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2025

# Extraordinary Actions and the Role of the Liquidity Reserve



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# Introduction

# Brazilian Sovereign Auctions - Introduction

July 2025						
SUN	MON	TUE	WED	THU	FRI	SAT
		1 LFT(1), NTN-B(2)	2	3 NTN-F, LTN(2)	4	5
6	7	8 LFT(1), NTN-B(1)	9	10 NTN-F, LTN(1)	11	12
13	14	15 LFT(1), NTN-B(2)	16	17 NTN-F, LTN(2)	18	19
20	21	22 LFT(1), NTN-B(1)	23	24 NTN-F, LTN(1)	25	26
27	28	29 LFT(1), NTN-B(2)	30	31 NTN-F, LTN(2)		

## LTN

Bullet Fixed Rate

- 6, 12, 24, 48, 72 months
- ~14,7% of stock

## NTN-F

Fixed Rate

- 7, 10 Years
- ~6,3% of stock

## NTN-B

Inflation Linked

- 3, 5, 7 years
- 10, 25, 40 Years
- ~26,6% of stock

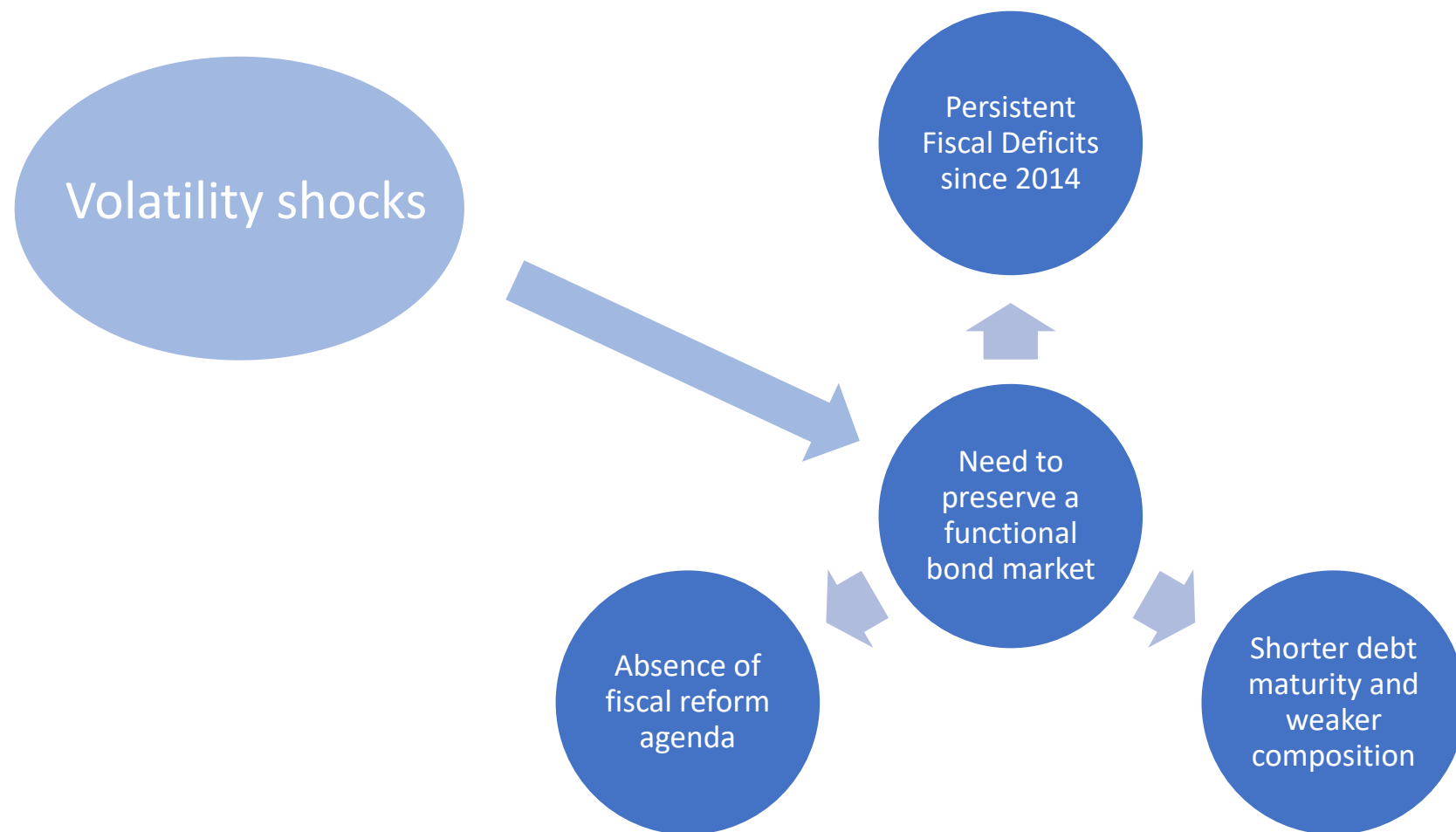
## LFT

Floating Bond

- 3, 6 Years
- ~51,2% of stock

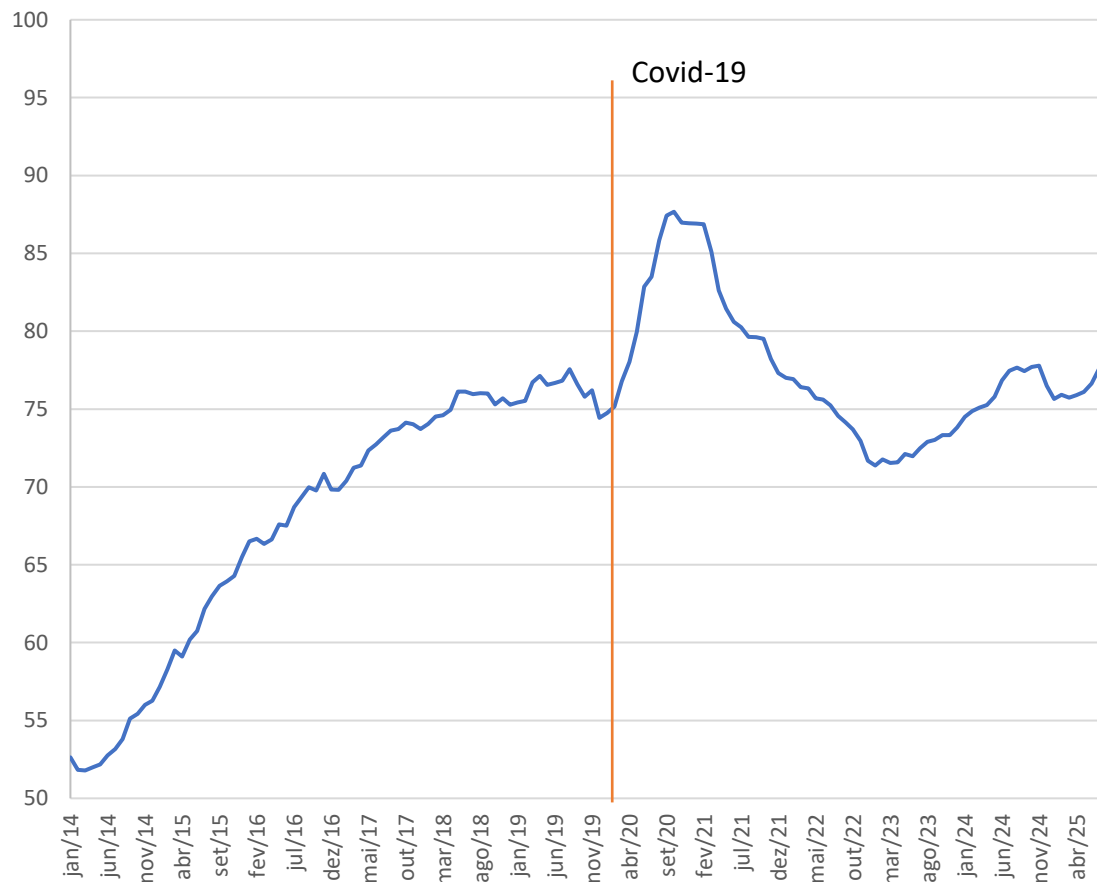
- auction calendar is published three months in advance.
- Bonds are typically issued as reopenings

