TESOURO NACIONAL

Non-Resident Investor Handout

How to Access the Brazilian Federal Government Bonds Market

2022

Brazilian National Flag against Skyscrapers by Sunset.

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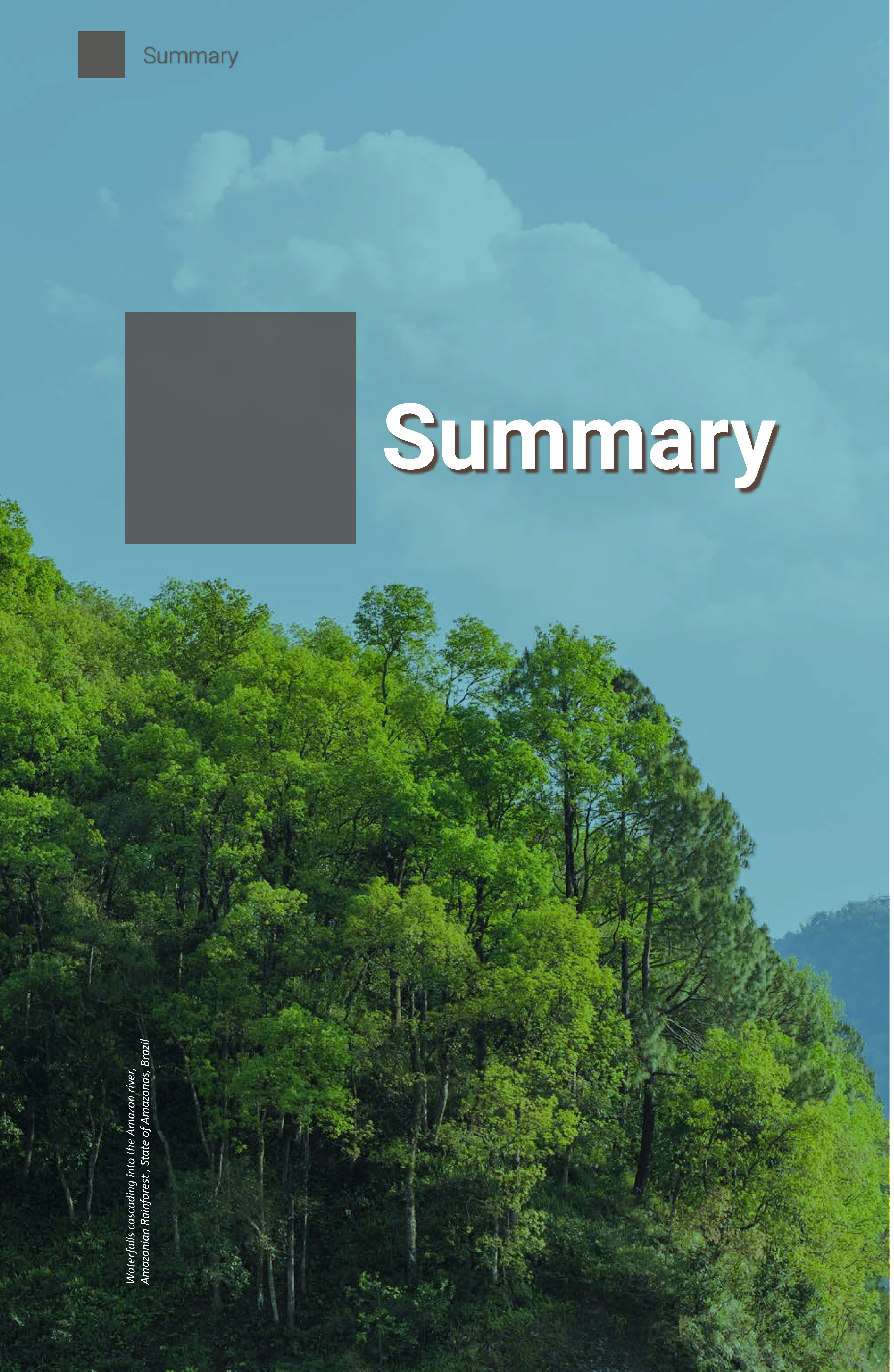
Brazilian rainforest in national park Tijuca, Rio de Janeiro, Brazil



Waterfalls cascading into the Amazon river, Amazonian Rainforest , State of Amazonas, Brazil

Summary

This report provides international investors with a summary of Brazilian Federal Public Debt (“FPD”) and the process of investing in Brazilian government bonds. The report is divided in to eight sections and two appendices. The first section presents a brief overview of Brazil’s economy, exchange system, and the main interest rates used in the domestic markets. The following section introduces the main bodies in Brazil’s Financial System and their role for the well-functioning of the same. The third section is an overview of the Federal Public Debt, and it is followed by the section that presents the forms of issuance of the FPD. The fifth section provides an overview of the secondary market of the government bonds. The fundamental objective of debt management and the strategic planning of the National Treasury are presented in the sixth section. The legal framework for non-resident investors in Brazil’s government securities is addressed in the seventh section. Finally, the eighth section addresses taxation matters.

