

Law 4.595, dated 12/31/1964 - National Financial System

I, JOHN STEPHEN MORRIS, a Certified Public Translator registered at the "Junta Comercial do Distrito Federal" under no. 032, do hereby declare for all due purposes and effects that the text below is a true and exact translation of the original document.

PRESIDENCY OF THE REPUBLIC

OFFICE OF THE PRESIDENTIAL STAFF

Deputy Chief for Legal Affairs

LAW No. 4,595, DATED DECEMBER 31, 1964

Treats of Monetary, Banking and Credit Policy and
Institutions.
Creates the National Monetary Council and takes other
measures.

THE PRESIDENT OF THE REPUBLIC,

I hereby inform that the National Congress decrees and I sanction the following law:

Chapter I

National Financial System

Art. 1 - Structured and regulated by this law, the National Financial System will be composed of:

I - the National Monetary Council;

~~II - the Central Bank of the Republic of Brazil;~~

II - the Central Bank of Brazil; (Text given by Del no. 278, dated 02/28/67).

III - Banco do Brasil S.A.;

IV - the National Bank of Economic Development;

V - all other public and private financial institutions.

Chapter II

The National Monetary Council

Art. 2 - The Council of the current Superintendency of Currency and Credit is abolished and the National Monetary Council is created as its replacement, with the objective of formulating currency and credit policy in accordance with the terms of this law and thereby achieving the economic and social progress of the country.

Art. 3 - National Monetary Council policy will have the objectives of:

I - Adjusting the volume of the money supply to the real needs of the national economy and its development process;

II - Regulating the domestic value of the currency and therefore preventing or correcting inflationary or deflationary surges of domestic or foreign origin, economic depressions and other

imbalances rooted in situational phenomena;

III - Regulating the external value of the currency and the equilibrium of the country's balance of payments with the aim of achieving more efficient utilization of foreign currency resources;

IV - Orienting investment of the resources of both public and private financial institutions, with a view toward generating conditions favorable to harmonious development of the national economy in the diverse regions of the country;

V - Achieving improvements in financial institutions and instruments in order to attain greater efficiency in the payments system and mobilization of funding;

VI - Ensuring the liquidity and solvency of financial institutions;

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

~~Art. 4 - The National Monetary Council has exclusive responsibility for the following:~~

Art. 4 - According to guidelines defined by the President of the Republic, the National Monetary Council is charged with: (Text given by Law no. 6,045, dated 05/15/74) (Vetoed)

I - Authorizing currency issuances (Vetoed), which will depend on prior legislative authorization when such are targeted to direct Central Bank of the Republic of Brazil financing of credit operations with the National Treasury, in accordance with the terms of article 49 of this law. (See Law no. 8,392, dated 12/30/91)

The National Monetary Council may also authorize the Central Bank of the Republic of Brazil to annually issue up to a limit of 10% (ten percent) of the money supply existent on December 31 of the previous year, in order to meet the needs of productive activities and circulation of the country's wealth. However, based on a Message from the President of the Republic, it must request authorization from the legislative branch for any issuances beyond that limit that become justifiably necessary.

When urgent and unforeseen demand for financing of these activities so requires, the National Monetary Council may authorize issuances considered indispensable, immediately requesting approval of the legislative branch by means of a Message from the President of the Republic for issuances made in this way.

II - Defining conditions for the Central Bank of the Republic of Brazil to issue legal tender (Vetoed), based on the terms and limits defined in this law, as well as norms regulating the money supply;

III - Approving the monetary budgets prepared by the Central Bank of the Republic of Brazil, through which overall currency and credit needs will be estimated.

IV - Determining the general characteristics (Vetoed) of banknotes and coins;

~~V - Setting exchange policy guidelines and norms (Vetoed), including purchases and sales of gold and any foreign currency operations;~~

V - Setting exchange policy guidelines and norms, including those on purchases and sales of gold and any operations in Special Drawing Rights and foreign currency; (Text given by Del no. 581, dated 05/14/69).

VI - Disciplining all modalities of credit and all forms of credit operations, including acceptances, guarantees and granting of guarantees by financial institutions;

VII - Coordinating the policy stated in art. 3 of this law with federal government investment policy;

VIII - Regulating the constitution, operation and inspection of those who exercise activities subject to this law, as well as application of the specified penalties;

IX – Whenever necessary, limiting interest rates, discounts, conditions and any other form of earnings on banking or financial operations and services, including those rendered by the Central Bank of the Republic of Brazil, ensuring preferential rates to financing operations designed to foster:

- soil recovery and fertilization;
- reforestation;
- combating epizootics and pests in rural activities;
- rural electrification;
- mechanization;
- irrigation;
- investments essential to crop-livestock activities;

X - Determining the maximum percentage of resources that financial institutions may lend to a single client or group of companies;

XI - Stipulating indices and other technical conditions regarding reserves, mobilizations and other equity ratios to be observed by financial institutions;

XII - Issuing general norms on accounting and statistics to be observed by financial institutions;

XIII - At intervals of no less than two years, defining the minimum capital requirements of private financial institutions, with due consideration of their nature, as well as the location of their headquarters and branches or subsidiaries;

~~XIV – Requiring deposit (Vetoed) of up to 25% (twenty five percent) of the total deposits of financial institutions, whether in the form of National Treasury bill or bond subscriptions or purchases of federal public debt bonds in amounts of up to 50% of the overall amount due, or cash deposits, in both cases at the Central Bank of the Republic of Brazil, in the form and under the conditions determined by the National Monetary Council, which may: (See Decree Law no. 1, dated 11/13/1965) (See Decree Law no. 108, dated 1/17/1967)~~

~~a) adopt different percentages considering:~~

~~the geoeconomic regions;~~

~~the priorities attributed to the investments;~~

~~the nature of the financial institutions;~~

~~b) (Vetoed)~~

~~e) — determine percentages that will not be deposited, provided they have been reinvested in agricultural financing at favorable rates of interest and under other conditions determined by the National Monetary Council.~~

~~XIV – Requiring deposit of up to 35% (thirty five percent) of the total deposits of financial institutions, whether in the form of National Treasury bill or bond subscriptions or purchases of federal public debt bonds or cash deposits, in both cases at the Central Bank of Brazil, in the form and under the conditions determined by the National Monetary Council, which may: (Text given by Decree Law no. 1,085 dated 02/18/1970)~~

~~a) adopt different percentages considering:~~

~~the geoeconomic regions;~~

~~the priorities attributed to the investments;~~

~~the nature of the financial institutions;~~

~~b) — determine percentages that will not be deposited, provided they have been reinvested in agricultural financing at favorable rates of interest and under other conditions determined by the National Monetary Council.~~

~~XIV - Requiring deposit of up to 40% (forty percent) of the total deposits of financial institutions, whether in the form of National Treasury bill or bond subscriptions or purchases of federal public debt bonds, or cash deposits, in both cases at the Central Bank of Brazil, in the form and under the conditions determined by the National Monetary Council, which may: ([Text given by Decree Law no. 1,580, dated 10/17/1977](#))~~

~~a) adopt different percentages considering:~~

~~the geoeconomic regions;~~

~~the priorities attributed to the investments;~~

~~the nature of the financial institutions;~~

~~b) determine the percentages that will not be deposited, provided that that they have been reinvested in agricultural financing at favorable rates of interest and under other conditions determined by the National Monetary Council.~~

XIV - Determining deposit of up to 60% (sixty percent) of the total deposits and/or other accounting headings of financial institutions, whether in the form of National Treasury bill or bond subscriptions or purchases of federal public debt bonds, or cash deposits, in both cases at the Central Bank of Brazil, in the form and under the conditions determined by the National Monetary Council, which may: ([Text given by Del no. 1,959, dated 09/14/82](#))

a) adopt different percentages considering: ([Text given by Del no. 1,959, dated 09/14/82](#))

- the geoeconomic regions; ([Text given by Del no. 1,959, dated 09/14/82](#))

- the priorities attributed to the investments; ([Text given by Del no. 1,959, dated 09/14/82](#))

- the nature of the financial institutions; ([Text given by Del no. 1,959, dated 09/14/82](#))

b) determine the percentages that will not be deposited, provided they have been reinvested in agricultural financing at favorable rates of interest and other conditions determined by the National Monetary Council. ([Text given by Del no. 1,959, dated 09/14/82](#)) ([See art. 10, item III](#))

