

MEMORANDUM TO CLIENTS

CAPITAL MARKETS

December 18, 2015 CVM submits for public hearing a proposal to amend and consolidate the rules that regulate private equity funds and establishes new rules on accounting standards for those funds

On December 17, 2015, the Brazilian Securities Commission ("CVM") submitted for public hearing a proposal to amend the rules that govern private equity funds ("FIPs") and a new rule on accounting standards for the FIPs. The proposed amendments tend to move the Brazilian regulations closer to offshore standards, in line with recent discussions that have been promoted by industry participants.

In a nutshell, the most relevant amendments for offshore players are:

- (i) FIPs will be permitted to invest up to 20% of their net equity in offshore private equity assets and up to 40% of their net equity in shares of other FIPs;
- (ii) a special class of FIPs will be created in which 100% of the net equity of the FIP may be invested abroad, provided that: **(a)** at least 67% of the net equity of the FIP is invested offshore; and **(b)** the product is offered exclusively to professional investors;
- (iii) FIPs will be permitted to have authorized capital, which means that the administrator may issue new quotas in FIPs regardless of investor approval; and
- (iv) The CVM will require FIPs to prepare and submit audited financial statements where there is a material change in the fair value of the investment company during a certain fiscal year.

Suggestions and comments shall be sent to the CVM, in writing, before March 16, 2016.

Feel free to contact us should you wish to discuss the proposed amendments.

Attorneys of the Capital Markets Practice

The purpose of this memorandum is to inform our clients about important changes and developments in the area of law. We remain at the reader's disposal for any additional information that may be desired regarding the subject matter herein.

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