

Press release

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FSB completes peer review of Brazil

The Financial Stability Board (FSB) published today its [peer review of Brazil](#).

The peer review examined two topics relevant for financial stability in Brazil: trade reporting and its use in systemic risk monitoring, and the regulation and supervision of investment funds. The review focused on the steps taken by the authorities to implement reforms in these areas.

The peer review finds that significant progress has been made in recent years on both topics. Brazil stands out among its FSB peers for the pioneering work it has carried out on trade reporting and its use in systemic risk monitoring. There are several factors that contribute to the effectiveness of the trade reporting system, including: comprehensive requirements for reporting to trade repositories (TRs); mandatory identification of the final beneficiary of each counterparty to a transaction; direct access by the Central Bank of Brazil (BCB) and the Securities and Exchange Commission (CVM) to transaction-level data; requirements on TRs for data quality and strong validation checks; use of the national tax file number to address data aggregation challenges; good cooperation between authorities; and significant resources deployed to the analysis of TR data. The breadth and depth of available TR data enable the BCB to undertake extensive systemic risk monitoring using a broad range of analytical tools.

The regulatory and supervisory framework for investment funds has been strengthened in recent years. Extensive reporting of investment fund information has enabled CVM to develop its own liquidity indexes, which it uses to monitor and assess liquidity risk on a daily and monthly basis. In addition, fiduciary administrators of “555 funds”¹ are required to subject their investment funds to regular liquidity stress tests. Work is ongoing by the CVM to examine the need for leverage definitions and limits in this sector. The BCB has also begun to monitor risks from interconnectedness between investment funds and other sectors, such as step-in risk.

Notwithstanding this progress, the review concludes that there is additional work to be done:

- On trade reporting, this involves intensified monitoring of the operational risks from any increased concentration of systemically important functions within private financial market infrastructure; implementing international data standards for use by TRs in Brazil to enable meaningful aggregation on a cross-border basis; and establishing arrangements to facilitate authorities’ access to TR-held data on a cross-border basis.
- On investment funds, this involves defining and monitoring leverage on an ongoing basis; reviewing the range and functioning of liquidity risk management tools; and

¹ 555 funds are the predominant investment fund type in Brazil, with almost 90% of the industry in terms of assets under management. Their operations are governed by CVM’s Instruction 555/14, which includes provisions regarding portfolio composition, liquidity management, custody, the use of leverage and disclosure obligations.

reviewing arrangements with an industry body (ANBIMA) so that regulatory authority for investment funds is exerted by CVM or by a self-regulatory organisation that is subject to oversight by CVM and free from conflicts of interest.

The peer review report includes recommendations to the Brazilian authorities in order to address these issues.

Notes to editors

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with 65 other jurisdictions through its six regional consultative groups.

The peer review of Brazil is the nineteenth country peer review conducted by the FSB. The review was based on the objectives and guidelines set forth in the March 2015 version of the [Handbook for FSB Peer Reviews](#). FSB member jurisdictions have committed to undergo an International Monetary Fund (IMF)-World Bank assessment under the Financial Sector Assessment Program (FSAP) every five years and, to complement that cycle, an FSB peer review two to three years following an FSAP. As part of this commitment, Brazil volunteered to undergo this peer review in 2016-17. The [schedule of completed and planned country peer reviews](#), as well as [all completed peer review reports](#), is available on the FSB website.

Country peer reviews focus on the implementation and effectiveness of regulatory, supervisory or other financial sector standards and policies agreed by the FSB, as well as their effectiveness in achieving desired outcomes. They examine the steps taken or planned by national authorities to address IMF-World Bank FSAP and Report on the Observance of Standards and Codes recommendations on financial regulation and supervision as well as on institutional and market infrastructure that are deemed most important and relevant to the FSB's core mandate of promoting financial stability. Country reviews can also focus on regulatory, supervisory or other financial sector policy issues not covered in the FSAP that are timely and topical for the jurisdiction itself and for the broader FSB membership. Unlike the FSAP, a peer review does not comprehensively analyse a jurisdiction's financial system structure or policies, or its compliance with international financial standards.

The report published today describes the findings and recommendations of the peer review of Brazil. The draft report was prepared by a team of experts drawn from FSB member institutions and led by Anne Le Lorier, Deputy Governor of the Banque de France. The review benefited from dialogue with the Brazilian authorities and private sector representatives as well as from discussion in the FSB Standing Committee on Standards Implementation.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.