BANCO CENTRAL DO BRASIL

RESOLUTION 4,192 OF MARCH 1, 2013

Provides the methodology for the calculation of Regulatory Capital (Patrimônio de Referência - PR).

The Central Bank of Brazil, pursuant to art. 9 of Law 4,595 of December 31, 1964, hereby announces that the National Monetary Council, in a special meeting held on March 1, 2013, based on art. 4, sections VIII and XI of said Law, 20, paragraph 1, of Law 4,864 of November 29, 1965, Law 6,099 of September 12, 1974, and on arts. 1 and 12 of Complementary Law 130 of April 17, 2009

R E S O L V E S :

TITLE I
PRELIMINARY PROVISIONS

CHAPTER I
ON OBJECT AND SCOPE OF APPLICATION

Art. 1. This Resolution establishes the methodology for the calculation of Regulatory Capital (Patrimônio de Referência - PR), which must be assessed by financial institutions and other institutions licensed by the Central Bank of Brazil, with the exception of small- and micro-credit institutions.

CHAPTER II
ON DEFINITIONS

Art. 2. The PR consists of the sum of Tier 1 and Tier 2.

Paragraph 1. Tier 1 consists of the sum of Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1).

Paragraph 2. For the calculation of the PR value, the following definitions apply:

I - subsidiary is an entity in the conglomerate, other than the leading institution; and

II - minority interest (i.e. non-controlling interest) is the portion of the capital of the subsidiary that is not held, directly or indirectly:

a) by the leading institution of the conglomerate; or

b) by the controller, when the subsidiary is also an institution licensed by the Central Bank of Brazil.

TITLE II
ON PR CALCULATION

CHAPTER I
ON CONSOLIDATED PR

Art. 3. The calculation of PR must be performed in a consolidated basis for the institutions in the same conglomerate, according to the following schedule:

I - until December 31, 2014, the calculation applies to institutions in financial conglomerates as defined in the Accounting Plan for Financial Institutions (Cosif); and

II - from January 1, 2015, the calculation applies to institutions in prudential conglomerates, as defined in Cosif.

CHAPTER II
ON TIER 1 CALCULATION

Section I
On CET1 Calculation

Art. 4. CET1 is calculated considering:

I - the sum of the values of:

a) non-redeemable common shares with non-cumulative dividends (or the equivalent for non-joint stock companies);

b) capital reserves, revaluation reserves and other disclosed reserves;

c) unrealized gains due to adjustments to equity valuation, except as stated sub-item "g".

d) retained earnings;

e) amount of revenue in income statement accounts;

f) balance of escrow account aimed at offsetting a shortfall of capital, as instituted by art. 6 of Resolution 4,019 of September 29, 2011; and

g) positive value of the cash flow hedge reserve; and

II - the deduction of the values of:

a) unrealized losses due to adjustment to equity valuation, except as stated in sub-item "e".

b) own shares and other CET1 instruments purchased directly, indirectly or synthetically, including through:

1. quotas of investment fund, proportional to their participation in the portfolio of the fund;

2. controlled entity deemed equivalent to a financial institution or controlled non-financial entity; or

3. operations with derivatives, including index derivatives;

c) accumulated losses;

d) amount of expenses registered in income statement accounts;

e) negative value of the cash flow hedge reserve; and

f) regulatory adjustments listed in art. 5.

Paragraph 1. The common shares mentioned in item I of the heading, sub-item "a" do not include increase in equity in process of being authorized for the institutions mentioned in art. 1, with the exception of capital increases due to the incorporation of reserves, surpluses or retained earnings.

Paragraph 2. For the calculation of the values corresponding to sub-items "g" in item I and "e" in item II of the heading, the value of cash flow hedge reserve used to hedge the cash flow of protected items must be disregarded in case these items' adjustements are not registered in the balance sheet.

Paragraph 3. CET 1 does not include:

I - funds raised but not paid up;

II - shares for which the institution has created, during their issuance, the expectation of redemption, repayment, amortisation, repurchase or cancellation;

III - shares that had their purchase financed, directly or indirectly, by the issuing institution or any entity of the conglomerate; and

IV - saving deposits in savings and loan associations.

Art. 5. The regulatory adjustments mentioned in art. 4, item II, sub-item "f", refer to the following equity elements:

I - goodwill on investment, net of deferred tax liabilities;

II - intangible assets acquired from the date this Resolution enters into force;

III - defined benefit pension funds assets net of deferred tax liabilities associated to them, to which the financial institution has no unrestricted access;

IV - amount of investments that both exceeds 10% (ten percent) of the value calculated according to art. 4, disregarding the deductions related to the equity elements mentioned in this item and in items V and VII of this article, and:

a) is direct or indirect, representing under 10% (ten percent) of the equity of non-consolidated entities deemed equivalent to financial institutions, as well as of insurance companies, reinsurers, capitalization companies and open-ended pension funds;

b) represents under 10% (ten percent) of CET1 of institutions authorized by Central Bank of Brazil or of institutions located overseas deemed equivalent to financial institutions in Brazil, considering CET1 instruments of an institution outside the scope of regulatory consolidation, according to art. 8;

V - direct or indirect investments above 10% (ten percent) of the capital of non-consolidated entities deemed equivalent to financial institutions and of insurance companies, reinsurers, capitalization companies and open-ended pension funds;

VI - minority interest, according to art. 9, paragraph 1, of this Resolution, in:

a) subsidiaries licensed by the Central Bank of Brazil; and

b) foreign subsidiaries deemed equivalent to financial institutions in Brazil.

