

2021 IMN Survey of National/Regional Progress in the Implementation of G20/FSB Recommendations

Jurisdiction
Brazil

I1: Hedge funds - 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 not be collected in the 2021 survey.

I2: Hedge funds - 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:
Implementation completed
Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification
Progress to date: please provide a date for your "implementation ongoing" status
Progress to date: If you have selected "Implementation completed" - please provide date of implementation
2013
Progress to date: issue is being addressed through
Primary / Secondary legislation - No
Regulation / Guidelines - No
Other actions (such as supervisory actions) - Yes
Progress to date: 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).
Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation
Update and next steps: highlight main developments since 2019 survey
Update and next steps: planned actions (if any) and expected commencement date

Relevant web-links: please provide web-links to relevant documents

I3: Hedge funds - 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)

Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2018 IMN survey. Given this, the reporting of progress with respect to this recommendation will not be collected in the 2021 survey.

II4: Securitisation - 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 not be collected in the 2021 survey.

II5: Securitisation -Strengthening supervisory, 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:
Implementation completed
Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your "implementation ongoing" status
Progress to date: If you have selected "Implementation completed" - please provide date of implementation
2010
Progress to date: issue is being addressed through
Primary / Secondary legislation - No Regulation / Guidelines - Yes Other actions (such as supervisory actions) - No
Progress to date: short description of the content of the legislation/regulation/guideline/other actions
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). CVMs 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. 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. 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.
Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation
Update and next steps: highlight main developments since 2019 survey
Update and next steps: planned actions (if any) and expected commencement date
Relevant web-links: please provide web-links to relevant documents

II6: Securitisation - 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:
Implementation completed
Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification
Progress to date: please provide a date for your "implementation ongoing" status
Progress to date: If you have selected "Implementation completed" - please provide date of implementation
2012
Progress to date: issue is being addressed through
Primary / Secondary legislation - No
Regulation / Guidelines - Yes
Other actions (such as supervisory actions) - No
Progress to date: short description of the content of the legislation/regulation/guideline/other actions
In 2013, CVM issued rules concerning asset-backed securities (in Brazil, this role is primarily played by receivable funds - FIDC) and addressing several securitization aspects, such as conflict of interest, cash flow, division of responsibilities among service providers, etc. The agribusiness-backed securitized products (CRA - Certificados de Recebíveis do Agronegócio, in Portuguese) were also subject to a new regulation issued in 2018 (Rule CVM 600). A project is underway for improvements in the disclosure regimes for mortgage-backed securities (CRI - Certificados de Recebíveis Imobiliários, in Portuguese).
Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation
Update and next steps: highlight main developments since 2019 survey
Update and next steps: planned actions (if any) and expected commencement date
CVM postponed to 2022 a public consultation on rules related to mortgage-backed securities (CRIs - 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: please provide web-links to relevant documents

III7: Enhancing supervision - 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 \(Jul 2018\)](#)
- [Framework for D-SIBs \(Oct 2012\)](#)

IAIS

- [Holistic Framework for the Assessment and Mitigation of Systemic Risk in the Insurance Sector \(Nov 2019\)](#)
- [Application Paper on Liquidity Risk Management \(Jun 2020\)](#)
- [Draft Application Paper on Macroprudential Supervision \(Mar 2021\)](#)

FSB

- [Evaluation of the effects of too-big-to-fail reforms \(Mar 2021\)](#)
- [Framework for addressing SIFIs \(Nov 2011\)](#)

Progress to date:
Implementation completed
Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification
Progress to date: please provide a date for your "implementation ongoing" status
Progress to date: If you have selected "Implementation completed" - please provide date of implementation
March, 2015 (G-SIBs) and October, 2015 (D-SIBs)
Progress to date: issue is being addressed through
Primary / Secondary legislation - No
Regulation / Guidelines - Yes
Other actions (such as supervisory actions) - No

Progress to date: short description of the content of the legislation/regulation/guideline/other actions

