

FSB- G20 - MONITORING PROGRESS – Brazil September 2011

#				DEADLINE	PROGRESS TO DATE	PLANNED NEXT STEPS
# in brackets are # from the 2010 template		G20/FSB RECOMMENDATIONS			<i>Explanatory notes:</i> <i>In addition to information on progress to date, specifying steps taken, please address the following questions:</i> <i>1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction?</i> <i>2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results?</i> <i>Also, please provide links to the relevant documents that are published.</i>	<i>Explanatory notes:</i> <i>Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?)</i> <i>Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps?</i> <i>What are the key challenges that your jurisdiction faces in implementing the recommendations?</i>
I. Improving bank capital and liquidity standards						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	Brazil adopted Basel II Capital Framework in 2007. Regulation in place concerns Pillars 1, 2 and 3. Pillar 1 capital is required for credit (simplified standardized approach), market (standardized and internal models approach) and operational (standardized approach) risks of Basel II. Measures already implemented have achieved their intended results. Relevant documents: Capital requirement structure: Resolution CMN 3.490/2007; Resolution CMN 3.897/2010. Pillar 1 requirements: Circular BCB 3.360/2007; Circular BCB 3.361/2007; Circular BCB 3.362/2007; Circular BCB 3.363/2007; Circular BCB 3.364/2007; Circular BCB 3.366/2007; Circular BCB 3.368/2007; Circular BCB 3.389/2007; Circular BCB 3.498/2010; Circular BCB 3.383/2008; Circular BCB 3.476/2009; Circular BCB 3.478/2009. Pillar 2: IRR in banking book: Circular BCB	Regulation concerning the advanced approach of Basel II for credit and operational risk should be issued by Dec/2011. Planned steps do not require new legislation.

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					3.365/2007 ; Resolution CMN 3.988/2011 ; Circular BCB 3.547/2011 . Pillar 3: Circular BCB 3.477/2009 .	
2	(FSB 2009) (Tor)	Basel II trading book revision	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010. We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.	By end-2011	Brazil implemented capital requirement for market risk according to internal models, including a provision for use of stressed VaR. This should lead to increase in capital requirement for this risk. Relevant documents: Circular BCB 3.478/2009 ; Circular BCB 3.498/2010 .	The introduction of the internal models approach for market risk will lead to revision of the standardized approach for this risk, in order to maintain a balance between capital requirements under the two approaches. Planned steps do not require new legislation.
3 (5, 6, 8)	(Seoul)	Adoption and implementation of international rules to improve bank capital and liquidity standards (Basel III); including leverage ratios (Note) Please explain developments in i) capital standards, ii) liquidity standards and iii) leverage ratios respectively.	We are committed to adopt and implement fully these standards (Basel III) within the agreed timeframe that is consistent with economic recovery financial stability. The new framework will be translated into our national laws and regulations, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019.	January 1, 2013 and fully phased in by January 1, 2019.	The National Monetary Council is committed to revise regulation on bank capital according to the new definition of regulatory bank capital approved by the BCBS. The Central Bank of Brazil issued a communiqué establishing guidelines and a preliminary schedule for implementation of Basel III. Supervision started monitoring banks leverage ratio in 2011. Relevant documents: Communiqué BCB 20.615/2011	Implementation of Basel III is planned to take place according to the following steps: • Regulation on redefinition of regulatory capital and introduction of capital buffers is expected to be published by the end of 2011. • Revision of capital requirements for counterparty credit risk (CCR) is expected to be published by July 2012. • Regulation on the preliminary methodology for the Liquidity Coverage Ratio (LCR) is expected to be published by the end of 2012. • A final definition of the LCR is expected to be published by the end of 2013. • The preliminary methodology for the Net Stable Funding Ratio (NSFR) is expected to be published by the end of 2014. • A final definition of the NSFR is expected to be published by the end of 2016. • A final version of the Leverage Ratio is expected to be published by July 2017.

