

# New LCI and LCA regulation

February 2024

# AMENDMENTS INTRODUCED BY THE RESOLUTION

DEMAREST

**CMN Resolution No. 5,119, of September 01, 2024**, amends:

- I. Resolution No. 4,410**, of May 18, 2015, which provides for the Real Estate Credit Bill ("LCI");
- II. Resolution No. 4676**, of July 31, 2018, which provides for the general conditions and criteria for contracting real estate financing by financial institutions and other institutions authorized to operate by the Central Bank of Brazil ("BCB"), and regulates the allocation of funds raised from savings deposits;
- III. CMN Resolution No. 5,006**, of March 24, 2022, which provides for the Agribusiness Credit Bill ("LCA"); and
- IV. Section 7** (Agribusiness Credit Bill - LCA) of **Chapter 6** (Funds) of the **Rural Credit Manual ("MCR")**.

**CMN Resolution No. 5,119** enters into force on **July 01, 2024**, regarding the amendments and repeals enacted in the MCR. The other provisions entered into force on **February 02, 2024**.

# AMENDMENTS TO THE LCI

Amendments to the Real Estate Credit Bill ("LCI")	
Provisions repealed	Provisions in force
<p><b>Minimum maturity period of the LCI:</b></p> <p><b>36 months</b>, when updated <u>monthly</u> by price index;</p> <p><b>12 months</b>, when updated <u>annually</u> by price index; and</p> <p><b>90 days</b>, when <u>not updated</u> by price index.</p>	<p><b>Minimum maturity period of the LCI:</b></p> <p><b>36 months</b>, when updated <u>monthly</u> by price index; and</p> <p><b>12 months</b>, <u>otherwise</u>.</p>
<p><b>List of Real Estate Credits for issuing LCI:</b></p> <ol style="list-style-type: none"><li>I. Housing loans contracted under the Housing Finance System ("SFH"), secured by mortgage or fiduciary sale of real estate;</li><li>II. Other real estate financing secured by mortgage or fiduciary sale of real estate;</li><li>III. Loans to individuals secured by mortgage or fiduciary sale of residential real estate; and</li><li>IV. Other loans and financing secured by mortgage or fiduciary sale of real estate.</li></ol>	<p><b>List of Real Estate Credits for issuing LCI:</b></p> <ol style="list-style-type: none"><li>I. Financing for the acquisition of residential or non-residential properties;</li><li>II. Financing for the construction of residential or non-residential properties;</li><li>III. Loans to legal entities for the construction of residential or non-residential properties;</li><li>IV. Financing for the renovation or expansion of residential or non-residential properties;</li><li>V. Financing for the acquisition of material for the construction, expansion or renovation of residential or non-residential properties; and</li><li>VI. Loans to individuals secured by mortgages or fiduciary sale of residential properties.</li></ol>

# AMENDMENTS TO THE LCI

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**LCIs issued until February 01, 2024**, backed by real estate credits revoked (as indicated on the previous slide):

can be maintained until the maturity date,  
with no extension

can have their backing replaced by credit rights  
of the same type until the LCA's maturity date.

# AMENDMENTS TO THE LCA

Amendments to the Agribusiness Credit Bill (“LCA”)	
Repealed	In force
<p><b>Minimum maturity period of the LCA:</b></p> <p><b>12 months</b>, when updated <u>annually</u> by price index; and</p> <p><b>90 days</b>, when <u>not updated</u> by price index.</p>	<p><b>Minimum maturity period of the LCA:</b></p> <p><b>12 months</b>, when updated by price index; and</p> <p><b>9 months</b>, when <u>not updated</u> by price index.</p>
<p>N/A</p>	<p><b>The issuance of LCA backed by the following credit rights is prohibited:</b></p> <ul style="list-style-type: none"> <li>I. Advances on foreign exchange transactions;</li> <li>II. Export credits, including certificates, notes or bills representing export credits;</li> <li>III. Receivables certificates, including agribusiness receivables certificates; and</li> <li>IV. Debentures.</li> </ul>

# AMENDMENTS TO THE LCA

**LCAs** issued until **February 01, 2024**, backed by credit rights that are prohibited (as indicated on the previous slide):

can be maintained until the maturity date,  
with **no extension**

can have their backing replaced by credit rights  
of the same type until the LCA's maturity date.

# AMENDMENTS TO THE LCA

## The use of credit rights from rural credit transactions financed with "controlled funds" is restricted as LCA backing

<b>LCA issued between February 02, 2024, and June 30, 2024:</b>	Up to 75% of the credit rights used as backing for issuance can be composed of rural credit transactions financed with controlled funds, as provided for in MCR 6-1-2*.
<b>LCA issued between July 01, 2024, and June 30, 2025:</b>	Up to 50% of the credit rights used as backing for issuance can be composed of rural credit transactions financed with controlled funds, as provided for in MCR 6-1-2.
<b>LCA issued as of July 01, 2025:</b>	The use of credit rights from <u>rural credit transactions financed with controlled funds</u> , as referred to in MCR 6-1-2, as backing for LCA is <b>prohibited</b> .

\*Rural credit can be granted with controlled or uncontrolled funds. According to MCR 6-1-2, **controlled funds** are:

- (a) mandatory;
- (b) from Official Credit Transactions;
- (c) from any source, intended for rural credit under the applicable regulations, when subject to subsidies from the Federal Government, in the form of equalization of financial charges, including funds managed by the Brazilian National Bank for Economic and Social Development ("BNDES");
- (d) from rural savings, when applied under the conditions defined for mandatory funds;
- (e) from constitutional regional financing funds; and
- (f) from the Coffee Economy Defense Fund ("Funcafé").

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