



International Swaps and Derivatives Association, Inc.

REGULATORY MARGIN SELF-DISCLOSURE LETTER – BRAZIL SUPPLEMENT
published on February 10, 2020
by the International Swaps and Derivatives Association, Inc.

Various jurisdictions are implementing regulatory margin requirements for uncleared derivatives transactions based on the framework published by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions.¹ Regulatory margin requirements based on the BCBS-IOSCO Framework have been proposed or adopted in, relevantly, (i) Canada, (ii) the European Union, (iii) Japan, (iv) Switzerland, (v) the United States, (vi) Australia, (vii) Singapore, (viii) Hong Kong (ix) Korea, and (x) Brazil, and it is expected that other jurisdictions will propose and adopt similar requirements. The ISDA Regulatory Margin Self-Disclosure Letter, published on June 30, 2016 (“Original Self-Disclosure Letter”) is intended to assist market participants with the exchange of the information necessary to determine if, and when, their trading relationship will become subject to regulatory margin requirements for uncleared swaps in one or more of the following jurisdictions: (i) Canada, (ii) the European Union, (iii) Japan, (iv) Switzerland, and (v) the United States. The Original Self-Disclosure Letter is available at <http://www2.isda.org/functional-areas/wgmr-implementation/isda-regulatory-margin-self-disclosure-letter/>. This Self-Disclosure Letter is intended to provide market participants with a standard form for providing counterparties with information necessary to determine if and when compliance with the Brazil regulatory margin regime will be required. The information provided in this Letter is being provided solely for making such determinations. This Self-Disclosure Letter is a stand-alone document. Counterparties may exchange information using this Letter without exchanging the Original Self-Disclosure Letter. Market participants who wish to provide information necessary to determine if and when the Brazil regulatory margin regime and one or more of the regulatory margin regimes covered by the Original Self Disclosure Letter apply should exchange both this Letter and the Original Self-Disclosure Letter.

Capitalized terms used in this Letter are defined in Appendices I-II.

¹ See *Margin requirements for non-centrally cleared derivatives* (Mar. 2015) (“BCBS-IOSCO Framework”), available at <https://www.bis.org/bcbs/publ/d317.htm>.

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Instructions:

Section 1 of this Self-Disclosure Letter (the “Letter”) requests general information about the market participant on whose behalf this Letter will be delivered (referred to herein as “Principal”). Section 2 of this Letter requests Brazil-specific information.

This Letter should be completed and delivered on behalf of Principal to another market participant (referred to herein as “Recipient”) if Principal or Recipient may be subject to the Brazil regulatory margin regime, including if Brazil is a jurisdiction that they have been informed or otherwise have reason to conclude is a jurisdiction in which Recipient is generally regulated for purposes of uncleared derivatives margin. In addition, market participants that are subject to direct regulation under the uncleared derivatives margin rules of Brazil should complete this Letter. This Letter does not need to be completed if Brazil-specific information is not required for the particular relationship between Principal and Recipient.

For example, if this Letter is being delivered to a Recipient that is a Covered Institution or Covered Counterpart, such Recipient will likely need the information requested in this Letter to determine whether and how the Brazil regulatory margin regime apply to the particular relationship between Principal and Recipient. At the same time, if Principal is itself as a Covered Institution or Covered Counterpart, Recipient will likely need this information for its own purposes, including (if it is regulated in a different jurisdiction) potential application of substituted compliance and other rules.

Thus, when preparing to fill out this Letter for particular Recipients, market participants should consider obtaining instructions from the Recipient ahead of time if it is not clear whether the Recipient needs this Letter completed.

If you are unsure of whether the Brazil regulatory margin regime will apply to Principal's relationship with a Recipient, you should contact the applicable Recipient. Market participants may exchange contact information for this purpose by using Section 1(c).

1. General Biographical Information

Please complete this Section 1 with the biographical information of Principal. Definitions of certain terms used in this Section 1 are set forth in Appendix I to this Letter.

(a) Principal Information

Legal Name: _____
Entity Identifier: _____
Address: _____

Country: _____
State/Province: _____
Zip/Postal Code: _____

(b) Multibranch Entity Information²

Is Principal a Multibranch Entity?