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						All new regulation will probably go through public consultation. Planned steps do not require legislation.
4 (4, 7, 9, 48)	(WAP) (FSF 2009)	Strengthening supervision and guidelines on banks' risk management practices	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. 1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement.	Ongoing	Regulation issued by the National Monetary Council imposes risk management procedures for all financial institutions concerning credit, market and operational risks, according to recommendations issued by the Basel Committee on Banking Supervision. Measures implemented have achieved their intended results. Relevant documents: OpRisk: Resolution CMN 3.380/2006 . Market risk: Resolution CMN 3.464/2007 . Credit risk: Resolution CMN 3.721/2009 . At present, there are no ongoing regulation proposals or efforts to change stress testing practices. Brazil is still in the process of implementing Basel II, including Pillar 2.	Considering the BCBS guidelines and banking industry practices, the Central Bank of Brazil is reviewing its supervisory practices, under the current regulatory framework, in order to adopt any actions deemed necessary.
4 (4, 7, 9, 48)	(FSF 2008)	Strengthening supervision and guidelines on banks' risk management practices	II.10 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.	Ongoing	The National Monetary Council issued regulation establishing general guidelines of good practices for liquidity risk management. This regulation already contains several requisites that are now being proposed by BCBS. The Central Bank of Brazil has also built a strong system to gather information on banks' assets and liabilities from sources like the Central Bank-operated facilities for funds transfer (Reserves Transfer System-STR) and for clearing of treasuries (Selic), as well as private clearing houses, in order to subsidize liquidity risk monitoring on a daily basis. A report was also implemented for institutions to report estimation of cash flows, alternative funds and contingency plans on a monthly basis. Complementarily, on-site supervision of liquidity risk	Brazil has also endorsed the document "Principles for Sound Liquidity Risk Management and Supervision", issued in 2008 by BCBS, and intends to pursue these principles as good practices to be observed by institutions. The Central Bank of Brazil participated in the Quantitative Impact Study (QIS), in order to assess the impact on the Brazilian financial system of the adoption of the proposals contained in the document "International Framework for Liquidity Risk measurement standards and monitoring", issued by BCBS in Dec/2009.

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					management occurs periodically during the rating process (SRC). It also could take place through a specific work on liquidity risk as a result of early warnings of weakness observed by the supervisor or provided by the monitoring department. Relevant documents: Management of liquidity: Resolution CMN 2.804/2000. Information on liquidity: Circular BCB 3.393/2008.	
4 (4, 7, 9, 48)	(FSB 2009)	Strengthening supervision and guidelines on banks' risk management practices	Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.	Ongoing	Banking supervision staff has been oriented to adopt a more critical view on the role of liquidity lines from foreign sources in contingency plans. During the recent crisis, the Central Bank of Brazil issued regulation determining the mandatory registration of derivatives contracted abroad on Brazilian clearing systems. This measure intends to provide a better monitoring of foreign exchange exposure. The National Monetary Council has also issued specific regulation to provide collateralized foreign currency loans to the financial system. Regulation focused primarily on foreign trade financing, with funding from the Brazilian external reserves. Relevant documents: Resolution CMN 3.622/2008.	At present, there are no ongoing regulation proposals or efforts to change these procedures.
II. Addressing systemically important financial institutions (SIFIs)						
5 (19)	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	The supervisory model for SIBs embraces on-site and off-site activities. On-site activities aim to identify and assess the risks and controls inherent to each area or activity of the institution, as well as of the performance of the senior management in	

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					the maintenance of the soundness and the regular functioning of the entity. Off-site activities include using accounting and other reports to monitor market, liquidity and credit risks. They also include stress testing and analysis and monitoring of financial stability and systemic risk. SIBs are constantly inspected and analyzed in many areas, taking into account their size and more complex structure. Each SIB has a dedicated group of examiners and a dedicated supervisor and is supported by specialized teams that deal with specific matters, such as treasury operations, credit risk, accounting, foreign exchange, operational risk, IT and others. Relevant documents: Supervision Manual	
6 (43, 44)	(Pitts) (Seoul)	Mandatory international recovery and resolution planning for G-SIFs	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the major cross-border firms and a legal framework for crisis intervention as well as improve information sharing in times of stress. We agreed that G-SIFs should be subject to a sustained process of mandatory international recovery and resolution planning. We agreed to conduct rigorous risk assessment on G-SIFs through international supervisory	End-2010 (for setting up crisis management groups) Ongoing	The Central Bank of Brazil participates in the Cross Border Resolution Group of BCBS and is committed to adopt the recommendations concerning contingency and resolution plans, once they are eventually approved. The Central Bank of Brazil has proposed improvements to the domestic resolution law, which are to be submitted for approval by Federal Legislative branch. The Central Bank of Brazil participates in several supervisory colleges concerning major foreign institutions that are present in Brazil. The Central Bank of Brazil has established a supervisory college for two banks based in Brazil.	The Central Bank of Brazil will continue to hold supervisory colleges for two Brazilian banks at least biannually. Additional colleges may be instituted in the future, as needed.

