



3ª Reunión de la Federación Iberoamericana de Fondos de Inversión

Euridson de Sá Junior

ANBID – National Association of Investment Banks

Cancún – MEXICO

July, 2009

- IOSCO and the Subprime Crisis (2008);
- IOSCO and the Financial Turmoil (2008/2009);
- IOSCO Standing Committees - Asset Management;
- Supervision of the Brazilian Investment Fund by ANBID.

IOSCO and the Subprime



- Amendments of the Code of Conduct Fundamentals for Credit Rating Agencies (CRA);
 - ✓ 19 amendments related to quality and integrity of the process, conflict of interest and responsibilities to the interesting public and issuers;
- Market transparency and investor due diligence;
- Risk Management and prudential supervision;
- Valuation and Accounting issues;

IOSCO and the Financial Turmoil (2008/2009)



- Iosco as member of the Financial Stability Board started to support the G20;
- Code of Conduct for Credit Rating Agencies
- Principles for the Regulation of short selling
- Oversight of hedge funds;
- Principles for offering of asset-backed securities;
- Investment manages due diligence (structured products);
- Financial Crisis Impact on Emerging Markets;

Standing Committees – Asset Management



Short Term Agenda

- Investment Manager Due Diligence;
 - ✓ Submitted to the IOSCO Technical Committee – June
- General Principles for Funds of Hedge Funds;
 - ✓ Submitted to the IOSCO Technical Committee – June
- Point of sale - disclosure to retail investors;
 - ✓ Submitted to the IOSCO Technical Committee – June

Standing Committees – Asset Management



Medium Term Agenda

- Private Equity Conflicts of interest;
- ETF;
- Real State Funds;
- Valuation of collective investment schemes;
- Soft commission arrangements for investment funds;
- Money Market Funds

- National Association of Investment Banks is the main representative of the financial institutions operating in the Brazilian capital markets;
- Act as a self-regulation upon the adoption of standards which are normally more rigid than those required by the applicable legislation;
- Leader source of information for the country's capital markets;
- Approximately 120 staff ;
- About 700 executives representing member institutions divided among the organization's 40 different bodies.

ANBID – Regulation and Best Practices

Historical background

- In the mid-90s started in ANBID the discussion on the topic self-regulation;
- **1998** marks the beginning of ANBID as a Self-Regulation entity;
- 2000 – Investment funds Regulation Code is launched
- 2005 – ANBID joined the IOSCO Committee of the Self-Regulatory Agencies;
- **2007** – Complementary to its self-regulation activities, ANBID launches the Processes Regulation Code;
- 2008 – Signing of Agreements with Brazilian Securities and Exchange Commission (CVM);
- **2009** the Self-Regulation area changed its name to Regulation and Best Practices

ANBID – Regulation and Best Practices



(*) O Código de Serviços Qualificados ao Mercado de Capitais incorporou o código de Custódia Qualificada e inclui o capítulo de Controladoria.

ANBID- Market Supervision Programs



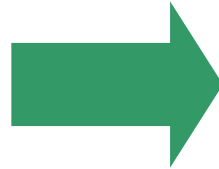
Public Offering of Securities	Registration and analysis of all Offerings.
Investment Funds	Registration and analysis of funds documents (regulation and prospectus), marketing material, mark to market manuals and statistic filters.
Certification	Programs to certificate financial and capital market professionals and Annual audit program – process based supervision.
Securities Services	Annual audit program – risk based supervision.
Private Banking	Annual audit program – risk based supervision.