Appendix I provides key legislation and regulation that apply to non-resident investors. A market glossary is presented in Appendix II.

Aerial view of Rio de Janeiro Coast with Copacabana and Praia Vermelha beach at sunset - Rio de Janeiro, Brazil

1 Introduction

With a nominal GDP of USD 1.43 trillion, Brazil is the 13th largest economy in the world (2020). Brazil's economy is highly concentrated in services (GDP share per sector: 73% services, 20% industry, 7% agriculture)[1]. Brazil's population is the sixth largest in the world (212.6 million people in 2020).

Brazil's sovereign credit rating is assessed and published regularly by the agencies Standard & Poor´s (S&P), Fitch Ratings (Fitch), and Moody´s Investor Service. The rating is a relevant instrument for investors, since it provides an independent opinion about the government's debt credit rating.

Further information on Brazil's economy and public debt details are published on a regular basis by the Investor Relations office of the National Treasury.

For Brazil's credit ratings history, please visit the **National Treasury website**.

Table 1– **Brazilian economy in numbers – 2011-2020**

Year	Real GDP Growth (YoY%)	Unemployment rate (average)	Inflation rate (CPI, YoY%)	SELIC (policy rate)	General Gov. Gross debt (% of GDP)	FDI, net inflows (current USD bn)	FX rate (BRL/USD) year-end
2011	3.99%	5.93%	6.64%	11.00%	51.27%	101.16	1.67
2012	1.93%	5.50%	5.40%	7.25%	53.67%	86.61	1.95
2013	3.01%	7.20%	6.20%	10.00%	51.54%	69.69	2.16
2014	0.51%	6.80%	6.33%	11.75%	56.28%	97.18	2.35
2015	-3.55%	8.30%	9.03%	14.25%	65.50%	74.72	3.33
2016	-3.30%	11.30%	8.74%	13.75%	69.86%	77.79	3.49
2017	1.06%	12.90%	3.45%	7.00%	74.07%	70.69	3.19
2018	1.12%	12.20%	3.71%	6.50%	77.22%	72.00	3.87
2019	1.1%	11.90%	4.31%	4.50%	75.80%	69.17	4.02
2020	-4.1%	13.50%	4.52%	2.00%	89.30%	34.20	5.19
2021	4.5%*	12.10%*	10.06%	9.25%	80.30%	46.40	5.58

Source: IBGE, Central Bank of Brazil, and National Treasury of Brazil

** Estimated.*

[1] *Brazilian National Bureau of Statistics (IBGE).*

Brazil's exchange rate follows a floating rate regime. The Central Bank of Brazil ("BCB") conducts the foreign exchange policy and oversees the foreign exchange market, assuring its adequate functioning. All exchange rate transactions must be registered with the Central Bank. The PTAX rate is the official exchange rate used for settlement of financial contracts indexed to the US dollar.

Interest rates in Brazil are expressed mainly in compound annualized terms, based on a year of 252 business days. Two rates are of relevance regarding the Federal Public Debt, the *Selic* rate and the *CDI* rate.

SELIC rate:

It is the average of rates for one-day financing transactions backed by federal government bonds. It is also the basic interest rate used as benchmark for monetary policy.

CDI rate:

CDI, or *Certificado de Depósito Interbancário*, rate is the interbank deposit rate backed by corporate bonds. It has the same characteristics of a Bank Deposit Certificate, with negotiation restricted to the interbank market. CDI is the floating rate benchmark in the Brazilian market. It is highly correlated to the Selic rate.

The following section introduces the Brazilian Financial System and the main bodies that act for the well functioning of the System.

2 The Brazilian Financial System

Vista noturna de uma ponte no centro de São Paulo – Brazil

Brazil's National Financial System's ("SFN") functional structure is formed by a normative system and an operative system. The National Monetary Council ("CMN") is the highest SFN's body. CMN regulates the incorporation and operation of financial institutions and is responsible for supervising them. It has no executive function.