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	(Lon)		colleges and negotiate institution-specific crisis cooperation agreements within crisis management groups. To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.			
7 (45)	(Seoul) (Tor) (WAP) (FSF 2008)	Implementation of BCBS recommendations on the cross-border bank resolution	We reaffirmed our Toronto commitment to national-level implementation of the BCBS's cross-border resolution recommendations. We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border financial institutions. VI.6 Domestically, authorities need to review and, where needed, strengthen legal powers and clarify the division of responsibilities of different	Ongoing	The Central Bank of Brazil has exclusive supervisory and administrative sanctioning powers over financial institutions. The Central Bank of Brazil adopts a territorial approach to regulation, supervision and liquidation of financial institutions. Since 1988 foreign financial institutions are only licensed to operate in the national territory through local subsidiaries which are subject the national regulatory regime. The Central Bank of Brazil is also represented at the Cross Border Bank Resolution Group of the BCBS and in many supervisory colleges. Since 1997, the Central Bank of Brazil has powers to require recapitalization, to transfer controlling interest or to demand organizational restructuring (e.g. mergers and acquisitions). The Central Bank of Brazil has issued for public comment a study for a legislative proposal that covers resolution powers and enforcement of preventive and prompt corrective actions. The Monetary Council has issued regulation allowing the Central Bank of Brazil to take some preventive measures	The Central Bank of Brazil is working on legislative proposals to enhance its resolution powers and to ensure its discretion to trigger conversion mechanisms in contingent capital.

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			national authorities for dealing with weak and failing banks.		and to require financial institutions under certain conditions to present recovery plans. Relevant documents: Constitution of 1988 ; Federal law 4.595/1964 ; Federal law 9.447/1997 ; Law proposal for public comment 34/2009 Resolution 4.019/2011 .	
8 (41)	(Lon) (Seoul)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009. We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges ...	June 2009 (for establishing supervisory colleges) Ongoing	The Central Bank of Brazil has established supervisory colleges for two Brazilian banks.	The Central Bank of Brazil intends to hold supervisory colleges at least biennially for these two Brazilian banks. Additional colleges may be instituted in the future, as needed.
9 (42)	(FSF 2008)	Supervisory exchange of information and coordination	V.7 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.	Ongoing	The exchange of supervisory information on institutions operating in Brazil is deemed adequate, both at national and international levels.	
10 (New)	(Seoul)	More effective oversight and supervision	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.	Ongoing	The Central Bank of Brazil performs monthly stress tests for market risk, credit risk and direct contagion risk and daily stress tests for liquidity risk. Results are published semi-annually in the Financial Stability Report. The National Monetary Council has recently published Resolution 4,019/2011/2011 about prudential preventive measures to be adopted by supervisors to ensure the robustness, stability and regular functioning of the National Financial System.	The development of new tools and improvement of existing ones is constant. New econometric models and an indirect contagion risk model are being developed. There are also plans to integrate tools like tests of stress, contagion risk assessments and models of probability of default.

