



Annual Report

AR
2022



**BANCO CENTRAL
DO BRASIL**

Summary

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Report by the Governor

Throughout 2022, economic activity in Brazil carried on its recovery. The international scenario, however, was characterized by global growth deceleration, driven by the tightening of financial conditions in the major economies, the difficulties in the energy supply to Europe, as well as the challenging environment for growth in China, partially reflecting policies to face Covid-19.

In the domestic scenario, the Banco Central do Brasil (BCB) was able to quickly identify the persistent nature of inflation and timely started the monetary tightening cycle in March 2021. As a result, a process of inflation reduction is underway. It is important to emphasize that the monetary tightening process should ensure the convergence of inflation to the limits established by the inflation target framework.

It is also the BCB's role to safeguard financial stability with a close eye on the key risks and on the resilience of the National Financial System (SFN). Analyses conducted by the BCB indicate an increased confidence degree of market participants in the SFN resilience.

Looking at the relevant challenges for the Brazilian economy, it is clear the importance of promoting a sustainable and inclusive economic growth. For this purpose, the BCB has undertaken several initiatives within the scope of its strategic agenda, the Agenda BC#, which is organized in five dimensions: inclusion, competitiveness, transparency, education, and sustainability.

In 2022, it is worth mentioning the performance of the Brazilian instant payment system (Pix) and its new facilities "Payments Starter", the "Pix Saque" (Withdrawal using Pix), and the "Pix Troco" (Change in cash paying by Pix). Pix transactions exceeded more than 30 billion transactions, involving more than 141 million users, in only two years of existence. Pix plays an important role in enabling new business models and fast payments as well as promoting people's financial inclusion. The BCB considers that this financial inclusion will be effective only if associated with financial education. One initiative that illustrates this belief was the *Aprender Valor* program, whose expansion at the national level has the potential to provide financial education to more than 20 million students from public elementary schools.

The progress in the implementation of the Open Financial System (Open Finance) is also noteworthy. It enables consumers of financial services to use their financial information to their benefit. Open Finance has contributed to increasing the quality and quantity of services provided by financial intermediaries, while favoring the reduction of prices charged for these services. In fact, the continuous evolution of Pix and Open Finance are the foundations of a new financial services ecosystem in Brazil. In this regard, studies and discussions for the creation of the Digital BRL illustrate the natural evolution of the Agenda BC#.

This Report is part of the BCB's accountability in 2022 and is structured in three chapters. The chapter "Who we are" presents a description of the BCB organization, its governance and strategy. The chapter "Our Strength and Our Resources" deals with the evolution of the BCB's capacities and resources devoted to the development of its activities. The most valuable resources are not only the strong sense of commitment and duty of our workforce, the knowledge they have and the network of relationships they maintain, but also technological, financial, infrastructural, and natural resources. The chapter "Our Results" presents the main achievements and benefits these results produced for the Brazilian society.

Finally, I assure the integrity of this Annual Report, prepared with the participation of the various areas of the BCB. The Portuguese version was approved by the Governance, Risks and Controls Committee of the BCB, pursuant to Vote 16/2023-BCB, of March 16, 2023, and was made available to society and to the Federal Court of Accounts (TCU), as required by law. Unless otherwise stated, if any discrepancy arises due to translation, the Portuguese version shall prevail.

Enjoy the reading.



Roberto Campos Neto
Governor

Report by the Governor

Convergence of inflation to target



Pix

Open Finance

Liquidity Facilities (LFL) to Financial Institutions

WHO WE ARE



“Aprender Valor”

Sustainable finances in the SFN

Receivables

Sound and stable SFN

- Convergence of inflation to target
- Level of compliance of financial institutions with capitalization requirements

99.9%

OUR STRENGTH AND OUR RESOURCES

OUR RESULTS



WHO WE
ARE

Business model and external outlook

The BCB is an autonomous federal agency whose mission is to ensure the stability of the currency purchasing power, to foster a sound, efficient and competitive financial system, and to promote the economic well-being of society.