VII - deferred tax assets (DTAs) arising from the temporary differences that rely on future taxable income for their realisation;

VIII - DTAs arising from operating losses and from a negative basis of the Social Levy on Net Profit (CSLL), as well as those DTAs originating from this levying relative to the periods of calculation finished by December 31, 2008, according to art. 8 of Provisional Measure 2,158-35 of August 24, 2001;

IX - deferred fixed assets;

X - investments above 10% (ten percent) of the CET1 of entities licensed by the Central Bank of Brazil or of institutions located overseas deemed equivalent to financial institutions in Brazil, in consideringCET1 instruments of an institution outside the scope of regulatory consolidation, according to art. 8;

XI - investment in a branch, a financial institution that is controlled overseas or a non-financial entity that is part of the conglomerate, to which the Central Bank of Brazil has no access to information, data or documents deemed sufficient for a consolidated global supervision;

XII - shortfall of the amount of provisions with regard to expected losses under the internal rating based approach for credit risk (IRB approach); and

XIII (Revoked by Resolution nº 4,278 of October 31, 2013.)

XIV - participation of non-controllers in the capital of:

a) subsidiaries not licensed by the Central Bank of Brazil; and

b) subsidiaries located overseas and not deemed equivalent to financial institutions in Brazil;

XV - shortfall of the amount of provisions with regard to the adjustments due to the assessment mentioned in Resolution nº 4,277 of October 31, 2013.

Paragraph 1. Intangible assets that were acquired before the date this Resolution enters into force and are not fully amortized until December 31, 2017, must be deducted from CET1 from January 1, 2018 onwards.

Paragraph 2. The values related to the equity elements mentioned in items V, VII and X of the heading are not to be deducted from CET1 if they represent:

I - individually, up to 10% (ten percent) of the value calculated in art. 4, not considering the deduction of the values related to the equity assets mentioned in items V, VII and X of the heading, and the deduction of the values originated in the treatment specified in this paragraph; and

II - in an aggregate, up to 15% (fifteen percent) of CET1, considering the deduction of the values related to all the equity assets mentioned in the heading.

Paragraph 3. For the calculation of the value related to the equity element mentioned in item VII of the heading, the value of DTAs arising from temporary differences may be deducted from the value of deferred tax liabilities (DTLs) in the same entity or in other entities in the same conglomerate, except for the DTLs related to:

I - goodwill on investments on the basis of expected future profitability; and

II – assets related to defined-benefit pension funds.

Paragraph 4. For the calculation of the values related to the equity element mentioned in item VIII of the heading, the total balance of DTAs arising from tax losses and DTAs arising

from a negative base for the CSLL may be deducted from the existing balance of DTLs that remains after the treatment mentioned in paragraph 3.

Paragraph 5. In the calculation of the values related to the equity elements mentioned in items VII and VIII of the heading, only the positive value of DTAs that remains after the deductions mentioned in paragraphs 3 and 4 should be considered.

Paragraph 6. At the discretion of the Central Bank of Brazil, the value related to the equity element mentioned in item XI of the heading may be substituted with a specific value, limited to the sum of total assets and off-balance exposures of the subsidiary located overseas that is not licensed by the Central Bank of Brazil.

Paragraph 7. For the calculation of the values related to the equity elements mentioned in items IV and V of the heading, the following entities are deemed equivalent to financial institutions:

I - consortium companies;

II - payment institutions;

III - companies that acquire credit operations, including real estate financing, such as factoring companies, securitization companies and special purpose entities;

IV - (Revoked by Resolution nº 4,278 of October 31, 2013.)

V - (Revoked by Resolution nº 4,278 of October 31, 2013.)

VI - other legal entities headquartered in Brazil whose exclusive purpose is holding equity of the entities mentioned in items I to IV.

Paragraph 8. The calculation mentioned in paragraphs 3 to 5 should take into account only deferred tax assets and existing deferred tax liabilities and should be performed by the relevant tax authority of each country in which the financial institution or member of the conglomerate entity has a subsidiary located overseas.

Paragraph 9. The capital mentioned in items IV and V of the heading refers to equity positions and to investments in any eligible capital instrument.

Paragraph 10. The prudential adjustments mentioned in the heading must not consider losses already deducted in the calculation of insufficient or supervenient depreciation in ongoing financial leasing operations.

Paragraph 11. The values of the prudential adjustments mentioned in items IV, V and X of the heading can be calculated based on the net position considering the institution’s long and short positions by instrument and by invested institution.

Paragraph 12. When calculating the net position mentioned in paragraph 11, the effective residual maturity of the short position must be:

I - equal to or greater than the long position; or

II - over one year.

Section II
On AT1 Calculation

Art. 6. AT1 is calculated considering:

I - the sum of the values of instruments that meet the requirements established in art. 17; and

II - the deduction of the values of:

a) capital instruments issued by an institution licensed by the Central Bank of Brazil or by an institution located overseas deemed equivalent to a financial institution in Brazil, which is not part of the conglomerate, according to art. 8; and

b) own shares and other CET1 instruments, purchased directly, indirectly or synthetically, including through:

1. quotas of investment fund, proportional to their participation in the portfolio of the fund;

2. controlled entity deemed equivalent to a financial institution or controlled non-financial entity; or

3. operations with derivatives, including index derivatives.

Paragraph 1. The values of the deduction mentioned in item II of the heading, sub-item "a", can be calculated based on the net position considering the institution's long and short positions by instrument and by invested institution.

