



# BANCO CENTRAL DO BRASIL

## Operations

### 1. Trading Securities – Deposits For More Than 90 Days

#### 1.1. Examples

- 1.1.1. Outsourced management of international reserves;
- 1.1.2. Domestic government bonds – LFT; LTN; NTN;
- 1.1.3. Foreign government bonds – “Bradies”; “Globals”; “Samurai Bonds”, “Euros”;
- 1.1.4. International debt instruments – US Treasuries and others;
- 1.1.5. Deposits for more than 90 days – term deposits with foreign institutions;

#### 1.2. Transactions

- 1.2.1. Buying, selling and redemption of securities (outright transactions);
- 1.2.2. Repurchase agreements (repo, repo with reverse repo, reverse repo);
- 1.2.3. Daily appropriation of interest due, premiums, discounts, monetary correction, exchange rate adjustment;
- 1.2.4. Realization of gains and losses from buying and selling;
- 1.2.5. Fair value adjustment;
- 1.2.6. Interest received at coupon maturity;
- 1.2.7. Pairoff – purchase and sale of same security on same day with same counterparty;
- 1.2.8. Margin adjustment;
- 1.2.9. Guarantees received and refunded;
- 1.2.10. Expenses and receipts deriving from transactions with securities custodians;
- 1.2.11. Cash transfers between custodians abroad;
- 1.2.12. Provision for doubtful debts;
- 1.2.13. Split coupon bonds.

### 2. Own Securities.

#### 2.1. Examples

- 2.1.1. Central Bank Notes – NBC.

#### 2.2. Transactions

- 2.2.1. Buying, selling and redemption of securities (outright transactions);
- 2.2.2. Repurchase agreements (repo, repo with reverse repo, reverse repo);
- 2.2.3. Daily appropriation of interest due, premiums, discounts, monetary correction, exchange rate adjustment;
- 2.2.4. Realization of gains and losses from buying and selling;
- 2.2.5. Interest paid at coupon maturity;
- 2.2.6. Split coupon bonds.



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## 3. Derivatives

### 3.1. Examples

- 3.1.1. Swaps – contracts registered with organized exchanges;
  - (a) Daily settlement;
  - (b) Settlement at maturity;
- 3.1.2. Futures – foreign market: contracts registered with organized exchanges in international trading of debt instruments, gold, currencies, interest rates;
- 3.1.3. Forwards – domestic market: domestic government bonds, dollars; foreign market: buying and selling of foreign currencies.
- 3.1.4. Options – put options on Brazilian government bonds.

### 3.2. Transactions

#### 3.2.1. Swaps

- 3.2.1.1. Sell long position;
- 3.2.1.2. Sell short position;
- 3.2.1.3. Margin adjustment;
- 3.2.1.4. Fair value adjustment;
- 3.2.1.5. Guarantee:
  - (a) Constitution (or strengthening);
  - (b) Release.

#### 3.2.2. Futures (gold, currencies, interest rates, securities)

- 3.2.2.1. Contracting – buying and selling;
- 3.2.2.2. Initial margin requirement:
  - (a) Cash;
  - (b) Securities;
- 3.2.2.3. Daily adjustments – payments made/received:
  - (a) Margin;
  - (b) Cash;
- 3.2.2.4. Return on margin;
- 3.2.2.5. Accessory expenses (commissions and fees);
- 3.2.2.6. Settlement:
  - (a) Maturity;
  - (b) Reversal;
- 3.2.2.7. Margin call;
- 3.2.2.8. Physical settlement (securities);
- 3.2.2.9. Exchange rate adjustment;



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- 3.2.2.10. Fair value adjustment.
- 3.2.3. Forwards (gold, foreign currency on domestic market)
  - 3.2.3.1. Contracting – buying and selling;
  - 3.2.3.2. Appropriation of fees;
  - 3.2.3.3. Exchange rate adjustment;
  - 3.2.3.4. Settlement;
  - 3.2.3.5. Fair value adjustment;
  - 3.2.3.6. Matched deals.
- 3.2.4. Options
  - 3.2.4.1. Options written – premium received;
  - 3.2.4.2. Exercise;
  - 3.2.4.3. Non-exercise;
  - 3.2.4.4. Adjustments.

## **4. Financial Investments**

### 4.1. Examples

- 4.1.1. Cash and cash equivalents;
- 4.1.2. Very short-term deposits;
- 4.1.3. Term deposits up to 90 days.

### 4.2. Transactions

- 4.2.1. Constitution (investment);
- 4.2.2. Appropriation of fees;
- 4.2.3. Settlement
- 4.2.4. Loan loss allowance;
- 4.2.5. Buying and selling of currencies:
  - (a) Domestic market;
  - (b) Foreign market;
- 4.2.6. Exchange rate adjustment.

## **5. Gold & Other Metals (domestic/international standard; unrefined; non-standard)**

### 5.1. Examples

- 5.1.1. Gold
- 5.1.2. Silver, palladium, platinum.

### 5.2. Transactions

- 5.2.1. Buying and selling;
- 5.2.2. Valuing;



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- 5.2.3. Museum display;
- 5.2.4. Gold deposits;
- 5.2.5. Appropriation of fees.

