



# Country Report

**Brazil**

January 2016 to June 2017

## Contents

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1. Economic and financial background .....	3
2. Data on funds under management and portfolios .....	3
3. Key trends in flows and assets under management.....	5
4. Product developments .....	5
5. Regulatory and self-regulatory developments (including tax).....	6
6. Corporate governance – major developments .....	14
7. Fund governance.....	15
8. Other major issues and developments .....	16

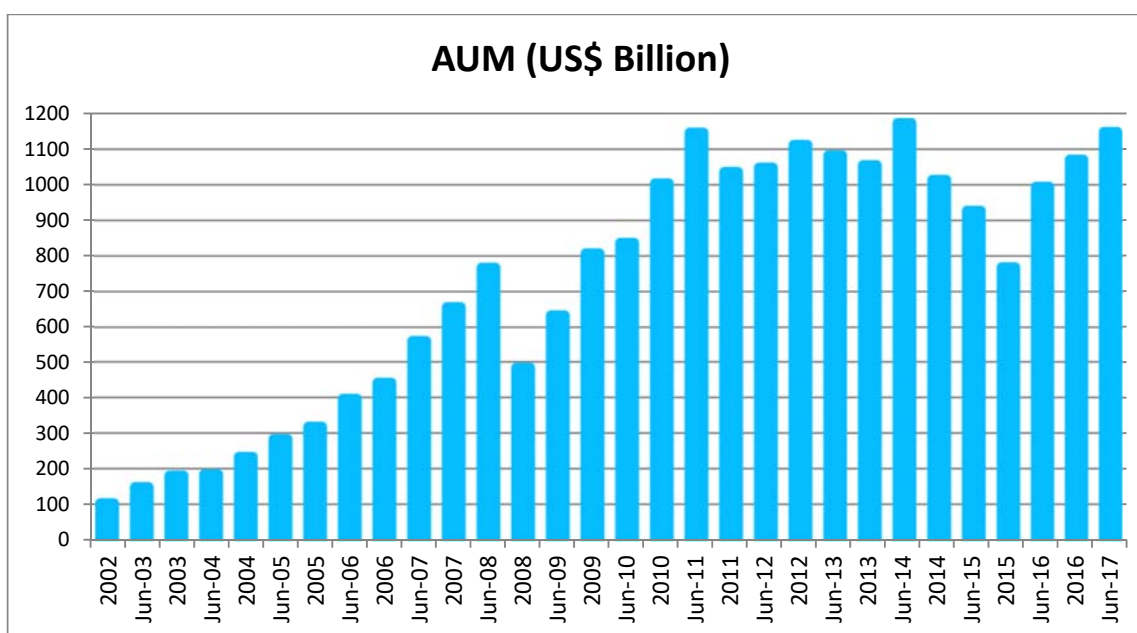
## 1. Economic and financial background

Key Indicator	2017 (*)	2016	2015	2014	2013	2012	2011
Population (Milion)	NA	206	205	203	201	199	197
GDP (Current US\$ billion)	NA	1,799	1,798	2,454	2,468	2,464	2,614
Real GDP growth	0.4%	-3.6%	-3.8%	0.5%	3.0%	1.9%	4.0%
Interest Rate	7.0%	13.50%	14.25%	11.75%	10.00%	7.25%	11.00 %
Inflation Rate	3.4%	7.2%	10.7%	6.41%	5.91%	5.84%	6,50%
Unemployment Rate	13.0%	12.0%	8.1%	5.0%	5.1%	5.4%	5.5%
Stock market capitalization (US\$ billion)	876.9 (#)	757.0	489.7	844.5	1,031	1,235	1,223
Number of Companies	343 (#)	349	359	366	363	362	373
Saving deposit (US\$ billion)	218 (#)	205,4	169.0	250.3	256.1	243.3	224.4
Time deposit (US\$ billion)	233 (#)	192,5	141.4	205.7	250.9	314.5	381.2
Trade Balance (US\$ bilion)	62.9	47.7	19.7	-4.0	2.3	19.4	29,8
Total international reserves (US\$ bilion)	375	372	368.7	374.1	375.8	378.6	352.0
Exchange Rate (R\$/US\$)	3.2000	3.2591	3.9048	2.6562	2.3426	2.0435	1.8758
Net Public Sector Debt (as % of GDP)	51.9	46.2	36.0	33.1	30.6	32.89	34.48

