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Brazil: Stock Exchanges Open To Foreign Capital

by Barbara Khol

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On June 1, stock exchanges in Rio de Janeiro and Sao Paulo were opened up to foreign capital, following authorization by the National Monetary Council on May 28. Over the next four months, an inflow of between $100 and $150 million is expected, and within the year, $500 million. Most of these resources are expected to derive from US pension funds, institutional investors, mutual investment funds and insurance companies. The investments will be made via companies based in Brazil. On June 7, Rene Garcia, director of the securities exchange commission (CVM), will visit the US to meet with representatives of 12 financial institutions interested in investing. In the stock exchange operations, so-called blue-chip shares are to be the focus, such as the state-run PETROBRAS, Companhia Vale do Rio Doce and Paranapanema. Companies slated for privatization will also be included. Foreign investors are to pay a 15% tax on profit remittance. The Council authorization specifies that a foreign company cannot acquire controlling stock in a Brazilian firm. (Basic data from AFP, 05/28/91; EFE, 06/01/91)

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