The Central Bank of Brazil is an official federal body and has executive functions in the financial system. It is responsible for enforcing compliance with CMN's directives and decisions regarding the exchange rate system and monetary policy, as well as monitoring activities of financial institutions – in particular, organizing, regulating and supervising the Brazilian financial system. The BCB grants authorizations, regulates the operation of financial institutions, and is responsible for regulating bank lending.

The Brazilian Securities Commission ("CVM") is an independent agency subordinated to the Ministry of Economy. CVM is administratively independent and empowered to regulate, govern and supervise the activities of all capital market participants. Its regulatory activities encompass all matters related to the Brazilian securities market, such as: registration of publicly traded companies, offers and asset distribution; establishment of rules concerning the creation and operational procedures of stock exchanged and securities trading and intermediation firms; and suspension of issuance, distribution, or trading of a specific asset or ordering the withdrawal of rights from stock markets.

Brasil, Bolsa, Balcão ("B3") is one of the world's largest financial market infrastructure companies and provides trading services in an exchange and over-the-counter ("OTC") environment in Brazil. It comprises the stock exchange, the futures exchange, and the center for custody and financial settlement of private securities.

B3 is also the body that calculates the *DI rate* (one-day interbank deposit rate), which is the average rate charged in the interbank market.

The Special System for Settlement and Custody ("SELIC") is the settlement system for public securities, and is managed by the BCB.

Skyline of modern office buildings reflected in Pinheiros river in Sao Paulo city, Brazil

3 Overview of the Federal Public Debt

The Treasury publishes on a regular basis information on the amount outstanding, average maturity, secondary market, and composition of the FPD[1]. This guide focuses on the domestic debt market once external debt securities are, by definition, issued in international markets and regulated according to the jurisdiction in which they are issued. In December 2020, the Domestic Federal Public Debt corresponded to 95% of the total amount outstanding, and the External Federal Public Debt corresponded to 5% of the total amount. For more information on the external Federal Public Debt, please visit the National Treasury's website.

The Brazilian bond market, just like the financial market as a whole, has been growing since the mid-1990. A number of factors have contributed to the development of the market, such as economic stabilization, favorable regulatory environment governing securities markets, and the high demand for fixed income securities.

The National Treasury ("the Treasury") is the institution responsible for the issuance of the Federal Public Debt and it offers a wide range of instruments: fixed-rate, inflation-linked, floating-rate, and FX-linked bonds. The Treasury instruments can be used as collateral in repo transactions with the Brazilian Central Bank.

The main domestic bonds on the market are those issued through public offerings, carried out regularly by the National Treasury. In addition to the public offerings, the National Treasury maintains an internet-based, retail program – **Tesouro Direto** – through which individual investors can purchase debt securities directly from the National Treasury. To provide daily liquidity to *Tesouro Direto* small investors, the National Treasury offers an early redemption option through daily repurchases of the bonds offered in the program. *Tesouro Direto* represents 1.25% of the total amount outstanding of the FPD as of December 2020.

[1] *The Federal Public Debt is composed by domestic and foreign domestic debt.*

The Domestic Federal Public Debt

The Domestic Federal Public Debt ("DFPD") is composed of fixed-rate, inflation-linked, floating-rate, and FX-linked securities. DFPD bonds can be either coupon-bearing or zero-coupon. The features of the main securities issued by the National Treasury are described below.

Letras do Tesouro Nacional ("LTN"), also known as National Treasury Bills, are plain vanilla securities with maturities up to 48 months. LTN are fixed-rate, zero-coupon bonds, and the face value is BRL 1,000.00.

Notas do Tesouro Nacional, F series ("NTN-F") are fixed-rate, coupon-bearing securities, and the face value is BRL 1,000.00. NTN-F pay coupon semi-annually (10% per year, on a compound basis) and principal at maturity. NTN-F maturities are over 6 years.

Notas do Tesouro Nacional, B and C series ("NTN-B" and "NTN-C") are inflation-linked notes that pay semi-annual coupons and have one principal payment at maturity. The Consumer Price Index, IPCA, is the reference rate of NTN-B, and the Brazilian Wholesale Price Index, IGP-M, is the reference rate of NTN-C. The nominal value of NTN-B and NTN-C is BRL 1,000.00. NTN -B and -C series can be issued at par, at a premium or at a discount to the nominal value. NTN-C were last issued by the National Treasury in 2006.

Letras Financeiras do Tesouro ("LFT") are floating-rate, zero-coupon securities. LFT is indexed to the Selic rate , and interest and principal are paid at maturity. LFT can be issued at par, at a discount or at a premium. Nominal value of LFT is BRL 1,000.00.

Table 1 summarizes the main features of the DFPD securities. The National Treasury publishes the **Annual Borrowing Plan** and **auctions schedule** on its website.