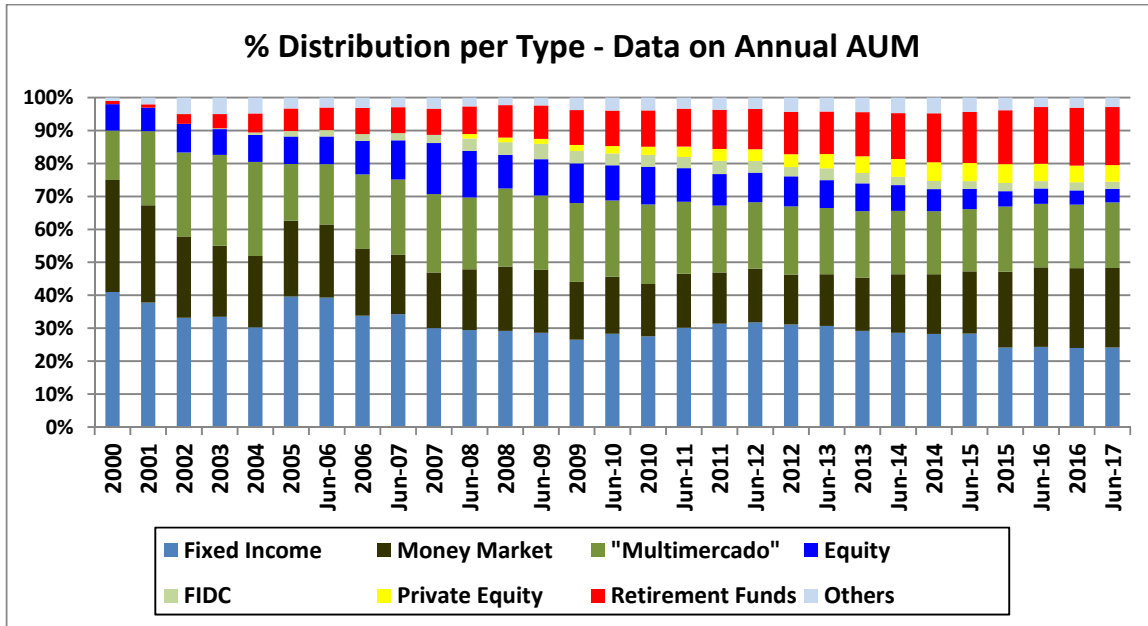
Notes: (\*) ANBIMA's Macroeconomics Commission forecasts September 2017; Source: Central Bank, IBGE.

(#) Up to July 2017 - B3 and Central Bank

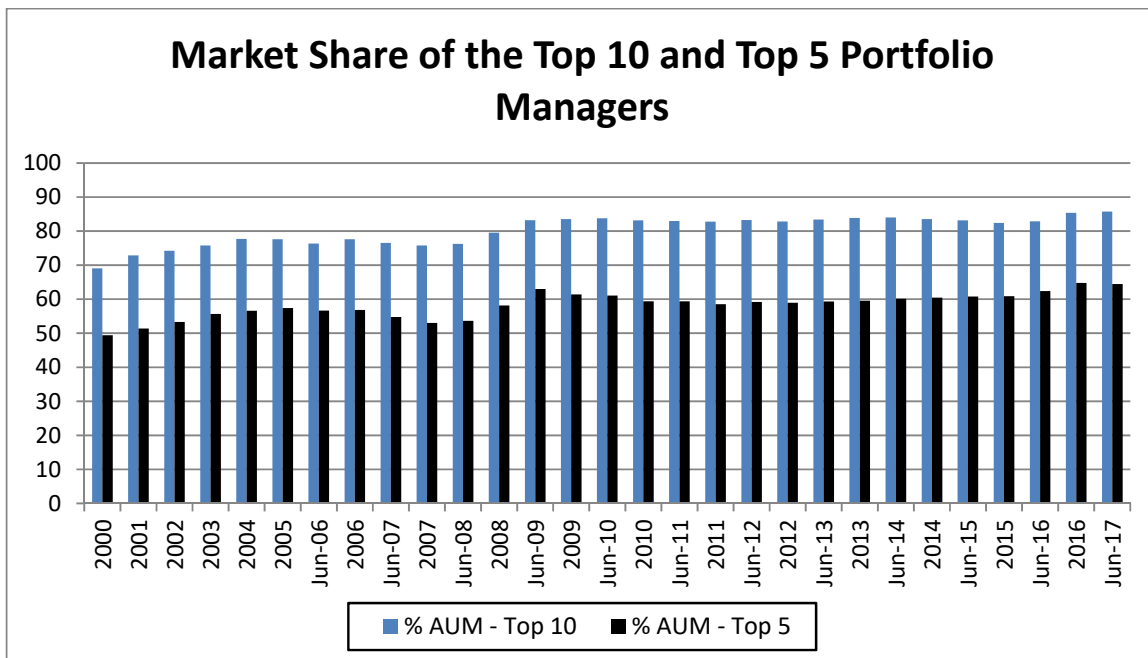
## 2. Data on funds under management and portfolios



