

CENTRAL BANK OF BRAZIL

LAW N 4595, OF DECEMBER 31, 1964 (as ammended)

This Law disciplines the Monetary Policy Monetary, Banking and Credit Institutions, creates the National Monetary Council and establishes other provisions.

The President of the Republic

I notify that the National Congress decrees and I ratify the following Law:

CHAPTER I

National Financial System

Article 1. The National Financial System, structured and regulated by this Law, shall consist of:

- I - The National Monetary Council;
- II - The Central Bank of Brazil;
- III - The Bank of Brazil, S.A.;
- IV - The National Bank for Economic and Social Development;
- V - Other Financial Institutions, both public and private.

CHAPTER II

National Monetary Council

Article 2. The Council of the existing Money and Credit Superintendency is abolished and, in its stead, is created the National Monetary Council with the purpose of formulating money and credit policy as provided for in this Law, aiming at the economic and social

progress of the Country.

Article 3. The policy of the National Monetary Council will aim at:

I - Adapting the volume of means of payment to the real necessities of the national economy and to its process of development;

II - Regulating the internal value of the currency, thereby preventing or correcting inflationary or deflationary tendencies of internal or external origin, economic depressions or other imbalances resulting from conjunctural imbalances;

III - Regulating the external value of the currency and the equilibrium of the balance of payments of the Country with a view to optimum utilization of foreign currency resources;

IV - Orienting the application of the resources of financial institutions whether public or private, with a view to promote in the different regimes of the Country favourable conditions to the harmonious development of the national economy;

V - Promoting the perfecting of financial institutions and instruments in order to achieve greater efficiency in the system of payment and mobilization of resources;

VI - Providing for the liquidity and solvency of financial institutions;

VII - Coordinating internal and external monetary, credit, budget, fiscal, and public debt policies.

Article 4. Pursuing directives set forth by the President of the Republic, it is incumbent upon the National Monetary Council:

I - (REVOKED)

II - Establish conditions such that the Central Bank of Brazil issue legal tender ... (vetoed) ... in accordance with the terms and limits established by this law as well as with the regulations governing legal tender of circulation;

III - Approve monetary budgets prepared by the Central Bank of Brazil by means of which overall money and credit needs will be estimated;

IV - Determine the general characteristics ... (vetoed) ...of bills and coins;

V - Set forth directives and regulations on Exchange Policy, including the purchase and sale of gold, and any special foreign currency operations;

VI - Discipline credits and credit operations of all kinds, including acceptances and guarantees granted by financial institutions;

(*) The designation "(vetoed)" refers to material deleted by presidential veto which does not appear in this text.

VII - Coordinate the policy set forth in Article 3 of this Law with that of investments carried out by the Federal Government's;

VIII - Regulate the constitution, functioning and supervision of those who exercise functions within the purview of this Law as well as the application of penalties set forth herewith;

IX - Limit, whenever necessary, interest rates, discounts, commissions and any other form of remuneration of banking or financial transactions and services, including those performed by the Central Bank of Brazil, ensuring favored rates to financings directed to promoting:

- soil recuperation and fertilization;
- reforestation;
- combat of epizootics and blights in rural activities;
- rural electrification;
- mechanization;
- irrigation;
- investments indispensable to agricultural and cattle raising activities;

X - Determine the maximum percentage of funds that financial institutions should lend to one client or to a group of companies;

XI - Stipulate indexes and other technical grounds for capitalization, reserves and other patrimonial relations to be observed by financial institutions;

XII – Set forth general accounting and statistical rules to be observed by financial institutions;

XIII – Limit, not less frequently than every two years, the minimum capital requirement for private financial institutions, taking into account their nature, as well as the location of their head offices and agencies or branches;

XIV - REVOKED

XV - Establish, for public financial institutions, deduction of deposits made by public law legal persons holding their stock control, as well as respective autonomous and mixed capital entities, from the calculus referred on article 10 item III of this Law.

XVI - Obligatorily, forward to the National Congress, by the last day of the subsequent month, a report and supporting graphical material demonstrating the application of compulsory reserve deposits ... (vetoed) ...

XVII - Regulate, by imposing limits, terms and other conditions, the lending and rediscount operations, effected by any public or private financial institutions of a banking nature;

XVIII – Grant to the Central Bank of Brazil the monopoly on exchange operations whenever a grave disequilibrium in the balance of payments occurs or there are serious reasons to foresee such imminent situation;

XIX - Establish norms to be observed by the Central Bank of Brazil in dealing with public securities or obligations issued by entities in which the State participates;

XX - Authorize the Central Bank of Brazil and the federal public financial institutions to subscribe, purchase and sale stock shares and other obligations either issued by or under the responsibility of mixed capital entities and State companies;

XXI - Discipline Stock Market activities and performance of stock brokers dealing with public funds;

XXII - Establish norms for public financial Institutions operations in order to preserve their solvency and reconcile their functioning with the objectives of this Law;

XXIII – Limit to as much as fifteen (15) times the total of capital and free reserves the maximum on top of which exceeding deposits by financial institutions will revert to the Central Bank of Brazil or be applied in accordance with norms established by the Council;

