8

OTHER FACTORS OF AN ECONOMIC NATURE

Single Chapter – Other matters

Brazilian Space Agency (AEB)

Basic legislation: Law 8,854, dated 2.10.1994.

Purpose: foster the development of space activities of national interest.

The AEB is a federal semi-autonomous entity connected to the Presidency of the Republic and enjoys administrative and financial autonomy, has its own assets and staff and is headquartered in and covered by the judicial jurisdiction of the Federal District.

Among other responsibilities, the AEB is charged with:
a) implementing and seeing to implementation of National Policy of Development of Space Activities, as well as proposing guidelines and implementing the activities consequent upon such Policy;
b) elaborating and updating National Space Activities Programs and their respective budget proposals;
c) fostering relations with like institutions in the country and abroad;
d) analyzing proposals and formalizing international accords and agreements in coordination with the Ministry of Foreign Relations and the Ministry of Science and Technology, with the objective of achieving cooperation in the field of space activities and monitoring execution of such cooperation;
e) stimulating participation of universities and other educational, research and development institutions in the activities of interest to space-related undertakings;
f) determining norms and issuing licenses and authorizations for performing space-related activities.

National Water Agency (ANA)

Basic legislation: Law 9,984, dated 7.17.2000.

Purpose: implement National Water Resources Policy and Coordinate the National System of Water Resources Management.

Ana is a semi-autonomous agency subject to special administration and enjoys administrative and financial autonomy. It is subordinated to the Ministry of the Environment and is headquartered in and covered by the judicial jurisdiction of the Federal District and is permitted to install units in the various administrative regions.

The activities of ANA must comply with the foundations, objectives, guidelines and instruments of National Water Resources Policy and will be carried out in cooperation with public and private organs and

entities involved in the National System of Water Resources Management.

Among other responsibilities, ANA is charged with:
a) supervising, controlling and evaluating actions and activities consequent upon compliance with federal legislation applicable to water resources;
b) issuing norms for the purpose of disciplining implementation, operation, control and evaluation of the instruments of National Water Resources Policy;
c) collecting, disciplining and investing income generated by charging for the use of water resources subject to the domain of the federal government;
d) planning and fostering measures aimed at preventing or minimizing the effects of droughts and flooding in the context of the National System of Water Resources Management, in cooperation with the central entities of the National Civil Defense System, in support of the states and municipalities;
e) fostering elaboration of studies in order to aid the federal government in investing its financial resources in works and services aimed at regularizing watercourses, allocating and distributing water and controlling water pollution, in keeping with the principles set down in water resources plans;
f) organizing, implementing and managing the National System of Information on Water Resources.

National Supplementary Health Agency (ANS)

Basic legislation: Law 9,961, dated 1.28.2000.

Purpose: Regulation, norms, control and inspection of activities that guaranty supplementary health assistance.

The ANS is a semi-autonomous agency of undetermined duration subject to a special system of administration. It is subordinated to the Ministry of Health and has its headquarters in and is covered by the judicial jurisdiction of Rio de Janeiro, with authority to act in all parts of the national territory.

Among other responsibilities, ANS is charged with:
a) proposing policies and general guidelines to the National Council of Supplementary Health for purposes of regulating the supplementary health sector;
b) determining the general characteristics of the contractual instruments used in the activities of operating companies;
c) determining criteria for the procedures of accreditation and loss of accreditation on the part of those rendering services to operating companies;

d) determining health assistance quality and coverage standards and indicators for the services performed by operating companies and for the third party services offered by operating companies;
e) issuing norms on the concepts of preexistent disease and lesions;
f) determining criteria for verifying and controlling the quality of the services offered by operating companies through private health assistance plans, independently of whether such services are offered by the companies themselves, contracted with third parties or on the basis of agreements;
g) authorizing adjustments and reviews of the financial installments of private health assistance plans, according to the general parameters and guidelines specified jointly by the Ministries of Finance and Health;
h) exercising control and evaluating aspects related to guarantied access, maintenance and quality of the services rendered directly or indirectly by the operating companies of private health assistance plans.

The National Land Transportation Agency (ANTT) and the National Waterway Transportation Agency (Antaq)

Basic legislation: Law 10,233, dated 6.5.2001 and Provisional Measure 2,201, dated 6.28,2001.

Objectives: implement – each in its respective area of responsibility – the policies formulated by the National Council of Transportation Policy Integration and by the Ministry of Transportation, and regulate and supervise service rendering activities and utilization of the transportation infrastructure, when such activities are performed by third parties.

The following are responsibilities of the ANTT:
a) railway transportation of passengers and cargo over the National Transportation System;
b) utilization of the railway infrastructure and leasing of the corresponding operational assets;
c) interstate and international highway passenger transportation;
d) highway cargo transportation;
e) utilization of the federal highway infrastructure;
f) multimodal transportation;
g) highway and railway transportation of special and hazardous cargoes.

The following are responsibilities of the Antaq:
a) river, lake, crossing, maritime support, port support, coastal and long-haul navigation;
b) organized ports;
c) private port terminals;

d) waterway transportation of special and hazardous cargoes.

National Health Inspection Agency (Anvisa)

Basic legislation: Law 9,782, dated 1.26.1999.

Purpose: foster health protection to the population based on control of the production and marketing of products and services subject to health inspection, including environments, processes, inputs and technologies related to such, as well as the control of ports, airports and borders.

Anvisa is a semi-autonomous agency of undetermined duration subject to special administration and subordinated to the Ministry of Health. It is headquartered in and subject to the judicial jurisdiction of the Federal District and is authorized to act in all parts of the National territory.

Among other responsibilities, Anvisa is charged with:
a) coordinating the National Health Inspection System;
b) determining norms, proposing, monitoring and implementing policies, guidelines and health inspection activities;
c) determining norms and standards regarding restrictions on contaminants, toxic residues, disinfectants, heavy metals and other goods that involve health risks;
d) as a health inspection measure, interdicting localities used for the manufacture, control, import, storage, distribution and sale of products and rendering of services related to the health sector, in cases of violations of pertinent legislation or imminent risk to health;
e) establishing, coordinating and monitoring systems of toxicological and pharmacological inspection;
f) monitoring and auditing state, Federal District and municipal organs and entities that are included within the National Health Inspection System, including government quality control activities operating in the health sector.

National Electric Energy Agency (Aneel)

Basic legislation: Law 9,427, dated 12.26.1996 and Decree 2,335, dated 10.6.1997.

Objective: Regulate and oversee the generation, transmission, distribution and marketing of electrical energy, according to policies and guidelines defined by the federal government. Aneel replaces the National Department of Water and Electric Energy (Dnaee).

Aneel is a semi-autonomous government agency subordinated to the Ministry of Mines and Energy and managed according to a special administrative system. It is headquartered and subject to the legal

jurisdiction of the Federal District and will remain in operation for an undetermined period of time. In the carrying out of its responsibilities, Aneel will foster coordination with the states and Federal District with the dual objective of taking full advantage of the energy output potential of the nation's waterways and achieving compatibility with national water resources policy.

Among other responsibilities, Aneel is charged with the following:
a) implementation of federal government policies and guidelines for working the nation's electric energy resources and taking advantage of its hydraulic potential;
b) carryout tender processes aimed at contracting public service concession companies responsible for the generation, transmission and distribution of electricity and grant concessions for making use of hydraulic potential;
c) formalize and manage contracts involving concessions or permissions to provide public electricity services;
d) at the administrative level, resolve any divergences that may arise among those holding concessions, permissions, authorizations, independent producers and entities that generate energy for their own use, as well as among these agents and their consumers.

National Petroleum Agency (ANP)

Basic legislation: Law 9,478, dated 8.6.1997 and Decree 2,455, dated 1.14.1998.

Objective: Foster regulation, contracting and inspection of economic activities as they are performed by the petroleum industry.

The ANP is a semi-autonomous agency subject to a special system of administration. It has its own legal personality, is governed by public law and has its own property, administrative and financial management. It is subordinated to the Ministry of Mines and Energy and will remain in operation for an undetermined period of time. The ANP is headquartered and subject to the legal jurisdiction of the Federal District. Its central offices are located in the city of Rio de Janeiro and it has authority to open regional administrative units. The ANP's responsibilities are as follows:
a) within the framework of its responsibilities, implement national petroleum and natural gas policy as expressed in national energy policy, with emphasis on ensuring the supply of petroleum derivatives to the entire national territory and protecting consumer interests as regards prices, quality and supply of these products;
b) foster studies aimed at defining geographic areas for purposes of granting concessions involving petroleum prospecting, development and production;
c) regulate execution of geological and geophysical services as applied to petroleum prospecting, with the aim of gathering technical data to be utilized for purposes of marketing on a non-exclusive basis;

d) elaborate notifications and foster tenders for the granting of prospecting, development and production concessions, while formalizing the contracts consequent upon such concessions and inspecting their execution;
e) authorize activities involving refining, processing, transportation, import and export, according to terms defined in the aforementioned policy;
f) define criteria for calculating tariffs for transportation through ducts and determine such values;
g) perform inspection activities either directly or on the basis of agreements with state and Federal District entities, involving the activities of the petroleum industry, while applying administrative and pecuniary sanctions as defined in legislation, regulations or contracts;
h) prepare processes aimed at declaring those areas required for the prospecting, development and production of petroleum and natural gas, construction of refineries, ducts and terminals to be areas of public utility for purposes of expropriation and institution of public easement;
i) see to compliance with good practices of conservation and rational utilization of petroleum, its derivatives, natural gas and preservation of the environment;
j) stimulate research and adoption of new technologies in prospecting, production, transportation, refining and processing;
l) organize and maintain information and technical data on petroleum industry activities;
m) annually consolidate information on national petroleum and natural gas reserves as transmitted by companies and take on responsibility for disseminating such information;
n) oversee the operation of the National System of Fuel Stocks and compliance with the Annual Plan of Strategic Fuel Stocks, as specified in article 4 of Law 8,176, dated 2.8.1991;
o) together with other energy sector regulatory entities coordinate questions of common interest, including for purposes of the Economic Policy National Council (CNPE) technical support;
p) regulate and authorize activities related to the national supply of fuels, overseeing such activities directly or through agreements with other entities of the federal government, states, Federal District and municipalities.

