

## **Hearing SEAE no. 02/2022 on the mandatory dividend**

The Ministry of Economy of Brazil, through its Secretariat for Economic Monitoring (SEAE) holds this Public Hearing to receive contributions related to the provisions of the Corporate Law (Law nº 6.404/1976 ) that deals with the mandatory payment of dividends for corporations.

The Hearing aims to survey well grounded opinions on regulatory and competition issues regarding the provisions for the mandatory payment of dividends of the Law no. 6404/1976.

The main objective of this Hearing is to receive contributions to evaluate the issue of mandatory dividends with a focus on its effects on investment and financing of companies and on the economy in general, not restricting focus on the negotiation of securities in the financial market.

As secondary objectives, contributions may also address:

- (i) how can the mandatory distribution of dividends, understood as a restriction on the free allocation of capital, constitute a barrier to the entry of new companies in the stock market?
- (ii) how does the restriction on the free allocation of capital keep the cost of resources for investment at a higher level than in a scenario with fewer restrictions and greater competition?
- (iii) understandability/accessibility of the Corporate Law dividend provisions and possible effects of eventual lack of clarity of the text on capital market entry costs, and

(iv) their coherence and cohesion for an economic rationality within the scope of the economic analysis of law.

The SEAE understands that the legal provisions that mandate the distribution of dividends may hinder companies' access to capital market financing and, as a result, make their financing more expensive, causing a lower level of investment and, therefore, a lower level of competition in the economy.

The contributions will complement SEAE's investigative analysis of the effects on competition and other incentives to economic efficiency arising from these rules, as well as ensuring broad participation of the affected segments and other interested parties in the topic under analysis.

The deadline for submitting contributions is November 20th.

Contributions can be made directly in the balloons or via attached files for more thorough contributions.