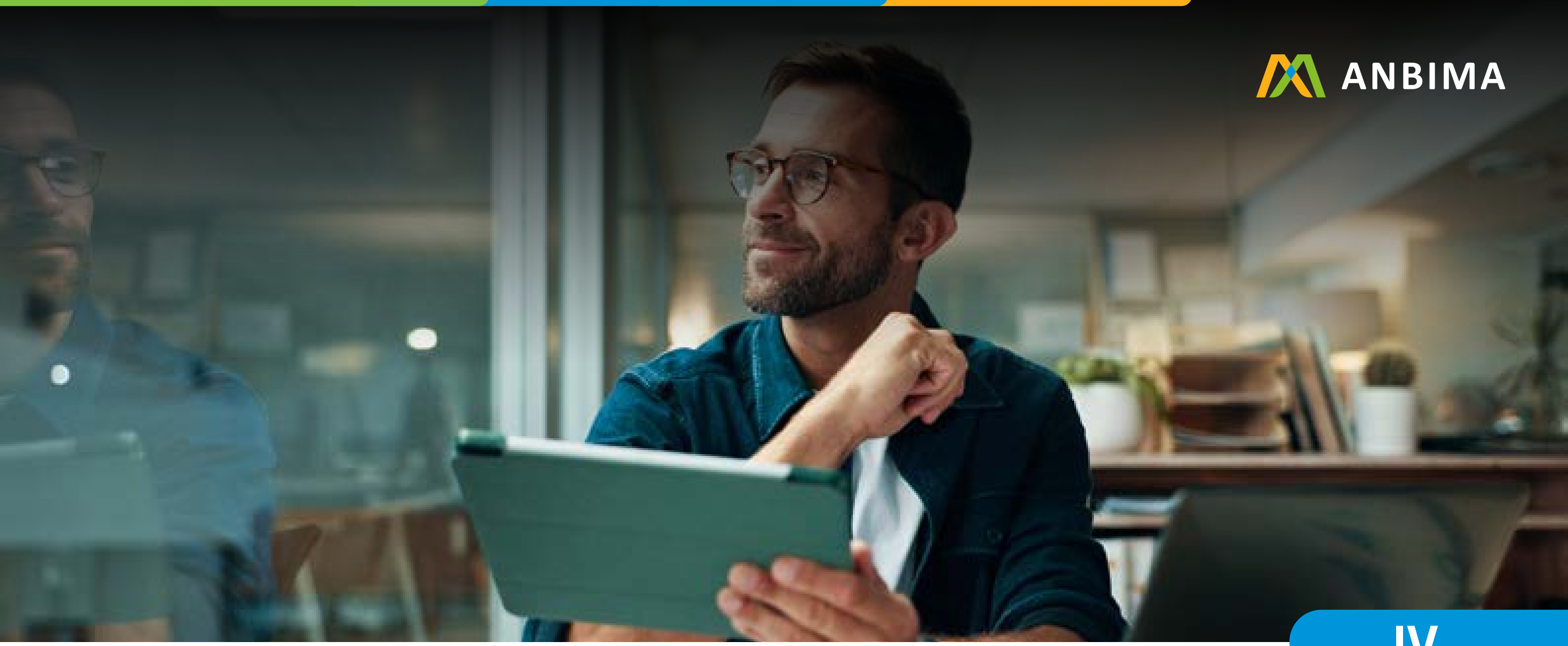
63 – The determination of whether an individual qualifies as a tax resident of Brazil or as a non-resident requires a case-by-case analysis based on multiple factors, including the intent to depart temporarily or permanently. Accordingly, we recommend a fact-specific assessment considering all applicable criteria for each classification, as set forth in Normative Instruction No. 208, issued by the Brazilian Federal Revenue Service on September 27, 2002.

CSDP. An individual resident in Brazil who departs from the national territory must file the CSDP: (a) for permanent departures, from the date of departure until the last business day of February of the following calendar year; or (b) for temporary departures, from the date on which non-resident status is triggered until the last business day of February of the following calendar year. Failure to file the CSDP does not, by itself, prevent non-resident status from arising; however, it may cause the individual to remain subject to ordinary resident taxation during the first 12 consecutive months of absence, as described in item (v) of the tax list above.

Declaração de Saída Definitiva do País – DSDP. The individual must file the DSDP covering the period in which such person remained a tax resident in Brazil during the calendar year of the departure, by the last business day of April of the subsequent calendar year. The DSDP serves as an income tax return, resulting in the calculation of the taxable income regarding the accrued gains during the period in which the individual was deemed tax resident in Brazil.

If a Brazilian natural person has reported a definitive exit from Brazil and elects to maintain investments in the BFCM, thereby becoming an NRI, such person's positions do not need to be settled or restructured and may continue to exist under their original terms. Such NRI must notify the local institution and any other paying source with which they have a relationship of their new status and commence compliance with all FPI requirements.

It should be noted that the RFB, through Interpretative Declaratory Act (Ato Declaratório Interpretativo) No. 1/2016, has taken the position that, for purposes of applying the special tax regime applicable to NRIs, income tax must be withheld and collected on all income earned up to the day immediately preceding the date on which the taxpayer acquires non-resident status.
Upon receipt of such notification, the local institution must update the NRI's records and provide the NRI with all information and procedures associated with their new status. To the extent required, the local institution remains responsible for recording and updating the investor's information and documentation throughout the transition period until the change in residency is completed.



KEY CHARACTERISTICS OF THE BFCM

Although the BFCM structure and practices are generally aligned with international standards, certain characteristics may differ from those in other jurisdictions. To assist NRIs in making well-informed investment decisions, the list below highlights the principal distinguishing features of the BFCM:

- **Brokerage Activities**
  - ✓ Local broker-dealers are required to execute orders received from investors on a "best execution" basis, employing all reasonable efforts to obtain the most favorable outcome for investors (taking into account price, total costs, speed, likelihood of execution and settlement, order size, and other relevant factors).[64]
  - ✓ Local brokers are also subject to a range of conduct of business rules, including avoiding conflicts of interest, recording investor orders, acting in good faith and with diligence and loyalty toward investors, executing trades in accordance with client instructions or prevailing market conditions, and maintaining operational, technological, and compliance structures that safeguard the integrity of all activities conducted on behalf of investors.[65]

64 – Article 20 of CVM's Resolution No. 35, of May 26, 2021 ("CVM Resolution 35").
65 – As set out by different provisions of CVM Resolution 35.

- ✓ Internalization of orders is permitted only in specific scenarios expressly approved by the CVM Board.[66] Accordingly, as a rule, local brokers must direct investor orders to the exchange's central order book.

- **Repurchase Transactions**
  - ✓ Repurchase transactions (operações compromissadas or "REPO transactions") are expressly recognized under the local regulatory framework and are widely used by financial institutions as a short-term liquidity mechanism. In a typical REPO transaction, the seller transfers certain assets (or a specified pool of assets) to the buyer, with a simultaneous commitment by the seller to repurchase (and/or by the buyer to resell) the underlying assets at a predetermined price in the future.[67]

  - ✓ Eligible collateral for REPO transactions is limited to debt securities, FGBs, financial assets, state and municipal government bonds and other credit instruments expressly permitted under the applicable regulations,[68] provided that the underlying assets are duly registered or deposited with an authorized CSD or settlement system. The settlement date (i.e., the repurchase or resale date) must fall on or before the maturity date of the underlying collateral.

  - ✓ At least one of the parties to a REPO transaction must be a financial institution or other entity duly authorized to carry out such transactions in Brazil. The transaction may be structured with settlement on a fixed future date, within an agreed period, or upon the occurrence of specific conditions, depending on the structure agreed between the contracting parties.

  - ✓ In the BFCM, REPO transactions are generally used by financial institutions for liquidity management, short-term funding and collateralized investment purposes. The parties may agree that the buyer will be entitled to freely dispose of the underlying securities during the term of the transaction. If such condition is not agreed, the underlying assets may not be sold or otherwise negotiated, except in limited cases permitted by local rules.

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66 – As in the retail liquidity provider model directed to retail investors, as approved by the CVM for the relevant exchange environment.

67 – The different modalities of REPO transactions are described in the Article 1 of Regulation attached to CMN's Resolution No. 3,339, dated January 26, 2006 ("CMN Resolution 3,339").

68 – The list of the eligible assets is provided for in Article 2 of Regulation attached to CMN Resolution 3,339.

- ✓ The Brazilian tax treatment regarding investments in repurchase transactions (REPOs) by NRIs should be assessed on a case-by-case basis, and therefore it is recommended that prospective investors should seek specific tax advice before investing in such transactions.

- **Segregated Account Structure for UBOs.**

  As noted above, local CSDs and custodians must ensure the segregation of investors' securities in individual accounts. In the event of the local custodian's insolvency, the investor's securities remain unaffected, and the investor is entitled to transfer custody of such securities to another designated custodian.

- **Default Waterfall.**

  Trades executed on local exchanges must be settled through a CCP.[69] Upon agreement of the parties to a trade, the CCP becomes the buyer to every seller and the seller to every buyer. To fulfill this function, the CCP maintains a robust risk management framework, which includes: (i) a default waterfall, which is the allocation of default risk among participants in the settlement process (including clearing members, settlement participants, full trading participants, and the CCP); (ii) a default fund, a mutualized settlement fund comprising participants' contributions; (iii) collateral posted by investors and participants, involving eligible assets, the application of haircuts, and the monitoring of concentration limits; and (iv) established procedures in the event of a delivery failure or payment failure.[70]

- **Market Integrity.**

  Local legal and regulatory frameworks also seek to promote market integrity by expressly prohibiting insider trading and market manipulation. Such misconduct constitutes not only administrative infractions but also criminal offenses.[71] The CVM Board has developed established case law sanctioning market participants for a variety of insider trading and market manipulation practices, including layering, spoofing, front-running, and wash trading.

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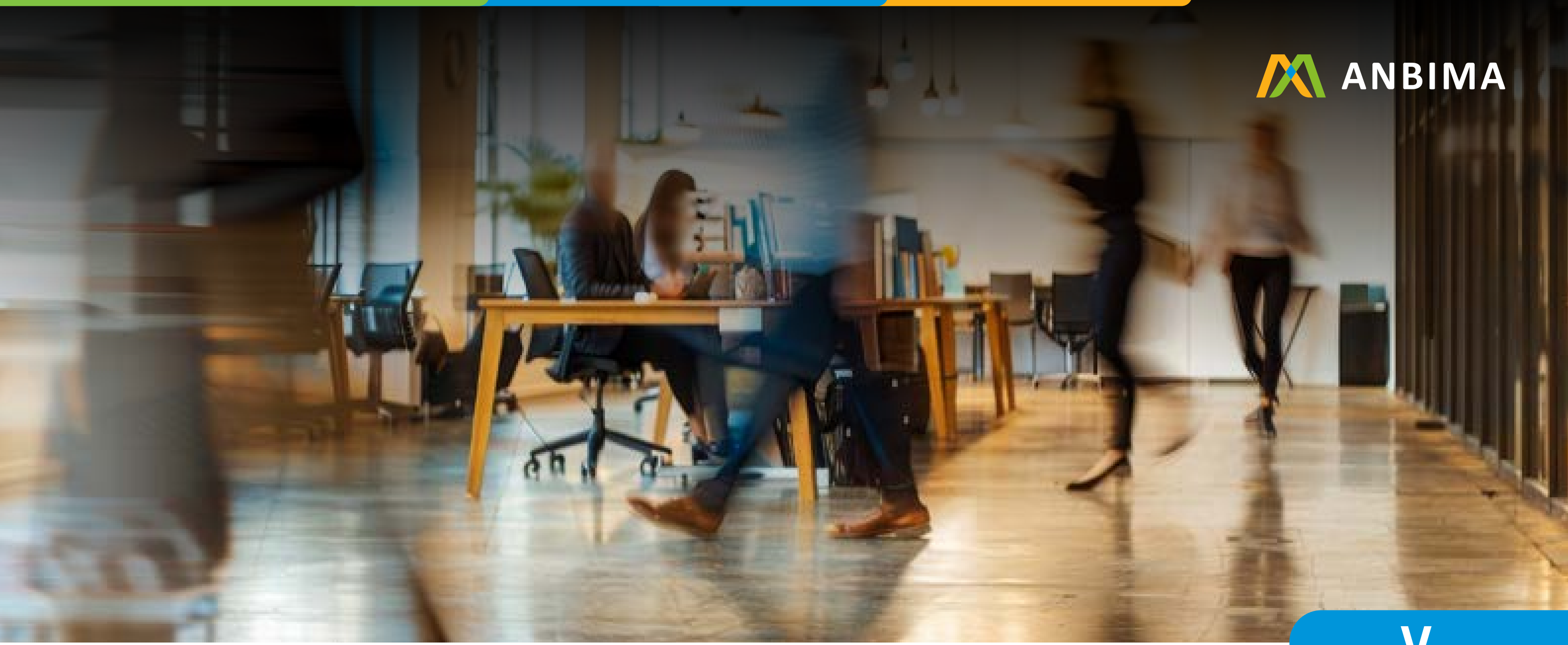
69 – Article 116, sole paragraph, of CVM's Resolution No. 135, of June 10, 2020. .

70 – Considering the risk management model implemented by the sole active central counterparty in Brazil.

71 – Articles 27C and 27D of Law 6,385.



V

GENERAL CONSIDERATIONS OF TAXATION OF NRI INVESTMENT IN THE BFCM

The following is a summary of certain Brazilian tax aspects applicable to investments in the Brazilian financial and capital markets carried out by foreign investors. The discussion is based upon applicable law and rules of Brazil in force on the date of this document. The following discussion may not address all potential tax consequences that may be relevant to a particular investor, or any potential future changes in the relevant rules mentioned herein.

This Guide does not constitute, and should not be construed as, legal, tax, or investment advice. The information provided herein is general in nature and does not take into account the particular circumstances, tax status, or investment objectives of any particular investor, including the applicability of tax treaties or reciprocity of tax treatment between Brazil and other countries. Accordingly, all prospective investors are strongly advised to consult their own legal and tax advisors with respect to the specific consequences of their investment in the Brazilian financial and capital markets.

a. Income Tax – Tax Treatment Applicable to FPI

As a rule, NRIs are subject to the same tax treatment applicable to Brazilian resident individuals with respect to financial transactions and other investments in the Brazilian financial and capital markets.[72]

The NRI should be subject to income tax in case ***(i)*** any income is paid, credited, delivered, employed, or remitted by a Brazilian paying source or ***(ii)*** any gains are realized in connection with the disposal of Brazilian-based assets.[73]

The applicable rate of such income tax is typically determined based on ***(i)*** the type of investor (e.g., individuals, legal entities), ***(ii)*** the type of investment and corresponding legal nature of the remitted funds (i.e., income or gain); and ***(iii)*** the domicile of the beneficiary.

Certain specific and potentially more beneficial tax treatment is available to NRIs that invest in Brazilian financial and capital markets in compliance with the FPI applicable regulatory framework and **are not domiciled in the so-called Favorable Tax Jurisdiction** ("FTJ").[74] Such special tax treatment includes, among others:

I. General treatment: 15% WHT on income and gains not subject to specific rates;[75] and

II. Exemption on capital gains arising from exchange-traded transactions: tax exemption on gains earned by Foreign Portfolio Investors on the Brazilian stock exchanges, commodities exchanges, futures exchanges, and similar exchanges.

