



BM&FBOVESPA FX Clearinghouse

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1. FX SETTLEMENT IN THE BRAZILIAN INTERBANK MARKET BEFORE THE FX CLEARINGHOUSE

2. THE NEW SPB (2002) AND THE FX CLEARINGHOUSE OPERATIONAL MODEL

3. KEY RESULTS: ENHANCED SAFETY AND OPERATIONAL EFFICIENCY

1. FX Settlement Before The FX Clearinghouse

TRADING



- OTC, VIA SPECIALIZED (FX) BROKERAGE HOUSES
- BILATERAL CREDIT LIMITS
- “DUMMY TRADES” WHENEVER BILATERAL LIMITS WERE REACHED

REGISTRATION



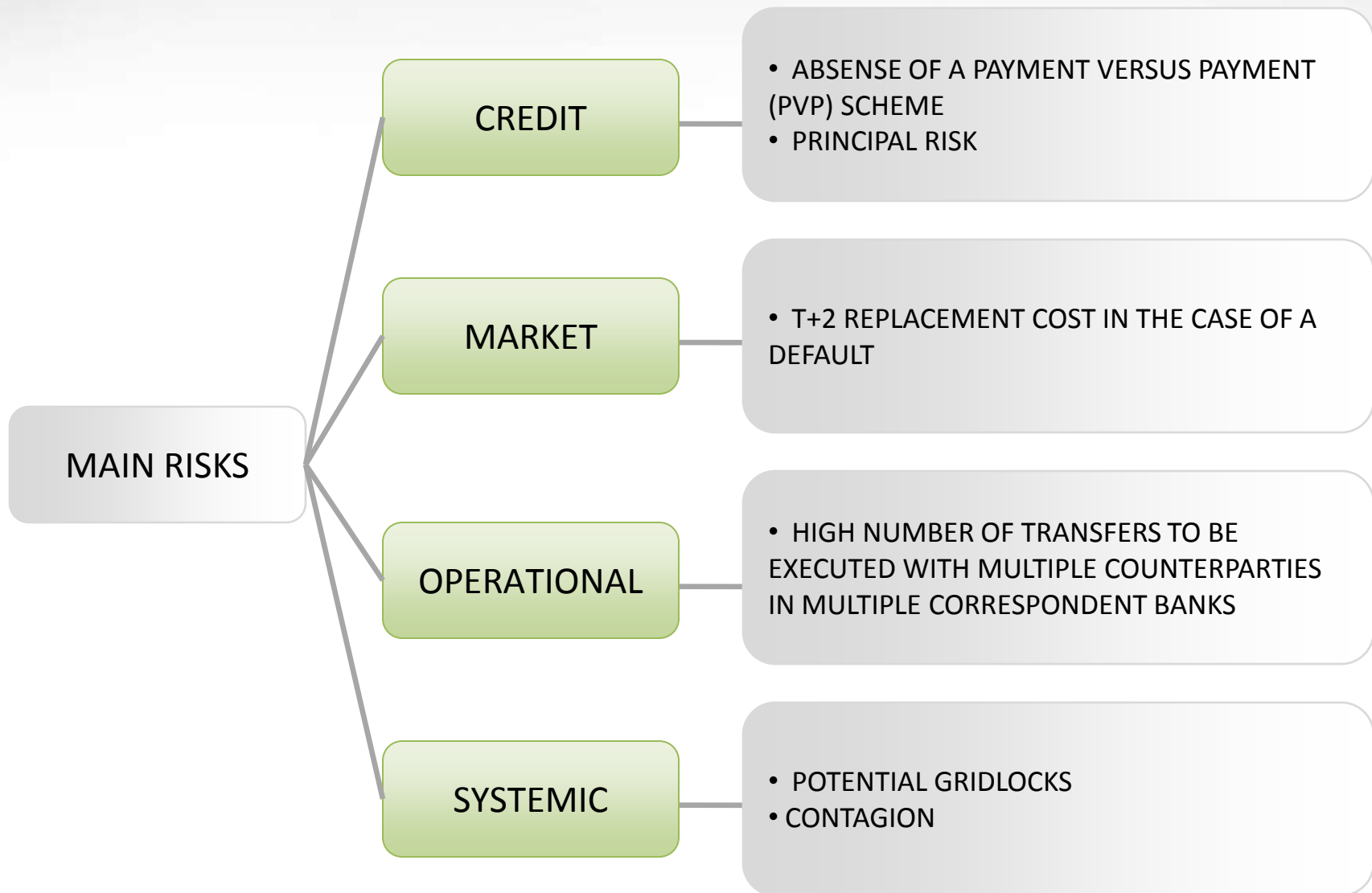
- ALL TRANSACTIONS REGISTERED AT THE BRAZILIAN CENTRAL BANK
