

Law N. 4.595, of December 31, 1964 (\*)

(\*) As in effect on May 31, 2000

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LAW N. 4,595 OF DECEMBER 31, 1964  
(as ammended)

Disposes of the Monetary  
Policy and Monetary, Banking  
and Credit Institutions,  
creates the National Monetary  
Council and establishes other  
provisions.

The President of the Republic

I notify that the National Congress decrees and I ratify the following  
Law:

CHAPTER I

Of the National Financial System

Article 1. The National Financial System, structured and regulated  
by this law, shall consist of:

- I - The National Monetary Council;
- II - The Central Bank of Brazil;
- III - The Bank of Brazil, S.A.;
- IV - The National Bank for Economic and Social Development;
- V - Other Financial Institutions, both public and private.

CHAPTER II

Of The National Monetary Council

Article 2. The Council of the existing Money and Credit  
Superintendency is abolished and, in its stead, is created the National

Monetary Council with the function of formulating money and credit policy as provided in this law, aiming at the economic and social progress of the Country.

Article 3. The policy of the National Monetary Council will have as its objectives:

- I - Adapting the volume of the means of payment to the real necessities of the national economy and to its process of development;
- II - Regulating the internal value of the currency, thereby preventing or correcting inflationary or deflationary tendencies of internal or external origin, as well as economic depressions or other imbalances resulting from conjuncture phenomena;
- III - Regulating the external value of the currency and the equilibrium of the balance of payments of the country with a view to optimum utilization of foreign currency resources;
- IV - Orienting the application of the resources of financial institutions whether public or private with a view to promote conditions throughout the country favourable to the harmonious development of the national economy;
- V - Perfecting financial institutions and instruments in order to achieve greater efficiency in the system of payment and mobilization of resources;
- VI - Promoting the liquidity and solvency of financial institutions;
- VII - Coordinating internal and external monetary, credit, budget, fiscal, and public debt policies.

Article 4. It is specifically incumbent upon the National Monetary Council as set forth by the President of the Republic to:

- I - **(REVOKED)**
- II - Establish conditions such that the Central Bank of Brazil- will issue legal tender ... (vetoed) ... in accordance with the terms and limits established by this law as well as with the regulations governing the means of circulation;
- III - Approve the monetary budgets prepared by the Central Bank of Brazil by means of which overall money and credit needs will be estimated;
- IV - Determine the general characteristics ... (vetoed) ... of bills and coinage;
- V - Establish directives and norms of exchange policy, including the purchase and sale of gold, and any operations in special drawing rights and in foreign currency;

VI - Control all types of credits and credit operations of all forms, including acceptances and any guarantees on the part of financial institutions;

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(\*) The designation "(vetoed)" refers to material deleted by presidential veto which does not appear in this text.

- VII - Coordinate the policy dealt with by Article 3 of this law with that of the Federal Government's investment;
- VIII - Regulate the constitution, functioning and supervision of those who exercise functions within the purview of this law as well as the application of penalties herewith;
- IX - Limit, whenever necessary, interest rates, discounts, commissions and any other form of remuneration of banking or financial transactions and services, including those performed by the Central Bank of Brazil, assuring rates favorable to financings to be provided for:
  - soil recuperation and fertilization;
  - reforestation;
  - combat of epizootics and blights in rural activities;
  - rural electrification;
  - mechanization;
  - irrigation;
  - investments indispensable to agricultural activities;
- X - Determine the maximum percentage of resources that financial institutions should loan to one client or to a group of companies;
- XI - Stipulate indexes and other technical conditions for the capitalization, reserves and other patrimonial relations to be observed by financial institutions;
- XII - Publish general accounting and statistical norms to be observed by financial institutions;
- XIII - Specify, not less frequently than every two years, the minimum capital for private financial institutions, taking into account their nature as well as the location of their agencies or branches;
- XIV - **REVOKED**
- XV - Establish, for public financial institutions, the exclusion of deposits made by public law legal persons, which have their stock control, as well as from their respective autonomous and mixed capital entities, from the calculus referred on item XIV above.
- XVI - Obligatorily, provide to the National Congress , by the last day of the subsequent month, a report and supporting graphical material on the application of compulsory reserve deposits ... (vetoed) ...
- XVII - Regulate, by establishing limits, time periods and other conditions, the lending and rediscount operations of a banking nature, effected by any public or private financial institutions;

- XVIII - Concede a monopoly on exchange operations to the Central Bank of Brazil whenever a grave disequilibrium in the balance of payments occurs or there are serious reasons to foresee such imminent situation;
- XIX - Establish norms to be observed by the Central Bank of Brazil in its transactions in public securities or in obligations issued by entities in which the State participates;
- XX - Authorize the Central Bank of Brazil and the federal public financial institutions to effect the subscription, purchase and sale of stock shares and other obligations either issued by or under the responsibility of mixed capital entities and State companies;
- XXI - Discipline the activities of the Stock Market and stock brokers dealing with public funds;
- XXII - Establish norms for the operations of public financial institutions in order to preserve their solvency and reconcile their functioning with the objectives of this law;
- XXIII - Limit to as much as fifteen times the total of capital and free reserves the maximum on top of which exceeding deposits by financial institutions will revert to the Central Bank of Brazil or be applied in accordance with norms established by the Council;
- XXIV - Determine its own organization, formulating its internal regulations within the maximum period of 30 days;
- XXV - Determine the technical and administrative organization of the Central Bank of Brazil, including its personnel structure and, on the basis of proposals submitted by the President of the Bank, establish the remuneration of the Bank's directors and employees;
- XXVI - **REVOKED**
- XXVII - Approve the internal regulation and the accounts of the Central Bank of Brazil, and decide about its budget and accounting systems, as well as about the form and time frame for the transfer of its results to the National Treasury, without prejudice to the competence of the Federal Accounting Tribunal;
- XVIII - Apply to foreign banks, operating in the country, the same controls and limits applied by their regulatory agencies to Brazilian banks either operating in that country or desirous of operating there;
- XXIX - Collaborate with the Federal Senate in reviewing loans

contracted abroad by the States, Federal District and Municipalities in accordance with Article 63, II of the Federal Constitution;