XV - For public sector financial institutions, determining deduction of the deposits of corporate entities governed by public law that hold controlling stock interest in such institutions, as well as of those of the respective semiautonomous agencies and joint capital enterprises, in the calculation referred to in the previous item;

XVI - By the final day of the subsequent month, obligatory sending to the National Congress of a report and demonstrative charts of the investments of compulsory reserves. ([Vetoed](#))

XVII - Regulating rediscount and loan operations by setting limits, terms and other conditions, when such operations are carried out with any public or private financial institution of a banking nature;

XVIII - Granting monopoly powers over exchange operations to the Central Bank of the Republic of Brazil when a grave disequilibrium occurs in the balance of payments or when there are serious reasons for predicting the imminence of such a situation;

XIX - Defining norms to be observed by the Central Bank of the Republic of Brazil in its transactions with public securities or those of entities in which the State participates;

XX - Authorizing the Central Bank of the Republic of Brazil and federal public financial institutions to subscribe, purchase and sell stocks and other securities issued by or for which joint capital enterprises and State-owned companies are liable;

XXI - Disciplining the activities of stock exchanges and brokers of public funds;

XXII - Defining rules for the operations of public financial institutions, in order to preserve their solidity and adjust their operations to the objectives of this law;

XXIII - Setting the limit beyond which the excess deposits of financial institutions will be deposited at the Central Bank of the Republic of Brazil or invested according to rules issued by the Council, at up to fifteen (15) times the sum total of the paid-in capital and unrestricted reserves;

XXIV - Defining its own organization; elaborating its internal bylaws within a maximum of thirty (30) days;

XXV - Deciding on the technical and administrative structure of the Central Bank of the Republic of Brazil and defining its staff, as well as determining the earnings and benefits of its employees, civil servants and directors, with the Governor of the institution being charged with submitting the respective proposals; ([See Law no. 9,650, 05/27/1998](#))

XXVI - Analyzing appeals against decisions taken by the Central Bank of the Republic of Brazil; ([See Law no. 9,069, 06/29/1995](#))

~~XXVII - Approving the internal bylaws and accounts of the Central Bank of the Republic of Brazil, without prejudice to the jurisdiction of the Federal Accounting Court;~~

XXVII - Approving the internal bylaws and accounts of the Central Bank of Brazil and deciding on its budget and accounting systems, as well as the manner and time period for transferring its results to the National Treasury, without prejudice to the jurisdiction of the Federal Accounting Court; ([Text given by Decree Law no. 2,376, dated 1987](#)). ([See art.10, item III](#)).

XXVIII - Applying to foreign banks operating in the country the same prohibitions or equivalent restrictions in effect in the markets in which their head offices are located and which are applied to Brazilian banks operating in or that may desire to operate in such markets;

XXIX - Collaborating with the Federal Senate in the preparation of external loan processes undertaken by the States, Federal District and municipalities, for purposes of compliance with the provision in [art.63, no. II of the Federal Constitution](#);

XXX - Issuing rules and regulations for nominations and other effects of art.7 of this law; ([See Law no. 9,069, 06/29/1995](#)) ([See Law no. 9,069, 06/29/1995](#))

XXXI - Issuing norms regulating exchange operations, including swaps, setting limits, rates, terms and other conditions;

~~XXXII - Regulating time deposits among financial institutions, including among those subject to the same stock control or to associated institutions; ([Included by Decree Law no. 2, 283, 1986](#))~~

~~XXXII - Regulating time deposits among financial institutions, including among those subject to the same stock control or to associated institutions; ([Text given by Decree Law no. 2,284, 1986](#))~~

XXXII - Regulating the time deposits of financial institutions and other entities authorized to operate by the Central Bank of Brazil, including among those subject to the same stock control or to associate companies. ([Text given by Decree Law no. 2,290/1986](#))

§1 - Exercising the functions foreseen in item VIII of this article, the National Monetary Council may determine that the Central Bank of the Republic of Brazil refuse operating authorization for new financial institutions for reasons of general convenience.

§2 - The Central Bank of the Republic of Brazil will be responsible for monitoring monetary budget execution and reporting to the National Monetary Council, with those suggestions that it considers convenient.

§3 - Issuances of metallic currency will always be done against withdrawal ([Vetoed](#)) of an equal amount in banknotes.

§4 - The National Monetary Council may invite authorities, persons or entities to provide the clarifications that it considers necessary.

§5 - In the hypotheses of article 4, item I and of §6 of article 49 of this law, if the National Congress denies approval for an extraordinary issuance already effected, the authorities responsible will be held accountable according to the terms of [law no. 1059, dated 04/10/1950](#).

§6 - By the 31st of March of each year, the National Monetary Council will remit a report on the evolution of the country's monetary and credit situation in the previous year to the National Congress, with a detailed description of the measures adopted to achieve the targets defined in this law, highlighting justification of the volumes of currency issuances made to meet the demands of productive activities.

§7 - The National Housing Bank is the main instrument charged with implementing federal government housing policy and is a component of the national financial system, together with real estate credit companies, subject to the guidance, authorization, coordination and inspection of the National Monetary Council and Central Bank of the Republic of Brazil, with regard to implementation of the provisions of this law, all special provisions to the contrary being hereby repealed. ([See Law no. 9,069, 06/29/1995](#)).

Art. 5 - For purposes of [art. 104, no. I, letter "b", of the Federal Constitution](#), it is understood that the deliberations of the National Monetary Council are the responsibility of its Chairperson and, in those activities that impact the financial and capital markets, oblige government entities, including semi-autonomous agencies and joint capital corporations,.

~~Art. 6 - The National Monetary Council will be composed of the following members:~~

~~I - Minister of Finance, who will be the Chairperson;~~

~~II - President of the Banco do Brasil S.A.;~~

~~III - President of the National Bank of Economic Development;~~

~~IV - Six (6) members designated by the President of the Republic, once approved by the Federal Senate, chosen from among Brazilians of untainted reputation and well-known capacity in economic-financial affairs, with mandates of six (6) years, with the possibility of redesignation.~~

Art. 6 - The National Monetary Council will be composed of the following members: ([Text given by Law no. 5,362, 11.30.1967](#)) ([See Law no. 8,392/1991](#)). ([See Law no. 9,069, 06.29.1995](#)).

I - Minister of Finance, who will be the Chairperson; ([Text given by Law no. 5,362, 11.30.1967](#)).

II - President of the Banco do Brasil S.A.; ([Text given by Law no. 5,362, 11.30.1967](#)).

III - President of the National Bank of Economic Development; ([Text given by Law no. 5,362, 11.30.1967](#)).

IV - Seven (7) members designated by the President of the Republic, once approved by the Federal Senate, chosen from among Brazilians of untainted reputation and well-known capacity in economic-financial affairs, with mandates of seven (7) years, with the possibility of redesignation; ([Text given by Law no. 5,362, 11.30.1967](#)).

§1 - The National Monetary Council will deliberate by a majority of votes with the presence of at least 6 (six) members, the Chairperson being entitled to the casting vote.

§2 - The Minister of Industry and Commerce and the Minister of Planning and Economic Affairs may also participate in the meetings of the National Monetary Council (**Vetoed**) and their statements must be included in the minutes of the meetings.

§3 - Should the Minister of Finance be absent or unable to participate, he/she will be replaced as Chairperson of the National Monetary Council by the Minister of Industry and Commerce or, in his/her absence, by the Minister of Planning and Economic Affairs.

§4 - The members of the Council referred to in item IV of this article may be removed from office exclusively for relevant reasons, presented in a well-founded statement issued by the National Monetary Council.

§5 - Should a position become vacant, the substitute will be designated according to the terms of the provision in item IV of this article to complete the mandate of the person substituted.

§6 - The members of the National Monetary Council to whom item IV of this article refers must be chosen, whenever possible, with due consideration of the different geoeconomic regions of the country.

Art. 7 - The following Consultative Commissions will operate in the framework of the National Monetary Council: ([See Law no. 8,392/1991](#)), ([See Law no. 9,069, 06.29.1995](#)).

