

Jurisdiction: Brazil

## 2018 IMN Survey of National/Regional Progress in the Implementation of G20/FSB Recommendations

### Contact information

- I. Hedge funds
- II. Securitisation
- III. Enhancing supervision
- IV. Building and implementing macroprudential frameworks and tools
- V. Improving oversight of credit rating agencies (CRAs)
- VI. Enhancing and aligning accounting standards
- VII. Enhancing risk management
- VIII. Strengthening deposit insurance
- IX. Safeguarding the integrity and efficiency of financial markets
- X. Enhancing financial consumer protection

### List of abbreviations used

### Sources of recommendations

### List of contact persons from the FSB and standard-setting bodies

National authorities from FSB member jurisdictions should complete the survey and submit it to the FSB Secretariat ([imn@fsb.org](mailto:imn@fsb.org)) by **Friday, 8 June 2018** (*representing the most recent status at that time*). The Secretariat is available to answer any questions or clarifications that may be needed on the survey. Please also provide your contact details for the person(s) completing the survey and an index of abbreviations used in the response.

National authorities are expected to submit the information to the FSB Secretariat using the Adobe Acrobat version of the survey. The Microsoft Word version of the survey is also being circulated to facilitate the preparation/collection of survey responses by relevant authorities within each jurisdiction.

Jurisdictions that previously reported implementation as completed in a particular recommendation are only required to include information about main developments since last year's survey and future plans (if applicable) ("Update and next steps" table). New reforms to enhance the existing framework in that area should be described, but should not lead to a downgrade from implementation completed to ongoing. Jurisdictions that do not report implementation as completed are required to include full information both in the "Progress to date" and "Update and next steps" tables.

As with previous IMN surveys, the contents of this survey for each national jurisdiction will be published on the FSB's website at around the time of the 2018 G20 Summit in Buenos Aires. The FSB Secretariat will contact member jurisdictions ahead of the Summit to check for any updates or amendments to submitted responses before they are published.

## I. Hedge funds

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### 1. Registration, appropriate disclosures and oversight of hedge funds

#### G20/FSB Recommendations

*We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds.*  
(Seoul)

*Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.*  
(London)

Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2016 IMN survey. Given this, the reporting of progress with respect to this recommendation will take place every 2-3 years henceforth (i.e. in 2019 or 2020).

## I. Hedge funds

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## 2. Establishment of international information sharing framework

## G20/FSB Recommendations

*We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009. (London)*

## Remarks

Jurisdictions should indicate the progress made in implementing recommendation 6 in IOSCO's [Report on Hedge Fund Oversight \(Jun 2009\)](#) on sharing information to facilitate the oversight of globally active fund managers.

In addition, jurisdictions should state whether they are:

- Signatory to the IOSCO MMoU in relation to cooperation in enforcement
- Signatory to bilateral agreements for supervisory cooperation that cover hedge funds and are aligned to the 2010 IOSCO [Principles Regarding Cross-border Supervisory Cooperation](#).

Jurisdictions can also refer to Principle 28 of the 2017 IOSCO Objectives and Principles of Securities Regulation, and take into account the outcomes of any recent FSAP/ROSC assessment against those Principles.

## Progress to date

- ☐ Not applicable
- ☐ Applicable but no action envisaged at the moment
- ☐ Implementation ongoing
- ☒ Implementation completed as of 2013

If “Not applicable” or “Applicable but no action envisaged...” has been selected, please provide a brief justification

If “Implementation ongoing” has been selected, please specify

- ☐ Draft in preparation, expected publication by
- ☐ Draft published as of
- ☐ Final rule or legislation approved and will come into force on
- ☐ Final rule (for part of the reform) in force since

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2. Establishment of international information sharing framework

Progress to date

Issue is being addressed through

- ☐ Primary / Secondary legislation  
☐ Regulation / Guidelines  
☒ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

Legislation grants CVM sufficient powers to enter into international agreements with supervisory authorities. In addition to being a signatory to the IOSCO MMoU, CVM has signed supervisory MOUs with the US Financial Industry Regulation Authority (FINRA) and with the European Securities and Markets Authority (ESMA).

Other actions: Establishment of bilateral Supervisory Memoranda of Understanding (MOUs).

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

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2. Establishment of international information sharing framework

Update and next steps

Highlight main developments since last year's survey

Planned actions (if any) and expected commencement date

Relevant web-links

Web-links to relevant documents

## I. Hedge funds

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## 3. Enhancing counterparty risk management

## G20/FSB Recommendations

*Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures. (London)*

*Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties. (Rec. II.17, FSF 2008)*

## Remarks

Jurisdictions should indicate specific policy measures taken for enhancing counterparty risk management and strengthening their existing guidance on the management of exposure to leveraged counterparties.

In particular, jurisdictions should indicate whether they have implemented recommendation 3 of the IOSCO [Report on Hedge Fund Oversight \(Jun 2009\)](#).

In their responses, jurisdictions should not provide information on the portion of this recommendation that pertains to Basel III capital requirements for counterparty risk, since it is [monitored separately](#) by the BCBS.

Jurisdictions can also refer to Principle 28 of the 2017 IOSCO [Objectives and Principles of Securities Regulation](#), and take into account the outcomes of any recent FSAP/ROSC assessment against those Principles.

## Progress to date

- ☐ Not applicable
- ☐ Applicable but no action envisaged at the moment
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- ☒ Implementation completed as of 2013

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I. Hedge funds

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3. Enhancing counterparty risk management

Progress to date

Issue is being addressed through

- ☐ Primary / Secondary legislation  
☒ Regulation / Guidelines  
☐ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

Principle 2.iii of the IOSCO Report is not applicable in Brazil because funds are not allowed to take loans.  
CVM analyses data received from funds and from the Stock Exchange B3 (BM&F-Bovespa and Cetip combined to form B3 in 2017), in order to perform a continuous assessment of funds' leverage levels.  
Derivatives are the most relevant source of leverage for hedge funds, and most transactions are traded in an exchange environment, with margin requirements calculated by an independent third party (the exchange itself) and adjusted on a daily basis.  
CVM has in place a comprehensive supervision on liquidity management practices of funds, including a review of the adequacy of stress tests conducted and actions on mark-to-market practices.  
CVM has established a Task Force to review regulation on funds' leverage.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

I. Hedge funds

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3. Enhancing counterparty risk management

Update and next steps

Highlight main developments since last year's survey

Planned actions (if any) and expected commencement date

Relevant web-links

Web-links to relevant documents

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| 4. Strengthening of regulatory and capital framework for monolines |                    |     |    |   |    |     |      |    |   |

**G20/FSB Recommendations**

*Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit. (Rec II.8, FSF 2008)*

Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2016 IMN survey. Given this, the reporting of progress with respect to this recommendation will take place every 2-3 years henceforth (i.e. in 2019 or 2020).

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## 5. Strengthening of supervisory requirements or best practices for investment in structured products

## G20/FSB Recommendations

*Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products. (Rec II.18, FSF 2008)*

## Remarks

Jurisdictions should indicate the due diligence policies, procedures and practices applicable for investment managers when investing in structured finance instruments and other policy measures taken for strengthening best practices for investment in structured finance products.

Jurisdictions may reference IOSCO's report on [Good Practices in Relation to Investment Managers' Due Diligence When Investing in Structured Finance Instruments \(Jul 2009\)](#).

Jurisdictions may also refer to the Joint Forum report on [Credit Risk Transfer-Developments from 2005-2007 \(Jul 2008\)](#).

## Progress to date

- ☐ Not applicable  
☐ Applicable but no action envisaged at the moment  
☐ Implementation ongoing  
☒ Implementation completed as of 2010

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| 5. Strengthening of supervisory requirements or best practices for investment in structured products |                    |     |    |   |    |     |      |    |   |

| Progress to date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                            |
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| <p><b>Issue is being addressed through</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation / Guidelines</p> <p><input type="checkbox"/> Other actions (such as supervisory actions)</p> <p><b>Short description of the content of the legislation/regulation/guideline/other actions</b></p> <p>Applicable regulation imposes the overarching duty on investment managers to act in the best interests of their clients (Instruction CVM 558 of 2015, article 16). Specific provisions on this issue can also be found in funds regulation (Instruction CVM 555 of 2014, article 92, reinforcing the obligation of due diligence). CVM's Investment Management Department frequently issues guidance regarding the best practices for compliance with the mentioned rules. This is the case of Guidance Letters 2 of 2010 and 6 of 2014, which aim at ensuring that investors are able to assess the characteristics of specific products offered by financial intermediaries.</p> <p>Resolution CMN 4,263 of 2013 regulates the conditions for the issuance of Structured Operations Certificates (COE) and presents a series of provisions designed to ensure the adequacy of the product to its target audience and its broad understanding by investors. Not only the issuer, but also institutions taking part in the process of distribution or negotiation of COE, must implement policies and procedures to ensure the adequacy of the product to the investors' profile, observing their needs, interests and goals. In addition, these certificates must be registered in a very detailed form, including the identification of their final counterparties, in a FMI (Financial Market Infrastructure) authorized by CVM or BCB, thus allowing transactions to be monitored and processed in a transparent, safe and efficient environment. In December 2014, CVM published an extensive guidance on best practices for investing in non-sovereign debt assets.</p> <p>Resolution CMN 4,661 of 2018 imposes to managers of closed pension funds the obligation to act with due diligence in favour of their participants. In addition, Resolution CMN 4,444 of 2015 imposes similar rules to insurance companies and private pension funds.</p> | <p>If this recommendation has not yet been fully implemented, please provide <b>reasons for delayed implementation</b></p> |

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| 5. Strengthening of supervisory requirements or best practices for investment in structured products |                    |     |    |   |    |     |      |    |   |

| Update and next steps                                                                                                                                                                                                                                                                 |                                                                       |
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| <p><b>Highlight main developments since last year's survey</b></p> <p>Resolution CMN 4,661 of May, 2018 replaced Resolution CMN 3,792 of 2009 establishing improvements related to risk management, corporate governance and investment policy standards of closed pension funds.</p> | <p><b>Planned actions (if any) and expected commencement date</b></p> |

| Relevant web-links                            |  |
|-----------------------------------------------|--|
| <p><b>Web-links to relevant documents</b></p> |  |

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## 6. Enhanced disclosure of securitised products

## G20/FSB Recommendations

*Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.* (Rec. III.10-III.13, FSF 2008)

## Remarks

Jurisdictions should indicate the policy measures and other initiatives taken in relation to enhancing disclosure of securitised products, including working with industry and other authorities to continue to standardise disclosure templates and considering measures to improve the type of information that investors receive.