Circular BCB 3,751 of 2015 prescribes the annual assessment of G-SIB nature by Brazilian banks. Currently, no institution headquartered in Brazil is deemed a G-SIB. BCB undertook an assessment on whether local banks should be considered systemically important in a domestic context. As a result, Resolution CMN 4,443 of 2015 was published. This regulation contains the systemic buffer definition, phase-in schedule and associated constraints. Circular BCB 3,768 of 2015 was also published, containing the identification methodology, bucketing approach and disclosure requirements. D-SIBs names are not explicitly disclosed by BCB, but all information needed to apply the methodology is publicly available. The SIFIs identification methodology is referred to in other regulations as part of BCB's proportional approach to regulation. As a result, D-SIBs are subject to higher standards as recovery plans, more robust stress tests, among others. G-SIB and D-SIB disclosure of data used in determining systemic importance is required since January 2016. BCB carries out a continuous and comprehensive risk and control assessment on financial conglomerates that could pose risk to financial stability in case of their failure. Its conclusions are annually approved by a committee composed by senior staff of BCB's Banking Supervision Department. An off-site supervisory team provides reports, red flag alerts and analysis tools to be used by the on-site supervisory team. BCB receives information on a daily basis, such as: all financial instruments issued or held by financial institutions registered in trade repositories or central securities depositories; all securities and derivatives transactions registered at trade repositories or central securities depositories; all interbank securities transactions settled through the Reserves Transfer System (STR), a Brazilian real-time gross settlement (RTGS) operated by BCB; all loans informed to the BCB Credit Bureau; and all FX operations and FX credit lines registered online through systems hosted at BCB.

Resolution CMN 4,557 of 2017 prescribes the implementation of an Internal Capital Adequacy Assessment Process (Icaap) for institutions that are systemically important or have a relevant international activity (these are categorized as S1 according to Resolution CMN 4,553 of 2017). A guiding principle of the Brazilian regulatory framework is that financial institutions must implement risk management structures according to the complexity and nature of their operations, usual yardsticks for systemic importance. Therefore, the regulation is more demanding of larger conglomerates or those whose operations are complex. BCB has the authority to conduct a consolidated supervision, being empowered to supervise banks both on an individual and on a consolidated basis, including all branches and entities within the consolidation group, irrespective of their location or legal structure. The regulatory basis, along with the practices and procedures in place, gives BCB's Supervision Area a comprehensive understanding of the structure and main activities of banking conglomerates. The supervisory scope includes knowledge of non-financial activities and supervision of foreign subsidiaries of Brazilian banks. Any exposure of a financial institution to risks involved in business activities over which BCB has no legal supervisory competence is treated as a contagion risk and included in the continuous risk and control assessment previously mentioned. BCB acts in coordination and exchanges information with domestic and foreign supervisors to attain a full view of risks incurred by financial institutions operating in Brazil. Regarding home-host supervisory coordination and information sharing, BCB supervision has developed strategies for closer communication and frequent interaction with foreign supervisors responsible for banks with branches that have a significant presence in Brazil or located in jurisdictions that host significant subsidiaries of Brazilian banks abroad, in order to exchange information for supervisory purposes. Financial institutions must prepare their financial statements considering a prudential conglomerate perspective, including any mutual funds in which they retain substantial risks and benefits, as well as securitization companies over which they have direct or indirect control, as a way to bring entities that are in the shadow banking system to the scope of financial statement consolidation and BCB supervision. All prudential regulation applies to prudential conglomerates on a consolidated basis. The implementation of a new structure within the BCBs on-site supervision department in March 2016 aimed at strengthening supervision of D-SIBs and comprised an increase in staff involved in the supervision of such institutions as well as changes in work processes. This new structure reinforces the supervisors role as the central point of contact between a D-SIB and BCB, allowing the supervisor to focus on understanding the institutions business strategy and viability. It also allows the supervisor to focus on the D-SIBs corporate governance and on the follow-up of its day-to-day operations.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date

Relevant web-links: please provide web-links to relevant documents

Prudential regulation: <https://www.bcb.gov.br/en/financialstability/Brazilian-Prudential-Financial-Regulation>

III8: Enhancing supervision - 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.