- XXX - Establish norms and regulations for the designations and other effects of Article 7 of this law;
- XXXI - Establish norms regulating exchange operations, including swaps, promulgating limits, rates, terms and other conditions.
- XXXII - Regulate time deposits of financial institutions and other entities authorized to operate by the Central Bank of Brazil, including those subject to the same share holder control or subordination.

Paragraph 1. The National Monetary Council in exercising the powers attributed to it in item VIII of this Article can require the Central Bank of Brazil to refuse authorization for the functioning of new financial institution as a matter of general convenience.

Paragraph 2. It shall be incumbent upon the Central Bank of Brazil, to monitor the execution of the monetary budgets and to report thereon to the National Monetary Council, presenting any suggestions considered appropriate.

Paragraph 3. The issuance of coins shall always be accompanied by the retirement ... (vetoed) ... of an equal amount in bills.

Paragraph 4. The National Monetary Council shall be able to invite authorities, persons or entities to provide any clarifications considered necessary.

Paragraph 5. In the hypotheses of Article 4, incise I and of paragraph 6 of Article 49 of this law, should the National Congress deny concurrence to the extra emission of currency, responsible authorities will be liable in the terms of law number 1,079 of April 10, 1950.

Paragraph 6. The National Monetary Council will send to the National Congress, by March 31 of each year, a report on the monetary and credit situation of the country during the previous year, in which the measures taken to accomplish the objectives established in this law shall be minutely described and the amounts of currency emitted to attend to the productive activities of the country justified in detail.

Paragraph 7. **REVOKED**

Article 5. The deliberations of the National Monetary Council shall be understood to be the responsibility of its President for the purposes of Article 104, letter "b" of the Federal Constitution and shall, in addition, be binding upon all official entities including the autonomous and mixed capital agencies, insofar as their activities affecting the financial and capital markets are concerned.

Article 6. **REVOKED**

Article 7. **REVOKED**

### CHAPTER III

#### Of the Central Bank of Brazil

Article 8. The existing Money and Credit Superintendency is transformed into an autonomous federal agency with headquarter in the Capital of the Republic, with the designation "Central Bank of Brazil", with legal personality and its own equity capital, the latter constituted of property, rights and values transferred to it as per this law and, in addition, from the appropriation of interests and revenues accruing, as of the effective date of this law, from the dispositions of Article 9, Decree Law N. 8,495 of December 28, 1945, now expressly revoked.

Sole Paragraph. The results obtained by the Central Bank of Brazil, considering all the revenues and expenses of all its transactions, as of January 1<sup>st</sup> 1988, will be accrued in accordance with the Competence regime and transferred to the National Treasury, after compensation of any shortfalls incurred in previous years.

Article 9. It is incumbent upon the Central Bank of Brazil to comply and to enforce compliance with the relevant dispositions attributed to it by the legislation in force and the norms promulgated by the National Monetary Council.

Article 10. The Central Bank of Brazil is competent to:

I - Emit bills and coins under the conditions and limits authorized by the National Monetary Council ...(vetoed)...;

II - Perform means of circulation services;

III - Determine the withdrawal of up to 100% of total sight deposits and up to 60% of other accounting items of financial institutions, either as a subscription of titles and securities issued by the National Treasury or purchase of public debt papers, by means of withdrawals in kind, in both instances, delivered to the Central Bank of Brazil, in the form and conditions set forth by it, which may:

a) use different percentages according to:

- 1 - geo-economic regions
- 2 - priorities attributed to applications
- 3 - nature of the financial institutions

b) determine the percentage not to be withdrawn, should it have been used to finance agriculture, at favorable interest rates and other conditions established by it.

IV - Receive the compulsory deposits dealt with in the previous incise, as well as the voluntary sight deposits of financial institutions in the terms of incise III and paragraph 2 of Article 19 of this law;

V - Effect loan and rediscount operations to banking and financial institutions as well as to those referred to in Article 10, incise III, letter "b" and in paragraph 4 of Article 49 of this law;

V - Exercise control over all forms of credit;

VI - Control foreign capital in the terms of the law;

VII - Act as the depository of official gold and foreign currency reserves and of Special Drawing Rights and execute with the latter any and all operations set forth in the Constitutive Convention of the International Monetary Fund;



VIII - Supervise financial institutions and apply the penalties prescribed;

IX - Grant authorization to financial institutions in order that they may:

a) function in the country;

b) install or transfer their headquarters or dependencies, including those overseas;

c) be transformed, founded, incorporated or expropriated;

d) conduct exchange operations, extend real credit and negotiate federal, state or municipal debt certificates, stocks, bonds, mortgages and other certificates of credit or ownership;

e) have their franchises extended;

f) alter their statutes;

g) sell or, in any other form, transfer its share control

X - Establish conditions for incumbency and exercise of any administrative office in private financial institutions as well as for the exercise of any function in consultative, fiscal and similar organs according to norms promulgated by the National Monetary Council;

XI - Effect, as an instrument for monetary policy, the purchase and sale of federal public obligations;

XIII - Require that the headquarters of financial institutions keep record of companies dealing with their agencies for more than one year;

Paragraph 1. In exercising its attributions, to which incise X of this Article refers, based on norms promulgated by the National Monetary Council, the Central Bank of Brazil will study the requests submitted and will resolve to concede or refuse the authorization requested and will (vetoed) include those clauses considered to be of public interest.