Yes
 No

(c) Contact Information

This space may be used to provide contact information to a Recipient who may have questions about information provided by Principal in its Letter or about what information to provide in its corresponding Letter to Principal. This contact information is not required and is solely for purposes of providing an address for Recipient to direct questions regarding this Letter or Principal.

Name: _____
E-Mail: _____
Phone: _____

² It may be necessary to track branches for purposes of establishing when a pair of counterparties is within the scope of margin rules.

2. **Brazil Information**

If the Central Bank of Brazil Margin Requirements may apply to the relationship between Principal and Recipient (i.e., if either Principal or Recipient is an entity subject to Central Bank of Brazil Margin Requirements), please complete each relevant subsection of this Section 7. Definitions of certain terms used in this Section 7 are set forth in Appendix VII to this Letter.

(a) **Central Bank of Brazil Margin Requirements Entity Status**

Please check one box for each of the questions below. By checking a box, Principal is indicating that its entity status for purposes of Central Bank of Brazil Margin Requirements is the status specified next to the box checked.

(i) Covered Institution

Is the Principal a Covered Institution?

Yes

No

(ii) Covered Counterpart

Is the Principal a Covered Counterpart?

Yes

No

(b) **Exemption Rules**

Is Principal subject to any or both of the exemptions below? *Please check one, two or none of the boxes below.*

Covered Transactions in which at least one of the contracting parties has, individually or jointly with other entities which are members of the Operational Group to which it belongs, a Brazil AANA lower than two trillion two hundred and fifty billion Brazilian Reals (R\$2,250,000,000,000.00) for transactions carried out between 1 September 2019 and 31 August 2020 shall be exempted from the requirement to exchange initial margin dealt with in Chapter III of Central Bank of Brazil Margin Requirements.

(i) the Covered Institution is required to provide margin for the Covered Transactions respecting the requirements established in the regulations of the foreign jurisdiction in which its counterparty is incorporated; and (ii) the requirements established in the regulations of the

foreign jurisdiction are compatible with the minimum standards established by the Basel Committee on Banking Supervision (BCBS) and by IOSCO.

The information provided in this Letter is, to the best of Principal’s knowledge and belief, accurate as of the date of completion of this Regulatory Margin Self-Disclosure Letter – Brazil Supplement. As to information other than answers provided in Sections 2(b)(ii), Principal agrees to promptly provide updates if any such information changes in any material respect.

[Name of Principal]³

By: _____

Name: _____

Title: _____

Date of Completion:

³ If this Letter is being delivered by an agent on behalf of one or more Principals, the agent should insert “as agent for [name of Principal][the Principals named on the attached sheet].” If the agent is acting on behalf of more than one Principal, (i) it may list the names of such Principals on a separate sheet and (ii) this Letter should be treated as if it were a separate Letter with respect to each Principal listed on such sheet. Similarly, if this Letter is being delivered by a trustee on behalf of one or more trusts or trust funds, the trustee should insert “as trustee for [name of trust or trust fund][the [trusts][trust funds] named on the attached sheet].”

Appendix I: Definitions – General Biographical Information

“**Entity Identifier**” means an [LEI/GEI/other acceptable identifier].

“**Letter**” or “**Self-Disclosure Letter**” means this Regulatory Margin Self-Disclosure Letter – Brazil Supplement, as published by the International Swaps and Derivatives Association, Inc. on June 12, 2017.

“**Multibranch Entity**” means a bank or other entity that has local branches, offices or agencies in multiple jurisdictions for purposes of the Brazilian Margin Guidelines.

“**Principal**” means the market participant whose information is disclosed in this Letter, as identified in Section 1(a).

“**Recipient**” means the derivatives counterparty of Principal to whom this Letter is or will be delivered.