Source: ANBIMA



Source: ANBIMA



Source: ANBIMA

### 3. Key trends in flows and assets under management

The Fund Industry in Numbers - Jun/2017						
Domestic Market						
	Month		Year		12M	
Accumulated Net Sales (R\$ billion)	13,0		125,6		208,0	
	Jun/17	% Chg. -	Dec/16	% Chg. -	jun/16	% Chg. -
Assets under Management (R\$ billion)	3.762,4	0,98	3.449,1	9,08	3.159,5	19,08
Number of Funds	15.365	0,77	14.819	3,68	14.413	6,61
Investment Funds	9.483	0,50	9.219	2,86	8.882	6,77
Funds of Funds	5.882	1,24	5.600	5,04	5.531	6,35
Number of Accounts	12.965.020	0,92	12.270.493	5,66	11.814.033	9,74
Investment Funds	10.395.671	0,61	9.910.808	4,89	9.606.575	8,21
Funds of Funds	2.569.349	2,20	2.359.685	8,89	2.207.458	16,39
Off - Shore **						
Assets under Management (R\$ billion)	36,6	0,00	36,6	-0,20	26,6	37,6
Number of Funds	127		128		123	
Industry Total						
Assets under Management (R\$ billion)	3.799,0	0,96	3.485,7	8,99	3.186,1	19,24
Number of Funds	15.492	0,77	14.947	3,65	14.536	6,58
Number of Administrators	106		103		102	
Number of Managers	564		548		550	

\*\* Off-Shore figures as of may//2017

Source: ANBIMA

### 4. Product developments

#### Fixed Income ETF

The Ministry of Finance published in May, 2016 the Ordinance nº 163, which regulates the calculation of Average Repricing Period (PRC) of the Fixed Income ETF. Besides that, in the same month it was released by the Brazilian IRS the normative instruction nº 1.637, presenting the appropriate tax treatment for Fixed Income ETF in the secondary market.

Since the publications, ANBIMA is constantly working in conjunction with its associates and the stock exchange in order to discuss about the operationalization of the product.

## 5. Regulatory and self-regulatory developments (including tax)

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### ANBIMA

In order to guide ANBIMA's actions in 2016 and to build an increasingly strong and representative entity, two major strategic priorities were chosen:

#### Strengthening of the capital market

The planning structure sets out five strategic objectives so that ANBIMA can contribute to the strengthening of the capital market:

- Primary market (agility and efficiency)
- Secondary market (transparency and liquidity)
- Increase of the investor's base (diversity of agents).
- Tax and regulatory improvements (simplicity and symmetry)
- Education (qualification of the market agent and information to investors).

#### Strengthening of ANBIMA's representation

It involves longer term actions within a project that is being called ANBIMA+5. The idea is to map out scenarios for the markets we represent and build strategic planning, taking into account all pillars of the organization: representing, self-regulating, informing and educating.

In addition, there were also defined five guideline themes: subjects that are on the agenda due to the relevance to the associates and to the future of the markets. These topics receive special attention from ANBIMA's Board, which follow them closely:

- Taxation: the main discussion is around the review of the incident taxation on assets and financial operation.
- Pension plans: the work focused on the importance of the complementary pension segment as a catalyst for long-term savings, especially due to the need of a social security reform.
- Distribution: ANBIMA's efforts focused on product marketing procedures and the distribution segments, especially the digital platforms.
- Internationalization: improve the rules for investments abroad and for foreign investments in Brazil
- Technologic Innovation: the Association's agenda looked at issues related to the impacts of new services and technologies, such as robo-advisor and cybersecurity.

For 2017, ANBIMA's priorities remain the same, only with a different drawing. The Association's board of directors are dedicated to continue with the ANBIMA+5 project, building a long-term vision project, but the main plan for this year focus on ANBIMA's main strategic priority, which is strengthen the capital market. In order to guide the Association's actions in this theme, two strands of action were defined:

Guiding themes: themes that are being closely monitored by the Association's board of directors due to their relevance to the future of the markets (taxation, pension plans, distribution, technologic innovation).

Strategic objectives: five major areas where ANBIMA's initiatives are concentrated (primary market, secondary market, increase of the investor's base, self-regulation, education).

As the Association speaks in name of 266 institutions that operate in the market such as banks, managers, brokers, distributors and administrators, not all associates have the opportunity to have a seat in one of the Committees that ANBIMA maintain in its structure. Due to that, in order to maintain a close relationship with all of them and continue the self-regulatory developments, visits are often conducted with the intention to get

their opinions about ANBIMA's actions, plans, themes of discussion, and better understand these institution's needs. During the year of 2016, 41 visits were conducted, and until June/2017, 18 visits.

Besides that, the Association is seeking more and more to reach out to those who are distant from the main discussions. With that in mind, it was created a project called "ANBIMA Debate", which is a series of exclusive events for our associates, where the participation can be in person or by webinar, that gather experts in many topics of interest of the market for a debate and has no fee for participation. Since 2016, many ANBIMA Debates were conducted covering themes like cybersecurity, suitability, sustainability, macroeconomics, and other.

### **ANBIMA's Investment Fund Congress**

As part of the Association's objective to continuously provide information to its associates and promote dialogue among regulators, industry participants and other stakeholders, every two years it's organized the ANBIMA's Investment Funds Congress. The 9<sup>th</sup> edition of the event happened in May/2017, gathering more than 1700 participants, and counted with the participation of important names of the domestic market as well as internationally renowned speakers.