I - Banking Commission, composed of representatives of the:

- 1 - National Council of Economy;
- 2 - Central Bank of the Republic of Brazil;
- 3 - Banco do Brasil S.A.;
- 4 - National Bank of Economic Development;
- 5 - Higher Council of the Federal Savings Banks;
- 6 - Banco Nacional de Crédito Cooperativo;
- 7 - Banco do Nordeste do Brasil S.A.;
- 8 - Banco de Crédito da Amazônia S.A.;
- 9 - State-owned Banks and Savings Banks;
- 10 - Private Banks;
- 11 - Credit Finance and Investment Companies;
- 12 - Stock Exchanges;
- 13 - Commerce;

14 - Industry;

15 - Crop-livestock sector;

16 - Cooperatives that perform credit operations.

II - Capital Market Commission, composed of representatives of the:

1 - Ministry of Industry and Commerce;

2 - National Council of Economy;

3 - Central Bank of the Republic of Brazil;

4 - National Bank of Economic Development;

5 - Private Banks;

6 - Credit, Finance and Investment Companies;

7 - Stock Exchanges;

8 - Private Insurance and Capitalization Companies;

9 – Caixa de Amortização;

III - Rural Credit Commission, composed of representatives of the:

1 - Ministry of Agriculture;

2 - Superintendency of Agrarian Reform;

3 - National Superintendency of Supply;

4 - Central Bank of the Republic of Brazil;

5 – Banco do Brasil S.A. Agricultural and Industrial Credit Portfolio;

6 – Banco do Brasil S.A. Settlement Portfolio;

7 – Banco Nacional de Crédito Cooperativo;

8 – Banco do Nordeste do Brasil S.A.;

9 – Banco de Crédito da Amazônia S.A.;

10 - Brazilian Coffee Institute;

11 - Sugar and Alcohol Institute;

12 - Private Banks;

13 - Brazilian Rural Confederation;

14- State and Municipal Public Financial Institutions that perform rural credit operations;

15 - Agricultural Credit Cooperatives;

IV – (Vetoed)

1 – (Vetoed)

2 – (Vetoed)

3 – (Vetoed)

4 – (Vetoed)

5 – (Vetoed)

6 – (Vetoed)

7 – (Vetoed)

8 – (Vetoed)

9 – (Vetoed)

10 – (Vetoed)

11 – (Vetoed)

12 – (Vetoed)

13 - (Vetoed)

14 - (Vetoed)

15 - (Vetoed)

V - Industrial Credit Commission, composed of representatives of the:

1 - Ministry of Industry and Commerce;

2 - Extraordinary Ministry of Planning and Economic Affairs;

3 - Central Bank of the Republic of Brazil;

4 - National Bank of Economic Development;

5 - Banco do Brasil S.A. Agricultural and Industrial Credit Portfolio;

6 - Private Banks;

7 - Credit, Finance and Investment Companies;

8 - Industry;

§1 - The organization and operation of the Consultative Commissions will be regulated by the National Monetary Council, including issuing of norms that:

a) grant them the right to take initiatives within the said Council;

b) determine time periods for obligatory filling of positions on the Commissions referred to above;

c) make it obligatory for the National Monetary Council to hear the positions of the Consultative Commissions, in matters related to the specific objectives of such Commissions, with the exception of cases subject to secrecy.

§2 - The representatives to whom this article refers will be indicated by the entities cited therein and designated by the National Monetary Council.

§3 - By a vote of 2/3 (two thirds) of its members, the National Monetary Council may broaden the authority of the Consultative Commissions, as well as permit the participation of representatives of entities not cited in this article, provided that they have functions directly related to the responsibilities of the Commissions.

CHAPTER III

The Central Bank of the Republic of Brazil

Art. 8 - The current Superintendency of Currency and Credit is transformed into a semi-autonomous federal agency denominated the Central Bank of the Republic of Brazil, headquartered in and subject to the jurisdiction of the capital of the Republic, with its own legal personality and assets composed of the properties, rights and values transferred to it in accordance with the terms of this law, together with appropriation, on the date on which this law goes into effect, of the interest and incomes resulting from the provision in [art. 9 of Decree Law no. 8,495, dated 12/28/1945](#), which is expressly repealed by this instrument.

~~Paragraph. The results obtained by the Central Bank of the Republic of Brazil will be incorporated into its assets.~~

Paragraph. The results obtained by the Central Bank of Brazil – considering the revenues and expenditures of all its operations – will, as of January 1, 1988, be calculated on an accrual basis and transferred to the National Treasury, after offsetting of possible losses from previous fiscal years. [\(Text given by Del no. 2,376, dated 11/25/87\)](#)

Art. 9 - It is the responsibility of the Central Bank of the Republic of Brazil to comply with and ensure compliance with the provisions attributed to it by current legislation and norms issued by the National Monetary Council.

Art.10 - The Central Bank of the Republic of Brazil is exclusively responsible for:

I - Issuing banknotes and coins under the conditions and subject to the limits authorized by the National Monetary Council [\(Vetoed\)](#);

II - Performing currency services;

~~III - Receiving the compulsory deposits treated of in item XIV of art. 4 of this law, as well as the voluntary deposits of financial institutions, according to the terms of item III and §2 of art.19, of this law;~~

~~III - Receiving the compulsory deposits treated of in item XIV of art. 4 of this law, as well as the voluntary demand deposits of financial institutions, according to the terms of item III and §2 of art.19, of this law; [\(Text given by Decree Law no. 2,283, 02/27/1986\)](#)~~

~~III - Receiving the compulsory deposits treated in item XIV of art. 4 of this law, as well as the voluntary demand deposits of financial institutions, according to the terms of item III and §2 of art.19, of this law; [\(Text given by Decree Law no. 2,284/1986\)](#)~~

III - Requiring deposit of up to one hundred percent of total demand deposits and up to sixty percent of other accounting headings of financial institutions, whether in the form of National Treasury bill or bond subscriptions or purchases of federal public debt bonds or cash deposits, in both cases delivered to the Central Bank of Brazil, in the form and under conditions determined by that institution, which may: [\(Included by Law no. 7,730, dated 01/31/1989\)](#)

a)adopt different percentages considering: [\(Included by Law no. 7,730, dated 01/31/1989\)](#)

1.the geoeconomic regions; [\(Included by Law no. 7,730, dated 01/31/1989\)](#)

2.the priorities attributed to the investments; [\(Included by Law no. 7,730, dated 01/31/1989\)](#)

3.the nature of the financial institutions;

b) determine the percentages that will not be deposited, provided they have been reinvested in agricultural financing at favorable rates of interest and other conditions determined by the institution. ([Included by Law no. 7,730, dated 01/31/1989](#))

~~IV - Receiving the compulsory deposits treated of in item XIV of art. 4 of this law, as well as the voluntary demand deposits of financial institutions, according to the terms of item III and §2 of art.19, of this law; ([Renumbered by Law no. 7,730, dated 01/31/1989](#))~~

IV - Receiving the compulsory deposits treated of in the previous item and, moreover, the voluntary demand deposits of financial institutions, according to the terms of item III and §2 of art. 19, of this law; ([Text given by Law no. 7,730, dated 01/31/1989](#))

V - Performing rediscount and loan operations with banking institutions and those referred to in Art. 4, item XIV, letter "b", and in §4 of Art.49 of this law; ([Renumbered by Law no. 7,730, dated 01/31/1989](#))

VI - Controlling credit in all of its various forms; ([Renumbered by Law no. 7,730, dated 01/31/1989](#))

VII - Controlling foreign capital in accordance with the terms of legislation; ([Renumbered by Law no. 7,730, dated 01/31/1989](#))

~~VIII - Being depository of government gold and foreign currency reserves;~~

VIII - Being depository of government gold and foreign currency and Special Drawing Rights reserves and, through the use of the latter, performing any operations foreseen in the Articles of Agreement of the International Monetary Fund; ([Text given by Del no. 581, 05/14/69](#)). ([Renumbered by Law no. 7,730, dated 01/31/1989](#))

IX - Performing inspection of financial institutions and applying the penalties foreseen; ([Renumbered by Law no. 7,730, dated 01/31/1989](#))

X - Granting authorization to financial institutions so that they can: ([Renumbered by Law no. 7,730, dated 01/31/1989](#))

a) operate in the country;

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

c) be transformed, merged, incorporated or taken over;

d) perform exchange, real credit and habitual sale operations involving federal, state or municipal public debt bonds, debentures, mortgage bills and other credit securities or bonds;

e) extend periods allowed for operations;

f) alter their bylaws;

g) sell or, by any other means, transfer their stock control. ([Included by Del no. 2,321, dated 02/25/87](#))

XI - Defining conditions for holding and exercising any administrative positions in private financial institutions, as well as for performing any other functions in consultative, fiscal and similar entities, observing the rules issued by the National Monetary Council; ([Renumbered by Law no. 7,730, dated 01/31/89](#))

XII - Performing federal public bond purchase and sale operations as a monetary policy instrument; ([Renumbered by Law no. 7,730, dated 01/31/89](#))

XIII - Determining that the head offices of financial institutions register reference information on the companies that operate with their branches for periods of more than one year. (Renumbered by Law no. 7,730, dated 01/31/89).

