



Brazilian Experience on Effective Cash Management

Fernando E. de P. Garrido

Brazilian National Treasury

Brazil: Debt Management Guidelines

1. Main Debt Management Objective

Minimization of long term costs, given an acceptable level of risk;

Secondary and complementary objective: develop Brazil's domestic fixed income securities market.

2. Coordination With Monetary And Fiscal Policies

3. Transparency And Accountability

Brazil: Debt Management Guidelines

1. Main Debt Management Objective

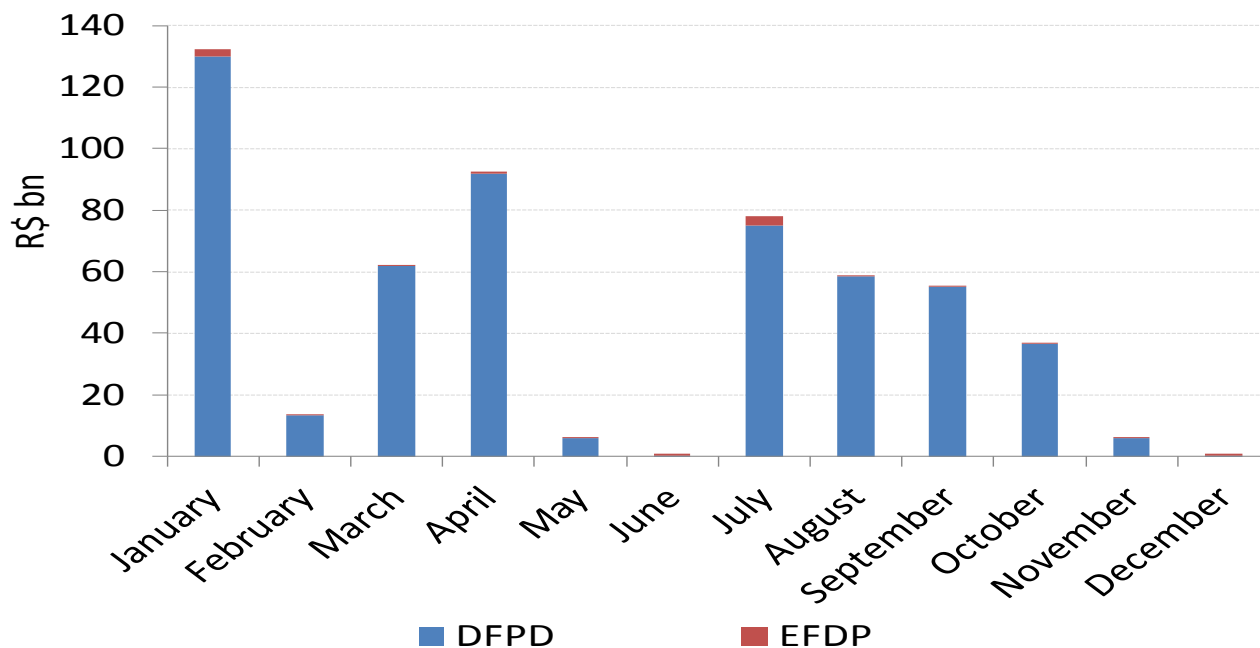
Minimization of long term costs, given an acceptable level of risk;

Develop Brazil's domestic fixed income securities market means issuing large, liquid benchmark bonds;

Large, liquid benchmark bonds brings risks to the issuer;

