



BANCO CENTRAL DO BRASIL

RESOLUTION 4,401 OF FEBRUARY 27, 2015

Establishes the Liquidity Coverage Ratio (LCR) and conditions for compliance.

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 session held on February 27, 2015, based on art. 4, items VIII and XI of that Law,

R E S O L V E D:

Art. 1. This Resolution defines the Liquidity Coverage Ratio (LCR) and establishes its minima as well as the conditions for their fulfillment.

Art. 2. LCR is the ratio of the stock of High Quality Liquid Assets (HQLA) to the total net cash outflows expected over a period of thirty days.

Art. 3. The provisions in this Resolution apply to universal banks, commercial banks, investment banks, foreign exchange banks and savings banks that:

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

II - are part of a prudential conglomerate, under the terms of Resolution 4,280 of October 31, 2013, with total assets over R\$100,000,000,000.00 (one hundred billion reais).

Art. 4. Institutions that do not fit the criteria set out in art. 3 according to three consecutive semi-annual financial statements are exempted from compliance with LCR.

Sole paragraph. The Central Bank of Brazil, following the first period in which an institution ceases to satisfy one of the requirements set out in art. 3 and after assessing the particular circumstances involved in each case, may, at its sole discretion, exempt the institution from LCR compliance before the period established in the heading, if it judges that the institution will not fit those criteria again, at least not until the end of the following fiscal year.

Sole paragraph. Following the first period in which an institution ceases to meet the criteria set out in art. 3, the Central Bank of Brazil may exempt the said institution from compliance with LCR if a discretionary assessment of the circumstances involving each case indicates that such criteria are not expected to be met by the end of the following fiscal year.

Art. 5. In absence of financial stress, the institutions mentioned in art. 3 must comply with the following minima for LCR on a daily basis:

I - 60% (sixty percent), from October 1, 2015 to December 31, 2015;

II - 70% (seventy percent), from January 1, 2016 to December 31, 2016;



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III - 80% (eighty percent), from January 1, 2017 to December 31, 2017;

IV - 90% (ninety percent), from January 1, 2018 to December 31, 2018; and

V - 100% (one hundred percent), after January 1, 2019.

Paragraph 1. Institutions belonging to a prudential conglomerate must calculate LCR and comply with its minima on a consolidated basis.

Paragraph 2. An institution may present a value for LCR below the established minima during specific periods, according to an assessment of its liquidity needs and use of liquid assets.

Paragraph 3. Until December 31, 2016, LCR may be calculated on a monthly basis using data relative to the last business day of each month.

Art. 6. The institution that presents a value for LCR below the minima established in art. 5 during specific periods must inform to the Central Bank of Brazil:

I - the reasons why the LCR value fell below the minimum and whether this was caused by idiosyncratic or market conditions;

II - the extent to which each of the conditions mentioned in item I contributed to the fall of the LCR value below the minimum;

III - its liquidity contingency plan mentioned in art. 6, section V of Resolution 4,090 of May 24, 2012, detailing the availability of contingent funding sources; and

IV - a liquidity recovery plan, comprising a prediction of the period in which LCR will remain below the minimum, expected cash flows, measures adopted and to be adopted, and sources of funds intended to be used in order to comply with the LCR minimum.

Paragraph 1. As long as the LCR value remains below the established minimum, the institution must send a daily detailed report to the Central Bank of Brazil that allows monitoring the execution of the liquidity recovery plan.

Paragraph 2. The Central Bank of Brazil may require information in addition to that mentioned in this article.

Art. 7. The Central Bank of Brazil may determine, in the event of non-compliance with art. 5:

I - improvements in the liquidity risk management, according to Resolution 4,090 of 2012, in the liquidity contingency plan and in the liquidity recovery plan, mentioned, respectively, in sections III and IV of art. 6;

II - a reduction in the liquidity risk exposure, including, among other measures:



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- a) sale or exchange of assets and liabilities;
- b) change in the composition of funding and yield rates; or
- c) reduction in disbursements related to credit granting; and

III - restoration of the minimum level of LCR within a specified period.

Art. 8. The Central Bank of Brazil will establish the methodology for LCR calculation, as well as LCR disclosure requirements.

Art. 9. This Resolution enters into force on October 1, 2015.

Alexandre Antonio Tombini
Governor of the Central Bank of Brazil