Global Financial Services Regulatory Guide - Brazil

4. How do the licensing requirements apply to cross-border business in your jurisdiction?

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# How do the licensing requirements apply to cross-border business in your jurisdiction?

According to Law 4,595/64, some activities are “exclusive activities of financial institutions,” and as such may be performed only by licensed financial institutions in Brazil. The “exclusive activities of financial institutions” encompass the collection, intermediation or allocation of their own or third parties’ funds in the local or foreign currency (which generically encompasses all banking and financial services).

The custody of third-party assets is also considered as an activity of financial institutions. Support services connected to the financial system but not associated with financial institutions may have less stringent licensing requirements.

Under local law, foreign financial institutions may only conduct activities in Brazil after making an application requesting the Central Bank's authorization. However, cross-border business, such as cross-border loans made by foreign entities to persons domiciled in Brazil and foreign investment in Brazilian capital markets, do not depend on local licenses for foreign parties to enter into the transactions (e.g., the lending bank or the foreign investor). However, such cross-border business usually requires local registration, such as with the Central Bank's Foreign Capital Reporting System - Foreign Credit (SCE-Crédito) in the case of cross-border loans, and enrollment with the taxpayers' registry in the case of cross-border loans and investments in the capital markets.

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