

## RESOLUTION N°2689

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Concerning non-resident investments

in the financial and capital markets.

THE CENTRAL BANK OF BRAZIL, in accordance with Art.9 of Law N°4595 of December 31, 1964, publicly announces that the NATIONAL MONETARY COUNCIL, meeting on January 26, 2000, and considering relevant articles of Laws N°4595 of December 31, 1964, N°4728 of July 14, 1965, and N°6385 of December 07, 1976, and Decree-Laws N° 1986 of December 28, 1982, and N°2285 of July 23, 1986, as well as Provisionary Measure N°1990-27 of January 13, 2000,

DID RESOLVE:

Art. 1. That the investment of external resources entering the country through non-resident investors by means of foreign exchange, financial and capital markets, shall obey the terms of this Resolution.

Paragraph 1. For the purposes of this Resolution, individual or collective non-resident investors are deemed to be those persons or companies, funds of other collective investment entities with residence, headquarters, or domicile abroad.

Paragraph 2. The resources to which this article refers shall be invested in those instruments and operational modalities of the financial and capital markets available to the resident investor.

Art. 2. Financial activities abroad resulting from investments treated by this Resolution shall be carried out solely through the acquisition of exchange according to regulations currently in force.

Art. 3. Before beginning activities, the non-resident investor shall:

I - appoint one or more representatives in the country;

II - complete an application form, the model for which is contained in the Annex of this Resolution;

III - be registered with the Securities Commission.

Paragraph 1. The representative referred to in item I of the present article is not, necessarily, the same as the representative required by tax legislation.

Paragraph 2. When the representative referred to in item I of the present article is an individual or non-financial company, the investor shall name an institution authorized to function by the Central Bank of Brazil that shall be jointly responsible for fulfilling the obligations described in Art. 5...

Paragraph 3. The form referred to in item II of the present Article may be modified by joint determination of the Central Bank of Brazil and the Securities Commission.

Article 4. Funds entering the country under the terms of this Resolution are subject to registration with the Central Bank of Brazil, according to current regulations.

Article 5. It is the responsibility of the representative referred to in item I, Article 3 of this Resolution:

I - to hold and to present to the Central Bank of Brazil and the Securities Commission whenever requested the form mentioned in item II of Article 3 of this Resolution, as well as the representative contract signed with the non-resident investor;

II - to effect and maintain up to date the record treated by item III of Art. 3 and Art. 4 of this Resolution;

III - Furnish requested information to the Central Bank of Brazil and the Securities Commission;

IV - To warrant the signature of the non-resident investor appearing on the form treated by item II of Art. 3 of this Resolution;

V - To communicate immediately to the Central Bank of Brazil and to the Securities Commission the cancellation of the representative contract referred to by item I of this article, as well as, following the respective authorities, the occurrence of any and all known irregularities.

Sole Paragraph. In case of non-fulfillment of the obligations treated in this article, the representative shall be subject to cessation of the exercise of his or her functions, in which case the non-resident investor shall appoint a substitute.

Article 6. Financial assets and securities traded, as well as other modalities of financial operations carried out by the non-resident investor as a result of investments treated by this Resolution shall, according to their nature:

I - be registered, safekept, or maintained in a deposit account in authorized institutions or entities certified to offer these services by the Central Bank of Brazil or by the Securities Commission; or

II - be duly registered in systems of registration, liquidation and custody recognized by the Central Bank of Brazil or authorized by the Securities Commission in their respective spheres of authority.

Sole Paragraph. The operations of non-resident investors in derivative markets or other futures markets may only be carried out or registered in stock exchanges, commodities and futures exchanges, over-the-counter markets organized by entities authorized by the Securities Commission, or registered in systems of registration, liquidation and custody referred to in item II of this article.

Article 7. Depository institutions and entities providing services of custody and registration shall make available, upon request by the

Central Bank of Brazil and the Securities Commission, in an individualized manner, by non-resident investor, the records referent to the investments treated by this Resolution.

Article 8. Funds that enter the country under this Resolution may not be used in operations in the securities market resulting from acquisition or sale:

I - outside the stock market, electronic systems, or over-the-counter market organized by an entity authorized by the Securities Commission to trade securities of publicly-held companies registered to be traded in these markets;

II - of securities traded in non-organized over-the-counter markets or in such markets organized by entities not authorized by the Securities Commission.

Sole Paragraph. Excluded from the terms of this article are: subscriptions, stock dividends, conversion of debentures into stock, indexes referenced in securities, acquisition and sale of shares of open investment funds in securities and, when previously authorized by the Securities Commission, the cases of closing shareholders capital, cancellation or suspension of trading.

Article 9. Any transfer or cessation of ownership, abroad, of investments or of securities belonging to a non-resident investor, and in the country in forms not foreseen in this Resolution are prohibited.

Sole Paragraph. The cases of transfer resulting from merger, incorporation, spin-off, and other corporate changes carried out abroad, as well as the cases of hereditary succession are excluded from the terms of this article, the regulations issued by the Central Bank of Brazil and the Securities Commission being observed.

Article 10. In addition to the procedures set forth in this Resolution, new investments in financial and capital markets shall only be permitted as set forth in Regulation Annex III of Resolution N°1289 of March 20, 1987, or in cases expressly approved by the Central Bank of Brazil and by the Securities Commission.

Paragraph 1. The foreign investment modality mentioned in Regulation Annex III of Resolution N°1289 of March 20, 1987 shall, by June 30, 2000, conform to the terms of this Resolution, under penalty of suspension of registration of foreign capital and other appropriate legal sanctions.

