

## INTERNATIONAL CAPITAL AND FOREIGN EXCHANGE MARKET REGULATION

TITLE : 1 - Foreign Exchange Market  
CHAPTER : 4 - Interbank Operations in Brazil and Financial Institutions in Brazil and Abroad  
SECTION : 1 - Interbank Operations in Brazil

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1. Under the prudential regulation and the regulation related to foreign exchange position, the operations mentioned in this chapter may be conducted with no regard to operations with customers or the value of the foreign exchange position at the opening of the business day.
- 1-A. Operations performed between institutions authorized to operate in the foreign exchange market are considered as operations performed in the interbank market, foreseen in this Regulation.
2. Operations in the interbank market may be contracted for prompt, future and term settlement, and such operations may be not cancelled, written-off, extended or settled in advance.
3. (Revoked) Circular No. 3591/2012;
- 3-A. (Revoked) Circular No. 3591/2012
4. Term Interbank foreign exchange operations have the following features:
  - a) the foreign exchange rate is freely agreed between the parties and shall reflect the transacted price of the foreign currency on the date of the foreign exchange operation settlement.
  - b) It possesses a specific operation nature code;
  - c) It is contracted for settlement in a future date, with effective and concurrent delivery of the currencies, domestic and foreign, on the foreign exchange operations settlement date.
  - d) currency advancements are not allowed.
5. (Revoked) Circular No. 3591/2012
6. The purchase and sale of foreign currency by arbitrage are recorded by attributing, to both purchased and sold currencies, the same amount in domestic currency.
7. The interbank market operations are conducted with or without intermediation of a clearing house or provider of clearing and settlement service which has been authorized by the Central Bank of Brazil for settlement of foreign exchange transactions.
8. The following represents a firm and irrevocable commitment between the parties, replacing, for all legal purposes, the form referred to in paragraph 2 of article 23 of Law 4131 of 03/09/1962:
  - a) In case of transaction conducted in the country without the intermediation of a clearing house or provider of clearing and settlement service, the confirmation, by the institution selling the foreign currency, of the operation's, data recorded in the Foreign Exchange System by the institution buying the foreign currency;
  - b) In case of transaction conducted via clearing house or provider of clearing and settlement service:
    - 1 - the confirmation in the Foreign Exchange System, by such clearing house or provider of the clearing and settlement service, of the data recorded by the institution buying the foreign currency and confirmed by the institution selling the foreign currency, when not using a negotiation system without counterparty identification (blind screen);

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- II - the identity verification, in the Foreign Exchange System, of the keys contained in the messages sent by the buying institution and by the selling institution with the key sent by the clearing house or provider of clearing and settlement service, when using a negotiation system without counterparty identification (blind screen).
- c) In case of arbitrage in Brazil, the confirmation, by the institution counterparty of the transaction, of the data recorded in the Foreign Exchange System by the institution responsible for the other part of the operation;
- d) In case of a transaction performed with institution abroad, the registration, by the institution in the country, of the data in the Foreign Exchange System.
- e) In the case of a transaction performed with the Central Bank, the registration will be done automatically in the Foreign Exchange System, eliminating counterparty confirmation.
9. In case of a transaction conducted without intermediation of a clearing house or provider of clearing and settlement service, the confirmation of the transaction in the Foreign Exchange System by the institution selling the foreign currency implies the conclusion of two foreign exchange contracts, where the contracting parties appear as buyer and seller institution of foreign currency.
10. In case of a transaction via a clearing house or provider of clearing and settlement service, the confirmation or verification of identity in the Foreign Exchange System, addressed in paragraph "b" of Item 8 of this section, implies the performance of four foreign exchange contracts as follows:
- a) a pair of foreign exchange contracts in which the contracting parties appear as the institution buying the foreign currency and the clearing house or provider of clearing and settlement service;
- b) a pair of foreign exchange contracts in which the contracting parties appear as the institution selling the foreign currency and the clearing house or provider of clearing and settlement service.
11. The exchange contracts referred to in this section are recorded in the Foreign Exchange System for settlement on an agreed day, and are not subject to cancellation write-off, extension or anticipations of the agreed term.
12. In case of foreign exchange operations conducted without intermediation of a clearing house or provider of clearing and settlement service:
- a) the institution buying the foreign currency shall record the transaction data in the Foreign Exchange System within thirty minutes after the setting of the conditions with the institution selling the foreign currency;
- b) the institution selling the foreign currency shall confirm in the Foreign Exchange System the data and elements of the transaction within the thirty minutes from the record made by the institution buying the foreign currency;
- c) two exchange contracts are recorded as item 9 of this section, which are not settled automatically by the Foreign Exchange System;
- d) buyer and seller Institutions of foreign exchange shall record the settlement of transactions in the Foreign Exchange System;