National Telecommunications Agency (Anatel)

Basic legislation: Law 9,472, dated 7.16.1997 and Decree 2,338, dated 10.7.1997.

Objective: Adopt measures required to respond adequately to public interest and to develop Brazilian telecommunications.

Anatel is a component of the indirect federal public administration subject to a special system of semi-autonomous administration and

subordinated to the Ministry of Communications. It operates as the regulatory entity of the telecommunications sector and is headquartered in the Federal District. Anatel is authorized to create regional units.

The maximum hierarchical level of Anatel is the Board of Directors. Aside from this body, it also has a consultative council, a legal staff, an investigative and disciplinary sector, a library and consumer complaints department, as well as specialized units charged with a variety of functions.

The Agency's nature as a special semi-autonomous body is characterized by administrative independence, an absence of hierarchical subordination, fixed terms and stability for its directors and financial autonomy.

The Agency acts as an independent administrative authority and is ensured of the prerogatives required to perform its responsibilities in a satisfactory manner. The organizational structure of Anatel was regulated by Decree 2,338, dated 10.7.1997.

Foreign Capital Investment and Remittances Abroad

Basic legislation: Law 4,131, dated 9.3.1962,

Summary: For the purposes of this law, foreign capital is defined as properties, machines and equipment that have entered Brazil without an initial outlay of exchange and are to be used in the output of goods and services, as well as financial or monetary resources entering the country for investment in economic activities, provided that, in both cases, such resources belong to individuals or legal entities resident, domiciled or headquartered abroad.

Notification GB-588, dated 7.26.1967

Comments: Notification GB-588 is a directive issued by the Minister of Finance (Antônio Delfim Netto) to Banco do Brasil determining that, in order to safeguard the nation's creditworthiness abroad, it should honor the foreign commitments for which public sector entities, including semi-autonomous agencies and joint-capital companies, are liable, as well as those resulting from liabilities guarantied by the National Treasury or by a government financial institution.

Notification MF-30, dated 8.29.1983

Comments: Notification MF-30 (issued by Minister Ernane Galvêas) succeeded Notification GB-588 and was issued in the period in which

the international financial community had adopted a posture of wariness with regard to the evolution of the Brazilian economy, and opted to maintain its resources on deposit at Banco Central instead of lending them to borrowers in the country. This mechanism was designed to safeguard the nation's creditworthiness abroad by determining that Banco do Brasil would normalize matured exchange commitments for which public sector entities, including semi-autonomous agencies, joint-capital companies, were liable, as well as those resulting from liabilities guarantied by the National Treasury. The origin of these resources were specific issues made by Banco Central do Brasil to Banco do Brasil at the order and risk of the National Treasury. The companies received the resources in the form of advances and had the obligation of refunding Banco do Brasil.

Notification MF-09, dated 2.2.1984

Comments: Notification MF-09 was an authorization given by the Ministry of Finance for Banco do Brasil to reactivate is operations under the terms of MF-30.

Risk Center

Basic legislation: CMN Resolution 2,390, dated 5.22.1997 and Banco Central Circulars 2,768, dated 7.16.1997, 2,938, dated 10.14.1999, and 2,977, dated 4.6.2000.

Abstract: Defines procedures for monthly remittances of client-related information for purposes of implementation of the Credit Risk Center system.

Determines that multiple banks, commercial banks, savings banks, investment banks, development banks, real estate credit companies, credit, finance and investment companies, mortgage companies, development agencies and leasing companies are to provide information to Banco Central do Brasil on the volume of debts and liabilities for client guaranties. This information is to be consolidated on a client-by-client basis in terms of debts and liabilities and will represent the first step in the process of implementation of the Credit Risk Center system. The institutions cited above will be able to consult consolidated information on the clients included in the system, provided that they have received specific authorization from the client in question. The institutions should list the amounts of the operations for which their clients are liable, including both individuals and legal entities, in amounts equal to or up to R$20,000.00 (twenty thousand reals) on the base date as well as the value of the operations for which they are liable – including those guaranties under which the clients are beneficiaries. In the case of those clients responsible for operations in amounts of less than R$20,000.00 (twenty thousand

reals) on the base date – in which identification of the client is not required – only the overall consolidated value of these operations should be notified, while the liabilities of individuals and legal entities should be specified separately.

Consumer Defense Code

Basic legislation: Law 8,078, dated 9.11.1990, and Decree 861, dated 7.9.1993.

Abstract: Defines norms on the protection and defense of consumer rights, public order and social interest, according to the terms of articles 5, indent XXXII, 170, indent V, of the Federal Constitution and article 48 of its transitory provisions.

National policy in the area of consumer relations has the objective of meeting consumer needs, ensuring respect for consumer dignity, health and safety, protecting the economic interests of consumers, improving quality of life, together with transparency and harmony in consumer relations, and is based on the following principles:

a) recognition of the vulnerability of the consumer on the consumer market;
b) government actions with the aim of providing effective protection to consumers:
   b.1) by direct initiative;
   b.2) through incentives to the creation and development of representative associations;
   b.3) through the presence of the State in the consumer market;
   b.4) by guarantying products and services with adequate standards of quality, safety, durability and performance;
c) education and information for consumers and suppliers, with respect to their rights and duties;
d) incentives to the creation of efficient means of controlling the quality and safety of products and services;
e) coercive measures aimed at eliminating abusive consumer market practices;
f) restructuring and improvement in public services;
g) constant analysis of alterations in the consumer market.

In its efforts to enforce national consumer relations policy, the public authority will have the following instruments: maintenance of free legal assistance for needy consumers; institution of the Office of the Consumer Defense Prosecutor; creation of police departments specialized in responding to the needs of consumers who have been victimized by the practice of consumer crimes; creation of Special Small Cause Courts; granting of incentives to the creation and development of Consumer Defense Associations.

Fiscal Control and Management Commission (CCF)

Basic legislation: Decree 2,773, dated 9.8.1998 and Minifaz/MPO Interministerial Directive 238, dated 9.11.1998.

Objective: Monitor and evaluate the evolution of the fiscal situation and propose measures to the State Ministers of Finance and Planning and Budget capable of ensuring that the primary result and other fiscal objective defined for each fiscal year are obtained.

The Executive Secretaries of the Ministries of Finance and Planning and Budget will preside jointly over the CCF which will also have the following members:

a) Secretary of Economic Policy;
b) Secretary of the National Treasury;
c) Secretary of Federal Revenue;
d) Secretary of the Federal Budget;
e) Secretary of Planning and Evaluation;
f) Secretary of International Affairs of the Ministry of Planning and Budget.

The CCF will monitor the budget and financial programming and other activities of the government that have the potential for generating impacts on public accounts. This monitoring will be based on indicators defined for this purpose, including systems designed to measure the fiscal result. The CCF will also suggest those measures it deems necessary to correct possible deviations in relation to the fiscal targets defined for each fiscal year.

Proposals, petitions, suggestions, procedures and any other initiatives related to the matters listed below will be subject to prior CCF examination when such have the potential for generating deviations from the targets defined for the primary result and other fiscal objectives defined for each fiscal year:

a) additional budget credits (supplementary, special and extraordinary);
b) federal tax inflow;
c) outlays on personnel and charges, including all sources of such spending;
d) National Treasury budget and financial operations, encompassing all of the institution's commitments;
e) budget and financial operations of the social security system;
f) budget and financial operations and indebtedness of the entities subordinated to federal public administration;
g) operations of federal government credit institutions and Banco Central do Brasil, when such generate a fiscal impact;
h) internal and external federal public debt, including amounts contingent upon guaranties;

i) public debt operations of the states, Federal District and municipalities and entities that are included within their respective levels of public administration;
j) expansion of the ceilings defined for foreign credit operations and the balances of previous fiscal years (Decree 2,451, dated 1.5.1998, art. 5, paragraph);
l) reduction of the limits defined in appendices I to V of Decree 2,451/1998 (Decree 2,773, dated 9.8.1998, art. 4, paragraph);
m) incentives to agriculture and exports, when such have potential for generating fiscal impacts;
n) any other matters that may have potential for generating fiscal impacts.

None of the matters above will be submitted to the deliberation of the State Ministers of Finance and Planning and Budget without a prior statement of position issued by the CCF.

Economic Defense Activities Coordinating Commission

Basic legislation: Decree (no number), dated 2.1.1991.

Objective: Coordinate, supervise and propose improvements in the integrated activities of entities of the public administration when such involve the operations of economic defense mechanisms.

The Commission is coordinated by the President of the Administrative Council of Economic Defense and composed of representatives of:
a) the National Secretariat of Economic Law;
b) the National Secretariat of Economy;
c) the Special Secretariat of Economic Policy;
d) the Executive Secretariat of the Ministry of Justice;
e) the Executive Secretariat of the Ministry of Finance;
f) the National Supply Authority.

Foreign Financing Commission (Cofiex)

Basic legislation: Decree 688, dated 11.26.1992.

Objective: Identify projects and programs apt for financing granted by international multilateral organizations and bilateral foreign government agencies. The Cofiex has the purpose of identifying bilateral projects.

Cofiex does not have its own staff since the organs and entities represented in the Commission have the responsibility of providing it with the necessary technical and administrative support, without any type of financial compensation.

The Executive Secretariat of the Commission has the task of maintaining its member informed as to the evolution of the projects thus identified as apt for foreign financing until conclusion of such projects, with the aim of facilitating resolution of possible difficulties. The Commission is empowered to indicate those cancellations and extensions that it deems required.

Currency and Credit Technical Commission (Comoc)

Basic legislation: Decree 1,304, dated 11.9.1994 (Regulations) and Law 9,069, dated 6.29.1995.

Objectives:
a) propose regulations on matters subject to the jurisdiction of the CMN;
b) based on the terms of its internal bylaws, issue statements of position on matters subject to the jurisdiction of the CMN, particularly those specified in Law 4,595, dated 12.31.1964;
c) other responsibilities attributed to it by the CMN.

Comoc is composed of the following members:
a) the Governor of Banco Central, as coordinator of the Commission;
b) the Chairman of the CVM;
c) the Executive Secretary of the Ministry of Planning and Budget;
d) the Secretary of Economic Policy of the Ministry of Finance;
e) the Banco Central Directors of International Affairs, Norms and Monetary Policy.

