



## CVM Publishes Rule for Equity Crowdfunding

On July 13, 2017, the Security and Exchange Commission of Brazil ("CVM") published the CVM Instruction No. 588 ("ICVM 588"), that sets forth the rules for the fund collection with the public in general, by means of a public offer of securities issued by small sized companies, through an electronic platform of crowd investment, known as equity crowdfunding.

Referred instruction was structured in a form that most of the obligations falls on the platforms, which must be companies constituted and registered in Brazil. Only the platforms shall be registered with CVM, the securities issuer shall be responsible for transferring of information, its veracity, consistence, quality and sufficiency, which shall be equally disclosed to investors.

On the terms of ICVM 588, the small sized companies (registered in Brazil and with annual gross revenue of up to R\$ 10 million) can make a public offer of securities on the Internet, programs, apps or virtual environments for meetings between investors and issuing companies, without registration with CVM, provided that the requirements set forth in the referred instruction are fulfilled, such as:

- (i) the public offer shall be made exclusively by means of an electronic platform of crowd investment (which must be a company constituted in Brazil and registered with CVM), for a plurality of investors;
- (ii) maximum amount of investment of R\$ 5 million;
- (iii) the term of the offer cannot exceed 180 days; and
- (iv) minimum term of 120 days between public offers, counted of the end of the last successful offer.

Each investor can invest up to R\$ 10,000 per calendar year, except in case the investor is (a) a lead investor (natural person or legal entity, with proven investment experience and authorized to be a leader of a syndicate of crowd investment); (b) a qualified investor, as defined in specific CVM instructions; or (c) an investor with annual gross revenue or investments of more than R\$ 100,000.

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The investments can be made through a syndicate funding, that means, a group of investors bound to a leader and gathered with the purpose of making investments in small sized companies.

The funds raised shall be invested in the development of the issuer's activities, and shall not be used for granting loans, acquisition of other companies or third party's securities.

Finally, it is important to emphasize that ICVM 588 is applicable only to equity crowdfunding, in which the investor receives shares, equities, debentures or other securities in consideration for its investment. Angel investments in micro and small sized companies continue to be regulated by Complementary Law No. 123, and the other models of crowdfunding (or online contributions), which consideration is, for example, a gift or services, continue not to be regulated in Brazil.

This newsletter contains information and general comments on legal matters that may interest our clients and friends. It does not represent the legal opinion of our firm on the subjects addressed herein. In specific cases, readers should rely on proper legal assistance before adopting any concrete action relating to the matters addressed herein.

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