

ISDA

International Swaps and Derivatives Association, Inc.
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Dr. Elizabeth Garbayo
CAAR - Câmara de Administração de Assuntos de Riscos
Rua Libero Badaró, 425, 24^o andar
01009-000, Centro, São Paulo, SP
Brazil

Dear Ms. Garbayo,

The International Swaps and Derivatives Association, Inc. ("ISDA") has been informed by our Brazilian members that the Câmara de Administração de Assuntos de Riscos (CAAR) has appointed ISDA member Pinheiro Neto Advogados to develop a local market master agreement. ISDA members with offices in Brazil have requested active guidance from ISDA's Latin American Committee and acknowledge that the experiences of ISDA in similar situations can contribute significantly to the preparation of a Brazilian master agreement governing local market over-the-counter derivatives transactions. ISDA agrees to participate in the development of such a local market master agreement. As the international organization concerned with privately negotiated derivatives transactions, ISDA continues to support use of the ISDA Master Agreement to govern all cross border bilateral counterparty arrangements in connection with over-the-counter derivatives transactions.

The precise documentation of each individual local master agreement shall remain, however, the responsibility of the parties concerned. ISDA shall not assume any responsibility for any use to which the Brazilian master agreement may be put, including, without limitation, any use of the Brazilian master agreement in connection with any privately negotiated derivative transaction. Each party to a Brazilian master agreement must satisfy itself that the Brazilian master agreement is appropriate to govern the over-the-counter derivative transactions between the parties, that it has consulted its own legal advisor with respect to entering into the Brazilian master agreement, and that the Brazilian master agreement has generally been properly drafted, negotiated and executed, in each case to reflect the commercial intentions of the parties.

As Brazilian law and market practice relating to over-the-counter derivatives are evolving rapidly; parties are therefore advised to monitor changes to relevant Brazilian laws in connection with executing and performing the Brazilian master agreement. ISDA does not and will not

undertake to review laws and regulations in Brazil or in any other jurisdiction in which the Brazilian master agreement may be used, and therefore parties are advised to consider the application of any relevant jurisdiction's regulatory, tax, accounting, exchange or other requirements that may exist in connection with the entering into and documenting of a privately negotiated derivative transaction, including under the Brazilian local market master agreement.

ISDA is the global trade association representing leading participants in the privately negotiated derivatives industry. ISDA was chartered in 1985, and today has more than 540 member institutions from 41 countries on six continents. These members include most of the world's major institutions that deal in privately negotiated derivatives, as well as many of the businesses, governmental entities and other end users that rely on over-the-counter derivatives to manage most efficiently financial market risks inherent in their core economic activities. Information about ISDA and its activities is available on the Association's web site: www.isda.org.

If you have any questions I hope that you will not hesitate to call on me at (212) 332-2562 or my colleague Pedro D. Martinez at (212) 332-1207.

Yours sincerely,
Ruth Ainslie
Senior Policy Director

cc Fernando Ruiz De Almeida Prado
Pinheiro Neto Advogados
Sao Paulo, Brasil