Global Financial Services Regulatory Guide - Brazil

5. What are the requirements to obtain authorization in your jurisdiction?

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# What are the requirements to obtain authorization in your jurisdiction?

The CMN is responsible for, among other things, regulating the incorporation, business guidelines, activities and operating authorization of financial institutions , pursuant to Law 4,595/64. In turn, the Central Bank is responsible for regulating and supervising the day-to-day activities of financial institutions, as well as for conducting and deciding the processes involving such requests for authorization to operate in the Brazilian Financial System. The same controls and limits may apply to Brazil's foreign banks as are applied by their regulatory agencies to Brazilian banks either operating or desirous of operating in their country.

Currently, if a foreign financial institution wants to start offering its products and services in Brazil, it will have to incorporate an entity in Brazil and fulfill the same requirements applicable to any local entity in order to obtain authorization to operate from the Central Bank. It is important to note, however, that only the following persons can be direct controlling shareholders of a financial institution based in Brazil: natural persons; institutions already authorized to operate by the Central Bank; financial or similar institutions based abroad; or legal entities based in Brazil whose exclusive corporate purpose is to hold equity stakes in institutions authorized to operate by the Central Bank.

According to CMN Resolution 4,970/2021, the minimum requirements for obtaining authorization from the Central Bank are the following:

Economic and financial capacity of the controlling shareholders (either individually or jointly) compatible with the capital required to structure and operate the institution, as well as the contingencies arising from market dynamics

Lawful origin of the funds used to pay up the equity capital or for the acquisition of the corporate control and qualified holdings

Economic and financial viability of the business

Compatibility of the information technology infrastructure with the complexity and risks of the business

Compatibility of the corporate governance structure with the complexity and risks of the business

Unblemished reputation of those occupying positions in bodies established by the articles of association or bylaws, as well as of the controlling shareholders and holders of qualifying holdings (in the case of natural persons)

Management's knowledge of the business, the segment in which the institution intends to operate, market dynamics, sources of operating resources, management of the business's activities and the risks associated with them

Technical qualification of directors and officers compatible with the duties to be performed during their term of office

Compliance with the minimum equity capital and asset requirements set out in the regulations in force

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