In general, tax legislation limited this special tax treatment[76] to NRIs who ***(i)*** are not resident in an FTJ and ***(ii)*** invest in Brazil in accordance with the relevant rules set up by CMN[77] – in other words, are qualified as "Foreign Portfolio Investors".

72 – As provided by article 78 of Law No. 8,981/1995.

73 – Articles 741 and 744 of the Brazilian Income Tax Code approved by Decree No. 9,580, dated November 22, 2018 ("RIR/18").

74 – Article 81 of Law No. 8,981/1995, jointly with article 11 of Law No. 9,249/1995.

75 – Article 89, item II of NI No. 1,585, dated August 31, 2015.

76 – As provided by article 16, of Provisional Measure No. 2,189-49, dated August 23, 2001.

77 – Please note that, as from the enactment of Law No. 14,286, dated December 29, 2021, the competence to regulate foreign investments in the Brazilian financial and capital market was shifted from CMN, which is now only responsible for issuing guidelines, to BCB. Therefore, in our view, as from January 1, 2025, Joint Resolution No. 13, issued by BCB and CVM, will be the new rule to be complied with when it comes to the Portfolio Investor requirement, regardless of the tax legislation referring to the CMN rules.

Nevertheless, if the beneficiary is not qualified as a Foreign Portfolio Investor or is domiciled in an FTJ, as a rule, any income earned by the NRI should be subject to the same tax treatment applicable to Brazilian individuals, as detailed in subsection ***b. Income Tax – General Tax Treatment Applicable to Foreign Portfolio Investors Domiciled in an FTJ*** below.[78]

Definition of FTJ

According to the current Brazilian law, a "Favorable Tax Jurisdiction" is defined as a country or dependency that ***(i)*** does not tax income or tax income at a maximum rate lower than 17%; or ***(ii)*** whose laws impose restrictions on the disclosure of shareholder composition, the ownership of investments or the beneficial ownership of income paid to non-resident persons.

The RFB maintains a list of jurisdictions deemed FTJ under Normative Instruction ("NI") No. 1,037/10. This list is periodically subject to review and has historically been viewed as an exhaustive list (i.e., any jurisdiction not appearing on the list should not be deemed an FTJ).

According to the current understanding of the RFB, please find below the list of FTJs:

- Andorra
- Anguilla
- Antigua and Barbuda
- Aruba
- Ascension Island
- the Bahamas
- Bahrain
- Barbados
- Belize
- Bermuda
- Brunei
- Campione D'Italia
- Channel Islands (Alderney, Guernsey, Jersey, and Sark)
- Cayman Islands
- Cyprus
- Cook Islands
- Djibouti
- Dominica
- Gibraltar
- Granada
- Hong Kong
- Kiribati
- Labuan
- Lebanon
- Liberia
- Liechtenstein
- Macau
- the Maldives
- the Isle of Man
- the Marshall Islands
- Mauritius
- Monaco

78 – Article 7 of Law No. 9,959, dated January 27, 2000, and article 16, paragraph 2 of Provisional Measure No. 2,189-49/01.

- Montserrat
- Nauru
- Niue Island
- Norfolk Island
- Panama
- Pitcairn Island
- French Polynesia
- the Queshm Islands
- American Samoa
- Western Samoa
- St. Helena Island
- St. Lucia
- Federation of Saint Christopher and Nevis
- St. Pierre and Miquelon Island
- St. Vincent and the Grenadines
- the Seychelles
- Solomon Island
- Kingdom of Swaziland
- Oman
- Tonga
- Tristan da Cunha
- Turks and Caicos Islands
- Vanuatu
- the U.S. Virgin Islands
- the British Virgin Islands
- Curacao
- St. Martin
- Ireland

Another noteworthy point is that Law No. 15,079, dated December 27, 2024, amended Law No. 9,430, dated December 27, 1996 to include a provision stating that the qualification as a FTJ may be exceptionally disregarded for countries that significantly promote national development through substantial investments in Brazil, according to the regulations of the Executive Branch (as per Decree No. 12,226, dated October 18, 2024).

The threshold for classifying a country or dependency as an FTJ was reduced from 20% to 17% as of January 2024. However, various scattered provisions of tax legislation that grant special tax treatment to NRIs (including reduced rates, zero rates, or exemptions) for certain types of investments – such as Brazilian government securities – were not updated to reflect this change and continue to reference the 20% threshold. This may give rise to some level of interpretive discussion or controversy. Nevertheless, from a practical standpoint, the list set forth in the Normative Instruction effectively resolves existing doubts and may be reliably used by investors as a trustworthy reference.

b. Income Tax – General Tax Treatment Applicable to Foreign Portfolio Investors Domiciled in an FTJ

With respect to Foreign Portfolio Investors domiciled in an FTJ, the income and/or gains arising from investment in the Brazilian financial and capital markets are generally subject to the following tax treatment:

I. Fixed-Income Securities – In general, the return from fixed-income financial investments is subject to income tax withheld at source at regressive rates based on the investment term. The longer the investment period, the lower the applicable rate, as set forth in the table below:[79]

Applicable rate	Regressive Timeline
22.5%	Up to 180 days
20%	From 181 to 360 days
17.5%	From 361 to 720 days
15%	Over 720 days

II. Transactions Carried Out on Stock Exchanges, Commodity Exchanges, Futures Exchanges and Similar Organized Markets – In general, net gains arising from transactions carried out on the stock exchanges and similar markets are subject to a flat 15% tax levy.

Please refer to section **VI. Instruments Available in the BFCM** for instrument-specific tax comments.

c. Tax on Financial Transactions – Foreign Exchange ("FX") Transactions ("IOF/FX")

FX transactions are subject to the IOF/FX. Accordingly, any inflow or outflow of funds in connection with investments in the BFCM requires FX transactions to convert foreign currency into Brazilian reais and vice-versa and may be subject to this tax.

79 – As provided by article 1 of Law No. 11,033/04

Currently, both the inflow and outflow of funds in connection with investments in the Brazilian financial and capital markets are subject to IOF/FX at a rate of zero percent (0%). While the Brazilian Federal Government has the theoretical authority to prospectively increase IOF/FX rates up to 25%, historically any adjustments have been applied only to inflows, with outflows consistently maintained at zero percent.

d. Tax on Financial Transactions – Securities ("IOF/Securities")

IOF/Securities is levied on securities transactions, including the acquisition, transfer, and redemption of financial investments. In the case of redemption, assignment, or renegotiation, IOF/Securities is levied at a **daily tax rate of 1%**[80] on the redemption value, limited to the income assessed as a function of the investment term in accordance with the decreasing table attached to Decree No. 6,306, of December 14, 2007 ("RIOF").

The IOF/Securities is limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards.

However, the IOF/Securities is currently **zero rated** for certain transactions, including: ***(i)*** transactions in the variable-income market, including those executed on stock, commodities and futures exchanges, and similar organized markets; ***(ii)*** the redemption of quotas in Stocks Investment Funds (Fundos de Investimento em Ações); ***(iii)*** transactions involving Letra de Crédito do Agronegócio (LCA) and Certificado de Recebíveis do Agronegócio (CRA); ***(iv)*** transactions involving debentures regulated by Article 52 of Law No. 6,404, of December 15, 1976; ***(v)*** transactions involving Certificados de Recebíveis Imobiliários (CRI); and (vi) trading of Fixed-Income ETF quotas on the stock exchange or in organized OTC markets.[81]

The IOF/Securities rate may be prospectively increased at any time by the Brazilian government, up to a maximum of 1.5% per day, but such amendment would only apply with respect to transactions occurring after the increase.

80 – Article 32 of RIOF.11,033/2004

81 –Article 32, paragraph 2, of RIOF.

APPENDIX – INSTRUMENTS AVAILABLE IN THE BFCM

APPENDIX – INSTRUMENTS AVAILABLE IN THE BFCM

In general terms, the range of instruments and assets that NRIs may access in the BFCM is broadly comparable to the products available in international financial and capital markets, including equity securities, debt securities, investment fund quotas, derivatives, financial assets and FGBs. The Brazilian market, however, presents jurisdiction-specific features that should be considered by NRIs, particularly tax treatment, which may vary according to the nature of the instrument, trading venue, investor profile and whether the NRI is domiciled in an FTJ. This Chapter VI therefore provides an overview of the main classes of instruments typically available in the BFCM, addressing topics such as legal nature, ownership, trading, associated risks and main Brazilian tax aspects applicable to NRIs.

EQUITY SECURITIES

Under Brazilian law, equity securities are subject to the general framework for issuances, offerings, listing/admission and secondary trading overseen by the CVM. In practice, new primary issuances and public distributions must comply with the offering regime set out in CVM rules, while secondary trading occurs on regulated markets in Brazil, which include exchanges and organized over-the-counter markets operated by entities authorized by the CVM.

Issuers and market operators must comply with the specific rulebooks applicable to each trading venue, in addition to the general CVM issuer-registration and offering regimes. The baseline investor-categorization standards, disclosure obligations and market-integrity rules apply across these venues, with venue-specific procedures governing listings/admissions, trading mechanics and corporate-action processing.

a. Shares

Brazilian shares available in the BFCM are issued by corporations governed by Federal Law No. 6,404, of December 15, 1976 (the Brazilian Corporations Law) as registered, book-entry shares recorded with a share registrar or central depository. Issuers may offer common (ordinary) shares, which typically carry voting rights and underpin corporate control, and preferred shares, which usually confer economic preferences defined in the bylaws and may carry limited or conditional voting rights. Preferred shares may be issued in more than one class, with distinct rights and preferences as set forth in the issuer's bylaws.

In addition to standalone types of shares, issuers may offer units that bundle more than one type of shares into a single negotiable instrument, commonly combining one or more common and/or preferred shares in the ratio set forth in the bylaws and listing documentation. Units trade as a single security while the political and economic rights continue to derive from their underlying components.

Issuers may also offer subscription warrants (bônus de subscrição) that grant the right to subscribe for new shares on preset terms within a defined period.

Corporations with shares admitted to trading on regulated markets in Brazil are subject to the disclosure, governance and market conduct standards established by CVM and by the applicable market operator's rulebook, including the issuer registration regime for publicly held companies.

Risks

Investment in Brazilian shares involves exposure to market volatility, sector cycles and event-driven repricing that can materially affect valuations and execution outcomes. Rights and protections are provided by applicable laws and regulations and may vary by security type and class, issuer bylaws, listing or admission segment on each trading venue, and shareholder agreement arrangements, so voting limits, dividend preferences, preemptive rights mechanics, and change of control or tender offer protections may differ among issuers and classes.

From a legal and regulatory standpoint, investors should consider risks associated with the enforcement of disclosure and market abuse rules, the operation and timing of participating in tender offers and corporate reorganizations, the potential waiver or exclusion of preemptive rights in capital increases approved under applicable law, and the practical effects of concentrated ownership structures on minority rights and board composition.

Because all cash flows clear in Brazilian reais through local intermediaries, returns are sensitive to foreign exchange movements and to changes in foreign exchange and tax rules, as further discussed below.

For shares admitted to trading on organized OTC markets , investors should expect venue-specific risks typical of organized OTC trading, including potentially lower liquidity, wider bid-ask spreads, more episodic price discovery and differing transparency relative to exchange trading.

Ownership and trading

NRIs access Brazilian shares under the foreign portfolio investment regime through locally authorized intermediaries, as detailed in sections "II. FRAMEWORK OF FOREIGN INVESTMENT REGIMES IN BRAZIL" and "III. INVESTING IN THE BFCM" above. Except for express regulatory exceptions such as primary subscriptions, corporate reorganizations, redemptions, conversions or tender offers, NRIs must trade shares in Brazil on regulated markets.

Exercises of preemptive or subscription rights and voting continue to follow the underlying share classes and the issuer's bylaws, and any conversions or unbundling events must observe the conditions and procedures set by the issuer, the market operator and applicable regulation.

Exchange-traded shares are traded through centralized order-book systems. Certain issuers may also have shares admitted to trading on organized OTC markets authorized by the CVM under the markets administration framework. Orders executed on exchanges and on organized OTC venues are settled through authorized clearing and depository systems in Brazil, with standard spot settlement on the second business day after the trade and delivery-versus-payment finality. Ownership of shares in such trading venues is evidenced by book-entry records at the registrar or central depository. Where units are listed, investors acquire and dispose of the unit as a single security.

Tax aspects

a. Disposal of shares

For Foreign Portfolio Investors not domiciled in an FTJ, gains arising from the disposal of shares on a Brazilian stock exchange are, in principle, **exempt** from income tax in Brazil, provided the investment complies with the applicable regulatory framework on investments in the Brazilian financial and capital markets (i.e., Joint Resolution 13).

For Foreign Portfolio Investors domiciled in an FTJ, gains arising from the disposal of shares on a Brazilian stock exchange are subject to 15% income tax.

The tax representative is the party responsible for collecting income tax regarding gains arising in connection with the disposal of shares on the local stock exchange, in the case of Foreign Portfolio Investors domiciled in an FTJ.

The inflow and outflow of funds for the acquisition or disposal of publicly traded shares on a Brazilian stock exchange are currently subject to **IOF/FX at a rate of zero percent (0%)**. Note, however, that the Brazilian Federal Government may prospectively increase the IOF/FX rate at any time, up to a maximum of 25%. Historically, rate increases have primarily targeted inflows for fixed-yield investments rather than inflows and outflows for variable-yield investments that have remained subject to a zero rate.

82 - Article 81, paragraph 1 and 2, of Law No. 8,981/1995 and article 89, item II, of Normative Instruction No. 1,585/15.

b. Dividends

Brazil traditionally exempted dividend distributions from WHT. However, Law No. 15,270, enacted on November 26, 2025,[83] introduced, with effect from 2026, a new regime of Brazilian withholding income tax on dividends. Under this regime, dividends distributed as from January 1, 2026, are, as a rule, subject to **10% withholding income tax** upon distribution to non-resident shareholders.[84]

Specific income tax exemptions apply to dividends[85] paid, credited, employed, delivered, or remitted to: (a) foreign governments, provided there is reciprocity of treatment in relation to income earned in their countries by the Brazilian government; (b) sovereign funds, understood as offshore investment vehicles whose assets are composed exclusively of funds derived from the country's sovereign savings; and (c) foreign entities whose main activity is the administration of pension benefits, such as retirement and pension payments.

Law No. 15,270/25 also contemplates an optional **credit mechanism** for non-resident shareholders,[86] but the practical operation of this credit still depends on future regulations. Conceptually, the idea is to look at the overall tax burden on the same profit stream and compare it to the statutory corporate benchmark. In simple terms:

ETR (effective CIT on the profits) + 10% (dividend WHT) = ajusted effective burden

If that adjusted effective burden is higher than the applicable combined nominal CIT rate, the non-resident shareholder should be entitled to a credit, broadly linked to the excess above that benchmark, subject to the detailed regulation.

Brazil has an extensive network of treaties for the elimination of double taxation with respect to taxes on income and the prevention of tax evasion and avoidance (Double Tax Treaties, or "DTTs") with other jurisdictions. These DTTs often provide for reduced income tax rates and the possibility for tax credits. Therefore, it's recommend assessing the applicability of such DTTs whenever an NRI carries out a transaction in Brazil.

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83 – The aforementioned law amended Law No. 9,249/1995.