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					Relevant documents: Resolution 4.019/2011.	
III. Extending the regulatory perimeter to entities/activities that pose risks to the financial system						
11 (27)	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	The Central Bank of Brazil takes a proactive and cautious approach towards new products and markets. Consolidated supervision of financial conglomerates already takes into account of most developments that would otherwise require revision of the boundaries of the regulatory framework.	The Central Bank of Brazil will continue to participate actively in the relevant forums, particularly in the FSB and its subgroups and monitor national developments that may warrant an extension of the perimeter of financial regulation.
12 (30)	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 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.	Ongoing	As a direct result of the recent crisis, three different approaches have been implemented: • The Central Bank off-site monitoring department has strengthened requisites as to the quality of information obtained from clearing houses. Also, the clearings themselves have implemented tougher regulation mechanisms and criteria for registration of sophisticated products, which must have their strategies and evaluation disclosed and approved by the clearing. Access to such information is also provided to the off-site monitoring department. • The Central Bank on-site supervision department has established a periodic supervision routine on complex and sophisticated institutions in order to assess new financial products' characteristics, valuation processes, compliance with regulations, approval process and suitability. Also, specific work has been conducted on other vehicles that interconnect with banks either directly or indirectly (Receivables Investment Fund-FIDCs, and foreign funds associated in any way with	The Central Bank off-site monitoring department is developing new tools to provide information for the on-site supervision department. The Central Bank on-site supervision department constantly evaluates the financial market, new vehicles and mechanisms that could constitute objects of surveillance through specific work.

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					headquarters). This work is conducted by a specialized team and the outcome is shared with supervision staff. Regulation has been issued to determine that derivatives contracted abroad, including embedded options on credit operations, must be registered in a local clearing. Those registers are accessible to the off-site monitoring department. Relevant documents: Resolução CMN 3.824/2009; Resolução CMN 3.833/2010; Circular BCB 3.474/2009.	
Hedge funds						
13 (33)	(Seoul) (Lon)	Regulation (including registration) of hedge funds	We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds. 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.	End-2009	Hedge funds are already regulated by and accredited with the Securities and Exchange Commission of Brazil (CVM) as well as individually required to disclose information on the composition of their portfolios, including the use of leverage. Information on the portfolio manager's risk management methodology is also required. The Central Bank has access to all information deemed necessary for systemic risk follow up. In 2011, the CVM submitted three consultation papers, proposing rules intended to improve ongoing supervision process' regulation. The revision focused on risk management structure and processes; changes on the periodic information sent by the hedge funds; and systemic risk monitoring for portfolio managers.	The CVM is finalizing the analysis of the comments received on the public hearing and will thereafter enact related new rules.
14 (34)	(Lon)	Effective oversight of cross-border funds	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is	End-2009	The CVM is a member of the Technical Committee of IOSCO and is fully committed to its work. The CVM is also a member of the IOSCO Multilateral Memorandum of Understanding for cooperation and	CVM is planning to revise required information provided by portfolio managers in order to include relevant information on overseas investments and exposures.

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			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.		information sharing between its members, which, in general, address this issue.	
15 (35)	(Lon)	Effective management of counter-party risk associated with hedge funds	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.	Ongoing	All Collective Investment Schemes, hedge funds included, are regulated and supervised by the CVM. The Central Bank of Brazil and the CVM have agreed on a cooperation memorandum, including new regulation on limits, risk management and supervision procedures to be issued by CVM. Supervision currently conducts specific work on funds of foreign investors linked, directly or indirectly, to parent companies. Leverage through derivatives is subject to margin requirements calculated and controlled by the Stock Exchange Clearing House, which acts as a CCP. Usage of OTC derivatives is limited to a certain amount of the fund's NAV for each counterparty. In addition, leverage through money lending is not allowed for hedge funds, and for that reason, credit counterparty controls do not apply.	At present, there are no ongoing regulation proposals or efforts to change these procedures.
16 (36)	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	At present, leveraged counterparties are not believed to be a point of concern for the Brazilian financial system.	
Securitisation						
17 (50)	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish	During 2010	Securitization in Brazil is structured through 2 vehicles: (i) corporations specialized in securitization; and (ii) receivables investment funds. Structured products are only offered to qualified buyers. Registration, prospectus and periodic disclosure are required for both vehicles,	The CVM proposed further improvements to disclose specific data of corporations specialized in securitization, especially periodic information of mortgage backed securities. The public comment period on the proposal will end in Oct/ 2011.