Appendix II: Definitions – Brazil Information

“**Brazil AANA**” means the average daily values calculated on each business day of March, April and May, each year, considering the individual and Operational Group positions. The following calculation rules must be observed:

- (i) the Brazil AANA mentioned on item (b) of the definition “Covered Counterparty” shall exclude transactions carried out for hedging purposes by the entities falling within item (b)(6) of the definition “Covered Counterparty”;
- (ii) when calculating the Brazil AANA, derivatives transactions carried out by entities of a same Operational Group shall be accounted for only once, observed the provision of item (i) above;
- (iii) derivatives transactions carried out by an institution authorized to operate by the Central Bank of Brazil with investment funds that are not part of an Operational Group, subject to a collateral structure in which the investment fund’s default risk is secured by its managers or administrators, shall be treated as transactions carried out between the institution and the managers or administrators for calculating the Brazil AANA;

“**Central Bank of Brazil Margin Requirements**” means Resolution nº 4,662, of 25 May 2018, enacted by the National Monetary Council.

“**Covered Counterpart**” means (a) the Covered Institution and any entity within its Operational Group; and (b) any other entity that owns, individually or jointly with the other entities of the Operational Group to which it belongs, a Brazil AANA greater than R\$ 25,000,000,000.00 (twenty five billion reais) among the following: (1) the open-ended complementary pension funds; (2) close-ended complementary pension funds; (3) insurance companies; (4) investment funds; (5) securitization companies; and (6) all other legal entities incorporated in Brazil and abroad that are not institutions authorized to operate by the Central Bank of Brazil, except those listed as a Non-Covered Counterpart.

“**Covered Institution**” means an institution authorized to operate by the Central Bank of Brazil that, individually or jointly with the other entities of the Operational Group to which it belongs, has a Brazil AANA greater than R\$ 25,000,000,000.00 (twenty five billion reais).

“**Covered Transaction**” means derivatives transactions, except for (i) derivative financial instruments that make up a Covered Bond (Letra Imobiliária Garantida); (ii) derivative financial instruments entered into between institutions that are members of a same consolidated group; (iii) FX forward contracts; and (iv) FX swap contracts.

“**Domestic Authorized Institution**” means a financial institution or any other institution authorized to operate by the Central Bank of Brazil.

“**Non-Covered Counterpart**” means: (1) the Nation Treasury of Brazil and Central Bank of Brazil; (2) the central governments of foreign countries and their central banks, whose external issuer risk rating, verified by a credit rating agency registered or recognized in Brazil by the

Securities Commission of Brazil, is: (a) equal to or greater than AA- or equivalent rating; or (b) investment grade equivalent, provided that the reference currency for settlement of the derivative obligations is the local currency of foreign country; (3) the European Union and the European Central Bank; and (4) the following multilateral entities: (a) World Bank Group, comprising the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (CFI) and the Multilateral Investment Guarantee Agency (MIGA); (b) Inter-American Development Bank (IDB); (c) African Development Bank (ADB); (d) Asian Development Bank (ADB); (e) European Bank for Reconstruction and Development (EBRD); (f) European Investment Bank (EIB); (g) European Investment Fund (EIF); (h) Nordic Investment Bank (NIB); (i) Caribbean Development Bank (CDB); (j) Islamic Development Bank (IDB); (k) Council of Europe Development Bank (CEDB); (l) Bank for International Settlements (BCI); and (m) International Monetary Fund (IMF).

“Operational Group” means, (1) for Covered Institution and for Covered Counterparty listed on item (a) of the definition “Covered Counterparty”, (i) institutions authorized to operate by the Central Bank of Brazil and other entities and investment funds that are part of the same prudential conglomerate, as defined in the Accounting Plan of the National Financial System Institutions (Plano Contábil das Instituições do Sistema Financeiro Nacional); and (ii) by the insurance companies over which any of the institutions of the prudential conglomerate referred to in item 1 has direct or indirect control, pursuant to article 3 of Resolution n° 4,280, of 31 October 2013, enacted by the National Monetary Council; or (2) for Covered Counterparty listed on item (b) of the definition “Covered Counterparty”, (i) other institutions referred to as Covered Counterparty listed on item (b) of the definition “Covered Counterparty”; (ii) other legal entities included in the consolidated financial statement of the entity referred to in item (2)(i) above, prepared in accordance with the applicable law in the country of incorporation of such entity; (iii) investment funds whose quotas are held exclusively by the entities referred to in items (2)(i) and (2)(ii) above, individually or jointly; and (iv) by investment funds whose quotas are held exclusively by the funds defined in item 2(iii) above or by the entities referred to in items (2)(i) and 2(ii) above, individually or jointly.