State Enterprise Control Committee (CCE)

Basic legislation: Decree (no number), dated 2.1.1991.

Responsibility: Achieve compatibility between sector-by-sector decisions regarding state enterprises and macroeconomic policy objectives.

The CCE is responsible for issuing guidelines and general, sector-by-sector or specific guidelines and parameters, for:
a) the setting of public prices and tariffs;
b) wages and outlays on personnel and social charges;
c) budget execution and review;
d) management of federal government assets;
e) financing and indebtedness, including with regard to the refinancing of the foreign debt;
f) other questions of pertinence to the operations of state enterprises

Federal Public Financial Institution Managerial Coordinating Committee (Comif)

Basic legislation: Decree (no number), dated 11.30.1993.

Responsibility: Deliberate on the execution of economic, financial, administrative and market policies common to federal public financial institutions.

Comif is a an entity that represents the federal government as the controlling stockholder of federal public financial institutions.

For the purposes of this decree, federal public financial institutions are understood as those directly or indirectly controlled by the federal government, as well as those controlled by them and authorized to operate by Banco Central. Aside from these institutions, other entities controlled by them will be subject to the provisions of this decree, based on an act to be issued by the Ministry of Finance.

Monetary Policy Committee (Copom)

Basic legislation: Banco Central do Brasil Circulars 2,698, dated 6.20.1996, 2,780, dated 11.13.1997, and 2,900, dated 6.24.1999 (Regulations).

Objective: Specify monetary policy guidelines, define the Selic rate target and possible biases, analyze the Inflation Report, to which Decree 3,088, dated 6.21.1999, refers and define the TBC and Tban, solely and exclusively for those contracts in effect on 3.4.1999.

Copom is composed of the following members:
a) the Governor of Banco Central do Brasil;
b) Banco Central do Brasil Directors;
c) Heads of the following Banco Central do Brasil units:
   c.1) Department of Economics (Depec);
   c.2) Department of International Reserve Operations (Depin);
   c.3) Department of Open Market Operations (Demab);
   c.4) Department of Banking Operations and Payments System (Deban);
   c.5) Research Department (Depep).

Public Service Concessions and Permissions

Basic legislation: Laws 8,987, dated 2.13.1995; Provisional Measure 890, dated 2.13.1995; Law 9,074, dated 7.7.1995; 9,277, dated 5.10.1996 (federal highways); 9,295, dated 7.19.1996 (cell telephone service); Decrees 2,195, 2,196 and

2,197, dated 4.8.1997, and Law 9,472, dated 7.16.1997.

Abstract: Deals with the system of concessions and permissions for the operation of public services as defined in article 175 of the Federal Constitution.

The following terms are defined for the purposes of this law:
a) grantor: federal government, state, Federal District or municipality holding jurisdiction over the public service in question, independently of whether it is or is not preceded by a public works project that is the subject of the concession or permission;
b) public service concession: based on a competitive tender process, delegation by the grantor of authority to a legal entity or consortium of companies that has demonstrated the required performance capacity, to provide a public service at its own risk and under its own responsibility, for a specified period of time;
c) public service permission: based on a tender process, temporary delegation of authority to provide public services, granted by the grantor to individuals or legal entities that have demonstrated the required performance capacity, at their own risk and under their own responsibility.

Economic Defense Administrative Council (Cade)

Basic legislation: Law 8,884, dated 6.11.1994.

The plenary session of Cade has the following responsibilities:
a) ensure compliance with the terms of this law and its regulations and the internal bylaws of the Council;
b) decide on the existence of violations of the economic order and impose the penalties called for in legislation;
c) decide on processes initiated by the Secretariat of Economic Law (SDE) of the Ministry of Justice;
d) decide on appeals ex-officio of the Secretary of the SDE;
e) coordinate measures that result in cessation of the violation of the economic order within the time period determined by the Council;
f) approve the terms of commitments to cease specific practice, as well as performance commitments, while ensuring that the SDE will oversee compliance;
g) deliberate, at the level of appeal, on preventive measures adopted by the SDE or by the Councilor-Rapporteur;
h) summon the parties involved in its decisions;
i) request information from any persons, organs, authorities and public or private entities, with due respect for the need for legal secrecy when such cases arise, as well as determine the measures required for performing its functions;
j) request that the federal executive branch and the authorities of the states, municipalities, Federal District and territories take those measures required for compliance with the terms of this law;

l) contract the carrying out of examinations, inspections and studies and, in each case, approve the respective professional fees and other outlays consequent upon the process, determining that such expenditures are to be made by the company should it be subjected to penalties according to the terms of this law;
m) analyze the acts or forms of conduct expressed in any form whatsoever and subject to approval on the basis of article 54, specifying a performance commitment, when this is deemed needed;
n) petition the judiciary branch to implement its decisions according to the terms of this law;
o) requisition the services and personnel of any organs and entities of the federal public sector;
p) determine that the Cade legal staff adopt administrative and judicial measures;
q) sign contracts and agreements with national organs and entities, with prior submission to the State Minister of Justice of those to be formalized with foreign or international organizations;
r) respond to consultations on matters subject to its jurisdiction;
s) instruct the public as to the types of violations of the economic order;
t) elaborate and approve its internal bylaws dealing with its operations, system of deliberation and organization of its internal services;
u) propose the structure of the staff of this semi-autonomous entity, duly complying with the terms of indent II of art. 37 of the Federal Constitution;
v) elaborate its budget proposal according to the terms of this law.

Council of Control and Financial Activities (Coaf)

Basic legislation: Law 9,613, dated 3.3.1998.

Objective: Discipline, apply administrative sanctions, receive, examine and identify occurrences in which there is suspicion of the illicit activities specified in Law 9,613, without detriment to the jurisdiction of other organs and entities.

Components: Coaf will be composed of civil servants of good repute and recognized competence, designated by the State Minister of Finance, from the staff of Banco Central do Brasil, the Securities and Exchange Commission, the Private Insurance Authority, the Legal Staff of the National Treasury, the Secretariat of Federal Revenue, the intelligence entity of the executive branch, the Federal Police Department and the Ministry of External Relations. In the latter three cases, the members will be indicated by the respective Ministers of State. The Chairman of the Council will named by the President of the Republic based on the indication of the State Minister of Finance.

Coaf is subordinated to the Ministry of Finance and is charged with coordinating and proposing systems of cooperation and information exchanges that make it possible to take rapid and efficient measures aimed at combating the concealment or dissimulation of properties, rights and values. Aside from this, it will inform the proper authorities as to the initiation of suitable proceedings when it comes to the conclusion that the crimes foreseen in Law 9,613 have been committed, or that there are well-founded indications of the practice of such crimes or of any other illicit acts.

Appeals against the decisions of Coaf regarding the application of administrative penalties are to be submitted to the State Minister of Finance.

National Monetary Council (CMN)

Basic legislation: Laws 4,595, dated 12.31.1964 and 8,646, dated 4.7.1993; Decree 1,307, dated 11.9.1994; Law 9,069, dated 6.29.1995.

Objective: Formulate currency and credit policy with the objective of ensuring currency stability and the economic and social development of the country.

Components: Minister of Finance, Minister of Planning and Budget and Governor of Banco Central.

The Council deliberates on the basis of resolutions adopted by majority vote while, in cases of urgency or relevant interest, the President of the Council has the prerogative of deliberating ad referendum of the other members. In those cases in which the President deliberates ad referendum of the other members, the President will submit the decision to the consideration of the full Council at the first meeting subsequent to that decision.

The President of the Council may invite Ministers of State, as well as representatives of private and public entities to participate in its meeting, though such participants will not be entitled to vote.

The Council will meet in ordinary session once a month and, extraordinarily, whenever convoked by the President. Banco Central shall act as the executive secretariat of the Council.

Banco do Brasil Operating Account

Basic legislation: CMN Resolutions 1,090, dated 1.31.1986 and 1,091, dated 2.20.1986; CMN Vote 45, dated 1.30.1986, and Decree Law 2,376, dated 11.25.1987.

Comments: The Banco do Brasil operating account was created in 1965 with the purpose of recording the institution's operations as Banco Central's financing agent. Gradually, this account came to be used as an automatic source of funding for Banco do Brasil which, at that time, was also considered as a monetary authority, together with Banco Central. The purpose of this system was to make it possible to implement government credit policy and other federal government operations without setting such resources aside beforehand.

All of the norms specified above were issued for the purpose of introducing the procedures to be followed in order to abolish the Banco do Brasil "operating account". CMN Resolution 1,090/1986 determined that, as of January 1986, SCI, APE and Savings Banks should set aside a compulsory reserve at Banco Central. CMN Resolution 1,091/1986 determined that, as of 2.28.1986, the balances in voluntary deposit accounts in the names of commercial banks and savings banks at Banco do Brasil were to be transferred to Banco Central. Finally, Decree Law 2,376/1987 specified that credits and debits of any nature whatsoever between the National Treasury and Banco Central or Banco do Brasil S.A. would be effected and liquidated through compensation in the amounts in effect on 12.31.1987, with monetary indexing, including interest and other charges due up to that date. Liquidation of the debt balances was to be effected on a cash basis in January 1988.

National Treasury Operating Account

Basic legislation: Normative Instruction 4, dated 7.31.1998, issued by the National Treasury Secretariat, and Provisional Measure 1,963-19, dated 5.26.2000.

Objective: The National Treasury operating account is maintained at Banco Central do Brasil and has the objective of receiving inflows of federal government financial resources to be utilized by the Management Units (UG) of the federal direct and indirect administration and other entities included in the Federal Government Integrated System of Financial Management (Siafi), in the on-line modality.

The National Treasury Operating Account represents unification of all the type "A" bank accounts at Banco do Brasil S/A held by the Management Units that participate in Siafi in the on-line modality.

The National Treasury operating account is operated by Banco do Brasil S/A or, exceptionally, by other financing agents duly authorized by the Ministry of Finance.

Utilization of operating account resources is effected through the use of Bank Orders (OB), Electronic Money Orders (DE), Electronic

GRPS, System Notes (NS) or Accounting Notes (NL), depending on the purpose of each operation.

On a daily basis, Siafi consolidates the bank orders issued according to their respective purposes. All of the Management Units that are included within the operating account and that collect federal revenues are obligated to utilize the Electronic Money Order system.