In the occasion many disruptive debates were held, as well as talks about technology, new business models and other topics that should impact our markets in the coming years. Some of the panels conducted in the event were:

- Trends for the fund industry
- Sustainability
- Prevention against money laundering
- Politics
- Active and passive management
- Fintech
- Internationalization

Extraordinarily this year, four other events were simultaneously conducted in the same location as ANBIMA's Investment Funds Congress:

- Private Banking seminar: 170 people participated in a seminar in order to discuss the opportunities for private bankers in the current scenario.
- Careers seminar: 98 people participated in a seminar that brought together renowned panelists to discuss the challenges of the market, how to always be prepared for the transformation that often happen in our markets and opportunities for growth and change.
- Self-regulation workshop: 86 people participated in a seminar to discuss the evolution of self-regulatory rules in the fund industry.
- Seminar "How to invest in you": 116 people participated in a seminar to learn from financial market executives what takes to become an investor and understand how investment products fit into this context.

### **Cybersecurity**

In August/2016, ANBIMA developed a cybersecurity guide describing effective practices to guide the implementation of a cybersecurity program by the institutions and contribute to the improvement of cybersecurity controls in the financial and capital markets of Brazil. The objective of this document is to disseminate practices and procedures for developing a cybersecurity policy, considering the experience of the local market and what is being done internationally. The cybersecurity guide (in English) can be found through the following link: [http://www.anbima.com.br/en\\_us/institucional/institucional.htm](http://www.anbima.com.br/en_us/institucional/institucional.htm)

The initiatives described in said document do not constitute a single and exhaustive list of recommendations about cybersecurity. The objective is to serve as a reference for those responsible for the implementation of these policies in the institutions and for the education of the teams. Recently, the guide was published in its English version.

Besides that, as part of the actions planned by ANBIMA related to the theme Technology – one of the five guideline themes defined for the year – it was created in April/2017 the Cybersecurity Technical Group. The group aims to update the guide developed in 2016 whenever needed, and conduct actions of sharing both, information and activities focused at improving cybersecurity practices in the local market. For now, the group is focused on the three subjects below:

- Update of the Cybersecurity Guide;
- Conduct a cybersecurity research among ANBIMA's associates;
- Sharing actions: testing and information sharing environment.

### Certification and Education

ANBIMA's Continued Certification Program seeks to raise the level of qualification of the professionals acting in the Brazilian financial market. By June/2017 the program had more than 450.000 issued certifications and more than 820.000 tests applied, numbers that continue to grow within the year.

CPA-10: It aims to certify professionals of the participating institutions involved in prospecting or selling investment products directly to the investor, including in bank agencies or service platforms. This certification started to be applied in 2003, and new themes were included in 2016.

CPA-20: It aims to certify professionals of the participating institutions involved in prospecting, selling investment products or investment portfolio maintenance directly with investors that are met in the following segments: Retail High Income, Private Banking, Corporate and Institutional Investors. This certification started to be applied in 2002, and new themes were included in 2016.

CGA: It aims to certify professionals of the participating institutions that perform professional management of third party funds. The Security and Exchange Commission of Brazil recognizes this certification in order for the professional to obtain the register to act as a manager. This certification started to be applied in 2009.

CEA: It aims to certify professionals of the participating institutions who advise account managers of individual investors account in investments, being able to indicate investment products. This certification started to be applied in 2009, and new themes were included in 2016.

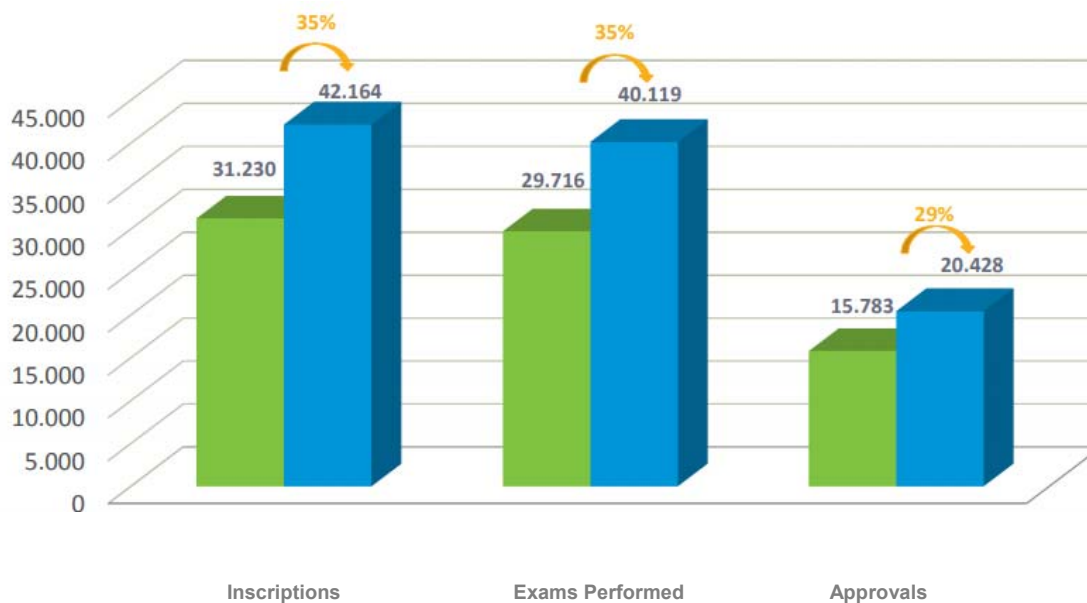
Consolidated Number of ANBIMA Certification Exams until June/2017