See, for reference, IOSCO's [Report on Principles for Ongoing Disclosure for Asset-Backed Securities \(Nov 2012\)](#), [Disclosure Principles for Public Offerings and Listings of Asset-Backed Securities \(Apr 2010\)](#) and [report on Global Developments in Securitisation Regulations \(November 2012\)](#), in particular recommendations 4 and 5.

## Progress to date

- ☐ Not applicable
- ☐ Applicable but no action envisaged at the moment
- ☐ Implementation ongoing
- ☒ Implementation completed as of 2012

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| 6. Enhanced disclosure of securitised products |                    |     |    |   |    |     |      |    |   |

| Progress to date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                            |
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## 6. Enhanced disclosure of securitised products

## Update and next steps

Highlight **main developments since last year's survey**

In 2017, a rule came into force on monthly disclosure of new information by FIDCs, focusing on provisions regarding portfolio composition and collaterals involved. CVM launched a public consultation regarding the new rules for the securitization of agribusiness-backed securities (CRA - Certificados de Recebíveis do Agronegócio, in Portuguese) and expects to issue the new rule in 2018.

**Planned actions** (if any) and expected commencement date

In 2018, CVM intends to issue a public consultation on rules related to mortgage-backed securities (CRI - Certificados de Recebíveis Imobiliários, in Portuguese), aiming at a better structuring of this product and taking into consideration the 2012 CVM rules on disclosure.

## Relevant web-links

Web-links to  
relevant documents

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## III. Enhancing supervision

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## 7. Consistent, consolidated supervision and regulation of SIFIs

## G20/FSB Recommendations

*All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.* (Pittsburgh)

## Remarks

Jurisdictions should indicate: (1) whether they have identified domestic SIFIs and, if so, in which sectors (banks, insurers, other etc.); (2) whether the names of the identified SIFIs have been publicly disclosed; and (3) the types of policy measures taken for implementing consistent, consolidated supervision and regulation of the identified SIFIs.

Jurisdictions should not provide details on policy measures that pertain to higher loss absorbency requirements for G/D-SIBs, since these are [monitored separately](#) by the BCBS.

See, for reference, the following documents:

## BCBS

- [Framework for G-SIBs \(Jul 2013\)](#)
- [Framework for D-SIBs \(Oct 2012\)](#)

## IAIS

- [Global Systemically Important Insurers: Policy Measures \(Jul 2013\) and revised assessment methodology \(updated in June 2016\)](#)
- [IAIS SRMP guidance - FINAL \(Dec 2013\)](#)
- [Guidance on Liquidity management and planning \(Oct 2014\)](#)

## FSB

- [Framework for addressing SIFIs \(Nov 2011\)](#)

## Progress to date

- ☐ Not applicable  
☐ Applicable but no action envisaged at the moment  
☐ Implementation ongoing  
☒ Implementation completed as of March, 2015 (G-SIB)

If “Not applicable” or “Applicable but no action envisaged...” has been selected, please provide a brief justification

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| <b>7. Consistent, consolidated supervision and regulation of SIFIs</b> |    |                            |    |   |    |     |      |    |   |

| Progress to date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                            |
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| <b>7. Consistent, consolidated supervision and regulation of SIFIs</b> |    |                            |    |   |    |     |      |    |   |

| Update and next steps                                                          |                                                                                   |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <p>Highlight <b>main developments since last year's survey</b></p> <div></div> | <p><b>Planned actions</b> (if any) and expected commencement date</p> <div></div> |

| Relevant web-links                            |                                                                                                                                                                                                                                                     |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Web-links to relevant documents</b></p> | <p>Prudential regulation: <a href="http://www.bcb.gov.br/ingles/norms/brprudential/Brazilian-Prudential-Financial-Regulation.asp">http://www.bcb.gov.br/ingles/norms/brprudential/Brazilian-Prudential-Financial-Regulation.asp</a></p> <div></div> |

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| 8. Establishing supervisory colleges and conducting risk assessments |    |                            |    |   |    |     |      |    |   |

**G20/FSB Recommendations**

*To establish the remaining supervisory colleges for significant cross-border firms by June 2009. (London)*

*We agreed to conduct rigorous risk assessment on these firms [G-SIFIs] through international supervisory colleges. (Seoul)*

Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2017 IMN survey. The BCBS and IAIS will be monitoring implementation progress in this area with respect to banks and insurers respectively.

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## 9. Supervisory exchange of information and coordination

## G20/FSB Recommendations

*To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels. (Rec V.7 , FSF 2008)*

*Enhance the effectiveness of core supervisory colleges. (FSB 2012)*

## Remarks

Jurisdictions should include any feedback received from recent FSAPs/ROSC assessments on the [September 2012](#) BCP 3 (Cooperation and collaboration) and BCP 14 (Home-host relationships). Jurisdictions should also indicate any steps taken since the last assessment in this area, particularly in response to relevant FSAP/ROSC recommendations.

Jurisdictions should describe any recent or planned regulatory, supervisory or legislative changes that contribute to the sharing of supervisory information (e.g. within supervisory colleges or via bilateral or multilateral MoUs).

## Progress to date

- ☐ Not applicable  
☐ Applicable but no action envisaged at the moment  
☐ Implementation ongoing  
☒ Implementation completed as of 2012

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| <b>9. Supervisory exchange of information and coordination</b> |    |                            |    |   |    |     |      |    |   |

| Progress to date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                            |
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| <p><b>Issue is being addressed through</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation / Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions)</p> <p><b>Short description of the content of the legislation/regulation/guideline/other actions</b></p> <p>Since 1997, under provisions of Complementary Law 105 of 2001, BCB has established several agreements with other Brazilian authorities, as well as with foreign supervisors. On the domestic scope, a committee comprised of Brazilian financial authorities (Coremec) was established in 2006 in order to coordinate regulatory and supervisory actions of BCB and the federal agencies responsible for the following areas: insurance, pension funds, securities and exchange.</p> <p>BCB has entered into agreements with other Brazilian authorities in order to exchange information and coordinate actions. To date, BCB has also entered into 26 bilateral agreements ("memoranda of understanding" - MoUs) with 32 foreign supervisory authorities in 23 countries for exchange of information. BCB also signed a MoU with the European Central Bank. These agreements not only follow the guidelines established by the Basel Committee but also allow on-site examinations of subsidiaries of Brazilian banks abroad, as well as on-site examinations performed by foreign supervisors in subsidiaries of foreign institutions operating in Brazil. The MoUs set out the conditions under which cooperation between the signatory authorities takes place, comprising in general, the exchange of information about supervisory issues of mutual interest, on-site examinations in foreign subsidiaries and provisions on information confidentiality.</p> <p>BCB receives dozens of information requests every year through MoU arrangements. The home supervisors of international banks operating in Brazil periodically receive results of BCB's assessments on Brazilian subsidiaries.</p> <p>BCB periodically hosts supervisory colleges for Itaú-Unibanco and Banco do Brasil, as well as participates in colleges for Citibank, JP Morgan Chase, Credit Suisse, Deutsche Bank, UBS, GMAC, and Rabobank.</p> <p>BCB also participates in the core colleges and Crises Management Group of Santander with Banco de España, under a specific MoU – CoAg, that established policies for information sharing related to resolution strategies.</p> | <p>If this recommendation has not yet been fully implemented, please provide <b>reasons for delayed implementation</b></p> |

| I                                                              | II | III. Enhancing supervision | IV | V | VI | VII | VIII | IX | X |
|----------------------------------------------------------------|----|----------------------------|----|---|----|-----|------|----|---|
| <b>9. Supervisory exchange of information and coordination</b> |    |                            |    |   |    |     |      |    |   |

| Update and next steps                                                          |                                                                                   |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <p>Highlight <b>main developments since last year's survey</b></p> <div></div> | <p><b>Planned actions</b> (if any) and expected commencement date</p> <div></div> |

| Relevant web-links                            |                                                                                                                                                                                                                                                                        |
|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Web-links to relevant documents</b></p> | <p>Brazil: Detailed Assessment of Observance of Basel Core Principles for Effective Banking Supervision, available at: <a href="http://www.imf.org/external/pubs/ft/scr/2012/cr12207.pdf">http://www.imf.org/external/pubs/ft/scr/2012/cr12207.pdf</a></p> <div></div> |

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## III. Enhancing supervision

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## 10. Strengthening resources and effective supervision

## G20/FSB Recommendations

*We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention. (Seoul)*

*Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks. (FSF 2008)*

*Supervisory authorities should continually re-assess their resource needs; for example, interacting with and assessing Boards require particular skills, experience and adequate level of seniority. (Rec. 3, FSB 2012)*

## Remarks

Jurisdictions should indicate any steps taken on recommendations 1, 2, 3, 4 and 7 (i.e. supervisory strategy, engagement with banks, improvements in banks' IT and MIS, data requests, and talent management strategy respectively) in the FSB [thematic peer review report on supervisory frameworks and approaches to SIBs \(May 2015\)](#).

## Progress to date

- ☐ Not applicable  
☐ Applicable but no action envisaged at the moment  
☐ Implementation ongoing  
☒ Implementation completed as of March 2016.