# Challenges faced by the BNT

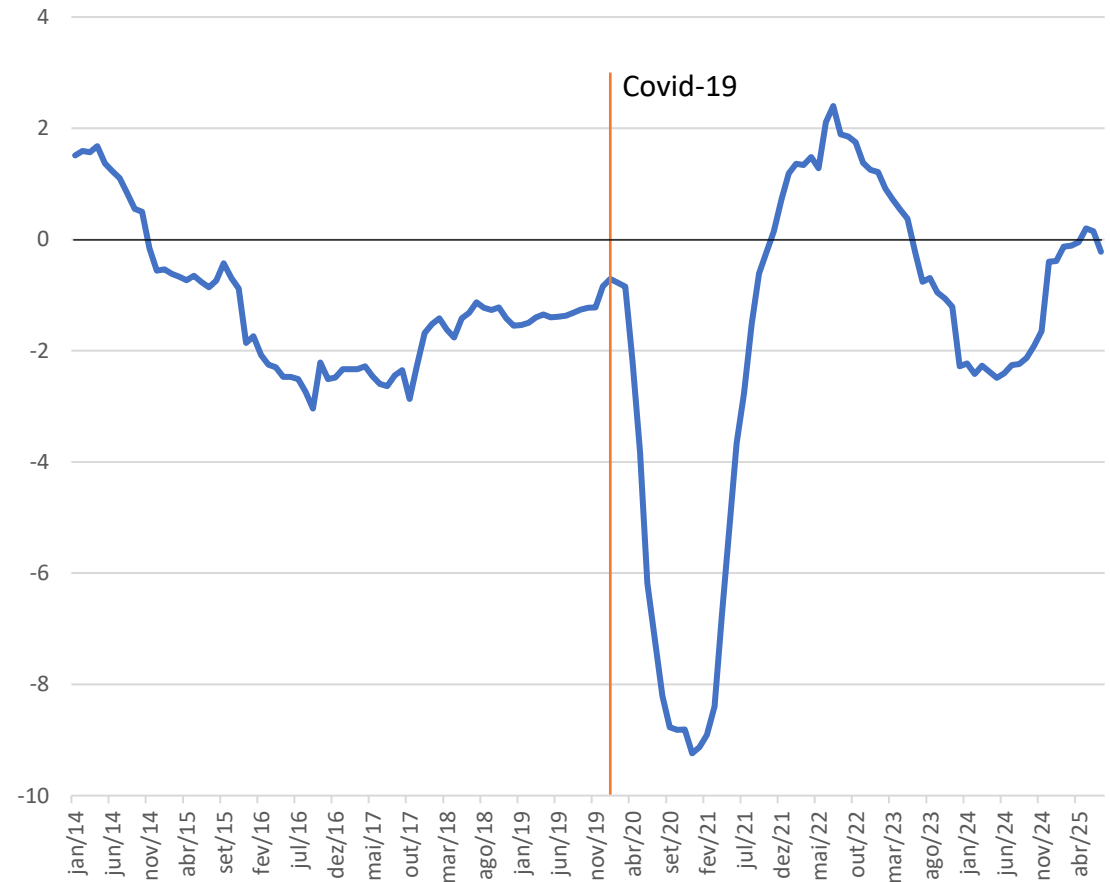


# Fiscal Imbalances

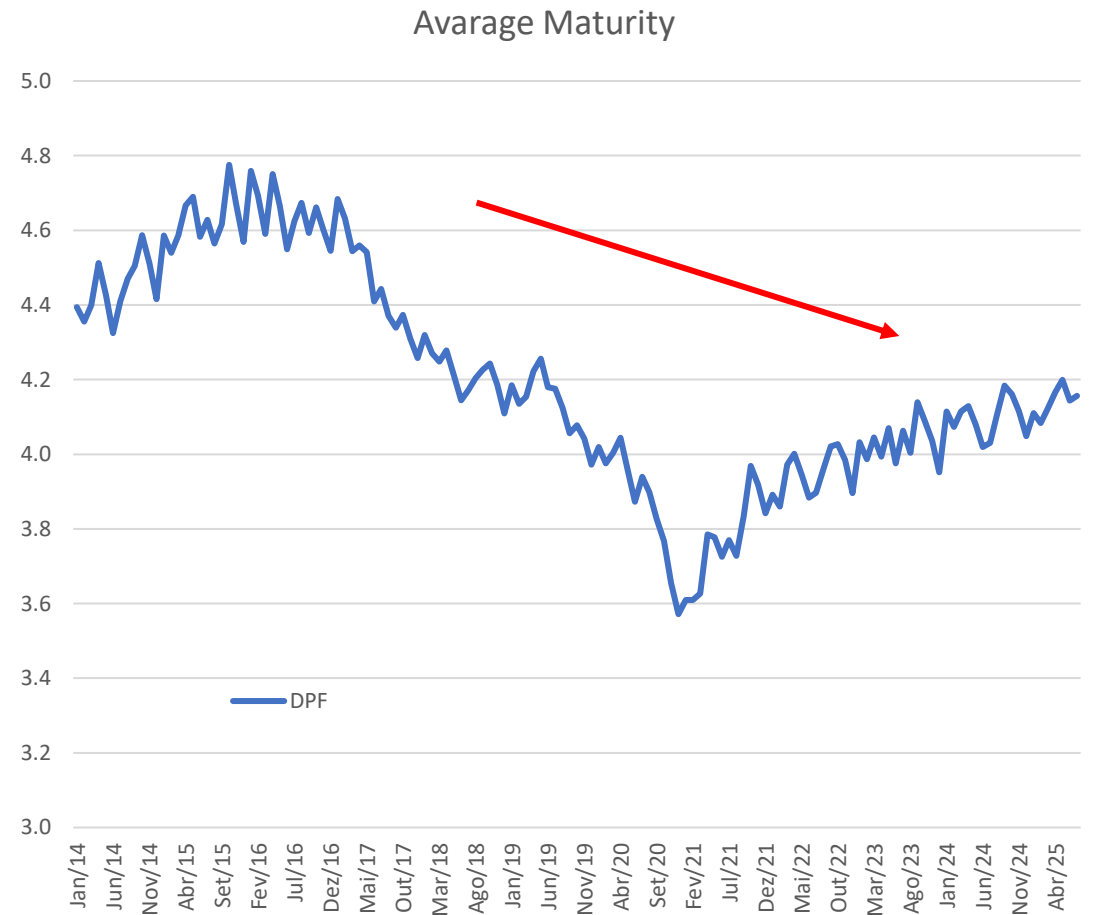
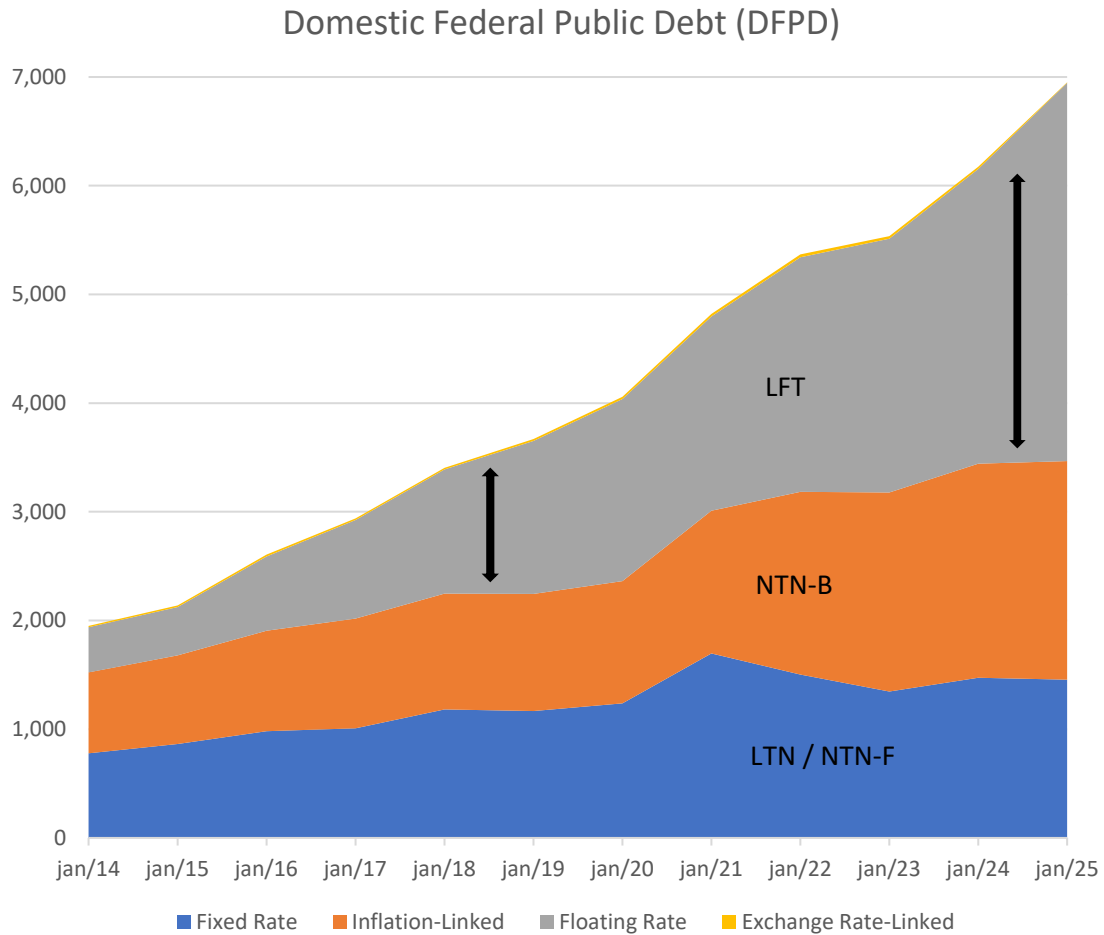
General Government Gross Debt (% of GDP)



Primary balance (% of GDP)



# DFPD estatistics





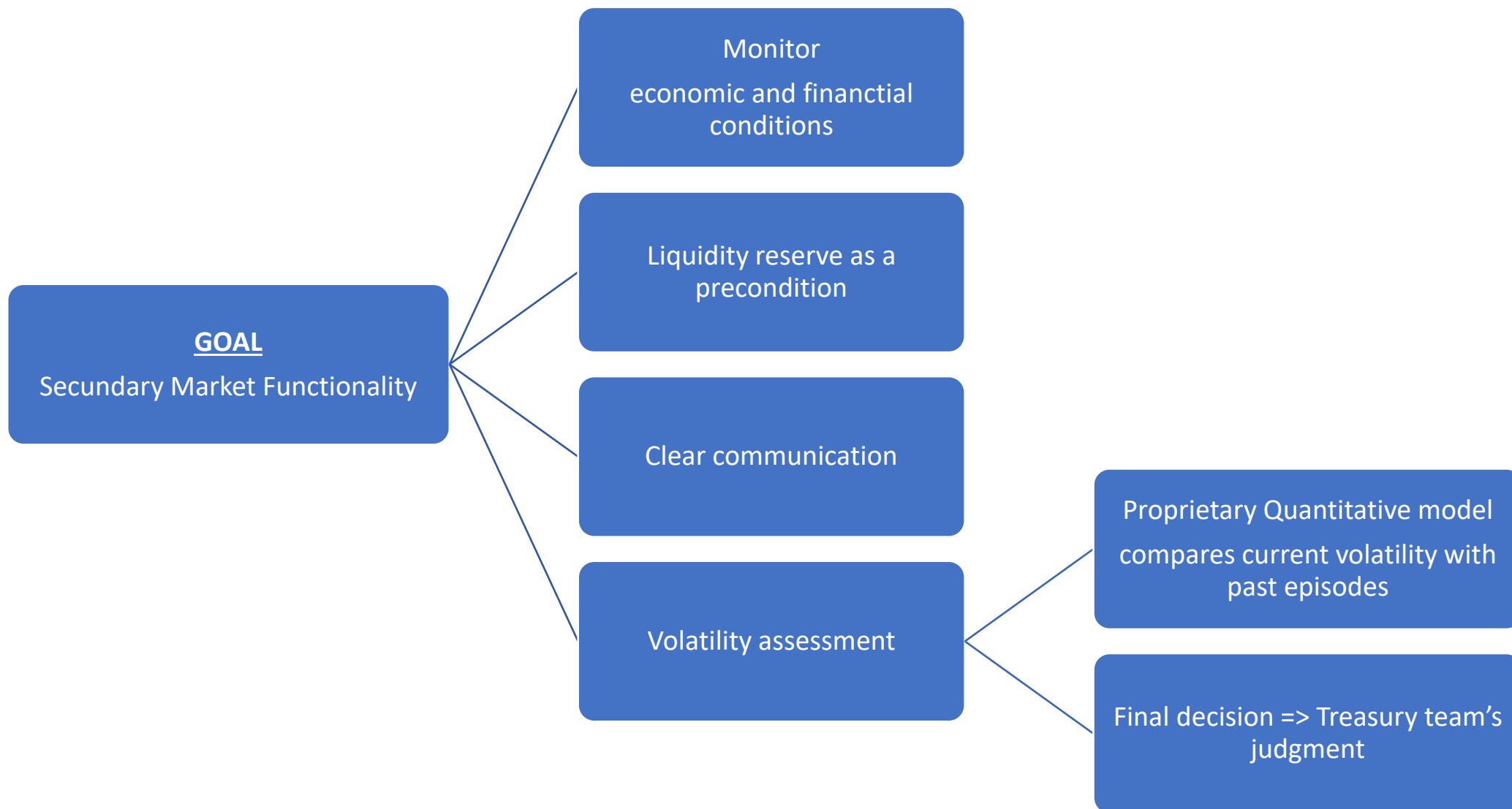
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# Goals and instruments

# When to Intervene





# Available Instruments\*

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Reduction of Scheduled Auctions Size

Auction Cancellation

Issuance of Floating Bonds

Short Term Issuance

Buy-backs

Spread Auctions

\* This is not an exhaustive list.

