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LEGAL UPDATE

FUNDS IN TRANSFORMATION

The legacy of RCVM 175 and the new agenda for FIPs



The Brazilian investment funds market has entered a new stage following the expiration of the adaptation period to Resolution of the Brazilian Securities and Exchange Commission ("CVM") No. 175 ("RCVM 175"), which ended on June 30, 2025. Having been in effect since October 2, 2023, RCVM 175 has not only modernized the legal framework governing investment funds but also aligned it more closely with international best practices and the principles set forth in Law No. 13,874/2019 (the "Economic Freedom Law").

With the conclusion of the transition period, the industry will see an unprecedented structural shift, characterized by enhanced regulatory clarity, strengthened governance, and the standardization of market practices. This new environment represents a significant advancement for investors, fiduciary administrators, and asset managers, who will begin operating under conditions of greater predictability and legal certainty.



FROM ORIGINS TO CONSOLIDATION: THE REGULATORY TRAJECTORY OF INVESTMENT FUNDS IN BRAZIL

The Brazilian investment funds market traces its origins to the 1950s, inspired by North American and European models. Initially restricted to large institutional investors and high-net-worth individuals, funds only began to gain broader reach among the general public in the 1970s, in tandem with the strengthening of the domestic financial market. During this same period, the creation of the CVM represented a decisive milestone, enhancing oversight, organization, and credibility across the sector.

In the 2000s, the market underwent a phase of significant diversification, with the proliferation of different fund categories and an expansion of investment alternatives. In 2004, CVM Instruction No. 409 consolidated the transfer of regulatory authority from the Central Bank of Brazil to the CVM, reinforcing the Commission's central role in the development of the industry. Subsequently, in 2014, CVM Instruction No. 555 further modernized the framework, introducing greater detail, standardization, and transparency.

This trajectory of regulatory evolution culminated on October 2, 2023, with the enactment of RCVN 175, inaugurating a new chapter for the Brazilian investment funds market and later consolidated with the close of the adaptation period on June 30, 2025.



IMPACTS OF RCVM 175: GOVERNANCE, TRANSPARENCY, AND A NEW MARKET CULTURE

With the end of the adaptation period, the Brazilian investment funds market now operates fully under RCVM 175, consolidating a structural transformation of great relevance. Even during the transition, broad adherence—with more than 80% of funds already compliant—highlighted the collective effort to absorb the complexity and scope of the regulation. This demonstrated not only the market's capacity to adapt, but also its recognition that RCVM 175 established a new benchmark for regulatory quality.

The resolution marked a true watershed moment by simplifying the regulatory framework and unifying the legal regime applicable to investment funds. The replacement of dozens of separate instructions with a single comprehensive rule introduced greater coherence and accessibility for both domestic market participants and foreign investors. Equally important, the clearer allocation of roles and responsibilities reinforced governance: the administrator centralized operational activities, while the asset manager was formally recognized as the fiduciary of the investment strategy, strengthening accountability across the industry.



Another significant advance was the preservation of the condominium structure, now supplemented by annexes tailored to each type of fund. This innovation increased legal certainty and predictability, while also enabling greater sophistication in fund design. In practice, administrators and managers began to benefit from clearer, more flexible rules designed to foster product diversification and drive market innovation.

More than a mere unification of rules, RCVM 175 also ushered in a cultural shift in the Brazilian capital markets. Regulatory debate has moved away from deadlines and formal compliance to focus on the practical effectiveness of the framework and its structural impact on the functioning of the sector. This turning point positions Brazil closer to international best practices, strengthening investor confidence and enhancing the competitiveness of the local market.



CVM'S NEW AGENDA: PROPOSED UPDATES FOR FIPSs

Building on the consolidation of RCVM 175, the CVM is already considering further regulatory changes. On December 23, 2024, it published Public Consultation Notice SDM No. 03/24 (the “Public Consultation”), proposing amendments to Annex IV of RCVM 175, which governs Private Equity Investment Funds (*Fundos de Investimento em Participações* – “FIPs”). The objective of the Public Consultation is to modernize and simplify rules inherited from former CVM Instruction No. 578/2016, aligning the regulation of FIPs both with the Economic Freedom Law and with the broader framework introduced by RCVM 175.

Key changes proposed in the Public Consultation include expanding access to FIPs by allowing them to be offered to retail investors, subject to strengthened governance and transparency requirements. This opening—previously restricted to qualified or professional investors—is intended to democratize investment and increase liquidity, while demanding stronger safeguards for investor protection. The proposal also redefines conflict-of-interest rules, allowing restricted classes to engage in conflict transactions without shareholder approval where expressly authorized in the fund’s bylaws, with approval remaining mandatory only for retail classes.

The CVM also proposes revising certain governance practices it now views as less necessary given the market’s maturity. For example, the following would no longer be mandatory:

- A. Unified two-year mandates for boards of directors;;
- B. disclosure of shareholders’ agreements, equity incentive programs, and related-party contracts in the same manner as issuers in Category A; and
- C. Adherence to special stock exchange segments with heightened corporate governance requirements in the event of an IPO.



Finally, the proposal introduces a modular structure, with rules tailored to different categories and strategies, such as Seed Capital FIPs, Infrastructure FIPs, and Multi-Strategy FIPs. It also allows the creation of subclasses of quotas, enabling different risk/return profiles within the same fund. This greater flexibility is expected to make fund structuring more efficient, attract diverse investor bases, and expand opportunities across the industry.

Together, the consolidation of RCVM 175 and the proposed updates for FIPs reaffirm the CVM's commitment to the ongoing modernization of the Brazilian capital markets. The funds industry now operates on a stronger, more transparent, and internationally aligned footing, while new consultations demonstrate that the regulatory process remains dynamic and responsive to market needs. This direction supports the creation of a more competitive, efficient, and accessible environment, one capable of attracting a broader range of investors and sustaining the long-term growth of the Brazilian funds market.

The lawyers at Taül & Chequer Advogados associated with Mayer Brown LLP, with extensive experience in financial and regulatory law, are closely following these developments. We are prepared to assist financial institutions, asset managers, administrators, credit fintechs, and other market participants in navigating this evolving regulatory landscape.

We understand the complexity of the new framework and are committed not only to ensuring our clients' compliance with the legal requirements but also to helping them identify and capture strategic opportunities in this more modern, competitive, and innovation-driven environment.



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