SWAP

CCB 中国建设银行 China Construction Bank

Description:

A swap is a derivative transaction. It represents an agreement between two parties, in which the profitability of one index is exchanged for another, with terms and amounts defined at the fixing of the the operation.

The settlement takes place when the transaction matures, with each party assuming its charges according to the difference between the contracted indexes.

The swap is widely used as a hedging strategy, since companies may be exposed to diferente types of risks relate to their activities.

Product Properties:

- No initial disbursement.
- There are no minimum values or deadlines for the operations.
- No possibility of a partial repurchase.
- Risk of a negative adjustment. If it is positive, then there is the incidence of income tax.

Benefits:

- Protection against unwanted variatons.
- Predictability with contracted debts.
- No margin required to be deposited.
- Adjustment only at maturity.

Risks:

If Regular/Cash flow Swap:

- Interest Rate Risk: High.
- FX Risk: High.
- Liquidity Risk: Medium.

If Swap "Linked":

- Interest Rate Risk: Medium.
- FX Risk: Medium.
- Liquidity Risk: Low.

Regulation:

- Operations are regulated by the Nº 2.873 and Nº 3.505 of the CMN Resolutions and are registered on CETIP.
- Swap operations are formalized through: Signature of a General Derivatives Contract (CGD); updated API/Suitability; Compensation Agreement (if linked).

Taxation:

- Income tax is levied on net gains according to the table on the right.

Regressive Chart - Income tax

Days	%
1 to 180 days	22,5%
181 to 360 days	20,0%
361 to 720 days	17,5%
721 days or more	15,0%

Example:

- Importing company contracts a finimp worth USD 1.000.000,00 due on 31/07/2023 and does not want to be exposed to the exchange rate variation.
- The client negotiates an exchange rate x interest rate swap with CCB, where the client is passive in the interest rate and active in the exchange rate variation.
- On the settlement day, the parties receive the difference in profitability of the indexes agreed on the closing date.

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