III9: Enhancing supervision - 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:

Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your "implementation ongoing" status

Progress to date: If you have selected "Implementation completed" - please provide date of implementation

2012

Progress to date: issue is being addressed through

Primary / Secondary legislation - No

Regulation / Guidelines - No

Other actions (such as supervisory actions) - Yes

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
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. 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. 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. 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. BCB also participates in the core colleges and Crises Management Group of Santander with Banco de España, under a specific MoU R CoAg, that established policies for information sharing related to resolution strategies.
Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation
Update and next steps: highlight main developments since 2019 survey
Update and next steps: planned actions (if any) and expected commencement date
Relevant web-links: please provide web-links to relevant documents
Brazil: Detailed Assessment of Observance of Basel Core Principles for Effective Banking Supervision, available at: https://www.imf.org/en/Publications/CR/Issues/2018/11/30/Brazil-Financial-Sector-Assessment-Program-Detailed-Assessment-of-Observance-Basel-Core-464127.pdf

III10: Enhancing supervision - 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:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your "implementation ongoing" status

Progress to date: If you have selected "Implementation completed" - please provide date of implementation

March 2016.

Progress to date: issue is being addressed through

Primary / Secondary legislation - No

Regulation / Guidelines - No

Other actions (such as supervisory actions) - Yes

Progress to date: short description of the content of the legislation/regulation/guideline/other actions

BCBs mission statement includes its role as the Brazilian 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, BCBs 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 BCBs 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 supervisors role as the central point of contact between a D-SIB and BCB, allowing the supervisor to focus on understanding the institutions business strategy and viability. It also allows the supervisor to focus on the D-SIBs 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. BCBs 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). BCBs supervision area encourages banks to disclose financial information to stakeholders according to the best practices of governance, transparency and equity towards market participants.

BCBs process of managing information provided by banks includes capturing, treating and selective disclosing information received in regular as well as ad-hoc basis. BCBs 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 BCBs 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.

Although FinTech is a relevant topic on the agenda of many BCBs 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 (WG TI) was established in June, 2016. WG TI 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 WG TI 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 BCBs responsibilities. The BCB Deputy Governor for Regulation closely monitors the work under development by WG TI and is actively involved in the discussions concerning FinTechs and financial innovations. In addition to the work of WG TI, BCB's Supervision area actively monitors the innovative approaches undertaken by financial institutions. Supervisory measures are focused on the analysis of changes in business models and in the risk profile resulting from the use of new technologies. Additionally, BCBs Supervision area monitors any association between Fintech companies and financial institutions for provision of financial services.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date

Relevant web-links: please provide web-links to relevant documents

IV11: Macroprudential frameworks and tools - Establishing oversight regulatory framework

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:
Implementation completed
Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification
Progress to date: please provide a date for your "implementation ongoing" status
Progress to date: If you have selected "Implementation completed" - please provide date of implementation
2013
Progress to date: issue is being addressed through
Primary / Secondary legislation - No
Regulation / Guidelines - Yes
Other actions (such as supervisory actions) - No

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
Brazilian authorities have continuously and promptly implemented measures to improve financial systems 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. 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. 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.
Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation
Update and next steps: highlight main developments since 2019 survey
Update and next steps: planned actions (if any) and expected commencement date
Brazilian authorities have agreed on a final draft for the new financial stability law, that has recently been submitted to the Presidents office for a final round of discussions 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 R 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.
Relevant web-links: please provide web-links to relevant documents

IV13: Macroprudential frameworks and tools - Enhancing monitoring and use of macroprudential 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 \(Nov 2016\)](#)
- IMF [Macroprudential Policy Survey database](#)

Progress to date:
Implementation completed
Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification
Progress to date: please provide a date for your "implementation ongoing" status
Progress to date: If you have selected "Implementation completed" - please provide date of implementation
2013