Release of Federal Government Resources Entitlements (DRU)

Basic legislation: Constitutional Amendment 27, dated 3.21.2000.

Objective: The DRU is the successor to the FEF and consists of a mechanism created to reduce the degree of budget and financial rigidity and, without generating additional federal government debt and make it possible to reallocate funding into the financing of outlays that cannot be reduced. The program is a component of a constitutional amendment that stated that 20% of the federal government tax and social contribution inflow, including both those already instituted and others that may come to be instituted, plus additional amounts and legal additions, will be classified as nonearmarked to any organ, fund or expenditure heading. Differently from the Fiscal Stability Fund, the DRU is also applicable to Private Sector Social Security Contributions (INSS) and does not impact the resources legally reserved to the states and municipalities.

Compulsory Loans on Vehicles and Fuel

Basic legislation: Decree Law 2,288, dated 7.23.1986; Law 7,862, dated 10.30.1989 and Federal Senate Resolution 50, dated 10.9.1995.

Comments: Decree Law 2,288/1986, which created the National Development Fund, also instituted a compulsory loan designed to complement the Economic Stabilization Program instituted by Decree Law 2,284, dated 3.10.1986 (Cruzado Plan). The loan was instituted with the objective of temporarily absorbing excess purchasing power.

The compulsory loan was imposed on consumers of gasoline or alcohol for automotive vehicles, as well as those acquiring passenger cars or utility vehicles. The value of the loan was defined as follows:

a) 28% of the value of gasoline and fuel alcohol consumed;
b) 30% of the acquisition price of new vehicles and those manufactured up to one year previously;
c) 20% of the acquisition price of vehicles of more than one year of age and up to two years of age;
d) 10% of the acquisition price of vehicles of more than two years of age and up to four years of age.

This Decree Law determined that the loan would be charged in the period from 7.24.1986 up to 12.31.1989. The amounts involved were set aside at Banco Central with redemption on the final day of the third year subsequent to deposit. Payment was to be effected in quotas of the National Development Fund. The loan on vehicle acquisitions was to pay interest at the same rate as savings accounts.

In 1995, the Federal Supreme Court determined that levying of the compulsory loan on vehicle acquisitions was unconstitutional. As regard levying of the loan, suspension of implementation of the provisions of Decree Law 2,288/1986 was published in Federal Senate Resolution 50, dated 10.9.1995.

State and Municipal Indebtedness - Rolling of State and Municipal Debts

Basic legislation: Law 9,496, dated 9.11.1997; CMN Resolutions 2,443 and 2,444, dated 11.14.1997; Federal Senate Resolution 78, dated 7.1.1998 (Revokes Federal Senate Resolutions 69 and 70/1995, 19/1996 and 12/1997).

Comments: Law 9,496/1997 defines criteria for federal government consolidation, assumption and refinancing of public security debts and other debts specified therein that are liabilities of the states and Federal District.

In the context of such measures and in the framework of Parafe, the Federal Government is authorized up to June 30, 1997:

a) to assume the public security debts of the states and Federal District and, at the exclusive discretion of the Federal Executive Branch, other liabilities consequent upon internal and external credit operations;
b) to assume loans contracted with the CEF by the states and Federal District based on the terms of Federal Senate Resolution 70, dated 12.5.1995;
c) at the exclusive discretion of the Ministry of Finance, to offset the credits thus assumed with net, certain and callable contractual credits held by the states and Federal District against the Federal Government;
d) to refinance credits consequent upon the assumption cited in item a) with the use of credits in the name of the Federal Government against the states and Federal District, such credits being issued at the exclusive discretion of the Ministry of Finance.

Resolutions 2,443 and 2,444 imposed specific conditions on credits granted to the public sector.

State and Municipal Indebtedness - Consolidated Debt Limits

Basic legislation: Federal Senate Resolution 40, dated 12.20.2001.

Comments: Federal Senate Resolution 40 determines that, at the end of the fifteenth fiscal year as of the end of the year of publication of this instrument (or, in other words, at the end of 2016) the net consolidated debt of the states, Federal District and municipalities may not exceed:

a) in the case of the states and Federal District: 2 (two) times net current revenues;
b) in the case of the municipalities; 1.2 (one and two tenths) times net current revenues.

Any amounts in excess of these limits should be reduced at a proportion of at least 1/15 (one fifteenth) in each fiscal year.

State and Municipal Indebtedness - Internal and External Credit Operations

Basic legislation: Federal Senate Resolution 43, dated 12.20.2001.

Comments: Federal Senate Resolution 43 treats of the internal and external credit operations of the states, Federal District and municipalities, including the granting of guaranties, their limits and the conditions covering authorization.

Among the measures adopted, these two levels of government are not permitted to carry out the following operations:

a) anticipated receiving of amounts from companies in which the public authority directly or indirectly holds a majority voting stock position, with the sole exception of profits and dividends paid according to the terms of legislation;
b) direct assumption of commitments, acknowledgement of debt or like operations, with suppliers of goods, merchandise or services, through issue, acceptance or endorsement of credit securities, stressing that this prohibition does not apply to dependent state enterprises;
c) assumption of liabilities with suppliers for a posteriori payment of goods and services, without the necessary budget authorization;
d) formalization of credit operations that constitute violations of refinancing agreements signed with the Federal Government;
e) granting of any subsidy or exemption, reduction of the calculation base, granting of presumed credit, incentives, amnesties, remissions, rate reductions and any other tax, fiscal or financial benefits, that may conflict with provisions of the Federal Constitution.

Micro and Small Business Statutes

Basic legislation: Law 9,841, dated 10.5.1999, and Decree 3,474, dated 5.19.2000 (regulations).

Objective: This legislation ensures that micro and small scale companies are entitled to differentiated and simplified legal treatment in the administrative, tax, social security, labor, credit and business development sectors, as determined in Law 9,317, dated 12.5.1996, which instituted the Simples.

The simplified legal treatment called for in this law has the objective of facilitating the constitution and operation of micro and small scale businesses, so as to enable them to strengthen their participation in the process of economic and social development.

According to the terms of this law:

a) a microbusiness is understood as a legal entity and individual commercial firm that has annual gross revenues equal to or less than R$244,000 (two hundred and forty four thousand reals);
b) a small scale company is understood as a legal entity and individual commercial firm not classified as a microbusiness and that has gross annual revenues of more than R$244,000.00 (two hundred and forty four thousand reals) and equal to or less than R$1,200,000.00 (one million two hundred thousand reals).

Job Generation - Temporary Labor Contract

Basic legislation: Law 9,601, dated 1.21.1998, and Decree 2,490, dated 2.4.1998.

Objective: Allow labor conventions and collective agreements to introduce the concept of the temporary labor contract, as specified in article 443 of CLT, independently of the conditions defined in paragraph 2 of that article and in any area of activity developed by the company or institution in question.

Hirings may only be effected when they represent additions to staff and are prohibited for purposes of substituting regular and permanent personnel contracted for an undetermined period of time. At the most, these contracts will have two years duration and within this parameter may be renewed successively. The temporary labor contract may be succeeded by a contract for an undetermined period of time and may not be rescinded prior to termination of the period stipulated by the parties involved.

During the validity of a temporary labor contract, provisional stability is granted to pregnant women; labor union leaders and their possible replacements; employees elected to positions on the board, internal accident prevention commissions and workers who have suffered

labor accidents, according to the terms of article 118 of Law 8,213, dated 7.24.1991.

In this type of hiring and as of the date of publication of Law 9,601, companies are permitted to reduce their social contributions to Industry Social Service (Sesi), Commerce Social Service (Sesc), Transport Social Service (Sest), National Commercial Training Service (Senac), National Transport Training Service (Senat), Supporting Service for Small-scale Companies and Microbusinesses (Sebrae) and National Institute of Colonization and Land Reform (Incra), as well as the education wage and insurance financing rates for work accidents by 50% of the level in effect on 1.1.1996. The FGTS rate dealt with in Law 8,036, dated 5.11.1990, is also reduced to 2%. However, this reduction will be ensured provided that, at the time of the hiring, the employer is not in default with the INSS or FGTS.

Establishments with a half-yearly average of up to 49 employees are permitted to effect temporary hirings of up to half of their staff. When the number of employees is between 50 and 199, they are permitted to increase their workforce by an additional 35% in temporary personnel, plus 24.5 for the first 49 workers. When the company has more than 200 employees, it is allowed to effect temporary hirings equivalent to 20% of the total number over and above 199, plus an additional 77 for the first 199 employees.

As of the date of publication of Law 9,601, those companies that increase their staffs in relation to the monthly average size of their workforce in the period under consideration will be given preference in the contracting of funding in the framework of the programs implemented by federal credit institutions, particularly the BNDES.

On the basis of conventions or collective labor agreements, the company may be dispensed from the payment of overtime, if the overtime hours are compensated for within a period of up to four months.

Noncompliance with any of the requirements specified in Law 9,601 and Decree 2,490 voids the temporary labor contract which, from that point forward, generates the effects of a labor contract with undetermined duration.

Job Generation – Job and Income Generation Guaranty Fund (Funproger)

Basic legislation: Provisional Measure 1,922, dated 10.5.1999.

Objective: Funproger is, by its nature, an accounting instrument subordinated to the Ministry of Labor and Employment and managed by Banco do Brasil. It has the purpose of guarantying part of the risk of the financing granted by federal government financial institutions

either directly or through other financial institutions, within the framework of the Proger, Urban Sector.

The resources of Funproger are as follows:
a) The amount that originates in the difference between application of the Selic reference rate and the TJLP, in the earnings of the available balances of special FAT deposits at federal government financial institutions, set aside for Proger financing and not yet released to the final borrowers of the financing, up to the limit of R$50,000,000.00 (fifty million reals);
b) revenues consequent upon the charging of commissions for the granting of guaranties;
c) earnings on its available funding by Fund management;
d) recovery of credits of operations honored that were guarantied with Fund resources;
e) other resources channeled to such operations.

The balance in each fiscal year will be transferred to the following fiscal year and credited to Funproger. The Fund's available resources will be invested at Banco do Brasil S.A., which will guaranty the same rate applied to available FAT funding in the BB Fund - Extramarket FAT/Funcafé/FNDE.