- PCAM 380

SETTLEMENT



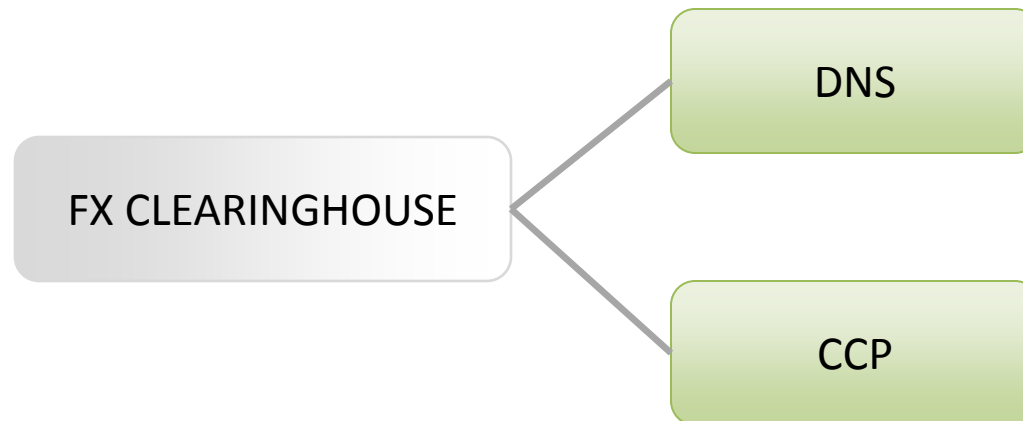
- VAST MAJORITY T+2
- BILATERAL, IN BRL (BRAZIL) AND USD (USA)

1. FX Settlement Before The FX Clearinghouse



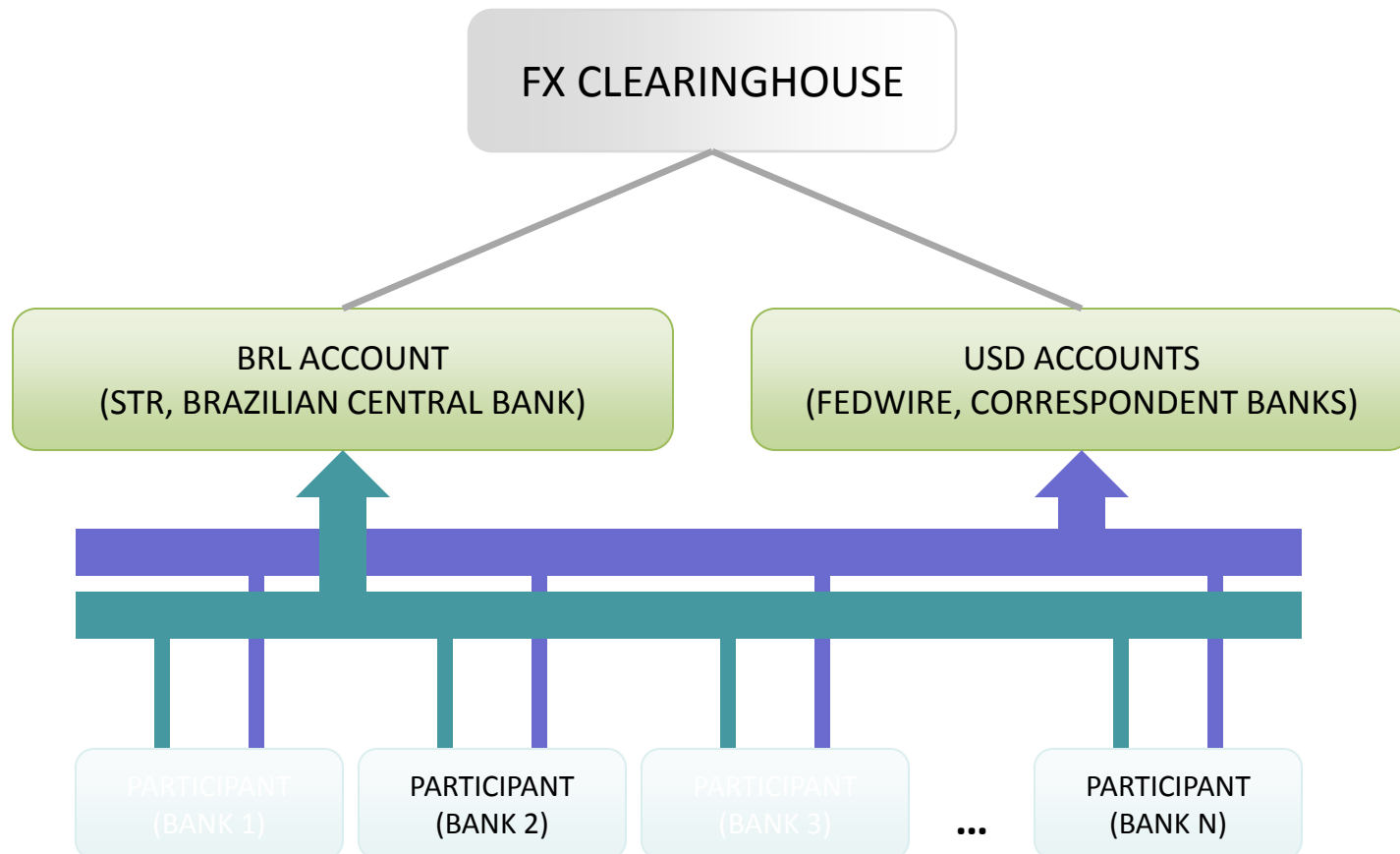
2. The FX Clearinghouse Operational Model