Paragraph 2. When calculating the net position mentioned in paragraph 1, the effective residual maturity of the short position must be:

I - equal to or greater than the long position; or

II - over one year.

CHAPTER III
ON TIER 2 CALCULATION

Art. 7. Tier 2 is calculated considering:

I - the sum of the values of:

a) capital instruments that meet the requirements established in art. 20; and

b) surplus of the amount of provisions with respect to expected losses under the IRB approach; and

II - the deduction of the values of:

a) capital instruments issued by institutions licensed by the Brazilian Central Bank or by institutions located overseas deemed equivalent to financial institutions in Brazil, which are not part of the conglomerate, according to art. 8; and

b) own shares and other Tier 2 instruments purchased directly, indirectly or synthetically, including through:

1. quotas of investment fund, proportional to their participation in the portfolio of the fund;

2. controlled entity deemed equivalent to a financial institution or controlled non-financial entity; or

3. operations with derivatives, including index derivatives.

Paragraph 1. The values of the deduction mentioned in item II of the heading, sub-item "a", can be calculated based on the net position considering the institution's long and short positions by instrument and by invested institution.

Paragraph 2. When calculating the net position mentioned in paragraph 1, the effective residual maturity of the short position must be:

I - equal to or greater than the long position; or

II - over one year.

CHAPTER IV
ON THE DEDUCTION OF INVESTIMENT IN OTHER ENTITIES

Art. 8. The positive balance of the following instruments issued by institutions licensed by the Central Bank of Brazil or by institutions located overseas deemed equivalent to a financial institutions in Brazil must be deducted from CET1, AT1 or Tier 2:

I - shares;

II - quotas of partnership in private limited corporations;

III - quotas of partnership in credit unions; and

IV - other financial instruments authorized to be part of Tier 1 or Tier 2.

Paragraph 1. The balance mentioned in the heading must be deducted from the corresponding level of PR to which the instrument is eligible.

Paragraph 2. In case the value to be deducted according to paragraph 1exceeds the corresponding PR level, the remaining value must be deducted from:

I - AT1 and CET1, in this order, in case of instruments eligible to Tier 2; or

II - CET1, in case of instruments eligible to the AT1.

Paragraph 3. The deduction mentioned in the heading also applies to the following situations:

I - direct, indirect or synthetical purchase of the assets mentioned in the heading, through:

a) controlled entity deemed equivalent to financial institution or controlled non-financial entity;

b) operations with derivatives, including index derivatives;;

II - indirect participation of credit unions in a cooperative bank;

III - loans to third parties of resources specifically destined to increase the capital of an institution licensed by the Central Bank of Brazil, except for credit unions; and

IV - acquisition of instruments mentioned in the heading through quotas of investment fund, proportional to their participation in the portfolio of the fund.

Paragraph 4. The value of the participation of credit unions in the capital of central credit unions or credit unions confederations is exempted from deduction.

Paragraph 5. The deduction to be performed in CET1 must respect art. 5, regarding both the heading of its IV and its paragraph 2.

CHAPTER V
ON THE DEDUCTION OF PARTICIPATION OF NON-CONTROLLERS IN THE CAPITAL OF THE CONGLOMERATE

Art. 9. The minority interest in the capital of a subsidiary licensed by the Central Bank of Brazil or a foreign subsidiary deemed equivalent to a financial institution in Brazil that exceeds the minimum requirements of CET1, Tier 1 and PR for such subsidiary must be deducted from the conglomerate's CET1, Tier 1 and PR, respectively.

Paragraph 1. For CET1, the surplus mentioned in the heading is calculated using the following formula:

$K_{EXC\text{-}PC} = Max \{0; [(K_{SUB\text{-}PC} – RWA_{SUB} \times 0.07) \times PNC_{SUB\text{-}PC}]\}$, in which:

I - $K_{EXC\text{-}PC}$ = value of CET1 that exceeds the respective minimum requirement of the subsidiary;

II - $K_{SUB\text{-}PC}$ = CET1 of the subsidiary;

III - RWA_{SUB} = value of the risk-weighted assets of the conglomerate attributable to the subsidiary; and

IV - $PNC_{SUB\text{-}PC}$ = percentage of minority interest in the subsidiary's CET1 instruments.

Paragraph 2. For Tier 1, the surplus mentioned in the heading is calculated using the following formula:

$K_{EXC\text{-}TI} = Max \{0; [(K_{SUB\text{-}TI} – RWA_{SUB} \times 0.085) \times PNC_{SUB\text{-}TI}]\}$, in which:

I - $K_{EXC\text{-}TI}$ = value of Tier 1 that exceeds the respective minimum requirement of the subsidiary;

II - $K_{SUB\text{-}TI}$ = Tier 1 of the subsidiary;

III - RWA_{SUB} = value of the risk-weighted assets of the conglomerate attributable to the subsidiary; and

IV - $PNC_{SUB\text{-}TI}$ = percentage of minority interest in the subsidiary's Tier 1 instruments.

Paragraph 3. For the PR, the surplus mentioned in the heading is calculated using the following formula:

K_{EXC-PR} = Max {0; [(K_{SUB-PR} – RWA_{SUB} x 0.105) x PNC_{SUB-PR}]}, in which:

I - K_{EXC-PR} = value of the PR that exceeds the respective minimum requirement of the subsidiary;

II - K_{SUB-PR} = PR of the subsidiary;

III - RWA_{SUB} = value of the risk-weighted assets of the conglomerate attributable to the subsidiary; and

IV - PNC_{SUB-PR} = percentage of minority interest in the subsidiary's PR instruments.

