

BRAZIL (as of April 2014)

Annex I: Banks

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
<i>Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices or articulating clear supervisory expectations of the extent to which firms should perform their own due diligence before making lending decisions.</i>			
Not applicable, as Brazilian laws and regulations do not require banks to rely on CRA ratings for prudential or operational purposes. Long before the FSB/G20 issued recommendations on reducing reliance on CRA ratings, the Central Bank of Brazil, when deciding on the implementation of Basel II capital requirements for credit risk, chose not to adopt the standardized approach in which external ratings are used, implementing instead the simplified standardized approach in which risk weights are established by the regulator. The references to CRA ratings in banking regulation (resolutions issued by the National Monetary Council and circulars issued by the Central Bank of Brazil) are more related to the qualifications of credit rating agencies or specific requirements for their use than for the use of ratings themselves. In this sense, the Central Bank of Brazil does not see the necessity of removing any residual references in banking regulation. Is worth mentioning that the BCBS’s Task Force on Standardised Approaches (TFSA) is analysing ways for reducing or removing, where possible, the reliance on external ratings, including developing supplementary measures for risk classification and encouraging stronger supervisory practices to promote alternative measures for risk assessment. The TFSA’s aim is to present final policy proposals to the Basel Committee by the end of 2014. Regulation of IRB approaches in capital calculation for credit risk allow the of CRA ratings in a subsidiary role as prescribed in Basel II recommendations.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
a) Remove references to CRA ratings in laws and regulations relating to banks.	Central Bank of Brazil	Removal of references to CRA ratings in prudential regulation, both in standardized and approaches, depends on a final version of the corresponding set of recommendations by the Basel Committee.	Implementation of new rules on the standardized approach for credit risk is expected to take one year after BCBS work is finalized and the new recommendations are published. The following milestones apply: Draft of regulation: 6 months; Public hearing: 3 months; Final rules: 3 months.

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b) Develop alternative standards of credit assessment, where needed, for the purpose of replacing references to CRA ratings in laws and regulations relating to banks.	Central Bank of Brazil	Not applicable, as Brazilian laws and regulations do not require banks to rely on CRA ratings for prudential or operational purposes.	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
2. Reducing market reliance on CRA ratings (Principle II)			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
a) Enhance supervisory processes and procedures to assess the adequacy of banks’ own credit assessment processes and incentivise market participants to develop internal risk management capabilities.	Central Bank of Brazil	Not applicable. Banks are expected to make their own credit assessments as Brazilian laws and regulations do not require banks to rely on CRA ratings for prudential or operational purposes. Brazilian banks are required to assign a rating to every credit exposure at the moment of concession for the purpose of loan loss provision. Information on this assignment is provided to the credit bureau that is managed by the Central Bank of Brazil, allowing the supervisory authority to compare ratings on similar exposures and to establish a benchmark. Deviations from this benchmark are subject to regular supervisory treatment and may conduce to a request for improvement in credit assessment processes. Furthermore, all Brazilian banks are required to implement a structure for credit risk management consistent with the nature of their operations and the complexity of their products and services.	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b) Require or incentivise market participants to disclose information about their internal credit risk assessment processes.	Central Bank of Brazil	Not applicable. Banks are expected to make their own credit assessments as Brazilian laws and regulations do not require banks to rely on CRA ratings for prudential or operational purposes. Furthermore, all Brazilian banks are required to implement a structure for credit risk management consistent with the nature of their operations and the complexity of their products and services. Policies and strategies for credit risk management must be reviewed and a description of the management structure must be disclosed, at least annually, for transparency purposes. Assessment of the credit management structure is the object of regular supervisory process.	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
3.2 Prudential supervision of banks (Principle III.2)			
a) Enhance supervisory oversight of banks to ensure they develop adequate internal credit assessment processes that avoid mechanistic reliance on CRA ratings (differentiating where appropriate between banks subject to the internal ratings-based (IRB), Standardised Approach of other capital regime).	Central Bank of Brazil	Not applicable, as Brazilian laws and regulations do not require banks to rely on CRA ratings for prudential or operational purposes.	
b) Revise CRA ratings in other prudential supervisory policies (e.g. relating to liquidity requirements) to reduce reliance on CRA ratings.	Central Bank of Brazil	Not applicable, as Brazilian laws and regulations do not require banks to rely on CRA ratings for prudential or operational purposes.	