Table 2 **– Domestic Federal Public Debt**

Debt Instrument	Description	Benchmark rate	Coupon	Day Counting Convention
LFT (Letras Financeiras do Tesouro)	Floating-rate securities	Selic rate	Zero-coupon	Business days/252
LTN (Letras do Tesouro Nacional, or National Treasury Bills)	Short-term, fixed-rate securities	--	Zero-coupon	Business days/252
(Notas do Tesouro Nacional – F Series)	Long-term, fixed-rate securities	--	10% per year, payable semiannually	Business days/252
(Notas do Tesouro Nacional – B Series)	Inflation-linked securities	Consumer Price Index (IPCA)	6% per year, payable semiannually	Business days/252
(Notas do Tesouro Nacional – C Series)	Inflation-linked securities	Wholesale Price Index (IGP-M)	6 or 12% per year, payable semiannually	Business days/252

Source: National Treasury of Brazil.

The Special System for Settlement and Custody, SELIC, holds in custody the majority of the domestic federal public debt. A residual proportion of the DFPD is registered at B3.[2]

Forms of Issuance of the Federal Public Domestic Debt

The main type of issuance in the domestic market is a public offer by means of competitive auctions open to all institutions registered in SELIC. Open auctions stimulate competitiveness in the primary market, while closed auctions can favor secondary markets, where dealers may exclusively distribute the bonds they purchased. **Dealers** are financial institutions accredited by the National Treasury with the objective of promoting development of primary and secondary government bonds market. The Treasury frequently monitors the competitiveness of auctions either by tracking the demand-supply ratio at each auction or the participation of every institution.

Auctions are conducted through an electronic system managed by the Central Bank, and each participant may submit up to 7 bids in case it is a dealer, and up to 3 bids in case of non-dealer institutions.

The National Treasury operates two types of auctions: traditional and hybrid auctions –

Traditional auction: The Treasury sets specific volumes for each maturity to be offered at the auction's announcement. LTN, NTN-F sand NTB-B are issued through traditional auctions.

Hybrid auction: The Treasury sets the total joint volume for the maturities to be offered at the auction's announcement. Bonds with different maturities are offered simultaneously and no specify volume is allocated to each maturity. LFT are issued through hybrid auctions.

[2] *Domestic Federal Public Debt registered at B3 are bonds issued through direct placements. These securities attend specific purposes defined in Brazilian legislation (e.g., government programs, and debt securitization).*

The auctions of fixed-rate instruments (LTN and NTN-F) are discriminatory or multiple-priced, i.e., each participant pays the price they proposed. Conversely, the Treasury's floating rate instruments (NTN-B and LFT) are offered through single- or uniform-price auctions. These are auctions where successful bidders pay the price of the lowest accepted bid (cut-off price) rather than the actual price they bid.

The Treasury relies on dealers to help develop the primary and secondary markets. Although they do not have exclusive access to traditional auctions, dealers have the right to participate in so-called special operations with the Treasury. These include the second-round auction, at which each dealer may buy a certain amount of bonds offered at the average price established in the first-round auction. This type of auction is only held if at least 50% of the amount (for each maturity) offered in the first stage is sold. The National Treasury Administrative Act for each auction specifies the conditions under which the second round may be held, and the **Joint Normative Act nº 18** establishes the criteria for defining the maximum quantity that each dealer may buy.

Auctions' schedule is available **here**. The results are announced to the participants and made available at the **Treasury's website**.

Exchange and Repurchase Auctions

The National Treasury may occasionally hold exchange auctions to: (i) avoid excessive concentration of maturities on specific tenors, which increases refinancing risk; (ii) stimulate the build-up of a benchmark bond; and/or (iii) correct market distortions.

The Treasury may also exceptionally hold repurchase (buyback) auctions in periods of severe market distress to provide price parameters to the market or to guarantee government bonds' market well-functioning.

Aerial view of Rio de Janeiro coast with Copacabana and Praia Vermelha beach at sunset - Rio de Janeiro, Brazil

4 Secondary Market

Secondary market well-functioning is key to efficient and transparent pricing of the FPD, in addition to enabling better risk management, increasing liquidity, and strengthening primary market. These conditions support lower costs and lower risk to the National Treasury issuances in the primary market.

Secondary market transactions of government bonds are cleared and settled through the clearance and settlement institution SELIC. The settlement is managed electronically. SELIC also registers the negotiation of federal bonds, which can be over-the-counter or through electronic system. There are three electronic trading platforms in Brazil: SISBEX, Cetipnet (B3) and E-bond (Bloomberg). Due to the potential benefits of electronic trading networks, the dealers' activity framework provides incentives to increase trading in electronic platforms.