84 – A transition rule allowed profits generated up to December 31, 2025, to remain exempt. For NRIs, this exemption relies on compliance with the following requirements: (i) distribution is approved by December 31, 2025; (ii) dividends are payable under civil or corporate law – as applicable –, and (iii) payment, credit, allocation or delivery occurs as originally provided in the approval act. Law No. 15,270/25 does not establish a payment deadline for non-residents.

85 – Article 10, paragraph 5, item II, of Law No. 9,249/1995.

86 – Article 10-A of Law No. 9,249/1995.

The outflow of funds for the distribution of dividends to non-resident shareholders is currently subject to IOF/FX at a rate of zero percent (0%). Note, however, that the Brazilian Federal Government may prospectively increase the IOF/FX rate at any time, up to a maximum of 25%. Historically, rate increases have primarily targeted inflows rather than outflows, and dividend remittances have remained subject to a zero rate.

• Interest on net equity (JCP)

As an alternative to the distribution of dividends, a Brazilian legal entity may pay interest on net equity (juros sobre capital próprio, or "JCP") to shareholders.[87] The interest payment is based on and limited to the long-term interest rate ("TJLP") published by BCB, and the shareholders' equity refers to the sum of the capital stock, capital reserves, profit reserves, treasury shares and accumulated profits or losses.

From the paying company's perspective, the main difference from the distribution of dividends is that the expenses incurred in connection with the payment of JCP may be deductible from its CIT calculation, provided that certain requirements are met.

The JCP paid or credited to Foreign Portfolio Investors not domiciled in an FTJ is subject to withholding income tax at a 17.5% rate.[88] For Foreign Portfolio Investors domiciled in an FTJ, the withholding income tax is levied at a 25% rate.

The outflow of funds for the distribution of JCP to non-resident shareholders is currently subject to **IOF/FX at a rate of zero percent (0%)**. Note, however, that the Brazilian Federal Government may prospectively increase the IOF/FX rate at any time, up to a maximum of 25%. Historically, rate increases have primarily targeted inflows rather than outflows, and JCP remittances have remained subject to a zero rate.

87 – Article 9 of the Law No. 9,249/1995.

88 – As recently increased form 15% by Supplementary Law No. 224, dated December 26, 2025.

b. BDRs

Equity-related Brazilian Depositary Receipts ("BDRs") are certificates issued in Brazil by a Brazilian depositary institution and backed by shares, or depositary receipts representing shares issued outside Brazil. A BDR gives its holder an interest in the Brazilian certificate rather than direct title to the underlying foreign equity securities. BDRs are Brazilian securities subject to CVM rules and to the applicable BDR program documents.

BDR programs are classified by CVM into three levels and may be sponsored (established with the foreign issuer's participation) or unsponsored (established by the depositary without the issuer's involvement). Level I programs may be sponsored or unsponsored, while Levels II and III are sponsored programs that require the issuer's registration in Brazil under the applicable issuer registration regime.

The regulatory baseline requires, among other conditions, that the underlying shares or depositary receipts representing shares be admitted to trading and held in custody in jurisdictions whose capital markets supervisors have either a cooperation agreement with the CVM or are signatories to IOSCO's Multilateral Memorandum of Understanding. Program registration, issuer registration (where applicable), and public offerings of BDRs are governed by CVM rules specific to BDRs and by the general frameworks for issuer registration and public offerings. Furthermore, for purposes of this Equity Securities section, the foreign issuers of shares or depositary receipts representing shares underlying BDRs, the foreign issuers must be headquartered outside Brazil and meet the following requirements: (i) they must have a legal personality; (ii) shareholder liability must be limited to the issue price of subscribed or acquired shares; (iii) they must remain registered with the competent local regulator; (iv) their management must be elected, with a board as the highest decision-making body; and (v) shareholders must have rights to vote and receive dividends, subject to the specific rights, limitations and distinctions applicable to the different types and classes of shares issued.

Because a BDR is distinct from its underlying security, investors hold the Brazilian certificate rather than direct title to the foreign security. Economic, and where applicable political, rights are exercised pursuant to the deposit agreement and BDR program documentation, with cash distributions and other entitlements collected abroad by the depositary and made available in Brazil, typically in reais and net of applicable fees and foreign withholding.

Because American Depositary Receipts ("ADRs") are depositary receipts issued outside Brazil and are not, as such, instruments issued or traded in the BFCM, they are not addressed in this Guide. However, for purposes of conceptual comparison with equity-related BDRs, this section includes a brief description thereof.

ADRs are negotiable certificates issued in the United States by a depositary bank that evidence American Depositary Shares ("ADSs"). ADSs, in turn, represent an interest in shares or other equity securities of a non-U.S. issuer – including Brazilian public companies – deposited with, or held through, a custodian in the issuer's home market or another foreign custody market.

From the perspective of this Guide, the key distinction is jurisdictional. A BDR is a Brazilian security issued in Brazil by a Brazilian depositary institution and traded in the Brazilian market under the Brazilian regulatory framework. An ADR is a foreign equity security or equity depositary receipt issued under non-Brazilian law. Because ADRs fall outside the core scope of this Guide, prospective investors should obtain specific legal, tax and regulatory advice before investing in ADRs.

Risks

In addition to the market, currency and operational risks applicable to domestic securities, BDRs embed program-specific risks. The remittance and distribution of rights and proceeds, the timing and practical ability to exercise voting, preemptive or other rights and the mechanics for issuance, cancellation or suspension of BDRs depend on the deposit agreement and on the procedures of the relevant foreign market, which may impose instruction deadlines, documentation requirements or limitations that differ from a direct holding of the underlying shares or depositary receipt representing shares.

Depositary fees, foreign exchange conversions and cross-border cash logistics can affect tracking and the net value realized by the BDR investor. Restrictions or suspensions affecting trading or settlement in the underlying foreign market may be reflected in the BDR market in Brazil.

Where investor access or offering restrictions apply to the underlying shares or depositary receipts representing shares abroad, equivalent restrictions must be mirrored in the corresponding BDR trading and, where relevant, in any Brazilian distribution.

BDR investors should also consider that: (i) cancellation of BDRs to receive the underlying shares or depositary receipts representing shares abroad may require additional registrations, entail costs and cause delays; (ii) disputes concerning their holding of BDRs can raise cross-border jurisdiction and enforcement issues; and (iii) tax characterization can be complex across jurisdictions, with the potential for unanticipated withholding or limitations on crediting foreign taxes depending on the investor's domicile and the transaction profile.

Ownership and trading

NRIs acquire and trade BDRs through custody with a CVM authorized custodian at the ultimate beneficial owner level and order routing via a locally licensed broker to a regulated market in Brazil, which may be an exchange or an organized OTC venue. Trades settle in Brazil on a delivery-versus-payment basis, with standard spot settlement on the second business day after the trade, and all related cash movements occur domestically through the investor's local intermediaries. Corporate-action entitlements and cash proceeds are distributed via the Brazilian depositary under the deposit agreement. Where permitted, holders may request cancellation to receive the underlying shares or depositary receipts representing shares abroad, subject to program procedures and foreign-exchange formalities.

Investor access and offering pathways for BDRs are level dependent. For Level I programs, secondary trading is restricted to qualified investors except where the foreign issuer's main trading market is recognized under Brazilian rules, in which case access can be opened to non-qualified investors. For Level II and Level III programs, BDRs may be traded by the general investing public. Public offerings of BDRs may be carried out in Brazil across the three program levels, subject to the specific regulatory framework and requirements applicable to each level.

Tax aspects

Declaratory Act No. 25, dated April 18, 2000 ("AD No. 25/00"), issued by the RFB, provides that net gains arising in connection with the disposal of BDRs carried out on the Brazilian stock exchange should be subject to the same tax treatment applicable to the disposal of stock issued by Brazilian publicly traded companies on the Brazilian stock exchange. In other words, the disposal of BDRs in the national markets should be locally taxed as a Brazilian-issued security.

Under such interpretation, any gains arising at a Foreign Portfolio Investor's level deriving from the disposal of BDRs on the Brazilian stock exchange should be subject to **income tax exemption**, provided that the investor is **not domiciled in an FTJ**.

For Foreign Portfolio Investors domiciled in an FTJ, gains arising from the disposal of BDRs on a Brazilian stock exchange are subject to 15% income tax.

DEBT SECURITIES

a. Debentures

Debentures are the most common class of debt securities in the BFCM, consisting of corporate bonds issued by joint-stock companies (sociedades anônimas) for the purpose of raising funds to finance projects, strengthen working capital, or restructure liabilities.[89] By acquiring a debenture, investors become senior creditors of the issuing company with respect to the principal amount invested, plus the agreed remuneration, in accordance with the terms and conditions set forth in the debentures' indenture.

In the BFCM, debentures serve as a key medium- and long-term financing instrument, particularly for mid and large-sized non-financial companies. For NRIs, debentures offer exposure to Brazilian corporate credit across a wide range of economic sectors, with varying risk profiles, return structures, maturities, and collateral arrangements.

Local companies may issue debentures through private placements or public offerings, which, if acquired by NRIs, are subject to different types of foreign investment regimes. Public offerings of debentures are governed by CVM's Resolution No. 160, dated July 13, 2022, which consolidated the regulatory framework for public offerings of securities in Brazil. Debentures privately acquired by the NRI must observe the FDT regime, while debentures acquired through a public offering or an organized market are regarded as securities traded on the BFCM and must adhere to the FPI regime.

89 - As recently increased from 15% by Supplementary Law No. 224, dated December 26, 2025.

The terms and conditions of each debenture issuance are set out in an indenture (escritura de emissão), a legal instrument that binds the issuing company and establishes the rights and obligations of the debenture holders. In public offerings, a trustee[90] must be appointed to represent the collective interests of debenture holders and monitor compliance with the Indenture's terms. The Indenture typically addresses key matters such as events of default, financial and non-financial covenants, representations and warranties, repayment schedules, remuneration structure, and any applicable security interests. Decisions affecting the debenture holders collectively — including waivers, amendments to the indenture, or acceleration in the case of non-automatic events of default — must be approved by the debenture holders at a general meeting, subject to the calling procedures and quorum requirements set forth in the indenture.

Debenture remuneration may be structured in various ways, reflecting the flexibility afforded to issuing companies and investors under Brazilian law. The main remuneration structures include: **(i)** fixed-rate, whereby interest is set at a predetermined rate at the time of issuance; **(ii)** floating-rate, indexed to market benchmarks such as the CDI Rate,[91] the SELIC Rate,[92] or inflation indices; or **(iii)** hybrid, combining a fixed spread with a floating index.[93] The yield offered to investors is typically correlated with the issuing company's credit risk profile, the instrument's maturity, and the nature and quality of any security interests or guarantees backing the debentures.

Local companies may issue debentures using different strategies to meet capital needs and attract investors. Law 6,404 sets forth three principal types (espécies) of debentures based on the security or priority granted to debenture holders: **(i)** secured debentures (com garantia real); **(ii)** unsecured debentures with floating guarantee (com garantia flutuante); and **(iii)** unsecured debentures (quirografárias). In addition to these types, debentures may be structured in various ways to meet specific financing objectives, whether expressly contemplated by law (such as incentivized or infrastructure debentures) or developed through market practice (such as convertible or FX-denominated debentures). The most common structures employed in the issuing of debentures are the following:

90 – By trustee, we mean all types of service providers that represent the holders in the context of public offering of bonds (also termed fiduciary agent, note agents, among others).

91 – CDI Rate (or Certificado de Depósito Interbancário) is the benchmark interest rate for the Brazilian interbank market, calculated and published daily by B3 S.A. – Brasil, Bolsa, Balcão ("B3").

92 – SELIC Rate refers to the benchmark interest rate of the Brazilian economy established by the BCB as an instrument of monetary policy.

93 – Article 58 of Law No. 6,404.

Unsecured debentures	This is a type of debenture (espécie) under Law No. 6,404/1976. Unsecured debentures (debêntures quirografárias) do not confer any privilege or security interest to the debenture holders. In the event of the issuing company's bankruptcy or judicial reorganization, unsecured debenture holders rank as general unsecured creditors (credores quirografários), subject to the applicable order of priority established under Brazilian bankruptcy law.
Secured debentures[94]	This is a type of debenture under Law 6,404. Secured debentures (debêntures com garantia real) are backed by collateral granted by the issuing company or a third party to secure the relevant payment obligations. Common forms of collateral include pledges over assets, mortgages over real property, and fiduciary liens (alienação fiduciária) over assets or properties.
Floating security debenture	This is a type of debenture under Law No. 6,404. Floating security (debêntures com garantia flutuante) grants the holders a general privilege over the issuing company's assets, without creating a specific collateral. This type of security "floats" over the company's asset base, allowing the company to freely dispose of individual assets in the ordinary course of business. In the event of bankruptcy, holders have priority over unsecured and subordinated creditors, but rank below secured creditors holding specific collateral (garantia real).
Convertible debentures[95]	Debentures that provide for the conversion of the debt into the issuing company's equity under predefined terms (which may be triggered upon the occurrence of a given event or upon the investors' criteria).

94 – Article 58 of Law No. 6,404.
95 –Article 57 of Law No. 6,404.

Incentivized debentures[96]	Debentures issued under Law No. 12,431/11 to finance investment projects in the domestic infrastructure sector or in economic activities that are intensive in research, development, and innovation, classified as priority projects by the Brazilian Federal Government. The key feature of incentivized debentures is that the tax benefit is granted to the **investor**: both NRIs (not domiciled in a favorable tax jurisdiction) and Brazilian resident individuals are subject to a zero income tax rate on the income derived from these securities, as further detailed below.
Infrastructure debentures[97]	Debentures issued under Law No. 14,801/24 to finance investment projects in the infrastructure sector or in economic activities that are intensive in research, development, and innovation, classified as priority projects by the Federal Government. Unlike incentivized debentures, the tax benefit of infrastructure debentures is granted to the **issuer** (enhanced deductibility of interest expenses for corporate income tax purposes), while investors are subject to ordinary income tax rates applicable to fixed-income securities, as further detailed below.
FX debentures[98]	Debentures with principal denominated in foreign currency or indexed to a foreign exchange rate.

In summary, debentures are a flexible debt instrument that may meet different types of interests of both the issuing company and investors, making them a key instrument within the BFCM for NRIs seeking credit exposure to local medium and large-sized companies.

96 – Law No. 12,431, dated June 24, 2011, as amended.

97 –Law No. 14,801, dated January 9, 2024.

98 – Pursuant to Article 54 of Law No. 6,404. Issuance of this class of debentures must also observe the Brazilian FX laws and regulations, as applicable.

Tax aspects

Foreign Portfolio Investors **not domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are typically subject to a 15% withholding income tax on income deriving from debentures.[99]

Foreign Portfolio Investors **domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are subject to regressive income tax rates based on the investment term, as detailed below:

Applicable rate	Regressive Timeline
22.5%	Up to 180 days
20%	From 181 to 360 days
17.5%	From 361 to 720 days
15%	Over 720 days

The IOF/Securities is currently **zero rated** for transactions involving debentures.

Please note that the tax legislation has provided for a more beneficial income tax treatment to debentures issued with the purpose of financing specific projects, as detailed below.

Incentivized Debentures Tax Aspects – Law No. 12,431/11

Foreign Portfolio Investors **not domiciled in an FTJ** may be subject to a **zero-rate withholding income tax** on income deriving from the so-called Incentivized Debentures, pursuant to Article 1 of Law No. 12,431/11.

99 – According to Article 2, item I, of Law No. 6,385 of December 7, 1976, debentures are considered as securities.