Annex II: Central bank operations

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
3. Application of the basic principles to particular financial market activities (Principle III)			
<i>Based on the findings from the stock-taking exercise, please describe the areas identified as needing changes, including which areas are considered priorities, and the steps authorities intend to take to reduce reliance on CRA ratings in central bank policies and operations.</i>			
The Corporate Risk and Benchmarks Department was created in 2013 and is in charge of the project for reducing the reliance on the credit rating agencies for central bank operations.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
3.1 Central bank operations (Principle III.1)			
a) Reduce reliance on CRA ratings in central bank policies (such as investments, asset management frameworks, and conventional and unconventional operations), including the decision to accept or reject an instrument as collateral or for outright purchase and in determining haircuts.	Central Bank of Brazil	The Central Bank of Brazil is currently developing an internal methodology for assessing the credit risk of potential counterparties in international reserve operations. This project aims at reducing reliance on CRAs and turning external ratings into auxiliary inputs for credit risk assessment. This methodology development project is organized in phases, the first one involving a methodology for sovereigns, multilateral agencies and supranational entities. Further steps involve the approval of the proposed governance of the assessment process and the eventual implementation of the methodology. The main factors that led to the improvement of the methodology for assigning internal ratings by the Central Bank of Brazil were: increasing internal expertise on the assessment techniques and fostering the reduction of a herding behaviour (“cliff effects”).	End-2014

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b) Adjust policies for imposing risk control measures (including haircuts) on financial instruments to align with the FSB Principles on CRA ratings.	Central Bank of Brazil	CRA ratings will be only an input in the models adopted to propose the proprietary ratings of the counterparties. Investment policies will be based on the proprietary ratings.	End-2014
c) Develop the central bank’s internal credit risk assessment capabilities and use of alternative measures of creditworthiness.	Central Bank of Brazil	Research of the existing methodologies in the market and training of the analysts involved in the credit risk assessment activities. Alternative measures of creditworthiness can be obtained from market data based models or/and fundamental analysis based models.	End-2014

Annex III: Insurance/Reinsurance Companies¹

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
<i>Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices or articulating clear supervisory expectations of the extent to which firms should perform their own due diligence before making lending or investment decisions.</i>			

¹ Answers in this section should relate to the prudential regulation of insurance companies and reinsurance companies. Laws and regulations relating to insurance companies in their capacity as institutional investors should be included in the section entitled “Investment Funds Management.”

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
<u>(i) Insurance policy</u> - Art. 14, §3º, National Insurance Committee (“CNSP”) Regulation nº 168/2007: when regulating the conditions to contract the reinsurance, establish that the contractors (insurance and reinsurance companies) should inform the insurance regulator, <i>Superintendência de Seguros Privados</i> (“SUSEP”), whenever a concentration, above the patterns settled by the rule, of a single reinsurance company is made. The patterns settled by the rule are based on CRAs ratings. Action plan: to be removed. - Arts. 21 and 23, CNSP Regulation nº 168/2007: establish that the premium amount of each reinsurance company will be measured by certain calculations, which take in consideration CRAs rating, especially certain CRAs, like S&P, Fitch, Moody’s and AM Best. Action plan: The rating risk is just one of the many requirements, and is not a ruling one. However, the CRAs mentioned in the rule will be removed and an objective criterion will be established. <u>(ii) Solvency statement</u> - Art. 8º, III, and Art. 11, III, CNSP Regulation nº 168/2007: establish the minimum requirements to be attended by the reinsurance companies. One of the requirements is the reinsurance company’s solvency statement by the CRA recognized by SUSEP. Moreover, the rule mentions CRAs like S&P, Fitch and Moody’s. Action plan: The rating risk is just one of the many requirements, and is not a ruling one. However, the CRAs mentioned in the rule will be removed and an objective criterion will be established. - Art 2º, SUSEP Circular nº 359/2008: establish a CRA’s solvency rating as a reinsurance company requirement of constitution. Moreover, the rating should be made by S&P, Fitch, Moody’s and AM Best. Action plan: The rating risk is just one of the many requirements, and is not a ruling one. However, the CRAs mentioned in the rule will be removed and an objective criterion will be established.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
a) Remove references to CRA ratings in laws and regulations relating to insurance/reinsurance companies.	SUSEP	As can be seen by the description above, changes in insurance and reinsurance regulation will not lead to complex issues. Notwithstanding, in most cases CRA references cannot be completely removed, but will be changed to exclude the need to rely on specific CRAs. Regarding Art. 14, §3º, of CNSP Regulation nº 168/2007, SUSEP will work with the CNSP to remove the CRA reference.	The deadline for CRAs to adapt to new regulations ended this year (see CVM Instruction nº 521/2012). A timeframe will only be set after COREMEC’s (a high level committee that gathers the regulators of the Brazilian financial market) resume its activities in the beginning of 2014. Therefore, no changes are expected before 2015.

