CVM Releases Final Regulations on Agribusiness Funds

26.12.2024 3 min read

Authors

Felipe Prado

Leonardo Cardoso

Related areas

Finance and Capital Markets

Topics

Carbon Agribusiness Real Estate BMA Review Finance and Capital Markets

Brazil's securities and exchange commission, the CVM (Comissão de Valores Mobiliários), recently published its regulations on agribusiness investment funds, known as Fiagros, which will replace the transitional regulations starting March 3, 2025. The new regulations will form part of Brazil's regulatory framework for investment funds, as Annex VI to CVM Resolution 175. Fiagros already in operation will have until September 30, 2025 to adapt to the new rules.

The transitional regulations divided Fiagros into three categories: Fiagro-FIDC (receivables), Fiagro-FIP (equity), and Fiagro-FII (real estate). As a result of the division, Fiagros were required to comply with the rules applicable to FIDC, FIP or FII, depending on the fund's corresponding portfolio asset. The new regulation does away with this distinction by establishing rules applicable to the entire class of Fiagros and even creates the possibility of "multimarket" Fiagros by permitting investments in different categories of agribusiness assets.

Thus, under the new rules, if a class of units in a Fiagro invests more than 50% of its net worth in assets that fall into a category specific to another type of fund, the rules applicable to that category (i.e. FIDC, FII or FIP) will have secondary application. In other words, the rules applicable to only one additional category will apply.

A single Fiagro fund may invest in any of the following assets: (i) real rights in rural land; (ii) equity interests in companies engaged in agribusiness; (iii) financial assets, debt securities, or equity securities issued by individuals or legal entities engaged in agribusiness; (iv) receivables tied to rural land or agribusiness, and receivable-backed debt securities such as Agrobusiness Receivable Certificates – CRAs and Real Estate Receivable Certificates – CRIs; and (v) shares in other Fiagros.

Fiagros can also invest in sustainable assets, such as agribusiness carbon credits and CBIOs (decarbonization credits). In the case of decarbonization credits, the fund's administrators and managers are responsible for verifying the existence and integrity of the asset.

As for the real estate assets in which Fiagros may invest, the new regulations reflect the CVM's position that in addition to properties carrying a Rural Property Registration Certification – CCIR, any immovable property "located in an urban perimeter that is used to conduct activities within the agribusiness production chain" or that "possesses a natural or artificial non-marine water reservoir or tank for use in pisciculture or aquiculture".

The new regulations also reflect the CVM's position that (i) properties must be registered in the general immovable property registry, as evidence of the existence, integrity and ownership of the property, and (ii) Fiagros may acquire real rights in properties, other than ownership, such as superficies, usufruct, and other real rights established by law.

In our view, the publication of Annex VI to CVM Resolution 175 represents an important advance for the development of Brazil's agribusiness sector. The new regulations allow for greater flexibility and diversification in investments, especially with the innovative "multimarket" Fiagro, which has the potential to become a powerful tool to drive growth and sustainability in the sector.

>>> This content is part of BMA Review #85. Click here for more.

› PROFESSIONALS

Professionals who combine legal insight and market perspective

Felipe Prado

Leonardo Cardoso