

## Brazilian Financial Institutions

Credit card interest rate capped at 100%.  
Limited impact on earnings

Industry Overview

## Credit card interest rate limited to 100%

Today Brazil's National Monetary Council (CMN) approved a measure limiting interest rates paid by consumers on credit cards to 100% of the initial amount of the debt, effective as of January 3, '24. This decision is in line with the bill approved by the Senate in early October, evidencing that this is a very complex arrangement as market participants failed to reach a consensus for a self-regulation.

## Limited impact for banks, card issuers and acquirers

We do not expect material impact on banks and card issuers earnings, as we estimate that in a worst-case scenario, consumers pay a total interest of c.80% of their overdue credit card balance (lower than the cap approved). The CMN also kept unchanged the current interest-rate free installment scheme offered at the merchants, dissipating any earnings risks to merchant acquirers, as the credit card receivables anticipation represents c.50% of their top-line (see more details on: [The credit card conundrum](#)).

## Regulatory uncertainties gradually fading away

This decision brings some relief to the banking sector as it removes an important overhang to banks earnings, especially to those with a high exposure to credit cards (Nubank, Itau, Santander Brasil and Inter). We sense that noise related to the potential end of the interest on capital tax benefit to banks is also declining, showing a rational and moderate government approach.

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Equity  
Brazil  
Financial Institutions

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IOC: Interest on capital

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