SULLIVAN & CROMWELL LLP

TELEPHONE: 1-212-558-4000
FACSIMILE: 1-212-558-3588
WWW.SULLCROM.COM

125 Broad Street
New York, NY 10004-2498

LOS ANGELES • PALO ALTO • WASHINGTON, D.C.
FRANKFURT • LONDON • PARIS
BEIJING • HONG KONG • TOKYO
MELBOURNE • SYDNEY

CONFIDENTIAL TREATMENT
Securities Exchange Act of 1934
Rule 101 of Regulation M

January 12, 2004

Office of Risk Management and Control,
Division of Market Regulation,
Securities and Exchange Commission,

Washington, D.C. 20549.

SECURITIES AND EXCHANGE COMMISSION RECEIVED
JAN 14 2004
DIVISION OF MARKET REGULATION

Attention: James A. Brigagliano

Re: Federative Republic of Brazil ("Brazil")

Dear Mr. Brigagliano:

We are writing on behalf of Citigroup Global Markets, Inc. ("Citigroup") and Deutsche Bank Securities Inc. ("Deutsche," and together with Citigroup, the "Underwriters") and certain of their affiliates[1] to request an exemption from Rule 101 ("Rule 101") of Regulation M under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with respect to the trading activities of the Underwriters and their affiliates in connection with the sale by Brazil of a new issue of U.S. dollar-denominated unsecured global bonds due 2034 (the "New Bonds"). The size of the New Bands issue is currently expected to be U.S.$1 billion aggregate principal amount.

1. FACTS

The Offering of the New Bonds

The New Bonds are proposed to be offered by the Underwriters in a firm commitment underwriting (the "Offering"), with closing expected to take place in the second week of January 2004. The Offering will be made pursuant to Brazil's effective

[1] For purposes of this letter, affiliate means any person that directly or indirectly controls, is controlled by, or is under common control with, the Underwriters.

shelf registration statement on Schedule B to the U.S. Securities Act of 1933, as amended (the "Securities Act"), and the terms and conditions of the Offering will be described more fully in a prospectus supplement to be prepared in connection with the Offering. Settlement of the Offering is expected to occur five business days after pricing.

Brazil's External Debt

At May 31, 2003, Brazil's consolidated net public sector external debt aggregated approximately U.S.$65.6 billion in principal amount.

Market for the New Bonds

The principal market for trading in the New Bonds in the United States and outside the United States is expected to be the over-the-counter interdealer market (the "OTC Market"). In addition, the New Bonds are expected to be listed on the [illegible] exchange).

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 act as market makers in other debt securities issued by Brazil (and are expected to act as market makers in the New Bonds) in connection with their general trading activities. The Underwriters estimate that daily purchases and sales of the New Bonds by the Underwriters and their affiliates will not on average account for more than 25% of the average daily trading volume in the New Bonds. Bid and ask prices for the New Bonds in the OTC Market are expected to be widely available, via display on interdealer broker screens, display on Telerate, Reuters and Bloomberg electronic information services and otherwise.

Although the New Bonds are not expected to be rated investment grade by a nationally recognized statistical rating organization (like other long-term foreign currency indebtedness of Brazil, the New Bonds are expected to be rated B2 by Moody's Investor Services, Inc. and B+ by Standard & Poor's), the Underwriters have informed us that the New Bonds are expected to trade primarily an the basis of a spread to United States Treasury securities with corresponding maturities in a manner similar to trading in investment grade debt securities and in contrast to trading in many issues of high yield debt securities. Moreover, the Underwriters have informed us that the New Bonds are expected to generally trade with a bid-ask spread of about ¼ to ½ of a point, which is consistent with bid-ask spreads for investment grade debt securities but tighter than the typical bid-ask spreads for high yield debt securities.

II. REQUESTED RELIEF AND POLICY BASIS

Rule 101 is an anti-manipulation rule that, subject to certain exceptions, prohibits persons involved in a distribution of securities from bidding for or purchasing, or inducing others to bid **for** or purchase, such securities until they have completed their participation in the distribution.

Absent exemption therefrom, Rule 101 will force the Underwriters to be absent from the market for, and be unable to make a market in, the New Bonds from the time of their issuance in the Offering through the time the Underwriters complete their participation in **the** distribution of the New Bonds. Moreover, absent exemption from Rule 101, the Underwriters will likely be unable to provide additional liquidity during the first few hours and, **even,** days of trading in the New Bonds, disrupting an otherwise orderly market with potentially serious consequences.