To qualify for such tax treatment, the Foreign Portfolio Investor must invest in the Brazilian Financial and Capital Markets in compliance with the applicable regulatory framework (e.g., Joint Resolution 13), and the Incentivized Debentures must ***(i)*** be subject to public distribution; ***(ii)*** be issued by a company not deemed a financial institution; ***(iii)*** be remunerated by a fixed interest rate, indexed to a price index or to the reference rate ("TR"), with the total or partial use of a floating interest rate being prohibited; and ***(iv)*** cumulatively meet the following conditions:

a. a weighted average maturity of more than four years, as regulated by the CMN;

b. prohibition on repurchase of the security by the issuer or any related party within the first two years following its issuance, as well as restrictions on early redemption or prepayment, except as regulated by the CMN;

c. absence of any resale commitment assumed by the investor;

d. if applicable, periodic income payments with time gaps of at least 180 days;

e. evidence that the security is registered in a system duly authorized by either the BCB or CVM,[100] within their respective regulatory scopes; and

f. implementation of a simplified procedure demonstrating a commitment to allocate the proceeds to future payments or reimbursement of expenses, costs, or debts related to investment projects, including those aimed at research, development, and innovation, as regulated by the CMN.

The critical requirement, aligned to the goals of the applicable beneficial tax treatment (which is to foster investments in Brazil and the development of investment projects), is that the resources must be allocated to the development of the qualifying project.

The zero-rate **withholding income tax** may also apply to **sovereign funds** that carry out financial transactions in Brazil in accordance with CMN regulations, even if **domiciled in an FTJ**, provided they (a) publicly disclose their investment policy and purposes; (b) annually disclose their sources of funds; and (c) publicly disclose the government's redemption rules.

100 – Pursuant to Joint Resolution No. 13/24.

Infrastructure Debentures Tax Aspects

Foreign Portfolio Investors **not domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are typically subject to a 15% withholding income tax on income deriving from infrastructure debentures, issued to fund proprietary infrastructure projects in compliance with applicable requirements.[101]

Foreign Portfolio Investors **domiciled in an FTJ** or that benefit from a **privileged tax regime**[102] and invest in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are subject to a 25% withholding income tax levy on income deriving from infrastructure debentures.

The Brazilian company that issues the infrastructure debentures is allowed to deduct, for corporate income taxation purposes, an additional 30% financial expense bonus, resulting in an increased tax shield.

b. Commercial Notes

Commercial notes (notas comerciais) are freely negotiable debt instruments representing an unconditional promise by the issuer to pay a specified amount in cash at maturity. A distinctive feature of commercial notes is that they may be issued not only by joint-stock companies (sociedades anônimas), but also by limited liability companies (sociedades limitadas) and cooperative entities.[103] This instrument was designed to provide a more flexible and cost-efficient alternative relative to traditional paper-based promissory notes, thereby facilitating access to the debt capital markets for small-sized companies.[104]

101 – Article 3 of Law No. 14,801/24

102 – The concept of a privileged tax regime is based on the subjective characteristics of the entity domiciled abroad. A tax regime will be deemed privileged if it presents at least one of the following features: (i) it does not tax income, or taxes it at a maximum rate lower than 17%; (ii) it grants tax advantages to non-resident individuals or legal entities (a) without requiring the performance of substantial economic activity in the relevant country or dependency, or (b) subject to the condition that no substantial economic activity be carried out in such country or dependency; (iii) it does not tax income earned outside its territory, or taxes such income at a maximum rate lower than 17%; and/or (iv) it does not allow access to information regarding corporate ownership structure, ownership of assets or rights, or the economic transactions carried out. NI No. 1,037/2010 also provides a list of privileged tax regimes.

103 – Article 45 of Law No. 14,195, dated August 26, 2021 ("Law No. 14,195")

104 – Article 46 of Law No. 14,195.

Commercial notes must be issued exclusively in bookentry form through institutions authorized by the CVM to provide securities registration services. They may be placed through either a private placement or a public offering, and the applicable foreign investment regime for NRIs varies depending on the distribution method adopted, as already outlined above.

From a structural standpoint, commercial notes share several features with debentures: (i) they may carry fixed or floating interest rates and provide for various amortization schedules; (ii) they may be secured by collateral and/or third-party guarantees; (iii) their terms and conditions are set forth in a specific document called the Issuance Term (termo de emissão), executed between the issuing company and the investors or the trustee, as the case may be; (iv) in the case of public offerings, noteholders must be represented by a trustee; and (v) decisions affecting the noteholders collectively—including waivers, amendments to the issuance term, or acceleration in the case of non-automatic events of default—must be approved by the noteholders at a general meeting (assembleia geral de titulares), subject to the calling procedures and quorum requirements set forth in the issuance term. However, certain features specific to debentures—such as convertibility into equity, tax-incentivized[105] status (infrastructure or incentivized debentures), and FX-denominated structures (as outlined in the debentures table above)—do not apply to commercial notes.

Tax aspects

Foreign Portfolio Investors **not domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are typically subject to a 15% withholding income tax on income deriving from Commercial Notes.

Foreign Portfolio Investors **domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are subject to regressive income tax rates based on the investment term, as detailed below.

105 - According to article 51, paragraph 2, of Law No. 14,195, the issuance of convertible commercial notes into equity are solely permitted in private placements where the issuing company is limited liability companies and cooperative companies (i.e. not permitted for joint-stock companies.

Applicable rate	Regressive Timeline
22.5%	Up to 180 days
20%	From 181 to 360 days
17.5%	From 361 to 720 days
15%	Over 720 days

IOF/Securities is levied on securities transactions at a **daily tax rate of 1%**[106] on the redemption value. The IOF/Securities is limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards.

c. Asset-backed Securities (CR, CRI and CRA)

BFCM also offers investment opportunities for NRIs seeking to invest in securitization structures, mainly through asset backed securities (certificados de recebíveis, or "CRs"). In Brazil, the securitization process normally involves the acquisition of receivables by a securitization company, which then uses the pool of assets to back the issuance of CRs. CRs are securities issued exclusively by securitization companies and backed by receivables and other assets, rights and collaterals associated to the relevant issuance. The payments of these securities are primarily dependent on the cash flows generated by the underlying receivables, as well as any additional collateral or third-party guarantee supporting the transaction.[107]

Only securitization companies may issue CRs, which are non-financial institutions organized as corporations (sociedades por ações) and registered with the CVM under a special regulatory regime.[108] Mostly, each issuance is structured on a segregated basis, ensuring that the assets backing a specific issuance do not commingle with the securitization company's own assets or with the underlying assets of other securitization transactions.[109]

106 – According to article 51, paragraph 2, of Law No. 14,195, the issuance of commercial notes convertible into equity is permitted only in private placements where the issuing company is a limited liability company or cooperative company (i.e., not permitted for joint-stock companies).

107 – Provided that such collateral and third party guarantee cannot be provided by the securitization company or its affiliates.

108 – Article 3 of CVM's Resolution No. 60, dated December 23, 2021 ("CVM Resolution 60").

109 – Articles 18 and 19 of Law No. 14,430, dated August 3, 2022.

The segregation is secured by the establishment of a ring-fenced regime (regime fiduciário) over the underlying assets, which ensures that:

- the receivables backing the issuance are legally segregated from the securitization company's own assets through operational and accounting procedures;
- the underlying assets are exclusively allocated to the payment of the securities and, therefore, cannot be used, affected, seized or attached to meet other liabilities of the securitization company or related to other securitization transactions; and
- any insolvency or bankruptcy of the securitization company does not affect investors' claims in relation to the underlying assets.

When publicly offered or admitted to organized markets, CRs are classified as securities and are therefore subject to the regime of the BFCM.

From a practical standpoint, structures involving CRs may take two main forms, depending on the nature of the underlying assets:

Dispersed backing *(lastro pulverizado)*	This structure involves the acquisition of a pool of receivables, typically of smaller ticket-size and owed by numerous debtors. This model promotes risk diversification—by spreading credit exposure across multiple obligors, the impact of any single default is diluted. Additionally, it enables the advancing of future revenues by the originator, converting receivables that would otherwise remain illiquid into immediate funding.
Concentrated backing *(lastro concentrado)*	This structure is based on receivables linked to one or a small number of debtors, typically medium or largesized companies. Therefore, the credit risks associated with this structure are similar to those of debentures/commercial notes, notwithstanding the securitization structure. It is often a lowercost financing alternative due to applicable tax benefits and allows access to a broader investor base, as further explored below.

In Brazil, securitization has become particularly relevant in the real estate and agribusiness sectors, leading to the creation of two specific types of CRs: **Real Estate Receivables Certificates (Certificados de Recebíveis Imobiliários or "CRI")** and **Agribusiness Receivables Certificates (Certificados de Recebíveis do Agronegócio or "CRA")**.

CRIs and CRAs play a central role in providing long-term financing for the real estate and agribusiness sector respectively and are the most widely types of CRs traded on the BFCM. The main characteristics of these securities are outlined in the table below:

Topic	CRI	CRA
Definition	CRIs are debt securities, freely transferable, that represent a promise of payment in cash. They are issued by securitization companies and backed by real estate receivables. CRIs may be issued in different classes (classes) and series (séries), allowing for the structuring of senior, mezzanine, and subordinated tranches with distinct risk-return profiles and payment priorities.	CRAs are debt securities, freely transferable, that represent a promise of payment in cash. They are issued by securitization companies and backed by agribusiness receivables. CRAs may be issued in different classes (classes) and series (séries), allowing for the structuring of senior, mezzanine, and subordinated tranches with distinct risk-return profiles and payment priorities.
Underlying assets	Although Brazilian legislation does not provide a precise statutory definition of "real estate receivables" (crédito imobiliário), the CVM has traditionally applied two criteria to characterize such assets, being: **(1)** whether real estate receivables are those derived from the economic exploitation of real property; and **(2)** whether the allocation of funds raised through a debt instrument is demonstrably used for real estate-related purposes.	Agribusiness receivables consist of receivables or debt instruments backed by receivables arising from transactions carried out between rural producers, or their rural cooperatives, and third parties. These transactions may include financing or loan arrangements and must be connected to the production, commercialization, processing, or industrialization of agricultural products or inputs, as well as machinery and equipment used in agribusiness activities. Eligible underlying assets include, among others, Rural Product Notes (Cédulas de Produto Rural – CPR), Agribusiness Credit Rights Certificates (Certificados de Direitos Creditórios do Agronegócio – CDCA), and other agribusiness credit instruments.

Restrictions	CRIs and CRAs cannot be backed by receivables **(1)** where the debtor, codebtor or guarantor falls into any of the following categories: **(a)** a legal entity whose main line of business is not related to the real estate or agribusiness sectors; **(b)** a financial institution or any entity authorized by the BCB, as well as other entities pertaining to their prudential conglomerate, including their respective controlled entities; or **(2)** receivables arising from relatedparty transactions or from financial transactions where the proceeds are used solely to reimburse expenses.
Documentation Structure	A CRI/CRA issuance is chiefly structured through: **(1)** an **assignment agreement** executed between the originator and the securitization company, whereby the latter acquires the underlying receivables. Under certain circumstances, the debt instruments that back the securities may be issued directly to the securitization company (mainly in concentrated backing structures); and **(2)** a **securitization agreement** (termo de securitização) executed between the securitization company and a trustee, on behalf of the CRI/CRA holders, which attaches the underlying assets to a given CRI/CRA issuance, thereby creating a ring-fenced regime (regime fiduciário). The securitization agreement consolidates the terms and conditions of the CRI/CRA issuance, including the identification of the originator, the amount of the receivables backing the issuance, the events of default, any security interest provided, underlying asset replacement mechanisms, among others.

Tax aspects

Foreign Portfolio Investors **not domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are typically subject to a 15% withholding income tax on income deriving from CR in general, CRI and CRA.

Foreign Portfolio Investors **domiciled in an FTJ** are subject to regressive income tax rates based on the investment term, as detailed below.

Although it may be argued that such investors should follow the same rules applicable to Brazilian resident individuals (and thus be potentially exempt), market practice has consistently applied the regressive rates, which remain the conservative position in the absence of a definitive ruling by the tax authorities:

Applicable rate	Regressive Timeline
22.5%	Up to 180 days
20%	From 181 to 360 days
17.5%	From 361 to 720 days
15%	Over 720 days

Brazilian individuals benefit from an income tax exemption on income derived specifically from investments in **CRI** and **CRA**. RFB's current interpretation is that this **Individual Tax Exemption** should also benefit Foreign Portfolio Investors investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) and that are **individuals**, even if they are domiciled in an FTJ.[110]

For CRs in general, IOF/Securities is levied on securities transactions at a daily tax rate of 1% on the redemption value. The IOF/Securities is limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards

The IOF/Securities is currently **zero rated** for transactions involving **CRI** / **CRA**.

- ***Trading Venue***

Debt securities issued in Brazil—including debentures, commercial notes, and asset-backed securities (CRIs/CRAs)—are predominantly traded in OTC markets rather than on exchanges. The OTC environment offers greater flexibility in negotiating price, volume, and settlement terms, but involves counterparty risk and less transparency. Settlement of OTC transactions occurs on a T+1 basis (i.e., one business day after trade date) and follows a delivery-versus-payment (DvP) mechanism, whereby the transfer of securities through the CSD and the corresponding cash payment are executed simultaneously.

110 - Article 85, paragraph 4, and article 88, sole paragraph, of Normative Instruction No. 1,585/15.

These OTC transactions are carried out through authorized market infrastructures and service providers that may, depending on the instrument and transaction flow, also provide central depository and securities settlement services.

- ***Associated Risks***

Investment in Brazilian debt securities (including debentures, commercial notes, and asset-backed securities) exposes investors to different types of risk depending on the structure of each instrument.

By holding debentures and commercial notes, investors are primarily exposed to the credit risk of the issuing company, meaning that payment of principal and remuneration depends on the issuer's financial condition, cash flow generation, and ability to perform its obligations. Although commercial notes share several structural features with debentures, they generally pose a higher credit risk profile, as they are often issued by companies of smaller size or with more limited operating history.

By contrast, CRs are generally structured as pass-through securities, with their performance directly tied to the underlying receivables pool. If the CRs rely on concentrated backing—where the receivables are linked to one or a small number of debtors—the investor's exposure becomes dependent on the creditworthiness of those specific obligors, resulting in a credit risk profile comparable to that of debentures or commercial notes. In addition, investors in CRs are exposed to specific risks inherent to securitization structures, including:

i. **prepayment and reinvestment risk**: underlying receivables may be prepaid ahead of schedule, resulting in earlier-than-expected return of principal to investors. This may require reinvestment at potentially lower prevailing interest rates, reducing overall returns;

ii. **servicing and operational risk**: the performance of CR depends on the servicer's ability to collect receivables, manage delinquencies, and administer the underlying asset pool; and

iii. **commingling and segregation risk:** although Brazilian law requires the establishment of a ring-fenced regime (regime fiduciário) to segregate the underlying assets, improper asset segregation or commingling with the securitization company's own assets could expose investors to losses.

In addition, debentures, commercial notes and CRs are subject to liquidity risk, since the secondary market, predominantly conducted in the OTC environment, may be limited, particularly for instruments with a reduced investor base or bespoke structures. Investors may also be exposed to market and regulatory risks, including fluctuations in interest rates and changes in the applicable legal and regulatory framework.

d. Repurchase Transactions

Certain debt securities – including debentures, commercial notes and certain CRs, such as CRI/CRA – may be used as collateral of REPO transactions, as discussed in the section "Repurchase Transactions" of Chapter IV above.

