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CLIENT ALERT

JUNE/2019

ENACTED LAW LIFTS BARRIERS OF THE BRAZILIAN AIRLINE SEGMENT TO FOREIGN CAPITAL SHAREHOLDING

On June 17, 2019, the Brazilian President approved Law No. 13.842/2019, in order to amend Law No. 7.565/1986 (Brazilian Aeronautical Code) and lift the restriction to foreign capital shareholding in Brazilian companies rendering public air transportation services. The new law allows foreign investors to hold up to one hundred percent (100%) of the voting capital of Brazilian airlines.

The new rule constitutes an important victory to the airline segment, since the former barriers created significant obstacles to capitalize national companies and to the entrance of new competitors in the Brazilian market.

The following provisions of the Brazilian Aeronautical Code were revoked:

(a) minimum of 80% of the voting capital held by Brazilians;
(b) board of executive officers solely composed by Brazilian members;
(c) nominative voting shares in the event the airline company was incorporated as a corporation (*sociedade anônima*); and
(d) prior approval by the Brazilian National Civil Aviation Agency of the acts of incorporation of airline companies and amendments thereto.

The lift of barriers to the foreign investments has potential to foster competitiveness in the Brazilian airline segment upon (i) diluting the control of the national market; (ii) permitting current foreign shareholders to increase their interest in the capital stock of an existing national airline company; (iii) opening the Brazilian market to the entrance of new airline companies; (iv) diversifying the services rendered and the products offered; and (v) reducing the regulatory cost.

Our team is fully available in the event of any additional question or information is required.

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