Progress to date: issue is being addressed through

Primary / Secondary legislation - No

Regulation / Guidelines - Yes

Other actions (such as supervisory actions) - Yes

Progress to date: 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 systems 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. BCB applies a degree of judgment in assessing the build-up of national systemic risk. Rather than using a mechanistic link between quantitative indicators/monitoring tools and the use of a macroprudential measure, BCB relies on a wide range of quantitative and qualitative information combined with expert judgment to form its view of systemic risk and to take decisions accordingly. This approach is commonly referred to as "guided discretion". Conditions, focused on strengthening the resilience of the financial system and containing the build-up of systemic risk are framed in regulatory instruments and communications. Current institutional framework - highly benefited from BCB expertise and monitoring tools - facilitates a timely action. The adoption of each macroprudential instrument has a sound legal and regulatory basis in order to guarantee adequate enforcement and legal certainty to policy decisions.

Other actions: Establishment of a methodology to monitor the national financial system from a macroprudential perspective and feed the resulting information into the regulatory decision process.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date

Relevant web-links: please provide web-links to relevant documents

V13: Improving credit rating agencies (CRAs) oversight- 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)

Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2018 IMN survey. Given this, the reporting of progress with respect to this recommendation will not be collected in the 2019 survey.

V14: Improving credit rating agencies (CRAs) oversight - 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:
Implementation ongoing
Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification
Progress to date: If you have selected "implementation ongoing" - please specify
Draft published
Progress to date: please provide a date for your "implementation ongoing" status

Progress to date: If you have selected "Implementation completed" - please provide date of implementation

Progress to date: issue is being addressed through

Primary / Secondary legislation - No

Regulation / Guidelines - Yes

Other actions (such as supervisory actions) - No

Progress to date: 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 recommendations; (ii) calculating the Liquidity Coverage Ratio (LCR); and (iii) applying the treatment prescribed in the Fundamental Review of Trading Book (FRTB) for market risk.

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.

CVM does not make intensive use of ratings issued by credit rating agencies for regulatory purposes and only prescribes the use of external credit ratings for the issuance of certain securitization products with informational objectives (ratings are not considered a risk metric by CVMs regulation).

Ratings are mentioned only in one current regulation: on receivables funds, requiring such funds to hire a rating agency to supply ratings to support fund investor decisions. There has been a decision to remove this rating requirement through the revision of Resolution CMN 2,907 which backed the public consultation (SDM 08/2020) ended in April 2021. A new CVM rule is expected to be published in 2022. However, as agreed between the CVM and the National Monetary Council (CMN), this new CVM rule will require ratings to remain mandatory in the case of receivables funds which are targeted at retail investors. Until now, receivables funds (FIDCs) are just allowed to be invested in by qualified investors and, while under this new CVM rule there will be a permission for such funds quotas to be offered to retail investors under certain conditions.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date

CVM postponed to 2022 a public consultation on rules related to mortgage-backed securities (CRIs), aiming at a better structuring of this product and taking into consideration the 2012 CVM rules on disclosure.

Relevant web-links: please provide web-links to relevant documents

VI15: Enhancing accounting standards - 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: <https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/>.

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

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:
Implementation completed
Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification
Progress to date: please provide a date for your "implementation ongoing" status
Progress to date: If you have selected "Implementation completed" - please provide date of implementation
2009
Progress to date: issue is being addressed through
Primary / Secondary legislation - No
Regulation / Guidelines - Yes
Other actions (such as supervisory actions) - No
Progress to date: short description of the content of the legislation/regulation/guideline/other actions
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. Furthermore, from 2022 on, all supervised institutions listed as a public company or a parent entity of a prudential conglomerate categorized as S1, S2 or S3, according to Resolution CMN 4,553 of 2017, must disclose financial statements on a consolidated basis according to IFRS accounting principles.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation
Update and next steps: highlight main developments since 2019 survey
Update and next steps: planned actions (if any) and expected commencement date
Relevant web-links: please provide web-links to relevant documents
Accounting standards for all supervised institution can be found at: https://www3.bcb.gov.br/aplica/cosif

VII16: Enhancing risk management - Enhancing guidance to strengthen banks' risk management practice

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;¹ 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](#).

