AGRIBUSINESS

CLIENT ALERT

OCTOBER/2019

AGRIBUSINESS: "MP DO AGRO" WAS PUBLISHED – ADVANCES IN DIRECTIVES OF RURAL CREDIT

On October 2, 2019, the Provisional Measure No. 897 ("MP"), referred to as "MP do Agro", was published, establishing new directives in order to enable the increase of availability of rural credit and the private participation in this financing.

Among the main provisions brought by the MP, we highlight:

i. A CPR with financial settlement may be issued with an adjustment clause for the exchange variation, considering restrictions of beneficiaries and as long as the rural products specified are referenced or negotiated at the futures and commodities exchange, national or international, quoted in the same currency foreseen in adjustment clause. The expectation is that this should help open rural credit to foreign investment;

ii. Segregate Estate: the rural producer can now dismember his property in order to offer only part of it as a guarantee within credit operations, eliminating, thus, the disincentive that resulted quite often in an offer of guarantee higher than the credit itself;

iii. Creation of the Rural Estate Note ("CIR"), as a result of the segregated estate, issued in favor of financial institutions, which shall be issued by owners of rural real estate using the entire property or its fraction, in compliance with the environmental legislation, and which will be able to be negotiated in the securities market;

iv. Implementation of the Fraternal Guarantee Fund ("FAF"), which is a mechanism of guarantee for the credit operations executed by financial institutions with rural producers, including those resulting from debt consolidation. Among the main features of FAF, we highlight its structure as combining **(i)** at least, two and, at most, ten debtors in the operation; **(ii)** the financial institution or, under hypothesis of consolidation of

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v. debts, the original creditors, including the non-financial ones; and *(iii)* the guarantor institution, if applicable. In addition, the MP determines minimum standards for the full payment and establishes the priority rule for refunding the creditor or consolidator institution;

vi. Possibility of issuance in book-entry form and through digital signature of agribusiness securities;

vii. Extension of subsidy economic rules and the equalization of interest rates, formerly restricted to official federal banks and cooperatives of credit, to the financial institutions that operate with rural credit.

As it is a Provisional Measure, it should be approved by the Nacional Congress in 120 days from its publication in order to uphold its validity. It is expected some adjustments or additional regulation provided on such matter during the approval in Plenary Councils.

Veirano´s team is experienced on the subject and remains available for clarifications.

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