# Characteristics of Intervention

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Objective is not to control interest rate levels

**Goal** => smooth abrupt shocks and restore market functionality

Buybacks are small relative to total debt stock

Preserve credibility and market functioning

Reputation is crucial



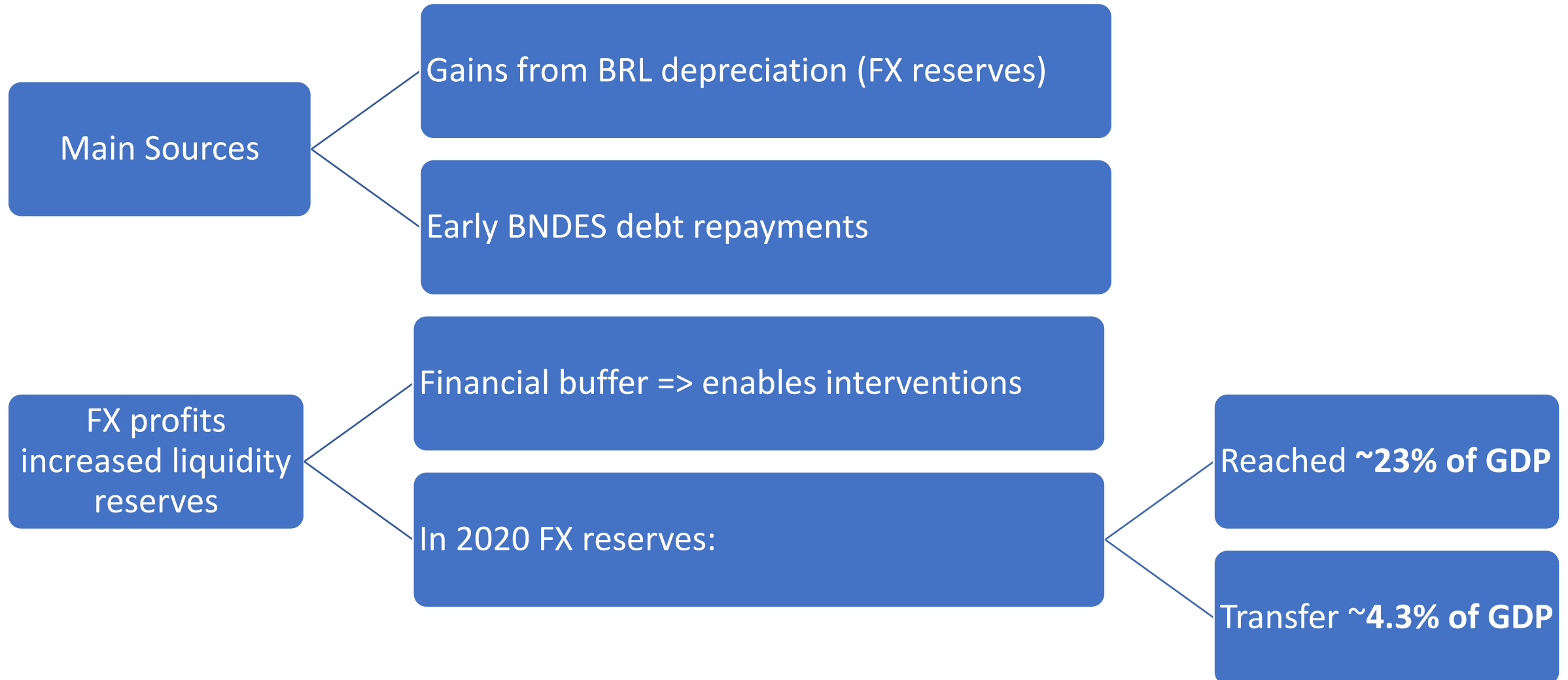
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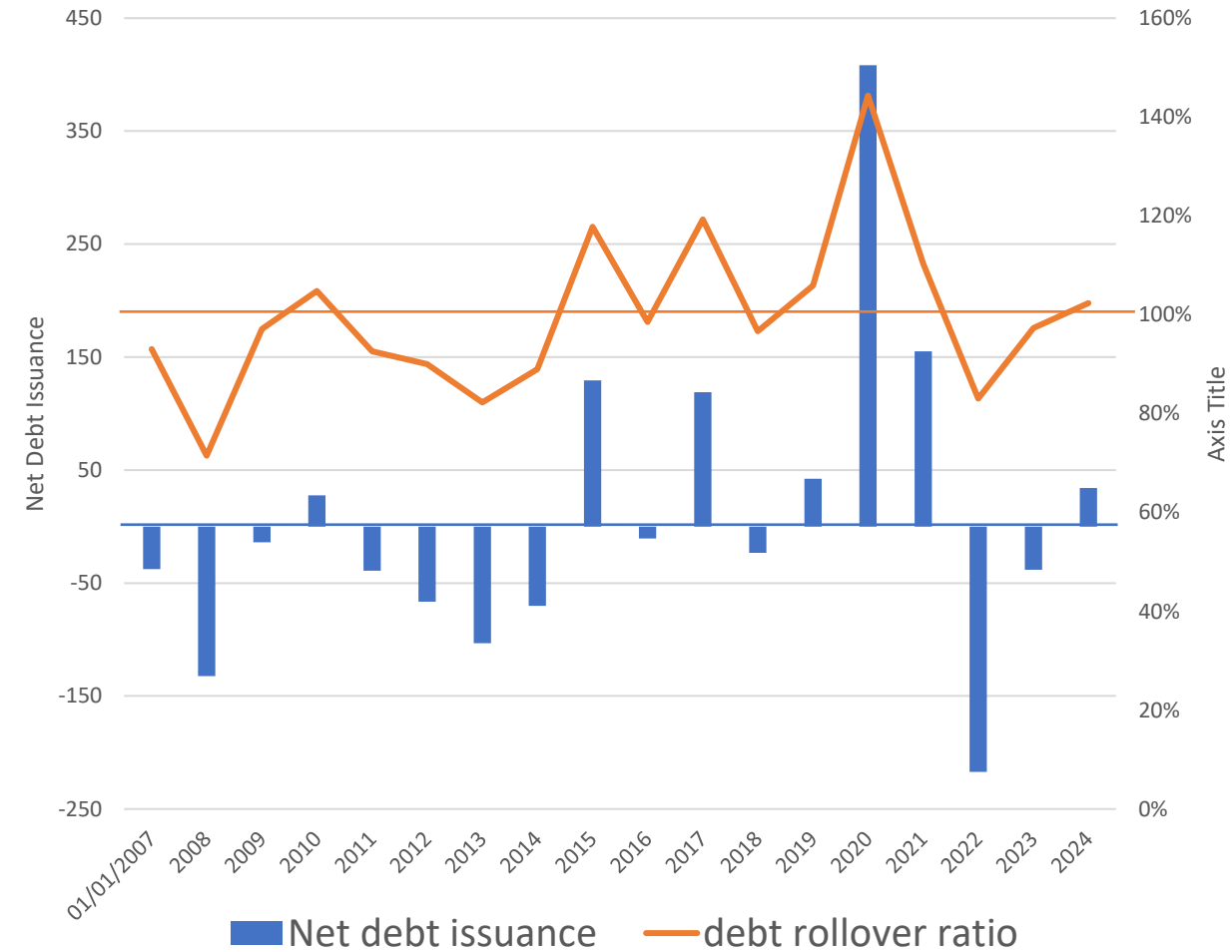
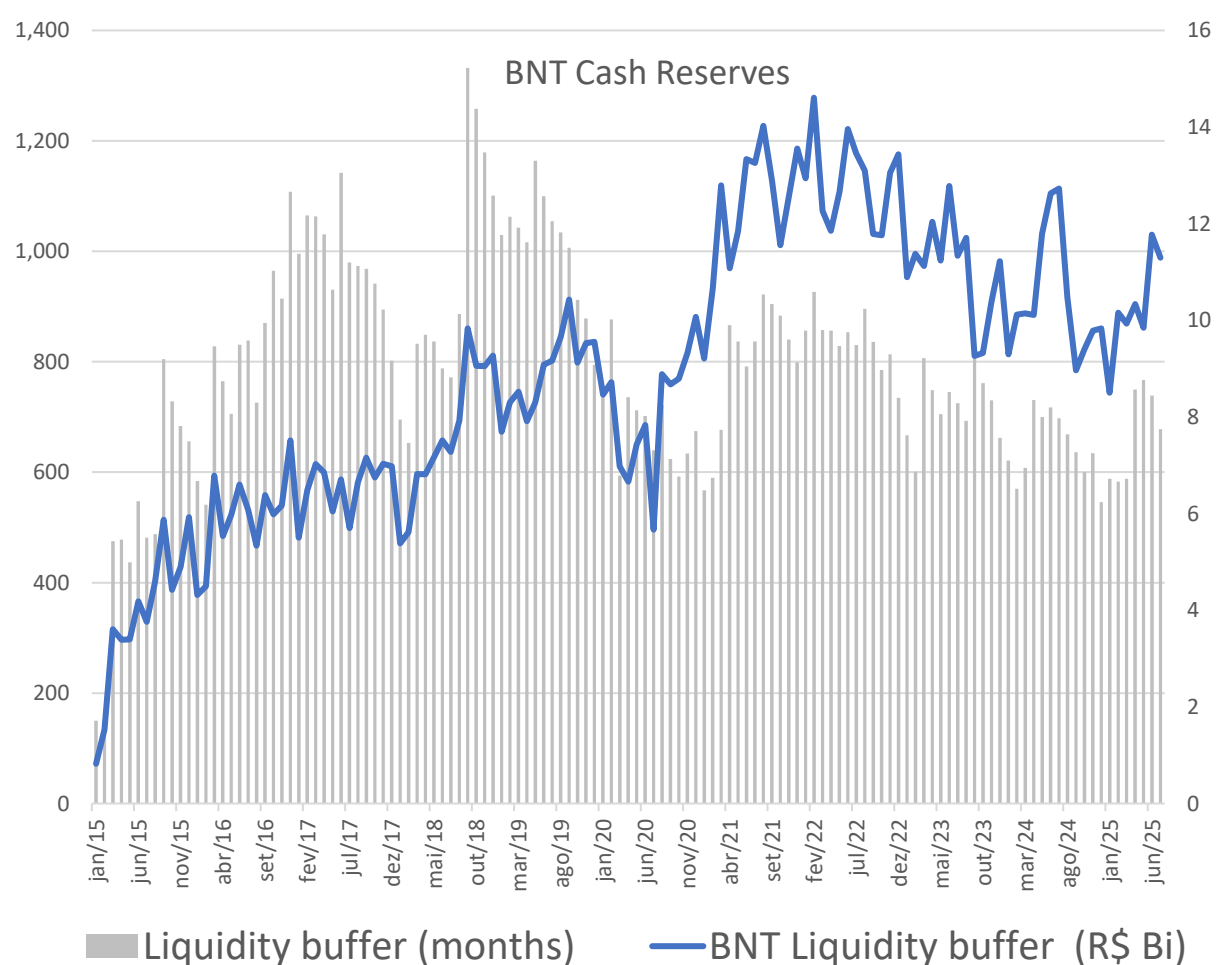
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# Role of the liquidity Reserve