Job Generation – Part-time Work

Basic legislation: Provisional Measure 1,709, dated 8.6.1998.

Characteristics: Part-time work is that which does not surpass a total of twenty five hours per week.

The wages of part-time employees will be proportional to the ratio between their weekly work schedule and that of full-time workers who perform the same functions; part-time workers are not permitted to work overtime and are entitled to vacation for each 12 month period of their work contract, in the following proportions:
a) eighteen days, for weekly work schedules of more than twenty two hours and up to twenty five hours;
b) sixteen days, for weekly work schedules of more than twenty hours and up to twenty two hours;
c) fourteen days, for weekly work schedules of more than fifteen hours and up to twenty hours;
d) twelve days, for weekly work schedules of more than ten hours and up to fifteen hours;
e) ten days, for weekly work schedules of more than five hours and up to ten hours;
f) eight days, for weekly work schedules equal to or less than five hours.

The norms specified in consolidated labor legislation (CLT) are applicable to part-time workers in that which does not conflict with the provisions of Provisional Measure 1,709, dated 8.6.1998.

National Social Security Institute (INSS)

Basic legislation: Law 8,029, dated 4.12.1990.

Comments: This law merged the Institute of Social Security and Assistance Administration (Iapas) and the National Institute of Social Security (INPS), creating the INSS as a federal semi-autonomous entity.

The INSS will have up to seven regional offices in localities to be defined by decree on the basis of the current division of the nation's territory into economic macroregions, as adopted by the IBGE for statistical purposes. These offices will be managed by superintendents designated by the President of the Republic.

"Laundering" or Concealment of Properties, Rights and Valuables

Basic legislation: Law 9,613, dated 3.3.1998.

Abstract: Deals with the crimes of "laundering" or concealing properties, rights and values; prevention of utilization of the financial system for the illicit ends specified in this law; creates the Coaf.

Comment: The law specifies prison terms of three to ten years plus fines:

a) for those who conceal or dissemble the nature, origin, location, destination, operation or proprietorship of properties, rights or valuables that originate directly or indirectly in criminal activities:
   - a.1) involving the illicit trafficking of narcotic substances or similar drugs;
   - a.2) involving terrorism;
   - a.3) involving smuggling or trafficking of weapons, ammunition or other goods to be used in the production of the same;
   - a.4) involving extortion through kidnapping;
   - a.5) against the public administration, including the direct or indirect demanding for oneself or for others of any advantage, as a condition or price for the practice or omission of administrative acts;
   - a.6) against the national financial system and practiced by a criminal organization;

b) for those who, for purposes of concealing or dissembling utilization of properties, rights or valuables that originate in any of the crimes cited above, take steps to:
   - b.1) convert them into illicit assets;

b.2) acquire, receive, exchange, negotiate, give or receive them as guaranties, for purposes of custody, or hold them on deposit, transact with them or transfer them;
b.3) import and export goods with values that do not correspond to their true values;

c) for those who, utilizing properties, rights or valuables in economic or financial activities when they are aware that such items originated in the criminal activities stated above;
d) for those who participate in groups, associations or offices, when they are aware that the principal or secondary activities of such are directed into the practice of the crimes specified in Law 9,613.

The punishment will be increased by one to two thirds in the case of illicit trafficking of narcotic substances or other similar drugs, terrorism, smuggling or trafficking of arms, ammunition or material to be used in their production and extortion through kidnapping, if the crime is committed habitually or through a criminal organization. However, the punishment will be reduced by one to two thirds and will be served from the beginning on a parole basis, or the judge may refrain from applying such punishment or substitute the penalty of denying one's freedom, if the author or co-author of the crime in question or participant in the same spontaneously collaborates with the authorities, providing clarifications that lead to a successful investigation of the crimes and their authorship or the location of the properties, rights or valuables that were the objective of the crime.

Corporate Law

Basic legislation: Laws 6,404, dated 12.15.1976, and 9,457, dated 5.5.1997, 10,303, dated 10.31.2001 and Provisional Measure 8, dated 10.31.2001.

Abstract: Deals with companies and corporations that have the principal characteristic of having their capital divided into shares, while the liability of the partners or shareholders is limited to the issue price of the shares to which they have subscribed or have acquired.

Budget Guidelines Law (LDO)

Basic legislation: Ordinary law approved annually by the National Congress.

Comments: The law defines federal government budget guidelines for the fiscal year subsequent to that in which the law is approved and encompasses: the priorities and goals of the federal public administration; budget organization and structure; general guidelines for elaboration of federal government budgets and their alterations; provisions on the federal public debt; provisions on federal government outlays on personnel and social charges; policy governing investment

of the resources of agencies charged with financing development projects; and provisions on alterations in federal government tax legislation. The guidelines for elaboration of the federal government budget for the 2002 fiscal year were approved by Law 10,266, dated 7.24.2001.

Patent Law

Basic legislation: Law 9,279, dated 5.14.1996.

Comment: Regulates rights and obligations related to industrial property.

With this law, Brazil moved into a position that is in keeping with the guidelines of the World Trade Organization and has taken its place in the international globalized trade scenario. With this measure, products such as foodstuffs, medicines, chemical and biotechnological products may be patented. The law defined a transitory provision – pipeline – that guaranties the charging of royalties for patented products that are not yet on the market.

Fiscal Accountability Law

Basic legislation: Complementary Law 101, dated 5.4.2000, and Law 10,028, dated 10.19.2000.

Comments: The objective of the Fiscal Accountability Law is to create a fiscal-disciplinary system based on mechanisms designed to control both debt and public spending levels, together with coercive and corrective norms aimed at resolving any fiscal problems that may be found to exist. Basically, it is a code of conduct for public sector administrators across the country and encompasses the three branches of government (executive, legislative and judiciary) at all three levels (federal, state and municipal).

The law imposes limits on outlays on personnel and public sector indebtedness; determines that targets are to be set for revenue and expenditure control; establishes that no government authority may create continuous expenditures or, in other words, spending programs with duration of more than two years, without indicating the corresponding source of revenues or reducing already existent spending; and defines additional mechanisms for controlling public finances in election years.

Outlays on personnel are distributed as follows:

a) for the federal government, the ceilings on personnel outlays (50% of net current revenues) are as follows:
   a.1) 2.5% for the legislative branch, including the Budget Court;
   a.2) 6% for the Judiciary Branch;

a.3) 0.6% for the Federal Prosecutor's Office;
a.4) 3% for current expenditures of the Federal District and territories;
a.5) 37.9% for the Executive Branch;

b) for state governments, the ceilings on personnel outlays (60% of net current revenues) are as follows:
b.1) 3% for the legislative branch, including the Budget Court;
b.2) 6% for the judiciary branch;
b.3) 2% for the State Prosecutor's Office;
b.4) 49% for the other personnel outlays of the Executive Branch;

c) for municipalities, the ceilings on personnel outlays (60% of net current revenues) are as follows:
c.1) 6% for the Legislative Branch, including the Budget Courts;
c.2) 54% for the Executive Branch.

The Fiscal Responsibility Law revoked Complementary Law 96, dated 5.31.1999, known as the Rita Camata Law II, which had already imposed limits on personnel expenditures.

Should the governing authority exceed the personnel spending limits thus established, that authority will have a period of eight months in which to bring accounts into line with the terms of the law. Once this period has passed and if the necessary corrections have not yet been made, penalties will be applied. As of the date on which it went into effect (5.5.2000), the law provided for a transition period in which excess outlays on personnel could be eliminated over a two year period with at least 50% of the excess being eliminated in each of those years.

The President of the Republic is to submit to the National Congress a proposal regarding the overall limits on the consolidated federal, state and municipal debt, together with a bill that defines the limits for the total federal securities debt. These limits are to be defined in terms of percentages of the net current revenues of each sphere of government. For purposes of verifying compliance with such limits, the total value of the consolidated debt will be calculated at the end of each four month period. Should the debt exceed the established limit at the end of a specific period, it will have to be brought into line by the end of the three following four month periods, with a reduction of at least 25% of the excess in the first four month period. Should the excess continue to exist, the public administration will be prohibited from contracting any new credit operations.

The Fiscal Accountability Law determines that three-year fiscal targets are to be defined, thus making it possible for the government to plan its revenues and expenditures and introduce the required course corrections that may be required over time. With these guidelines, it is easier to maintain society informed as to government finances, since clear information will be available on what is being done and how that is being done in order to comply with the established targets.

The law contains additional restrictions aimed at controlling public accounts in election years. Among these items, the following deserve mention:

a) the contracting of operations involving ARO to be used to offset cash flow insufficiencies during the fiscal year is prohibited;
b) the government is prohibited from contracting spending that cannot be paid off in the same year. Outlays may only be transferred to the following year if the required financial resources are readily available;
c) any and all acts that generate expenditure increases on personnel in the legislative and executive branches are strictly forbidden in the 180 days prior to the end of a legislature or the term of office of the head of the executive branch.

According to the Fiscal Accountability Law, each governing authority will be obligated to publish the Fiscal Management Report every four months. In simple and objective language, this report is to present the accounts of the federal government, states, Federal District, municipalities, Office of the Public Prosecutor and legislative and judiciary branches of government at all levels. In this way, the individual citizen will be able to access these accounts with the objective of aiding in ensuring effective management of public monies. Aside from this, every two months, each governing authority will be obligated to publish simplified balances sheets of the finances under his/her authority, with the objective of enhancing the transparency of public spending management, increasing the effectiveness of control mechanisms and punishing those governing authorities who do not perform their functions correctly.

The governing authority who does not comply with the requirements of the law will be subject to the institutional sanctions specified in the law itself and defined in the legislation on Crimes of Fiscal Accountability (loss of position, prohibition from occupying public sector positions, payment of fines and even prison).

According to the terms of the law, the granting of new debt financing and refinancing among the federal government, states and municipalities is strictly forbidden.

With issue of Law 10,28, dated 10.19.2000, the penalties to be applied in case of crimes against public finance (called for in the Fiscal Accountability Law) are defined.

White Collar Law

Basic legislation: Law 7,492, dated 6.16.1986 and CMN Resolution 1,996, dated 6.30.1993.

