

INTERNATIONAL CAPITAL AND FOREIGN EXCHANGE MARKET REGULATION

TITLE : 3 - Foreign Capital in Brazil

CHAPTER : 2 - Foreign Direct Investment

SECTION : 1 - General Provisions

1. This chapter provides for the registration of foreign direct investment in Brazil, in domestic or foreign currency, made in a declaratory and electronically form with Central Bank of Brazil, based in Regulation in Annex I to Resolution no. 3844, of March 23, 2010.
2. The registration mentioned in this chapter, upon the compliance with the applicable law and regulations in effect, must be done in the Foreign Direct Investment - IED module of the Electronic Declaratory Registration - RDE of Central Bank Information System (Sisbacen), comprising the situations envisaged in the specific sections.
3. For purposes of this chapter, the following definitions are adopted:
 - a) non-resident investor: natural person, juristic person or collective investment entity residing, being domiciled or headquartered abroad, which either participates, or intends to participate in the share capital of a company in Brazil;
 - b) receiving company: juristic person incorporated under Brazilian laws, domiciled and with management within Brazil, in which share capital the non-resident investor owns or intends to own participation, as well as the office of a foreign company authorized to operate in Brazil.
4. The receiving company and the representatives in Brazil of the non-resident investor, indicated in IED Module of the RDE are responsible for the registration.
5. The participation by non-resident investor in the share capital of the receiving company, paid up or acquired in accordance with the legislation in effect, and the share capital of a foreign company allowed to operate in Brazil, shall be registered as foreign direct investment.
6. The registration must be preceded by authorization of the Department of Financial System Organization (Deorf) for investment in the share capital of the financial institutions and other institutions authorized to operate by it.
7. The provisions of this chapter shall not apply to investments in financial and capital markets, from individuals and corporations, funds and other collective investment entities resident, domiciled or headquartered abroad, whose registration, made in a declaratory and electronic form follows the provisions of specific regulations and must be registered in the RDE Portfolio module.
8. The following are precedent conditions to the registration in the IED module of the RDE:
 - a) the accreditation with Sisbacen, according to instructions contained on the page of the Central Bank of Brazil on the internet (www.bcb.gov.br); and
 - b) the provision of information, of the receiving company, foreign investors and their representatives in the Registry of Physical Persons and Legal Entities - International Capital (Cademp) through the use of the PEMP500 and PEMP600 transactions of Sisbacen, as per instructions contained in "Cademp - Manual do declarante "available at www.bcb.gov.br >> Câmbio e Capitais Estrangeiros >> Manuais.
9. The registration is made using the PRDE600 transaction of Sisbacen, being assigned a RDE-IED number, unique identifier for each pair consisting of foreign investors and their respective receiving company in Brazil, under which they are declared: the initial investment, its mutations, update of the net equity accounts of the receiving company and

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subsequent allocations, as per instructions contained in "RDE-IED Manual do Declarante", available at www.bcb.gov.br >> Câmbio e Capitais Estrangeiros >> Manuais

10. The conversions of assets in foreign direct investment and transfers to other modalities of application of foreign capital in Brazil for the modality object of this chapter and vice versa are subject to the simultaneous operations of foreign exchange or international transfers in reals, without issue of payment orders, regardless of prior authorization of Central Bank of Brazil.
11. For any financial transaction with abroad, the RDE-IED number must be informed on the foreign exchange contract or on the registration of the transaction in accounts domiciled abroad.
12. It is mandatory to register in the IED module of the RDE all corporate or contractual events which change the terms of foreign investors' shareholding.
13. The registration envisaged in this chapter is presented in the consolidated statement of investment of the IED module of the RDE, where the registered shares will be allocated separately on specific screens, according to the legal basis of the registration.
14. The payment, with funds held abroad, of profits and dividends, interest on equity capital and return on capital does not exempt the company's obligation to make the corresponding registrations in the IED module of the RDE, also indicating the allocation of resources for reception abroad.