XXIV - Determine its own organization, formulating its internal regulations within the maximum period of thirty (30) days;

XXV - REVOKED

XXVI - REVOKED

XXVII - Approve the internal regulation and accounts of the Central Bank of Brazil, and decide its budget and accounting systems, as well as the form and time frame for the transfer of its results to the National Treasury, without prejudice to the competence of the Federal Accounting Tribunal;

XVIII - Apply to foreign banks, operating in the country, the same controls and limits applied by their regulatory agencies to Brazilian banks either operating in that country or desirous of operating there;

XXIX - Collaborate with the Federal Senate in reviewing foreign loans to States, Federal District and Municipalities in accordance with Article 63, II of the Federal Constitution;

XXX – Tacitly Revoked

XXXI - Establish norms regulating exchange operations, including swaps, limits, rates, terms and other conditions.

XXXII – Regulate time deposits of financial institutions and other entities authorized to operate by the Central Bank of Brazil, including those subject to the same share holder control or subordination.

Paragraph 1. The National Monetary Council in exercising the powers under item VIII of this Article can require the Central Bank of Brazil to refuse authorization for the functioning of new financial institution based on general convenience aspects.

Paragraph 2. It shall be incumbent upon the Central Bank of Brazil to monitor the execution of the monetary budgets and to report thereon to the National Monetary Council, presenting any suggestions considered appropriate.

Paragraph 3. The issuance of coins shall always be accompanied by the retirement ... (vetoed) ... of an equal amount in bills.

Paragraph 4. The National Monetary Council shall be able to invite authorities, persons or entities to provide any clarifications considered necessary.

Paragraph 5. In the hypotheses of Article 4, item I and of paragraph 6 of Article 49 of this Law, should the National Congress deny concurrence to an extraordinary emission of currency, responsible authorities will be liable pursuant to the terms of Law 1,079 of April 10, 1950.

Paragraph 6. The National Monetary Council will send to the National Congress, by March 31 of each year, a report on the monetary and credit situation of the country during the previous year, in which the measures taken to accomplish the objectives established in this Law shall be minutely described and the amounts of currency emitted to attend to the productive activities of the country justified in detail.

Paragraph 7. REVOKED

Article 5. The deliberations of the National Monetary Council shall be understood to be the responsibility of its President for the purposes of Article 104, letter "b" of the Federal Constitution and shall, in addition, be binding upon all official entities including the autonomous and mixed capital agencies, insofar as their activities affecting the financial and capital markets are concerned.

Article 6. REVOKED

Article 7. REVOKED

CHAPTER III

Central Bank of Brazil

Article 8. The existing Money and Credit Superintendency is transformed into an autonomous federal agency headquartered in the Capital of the Republic, designated "Central Bank of Brazil", with legal personality and equity capital, the latter constituted of property, rights and values as transferred to it pursuant to this Law and, in addition, from the appropriation of interests and revenues accruing, as of the effective date of this Law, from the dispositions of Article 9 of Decree-Law 8,495, of December 28, 1945, now expressly revoked.

Sole Paragraph. Positive results obtained by the Central Bank of Brazil in its half-year balances shall be transferred to the National Treasury, up to the 10th day of the subsequent month.

Article 9. It is incumbent upon the Central Bank of Brazil to comply and enforce compliance with the relevant dispositions attributed to it by the legislation in force and the norms promulgated by the National Monetary Council.

Article 10. The Central Bank of Brazil is competent to:

I - Emit bills and coins under the conditions and limits authorized by the National Monetary Council ...(vetoed)...;

II - Perform legal tender circulation services;

III - Determine the withdrawal of up to 100% of total sight deposits and up to 60% of other accounting items of financial institutions, either as a subscription of bills and securities issued by the National Treasury or purchase of public debt titles, or by withdrawals in kind, in both instances, delivered in the form and conditions set forth by it, which may:

a) impose different percentages according to:

1 - geo-economic regions

2 - priorities attributed to applications

3 - nature of the financial institutions

b) determine the percentage not to be withdrawn, should it have been used to finance agriculture, at favorable interest rates and other conditions established by it.

IV - Receive compulsory deposits dealt with in the previous item, as well as voluntary sight deposits of financial institutions, in the terms of item III and paragraph 2 of Article

19 of this Law;

V - Effect loan and rediscount operations to banking institutions as well as to those referred to in Article 10, item III, letter "b" and in paragraph 4 of Article 49 of this Law;

VI - Control all forms of credit;

VII - Control foreign capital in the terms of the Law;

VIII - Be the depository of official gold, foreign currency reserves, and Special Drawing Rights, and execute with the latter any and all operations set forth in the Constitutive Convention of the International Monetary Fund

IX - Supervise financial institutions and impose penalties prescribed;

X - Authorize financial institutions to:

a) function in the country;

b) install or transfer their headquarters or dependencies, including those abroad;

c) be transformed, merged, incorporated or expropriated;

d) conduct exchange and real credit operations, sell federal, state or municipal debt certificates, stocks, bonds, mortgages and other certificates of credit or ownership;

e) have their franchises extended;

f) alter their statutes;

g) sell or, in any other form, transfer its share control

XI - Establish conditions for incumbency and exercise of any administrative office in private financial institutions as well as for the exercise of any function in consultative, fiscal and similar councils according to norms promulgated by the National Monetary Council;

XII - Effect, the purchase and sale of federal public obligations.