If “Not applicable” or “Applicable but no action envisaged...” has been selected, please provide a brief justification

If “Implementation ongoing” has been selected, please specify

- ☐ Draft in preparation, expected publication by   
☐ Draft published as of   
☐ Final rule or legislation approved and will come into force on   
☐ Final rule (for part of the reform) in force since

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| <b>10. Strengthening resources and effective supervision</b> |    |                            |    |   |    |     |      |    |   |

| Progress to date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                            |
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| <p><b>Issue is being addressed through</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation / Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions)</p> <p><b>Short description of the content of the legislation/regulation/guideline/other actions</b></p> <p>BCB's mission statement includes its role as the Brazilian's primary financial supervisor. As such, BCB must assess the soundness of the Brazilian Financial System (SFN) and the regular functioning of supervised entities (ESs). In order to accomplish this mission, BCB's Supervision Area has the following objectives: a) evaluation of ESs' inherent risks and their management capacity in order to ensure that both risks and controls comply with regulatory and prudential limits; b) supervision of ESs conduct; c) verification of ESs' compliance with applicable laws and specific regulations; and d) promotion of transparency through disclosure of financial information to stakeholders according to internationally recommended best practices. BCB adopts the "Twin Peaks" model, so that units performing prudential supervision are separate from those responsible for conduct supervision. Implementation of a new structure within BCB's on-site supervision department in March 2016 aimed at strengthening the supervision of D-SIBs. New features include an increase in staff involved in the supervision of such institutions and changes in work processes. The new structure reinforces the supervisor's role as the central point of contact between a D-SIB and BCB, allowing the supervisor to focus on understanding the institution's business strategy and viability. It also allows the supervisor to focus on the D-SIB's corporate governance and on the follow-up of its day-to-day operations. The supervision process requires that supervisory team be in permanent touch with supervised entities, constantly receiving management and performance reports. Specific verifications are scheduled when necessary. BCB's supervision area accords great importance to understanding and evaluating banks' information technology (IT) systems. Under this premise, two specialized supervisory teams are in place, one dedicated to IT management and another specialized in data integrity analysis (using data received from banks). BCB's supervision area encourages banks to disclose financial information to stakeholders according to the best practices of governance, transparency and equity towards market participants.</p> <p>BCB's process of managing information provided by banks includes capturing, treating and selective disclosing information received in regular as well as ad-hoc basis. BCB's recruitment strategy is based on a regular public selection process ("concurso público") open to all citizens with a college degree. Intensive training of employees is offered through the BCB's corporate university (Unibc) as well as specific training courses prepared by the supervision area. BCB also incentivizes post-graduation of employees in selected areas and universities. Besides that, BCB regularly performs surveys to verify the organizational climate among its employees.</p> <p>Although FinTech is a relevant topic on the agenda of many BCB's areas, current work is focused on monitoring FinTech developments and the innovative approaches undertaken by incumbent financial institutions in order to verify the necessity of additional regulatory/or supervisory action. A working group on technological innovation (WGTI) was established in June, 2016. WGTI is a senior group coordinated by a representative of the Financial System Regulation Department and has members from several areas of BCB. The main objectives of WGTI are: i) preparation of studies on digital technologies innovations related to activities of the Brazilian Financial System and the Brazilian Payment System; and ii) assessment of potential impacts on the operation of institutions and entities of these systems, on their intermediaries and users, as well as on BCB's responsibilities. The BCB Deputy Governor for Regulation closely monitors the work under +</p> | <p>If this recommendation has not yet been fully implemented, please provide <b>reasons for delayed implementation</b></p> |

| I                                                            | II | III. Enhancing supervision | IV | V | VI | VII | VIII | IX | X |
|--------------------------------------------------------------|----|----------------------------|----|---|----|-----|------|----|---|
| <b>10. Strengthening resources and effective supervision</b> |    |                            |    |   |    |     |      |    |   |

| Update and next steps                                                          |                                                                                   |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <p>Highlight <b>main developments since last year's survey</b></p> <div></div> | <p><b>Planned actions</b> (if any) and expected commencement date</p> <div></div> |

| Relevant web-links                            |             |
|-----------------------------------------------|-------------|
| <p><b>Web-links to relevant documents</b></p> | <div></div> |

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## IV. Building and implementing macroprudential frameworks and tools

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## 11. Establishing regulatory framework for macro-prudential oversight

## G20/FSB Recommendations

*Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk. (London)*

*Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions. (London)*

## Remarks

Please describe major changes in the institutional arrangements for macroprudential policy (structures, mandates, powers, reporting etc.) that have taken place in your jurisdiction since the global financial crisis.

Please indicate whether an assessment has been conducted with respect to the adequacy of powers to collect and share relevant information among national authorities on financial institutions, markets and instruments to assess the potential for systemic risk. If so, please describe identified gaps in the powers to collect information, and whether any follow-up actions have been taken.

## Progress to date

- ☐ Not applicable  
☐ Applicable but no action envisaged at the moment  
☐ Implementation ongoing  
☒ Implementation completed as of 2013

If “Not applicable” or “Applicable but no action envisaged...” has been selected, please provide a brief justification

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## 11. Establishing regulatory framework for macro-prudential oversight

| Progress to date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                            |
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| <p><b>Issue is being addressed through</b></p> <p> <input type="checkbox"/> Primary / Secondary legislation<br/> <input checked="" type="checkbox"/> Regulation / Guidelines<br/> <input type="checkbox"/> Other actions (such as supervisory actions)         </p> <p><b>Short description of the content of the legislation/regulation/guideline/other actions</b></p> <p>Brazilian authorities have continuously and promptly implemented measures to improve financial system's regulatory framework, in order to preserve the stability of the financial system as a whole as well as to enhance the soundness, safety and efficiency of financial institutions. In 2011, BCB established a Financial Stability Committee (Comef), composed of its Board of Governors, to define strategies and guidelines to preserve financial stability and to mitigate systemic risk. Within BCB, Comef is the focal point of preliminary discussion and implementation of macroprudential policies, including the operationalization of the countercyclical capital buffer (CCyB). From 2017 onwards, analysis and decisions involving CCyB is assigned to Comef and the decision for changing or maintaining the buffer value will be disclosed immediately after each quarterly Comef meeting. Comef assessments involve the following topics: overall domestic economic conditions; international financial outlook and economic conditions of some key countries that could impair financial stability, both of the Brazilian financial system and the global one; soundness of the Brazilian financial system from idiosyncratic and aggregate standpoints; research pieces and surveys about credit conditions; regulatory issues that might impact financial stability; other topics that are relevant at the time. The combination of inputs from macro- and microprudential scopes allows a system-wide view of nascent vulnerabilities, and the need of prudential measures.</p> <p>In 2006, a specific forum was created to facilitate coordination among this wider circle of regulators. The Committee of Regulation and Supervision of Financial, Securities, Insurance, and Complementary Pension Markets (Coremec) is composed of BCB, CVM, Susep, and Previc, in a rotating presidency regime. As a consultative committee, it is mainly a forum for information sharing and advising on multiagency regulatory and supervisory actions. This arrangement helps coordination and has been important in shaping policy implementation. Other financial regulators and supervisors also play a role in safeguarding financial stability. Susep authority extends over insurance and re-insurance companies, private pension and capitalization plans. Previc oversees pension funds. CVM regulates and supervises participants in the securities and derivatives markets - including the investment fund industry - and for ensuring an efficient and regular functioning of both exchange-traded and over-the-counter (OTC) markets.</p> <p>The financial stability oversight function benefits from a robust monitoring process led by the BCB. BCB manages the Credit Information System (SCR), which functions as credit bureau since 2002. Currently the SCR gathers credit data for exposures to individual domestic borrowers above R\$200 (approximately US\$ 50 in Jun/2018) reducing information asymmetries among borrowers, contributing to improve the efficiency of the credit market and the risk management by lenders. The SCR is used also to conduct impact studies for regulatory policies and to identify early warnings of threatens to financial stability that can lead to the development of regulatory policies. Reporting data is mandatory in Brazil for most transaction types and for nearly all asset classes. In addition to credit information, financial transactions that are traded on exchange, OTC derivatives, spot foreign exchange and fixed income transactions must also be reported to BCB, generally on a daily basis.</p> | <p>If this recommendation has not yet been fully implemented, please provide <b>reasons for delayed implementation</b></p> |

| I                                                                           | II | III | IV. Building and implementing macroprudential frameworks and tools | V | VI | VII | VIII | IX | X |
|-----------------------------------------------------------------------------|----|-----|--------------------------------------------------------------------|---|----|-----|------|----|---|
| <b>11. Establishing regulatory framework for macro-prudential oversight</b> |    |     |                                                                    |   |    |     |      |    |   |

| Update and next steps                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
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| <p>Highlight <b>main developments since last year's survey</b></p> <div></div> | <p><b>Planned actions</b> (if any) and expected commencement date</p> <p>Brazilian authorities have agreed on a final draft for the new financial stability law, that has recently been submitted to the President's office before being forwarded to Congress for approval. Such initiative seeks to address loopholes to the current framework and has three main objectives: i) to clarify responsibilities regarding financial stability; ii) to enhance the coordination mechanisms among the authorities tasked with financial stability responsibilities and; iii) to consolidate the information sharing process into a single legal provision. The new law conveys a comprehensive view of the financial system, integrating all financial regulators and the finance ministry in a high-level Financial Stability Committee (CESF) that will have statutory responsibilities and duties towards systemic risk policy. CESF will be comprised of all agencies involved in providing a financial safety net – BCB, the Ministry of Finance (MoF), CVM, Susep, Previc and FGC (Deposit Guarantee Fund) – with an explicit mandate for systemic risk evaluation, recommendations and coordination of members' actions and for crisis management.</p> |

| Relevant web-links                                        |  |
|-----------------------------------------------------------|--|
| <p><b>Web-links to relevant documents</b></p> <div></div> |  |

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## 12. Enhancing system-wide monitoring and the use of macro-prudential instruments

### G20/FSB Recommendations

*Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level. (Rec. 3.1, FSF 2009)*

*We are developing macro-prudential policy frameworks and tools to limit the build-up of risks in the financial sector, building on the ongoing work of the FSB-BIS-IMF on this subject. (Cannes)*

*Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system. (Washington)*

### Remarks

Please describe at a high level (including by making reference to financial stability or other reports, where available) the types of methodologies, indicators and tools used to assess systemic risks.

Please indicate the use of tools for macroprudential purposes over the past year, including: the objective for their use; the process to select, calibrate and apply them; and the approaches used to assess their effectiveness.