WITH THE ADVENT OF THE NEW BRAZILIAN PAYMENTS SYSTEM IN 2002, FORMER BM&F (TODAY BM&FBOVESPA) LAUNCHED THE FX CLEARINGHOUSE AIMING AT INCREASING THE EFFICIENCY AND SAFETY OF THE INTERBANK FX MARKET (BRL/USD)



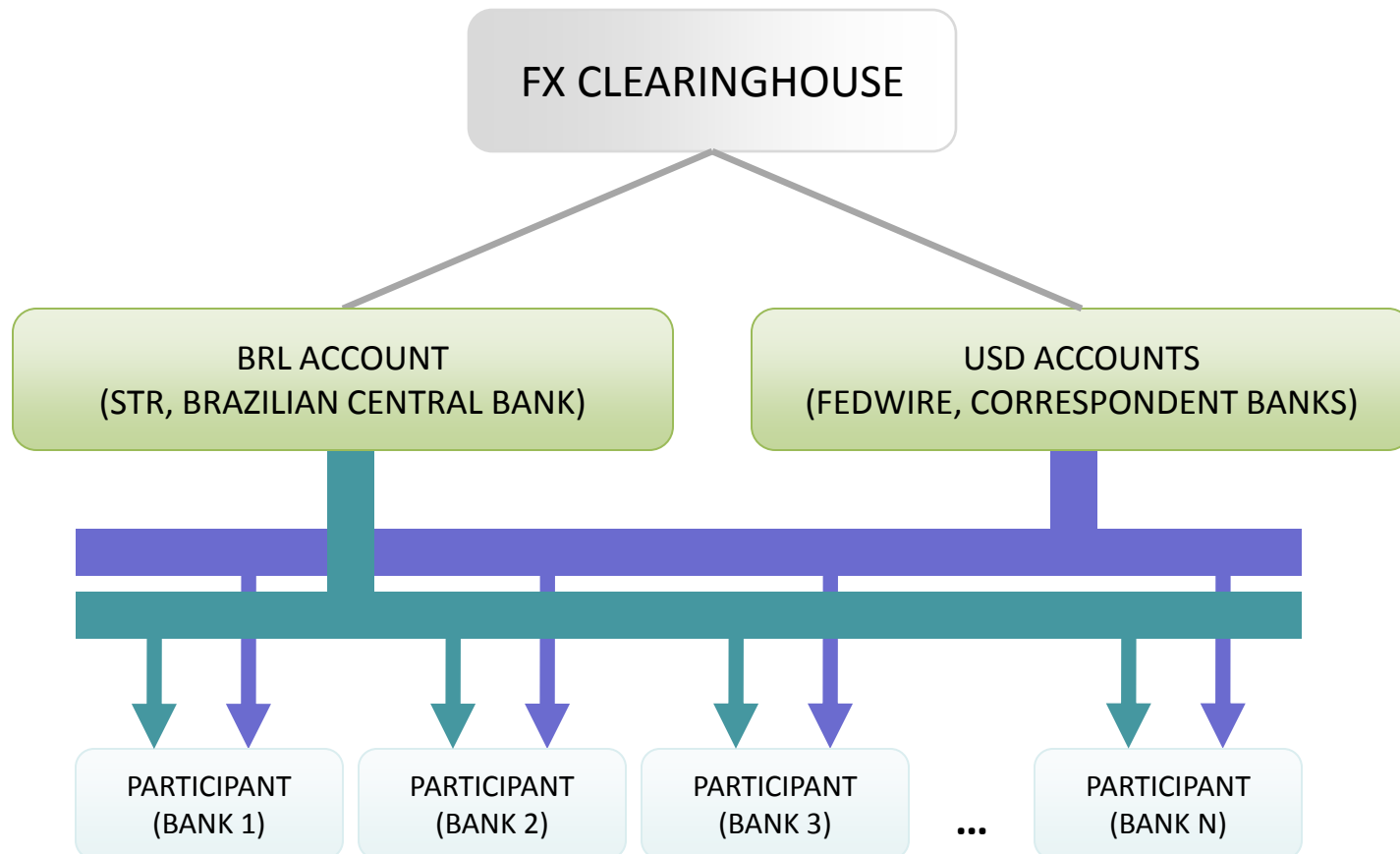
2. The FX Clearinghouse Operational Model

Settlement (A): Participants Pay



2. The FX Clearinghouse Operational Model

Settlement (B): Clearinghouse Pays



2. The FX Clearinghouse Operational Model

What If There is Default?

THERE IS A TIME WINDOW BETWEEN THE SET TIME FOR ALL PARTICIPANTS PAYMENTS AND THE SET TIME FOR THE CLEARINGHOUSE PAYMENTS THAT IS USED FOR DEFAULT MANAGEMENT PROCEDURES

DURING THIS PERIOD THE CLEARINGHOUSE USES ITS LIQUIDITY FACILITIES IN ORDER TO EXCHANGE ITS EXCESS BRL (PRINCIPAL) FOR USD AND THE OTHER WAY ROUND. MARKET RISK IS COVERED BY DEFAULTER'S COLLATERAL

SINCE 2002 THE CLEARINGHOUSE SUCCESSFULLY TREATED A NUMBER OF OPERATIONAL DEFAULTS USING ITS DEFAULT PROCEDURES. NO FULL DEFAULTS REGISTERED UNTIL TODAY.

CCP Risk Management – (Very) Quick Overview

MARKET RISK

- MARGIN IS CALCULATED USING A STRESS TESTING MODEL
- INTRADAY MtM OF ALL OPEN POSITIONS
- PRE-MARGIN: TRANSACTIONS ARE ONLY ACCEPTED IF THERE IS ENOUGH COLLATERAL TO COVER THEIR RISK

