

# NEWSLETTER No. 119

AUGUST 2024



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# SUMMARY

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**LAW ESTABLISHING THE DEVELOPMENT CREDIT NOTE IS  
PUBLISHED**

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## LAW ESTABLISHING THE DEVELOPMENT CREDIT NOTE IS PUBLISHED

On July 29<sup>th</sup>, 2024, Law No. 14,937/2024 ("Law No. 14,937") was published, which establishes the Development Credit Note ("LCD"), as a nominative, transferable and freely negotiable credit instrument, representing a promise of payment in cash.

### Issuance of the LCD

The LCD constitutes an extrajudicial enforcement instrument and shall be issued exclusively in book-entry form, through registration with a registry entity or central depository authorized by the Central Bank of Brazil, and it must contain the following information: (i) denomination "Development Credit Note"; (ii) name of the issuing institution; (iii) name of the holder; (iv) order number, place and date of issuance; (v) nominal value; (vi) maturity date, not less than 12 months; and (vii) interest rate, fixed or floating, with allowance for price index variations, permitted updates at intervals of less than 1 year, or interest rates post-fixed with reference to the DI Over rate or the average reference rate of the Special System for Settlement and Custody (Selic) for federal securities.

The issuance of the LCD will be exclusively carried out by development banks authorized to operate by the Central Bank of Brazil or the National Bank for Economic and Social Development (BNDES) starting from the year 2024, with an annual limit of BRL 10,000,000,000.00 per financial institution.

Additionally, LCD may be issued with liens on real assets, constituted by means of a pledge or assignment of eligible credit rights, identified in a portfolio of guarantees to be linked to the LCDs. In this regard, the credit rights provided as collateral for the LCD may be replaced by others, at the initiative of the LCD issuer, provided that they have an equivalent risk profile, in the cases of liquidation or early expiration of the credits.

Finally, Law No. 14,937 clarifies that the public distribution of the LCD will comply with the provisions set forth by the Securities and Exchange Commission (CVM).

### Competence of the National Monetary Council regarding the LCD

According to Article 5 of Law No. 14,937, the National Monetary Council (CMN) is responsible for regulating the conditions for issuing the LCD, particularly in the following aspects:

- (i) the conditions for early redemption of the instrument, which may only occur in a competitive trading environment, observing the minimum maturity period;
- (ii) the establishment of additional conditions and limitations based on the size and risk profile of the issuing institution, with the CMN having the authority to set differentiated limits among issuing institutions;
- (iii) the provision of a guarantee by the Credit Guarantee Fund (FGC) for operations related to the issuance of LCDs, in accordance with applicable legislation; and

- (iv) the adjustment of the annual issuance limit per issuing institution.

#### Taxation of LCD's income

According to Article 6, §3 of Law No. 14,937, any amounts constituting remuneration of the invested capital, including capital gains realized upon divestment, are considered income produced by LCDs. Such income will be subject to Income Tax exclusively at source, at the following rates:

- (i) 0% when (i.1) received by an individual resident or domiciled in the country; or (i.2) paid, credited, delivered, or sent to a beneficiary resident or domiciled abroad who engages in financial transactions in the country in accordance with the rules and conditions established by the CMN; and
- (ii) 15% when received by (ii.1) a legal entity taxed based on actual, presumed, or arbitrary profit, or by a tax-exempt legal entity or one opting for the Unified Special Tax Collection System for Microenterprises and Small Businesses ("Simples Nacional"); or (ii.2) a resident or domiciled in a country with favorable tax treatment or in a privileged tax regime referred to in Articles 24 and 24-A of Law no. 9,430/1996, which deals with federal tax legislation.

Further information, as well as the full text of Law No. 14,937, can be found on the Presidency of the Republic's website ([www.planalto.gov.br](http://www.planalto.gov.br)).

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