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## Consolidation of rules of the Central Bank Brazil for the analysis of merger control acts by financial institutions

The regulation issued by the Central Bank of Brazil under No. 3590, dated as of April 26<sup>th</sup>, 2012 ("Circular No. 3590") was published in the Official Gazette as of April 27<sup>th</sup>, 2012

The Circular No. 3590 seeks to rule the analysis to be performed by the Brazilian Central Bank of merger control procedures involving financial institutions and resembling entities under the scope of the National Financial System, including transfer of business or control, and merger transactions, amongst other acts which may result in economic concentration.

Although Circular No. 3.590 set forth some guidelines for the analysis – such as: (i) definition of the relevant market in which the financial institutions are included; (ii) indication of the market shares controlled by the relevant institutions; (iii) analysis of the likelihood of use of market power by the relevant institutions; (iv) analysis of the economic efficiencies that may be generated by the act; and (v) cost benefit analysis of the act – the analysis of merger control will follow the provisions to be established in a specific Guide for the Analysis of Merger Control Acts in the Financial System, which will be published by the Office of the National Financial System Organization (*Departamento de Organização do Sistema Financeiro Nacional – DEORF*).

The approval of merger control acts by the Central Bank of Brazil may impose restrictions to the financial institutions involved in the deal, by means of the execution of an "Agreement on Merger Control", with a view to sharing the efficiency gains generated by the transaction.

The analysis of merger control acts by the Central Bank of Brazil is not applicable to transactions only

involving financial institutions pertaining to the same economic group, or to transactions of credit assignment which do not implicate transfer of business.

### **Effectiveness**

The Central Bank of Brazil Circular No. 3.590 entered into full force and effect on the date of its publication.

THIS IS MERELY AN INFORMATIVE NEWSLETTER, RESTRICTED TO VELLOZA & GIOTTO CLIENTS. QUESTIONS AND CLARIFICATIONS ON THE MATTERS CONTAINED HEREIN SHOULD BE ADDRESSED TO OUR OFFICE.

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