Comments: defines crimes against the national financial system. The crimes specified in the law are as follows:

a) print, reproduce or, in any way whatsoever, manufacture or put into circulation certificates, warrants or other documents representative of stocks or bonds without the written authorization of the issuing entity;
b) dissemination of false or detrimentally incomplete information on a financial institution;
c) fraudulent operation of a financial institution;
d) appropriation of monies, securities, valuables or any other moveable goods in one's possession or diversion of same to one's own benefit or that of third parties;
e) induce a partner, investor or appropriate government office into error regarding a financial operation or situation by denying information or providing false information;
f) in conflict with the terms of the law, demand interest, commissions or any other type of earnings on credit or insurance operations, or management of mutual funds or group buyer associations;
g) defraud inspection activities or investors;
h) insert false items or omit items required by legislation from the accounting statements of financial institutions;
i) maintain or operate resources or securities parallel to the accounting required by legislation;
j) in the case of former administrators of financial institutions, fail to submit information, declarations or documents for which that person is responsible to the parties responsible for intervention in that institution, liquidators or receivers;
l) divert goods covered by a declaration of inalienability as a result of intervention, extrajudicial liquidation or bankruptcy of the financial institution;
m) submit a false credit declaration or grievance or include false or simulated securities in processes of extrajudicial liquidation or bankruptcy of a financial institution;
n) false statements of position on the part of those responsible for interventions, liquidators or receivers with respect to matters related to the intervention, extrajudicial liquidation or bankruptcy of the financial institution;
o) operate a financial institution without due authorization;
p) violate the secrecy of and operation or service rendered by a financial institution;
q) obtain financing from a financial institution by fraudulent means;
r) utilize the resources generated by financing granted by a government financial institution for purposes other than those specified in law or the contract covering the credit operation;
s) utilize false identification for oneself or a third party in order to perform an exchange operation;
t) carry out unauthorized exchange operations with the purpose of removing resources from the country.

Penalties varying from one to twelve years imprisonment and fines are specified for the crimes listed above.

Rent Law

Basic legislation: Law 8,245, dated 10.18.1991.

Abstract: Deals with urban real estate rentals and the procedures related to same.

Law 8,245/1991 determines that the following items continue subject to the regulations specified in the civil code and special legislation:
a) rentals of real estate belonging to the federal government, states and municipalities; of independent garage space and vehicle parking spaces; of spaces reserved for advertising; of apartment-hotels, residence hotels or like entities;
b) leasing operations of any type whatsoever.

This law contains specific sections on rentals in general, subrentals, the duties of the lessee and lessor, preference rights, improvements introduced, rental guaranties, criminal and civil penalties, seasonal rentals, nonresidential rentals, evictions, rental consignment suits, rent review suits and renewal suits.

Kandir Law

Basic legislation: Complementary Law 87, dated 9.13.1996, and 102, dated 7.11.2000; Provisional Measure 1,816, dated 3.18.1999 (converted into Law 10,195, dated 2.14.2001); Interministerial Directives 213, dated 9.2.1997; 248, dated 9.26.1997, and 336, dated 12.15.1997.

Comments: Complementary Law 87, dated 9.13.1996, exempted exports of semimanufactured goods and primary products from the ICMS, eliminating the cumulative nature of taxation on these goods by calling for constitution of credits referring to purchases of capital goods, consumption of goods and electricity. The law also requires refunding of possible tax collection losses at the level of the state over a period from six to ten years. In the case of losses of up to 10%, the state will be entitled to refunding for six years. With every two percentage point increase in tax losses, the refunding period will be increased by an additional year up to a maximum of ten years. The value of the refunding was estimated at R$3.6 billion for the 1997 fiscal year and R$4.4 billion for the 1998 fiscal year and the following years (calculated at average prices for the period from July 1995 to June 1996). It was determined that the National Treasury would make advances to the states during the 1996 fiscal year in a total amount of R$500 million, which were released in the month of October. This amount will be deducted from the first 12 installments. The value of these funds is to be updated by the IGP-DI. Already matured and unpaid debts with the federal government as well as those scheduled to mature in the month following that in which the

resources are to be delivered to the state will be deducted from the resources to be transferred to the states. The remaining balance, should one still exist, will be credited in cash. The law states that, as a condition for compensating losses, the volume of transfers will depend on the state's inflow performance. In this way, the states with the best tax management will be rewarded. The purpose of this measure is to introduce parameters of efficiency and discourage attitudes that could result in less collection efforts as a result of the transfers from the federal government. In any case, the total effect on inflow will depend on the impact of elimination of the ICMS on productive investments and, indirectly, on the level of economic activity.

Complementary Law 102, dated 7.11.2000, altered the provisions of Complementary Law 87, dated 9.13.1996, with the purpose of minimizing its impact on the finances of the states, principally those for which the partial elimination of the ICMS was most severe. The major alterations introduced by Complementary Law 102 were:

a) creation of a budget fund designed to substitute revenue-insurance[21] with preset participation coefficients for transfers of resources to the states, Federal District and municipalities, to remain in effect until December 2002;
b) restrictions on credits consequent upon acquisition of electric energy and communications services, without detriment to export activities, to remain in effect until 12.31.12000;
c) full maintenance of the credits in acquisitions of goods for permanent assets, determining a period of appropriation of such credits;
d) centralized verification of credits and debits of various institutions.

Complementary Law 102 further determines that:

a) among others, contributors are those who acquire lubricants and liquid and gaseous fuels derived from petroleum and electricity originating in another state when such are not channeled into marketing or industrialization. Complementary Law 87 restricted only those not targeted to marketing activities;
b) for purposes of offsetting the non-cumulative tax (ICMS), the passive subject has the right to credit to itself the tax previously charged in operations from which inflows of merchandise resulted;
c) in the 2000, 2001 and 2002 fiscal years, the federal government will deliver resources to the states and their municipalities on a monthly basis, duly observing the amounts, criteria, deadlines and other conditions determined in the appendix of this Complementary Law. In the 2000, 2001 and 2002 fiscal years and, as of 2003, the federal government will directly deliver to each state 75% of the amount of resources reserved to that state, and 25% to the respective municipalities;

21/ Public Debt Record System.

d) in the 2000, 2001 and 2002 fiscal years and, as of January 1, 2003, the resources of the National Treasury will originate in issues of securities for which the Treasury is liable and in other sources of funding;
e) as of January 1, 2003 and up to the 2006 fiscal year, the federal government will deliver resources to the states and their municipalities monthly, based on the proceeds of the state ICMS inflow effectively received in the period from and including July 1995 to and including June 1996.

Organic Social Assistance Law (Loas)

Basic legislation: Law 8,742, dated 12.7.1993.

Major objectives: Protection for the family, motherhood, infancy, adolescence and old age; support for needy children and adolescence; fostering of labor market integration; professional qualification and retraining of the handicapped and fostering of their integration into the community; guaranty of a minimum monthly wage for the handicapped and the elderly to demonstrate that they have no other means of providing for their support or of receiving support from family members.

Tender Processes

Basic legislation: Art. 37, indent XXI of the Federal Constitution and Law 8,666, dated 6.21.1993.

Abstract: Defines general norms for tender procedures and bid processes and administrative contracts involving construction, services, including publicity, procurements, sales and rentals within the framework of the governments at the federal, state, Federal District and municipal levels.

Aside from the entities of the direct administration, special funds, semi-autonomous agencies, public foundations, public companies, joint-capital corporations and other entities directly or indirectly controlled by the federal government, states, Federal District and municipalities are subject to the terms of this law.

Broken down into its different sections, the law covers the different types of competitive tender procedures, their ceilings, situations in which they are not needed; processes of qualification; procedures and judgement; formalization, alteration, execution and rescission of contracts; administrative sanctions and judicial tutelage.

Inflation Targeting

Basic legislation: Decree 3,088, dated 6.21.1999 and CMN Resolution 2,615, dated 6.30.1999.

Comments: The "inflation targeting" system was adopted as the basic guideline for monetary policy implementation. These targets correspond to annual growth in a major price index.

These targets and the respective tolerance parameters will be defined by the CMN on the basis of a proposal submitted by the State Minister of Finance. For 1999, 2000 and 2001, the targets are to be defined by June 30, 1999. For 2002 and the following years, the targets are to be set by June 30 of each immediately previous second year.

Banco Central is charged with implementing the policies required to comply with the established targets. Compliance is achieved when accumulated growth in inflation – measured by the IPCA, calculated by the Brazilian IBGE – for the January to December period of each calendar year falls within the upper and lower limits defined as the target.

When compliance is not achieved, the Banco Central Governor must issue an open letter to the Minister of Finance explaining the reasons underlying noncompliance.

The targets defined by the CMN for the period from 1999 to 2001 were set as follows:
a) for 1999: 8% with a tolerance range of plus or minus 2%;
b) for 2000: 6% with a tolerance range of plus or minus 2%;
c) for 2001: 4% with a tolerance range of plus or minus 2%.

Banco Central is charged with implementing the policies required to achieve compliance with the targets.

Capital Market

Basic legislation: Law 4,728, dated 7.14.1965.

Abstract: Disciplines the capital market and defines measures for development of that market.

State Monopoly: Enhanced Flexibility

Abstract: The process of adopting a more flexible approach to the monopolistic state presence in various sectors of the economy began in the second half of 1995, with approval of the constitutional amendments listed below:

a) Constitutional Amendment 5, dated 8.15.1995: deals with the participation of private companies in piped gas distribution services on the basis of concession contracts, thus abolishing the market reserve for state companies in this segment of activity;
b) Constitutional Amendment 6, dated 8.15.1995: eliminates the concept of national capital Brazilian company, while preserving the concept of Brazilian company as that which is constituted under the terms of Brazilian legislation and has head offices and administration in the country. These changes made it possible to grant federal government authorizations or concessions for Brazilians or Brazilian companies to work and research mineral resources, while also taking advantage of the country's hydraulic energy potential. Prior to the amendment, such concessions could only be granted to national capital Brazilian companies;
c) Constitutional Amendment 7, dated 8.15.1995: deals with the end of the market reserve in interior and coastal shipping, determining that regulations on such activities are to be stated in ordinary legislation. Therefore, infraconstitutional legislation will be charged with defining the degree to which these activities will be permitted to companies controlled by foreign capital. At least theoretically, the ordinary law could still reserve this activity exclusively to national vessels. (This Amendment was regulated by Decree 2,256, dated 6.17.1996, and by Law 9,432, dated 1.8.1997);
d) Constitutional Amendment 8, dated 8.15.1995: adopts a more flexible approach to the state monopoly in the providing of telephone, telegraph and communications services, permitting the granting of concessions to private companies to supply these services. (This Amendment was regulated by Law 9,472, dated 7.16.1997);
e) Constitutional Amendment 9, dated 11.9.1995: takes a more flexible approach to the state petroleum monopoly and permits the contracting of private companies to perform the following activities:
   e.1) prospecting and working petroleum and natural gas reserves;
   e.2) refining national or foreign petroleum;
   e.3) import and export of basic petroleum products and derivatives;
   e.4) maritime transportation of national crude oil or basic petroleum derivatives produced in the country as well as transportation by duct of crude oil, its derivatives and natural gas no matter what its origin. (This Amendment was regulated by Law 9,478, dated 8.6.1997);
f) Constitutional Amendment 13, dated 8.21.1996: abolishes the state monopoly in the sector of reinsurance held by the Reinsurance Institute of Brazil.