Settlement follows the delivery-versus-payment (DVP) system, which means the bondholder ownership changes when payment is made.

Currently, the **dealer system** of the National Treasury is composed by banks and independent brokerage or distribution companies. Dealers participate actively in primary issuances of federal government bonds and in its negotiation on the secondary market.

Performances of every institution are assessed every six months and those with the worse performances are substituted. Selection is carried out through an assessment based, most of all, in participation in primary issuances and in secondary market of government bonds.

The Brazilian Financial and Capital Markets Association ("ANBIMA") is also an important source of data on the secondary market for government bonds. ANBIMA's website publishes daily prices and benchmark (?) yields for the main DFPD securities (LTN, NTN-F, NTN-B, LFT and NTN-C). ANBIMA also calculates and publishes the *Anbima Market Index* ("IMA")[1].

For further details on the primary and secondary markets, profile, and evolution of the Federal Government Debt, please visit The National Treasury and the Central Bank's websites. The National Treasury publishes the **Monthly Report on the Federal Public Debt**. The Central Bank publishes on a daily basis **the volumes traded in the secondary market**. The **Open Market Press Release** is a monthly report published by the BCB, and compiles data on open market and secondary market.

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[1] IMA – Fixed-rate indexes calculated on the basis of the evolution of the market value of portfolios composed of government securities. The overall IMA is weighted value of the result of weighting of the variations of each index; the IRF-M is composed of fixed-rate securities (LTN and NTN-F); the IMA-C, of securities tied to the IGP-M (NTN-C); the IMA-B, composed of securities tied to the IPCA (NTN-B); and the IMA-S, of securities tied to the SELIC rate (LFT). For more information on IMA indices, access: ***http://www.andima.com.br/publicacoes/arqs/edesp_ima_tpf.pdf***.

Mountains in Chapada Diamantina, Brasil - Morro dos Três Irmãos

5 Debt Management

The goal of the Federal Public Debt management is to efficiently supply the federal government borrowing needs at the lowest cost in the long term, while maintaining prudent levels of risk, and contributing to the proper functioning of the Brazilian bond market.

Observing this objective, the Federal Public Debt strategy is oriented by the following guidelines:

- Gradual replacement of floating-rate bonds by fixed-rate and inflation-linked bonds;
- Smoothing the maturity structure, with particular attention to short-term maturity;
- Increasing outstanding debt average maturity;
- Developing the yield curve;
- Increasing federal public government bonds liquidity on the secondary market;
- Broadening and diversifying the investors base;
- Maintenance of the liquidity reserve above its prudent level.

For the external debt, the National Treasury adopts a qualitative approach consisting in a benchmark issuance policy combined with a buyback policy targeted at retiring illiquid off-the-run bonds and bonds with a short remaining life to maturity. This approach enables the development of an external yield curve for sovereign bonds which works as a reference for bonds issued by corporate Brazilian issuers in international markets. The external Federal Public Debt (EFPD) plays a relevant role in increasing FPD average maturity, diversifying indexes, and expanding the investors base. For specific guidelines of the External Federal Public Debt, go to **External Market Strategy**.

The National Treasury`s strategy also focuses on prioritizing measures to maintain the public debt liquidity reserve (cash position) at prudent levels, with at least three or four months of maturity, mitigating the refinancing risk. The liquidity reserve ensures flexibility to the debt manager to carry out the planning of debt issuance, especially in times of greater volatility, allowing the offer of securities to be adjusted each week according to market conditions. The liquidity reserve balance has been published monthly in the **Monthly Debt Report** since its January/2021 edition.

Pantanal, MatoGrosso, Brazil

6 Strategic Planning

The strategic planning framework of the FPD is structures in 3 stages:

- a benchmark optimum debt composition, representing the intended long--term debt profile, in terms of debt instruments and maturity structure;

- a medium-term debt strategy, enabling more comprehensive identification of the risks, opportunities and restrictions that may emerge in the dynamics towards the long-term benchmark profile reference; and

- a short-term debt strategy, published in the Annual Borrowing Plan and monitored throughout the year by the Debt Management Committee.

For more information, please access the **Annual Borrowing Plan** and the paper **Optimal Federal Public Debt Composition: Definition of a Long-Term Benchmark**.

A summary of Federal Public Debt key figures, such as outstanding, average maturity, debt profile, among others, is available on the Treasury **website**.