# The Role of the liquidity Reserve



# The Role of the liquidity Reserve



\* The BCB cannot easily buy bonds in the primary or secondary market => BNT must rely on a bigger liquidity reserve.

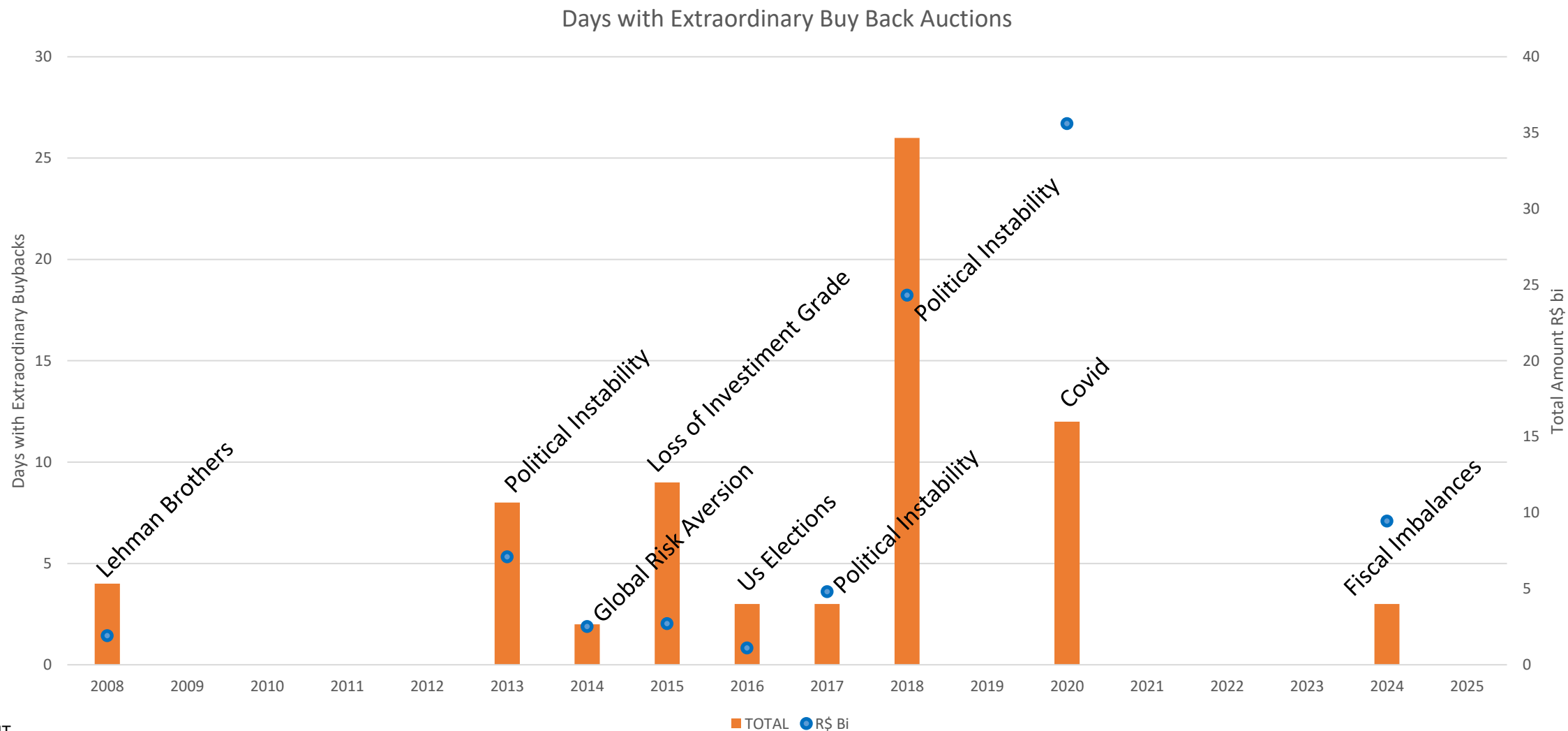


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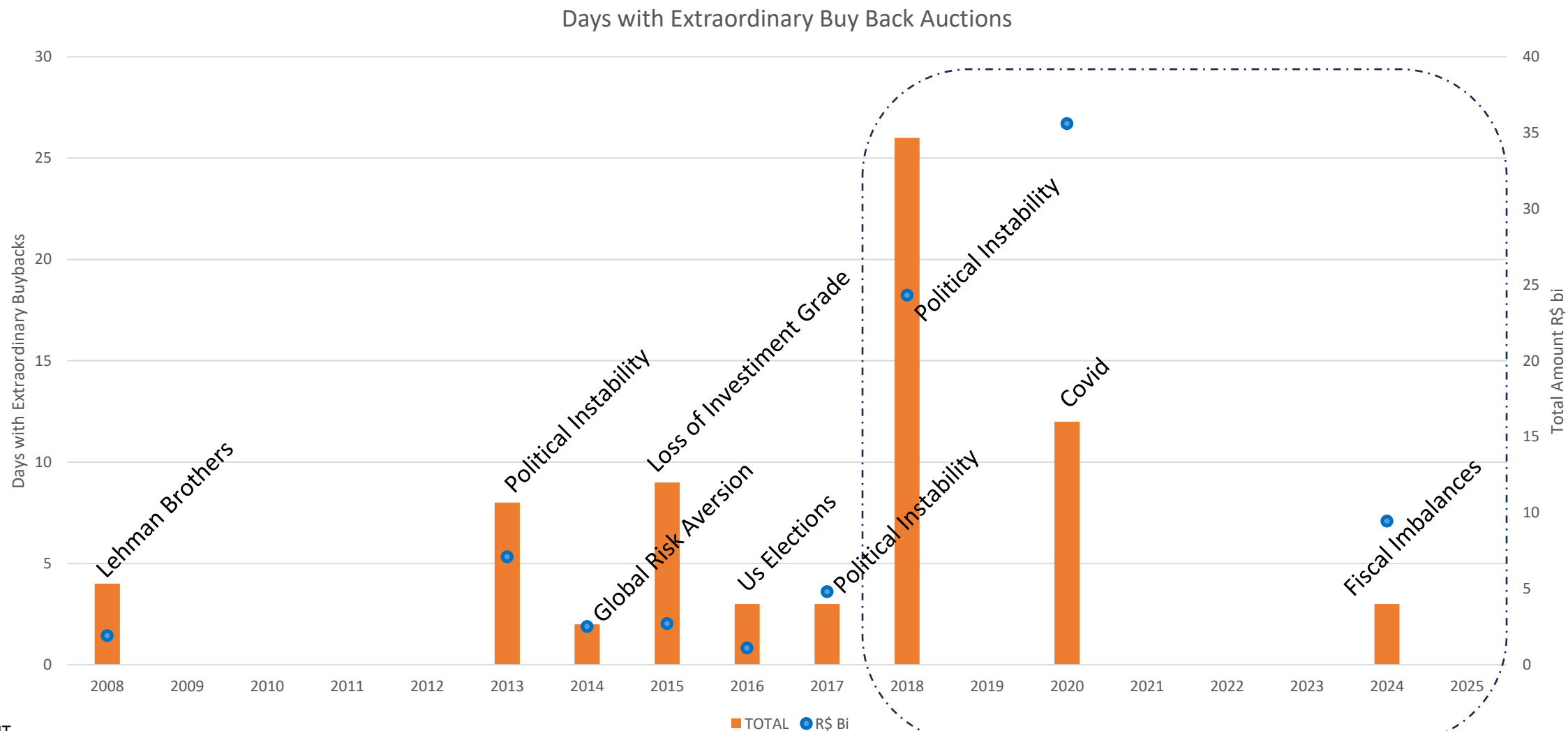
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# Overview of past Extraordinary Actions

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# Overview of past Extraordinary Actions

**2018**

## **Political Instability**

- BRL 24.3bn buybacks

**2020**

## **Covid**

- 12 auction days
- BRL 35.6bn buybacks
- institutional changes
- New LFT vertice and increased issuance rate (Weekly)
- short-term issuance