§1 - Based on norms defined by the National Monetary Council, in performing the responsibilities referred to in item IX, the Central Bank of the Republic of Brazil will analyze requests sent to it and will decide to grant or refuse the authorizations petitioned and may (Vetoed) include clauses that it considers convenient to the public interest.

§2 - Observing the provision in the previous paragraph, in order to operate in the country foreign financial institutions depend on authorization of the executive branch issued by decree (Vetoed).

Art.11 - Further responsibilities of the Central Bank of the Republic of Brazil are:

I - Come to understandings with foreign and international financial institutions in the name of the Brazilian government;

II - As the agent of the federal government, further placement of internal or external loans, while also assuming responsibility for the respective services;

~~III - Act in such a way as to further regular operation of the exchange market, exchange rate stability and balance of payments equilibrium, being permitted to purchase and sell gold and foreign currency, as well as to perform credit operations abroad and separate the financial and commercial exchange markets;~~

III - Act in such a way as to further regular operation of the exchange market, exchange rate stability and balance of payments equilibrium, being permitted to purchase and sell gold and foreign currency, as well as to perform credit operations abroad, including those involving Special Drawing Rights, and separate the financial and commercial exchange markets; (Text Given by Del no. 581, dated 05/14/69).

IV - Perform purchases and sales of the securities of joint capital enterprises and state-owned companies;

V - Issue securities under its own responsibility, according to conditions determined by the National Monetary Council;

VI - Regulate execution of clearance services of checks and other documents;

VII - Exercise permanent surveillance over companies in the financial and capital markets that directly or indirectly interfere in these markets and over the operational modalities or processes that they utilize;

VIII - Under the control of the National Monetary Council, provide the services of its Secretariat.

§1 - In performing the responsibilities referred to in item VIII of article 10 of this law, the Central Bank of Brazil may examine the ledgers and documents of natural or corporate persons that hold majority stock control of financial institutions, such persons being subject to the provision in article 44, §8 of this law. (Included by Del no. 2,321, dated 02/25/87).

§2 - With authorization of the National Monetary Council, the Central Bank of the Republic of Brazil will install representative offices in the various state geoeconomic regions of the country, with a view toward administrative decentralization of the distribution and withdrawal of currency and compliance with the decisions adopted by the said Council or determined in legislation. (Renumbered by Del no. 2,321, dated 02/25/87).

Art.12 - The Central Bank of the Republic of Brazil will operate exclusively with public and private financial institutions and is prohibited from performing banking operations of any type

whatsoever with other persons governed by public or private law, with the exception of those operations expressly authorized by legislation.

~~Art. 13 — Performance of the responsibilities and services with which the Central Bank of the Republic of Brazil is charged may be contracted with Banco do Brasil S.A., for time periods and under conditions determined by the Council.~~

~~Paragraph. Performance of such responsibilities and services may also be entrusted to other financial institutions in markets that do not have Banco do Brasil S.A. branches, by means of contracting operations expressly authorized by the National Monetary Council for time periods and under conditions determined by the Council.~~

Art.13 - When not performed directly by the Central Bank, the responsibilities and services with which the institution is charged will be contracted preferably with Banco do Brasil S.A., except in those cases specifically authorized by the National Monetary Council. (Text given by Del no. 278, dated 02/28/67).

~~Art.14 — The Central Bank of the Republic of Brazil will be administered by a Board of Directors with 4 (four) members, one of whom will be the Governor, chosen by the National Monetary Council from among its members cited in item IV of article 6 of this law.~~

Art.14 - The Central Bank of Brazil will be administered by a Board of Directors with 5 (five) members, one of whom will be the Governor, chosen by the National Monetary Council from among its members cited in item IV of article 6 of this law. (Text given by Law no. 5,362, dated 11/30/1967)(See Decree no. 91,961, dated 11/19/1985)

§1 - The Governor of the Central Bank of the Republic of Brazil will be substituted by the Director that the National Monetary Council designates.

§2 - Termination of mandate, resignation or loss of the position as Member of the National Monetary Council will also result in loss of the position of Director of the Central Bank of the Republic of Brazil.

Art. 15 - The Internal Bylaws of the Central Bank of the Republic of Brazil, as referred to in item XXXVII of art. 4 of this law, will define the responsibilities of the Governor and Directors and will specify the cases that will depend on deliberations of the Board of Directors, the decisions of which are to be taken by a majority of votes with the presence of at least the Governor or his/her substitute and two other Directors, with the Governor being entitled to the casting vote.

Paragraph. The Board of Directors will meet in ordinary session once a week and in extraordinary session whenever required, with such meetings being called by the Governor or at the request of at least two of its members.

~~Art. 16 — The following are considered revenues of the Central Bank of the Republic of Brazil:~~

~~I — Interest on loan rediscount operations and other utilizations of its resources;~~

~~II — Results of exchange operations, purchases and sales of gold and any other operations;~~

~~III — Proceeds from collection of the inspection fee, as foreseen in this law;~~

~~IV — Occasional revenues, including fines and charges on arrears, levied according to the terms of current legislation.~~

~~§1 — As of the 1965 fiscal year, the annual inspection fee will be due half-yearly and paid by April 30 and October 31 of each year and is to be deposited directly at the Central Bank of the Republic of Brazil in the manner determined by that institution, and all of the financial institutions cited in article 17 of this law will be subject to that fee. (See Law no. 5,143, dated 11/13/1965).~~

~~§2 - The inspection fee will be charged at a rate of up to 0.5/1,000 (one half per thousand) on the overall volume of the liabilities of financial institutions, excluding offsetting operations carried out in the final balance sheet of the previous year.~~

~~§3 - Within the limits stated in the previous paragraph, the National Monetary Council will specify the inspection fee annually, with a view toward covering the expenditures of the Central Bank of the Republic of Brazil, together with other forecast revenues, giving due consideration to the nature of the various financial institutions.~~

~~Art. 16 - The following are considered revenues of the Central Bank of Brazil: (Text given by Decree Law no. 1638, dated 10/06/1978)~~

~~I - income on financial operations and other utilizations of its resources; (Text given by Decree Law no. 1638, dated 10/06/1978)~~

~~II - Results of exchange operations, purchases and sales of gold and any other operations; (Text given by Decree Law no. 1638, dated 10/06/1978)~~

~~III - Occasional revenues, including fines and charges on arrears, levied according to the terms of current legislation. (Text given by Decree Law no. 1638, dated 10/06/1978)~~

~~Paragraph - As of the advent of Law no. 4,595, dated December 31, 1964, of the result of the exchange operations referred to in item II of this article, 75% (seventy five percent) of the share referring to profit realized on foreign currency purchase and sale operations will be channeled into formation of the Central Bank of Brazil monetary reserve, which will register these resources in a specific account, in the manner to be defined by the National Monetary Council. (Text given by Decree Law no. 1,638, dated 10/06/1978)~~

~~§1 - Of the result of the exchange operations referred to in item II of this article, 75% (seventy five percent) of the share referring to the profit realized on foreign currency purchase and sale operations will be channeled into formation of the Central Bank of Brazil monetary reserve, which will register these resources in a specific account, in the manner to be defined by the National Monetary Council. (Text given by Decree Law no. 2,076, dated 12/20/1983)~~

~~§2 - At the discretion of the National Monetary Council, the resources originating in the earnings generated by the following may also be channeled into the monetary reserve cited in §1: (Text given by Decree Law no. 2,076, dated 12/20/1983)~~

~~a) - specific allocations from the Central Bank of Brazil to Banco do Brasil S.A. granted according to the terms of §1 of art.19 of this Law; (Included by Decree Law no. 2,076, dated 12/20/1983)~~