Paragraph 4. For the purposes of the provision established in the heading, the entire value of the minority interest in CET1, Tier 1 and PR may be excluded.

Paragraph 5. Debt instruments issued until December 31, 2012 are not to be considered in the calculations mentioned in paragraphs 2 and 3.

CHAPTER VI
ON CONNECTED ACTIVE OPERATIONS

Art. 10. The resources handed or made available by third parties for the institutions mentioned in art. 1 for the purposes of connected active operations, according to Resolution 2,921 of January 17, 2002, are not eligible to the PR.

CHAPTER VII
ON THE SCHEDULE OF DEDUCTION OF REGULATORY ADJUSTMENTS

Art. 11. For the purposes of the calculation of CET1, Tier 1 and PR, the following factors shall be applied to the value of the deductions calculated according to art. 5, items I to VII and XIV, and art. 9, on each calculation date:

I - from October 1, 2013, 0% (zero percent);

II - from January 1, 2014, 20% (twenty percent);

III – from January 1, 2015, 40% (forty percent);

IV - from January 1, 2016, 60% (sixty percent);

V - from January 1, 2017, 80% (eighty percent); and

VI - from January 1, 2018, 100% (one hundred percent).

Art. 12. For the purpose of the calculation of CET1 until December 31, 2017, the deduction related to the regulatory adjustment mentioned in art. 5, item VIII, shall be made according to the following dispositions:

I - for the DTAs arising from operating losses related to financial leasings, the factors in art. 11 apply; and

II - for the other DTAs mentioned in art. 5, item VIII:

a) the factors mentioned in art. 11 apply for values equal or inferior to 10% (ten percent) of Tier 1, regardless of the regulatory adjustments; and

b) the factor of 100% (a hundred percent) applies, from October 1, 2013, to the value that exceeds 10% (ten percent) of Tier 1, regardless of the regulatory adjustments.

Sole paragraph. From January 1, 2018, the deduction related to the regulatory adjustment mentioned in the heading must be made in its entirety.

Art.13. For the purpose of the calculation of CET1, Tier 1 and PR, the deductions related to the regulatory adjustment mentioned in art. 5, items IX to XIII and XV, and the ones mentioned in art. 8, must be made in its entirety from the date this Resolution enters into force.

TITLE III
ON INSTRUMENTS ELIGIBLE TO THE REGULATORY CAPITAL

CHAPTER I
ON THE SUBORDINATION CORE

Art. 14. The agreement or document that supports the collection of funds through instruments eligible to the PR, except for capital shares, must contain a specific chapter called Subordination Core, composed of:

I - the clauses that allow verification of compliance with requirements for CET1, AT1 and Tier 2 mentioned in arts. 16, 17 and 20, respectively;

II - a clause establishing nullity and voidness of any other clause in the agreement or document which may jeopardize compliance with the requirements mentioned in arts. 16, 17 and 20;

III - a clause establishing that the addition, alteration or revocation of terms in the Subordination Core is dependent on the previous authorization of the Central Bank of Brazil; and

IV - an operation summary, containing the following information:

a) nature of the funding;

b) funding amount; and

c) structure of the outlay flow related to amortization and payments.

Sole paragraph. The addition, alteration or revocation of terms in the Subordination Core mentioned in the heading may only take place in the occurrence of business conditions, which, at the discretion of the Central Bank of Brazil, justify the institution's intent.

Art. 15. For fundings based in more than an agreement or document, the Subordination Core should contain the transcription of all the agreement clauses or accessory instruments that establish their subordination to the main instrument.

CHAPTER II
ON INSTRUMENTS ELIGIBLE TO CET1

Art. 16. The financial institutions not subjected to the procedures established in Law 6,024 of March 13, 1974, may include other instruments in CET1, provided that such instruments meet the following requirements:

I - their payment must be subordinated to the payment of other liabilities, in case of dissolution of the issuing institution;

II - their claim on the remaining assets in the process of dissolution, once item I is observed, must be proportional to the value issued;

III - the principal must be perpetual and be paid only in case of dissolution of the issuing institution or of a repurchase authorized by the Central Bank of Brazil;

IV - the agreement document must not contain clauses leading to an expectation of repurchase, redemption or cancelling;

V - their yield is variable in its entirety and may only be paid out of distributable profits and profit reserves in the last period of distribution calculation;

VI - mandatory payments may not be prescribed;

VII - preferential payments related to the other instruments authorized to compose the PR may not be established;

VIII - their immediate use in the compensation of losses incurred by the issuing institution must be prescribed when cumulated profits, profit reserve and capital reserves are exhausted;

IX - they must not be deemed a financial liability, in case of dissolution of the issuing institution;

X - they must be classified as equity according to international accounting standards;

XI - their purchase may not be financed directly or indirectly by the issuing institution;

XII - there must not be a bond, insurance or any other mechanism which forces or permits a payment or transfer of resources, directly or indirectly, form the issuing institution, entity in the conglomerate or controlled non-financial entity, to the owner of the instrument, in such a way as to impair the subordination condition expressed in this article;

XIII - their issuance is conditioned to the approval of the stockholders of the issuing institution, its management board, or other persons duly authorized by the stockholders; and

XIV - they must be clearly discriminated in the balance sheet of the issuing institution.

