



# BANCO CENTRAL DO BRASIL

## CIRCULAR 3,354

Establishes minimum criteria for the inclusion of operations in the trading book, according to the terms of Resolution 3,464 of June 26, 2007.

The Board of Directors of the Central Bank of Brazil, based on the provisions of arts.10, subsection IX, as renumbered by Law 7,730 of January 31, 1989, and 11, sub-item VII, of Law 4,595 of December 31, 1964, and in view of the provisions of art. 5, paragraph 2 of Resolution 3,464 of June 26, 2007,

### DECIDED:

Art. 1. The financial institutions and other institutions licensed by the Central Bank of Brazil must observe a minimum criteria in determining the operations to be included in the trading book, mentioned in Resolution 3,464, of June 26, 2007.

Sole paragraph. The provision in the heading does not apply to credit unions that calculate the minimum requirements for Regulatory Capital (PR), Tier 1 and Common Equity Tier 1 as established by Resolution 4,194 of March 1, 2013. [\(Included from October 1, 2013 by Circular 3,642 of March 4, 2013.\)](#)

Art. 2. For the purposes of including operations in the trading book, a trading intent must be proved based on:

I – clearly documented trading and hedging strategies;

II – clearly defined policies and procedures for active management, including the monitoring of stale positions in the trading book, that ensure, at least, that:

a) operational limits apply and compliance with such limits is daily monitored by a risk control unit which is independent of the trading unit;

b) established operational limits are reassessed by the board of directors;

c) positions are market to market at least daily; and

d) the account of the operations is reported to the director in charge of market risk management as an integral part of the risk management process.

Art. 3 The policy for determining the operations to be included in the trading book, mentioned in art. 5 of Resolution 3,464 of 2007 must provide:

I - the definition of the trading book to be adopted by the institution and its offshore branches, including a clear description of the operations to be classified as trading activities, as well as the criteria used to identify hedges;



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II – the market value valuation methodology to be adopted for financial instruments classified in the trading book, including the basis of prices and rates, which must be obtained from independent external sources, as well as the treatment of less liquid instruments;

III – the circumstances under which an operation may be transferred to the banking book, and the controls designed to ensure that there are no inappropriate transfers;

IV – procedures to be adopted in case of low liquidity of an operation or its hedge.

Art. 4. The procedures to ensure that the criteria for including operations in the trading book are observed in a consistent manner must comprise:

I – identification of the person responsible for monitoring compliance with the policy for including the operations in the trading book;

II – frequency and methodology for verifying compliance with the policy for determination of operations to be included in the trading book;

III – controls to ensure a continuous appropriateness of the policy for inclusion in the trading book;

IV – controls that monitor the turnover of positions in the trading book.

Art. 5. The institutions mentioned in art. 1 must maintain documentation demonstrating the consistency of criteria for including operations in the trading book.

Sole paragraph. In case of nonexistence of positions in the trading book, the documentation mentioned in the heading must include corroboration of the consistency of the criteria adopted.

Art. 6. The policy for including positions in the trading book must be revised periodically.

Art. 7. The institutions mentioned in art. 1 must make available to the Central Bank of Brazil reports that clearly and objectively demonstrate the procedures specified in this circular.

Sole paragraph. Should improprieties or inconsistencies be found in the process of including operations in the books, the Central Bank of Brazil may at any time require the reassigning of positions between the trading and banking books, as well as adjustments in the policy referred to in art. 3.

Art. 8 This circular shall enter into force on the date of its publication, and the institutions mentioned in art. 1 must comply with its provisions as soon as the market risk management framework established by Resolution 3,464, of June 26, 2007, has been implemented.

Brasília, June 27, 2007.



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Alexandre Antonio Tombini  
Director