~~b) - special allocations from the Central Bank of Brazil to the Funds and Programs that it administers. (Included by Decree Law no. 2,076, dated 12/20/1983)~~

~~§3 - Duly observing the provision in §1 of art.19 of this Law, the National Monetary Council will annually determine the bases of earnings on the operations cited in §2 and the conditions for incorporation of these earnings into the aforementioned monetary reserve. (Text given by Decree Law no. 2,076, dated 12/20/1983)~~

~~Art. 16 - The following are considered income of the Central Bank of Brazil: (Text given by Del no. 2,376, dated 11/25/87)~~

~~I - income on financial operations and other utilizations of its resources; (Text given by Del no. 2,376, dated 11/25/87)~~

~~II - income on exchange operations, purchases and sales of gold and any other foreign currency operations; (Text given by Del no. 2,376, dated 11/25/87)~~

III - Occasional income, including that generated by fines and interest on arrears, levied according to the terms of current legislation. ([Text given by Del no. 2,376, dated 11/25/87](#))

CHAPTER IV

FINANCIAL INSTITUTIONS

SECTION I

Characterization and Subordination

Art.17 - For the purposes of current legislation, financial institutions are considered as public or private corporate persons that have as their major or accessory activity the gathering, intermediation or investment of their own or third party financial resources in national or foreign currency, and custody services of assets belonging to third parties.

Paragraph. For the purposes of this law and of current legislation, individual persons who perform any of the activities referred to in this article in a permanent or occasional manner are considered equivalent to financial institutions.

Art.18 - Financial institutions may only operate in the country with the prior authorization of the Central Bank of the Republic of Brazil or by decree issued by the executive branch in the case of foreign institutions.

§1 - Aside from public or private banking institutions, credit, finance and investment companies, savings banks and credit unions or the credit sections of those cooperatives that have such, other institutions also subordinated to the provisions and the discipline of this law insofar as applicable are stock exchanges, insurance and capitalization companies, companies that distribute prizes in real estate, merchandise or cash through drawings of securities issued by them or in any other way whatsoever, and individual or corporate persons who, on their own initiative or that of third parties, perform activities related to the purchase and sale of stocks or other securities, carrying out the operations or services performed by financial institutions on financial and capital markets.

§2 - On performing the inspections that are its responsibility, the Central Bank of the Republic of Brazil will regulate conditions of competition among financial institutions with the purpose of avoiding abuses, which will be subject to fines ([Vetoed](#)) according to the terms of this law.

§3 - Campaigns designed to collect funds from the public, carried out by individuals or corporate entities covered by the terms of this article will depend on prior authorization of the Central Bank of the Republic of Brazil, except in the case of public stock subscriptions carried out according to corporate legislation.

SECTION II

BANCO DO BRASIL S.A.

Art.19 - Under the supervision of the National Monetary Council and as an instrument of federal government credit and financial policy execution, Banco do Brasil S.A. will have the following primary responsibilities:

I - as financial agent of the National Treasury and without prejudice to other functions that may be attributed to it and with the exception of the provision in [art.8 of Law no. 1,628, dated June 20, 1952](#):

a) receive amounts, in the form of National Treasury credits, generated by collections of federal taxes and revenues and the proceeds of the operations cited in article 49 of this law;

b) effect payments and allocations as required for execution of the General Federal Government Budget and enabling legislation, according to the terms of the authorizations transmitted to it by the Ministry of Finance, observing that such operations may not exceed the overall amount of the resources

referred to in the previous letter, the Bank being prohibited from granting credits of any nature whatsoever to the National Treasury;

c) grant endorsements, sureties and other guarantees according to the terms of express legal authorization;

d) acquire and finance stocks of exportable production;

e) execute minimum price policy applicable to agricultural products;

f) act as paying and receiving agent outside the country;

g) execute consolidated public debt services;

II - As the principal executor of banking services of interest to the federal government, including its semi-autonomous agencies, perform the exclusive role of receiving deposits of available cash funds of any federal entities, including the offices of all civilian and military ministries, Social Security institutions and other semi-autonomous agencies, commissions, departments, entities subject to special administration and any individual or corporate persons accountable for advances, with emphasis on the provision in §5 of this article, with the exceptions foreseen in legislation or special cases expressly authorized by the National Monetary Council, as proposed by the Central Bank of the Republic of Brazil;

~~III - collect the voluntary deposits of financial institutions as treated under item III of art. 10 of this law, registering such in the respective accounts;~~

~~III - collect the voluntary demand deposits of the institutions treated under item III of art.10 of this law, registering such in the respective accounts; ([Text given by Decree Law no. 2,283/1986](#))~~

III - collect the voluntary demand deposits of the institutions treated under item III of art.10 of this law, registering such in the respective accounts; ([Text given by Decree Law no. 2,284/1986](#))

IV - perform clearance services of checks and other documents;

V - receive with exclusivity the deposits treated of in [articles 38, item 3, of Decree Law no. 2,627, dated September 26, 1940](#), and [1 of Decree Law no. 5,956, dated 11/01/43](#), with observance of the provision in article 27 of this law;

VI - on its own initiative, perform foreign currency purchase and sale operations and, in the name of the Central Bank of the Republic of Brazil, under the conditions defined by the National Monetary Council;

VII - perform receiving or payment operations and other services of interest to the Central Bank of the Republic of Brazil, through contracts formalized according to the terms of article 13 of this law;

VIII - execute foreign trade policy ([Vetoed](#)).

IX - finance acquisition and installation of small and medium rural properties, according to the terms of the legislation that regulates the question;

X - finance industrial and rural activities, the latter of which with the preferential treatment referred to in art. 4, item IX and art. 53 of this law;

XI - disseminate and provide credit guidance, including those commercial activities that complement the operations of the banking network;

a) in the financing of economic activities, meeting the credit demand of the country's different regions;

b) in the financing of exports and imports. ([See Law no. 8,490, dated 11/19/1992](#)).

§1 - The National Monetary Council will ensure specific resources to make it possible for Banco do Brasil S.A. to perform the responsibilities foreseen in this law with adequate earnings.

§2 - Duly observing the norms defined by the National Monetary Council, of the overall volume of deposits received according to the terms of item III of this article, Banco do Brasil S.A. will make available to the Central Bank of the Republic of Brazil the amount that exceeds the normal operating necessities of the respective accounts, in light of the services referred to in item IV of this article.

§3 - The charges referred to in item I of this article will be determined by contract between Banco do Brasil S.A. and the federal government, represented by the Minister of Finance.

§4 - Banco do Brasil S.A. will provide to the Central Bank of the Republic of Brazil all the information that the latter considers necessary for purposes of implementation of this law.

§5 - The deposits treated of in item II of this article may also be made in Federal Savings Banks up to limits and according to conditions defined by the National Monetary Council.

Art.20 - Banco do Brasil S.A. and the Central Bank of the Republic of Brazil will jointly elaborate the overall investment and funding program of the former, for purposes of inclusion in the monetary budgets cited in item III, of article 4 of this law.

Art.21 - The President and Directors of Banco do Brasil S.A. should be persons of untainted reputation and acknowledged capacity.

§1 - The President of Banco do Brasil S.A. will be named by the President of the Republic, with approval of the Federal Senate.

§2 - Occasional substitutions of the President of Banco do Brasil S.A. may not exceed a period of 30 (thirty) consecutive days, without the President of the Republic submitting the name of the substitute to the Federal Senate.

§3 – [\(Vetoed\)](#)

§4 – [\(Vetoed\)](#)

SECTION III

PUBLIC FINANCIAL INSTITUTIONS

Art.22 - Public financial institutions are auxiliary institutions in execution of federal government credit policy.

§1 - The National Monetary Council will regulate the operational activities, capacity and modalities of federal public financial institutions, which are to submit their funding and investment programs to that institution for approval, with the priorities determined by it, in such a way as to adjust themselves to federal government credit policy.

§2 - The choice of the Directors or Administrators of federal public financial institutions and nomination of the respective Presidents and designation of substitutes will observe the provision in article 21, paragraphs 1 and 2 of this law.

§3 - The activities of public financial institutions will be coordinated according to the terms of article 4 of this law.