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b) Develop alternative standards of credit assessment, where needed, for the purpose of replacing references to CRA ratings in laws and regulations relating to insurance/reinsurance companies.	SUSEP	SUSEP is able to analyse the risks related to the concentration mentioned in Art. 14, §3º, of CNSP Regulation nº 168/2007, by other means (please refer to item “a” above).	Please refer to item “a” above.
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of insurers’/reinsurers’ own credit assessment processes and incentivise market participants to develop internal risk management capabilities.	SUSEP	Although the reference to the CRA will not be excluded, the mandatory use will be removed, since there was an improvement in the transparency of other information, that can lead to a proper investment decision. Moreover, when possible, the risk analysis will be transferred to the investment manager, who can consider the CRAs rating, but it will not be mandatory. SUSEP will start the analysis and implementation of ERM/ORSA in order to enhance risk management by the companies of the market.	Please refer to item “a” above. SUSEP will propose an initial overview of ERM/ORSA in 2014, and will discuss its definition and implementation with the market.

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b) Require or incentivise market participants to disclose information about their internal credit risk assessment processes.	SUSEP	The ERM/ORSA will establish a report with essential information about the companies risk management processes.	The implementation date of this report will be established during 2014 discussions.

Annex IV: Investment Funds Management
(including collective investment schemes, alternative investment schemes, occupational retirement schemes)