General Federal Government Budget (OGU)

Basic legislation: Law approved annually by the National Congress. According to the Article 165 of Federal Constitution.

Comments: The General Federal Government Budget estimates the revenues and defines the expenditures of the federal public administration, encompassing three segments: Fiscal Budget, Social Security Budget and State Enterprise Investment Budget, covering those government companies in which the federal government holds a majority share of the voting capital stock. The OGU for 2002 was approved by Law 10,407, dated 1.10.2002. The law was elaborated according to the terms of Law 10,266, dated 7.24.2001 (LDO for 2002).

Loss of Public Employment for Reasons of Excess Spending

Basic legislation: Law 9,801, dated 6.14.1999.

Comments: Public servants entitled to job stability may be dismissed by normative act issued by the heads of each one of the branches of the federal government, states, municipalities and Federal District.

The normative act in question will specify the savings to be obtained and the corresponding number of employees to be dismissed: the functional activity and the entity or administrative unit in which staff is to be reduced; the general impersonal criterion chosen to identify those civil servants entitled to job stability to be dismissed from their respective positions; the criteria and the special guaranties chosen to identify civil servants entitled to stability who, as a result of the responsibilities of their positions, perform activities that are exclusive to the State; the period of time in which indemnity will be paid for loss of employment and the budget credits set aside to effect such payments.

The general criterion for impersonal identification is chosen from among the following: lesser degree of civil service seniority, higher earnings and lesser age. The general criterion chosen may be a combination with a complementary criterion of a lesser number of dependents for purposes of creating a classificatory list of those to be dismissed.

The dismissal of a civil servant entitled to job stability who performs activities reserved to the State will comply with the following conditions:

a) such dismissals will only be permitted when the dismissal of civil servants from other positions within the entity or administrative unit in which staff reduction must be made has reached a level of at least thirty percent of total positions;
b) each act will reduce a maximum of thirty percent of the number of civil servants performing activities reserved exclusively to the State.

The positions vacated as a result of the dismissal of stable civil servants will be declared extinct and the creation of positions, jobs or functions

with the same or similar responsibilities will be prohibited for a period of four years.

Judicially Determined Payments

Basic legislation: Constitucional Amendment 30, dated 9.13.2000; Law 8,197, dated 6.27.1991, and Decree 430, dated 1.20.1992.

Comments: Law 8,197/1991 disciplines transactions in cases involving the interests of the federal government, its semi-autonomous entities, foundations and federal state companies; deals with federal government intervention in those cases in which the plaintiffs or defendants are entities of the indirect administration; regulates payments due by the Treasury as a result of judicial decisions; revokes Law 6,825/1980. Article 4 of Law 8,197/1991 determines that payments due by the federal, state or municipal treasuries and by semi-autonomous entities and public foundations will be effected exclusively in the chronological order in which the appropriate documents issued by the judiciary are submitted and will be paid exclusively to the account of the respective credit. The provisions of this article were regulated by Decree 430, dated 1.20.1992.

Constitutional Amendment 30 altered article 100 of the Federal Constitution referring to judicially mandated payments and added article 78 to the Transitory Constitutional Provisions Act.

With respect to article 100 of the Federal Constitution, the Amendment introduced the following changes:

a) defined support payments as those consequent upon salaries, wages, earnings, pensions and additional amounts, social security benefits and indemnities for death or incapacitation when based on civil liability founded upon a conclusive judicial decision;
b) determined that the law may set distinct amounts for the payment of liabilities defined in law as corresponding to small amounts that are to be paid by the federal, state, Federal District or municipal treasuries as a result of a conclusive judicial decision, based on the different capacities of the entities covered by public law;
c) determined that the President of the appropriate Court who, by act or omission, delays or attempts to frustrate the regular liquidation of a judicially mandated payment will be considered criminally liable for such acts.

Article 78 was added to the Transitory Constitutional Provisions Act and includes the following measures:

a) with the exception of those credits legally defined as corresponding to small amounts, those classified as support payments, those dealt with in article 33 of the Transitory Constitutional Provisions Act and those for which funding has already been released and deposited with the court, those judicially mandated payments still

pending on the date of promulgation of this Amendment and those consequent upon judicial suits introduced by 12.31.1999, will be liquidated at their real value in legal tender plus interest in annual, equal and successive installments, within a maximum period of 10 years, and assignment of such credits will be permitted;

b) if not liquidated by the end of the fiscal year to which they refer, such annual installments will release the creditor entity from payment of taxes;

c) the aforementioned period is reduced to 2 years in cases involving judicially mandated payments originating in expropriations of residential real estate belonging to the creditor, provided that it is demonstrated that the real estate in question was the only residential property of the creditor at the time;

d) once the period has elapsed or in cases of omission in the budget, the President of the appropriate Court should, at the petition of the creditor, request or determine attachment of financial resources belonging to the debtor entity in an amount sufficient to pay the installment.

A summarized definition of this legal document would be a document issued by the judge to the president of the respective court so that the latter will define the payment of an obligation of the federal, state, Federal district or municipal government, through inclusion of the value of the debt in the following year's budget. For example, once judicial recognition of a credit against the treasury is issued by the judiciary, the citizen to whom that credit is due petitions the judge to issue the necessary document so that the corresponding resources will be set aside in the following year's budget, thus making it possible to effect payment of the liability.

Suspension of Banking Secrecy

Basic legislation: Complementary Law 104 and 105, dated 1.10.2001; Law 10,174, dated 1.9.2001; and Decree 3,724, dated 1.10.2001.

Objective/Principal characteristics:

Complementary Law 104, dated 1.10.2001, allows the administrative authority to disregard juridical acts or operations practiced with the objective of dissimulating the occurrence of the generating fact of a tax or the nature of the elements that constitute a tax liability. Complementary Law 105, issued on the same date, indicates the cases in which the suspension of banking secrecy can be decreed when such is necessary for purposes of investigating the occurrence of crime. Finally, Law 10,174, dated 1.9.2001, permits the Secretariat of Federal Revenue to utilize CPMF data for the purpose of initiating procedures aimed at verifying the existence of tax credits related to federal taxes and contributions and, in the framework of the due fiscal process, effect the charging of any tax credits found to exist.

Banking Reform

Basic legislation: Law 4,595, dated 12.31.1964.

Principal measures: Defines the structure of the National Financial System; abolishes the Currency and Credit Authority (Sumoc) and creates the CMN and Banco Central do Brasil; defines the nature of financial institutions and the responsibilities of Banco do Brasil; specifies penalties for the directors and managers of financial institutions and takes other measures.

Administrative Reform

Basic legislation: Constitutional Amendment 19, dated 6.4.1998; Complementary Law 96, dated 5.31.1999; Laws 9,801, dated 6.14.1999, and 9,962, dated 2.22.2000.

The administrative reform includes provisions of fundamental importance to improvement in the productivity and quality of the public sector. The most important measures included in the reform amendment are as follows:

a) permission for foreigners who are in compliance with the requirements defined in law to assume positions, employment posts and public functions;
b) prohibition of accumulation of paid public positions except in the case of teachers and medical doctors when their schedules are compatible and provided that the earnings and additional amounts accumulated by the persons holding such positions, including personal advantages or others of any nature whatsoever, do not surpass the monthly amount of the payment received by the Ministers of the Federal Supreme Court;
c) prohibition of accumulation of employment positions also extended to the employees of subsidiaries of joint-capital corporations and companies that are directly or indirectly controlled by the public authority;
d) increase of the trial period for civil servants from two to three years;
e) loss of entitlement to employment stability in the case of those civil servants who do not receive satisfactory performance evaluations;
f) prohibition of voluntary transfers of resources and granting of loans, including operations based on anticipated revenues, by federal and state governments and their financial institutions for purposes of paying active and retired personnel and pensioners of the states, Federal District and municipalities;
g) institution of limits defined in complementary legislation for payroll outlays on active and retired personnel of the federal government, states, Federal District and municipalities;
h) elimination of the obligation imposed on the government of contracting civil servants on the exclusive basis of the RJU;

i) permission for civil servants to be placed on leave with earnings proportional to the length of employment;
j) introduction of special performance evaluations by a commission to be instituted for this purpose in order to entitle civil servants to job stability;
l) prohibition of payment of indemnities higher than monthly wages during extraordinary legislative session of the National Congress;
m) extension of the obligation of full disclosure of accounting to public or private legal entities that utilize, collect, store, manage or administer public monies, goods or valuables or for which the federal government is responsible or that, in the name of the federal government, assume liabilities of a financial nature;
n) permission for civil servants entitled to stability to be dismissed when their payrolls exceed the limits defined in law;
o) determination that the so-called careers typical of the state be defined in complementary legislation;
p) definition of a wage ceiling to be observed by all active and retired civil servants at the three levels of government;
q) determination that the law will discipline the systems of user participation in the public direct and indirect administration, issuing regulations on complaints against the providing of public services, user access to administrative records and information on government acts and norms on the process of submitting grievances against negligent or abusive exercise of positions, employment or functions in the public administration.