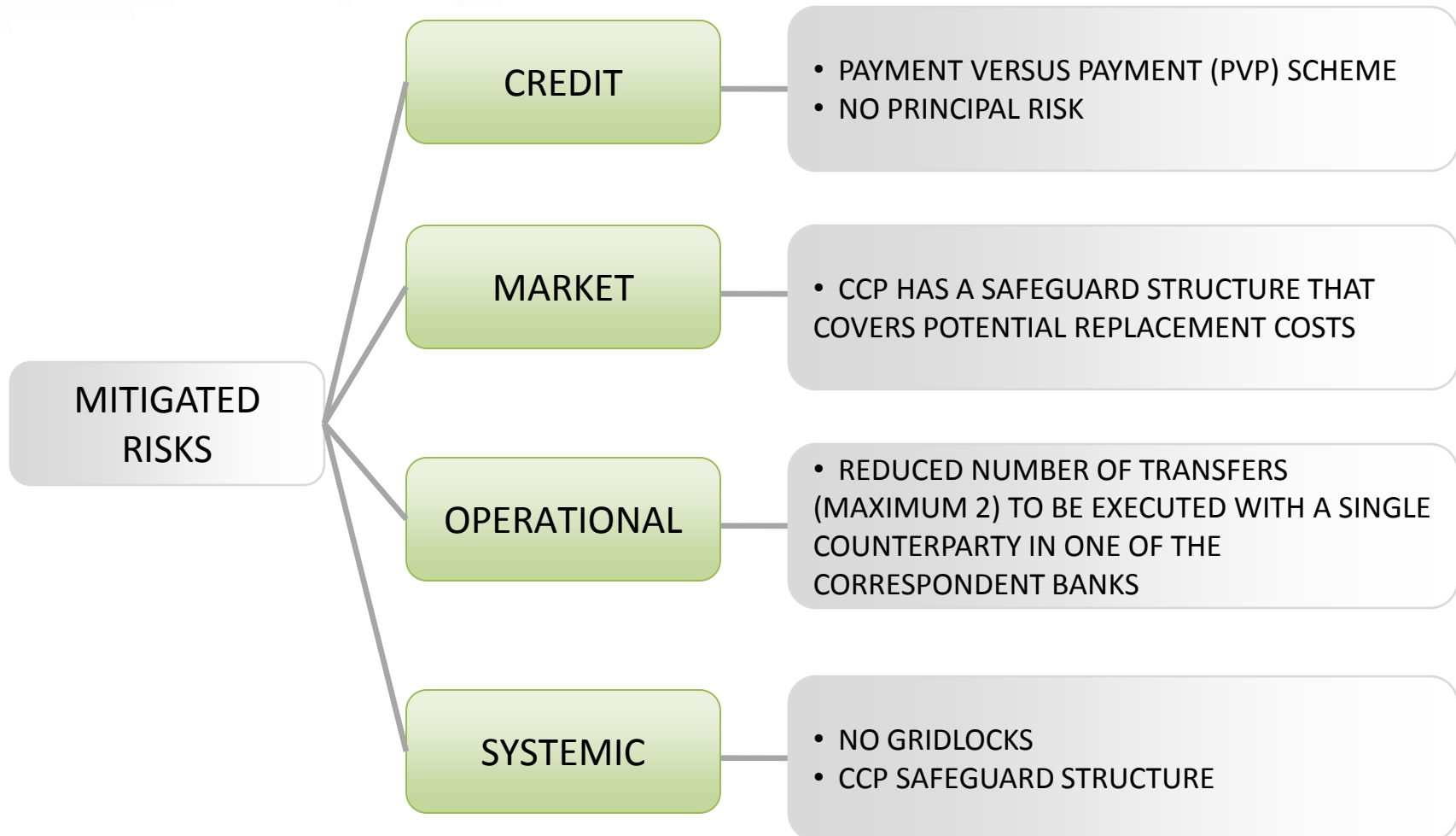
LIQUIDITY RISK

- PARTICIPANTS OPEN POSITIONS ARE CONTINUOUSLY COMPARED TO THE SIZE OF THE LIQUIDITY FACILITIES
- ONLY VERY LIQUID COLLATERAL (CASH AND GOV'T BONDS) ACCEPTED

CREDIT RISK

- CONTINUOUS MONITORING OF CORRESPONDENT BANKS CREDIT QUALITY
- CONTINUOUS MONITORING OF PARTICIPANTS CREDIT QUALITY

FX Settlement After The FX Clearinghouse



3. Enhanced Safety and Operational Efficiency

Practical Results

A SOUNDER AND MORE EFFICIENT ENVIRONMENT FOR FX TRANSACTIONS SETTLEMENT

ENHANCED ACCESS (SPECIALLY SMALL BANKS) TO THE INTERBANK FX MARKET DUE TO THE CREDIT RISK PROTECTION OFFERED BY THE CCP

TODAY MORE THAN 90% OF THE INTERBANK FX TRANSACTIONS ARE CLEARED BY THE FX CLEARINGHOUSE



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