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Brazil funds briefed on CVM transparency requirements

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Brazil fund regulator CVM has been in discussions with market players in Brazil about the forthcoming change in funds regulation set to impact the whole fund industry in Brazil, *LatAm FM* has been told.

According to Victor Rodriguez, CEO of LatAm Alternatives and HFA Latam director, Latin American governments are eager to implement the new regulation, which will require market participants to become more transparent.

"Brazil is leading the industry in Latam and the CVM is taking steps in order to make sure that the proposed changes will play a bigger role in the market structure. In the last few months the CVM has been in talks with the market players and is looking to implement the new regulation early next year," said Rodriguez.

Rodriguez explains that the changes will affect three categories of industry player: fund managers, securities analysts and financial consultants.

According to Marcia Rothschild, Citibank's Latin America client and sales management head, hedge funds will largely be impacted, as Brazilian regulation currently does not differentiate between long-only funds and hedge funds.

"The main changes involve the fund prospectus, shareholder voting and the role of the investment manager in this process, and liquidity management. As we understand, these measures will not affect FIPs or FDICS initially, but will affect long-only and hedge funds," said Rothschild.

The proposed changes, which the CVM is expected to issue in January are based on models of regulation already in place in Europe, Asia and the US, and are designed to attract more investors, not only to Brazil but also the whole of LatAm by demonstrating improved transparency in the fund industry.

"It's a great way to actually regulate the new incoming flows that we will see coming into the market," said Rodriguez.

"The regulation will focus on the role of the asset manager because it is very important, in order for the industry to assure its overall global audience, that it puts some kind of bar on who can step into the alternative field of the fund management industry in Brazil."

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