7 Legal framework

According to legislation, non-resident investors may invest their funds in the same financial and capital market instruments and operational modalities available to resident investors. Non-resident investors must hire a representative in Brazil and name their tax representative, who is usually the same representative mentioned above, and hire securities custody services[1]. Investors are also subject to a series of other requirements such as registration with the Federal Revenue Service (“the Revenue” or “RFB”), and opening an account.

In Brazil non-resident investors, whether individuals, companies, funds or other collective investment entities, are:

- foreign investors who reside, are domiciled, or headquartered abroad;
- Brazilian individuals who have declared definitive exiting from the country.

Therefore, the criterion to differentiate domestic from non-resident investors is the country or residence of origin of the capital inflow rather than investors’ nationality.

[1] The local custodian must be an agent authorized by the Brazilian Securities Commission, CVM, to carry out custodial services. For a list of authorized custodians please visit ***CVM website.***

Compulsory registries:

Non-resident investor must register in the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, “CVM”), obtain the Brazilian Individual Taxpayer Registry (CPF) or Corporate Tax Registry (CNPJ) with the Revenue, and register resources entering the country at the Central Bank.

7.1. Types of Access:

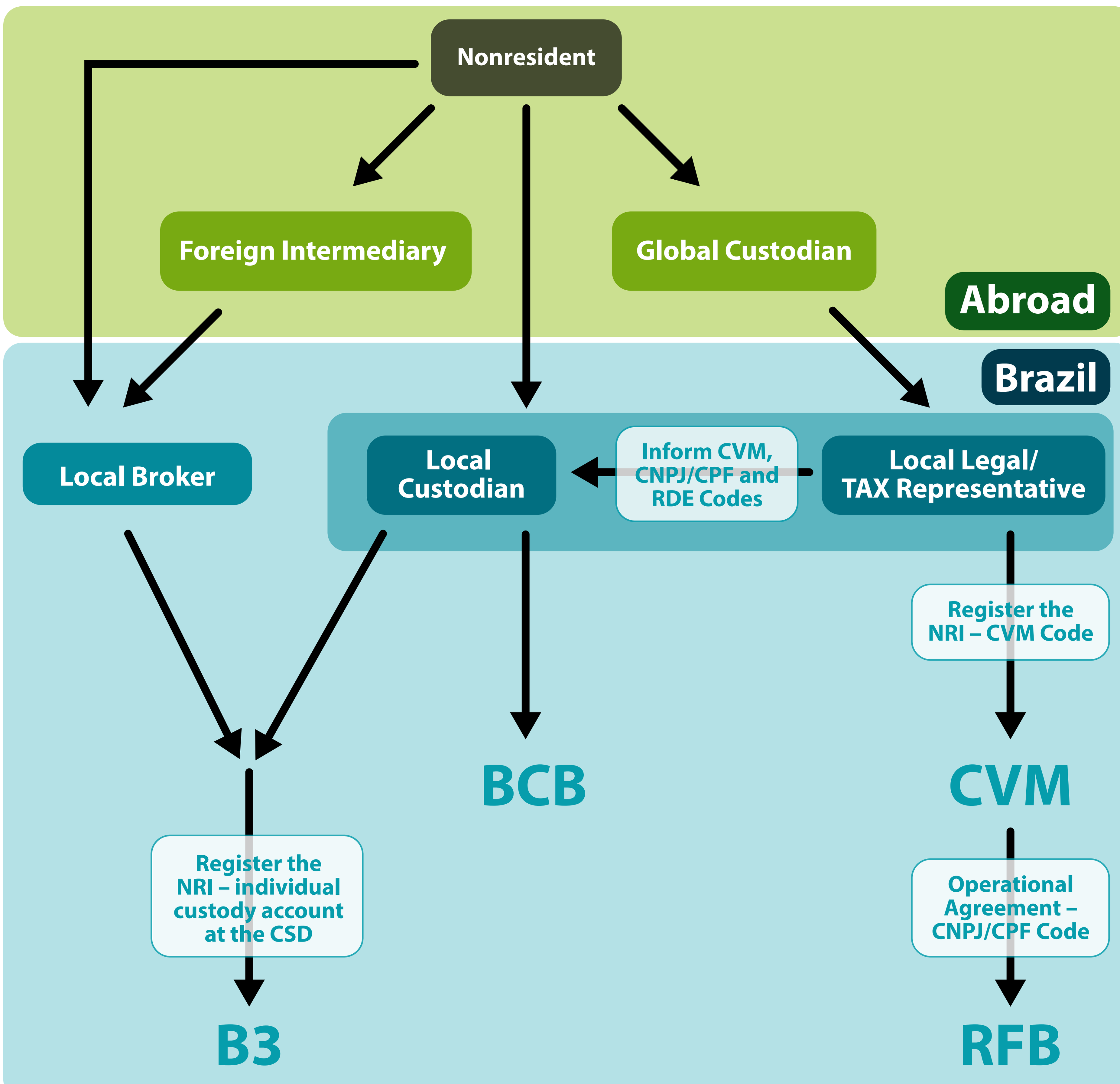
Non-resident investors can access Brazilian financial and capital markets through a variety of relationships arrangements:

- Through asset management, by foreign intermediaries which can operate through a relationship with a local broker (scenario 1).
- Through an international broker or global custodian (scenario 2).
- Through direct relationship with a local broker (scenario 3).

In case of scenarios 1 and 2, the investor can adopt a simplified registration process[2]. See Figure 1 for a visual scheme on these alternatives.

[2] Registration process according to ***CVM’s Instruction N. 617/2019.***

Figure **1 – Registration scenarios and flow of investment register**



Source: B3

7.2. Types of Accounts:

The non-resident investor may register as:

- Proprietary account holder;
- Omnibus account holder (name holder of a collective account); or
- Omnibus account participant (passenger).

The non-resident investor may be a holder or a passenger in one or multiple accounts. The proprietary account holder may operate solely on their own behalf. The omnibus account holder may operate on the behalf of other non--resident investors, admitted as passenger in the omnibus account.

The legal representative must be a financial institution, or an institution authorized by the BCB to operate in Brazil. The institution is responsible for registering non-resident investors at CVM by submitting the information required in **Annex A of CVM Resolution No. 13/2020**. Registration is granted immediately upon request. The investor must also sign a **declaration** with the legal representative stating the information provided is accurate and assuming legal responsibility for the same. Legal Representatives must also provide to CVM the following reports:

Table 3 **– Mandatory reports**

Frequency	Deadline	Content	Format
Monthly	Up to the tenth working day of the month	Operations and consolidated balance of omnibus account participants and personal account holders	CVM Resolution 13/2020 - Annex B
Semi-annually	Up to the fifteenth working day of the semester	Operations and balance of omnibus account participants and personal account holders	CVM Resolution 13/2020 - Annex C

Source: National Treasury of Brazil

Upon registration, CVM's system generates an operational code for each investor ("CVM's Code") which must be informed in all trades carried out in the name of each investor of an omnibus account. This process facilitates the identification of the final beneficiary of the transaction, therefore it enforces surveillance, compliance and money laundering prevention.

The legal representative must also register the non-resident investor at the BCB's Information System (SISBACEN) obtaining a special Code (*RDE Code*) which is used to identify investors operations and balances.

Aerial View of Buildings of Sao Paulo by Sunrise.

8 Taxation

Fiscal treatment of non-resident investors on Brazilian financial and market capital investments differs according to the origin of the funds. Investors from countries that don't have favored taxation will have the right to Brazilian tax benefits. According to Brazil's legislation, jurisdictions where income tax is less than 20% are considered tax havens, therefore investors that reside in those countries are not eligible to Brazil's tax benefits.

In Brazil, the main taxes levied on financial investments are income tax (IR) and tax on financial transactions (IOF).

IR – Income Tax: Yields originated from government bonds are subject to a 0% tax. Non-resident exclusive investment funds shares with a minimum of 98% in government bonds also falls in this category.

Non-resident investors domiciled in tax havens[1] are subject to the same tax treatment as domestic investors, presented in the table below:

Table 4 **– Tax treatment**

Rate	Period of investment
22.5%	Up to 180 days
20%	From 181 days to 360 days
17.5%	From 361 days to 720 days
15%	Over 720 days

Source: RFB

1 In accordance to Brazilian legislation, tax havens are those jurisdictions in which income is taxed at a rate lower than 20% or those where domestic laws do not permit access to information related to shareholding composition of legal entities or their ownership. The nonresident investors from tax havens are subject to the same tax rates as Brazilian investors, unless specific bilateral agreements have been established determining otherwise. The list of tax havens may be found in Article 1 of RFB Rule 1.037/2010.

IOF – Tax on Credit, Exchange and Insurance Operations:

IOF is also known as short-term IOF, and applies to both resident and non-resident investors. Investments are subject to an IOF levy on redemptions, transfers and renegotiations that occur within 30 days of the acquisition of government bonds. The tax rate is 1% per day, limited and decreasing in relation to the period (from 1 to 30 days), to the operations revenue (from 96% to 0%). The main objective of this tax is to discourage very short term trading.