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			clear rules for banks' management and disclosure; implement IOSCO's proposals to strengthen practices in securitisation markets.		although there are no minimum capital requirements for its constitution. In 2006, disclosure related to statistical data of defaults and losses, originators' and debtors' information and specific risk factors were added to the prospectus requirements of structured products. These rules substantially reflect the IOSCO document entitled "Disclosure Principles for Public Offerings and Listings of Asset-Backed Securities", published on Jun/2009. During the last two years, the CVM improved periodic information and accounting standards for receivable funds.	The CVM is also conducting internal studies on IOSCO recommendations for the securitization market, as well as addressing "skin in the game" requirements and independence of service providers.
18 (51, 52)	(Lon) (Pitts)	Improvement in the risk management of securitisation, including retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	By 2010	The scale of securitization activities in Brazil is much smaller than in countries directly affected by the recent financial crisis. The most common structures used for securitization in Brazil are the ones where the originator retains part of the risk of the operation through the use of junior (subordinated) tranches. Starting in January 2012, securitization funds will be required to send information about their purchases of credits to SCR – an electronic system of the Central Bank for the supervision of systemic risk - that receives data from credit operations of financial institutions.	The Central Bank of Brazil will participate in the discussions in the BCBS and FSB. Although the double-tier capital structure (senior-junior) is more usual in receivable funds in Brazil, it is not mandatory. Considering the IOSCO document entitled "Unregulated Financial Markets and Products – Final Report", the CVM is conducting internal studies on IOSCO recommendation for securitization market and considering enacting rules requiring originators to retain a long-term economic exposure to the securitization in order to appropriately align interests in the securitization value chain.
19 (10)	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	At present, there are no ongoing regulation proposals or efforts concerning monoline insurers.	At present, there are no ongoing regulation proposals or efforts concerning monoline insurers.
20 (54)	(FSF 2008)	Strengthening of supervisory requirements or best practices for investment in	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured	Ongoing	Structured products (securitization) in Brazil are still very simple (plain vanilla) and are placed in the market through public offerings registered with the CVM. Nonetheless, the National Monetary	Concerning institutional investors, the CVM is currently revising registration requirements for fund managers and the ongoing supervision process. The revision focuses on risk management structure and

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		structured products	products.		Council issued in Dec/2009 a rule requiring registration of all transactions involving derivatives contracted abroad by financial institutions, and has established new requirements concerning best practices for the due diligence investment process to institutional investors, such as pension funds. Relevant documents: Resolution CMN 3.792/2009; Resolution CMN 3.824/2009.	processes.
21 (14)	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	The CVM participated in IOSCO's project that lead to the "Principles on Asset Backed Securities (ABS)" in 2010. The CVM considers that few enhancements are necessary to adapt its present requirements to those that will derive from the new principles. In 2010, the CVM amended Instruction 356 on ABS transactions regarding receivable investment funds to enhance their disclosure, particularly on buyback transactions and replacement of underlying assets. Under the new system, there are three periodic disclosure reports: (i) monthly: portfolio performance, assets and liabilities (ii) Quarterly: quantitative and qualitative information on repurchase and exchange of credits (iii) Annually: Audited financial statements CVM recently enacted Instruction 489, on receivable funds' accounting standards, harmonizing them with IAS 32, IAS 39 and IFRS 7.	The CVM is implementing the systems to receive the range of information required by the new regulations.

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IV. Improving OTC derivatives markets						
22 (17, 18)	(Seoul)	Reforming OTC derivative markets, including the standardisation of CDS markets (eg CCP); and trading of all standardized	We endorsed the FSB's recommendations for implementing our previous commitments in an internationally consistent manner, recognizing the importance of a level playing field.	By end-2012 at the latest	Capital requirements for non-centrally cleared derivatives contracts are higher than for centrally-cleared derivatives contracts. The Derivatives Exposure Registry (CED) started operating in March 2011.	The general framework for assuring transparency and risk management related to OTC derivatives trading has already been implemented. Any possible improvements identified in the future will be promptly considered.
	(Pitts)	OTC derivatives on exchanges, clearing and trade repository reporting.	All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.		The CED is a non-profit organization established by Febraban (Brazilian Federation of Banks) that records the net exposures of a company to derivatives registered with the two relevant derivatives registries, CETIP and BM&FBovespa. Resolution CMN 2.933/2002 ; Circular BCB 3.106/2002 .	
	(Lon)		We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.			
V. Developing macro-prudential frameworks and tools						
23 (25)	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	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	Ongoing	A high-level committee (Coremec) was established in 2006 and designed to allow the exchange of information among the four financial regulators in Brazil (Central Bank of Brazil, Securities Commission-CVM, Open Pension Funds Superintendence-Susep and Closed Pension Funds Secretary-SPC). Coremec is also the forum	