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

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your "implementation ongoing" status

Progress to date: If you have selected "Implementation completed" - please provide date of implementation

2017

Progress to date: issue is being addressed through

Primary / Secondary legislation - No

Regulation / Guidelines - Yes

Other actions (such as supervisory actions) - Yes

Progress to date: 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 encompasses:

- 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). A complete revision of this topic was carried out in 2021 and, as of 2022, Resolution CMN 4,910, of 2021, will replace Resolution CMN 3,198 on this matter.
- 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 4,878 of 2020 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, knowledge of applicable laws and regulation and professional experience.

Risk Management Framework: Resolution CMN 4,557 of 2017 establishes the implementation of continued and integrated risk management framework by financial institutions. The structure for risk management must cover operational risk, market risk and interest rate risk in the banking book, credit risk, liquidity risk, socio-environmental risk and other risks deemed material according to criteria defined by the institution, including those risks not considered in the calculation of the risk-weighted assets (RWA). This regulation included topics such as roles and responsibilities of each entity involved in risk management (board, risk committee, senior staff, Chief risk officer - CRO), risk appetite, dissemination of a risk culture, reporting and disclosure requirements. This regulation also requires the establishment of a stress tests program, commensurate with financial institutions risk profile.

Stress Tests: Increasing the scope of its supervisory tools, BCB has started in 2017 the Bottom-up Stress Test, scheduled to run on a yearly basis. In this exercise, scenarios are provided by the supervisor and banks use their internal models and assumptions to forecast a 3-year horizon under stressed conditions. Major banks have to run an integrated stress test in the context of the Icaap.

Other actions:

Corporate governance and internal audit functions in banks: The supervisory assessment of financial institutions corporate governance is under the scope of Risk and Control Assessment System (SRC) and of Special Verifications (VEs). Another checking mechanism of risk governance adequacy is the review by supervision (SREP) of the Icaap process.

External audit of banks: Revised versions of the Brazilian accounting standards approved by the Federal Accounting Council require external auditors to present in their reports on the financial statements of the listed entities a description of the main audit subjects. Those requirements are in force from the financial statements ended as of December 15, 2016. In addition to examining the external auditors reports on the financial statements, supervision may obtain access to the external auditor's work papers or hold meetings to discuss accounting issues and risks assumed by financial institutions. Supervisory teams may also discuss with the independent auditors on the planning of their work or specific issues in the areas under analyses. On the SRC scope, specifically in the evaluation of strategy risk management of institutions, the external audit is one of the evaluated items, and can contribute positively or negatively to the note attributed to each financial institution.

Liquidity risk and operations in foreign currency markets: BCBs on-site supervision area has undertaken examinations to check the compliance of financial conglomerates to liquidity requirements and best practices in managing liquidity risk, following the 2008 BCBS guidelines. In these examinations, not only exposures to liquidity risk are covered, but also aspects related to governance, risk appetite, policies, etc. The same applies to the assessment of funding in foreign currency. The assessment

includes the examination of the diversity of funding sources, with a breakdown of currencies and jurisdictions. Depending on the relative importance of the foreign currency, scrutiny of procedures and policies is enhanced. In addition to the supervision of liquidity requirements, BCB has monitored banks' liquidity positions daily since 2002, based on comprehensive supervisory data from banks and clearing houses. This includes reporting on individual securities and derivatives transactions, as well as many credit facilities and deposit accounts. BCB's liquidity risk monitoring uses, among other metrics, the Liquidity Ratio (IL) and the Structural Liquidity Ratio (ILE), which are conceptually similar to the Basel Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) respectively. These metrics have been used by BCB to monitor the institution's liquidity risk since 2002 and 2015 respectively.