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SECTION : 2 - Investment Registration

1. Registration shall be made on the investment item of the IED module of the RDE the participation of non-resident investor in the capital of the receiving company, paid up or acquired in the form of the legislation in effect, as well as the capital of a foreign company authorized to operate in Brazil, with values arising from:
 - a) Inflows of currency and goods to Brazil;
 - b) Conversion into investment;
 - c) Exchange of stock or shares;
 - d) Conference of stocks or shares;
 - e) Yields earned by a non-resident investor in receiving companies;
 - f) Alienation to nationals, reduction of capital for restitution to a shareholder or net collection resulting from the liquidation of the receiving company.
2. It should also be registered on the investment item of the IED module of the RDE, through a statement, the foreign capital invested in companies in Brazil, not yet registered and not otherwise subject to registration with Central Bank of Brazil, pursuant to the provisions of Chapter 4 of this title.

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CHAPTER : 2 - Foreign Direct Investment
SECTION : 2 - Investment Registration
SUBSECTION : 1 - Investment in currency and goods

1. The registration of investment in currency is made based on the inflow of resources to Brazil through foreign exchange transaction or international transfer in reals according to the provisions of Title 1 of this Regulation.
2. Inflows made by non-resident shareholders in order to absorb losses do not change the registration of the foreign investor with the RDE-IED system, and the exchange operation shall be performed by using specific foreign exchange nature of operation code.
3. Residues of payment / purchase values are the unused values of inflows for foreign direct investment which correspond to a maximum of five percent (5%) of the original value of the foreign exchange contract, limited to the amount of ten thousand U.S. dollars (US\$10,000.00) or its equivalent in other currencies.
4. Remittances abroad of the residues referred to in item 3 of this subsection, and other values that entered by way of foreign direct investment and not capitalized up to the equivalent of ten thousand U.S. dollars (US\$10,000.00) may be carried regardless of prior authorization.
5. Foreign direct investment through the conference of a tangible or intangible asset, is characterized by the capitalization of the corresponding value of the assets owned by non-residents, imported without obligation of payment, to be registered in the Financial Operations Registration - ROF module, and the registration of such investment is made in the currency in the corresponding ROF, pursuant to the provisions of Chapter 3, Section 2, Subsection 5 of this title.
6. The registration of the investment described in item 5 of this Subsection shall be made within 30 (thirty) days from the date of customs clearance of the tangible good asset.
7. The corresponding value of the domestic currency, in the cases mentioned in Section 5 of this Subsection is calculated by applying the average exchange rate available on option 5 of the PTAX800 transaction of Sisbacen, valid for the day of the respective accounting fact.

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TITLE : 3 - Foreign Capital in Brazil
CHAPTER : 2 - Foreign Direct Investment
SECTION : 2 - Investment Registration
SUBSECTION : 2 - Conversion into Investment

1. Conversion into foreign direct investment, for the purposes of this subsection, means the operation by which rights and claims which could generate financial transfers abroad, as well as property belonging to nonresidents, are used for acquisition, payment of participation or absorption of losses in a company in Brazil.
2. In the registration of the conversions provided for in this subsection, the following stages shall be complied with:
 - a) writing off in the ROF module of the RDE of the amount to be converted, in the cases of registered operations;
 - b) simultaneous exchange operations, without issue of payment ordered simultaneous entries of the international transfer in reals, through the use of foreign exchange codes of nature corresponding to the value to be converted and to the foreign direct investment, as well as the code of a specific group, and
 - c) inclusion, in the IED module of the RDE, of the corresponding operation.
3. Conversions to absorb accumulated losses do not change the registration value.

