



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

September 1<sup>st</sup>, 2022

**Date:** September 1<sup>st</sup>, 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 de Oliveira Campos Neto  
*Governor*

Bruno Serra Fernandes  
*Deputy-Governor for Monetary Policy*

Carolina de Assis Barros  
*Deputy-Governor for Administration*

Diogo Abry Guillen  
*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*

Otávio Ribeiro Damaso  
*Deputy-Governor for Regulation*

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

Renato Dias de Brito Gomes  
*Deputy-Governor for Licensing and Resolution*

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

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:**

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

Alan da Silva Andrade Mendes – *Head of the International 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*

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

Arnildo da Silva Corrêa – *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 – *Head of the Resolution and Sanctioning Action Department*

Cristiano de Oliveira Lopes Cozer – *General Counsel*

Eduardo José 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*

Juliana Mozachi Sandri - *Head of the Conduct Supervision Department*

Laura Soledad Cutruffo Comparini – *Deputy Head of the Department of Economics*

Leonardo Martins Nogueira – *Executive-Secretary*

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

Mauro Zanatta – *Press Officer*

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 Teixeira Leite Mourão – *Head of the Licensing and Resolution Deputy-Governor's Office*  
Rogério Antonio 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.

**2. The global outlook has deteriorated since the last Comef meeting.** Inflation remains high, leading most central banks to tighten monetary policy further. As a result, global financial conditions have deteriorated, leading to asset repricing and to an increase in financing costs. In China, the zero-Covid policy combined with the contraction of the housing market continue to be obstacles to the recovery of the pace of economic growth. In Europe, the geopolitical conflict continues to cause disruptions in the supply of gas and other energy commodities, with consequences for inflation and economic activity, aggravating the risks of recession in the region. Given all these factors, the prospective outlook for global growth has worsened.

**3. The deterioration of the global macroeconomic outlook has not yet led to a relevant increase in non-performing loans, but it has led global systemically important banks (GSIBs) to preemptively increase provisions.** Faced with the more challenging macroeconomic scenario, several jurisdictions maintained or increased their countercyclical capital buffers to strengthen banks' resilience. Risks in the real estate sector also contributed to the tightening of macroprudential policies.

**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 continue to 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.** Credit to households continues to increase more rapidly in operations with higher risk and return and in operations linked to payment transactions. Credit to micro, small and medium-sized enterprises maintained its growth rate. Larger companies, in turn, have mainly accessed capital markets, but have also increased operations with the banking system recently.

**6. Provisions remain adequate, above expected losses estimates.** Regarding credit for companies, the materialization of credit risk remained stable, except for micro-enterprises. The percentage of problem assets related to this group started to increase, even with the large expansion of the loan portfolio. In the case of households, the growth of the problem asset portfolio has exceeded that of the loan portfolio. This trend should continue with the growth of credit in riskier modalities.

**7. Capitalization and liquidity of the SFN were preserved above prudential requirement levels.** Banks continue to optimize their liquidity management in order to eliminate excesses and to adapt to current market conditions and to competition for funding. The system has maintained sufficient liquid assets to absorb potential losses in stressed scenarios and to comply with current regulations. The capital level remained stable and higher than required. Profitability is stable, at the average of recent years. Credit margins net of provisions are at historic lows, which has been compensated by an increase in income from treasury assets.

**8. Stress tests' results show that the system is resilient.** In the evaluated macroeconomic stress scenarios, the system would not face important problems.

### C) Main points of attention

**9. FIs risk appetite keeps rising, especially in credit to households in some modalities with higher risk and higher return.** Credit card operations and consumer credit grow at a high pace. Problem assets in these modalities have increased, but still within historical standards. 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 eventual materialization of extreme financial assets' repricing scenarios in the global markets due to monetary tightening, recession risks and geopolitical risks could lead to a significant impact on emerging economies. Comef deems that the SFN's exposure to exchange rate risk is low and the dependence on external funding is small.

**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.**

### D) Macroprudential policy decision

**12. The COMEF judges that the neutral macroprudential policy remains adequate for the current moment, characterized by the absence of significant accumulation of financial risks.** Considering COMEF's expectations on credit growth, there is no need to adjust macroprudential policy in the short term.

**13. Asset prices and credit growth are not a concern in the medium term, although there are uncertainties to be monitored.** The growth in modalities with higher returns and, consequently, with greater risks indicates a tendency for an increase in delinquency, but still within historical standards. Household indebtedness and debt service ratio have increased. In the case of legal entities, there is already an increase in problematic assets in micro-enterprises. Thus, substantial frustration in the performance of economic activity can result in an increase in credit risk. The information available indicates that asset prices have behaved in line with economic fundamentals. 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 come into effect only one year after a decision by the Comef. The decision considered the restrictive financial conditions of the domestic and international environment, the asset prices, and the expectations regarding the evolution of the credit market.