See, for reference, the following documents:

- FSB-IMF-BIS progress report to the G20 on [Macroprudential policy tools and frameworks \(Oct 2011\)](#)
- CGFS report on [Operationalising the selection and application of macroprudential instruments \(Dec 2012\)](#)
- IMF staff papers on [Macroprudential policy, an organizing framework \(Mar 2011\)](#), [Key Aspects of Macroprudential policy \(Jun 2013\)](#), and [Staff Guidance on Macroprudential Policy \(Dec 2014\)](#)
- IMF-FSB-BIS paper on [Elements of Effective Macroprudential Policies: Lessons from International Experience \(Aug 2016\)](#)
- CGFS report on [Experiences with the ex ante appraisal of macroprudential instruments \(Jul 2016\)](#)
- CGFS report on [Objective-setting and communication of macroprudential policies \(Nov 2016\)](#)

### Progress to date

- ☐ Not applicable  
☐ Applicable but no action envisaged at the moment  
☐ Implementation ongoing  
☒ Implementation completed as of 2013

If “Not applicable” or “Applicable but no action envisaged...” has been selected, please provide a brief justification

If “Implementation ongoing” has been selected, please specify

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☐ Draft published as of   
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## 12. Enhancing system-wide monitoring and the use of macro-prudential instruments

## Progress to date

## Issue is being addressed through

- ☐ Primary / Secondary legislation
- ☒ Regulation / Guidelines
- ☒ Other actions (such as supervisory actions)

## Short description of the content of the legislation/regulation/guideline/other actions

Financial monitoring by BCB encompasses continuous micro and macroprudential perspectives in order to provide reporting, early warnings and other analysis tools both to the on-site supervision and Comef. The monitoring process includes analysis on liquidity as well as market risk, credit market, profitability and solvency (e.g. Capital Adequacy and Leverage Ratios).

Stress tests are also conducted on a regular basis, gauging the possible effects of changes in the prices of certain market parameters in the solvency of the financial system as a whole. Stress tests outputs indicate that the banking system is able to absorb shocks from adverse macro-economic scenarios, as well as from abrupt changes in interest and exchange rates, from increase in defaults and from widespread decline in house prices.

In addition to macroeconomic and sensitiveness stress tests, direct inter-financial contagion simulations are conducted and comprise all financial entities licensed by BCB, with the exception of credit unions and consortiums. This exercise includes all inter-financial exposures, but does not take into account second order effects such as fire sales or liquidity issues. The exercise simulates the failure of one institution at a time and the resulting impact on others. If an impact causes one or more institutions to default, the simulation continues (domino effect) until the system comes to a new equilibrium. The results show the recapitalization needs of the system in case of default of each institution separately.

On another front, contagion stress tests are used by BCB to assess how the default of one entity impacts other entities in the financial system as well as the real economy. The analysis aims at identifying systemic consequences from events such as one bank's resolution, the bankruptcy of a large economic conglomerate, or reputational/corruption issues. The tools allow the mapping of vulnerabilities from different perspectives: interconnectedness within the financial system and in the non-financial sector, as well as interbank market, non-financial sector and unemployment contagion. A recent example is presented below (under "Update and Next Steps").

A previous example of an applied contagion stress test relates to the so-called "Car Wash Operation", a criminal investigation that was launched in March 2014. Starting as a money laundering investigation, it has expanded to cover allegations of corruption at the state-controlled oil company Petrobras, involving kickbacks from supplier companies in return for contracts at inflated prices as well as bribery of political agents. BCB assessed the financial system's resilience to impacts of a possible default of core companies mentioned in Car Wash Operation (engineering companies, contractors and economic groups to which they belong). Mapping a network of the real economy was achieved by analysing the payments made to and from companies and their relevant importance to companies' revenues by wire transfers (Electronic Funds Transfers - TEDs) in the Brazilian Payment System (SPB). By mapping payments and the relative importance of those payments, BCB was able to estimate the degree of dependence each company had on each other company. The analysis showed that despite estimated losses, the impact on banks' capital was moderate and easily absorbed by existing regulatory capital levels.

In relation to the use of macro-prudential measures, the above mentioned monitoring process highly contributes to the implementation of macroprudential policies. +

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

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**12. Enhancing system-wide monitoring and the use of macro-prudential instruments****Update and next steps****Highlight main developments since last year's survey**

A variety of developments took place in the system-wide monitoring capabilities. Among those, at least three can be listed: First, the application (with improvements) of the above mentioned technology for contagion stress test to anticipate risks arising from subnational government entities with fiscal imbalances. Given the economic downturn and consequent fiscal weakness of certain important states and municipalities, BCB undertook the exercise of identifying banks exposed (directly or indirectly) to vulnerable states and municipalities. The exercise also used data from the payment & transfer system to map the suppliers of subnational entities. The results were reported in the bi-annual editions of the Financial Stability Report (April 2017 and October 2017), concluding that the financial system is prepared to absorb shocks from insolvency events of financially vulnerable states and municipalities, their civil servants, and their suppliers (considering their workforce).

A second development was the implementation of a continuous monitoring of step-in risk arising from investment funds. The importance of this monitoring capability derives from the size investment fund sector in Brazil and its reputational connection with banks (given that most funds are managed by the asset-management branch of large banks). Thus, BCB implemented a step-in risk metric and put in place a monitoring panel identifying funds and banks exposures. The step-in measure is equivalent to a "LCR shortfall" (a liquidity mismatch) of an investment fund that would have to be supplied by its parent bank. In turn, the bank's LCR-equivalent is adjusted for the amount of the funds it manages in case of a step-in. This monitoring tool was presented in the Financial Stability Report of October 2017, concluding that the step-in risks are low and are expected to remain so, given the high liquidity indices of banks and funds.

The third recent development was the mapping of connections within the financial system network (encompassing banks, investment funds, insurers and pension funds), aiming to capture spill-over effects due to interconnectedness. The conclusion was that the actual risks are low notwithstanding the significant connections, given the collateralization of the largest connections with liquid instruments (consisting mostly of domestic sovereign bonds). Indeed, the mapping revealed that the

**Planned actions (if any) and expected commencement date****Relevant web-links****Web-links to relevant documents**

[http://www.bcb.gov.br/ingles/estabilidade/2018\\_04/fsrFullRep.pdf](http://www.bcb.gov.br/ingles/estabilidade/2018_04/fsrFullRep.pdf) (most recent Financial Stability Report – April 2018)  
[http://www.bcb.gov.br/ingles/estabilidade/2017\\_04/fsrExpoToSubnat.pdf](http://www.bcb.gov.br/ingles/estabilidade/2017_04/fsrExpoToSubnat.pdf) (contagion stress test of subnational entities)  
[http://www.bcb.gov.br/ingles/estabilidade/2017\\_10/fsrExecSum.pdf](http://www.bcb.gov.br/ingles/estabilidade/2017_10/fsrExecSum.pdf) (contagion stress test of subnational entities)  
[http://www.bcb.gov.br/ingles/estabilidade/2017\\_10/fsrStepInRisk.pdf](http://www.bcb.gov.br/ingles/estabilidade/2017_10/fsrStepInRisk.pdf) (step-in risk)  
[http://www.bcb.gov.br/ingles/estabilidade/2018\\_04/fsrSection2\\_1.pdf](http://www.bcb.gov.br/ingles/estabilidade/2018_04/fsrSection2_1.pdf) (mapping of connections within the financial network)

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## V. Improving oversight of credit rating agencies (CRAs)

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## 13. Enhancing regulation and supervision of CRAs

## G20/FSB Recommendations

*All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals. (London)*

*National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process.*

*CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process.*

*The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO. (London)*

*Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010. (FSB 2009)*

*We encourage further steps to enhance transparency and competition among credit rating agencies. (St Petersburg)*

## Remarks

Jurisdictions should indicate the policy measures undertaken for enhancing regulation and supervision of CRAs including registration, oversight and sharing of information between national authorities. They should also indicate their consistency with the following IOSCO document:

- [Code of Conduct Fundamentals for Credit Rating Agencies \(Mar 2015\)](#) (including on governance, training and risk management)

Jurisdictions may also refer to the following IOSCO documents:

- Principle 22 of [Principles and Objectives of Securities Regulation \(Jun 2010\)](#) which calls for registration and oversight programs for CRAs
- [Statement of Principles Regarding the Activities of Credit Rating Agencies \(Sep 2003\)](#)
- [Final Report on Supervisory Colleges for Credit Rating Agencies \(Jul 2013\)](#)

Jurisdictions should take into account the outcomes of any recent FSAP/ROSC assessment against those principles.

## Progress to date

- ☐ Not applicable  
☐ Applicable but no action envisaged at the moment  
☐ Implementation ongoing  
☒ Implementation completed as of 2012

If “Not applicable” or “Applicable but no action envisaged...” has been selected, please provide a brief justification

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| 13. Enhancing regulation and supervision of CRAs |   |    |     |    |                                                         |    |     |      |    |   |

| Progress to date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                            |
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| <p><b>Issue is being addressed through</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation / Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions)</p> <p><b>Short description of the content of the legislation/regulation/guideline/other actions</b></p> <p>Instruction CVM 521 of 2012 regulates credit rating agencies in accordance with the IOSCO Code of Conduct and with Principle 22.</p> <p>Other actions: In 2015, credit ratings were included in the regular on-site examinations schedule of CVM's Inspections and Examinations Division. The first inspections of the 3 largest CRAs were concluded in 2016.</p> | <p>If this recommendation has not yet been fully implemented, please provide <b>reasons for delayed implementation</b></p> |

|                                                  | I | II | III | IV | V. Improving oversight of credit rating agencies (CRAs) | VI | VII | VIII | IX | X |
|--------------------------------------------------|---|----|-----|----|---------------------------------------------------------|----|-----|------|----|---|
| 13. Enhancing regulation and supervision of CRAs |   |    |     |    |                                                         |    |     |      |    |   |

| Update and next steps                                                                                                                                                 |                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| <p><b>Highlight main developments since last year's survey</b></p> <p>Of the three inspections planned for the biennium 2017/18, two have already been concluded.</p> | <p><b>Planned actions (if any) and expected commencement date</b></p> |

| Relevant web-links                            |  |
|-----------------------------------------------|--|
| <p><b>Web-links to relevant documents</b></p> |  |

I II III IV

## V. Improving oversight of credit rating agencies (CRAs)

VI VII VIII IX X

## 14. Reducing the reliance on ratings

## G20/FSB Recommendations

We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. (Seoul)

Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation. (Rec IV. 8, FSF 2008)

We reaffirm our commitment to reduce authorities' and financial institutions' reliance on external credit ratings, and call on standard setters, market participants, supervisors and central banks to implement the agreed FSB principles and end practices that rely mechanistically on these ratings. (Cannes)

We call for accelerated progress by national authorities and standard setting bodies in ending the mechanistic reliance on credit ratings and encourage steps that would enhance transparency of and competition among credit rating agencies. (Los Cabos)

We call on national authorities and standard setting bodies to accelerate progress in reducing reliance on credit rating agencies, in accordance with the FSB roadmap. (St Petersburg)

## Remarks

Jurisdictions should indicate the steps they are taking to address the recommendations of the [May 2014 FSB thematic peer review report on the implementation of the FSB Principles for Reducing Reliance on Credit Ratings](#), including by implementing their [agreed action plans](#). Any revised action plans should be sent to the FSB Secretariat so that it can be posted on the FSB website.

