

CSDs: CBLC (Brazil)

Date: 02 Jun 2011

SMI Markets: Brazil

CMIRR Markets: Brazil

Integration Process at BM&FBOVESPA

BM&FBOVESPA will unify its four clearing houses by creating a unique risk management system, which will be designed to reduce the guarantees deposited as well as to cut operational costs for market participants.

The new system will allow market participants to take a single net balance at the end of the day, and all transactions will be settled in the same system, while the required guarantees will be calculated based on the net balance. There will also be a unique support technology and a centralised access to all markets participants.

The project is expected to be completed in early 2012, subject to the approval of the Comissão de Valores Mobiliarios (CVM) and the Banco Central do Brasil (BACEN).

CSD Risk Impact

CBLC (Brazil)

CSD Rating: AA-
CSD Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk
Current Rating = AA
Flash Impact = Positive

Impacted Risk Type: Counterparty Risk
Current Rating = AA
Flash Impact = Negative

Although a unified risk management system at BM&FBOVESPA is likely to reduce the collateral requirements for market participants alleviating some liquidity demands, this approach may also increase the counterparty exposure for participants as there will be less collateral posted to cover default obligations.

Market Information Impact

Brazil

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Brazil

Market Rating: A+
Market Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk
Current Rating = A
Flash Impact = Positive

Impacted Risk Type: Counterparty Risk

Current Rating = A+

Flash Impact = Negative

Although a unified risk management system at BM&FBOVESPA is likely to reduce the collateral requirements for market participants alleviating some liquidity demands, this approach may also increase the counterparty exposure for participants as there will be less collateral posted to cover default obligations.

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