Paragraph 2. With due regard to the dispositions of the previous paragraph, foreign financial institutions will require authorization of the Executive Branch in the form of a decree in order to be able to function in the country (vetoed).

Article 11. It is also incumbent upon the Central Bank of Brazil:

I - to deal, in the name of the Brazilian Government, with foreign and international financial institutions;

II - to promote, as an agent of the Federal Government, the application of internal or external loans, being able, as well, to make itself responsible for the respective services;

III - to act towards the regular functioning of the exchange market,

of the relative stability of the exchange rate and of the equilibrium in the balance of payments, being competent to these ends to buy and sell gold and foreign currency, as well as to conduct credit operations abroad, including those concerning the Special Drawing Rights, and to separate the exchange, financial and commercial markets;

- IV - to purchase and sell obligations of mixed capital entities and State companies;
- V - to issue its own obligations, in accordance with conditions established by the National Monetary Council;
- VI - to regulate the clearing services of checks and other papers;
- VII - to exercise permanent vigilance in the financial and capital markets over those companies that, directly or indirectly, interfere in these markets as well as over the operational devices or processes which these companies use;
- VIII - to provide, under the control of the National Monetary Council, its Secretariat work.

Paragraph 1. In exercising its attributions under incise IX of article 10 of this law, the Central Bank of Brazil may examine the records and documents of natural and legal persons, controlling any financial institution, who are subject to article 44, paragraph 8 of this law.

Paragraph 2. The Central Bank of Brazil, with the authorization of the National Monetary Council, shall install agencies in the various geo-economic regions of the country, with a view to administrative decentralization for purposes of distribution and collection of currency and of compliance with Council's decisions and legal provisions.

Article 12. The Central Bank of Brazil will operate exclusively with public and private financial institutions, banking operations whatever nature with other public or private persons, except those expressly authorized by law, being prohibited.

Article 13. The execution of charges and services incumbent upon the Central Bank, when not conducted by it, preferably will be contracted with the Bank of Brazil S.A., except for the cases specially authorized by the National Monetary Council.

Article 14. **REVOKED**

Article 15. The internal regulations of the Central Bank of Brazil, to which incise XXVII of Article 4 of this law refers, shall prescribe the responsibilities of its President and Directors and shall specify those matters requiring decision by the Board, which shall be taken by a simple majority of votes, the presence of the President or his alternate and two other Directors constituting a minimum quorum and the President having two votes in case of tie.

Sole Paragraph. The Board shall meet, obligatorily, once per week and, extraordinarily, whenever necessary, upon request by the President or at least two of its members.

Article 16. Revenues of the Central Bank of Brazil shall be constituted by:

- I - financial transactions and other investments of funds;
- II - the result from exchange operations, from the purchase and sale of gold and from any other foreign currency operations;
- III - eventual receipts, including fees, fines late interest applied in accordance with the legislation in force.

#### CHAPTER IV

##### Of the Financial Institutions

##### SECTION I

##### Of Characterization and Subordination

Article 17. For the purposes of the legislation in force, financial institutions are considered to be those public or private legal persons that have as their principal or accessory activity the collection, intermediation or application of their own or of third parties' financial resources, in the form of national or foreign currency, and the custody of property value of third parties.

Sole Paragraph. For the purposes of this law and the legislation in force, those physical persons exercising any of the activities referred to in this Article, either on a permanent or sporadic basis, shall be the equivalent of financial institutions.

Article 18. Financial institutions shall function in the country only with previous authorization from the Central Bank of Brazil or by decree of the Executive Branch, should they be foreign.

Paragraph 1. Besides official and private banks, credit, financing and investment entities, savings and loan institutions, and credit cooperatives or credit departments of other cooperatives, other entities to which the dispositions of this law are relevant and which, therefore, are subordinate to this law include: stock markets, insurance and capitalization companies, entities distributing prizes in the form of real estate, merchandise or money, through lottery or any other means, and those physical or legal persons that exercise, on their own account or for third parties, activities related to the purchase and sale of stocks and other papers in the financial or capital markets or perform services akin to those performed by financial institutions.

Paragraph 2. In exercising the supervision incumbent upon it, the Central Bank of Brazil shall regulate the conditions of competition

among financial institutions, preventing abuses through the application of penalties ...(vetoed)... in accordance with this law.

Paragraph 3. Campaigns designed to collect funds from the public, undertaken by physical or juridical persons within the jurisdiction of this law, shall require previous authorization from the Central Bank of Brazil with the exception purchase of public stocks, undertaken in accordance with the law of corporations.