**2024**

## **Fiscal Imbalances**

- 3 auction days
- BRL 9.5bn buybacks

\* cancellation of traditional auctions

\* Simultaneous Buy and Sell auction of Fixed Rate and Inflation-Linked bonds

# Overview of past Extraordinary Actions - COVID-19

## Market conditions

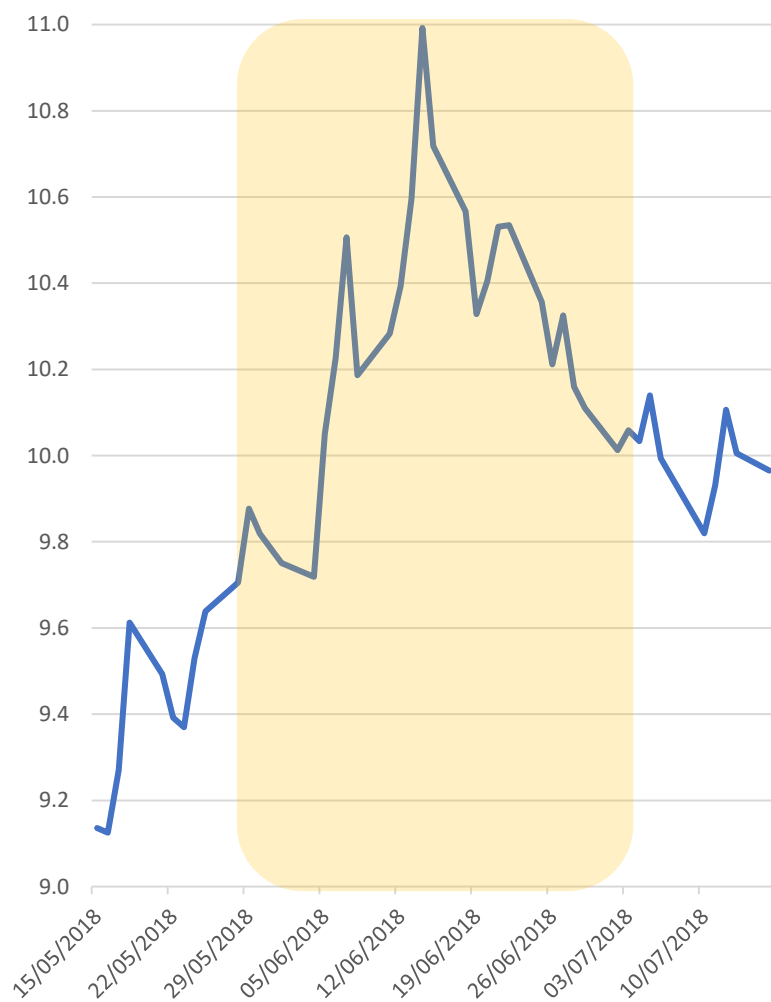
- Interest rates at historic lows  
→ reduced demand for floating bonds (**LFTs**)
- large volumes of **6–12 month** bonds
- Increased rollover risk  
→ larger liquidity reserve needed

## Institutional changes

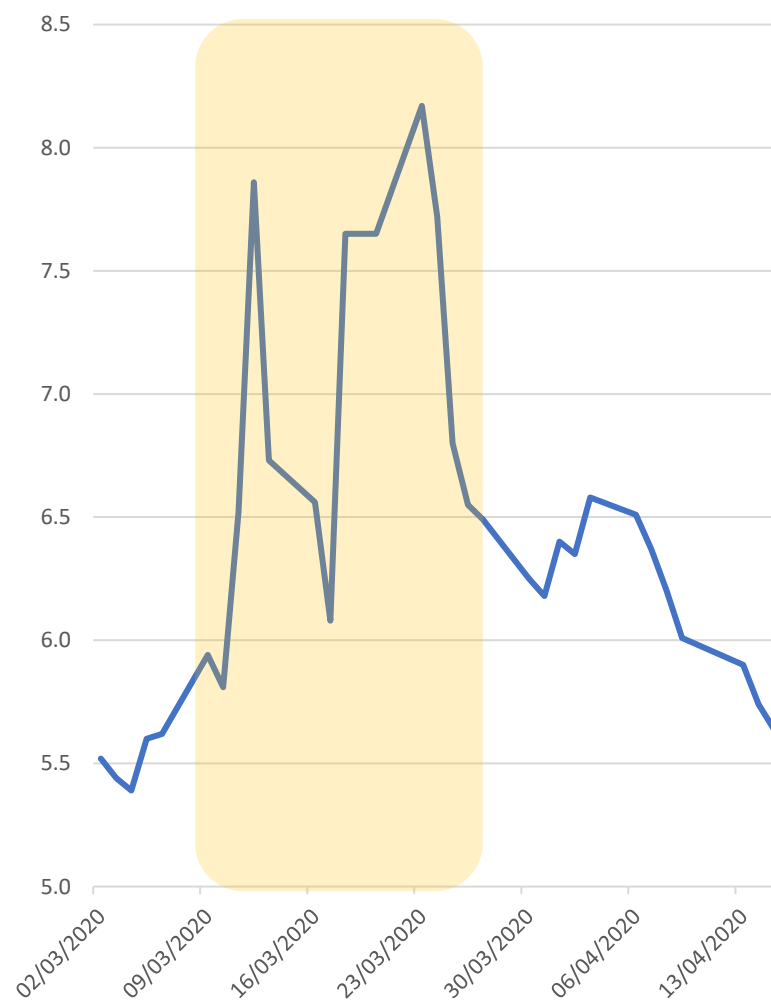
- Bill allowed BCB to trade securities in secondary market  
→ Not triggered, but removed legal uncertainty
- BNT– BCB relationship had changed:
  - FX profit transfers no longer automatic
  - Pandemic exception:  
transfer of FX profits to BNT  
→ **+4.35%** of GDP

# 48-month Brazilian Interbank Deposit Rate (DI)

2018



2020



48 months interest rate - DI





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# Concluding Remarks

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BCB cannot buy bonds  
in the secondary or  
primary market

BNT must rely on liquidity  
reserve

Liquidity reserve  
↓  
precondition for market  
interventions

BNT can't rely on BCB  
transfer as it did in the past

Extraordinary  
interventions help  
stabilize markets

Obj. is not to control  
interest rate levels  
Goal is to smooth abrupt  
market shocks

Should be used sparingly  
and  
with clear communication

BNT should preserve  
credibility and efficient  
bond market

Interventions are not a  
substitute for fiscal  
adjustment and reforms

Frequent interventions  
↓  
1 - Market dependency  
2 - Strategic behavior

Higher debt  
↓  
Increases risk and reduces  
the DMO flexibility

# MORE INFORMATION

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[Auction Results \(portuguese\)](#)

[Auction Schedule](#)

[Investors Presentation](#)

[Annual Borrowing Plan](#)

[Monthly Debt Report](#)

[Annual Debt Report](#)