Paragraph 2. Transfers of positions of non-resident investors to the modality cited in the previous paragraph shall be carried out in strict conformity to custodial account positions held by the non-resident investor, observing the conditions established by the Central Bank of Brazil and by the Securities Commission.

Paragraph 3. For the purposes of the previous paragraph, the Securities Commission shall inform the Central Bank of Brazil of the individual positions held by non-resident investors.

Paragraph 4. The Central Bank of Brazil, jointly with the Securities Commission, shall issue complementary rules, treating the transfer, to

the system prescribed in this Resolution, of investments registered in Conversion Funds - Foreign Capital, Privatization Funds - Foreign Capital, Mutual Investment Funds in Emerging Companies - Foreign Capital, and in investments of capital carried out among signatory countries to the MERCOSUL treaty.

Article 11. Prohibiting the issuance and placing, when this Resolution enters into force, of Fixed Income Shares - Foreign Capital, constituted as outlined in Resolution N°2034 of December 17, 1993, of shares of Investment Societies - Foreign Capital, constituted as outlined in Annex I to Resolution N°1289 of 1987, and of shares of Investment Funds - Foreign Capital, as outlined in Annex II to Resolution N° 1289 of 1987, which should, by March 31, 2001, be adapted to the terms of this Resolution. The following are permitted:

I -Fixed Income Funds - Foreign Capital, may be transformed into financial investments funds or incorporated into the same;

II - Investment Societies - Foreign Capital, may be transformed into funds or investment societies in titles and securities or incorporated into the same;

III - Investment Funds - Foreign Capital, may be transformed into investment funds, in titles and securities, or incorporated into the same;

Paragraph 1. The transformations and incorporations foreseen in the items of this article may occur, as long as the securities, other financial assets, as well as operational modalities of such portfolios be subject to assessment at market prices.

Paragraph 2. Funds and investment societies mentioned in the caput of this article may be liquidated as well, with the approval of their accounts by the general assembly of joint owners or share holders.

Paragraph 3. The transformations and incorporations treated by the caput of this article and carried out by June 30, 2000, may be done without the need to contract exchange.

Article 12. Foreign investment registered at the Central Bank of Brazil according to Regulation Annex V to Resolution N°1289 of 1987 may be transferred to the system contemplated in this Resolution and vice-versa, obeying the conditions established by the Central Bank of Brazil and by the Securities Commission.

Article 13. Excluded from the terms of this Resolution are investments treated by Resolution N° 2687 of January 26, 2000.

Article 14. The Central Bank of Brazil and the Securities Commission, each within their respective spheres of competence, are authorized to adopt measures and issue complementary rules as are necessary for the execution of the terms of this Resolution.

Article 15. This Resolution enters into effect on March 31, 2000.

Article 16. The following is hereby revoked as of June 30, 2000: Resolution N° 1832, of May 31,1991. The following are hereby revoked

as of March 31, 2001: Resolution N° 2034, of 1993, and Annexes I and II to Resolution N° 1289, of 1987.

Brasília, January 26, 2000

Arminio Fraga Neto

President

**Annex to Resolution N°2689 of January 26, 2000**

I - IDENTIFICATION OF NON-RESIDENT INVESTORS

1. Individual or company name of the investor:

2. Address:

City: State or Province: Country of headquarters/domicile:

Postal Code: Nationality:

3. Internet Address:

4. Country wherein constituted

5. Description:

( ) a - commercial banks, investment banks, savings and loan societies, global custodians and similar institutions, regulated and controlled by a competent governmental authority;

( ) b - insurance companies, regulated and controlled by a competent governmental authority;

( ) c - societies or entities the objective of which is to distribute the issuance of securities or to act as intermediaries in the trading of securities, operating on their own volition or for other parties, registered at and regulated by the Securities Commission;

( ) d - retirement funds regulated by a competent governmental authority;

( ) e - non-profit institutions regulated by a competent governmental authority;

( ) f - any entity the objective of which is to invest funds in financial and capital markets and in which participate only individuals and companies resident and domiciled abroad, given that:

( ) i - it either be registered and regulated by an entity recognized by the Securities Commission; or

( ) ii- portfolio management on a discretionary basis by a professional broker, registered and regulated by an entity recognized by the Securities Commission;

( ) g - other funds or collective investment entities.

( ) h - companies constituted abroad; or

( ) i - individuals resident abroad

6. Status:

( ) Name holder of own account; or

( ) Name holder of collective account;

( ) Participant in collective account (specify): -----

## II - IDENTIFICATION OF REPRESENTATIVE

### 1. REPRESENTATIVE

Name of individual or company:

Address:

City: State:

CEP:

Telephone: Fax:

CNPJ/CPF

Legal Status: Area of Activity:

Internet Address:

Responsible for registration

of foreign capital ( ) YES ( ) NO

### 2. JOINTLY RESPONSIBLE REPRESENTATIVE cited in Paragraph 2. of art.3

of this Resolution (if applicable):

Name of individual or company:

Address:

City: State:

CEP:

Telephone: Fax:

CNPJ/CPF

Legal Status: Area of Activity:

Internet Address:

III - TAX STATUS OF INVESTOR IN BRAZIL

1. Taxes on Capital Gains:

( ) Exempt

( ) Not Exempt

2. Taxes on earnings:

( ) Exempt

( ) Not Exempt

3. Tax Representative of the investor

Name:

Address:

CPF/CNPJ:

IV - INVESTOR DECLARATION:

I hereby declare, under penalty of law and for the purposes of this document, that the information provided herein is true, and that I accept the responsibilities

entailed in furnishing such information.

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Signature of Non-Resident Investor Date

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Representative's Signature

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Signature of Jointly Responsible party

V - IDENTIFICATION CODES:

CVM CODE:

RDE N°: