FSB- G20 - MONITORING PROGRESS – Brazil September 2010 [For Publication in March 2011]

#		G20/FSB RECOMMENDATIONS	DEAD-LINE	PROGRESS TO DATE Explanatory notes: In addition to information on progress to date, specifying steps taken, please address the following questions: 1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction? 2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results? Also, please provide links to the relevant documents that are published.	PLANNED NEXT STEPS Explanatory notes: Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?) Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps? What are the key challenges that your jurisdiction faces in implementing the recommendations?
I. Building high quality capital and mitigating procyclicality					

1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	Brazil adopted Basel II Capital Framework in 2007. Regulation in place concerns Pillars 1, 2 and 3. Pillar 1 capital is required for credit (simplified standardized approach), market (standardized and internal models approach) and operational (standardized approach) risks of Basel II. Measures already implemented have achieved their intended results. **Relevant documents**: Capital requirement structure: Resolução CMN 3.490/2007; Resolução CMN 3.897/2010. Pillar 1 requirements: Circular BCB 3.360/2007; Circular BCB 3.361/2007; Circular BCB 3.362/2007; Circular BCB 3.363/2007; Circular BCB 3.364/2007; Circular BCB 3.366/2007; Circular BCB 3.368/2007; Circular BCB 3.389/2007; Circular BCB 3.498/2010; Circular BCB 3.383/2008; Circular BCB 3.476/2009. Pillar 2 IRR in banking book: Circular BCB 3.365/2007. Pillar 3: Circular BCB 3.477/2009.	A proposal for regulation of Basel II advanced approaches for credit risk is under public hearing until May/2011. Regulation concerning the advanced approach of Basel II for operational risk should be issued by Dec/2011. Planned steps do not require legislation.
2	(FSB 2009) (Tor)	Basel II trading book revision	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010. We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.	By end-2011	Brazil implemented capital requirement for market risk according to internal models, including a provision for use of stressed VaR. This should lead to increase in capital requirement for this risk. **Relevant documents:** Circular BCB 3.478/2009; Circular BCB 3.498/2010.	The introduction of the internal models approach for market risk will lead to revision of the standardized approach for this risk, in order to maintain equilibrium between capital requirements under the standardized approach and internal models approach. Planned steps do not require legislation.

3	(Pitts)	Build-up of capital by banks to support lending	We call on banks to retain a greater proportion of current profits to build capital, where needed, to support lending.	Ongoing	Capital of Brazilian banks did not fall under required levels during the recent crisis. Capital ratio for Brazilian financial institutions is higher (11%) than minimum recommended in Basel II.	There is no intention to change the capital ratio for Brazilian financial institutions. However, Brazil is committed to implement the countercyclical capital buffers which are being calibrated by the BCBS.
4	(FSF 2009)	Basel II – Pillar 2 enhancement	1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement.	End-2009 and ongoing	At present, there are no ongoing regulation proposals or efforts to change these procedures. Brazil is still in the process of implementing Basel II, including Pillar 2.	Considering the BCBS guidelines and banking industry practices, the Central Bank of Brazil is reviewing its supervisory practices, under the current regulatory framework, in order to adopt any actions deemed necessary.
5	(Lon)	Supplementation of Basel II by simple, transparent, non-risk based measure	Supplement risk-based capital requirements with a simple, transparent, non-risk based measure which is internationally comparable, properly takes into account off-balance sheet exposures, and can help contain the build-up of leverage in the banking system.	Ongoing	The Central Bank of Brazil has supported the introduction of an internationally agreed limit on bank leverage in all relevant forums. Currently, there is no such requirement for Brazilian financial institutions.	The Central Bank of Brazil issued a communiqué establishing guidelines and a preliminary schedule for implementation of Basel III, including the adoption of leverage limits **Relevant documents:** Comunicado 20.615, of 17Feb2011

6	(Pitts) (Tor)	Development of international rules to improve quantity & quality of bank capital	We commit to developing by end-2010 internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage. These rules will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012. We agreed that all members will adopt the new standards and these will be phased in over a timeframe that is consistent with sustained recovery and limits market disruption, with the aim of implementation by end-2012, and a transition horizon informed by the macroeconomic impact assessment of the FSB and BCBS.	End-2010, implement over a timeframe that is consistent with sustained recovery and limits market disruption	The Central Bank of Brazil participates in the Definition of Capital Subgroup of the Policy Development Group. Improvement of Brazilian regulation depends on the final version of the document "Strengthening the Resilience of the Banking Sector".	The National Monetary Council is committed to revise regulation on bank capital according to the new definition of regulatory bank capital approved by the BCBS. The Central Bank of Brazil issued a communiqué establishing guidelines and a preliminary schedule for implementation of Basel **III**. **Relevant documents:** Comunicado 20.615, of 17Feb2011

7	(FSF 2008)	Monitoring of banks' implementation of the updated guidance	II.10 National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices.	Ongoing	The National Monetary council issued regulation establishing general guidelines of good practices for liquidity risk management. This regulation already contains several requisites that are now being proposed by BCBS. The Central Bank of Brazil has also built a strong system to gather information on banks' assets and liabilities from sources like the Central Bank-operated facilities for funds transfer (Reserves Transfer System-STR) and for clearing of treasuries (Selic), as well as private clearing houses, in order to subsidize liquidity risk monitoring on a daily basis. A report was also implemented for institutions to report estimation of cash flows, alternative funds and contingency plans on a monthly basis. Complementarily, on-site supervision of liquidity risk management occurs periodically during the rating process (SRC). It also could take place through a specific work on liquidity risk as a result of early warnings of weakness observed by the supervisor or provided by the monitoring department. **Relevant documents:** Management of liquidity: Resolução CMN 2.804/2000. Information on liquidity: Circular BCB 3.393/2008.	Brazil has also endorsed the document "Principles for Sound Liquidity Risk Management and Supervision", issued in 2008 by BCBS, and intends to pursue these principles as good practices to be observed by institutions. The Central Bank of Brazil participated in the Quantitative Impact Study (QIS), in order to assess the impact on the Brazilian financial system of the adoption of the proposals contained in the document "International Framework for Liquidity Risk measurement standards and monitoring", issued by BCBS in Dec/2009.
8	(Lon)	Development of liquidity framework	The BCBS and national authorities should develop and agree by 2010 a global framework for promoting stronger liquidity buffers at financial institutions, including cross-border institutions.	By 2010	The Central Bank of Brazil participates in the Macro Variables Task Force of the Policy Development Group. Improvement of Brazilian regulation depends on the final version of the document "Strengthening the Resilience of the Banking Sector".	The Central Bank of Brazil issued a communiqué establishing guidelines and a preliminary schedule for implementation of Basel III, including revision of regulation on bank capital and liquidity. **Relevant documents:** Comunicado 20.615, of 17Feb2011

9	(FSB 2009)	Enhancement of supervision of banks' operation in foreign currency funding markets	Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.	Ongoing	Banking supervision staff has been oriented to adopt a more critical view on the role of liquidity lines from foreign sources in contingency plans. During the recent crisis, the Central Bank of Brazil issued regulation determining the mandatory registration of derivatives contracted abroad on Brazilian clearing systems. This measure intends to provide a better monitoring of foreign exchange exposure. The National Monetary Council has also issued specific regulation to provide collateralized foreign currency loans to the financial system. Regulation focused primarily on foreign trade financing, with funding from the Brazilian external reserves. **Relevant documents:** Resolution CMN 3.622/2008.	At present, there are no ongoing regulation proposals or efforts to change these procedures.
10	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	At present, there are no ongoing regulation proposals or efforts concerning monocline insurers.	At present, there are no ongoing regulation proposals or efforts concerning monoline insurers.
II. Strengthening accounting standards						
11	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.	Ongoing	The Central Bank of Brazil regulates, supervises and sets accounting standards for financial institutions. Currently, the Central Bank of Brazil conducts a project aiming at convergence of accounting standards to IFRS. The project involves consultations with the private sector	

12	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	Fair valuation of financial instruments was introduced in Brazilian financial system in 2001. Measures implemented achieved their intended results. **Relevant documents:** Circular BCB 3.086/2001.	
13	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.	End-2009	The Central Bank of Brazil follows closely the current discussion of these issues, concerning the revision of IAS 39 and participates in the Accounting Task Force of the BCBS.	

14	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	IOSCO coordinates the development of international principles regarding the disclosure requirements for listing and public offerings of asset-backed securities to provide guidance to securities regulators who are developing or reviewing their regulatory disclosure regimes. Securities Commission (CVM) participates in this process and considers that few enhancements are necessary to adapt its present requirements to those that will derive from the new principles.	The CVM currently analyzes the results of a public hearing to amend the part of its Rule 356 on ABS transactions (investment funds in receivables). These proposed changes aim at enhancing the transparency of the transactions with ABS, particularly concerning buyback transactions and replacement of underlying assets. Additionally, the accounting standards applied to ABS were studied by a workgroup comprising the CVM, Brazilian Institute of Accounting (IBRACON) and National Association of Financial and Capital Markets Entities (ANBIMA). As a result, the workgroup proposed the alignment of Brazilian standards to international ones, namely IAS 32 and 39 and IFRS 7. This proposal also involves additional disclosure requirements on ABS funds.

III. Reforming compensation practices to support financial stability						
15	(Lon) (Pitts) (Tor)	Implementation of FSB/FSF compensation principles	National supervisors should ensure significant progress in the implementation of FSF sound practice principles for compensation by financial institutions by the 2009 remuneration round. We fully endorse the implementation standards of the FSB aimed at aligning compensation with long-term value creation, not excessive risk-taking. Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention. We call on firms to implement these sound compensation practices immediately. We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end, We call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011.	End-2010	The National Monetary Council issued regulation on compensation policies for financial institutions' managers. Provisions are compliant with FSB's "Principles for Sound Compensation Practices" and their implementation standards. **Relevant document:** Resolution CMN 3,921, of 25nov2010	The next step involves assessment of the implementation of compensation practices by financial institutions.

16	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.	Ongoing	The National Monetary Council issued regulation on compensation policies for financial institutions' managers. Provisions are compliant with FSB's "Principles for Sound Compensation Practices" and their implementation standards. **Relevant document:** Resolution CMN 3,921, of 25nov2010	The next step involves assessment of the implementation of compensation practices by financial institutions.
IV. Improving OTC derivatives markets						
17	(Lon)	Development of action plan on the standardization of CDS markets (eg CCP)	We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.	Autumn 2009	Although being already regulated, credit derivatives market in Brazil is incipient. **Relevant documents:** Resolução CMN 2.933/2002; Circular BCB 3.106/2002.	

18	(Pitts)	Trading of all standardized OTC derivatives on exchanges etc.	All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.	By end-2012 at the latest	All standardized derivatives contracts in the country are traded on an exchange (BM&FBovespa) and all OTC derivatives transactions involving financial institutions are mandatorily registered at a central registry (Cetip). Furthermore, regulation issued in Dec/2009 requires the registration of all derivatives operations contracted abroad by financial institutions. In Brazil, unlike other jurisdictions, standardized derivative contracts are fundamentally traded on exchanges, and cleared through central counterparts (e.g., as of Oct/2009, exchange traded derivatives notional value outstanding represented 87% of total market). Besides that, registration at trade repositories is mandatory for all OTC derivative contracts. Trade repositories are SROs registered with the CVM, and organized OTC market venues and all the transactions must be verified by such SROs.	Market initiatives are in preparation aiming at the enhancement of transparency and risk management related to OTC derivatives trading.
V. Addressing cross-border resolutions and systemically important financial institutions						
19	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing		