The Brazilian tax treatment regarding investments in repurchase transactions (REPOs) by NRIs should be assessed on a case-by-case basis, and therefore it is recommended that prospective investors should seek specific tax advice before investing in such transactions.

Foreign Portfolio Investors not domiciled in an FTJ and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are generally subject to a 15% rate withholding income tax, although other asset-specific tax regimes may be applicable.

IOF/Securities is levied on securities transactions at a **daily tax rate of 1%**[111] on the redemption value. The IOF/Securities is limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards. Prospective NRIs are recommended to seek specific tax advice before investing in repurchase transactions (REPOs).

111 – Article 32 of RIOF.

III

INVESTMENT FUNDS

a. General Aspects

Investment funds in Brazil are governed by the Brazilian Civil Code, CVM regulations, and their own bylaws, which may include a general part, annexes, and appendices.

Brazilian investment funds are structured as pools of assets organized as special condominiums and are subject to registration with the CVM. Although they do not have legal personality, they are legally capable of holding rights and undertaking obligations. They may be formed as open-ended condominiums, allowing quotaholders to redeem their quotas at any time, subject to a possible lock-up period (*período de carência*) during which quotas might not be redeemed by investors, or as closed-ended condominiums, in which quotas are only redeemable upon the fund's termination. Quotas of closed-ended funds may also be admitted to trading on a regulated stock exchange or distributed through over-the-counter markets.

Brazilian investment funds may have one or more classes of quotas and, within each class, one or more subclasses. Classes of quotas correspond to segregated portfolios within the same fund. Each class may also have subclasses of quotas to attribute different political or economic rights to quotaholders, such as target investor restrictions, amortization and redemption conditions, and fees, including carried interest.

The operation of Brazilian investment funds entails legal, administrative, tax, and regulatory risks, which are borne primarily by the fund's two key service providers: the Fiduciary Administrator and the Portfolio Manager. The Fiduciary Administrator is responsible for services directly and indirectly related to the fund's back office and maintenance, while the Portfolio Manager is responsible for activities related to the management of the assets that form the fund's portfolio. In addition, the fund may engage third parties to provide specialized services, such as investment advisory and custody services.

Quotaholders of a Brazilian investment fund exercise governance rights over certain key matters of the fund, as established in its bylaws. Quotaholders' meetings are the fund's ultimate governance body and may be held as general meetings, when addressing matters relevant to all classes, or as special meetings, when addressing matters specific to one or more classes.

b. Investment risks

In general, quotaholders are exposed to losses resulting from the fund's activities. However, Brazilian investment funds may limit quotaholders' liability to the amount of their committed capital, provided that such limitation is expressly set forth in the fund's bylaws. In such cases, the class must include the suffix "Responsabilidade Limitada" in its denomination, meaning "Limited Liability."

Investment funds are subject to inherent risks, including market risk, credit risk, liquidity risk, interest rate risk, foreign exchange risk, and operational risk, as applicable. The level and nature of these risks may vary depending on the fund's investment strategy, asset allocation, use of derivatives, and exposure to specific sectors or asset classes. There is no assurance that the fund's investment objectives will be achieved.

c. Subscription and payment of quotas

Subscriptions and payments for quotas are generally made in Brazilian currency. However, in specific cases expressly provided for in the fund's bylaws and applicable regulation, quota subscriptions may be settled through the contribution of assets or rights.

Subscriptions may be subject to minimum investment amounts, eligibility requirements, lock-up periods, and other conditions established by the fund's bylaws.

d. Financial Investment Funds ("FIFs")

FIFs may be organized as either open-ended or closed-ended condominiums.

FIFs invest primarily in national and offshore financial assets, including (i) federal government bonds, (ii) to the extent publicly offered, certain titles and securities including shares, debentures, commercial notes, promissory notes, securitization notes, subscription bonusses and receipts, (iii) derivatives, (iv) decarbonization credits ("CBIO"), and (v) crypto assets.

FIFs are classified in certain categories and specific designations under Normative Annex I to CVM Resolution 175, based on their investment strategy and portfolio allocation. The main categories and characteristics are summarized below:

- **Fixed Income:** Fixed Income FIFs must maintain at least 80% of their portfolios allocated to assets directly related to, or synthesized through derivatives, the fixed income risk factor. If the fund allocates more than 50% of its net asset value to assets or operational modalities under the responsibility of private entities or individuals, it must include the suffix "Private Credit" in its denomination.

  Fixed Income FIFs may be further classified into the following subcategories, each identified by the corresponding suffix:

  a. Short Term: must invest exclusively in low-risk fixed income assets with very short maturities and may use derivatives solely for hedging purposes;

  b. Referenced: must maintain at least 95% of its net asset value invested in assets that mirror, directly or indirectly, a reference index, and must have at least 80% of its net asset value represented, separately or cumulatively, by federal public debt securities, low credit-risk fixed income assets, or ETFs that predominantly invest in such assets. Derivatives may be used solely to hedge existing positions;

c. Simple: must be constituted as an open-ended structure, may not invest abroad, and must maintain at least 95% of its net asset value invested in federal public debt securities and low-risk fixed income instruments. Derivatives may be used exclusively for hedging purposes; and

d. External Debt: must maintain at least 80% of its net asset value invested in securities representing external debt for which the Federal Government is liable.

- **Shares:** Shares FIFs must maintain at least 67% of their net asset value invested in shares, stock deposit certificates, subscription warrants, subscription receipts, quotas of classes classified as "Shares," stock ETFs, and BDRs. If such allocation consists of shares of companies listed in a segment dedicated to the access market, formed within an organized market that ensures, by means of a contractual link, differentiated corporate governance practices, the fund must include the designation "Shares – Access Market" in its name. / Stocks Investment Funds (Fundos de Investimento em Ações, or "FIAs").

- **Foreign Exchange:** must maintain at least 80% of its portfolio allocated to assets directly related to, or synthesized through derivatives, the foreign exchange risk factor. Where a Foreign Exchange FIF allocates more than 50% of its net asset value to assets or operational modalities under the responsibility of private entities or individuals, it must include the suffix "Private Credit" in its denomination.

- **Multimarket:** Multimarket FIFs may adopt investment policies involving several risk factors, without concentration on a single factor such as fixed income, foreign exchange, or shares. These funds are not subject to issuer concentration limits, provided that this is stipulated in the fund's bylaws. If a Multimarket FIF allocates more than 50% of its net asset value to assets or operational modalities under the responsibility of private entities or individuals, it must include the suffix "Private Credit" in its denomination.
- **Incentivized Infrastructure Investment Funds (Fundos Incentivados de Investimento em Infraestrutura, or "FI-Infra"):** FI-Infra must allocate at least 85% of its reference value to assets issued under Article 2 of Law No. 12,431, covering priority infrastructure sectors and economic production intensive in research, development, and innovation, provided that a concentration limit of 20% per issuer is met. The reference value corresponds to the lower of the fund's net asset value and the average net asset value in the 180 days prior to the calculation date.

Tax Aspects

Investment Funds in Brazil do not have legal personality and, therefore, are generally not subject to taxation on income, revenues, or capital gains arising from transactions held at their portfolio level.

The Brazilian income tax, if any, arises at the level of the quotaholder. The relevant tax treatment should vary according to ***(i)*** the event that resulted in the income/gain for the quotaholder (i.e., transfer of quotas, amortization or redemption); ***(ii)*** the qualification/ residency of the quotaholder for tax purposes; and ***(iii)*** the existence of specific tax rules and regimes.

Foreign Portfolio Investors **not domiciled in an FTJ** are typically subject to a 15% withholding income tax levy upon the amortization or redemption of **FIFs** quotas.

For Foreign Portfolio Investors **domiciled in an FTJ**, the same general tax treatment applicable to Brazilian individuals would be levied:

Investment funds whose portfolio has an average term equal to or shorter than 365 days:

Applicable rate	Regressive Timeline
22.5%	Up to 6 months
20%	More than 6 months

Investment funds whose portfolio has an average term exceeding 365 days:

Applicable rate	Regressive Timeline
22.5%	Up to 180 days
20%	From 181 to 360 days
17.5%	From 361 to 720 days
15%	Over 720 days

In any case, taxable income is calculated as the positive difference, if any, between *(i)* the redemption or amortization price and *(ii)* the acquisition cost of the quota. The acquisition cost corresponds to the original subscription or purchase price, increased by any amounts previously taxed and reduced by any amounts already computed in prior amortizations. The same rationale for calculating taxable income applies across the different categories of investment funds, although in certain cases such income may be exempt or subject to zero-rate withholding income tax, provided that the specific requirements are met.

As a general rule, Brazilian quotaholders and Foreign Portfolio Investors domiciled in an FTJ are subject to mandatory semi-annual taxation on accrued gains on the last business day of May and November, regardless of whether income has actually been distributed to investors. This regime is known in Brazil as "Come-Cotas." Under this mechanism, withholding tax is levied based on the difference between the quota's net asset value on the day immediately preceding the taxation date and the acquisition cost of the quota.

The party responsible for withholding and collecting income tax on income from investment fund quotas is: (i) the fund administrator; or (ii) the institution that intermediates resources on behalf of its clients for investments in funds managed by another institution (distribuidor por conta e ordem), as provided in regulations issued by the CMN or the CVM.

Transactions carried out at the fund's portfolio level are **exempt from IOF/Securities**. However, at the investor level, investments in fund quotas are generally subject to IOF/Securities at a daily tax rate of 1% on the redemption value, although limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards.
Despite the general tax treatment applicable to investment in FIFs, investments in FIAs are subject to specific a tax treatment. Foreign Portfolio Investors **not domiciled in an FTJ** are typically subject to **10% withholding income tax** upon the amortization or redemption of FIA quotas. Accordingly, the Come-Cotas regime should not apply.

Foreign Portfolio Investors **domiciled in an FTJ** are subject to the same general tax treatment applicable to Brazilian individuals, resulting in 15% withholding income tax. These investors should not be subject to the Come-Cotas regime, provided that the FIA complies with the applicable portfolio requirements.

The IOF/Securities is currently **zero-rated** for transactions involving FIAs.

Apart from the specific treatment afforded to FIAs, investments in FI-Infra are also subject to specific tax rules. Foreign Portfolio Investors **not domiciled in an FTJ** are typically subject to **zero-rate withholding income tax** upon the amortization or redemption of FI-Infra quotas, provided that the Foreign Portfolio Investor invests in Brazilian capital and financial markets in accordance with the applicable regulatory framework (i.e., Joint Resolution 13).

The zero-rate withholding income tax should also apply to investment funds whose portfolio is 95% composed of FI-Infra (Law No. 12,431), provided that the NRI is not domiciled in an FTJ.

Foreign Portfolio Investors **domiciled in an FTJ** are subject to withholding income tax based on the regressive rates applicable to FIFs in general.

Transactions carried out at the FI-Infra's portfolio level are **exempt from IOF/Securities**. However, at the investor level, investments in fund quotas are subject to IOF/Securities at a daily tax rate of 1% on the redemption value, although limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards.

e. Receivables Investment Funds (Fundos de Investimento em Direitos Creditórios, or "FIDCs")

FIDCs may be organized as either open-ended or closed-ended condominiums.

Portfolio requirements: at least 50% of a FIDC's net asset value must be composed of credit rights, including investments in other FIDCs, without restriction as to the nature of such rights. For these purposes, "credit rights" encompasses negotiable instruments (e.g., promissory notes and bills of exchange), securities, and credit rights arising from multiple sources, including non-standardized receivables such as credit rights that are overdue and pending payment upon their assignment to the FIDC, as well as credit rights arising from public revenues of the Federal Union, the States, the Federal District, and the Municipalities.

FIDCs might provide for specific target investor restrictions depending on the portfolio composition rules and type of credit rights targeted by the FIDC.

The remaining portion of the FIDC's net asset value must be invested in securities issued by the National Treasury, the BCB, states and municipalities, credits securitized by the National Treasury, and other fixed income securities and financial assets. FIDCs are prohibited from investing in offshore assets.

FIDCs are typically structured with multiple subclasses of quotas organized by seniority and priority of distributions, commonly divided into three categories:

I. **Senior quota:** holds first priority in the distribution waterfall and cannot be subdivided into further subclasses;

II. **Mezzanine subordinated quota:** holds second priority in the distribution waterfall and may be divided into multiple subclasses; and

III. **Subordinated quota:** ranks last in the distribution waterfall and cannot be subdivided into further subclasses.

Tax Aspects

Foreign Portfolio Investors **not domiciled in an FTJ** are typically subject to 15% withholding income tax upon the amortization or redemption of FIDC quotas, provided that 67% of the FIDC's portfolio consists of credit rights, as listed below:

- credit rights and instruments representing receivables;
- securities representing receivables;
- receivables certificates and other securities representing securitization transactions, provided that they are not backed by non-standardized credit rights; and
- quotas of other FIDCs that comply with the above portfolio requirement.

Accordingly, the Come-Cotas regime should not apply, regardless of the FIDC's classification as an investment entity.

Foreign Portfolio Investors **domiciled in an FTJ** are subject to the same general tax treatment applicable to Brazilian individual, resulting in 15% withholding income tax. These investors should not be subject to the Come-Cotas regime, provided that the FIDC complies with the applicable portfolio requirements and is classified as an investment entity.

For primary subscriptions of FIDC quotas, including by financial institutions, IOF/Securities is levied at a **0.38% rate**.[112]

f. Private Equity Funds (Fundos de Investimento em Participações, or "FIPs")

FIPs are exclusively organized as closed-ended condominiums.

At least 90% of a FIP's net asset value must consist of private equity assets or assets convertible into or redeemable for equity, such as shares, subscription warrants, debentures (either convertible or simple), commercial notes, bonds, other FIP quotas, credit rights issued by investee companies, and convertible loans. Only up to 33% of a FIP's committed capital may be allocated to non-convertible debt instruments.

FIPs may invest in offshore assets, provided that such assets are of the same nature as the core assets described above.

FIPs may be further classified in the following categories:

i. **Multi-Strategy:** may invest in different types and sizes of investee companies.

ii. **Seed Capital:** under CVM regulation, a FIP class qualified as Seed Capital (Capital Semente) may invest in companies with annual gross revenue up to R$ 20,000,000 (twenty million reais) in the fiscal year prior to the first investment and not exceeding that limit in the last three fiscal years; these investees are generally initially exempt from the governance practices provided by regulation, provided that such practices should be gradually met if their revenue later exceeds such threshold.

112 - Article 32-D of RIOF.

iii. **Emerging Companies:** a FIP class qualified as Emerging Companies (Empresas Emergentes) may invest in companies with annual gross revenue up to R$ 400,000,000 (four-hundred million reais) in the fiscal year prior to the first investment and not exceeding that limit in the last three fiscal years; these investees are generally initially exempt from the governance practices provided by regulation, but must meet all governance practices within two years if they surpass the revenue limit.

iv. **Infrastructure (FIP-IE):** at least 90% of a FIP-IE's net asset value must be invested in assets issued by corporations engaged in infrastructure projects within Brazil's national territory, in any of the priority sectors, such as energy, transportation and logistics, water and basic sanitation, and the other sectors listed under Article 4 of Decree No. 11,964, dated March 26, 2024, and Article 1 of Law No. 11,478, dated May 29, 2007, as amended.

v. **Intensive Economic Production in Research, Development, and Innovation (FIP-PD&I):** at least 90% of a FIP-PD&I's net asset value must be invested in assets issued by corporations engaged in developing economic production intensive in research, development, and innovation within Brazil's national territory.