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- e) the operation recorded by the buyer institution and not confirmed by the selling institution within the time specified in paragraph "b" is blocked by the system the reactivation of registration in the Foreign Exchange System shall be done by the buyer institution of foreign currency;
  - f) in case of operation with the Central Bank of Brazil, the information on the registration is provided by the Foreign Exchange System to the institution counterparty.
13. In case of a foreign exchange transaction made via clearing house or provider of clearing and settlement service when not using a negotiation system without counterparty identification (blind screen):
- a) the institution buying the foreign currency shall record the transaction data in the Foreign Exchange System and within thirty minutes after the setting of the conditions with the bank selling the foreign currency;
  - b) the institution selling the foreign currency shall confirm the data and elements of the transaction within the thirty minutes from the record made by the institution buying the foreign currency and, in cases when the such confirmation is due after the closing time of the interbank market, 15 (fifteen) additional minutes for such action shall be observed, subject to the maximum period of 30 minutes;
  - c) the clearing house or provider of clearing and settlement service shall confirm the data and elements of the transaction within thirty minutes from the confirmation made by the institution selling the foreign currency and, in cases when such confirmation is due after closing time of the interbank market, an additional 30 (thirty) minutes for such action shall be observed, subject to the maximum period of 30 minutes;
  - d) four foreign exchange contracts are recorded in the Foreign Exchange System in accordance with item 10 of this section, and the event of settlement of each exchange contract is performed automatically by the Foreign Exchange System;
  - e) The operation recorded by the institution buying the foreign currency and not confirmed by the institution selling the foreign currency, within the period specified in paragraph "b", is blocked by the system, the reactivation of the registration in the Foreign Exchange System shall be done by the institution buying the foreign currency;
  - f) the operation confirmed by the institution selling the foreign currency and not confirmed by the clearing house or provider of clearing and settlement service within the specified period in paragraph "c", is blocked by the system the reactivation of registration in the Foreign Exchange System shall be done by the institution buying the foreign currency and respective confirmations shall be provided by the selling institution and by the clearing house or provider of clearing and settlement service.
14. In case of foreign exchange transaction conducted with intermediation of a clearing house or provider of clearing and settlement service when using a negotiation system without of the counterparty identification (blind screen):
- a) the clearing house or provider of clearing and settlement service, immediately after the closing of the transaction in the dealing system by institutions buying and selling the foreign currency, records the transaction data in Foreign Exchange System and informs buyer and seller ;

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- b) buyer and seller institutions, after receiving information from the clearing house or provider of clearing and settlement service, confirm the operation within 30 (thirty) minutes in the Foreign Exchange system, subject to the time limit of 30 (thirty) minutes after the closing time of the interbank market;
  - c) the four exchange contracts are recorded in accordance with item 10 of this section, during the identity verification referred to in subparagraph "b" of Item 8 of this section, and the event of settlement of each exchange contract is performed automatically by the Foreign Exchange System ;
  - d) non-compliance of subparagraph "b" implies in the purge of those transactions from the Foreign Exchange System which will be considered nonexistent.
15. The nature of operation codes of transactions intermediated by clearing house or provider of clearing and settlement service are assigned automatically by the Foreign Exchange System.
16. During the recording of foreign exchange interbank transactions, except for arbitrage transactions, must be informed if there is purpose to:
- a) financial turnover, and
  - b) transfer of line.
17. For purposes of the preceding item, it is considered as:
- a) operations whose purpose is the financial turnover - those contracted by institutions operating in intermediate and final position in a chain of transactions, whose outcome corresponds to a transaction between two institutions that would not occur due to their own reciprocal operational limits or other deterrent factors;
  - b) operations whose purpose is the transfer of line - those in which an institution delivers foreign currency to another through a sale transaction of foreign currency for settlement at a given date and, simultaneously, contracts the receiving of this same foreign currency through a foreign exchange purchase transaction for settlement in an extra day in relation to the settlement date of the sale transaction.
18. Delivery of domestic currency related to foreign exchange contracts dealt with in this section is made through the appropriate command in the Reserve Transfer System – STR or by means of debt or credit in the accounts held by buyer and seller institutions.
19. Any institution contributing to inefficiency or hindering the regular operation of the interbank market is subject to applicable legal and regulatory sanctions, including the impediment to operate in that market.
20. In case of arbitrage operation in the country, the confirmation by the counterparty institution in the Foreign Exchange System implies establishment of two pairs of foreign exchange contracts, where the Contracting Parties are the buyer and seller institutions of foreign currencies, with each pair of contracts related to each currency arbitrated.
21. In case of arbitrage operation in Brazil:
- a) an institution part of the transaction shall record the transaction data in Foreign Exchange System within thirty minutes after the setting of the conditions with the institution counterparty of the transaction;