	CPA-10		CPA-20		CGA		CEA		TOTAL
<b>Inscriptions</b>	674.379		187.951		1.585		7.283		<b>871.198</b>
<b>Exams Performed</b>	642.510	95%	177.532	94%	1.471	93%	6.933	95%	<b>828.446</b>
<b>Approvals</b>	359.324	56%	99.499	56%	459	31%	2.854	41%	<b>462.136</b>
<b>Absences</b>	31.869	5%	10.419	6%	114	7%	350	5%	<b>42.752</b>

Source: ANBIMA



Certification comparative: January to June 2016 x January to June 2017



Source: ANBIMA

CFP: ANBIMA is a senior associate at Planejar (Brazilian Association of Financial Planners), entity that grants the CFP (Certified Financial Planner) certification. This certification is indicated for all professionals that work in the development of individual or family planning, or in one of its areas of expertise: investment and risk management, pension, retirement planning, insurance, succession planning and tax planning. It's important to note that the CFP is not a mandatory certification, but it is a way for professionals to stand out from others. The last numbers indicates that 2,919 professionals currently hold the certification in Brazil.

Besides the Continued Certification Program, ANBIMA offers a number of courses on topics of financial and capital markets through its Continuing Educational Program. The goal is to track the certified professional in the evolution of his career, providing content that enable them throughout their working life.

ANBIMA also supports initiatives that broaden the access of current and prospective investors to educational program and encourage the production and dissemination of relevant content for the development of markets. There are 4 principal initiatives:

- **How to Invest in You:** an initiative which purpose is to offer current and potential investors adequate, didactic and easy access information so they can make mature decisions and conscious investments. This is an online course offered with no cost to university students with content focused on financial education. It presents investment fundamentals and financial planning, guiding young people on ways to earn and spend money. Launched in 2014, more than 6.700 students have already completed the course.
- **Investor Information Center:** online environment that will gather a set of information about the Brazilian investor. The platform will centralize data, studies and third party research on the people who invest and their habits. The launch of this platform is scheduled for this year (2017).
- **Capital Markets Award:** ANBIMA encourage academic production on the markets it represents supporting research on topics relevant to the development of capital markets and financial intermediation in Brazil. The "ANBIMA Capital Markets Award" is granted annually in two categories: master's and doctoral degrees.

- How to Invest – investment is learned here: ANBIMA's financial educational portal aims to disseminate information on personal finance and the main products available to the investor, in clear language and with dynamic content.

### **Partnership ANBIMA / CVM – Securities and Exchange Commission of Brazil**

The Association maintains a close relationship with CVM, the Securities and Exchange Commission of Brazil. We are part of the Education Advisory Committee and also participate in the NEC (Center of Behavioral Studies) that seeks to improve the efficiency and effectiveness of education policies. ANBIMA also has two permanent working groups in which maintains a regular agenda of meetings in order to discuss about corporate finance and real estate financial products.

In addition, we maintain a constant dialogue for alignment in regulatory matters, among which we highlight:

- A series of webinars were conducted with the participation of members from the Brazilian Securities and Exchange Commission so that the remaining doubts from the associates regarding the implementation of the CVM Instruction nº 558 were clarified
- Suggestions for the regulation of FIPs (Private Equity Funds), including the accounting rule and, subsequently, discussions regarding the implementation of the new rule.
- International regulation
- Public hearings that changed the instruction of bookkeepers and funds.
- Public hearings on the consulting activity, securities analyst and CRAs (Agribusiness Credit Receivable Certificates) regime
- Leverage in investment funds
- Prevention of money laundering and terrorist financing
- Proposals to stimulate the CRI (Certificate of Real Estate Receivables) industry
- Insider trading project
- Crowdfunding
- Feasibility study of the expansion of the investor base of the FIDCs (Credit Receivables Investment Funds)
- Taxation
- Development of the capital market and real estate fund industry
- Simplified registration mechanism for non-resident investors
- Fund rules and management of third-party resources

### **New Regulations/ Regulatory developments**

CVM has been conducting a big reform process that started in 2013 and continued through the next years by means of public hearings, publication of studies and new rules. The most important regulatory developments made in the last years are:

- Implementation of CVM Instruction nº 539 – Suitability
- Implementation of CVM Instruction nº 554 – Qualified Investor
- Implementation of CVM Instruction nº 555 – Investment Funds
- Implementation of CVM Instruction nº 558 – Asset Managers
- Implementation of CVM Instructions nº 541/542/543 – Central Depository/Custodians and Transfer Agents
- Implementation of CVM Instruction nº 577 – Accounting Plan for Investment Funds