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
<i>Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices.</i>			
- CVM Instruction 409/2004, articles 93 and 94: private bonds acquired by short-term funds must have their issuer classified as low credit risk or equivalent, as certified by a local CRA. Action plan: private bonds acquired by short-term funds must be considered low credit risk by the fund’s manager. This plan is already completed. - CMN Resolution 3922/2010, article 15, §2º: establishes that in the management of retirement schemes the investment in Management Institution or Investment Funds <u>must</u> consider, among others criteria, CRA’s rating of these Management Institutions. Action plan: change the Resolution wording to: establish that in the management of retirement schemes the investment in Management Institution or Investment Funds may consider, among other criteria, CRA’s rating of these Management Institutions. - CMN Resolution 3922/2010, article 7, items III and IV, and paragraph 3 item I: investments made to quotas in investment funds classified as fixed income or as referenced by fixed income performance indicators, in which the rights and securities that make up their portfolios or their respective issuers have been considered to be low credit-risk, based on, among other criteria, the rating issued by a local CRA. Action plan: change the Resolution wording to: investments made to quotas in investment funds classified as fixed income or as referenced by fixed income performance indicators, in which financial assets that have been acquired by short-term funds or been referenced must be considered low credit-risk by the fund's administrator and manager.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
- CMN Resolution 3922/2010, article 7, items VI and VII, “a”, and paragraph 4 item I: investments in Credit Receivables Investment Funds (“FIDCs”), in which the fund's quota’s series or class is considered to be low credit-risk, based on, among other criteria, the rating issued by a local CRA. Action plan: change the Resolution wording to: investments in FIDCs, in which the fund's quota’s series or class is considered to be low credit-risk by the fund's administrator and manager. - CMN Resolution 3922/2010, article 7, item VII, “b”, and paragraph 3, item I: investments made to quotas in Investment Funds classified as fixed income or as referenced by fixed income performance indicators, which contain the expression “private credit” in their names, in which the rights and securities that make up their portfolios or their respective issuers be considered to be low credit-risk, based on, among other criteria, the rating issued by a local CRA. Action plan: change the Resolution wording to: investments made to quotas in Investment Funds classified as fixed income or as referenced by fixed income performance indicators, which contain the expression “private credit” in their names, and in which the financial assets have been acquired by short-term funds or referenced, must be considered to be low credit-risk by the fund's administrator and manager. - CMN Resolution 3792/2009, article 30, paragraphs 1 and 3: establishes that the investment of resources from pension funds in marketable securities, whether of fixed income or variable yield, must either be preceded by a risk analysis that takes into consideration the updated opinion issued by a local CRA, or must be approved by an investment committee from the Closed Complementary Welfare Entity (“EFPC”). Action plan: the proposed rule will not remove the use of rating, however, it will not be considered mandatory anymore. The proposed rule will state that the credit analysis must be approved by a governance body with appropriate jurisdiction over the investment and risk areas from the EFPC, which may take into account, among other criteria, the opinion issued by a CRA registered or recognized by CVM. - CMN Resolution 3922/2010, article 7, item V: investment in savings deposits in a financial institution considered to be low credit-risk by those responsible for asset management in special social welfare policy, based on, among other criteria, the classification issued by a local CRA. Action plan: the proposed rule will not remove the use of rating, however, it will not be considered mandatory anymore. The proposed rule will state that investment in savings deposits in a financial institution considered to be low credit-risk by those responsible for asset management in special			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
social welfare policy, will possibly consider, among other criteria, the opinion issued by a registered and supervised CRA. - Art. 4, Annex I, II, “e” and “f”, CMN Resolution n° 3.308/2005: establishes that, in the fixed income segment, up to 80% of the resources could be invested in bank credit considered to have low credit risk by the insurance company. The credit risk analysis made by the insurance company should consider a credit rating analysis made by one CRA. Action plan: The proposed rule will not regard as mandatory the use of CRAs’ rating by the insurance company when evaluating the credit risk. - Art. 1° and 2°, CMN Resolution n° 3.543/2008: establishes that Insurance and Reinsurance companies’ guaranteed resources of the technical provisions, bounded to the foreign currency operations and to the Credit Insurance Company’s exportation technical reserves, could only be invested when the issuers have high degree of ratings. Action plan: No effective alternatives were presented, however, the proposed change require the CRA to be recognized in Brazil by the relevant authority.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
a) Remove references to CRA ratings in laws and regulations for investment funds management.	<i>Superintendência Nacional de Previdência Complementar</i> (“PREVIC”) and <i>Secretaria de Políticas de Previdência Social</i> (“SPPS”) will be responsible for leading changes regarding the pension funds sector, while SUSEP will be responsible for the insurance and reinsurance sector.	Regarding CMN Resolution 3792/2009, the Ministry of Finance has drafted the amendment to the rule and will submit it for approval at the CMN Board. Regarding the other rules, an approach and its timeframe will only be set after COREMEC’s (a high level committee that gathers the regulators of the Brazilian financial market) resume its activities in the beginning of 2014. Therefore, no changes are expected before 2015. In the insurance and reinsurance sector, changes in regulation will not lead to complex issues. The CMN Resolutions nº 3308/2005 and 3543/2008 are being modified and should be published this year with the necessary changes.	Regarding CMN Resolution 3792/2009, the amendment is expected before mid-2014. However, this schedule may be delayed, because this amendment is being submitted with other provisions not related to rating dependency. A timeframe will only be set after COREMEC’s resume its activities in the beginning of 2014. Therefore, no changes are expected before 2015.

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b) Develop alternative standards of credit assessment, where needed, for the purpose of replacing references to CRA ratings in laws and regulations for investment funds management.	CVM and SUSEP.	The new investment manager rule, that will replace the CVM Instruction n° 306/1999, establishes that every investment management firm should develop its own investment risk area, with an independent director responsible for the area. Regarding CMN Resolution n° 3.308/2005, the proposed change will allow insurance companies to depend only on their internal credit risk analysis.	This new rule on investment managers will likely be issued by the end of the second quarter of 2014. Regarding CMN Resolution n° 3.308/2005, please refer to item “a” above.

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of market participants’ own credit assessment processes.	CVM and SUSEP.	Every year, investment manager firms must file a form with the CVM, which contains several reports of their business. In the new investment management rule to be published, there will be a form’s item corresponding exactly to the risk management area and its director, as exposed above. This form is reviewed on an annually basis by CVM, who has the power to supervise any eventual improper information found. SUSEP will start the analysis and implementation of ERM/ORSA in order to enhance risk management by the companies of the market	N/A for CVM. SUSEP will propose an initial overview of ERM/ORSA in 2014, and will discuss its definition and implementation with the market
3. Application of the basic principles to particular financial market activities (Principle III.3)			
a) Establish, as appropriate, supervisory review of internal limits and investment policies of investment managers and institutional investors.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
a. Insurance companies (in their capacity as institutional investors)	SUSEP	SUSEP will create an investment commission with participants of the companies of the market to study and establish best practices on investment policies.	Beginning of 2014.
b. Investment managers (i.e. managers of collective investment schemes).	CVM	Please refer to item “1.b” above.	Please refer to item “1.b” above.
c. Alternative investment managers (e.g. hedge funds, endowments).	CVM	Please refer to item “1.b” above.	Please refer to item “1.b” above.
d. Managers of occupational retirement schemes.	PREVIC/SPPS	Please refer to item “1.a” above.	Please refer to item “1.a” above.
b) Require changes to internal limits and investment policies.			
a. Insurance companies (in their capacity as institutional investors)	SUSEP	The CMN Resolutions nº 3308/2005 and 3543/2008 are being modified establishing new limits.	End-2014.