FIPs may not enter into derivative transactions, except for hedging purposes or in connection with certain put and call options over the shares of portfolio companies.

Tax Aspects

According to Law 11,312, dated June 27, 2006, a Foreign Portfolio Investor that invests in a FIP may be eligible for **zero-rate withholding income** tax on distributions made by the FIP, provided that certain requirements are met:

- the Foreign Portfolio Investor must invest in Brazilian capital and financial markets in accordance with the applicable regulatory framework (i.e., Joint Resolution 13);
- the Foreign Portfolio Investor must not be domiciled in an FTJ – the "Domicile Requirement";
- the FIP's portfolio must comply with the regulatory diversification requirements issued by the CVM; and
- the FIP must be qualified as an investment entity, as detailed below:

Under Article 23 of Law No. 14,754/23, an **investment entity** is a fund structured under a professional management structure – whether at the fund's own level or at the level of its quotaholders when organized as domestic investment funds or as offshore funds/investment vehicles – represented by agents or service providers empowered to make discretionary investment and divestment decisions, with the purpose of generating returns through capital appreciation, income, or both.

CMN Resolution No. 5,111/23 operationalizes this definition by requiring that the fund cumulatively (1) raises capital from one or more investors to allocate into one or more assets, (2) is managed on a discretionary basis by duly qualified and authorized professional agents or service providers, and (3) defines in its governing documents clear strategies for generating investor returns.

The Domicile Requirement does not apply if the quotaholder qualifies as a sovereign fund, understood as an offshore investment vehicle whose assets are composed exclusively of funds derived from the country's sovereign savings.

According to Law 11,312/06 and Law 11,478, dated May 29, 2007, an NRI that invests in a **FIP-IE** or **FIP-PD&I** in compliance with the FPI regime may be eligible for **zero-rate withholding income tax** on distributions made by the FIP, provided that the requirements listed above are met and the FIP-IE or FIP-PD&I complies with the portfolio requirements described above in items **(iv)** and **(v)**.

Foreign Portfolio Investors **domiciled in an FTJ** are subject to the same general tax treatment applicable to Brazilian individuals, resulting in 15% withholding income tax. These investors should not be subject to the Come-Cotas regime, provided that the FIP complies with the applicable portfolio requirements and is classified as an investment entity.

Transactions carried out at the fund's portfolio level are **exempt from IOF/Securities**. However, at the investor level, investments in fund quotas are subject to IOF/Securities at a daily tax rate of 1% on the redemption value, although limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards.

g. Exchange-Traded Funds (Fundo de Investimento em Índice de Mercado, or "ETFs")

ETFs are exclusively organized as open-ended condominiums.

ETFs are designed to reflect the performance of a reference index recognized by the CVM. At least 95% of an ETF's net asset value must be invested in: (i) financial assets that compose the applicable reference index; (ii) net positions in futures contracts; and/or (iii) quotas of other ETFs that reflect the variation and returns of the relevant reference index. Eligible financial assets include: (a) securities publicly offered or exempt from registration with the CVM (or registered with foreign regulators when traded abroad); (b) Brazilian federal government bonds; (c) quotas of ETFs traded abroad and registered with the applicable foreign regulator, subject to additional criteria and restrictions; and (d) other financial assets.

It is worth noting that, in international markets, ETFs may also adopt actively managed or leveraged investment strategies, rather than strictly tracking a reference index. Notwithstanding, in Brazil, the current regulatory framework is primarily designed for indextracking ETFs, and the implementation of alternative structures, such as actively managed ETFs, still requires specific regulatory developments.

In this context, the CVM has publicly indicated the need to update the regulatory framework applicable to ETFs in order to accommodate differentiated structures, including active and leveraged products, which may allow for discretionary portfolio management and strategies aimed at outperforming a benchmark, subject to the enactment of specific regulation.

As a result, the regulatory framework applicable to ETFs in Brazil is expected to evolve, and future developments may introduce additional structures, requirements, or clarifications relevant to this segment.

Tax Aspects

With respect to **Variable-Income ETFs** (ETF de Renda Variável), as set forth in Article 22 of Law No. 14,754, which are understood as those that **(i)** comply with the portfolio allocation, classification, and rebalancing requirements established by the CVM, and **(ii)** have quotas effectively traded on a stock exchange or organized over-the-counter market in Brazil:

- Foreign Portfolio Investors **not domiciled** in an FTJ are typically subject to 15% withholding income tax upon the amortization or redemption of quotas. Accordingly, the Come-Cotas regime should not apply, regardless of the Variable-Income ETF's classification as an investment entity.
- Gains arising from the disposal of **Variable-Income ETF** quotas on a Brazilian stock exchange are, in principle, **exempt from income tax in Brazil**, provided the Foreign Portfolio Investor is **not domiciled in an FTJ** and invests in the Brazilian financial and capital markets in compliance with the applicable regulatory framework (i.e., Joint Resolution 13).[113]
- Foreign Portfolio Investors **domiciled** in an FTJ are subject to the same general tax treatment applicable to Brazilian individuals, resulting in 15% withholding income tax. These investors should not be subject to the Come-Cotas regime, provided that the Variable-Income ETF complies with the applicable portfolio requirements and is classified as an investment entity.
  - Where Variable-Income ETFs do not qualify as investment entities, the Foreign Portfolio Investor should be subject to the Come-Cotas regime. Note, however, that ETFs typically qualify as investment entities given their inherent structure and professional management framework, making this scenario uncommon in practice.
  - Where Variable-Income ETFs do not comply with the applicable portfolio requirements, the regressive tax rates applicable to FIFs in general should apply.

Transactions carried out at the fund's portfolio level are **exempt from IOF/Securities**. However, at the investor level, investments in **Variable-Income ETF** quotas may be subject to IOF/Securities at a daily tax rate of 1% on the redemption value, although limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards.

113 – Article 81, paragraph 1 and 2, of Law No. 8,981/1995 and article 89, item II, of Normative Instruction No. 1,585/15.

With respect to **Fixed-Income ETFs** (ETF de Renda Fixa), the rules below apply to investment funds ***(i)*** whose quotas are admitted for trading on the secondary market managed by a stock exchange or organized over-the-counter entity, ***(ii)*** whose portfolios are composed of financial assets that seek to reflect the variations and returns of fixed income indices (Fixed Income Index Funds), and ***(iii)*** whose bylaws require that their portfolios be composed of at least 75% (seventy-five percent) of financial assets that comprise the reference fixed income index:

Foreign Portfolio Investors **not domiciled** in an FTJ are typically subject to 15% withholding income tax upon the amortization or redemption of quotas.

Foreign Portfolio Investors not domiciled in an FTJ that invest in Fixed-Income ETFs whose bylaws require that their financial asset portfolios maintain a Weighted Average Term of Portfolio Renegotiation (in Portuguese: Prazo Médio de Repactuação da Carteira – "PMRC") longer than 720 days are **exempt from income tax in Brazil**.

Foreign Portfolio Investors **domiciled** in an FTJ that invest in Fixed-Income ETFs are subject to income tax at the following rates:

Applicable rate	PMRC
25%	PMRC equal to or shorter than 180 days
20%	PMRC greater than 180 days and equal to / shorter than 720 days
15%	PMRC greater than 720 days

The IOF/Securities is currently **zero-rated** for transactions involving **Fixed-Income ETFs** in the stock exchange or OTC markets.

h. Real Estate Funds (*Fundos de Investimento Imobiliário*, or "*FIIs*")

FIIs are exclusively organized as closed-ended condominiums.

FIIs may invest in real estate or any in rem rights related thereto, including air rights and ground leases, as well as securities issued by entities mainly engaged in the real estate segment, such as publicly traded companies, mortgage-backed securities, private equity funds, receivables funds, and other FIIs.

FIIs are required to distribute at least 95% of their net profits, calculated on a cash basis, based on semiannual balance sheets for periods ending on June 30 and December 31. As a result, FIIs provide their investors with a recurring flow of proceeds.

Tax Aspects

For Foreign Portfolio Investors **not domiciled in an FTJ**, the income distributed by the FII is subject to withholding income tax at a **15% rate**.[114]

Fixed-income and variable-income investments held at the FII's portfolio level are subject to withholding income tax under the same rules applicable to Brazilian resident legal entities, except for investments in CRI, LCI, LH, and quotas of listed FIIs, which remain exempt. The withholding income tax levied at the fund's portfolio level may be offset against the tax due by the quotaholder, proportionally to its participation in the fund.

Brazilian individuals may benefit from an income tax exemption if the requirements listed in Law No. 11,033, dated December 21, 2004,[115] as amended by Law No. 14,754/23, are met, namely: ***(i)*** the FII has more than 100 quotaholders; ***(ii)*** the FII's quotas are admitted to trading exclusively on a Brazilian stock exchange or organized OTC market; ***(iii)*** the exemption is not applicable to the group of quotaholders deemed related parties that hold quotas representing 30% or more of the quotas issued by the FII or quotas that give them the right to receive more than 30% of the total income earned by the fund; and ***(iv)*** individuals must not hold more than 10% of the quotas or hold quotas that give them the right to receive more than 10% of the FII's income ("Individual Tax Exemption").

- Please note that RFB's current interpretation is that the Individual Tax Exemption should also benefit Foreign Portfolio Investors, that are individuals, even if they are domiciled in an FTJ.[116]

114 – Articles 11 and 18, of Law No. 9,249/1995.

115 – Article 3 of Law No. 11,033/04.

116 – Article 85, paragraph 4, and article 88, sole paragraph, of Normative Instruction No. 1,585/15.

There may be different interpretations regarding the applicable taxation on gains arising from the disposal of FII quotas on organized markets.

For Foreign Portfolio Investors **domiciled in an FTJ**, the income distributed by the FII and gains arising from its sale are subject to withholding income tax at a **20% rate**.[117]

Transactions carried out at the fund's portfolio level are **exempt from IOF/Securities**. However, at the investor level, investments in fund quotas are subject to IOF/Securities at a daily tax rate of 1% on the redemption value, although limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards.

FIIs that have quotaholders holding more than 25% of their quotas who are also builders, developers (*incorporadores*), or partners of the underlying real estate project are treated as legal entities for tax purposes and are therefore subject to ordinary corporate taxation.

i. Brazilian Agribusiness Funds (*Fundos de Investimento nas Cadeias Produtivas do Agronegócio*, or "*FIAGROs*")

FIAGROs may be organized as either open-ended or closed-ended condominiums.

FIAGROs invest in a wide variety of assets related to the agro-industrial production chain, including receivables certificates, real estate, in rem rights over real estate, securities, securitized assets, shares or quotas of companies, carbon credits, and CBIO.

FIAGROs are not subject to specific rules on limitation or concentration of assets in their portfolios, although they might also be subject to the regulation of other type of investments held by the FIAGRO.

117 – Article 18, item I, Law No. 8,668, dated June 25, 1993

Tax Aspects

For Foreign Portfolio Investors **not domiciled in an FTJ**, the income distributed by the FIAGRO is subject to withholding income tax at a **15% rate**.[118]

There may be different interpretations regarding the applicable taxation on gains arising from the disposal of FIAGRO quotas on organized markets.

Fixed-income and variable-income investments held at the FIAGRO's portfolio level are subject to withholding income tax under the same rules applicable to Brazilian resident legal entities, except for investments in CDA, WA, CDCA, LCA, CRA, certain CPR, and quotas of listed FIIs and FIAGROs, which remain exempt. The withholding income tax levied at the fund's portfolio level may be offset against the tax due by the quotaholder, proportionally to its participation in the fund.

For Foreign Portfolio Investors **domiciled in an FTJ**, the income distributed by the FIAGRO and/or gains arising from its sale are subject to withholding income tax at a **20% rate**.

Transactions carried out at the fund's portfolio level are **exempt from IOF/Securities**. However, at the investor level, investments in fund quotas are subject to IOF/Securities at a daily tax rate of 1% on the redemption value, although limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards.

j. Private Pension Funds (*Entidades Abertas de Previdência Complementar, or Fundos Previdenciários*)

Private Pension Funds, for the purposes of this Guide, refer exclusively to investment funds governed by Annex XI of CVM Resolution 175, constituted by open supplementary pension entities (*Entidades Abertas de Previdência Complementar – EAPC*) or insurance companies, and exclusively linked to supplementary pension plans or life insurance products with survival coverage, in accordance with Article 76 of Law No. 11,196, dated November 21, 2005, as amended.

118 – Articles 11 and 18, of Law No. 9,249/1995.

Such funds are exclusively organized as open-ended condominiums.

Private Pension Funds do not constitute a distinct regulatory category of investment funds under CVM regulations. Instead, the open supplementary pension entity or insurance company constituting the fund must define the fund's category under the applicable CVM 175 framework.

These funds are subject to CVM regulations applicable to investment funds and to the specific rules applicable to the relevant pension plan or insurance product, including regulations issued by the National Council for Private Insurances (*Conselho Nacional de Seguros Privados – CNSP*), the Superintendence of Private Insurances (*Superintendência de Seguros Privados – SUSEP*), and CMN.

CMN Resolution No. 4,993, dated March 24, 2022, as amended, provides that the assets of the Private Pension Funds must be segregated and invested by the insurance company or open supplementary pension entity through a special purpose investment fund (*fundo de investimento especialmente constituído – FIE*). Such assets may only be allocated among the following types of investments: (i) fixed income; (ii) equities; (iii) real estate; (iv) foreign exchange-linked investments; and (v) other assets, as permitted by applicable regulation.

Tax Aspects

Foreign Portfolio Investors **not domiciled in an FTJ** are typically subject to a 15% withholding income tax levy upon the amortization or redemption of investment funds' quotas, although other asset-specific tax regimes may apply depending on whether the Private Pension Funds are characterized as a type of fund subject to a separate tax treatment.

Transactions carried out at the fund's portfolio level are **exempt from IOF/Securities**. However, at the investor level, investments in fund quotas are subject to IOF/Securities at a daily tax rate of 1% on the redemption value, although limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards.

k. NRI-exclusive investment funds (Law No. 12,973/14)

Pursuant to Article 97 of Law No. 12,973/14, income, including capital gains, paid, credited, delivered, or remitted to a beneficiary resident or domiciled abroad, is **exempt from income tax in Brazil**, provided the following requirements are met:

- the fund's quotas must be held exclusively by Foreign Portfolio Investors;
- the Foreign Portfolio Investor must not be domiciled in an FTJ;
- the bylaws of the 12,973 Fund must provide that its portfolio is invested **exclusively** in: *(i)* cash deposits (depósito à vista); or *(ii)* assets subject to income tax exemption or taxed at a 0% rate in cases where the beneficiary of the income produced by such assets is a non-resident not domiciled in an FTJ. Such assets include those traded on stock exchanges, commodity exchanges, futures exchanges, and similar markets, provided that the fund trades them under the same conditions required for the tax incentive, such as the disposal of publicly traded shares on a Brazilian stock exchange, among others.

If the fund's bylaws expressly provide that only **individuals** who are Foreign Portfolio Investors may invest in the 12,973 Fund, the fund's portfolio may include investments that would be exempt if such individuals invested directly in the underlying assets, provided the relevant requirements are met. Such exempt instruments are listed in Article 3 of Law No. 11,033/04, including CRI, LCI, LH, CDA, WA, CDCA, LCA, CRA, certain CPR, and quotas of listed FIIs and FIAGROs.