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			systemic risk.		to discuss regulatory proposals which may have an impact across jurisdictions. The Central Bank of Brazil has established a Financial Stability Committee (Comef), to coordinate macroprudential monitoring activities, as well as discussion and implementation of macroprudential measures.	
24 (26)	(Lon)	Powers for gathering relevant information by national regulators	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.	Ongoing	Brazilian legislation enables the Central Bank of Brazil to gather any information on financial institutions, markets and instruments. There are institutional agreements for information sharing among financial, capital market and insurance supervisors. Measures implemented have achieved their intended results.	
25 (28)	(FSF 2009)	Use of macro-prudential tools	3.1 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... Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.	End-2009 and ongoing	A non-risk based leverage measure is applied solely for monitoring purposes. Such measure is not enforced by regulation. Financial institutions are required to register OTC derivative instruments but no initial margins or haircuts are involved. Securities financing transactions are carried out exclusively through clearing and settlement systems, which provide for collateral arrangements. Some other recent macro-prudential measures include: (1) Increasing capital requirements for consumer loan exposures involving longer maturities and higher loan-to-value ratios. The risk weight for such exposures was increased from 100% to 150%; (2) Establishing unremunerated reserve requirement on short spot FX positions above a specific limit; and (3) Establishing a minimum payment for credit card bills.	The Central Bank of Brazil is working on indicators of financial system stability from a macro-prudential perspective. Other macro-prudential measures will be adopted following the Basel III implementation schedule (Communiqué BCB 20.615/2011)

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26 (29)	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	There is no formal process for monitoring asset prices for supervision purposes. Such developments are currently being followed and discussed in the context of the inflation targeting framework and may influence financial regulation and supervision practices.	The Central Bank of Brazil is working on a database that would allow monitoring prices of selected assets.
27 (32)	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	There are agreements for information sharing among financial, capital market and insurance supervisors in Brazil and a specific high-level coordination committee of financial authorities (Coremec) in which they are all represented	
VI. Strengthening accounting standards						
28 (11)	(WAP)	Consistent application of high-quality accounting standards	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.	Ongoing	The Central Bank of Brazil regulates, supervises and sets accounting standards for financial institutions. Financial institutions have applied IFRS on a consolidated basis since 2010. Relevant documents: Resolution CMN 3.786/2009	
29 (New)	(Seoul)	Convergence of accounting standards	We re-emphasized the importance we place on achieving a single set of improved high quality global accounting standards and called on the International Accounting Standards Board and the Financial Accounting Standards Board to complete their convergence project.	End-2011	Brazil takes part in many international forums discussing accounting standards convergence, specifically in Accounting Task Force (ATF) of the BCBS.	
30 (12)	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	Fair valuation of financial instruments was introduced in Brazilian financial system in 2001. Measures implemented achieved their intended results. Valuation of financial instruments is routinely subject to supervision.	