According to Law 8.981/19957, the legal representative of the foreign investor is responsible for compliance with the tax duties of the transactions it will perform on behalf of the client. That responsibility only applies for taxable net gains.

The Brazilian Federal Revenue ("RFB") maintains both the National Registration for Corporate Taxpayers (Cadastro Nacional de Pessoa Jurídica – CNPJ) as well as the National Registration for Individual Taxpayers (Cadastro de Pessoa Física – CPF) – which are the non-resident investor identification code for tax purposes. CVM's non-resident registration system is fully integrated with RFB's system. Upon registration at CVM, RFB system automatically generates the identification code.

Rio de Janeiro, Brazil, Copacabana beach, palm trees and the Leme mountain.

Appendix 1 **Legislation**

Key legislation and regulation applicable to investment in Brazil's government securities by non-resident investors are provided below:

Domestic Federal Public Debt (DFPD)

Law 10.179/2001 – Regulates Domestic Federal Public Debt (DFPD) issuances.

Non-Resident Investors

CVM Instruction 13/2020 – Provides instructions on registration and trading for non-resident investors.

Law 4.131/1962 – Regulates foreign capital inflows, and capital outflows.

CMN Resolution 4.373/2014 – Provides for non-resident investors' investments in the Brazilian financial and capital markets.

CMN Resolution 4.852/2020 – Alters Annex I to CMN Resolution No. 4.373/2014 by authorizing CVM to exempt non-resident investors from CVM registration. It also withdrawals the obligation for appointing a local custodian.

Taxation

Law 5.172/1966 – Brazilian National Tax Code.

Law 8.981/1995 – Regulates tax representatives activities.

Law 8.894/1994 and **Decree 6.306/2007** – Regulates the application of the Tax on Credit, Exchange, and Insurance Operations (IOF).

Law 11.312/2006 – Deals with the incidence of income tax (IR) on non-resident investors.

RFB Normative Instruction 1.037/2010 – Normative instruction that provides the list of countries with favored taxation and privileged tax regimes.

Provisional Measure 2.189/2001 – Changes the income tax legislation regarding the incidence of withholding tax on income from financial investments, including beneficiaries residing or domiciled abroad.

Appendix 2
Market Glossary

ANBIMA is the Brazilian Financial and Capital Markets Association, an entity with the purpose of representing and defending the interests of its members which includes banks, asset managers, brokers, securities dealers, and investment advisers. It also has the purpose of fostering market development by playing a self-regulatory, informative, and educational role.

B3 – Brasil, Bolsa, Balcão is the Brazilian Stock Exchange, a financial market infrastructure company, providing trading services in exchange and OTC environments. B3's scope of activities includes the creation and management of trading systems, clearing, settlement, deposit and registration for the main classes of securities, from equities, corporate fixed income securities to currency derivatives, structured transactions and interest rate, and agricultural commodities. B3 also acts as a central counterparty for most of the trades carried out in its markets and offers central depository and registration services.

Central Bank of Brazil (BCB) is the Brazilian monetary authority. BCB performs its functions as monetary, regulatory and supervisory authority in accordance to guidelines issued by the National Monetary Council ("CMN").

Cetipnet system of an electronic trading platform managed by B3.

CVM is the Securities and Exchange Commission of Brazil.

Federal Revenue Service (RFB) has the role of administrating all federal taxation of individuals and enterprises, including taxation of foreign trade. RFB also advises Brazil's executive branch on the formation of tax policy, including prevention of tax evasion, contraband activities, customs abuses, piracy, commercial fraud, drug trafficking, trafficking in species at risk of extinction and other illicit international trading activity.

IPCA is the Extended Consumer Price Index. It is the official price index adopted in Brazil as a reference for the inflation targeting system, and it is calculated and published by the National Bureau of Statistics (IBGE).

The National Monetary Council (Conselho Monetário Nacional, CMN) is the Brazilian Financial System institution in charge of formulating monetary and credit policies, aiming to preserve Brazilian monetary stability, and to promote economic and social development. It is composed by the Minister of Economy (chairman), the Ministry of Economy's Special Secretary of Finance and the Governor of the BCB. CMN members meet at least once a month in order to deliberate about currency and finance-related issues.

SELIC (Special System for Settlement and Custody) is a central depository for domestic federal government bonds. Securities held by non-residents are registered in a specific sub-account, in accordance with the BCB's rules defining custody accounts of customers.

Selic rate is the basic interest rate of the Brazilian economy and is defined by the Monetary Policy Committee (Copom). Selic rate is published daily by the Central Bank of Brazil, on its website, always in D+1.