Stress tests: BCB on-site supervisory department evaluates the results of the Icaap and related stress tests and demands actions when necessary. BCB runs quarterly top-down stress tests, in order to evaluate the stability and resilience of the financial system as a whole and of its individual institutions. The top-down stress test is run internally by BCB based on its own models and data.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date

Relevant web-links: please provide web-links to relevant documents

Prudential regulation: <https://www.bcb.gov.br/en/financialstability/Brazilian-Prudential-Financial-Regulation>

Regulations on licensing procedures: <https://www.bcb.gov.br/en/financialstability/licensing>

VII17: Enhancing risk management - 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:

Implementation ongoing

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification
Progress to date: If you have selected "implementation ongoing" - please specify
Final rule (for part of the reform) in force
Progress to date: please provide a date for your "implementation ongoing" status
IRFS 7: Draft in preparation IFRS 13: Implemented since 2020.
Progress to date: If you have selected "Implementation completed" - please provide date of implementation
Progress to date: issue is being addressed through
Primary / Secondary legislation - No
Regulation / Guidelines - Yes
Other actions (such as supervisory actions) - No
Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation
Progress to date: short description of the content of the legislation/regulation/guideline/other actions
Compliance with IFRS 7, IFRS 9 and IFRS 13 standards is required for financial institutions that must constitute an audit committee on a consolidated basis since December 2010, according to Resolution CMN 3,786 of 2009. IRFS 13: From 2020 on, according to Resolution CMN 4,748 of 2019, financial institutions must apply CPC 46 (correlated to IFRS 13) on individual financial statements, in cases when regulation requires or permits fair value measurements or disclosures about fair value measurements.
Update and next steps: highlight main developments since 2019 survey
Update and next steps: planned actions (if any) and expected commencement date
Regulation team is currently running a specific project on the international alignment of accounting standards for financial instruments and disclosures of financial instruments on individual basis (IFRS 9 and IFRS 7).
Relevant web-links: please provide web-links to relevant documents

VIII18: Strengthening deposit insurance - 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:
Implementation completed
Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification
Progress to date: please provide a date for your "implementation ongoing" status
Progress to date: If you have selected "Implementation completed" - please provide date of implementation
2012
Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes
Regulation / Guidelines - Yes
Other actions (such as supervisory actions) - No
Progress to date: 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 FGCs 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. 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.
Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation
Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date
BCB and FGC are working to address the few gaps identified by IADIs assessment, but no regulatory action is needed.
Relevant web-links: please provide web-links to relevant documents

IX19: Safeguarding financial markets integrity and efficiency - Enhancing 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:
Implementation completed
Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification
Progress to date: please provide a date for your "implementation ongoing" status
Progress to date: If you have selected "Implementation completed" - please provide date of implementation
2007
Progress to date: issue is being addressed through
Primary / Secondary legislation - No
Regulation / Guidelines - Yes
Other actions (such as supervisory actions) - Yes
Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
Brazil is compliant with all five IOSCO recommendations on market integrity and efficiency: 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. Recommendation 2: control procedures for trading include auctions, circuit breakers and trading halts set by exchange rules and Instruction CVM 168 of 1991. Recommendation 3: All DMA and HFT orders are subject to pre-trade controls set by the Exchange. Recommendations 4 and 5: Operation of dark pools is not permitted in Brazil. 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.
Update and next steps: highlight main developments since 2019 survey
Update and next steps: planned actions (if any) and expected commencement date
CVM has authorised the implementation of dark orders on the derivatives market. The new order type is called RLP (Retail Liquidity Provider) and will enable intermediaries to supply liquidity for part of the flow of aggressive orders from retail customers. RLP orders will be tested for one year (from August/2019 to August/2020) and their use will be limited to mini US Dollar Futures Contracts and mini Ibovespa Futures Contracts. During the experimental period, the statutory regulator (CVM), self-regulatory organisation (BSM) and the exchange (B3) are going to monitor the liquidity, spreads and benefits (e.g. price improvement, immediacy of execution) offered to the retail investor of such contracts.
Relevant web-links: please provide web-links to relevant documents
Instruction CVM 461 of 2007: http://www.cvm.gov.br/export/sites/cvm/subportal_inlgles/menu/investors/anexos/CVM-Instruction-461.pdf (free translation into English)