Investment Funds Supervision – Historical Evolution

- **2000 – Mutual Funds Code has been launched**



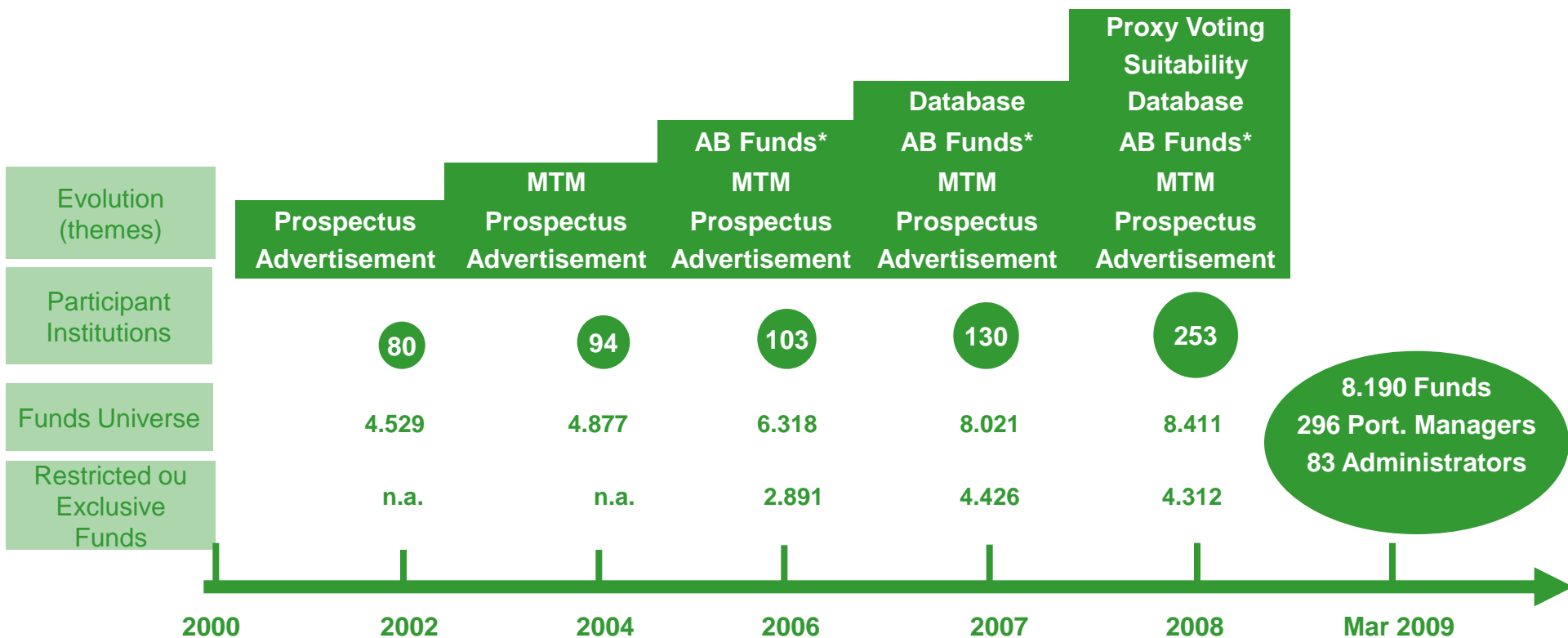
Prospectuses



Advertisement

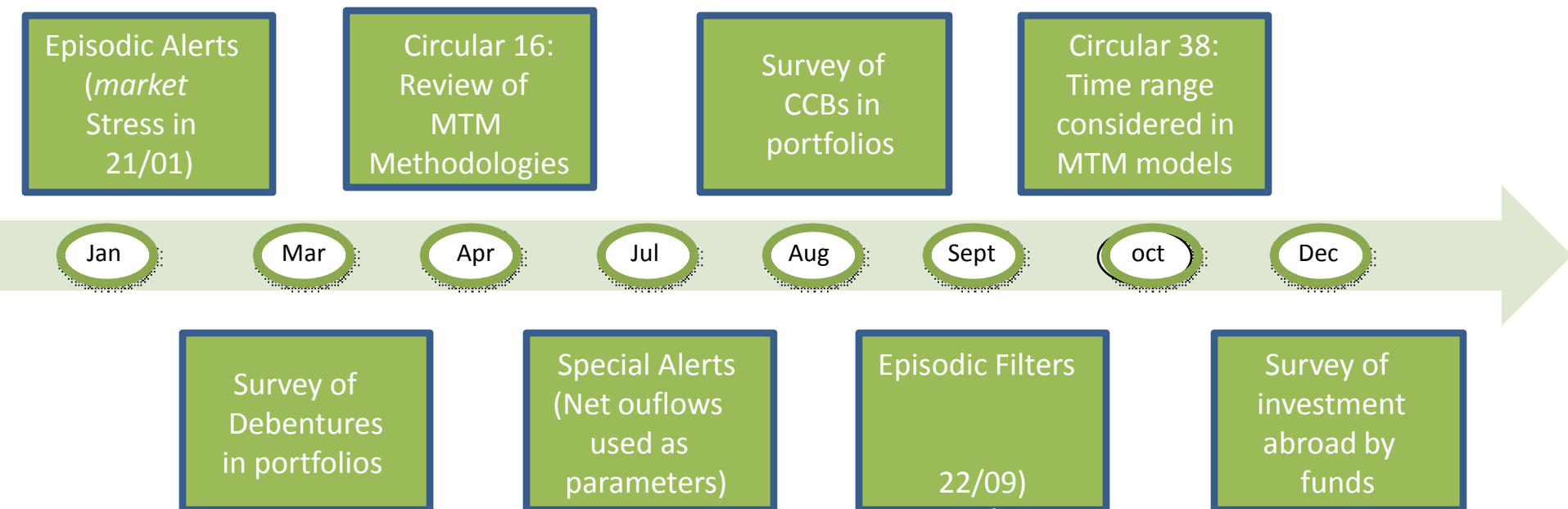
- Focus on investor information
- Exhaustive analysis of prospectuses (around 15.000 since 2000).

Investment Funds Supervision – Historical Evolution



(*) Asset Backed Funds

Activities During the Crisis



Ano	Routine and Episodic Alerts	Surveys	Actions
2007	769 Analysis	86 Analysis	10
2008	960 Analysis	916 Analysis	1*

* PAI aberto em 2008. Processo instaurado em 2009.

Mark to Market

- Cisis demanded special attention to the MtM of Credit Spreads:
 - Circular 16, of 11/Apr/08, “Review of Methodologies”
 - Circular 38, of 10/Oct/08, “Periodic reexamination of credit spreads”
- Supervision: continuous monitoring of a *peer group* of 40 funds:
 - Larger fixed income funds of the Industry, total net assets of R\$ 160 bi.
 - Necessity of models that accurately reflect market reality;
 - Quest for price convergence.
- Continuous monitoring of credit events (defaults, rating reviews, etc)
 - Evaluation of price reviews by providers.

Mutual Funds Industry in Brazil

- Out of the crisis epicenter;
- Absence of relevant problems with investors;
- Regulators/supervisors acted in advance;
- Industry practices are more conservative;
- Self-Regulation as a plus;

Improving Supervision

- Supervisory annual plan based on a risk based approach
- Vertical and horizontal supervision – direct contact with senior management and with areas related to internal controls (e.g.: compliance, risk, etc);
- Strategic approach – alignment between controls and business strategies.
- An Action Plan is established regarding audit issues with the participation of the areas related to internal controls.

Other Improvements ...

- New Products Committee;
- Improvement of the supervision of “structured funds” (asset backed and private equity/venture capital funds);
- Cooperation with regulators (MOUs);
- Professional improvement (IOSCO)