

INSIGHT: BEYOND BORDERS: HOW U.S. BROKER-DEALERS CAN ENGAGE BRAZILIAN CLIENTS WITHOUT CROSSING REGULATORY LINES

Brazil has emerged as one of the world's most dynamic and tightly regulated wealth markets. Local investors are increasingly sophisticated, and appetite for offshore products has never been higher. For U.S. broker-dealers and investment advisers, the opportunity is clear: Brazilian clients want access to global markets and U.S. platforms are well positioned to provide it.

The challenge often lies in how to offer these products and services while respecting Brazil's regulatory boundaries. Unlike some jurisdictions in which a foreign broker-dealer or adviser can test the waters with minimal oversight, Brazil draws firm lines insofar as the scope of permissible activities. Usually, the determinative question is not where the securities are traded or held, but where the advisory activity takes place. The answer to that question generally decides whether a firm can operate from abroad, through a representative office in Brazil, or whether the firm must seek full licensing from the Brazilian Securities Commission ("CVM") in order to offer products and services.

Brazil is a highly regulated jurisdiction, and many activities in the financial and capital markets sector qualify as "regulated activities." To carry these out, entities or individuals must be duly authorized by the competent authority. Banking activities, for example, fall under the oversight and supervision of the Central Bank of Brazil ("BCB"), while activities that involve the offer of securities (*valores mobiliários*) fall under the CVM's authority. Other areas, such as insurance, are subject to their own regulatory framework. In the securities area specifically, some of the most important regulated roles include broker-dealers, securities analysts, and investment or securities advisers. Each of these categories has its own registration and conduct requirements, overseen by the CVM and, in many cases, by self-regulatory organizations, such as the Brazilian Financial and Capital Markets Association (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*) and the National Association of Securities, Foreign Exchange and Commodities Brokers and Dealers (*Associação Nacional das Corretoras e Distribuidoras de Títulos e Valores Mobiliários, Câmbio e Mercadorias*). Understanding this layered regulatory environment is essential when evaluating how a foreign institution may access the Brazilian market.

One entry point is the establishment of a representative office. This model, authorized by the BCB, offers brand visibility, the ability to host events locally and maintain direct contact with Brazilian clients, and the opportunity to reinforce relationships locally. Yet its scope is deliberately narrow: a representative office cannot provide investment advice or recommend particular securities or investments, execute trades, or handle funds or securities. It is a marketing and relationship platform, not a license to engage in securities or investment

advisory activities. For some institutions, that limited visibility is enough. For others, it leaves too much on the table.

Further along that spectrum of permissible local activity lies CVM registration as a securities adviser. While not the only model, CVM adviser registration is generally the most straightforward way for a foreign institution to offer personalized, on-the-ground investment advisory services in Brazil, even if all custody and execution remain offshore. It creates a compliant and durable platform to engage with clients locally. Traditional banks can also provide such services, but doing so requires a much broader license than would otherwise be necessary. This regime does entail meaningful governance and compliance obligations, including internal controls, suitability, professional qualification requirements, and regulatory oversight by the CVM. However, it does not require authorization as a financial institution, nor does it trigger prudential regulation by the BCB.

Securities brokerage (broker-dealer) activities, at the far end of that spectrum, are subject to dual regulation by the CVM and the BCB, with materially more extensive governance, capital, organizational, and supervisory requirements. For institutions prepared to commit, this represents the most comprehensive pathway to establishing a full-service securities business in Brazil. For others, it may constitute a significant regulatory and operational burden.

Alongside these models sit a number of hybrid approaches. A pure cross-border model, in which all advisory activity, if any, takes place offshore and clients transact on a self-directed basis, is legally conservative and comparatively low-cost, but offers little room for in-person client interaction in Brazil. While this model does not require the use of Brazilian intermediaries as a legal matter, some firms in practice rely on local finders for investor introductions. A referral or partnership arrangement with a locally licensed intermediary allows access to Brazilian investors without direct licensing, though it imposes strict conditions around marketing, communications, and suitability.

The reality is that no single model fits all institutions. A firm focused on high-net-worth clients with deep relationships may find that a representative office, paired with a strong offshore team, delivers sufficient presence. Another firm seeking scale with retail or mass affluent clients and a local, in-person advisory presence may view CVM registration as a necessary step to build trust and stay competitive. Others may prefer the flexibility of a referral model, especially if avoiding regulatory burden is a strategic priority.

Brazil offers significant opportunity, but also meaningful complexity. The appropriate operating model will depend on the institution's business strategy, target client base, and tolerance for regulatory obligations. For U.S. broker-dealers evaluating their options, the choice is not merely a legal one, but a commercial decision as well – one that requires carefully calibrating client access, local presence, and regulatory exposure, particularly where access to the market is pursued through digital channels, such as a mobile brokerage platform.

Mayer Brown's global team advises leading financial institutions across the United States, Brazil, and other key jurisdictions on structuring advisory, representative, and cross-border models that align commercial objectives with regulatory expectations. Our integrated, cross-border approach enables us to anticipate regulatory considerations on both sides and design solutions that operate effectively across markets and regulatory regimes. If your organization

is considering how best to engage Brazilian clients while managing international compliance, we would welcome the opportunity to discuss the available alternatives.

This note is part of a series of practical legal insights on cross-border financial services and capital markets involving Brazil. Follow our page for future updates.

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