Country Report NMPG BR

20 April 2016

# Current Market Practice Status

## Securities Management

The Brazilian working group continues the work of developing best practices for the use of a message based on the SecuritiesBalanceAccountingReportV04 – ISO 20022. In July 2015, ANBIMA stopped providing maintenance on the proprietary message currently used by custodians to exchange information about the underlying assets of a Fund or portfolio. This action reinforced the use of the ISO 20022 based message by the Brazilian institutions. The message is also used by the Galgo System in Brazil.

## Price Reporting

The price report message and the price report cancellation are used by the Galgo System in Brazil.

## Funds Cash Forecast

The fund cash forecast message and the fund cash forecast cancellation are used by the Galgo System in Brazil.

## Administration

The reject message is used by BM&FBOVESPA in the new Clearinghouse.

## Trade Services Management

The error report, status report request and acknowledgement messages are used by BM&FBOVESPA in the new Clearinghouse.

# Next Steps / Future Market Practice

## Account Management

For the 2015/2016 maintenance cycle, a change request was submitted (CR520) to the ISO RA in order to add optional elements in the set of messages for the Brazilian market. The majority of adding elements are required due to specific Regulatory Organisation’s Law and/or Instructions (for instance, the Securities and Exchange Commission Instruction 506 - ICVM 506).

## Securities Events

BM&FBOVESPA´s CSD is working on a Securities and Exchange Commission Instruction (ICVM 561) regarding Proxy Voting. The project’s main purposes are: (i) increase the shareholders participation on general assemblies, (ii) simplify the access to vote in the assemblies, and (iii) improve corporate governance instruments in the Brazilian market. The target date to go live is May 2nd 2016. The messages will be exchanged with the transfer agents, the biggest banks in the Brazilian market, assigned by the companies to maintain records of investors.

# National Group / Initiative

The national market practice group in Brazil is composed of 15 custodians and administrators (Citibank, Banco do Brasil, BNP Paribas, Bradesco, BNY Mellon, Caixa Economica Federal, Credit Suisse, Banco Daycoval, Deutsche Bank, HSBC, Itaú-Unibanco, JP Morgan, Santander and Votorantim) and also the biggest vendors present in the Brazilian market.

# Legislation Impacts / News

## Proxy Voting

As previous stated, the Brazilian Securities and Exchange Commission published a new Instruction regarding proxy voting in order to allow equity holders to vote in Meetings before their occurrence by sending the company’s voting documents directly to the company or to the Custodian/Transfer Agent. The main goal is to facilitate the participating of equity holders in meetings improving corporate governance principles in Brazil. The market is working on a set of ISO 20022 messages (Securities Events - SEEV).

## LEI Code

In April 2016, the Department of Federal Revenue of Brazil took a first step on the adoption of the LEI (Legal Entity Identifier) Code in the Brazilian market by releasing a public hearing that proposes the inclusion of the code among the information that compose the records of all legal entities in Brazil. For now, the information is optional.

# Miscellaneous

## Events

In August 2015, a workshop organized by ANBIMA shed light on the theme of the use of international standards for communication within the financial market. During the event, a fruitful debate was held between market participants, the Brazilian Central Bank and National Market Infrastructures. As a positive result from the workshop, a Portuguese webpage was set under ANBIMA’s website dedicated to continuously update the market regarding recent developments in Brazil concerning Market Infrastructure and standards.

Link: <http://portal.anbima.com.br/informacoes-tecnicas/regulacao/infraestrutura-de-mercado/Pages/default.aspx>

## Document Resources

In the above link, the Brazilian market can find three important documents (all in Portuguese):

1. Document by the Brazilian Central Bank aiming to improve the dialogue with the industry regarding the development of the Brazilian Payment System (SPB) and revealing the actions that will guide them in promoting financial inclusion. Among other topics, the document highlights the importance of further adoption of standards and forms of communication that are internationally accepted as the ISO 20022 by all market infrastructures that perform a role in the SPB (quotes principle 22 of the IOSCO Principles for Financial Markets Infrastructure).

2. Research developed by ANBIMA in order to hear the feelings and concerns of the market about implementing an international standard. In summary, some of the worries are costs and that the standard does not fully satisfy the requirements of the Brazilian market. However, the market recognizes that the benefits in the long term are worth it and suggest that an implementation moves first in the segments that are not standardized today (for instance: exchange of messages between market participants and new systems by the Market Infrastructures) and recommends the use of conversion services of the local standards.

3. Presentation used in the workshop highlighting the recent events organized in Brazil to discuss standards and that summarizes the result of the research developed by ANBIMA.