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CASH AND TREASURY MANAGEMENT COUNTRY REPORT

BRAZIL

Executive Summary

Banking

The Banco Central do Brasil (BCB) is responsible for monetary policy and is also Brazil's main banking regulator. In addition, the BCB is charged with ensuring the stability of the country's payments and settlement infrastructure.

The central bank compiles external cash flow statistics using data from banks authorized to undertake foreign currency transactions, as well as information solicited from enterprises, financial institutions and government agencies on transactions between resident and non-resident transactions.

Residents and non-resident entities may hold accounts denominated in Brazilian real (BRL) but only certain categories of legal or natural persons may hold accounts denominated in foreign currency domestically.

Brazil's banking sector has undergone an extended period of privatization and consolidation since the start of the decade, partly in response to a series of crises. Brazil has 131 universal banks, 20 commercial banks (including branches of foreign banks), 12 investment banks, four development banks, and one savings bank. There are also 992 credit cooperatives.

Payments

Brazil operates three clearing systems for BRL-denominated payments. As well as the central bank's real-time gross settlement system, the Interbank Payments Clearing House has separate clearing systems for low- and high-value credit transfers. A check clearing system is operated by Banco do Brasil.

Cash is widely used for retail transactions and checks remain one of most common non-cash payment instruments. Payment cards account for a larger proportion of retail payments, while credit transfers are the dominant instrument by volume.

Liquidity Management

Brazil offers a range of alternatives for bank short- and medium-term funding, as well as most typical short-term investments. Interest cannot be paid on current accounts.

Zero-balancing is permitted in Brazil but use is limited because of tax barriers. Local firms may establish cross-border cash concentration structures in which one multi-currency account acts as a header account, but BRL-denominated accounts or domestic bank accounts may not be included. Non-resident entities may not participate in cross-border sweeping structures based in Brazil. Notional pooling is not permitted.

Trade Finance

Brazil is a member of the Mercosur (Mercado Común del Sur – Southern Cone Common Market) trade agreement, and applies the relevant customs policies and regulations. Responsibility for foreign trade is shared between the Foreign Trade Chamber (CAMEX), Foreign Trade Secretariat (SECEX), Federal Revenue Secretariat (SRF) and the central bank (BCB). Brazil operates free trade zones in Manaus, Tabatinga, Macapá/Santana, Guajará-Mirim, Pacaraíma, Bonfim, Cruzeiro do Sul and Brasília/Epitaciolândia.

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PNC's International Services

PNC can bring together treasury management, foreign exchange, trade finance and credit capabilities to support your international needs in a coordinated and collaborative way.

International Funds Transfers

International Funds Transfers to over 130 countries in USD and foreign currency can be accessed through PINACLE®, PNC's top-rated, online corporate banking portal.

Multicurrency Accounts

Set up demand deposit accounts that hold foreign currency instead of U.S. dollars. These accounts offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. You can easily view deposit and withdrawal details through PINACLE.

PNC Bank Canada Branch ("PNC Canada")

PNC Bank, through its full service branch in Canada, can help you succeed in this important market. PNC Canada offers a full suite of products including payables, receivables, lending, and specialized financing to help streamline cross border operations.

Multibank Services

PNC's Multibank Services provide you with balances and activity for all your accounts held with PNC and other financial institutions around the world. PINACLE's Information Reporting module can give you a quick snapshot of your international cash position, including USD equivalent value, using indicative exchange rates for all your account balances. You can also initiate Multibank Transfer Requests (MT101s), and reduce the time and expense associated with subscribing to a number of balance reporting and transaction systems.

Establish accounts in foreign countries

Establishing good banking relationships in the countries where you do business can simplify your international transactions. PNC offers two service models to help you open and manage accounts at other banks in countries outside the United States.

- PNC Gateway Direct comprises an increasing number of banks located in many European countries and parts of Latin America. PNC's team will serve as a

point of contact for setting up the account helping with any language and time barriers and will continue to serve as an intermediary between you and the bank you select. You can access reporting and make transfers via PINACLE.

- PNC's Gateway Referral service can connect you to a correspondent banking network that comprises more than 1,200 relationships in 115 countries.

Foreign Exchange Risk Management

PNC's senior foreign exchange consultants can help you develop a risk management strategy to mitigate the risk of exchange rate swings so you can more effectively secure pricing and costs, potentially increasing profits and reducing expenses.

Trade Services

PNC's Import, Export, and Standby Letters of Credit can deliver security and convenience, along with the backing of an institution with unique strengths in the international banking arena. PNC also provides Documentary Collections services to both importers and exporters, helping to reduce payment risk and control the exchange of shipping documents. We assign an experienced international trade expert to each account, so you always know your contact at PNC and receive best-in-class service. And PNC delivers it all to your computer through advanced technology, resulting in fast and efficient transaction initiation and tracking.

Trade Finance

For more than 30 years, PNC has worked with the Export-Import Bank of the United States (Ex-Im Bank) and consistently ranks as a top originator of loans backed by the Ex-Im Bank both by dollar volume and number of transactions.¹

Economic Updates

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(1) Information compiled from Freedom of Information Act resources.

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