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SECTION : 2 - Investment Registration

SUBSECTION : 3 - Yields earned by non-resident investor in receiving companies in Brazil

1. Capitalizations and acquisitions using yields earned and not capitalized by non-resident investor in receiving companies in Brazil, from the distribution of profits or the payment of interest on share capital are registered under the investment item of the IED module of the RDE.
2. The registration of the reinvestment of such earnings in any company in Brazil must be preceded by the completion of entry, with such allocation, in the registration of origin of earned earnings.
3. The corresponding value in domestic currency of the registration envisaged in this subsection is calculated by applying the average exchange rate available on option 5 of the PTAX800 transaction of Sisbacen, valid for the day of paid up of the capital or the acquisition of the participation.

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SECTION : 2 - Investment Registration

SUBSECTION : 4 - Alienation to nationals, reduction of capital for restitution to shareholder or net collection resulting from a liquidation of a receiving company

1. Capitalizations and acquisitions with use of resources from the alienation to nationals, of reduction of capital for reimbursement to a partner or net collection resulting from the liquidation of a receiving company are registered under the investment item of IED module of the RDE.
2. The registration of reinvestment of such earnings in any company in Brazil must be preceded by the completion of entry, with such allocation, in the registration of origin of the events mentioned in item 1 of this Subsection.
3. The corresponding value in foreign currency of the registration envisaged in this subsection is calculated by applying the average exchange rate available on option 5 of the PTAX800 transaction of Sisbacen, valid for the day of pay up of the capital or the acquisition of the participation.

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SECTION : 3 - Reinvestment Registration

1. Capitalizations of profits, dividends, interest on equity capital and profit reserves in the receiving company in which they were produced are registered under the reinvestment item of the FDI module of the RDE.
2. The capitalization of capital and revaluation reserves does not change the registry value, reflecting only on investor's participation.
3. The registration of reinvestment is made in the currency of the country to which income could have been remitted, or in reals, observed the portion of the investment registered in domestic currency.
4. The corresponding value in foreign currency is calculated by applying the average exchange rate available on option 5 of the PTAX800 transaction of Sisbacen, valid for the day of the capitalization of profits, interest on capital and profit reserves.

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SECTION : 4 - Corporate reorganization, Exchange and conference of shares or quotas

1. For purposes of this sections it is understood as:
 - a) Corporate reorganization: the merger, incorporation or split of companies in Brazil, in which at least one of them has the participation of foreign capital registered with Central Bank of Brazil;
 - b) Exchange of shares or quotas in Brazil: the exchange of equity interests in Brazilian companies, with at least one receiving company of foreign direct investment registered with Central Bank of Brazil, carried out between resident and non-resident investors, or between non-resident investors;
 - c) Conference of shares or quotas in Brazil: the surrender of paid up shares or quotas from the capital of a company in Brazil, held by non-resident investor, for payment of capital subscribed by it to another receiving company in Brazil.
2. The registration of the fusion, incorporation or split provided for in this section shall be made in compliance with the provisions of corporate law.
3. In the registration of incorporation, the profits reserves and the accumulated profits, included in the equity balance sheet of the incorporated company, made for purposes of incorporation, are consigned under the reinvestment item of the respective registrations in the RDE-IED of the incorporating company.
4. The value of the reinvestment of each foreign investor as per item 3 of this Subsection shall, for purposes of registration, be proportionate to the paid-up capital of each foreign partner in the incorporated company, subject to item 4 of Section 3 of this Chapter.
5. The registration of the conference the exchange of shares or quotas in Brazil, involving foreign investments registered in the IED module of the RDE involves the transfer of amounts registered in the proportion of the participation traded.

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SECTION : 5 - Remittances abroad of profits and dividends, interest on equity capital and return of capital.

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1. This section provides for the registration in the IED module of the RDE, of remittances abroad of profits and dividends, interest on equity capital and return of capital, related to foreign investment in Brazil.
 2. The remittance of profits to foreign investors, dividends and interest on capital should be preceded by the registration of their distribution in the IED RDE module.
 3. The remittance to a foreign investor regarding the return of investment by reducing capital for the restitution to a shareholder, or by alienation to nationals, shall be preceded by the respective registration in the IED module of the RDE.