## SECTION II

### OF THE BANK OF BRAZIL S.A.

Article 19. Under the supervision of the National Monetary Council and as an instrument for the execution of the credit and financial policy of the Federal government, the Bank of Brazil S.A. shall have the principal responsibility for the following:

- I - as Financial Agent of the National Treasury, without prejudice to other functions attributed to it, and excepting that disposed by Article 8 of Law N. 1.628, of June, 20, 1952:
  - a) receive to the credit of the National Treasury the amounts accruing from the collection of federal taxes or revenues as well as the product of operations as set forth in Article 49 of this law;
  - b) effect the payments and transfers necessary to the execution of the Federal General Budget and complementary legislation, in accordance with authorizations transmitted to it by the Finance Ministry, which payments and transfers cannot exceed the overall amount of funds referred to in the previous letter; the extension of credits of whatever nature by the Bank to the National Treasury being prohibited;
  - c) concede aval, bond and other guarantees, pursuant to express legal authorization;
  - d) acquire and finance stocks of exportable production;
  - e) execute the minimum prices policy for agropastoral products;
  - f) act as receiving and disbursing agent abroad;
  - g) service the consolidated public debt;
- II - as principal executor of banking services of interest to the Federal Government, including its autonomous agencies, and with the exceptions of that disposed in paragraph 5 of this Article, and the exceptions provided by law or special cases expressly authorized by the National Monetary Council, as proposed by the Central Bank of Brazil, be the exclusive depository of the funds of any and all federal agencies, including the offices of all civilian and military ministries, pension institutions and

other autonomous agencies, commissions, departments, entities under special administrative regime and any physical or legal persons responsible for disbursements;

- III - collect the voluntary and sight deposits of financial institutions dealt with in item III of Article 10 of this law, establishing the respective accounts;
- IV - serve as the clearing house for checks and other paper;
- V - exclusively receive the deposits dealt with in Article 80, item III of the Law N.6.404, of December 15, 1976 and Article 1 of the Decree-law N.5.956, of November 1, 1943, except for that disposed in Article 27 of this law;
- VI - effect, on its own account and for the account of the Central Bank of Brazil, in the conditions established by the National Monetary Council, the purchase and sale of foreign currency;
- VII - receive or make payments and other services of interest to the Central Bank of Brazil, on contract in the manner established by Article 13 of this law;
- VIII - execute foreign trade policy ...(vetoed)...;
- IX - finance the acquisition and installation of small and medium-size rural properties, in accordance with the legislation regulating this activity;
- X - finance industrial and rural activities, the latter with the benefits referred to in Article 4, item IX of this law;
- XI - divulge and guide credit, including the commercial activities, supplementing the performance of the banking network;
  - a) in the financing of economic activities, supplying the credit needs of the different regions of the country;
  - b) in the financing of imports and exports;

Paragraph 1. The National Monetary Council shall assure specific resources to permit the Bank of Brazil S.A. to perform the tasks prescribed in this law, with adequate remuneration.

Paragraph 2. From the overall total of deposits received in the manner of item III of this Article, the Bank of Brazil S.A. will place at the disposal of the Central Bank of Brazil that amount in excess of the normal needs arising from the movement of its respective accounts, as a result of the services mentioned in item IV of this Article, and observing the norms established by the National Monetary Council.

Paragraph 3. The functions referred to in item I of this Article, shall be the objects of contractual relationship between the Bank of Brazil S.A. and the Federal Government, the latter being represented by the Finance Minister.

Paragraph 4. The Bank of Brazil S.A. shall provide to the Central Bank of Brazil all the information considered necessary by the latter for the precise implementation of this law.

Paragraph 5. The deposits mentioned in item II of this Article, can also be made in the Federal Savings Bank, within the limits and conditions established by the National Monetary Council.

Article 20. The Bank of Brazil S.A. and the Central Bank of Brazil together shall formulate an overall program of application of the resources of the former for inclusion in the monetary budgets mentioned in item III of Article 4 of this law.

Article 21. The President and the Directors of the Bank of Brazil S.A. shall be persons of unblemished reputation and well known ability.

Paragraph 1. The President of the Bank of Brazil S.A. shall be appointed by the President of the Republic

Paragraph 2. **REVOKED**

Paragraph 3. (vetoed)

Paragraph 4. (vetoed)

### SECTION III

#### Of Public Financial Institutions

Article 22. The public financial institutions are auxiliary organs in the execution of the credit policy of the Federal Government.

Paragraph 1. The National Monetary Council shall regulate the activities, capacity and manner of operating of the federal public financial institutions, which should submit for approval, according to the priorities prescribed by it, their resources and applications programs, in order that they be reconciled with the credit policy of the Federal Government.

Paragraph 2. The choice of Directors or Administrators of federal public financial institutions, and the appointment of their respective Presidents and the designation of alternates, shall observe the dispositions of Article 21, paragraphs 1 and 2 of this law.

Paragraph 3. The operations of the public financial institutions shall be coordinated according to the terms of Article 4 of this law.

Article 23. The National Bank for Economic and Social Development is the principal instrument of execution of the investment policy of Federal Government in accordance with the terms of Laws N. 1.628, of June 20, 1952 and 2.973, of November 26, 1956.

Article 24. Non federal public financial institutions shall be subject to those dispositions relative to private financial institutions, the form or constitution of those existing as of the date of publication of this law being assured.

Sole Paragraph. For purposes of the legislation in force, State Savings Banks are equivalent to Federal Savings Bank, where applicable.

## SECTION IV

### Of Private Financial Institutions

Article 25. With the exception of credit cooperatives, all private financial institutions must be organized in the form of a joint stock company (sociedade anonima) with the totality of their capital represented by nominative shares.