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					Relevant documents: Circular BCB 3.068/2001 Circular BCB 3.082/2002 Circular BCB 3.086/2002.	
31 (13)	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.	End-2009	The Central Bank of Brazil follows closely the current discussion of these issues, concerning the revision of IAS 39 and participates in the Accounting Task Force of the BCBS. Moreover, financial institutions have applied IFRS on a consolidated basis since 2010.	
VII. Strengthening adherence to international supervisory and regulatory standards.						
32 (21, 22, 23)	(Lon) (WAP)	Adherence to international prudential regulatory and supervisory standards, as well as agreeing to undergo FSAP/FSB periodic peer reviews (Note) Please try to prioritise any major initiatives conducted specifically in your jurisdiction.	We are committed to strengthened adherence to international prudential regulatory and supervisory standards. FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports. All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the	Ongoing	Financial regulation and supervision in Brazil is generally conservative, which helps explain the relatively small effects of the recent financial crisis on the national financial system. Brazil underwent an FSAP assessment in 2002 and sent to the FSB the FSAP/ROSC reports as well as offered comments on recent developments that relate to the recommendations then made by the IMF and World Bank. Brazil is undertaking an FSAP exercise, whose final report is expected by mid-2012. The Central Bank of Brazil has conducted a self-assessment of adherence of its practices to the Core Principles for Effective Banking Supervision. Brazil has also participated in both thematic peer reviews on compensation practices	Revision of Money Laundering and Terrorist Financing “Red Flags”

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	(Seoul)		and conduct a second thorough peer review in the second quarter of 2011. We reaffirmed the importance of fully implementing the FSB's standards for sound compensation.			
34 (16)	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.	Ongoing	The National Monetary Council issued regulation on compensation policies for financial institutions' managers. Provisions are compliant with FSB's "Principles for Sound Compensation Practices" and their implementation standards. Relevant document: Resolution CMN 3.921/2010	The next step involves assessment of the implementation of compensation practices by financial institutions.
VIII. Other issues						
Credit rating agencies						
35 (37)	(Lon)	Registration of CRAs etc.	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.	End-2009	The CVM has listed all references made to rating agencies in its rules, as well as an assessment on the structure and activities of CRAs operating in Brazil. Specifically, CVM has verified the adherence of CRAs to the IOSCO Code of Conduct. The results will lead to the development of a new regulatory framework for securities rating in Brazil. The stock-taking exercise on the use of credit ratings in regulation was extended to all four Brazilian financial market regulators (CVM, Central Bank of Brazil, insurance regulator and pension funds regulator). A report covering this exercise was submitted to COREMEC (an interdisciplinary	The CVM is finalizing a report on the assessment of the structure and activities of the CRAs operating in Brazil since 2009 (three local firms and three global firms), in order to check the agencies' adherence to the IOSCO Code of Conduct and to their own internal Codes. The CVM has decided to regulate credit rating agencies and the new rules are being drafted. CRAs will be required to register with the Commission and will be under disclosure obligations, and rules on conduct and conflict of interest. Once these regulations are enacted, an oversight regime will be established. The CVM intends to propose the new rules and

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					governmental committee consisting of all the aforementioned regulators) on September, 2010. This report also translated FSB principles for reducing reliance on CRA ratings into specific actions.	request comments on them by the end of 2011.
36 (38)	(Lon)	CRA practices and procedures etc.	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.	End-2009	The CVM has conducted a thorough check up in its rules to list all references made to rating agencies, as well as an assessment on the structure and activities of CRAs operating in Brazil. Specifically, the adherence of CRAs to the IOSCO Code of Conduct was checked. Results will lead to the development of a new regulatory framework by the CVM for CRAs rating securities in Brazil. The stock-taking exercise on the use of credit ratings in regulation was extended to all four Brazilian financial market regulators (CVM, Central Bank of Brazil, insurance regulator and pension funds regulator). A report covering this exercise was submitted to COREMEC (an interdisciplinary governmental committee consisting of all the aforementioned regulators), on September, 2010. This report also translated FSB principles for reducing reliance on CRA ratings into specific actions.	The CVM is finalizing a report on the assessment of the structure and activities of the CRAs operating in Brazil since 2009 (three local firms and three global firms), in order to check the agencies' adherence to the IOSCO Code of Conduct and to their own internal Codes. The CVM has decided to regulate credit rating agencies and the new rules are being drafted. CRAs will be required to register with the Commission and will be under disclosure obligations, and rules on conduct and conflict of interest. Once these regulations are enacted, an oversight regime will be established. The CVM intends to propose the new rules and request comments on them by the end of 2011.
37 (39)	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	CVM takes part in the IOSCO Standing Committee 6 (SC6) that discusses CRA regulations.	
38 (40)	(Seoul)	Reducing the reliance on ratings	We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and	Ongoing	The current regulatory framework on funds requires fund managers to have a risk management policy and shareholders to be well informed of it. This information must clearly present the methods used for	The Brazilian simplified standardised approach for credit risk capital requirement does not use ratings for calculating risk weights, which is consistent with the FSB principles on reducing reliance on external