XIII - Require that the headquarters of financial institutions keep record of companies dealing with their agencies for more than one year;

Paragraph 1. In exercising its attributions, to which item X of this Article refers, based on norms promulgated by the National Monetary Council, the Central Bank of Brazil will analyze the proposal and concede or refuse the authorization requested, and can (vetoed) include those clauses considered to be of public interest.

Paragraph 2. With due regard to the dispositions of the previous paragraph, foreign financial institutions will require authorization of the Executive Branch in the form of a decree in order to be able to function in the country (vetoed).

Article 11. It is also incumbent upon the Central Bank of Brazil to:

I - deal, in the name of the Brazilian Government, with foreign and international financial institutions;

II - manage, as an agent of the Federal Government, internal or external loans, being able, as well, to make itself responsible for the respective services;

III - act towards the regular functioning of the exchange market, of the relative stability of the exchange rate, and of the equilibrium in the balance of payments, to these ends being competent to buy and sell gold and foreign currency, as well as to conduct credit operations abroad, including those concerning the Special Drawing Rights, and to separate the exchange, financial and commercial markets;

IV - Purchase and sell obligations of mixed capital entities and State companies;

V - issue its own obligations, in accordance with conditions established by the National Monetary Council;

VI - regulate the clearing services of checks and other papers;

VII - exercise permanent surveillance in the financial and capital markets over companies that, directly or indirectly, interfere in these markets as well as over the ways and means they use to deal;

VIII - provide, under the control of the National Monetary Council, its Secretariat work.

Paragraph 1. In exercising its attributions under item IX of Article 10 of this Law, the Central Bank of Brazil may examine the records and documents of natural and legal persons, controlling any financial institution, who are subject to Article 44, paragraph 8 of this Law.

Paragraph 2. Duly authorized by the National Monetary Council, the Central Bank of Brazil, shall install offices in the various geo-economic regions of the country, with a view to administrative decentralization for purposes of distribution and collection of currency and of compliance with Council's decisions and legal provisions.

Article 12. The Central Bank of Brazil will operate exclusively with public and private financial institutions, being prohibited banking operations whatever nature with other public or private persons, except those expressly authorized by Law.

Article 13. Charges and services incumbent upon the Central Bank, not conducted by it, directly will be contracted with the Bank of Brazil S.A., except for cases specially authorized by the National Monetary Council.

Article 14. REVOKED

Article 15. The internal regulations of the Central Bank of Brazil, to which item XXVII of Article 4 of this Law refers, shall list the responsibilities of its President and Directors and specify the matters requiring decision by the Board, which shall be taken by a simple majority of votes, the presence of the President or his alternate and two other Directors constituting a minimum quorum, and the President having a qualified vote in case of tie.

Sole Paragraph. The Board shall meet, once per week ordinarily, and, extraordinarily, whenever necessary, upon request by the President or at least two of its members.

Article 16. Revenues of the Central Bank of Brazil shall be constituted by:

I – financial transactions and other investments of funds;

II - the result from exchange operations, purchase and sale of gold and any other foreign currency transactions;

III - eventual receipts, including fees, fines, and late interests applied in accordance with the legislation in force.

CHAPTER IV

Financial Institutions

SECTION I

Characterization and Subordination

Article 17. For the purposes of the legislation in force, financial institutions are considered to be those public or private legal persons that have as their principal or accessory activity the collection, intermediation or application of financial resources of their own or from third parties in national or foreign currency, and the custody of property value of third parties.

Sole Paragraph. For the purposes of this Law and the legislation in force, those physical persons exercising any of the activities referred to in this Article, either on a permanent or sporadic basis, shall be the equivalent of financial institutions.

Article 18. Financial institutions shall function in the country only with previous authorization from the Central Bank of Brazil or by decree of the Executive Branch, should they be foreign.

Paragraph 1. Besides official and private banks, credit, financing and investment entities, savings and loan institutions, and credit cooperatives or credit departments of other cooperatives, also subordinated to the relevant dispositions of this Law are: stock markets, insurance and capitalization companies, entities distributing prizes in the form of real estate, merchandise or money, through lottery or any other means, and those physical or legal persons that exercise, on their own behalf or for third parties, activities related to the purchase and sale of stocks and other papers in the financial or capital markets or perform services akin to those performed by financial institutions.

Paragraph 2. In exercising the supervision incumbent upon it, the Central Bank of Brazil shall regulate the conditions of competition among financial institutions, preventing abuses through the application of penalties ...(vetoed)... in accordance with this law.

Paragraph 3. Campaigns designed to collect funds from the public, undertaken by physical or legal persons within the jurisdiction of this Law, shall require previous authorization from the Central Bank of Brazil with the exception of public stocks subscriptions, undertaken in accordance with the law of corporations.

