



Minutes of the Meeting of the  
**Financial Stability Committee — Comef**

August 31, 2021

**Date:** August 31, 2021

**Venue:** BCB Headquarters' meeting rooms on the 8<sup>th</sup> and 20<sup>th</sup> floors – Brasilia – DF – Brazil

**Starting and ending times:** 9:30 AM – 12:20 PM  
2:30 PM – 5:00 PM

**In attendance:**

**Members of the Comef**

Roberto Oliveira Campos Neto  
*Governor*

Bruno Serra Fernandes  
*Deputy-Governor for Monetary Policy*

Carolina de Assis Barros  
*Deputy-Governor for Administration*

Fabio Kanczuk  
*Deputy-Governor for Economic Policy*

Fernanda Guardado  
*Deputy-Governor for International Affairs and Corporate Risk Management*

Maurício Costa de Moura  
*Deputy-Governor for Institutional Relations, Citizenship and Conduct Supervision*

João Manoel Pinho de Mello  
*Deputy-Governor for Licensing and Resolution*

Otávio Ribeiro Damaso  
*Deputy-Governor for Regulation*

Paulo Sérgio Neves de Souza  
*Deputy-Governor for Supervision*

**Department Heads in charge of technical presentations:**

André Minella – *Research Department*

Enrico Bezerra Ximenes de Vasconcelos – *Financial Stability and Senior Advisor to the Board*

Fábia Aparecida de Carvalho – *International Affairs Department*

Gilneu Francisco Astolfi Vivan – *Financial System Monitoring Department*

Ricardo Franco Moura – *Prudential and Foreign Exchange Regulation Department*

**Other Participants:**

Adalberto Felinto da Cruz Junior – *Head of the Strategic Management and Specialized Supervision Department*

Alan da Silva Andrade Mendes – *Head of the Department of Foreign Reserves*

André de Oliveira Amante – *Head of the Open Market Operations Department*

André Luiz Caccavo Miguel – *Deputy Head of the Financial System Monitoring Department*

Ângelo Jose Mont Alverne Duarte – *Head of the Department of Competition and Financial Market Structure*

Arnildo da Silva Correa – *Head of the Office of Economic Advisory*

Belline Santana – *Head of the Banking Supervision Department*

Carolina Pancotto Bohrer – *Head of the Financial System Organization Department*

Climério Leite Pereira – *Department of Resolution and Sanctioning Action*

Cristiano de Oliveira Lopes Cozer – *General Counsel*

Edson Broxado de França Teixeira – *Head of the Supervision Deputy Governor's Office*

Eduardo José de Araújo Lima – *Head of the Economic Policy Deputy Governor's Office*

Eugênio Pacceli Ribeiro – *Head of the Secretariat to the Board of Directors and National Monetary Council Affairs*

Harold Paquete Espínola Filho – *Head of the Credit Unions and Non-banking Financial Institutions Supervision Department*

João André Calvino Marques Pereira – *Financial System Regulation Department*

Leonardo Martins Nogueira – *Executive-Secretary*

Mauro Zanatta – *Press Officer*

*Olavo Lins Romano Pereira – Deputy Head of the International Affairs Department*  
*Rafael Mendonça Travassos Andrezo – Head of the Governor's Office*  
*Ricardo Eyer Harris – Head of the Regulation Deputy Governor's Office*  
*Ricardo Sabbadini – Department of Economics*  
*Rogério Antônio Lucca – Head of the Department of Banking Operations and Payments System*  
*Sérgio Mikio Koyama – Deputy Head of the Research Department*  
*Walmir Geraldo da Silva – Analyst at the Governor's Office*

The members of the Comef analyzed the recent evolution and prospects for financial stability in Brazil and in the international economies bearing in mind the objective of ensuring a sound, efficient, and competitive financial system. This document represents Comef's best effort to provide an English version of its meeting minutes. In case of inconsistency, the version in Portuguese language prevails.