Jurisdictions may refer to the following documents:

- FSB [Principles for Reducing Reliance on CRA Ratings \(Oct 2010\)](#)
- FSB [Roadmap for Reducing Reliance on CRA Ratings \(Nov 2012\)](#)
- BCBS [Basel III: Finalising post-crisis reforms \(Dec 2017\)](#)
- IAIS [ICP guidance](#) 16.9 and 17.8.25
- IOSCO [Good Practices on Reducing Reliance on CRAs in Asset Management \(Jun 2015\)](#)
- IOSCO [Sound Practices at Large Intermediaries Relating to the Assessment of Creditworthiness and the Use of External Credit Ratings \(Dec 2015\)](#).

## Progress to date

- ☐ Not applicable  
☐ Applicable but no action envisaged at the moment  
☒ Implementation ongoing  
☐ Implementation completed as of

If “Not applicable” or “Applicable but no action envisaged...” has been selected, please provide a brief justification

If “Implementation ongoing” has been selected, please specify

- ☐ Draft in preparation, expected publication by  
☒ Draft published as of 2017  
☐ Final rule or legislation approved and will come into force on  
☐ Final rule (for part of the reform) in force since

|                                      | I | II | III | IV | V. Improving oversight of credit rating agencies (CRAs) | VI | VII | VIII | IX | X |
|--------------------------------------|---|----|-----|----|---------------------------------------------------------|----|-----|------|----|---|
| 14. Reducing the reliance on ratings |   |    |     |    |                                                         |    |     |      |    |   |

**Progress to date****Issue is being addressed through**

- ☐ Primary / Secondary legislation  
☒ Regulation / Guidelines  
☐ Other actions (such as supervisory actions)

**Short description of the content of the legislation/regulation/guideline/other actions**

Brazilian prudential regulation applied to banks does not prescribe an intensive use of ratings. BCB regulation on the standardized approach of capital requirement for credit risk prescribes the use of external ratings in assigning a risk factor to sovereign exposures. BCB regulation based on Basel III introduced reference to ratings in two topics: (i) risk weighting exposures to foreign sovereigns and non-national banks, although not applying all buckets prescribed by Basel II recommendations; and (ii) calculating the Liquidity Coverage Ratio (LCR).

CVM does not either make intensive use of ratings issued by credit rating agencies for regulatory purposes. Ratings are only mentioned in the current regulation on receivables funds, requiring them to hire a rating agency to supply ratings to support funds investor's decisions, and the possibility of reviewing Resolution CMN 2,907 of 2001 in order to step back such provision is under discussion. CVM has repeatedly issued guidance to fund operators so as to make clear that a mechanistic reliance on external ratings will be considered non-compliant with their fiduciary duties. The regulation on asset management (Instruction CVM 558 of 2015) requires that all asset managers must carry out their own risk assessment and analysis and establish a risk management structure to perform such activities. This rule also establishes that all asset managers should appoint a director responsible for overseeing risk management activities. Regulation enacted by CVM also prescribes the use of external credit ratings for the issuance of certain securitisation products with informational objectives (ratings are not considered a risk metric by CVM's regulation).

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

I II III IV

## V. Improving oversight of credit rating agencies (CRAs)

VI VII VIII IX X

## 14. Reducing the reliance on ratings

## Update and next steps

Highlight **main developments since last year's survey**

In 2017, a rule came into force on monthly disclosure of new information by FIDCs, focusing on provisions regarding portfolio composition and collaterals involved. CVM launched a public consultation regarding the new rules for the securitization of agribusiness backed securities (CRA - Certificados de Recebíveis do Agronegócio, in Portuguese) and expects to issue the new rule in 2018.

**Planned actions** (if any) and expected commencement date

In 2018, CVM intends to issue a public consultation on rules related to mortgage-backed securities (CRI - Certificados de Recebíveis Imobiliários, in Portuguese), aiming at a better structuring of this product and taking into consideration the 2012 CVM rules on disclosure. In all occasions, CVM may be able to withdraw the mention to credit ratings involving these securitization products.

## Relevant web-links

Web-links to  
relevant documents

I II III IV V

## VI. Enhancing and aligning accounting standards

VII VIII IX X

## 15. Consistent application of high-quality accounting standards

## G20/FSB Recommendations

*Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards. (Washington)*

## Remarks

Jurisdictions should indicate the accounting standards that they follow and whether (and on what basis) they are of a high and internationally acceptable quality (e.g. equivalent to IFRSs as published by the IASB), and provide accurate and relevant information on financial position and performance. They should also explain the system they have for enforcement of consistent application of those standards.

Jurisdictions may want to refer to their jurisdictional profile prepared by the IFRS Foundation, which can be accessed at: <http://www.ifrs.org/Use-around-the-world/Pages/Analysis-of-the-G20-IFRS-profiles.aspx>.

As part of their response on this recommendation, jurisdictions should indicate the policy measures taken for appropriate application of fair value recognition, measurement and disclosure.

In addition, jurisdictions should set out any steps they intend to take (if appropriate) to foster transparent and consistent implementation of the new accounting requirements for the measurement of expected credit losses on financial assets that are being introduced by the IASB and FASB.

See, for reference, the following BCBS documents:

- [Supervisory guidance for assessing banks' financial instrument fair value practices \(Apr 2009\)](#)
- [Guidance on credit risk and accounting for expected credit losses \(Dec 2015\)](#)
- [Regulatory treatment of accounting provisions - interim approach and transitional arrangements \(March 2017\)](#)

## Progress to date

- ☐ Not applicable  
☐ Applicable but no action envisaged at the moment  
☐ Implementation ongoing  
☒ Implementation completed as of 2009

If “Not applicable” or “Applicable but no action envisaged...” has been selected, please provide a brief justification

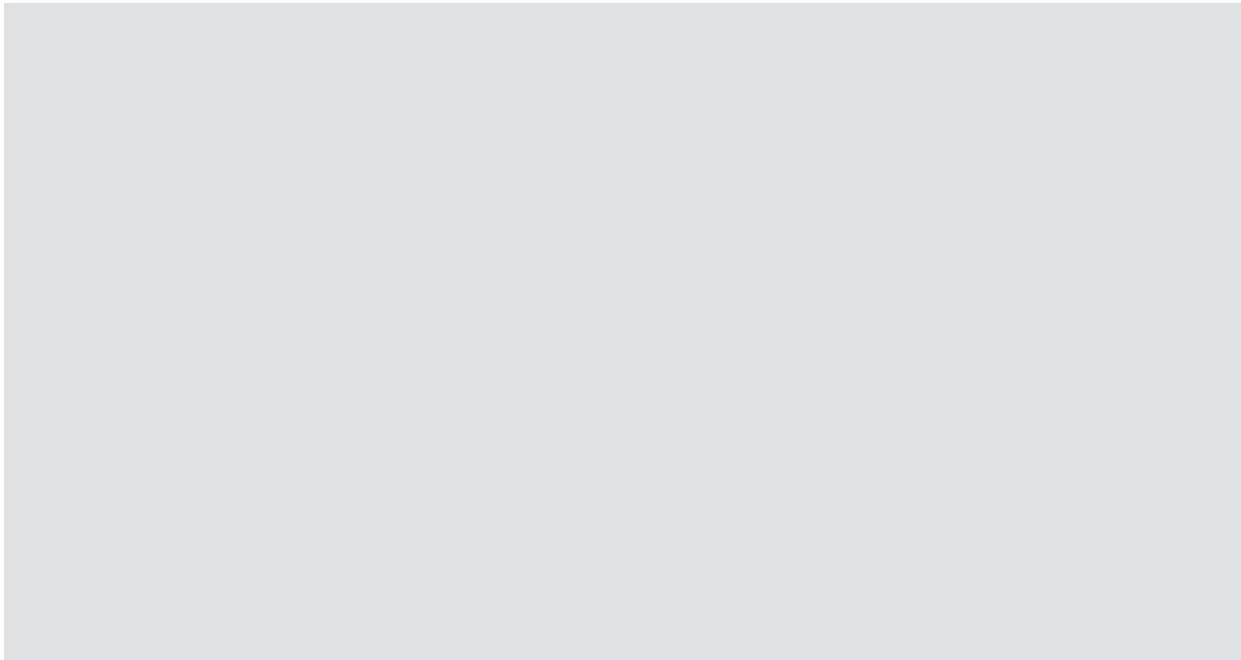
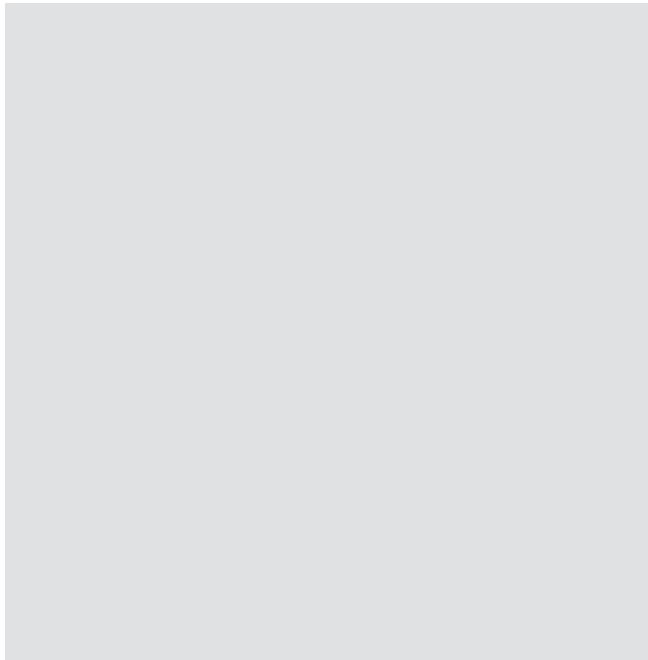
If “Implementation ongoing” has been selected, please specify