20	(Pitts)	Development of resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future	We should develop resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future. Our prudential standards for systemically important institutions should be commensurate with the costs of their failure. The FSB should propose by the end of October 2010 possible measures including more intensive supervision and specific additional capital, liquidity, and other prudential requirements.	October 2010	The Central Bank of Brazil currently analyses responses to the 2009 public hearing of a legislative proposal, including a row of preventive measures to be taken by the Central Bank in order to reduce the probability of failure of financial institutions and facilitate their orderly resolution. It reorganizes the deposit insurance agency and allows the Central Bank to grant loans to them as well as to institutions which work as central counterparts.	The Central Bank of Brazil takes part in the discussions on the subject in all relevant forums and awaits final definition of internationally agreed policy options relative to systemic financial institutions and markets.
VI. Strengthening adherence to international supervisory and regulatory standards.						
21	(Lon)	Adherence to international prudential regulatory and supervisory standards	We call on all jurisdictions to adhere to the international standards in prudential, tax and AML/CFT areas. We are committed to strengthened adherence to international prudential regulatory and supervisory standards.	Ongoing	Regulation concerning AML/CFT for financial institutions was revised in 2009, enhancing compliance with FATF/Gafi 40+9 Recommendations. Measures implemented have achieved their intended results. In 2009, the FATF conducted an evaluation of AML/CFT regulation and practices in Brazil, as part of the program of mutual evaluation of its members. **Relevant documents;** Circular BCB 3.461/2009.	Revision of Brazilian legislation concerning AML/CFT L is currently being discussed at the National Congress.

22	(Lon)	Periodic peer reviews	FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports.	Ongoing	Financial regulation and supervision in Brazil is generally conservative, which helps explain the relatively small effects of the recent financial crisis on the national financial system. Brazil underwent an FSAP assessment in 2002 and sent to the FSB the FSAP/ROSC reports as well as offered comments on recent developments that relate to the recommendations then made by the IMF and World Bank. The Central Bank of Brazil is conducting a self-assessment of adherence of its supervision practices to the Core Principles for Effective Banking Supervision. Brazil has also participated in the first thematic peer review conducted by the FSB on compensation practices,	
23	(WAP)	Undertaking of FSAP	All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.	Ongoing	See # 22.	
24	(FSF 2008)	Additional steps to check the implementation of int'l guidance	V.11 National supervisors will, as part of their regular supervision, take additional steps to check the implementation of guidance issued by international committees.	Ongoing	The last Brazilian FSAP was concluded in 2003. Currently, the Central Bank of Brazil is conducting a self-assessment of implementation of the Basel Core Principles.	

VII. Other issues						
Developing macroprudential frameworks and tools, realigning and ensuring an adequate balance between macroprudential and microprudential supervision						
25	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	A high-level committee (Coremec) was established in 2006 and designed to allow the exchange of information among the four major financial regulators in Brazil (Central Bank of Brazil, Securities Commission-CVM, Open Pension Funds Superintendence-Susep and Closed Pension Funds Secretary-SPC). Coremec is also the forum to discuss regulatory proposals which may have an impact across jurisdictions.	The Central Bank of Brazil has put forward a proposal to create a subcommittee within Coremec to discuss financial stability issues at the technical level.
26	(Lon)	Powers for gathering relevant information by national regulators	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	Brazilian legislation enables the Central Bank of Brazil to gather any information on financial institutions, markets and instruments. There are institutional agreements for information sharing among financial, capital market and insurance supervisors. Measures implemented have achieved their intended results.	
27	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	The Central Bank of Brazil takes a proactive and cautious approach towards new products and markets. Consolidated supervision of financial conglomerates already takes into account of most developments that would otherwise require revision of the boundaries of the regulatory framework.	The Central Bank of Brazil will continue to participate actively in the relevant forums, particularly in the FSB and its subgroups and monitor national developments that may warrant an extension of the perimeter of financial regulation.

28	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macroprudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macroprudential (system-wide) level. On leverage ratios for banks, work by the BCBS to supplement the risk based capital requirement with a simple, non-risk based leverage measure is welcome. Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.	End-2009 and ongoing	A non-risk based leverage measure is applied solely for monitoring purposes. Such measure is not enforced by regulation. Financial institutions are required to register OTC derivative instruments but no initial margins or haircuts are involved. Securities financing transactions are carried out exclusively through clearing and settlement systems, which provide for collateral arrangements.	The Central Bank of Brazil is working on indicators of financial system stability from a macroprudential perspective, including a more comprehensive leverage ratio.
29	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macroeconomy and the financial system.	Ongoing	There is no formal process for monitoring asset prices for supervision purposes. Such developments are currently being followed and discussed in the context of the inflation targeting framework and may influence financial regulation and supervision practices,	The Central Bank of Brazil is working on a database that would allow monitoring prices of selected assets.

30	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	As a direct result from the recent crisis, three different approaches have been implemented: • Off-site monitoring department has strengthened quality requisites for information obtained from clearings. Also, clearings themselves have implemented tougher regulation mechanisms and criteria for registration of sophisticated products, which must have their strategies and evaluation disclosed to and approved by the clearing. Access to such information is also provided to the off-site monitoring department. • Supervision department has established a periodic supervision routine on complex and sophisticated institutions in order to assess new financial products characteristics, valuation processes, compliance with regulations, approval process and suitability .Also, specific work has been conducted on other vehicles that interconnect with banks either direct or indirectly (Receivables Investment Fund-FIDCs, and foreign funds associated in any way with headquarters). This work is conducted by a specialized team and outcome is shared with supervision staff. Regulation has been issued to determine that derivatives contracted abroad, including embedded options on credit operations, must be registered in a local clearing. Those registers are accessible to the off-site monitoring department. **Relevant documents:** Resolução CMN 3.824/2009; Resolução CMN 3.833/2010; Circular BCB 3.474/2009.	Off-site monitoring department is developing new tools to provide information for the supervision department. Supervision department constantly evaluates the financial market, new vehicles and mechanisms that could constitute object of surveillance through specific work.

31	(FSF 2008)	Supervisory communication with firms' boards and senior management	V.2 Supervisors and regulators should formally communicate to firms' boards and senior management at an early stage their concerns about risk exposures and the quality of risk management and the need for firms to take responsive action. Those supervisors who do not already do so should adopt this practice.	Ongoing	The Central Bank of Brazil adopts a process of risk-based supervision that includes the assessment of risks and controls associated with them. The result of the assessment is communicated to the board of directors and senior executives of the institution. Supervisors of high- and medium-priority banks meet at least annually with the board of directors and senior managers.	
32	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	There are agreements for information sharing among financial, capital market and insurance supervisors in Brazil and a specific high-level coordination committee (Coremec) in which they are all represented	
Hedge funds						
33	(Lon)	Registration of hedge funds	Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.	End-2009	Hedge funds are already registered with the CVM and disclose regular and individual information on the composition of their portfolios, including the use of leverage. There is also information about the administrator's risk management methodology. The Central Bank has access to all information deemed necessary for systemic risk follow up.	The CVM is currently planning to revise the rules on registration requirements for fund managers and the ongoing supervision process. The revision focuses on risk management structure and processes. Another project is related to changes on the periodic information sent by the hedge funds managers to the CVM, in order to monitor the systemic risks they might pose.

34	(Lon)	Effective oversight of cross-border funds	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is 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.	End-2009	The CVM is a member of the Technical Committee of IOSCO and is fully committed to its work. The CVM is also a member of the IOSCO Multilateral Memorandum of Understanding for cooperation and information sharing between its members, which, in general, addresses this issue.	As said above, the CVM is rethinking the list of information provided by hedge funds administrators (and the mutual fund administrators as well) to include relevant information on overseas investments and exposures.
35	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	Brazilian hedge funds are supervised by the CVM. The Central Bank of Brazil and CVM agreed on a cooperation memorandum, including new regulation on limits, risk management and supervision procedures to be issued by CVM. Supervision currently conducts a specific work on funds of foreign investors linked, direct or indirectly, to parent companies.	At present, there are no ongoing regulation proposals or efforts to change these procedures.
36	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	At present leverage counterparties are not considered a point of concern in Brazil.	

Credit rating agencies						
37	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	Brazilian financial institutions do not use CRAs ratings for regulatory purposes. The CVM has proceeded to a thorough check up in its rules to list all references made to rating agencies, as well as an assessment on the structure and activities of CRAs operating in Brazil. Specifically, was verified the adherence of CRAs to the IOSCO Code of Conduct. The results will lead to the development of a new regulatory framework for CRAs rating securities in Brazil by the CVM.	The stocktaking exercise on the use of credit ratings in regulation was extended to all four Brazilian financial market regulators (CVM, Central Bank, insurance regulator and pension funds regulator). A report on such exercise will be submitted to COREMEC (a high-level committee that gathers the aforementioned regulators) by the end of the first semester of 2010. The CVM is finalizing a report on the assessment of the structure and activities of the six CRAs operating in Brazil in 2009 (three local firms and three global firms), in order to check the agencies' adherence to the IOSCO Code of Conduct and to their own internal Codes. The CVM has decided to regulate credit rating agencies. CRAs will be required to register with the Commission and will be under disclosure obligations, and rules on conduct and conflict of interest. Once these regulations are enacted, an oversight regime will be established. However, the Commission decided to draft the new rules only after the reports mentioned in the previous paragraphs are completed.

38	(Lon)	CRA practices and procedures etc.	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.	End-2009	The CVM has conducted a thorough check up in its rules to list all references made to rating agencies, as well as an assessment on the structure and activities of CRAs operating in Brazil. Specifically, the adherence of CRAs to the IOSCO Code of Conduct was checked. Results will lead to the development of a new regulatory framework by the CVM for CRAs rating securities in Brazil.	The stocktaking exercise on the use of credit ratings in regulation was extended to all four Brazilian financial market regulators (CVM, Central Bank, insurance regulator and pension funds regulator). A report on such exercise will be submitted to COREMEC (a high-level committee that gathers the aforementioned regulators) by the end of the first semester of 2010. The CVM is finalizing a report on the assessment of the structure and activities of the six CRAs operating in Brazil in 2009 (three local firms and three global firms), in order to verify the agencies' adherence to the IOSCO Code of Conduct and to their own internal Codes. The CVM has decided to regulate credit rating agencies. CRAs will be required to register with the Commission and will be under disclosure obligations, and rules on conduct and conflict of interest. Once these regulations are enacted, an oversight regime will be established. However, the Commission decided to draft the new rules only after the reports mentioned in the previous paragraphs are completed.
39	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	CVM takes part in the IOSCO Standing Committee 6 (SC6) that discusses CRA regulations.	

40	(FSF 2008)	Review of roles of ratings in regulations and supervisory rules	IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.	Ongoing	The current regulatory framework on funds requires that fund managers have a risk management policy and that shareholders be well informed of it. This information must clearly present the methods used for management of risks incurred by the fund. The framework also encompasses principles on conduct and diligence, under which fund managers are obliged to manage the risks of all assets included in the portfolio, regardless of the existence of independent ratings for these assets. A regulatory reform on rules for asset and portfolio management is underway. One of the issues refers to the improvement of the requisites for a minimum structure for the risk management of funds, including compliance and risk management manuals.	There is some reliance of Brazilian regulation on credit ratings, especially regarding public offerings of structured products. Ratings are also used to determine investment limits in certain money market funds and other rules set forth that when a rating exists, it should be disclosed. CVM will also present a report on a stocktaking exercise on the use of credit ratings in Brazil based on the analysis of the rules of the four Brazilian financial market regulators (CVM, Central Bank, insurance regulator and pension funds regulator). This report will be submitted to COREMEC (a high-level committee that gathers the aforementioned regulators) and subsidize the decisions on any changes to the use of credit ratings in the regulation enacted by the four regulatory bodies.
Supervisory colleges						
41	(Lon)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.	June 2009	The Central Bank of Brazil has established a supervisory college for a Brazilian bank.	The Central Bank of Brazil intends to establish a supervisory college for another Brazilian bank in 2011.
42	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.	Ongoing	The exchange of supervisory information on institutions operating in Brazil is deemed adequate, both at national and international levels.	