SECTION II

BANK OF BRAZIL S.A.

Article 19. Under the supervision of the National Monetary Council and as an instrument for the execution of the credit and financial policy of the Federal government, the Bank of Brazil S.A. shall have the principal responsibility for the following:

I - as Financial Agent of the National Treasury, without prejudice to other functions attributed to it, and excepting that disposed by Article 8 of Law N. 1.628, of June, 20, 1952:

- a) receive to the credit of the National Treasury the amounts accruing from the collection of federal taxes or revenues as well as the result of operations as set forth in Article 49 of this Law;
- b) effect the payments and transfers necessary to the execution of the Federal General Budget and complementary legislation, in accordance with authorizations transmitted to it by the Finance Ministry, which payments and transfers cannot exceed the overall amount of funds referred to in the previous letter; the extension of credits of whatever nature by the Bank to the National Treasury being prohibited;
- c) issue aval, bond and other guarantees, pursuant to express legal authorization;
- d) acquire and finance stocks of exportable production;
- e) execute the minimum prices policy for agropastoral products;
- f) act as receiving and disbursing agent abroad;
- g) service the consolidated public debt;

II - as principal executor of banking services of interest to the Federal Government, including its autonomous agencies, and with the exceptions disposed in paragraph 5 of this Article, and provided by Law or special cases expressly authorized by the National Monetary Council, as proposed by the Central Bank of Brazil, be the exclusive depository of the funds of any and all federal agencies, including the offices of all civilian and military ministries, pension funds and other autonomous agencies, commissions, departments, entities under special administrative regime and any physical or legal persons responsible for disbursements;

III - collect the voluntary and sight deposits of financial institutions pursuant to item III of Article 10 of this Law, writing up the respective accounts;

IV - serve as the clearing house for checks and other paper;

V - exclusively receive the deposits dealt with in Article 80, item III of Law N.6.404, of December 15, 1976 and Article 1 of Decree-law N.5.956, of November 1, 1943, except for that disposed in Article 27 of this Law;

VI - Purchase and sell foreign currency, on its own account and for the account of the Central Bank of Brazil, in the conditions established by the National Monetary Council.

VII - receive or make payments and other services of interest to the Central Bank of Brazil, by contract as set forth in Article 13 of this Law;

VIII - REVOKED

IX - finance the acquisition and installation of small and medium-size rural properties, in accordance with the legislation regulating this activity;

X - finance industrial and rural activities, the later with the benefits referred to in Article 4, item IX of this Law;

XI - divulge and guide credit, including commercial activities, supplementing the performance of the banking network;

a) in the financing of economic activities, supplying credit needs of different regions of the country;

b) in the financing of imports and exports;

Paragraph 1. The National Monetary Council shall assure specific resources to permit the Bank of Brazil S.A. to perform the tasks prescribed in this Law, with adequate remuneration.

Paragraph 2. From the overall total of deposits received as per item III of this Article, the Bank of Brazil S.A. will place at the disposal of the Central Bank of Brazil amounts in excess of the normal needs arising from movements of such accounts, as a result of the services mentioned in item IV of this Article, and observing the norms established by the National Monetary Council.

Paragraph 3. The functions referred to in item I of this Article, shall be the objects of contractual relationship between the Bank of Brazil S.A. and the Federal Government, being represented by the Finance Minister.

Paragraph 4. The Bank of Brazil S.A. shall provide all the information considered necessary by to the Central Bank of Brazil for the precise implementation of this Law.

Paragraph 5. The deposits mentioned in item II of this Article, can also be made in the Federal Savings Bank, within the limits and conditions established by the National Monetary Council.

Article 20. Together the Bank of Brazil S.A. and the Central Bank of Brazil shall draw an overall program of application of the resources of the former for inclusion in the monetary budgets mentioned in item III of Article 4 of this Law.

Article 21. The President and Directors of the Bank of Brazil S.A. shall be persons of unblemished reputation and well known ability.

Paragraph 1. The President of the Bank of Brazil S.A. shall be appointed by the President of the Republic.

Paragraph 2. Sporadic substitutions of the President of the Bank of Brazil shall not exceed thirty(30) consecutive days, without the President of the Republic submitting the name of the substitute to the Federal Senate.

Paragraph 3. (vetoed)

Paragraph 4. (vetoed)

SECTION III

Public Financial Institutions

Article 22. Public financial institutions are auxiliary entities in the execution of the credit policy of the Federal Government.

Paragraph 1. The National Monetary Council shall regulate the activities, capacity and manner of operating of such institutions, which should submit for approval, according to the priorities set forth by it, their resources and applications programs, to be reconciled with the credit policy of the Federal Government.

Paragraph 2. The choice of Directors or Administrators of federal public financial institutions, the appointment of their respective Presidents, and the designation of alternates, shall follow the dispositions of Article 21, paragraphs 1 and 2 of this Law.

Paragraph 3. Public financial institutions, performance shall be coordinated as per Article 4 of this Law.

Article 23. The National Bank for Economic and Social Development is the principal instrument of execution of the investment policy of Federal Government in accordance with the terms of Laws 1.628, of June 20, 1952 and 2.973, of November 26, 1956.