Paragraph 1. In addition to the mentioned requirements, the elements mentioned in the heading must also:

I - be paid in cash;

II - be redeemed or repurchased only by the issuing institution, conditioned to the authorization of the Central Bank of Brazil; and

III - be purchased by the Federal Government.

Paragraph 2. The instruments mentioned in the heading must be registered as liabilities of the issuing institution and reclassified as equity for the purpose of published financial statements.

Paragraph 3. Revoked by Resolution nº 4,278 of October 31, 2013.

CHAPTER III
ON INSTRUMENTS ELIGIBLE TO AT1

Art. 17. In order to be included in AT1, instruments must meet the following requirements:

I - be nominative, when issued in Brazil or overseas, if allowed by the local legislation;

II - be paid in cash;

III - be perpetual;

IV - have their payment subordinated to the payment of other liabilities of the institution, except for the elements included in CET1, in case of dissolution of the issuing institution;

V - prescribe the payment of yields only out of profits and distributable profit reserves in the last period of calculation;

VI - prescribe the suspension of the payment of the yields that exceed the resources available for this purpose;

VII - prescribe the suspension of the payment of the yields in the same proportion of the restriction imposed by the Central Bank of Brazil to the distribution of dividends or other results related to shares and quotas eligible to CET1;

VIII - prescribe the suspension of the payment of the yields in the same percentage of the retention of the value to be paid or distributed mentioned in art. 9, paragraph 4, of Resolution 4,193 of March 1, 2013, in case the issuing institution fails to meet the Capital Buffer or the payment leads to noncompliance with the minimum requirement of CET1, Tier 1 and PR;

IX - have its redemption or repurchase, even if performed indirectly by an entity in the conglomerate or by a non-financial controlled entity, conditioned to an authorization by the Central Bank of Brazil;

X - be callable only at the initiative of the issuer;

XI - there must not be guarantees, insurance or any other mechanism that forces or permits the payment or transfer of resources, directly or indirectly, from the issuing institution, entity in the conglomerate or controlled non-financial entity, to the owner of the instrument, in such a way as to impair the subordination condition expressed in this article;

XII - there must be no clauses that, directly or indirectly, alter the amount originally collected, including by agreements that force the issuance institution to compensate investors if a new instrument is issued with better yield conditions, except in the cases mentioned in art. 18 regarding repurchase or redemption;

XIII - there must be no clauses that allow for altering the yield conditions after the issuance of the instrument, including those related to the oscillation of the institution's creditworthiness;

XIV - not have their purchase financed directly or indirectly by the issuing institution;

XV - prescribe the extinction, permanent and with a minimum value equal to the balance computed in Tier 1, or, according to paragraphs 2 and 3 of this article, prescribe the conversion of the same value in common shares, eligible to CET1, of the issuing institution in the following situations:

a) the issuing institution divulges that its CET1 is inferior to 5.125% (five point one hundred twenty five percent) of its RWA, which is assessed as established in Resolution 4,193 of 2013;

b) a commitment is signed regarding a disbursement for the issuing institution in case the exception mentioned in the heading of art. 28 of Complementary Law 101 of May 4, 2000, takes place;

c) the Central Bank of Brasil decrees a temporary special management regime or an intervention in the issuing institution; or

d) the Central Bank of Brazil establishes the extinction or conversion mentioned in the heading of item XV, according to the criteria specified in rules issued by the National Monetary Council;

XVI - prescribe clauses establishing that the occurrence of the situations mentioned in items V, VI, VII, VIII, XV and XVIII must not be considered an event of default or other factor that entails an anticipation of obligations in any legal affair entered into by the issuing institution;

XVII - prescribe the extinction of yields not paid as stipulated in item V and of yields related to the period of suspension as stipulated in items VI, VII and VIII;

XVIII - prescribe clauses in which the termination or conversion referred to in item XV will not occur in the event of revision or republication of documents that have been used by the issuing institution as a basis for the disclosure of the ratio involving CET1 and RWA mentioned in item XV, sub-item "a".

Paragraph 1. In case of an overseas issuance, the instruments eligible to AT1 must include a clause according to which a jurisdiction that acknowledges the requirements for the instrument is appointed in the process of solving legal disputes.

Paragraph 2. The conversion mentioned in item XV must meet the following requirements:

I - the issuing institution has to provide all the internal authorizations necessary to issue both the instrument eligible to AT1 and the common shares to be used in the conversion, including the authorized capital mentioned in art. 168 of Law 6,404 of December 15, 1976, in a value sufficient to encompass the increase in capital resulting from the conversion;

II - the conversion into shares must occur before the effective inflow of the resources relative to the situation mentioned in sub-item "b" of item XV of the heading; and

III - in the conversion into common shares, a maximum amount of shares handed out to the investor must be established.

Paragraph 3. When requesting the authorization mentioned in art. 24, the issuing institution must undertake, in written form before the Central Bank of Brazil, the commitment to abide by the limit of authorized capital mentioned in art. 168 of Law 6,404 of December 15, 1976, necessary for a contingent conversion of the instruments into common shares, in the form of item XV of the heading and of item I of paragraph 2 of this article, during the period in which the credits represented by the instruments are extant.

Paragraph 4. The agreement containing clauses of conversion into common shares must prescribe the permanent extinction of the debt in case the investor waives the right to receive the resulting shares.

Paragraph 5. Item XIII does not allow the existence of clauses that increase or decrease the interest rate, stipulate additional amounts to be paid, or alter in any manner the instrument's yield.

