



BANCO CENTRAL DO BRASIL

RESOLUTION 3,988 OF JUNE 30, 2011

Provides for the implementation of a capital management framework.

The Central Bank of Brazil, pursuant to Article 9 of Law 4,595 of December 31, 1964 publicly announces that the National Monetary Council, in a meeting held on June 30, 2011, based on arts. 4, item VIII, of the referred Law, paragraph 2, item VI, paragraphs 8 and 9 of Law 4,728 of July 14, 1965 and paragraph 20 of Law 4,864 of November 29, 1965, in Law 6,099 of September 12, 1974 with the changes introduced by Law 7,132 of October 26, 1983 in Law 10,193 of February 14, 2001, with the alterations introduced by Law 11,524 of September 24, 2007, and in art. 6 of Decree-Law 759 of August 12, 1969.

D E C I D E D:

Art. 1. The financial institutions and other institutions licensed by the Central Bank of Brazil, which are required to calculate the Required Regulatory Capital (PRE) as established in the heading of art. 2 of Resolution 3,490 of August 29, 2007 must implement a capital management framework commensurate with the nature of their operations, the complexity of their products and services, and the dimension of their risk exposure.

Sole paragraph. The provisions in this Resolution do not apply to consortium companies, which will follow the rules issued by the Central Bank of Brazil in the exercise of its legal competence.

Art. 2. For the purposes of this Resolution, capital management is defined as the continuous process of:

I – monitoring and controlling the capital held by the institution;

II – evaluating the capital necessary to face the risks that the institution is subjected to; and

III – planning of capital target and necessity, considering the strategic objectives of the institution.

Sole paragraph. In the management of its capital the institution must embrace a prospective behavior, forecasting capital needs due to possible changes in market conditions.

Scope

Art. 3. The capital management framework must comprise all institutions in a financial conglomerate, according to the Accounting Plan for Financial Institutions (Cosif).



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Sole paragraph. The capital management framework must also consider possible impacts in the capital of the financial conglomerate arising from risks related to other companies of the economic-financial conglomerate, as defined in Resolution 2,723 of May 31, 2000.

Capital management structure

Art. 4. The capital management framework must prescribe, at least:

I – mechanisms which enable the identification and evaluation of the relevant risks faced by the institution, including those not covered by PRE;

II – clearly documented policies and strategies for capital management, establishing mechanisms and procedures aimed at maintaining the capital compatible with the risks faced by the institution;

III – capital plan comprising a minimum three-year horizon;

IV – stress testing and the assessment of its impacts on capital;

V – periodic reports to the senior management and the board on capital adequacy;
and

VI – Internal Capital Adequacy Assessment Process (Icaap).

Capital plan

Art. 5. The capital plan, mentioned in item III of art. 4, must be consistent with strategic planning and prescribe, at least:

I – a capital target and capital projections;

II – main capital sources of the institution; and

III – a capital contingency plan.

Sole paragraph. In elaborating the capital plan, the following aspects, at least, must be taken into account:

I – threats and opportunities related to the economic and business environment;

II – projections of values for assets and liabilities, as well as for incomes and expenses;

III – growth or market participation targets; and

IV – dividend policy.

Icaap



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Art. 6. The Icaap, mentioned in item VI of art. 4, must be implemented by the institutions which:

I – have total assets over R\$100,000,000,000.00 (one hundred billion reais);

II – have been authorized to use internal models of market risk, credit risk or operational risk; or

III – are part of a financial conglomerate, in the scope of the Accounting Plan for Financial Institutions (Cosif), with total assets over R\$100,000,000,000.00 (one hundred billion reais) and composed of at least one multiple bank, commercial bank, investment bank, development bank, exchange bank or savings bank.

Paragraph 1. Cooperative banks, credit unions, savings and loans associations, mortgage companies, fostering agencies, brokerage houses, exchange houses, brokerage dealerships, leasing companies, small- and micro-credit institutions, credit, financing and investment companies, real estate credit companies, as well as other institutions not listed in items I to III, are not required to implement the Icaap.

Paragraph 2. The Central Bank of Brazil will establish the procedures and parameters for the Icaap.

Transparency

Art. 7. A description of the capital management framework must be available in a report accessible to the public, at least annually.

Paragraph 1. The board, when such an instance is in place, or the senior management must include in the report mentioned in the heading its responsibility for the released information.

Paragraph 2. The institutions mentioned in art. 1 must disclose, in their financial statements, a summary description of their capital management framework indicating the location of the report mentioned in the heading.

Paragraph 3. The institutions subject to Circular 3,477 of December 24, 2009, must provide the report mentioned in the heading together with the information published according to the mentioned circular.

Governance

Art. 8. The policies and strategies for capital management mentioned in item II of art. 4, as well as the capital plan mentioned in art. 5, must be approved and reviewed, at least once a year, by the senior management and the board, when such an instance is in place, in order to determine its compatibility with the institution's strategic planning and with market conditions.



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Sole paragraph. The senior management and the board, when such an instance is in place, must possess a broad and integrated comprehension of the risks that may impact capital.

Art. 9. The constitution of a single unit is admissible, which shall be responsible for:

I – capital management of a financial conglomerate and its member institutions;
and

II – assessing possible impacts in capital arising from risks associated to non-financial companies belonging to the economic-financial conglomerate.

Sole paragraph. The constitution of a single unit responsible for capital management in a credit cooperative system is admissible, as long as it is located in an entity member of the system and supervised by the Central Bank of Brazil.

Art. 10. The institutions mentioned in art. 1 must appoint a director responsible for the processes and controls regarding the capital management framework.

Paragraph 1. For the purpose of the responsibilities established in the heading, the appointed director may perform other functions in the institution, except for those related to the management of third party's funds.

Paragraph 2. For institutions in a conglomerate that have opted for a single capital management unit according to art. 9, only the institution in which the unit is located must appoint a director responsible.

Art. 11. The capital management process must be periodically evaluated by the internal audit.

Final provisions

Art. 12. The capital management framework must be implemented by June 30, 2013 subject to the following timetable:

I – up to January 31, 2012: appointment of the responsible director and definition of the organizational framework in charge of implementing the capital management;

II – up to June 30, 2012: definition of the institutional policies, processes, procedures and systems necessary for effective implementation;

III – up to December 31, 2012: effective implementation of the capital management framework, except for the Icaap, mentioned in item VI of art. 4; and

IV – up to June 30, 2013: effective implementation of Icaap, mentioned in item VI of art. 4, observing the established in art. 6.



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Sole paragraph. The definitions mentioned in items I and II of the heading must be approved by the board of directors of the institutions mentioned in art. 1.

Art. 13. In case the assessment of the necessary capital by the financial institution indicates a value higher than the PRE, the institution must maintain capital compatible with the results of its internal evaluations.

Art. 14. This resolution shall enter into force on the date of its publication.

Brasília, June 30, 2011.

Alexandre Antonio Tombini
Governor of the Central Bank of Brazil