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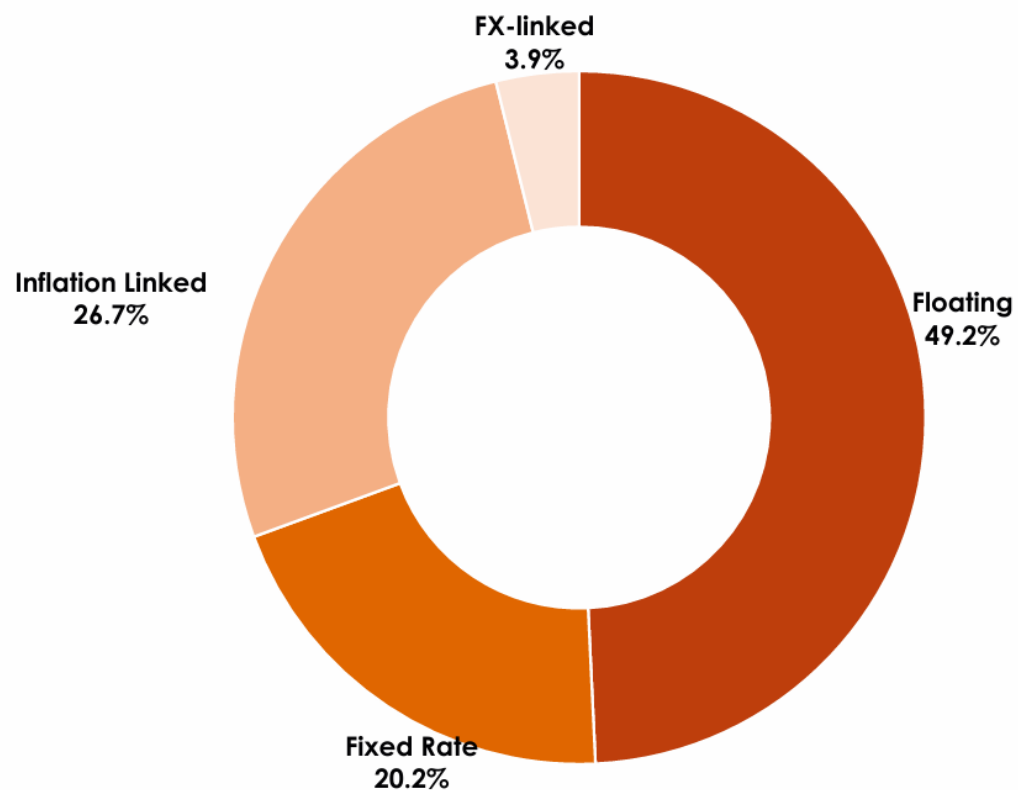
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# ANNEX

# MORE INFORMATION

FDP Profile, by index, July/2025



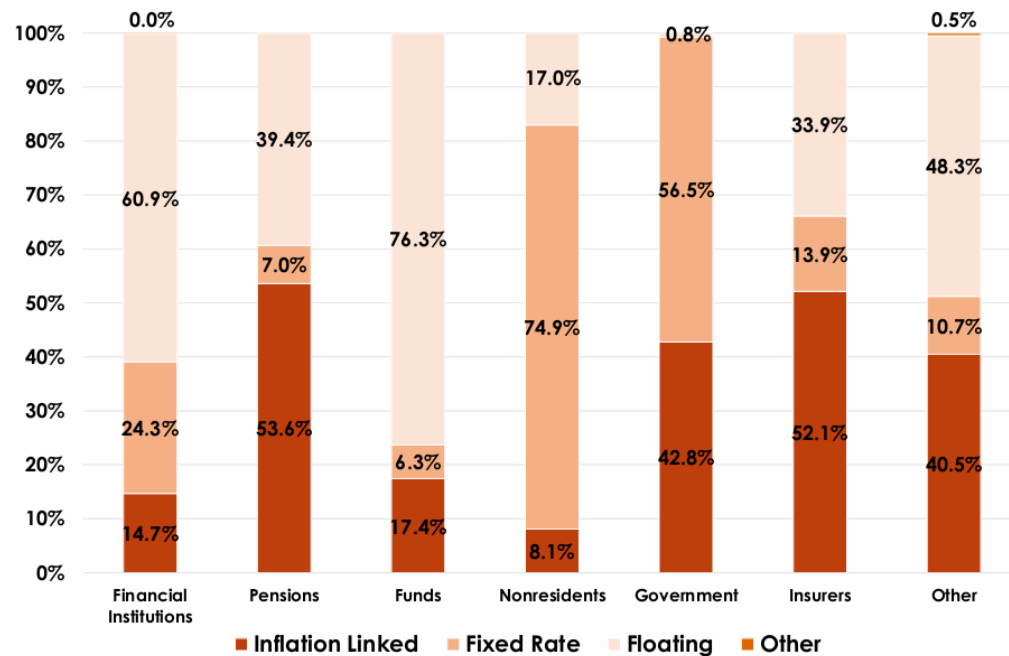
**2025 ABP Limits  
% Up to 12 months**

	Min	Max
FPD	16.0	20.0



# MORE INFORMATION

Portfolio Profile by Holder – July/25



Average Maturity Profile by Holder – July/25

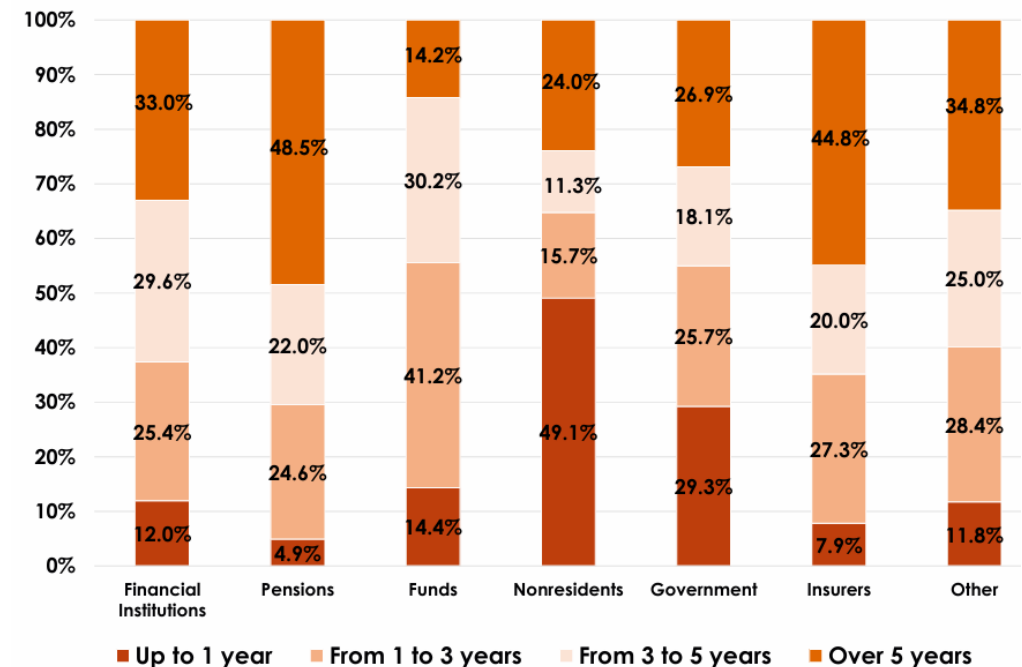


Table 2.4  
DFPD Public Securities  
Holders

	Dec/24		Jun/25		Jul/25	
Pensions	1,667.28	23.93%	1,750.34	23.09%	1,792.88	23.49%
Financial Institutions	2,054.66	29.49%	2,372.94	31.30%	2,385.08	31.26%
Funds	1,510.09	21.68%	1,678.37	22.14%	1,658.58	21.73%
Nonresidents	710.91	10.20%	745.90	9.84%	752.36	9.86%
Government	234.74	3.37%	227.67	3.00%	219.65	2.88%
Insurers	276.73	3.97%	277.97	3.67%	282.51	3.70%
Other	512.46	7.36%	527.88	6.96%	539.91	7.08%
<b>Total</b>	<b>6,966.88</b>	<b>100.00%</b>	<b>7,581.08</b>	<b>100.00%</b>	<b>7,630.97</b>	<b>100.00%</b>

Historical Data and Notes: Annex 2.7