Crisis management						
43	(Lon)	Implementation of FSF principles for cross-border crisis management	To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.	Immediate	The Central Bank of Brazil participates in several supervisory colleges concerning major foreign institutions that are present in Brazil. The Central Bank of Brazil has established a college for a bank based in Brazil.	The Central Bank of Brazil intends to establish a supervisory college for another Brazilian bank in 2011.
44	(Pitts)	Development of contingency and resolution plans by SIFIs and the establishment of crisis management groups etc.	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the major cross-border firms and a legal framework for crisis intervention as well as improve information sharing in times of stress.	End-2010	The Central Bank of Brazil participates in the Cross Border Resolution Group of BCBS and is committed to adopt the recommendations concerning contingency and resolution plans, once they are eventually approved. The Central Bank of Brazil has proposed improvements to the domestic resolution law, which are to be submitted for approval by Federal Legislative branch.	

45	(Tor) (WAP) (FSF 2008)	Implementation of BCBS recommendations on the cross-border bank resolution	We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border financial institutions. VI.6 Domestically, authorities need to review and, where needed, strengthen legal powers and clarify the division of responsibilities of different national authorities for dealing with weak and failing banks.	Ongoing	The Central Bank of Brazil adopts a territorial approach to regulation, supervision and liquidation of financial institutions. Since 1988 foreign financial institutions are only licensed to operate in the national territory through local subsidiaries which are subject the national regulatory regime. The Central Bank of Brazil is also represented at the Cross Border Bank Resolution Group of the BCBS and in many supervisory colleges. The Central Bank of Brazil has issued for public comment in Oct/2009 a study for a legislative proposal, including preventive measures to reduce the probability of failure of financial institutions and facilitate their orderly resolution.	
46	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	The deposit insurance agency, established in 1996, generally meets the Core Principles for Effective Deposit Insurance Systems and has been instrumental in dealing with the consequences of the recent international financial crisis, by extending coverage of deposits and buying assets from banks in need of liquidity. **Relevant documents:** Resolução CMN 3.251/2004; Circular BCB 3.270/2004.	

Risk management						
47	(WAP)	Development of enhanced guidance for banks' risk management practices	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management.	Ongoing	Regulation issued by the National Monetary Council imposes risk management procedures for all financial institutions concerning credit, market and operational risks, according to recommendations issued by the Basel Committee on Banking Supervision. Measures implemented have achieved their intended results. **Relevant documents:** OpRisk: Resolução CMN 3.380/2006. Market risk: Resolução CMN 3.464/2007. Credit risk: Resolução CMN 3.721/2009.	
48	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	Regulation for management of credit, market and operational risks establishes that stress tests must be conducted. **Relevant documents:** OpRisk: Resolução CMN 3.380/2006. Market risk: Resolução CMN 3.464/2007; Circular BCB 3.365/2007; Circular BCB 3.478/2009. Credit risk: Resolução CMN 3.721/2009.	A general regulation on stress tests criteria for all risk drivers in under study.
49	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	Brazilian banks were not exposed to impaired assets and were well capitalized so no government rescue operations were necessary.	