DERIVATIVES

a. Concept

By operation of Law 6,385, derivatives are generally regarded as securities,[119] so the CVM, following the guidelines established by the CMN, is the competent authority to regulate and supervise transactions involving derivatives in the BFCM. Underlying assets of derivatives are restricted to prices, interest rates and market indices that are relevant to the BFCM, namely:[120]

- price or rate indices, securities indices, bond indices, interest rates, foreign exchange rates, and credit risk ratings or indices;
- prices of commodities, financial assets, and securities traded on organized exchange and over-the-counter markets, or recorded and held in FMIs authorized to operate by the BCB or the CVM; and
- other benchmarks related to relevant economic or financial variables, calculated based on prices or consistent methodologies that are verifiable.

119 – Article 2, items VII and VIII, of Law No. 6,385.

120 – Article 3, Sole Paragraph, of CMN Resolution No. 5,298, dated April 24, 2026.

b. Trading Venues

In line with the international market practice, the characteristics of local derivatives vary greatly depending on their trading venue. Local derivatives may be traded in two environments: OTC and exchange markets. The key differences between them lie primarily in the degree of contract standardization, counterparty risk, trading structure, and the level of investor protection, as further described below:

- **OTC Derivatives**

As mentioned, in the OTC market, transactions are carried out off-exchange through direct negotiation between the contracting parties without the involvement of a CCP. This allows greater flexibility in defining contractual terms—such as maturities, volumes, and reference indices—agreed upon by the parties, but also presents certain downsides, such as counterparty risk, lack of standardization and opaque price formation.

In the Brazilian OTC derivatives market, transactions are normally executed under a Master Derivative Agreement, notably following the standard set by the Brazilian Federation of Banks (Federação Brasileira de Bancos-FEBRABAN), which, to a certain extent, is the local equivalent of the ISDA Master Agreement.[121] These agreements establish uniform contractual conditions for multiple derivative transactions, including default events, early termination and close-out netting. The commercial terms of each derivative transaction are executed through confirmations which are subject to the general terms of the master agreement. After an OTC derivative is agreed upon, the parties must register the transaction with the systems of a local trade repository for regulatory reporting purposes.[122] Only intermediaries (such as brokerage firms or investment banks) that are participants of the local trade repository are authorized to perform such registration.

- **Exchange-traded Derivatives:**

The exchange-traded market is an organized and regulated environment in which derivatives are traded in a standardized manner.[123] Transactions are executed through authorized intermediaries, such as brokerage firms, and are centrally cleared by a CCP, which interposes itself between buyers and sellers and becomes the counterparty to all trades. This structure enables multilateral netting, enhances transparency through price formation based on supply and demand, and reduces counterparty credit and liquidity risks.

121 – However, there are no impediments for the parties to execute derivative transactions through a long form.
122 – Article 2, paragraph 4, of Law No. 6,385.
123 – Article 87, Sole Paragraph, of CVM Resolution No. 135, dated June 10, 2022 ("CVM Resolution 135").

The CCP is responsible for the clearing, settlement, and risk management of exchange-traded derivatives, including the calculation and administration of margin requirements. To date, the local stock exchange active in Brazil also functions as a CCP. Margins are calculated by the CCP in accordance with its internal risk models, and market participants must comply with the exchange's rules regarding procedures, margin requirements, and leverage limits. The CCP also defines and publishes the list of eligible assets that may be posted to meet the margin calls.[124] Depending on the structure of the transaction and the participant's profile, margin may be posted domestically or abroad, depending on the type of the collateral (provided that there are limitations to the percentage and nature of assets posted abroad that the CCP can accept as collateral).

The standard contractual models and any significant amendments to derivative contracts admitted to trading on the exchange must be previously approved by CVM.[125] The standard contract form of exchange-traded derivatives must include: ***(i)*** the object of the contract, the trading unit, and the quotation method; ***(ii)*** the trading, maturity, and settlement dates; ***(iii)*** the criteria for calculating settlement prices, adjustments, and margins; and ***(iv)*** the permitted settlement methods, including whether physical delivery of the underlying asset is allowed, in which case its value must be determined based on consistent and verifiable prices and methodologies.[126]

This means that, when trading derivatives in the exchange-traded market, NRIs will operate in a highly standardized environment, with limited scope for negotiating contractual terms. In return, they benefit from more robust risk-mitigation and collateral structures, provided by the relevant CCP, including multilateral netting and collateral mechanisms.

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124 – Available on the B3 website: https://www.b3.com.br/pt_br/produtos-e-servicos/compensacao-e-liquidacao/clearing/administracao-de-riscos/garantias/garantias-aceitas/

125 – Article 2 of Normative Annex II to CVM Resolution 135.

126 – Article 3, Sole Paragraph, of Normative Annex II to CVM Resolution 135.

C. Main types of derivatives

In addition, derivatives traded on the BFCM also differ in terms of their contractual structure. In general, these financial instruments may be classified into several main types, defined according to how they are traded, the rights and obligations of the parties involved, and the settlement mechanism of the contracts. Generally, local derivatives do not differ significantly from the modalities existing in the international financial markets. The main types of local derivatives include:

Forwards	Agreements in which the parties agree, at the present time, on a price for the purchase and sale of an asset on a future date. Forward contracts are traded on both the OTC and the exchange.
Futures	Standardized contracts mostly traded on an exchange. They involve setting a future price for an underlying asset, together with the undertaking by the parties to settle the difference between the agreed future price and the market price on a regular basis.
Swaps	Instruments that involve the exchange of financial cash flows between the contracting parties, such as returns or risks associated with assets and liabilities. Given their bespoke nature, swaps are mainly traded on the OTC.
Options	Instruments that grant the holder the right, but not the obligation, to buy (call) or sell (put) a specific asset on a future date at a predetermined price (the strike price), upon payment of a premium (the cost of the option). Options may be traded on exchange and OTC markets.
Exotic Derivatives	Exotic derivatives are complex financial instruments that differ from the traditional classes of derivatives referred to above, featuring specialized conditions, triggers and payoffs. Given their bespoke nature, exotic derivatives are traded on the OTC and may require a special review by the relevant organized market operator before being registered.

Another specific type of derivative transaction that merits attention are **credit derivatives**,[127] which are financial instruments used to transfer, price, and manage credit risk associated with specific reference assets or obligations, without requiring the physical or accounting transfer of such assets, thereby allowing for synthetic risk transfers. Credit derivatives contribute to market liquidity, capital relief and risk management for the party transferring the default risk of the underlying asset, while enabling financial gains for the party taking exposure to the potential default.[128]

Credit derivatives must meet a set of requirements defined by local regulations. In summary, such transactions must have their value attached to the credit risk of the underlying asset, require an initial investment lower than the notional amount, enable the transfer of risk between the transacting parties and settle on a future date. In credit derivatives, the underlying asset refers to a financial obligation arising from a transaction or security that involves counterparty credit risk.[129]

Credit derivatives may take two forms: ***(i) credit default swap (CDS)***, whereby a party agrees to pay compensation to the other party if a credit event occurs in exchange for a payment; and (ii) total return swap (TRS), which involves the exchange of the economic return of an underlying asset for an agreed interest rate, provided that the parties must terminate the transaction if a credit event occurs.

Tax aspects

Foreign Portfolio Investors **not domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are typically subject to a 10% withholding income tax on income deriving from off-exchange derivative transactions.[130]

127 – As regulated by CMN's Resolution No. 5,070, dated April 20, 2023 ("CMN Resolution 5,070").

128 – NRIs may act as counterparties assuming the risk of a credit derivative, as they qualify as professional investors under CVM Resolution No. 30, dated May 11, 2021.

129 – Article 2, item II, of CMN Resolution 5,070.

130 – Article 89, item I, of Normative Instruction No. 1,585/15.

Foreign Portfolio Investors **domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are generally subject to a **flat 15% withholding income tax** on net gains arising from derivatives transactions, whether exchange-traded or over-the-counter. Gains and losses from such transactions may be offset against each other. **Swap transactions**, however, are subject to the same regressive income tax rates applicable to fixed-income investments, as detailed below:[131]

Applicable rate	Regressive Timeline
22.5%	Up to 180 days
20%	From 181 to 360 days
17.5%	From 361 to 720 days
15%	Over 720 days

Foreign Portfolio Investors **not domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are typically **exempt from withholding income tax** on income deriving from **other derivatives transactions** carried out on stock exchanges, commodities exchanges, futures exchanges, and similar organized markets (bolsas de valores, de mercadorias, de futuros e assemelhadas).[132]

131 – Article 50 c/c Article 85, §1°, item II of Normative Instruction No. 1,585/15.

132 – Article 90, §1°, item I, of Normative Instruction No. 1,585/15.

FINANCIAL ASSETS

a. Time Deposits

Certificates of deposit (certificados de depósito bancário or "CDBs") are the primary debt instruments issued by local financial institutions[133] to raise funds through time deposits.[134] CDBs are widely used in the BFCM, largely because they may feature different economic terms to accommodate a broad range of investment strategies and investor profiles. The issuing institution has broad flexibility to determine the principal amount, the remuneration structure (which, in most cases, is indexed to the CDI Rate), the maturity date, and whether the CDB may be redeemed prior to maturity, including on a daily-liquidity basis.

In certain cases, a CDB can be transferred among investors, subject to compliance with any applicable minimum holding periods. In other cases, the institution may offer early redemption alternatives. The CDB cannot be automatically rolled over at maturity, although the investor and the issuing institution may agree to renew the investment through the issuing of a new CDB.[135]

133 – According to Article 1, Paragraph 1, of CMN Resolution 5,005, CDBs may be issued by banks (commercial, multiple-service, development, or investment banks), Caixa Econômica Federal, credit, financing and investment companies, and credit cooperatives (exclusively to their members).

134 – CDBs are regulated under Law No. 13,986, dated April 7, 2020 ("Law 13,986"), Articles 30 et seq., and CMN Resolution No. 5,005, dated March 24, 2022 ("CMN Resolution 5,005").

135 – Articles 34 and 35 of Law 13,986.

Bank Deposit Receipts (recibos de depósito bancário or "RDBs")[136] are another category of time-deposit instruments issued by financial institutions, but they offer less flexibility than CDBs. Unlike CDBs, RDBs generally do not permit early redemption, which is usually available only on an exceptional basis, subject to the agreement with the deposit-taking institution and the existence of appropriate justification. In addition, RDBs are not transferable to third parties. As a result, RDBs are considerably less common in the BFCM than CDBs.

Tax aspects

Foreign Portfolio Investors not **domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are typically subject to a 15% withholding income tax on income deriving from CDBs.

Foreign Portfolio Investors **domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are subject to regressive income tax rates based on the investment term, as detailed below:

Applicable rate	Regressive Timeline
22.5%	Up to 180 days
20%	From 181 to 360 days
17.5%	From 361 to 720 days
15%	Over 720 days

IOF/Securities is levied on securities transactions at a **daily tax rate of 1%**[137] on the redemption value. The IOF/Securities is limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards.

136 – RDBs are regulated under CMN Resolution 5,005.
137 – Article 32 of RIOF.

b. Letters of Credit (LCI/LCA)

Real estate letters of credit (letras de crédito imobiliário or "LCIs") are debt instruments issued by financial institutions to raise funds to finance the domestic real estate sector. [138] LCIs are issued in book-entry form and are freely transferable. They must be backed by an underlying pool of receivables secured by mortgages or fiduciary liens over real estate assets. LCI must also observe minimum maturities: **(i)** LCIs without indexation to a price index must have a minimum term of six (6) months; and **(ii)** LCIs with monthly indexation to a price index must have a minimum term of thirty-six (36) months.[139]

It is important to emphasize that LCIs do not constitute asset-backed securities, such as CRIs referred to above. By acquiring an LCI, the investor takes exposure to the credit risk of the issuing financial institution, rather than to the performance of the underlying receivables pool. Accordingly, payment obligations under the LCI are owed by the issuing institution regardless of the performance of the underlying receivables. Upon an event of default by the issuing financial institution, the investor has a direct claim against the institution itself but has no recourse to the underlying pool of assets that backs the LCI.

Agribusiness letters of credit (letras de crédito do agronegócio or "LCAs") function in a similar manner, but in the context of the domestic agribusiness sector. Accordingly, the receivables backing LCAs must be linked to agribusiness credit instruments issued by rural producers.[140] LCAs must also observe minimum maturities, as follows: (i) six (6) months for LCAs without indexation to a price index; and (ii) twelve (12) months for LCAs with indexation to a price index. [141]

138 – LCIs may be issued by commercial banks, multiple-service banks with real estate lending or investment portfolios, credit, financing and investment companies, credit cooperatives, real estate credit companies, savings and loan associations, mortgage companies, and Caixa Econômica Federal, pursuant to Article 8 of Circular No. 3,614, dated November 14, 2012.

139 – Article 4 of CMN Resolution No. 4,410, dated May 28, 2025.

140 – Pursuant to Articles 26 et seq. of Law No. 11,076, dated December 30, 2004.

141 – Article 2 of CMN Resolution No. 5,006, dated March 24, 2022.

Tax aspects

Foreign Portfolio Investors **not domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are typically subject to a 15% withholding income tax on income deriving from LCI and LCA.

Foreign Portfolio Investors **domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are subject to regressive income tax rates based on the investment term, as detailed below:

Applicable rate	Regressive Timeline
22.5%	Up to 180 days
20%	From 181 to 360 days
17.5%	From 361 to 720 days
15%	Over 720 days

Brazilian individuals may benefit from an income tax exemption from investments in LCI and LCA. RFB's current interpretation is that this **Individual Tax Exemption** should also benefit Foreign Portfolio Investors investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) and that are **individuals**, even if they are domiciled in an FTJ.[142]

The IOF/Securities is currently **zero rated** for transactions involving LCI / LCA.

C. Financial Notes

Financial notes (letras financeiras or "LFs") are fixed-income instruments issued by financial institutions[143] for the purpose of raising long-term funding.

142 – Article 85, paragraph 4, and article 88, sole paragraph, of Normative Instruction No. 1,585/15.

143 – LFs may be issued by multiple-service banks, commercial banks, investment banks, credit, financing and investment companies, Caixa Econômica Federal (CEF), real estate credit companies, mortgage companies, and the Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social – BNDES), pursuant to Article 2 of CMN Resolution No. 5,007, dated March 24, 2022 ("CMN Resolution 5,007").

LFs may be divided into two categories: **(i)** senior LFs, when they rank pari passu with other unsecured debt of the issuing institution; and **(ii)** subordinated LFs, when they rank junior to other unsecured debt of the issuing institution, being, as such, eligible to make up the Additional Tier 1 or Tier 2 Capital of the issuing institution. The issuance of subordinated LFs must observe an additional set of regulatory requirements.

To ensure a stable source of funding for financial institutions, LFs are subject to a set of restrictions, among which: [144]

- Minimum maturity term of: **(i)** 24 (twentyfour) months for senior LFs or **(ii)** 60 (sixty) months for subordinated LFs;
- Minimum face value of: **(i)** BRL 50,000.00 (fifty thousand reais) for senior LFs; or **(ii)** BRL 300,000.00 (three hundred thousand reais) for subordinated LFs;
- Early redemption prior to maturity is generally not permitted. Exceptionally, and only if expressly provided for in the issuance documents, early redemption or repurchase may be authorized by the BCB in limited circumstances, such as **(i)** the exercise of a call option by the issuing institution after the minimum regulatory period, **(ii)** redemption of instruments eligible to compose regulatory capital, subject to prudential approval, or **(iii)** other extraordinary situations expressly authorized by the BCB; and
- The remuneration of LFs may be structured on a fixed-rate, floating-rate, or hybrid basis.