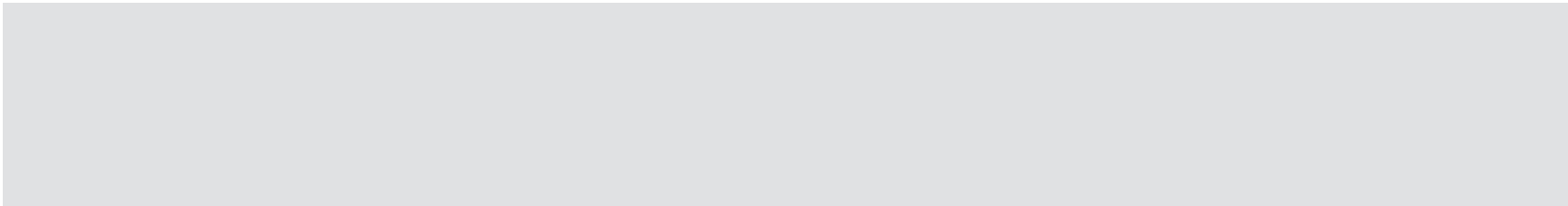
- ☐ Draft in preparation, expected publication by   
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| I                                                               | II | III | IV | V | VI. Enhancing and aligning accounting standards | VII | VIII | IX | X |
|-----------------------------------------------------------------|----|-----|----|---|-------------------------------------------------|-----|------|----|---|
| 15. Consistent application of high-quality accounting standards |    |     |    |   |                                                 |     |      |    |   |

| Progress to date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <p><b>Issue is being addressed through</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation / Guidelines</p> <p><input type="checkbox"/> Other actions (such as supervisory actions)</p> <p><b>Short description of the content of the legislation/regulation/guideline/other actions</b></p> <p>According to Law 4,595 of 1964, BCB regulates, supervises and sets accounting standards for financial institutions. Financial institutions have applied IFRS accounting principles on a consolidated basis since 2010.</p> | <p>If this recommendation has not yet been fully implemented, please provide <b>reasons for delayed implementation</b></p> |

|                                                                 | I | II | III | IV | V | VI. Enhancing and aligning accounting standards |  |  |  |  | VII | VIII | IX | X |
|-----------------------------------------------------------------|---|----|-----|----|---|-------------------------------------------------|--|--|--|--|-----|------|----|---|
| 15. Consistent application of high-quality accounting standards |   |    |     |    |   |                                                 |  |  |  |  |     |      |    |   |

| Update and next steps                                                                                                                              |                                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Highlight main developments since last year's survey</b><br> | <b>Planned actions (if any) and expected commencement date</b><br> |

| Relevant web-links                     |                                                                                      |
|----------------------------------------|--------------------------------------------------------------------------------------|
| <b>Web-links to relevant documents</b> |  |

I II III IV V VI

## VII. Enhancing risk management

VIII IX X

## 16. Enhancing guidance to strengthen banks' risk management practices, including on liquidity and foreign currency funding risks

## G20/FSB Recommendations

*Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management. (Washington)*

*National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices. (Rec. II.10, FSF 2008)*

*Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets. (FSB 2009)*

*We commit to conduct robust, transparent stress tests as needed. (Pittsburgh)*

## Remarks

Jurisdictions should indicate the measures taken in the following areas:

- guidance to strengthen banks' risk management practices, including BCBS good practice documents ([Corporate governance principles for banks](#), [External audit of banks](#), and the [Internal audit function in banks](#));
- measures to monitor and ensure banks' implementation of the BCBS [Principles for Sound Liquidity Risk Management and Supervision \(Sep 2008\)](#);
- measures to supervise banks' operations in foreign currency funding markets;<sup>1</sup> and
- extent to which they undertake stress tests and publish their results.

Jurisdictions should not provide any updates on the implementation of Basel III liquidity requirements (and other recent standards such as capital requirements for CCPs), since these are [monitored separately by the BCBS](#).

<sup>1</sup> Only the emerging market jurisdictions that are members of the FSB should respond to this specific recommendation.

## Progress to date

- ☐ Not applicable  
☐ Applicable but no action envisaged at the moment  
☐ Implementation ongoing  
☒ Implementation completed as of 2017

If "Not applicable" or "Applicable but no action envisaged..." has been selected, please provide a brief justification

If "Implementation ongoing" has been selected, please specify

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I II III IV V VI

## VII. Enhancing risk management

VIII IX X

## 16. Enhancing guidance to strengthen banks' risk management practices, including on liquidity and foreign currency funding risks

## Progress to date

## Issue is being addressed through

- ☐ Primary / Secondary legislation
- ☒ Regulation / Guidelines
- ☒ Other actions (such as supervisory actions)

## Short description of the content of the legislation/regulation/guideline/other actions

Corporate governance framework: Law 6,404 of 1976 (Corporates Law) defines the governance framework that joint-stock companies should adopt in conducting business. This law stipulates roles and responsibilities of the board and senior management in running day-to-day business; requirements of suitability; minimum requirements of the by-laws; loyalties requirements and the whistleblowing obligation in specifically defined circumstances. Law 4,595 of 1964 (Banking Law) prescribes that Brazilian financial institutions must be organized as joint-stock companies, except for credit unions and micro entrepreneurs financing institutions. Under this law, CMN is the authority in charge of issuing major regulation in the form of resolutions. This law also requires approval by BCB of board and senior management members, after appointment under an internal governance process

The main regulation issued by CMN on the governance of financial institutions encompass:

- i) Resolution CMN 2,554 of 1998 requires that financial institutions must implement internal controls, including an internal auditing function, commensurate with the complexity of its activities. They must also employ financial information, operating and managerial systems that ensure compliance with applicable laws and regulations.
- ii) Resolution CMN 4,122 of 2012 stipulates requirements and procedures for the establishment of a financial institution in Brazil, including authorization to operate, cancellation of authorization, changes in control, corporate reorganizations, among others. This regulation also defines suitability requirements for approval by BCB of a board or senior management member.
- iii) Resolution CMN 3,198 of 2004 requires that financial institutions must conduct an external auditing of their financial statements. Besides that, regulation also defines the independence requirements of an external auditor, as well as the need for periodically rotation of the chief auditor. Major financial institutions are required to establish an audit committee, following a minimum set of requirements. BCB has the authority to oversee accounting auditing companies and independent auditors, and to apply penalties for acts or omissions in the performance of their auditing financial institutions. (Law 6,385 of 1976, as amended by Law 9,447 of 1997).
- iv) Resolution CMN 3,921 of 2010 requires that all financial institutions implement a compensation policy commensurate with its risk profile. This regulation also requires that major financial institutions establish a compensation committee that reports directly to the board and has at least one non-executive member.
- v) Resolution CMN 4,280, of 2013, defines the scope of consolidation for the purposes of preparation, disclosure and remittance to BCB of financial statements of a prudential conglomerate. These statements must be reviewed by the external auditor.
- vi) Resolution CMN 4,538 of 2016 requires financial institutions to implement a succession policy, commensurate with its complexity, financial importance, risk profile and business model, in order to assure that senior management have the necessary competences to do their duties. Such policy should encompass recruiting, promoting and retention of managers and must consider the legal and regulatory requirements, technical capacity, managerial capabilities, interpersonal skill. +

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

I II III IV V VI

VII. Enhancing risk management

VIII IX X

**16. Enhancing guidance to strengthen banks' risk management practices, including on liquidity and foreign currency funding risks****Update and next steps****Highlight main developments since last year's survey**

The internal supervisory guidelines were updated according to Resolution CMN 4,557 of 2017, that improved regulation on risk management, capital management and risk governance.

**Planned actions (if any) and expected commencement date****Relevant web-links****Web-links to relevant documents**

Prudential regulation: <http://www.bcb.gov.br/ingles/norms/brprudential/Brazilian-Prudential-Financial-Regulation.asp>  
Regulations on licensing procedures: <http://www.bcb.gov.br/ingles/sfn/regulations-procedures.asp?idpai=NORMS>

I II III IV V VI

## VII. Enhancing risk management

VIII IX X

## 17. Enhanced risk disclosures by financial institutions

## G20/FSB Recommendations

*Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate. (Washington)*

*We encourage further efforts by the public and private sector to enhance financial institutions' disclosures of the risks they face, including the ongoing work of the Enhanced Disclosure Task Force. (St. Petersburg)*

## Remarks

Jurisdictions should indicate the status of implementation of the disclosures requirements of IFRSs (in particular IFRS 7 and 13) or equivalent. Jurisdictions may also use as reference the recommendations of the October 2012 report by the Enhanced Disclosure Task Force on [Enhancing the Risk Disclosures of Banks](#) and [Implementation Progress Report by the EDTF \(Dec 2015\)](#), and set out any steps they have taken to foster adoption of the EDTF Principles and Recommendations.

In addition, in light of the new IASB and FASB accounting requirements for expected credit loss recognition, jurisdictions should set out any steps they intend to take (if appropriate) to foster disclosures needed to fairly depict a bank's exposure to credit risk, including its expected credit loss estimates, and to provide relevant information on a bank's underwriting practices. Jurisdictions may use as reference the recommendations in the report by the Enhanced Disclosure Task Force on the [Impact of Expected Credit Loss Approaches on Bank Risk Disclosures \(Nov 2015\)](#), as well as the recommendations in Principle 8 of the BCBS [Guidance on credit risk and accounting for expected credit losses \(Dec 2015\)](#).