50	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: • implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; • implement IOSCO's proposals to strengthen practices in securitisation markets.	During 2010	Securitization in Brazil is structured through 2 vehicles: (i) corporations specialized in securitization; and (ii) receivable investment funds. Structured products are only offered to qualified investors in Brazil. Registration, prospectus and periodic disclosure are required both from corporations specialized in securitization and receivable investment funds since securitization started in Brazil. CVM has no regulatory power to impose capital requirements. In 2006, disclosure related to statistical data of defaults and losses, originators' and debtors' information and specific risk factors were added to the prospectus requirements of structured products. These rules substantially reflect the IOSCO document entitled "Disclosure Principles for Public Offerings and Listings of Asset-Backed Securities", published on Jun/2009.	Securitization in Brazil is structured through 2 vehicles: (i) corporations specialized in securitization; and (ii) receivable investment funds. Corporations specialized in securitization are subjected to new disclosure rules since Jan/2010 which improves substantially the level of periodic information on those companies. The recent enacted regulation set forth general disclosure rules for corporations issuers of debt securities. CVM has the intention to discuss further improvements to disclosure specific aspect of securitizations of those vehicles in the second semester of 2010. Besides the proposed improvements to the periodic disclosure obligations of receivable investment funds in 2009 (see item 14), the CVM is conducting internal studies on IOSCO recommendation for securitization market and considering proposing amendments addressing "skin in the game" requirements and independence of service providers.
51	(Lon)	Improvement in the risk management of securitisation	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010.	By 2010	Securitization activities in Brazil are much smaller than in countries directly affected by the recent financial crisis.	The Central Bank of Brazil will participate in the discussions in the BCBS and FSB.

52	(Pitts)	Retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	Ongoing	The most common structures used for securitization in Brazil are the ones where the originator retains part of the risk of the operation through the use of junior (subordinated) fund quotas.	Although the double-tier capital structure (senior-junior) is more usual in receivable funds in Brazil, it is not mandatory. Considering the IOSCO document entitled "Unregulated Financial Markets and Products – Final Report", CVM is conducting internal studies on IOSCO recommendation for securitization market and considering proposing rules requiring originators to retain a long-term economic exposure to the securitization in order to appropriately align interests in the securitization value chain.
53	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing	In 2009, the Central Bank of Brazil issued regulation establishing a set of comprehensive requirements aiming at the improvement of information disclosure on risks faced by financial institutions, in line with Pillar 3 recommendations of Basel II. Quantitative information about risks, including exposures arising from securitization, must be released quarterly by financial institutions, while information of a qualitative nature, especially the one relating to risk management procedures, must be reported at least annually. At the same time, the decision to adopt international accounting standards favoured alignment of accounting information disclosure requirements with prudential ones, including the disclosure of losses incurred by financial institutions. **Relevant documents:** Circular BCB 3.477/2009.	

54	(FSF 2008)	Strengthening of supervisory requirements or best practices fir investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	National Monetary Council regulation issued in Dec/2009 requires registration of all transactions involving derivatives contracted abroad by financial institutions. Structured products (securitisation) in Brazil are still very simple (plain vanilla) and are placed in the market through public offerings registered with the CVM. Despite of that, rules on due diligence obligations for asset managers are being reviewed and enhanced. Nonetheless, the National Monetary Council has established new requirements concerning best practices for the due diligence investment process to institutional investors, such as pension funds. **Relevant documents:** Resolução CMN 3.792/2009; Resolução CMN 3.824/2009.	Concerning institutional investors, the CVM is currently revising registration requirements for fund managers and the ongoing supervision process. The revision focuses on risk management structure and processes.

Others						
55	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.	Ongoing	Brazilian support measures aimed basically at restoring liquidity in US dollars, restoring liquidity in local currency, extending the coverage limit of the deposit insurance for time deposits, increasing the intensity of liquidity monitoring, allowing conditional deductions on the levels of reserve requirements and recognizing loan-loss provisions in excess of expected losses (EL) as Tier 1 capital. Recognition as Tier 1 capital for the excess of loan-loss provisions relative to expected losses (EL) was eliminated in Apr/2010. The Federal Government or the Central Bank of Brazil provided no capital injections and emergency loans, no guarantees of non-deposit liabilities, there was no creation of "bad banks" or asset purchases. The provision of liquidity in foreign currency through auctions of swap contracts, auctions of dollars to exporters and sale of dollars in the spot market is currently reverted, as market conditions improved.	

<u>Origin of recommendations</u>:

Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)
WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)
FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)
FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)
FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)