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Recent Changes Related to the IOF

The Declaratory Act of the Federal Revenue Office No. 02, of March 14, 2012 ("**ADI/RFB No. 02/2012**") and Decree No. 7,699/2012, of March 15, 2012 (**"Decree No. 7,699/2012"**) were published, respectively, on March 15 and 16, 2012, on the Brazilian Federal Official Gazette, changing a few rules established by Decree No. 6,306, of December 14, 2007, which regulates the Tax on Credit, Foreign Exchange, Insurance or Bonds' and Securities' Transactions ("**IOF**") – the "**IOF Regulation**", specifically the types levied on foreign exchange ("**FX**") transactions ("**IOF/FX**") and on transactions involving bonds and securities ("**IOF/TVM**"), especially in connection with financial derivative contracts ("**IOF/TVM Derivatives**").

Below is a brief summary of the changes brought about by ADI/RFB nº 02/2012 and by Decree No. 7,699/2012:

IOF/FX – Minimum Average Term for FX Transactions carried out from March 01 through March 11, 2012

With regard to foreign loan transactions whose FX settlement is subject to the levy of IOF/FX, ADI/RFB No. 02/2012 clarified that the minimum average term of up to three years established by Decree No. 7,683, of February 29, 2012, corresponds to 1,080 days and that such minimum average term shall be valid for FX transactions settled from March 01 through March 11, 2012.

IOF/TVM Derivatives Zero Rate on Derivative Transactions for Hedging Purposes Derived from Export Contracts

Decree No. 7,699/2012 established an IOF/TVM Derivatives Zero Rate applicable to transactions involving derivative contracts with hedging purposes, related to risks inherent to foreign currency variation, derived from export contracts enterer into by individuals or legal entities resident or domiciled in Brazil.

However, Decree No. 7,699/2012 establishes as a requirement for the enjoyment of such IOF/TVM Derivatives Zero Rate that the total net short exposure/position related to transactions involving derivative contracts does not exceed 1.2 (twelve tenths) times the total value of the export transactions carried out in the previous year by the individual or legal entity holding the derivative contracts.

Furthermore, in addition to the aforementioned limit, the enjoyment of the IOF/TVM Derivatives zero rate will depend on the proof of the existence of export transactions whose values justify the corresponding net short exposure/position, carried out in a period of up to twelve months subsequent to the occurrence of the IOF/TVM Derivatives triggering event.

The changes brought by Decree No. 7,699/2012 have entered into force on the date of its publication (i.e., March 16, 2012).

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