Article 24. Non-federal public financial institutions shall be subject to dispositions applicable to private financial institutions, being assured the form of constitution of those existing as of the date of publication of this Law.

Sole Paragraph. For purposes of the legislation in force, State Savings and Loans Banks are equivalent to Federal Savings and Loans Bank, where applicable.

SECTION IV

Private Financial Institutions

Article 25. With the exception of credit cooperatives, all private financial institutions must

be organized in the form of a joint stock company (sociedade anonima) with the totality of their capital represented by nominative shares.

Article 26. The initial capitalization of public and private financial institutions shall always be effected in currency.

Article 27. In the initial capital subscription and increments thereto, in currency, immediate payment of at least 50% (fifty percent) of the amount subscribed shall be required.

Paragraph 1. Quantities received from share subscribers shall be deposited with the Central Bank of Brazil, within 5 (five) days from the date of receipt, being held there until the respective capitalization process is cleared.

Paragraph 2. The unpaid balance of subscribed initial or incremental capital in currency shall be paid within one year of the date of completion of the respective capitalization process.

Article 28. Non-currency, capital increments, can be effected through the incorporation of reserves, according to norms promulgated by the National Monetary Council as well as from the revaluation of fixed assets such as buildings and installations, the maximum limit in this case being the indexes established by the National Council of Economy.

Article 29. Private financial institutions shall preferably apply no less than 50% (fifty percent) of the public deposits received within their respective Federated Unit or Territory.

Paragraph 1. The National Monetary Council may, in special cases, permit such percentage to be applied in each State or Territory individually or by groups of States and Territories, comprising the same geo-economic region.

Paragraph 2. REVOKED

Article 30. Private financial institutions, except for investment institutions, may only participate in the capital share of any other company, with previous authorization, properly solicited from and expressly conceded by the Central Bank of Brazil, being excepted cases of guarantees of subscription, made in accordance with general conditions established by the National Monetary Council.

Sole Paragraph. (Vetoed)

Article 31. Financial institutions obligatorily shall present general balance sheets as of June 30 and December 31 each year, observing the accounting regulations established by the National Monetary Council.

Article 32. Public financial institutions shall inform the Central Bank of Brazil of the appointment or election of directors and members of fiscal, consultative or similar councils, within fifteen(15) days from the date of such event.

Article 33. Private financial institutions shall inform the Central Bank of Brazil of acts pertaining to the election of directors or members of fiscal, consultative and similar councils, within fifteen (15) days of the date of such event, pursuant to Article 10, item X, of this Law.

Paragraph 1. Within a maximum period of 60 (sixty) days, the Central Bank of Brazil shall accept or reject the name of any elected individual, who does not meet the requirements referred to in Article 10, item X, of this Law.

Paragraph 2. Taking office by the elected individual shall depend on the acceptance referred to in the previous paragraph.

Paragraph 3. Documentation prescribed by Article 10, item X, of this Law having been entirely provided, and the period of time mentioned in paragraph 1 of this Article elapsed without manifestation on the part of the Central Bank of Brazil, it shall be deemed as not rejected.

Article 34. Financial institutions are prohibited from conceding loans or advances:

I - their directors and members of consultative, administrative, fiscal or similar councils as well as to their respective spouses;

II- relatives up to the second degree of those persons referred to in the previous item;

III- physical or legal persons holding more than 10%(ten percent) of their capital, except when specifically authorized by the Central Bank of Brazil, in case of operations fraught with commercial results from purchase or sale transactions or pledging of merchandise,

within limits of a general nature established by the National Monetary Council;

IV - legal persons of whose capital they hold more than 10% (ten percent);

V - legal persons of whose capital any of their directors or administrators as well as their spouses or relatives up to the second degree hold more than 10% (ten percent).

Paragraph 1. Revoked.

Paragraph 2. Item IV of this Article is not applicable to public financial institutions.

Article 35. Financial institutions are also prohibited from:

I - Issuing bonds and debentures;

II - Acquiring real estate property not destined for their own use, except that received in liquidation of loans of difficult or dubious payment, in which case it should be sold within one year of the date of receipt, renewable no more than twice, at the discretion of the Central Bank of Brazil.

Sole Paragraph. Financial institutions not receiving deposits from the public can issue debentures, with previous authorization in each case from the Central Bank of Brazil.

Article 36. Financial institutions may not maintain investments in real estate property for their own use which, together with the value of their installations, exceed the value of their capital and free reserves.

Article 37. Financial institutions and persons referred to in Articles 17 and 18 of this Law as well as stock brokers of public stocks are obliged to provide in the manner determined by the Central Bank of Brazil, and the data and information considered necessary for the faithful fulfillment of its responsibilities.

Article 38. Revoked by article 13 of Complementary Law 105/2001, published on January, 11, 2001.

Paragraph 1. Information and clarifications ordered by the Judicial Branch, provided by the Central Bank of Brazil or financial institutions, as well as exhibition of books and documents, thereof shall always be vested with this same secrecy character. Only legitimate parties to the litigation having access to them, and these parties being prohibited

from availing themselves of this access for purposes extraneous to the litigation.