### A) Global financial markets

- 1. The financial system of the main economies remains resilient.** Financial institutions (FIs) hold robust levels of capital and liquidity. Some jurisdictions raised the countercyclical buffers or indicated future rises owing to local vulnerabilities, notably in real estate markets. Simulations by the Central Bank of Brazil (BCB) and stress tests by jurisdictions indicate that the global financial system remains prepared to withstand additional shocks.
- 2. Inflation remains high in the main economies, raising the risks of a tightening of global monetary conditions and financial asset price correction.** Big and sharp repricing of assets could negatively affect the flow of investments to emerging economies.

### B) The National Financial System (SFN)

- 3. The growth of broad credit is consistent with current economic fundamentals and is taking place in several segments.** For households, credit modalities that are sensitive to the historically low interest rates and that are associated with the economic recovery are among the fastest growing. Credit to micro and small businesses continues to be spurred by government programs, notably Pronampe, and by the easing of social distancing measures. The largest corporates, in turn, are benefiting from heating up capital markets.
- 4. Provisions for potential loan losses are adequate.** FIs held elevated provisions, above expected losses. Loans with payments deferred during the pandemic continue to perform better than initially anticipated. In general, the share of problem assets in FIs' portfolios is trending downwards although it is still elevated for some credit segments such as real estate loans with funding from the Brazilian Government Severance Indemnity Fund (FGTS) and auto loans.
- 5. Capitalization and liquidity of the SFN were preserved above prudential requirement levels.** Solvency indicators of the SFN increased slightly in the second quarter. Profitability is recovering, notably due to smaller expenses with loan loss provisions. FIs that accumulated liquid assets in 2020 to face liquidity demand during the pandemic are gradually returning to their previous liquidity levels.
- 6. Stress tests' results show that the system is resilient.** The assessment under scenarios of macroeconomic stress indicates that the system would not face important problems in any scenario considered, including those that took into account possible changes in federal tax rates.

### C) Main points of attention

- 7. FIs risk appetite has been rising in some modalities of credit to households.** The monthly volumes of new real estate credit origination remain in elevated levels, stimulated by the historically low levels of interest rates charged on these loans. In the segment of auto loans, especially used cars, loan maturities are lengthening and loan-to-value ratios are rising. The Comef considers that it is important that financial intermediaries continue to preserve the quality standards of loan originations.
- 8. There are signs that the cost of holding liquidity is reducing while funding maturities remain short.** The SFN's funding profile, which changed with the pandemic, continues to show demand for short-term instruments. Furthermore, the cost of outstanding funding balances remains above the rate of return on liquid assets, although the spread has narrowed. The Comef assessed that FIs have been adapting to face such changes by redefining their funding and liquidity management strategies.
- 9. The recent rise in inflation in advanced economies poses risks of tightening global monetary conditions, which could lead to disorderly asset repricing, rising risk aversion, and reversal of capital flows to emerging economies.** High uncertainty about inflation

risks in central economies may turn the conditions more challenging for emerging economies. The Comef deems that the SFN's exposure to exchange rate risk is low and that the system's reliance on external funding is small.

#### **D) Macroprudential policy decision**

**10. The Comef judges that the current macroprudential policy stance remains adequate, without the need for adjustments in the near term.** The neutrality of macroprudential policy remains appropriate. In this sense, the Capital Conservation Buffer is being replenished since April and the completion of its replenishment is expected for March of next year. This policy is compatible with the current pace of credit growth and with the expectation of continuity of this process. Nevertheless, the momentum of several credit modalities remains under close monitoring by the BCB. Available information indicates that asset prices continue to evolve in line with economic fundamentals.

**11. The BCB continues to monitor the growth of credit.** The Comef understands that the uncertainty about the solvency of businesses and households reduced with the recent materialization of only modest losses. The Comef continues to recommend that FIs maintain prudence in capital management policies. It is important that, during 2021 and 2022, banks' profit allocation be conservative and aligned with the uncertainties prevailing in the economic outlook.

**12. The Comef decided that, given the current conditions and the economic outlook, the decision about the Countercyclical Capital Buffer for credit exposures in Brazil will remain at 0% over the next meetings.** Rises in the buffer only come into effect one year after a decision by the Comef. The decision considered the current conditions, the asset prices, and the expectations regarding the evolution of the credit market.

46<sup>th</sup> Meeting  
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