Paragraph 1. With due regard to the rules set forth by the National Monetary Council, the institutions referred to in this Article are allowed to issue preferential shares, with no right to vote, both nominative and to the holder, up to 50% of its social capital.

Paragraph 2. The issue of preferential shares to the holder, that may be effected by virtue of increase of capital, conversion of ordinary or preferential nominative shares, will be subject to previous amendments in the corporations' statutes, in order to include in said statutes representations with respect to:

I -the advantages, privileges and restrictions attributed to each class of preferential shares, as set forth in Law N.6,404, of December 15, 1976.

II -the conditions and terms under which the conversion of shares may be authorized, being prohibited the conversion of preferential shares in other kind of shares with right to vote.

Paragraph 3. The titles and bonds representative of preferential shares, issued under the previous paragraphs, shall bear expressly the restrictions specified therein.

Article 26. The initial capitalization of public and private financial institutions shall always be effected in currency.

Article 27. In the subscription of the initial capital in currency as well as of increments thereto immediate payment of at least 50% (fifty percent) of the amount subscribed shall be required.

Paragraph 1. Quantities received from share subscribers shall be deposited within 5 (five) days from the date of receipt with the Central Bank of Brazil, remaining there until the respective capitalization process is completed.

Paragraph 2. The unpaid balance of subscribed initial or incremental capital in currency shall be paid within one year of the date of completion of the respective capitalization process.

Article 28. Increments to capital, not realized in currency, can be effected through the incorporation of reserves, according to norms promulgated by the National Monetary Council as well as from the revaluation of fixed assets such as buildings and installations, the maximum limit in this case being the indexes established by the National Council of Economy.

Article 29. Private financial institutions shall preferably apply no less than 50% (fifty percent) of the public deposits they receive in their respective Federated Unit or Territory.

Paragraph 1. The National Monetary Council may, in special cases, permit that the percentage referred to in this Article be applied in each State or Territory individually or by groups of States and Territories, comprising the same geo-economic region.

Paragraph 2. **REVOKED**

Article 30. Private financial institutions, except for investment institutions, may only participate in the capital share of any other company, with previous authorization, properly solicited from and expressly conceded by the Central Bank of Brazil, cases of guarantees of subscription, made in accordance with general conditions established by the National Monetary Council being excepted.

Sole Paragraph. (Vetoed)

Article 31. Financial institutions shall be obliged to present general balance sheets as of June 30 and December 31 each year, observing the accounting regulations established by the National Monetary Council.

Article 32. Public financial institutions shall inform the Central Bank of Brazil of the appointment or election of directors and members of fiscal, consultative or similar organs, within 15 days from the date of the event.

Article 33. Private financial institutions shall inform the Central Bank of Brazil of acts pertaining to the election of directors or members of fiscal, consultative and similar organs, within 15 days of the date of the event, in accordance with that established in Article 10, item X, of this law.

Paragraph 1. The Central Bank of Brazil shall decide to accept or reject the name of any elected individual, who does not meet the requirements referred to in Article 10, item X, of this law, within a maximum period of 60 (sixty) days.

Paragraph 2. The assumption of office by the elected individual shall depend on the acceptance to which the previous paragraph refers.

Paragraph 3. The documentation implicit in the norms prescribed by Article 10, item X, of this law having been entirely provided and the period mentioned in paragraph 1 of this Article having transpired without manifestation on the part of the Central Bank of Brazil, the



assumption of office by the elected individual shall be understood not to have been rejected.

Article 34. Financial institutions are prohibited from conceding loans or advances:

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

II - to relatives up to the second degree of those persons referred to in the previous incise;

III - to the physical or legal persons holding more than 10% (ten percent) of their capital, except in cases of specific authorization by the Central Bank of Brazil, involving operations fraught with commercial repercussions resulting from transactions of purchase or sale or from the pledging of merchandise, within limits of a general nature established by the National Monetary Council;

IV - to legal persons of whose capital they hold more than 10% (ten percent);

V - to legal persons of whose capital any of their directors or administrators or spouses or relatives up to the second degree of said directors or administrators hold more than 10% (ten percent).

Paragraph 1. The infraction of the proscription of item I of this Article constitutes a crime and shall subject those responsible for the transgression to the penalty of imprisonment from one to four years; the Penal Code and The Code of Penal Process being applied as relevant.

Paragraph 2. That disposed in item IV of this Article is not applicable to public financial institutions.

Article 35. Financial institutions are also prohibited from:

I - Issuing bonds and debentures;

II - Acquiring real estate property not destined for their own use, except that received in liquidation of loans of difficult or dubious payment, in which case the property should be sold within the period of one (1) year of the date of receipt, renewable no more than twice, at the discretion of the Central Bank of Brazil.

Sole Paragraph. Those financial institutions not receiving deposits from the public can issue debentures, with previous authorization in each case from the Central Bank of Brazil.

Article 36. Financial institutions may not maintain investments in real estate property for their own use which, together with the value of

their installations, exceed the value of their capital and free reserves.

Article 37. The financial institutions and persons referred to in Articles 17 and 18 of this law as well as stock brokers of public stocks are obliged to provide to the Central Bank of Brazil, in the manner determined by it, the data and information considered necessary for the faithful fulfillment of its responsibilities.

Article 38. Financial institutions shall maintain secrecy in their asset and liability credit operations and in the services rendered.