In their responses, jurisdictions should not provide information on the implementation of Basel III Pillar 3 requirements, since this is [monitored separately](#) by the BCBS.

## Progress to date

- ☐ Not applicable  
☐ Applicable but no action envisaged at the moment  
☒ Implementation ongoing  
☐ Implementation completed as of

If “Not applicable” or “Applicable but no action envisaged...” has been selected, please provide a brief justification

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I II III IV V VI

## VII. Enhancing risk management

VIII IX X

## 17. Enhanced risk disclosures by financial institutions

## Progress to date

## Issue is being addressed through

- ☐ Primary / Secondary legislation
- ☒ Regulation / Guidelines
- ☐ Other actions (such as supervisory actions)

## Short description of the content of the legislation/regulation/guideline/other actions

Resolution CMN 4,557 of 2017 requires financial institutions to implement a risk management structure capable of: i) classifying exposures according to the nature of the operation and the credit risk; identifying, ii) monitoring and controlling exposures classified as problem assets; iii) estimating expected losses due to credit risk and comparing this estimations with actual losses; and iv) employing mechanisms to ensure that levels of provisions are sufficient to face the estimated expected losses. Considering that provisions reflect the expected losses and not only the losses incurred, Resolution CMN 2,682 of 1999 requires the detailed report of criteria and values of portfolio provisioning in the statements notes. Resolution CMN 4,557 of 2017 also requires specific credit risk information to be included in internal management reports. Compliance with IFRS 7 and IFRS 13 standards is required for financial institutions that must constitute an audit committee since December 2010, according to Resolution CMN 3,786 of 2009.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

I II III IV V VI

## VII. Enhancing risk management

VIII IX X

## 17. Enhanced risk disclosures by financial institutions

## Update and next steps

Highlight **main developments since last year's survey**

The internal supervisory guidelines were updated according to the new regulation regarding credit risk management, which includes aspects of expected loss provisioning (Resolution CMN 4,557 of 2017).

**Planned actions** (if any) and expected commencement date

Regulation area is currently running a specific project on the international alignment of accounting standards for financial instruments, disclosures of financial instruments and fair value measurement on individual basis (IFRS 9, IFRS 7 and IFRS 13).

## Relevant web-links

## Web-links to relevant documents

I II III IV V VI VII

## VIII. Strengthening deposit insurance

IX X

## 18. Strengthening of national deposit insurance arrangements

## G20/FSB Recommendations

*National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.* (Rec. VI.9, FSF 2008)

## Remarks

Jurisdictions that have not yet adopted an explicit national deposit insurance system should describe their plans to introduce such a system.

All other jurisdictions should describe any significant design changes in their national deposit insurance system since the issuance of the revised IADI [Core Principles for Effective Deposit Insurance Systems](#) (November 2014).

In addition, jurisdictions should indicate if they have carried out a self-assessment of compliance (based on IADI's 2016 [Handbook](#)) with the revised Core Principles:

- If so, jurisdictions should highlight the main gaps identified and the steps proposed to address these gaps;
- If not, jurisdictions should indicate any plans to undertake a self-assessment exercise.

## Progress to date

- ☐ Not applicable  
☐ Applicable but no action envisaged at the moment  
☐ Implementation ongoing  
☒ Implementation completed as of 2012

If “Not applicable” or “Applicable but no action envisaged...” has been selected, please provide a brief justification

If “Implementation ongoing” has been selected, please specify

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I II III IV V VI VII

## VIII. Strengthening deposit insurance

IX X

## 18. Strengthening of national deposit insurance arrangements

## Progress to date

## Issue is being addressed through

- ☒ Primary / Secondary legislation
- ☒ Regulation / Guidelines
- ☐ Other actions (such as supervisory actions)

## Short description of the content of the legislation/regulation/guideline/other actions

Resolution CMN 4,222 of 2013 establishes the statute and regulation of the Brazilian deposit insurance for financial institutions (Fundo Garantidor de Créditos - FGC). Resolution CMN 4,284 of 2013 consolidated the statute and regulation of the Brazilian deposit insurance for credit unions (Fundo Garantidor do Cooperativismo de Crédito - FGCoop). Both resolutions were amended by Resolution CMN 4,312 of 2014. An improvement of the FGC's statute restricting the insurance coverage of institutional investors has been instituted by Resolution CMN 4,469 of 2016. Also in 2016, Resolution CMN 4,518 allows the FGCoop to act along the same lines as the FGC, as a paybox plus and being able to offer liquidity assistance to its associates.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

I II III IV V VI VII

## VIII. Strengthening deposit insurance

IX X

## 18. Strengthening of national deposit insurance arrangements

## Update and next steps

Highlight **main developments since last year's survey**

FGC was assessed by IADI in a Self Assessment Technical Assistance Program (SATAP) in 2017. A few gaps were identified, mainly regarding the need to reduce the pay-out time and to improve public awareness of the protection arrangements.

**Planned actions** (if any) and expected commencement date

BCB and FGC are working to address the few gaps identified by IADI's assessment, but no regulatory action is needed.

## Relevant web-links

Web-links to  
relevant documents

I II III IV V VI VII VIII

## IX. Safeguarding the integrity and efficiency of financial markets

X

## 19. Enhancing market integrity and efficiency

## G20/FSB Recommendations

*We must ensure that markets serve efficient allocation of investments and savings in our economies and do not pose risks to financial stability. To this end, we commit to implement initial recommendations by IOSCO on market integrity and efficiency, including measures to address the risks posed by high frequency trading and dark liquidity, and call for further work by mid-2012. (Cannes)*

## Remarks

Jurisdictions should indicate whether high frequency trading and dark pools exist in their national markets.

Jurisdictions should indicate the progress made in implementing the recommendations:

- in relation to dark liquidity, as set out in the IOSCO [Report on Principles for Dark Liquidity \(May 2011\)](#).
- on the impact of technological change in the IOSCO [Report on Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency \(Oct 2011\)](#).
- on market structure made in the IOSCO Report on [Regulatory issues raised by changes in market structure \(Dec 2013\)](#).

## Progress to date

- ☐ Not applicable
- ☐ Applicable but no action envisaged at the moment
- ☐ Implementation ongoing
- ☒ Implementation completed as of 2007

If “Not applicable” or “Applicable but no action envisaged...” has been selected, please provide a brief justification

If “Implementation ongoing” has been selected, please specify

- ☐ Draft in preparation, expected publication by
- ☐ Draft published as of
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| I                                             | II | III | IV | V | VI | VII | VIII | IX. Safeguarding the integrity and efficiency of financial markets |  |  |  |  | X |
| 19. Enhancing market integrity and efficiency |    |     |    |   |    |     |      |                                                                    |  |  |  |  |   |

| Progress to date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                            |
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| <p><b>Issue is being addressed through</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation / Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions)</p> <p><b>Short description of the content of the legislation/regulation/guideline/other actions</b></p> <p>Brazil is compliant with all five IOSCO recommendations on market integrity and efficiency:</p> <p>Recommendation 1: according to Instruction CVM 461 of 2007, trading venues must observe non-discriminatory principles when setting requirements for access. Access rules are subjected to CVM before entering into force.</p> <p>Recommendation 2: control procedures for trading include auctions, circuit breakers and trading halts set by exchange rules and Instruction CVM 168 of 1991.</p> <p>Recommendation 3: All DMA and HFT orders are subject to pre-trade controls set by the Exchange.</p> <p>Recommendations 4 and 5: Operation of dark pools is not permitted in Brazil.</p> <p>Besides, CVM has recently concluded the implementation of the second version of its market surveillance system. This version contains significant enhancements compared to the previous one in terms of processing capacity, information gathered and number of reports provided.. As for recommendations to address risks posed by changes in market structure, Brazil has only one venue to trade equities and ETFs, so the Brazilian market cannot be considered a fragmented one. Nevertheless, CVM is ready to comply with all recommendations, given that the principles are already set in Instruction CVM 461 of 2007.</p> | <p>If this recommendation has not yet been fully implemented, please provide <b>reasons for delayed implementation</b></p> |

|                                               |   |    |     |    |   |    |     |      |                                                                    |  |  |  |   |
|-----------------------------------------------|---|----|-----|----|---|----|-----|------|--------------------------------------------------------------------|--|--|--|---|
|                                               | I | II | III | IV | V | VI | VII | VIII | IX. Safeguarding the integrity and efficiency of financial markets |  |  |  | X |
| 19. Enhancing market integrity and efficiency |   |    |     |    |   |    |     |      |                                                                    |  |  |  |   |

| Update and next steps                                                          |                                                                                                                                                                                                                                                     |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Highlight <b>main developments since last year's survey</b></p> <div></div> | <p><b>Planned actions</b> (if any) and expected commencement date</p> <p>B3 is planning to expand the employment of its pre-trade control tool to all trades taking place in that venue. Expected commencement date: December/2018.</p> <div></div> |

| Relevant web-links                            |                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Web-links to relevant documents</b></p> | <p>Instruction CVM 461 of 2007: <a href="http://www.cvm.gov.br/export/sites/cvm/subportal_ingles/menu/investors/anexos/CVM-Instruction-461.pdf">http://www.cvm.gov.br/export/sites/cvm/subportal_ingles/menu/investors/anexos/CVM-Instruction-461.pdf</a> (free translation into English)</p> <div></div> |

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IX. Safeguarding the integrity and efficiency of financial markets

X

**20. Regulation and supervision of commodity markets****G20/FSB Recommendations**

*We need to ensure enhanced market transparency, both on cash and financial commodity markets, including OTC, and achieve appropriate regulation and supervision of participants in these markets. Market regulators and authorities should be granted effective intervention powers to address disorderly markets and prevent market abuses. In particular, market regulators should have, and use formal position management powers, including the power to set ex-ante position limits, particularly in the delivery month where appropriate, among other powers of intervention. We call on IOSCO to report on the implementation of its recommendations by the end of 2012. (Cannes)*

*We also call on Finance ministers to monitor on a regular basis the proper implementation of IOSCO's principles for the regulation and supervision on commodity derivatives markets and encourage broader publishing and unrestricted access to aggregated open interest data. (St. Petersburg)*

**Remarks**

Jurisdictions should indicate whether commodity markets of any type exist in their national markets.