- Implementation of CVM Instruction nº 569 – COE (Structured Operations Certificates)
- Implementation of CVM Instructions nº 578 and 579 – Private Equities Funds (FIPs)
- Implementation of CVM Instruction nº 588 – Crowdfunding

The regulatory improvements regarding 2016 and 1<sup>st</sup> semester of 2017 that should be highlighted are:

CVM Instruction 558 regarding the professional management of securities portfolios – the new instruction provides for two separate activities, with the corresponding categories “Portfolio Manager” and “Fiduciary Administrator”. It also brings new requirements and deadlines for obtaining registration, new requirements with regard to the disclosure of periodic and occasional information, new determinations with respect to rules of conduct, policies, procedures and internal controls and risk management, and granted authorization to the managers to distribute shares in investment funds. This instruction entered into force in July, 2016.

CVM Instruction 577 regarding the accounting plan for investment funds – the instruction nº 577 was released in July, 2016 changing the accounting plan for investment funds. The main changes relates to the review of the criteria for the measurement of assets and liabilities, converging them to those provided in international accounting standards issued by the International Accounting Standards Board (IASB).

CVM Instruction 578 regarding Private Equities Funds (FIPs) – the instruction nº 578 was released in August 30, 2016 and brought new provisions on the constitution, operation and administration of the FIPs. The instruction entered into force in the date of its publication, with a maximum period of 12 months for adjustment of existing funds.

CVM Instruction 579 regarding Private Equities Funds (FIPs) – the instruction nº 579 was released in August 30, 2016 and provides for the preparation and disclosure of the financial settlements of the FIPs. The instruction entered into force in the date of its publication, applying to the accounting periods beginning on or after January 1, 2017.

CVM Instruction 588 regarding Crowdfunding – the instruction nº 588 was released in July 13, 2017 and provides for the public offer of distribution of securities issued by small companies, held with exemption from registration through a crowdfunding platform. The instruction entered into force in the date of its publication.

ANBIMA has also responded to the Public Hearing nº 03/16, that was released by CVM on February, 2016, proposing changes to the CVM Instructions nº 543 (fund’s bookkeepers) and 555 (investment funds).

### **Tax Agenda**

In 2016, strengthening the dialogue with the involved parts on this matter was a priority for ANBIMA. The aim continued to be, as in the year before, the enhancement of tax rules through the simplicity and symmetry in the regulatory and tax framework. In this way, the discussions revolved around the taxation review on assets and financial operation. Some of the main initiatives in 2016 were:

- Creation of the Tax Front, in June, composed by representatives of the Association’s board of directors and committees leaders in order to give a guidance on how to continue treating this theme inside ANBIMA.
- ANBIMA sent proposals aiming at the efficient implementation of the Resource Repatriation Program. To this, the Association maintained interactions with Central Bank, Febraban (Brazilian Federation of Banks), and Ministry of Treasury.
- Permanent agenda with Brazilian IRS focusing on a technical interaction aiming to correct tax imperfections.

In 2017 the subject continues to be led by the Tax Front created in June/2016, and the main advances are:

- It was defined that the subject will be conducted considering three perspectives: strategic, long-term and short-term.
- The short-term agenda will be conducted through ANBIMA's Committees.
- Conduction of a study on sources of a real estate financing from a long-term perspective.

Besides that, ANBIMA keeps strengthening the dialogue with the Ministry of Treasury and Brazilian IRS.

### **Investment Fund and Qualified Services Code**

The self-regulatory codes contains all rules that were discussed and built in committees in order to improve the functioning of the market, and in this way, ANBIMA ensures that the rules and good practice suggestions are appropriate to the Brazilian market reality.

In 2016 the most relevant implementations in these codes were:

- Inclusion of risk management procedures;
- Expansion of the policy of selection of services providers for the funds;
- Updating of the methodology for the provision of losses on creditory rights;
- Disclosure of rules for situations of transfer of funds in situation on non-conformity;
- Update of the rules for mark to market;
- Division of the custody chapter into two sections: custody for investors and custody for issuers;
- Inclusion of exclusive chapter for the service of bookkeeping of assets;
- Inclusion of an annex with specific rules for the custody of FIDCs (Credit Receivables Investment Funds).

Besides that, since 2016 it is being conducted in the Association a process related to the reformulation of the Investment Fund Code seeking to restructure the document and verify the need to address new topics. The main objective of this process is to change the structure and scope of the Code, dealing in its general part of the rules related to fiduciary management and resource management activities in order to have a better definition of the responsibilities of the manager and administrator, and in its annexes the rules applicable to the product. Some of the main themes that are being incorporated into the Code are:

- Improvement in the rules of contracting third parties;
- Rules for passive conformity;
- Risk based supervision for contracting and supervising third parties;
- Rules for foreign investment;
- Pre-trade;
- Best execution;
- Consulting board;

According to the schedule of the Code reformulation, after all alignments, approvals and public hearing, the new Code is expected to be published in March/2017 with a period of adaption still to be defined.