Paragraph 1. The information and clarifications required by the Judicial Branch, provided by the Central Bank of Brazil or by financial institutions, as well as the judicial exhibition of books and documents, shall always be invested with this same character of secrecy, only legitimate parties to the litigation having access to them and these parties being prohibited from availing themselves of this access for purposes extraneous to the litigation.

Paragraph 2. The Central Bank of Brazil and the public financial institutions shall provide information to the Legislative Branch, being able, on the basis of relevant motives, to solicit the maintenance of said information in reserve or secrecy.

Paragraph 3. Parliamentary Inquiry Commissions, in the exercise of its constitutional and legal competence of full investigation (Article 53 of the Federal Constitution and Law N.1579, of March 18, 1952), shall obtain necessary information from the financial institutions, including by way of the Central Bank of Brazil.

Paragraph 4. The requests for information to which paragraphs 2 and 3 of this Article refer, should be approved in Plenary Session of the Chamber of Deputies or of the Federal Senate and, in the case of a Parliamentary Commission of Inquiry, by an absolute majority of its members.

Paragraph 5. Tax agents of the Federal and State governments only may proceed to examine documents, books and records of deposit accounts when process has been initiated and when said material is considered indispensable by the competent authority.

Paragraph 6. That disposed in the previous Article is equally applicable to the provision of clarifications and information by financial institutions to fiscal authorities, said material and the investigations always being maintained in secrecy and being utilized only with reservation.

Paragraph 7. The breach of secrecy, dealt with in this Article, constitutes a crime and subjects those responsible to imprisonment penalty of one to four years; the Penal Code and the Code of Penal Process being applicable where relevant, without prejudice to other appropriate sanctions.

Article 39. The dispositions of the present law are applicable to foreign financial institutions now functioning or subsequently to be installed in the country, without prejudice to other dispositions in existing law.

Article 40. Credit cooperatives may grant loans only to those who have been members of such cooperatives for at least 30 days.

Sole Paragraph. The disposition of this Article is also applicable to credit departments of any other type of cooperative.

Article 41. Installment sales effected by agropastoral cooperatives and their members of goods and products related to their economic activity are not considered as being credit operations.

## CHAPTER V

### Of Penalties

Article 42. **REVOKED**

Article 43. The party responsible for any financial institution authorizing the concession of a loan or advance prohibited by this law will, if the occurrence does not constitute a crime, be liable to a fine equal to double the amount of the loan or advance granted, without prejudice to applicable administrative or civil sanctions, the process following the terms of Article 44 of this law as relevant.

Article 44. Infractions of the terms of this law will subject financial institutions, their directors, members of administrative, fiscal and similar councils, and managers, to the following penalties, without prejudice others established by legislation in force:

I - Warning;

II - Variable pecuniary fine;

III - Suspension from the exercise of functions;

IV - Temporary or permanent disqualification from the exercise of function of administrative directorship or management of financial institutions;

V - Cancellation of authorization to operate public financial institution, except the federal, or private ones;

VI - Detention, under the terms of paragraph 7 of this Article;

VII - Imprisonment, under the terms of Articles 34 and 38 of this law.

Paragraph 1. The penalty of warning will be applicable for non-observance of the legislation in force, without prejudice to sanctions provided therein; also being applicable, in cases of furnishing incorrect information, of delays in bookkeeping and of books kept in disaccord with norms promulgated as per Article 4, item XII of this law.

Paragraph 2. Fines amounting to as much as 200 (two hundred) times the highest minimum wage in effect in the country shall be applied whenever financial institutions, whether by negligence or intent:

- a) having been warned against practicing irregularities, fail to correct them in the period of time granted by the Central Bank of Brazil;
- b) infringe the dispositions of this law relative to capital, reserve funds, cash on hand, compulsory deposits, services and operations, non-fulfillment of the terms of Articles 27 and 33 and of the prohibitions of Articles 34 (items II to V), 35 to 40 of this law, and abuses of competition (Article 18, paragraph 2);
- c) obstruct supervision by the Central Bank of Brazil.

Paragraph 3. The fines prescribed in this Article shall be deposited at the Central Bank of Brazil, within a period of 15 (fifteen) days from the receipt of the respective notification, without prejudice to the terms of paragraph 5 of this Article; being charged judicially with a penalty for non-payment, within the above mentioned period equal to 1% (one percent) per month, counted from the date of the application of the fine.

Paragraph 4. The penalties mentioned in items III and IV in this Article shall be applied when serious infractions have been verified in the conduct of the business of the financial institution or when there is a specific recurrence clearly identical with previous transgressions punished by fine.

Paragraph 5. The penalties mentioned in items II, III and IV of this Article shall be applied by the Central Bank of Brazil, bear recourse, with suspensive effect, to the National Monetary Council, being permitted within 15 days after the receipt notification.

Paragraph 6. Any participation in fines is prohibited; these, must be fully deposited at the Central Bank of Brazil.

Paragraph 7. Any fiscal or legal persons acting as a financial institution, without due authorization from the Central Bank of Brazil, shall be subject the fines mentioned in this Article and to 1 to 2 years imprisonment; directors and administrators being subject to the latter, when the financial institution is a legal person.

Paragraph 8. In exercising the supervision prescribed in Article 10, item IX of this law, the Central Bank of Brazil may require financial institution or physical or legal persons, including those referred to in the previous paragraph, to exhibit to its duly accredited officer, documents, papers, accounting books; failure to comply being considered obstruction of said supervision subject to the fine provided for in paragraph 2 of this Article, without prejudice to other relevant measures and sanctions.

