

TRANSLATION

FECI COMMISSION

COMPENSATION

For the purposes of the FECI Regime, “compensation,” understood as a process by which an agricultural producer is granted a subsidized loan to compensate for an investment previously made in his production cycle, is not covered as one of the purposes defined in Article 6 of Law 4 of 1994 for the development of the activities listed in this regulation. Consequently, compensation cannot be used to obtain a subsidized agriculture loan.

Regarding recent inquiries and questions on that topic, and notwithstanding the clarification above, the FECI Commission provides the following Opinion:

1. The following scenario would be viable for the Commission: an agricultural producer arranges a Bank loan for one of the purposes described in the law, to conduct any of the subsidized activities. During the period between the formalization of the loan and its actual disbursement, the producer begins his activity with his own funds or funds from any other given source. After receiving the loan, he cancels the alternate source of funds with the proceeds from the loan, regardless of whether he or another party is that source. The loan has been granted, in principle, for the **purpose** provided by law.
2. It would also be viable for the Commission if, instead of the process in paragraph 1, his use of his own or some other resource were made either concurrent with an application for a subsidized loan under the FECI Program or within a period not greater than sixty (60) calendar days after the investment is made, and the *a posteriori* application for the loan is properly justified to the bank. In that case, the loan would be classified as a loan to pay for a **purpose** previously acquired.
3. In either of the cases in paragraphs 1 and 2, the Bank would be required to make the relevant verifications, including the determination of the origin of the funds, before the appropriate approvals, and the loan would be subject to auditing by the Program conducted by the Superintendency of Banks.

The Opinion explained in paragraphs 1, 2, and 3 will be accepted by the Superintendency of Banks as soon as it is communicated in a Circular issued by the Superintendency of Banks.