The future for long term financing
IOSCO 39th Annual Conference
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INVESTOR PROFILE: AN IMPOSSIBLE TRINITY MADE TRUE

- High liquidity
- Short-term
- High return
INVESTORS IMPOSSIBLE TRINITY CONSEQUENCES

**Term Profile (1st Renegotiation)**
Share by volume

- **2010**
  - Up to 3 years: 7%
  - 4 to 6 years: 13%
  - 7 to 10 years: 57%
  - 10 years or more: 11%

- **2012**
  - Up to 3 years: 18%
  - 4 to 6 years: 25%
  - 7 to 10 years: 45%
  - 10 years or more: 15%

- **Jan-Jul 2014**
  - Up to 3 years: 22%
  - 4 to 6 years: 59%
  - 7 to 10 years: 10%
  - 10 years or more: 9%

**Coupon Profile**
% by volume

- **2010**
  - % do DI: 40%
  - DI + Spread: 45%
  - IPCA: 8%

- **2012**
  - % do DI: 26%
  - DI + Spread: 52%
  - IPCA: 17%

- **Jan-Jul 2014**
  - % do DI: 22%
  - DI + Spread: 59%
  - IPCA: 10%
  - Others: 9%

**Average Term - 1st Renegotiation**
Years

- 2008: 6.34
- 2009: 4.03
- 2010: 4.99
- 2011: 5.24
- 2012: 6.10
- 2013: 5.81
- Jan-Jul 2014: 5.31
LENGTHENING AVERAGE MATURITIES BY FOSTERING FOREIGN INVESTORS INFLOWS

Monthly Financial volume of NTN-B
BRL million

- february/2006: income tax exemption for foreign investors

Graph showing the monthly financial volume of NTN-B from January 2005 to July 2014, with categories for up to 1 year, between 1 and 5 years, and above 5 years.
REGULATORY AND FISCAL STEPS TO FOSTER LTF

Regulatory improvements

- Foreign investors regime (CMN Resolution no. 2689)
- Review of Brazilian Depositary Receipts regime (CVM Instruction no. 332)
- ABS Funds (CVM Instruction no. 356)
- Private Equity Funds (CVM Instruction no. 391)
- Infrastructure Investment Funds (CVM Instruction no. 460)
- Registration’s exemption of debentures issues directed to qualified investors (CVM Instruction no. 476)
- ANBIMA’s New Market for Fixed Income
- Registration’s exemption of stock issues directed to qualified or professional investors (CVM Instruction no. 551)
- Creation of SME Investment Funds (CVM Instruction no. 549)
**REGULATORY AND FISCAL STEPS TO FOSTER LTF**

*Tax Incentives*

- Tax exemption to foreign investors’ capital gains (IRS Instruction no. 25)
- Distinct Income tax treatment for Pension Funds according to redemption dates – from 35% (< 2 years) to 10% (> 10 years)
- Tax exemption for long term corporate bonds (law no. 12431)
- Tax exemptions for ABS instruments (included in the law no. 12431)
- Income tax incentives on fixed income instruments accordingly to the term investors hold their investments
CAPITAL MARKETS HAS INCREASED ITS ROLE AS A LTF SOURCE
THE PATH AHEAD: INNOVATION, CHALLENGES AND OPPORTUNITIES

Is innovation an issue for the Brazilian Capital Market?

- Regulatory framework is not an obstacle, but fine tuning can help
- Tax incentives are helpful, but need to be well designed and time restricted
- Innovation can occur within the current regulatory and self regulatory boundaries

**MICRO**
- Hedge instruments
- Collateral structures
- Trading patterns

**MACRO**
- Bring down interest rates
- Foster financial education
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