Jurisdictions should indicate the policy measures taken to implement the principles found in IOSCO's report on [Principles for the Regulation and Supervision of Commodity Derivatives Markets \(Sep 2011\)](#).

Jurisdictions, in responding to this recommendation, may also make use of the responses contained in the [update to the survey](#) published by IOSCO in September 2014 on the principles for the regulation and supervision of commodity derivatives markets.

**Progress to date**

- ☐ Not applicable  
☐ Applicable but no action envisaged at the moment  
☐ Implementation ongoing  
☒ Implementation completed as of 2007

If "Not applicable" or "Applicable but no action envisaged..." has been selected, please provide a brief justification

If "Implementation ongoing" has been selected, please specify

- ☐ Draft in preparation, expected publication by   
☐ Draft published as of   
☐ Final rule or legislation approved and will come into force on   
☐ Final rule (for part of the reform) in force since

|                                                     |   |    |     |    |   |    |     |      |                                                                    |  |  |  |   |
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| 20. Regulation and supervision of commodity markets |   |    |     |    |   |    |     |      |                                                                    |  |  |  |   |

| Progress to date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <p><b>Issue is being addressed through</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation / Guidelines</p> <p><input type="checkbox"/> Other actions (such as supervisory actions)</p> <p><b>Short description of the content of the legislation/regulation/guideline/other actions</b></p> <p>Current regulatory framework ensures full compliance with IOSCO recommendations regarding enhanced market transparency in commodity markets. Since the 1990s, all derivatives (both exchange-traded and OTC) must be registered. Law 10,303 of 2001 brought all derivatives contracts under CVM jurisdiction. Law 12,543 of 2011 expressly states that unregistered contracts are non-enforceable. Instruction CVM 461 of 2007 grants CVM powers to cancel trades that might be regarded as a breach of law or a violation of rules in the organized market. CVM only approves commodity derivatives contracts whose underlying assets' price-reporting process follows a robust and verifiable methodology. Spot reference prices for settlement purposes are published daily by B3, and the price reporting methodology has received ISO 9001:2008 certification in 2011.</p> | <p>If this recommendation has not yet been fully implemented, please provide <b>reasons for delayed implementation</b></p> |

|                                                     |    |     |    |   |    |     |      |                                                                    |  |  |   |
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| 20. Regulation and supervision of commodity markets |    |     |    |   |    |     |      |                                                                    |  |  |   |

| Update and next steps                                                          |                                                                                   |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <p>Highlight <b>main developments since last year's survey</b></p> <div></div> | <p><b>Planned actions</b> (if any) and expected commencement date</p> <div></div> |

| Relevant web-links                            |             |
|-----------------------------------------------|-------------|
| <p><b>Web-links to relevant documents</b></p> | <div></div> |

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| <b>21. Reform of financial benchmarks</b> |    |     |    |   |    |     |      |                                                                    |   |

#### G20/FSB Recommendations

*We support the establishment of the FSB's Official Sector Steering Group to coordinate work on the necessary reforms of financial benchmarks. We endorse IOSCO's Principles for Financial Benchmarks and look forward to reform as necessary of the benchmarks used internationally in the banking industry and financial markets, consistent with the IOSCO Principles. (St. Petersburg)*

Collection of information on this recommendation will continue to be deferred given the forthcoming FSB progress report on implementation of FSB recommendations in this area, and ongoing IOSCO work to review the implementation of the IOSCO *Principles for Financial Benchmarks*.

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X. Enhancing financial consumer protection

## 22. Enhancing financial consumer protection

## G20/FSB Recommendations

*We agree that integration of financial consumer protection policies into regulatory and supervisory frameworks contributes to strengthening financial stability, endorse the FSB report on consumer finance protection and the high level principles on financial consumer protection prepared by the OECD together with the FSB. We will pursue the full application of these principles in our jurisdictions. (Cannes)*

## Remarks

Jurisdictions should describe progress toward implementation of the OECD's [G-20 high-level principles on financial consumer protection \(Oct 2011\)](#).

Jurisdictions may also refer to OECD's [September 2013 and September 2014 reports](#) on effective approaches to support the implementation of the High-level Principles. The effective approaches are of interest across all financial services sectors – banking and credit; securities; insurance and pensions – and consideration should be given to their cross-sectoral character when considering implementation.

Jurisdictions should, where necessary, indicate any changes or additions that have been introduced as a way to support the implementation of the High-level Principles, to address particular national terminology, situations or determinations.

## Progress to date

- ☐ Not applicable  
☐ Applicable but no action envisaged at the moment  
☐ Implementation ongoing  
☒ Implementation completed as of 2010

If “Not applicable” or “Applicable but no action envisaged...” has been selected, please provide a brief justification

If “Implementation ongoing” has been selected, please specify

- ☐ Draft in preparation, expected publication by   
☐ Draft published as of   
☐ Final rule or legislation approved and will come into force on   
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X. Enhancing financial consumer protection

## 22. Enhancing financial consumer protection

## Progress to date

## Issue is being addressed through

- ☐ Primary / Secondary legislation
- ☒ Regulation / Guidelines
- ☐ Other actions (such as supervisory actions)

## Short description of the content of the legislation/regulation/guideline/other actions

Brazilian financial consumer protection framework is aligned with the G20 high-level principles on financial consumer protection. In the past few years, CMN and BCB have issued several regulations in order to ensure responsible, adequate and fair business conduct of financial institutions when providing services to their clients. Rules covered the following topics:

- (i) adequacy of offered and recommended products and services to clients' needs, interests and objectives ("suitability");
- (ii) integrity, reliability and confidentiality of all transactions, as well as authenticity of all operations agreed and services provided;
- (iii) provision of all necessary information for client's decision-making process;
- (iv) full availability of contracts and documents related to all operations agreed and services provided;
- (v) use of clear, straightforward and adequate language in contracts and other documents made available to the public with regard to the type and complexity of the corresponding operation or service;
- (vi) clients' right to portability, including procedures for transferring wage payments and client data, as well as credit and leasing operations to other financial institutions;
- (vii) standardization of fees' terms and descriptions associated to the most demanded services by financial consumers;
- (viii) provision of pre-contractual information to financial consumers, including: a) Total Effective Cost (Custo Efetivo Total - "CET") in credit and leasing operations, consisting of an annual percentage rate that takes into consideration the interest rate, fees, taxes, insurance and other expenses associated with the operation that the consumer will be charged for; b) Total Effective Value (Valor Efetivo Total - "VET") of foreign exchange operations, determined in local currency, which takes into consideration the exchange rate, taxes and all fees consumers are charged; and c) standardized account balance featuring the most relevant information related to checking or payment accounts;
- (ix) transparency procedures related to credit contracts, including the obligation of disclosing all charges expected along the regular course of the operation;
- (x) disclosure by the financial institution, in all its branches and in its internet homepage, of information related to rendered services and associated fees, free-of-charge services, services bundles, as well as credit card benefits and reward programs;
- (xi) transparency of credit card statements; and
- (xii) establishment of an ombudsman component in each financial institution, in order to act as a communication channel between the institution and its clients, as well as to mediate conflicts.

All financial institutions are required to set up an institutional policy on the relationship with financial consumers. This policy must compile the institution's



If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

|                                             |   |    |     |    |   |    |     |      |    |                                            |  |  |  |  |  |  |  |  |  |  |  |
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| 22. Enhancing financial consumer protection |   |    |     |    |   |    |     |      |    |                                            |  |  |  |  |  |  |  |  |  |  |  |

| Update and next steps                                                          |                                                                                   |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <p>Highlight <b>main developments since last year's survey</b></p> <div></div> | <p><b>Planned actions</b> (if any) and expected commencement date</p> <div></div> |

| Relevant web-links                            |             |
|-----------------------------------------------|-------------|
| <p><b>Web-links to relevant documents</b></p> | <div></div> |

|  | I | II | III | IV | V | VI | VII | VIII | IX | X | List of abbreviations used |
|--|---|----|-----|----|---|----|-----|------|----|---|----------------------------|
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BCB: Central Bank of Brazil

CMN: National Monetary Council

Comef: Financial Stability Committee

Copom: Monetary Policy Committee

Coremec: Committee of Regulation and Supervision of Financial, Securities, Insurance and Complementary Pension Markets

CVM: Securities and Exchange Commission of Brazil

FGC: Deposit Guarantee Fund

Icaap: Internal Capital Adequacy Assessment Process

Previc: National Superintendence of Complementary Social Security

SFN: National Financial System

Susep: Superintendence of Private Insurance

## Sources of recommendations

- [Hamburg: G20 Leaders' Communique \(7-8 July 2017\)](#)
- [Hangzhou: G20 Leaders' Communique \(4-5 September 2016\)](#)
- [Antalya: G20 Leaders' Communique \(15-16 November 2015\)](#)
- [Brisbane: G20 Leaders' Communique \(15-16 November 2014\)](#)
- [St Petersburg: The G20 Leaders' Declaration \(5-6 September 2013\)](#)
- [Los Cabos: The G20 Leaders' Declaration \(18-19 June 2012\)](#)
- [Cannes: The Cannes Summit Final Declaration \(3-4 November 2011\)](#)
- [Seoul: The Seoul Summit Document \(11-12 November 2010\)](#)
- [Toronto: The G-20 Toronto Summit Declaration \(26-27 June 2010\)](#)
- [Pittsburgh: Leaders' Statement at the Pittsburgh Summit \(25 September 2009\)](#)
- [London: The London Summit Declaration on Strengthening the Financial System \(2 April 2009\)](#)
- [Washington: The Washington Summit Action Plan to Implement Principles for Reform \(15 November 2008\)](#)
- [FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience \(7 April 2008\)](#)
- [FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System \(2 April 2009\)](#)
- [FSB 2009: The FSB Report on Improving Financial Regulation \(25 September 2009\)](#)
- [FSB 2012: The FSB Report on Increasing the Intensity and Effectiveness of SIFI Supervision \(1 November 2012\)](#)