

## **Public Debt Old Bonds Fraud**

The National Treasury has frequently received questions about the possibility of redemption, exchange, conversion (in NTN-A), payments of tax originated debt or other operations evolving ancient policies (issued in printed versions), that have lost their value.

A number of law firms have generated negative outcomes for its clients, offering deals, presenting false evidences, with calculations attaching high values to those bonds.

None of these operations are legally feasible.

Below, we show the reasons that explain the invalidity of these policies.

### **Domestic Debt Policies (bonds)**

Until the second half of the 20th Century, the Brazilian Government had issued public bonds in various occasions, aiming at raising money to execute and promote the country's development, for instance, reequipping ports and railways, increasing the commodity's warehouse capacity, building cold storage rooms, increasing electric power plants and developing basic industries as well as the agricultural sector.

In 1957, the government, trying to increase its debt control and to provide a pattern to its instruments, exchanged all bonds issued between 1902 and 1955 for new bonds. Therefore, from 1957 on, those policies were payable due in 5 years. Hence, in 1962, the bonds issued until 1955 that were not exchanged, lost its intrinsic value.

The Federal Government performed another public debt consolidation in 1967, when published the Decree-law number 262, from 02/28/1967 and number 396 from 12/30/1968, publishing the early redemption of all domestic federal public debt bonds prior to that year and, authorizing the exchange for new bonds until September 1969. After that date, the 5-year period expired (determined by § 10º, VI of article 178 from law number 3,071, from 01/01/1916), that ended in 1974.

In sum:

- All bonds issued between 1902 and 1955 are no longer valid since 1962.
- The remaining bonds are no longer valid since 1969 and prescribed definitely in 1974.

### **LTN 1970**

The National Treasury Bills – LTN – issued in the beginning of the 70's presented maturities of, at maximum, 365 days. There has been no exception to this rule, nor has been maturities rescheduling.

Still, few people have tried to take advantages by offering fake LTNs, supposedly issued during the 70's, with maturities over than 365 days, which would have been rescheduled to 2003 and so forth. They alleged those bonds were still valid and underwritten. All of this is false, worth mentioning:

- The maximum maturity ranged up to 365 days;
- There has never been any rescheduling;
- No such bonds have been underwritten.

The National Treasury highlights that still issues LTN on regular basis via:

- The Treasury Direct - Public bond retail sales program;
- Through weekly auctions.

### **Issuances denominated in French Francs – Brazil-France Agreement**

During the 40's and the 50's, there were signed Agreements between the Brazilian and the French Governments and the French Securities' Holders Association, on the Brazilian bonds issued in that country.

In the occasion, the Brazilian Government allocated USD 19,320,000 to form the Clearing Debt Fund. In turn, the French Government took responsibility for the fund's management, including the beneficiary debt distribution.

Although it was meant to last for two years, starting in 1946, to perform the appointed redemptions, that period was lengthened until 1951, when it was signed another bilateral agreement, in which the French Government transferred the fund to the Brazilian Government. During this period, those debt holders were called through public announcements and warnings to present themselves to appointed banks to redeem their bonds. Therefore, the bonds not presented lost their value.

A discussion on the judicial aspects evolved is available at the Ministry of Finance Legal Department.