Paragraph 9. The penalty of cancellation, referred to in item V of this Article, will be applied by the National Monetary Council, at the recommendation of the Central Bank of Brazil, in cases of specific recurrence of specific infractions previously punished by the penalties provided in items III and IV of this Article.

Article 45. Non-federal public and private financial institutions are subject under the terms of existing legislation to intervention by the Central Bank of Brazil or to extra-judicial liquidation.

Sole Paragraph. After the effective date of this law, the institution dealt with in this Article may not petition for a creditors' agreement.

## CHAPTER VI

### General Terms

Article 46. The legal and regulatory attributes of the Ministry of Finance relative to the means of circulation including those exercised by the Amortization Bank (Caixa de Amortização) are hereby transferred to the National Monetary Council and (vetoed) to the Central Bank of Brazil.

Article 47. The currency issued at the request of the Rediscount Department of the Bank of Brazil S.A. and the Office of Bank Mobilization, will be transferred by expropriation to the National Treasury, being definitively incorporated in the means of circulation.

Paragraph 1. The total expropriated shall be utilized to liquidate financial liabilities of the National Treasury to the Bank of Brazil, including those resulting from exchange operations closed up to the effective date of this law, through specific approval of the Legislative Branch, to which a complete list of the debts thus amortized shall be submitted.

Paragraph 2. For the liquidation of the balance of the National Treasury liabilities remaining after the expropriation of currency issued at the request of the Rediscount Department of the Bank of Brazil S.A. and the Office of Bank Mobilization, the Executive Branch shall submit to the Legislative Branch specific proposal, indicating the resources and means necessary to this end.

Article 48. Once the financial settlements prescribed in the previous Article are concluded, the responsibility for currency in circulation shall become that of the Central Bank of Brazil.

Article 49. Federal credit operations in anticipation of budget receipts or any other kind, within legal authorized limits, only shall be realized through the placement of National Treasury obligations, notes and bonds.

Paragraph 1. The budgetary law, according to the terms of Article 73, item II, of the Federal Constitution, shall determine, in appropriate cases, the portion of the deficit which may be covered by the sale of National Treasury bonds directly to the Central Bank of Brazil.

Paragraph 2. The Central Bank of Brazil, through authorization of the National Monetary Council based on the budgetary law of the fiscal year, may issue currency for direct acquisition of National Treasury bonds.

Paragraph 3. The National Monetary Council shall, by its exclusive criteria, determine the policy for supporting stock market price of National Treasury bonds.



Paragraph 4. In case of urgent and unpostponable Federal Government expenses to be financed through supplementary or special credits, authorized subsequent the budgetary law, the National Congress shall specifically determine resources to be utilized in covering such expenses, establishing the discrimination prescribed in this Article, when a deficit position of the National Treasury occurs.

Paragraph 5. In the event of the hypothesis listed in the sole paragraph of Article 75 of the Federal Constitution, the President of the Republic may determine that the National Monetary Council, through the Central Bank of Brazil, shall finance the acquisition of National Treasury bills through currency issued up to amount of the extraordinary credit which has been decreed.

Paragraph 6. The President of the Republic shall attach to the determination the National Monetary Council, mentioned in the previous paragraph, a message directed to the National Congress, indicating the reasons which make the emission indispensable and requesting concurrence.

Paragraph 7. Maturities of National Treasury bills placed in anticipation of receipts, shall not fall due in excess of 120 days after the end of respective fiscal year.

Paragraph 8. Up to March 15 of the subsequent year, the Executive Branch shall send a message to the Legislative Branch proposing the manner of liquidating unredeemed National Treasury bills emitted in the previous fiscal year.

Paragraph 9. The acquisition of the bills mentioned in this Article by the Bank of Brazil S.A. and by banking institutions in which the Federal Government holds the majority of shares is prohibited.

Article 50. The National Monetary Council, the Central Bank of Brazil, the National Bank for Economic and Social Development, the Bank of Brazil S.A., the Bank of Northeast Brazil S.A., and the Bank of Amazonia S.A., shall enjoy favors, exemptions and privileges, including fiscal, exclusive to the National Treasury excepting, in the case of the last three entities, the special income tax regime, to which they are subject according to existing legislation.

Sole Paragraph. The favors, exemptions and privileges presently enjoyed by financial institutions are maintained.

Article 51. **REVOKED**

Article 52. The personnel structure of the Central Bank of Brazil consists of:

- I -Its own personnel, admitted through public examinations by academic degrees and examination; admissions processed in disaccord with these requirements being subject to the penalty of annulment;
- II -Personnel requisitioned from the Bank of Brazil S.A. and other federal financial institutions, by mutual agreement between the respective administrations;



III -Personnel requisitioned from other institutions and those who have be working with the Superintendency of Money and Credit for more than year, as of the date of the publication of this law.

Paragraph 1. Within 90 days of the effective date of this law, the Central Bank of Brazil shall promulgate a Statute on the status of its officials a employees, in which it will guarantee the rights legally attributed to its present employees and maintained duties and obligations which are incumbent upon them.

Paragraph 2. To the officials and employees requisitioned under the terms this Article, the institutions of their origin shall assure the rights and advantages due to them or which would be attributed to them were they to continue to be employed by these institutions.

Paragraph 3. All the expenses resulting from the fulfillment of the terms the previous paragraph shall be charged to the account of the Central Bank Brazil, including those of retirement and pension which are the responsibility the institutions of origin mentioned above, the latter being prorated as a function of the time elapsed subsequent to the requisition.