## 6. Lending

### 6.1. Examples

- 6.1.1. Reciprocal Lending Agreement (Convênio de Créditos Recíprocos, CCR) – multilateral trade agreement between BCB & central banks of Latin American countries;
- 6.1.2. Wage Variation Compensation Fund (Fundo de Compensação de Variações Salariais, FCVS) – loan to Federal Government, not yet securitized;
- 6.1.3. Institutions being liquidated – operations involving financial institutions under special regimes: intervention, extrajudicial liquidation, temporary special administration;
- 6.1.4. Centrus pension fund – refunds of employer contributions due to change in law (BCB employees included in Single Legal Regime);
- 6.1.5. Promissory notes & mortgage bonds;
- 6.1.6. Rediscounting;
- 6.1.7. Monetary penalties applied.

### 6.2. Transactions

- 6.2.1. Release of funds (original loan);
- 6.2.2. Credit purchase (non-original loan);
- 6.2.3. Guarantees;
- 6.2.4. Fees – registration;
- 6.2.5. Repayment/Chargeoff;
  - (a) Full receipt;
  - (b) Certainty of non-receipt;
- 6.2.6. Guarantee release;
- 6.2.7. Loan loss allowance;
- 6.2.8. Fair value adjustment.

## 7. Fixture and Fittings / Real State Assets & Investments

### 7.1. Examples

- 7.1.1. Real estate not in use;
- 7.1.2. Real estate in use;
- 7.1.3. Shares in International Financial Institutions – payment of shares in the equity of BIS and IMF;
- 7.1.4. Furniture & utensils – includes library, art works;



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7.1.5. Museum collection – coins, bills, gold bars/nuggets etc.

## 7.2. Transactions

7.2.1. Inclusion:

- (a) Paid-up capital;
- (b) Purchase
- (c) Donation;
- (d) Accord and satisfaction;

7.2.2. Disposal (sales, donation);

7.2.3. Depreciation;

7.2.4. Revaluation;

7.2.5. Construction, remodeling;

7.2.6. Receipt of dividends (BIS);

7.2.7. Exchange rate adjustment.

## 8. **Leasing**

### 8.1. Examples

8.1.1. Financial leasing;

8.1.2. Operational leasing.

### 8.2. Transactions

8.2.1. Financial leasing:

8.2.1.1. Initial booking of lease;

8.2.1.2. Downpayment;

8.2.1.3. Depreciation;

8.2.1.4. Appropriation of interest;

8.2.1.5. Reclassification of liabilities (circulating/non-circulating);

8.2.1.6. Bargain purchase option, guaranteed residual value.

8.2.2. Operational leasing:

8.2.2.1. Rent expense.

## 9. **Employee Benefits**

### 9.1. Examples

9.1.1. Centrus pension;

9.1.2. RJU pension;

9.1.3. Health & hospital care (Faspe);



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9.1.4. Paid leave.

## 9.2. Transactions

- 9.2.1. Cost of past service;
- 9.2.2. Cost of current service;
- 9.2.3. Actuarial gains & losses;
- 9.2.4. Benefits paid out;
- 9.2.5. Contributions & other receipts;
- 9.2.6. Return on assets;
- 9.2.7. Updating of liabilities.

## 10. **Result**

### 10.1. Examples

- 10.1.1. Contingency reserve;
- 10.1.2. Loans payable and receivable, National Treasury.

### 10.2. Transactions

- 10.2.1. Computation;
- 10.2.2. Constitution of reserves;
- 10.2.3. Reversal of reserves;
- 10.2.4. Transfer & coverage of result;
- 10.2.5. Return.

## 11. **Allowances, Contingent Assets/Liabilities**

### 11.1. Examples

- 11.1.1. Litigation;
- 11.1.2. Judicial deposit – constitution of deposits by BCB when seeking judicial review.

### 11.2. Transactions

- 11.2.1. Constitution;
- 11.2.2. Strengthening;
- 11.2.3. Reversal;
- 11.2.4. Utilization.

## 12. **Deposits**

### 12.1. Examples

- 12.1.1. International Financial Institutions – deposits of cash and cash equivalents from IFIs of which Brazil is a member, for operations in domestic and foreign markets;
- 12.1.2. Financial institutions – bank reserves, reserve requirements;



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12.1.3. National Treasury – deposits of cash and cash equivalents by Federal Government with BCB, as determined by the Constitution (single account);

12.1.4. Blocked deposits for trading guarantees.

### **12.2. Transactions**

12.2.1. Constitution:

- (a) Cash;
- (b) Securities – blocked.

12.2.2. Appropriation of fees:

- (a) Positive;
- (b) Negative;

12.2.3. Interest paid;

12.2.4. Release of deposits;

12.2.5. Exchange rate adjustment;

12.2.6. Investment – extramarket:

- (a) International Financial Institutions financial organizations;
- (b) Financial institutions being liquidated.

## **13. Loans Payable**

### **13.1. Examples**

13.1.1. External debt – Brazilian financing plan (remaining Paris Club & MYDFA deposits);

13.1.2. IMF;

13.1.3. World Bank (Proat);

13.1.4. Centrus – obligation deriving from BCB's supplementation of CLT employee pensions;

### **13.2. Transactions**

13.2.1. Booking of loan;

13.2.2. Appropriation of interest payable;

13.2.3. Payment of principal;

13.2.4. Payment of interest;

13.2.5. Purchase of DES;

13.2.6. Exchange rate adjustment.