Art. 18. The instruments eligible to AT1 may be issued with a call option by the issuer, provided that the following requirements are met:

I - there must be a minimum gap of five years between the date of issuance and the date of the first call;

II - the call must be conditioned to an authorization by the Central Bank of Brazil on the date of exercising; and

III - there must not be characteristics that lead to the expectation of exercising the call.

Paragraph 1. The authorization for repurchase or redemption of the instruments authorized to be part of AT1, mentioned in item II, may be granted if:

I - the issuing institution meets the minimum requirements of CET1, Tier 1 and PR, as well as the Capital Buffer as mentioned in Resolution 4,193, of 2013, and other operational limits;

II - exercising the call does not entail a non-compliance of requirements and limits or a shortage of Capital Buffer, as mentioned in item I of this paragraph;

III - the institution states to the Central Bank of Brazil its intent to exercise the call, if the conditions established in paragraphs 2 and 3 of this article are met.

Paragraph 2. The repurchase or redemption of instruments authorized to be part of AT1, even if made indirectly by an entity in the conglomerate or by a non-financial controlled entity, is only permitted in the following circumstances:

I - issuance of new instruments eligible to AT1, in an amount equal to the value of the instruments repurchased or redeemed, and in more favorable conditions; or

II - occurrence of business conditions that, at the discretion of the Central Bank of Brazil, justify the intent of the institution.

Paragraph 3. The values of instruments repurchased or redeemed, even if made indirectly by an entity in the conglomerate or by a non-financial controlled entity, may not be part of AT1, including when made through:

I - quotas of investment fund, proportional to their participation in the portfolio of the fund;

II – controlled entity deemed equivalent to a financial institution or controlled non-financial entity; or

III - operations with derivatives, including index derivatives.

Paragraph 4. The dates and conditions established for the repurchase or redemption of instruments authorized to be part of AT1 also apply to the cancellation of the agreement or document supporting the collection of funds.

Art. 19. The values related to the reselling of repurchased instruments, even when made indirectly by an entity of the conglomerate or a non-financial controlled entity, may once again be part of AT1 if announced to the Central Bank of Brazil.

CHAPTER IV
ON INSTRUMENTS ELIGIBLE TO TIER 2

Art. 20. In order to be part of Tier 2, instruments should meet the following requirements:

I - be nominative, when issued in Brazil or overseas, if allowed by the local legislation;

II - be paid in cash;

III - prescribe a minimum gap of five years between the date of issuance and the maturity date and preclude the payment of amortizations before this interval;

IV - have their payment subordinated to the payment of other liabilities of the institution, except for the elements included in CET1 and AT1, in case of dissolution of the issuing institution;

V - have their repurchase or early redemption, even if performed indirectly by an entity in the conglomerate or by a non-financial controlled entity, conditioned to an authorization by the Central Bank of Brazil;

VI - be redeemed only at the initiative of the issuer;

VII - there must not be guarantees, insurance or any other mechanism that forces or permits the payment or transfer of resources, directly or indirectly, from the issuing institution, entity in the conglomerate or controlled non-financial entity, to the owner of the instrument, in such a way as to impair the subordination condition expressed in this article;

VIII - there must be no clauses that allow for altering dates or yield conditions between issuance and maturity, including those related to the oscillation of the institution's creditworthiness;

IX - not have their purchase financed directly or indirectly by the issuing institution;

X - prescribe the extinction, permanent and with a minimum value equal to the balance computed in Tier 2, or, according to paragraphs 2 and 3 of this article, prescribe the conversion of the same value in common shares, eligible to the CET1, of the issuing institution in the following situations:

a) the issuing institution divulges that its CET1 is inferior to 4,5% (four point five percent) of its RWA, which is assessed as established in Resolution 4,193 of 2013;

b) a commitment is signed regarding a disbursement for the issuing institution in case the exception mentioned in the heading of art. 28 of Complementary Law 101 of May 4, 2000, takes place;

c) the Central Bank of Brasil decrees a temporary special management regime or an intervention in the issuing institution;

d) the Central Bank of Brazil establishes the extinction or conversion mentioned in the heading of item X, according to the criteria specified in rules issued by the National Monetary Council;

XI - prescribe clauses establishing that the occurrence of the situations mentioned in items X and XII must not be considered an event of default or other factor that entails an anticipation of obligations in any legal affair entered into by the issuing institution;

XII - prescribe clauses in which the termination or conversion referred to in item X will not occur in the event of revision or republication of documents that have been used by the issuing institution as a basis for the disclosure of the ratio involving CET1 and RWA mentioned in item X, sub-item "a".

Paragraph 1. In case of an overseas issuance, the instruments eligible to Tier 2 must include a clause according to which a jurisdiction that acknowledges the requirements for the instrument has to be appointed in the process of solving legal disputes.

Paragraph 2. The conversion mentioned in item X of the heading must meet the following requirements:

I - the issuing institution has to provide all the internal authorizations necessary to issue both the instrument eligible to Tier 2 and the shares to be used in the conversion, including the authorized capital mentioned in art. 168 of Law 6,404 of December 15, 1976, in a value sufficient to encompass the increase in capital resulting from the conversion;

II - the conversion into common shares must occur before the effective inflow of the resources relative to the situation mentioned in clause "b" of item X of the heading; and

III - in the conversion into common shares, a maximum amount of shares handed out to the investor must be established.