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b. Investment managers (i.e. managers of collective investment schemes).	CVM	Please refer to item “1.b” above.	Please refer to item “1.b” above.
c. Alternative investment managers (e.g. hedge funds, endowments).	CVM	Please refer to item “1.b” above.	Please refer to item “1.b” above.
d. Managers of occupational retirement schemes.	PREVIC/SPPS	Please refer to item “1.a” above.	Please refer to item “1.a” above.
c) Incentivise compliance with the CRA Principles.			
a. Insurance companies (in their capacity as institutional investors)	SUSEP	N/A	N/A
b. Investment managers (i.e. managers of collective investment schemes).	CVM	N/A	N/A
c. Alternative investment managers (e.g. hedge funds, endowments).	CVM	N/A	N/A
d. Managers of occupational retirement schemes.	PREVIC/SPPS	N/A	N/A

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
d) Strengthen supervisory oversight to assess whether investments managers and institutional investors have made changes to the role that CRA ratings play in investment mandates, thresholds and triggers.			
a. Insurance companies (in their capacity as institutional investors)	SUSEP	SUSEP will start the analysis and implementation of ERM/ORSA in order to enhance risk management by the companies of the market	SUSEP will propose an initial overview of ERM/ORSA in 2014, and will discuss its definition and implementation with the market.
b. Investment managers (i.e. managers of collective investment schemes).	CVM	N/A	N/A
c. Alternative investment managers (e.g. hedge funds, endowments).	CVM	N/A	N/A
d. Managers of occupational retirement schemes.	PREVIC/SPPS	N/A	N/A

Annex V: Collateral Policies for Central Counterparties (CCPs)

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
<i>Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices or articulating clear supervisory expectations of the extent to which CCPs should perform their own due diligence.</i>			
Not applicable as there is no reference to CRA ratings in Brazilian law and regulation on CCPs.			
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
a) Remove references to CRA ratings in laws and regulations relating to collateral policies for CCPs.	Central Bank of Brazil	Not applicable (there is no reference to CRA ratings in Brazilian law and regulation on CCPs)	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b) Develop alternative standards of credit assessment, where necessary, for the purpose of replacing references to CRA ratings in laws and regulations relating to collateral policies for CCPs.	Central Bank of Brazil	Not applicable (there is no reference to CRA ratings in Brazilian law and regulation on CCPs)	
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of CCPs’ own credit assessment processes.	Central Bank of Brazil	Not applicable (The use of CRA ratings is not mandatory and they are not used by CCPs, as almost all collateral is delivered in the form of government securities and equities)	
3. Application of the basic principles to particular financial market activities (Principle III)			
3.1 Central counterparties and private sector margin agreements (Principle III.4a)			
a) Conduct stress tests or estimate the procyclical effect, on the overall margin requirements for the CCP participants, of a sudden downgrade of the credit ratings of some widely used securities.	Central Bank of Brazil	Not applicable (The use of CRA ratings is not mandatory and they are not used by CCPs, as almost all collateral is delivered in the form of government securities and equities)	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b) Assess the reliance on credit ratings in the investment policy of the CCP.	Central Bank of Brazil	Not applicable (There is no supervisory process at the moment to evaluate the reliance on credit ratings in the investment policy of the CCPs, as almost all of their resources is invested in government securities.)	
c) Review private sector margin agreements to ensure compliance with the Principle.	Central Bank of Brazil	Not applicable (Risk models employed by CCPs are already evaluated and approved by the Central Bank of Brazil - Circular BCB 3.057 of 2001, article 22.). At the moment, there is no reference to CRA ratings in private sector margin agreements.	
d) Require changes to private sector margin agreements.	Central Bank of Brazil	Not applicable (Risk models employed by CCPs are already evaluated and approved by the Central Bank of Brazil - Circular BCB 3.057 of 2001, article 22. At the moment, there is no reference to CRA ratings in private sector margin	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
		agreements)	
e) Incentivise compliance with the CRA Principles.	Central Bank of Brazil	Not applicable (Regarding principle I, there is already no reference to CRA ratings in law and regulations. Regarding principle II, use of CRA ratings by CCPs is immaterial, as almost all collateral is delivered in the form of government securities and equities)	