[illegible] these serious consequences, and because we believe that the policies and **purposes** underlying Rule 101 would not have been furthered by applying Rule 101 in this context, we hereby request the Securities and Exchange Commission, acting pursuant to paragraph (d) of Rule 101, to exempt the Underwriters and their affiliates from the prohibitions of Rule 101 with respect to trading activities relating to the **New** Bonds during the restricted period specified in Rule 101.

Exemption from the prohibitions of Rule 101 in the context of this transaction is, in our view, warranted for **the** following reasons:

(a) Purchases by the Underwriters are unlikely to have a significant impact **on** the price of the New Bonds due to:

(i) the **expected** high liquidity and significant depth of the trading market in the New Bonds, particularly in light of the large aggregate amount of the New Bonds expected to be outstanding (U.S.$1 billion),

(ii) the large number of dealers expected to regularly place bids and offers for, or continuously make markets in, the New Bonds,

(iii) the fact that the New Bonds are **expected** to trade primarily on the basis of spreads to **the** United States Treasury securities **with** the most nearly **equal** maturity date (in a manner similar to trading in investment grade debt securities and in contrast to trading in many issues of high yield debt securities),

(iv) the fact that the New Bonds are expected to generally trade with a narrow bid-ask spread consistent with that for investment grade debt securities but tighter than that typical for high yield debt securities, all as described in greater detail in the preceding section of this letter.

(b) The New Bonds are expected to be actively traded securities, with an ADTV estimated by the Underwriters at approximately U.S.$50 million to U.S.$80 million (based on a deal size of U.S.$1 billion) and a public float of U.S.$1 billion in aggregate principal amount. These figures are many orders of magnitude larger than the minimum ADTV (U.S.$1 million) and minimum public float value (U.S.$150 million) that would qualify common equity securities for the exemption afforded by Rule 101(c)(1). The release adopting Rule 101 stated, with respect to that exemption, the following:

> "The Commission continues to believe that an exclusion for actively-traded securities is appropriate. The costs of manipulating such securities generally are high. In addition, because actively-traded securities are widely followed by the investment community, aberrations in price are more likely to be discovered and quickly corrected."

If the foregoing is true for a common equity security with an ADTV of only U.S.$1 million and a public float value of only U.S.$150 million, it is far more true with respect to a large issue of fixed income securities such as the New Bonds.

(c) Although the New Bonds are not expected to be rated investment grade (but, rather, are expected to be rated B2/B+), the Underwriters believe that the New Bonds will trade in a manner similar to that of investment grade debt securities (see paragraph (a) above). Accordingly, the same considerations that led to the exemption for investment grade debt securities contained in Rule 101(c)(2) would apply to the New Bonds as well.

(d) Brazil is a sovereign whose financial, economic and political affairs are widely reported on, the Offering is expected to be global in nature rather than domestic and the investor base is expected to be highly institutional.

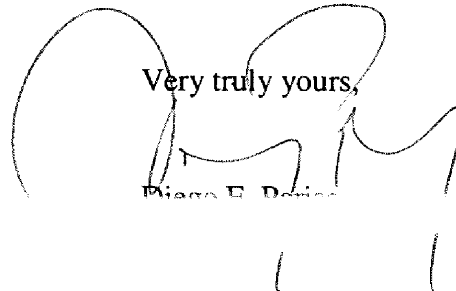
(e) Previously, when Brazil, Argentina, Colombia, Mexico and Panama conducted global bond offerings, the Commission granted

exemptions from Rule 101 **and,** in some cases, Rule 102 (or then-existing Rule 10b-6 under **the** Exchange **Act)** to allow trading in the securities being distributed under similar circumstances[2]. The **policy** reasons underlying the exemptions given in those transactions should apply in this case as well.

* * *

Please call me at (212) 558-3036 with any questions you may have concerning this **request.**

Very truly yours,



Diego E. Perin...

[2] *See,* e.g., *Federative Republic of Brazil*, SEC **No-Action letters** (October 15, 2003; September 9, 2003; July *3,* 2003; **April** 29,2003; March 22, 2000 and January 21, 2000); *The Republic of Colombia,* SEC No-**Action Letter** (December 2,2002); and *Republic of Panama,* SEC **No-Action** Letter (November 18, 1998).