Paragraph 2. The Central Bank of Brazil and the public financial institutions shall provide information to the Legislative Branch, and may, on the basis of relevant motives, request the maintenance of said information in reserve or secrecy.

Paragraph 3. Parliamentary Inquiry Commissions, in the exercise of its constitutional and legal competence of full investigation (Article 53 of the Federal Constitution and Law 1579, of March 18, 1952), shall obtain necessary information from the financial institutions, including by way of the Central Bank of Brazil.

Paragraph 4. Requests for information referred to in paragraphs 2 and 3 of this Article, should be approved in Plenary Session of the Chamber ofDeputies or of the Federal Senate and, in the case of a Parliamentary Commission of Inquiry, by an absolute majority of its members.

Paragraph 5. Tax agents of the Finance Ministry and State governments only may examine documents, books and records of deposit accounts when process has been initiated and said material is considered indispensable by the competent authority.

Paragraph 6. The previous Article is equally applicable to the provision of clarifications and information by financial institutions to fiscal authorities, said material and the investigations always being maintained in secrecy and being utilized only with reservation.

Paragraph 7. The breach of secrecy, dealt with in this Article, constitutes a crime and subjects those responsible to imprisonment penalty of one to four years; the Penal Code and the Code of Penal Process being applicable where relevant, without prejudice to other appropriate sanctions.

Article 39. The dispositions of the present law are applicable to foreign financial institutions now functioning or subsequently to be installed in the country, without prejudice to other dispositions in the legislation in force.

Article 40. Credit cooperatives may grant loans only to those who have been members of such cooperatives for at least thirty (30) days.

Sole Paragraph. This Article is also applicable to credit departments of any other

type of cooperative.

Article 41. Installment sales of goods and products related to their economic activity effected by agropastoral cooperatives to their members are not considered as being credit assignments.

CHAPTER V

Penalties

Article 42. REVOKED

Article 43. TACITLY REVOKED

Article 44. Infractions of the terms of this Law will subject financial institutions, their directors, members of administrative, fiscal and similar councils, and managers, to the following penalties, without prejudice others established by legislation in force:

I - Warning;

II - Variable pecuniary fines;

III - Suspension from their functions;

VI - Temporary or permanent disqualification to exercise of functions of administrative directorship or management of financial institutions;

V - Cancellation of public financial institution authorization to operate, except federal or private ones;

VI - REVOKED

VII - REVOKED

Paragraph 1. Warning will be applicable for non-observance of the legislation in force, without prejudice to sanctions set forth therein; also being applicable, in cases of furnishing incorrect information, delays in bookkeeping, and books kept

in disaccord with norms issued pursuant to Article 4, item XII of this Law.

Paragraph 2. Fines amounting to as much as 200 (two hundred) times the highest minimum wage in effect in the country shall be applied whenever financial institutions, whether by negligence or intent:

- a) having been warned against irregularities practiced, fail to correct them in the period of time granted by the Central Bank of Brazil;
- b) infringe the dispositions of this Law relative to capital, reserve funds, cash on hand, compulsory deposits, services and operations, non-fulfillment of the terms of Articles 27 and 33 including prohibitions of Articles 34 (items II to V), 35 to 40 of this Law, and abuses of competition (Article 18, paragraph 2º)
- c) obstruct supervision by the Central Bank of Brazil.

Paragraph 3. Without prejudice to the terms of paragraph 5 of this Article, fines prescribed in this Article shall be deposited at the Central Bank of Brazil, within 15 (fifteen) days from the receipt of the respective notification, and judicially charged with a 1% (one percent) per month, late payment, within the above mentioned period equal to, counted from the date of the application of the fine.

Paragraph 4. Penalties mentioned in items III and IV of this Article shall be applied when serious infractions are verified in conducting of the interests of the financial institution or there is a specific recurrence, characterized as transgressions previously punished by fine.

Paragraph 5. Penalties mentioned in items II, III and IV of this Article shall be applied by the Central Bank of Brazil, bear recourse in second and last instance, with suspensive effect, to the National Monetary Council, within fifteen (15) days from the receipt of the notification.

Paragraph 6. Any participation in fines is prohibited; these, must be fully deposited at the Central Bank of Brazil.

Paragraph 7. Any physical or legal persons acting as a financial institution, without due authorization from the Central Bank of Brazil, shall be subject the fines mentioned in this Article and imprisonment from 1 to 2 years, when the financial institution is a legal person, directors and administrators are subject to the latter.

Paragraph 8. In exercising the supervision prescribed in Article 10, item IX of this Law, the

Central Bank of Brazil may require financial institution or physical or legal persons, including those referred to in the previous paragraph, to exhibit to its duly accredited officer, documents, papers and accounting books. Failure to comply being considered obstruction of said supervision and subject to fine provided for in paragraph 2 of this Article, without prejudice to other relevant measures and sanctions.

Paragraph 9. The penalty of cancellation, referred to in item V of this Article, will be applied by the National Monetary Council, at the recommendation of the Central Bank of Brazil, in cases of specific recurrence of infractions previously punished by penalties provided for in items III and IV of this Article.