### **Self-regulatory Supervision**

As the Association believes in the market self-regulation efficiency, ANBIMA has among its main institutional guidelines the commitment to coordinate the voluntary self-regulation process, with rules drawn up by the market – self-regulation codes – met by the market, returning in favor of the market itself.

In order to verify the compliance of the institution with the rules set by the market itself, the technical staff from the Association performs the supervision of the institutions that are adherent to the self-regulation codes in five different ways:

- Indirect Supervision: continuous monitoring through instruments such as:
  - Document analysis;
  - Statistic filters;
  - Data base analysis.
- Periodic Supervision: preventive work with the purpose of understanding the processes and the control environment of the institutions. It's done through instruments such as:
  - Application of business-focused questionnaires;
  - Visits for on-site verification of specific subjects, when necessary.
- Episodic Supervision: it is motivated by the morning of news involving participating institutions on issues related to the Regulation Codes.
- Thematic Supervision: based on topics considered relevant to the market at the time of the supervision. The themes are defined by the monitoring commissions or through technical studies elaborated by the supervision area.
- Complaint: determination of any non-compliance indicated by a complaint made by participant institutions.

In order to make the supervision work more effective and transparent, the Association use a set of procedures, such as guiding letters, recommendation letters, terms of commitment, fines, and other. Besides that, since 2015 the Association uses the SSM (Markets Supervision System), an online environment through which ANBIMA's supervision area exchange information with members of institutions adherents to the self-regulation codes.

#### Supervision's statistics – january to december 2016

Codes	Participating Institutions	Investigations	Investigations and Applied Penalties						
			Clarification Requests	Procedure for Investigating Irregularities	Inception of Proceedings	Guidance Letters	Fines	Letter for Recommending Procedures	Deferred Prosecution Agreement
Certification	812	23	3	1	19	0	0	2	0
Investment Funds	600	107	7	11	103	104	0	3	0
Investment Funds (Product Distribution)	204								
Private Equity Funds	341	23	3	0	2	0	0	0	0
Wealth Management	30	21	0	1	11	0	0	0	0
Trading of Financial Instruments	132	1	0	1	0	1	0	0	0
Public Offering	270	23	2	0	17	6	1	2	0
Retail	76	26	0	0	28	0	0	0	0
Private Banking	16	35	0	0	4	0	0	0	0
Custody, Controllership and Bookkeeping	52	17	0	1	9	4	0	1	0

Source: ANBIMA

Supervision's statistics – january to june 2017

Codes	Participating Institutions	Investigations	Investigations and Applied Penalties						
			Clarification Requests	Procedure for Investigating Irregularities	Inception of Proceedings	Guidance Letters	Fines	Letter for Recommending Procedures	Deferred Prosecution Agreement
Certification	806	144	4	0	185	6	3	2	0
Investment Funds	614	751	21	18	440	367	1	9	0
Investment Funds (Product Distribution)	141								
Private Equity Funds	324	29	0	0	52	0	0	0	0
Wealth Management	29	16	0	0	19	0	0	0	0
Trading of Financial Instruments	130	152	0	0	76	14	0	0	0
Public Offering	272	33	2	0	53	20	2	1	0
Retail	74	64	0	0	93	0	0	0	0
Private Banking	16	63	0	0	23	0	0	0	0
Custody, Controllership and Bookkeeping	50	51	3	1	41	12	0	2	0

Source: ANBIMA

## 6. Corporate governance – major developments

### Sustainability

Due to the recognition of the growing importance of the topic sustainability in the financial market, ANBIMA created in 2015 a technical group focused on the exchange of experiences between fund managers.

As the discussions held on the group evolved, it was decided to conduct a research in order to identify the degree of engagement of ESG factors – environmental, social and corporate governance – in the risk assessment of the assets investments (assets that are associated with ANBIMA). In 2016 the Association held a workshop in order to present the main results of the research:

- 69 out of 509 institutions answered the research.
- The representativeness of the sample is substantial: 77,2% of the industry AUM (R\$ 2.981,00 billion)
- 68.1% of the institutions that answered the research affirmed to consider ESG factors in the analyses of its investments.
- Although the largest institutions in AuM adopts ESG factors, the percentage of the assets of the portfolio that undergo and ESG valuation in relation to the net equity managed by the sample is still relatively low: 20% of the total industry (around R\$ 600 billion).
  - 43,8%: apply the ASG criteria to less than 20% of the assets
  - 30,9%: apply the ASG criteria to 20% to 49% of the assets
  - 21,4%: apply the ASG criteria to 80% to 100% of the assets
  - 3,9%: apply the ASG criteria to 50% to 79% of the assets
- 39% of the sample consider all criteria (environmental, social and corporate governance) in its analysis
- ESG Analysis is predominant in the equities market.