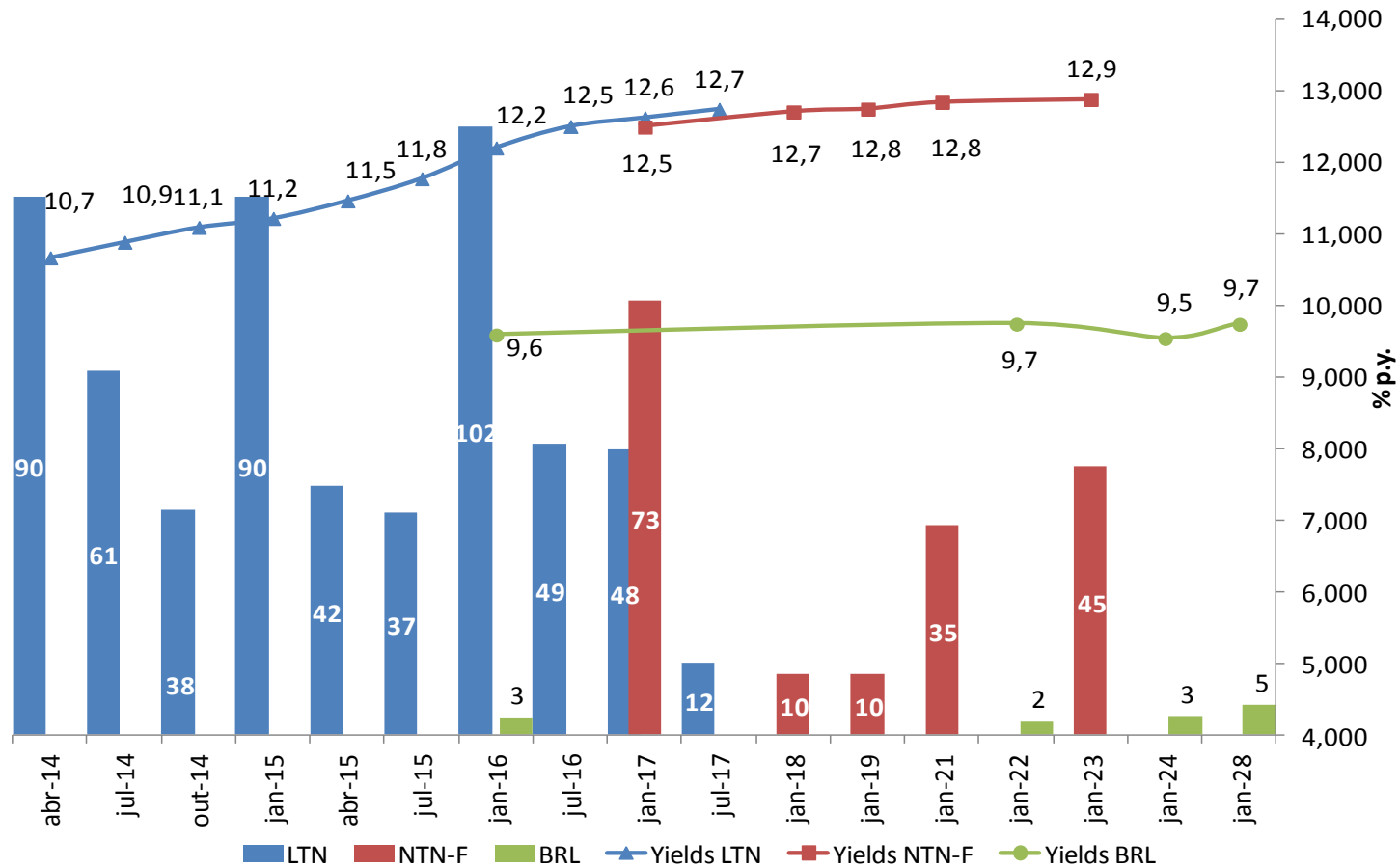
Effective cash management is important for minimization of costs and risks

Large, liquid benchmark bonds (rollover risk)



» In January 2014, the maturing debt was about R\$ 130 billion, representing 23.5% of the 2014 FPD maturity.

Domestic (LTN and NTN-F) and Offshore (BRL) fixed rate bonds - Outstanding and Yields





Brazil: Cash Management Framework - BRL

All Treasury revenues in BRL (including proceeds of debt issuance) are kept at the Treasury's account at Central Bank;

Treasury receives interest at these deposits, similar to the average of interest paid on Treasury bonds held by Central Bank;

Treasury is allowed to issue more than its financing needs for the year, as long as it keeps the proceeds at the “debt cushion” and uses it only to pay maturing debt;



Brazil: Cash Management Framework - BRL

As internal policy, Treasury keeps an average of at least three months of maturing debt at its “debt cushion”;

The cash reserves are used to reduce issuance at volatile market conditions, or even to buyback bonds in advance;

Cash management is used and is relevant to reduce long term costs and risks in Brazil



Brazil: Cash Management Framework - Foreign Currency

All Treasury revenues in foreign currency (including proceeds of debt issuance) are kept at a bank account abroad;

Treasury buys foreign currency at the onshore F/X market, paying in BRL;

Treasury receives market interest rates at these deposits;

Treasury is allowed to issue more than its financing needs, as long as it keeps the proceeds at the “debt cushion” and uses it only to pay maturing debt (both domestic and external);



Brazil: Cash Management Framework - Foreign Currency

As internal policy, Treasury keeps an average of one or two years of maturing external debt at its “debt cushion in foreign currency”;

The foreign currency cash reserves are used to reduce issuance at volatile market conditions, or even to buyback bonds in advance

Cash management is used and is relevant to reduce long term costs and risks in Brazil



Thank you !

**For additional information access
Brazilian National Treasury site:**

www.tesouro.fazenda.gov.br

**Or contact Institutional Relations area:
brazildebt@fazenda.gov.br**