Article 45. Non-federal public and private financial institutions are subject to intervention or extra-judicial liquidation by the Central Bank of Brazil under the terms of existing legislation.

Sole Paragraph. After the effective date of this Law, institutions dealt with in this Article may not petition for a creditors' agreement.

CHAPTER VI

General Terms

Article 46. The legal and regulatory attributes of the Ministry of Finance with respect to legal tender circulation, including those of the Amortization Bank (Caixa de Amortização) are hereby transferred to the National Monetary Council and (vetoed) to the Central Bank of Brazil.

Article 47. The currency issued at the request of the Rediscount Desk of the Bank of Brazil S.A. and the Banking Mobilization Institution will be transferred by expropriation to the National Treasury, being definitively incorporated in the means of circulation.

Paragraph 1. The expropriated amount shall be utilized to liquidate financial liabilities of the National Treasury to the Bank of Brazil S.A, including those resulting from exchange operations closed up to the effective date of this Law, through specific approval of the Legislative Branch, to which a complete list of the debts thus amortized shall be submitted.

Paragraph 2. For the liquidation of the balance of the National Treasury liabilities

remaining after such expropriations, the Executive Branch shall submit to the Legislative Branch specific proposal, indicating the resources and means necessary to this end.

Article 48. Once the financial settlements prescribed in the previous Article are concluded, the responsibility for currency in circulation shall become that of the Central Bank of Brazil.

Article 49. Federal credit operations in anticipation of budget receipts or any other kind, within legally authorized limits, shall be carried out only through the placement of National Treasury obligations, notes and bonds.

Paragraph 1. According to the terms of Article 73, item II, of the Federal Constitution the budgetary Law shall determine, in appropriate cases, the portion of the deficit which may be covered by the sale of National Treasury bonds directly to the Central Bank of Brazil.

Paragraph 2. The Central Bank of Brazil, through authorization of the National Monetary Council, based on the budgetary Law of the current fiscal year, may issue currency for direct purchase of National Treasury bonds.

Paragraph 3. At its sole discretion, the National Monetary Council shall determine the policy for supporting stock market price of National Treasury bonds.

Paragraph 4. In case of urgent and unpostponable Federal Government expenses to be financed through supplementary or special credits, authorized after the budgetary Law, the National Congress shall specifically determine resources to be utilized to cover such expenses, discriminating as prescribed in this Article, when a deficit position of the National Treasury occurs.

Paragraph 5. Should the hypothesis listed in the sole paragraph of Article 75, of the Federal Constitution occur, the President of the Republic may determine that the National Monetary Council, through the Central Bank of Brazil, purchases National Treasury bills through currency issued up to amount of the extraordinary credit which has been decreed.

Paragraph 6. The President of the Republic shall attach to the determination the National Monetary Council, mentioned in the previous paragraph, a copy of the message directed to the National Congress, indicating the reasons which make the emission indispensable and requesting its concurrence.

Paragraph 7. Maturities of National Treasury bills, placed in anticipation of receipts, shall not fall due in excess of 120 days after the end of respective fiscal year.

Paragraph 8. Up to March 15 of the subsequent year, the Executive Branch shall send a message to the Legislative Branch proposing the manner of liquidating unredeemed National Treasury bills issued in the previous fiscal year.

Paragraph 9. The acquisition of the bills mentioned in this Article by the Bank of Brazil S.A. and other banking institutions in which the Federal Government holds the majority of shares is prohibited.

Article 50. The National Monetary Council, the Central Bank of Brazil, the National Bank for Economic and Social Development, the Bank of Brazil S.A., the Bank of Northeast Brazil S.A., and the Bank of Amazonia S.A., shall enjoy favors, exemptions and privileges, including fiscal, exclusive to the National Treasury excepting, in the case of the last three entities, the special income tax regime, to which they are subject according to existing legislation.

Sole Paragraph. Favors, exemptions and privileges presently enjoyed by financial institutions are maintained.

Article 51. REVOKED

Article 52. TACITLY REVOKED

Article 53. REVOKED

CHAPTER VII

Transitory Dispositions

Article 54. The Executive Branch, based on proposal from the National Monetary Council, which should be presented within 90 (ninety) days from the date of its installation, shall submit to the Legislative Branch a bill making official the rural credit, defining its specific area, and characterizing types of application, indicating the respective sources of funds.

Sole Paragraph. The Rural Credit Consultative Commission shall assist the National Monetary Council in formulating this project, which shall set forth the coordination of the existing and future institutions, aiming at guaranteeing their optimum utilization and

that of the private banking network in disseminating rural credit, including reducing its cost.

Article 55. Attributes delegated by Law to the Ministry Agriculture as regards authorization and supervision of credit cooperatives of any type, as well as of credit departments of cooperatives having such departments, hereby are transferred to the Central Bank of Brazil.

Article 56. Hereby abolished are the Rediscount Desk of the Bank of Brazil S.A. and the Banking Mobilization Institution; their assets, rights and obligations being incorporated into the Central Bank of Brazil.

