RESOLUTION 4,553 OF JANUARY 30, 2017

Establishes the segmentation of financial institutions and other institutions licensed by the Central Bank of Brazil for the purposes of proportional implementation of prudential regulation.

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 meeting held on January 26, 2017, based on art. 3, item VI, and art. 4, items VIII e XI of the referred Law, and on art. 1, Paragraph 1, of Complementary Law 130 of April 17, 2009,

R E S O L V E D :

CHAPTER I
ON THE OBJECT AND SCOPE OF APPLICATION

Art. 1. This Resolution establishes the segmentation of financial institutions and other institutions licensed by the Central Bank of Brazil for the purposes of proportional implementation of the prudential regulation, considering the size and international activity of the institutions within each segment.

Sole paragraph. The proportional application of the prudential regulation shall consider the institution’s risk profile and the segment to which it is allocated.

CHAPTER II
ON SEGMENTS

Art. 2. The institutions referred to in art. 1 shall be allocated to one of the following segments:

I - Segment 1 (S1);

II - Segment 2 (S2);

III - Segment 3 (S3);

IV - Segment 4 (S4); or

V - Segment 5 (S5).

Paragraph 1. S1 comprises universal banks, commercial banks, investment banks, foreign exchange banks and federal savings banks that present either of the following characteristics:

I - size equal to or greater than 10% (ten percent) of the Gross Domestic Product (GDP) of Brazil; or

II - relevant international activity, regardless of the size of the institution.

Paragraph 2. S2 comprises:

I - universal banks, commercial banks, investment banks, foreign exchange banks and federal savings banks whose size is less than 10% and equal to or greater than 1% of GDP; and

II - other institutions whose size is equal to or greater than 1% of GDP.

Paragraph 3. S3 comprises institutions whose size is less than 1% and equal to or greater than 0.1% of GDP.

Paragraph 4. S4 comprises institutions whose size is less than 0.1% of GDP.

Paragraph 5. S5 includes:

I - institutions whose size is less than 0.1% of GDP and that use an optional simplified methodology to calculate the minimum requirements of regulatory capital (*Patrimônio de Referência* - PR), Tier 1 Capital and Core Capital, except for multiple banks, commercial banks, investment banks, foreign exchange banks and federal savings banks; and

II - institutions that are not required to calculate PR.

Paragraph 6. Institutions that are part of a prudential conglomerate according to the Accounting Plan of National Financial System Institutions (Cosif) are allocated to a segment in the terms of this article considering their consolidated information.

Paragraph 7. The allocation of an institution licensed after this Resolution comes into force shall consider the estimation of its size and the relevance of its international activity based on the information contained in the business plan submitted to the Central Bank of Brazil.

CHAPTER III
ON DEFINITIONS

Art. 3. For the purposes of this Resolution, the size is defined as the ratio between the Total Exposure of an institution and the GDP of Brazil.

Paragraph 1. For the purposes of the heading, the following concepts apply:

I - the Total Exposure Measure as defined in the methodology established by the Central Bank of Brazil; and

II - the nominal GDP of Brazil at market prices as published by the Brazilian Institute of Geography and Statistics (IBGE) for the period of four consecutive quarters ending in each reference date mentioned in art. 5.

Paragraph 2. An institution that is not required to calculate the Total Exposure shall use the Total Assets value calculated according to Cosif criteria.

Art. 4. For the purposes of this Resolution, the international activity is deemed relevant when the total consolidated foreign assets of an institution are equal to or greater than US$10,000,000,000.00 (ten billion United States dollars).

Sole paragraph. The total consolidated foreign assets referred to in the heading shall be calculated according to Cosif criteria and converted into United States dollars using the foreign exchange rate published by the Central Bank of Brazil for accounting purposes.

Art. 5. For the purposes of articles 3 and 4, the values to be considered refer to the reference dates of June 30 and December 31 of each year, calculated within 90 days of those dates, future revisions being precluded.

CHAPTER IV
ON CHANGE OF SEGMENT

Art. 6. The allocation to segments referred to in art. 2 shall change to:

I - S1, when the institution complies with the criteria set in art. 2, paragraph 1 for three consecutive semesters;

II - S2, when the institution complies with the criteria set in art. 2, paragraph 2 for:

a) three consecutive semesters, if originally allocated to S3, S4 or S5;

b) five consecutive semesters, if originally allocated to S1.

III - S3, when the institution complies with the criteria set in art. 2, paragraph 3 for:

a) three consecutive semesters, if originally allocated to S4 or S5;

b) five consecutive semesters, if originally allocated to S1 or S2.

IV - S4:

a) when the institution complies with the criteria set in art. 2, paragraph 4 for five consecutive semesters, if originally allocated to S1, S2 or S3;

b) immediately, if an institution originally allocated to S5 ceases to use the optional simplified methodology to calculate the minimum requirements of PR, Tier 1 Capital and Core Capital.

V - S5, immediately, if the institution complies with the criteria set in art. 2, paragraph 5.

Art. 7. The Central Bank of Brazil may determine the change of allocation of an institution:

I - before the number of semesters referred to in article 6, if its discretionary assessment indicates that the following conditions are met:

a) no perspective of return to compliance with the criteria of the current segment; and

b) ability to comply with the prudential regulation applicable to the new segment.

II - between S2, S3, S4 and S5, based in supervisory actions that evidence a better adequacy of the institution's activities to the prudential regulation applicable to the new segment;

III - in case the institution undergoes a change in type, a creation or cancellation of an operational portfolio, a merger, a split, an acquisition, a change in control or a significant change in the business model at any time, considering the institution's prospective size and relevance of the international activity.

Paragraph 1. The date of the change of allocation referred to in items II and III shall be determined by the Central Bank of Brazil considering the particularities of each case.

Paragraph 2. The institution whose allocation was changed from S5 to another segment in terms of item II shall only be allocated back to S5 by the determination of the Central Bank of Brazil.

Art. 8. Changes of allocation become effective after the end of the next semester after the change.

Sole paragraph. The cases referred to in art. 6, item IV, section "b", and item V are exempted from the provision in the heading and produce immediate effects.

CHAPTER V
ON TRANSPARENCY

Art. 9. The Central Bank of Brazil shall disclose the information related to the allocation of the institutions regulated by this Resolution at least semiannually.

CHAPTER VI
ON TRANSITORY AND FINAL PROVISIONS

Art. 10. The Central Bank of Brazil shall disclose the initial allocation of each institution in operation on the issuance date of this Resolution, considering:

I - for S1, S2, S3 or S4, the values of the parameters used to assess size and international activity relative to the reference date of June 30, 2016;

II - for S5, the use of an optional simplified methodology to calculate the minimum requirements of PR, Tier 1 Capital and Core Capital, or the exemption from calculation of PR, in the issuance date of this Resolution.

Art. 11. This Resolution shall come into force on its issuance date.

Ilan Goldfajn
Governor of the Central Bank of Brazil