Description:

The NDF (Non Deliverable Forward) is known to be a currency forward contract, where the notional amount is never exchanged. The notional amount, deadline and rate are all agreed at the time of the negotiation. Its settlement is defined by the difference between the contracted rate and the "PTAX venda" (released by the Central Bank) of D-1 on the settlement date. There is also the possibility of repurchasing the transaction at any time, with the adjustment being made by the difference between the contracted rate and the rate negotiated on the repurchase date.

The product is recommended in scenarios where there is a high exchange rate volatility, hence being widely used by importers and exporters as a **hedging instrument**.

Product Properties:

- Flexibility: values and deadlines according to the client's needs.
- No minimum values or deadlines for the operations.
- There is no physical delivery of the currency. Settlement by financial adjustment.
- Risk of a negative adjustment. If it is positive, then there is the incidence of income tax.

Benefits:

- Flexibility: values and deadlines according to the client's needs.
- No minimum values or deadlines for the operations.
- There is no physical delivery of the currency. Settlement by financial adjustment.
- Risk of a negative adjustment. If it is positive, then there is the incidence of income tax.

Risks:

If Active/Passive NDF:

- Interest rate risk: High.
- FX risk: High.
- Liquidity risk: Medium.

If "Linked" NDF:

- 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.
- NDF 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 with 0.005% deducted at source and 15% upon settlement, to be collected by the company.

Example:

- Exporting company will receive an amount of US 1,000,000.00 on 31/07/2023 and does not want to be exposed to the exchange rate variation.
- Client sells an NDF at the rate of 5.30 to CCB.
- On the settlement date, we have two scenarios:
  - If the PTAX D-1 is lower than 5.30, the client receives a **positive** adjustment in the account.
  - If the PTAX D-1 is higher than 5.30, the client receives a **negative** adjustment in the account.

Ptax D-1	Adjustment	Income Tax
5.00	+ R$ 300.000,00	R$ 45.000,00
5.30	0	0
5.60	- R$ 300.000,00	0