Paragraph 3. When requesting the authorization mentioned in art. 24, the issuing institution must undertake, in written form before the Central Bank of Brazil, the commitment to abide by the limit of authorized capital mentioned in art. 168 of Law 6,404 of December 15, 1976, necessary for a contingent conversion of the instruments into common shares, in the form of item XI of the heading and item I of paragraph 2 of this article, during the period in which the credits represented by the instruments are extant.

Paragraph 4. The agreement containing clauses of conversion into common shares must prescribe the permanent extinction of the debt in case the investor waives the right to receive the resulting shares.

Paragraph 5. Item VIII does not allow the existence of clauses that increase or decrease the interest rate, stipulate additional amounts to be paid, or alter in any manner the instrument's yield. (As amended by Resolution nº 4,278 of October 31, 2013.)

Art. 21. The instruments eligible to Tier 2 may be issued with a call option by the issuer, provided that the following requirements are met:

I – there must be a minimum gap of five years between the date of issuance and the date of the first call;

II - the call must be conditioned to an authorization by the Central Bank of Brazil on the date of exercising; and

III – there must not be characteristics that lead to the expectation of exercising the call.

Paragraph 1. The authorization for repurchase or redemption of the instruments authorized to be part of Tier 2, mentioned in item II, may be granted if:

I - the issuing institution meets the minimum requirements of CET1, Tier 1 and PR, as well as the Capital Buffer as mentioned in Resolution 4,193 of 2013, and other operational limits;

II - exercising the call does not entail a non-compliance of requirements and limits or a shortage of Capital Buffer, as mentioned in item I of this paragraph; and

III - the institution states to the Central Bank of Brazil its intent to exercise the call, if the conditions established in paragraphs 2 and 3 of this article are met.

Paragraph 2. The repurchase or redemption of instruments authorized to be part of AT1, even if made indirectly by an entity in the conglomerate or by a non-financial controlled entity, is only permitted in the following circumstances:

I - issuance of new instruments eligible to AT1, in an amount equal to the value of the instruments repurchased or redeemed and in more favorable conditions; or

II - occurrence of business conditions that, at the discretion of the Central Bank of Brazil, justify the intent of the institution.

Paragraph 3. The values of instruments repurchased or redeemed, even if made indirectly by an entity in the conglomerate or by a non-financial controlled entity, may not be part of Tier 2, including when made through:

I - quotas of investment fund, proportional to their participation in the portfolio of the fund;

II – controlled entity deemed equivalent to financial institution or controlled non-financial entity; or

III - operations with derivatives, including index derivatives.

Paragraph 4. The dates and conditions established for the repurchase or redemption of instruments authorized to be part of Tier 2 also apply to the cancellation of the agreement or document supporting the collection of funds.

Art. 22. The values related to the reselling of repurchased instruments, even when made indirectly by an entity of the conglomerate or a non-financial controlled entity, may once again be part of Tier 2 if announced to the Central Bank of Brazil and if the interval between the reselling date and the maturity date is greater than five years.

Art. 23. The Central Bank of Brazil may authorize the inclusion of resources collected according to Law 7,827 of September 27, 1989, to art. 10 of Law 7,998, of January 11, 1990, and to Law 8,036 of May 11, 1990, in Tier 2 of financial institutions that are not subject to the proceedings established in Law 6,024 of March 13, 1974.

Paragraph 1. In the resource collections referred to in the heading, the requirements established in art. 20 must be met and the provisions mentioned in item X of the heading of the same article and in its paragraphs 2 and 3 are waived.

Paragraph 2. The resources mentioned in the heading that were authorized to be part of the PR of the institutions mentioned in the heading of art. 1 before this Resolution enters into force are eligible up to their amortization.

CHAPTER V
ON THE AUTHORIZATION FOR CET1, AT1 AND TIER 2

Art. 24. The values effectively paid in related to capital and debt instruments, except for those mentioned in item I of art. 4, may only be part of CET1, Additional Tier 1 and Tier 2 if authorized by the Central Bank of Brazil.

Paragraph 1. For the purpose of the authorization mentioned in the heading, the Subordination Core mentioned in art. 14 must be submitted to the Central Bank of Brazil, which shall consider, among other elements, the payment structure and, for Tier 2, the maturity date.

Paragraph 2. In order to be authorized to be part of CET1, AT1 and Tier 2, the instruments must:

I - be issued by an institution licensed by the Central Bank of Brazil or by its overseas branch or subsidiary, in case the latter is not established as a special purpose entity, independently of its legal form;

II - have, at the moment of their issuance, a nominal unitary minimum face value of R$300,000.00 (three hundred thousand reais) or an equivalent value in foreign currency;

III - be registered in a system or a register and financial clearing authorized by the Central Bank of Brazil or by the Securities and Exchange Commission (CVM); and

IV - encompass, in their registration, the components of the Subordination Core mentioned in art. 14.

Paragraph 3. For instruments issued overseas, the authorization request referred to in this article must be accompanied by a juridical assessment, issued by a lawyer office licensed in the country whose legislation applies to the instrument, attesting the full adherence of the instruments' clauses to the referred legislation.

TITLE IV
ON THE LIMITS AND REDUCTIONS APPLIED TO PR

CHAPTER I
ON LIMITS

Art. 25. The adjusted value of CET1 is limited to 200% (two hundred percent) of the value of the share capital mentioned in art. 4, item I, sub-item "a".

Paragraph 1. In order to verify the compliance with the limit mentioned in the heading, the adjusted value of the CET1 must be equal to the value of the CET1, disregarding:

I - the sum of the values corresponding to sub-items "a", "e" and "f" of item I, art. 4; and

II - the deduction of the values corresponding to item II of art. 4.