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	(FSF 2008)		central banks should not rely mechanistically on external credit ratings. IV. 8 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.		management of risks incurred by the fund. The framework also encompasses principles on conduct and diligence, under which fund managers are obliged to manage the risks of all assets included in the portfolio, regardless of the existence of independent ratings for these assets. A regulatory reform on rules for asset and portfolio management is underway. One of the issues refers to the improvement of the requisites for a minimum structure for the risk management of funds, including compliance and risk management manuals.	credit ratings. Nevertheless, there is some reliance in the Brazilian regulation on credit ratings, especially regarding public offerings of structured products. Ratings are also used to determine investment limits in certain money market funds. Other rules require that existing ratings for funds be disclosed. CVM also presented a report on a stocktaking exercise on the use of credit ratings in Brazil based on the analysis of the rules of the four Brazilian financial market regulators (CVM, Central Bank of Brazil, insurance regulator and pension funds regulator). This report was submitted to COREMEC (an interdisciplinary governmental committee consisting of all the aforementioned regulators) and will subsidize the decisions on any changes to the use of credit ratings in regulation enacted by the four regulatory bodies.
Risk management						
39 (48)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	Stress tests across the national financial system have been periodically carried out by the Central Bank of Brazil, considering both specific and macro shocks. Regulation for management of credit, market and operational risks requires financial institutions to conduct stress tests. Relevant documents: OpRisk: Resolution CMN 3.380/2006 . Market risk: Resolution CMN 3.464/2007 ; Circular BCB 3.365/2007 ; Circular BCB 3.478/2009 . Credit risk: Resolution CMN 3.721/2009 .	A general bank regulation on stress tests criteria for all risk drivers is under study.
40 (49)	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	Brazilian banks were not exposed to impaired assets and were well capitalized so no government rescue operations were necessary.	

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41 (53)	(WAP)	Enhanced risk disclosures by financial institutions	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.	Ongoing	In 2009, the Central Bank of Brazil issued regulation establishing a set of comprehensive requirements aiming at the improvement of information disclosure on risks faced by financial institutions, in line with Pillar 3 recommendations of Basel II. Quantitative information about risks, including exposures arising from securitization, must be released quarterly by financial institutions, while information of a qualitative nature, especially the one relating to risk management procedures, must be reported at least annually. At the same time, the decision to adopt international accounting standards favoured alignment of accounting information disclosure requirements with prudential ones, including the disclosure of losses incurred by financial institutions. Relevant documents: Circular BCB 3.477/2009.	
Others						
42 (46)	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	The deposit insurance agency, established in 1996, generally meets the Core Principles for Effective Deposit Insurance Systems and has been instrumental in dealing with the consequences of the recent international financial crisis, by extending coverage of deposits and buying assets from banks in need of liquidity. Relevant documents: Resolution CMN 3.251/2004, Circular BCB 3.327/2004.	
43 (55)	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task	Ongoing	Brazilian support measures aimed basically at restoring liquidity in US dollars, restoring liquidity in local currency, extending the coverage limit of the deposit insurance for time deposits, increasing the intensity of liquidity monitoring, allowing conditional deductions on the levels of reserve	

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			our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.		requirements and recognizing loan-loss provisions in excess of expected losses (EL) as Tier 1 capital. Recognition as Tier 1 capital for the excess of loan-loss provisions relative to expected losses (EL) was eliminated in Apr/2010. The Federal Government or the Central Bank of Brazil provided no capital injections and emergency loans, no guarantees of non-deposit liabilities, there was no creation of "bad banks" or asset purchases. The provision of liquidity in foreign currency through auctions of swap contracts, auctions of dollars to exporters and sale of dollars in the spot market is currently reverted, as market conditions improved.	
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Origin of recommendations:

Seoul: The Seoul Summit Document (11-12 November 2010)

Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)

Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)

Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)

WAP: 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)