Art.23 - According to the terms of [Laws no. 1628, dated 06/20/1952](#) and [no. 2973, dated 11/26/1956](#), the National Bank of Economic Development is the principal executive instrument of federal government investment policy.

Art 24 - Nonfederal public financial institutions are subject to the provisions applicable to private financial institutions, ensuring the form of constitution of those existent on the date of publication of this

law.

Paragraph. Insofar as appropriate and for the purposes of current legislation, State Savings Banks are considered equivalent to Federal Savings Banks and are exempt from the deposits referred to in article 4, item XIV, and the inspection fee cited in article 16 of this law.

SECTION IV

PRIVATE FINANCIAL INSTITUTIONS

~~Art.25 - With the exception of credit unions, private financial institutions will be constituted exclusively in the form of corporations, with the totality of their capital represented by nominal shares.~~

Art.25 - With the exception of credit unions, private financial institutions will be constituted exclusively in the form of corporations, with the totality of their voting capital represented by nominal shares. (Text given by Law no. 5710, dated 10/07/71).

§1 - Duly observing the norms issued by the National Monetary Council, the institutions referred to in this article may issue preferred shares up to the limit of 50% of their capital stock, in nominal and bearer form, without voting rights, and the provision in the paragraph of art.181 of Decree Law no. 2627, dated September 26, 1940 shall not apply. (Included by Law no. 5,710, dated 10/07/71).

§2 - Issuances of preferred bearer shares, which may occur in cases of capital increases, conversion of common shares or nominal preferred shares, will be subject to prior alteration of the bylaws of the companies, in such a way that declarations on the following can be included; (Included by Law no. 5,710, dated 10/07/71).

I - the advantages, preferences and restrictions attributed to each class of preferred shares, according to Decree Law no. 2627, dated September 26, 1940; (Included by Law no. 5,710, dated 10/07/71).

II - the forms and terms in which stock conversions may be authorized, with prohibition of conversions of preferred shares into other types of voting shares. (Included by Law no. 5,710, dated 10/07/71).

§3 - Securities and stock certificates representative of preferred shares issued according to the terms of the previous paragraphs should expressly contain the restrictions specified therein. (Included by Law no. 5,710, dated 10/07/71).

Art.26 - The initial capital of public and private financial institutions will always be paid-in in legal tender.

Art.27 - Immediate realization in legal tender of at least 50% (fifty percent) of the subscribed amount will be required in the act of subscribing initial capital and its increases.

§1 - The amounts received from stock subscribers will be deposited at the Central Bank of the Republic of Brazil within a period of 5 (five) days of reception, and will remain unavailable until resolution of the respective process.

§2 - The remaining initial or increased subscribed capital in legal tender must be paid-in within one year of the date of resolution of the respective process.

Art. 28 - Capital increases not paid-in in legal tender may result from incorporation of reserves, according to rules issued by the National Monetary Council, and reassessment of the share of fixed assets represented by real estate in use and facilities, with application of the indices defined by the National Council of Economy as the maximum limit in the specific case.

Art. 29 - Private financial institutions should preferentially invest no less than 50% (fifty percent) of the deposits of the public received by the institution in the respective state or territory.

§1 - In special cases, the National Monetary Council may permit that the percentage cited in this article be invested in each state and territory separately or by groups of states and territories included in the same geoeconomic regions.

~~§2 - The branches or subsidiaries of financial institutions located in municipalities that are not those of the headquarters of the institution will annually publish bulletins indicating the volume of the deposits and investments made locally in the major local newspaper or, should that not exist, in the building in which it operates. (Repealed by Del no. 48, dated 11/18/66).~~

Art.30 - With the exception of investment companies, financial institutions governed by private law may only participate in the capital of other companies with the prior authorization of the Central Bank of the Republic of Brazil, which is to be requested and justified and granted expressly, with due observance of cases of subscription guarantees, under the conditions of a general nature to be defined by the National Monetary Council.

Paragraph. (Vetoed)

Art. 31 - Financial institutions are obligated to elaborate general balance sheets on June 30 and December 31 of each year, observing accounting rules determined by the National Monetary Council.

Art.32 - Public financial institutions should inform the Central Bank of the Republic of Brazil regarding the designation or election of directors and members of consultative, fiscal and similar entities within a period of 15 days from the date of such an event.

Art.33 - Private financial institutions should inform the Central Bank of the Republic of Brazil of acts related to the election of directors and members of consultative, fiscal and similar entities within a period of 15 days from the date of such an event, in accordance with the terms of art.10, item X of this law.

§1 - Within a maximum period of 60 (sixty) days, the Central Bank of the Republic of Brazil will decide to accept or refuse the name of the elected party who does not meet the conditions referred to in article 10, item X of this law.

§2 - The elected party's taking of office will depend on the acceptance referred to in the previous paragraph.

§3 - Once the documentation foreseen in the rules referred to in article 10, item X of this law has been fully delivered and the time period stated in §1 of this article has elapsed without a manifestation on the part of the Central Bank of the Republic of Brazil, it will be understood that taking of office has not been refused.

Art. 34 - Financial institutions are prohibited from granting loans or advances:

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

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

III - To individuals or corporate entities that participate in their capital at levels in excess of 10% (ten percent), without specific authorization of the Central Bank of the Republic of Brazil in each case, when such operations are backed by commercial effects resulting from purchase and sale operations or liens on merchandise, at limits that will be determined in a general manner by the National Monetary Council:

IV - To corporate persons that hold more than 10% (ten percent) capital participation;

V - To corporate persons in which any of the directors or administrators of the financial institution itself, as well as their spouses and respective relatives up to the 2nd degree hold more than 10% (ten percent) capital participation.

§1 - Violation of the provision in item I of this article is a crime and will subject those responsible for the transgression to imprisonment from 1 to 4 years, with application of the Criminal Code and the Criminal Process Code, insofar as is appropriate. ([See Law 7,492, dated 07/16/1986](#)).

§2 - The provision in item IV of this article does not apply to public financial institutions.

Art.35 - Financial institutions are also forbidden to:

I - Issue debentures and participation certificates;

II - Acquire real estate that is not for their own use, with the exception of properties received in settlement of hard-to-recover loans, in which case such property should be sold within one (1) year of reception. This time period may be extended as many as two times, at the discretion of the Central Bank of the Republic of Brazil.

~~Paragraph. Financial institutions that do not receive deposits may issue debentures, provided that, in each case, they have been authorized by the Central Bank of the Republic of Brazil.~~

Paragraph. Financial institutions that do not receive deposits from the public may issue debentures, provided that, in each case, they have been authorized by the Central Bank of Brazil. ([Text given by Decree Law no. 2,290/1986](#)).

Art.36 - Financial institutions are not permitted to maintain investments in real estate for their own utilization that, when added to their assets in facilities, exceed the value of their paid-in capital and unrestricted reserves.

Art.37 - Financial institutions, entities and persons cited in article 17 and 18 of this law, as well as brokers of public funds, are obligated to provide to the Central Bank of the Republic of Brazil the data and information deemed necessary for that institution to perform its responsibilities, in the manner determined by that institution.

~~Art.38 - Financial institutions will maintain secrecy in all of their asset and liability operations and services rendered. ([See Law no. 6385/1976](#)) ([Repealed by Law no. 105, dated 01/10/2001](#))~~

~~§1 - Information and clarifications ordered by the judiciary, provided by the Central Bank of the Republic of Brazil or by financial institutions and the showing of books and documents before the courts will always be covered by secrecy, and only the legitimate parties to the cause will have access to such and may not utilize them for purposes unrelated to the case before the Court. ([Repealed by Law no. 105, dated 01/10/2001](#)).~~

~~§2 - The Central Bank of the Republic of Brazil and public financial institutions will provide information to the legislative branch and, should relevant reasons exist, may request that such information remain confidential or covered by secrecy. ([Repealed by Law no. 105, dated 01/10/2001](#)).~~

~~§3 - In exercising their constitutional and legal authority to perform wide-ranging investigations ([art.53 of the Federal Constitution and Law no. 1579, dated March 18, 1952](#)), Parliamentary Committees of Inquiry will obtain the information required from financial institutions, including through the Central Bank of the Republic of Brazil. ([Repealed by Law no. 105, dated 01/10/2001](#)).~~

~~§4 - Requests for the information referred to in §2 and §3 of this article should be approved by the Plenary Session of the Chamber of Deputies or Federal Senate and, in the case of a Parliamentary Committee of Inquiry, by an absolute majority of its members. ([Repealed by Law no. 105, dated 01/10/2001](#)).~~

~~§5 - Tax inspectors of the Ministry of Finance and States may only proceed to examination of documents, ledgers and account records of deposits, when an investigative process has been initiated and as such are considered indispensable by the proper authority. (Repealed by Law no. 105, dated 01/10/2001)~~

~~§6 - The provision in the previous paragraph applies also to the providing of clarifications and information to fiscal authorities by financial institutions, and such information and examinations should be maintained in secrecy and may be utilized only in a reserved manner. (Repealed by Law no. 105, dated 01/10/2001)~~

~~§7 - The breaking of secrecy as treated in this article is a crime and subjects those responsible to imprisonment of from 1 to 4 years, with application of the Criminal Code and Criminal Process Code, when appropriate, without prejudice to other appropriate sanctions. (Repealed by Law no. 105, dated 01/10/2001)~~

Art.39 - The provisions of this law also apply to foreign financial institutions operating in the country or that may come to operate in the country, without prejudice to the provisions of current legislation.

