INDEPENDENCE OF THE SUPERVISOR: THE CASE FOR BRAZIL

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Such statements or comments will not constitute additional signaling on the future course of policies under the responsibility of the BCB.

Interpretations based on this meeting do not represent, necessarily, the institutional position of the BCB.
Independence is an important issue

Monetary Policy

Banking Supervision
Independence Status for the BCB

De facto
for more than 20 years

BCB

De jure
draft law is in the Congress
The Case for Systemically Important State-owned Banks (SISoB)
Are SISoB representative in the Brazilian market?

Assets market share

SISoB hold about 1/3 of total assets
Are SISoB representative in the Brazilian market?

Credit market share

and about

40% of credit in the banking system

Credit from Brazilian banks
(% of total bank sector credit)
Do SISoB receive the same supervisory treatment of Systemically Important Private Banks (SIPB)?
Lato Sensu Supervision

Regulation

Supervision

Licensing

Resolution
Regulation

The very same prudential and conduct rules apply to SISoB and to SIPB
Supervision

The same approach and intensity for prudential and conduct supervision for the Segment 1 (SISoB and SIPB)

Full twin peaks model
Staff distribution for supervision

![Bar chart showing staff distribution for supervision.](chart.png)
Specific on- and off-site supervisory analyses
Similar prudential indexes

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<th>Public B</th>
<th>Private C</th>
<th>Private D</th>
<th>Private E</th>
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<td>18,9%</td>
<td>19,6%</td>
<td>17,8%</td>
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<td>15,0%</td>
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<td>9,7%</td>
<td>17,4%</td>
<td>10,7%</td>
<td>8,5%</td>
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Regulatory Capital to risk-weighted assets
Liquid assets to total assets
“While the BCB appears to enjoy de facto operational independence, this is not a full substitute for independence that is confirmed in and backed by law, and is subject to due process of accountability.”

FSAP - 2018
Core Principle 2

CP2 - Independence, accountability, resourcing and legal protection for supervisors

- Legal Framework
- Term of Board members
- Dismissal of Board members
- Legal protection of supervisors
Eliminating the gaps raised by FSAP

3 Draft Laws

- Central Bank Autonomy
- Financial Stability
- Bank Resolution Regime
Necessary improvement on licensing and resolution
How to move ahead

Approval for Board Executives at Federal SoB: Draft Law is in Congress

Banking Resolution: equal treatment in Resolution Draft Law
How has BCB obtained *de facto* independence?

Long row of **governors’ positioning** for independence

Hiring process, job stability and closed career **mitigates** political influence

**Corporate culture** that fosters independent behavior (*ethics, excellence, focus on results and commitment with the BCB*)
Takeaways

Importance of **equal treatment** for all banks.

*De jure* independence is important, but *de facto* is key.

Independence is not granted. It must be built and maintained.
THANK YOU

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