

Brazil Proposes Banks Create Taskforce to Manage Credit Risk

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Brazil's central bank is proposing that lenders in the country create a joint taskforce to manage credit risk, as the worst U.S. financial crisis since the Great Depression raises concern on the quality of loans.

The proposal, which is out for public consultation until Nov. 18, involves the lenders establishing a team from among their staff to assess the risks in their credit portfolios, according to a statement on the bank's Web site.

"The recent external economic turmoil shows that inadequate practices in the management of credit portfolios has had a decisive role in deepening the losses at some of the world's biggest and most complex financial institutions," the central bank said in the statement.

The proposal came after the collapse of Lehman Brothers Holdings Inc. and the U.S. bailout of insurer American International Group Inc. dragged down the price of Latin America's stocks and currencies.

Brazilian banks will have until June 2009 to agree on a director to lead the initiative. The entire proposal will have to be approved by the country's monetary council.

Source: Bloomberg