~~Art.40 - Credit unions are not allowed to grant loans except to members registered for more than 30 days. (Repealed by Law no. 105, dated 01/10/2001)~~

~~Paragraph. The provision in this article applies to the credit sections of cooperatives of any type whatsoever. (Repealed by Law no. 105, dated 01/10/2001)~~

~~Art.41 - Installment sales made by crop/livestock cooperatives to their members and involving goods and products to be used in their economic activity are not considered as credit section operations. (Repealed by Law no. 105, dated 01/10/2001)~~

CHAPTER V

PENALTIES

Art.42 - Art. 2 of Law no. 1808, dated January 07 1953, will have the following composition:

“Art.2 - The directors and managers of financial institutions are jointly accountable for the obligations assumed by such institutions while under their management, until such time as they are performed.

Paragraph. In the case of losses, joint accountability will be restricted to the respective amount.” (See Law no. 6,024/1974).

Art.43 - The party responsible for the financial institution who authorizes granting of a loan or advance prohibited by this law will, when such does not constitute a crime, be subject to a fine equal to double the value of the loan or advance granted, without prejudice to suitable administrative or civil sanctions, and processing of this penalty will obey the terms of the provision in art.44 of this law, insofar as appropriate.

Art.44 - Violations of the provisions of this law subject financial institutions, their directors, members of administrative, fiscal and similar councils, as well as their managers, to the following penalties, without prejudice to others defined in current legislation:

I - Warning.

II - Variable monetary fine.

III - Suspension from positions.

IV - Temporary or permanent prohibition from exercising positions of direction in the administration or management of financial institutions.

V - Cancellation of the operating authorization of public financial institutions, except federal institutions, or private financial institutions.

VI - Detention, according to the terms of §7 of this article.

VII - Imprisonment, according to the terms of articles 34 and 38 of this law.

§1 - The penalty of warning will be applied for noncompliance with the provisions contained in current legislation, particularly the sanctions foreseen therein, such being applicable also in cases in which imprecise information is supplied, delayed accounting or accounting that is processed without observing the rules issued according to the terms of article 4, item XII of this law.

§2 - Fines will be applied in amounts up to 200 (two hundred) times the largest monthly minimum wage in effect in the country, whenever for reasons of negligence or willfulness the financial institutions:

a) having been warned with regard to the irregularities practiced, fail to resolve them within the time period granted to them by the Central Bank of the Republic of Brazil;

b) violate the provisions of this law as regards capital, reserve funds, reserves, compulsory deposits, inspection fee, services and operations, noncompliance with the provision in articles 27 and 33, including those prohibited in articles 34 (items II to V) of this law, and abuses of competition (art.18, §2);

c) hamper Central Bank of the Republic of Brazil inspections.

§3 - The fines threatened in this article will be paid through deposit in the Central Bank of the Republic of Brazil within 15 (fifteen) days of reception of the respective notification, with emphasis on the provision in §5 of this article, and will be charged judicially with addition of 1% (one percent) interest on arrears per month as of the date of the levying of the fine, when such is not settled by the specified due date;

§4 - The penalties referred to in items III and IV of this article will be levied when grave violations are found to exist in the conducting of the interests of the financial institution or in cases of repeated specific violations, duly characterized as transgressions previously punished by fine.

§5 - The penalties referred to in items II, III and IV of this article will be levied by the Central Bank of the Republic of Brazil and may be appealed to the National Monetary Council with temporary suspensive effect, within 15 days as of reception of notification.

§6 - Any form of participation in fines is prohibited and such are to be deposited in their totality in the Central Bank of the Republic of Brazil.

§7 - Any individual or corporate persons who act as financial institutions without being duly authorized as such by the Central Bank of the Republic of Brazil are subject to the fine referred to in this article and detention of 1 to 2 years, their directors and administrators being subject to such, in the case of corporate entities.

§8 - In the performance of the inspection function foreseen in article 10, item VIII of this law, the Central Bank of the Republic of Brazil may require financial institutions or individual or corporate persons, including those referred to in the previous paragraph, to exhibit documents, papers and accounting ledgers to its expressly authorized employees, observing that refusal to do so will be considered as an act that hampers inspection activity subject to the penalty of fine, as foreseen in §2 of this article, without prejudice to other suitable measures and sanctions.

§9 - The penalty of cancellation as referred to in item V of this article, will be applied by the National Monetary Council at the proposal of the Central Bank of the Republic of Brazil, in cases of repetition of specific violations previously punished with the penalties foreseen in items III and IV of this article.

Art.45 - Nonfederal public financial institutions and private financial institutions are, according to the terms of current legislation, subject to intervention by the Central Bank of the Republic of Brazil or extrajudicial liquidation.

Paragraph. As of the date on which this law goes into effect, the institutions treated of in this article may no longer petition debt composition.

CHAPTER VI

GENERAL PROVISIONS

Art.46 - The legal and regulatory responsibilities of the Ministry of Finance as regards legal tender are transferred to the National Monetary Council and (~~Vetoed~~) to the Central Bank of the Republic of Brazil, including those performed by the “*Caixa de Amortização*”.

Art.47 - The volume of issuances made at the request of the Banco do Brasil S.A. Rediscount Portfolio and of the “*Caixa de Mobilização Bancária*” will be assumed and transferred to the responsibility of the National Treasury and definitively incorporated into the money supply.

§1 - With specific approval of the legislative branch, to which the complete list of the debts to be amortized in this way will be submitted, the amount corresponding to the assumption will be channeled into settlements of National Treasury financial liabilities at Banco do Brasil S.A., including those consequent upon exchange operations concluded up to the date on which this law goes into effect.

§2 - For purposes of liquidation of the remaining balance of National Treasury liabilities after assumption of current issuances at the request of the Banco do Brasil S.A. Rediscount Portfolio and of the “*Caixa de Mobilização Bancária*”, the executive branch will submit a specific proposal to the legislative branch, indicating the resources and the means required for this purpose.

Art.48 - Once the financial reconciliation foreseen in the previous article has been concluded, the Central Bank of the Republic of Brazil will assume responsibility for currency in circulation.

Art.49 - Federal Government credit operations based on anticipated budget revenues or any other headings, within the legally authorized limits, will only be carried out through placements of National Treasury bonds or bills.

§1 - In accordance with the terms of [article 73, §1, item II of the Federal Constitution](#), when the case arises, budget law will determine the share of the deficit that can be covered through the sale of National Treasury bonds directly to the Central Bank of the Republic of Brazil.

§2 - With the authorization of the National Monetary Council in the budget law for the fiscal year, the Central Bank of the Republic of Brazil may directly acquire National Treasury bills, with currency issuances.

§3 - At its exclusive discretion, the National Monetary Council will determine the support policy applied to the prices of bonds issued by the National Treasury.

§4 - In the case of urgent and unpostponable federal government expenditures to be made through the use of supplementary or special credits authorized after the budget law, the National Congress will specifically determine the resources to be utilized in covering such outlays, defining the itemization foreseen in this article when the National Treasury is in a deficit position.

§5 - Should the hypotheses cited in the paragraph of article 75 of the Federal Constitution occur, the President of the Republic may determine that the National Monetary Council purchase National

Treasury bonds through the Central Bank of the Republic of Brazil, with issuance of currency up to the volume of the extraordinary credit that has been decreed.

