

The President of the Republic of Brazil sanctioned with vetoes the bill amending the Reorganization and Bankruptcy Act.

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On 12/24/2020, in an extra edition of the Official Gazette, he published the Act no. 14,112/2020, which updates and amends the law relating to court-supervised reorganization ("RJ"), out-of-court reorganization ("RE") and bankruptcy, insolvency proceedings regulated by Act No. 11,101/2005 ("LRF"). In short, the new act reflects the text of the Bill No. 4,458/2020, which had been passed by the Federal Senate and the Brazilian House of Representatives, with some relevant vetoes exercised by the President of the Republic of Brazil.

Many are the changes introduced by the new act among which, in relation to the restructuring of companies, it is worth highlighting the rules that are (1) providing greater legal certainty to financing for companies under RJ and disposal of assets; (2) regulating cross-border insolvency; (3) allowing creditors to propose a court-supervised reorganization plan ("PRJ"); (4) authorizing the restructuring of labor claims in RE proceedings; and (5) decreasing the support quorum required for approval of an out-of-court reorganization plan.

Among the vetoes of the President of the Republic of Brazil, it is important to highlight those which prevented the entry into force of new rules that would allow the reduction of tax costs associated with renegotiating debts and gaining capital resulting from the sale of assets and rights in the context of insolvency proceedings.

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