Sole Paragraph. The legal attributions and prerogatives of such Banking Mobilization Institution shall be exercised by the Central Bank of Brazil, without disruption of continuity.

Article 57. The attributions of a normative nature set forth by existing exchange legislation shall be exercised by the National Monetary Council, and those of an executive nature by the Central Bank of Brazil and the Bank of Brazil S.A., pursuant to the terms of this Law.

Sole Paragraph. Hereby abolished is the Bank Supervision Department of the Bank of Brazil S.A.; its legal attributions and prerogatives being transferred to the Central Bank of Brazil.

Article 58. Liabilities accruing from closed and future exchange operations eventually not cleared in the terms of this Law, as well as from those exchange operations contracted and not concluded by the Bank of Brazil S.A., as delegate of the Federal Government as of the effective date of this Law, to the extent that they are performed, shall be transferred to the Central Bank of Brazil, being registered therein as a liability of the National Treasury.

Paragraph 1. The debits of the National Treasury to the Central Bank of Brazil, resulting from the transfers dealt with in this Article, shall be liquidated with federal budgetary funds.

Paragraph 2. Dispositions in this Article shall also be applicable to liabilities accruing from any exchange operations of other federal financial institutions, of a banking nature, effected on behalf of the Federal Government.

Article 59. TACITLY REVOKED

Article 60. The equivalent value of the financial resources that, in accordance with and as of the effective date of this Law, are in the possession of the Bank of Brazil S.A. and being transferred to the responsibility of the Central Bank of Brazil shall be registered in the former in an account opened in the name of the latter, being considered as supplying of funds in accordance with paragraph 1, of Article 19, of this Law.

Article 61. In order to comply with the dispositions of this Law, the Bank of Brazil S.A. shall take measures to remodel its administrative structure, so that it may effectively discharge the responsibilities and perform the tasks reserved to it as the principal instrument of execution of the credit policy of the Federal Government.

Article 62. The National Monetary Council shall determine measures to be taken in order that the transfer of attributions from existing institutions to the Central Bank of Brazil may be accomplished without disruption of the continuity of the services affected by this Law.

Article 63. The terms of office of the initial members of the National Monetary Council, referred to in incise IV, of Article 6, of this Law, shall be respectively, 6 (six), 5 (five), 4 (four), 3 (three), 2 (two), and 1 (one) years.

Article 64. The National Monetary Council shall establish a period of as long as 1 (one) year from the effective date of this Law, for the adjustment of existing financial institutions to the dispositions of this Law.

Paragraph 1. In exceptional cases the National Monetary Council may extend up to and additional 1 (one) year term, the period in which the adaptation referred to in this Article must be completed.

Paragraph 2. The period for fulfillment of that established by Article 30 of this Law shall be one year, extendable, as per the previous paragraph.

Article 65. This law shall enter into force 90 (ninety) days after date of its publication, all dispositions to the contrary being revoked.

Brasilia, December 31, 1964; 143rd year of the Independence and 76th of the Republic.

H. Castello Branco

Octávio Gouveia de Bulhões
Daniel Faraco
Roberto de Oliveira Campos

A N N E X

Amendments by virtue of the legislation below have been inserted revised text:

- Law n. 4,829, of November 05, 1965
- Law n. 5,143, of October 20, 1966
- Law n. 9,096, of June 30, 1995
- Law n. 7,730, of February 01, 1989
- Law n. 9,650, of May 28, 1998
- Law n. 5,362, of November 30, 1967
- Law n. 5,710, of October 07, 1971
- Law n. 6,024, of March 13, 1974
- Law n. 6,045, of May 15, 1974
- Law n. 6,331, of May 18, 1976
- Law n. 6,385, of December 07, 1976
- Law n. 6,404, of December 17, 1976
- Law n. 7,492, of June 18, 1986
- Decree-law n. 1,940, of May 26, 1982
- Decree-law n. 2,376, of November 26, 1987
- Decree-law n. 2,321, of February 26, 1987
- Decree-law n. 2,283, of February 28, 1986
- Decree-law n. 2,284, of March 12, 1986
- Decree-law n. 2,291, of November 24, 1986
- Decree-law n. 263, of February 28, 1967
- Decree-law n. 278, of February 28, 1967
- Decree-law n. 581, of May 14, 1969
- Decree-law n. 1,580, of October 17, 1977
- Decree-law n. 1,638, of October 06, 1978
- Decree-law n. 1,795, of July 08, 1980
- Decree-law n. 1,959, of September 14, 1972
- Decree n. 61,962, of December 22, 1967
- Decree n. 91,152, of March 15, 1985

- Decree n. 91,961, of November 20, 1985
- Decree n. 65,769, of December 02, 1969
- Decree n. 71,097, of September 14, 1972
- Decree n. 83,323, of April 11, 1979
- Decree n. 83.855, of August 15, 1979
- Decree n. 85,776, of February 26, 1981
- Decree n. 88,008, of December 29, 1982
- Decree n. 88,025, of January 06, 1983
- Decree-law n. 2,076, of December 20, 1983