Due to the restrictions above, especially the large minimum face value, LFs are generally targeted at institutional investors with a reasonable level of specialization in the financial market and seeking long-term investments. Although LFs qualify as a financial instrument, they may also be offered to investors through public offerings. In this event, the securities regulatory framework also applies.

144 – Articles 3 to 10 of CMN Resolution 5,007.

Tax aspects

Foreign Portfolio Investors **not domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are typically subject to a 15% withholding income tax on income deriving from Letras Financeiras.

Foreign Portfolio Investors **domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are subject to regressive income tax rates based on the investment term, as detailed below:

Applicable rate	Regressive Timeline
22.5%	Up to 180 days
20%	From 181 to 360 days
17.5%	From 361 to 720 days
15%	Over 720 days

The IOF/Securities is currently **zero rated** for transactions involving Letras Financeiras.

d. Real Estate Covered Note

Real Estate Covered Notes (letras imobiliárias garantidas or "LIG") are credit instruments issued by financial institutions and backed by a pool of the following eligible assets: **(a)** receivables arising from credit transactions directed to the real estate sector and/or secured by real estate collateral; **(b)** bonds issued by the National Treasury; **(c)** derivatives; and/or **(d)** cash proceeds from the assets included in the asset portfolio.[145]

LIG has a dual investor protection structure: **(i)** the issuing institution is liable for the origination and integrity of the assets that make up the underlying pool[146] and shall also be liable to the investor for the performance of the obligations arising from the LIG, regardless of the asset portfolio;[147] and

145 – Article 19 of CMN's Resolution No. 5,001, dated March 24, 2022 ("CMN Resolution 5,001").
146 – Articles 75 to 77 of Law 13,097.
147 – Article 63, Sole Paragraph, of Law 13,097.

(ii) the allocation of the pool of assets in a ring-fenced asset regime, which is primarily intended to satisfy the obligations arising from the LIG, under the responsibility of a fiduciary agent.[148] In addition, in the event of insolvency of the issuing institution, the assets comprising the pool shall be used exclusively for the payment of principal, interest and other charges related to the LIGs secured thereby, as well as obligations arising from derivative agreements included in the pool, administration costs and applicable tax obligations, and the fiduciary agent shall call a general meeting of investors to resolve on the administration of the pool. [149]

The issuance of LIGs is subject to specific regulatory requirements, including the following:[150]

- **Authorized issuers:** LIGs may only be issued by certain types of financial institutions, such as universal banks, commercial banks, saving banks, among others.

- **Book-entry form and registration:** LIGs must be issued exclusively in book-entry form, through registration with an authorized CSD.

- **Term:** LIGs are typically structured as medium- and long-term funding instruments. If the LIGs' principal is monthly adjustment based on a price index, the applicable legislation requires a minimum weighted average term of twenty-four (24) months.

- **Fiduciary agent:** the issuance must include a fiduciary agent, responsible for safeguarding investors' interests and monitoring certain conditions related to the LIG and the respective pool of assets.

Given its collateralized structure, its connection to the real estate market, and its typically longer-term profile, the LIG tends to be targeted at investors seeking exposure to fixed-income instruments backed by real estate assets and offering greater predictability of cash flows.

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148 – Article 70 of Law 13,097.
149 – Article 84 of Law 13,097.
150 – As provided for in CMN Resolution 5,001.

Tax aspects

Foreign Portfolio Investors **not domiciled in an FT**J and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) benefit from an income tax exemption from investments deriving in LIG.[151]

Foreign Portfolio Investors **domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are subject to a 15% withholding income tax.

IOF/Securities is levied on securities transactions at a **daily tax rate of 1%**[152] on the redemption value. The IOF/Securities is limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards.

Trading venue

As a general matter, financial assets are not regarded as securities, and therefore NRIs do not need to access local exchanges or OTC markets, nor engage a broker or custodian to acquire such instruments. Instead, financial assets are primarily offered to NRIs through local financial institutions' proprietary platforms. Accordingly, NRIs may access financial assets issued by the financial institution that owns the proprietary platform or, as the case may be, financial assets issued by other institutions.

As a regulatory requirement, financial assets must be recorded in a trade repository system, but such records serve the purpose of reporting to regulatory bodies and are not directly accessible to most investors. Still, financial assets enjoy reasonable liquidity in the domestic market. NRIs may cash out their investment in financial assets by exercising their right to redeem the title before the maturity date, provided that such condition was agreed upon at the time of issuance. NRIs may also negotiate financial assets through over-the-counter transactions intermediated by dealers.

151 – Article 93 of NI No. 1,585.

152 – Article 32 of RIOF.

Although secondary market liquidity for financial assets (especially CDBs) has increased in recent years, it remains relatively limited when compared to securities and FGBs. As a result, investors should be aware that the ability to sell financial assets prior to maturity is not guaranteed, and any such sale may be subject to a discount relative to the instrument's face value.

Associated risks

By holding financial assets, investors are primarily exposed to the credit risk of the issuing financial institution, meaning that the payment of principal and remuneration depends on the issuer's financial condition, liquidity and ability to perform its obligations. This risk profile is mitigated (although not eliminated) by the regulatory and prudential framework applicable to financial institutions in Brazil. In addition, financial assets are subject to other relevant risk factors. Holders may be exposed to liquidity risk, since early redemption may be limited or contractually restricted, and the secondary market for such instruments may be limited. As a result, investors may face difficulties in disposing of their positions prior to maturity or may be required to do so at a discount.

In this context, the Brazilian Deposit Insurance Fund (Fundo Garantidor de Créditos or "FGC") — a nonprofit private entity designed to promote the stability of the Brazilian financial system and to protect depositors and investors[153] — provides a layer of protection to holders in relation to current deposits and certain classes of financial assets. The FGC primarily operates in situations involving intervention, extrajudicial liquidation, or insolvency of financial institutions, functioning as a safety net, and plays an important role in mitigating systemic risk and preventing bank runs. NRI investments are also covered by the FGC.

FGC coverage applies to certain financial instruments issued or accepted by affiliated institutions, including demand and savings deposits, time deposits (CDBs and RDBs), and letters of credit (LCIs and LCAs), among other instruments expressly provided for by the applicable regulation.[154] Losses related to financial notes are not covered by the FGC. Coverage is limited to up to BRL 250,000 (two hundred and fifty thousand Brazilian reais) per investor in relation to a given distressed financial institution or entities pertaining to the same financial conglomerate.

153 – Article 1 of CMN Resolution No. 2,197, dated August 31, 1995.

154 – As provided for in Article 2 of CMN Resolution No. 4,222, dated May 23, 2013 ("CMN Resolution 4,222").

The aggregate coverage per investor (i.e., involving an undefined number of distressed financial institutions) is capped at BRL 1,000,000 (one million Brazilian reais) over a fouryear period.[155]

NRIs should carefully assess the nature of the financial assets selected, the scope and limits of FGC protection, and their alignment with investment objectives, bearing in mind that the FGC is a protection mechanism rather than a backstop for financial losses.

e. Repurchase Transactions

Certain financial assets – including CDBs, LCIs/CLAs, LFs and LIGs – may be used as collateral of REPO transactions, as discussed in the section "*Repurchase Transactions*" of Chapter IV above.

The Brazilian tax treatment of repurchase transactions (REPOs) entered into by NRIs will depend primarily on the nature of the underlying asset subject to the transaction.

Foreign Portfolio Investors not domiciled in an FTJ and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are subject to a 15% rate withholding income tax, although other asset-specific tax regimes may be applicable.

IOF/Securities is levied on securities transactions at a **daily tax rate of 1%**[156] on the redemption value. The IOF/Securities is limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards.

If the underlying asset benefits from a specific IOF/Securities exemption or zero-rate treatment, such as transactions involving LCI / LCA and Letras Financeiras, there would be arguments to sustain that REPO transactions would also benefit from such exemption / zero-rate treatment.

155 - Article 2, paragraphs 2 and 3, of the FGC's Bylaws, annexed to CMN Resolution 4,222.
156 - Article 32 of RIOF.

FEDERAL GOVERNMENT BONDS (FGBS)

a. Main types of FGBs

FGBs play a central role in the financing of public policies and the management of domestic public debt, while also offering investors a range of relatively lowrisk investment alternatives. FGBs differ in terms of remuneration structure, maturity schedule and interest rates, allowing investors to trade in FGBs aligned with their return expectations and risk assessment.

In this context, the main classes of FGBs are outlined below.[157]

- **Letras Financeiras do Tesouro (LFT – Tesouro Selic or "LFT"):** LFT are floating-rate, zero-coupon bonds indexed to the SELIC Rate[158], with interest and principal paid at maturity. LFT can be issued at par, at a discount, or at a premium, and have a nominal value in multiples of BRL 1,000.00.[159] LFT typically offer high liquidity and daily yield accrual;

- **Letras do Tesouro Nacional (LTN – Tesouro Prefixado or "LTN"):** LTN are FGBs focused on short-term financing, with a nominal value in multiples of BRL 1,000.00, yield defined by discount over the nominal value, and are redeemed at face value at maturity;[160] and

157 – Article 2 of Law No. 10,179/01.

158 – SELIC Rate refers to the benchmark interest rate of the Brazilian economy established by the BCB as an instrument of monetary policy.

159 – Article 3, items III, IV and V, of Decree No. 12,814, dated January 9, 2026 ("Decree 12,814").

160 – Article 2 of Decree 12,814.

- **Notas do Tesouro Nacional (NTN – Notas do Tesouro Nacional or "NTN"):** NTN are inflation-linked and fixed-rate FGBs. The effective yield may differ from the contracted rate if the investor redeems the bond prior to maturity. Within this category, the principal instruments are the following:[161]

  i. **Notas do Tesouro Nacional, B series ("NTN-B"):** NTN-B are inflation-linked FGBs indexed to the IPCA Rate[162] that pay semi-annual coupons (6% per year) and have one principal payment at maturity. The face value of NTN-B is BRL 1,000.00, and they can be issued at par, at a premium, or at a discount;[163]

  ii. **Notas do Tesouro Nacional, C series ("NTN-C"):** NTN-C are inflation-linked bonds indexed to the IGP-M Rate[164] that pay semi-annual coupons (6% or 12% per year) and have one principal payment at maturity. The nominal value of NTN-C is BRL 1,000.00.[165] NTN-C were last issued by the National Treasury in 2006, so they are only available in the secondary market; and

  iii. **Notas do Tesouro Nacional, F series ("NTN-F"):** NTN-F are fixed-rate, coupon-bearing bonds with a face value of BRL 1,000.00. They pay coupons semi-annually (10% per year, on a compound basis) and principal at maturity.[166] NTN-F maturities are over 6 years.

b. Trading venues

As mentioned previously, NRIs may trade FGBs in the following local trading venues:

- **SELIC,** an official FMI operated by the BCB that functions simultaneously as central depository, settlement system, and trading venue for all transactions involving FGBs.

161 – Article 6 of Decree 12,814.

162 – IPCA Rate (or Índice Nacional de Preços ao Consumidor Amplo) is Brazil's official inflation index, calculated and published monthly by the Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatística – IBGE).

163 – Article 7 of Decree 12,814.

164 – IGP-M Rate (or Índice Geral de Preços do Mercado) is a Brazilian wholesale price index calculated and published monthly by Fundação Getulio Vargas (FGV). Unlike the IPCA, which focuses on consumer prices, the IGP-M captures broader price movements across a set of economic sectors and production chains.

165 – Article 9 of Decree 12,814.

166 – Article 11 of Decree 12,814.

SELIC enables investors to execute transactions typically carried out in government bond markets worldwide (outright purchases, repurchase transactions, forward purchases and auction bids). Access to SELIC is restricted to local banks, broker-dealers and other regulated institutions. Therefore, NRIs seeking to trade FGBs in SELIC must engage local intermediaries to custody FGBs and submit trade orders.

- **Tesouro Direto,** a platform developed by the National Treasury in cooperation with an authorized market infrastructure provider to enable access to the government bond market for a broader retail base. Through Tesouro Direto, individual investors (including NRIs) may acquire fractional interests in FGBs, which reduces the capital outlay required to make investments. Importantly, Tesouro Direto does not offer a secondary market, although the National Treasury undertakes to redeem FGBs at a predetermined discount at any time. As with SELIC, the NRI must engage an intermediary, usually local banks or brokers, to hold the FGBs and submit orders in the Tesouro Direto environment.

C. Associated risks

FGBs are generally regarded as low credit risk instruments in the Brazilian market, as they constitute direct obligations of the Federal Government backed by the Brazilian State. In practice, the risk of default on FGBs denominated in local currency (the Real) is considered residual, given the sovereign's capacity to meet its domestic currency obligations through the exercise of monetary policy powers, including the issuance of currency by the BCB. Accordingly, a default scenario on domestically-issued FGBs would typically be associated with extreme circumstances involving a broader sovereign debt crisis or systemic financial disruption.

Notwithstanding the low credit risk profile, investors should consider other risk factors associated with FGBs, primarily **(i)** liquidity risk and **(ii)** currency risk. With respect to liquidity, although FGBs typically benefit from an active and deep secondary market, liquidity conditions may deteriorate during periods of heightened market volatility or financial stress. As to currency risk, given that FGBs are denominated in Brazilian Reais, NRIs are exposed to exchange rate fluctuations. In particular, the depreciation of the Real against the investor's reference currency may undermine returns even when the underlying instrument performs as expected.

Repurchase Transactions

FGBs may be used as collateral of REPO transactions, as discussed in the section "Repurchase Transactions" of Chapter IV above.

Tax aspects

Foreign Portfolio Investors **not domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are subject to a **zero-rate withholding income tax** on income deriving from treasury bonds.

The aforementioned tax benefit is not applicable for public bonds acquired with buyer's resale commitment.

The zero-rate withholding income tax is also applicable to non-resident exclusive investment funds with a minimum of 98% of their portfolio composed of treasury bonds. However, the zero rate is not applicable for public bonds acquired with buyer's resale commitment.[167]

Foreign Portfolio Investors **domiciled in an FTJ** and investing in the Brazilian financial and capital markets in compliance with the regulatory framework (i.e., Joint Resolution 13) are subject to regressive income tax rates based on the investment term, as detailed below:

Applicable rate	Regressive Timeline
22.5%	Up to 180 days
20%	From 181 to 360 days
17.5%	From 361 to 720 days
15%	Over 720 days

IOF/Securities is levied on securities transactions at a **daily tax rate of 1%**[168] on the redemption value. The IOF/Securities is limited to 96% of the income for redemptions occurring on the 1st (first) business day following the investment date, progressively decreasing to zero for redemptions made from the 30th (thirtieth) day of the investment date onwards.

167 – Article 1 of Law No. 11,312, dated June 27, 2006, and article 91 of Normative Instruction No. 1,585/15.
168 – Article 32 of RIOF.

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Non-resident investors guide for investing in the brazilian financial and capital markets

A guide to assist non-residents seeking to invest in the Brazilian financial and capital markets

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