- Small institution also look at ESG factors:
  - 26% adopt at least one criteria and intend to expand
  - 26% do not adopt any criteria, but intend to incorporate
  - 24% adopt at least one criteria and do not intend to expand at the moment
  - 24% do not adopt any criteria and do not intend to adopt at the moment
- Reasons for not adopting ESG criteria:
  - 41,8%: lack of demand
  - 31,3%: lack of the knowledge about the subject
  - 9%: high cost
  - 9%: lack of specialized staff
  - 9%: other
- 43% of the institutions that answered the research have a responsible investment policy or a document formalizing the approach regarding sustainability/ESG analysis.
- 62% of the assets have a separate structure or specific employees involved in this activity.
- Based on a stated intention of the agents, it's possible to expect a greater commitment from the managers in the coming years, with advances not only in the number of managers who will consider ESG criteria, but also in the expansion of assets managed under these criteria.

In 2017 sustainability was one of the topics covered during ANBIMA's Investment Fund Congress. One of the panels that addressed this subject was named "Sustainability Cases", where managers from Santander, Bradesco and Itaú gathered to discuss with the audience about the additional insights for asset managers' decision making resulted from the analysis of ESG factors. In the occasion they have also discussed about how to generate value for investors within this framework, broadening and not restricting management performance.

The second panel that covered this theme was named "Sustainability", and counted with the participation of members from the Task Force on Climate-related Financial Disclosures, as well as experts and managers from Bradesco, Duratex, Santander and Itaú. In this panel it was discussed about how climate change affects the risk matrix that companies and investors need to consider in their business valuations and the importance of improving information dissemination on climate-related financial risks.

Besides that, the technical group created at ANBIMA in order to discuss sustainability maintains an active agenda of initiatives in order to improve the segment and spread the ESG integrated management work to all associated institutions.

### **Participation and voting at shareholders' meeting at distance**

Besides that, it was released by CVM in April 2015 the instruction nº 561 changing and adding provisions to the instruction nº 481. With this, the Instruction nº 481 started to deal with matters concerning participation and voting at shareholders' meeting at distance. The possibility of participation and voting through distance at shareholders meeting gives the possibility of a bigger participation of shareholders, as well as the possibility of attracting more investors to the stock market and more transparency to corporate decisions.

## **7. Fund governance**

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In the past years ANBIMA has been leading discussions among market participants regarding the new instructions issued by CVM.

CVM Instruction nº 555 was published on December 17, 2014 and entered into force on October 01, 2015. Although it's been a while since its publication and implementation, it is still an extremely important regulation

for Brazilian market as it resulted in a number of substantial changes to Brazilian investment funds industry. The objective of this instruction was to modernize aspects that relate to the administration, operation and disclosure of information regarding investment funds. In this context, some items on analysis preach the relaxation of investment limits in some financial products, reducing the number of types of funds, optimization of mandatory operational processes in addition to proposals on the commissions and performance fee.

CVM Instruction nº 558 was published on March 26, 2015, and entered into force on July 01, 2016. The new Instruction brought many benefits to the market, such as:

- Clear separation between the activities. The instruction provides for two separate activities with corresponding categories: “Portfolio Manager” and “Fiduciary Administrator”;
- Greater rigor and transparency in risk management and in the form of communication with the market;
- Need to register and keep several documents that facilitate the monitoring of the activity of the manager;
- Stricter requirements on the qualification of professionals.

CVM Instructions nº 578 and 579 were released in August, 30 2016 and brought new provisions for the Private Equities Funds (FIPs). The instruction nº 578 regulates the product, as the instruction nº 579 established accounting standards for these funds. Highlighted below are some of the main changes brought by both instructions:

- Better definition of the responsibilities of the manager and administrator, excluding the obligation of solidarity with the shareholder;
- Possibility of contribution of the manager in the process of evaluation of the investment entities using the concept of fair value<sup>1</sup>;
- Possibility of investment abroad;
- Information: the new rule have extended the deadline for sending the information by the administrator to the shareholder;
- Financial statements: in specific cases, there is no need to present financial statements related to the period in which occurs a material change in the fair value.
- Possibility of investing in other FIPs.

## 8. Other major issues and developments

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### Infrastructure Fund

The publication of Law 12.431 in 2011 consolidated the establishment of a privileged tax regime for assets and financial instruments intended to finance long-term investments. As an example, the infrastructure funds are exempt from income tax for natural person and also for investors domiciled in non-tax heaven countries.

By June/2017 these funds accumulated AuM of R\$ 2.5 billion, equivalent to less than 0.1% of the Brazilian investment funds industry. With that, in order to enable its development, ANBIMA is holding constant conversations with entities and government bodies in order to create incentives aimed at greater participation of the capital market in the long-term financing of infrastructure projects.

Besides that, ANBIMA continues to strength its relationship with Brazilian’s regulators, and have been working to create an agenda with Brazilian Central Bank, Security and Exchange Commission of Brazil (CVM), Brazilian IRS, Superintendence of Complementary Private Pension (Previc), BNDES (The Brazilian Development

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<sup>1</sup> The concept of fair value was introduced by CVM Instruction nº 577 regarding the accounting plan for investment funds



Bank), Brazilian National Treasury, among others, aiming to keep the relationship closer and have an easier way to treat specific matters.