



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

February 24, 2022

**Date:** February 24, 2022

**Venue:** BCB Headquarters' meeting room on the 8<sup>th</sup> floor – Brasilia – DF – Brazil

**Starting and ending times:** 9:30 AM  
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*

Fernanda Guardado  
*Deputy-Governor for International Affairs and Corporate Risk Management*  
*Deputy-Governor for Economic Policy (acting)*

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

Otávio Ribeiro Damaso  
*Deputy-Governor for Regulation*  
*Deputy-Governor for Licensing and Resolution (acting)*

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

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

Adalberto Felinto da Cruz Júnior - *Strategic Management and Specialized Supervision Department*

André Minella – *Research Department*

Edson Broxado de França Teixeira – *Supervision Deputy-Governor's Office*

Fábia Aparecida de Carvalho – *International Affairs Department*

Gilneu Francisco Astolfi Vivan – *Financial System Monitoring Department*

**Other Participants:**

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

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

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

Andreia Laís de Melo Silva Vargas - *Head of the Conduct Supervision Department*

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

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

Carlos José Braz Gomes de Lemos – *Deputy Head of the Banking Supervision Department*

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

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

Cristiano de Oliveira Lopes Cozer – *General Counsel*

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

Enrico Bezerra Ximenes de Vasconcelos – *Head of the Secretariat of Governance, Coordination and Strategic Monitoring*

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

João André Calvino Marques Pereira – *Head of the Financial System Regulation Department*

Leonardo Martins Nogueira – *Executive-Secretary*

Márcio Contador Camargo – *Head of Division in the Banking Supervision Department*

Mauro Zanatta – *Press Officer*

Mariane Santiago de Souza – *Head of the Governor's Office, substitute*

Olavo Lins Romano Pereira – *Deputy Head of the International Affairs Department*  
Ricardo Eyer Harris – *Head of the Regulation Deputy Governor's Office*  
Ricardo Franco Moura – *Head of the Prudential and Foreign Exchange Regulation Department*  
Ricardo Sabbadini – *Head of the 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*

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) in these countries hold robust levels of capital and liquidity. 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. The recent international geopolitical conflict has led to market cap losses for some FIs in these countries, including global systemically important FIs (G-SIBs). COMEF continues to closely monitor developments in the financial and capital markets and, up to the present moment, the prudential indicators of these institutions show capital levels above the minimum regulatory requirements.

**2. In several jurisdictions, macroprudential policy continues to normalize.** In some countries, countercyclical capital buffers are already above pre-pandemic levels, mainly due to vulnerabilities in the real estate sector.

**3. Global financial conditions have tightened since the last Comef meeting.** Central countries signaled that the removal of monetary stimuli may occur at greater speed or intensity. This triggered a significant repricing of certain assets and an increase of funding costs in global markets. More recently, the escalation of geopolitical tensions also contributed to heightened uncertainty, mainly about the dynamics of international commodity prices, and to the volatility of financial markets.

**4. The materialization of extreme scenarios of financial assets repricing in the global markets could lead to a significant impact in emerging economies.** The normalization of monetary and macroprudential policies in these jurisdictions and the transparency in the conduct of monetary policy by the main advanced economies can act as mitigation factors to this risk.

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

**5. The growth of broad credit remains consistent with current economic fundamentals.** The growth of credit to households accelerated, with emphasis on the modalities with higher returns and, consequently, with higher risks. Credit to micro, small and medium-sized enterprises has slowed with the end of government programs but continues to grow above the pre-pandemic period. Larger companies, in turn, have mainly accessed capital markets, which remain heated.

**6. Provisions remain adequate, above expected losses estimates.** The materialization of losses from the pandemic has been lower than expected. The increase in revenues of companies in general and the reduction of leverage of publicly listed companies contribute to the reduction of the materialization of credit risk. For households, problematic assets and credit portfolio have grown at the same pace.

**7. Capitalization and liquidity of the SFN were preserved above prudential requirement levels.** Liquidity remains adequate, even with the reduction of voluntary buffers constituted at the beginning of the pandemic. The level of capital remained stable and higher than required. Profitability is recovering, despite the pressure of increased borrowing costs.

**8. 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.

### C) Main points of attention

**9. FIs risk appetite keeps rising, with particular reference to some modalities of credit to households.** This should raise delinquency, although within historical standards. Consumer credit has grown mainly to riskier borrowers. On the other hand,

although real estate credit origination remains historically high, its momentum has cooled down due to rising interest rates, which generates pressure on the funding and on the spread of this modality. The Comef considers that it is important that financial intermediaries continue to preserve the quality standards of loan originations.

**10. Global financial conditions tightened.** The materialization of extreme financial assets' repricing scenarios in the global markets due to monetary tightening and geopolitical risks could lead to a significant impact on emerging economies. More recently, the escalation of geopolitical tensions increases uncertainty about the prospective outlook of the global economy. Given the reduced foreign exchange exposure and the low dependence on external funding, the Comef deems that the SFN's exposure to the immediate effects of current international tensions is low.

**11. The Committee is attentive to the recent developments in the international scenario and remains prepared to act, by minimizing any exacerbated spillover on the prices of local assets, in particular through the foreign exchange market channel.**

#### **D) Macprudential policy decision**

**12. 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 considering Comef's expectations about credit growth. In this sense, macroprudential policy will conclude the reversal of the incentives adopted in 2020 by fully reinstating the Capital Conservation Buffer (CCoB) next April. Available information indicates that asset prices' dynamics has been benign.

**13. The pace of credit growth tends to ease, thereby reducing risks in the outlook, but uncertainties remain.** Credit to households has been growing faster in the riskier modalities. The reduction of household income available for the repayment of debts and a worse than expected economic performance could result in a rise in payment delinquencies. Thus, the Comef continues to recommend that FIs maintain prudence in credit and capital management policies.

**14. The Comef decided that, given the current conditions and the economic outlook, 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 tighter financial conditions, the asset prices, and the expectations regarding the evolution of the credit market.