§6 - The President of the Republic will see to it that the decision notified to the National Monetary Council, cited in the previous paragraph, is accompanied by a copy of the message that it should remit to the National Congress, indicating the reasons that have made issuance indispensable and requesting its approval.

§7 - The National Treasury bills placed in the form of anticipation of revenues cannot have maturities beyond 120 (one hundred and twenty) days from termination of the respective fiscal year.

§8 - By March 15 of the following year, the executive branch will send a message to the legislature proposing the system of liquidation of the National Treasury bills issued in the previous fiscal year and not redeemed.

§9 - Acquisitions of the securities cited in this article by Banco do Brasil S.A. and by banking institutions in which the federal government holds majority share participation are prohibited. ([See Decree Law no. 1079/1970](#)).

Art.50 - The National Monetary Council, the Central Bank of the Republic of Brazil, the National Bank of Economic Development, the Banco do Brasil S.A., the Banco do Nordeste do Brasil S.A. and the Banco de Crédito da Amazônia S.A. will be entitled to the benefits, exemptions and privileges, including those of a fiscal nature, that are specific to the National Treasury, with emphasis in the latter three cases on the special system of levying of the income tax to which they are subject, in accordance with the terms of current legislation.

Paragraph. The benefits, exemptions and privileges to which financial institutions are now entitled are maintained.

Art.51 – Three (3) months from the date on which this law goes into effect, the requirements of “authorization” on “license requests” for purposes of export operations will be considered abolished, with the exception of those referring to firearms, munitions, drugs, strategic materials, objects of artistic, cultural or historic value. ([See Law no. 5025/1966](#)).

Paragraph. When national interest so requires, the National Monetary Council will create the “authorization” or equivalent requirement.

Art.52 - The staff of the Central Bank of the Republic of Brazil will be composed of: ([See Law no. 9650/1998](#)).

I - The institution’s own employees, hired on the basis of competitive examinations and titles and tests, while hirings that do not comply with these requirements are subject to the penalty of nullity;

II - Personnel requisitioned from Banco do Brasil S.A. and from other federal financial institutions, through mutual agreement with their respective administrations;

III - Personnel requisitioned from other institutions and that have rendered services to the Superintendency of Currency and Credit for more than 1 (one) year, as of the date of publication of this law.

§1 - Within 90 (ninety) days of the date on which this law goes into effect, the Central Bank of the Republic of Brazil will issue the Bylaws of its employees and staff in which the rights legally attributed to their current employees will be guaranteed and the duties and obligations inherent to them will be maintained.

§2 - Based on the terms of this article, the institutions of origin will ensure to the requisitioned employees and staff the rights and advantages to which they are entitled or which may come to be attributed to them, as if they were effectively working in such institutions.

§3 - The Central Bank of the Republic of Brazil will be responsible for all expenditures consequent upon compliance with the provision in the previous paragraph, including those referring to retirements and pensions that are the responsibility of the institutions of origin mentioned therein, the latter being distributed proportionately according to the length of the period during which the employee was requisitioned.

§4 - The rights and guarantees ensured by labor protection and social security legislation to the employees belonging to the staff of the institution will be maintained, including their classification in the professional category of bankers.

§5 - During a period of 10 (ten) years as of the date on which this law goes into effect, the employees cited in items II and III of this article will be entitled to manifest their option to be transferred to the personnel staff of the Central Bank of the Republic of Brazil, provided that:

a) they have been admitted to their respective institutions of origin in the manner determined under item I of this article;

b) they have been actively working (Vetoed) for more than two years;

c) the option is accepted by the Board of Directors of the Central Bank of the Republic of Brazil, which should state its conclusive position within a maximum of three months as of presentation of the respective request.

Art. 53 - Rural and livestock financing operations in amounts of up to 50 (fifty) times the largest minimum monthly wage in effect in the country are exempt from fees, evaluation expenses, stamp taxes and do not require notary registration. (Repealed by Law no. 4829, dated 11/05/65).

CHAPTER VII

TRANSITORY PROVISIONS

Art.54 - Based on a National Monetary Council proposal, which should be presented within 90 (ninety) days of its installation, the executive branch will send a bill to the legislative branch institutionalizing rural credit, regulating its specific field and characterizing investment modalities, with indication of the respective sources of funding.

Paragraph. The Rural Credit Consultative Commission will provide advisory services to the National Monetary Council in the elaboration of the proposal which will establish coordination of the existing institutions or institutions that may come to be created, with the objective of ensuring effective utilization, and the private banking network in disseminating rural credit, including with cost reductions.

Art.55 - The responsibilities attributed by law to the Ministry of Agriculture are transferred to the Central Bank of the Republic of Brazil, in that which concerns operating authorization and inspection of credit cooperatives of any type, as well as the credit sections of those cooperatives that have them.

Art.to 56 - The Banco do Brasil S.A. Rediscount Portfolio and the “*Caixa de Mobilização Bancária*” are abolished, incorporating their rights and obligations into the Central Bank of the Republic of Brazil.

Paragraph. The responsibilities and legal prerogatives of the “*Caixa de Mobilização Bancária*” are to be exercised by the Central Bank of the Republic of Brazil, without interruption of continuity.

Art.57 - According to the terms of this law, responsibilities of a normative nature related to current exchange legislation are transferred to the National Monetary Council and executive responsibilities to the Central Bank of the Republic of Brazil and Banco do Brasil S.A..

Paragraph. The Bank Inspection responsibility of the Banco do Brasil S.A. is abolished and its legal responsibilities and prerogatives are transferred to the Central Bank of the Republic of Brazil.

Art.58 - The losses consequent upon terminated exchange operations and possibly not normalized according to the terms of this law, as well as those of exchange operations contracted and not concluded up to the date on which this law goes into effect by Banco do Brasil S.A., as agent of the federal government, will, to the extent in which they are carried out, be transferred to the Central Bank of the Republic of Brazil, being registered as responsibilities of the National Treasury.

§1 - National Treasury debits before the Central Bank of the Republic of Brazil originating in the transfers treated of in this article will be normalized with federal government budget resources.

§2 - The provision in this article applies also to losses consequent upon exchange operations that other federal financial institutions of a banking nature have carried out with agents of the federal government.

Art.59 - The Foreign Trade Portfolio, created according to Law no. 2,145, dated December 29, 1953, and regulated by Decree no. 42,820, dated December 16, 1957, is maintained at Banco do Brasil S.A., as the executive agent of foreign trade policy, (Vetoed).

Art.60 - The amount equivalent to the financial resources that, according to the terms of this law, are transferred to the responsibility of the Central Bank of the Republic of Brazil and that, on the date on which this law goes into effect, are in the possession of the Banco do Brasil S.A., will be registered in an account in name of the former, being considered as an allocation of resources according to the terms of §1 of article 19 of this law.

Art.61 - In order to comply with the provisions of this law, Banco do Brasil S.A. will take measures in the sense of remodeling its administrative structure, so that it will be able to effectively exercise its responsibilities and execute the services reserved to it, as the main instrument of execution of federal government credit policy.

Art.62 - The National Monetary Council will define measures in the sense that the transfer of responsibilities from existent entities to the Central Bank of the Republic of Brazil occurs without interruption of the continuity of the services impacted by this law.

Art.63 - The mandates of the first members of the National Monetary Council, to which item IV of article 6 of this law refers, will be 6 (six), 5 (five), 4 (four), 3 (three), 2 (two) and 1 (one) year, respectively.

Art.64 - The National Monetary Council will determine a period of up to 1 (one) year from the date on which this law goes into effect for financial institutions to adapt to the provisions of this law.

§1 - In exceptional cases, the National Monetary Council may extend the period for an additional 1 (one) year so that the adjustment referred to in this article can be completed.

§2 - The period for compliance with the determination in art.30 of this law will be one year and may be extended according to the terms of the previous paragraph.

Art.65 - This law will go into effect 90 (ninety) days after the date of its publication, all provisions to the contrary being hereby revoked.

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

H. CASTELO BRANCO

Otávio Gouveia Bulhões

Daniel Ferraco

Roberto de Oliveira Campos

This text does not replace that published in the DOU on January 31, 1965

I hereby declare for all due purposes that the text above is the true and exact translation of the original document.