

PUBLIC REFERENCE



DIVISION OF
MARKET REGULATION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

January 12, 2004

Act	Securities Exchange Act of 1934
Section	
Rule	Regulation M, Rule 101
Public Availability	Jan. 20, 2004

Diego E. Parise, Esq.
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Re: **Federative Republic of Brazil ("Brazil")**
File No.: TP 04-23

In your letter dated January 12, 2004, as supplemented by conversations with the staff, you request on behalf of Citigroup Global Markets, Inc. and Deutsche Bank Securities Inc. (together, the Underwriters) and their affiliates an exemption from Rule 101 of Regulation M in connection with an offering by Brazil (Offering) of a new issue of U.S. dollar-denominated unsecured global bonds due 2034 (New Bonds). Specifically, you seek an exemption to permit the Underwriters and their affiliates to act as market makers in the New Bonds while participating in the distribution of the New Bonds. We have attached a copy of your letter to avoid reciting the facts that it presents. Unless otherwise noted, each defined term in this letter has the same meaning as defined in your letter.

Response:

On the basis of your representations and the facts presented, but without necessarily concurring in your analysis, the Commission hereby grants an exemption from Rule 101 to permit the Underwriters and their affiliates, in connection with their role as market **makers**, to bid for, purchase, and solicit the purchase of New Bonds during the applicable restricted period for the distribution of the New Bonds. In particular, this exemption is based on the facts that: Brazil is a sovereign government whose financial affairs are widely reported on; Brazil's public sector external debt aggregated is approximately U.S. \$65.6 billion in principal amount; the market for the New Bonds is expected to be highly liquid and to have considerable depth of trading; the Underwriters estimate that approximately 10 dealers are expected to regularly place bids and offers for the New Bonds, of which approximately 5 are expected to be continuous market makers; the Underwriters estimate that daily purchases and sales of the New Bonds by the

Underwriters and their affiliates will not account, on average, **for** more than 25% of the average daily trading volume in the New Bonds; the New Bonds are expected to trade primarily on the basis of a spread to the United States Treasury security with a corresponding maturity, in a manner similar to trading in investment grade debt securities; bid and ask prices for the New Bonds in the OTC market are expected to be widely available, via display on interdealer broker screens on Telerate, Reuters and Bloomberg electronic information services; the New Bonds are expected to be rated B+ by Standard & Poor's Corporation and B2 by Moody's Investor Services, Inc.; and the Offering will be made pursuant to Brazil's effective shelf registration statement filed with the Commission under **the Securities Act of 1933**. This exemption is subject to the following conditions:

1. The Underwriters shall provide to the Division of Market Regulation (Division), upon request, a daily time-sequenced schedule of all transactions in the New Bonds made during the period commencing five business days prior to **the pricing** of the Offering, and ending when the transaction-by-transaction basis, including:
 - a. size, broker (if any), time of execution, and price of transaction;
 - b. the exchange, quotation system, or other facility through which the transactions occurred; and
 - c. whether the transactions were made for a customer account or a proprietary account.

The records required pursuant to this exemption shall be maintained **by** the Underwriters for at least two years from the date of the termination of the Offering.

2. The prospectus supplement for the Offering shall disclose that the Underwriters and certain **affiliates** have been exempted, consistent with this letter, from the provisions of Rule 101.

The foregoing exemption from Rule 101 is based solely on your representations and the facts presented, and it is strictly limited to the application of this rule to the proposed transaction. **Such** transactions should be discontinued, pending presentation of the facts for our consideration, if any material change occurs with respect to any of those facts or representations.

In addition, persons relying on this exemption are directed to the anti-fraud and anti-manipulation provisions of the federal securities laws, including Sections 9(a) and 10(b) of the Exchange **Act**, and Rule 10b-5 thereunder. Responsibility for compliance with these and any other provisions of the federal or state securities laws must rest with

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the Underwriters and their affiliates. The Division expresses no view with respect to any other **questions** that the proposed transactions may raise, including, but not limited to, the **adequacy** of disclosure concerning, and **the** applicability of other federal and **state** laws or Exchange Rules to, the proposed transactions.

For the Commission, by the Division of Market
Regulation, pursuant to delegated authority,



James A. Brigagliano
Assistant Director