IX20: Safeguarding financial markets integrity and efficiency - Regulation 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:
Implementation completed
Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification
Progress to date: please provide a date for your "implementation ongoing" status
Progress to date: If you have selected "Implementation completed" - please provide date of implementation
2007
Progress to date: issue is being addressed through
Primary / Secondary legislation - No
Regulation / Guidelines - Yes
Other actions (such as supervisory actions) - Yes
Progress to date: short description of the content of the legislation/regulation/guideline/other actions
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.
Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation
Update and next steps: highlight main developments since 2019 survey
Update and next steps: planned actions (if any) and expected commencement date
As a result from supervisory action, the exchange (B3) is currently under an assessing process conducted, at first, by its internal auditor and, in the second stage, by an independent auditing firm aiming to improve processes regarding the reliability of price series upon which the cash settlement of live cattle future contracts is based.
Relevant web-links: please provide web-links to relevant documents

IX21: Safeguarding financial markets integrity and efficiency - Reform of financial benchmarks

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 ongoing reporting of progress in this area by the FSB Official Sector Steering Group, and ongoing IOSCO work to review the implementation of the IOSCO Principles for Financial Benchmarks.

X22: Enhancing financial consumer protection - 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 refer to OECD's [September 2013 and September 2014 reports](#) on effective approaches to support the implementation of the High-level Principles, as well as the [G20/OECD Policy Guidance on Financial Consumer Protection in the Digital Age](#), which provides additional effective approaches for operating in a digital environment. 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. In the case of private pensions, additional guidance can be found in the [Good Practices on the Role of Pension Supervisory Authorities in Consumer Protection Related to Private Pension Systems](#).

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:
Implementation completed
Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification
Progress to date: please provide a date for your "implementation ongoing" status
Progress to date: If you have selected "Implementation completed" - please provide date of implementation
2010
Progress to date: issue is being addressed through
Primary / Secondary legislation - No
Regulation / Guidelines - Yes
Other actions (such as supervisory actions) - No

Progress to date: 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 institutions guidelines, objectives and core values towards promoting a sound corporate culture based on ethics, transparency, diligence and accountability. Financial institutions are expected to work with consumers in a cooperative and balanced manner, striving to treat them fairly and equitably throughout their relationship, which covers pre-contractual, contractual and post-contractual duties. Investor protection in capital markets is also aligned with the G20 High-Level Principles. Investors have access to redress mechanisms at the Stock Exchange B3, and can apply to CVM for a reversal of a decision of the self-regulation department of B3. Capital market participants must hire an ombudsman and handle consumer complaints (Instruction CVM 529, of 2012). Financial assets of consumers must be handled properly, in accordance with Instruction CVM 542, of 2013. Stocks, bonds, investment fund shares and other securities are maintained in individualized custody accounts in the name of the final beneficial owners, and can be transferred to another market participant in case of a problem with the local custodian. There are strict rules on disclosure and transparency for listed companies (Instruction CVM 480, of 2009), investment funds (e.g. Instruction CVM 555, of 2014), public offerings (Instruction CVM 400, of 2003) and other participants and activities. Instruction CVM 539, of 2013, regulates the process of verifying the suitability of products, services and operations to the client profile. As for the promotion of financial education and awareness, all financial regulators work together through a national strategy for financial education established in 2010. Cross-sector programs, such as financial education in schools, are in place, under coordination mechanisms. Regulators, ministries and self-regulatory organizations have their own initiatives on financial education and through the Brazilian Money Week, an annual campaign, financial literacy is offered to all Brazilians (more than 3 million reached out in 2017).
Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation
Update and next steps: highlight main developments since 2019 survey
Update and next steps: planned actions (if any) and expected commencement date
Relevant web-links: please provide web-links to relevant documents

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