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- b) the counterparty institution confirms the data and elements of the transaction in the in Foreign Exchange System within thirty minutes from the record made by the other institution part of the operation;
  - c) four foreign exchange contracts are recorded in the Foreign Exchange System as item 20 of this section, which are not settled automatically by the Foreign Exchange System;
  - d) the institution and its counterpart of the operation shall settle the transactions in Foreign Exchange System;
  - e) the transaction recorded by the institution and not confirmed by the counterpart institution within the time specified in paragraph "b" is blocked by the system; the reactivation of registration in the Foreign Exchange System shall be done by the institution of the operation.
22. The record in the Foreign Exchange System Operation of a buying or selling interbank operation of foreign currencies is made under unique identifier.

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SECTION : 2 - (Revoked) Circular No. 3591/2012

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SECTION : 3 - Operations with Institutions Abroad

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1. Financial institutions and other institutions authorized to operate in the country by the Central Bank of Brazil, authorized to operate in the foreign exchange market, may conduct operations with financial institutions abroad, provided that the financial relation with the institution abroad is made exclusively through a bank authorized to operate in the foreign exchange market.
2. Purchase and sale of foreign currency by arbitrage shall be recorded in the Foreign Exchange System attributing to the purchased and sold currencies the same amount in domestic currency.
3. The parties to a foreign exchange operation must be identified, including the country and city of the party to the transaction.
4. Accounts of individuals who are resident, domiciled and headquartered abroad, held by financial institutions abroad may not be used for international transfer in Brazilian reais for the benefit of third parties.
5. (Revoked) Circular No. 3591/2012
6. The banks authorized to operate in the foreign exchange market, except the development banks, as well as the Caixa Econômica Federal can conduct operations of purchasing and selling of foreign currency with foreign bankers against banknotes of Brazilian reais received from or sent abroad, in compliance with the regulation in force, observed that:
  - a) mentioned the foreign exchange operations under this paragraph have specific operation nature code and shall be made in one sole branch of the institution authorized to operate in the foreign exchange market, previously reported to the Central Bank of Brazil in the Foreign Exchange System by the director responsible for operations related to foreign exchange market;
  - b) one copy of the declaration of entrance or declaration of exit of the resources in the country, provided in the form of regulations in force, must be on file in the dossier of the respective foreign exchange operation;
  - c) the previous receiving of CNPJ in the Secretary of the Federal Revenue of Brazil to foreign bank that is counterpart in the operation is mandatory;
  - d) to send banknotes abroad it is mandatory the use of new issued banknotes, observed that the banking institution responsible for the operation must keep the register and control of its serial numbers, while not issued new specific rule by the Currency Management Department of Central Bank of Brazil (Bacen/Mecir).
7. For the course of operations dealt with by this section the financial institutions and the other institutions authorized to operate by the Central Bank of Brazil, authorized to operate in the foreign exchange market, must know the procedures of prevention to money laundering adopted by the bank abroad, as operation counterpart, in order to comply with the recommendations of the Financial Action Group against Money Laundering (FATF) and certify it is not a institution that:
  - a) it is not present in the country where it is constituted and licensed to operate; and
  - b) it is not affiliated to any financial services group that is the subject of effective supervision.