Paragraph 4. Employees of its own personnel structure shall continue to have their rights and guarantees governed by protection of labor and social security legislation, and included in the professional category of bank workers.

Paragraph 5. **REVOKED**

Article 53. **REVOKED**

## CHAPTER VII

### Transitory Dispositions

Article 54. The Executive Branch, on the basis of a proposal from the National Monetary Council, which should be presented within 90 (ninety) days from the date of its installation, shall submit to the Legislative Branch a bill making official the rural credit, defining its specific area, characterizing types of application, and indicating respective sources of funds.

Sole Paragraph. The Rural Credit Consultative Commission shall assist the National Monetary Council in the formulation of this project, which shall coordinate existing and future institutions with the objective of guaranteeing their optimum utilization and that of the private banking network in disseminating rural credit and reducing its cost.

Article 55. Those attributes delegated by law to the Ministry Agriculture as regards authorization and supervision of credit cooperatives of any type, as well as of credit departments of those cooperatives having such departments, hereby are transferred to the Central Bank of Brazil.

Article 56. Hereby abolished are the Rediscount Department of the Bank of Brazil S.A. and the Office of Mobilization Bank; their assets,

rights and obligations being incorporated into the Central Bank of Brazil.

Sole Paragraph. The legal attributes and prerogatives of the Office of Mobilization Bank shall be exercised by the Central Bank of Brazil, without disruption of continuity.

Article 57. The attributes of a normative nature set forth by existing exchange legislation shall be exercised by the National Monetary Council, and those of an executive nature by the Central Bank of Brazil and the Bank of Brazil S.A., pursuant to the terms of this law.

Sole Paragraph. Hereby abolished is the Bank Supervision Department of the Bank of Brazil S.A.; its legal attributes and prerogatives being transferred to the Central Bank of Brazil.

Article 58. Liabilities accruing from concluded and future exchange operations eventually not cleared in the terms of this law, as well as from those exchange operations contracted by the Bank of Brazil S.A., as delegate of the Federal Government but not concluded as of the effective date of this law, to the extent to which they are performed, shall be transferred to the Central Bank of Brazil, being registered therein as a liability of the National Treasury.

Paragraph 1. The debits of the National Treasury to the Central Bank of Brazil, resulting from the transfers dealt with in this Article, shall be liquidated with federal budgetary funds.

Paragraph 2. That disposed in this Article shall also be applicable to liabilities accruing from any exchange operations of other federal financial institutions, of a banking nature, effected on behalf of the Federal Government.

Article 59. **REVOKED**

Article 60. The equivalent value of the financial resources that, in accordance with this law, being transferred to the responsibility of the Central Bank of Brazil, as of the effective date of this law, are in the possession of the Bank of Brazil S.A., shall be registered in the latter in an account opened in the name of the former, being considered a transfer of funds in accordance with paragraph 1 of Article 19 of this law.

Article 61. In order to comply with the dispositions of this law, the Bank of Brazil S.A. shall take measures to remodel its administrative structure so that it may effectively discharge the responsibilities and perform the tasks reserved to it as the principal instrument of execution of the credit policy of the Federal Government.

Article 62. The National Monetary Council shall determine measures to be taken in order that the transfer of attributes from existing organs to the Central Bank of Brazil may be accomplished without disruption of the continuity of the services affected by this law.

Article 63. The terms of the initial members of the National Monetary Council, to which incise IV of Article 6 of this law refers

shall be respectively, 6 (six), 5 (five), 4 (four), 3 (three), 2 (two), and 1 (one) years.

Article 64. The National Monetary Council shall establish a period of a long as 1 (one) year from the effective date of this law for the adaptation o existing financial institutions to the dispositions of this law.

Paragraph 1. In exceptional cases the National Monetary Council may extend up to 1 (one)additional year the period in which the adaptation referred to in the Article must be completed.

Paragraph 2. The period for fulfillment of that established by Article 30 of this law shall be one year, extendable, as per the previous paragraph.

Article 65. This law shall enter into force 90 (ninety) days after date of its publication, all dispositions to the contrary being revoked.

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

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Octávio Gouveia de Bulhões  
Daniel Faraco  
Roberto de Oliveira Campos

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## A N N E X

Amendments by virtue of the legislation below have been inserted revised text:

- Law n. 4,829, of November 05, 1965
- Law n. 5,143, of October 20, 1966
- Law n. 5,362, of November 30, 1967
- Law n. 5,710, of October 07, 1971
- Law n. 6,024, of March 13, 1974
- Law n. 6,045, of May 15, 1974
- Law n. 6,331, of May 18, 1976
- Law n. 6,385, of December 07, 1976
- Decree-law n. 263, of February 28, 1967
- Decree-law n. 278, of February 28, 1967
- Decree-law n. 581, of May 14, 1969
- Decree-law n. 1,580, of October 17, 1977
- Decree-law n. 1,638, of October 06, 1978
- Decree-law n. 1,795, of July 08, 1980
- Decree-law n. 1,959, of September 14, 1972
- Decree n. 61,962, of December 22, 1967
- Decree n. 65,769, of December 02, 1969
- Decree n. 71,097, of September 14, 1972
- Decree n. 83,323, of April 11, 1979
- Decree n. 83.855, of August 15, 1979
- Decree n. 85,776, of February 26, 1981
- Decree n. 88,008, of December 29, 1982
- Decree n. 88,025, of January 06, 1983
- Decree-law n. 2,076, of December 20, 1983