Annex VI: Securities Issuance (debt and equity, whether public issuance or private placement), including asset-backed securities and corporate debt

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
<i>Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices.</i>			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
- CMN Resolution 2907/2001, article 1, paragraph 2: requires the rating of the FIDC, as well as the rating of securities representing the rights that form the fund’s portfolio by a local CRA. Action plan: remove article 1, paragraph 2, thus waiving the requirement for CRA ratings. - CVM Instruction 356/2001, article 3: requires each class or series of quotas of the FIDC, designed for public placement, to be classified by a local CRA. Action plan: remove the abovementioned requirement of CRA ratings. - CVM Instruction 399/2003, article 3: requires that the FIDC, in the framework of the Incentive Program for the Implementation of Social Interest Projects – FIDC-PIPS, have their quotas classified by a local CRA. Action plan: remove the requirement of CRA ratings. - CVM Instruction 404/2004, article 3 and annex 1 – clause V, “n” – of the standardized indenture: CVM may grant the registration of the distribution of standardized debentures by means of a simplified analysis of documents and of submitted information, as long as the registration application, among other conditions, is accompanied by a report drafted by a local CRA; the issuer is also obliged to maintain engagement with a CRA for the updating of the report presented with the placement of the debentures, up to maturity. Action plan: remove the requirement of CRA ratings. - CVM Instruction 414/2004, article 7, paragraphs 6 and 7: in public security offers of certificates of real estate receivables (“CRI”, equivalent to mortgage backed securities) of unit nominal value under R\$300,000.00, it is mandatory for, at least, one report to be drafted by a CRA regarding the CRI; and, furthermore, whenever a credit rating report is drafted, it shall be mandatorily updated at least every 3 months, although it is permitted, in the case of offerings and negotiations of CRI of unit nominal value equal or greater than R\$300,000.00, for the Term of Credit Securitization to revoke this obligation. Action plan: remove the requirement of CRA ratings.			
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
a) Remove references to CRA ratings in laws and regulations related to securities issuance.	CVM	An approach and its timeframe will only be set after COREMEC’s (a high level committee that gathers the regulators of the	No changes are expected before

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
		Brazilian financial market) resume its activities in the beginning of 2014.	2015. In particular, a public hearing on the securitization matter is likely to be held at the end of 2015 and the rule to be issued on 2016.
b) Develop alternative standards of credit assessment, where necessary, for the purpose of replacing references to CRA ratings in laws and regulations relating to securities issuance.	CVM	Please refer to item “a” above.	N/A
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of market participants own credit assessment processes.	CVM	CVM has a permanent workgroup that studies real estate debt securities and constantly communicates with market participants in order to assess if the credit analysis is actually done. Moreover, FIDC and CRI managers should	N/A

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
		file with the Commission, on an annual and trimester basis respectively, periodic information regarding the quality of the credit owned.	
3. Application of the basic principles to particular financial market activities (Principle III)			
3.1 Central counterparties and private sector margin agreements (Principle III.5a)			
a) Review the role of credit rating in disclosures by issuers of securities.	Central Bank of Brazil	Not applicable as there is no reference to CRA ratings in Brazilian law and regulation on CCPs.	N/A
b) Reduce the role of credit ratings in disclosures by issuers of securities (list the steps to take).	Central Bank of Brazil	Not applicable as there is no reference to CRA ratings in Brazilian law and regulation on CCPs.	N/A

Annex VII: Securities Firms (broker-dealers)

Action to be taken	Responsible national authority	Milestones to be met (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
<i>Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes.</i>			
Not applicable, as existing regulation on broker-dealers has no connection to CRA ratings (see Instruction CVM No. 505/12).			
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
a) Remove references to CRA ratings in laws and regulations relating to securities firms.	N/A	N/A	N/A
b) Develop alternative standards of credit assessment, where necessary, for the purpose of replacing references to CRA ratings in laws and regulations relating to securities firms.	N/A	N/A	N/A
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of securities firms’ own credit assessment processes.	N/A	N/A	N/A