The National Congress has approved two normative acts regulating various topics of the administrative reform:
a) Law 9,801, dated 6.14.1999, which issues general norms on the loss of public positions for reasons of excess expenditures;
b) Law 9,962, dated 2.22.2000, which disciplines the system of public sector employment in the sphere of the federal direct and semi-autonomous administration and foundations.

Civil Service Employment System (RJU)

Basic legislation: Law 8,112, dated 12.11.1990, and alterations introduced by Provisional Measure 1,573-7, dated 5.2.1997.

Abstract: Deals with the system of employment of civilian public servants of the federal government, semi-autonomous entities and federal public foundations.

In its different sections, the law deals with:
a) hirings and vacancies in public positions;
b) civil service stability; rights and advantages, such as bonuses, additional payment for time of service, additional vacation payment, leaves and removals and time of public service;

c) responsibilities and duties of the civil servant, as well as the penalties to which civil servants are subject;
d) civil service social security systems and the benefits to which civil servants are entitled, such as retirement, health leave, pension in he case of death and diverse forms of assistance;
e) temporary hirings of exceptional public interest and other provisions.

Earnings on Available National Treasury Resources

Basic legislation: Laws 7,862, dated 10.30.1989; 7,908, dated 12.6.1989; 8,177, dated 3.1.1991; and 9,027, dated 4.12.1995.

Comments: With issue of Law 7,862/1989, Banco Central, Banco do Brasil and the Federal Savings Bank were obligated to effect deposit every ten days in the National Treasury of earnings equivalent at least to the value of daily growth in the nominal value of the BTN-F on the net balance of federal government deposits in the immediately previous ten day period.

Law 7,908/1989 determined that, as of 9.25.1989, these earnings would be based on the daily growth of the nominal value of the BTN-F. With issue of Law 8,177/1991, earnings as of 2.4.1991 would be calculated on the basis of the TRD released by Banco Central. Finally, with issue of Law 9,027/1995, it was determined that earnings would be calculated according to the average reference rate of the Selic.

Banco Central Result

Basic legislation: Decree Law 2,376, dated 11.25.1987, and Law 7,862, dated 10.30.1989, and Complementary Law 101, dated 5.4.2000.

With the alterations enforced by the Complementary Law 101, it was determined that the Banco Central's result, calculated after constituting or reversing the reserve funds, represents a National Treasury revenue. This amount shall be transferred to that government body up to the tenth working day after the approval of the half-yearly balance sheets. A negative result represents a National Treasury liability with the Banco Central and will be deposited as an specific budget appropriation.

National Treasury Secretariat (STN)

Basic legislation: Decree 92,452, dated 3.10.1986 (creation) and Minifaz Directive 71, dated 4.8.1996 (internal bylaws).

Comments: Among other responsibilities, the STN is charged with:
a) elaborating the monthly and annual financial programming of the National Treasury, managing the National Treasury operating account and aiding in the formulation of the policy governing financing of public sector spending;
b) managing National Treasury financial and securities assets;
c) managing the federal public securities debt and the foreign debt for which the National Treasury is liable;
d) managing the credit operations included in the General Federal Government Budget that are the responsibility of the National Treasury.

Securitization of Receivables

Basic legislation: Law 7,132, dated 10.26.1983 and CMN Resolutions 2,026, dated 11.24.1993 and 2,493, dated 5.7.1998.

Definition: Securitization is the issue of securities earmarked to credits. It is the process by which the cash flow generated by receivables or goods is transferred to another company created for this purpose, carrying out a public issue of securities that represent participation in total assets.

The company created with the specific purpose of securitizing credits "Special Purpose Company" (SPC) – purchases credit portfolios still to mature and demands discounts in value. The securitizing company then puts together an operation to raise funding on the basis of the credit portfolio, issuing securities earmarked to these credits. Investors purchase these securities, receiving interest and in this way structure a securitization operation.

The following financial institutions are authorized to effect assigns of credits originating in loan, financing and leasing operations to corporations that have the exclusive objective of acquiring such credits:
a) multiple banks;
b) commercial banks;
c) investment banks;
d) credit, finance and investment companies;
e) real estate credit companies;
f) leasing companies;
g) mortgage companies.

Unemployment Insurance

Basic legislation: Law 7,998, dated 1.11.1990.

Abstract: Regulates the Unemployment Insurance Program, wage bonus and institutes the FAT.

Comments: The unemployment insurance program is a benefit guarantied to workers by article 7 of the Federal Constitution and has the purpose of providing temporary financial assistance to unemployed workers who have been laid off without just cause. Aside from granting the aforementioned benefit, the program also has the objective of aiding workers in general in the search for new jobs, providing them with integrated measures involving orientation, placement in new labor market positions and professional training.

Real Estate Financing System (SFI)

Basic legislation: Law 9,514, dated 7.20.1997 and Provisional Measure 2,223, dated 9.4.2001.

Comments: The Real Estate Financing System was created with the objective of fostering real estate financing in general according to conditions compatible with those of the formation of the respective funds.

Savings banks, commercial banks, banks with real estate credit portfolios, real estate credit companies, savings and loan associations, mortgage companies and other entities may operate within the SFI at the discretion of the CMN.

The companies that securitize real estate credits, nonfinancial institutions constituted in the form of stock corporations, will have the objective of acquiring and securitizing these credits and issuing and placing Certificates of Real Estate Receivables on the financial market, and are permitted to issue other types of credits, carry out business and render services compatible with their activities.

System of Registration of Credit Operations with the Public Sector (Cadip)[22]

Basic legislation: CMN Resolutions 2,008, dated 7.28.1993, and 2,215, dated 11.29.1995; Banco Central Circulars 2,358, dated 8.18.1993 and 2,367, dated 9.23.1993 (Regulations).

22/ Public Debt Record System.

Objective: Cadip was instituted with the objective of making it possible for Banco Central to monitor on a monthly basis the banking debt contracted by all spheres of government. Basically, the system encompasses three types of information: reference records, operations and defaults. The information makes it possible to identify, specify and monitor credit operations, as well as to prohibit the contracting of new loans by public entities that have defaulted with the financial system.

Special System of Clearance and Custody (Selic)[23]

Basic legislation: Banco Central Circulars 466, dated 10.11.1979; 471, dated 11.7.1979, 1,594, dated 3.9.1990, and 2,311, dated 5.19.1993.

Basic characteristics and participants: Selic is an electronic custody and clearance system managed by the Demab and designed to record securities and interfinancial deposits through electronic teleprocessing equipment in open accounts in the name of participants. Aside from this, it processes operations involving transactions, redemptions, public offers and their respective financial liquidations.

For purposes of clarity, one can state that Selic is composed of three subsystems which are detailed below:

a) free operation (in which the operating accounts are duly registered). The registrations of securities existent in the accounts of participants – represented by values of redemption or quantity – for the carrying out of the operations specified in Selic are denominated free operation positions. In this subsystem, all client accounts are included, together with financial institutions' own security positions;
b) special operation (in which the special accounts are registered). The position of special operations is a set of records (accounts) – represented by the respective face values or by the quantity of securities – existent in the position of the institutions for complying with legal (collateral, judicial and compulsory deposits, guaranties, etc.) or regulatory provisions and the interests of the holder of the account. The only institution excluded from this subsystem is Banco Central do Brasil itself;
c) financial liquidation. The financial position of the accounts of each participant is the net daily result of their operations carried out through Selic. Therefore, the institutions included in the free operation subsystem necessarily participate in the financial liquidation subsystem, even though they are connected to the custodian banks.

With this, each participant has recorded its positions in securities in the modalities of free operation, special operation and financial liquidation in a specific account.

23/ Text extracted from the magazine published by Andima: "Estudos Especiais - Selic - December/1995".

Integrated System of Human Resources Management (Siape)

Basic legislation: Decree 347, 11.21.1991.

Comments: This Decree determines that entities belonging to both the direct and indirect administration will utilize the Siape for purposes of registering and paying their employees when such employees are covered by the Civil Service Employment System.

Integrated System of Federal Government Financial Management (Siafi)

Basic legislation: Decree 347, dated 11.21.1991.

Abstract: With the exception of entities of a financial nature, the budget, financial and accounting operations of the organs and entities of the federal executive branch that are classified within the Fiscal and Social Security Budgets will be processed through the Siafi.

Integrated Micro and Small Business Tax and Contribution Payment System (Simples)

Basic legislation: Law 9,317, dated 12.5.1996.

Comments: The Simples operates as if it were an optional single tax system that encompasses federal, state (ICMS) and municipal (ISS) taxes, as well as the social and social security contributions due by micro and small companies. The rates vary from 5% to 7.5% depending on the gross billings of the companies and can reach as high as 10%, when the ICMS and ISS are factored in. Should the states and municipalities not adhere to the new tax system, the single tax will be valid only for federal taxes. The new system will make it possible for the companies to deposit their social security contributions on the basis of gross revenues and no longer on that of the value of their payrolls. It is expected that this system will contribute to an increased job supply and tend to formalize labor relations.

Integrated Foreign Trade System (Siscomex)

Basic legislation: Minifaz Directive 422, dated 5.20.1992, and Decree 660, dated 9.25.1992.

Objective: Siscomex is the administrative instrument used to bring together activities involving the recording, monitoring and control of foreign trade operations in a single computerized information flow.

The provisions of the legal, regulatory and administrative acts that alter, complete or produce effects on foreign trade legislation should be implemented through Siscomex, at the same time in which these acts go into effect.

For all due legal purposes, the computerized system of recording export or import operations in Siscomex is equivalent to the export license, export declaration, special export document, import license and import declaration.

Integrated System of Price Data and Supplier Reference Information

Basic legislation: Decree 449, dated 2.17.1992.

Abstract: Institutes the Unified Catalogue of Materials, the Integrated Price Record System (Sirep) and the Unified Supplier Reference System (Sicap), in the direct administration, semi-autonomous entities and public foundations.

Export Processing Zone (ZPE)

Basic legislation: Decree Law 2,452, dated 7.29.1988, and Law 8,396, dated 1.2.1992.

Comments: This Decree Law determines that the executive branch is authorized to create ZPE with the aim of strengthening the balance of payments, reducing regional imbalances and fostering technological dissemination and the economic and social development of the nation. The ZPEs are characterized as areas of free trade with the international community and are to be used for the installation of companies that produce goods to be marketed abroad. For purposes of customs controls, these areas are classified as primary zones.