Paragraph 2. The limit established in the heading does not apply to credit associations and to savings and loans associations.

Paragraph 3. An occasional excess to the limit established in the heading must be excluded from CET1 before the deduction of the regulatory adjustments mentioned in art. 5 takes place.

Art. 26. The inclusion, in Tier 2, of the surplus of provisions relative to the amount of expected losses assessed by the IRB approach is limited to a maximum equivalent to 0.6% (zero point six percent) of the value of the RWA_{CIRB} component mentioned in Resolution 4,193 of 2013.

CHAPTER II
ON THE FACTORS APPLIED TO DEBT INSTRUMENTS ELIGIBLE TO PR

Art. 27. The balances of capital or debt instruments that have a maturity date and are authorized to be part of Tier 2 must be multiplied by a reduction factor according to the following schedule:

I - 20% (twenty percent), from the sixtieth month to the forty-ninth month before the respective maturity date;

II - 40% (forty percent), from the forty-eighth month to the thirty-seventieth month before the respective maturity date;

III - 60% (sixty percent), from the thirty-sixth month to the twenty-fifth month before the respective maturity date;

IV - 80% (eighty percent), from the twenty-forth month to the thirteenth month before the respective maturity date; and

V - 100% (a hundred percent), from the twelfth month before the respective maturity date.

Art. 28. The instruments authorized to be part of the PR before this Resolution enters into force will have their balances acknowledged for the purposes of calculation of each of the levels of the PR according to the rules established in this Resolution, limited to the following maximum percentages of the authorized value for each level in December 31, 2012:

I - 90% (ninety percent), from October 1, 2013;

II - 80% (eighty percent), from January 1, 2014;

III - 70% (seventy percent), from January 1, 2015;

IV - 60% (sixty percent), from January 1, 2016;

V - 50% (fifty percent), from January 1, 2017;

VI - 40% (forty percent), from January 1, 2018;

VII - 30% (thirty percent), from January 1, 2019;

VIII - 20% (twenty percent), from January 1, 2020;

IX - 10% (ten percent), from January 1, 2021; and

X - 0% (zero percent), from January 1, 2022.

Paragraph 1. The instruments authorized to be part of Tier 1 before this Resolution enters into force must be part of AT1.

Paragraph 2. The instruments mentioned in the heading that meet the criteria defined in arts. 17 to 19 and the criteria defined in arts. 20 to 22 may be included in their entirety, respectively, in AT1 and Tier 2, subject to a new authorization by the Central Bank of Brazil.

Paragraph 3. During the period of analysis in the process of authorization mentioned in the paragraph 2 and given the adherence to the provisions in art. 25, the instruments mentioned in the heading shall not have their balances limited in the form defined in this article.

Paragraph 4. In the expected date of exercising the repurchase option, AT1 cannot include instruments that have been:

I - authorized to be part of Tier 1 before this Resolution enters into force; and

II - issued with a call option, combined with a clause that foresees changes in their financial costs in case the option is not exercised.

Art. 29. In the calculation of Tier 2, from October 1, 2013 onwards, the lesser value between the following should be considered:

I - the balance of instruments issued prior to December 31, 2012, after the percentages established in art. 28 are applied; and

II - the balance equal to the sum of instruments of debt issued before December 31, 2012, after the factors established in art. 27 are applied.

TITLE V
FINAL PROVISIONS

SOLE CHAPTER
ON REFERENCES, COMPETENCES AND REVOCATIONS

Art. 30. The mentions to the Adjusted Net Equity (PLA) in regulations published by the Central Bank of Brazil, related to operational limits, shall refer to the definition of PR established in this Resolution.

Sole paragraph. The provision mentioned in the heading does not apply to the minimum limits of realized capital and of net equity mentioned in the Attachment II to Resolution 2,099 of August 17, 1994.

Art. 31. The Central Bank of Brazil shall discipline the procedures to be observed for:

I - obtaining the authorizations mentioned in this Resolution;

II - divulging information related to the calculation of the PR; and

III - adhering to the provisions established in paragraph 2 of art. 16.

Sole paragraph. The provision of the heading does not apply to both the minimum limits of realized capital and the net equity mentioned in the Attachment II to Resolution 2,099 of 1994.

Art. 32. The Central Bank of Brazil may determine that the values relative to instruments authorized to be part of CET1, AT1 and Tier 2, according to arts. 16, 17 and 20, be disregarded for the calculation of PR, if the requirements and conditions established in this Resolution are not met.

Art. 33. Equity elements that meet the requirements established in arts. 14 to 16 may be part of Tier 1 subject to an authorization by the Central Bank of Brazil, to be granted according to art. 24.

Sole paragraph. The elements mentioned in the heading are not subject to the limit referred to in paragraph 2 of art. 12 of Resolution 3,444 of February 28, 2007.

Art. 34. This Resolution enters into force in October 1, 2013, except for art. 33, which enters into force on the date this Resolution is issued.

Art. 35. The following articles and Resolutions are revoked from October 1, 2013:

I - Resolutions 3,444 of February 28, 2007, 3,532 of January 31, 2008, and 3,655 of December 17, 2008;

II - arts. 2, 3 and 4 of Resolution 3,059 of December 20, 2002; and

III - art. 6 of Resolution 2,723 of May 31, 2000.

Alexandre Antonio Tombini
Governor of the Central Bank of Brazil