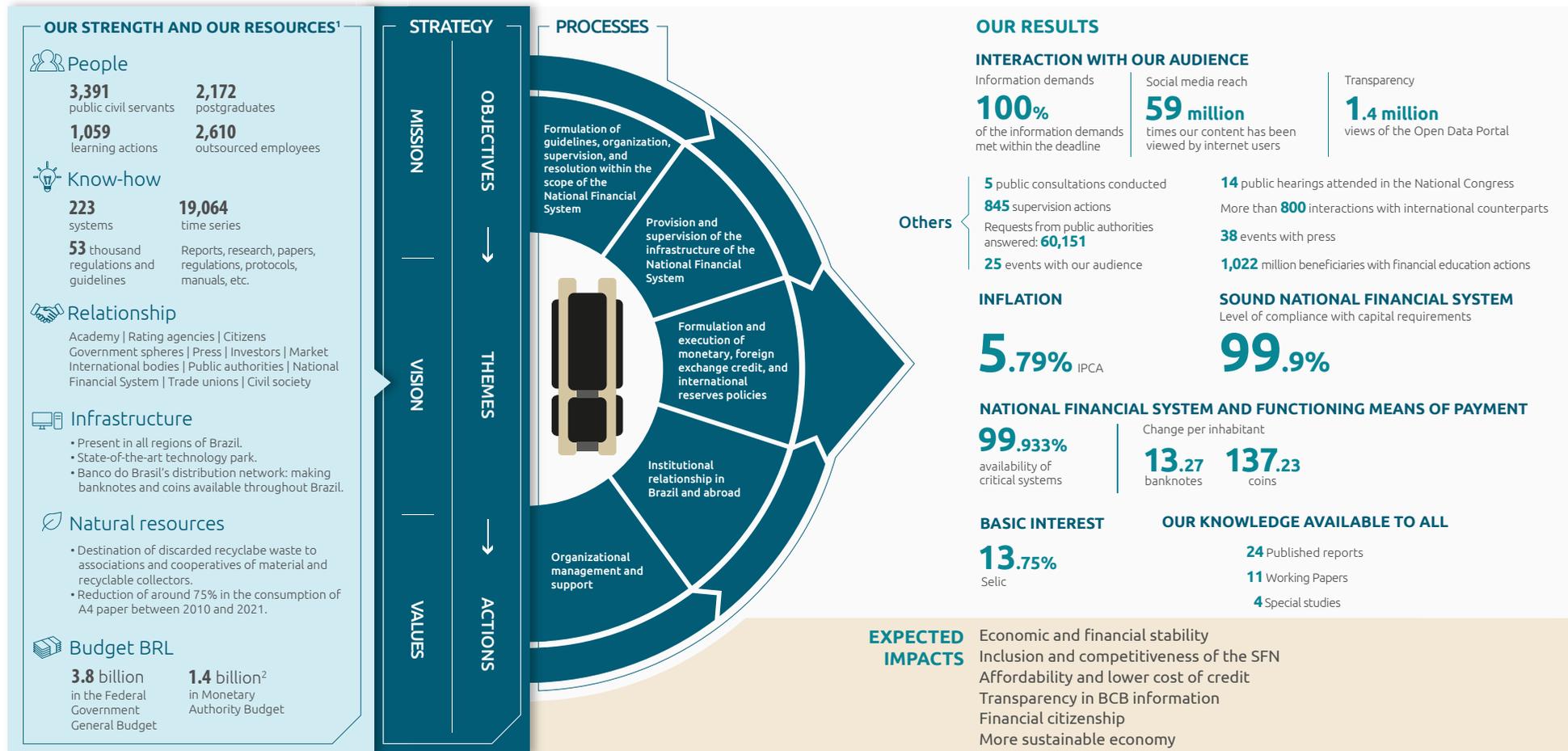
The Business Model explains how the BCB generates value over time by means of its personnel, the relationships it cultivates and the available resources, through work processes aligned to its strategy. The BCB's Business Model is presented below.

WHO WE
ARE

OUR
STRENGTH
AND
OUR
RESOURCES

OUR
RESULTS

Business model and external outlook



1 Learn more about our strengths, our resources, and our results in the following chapters, where each of the numbers that are briefly presented on this page are explained in more detail.

2 The monetary authority budget (OAM) primary expense.

Business model and external outlook

In recent years, the global economy has undergone changes that significantly affected society. Remote work became a reality for a considerable part of the world's population. Digital means were increasingly adopted for acquiring goods and services and doing business. Countries around the world have taken actions to hasten the transition to sustainable, clean energy production. The Covid-19 pandemic – and later the Russian-Ukrainian war – accelerated even more these changes.

At the beginning of the pandemic, the global economy was expected to face depression. This scenario was prevented by the implementation of economic support programs by governments. These programs expanded the supply of liquidity in the economy and were able to alleviate the suffering of households and prevent many companies from going out of business.

While helping to soften the most immediate effects of the pandemic on the economy, the support policies also produced unanticipated effects. Cost increases in various sectors of the global supply chain are an example of this, as it is the imbalance between the economic activity of goods and service sectors. It is also noteworthy the increased demand for energy in a context of energy transition. Another effect of the crisis measures was to raise the level of liquidity in the global economy, which has inadvertently intensified investors' search for yield on global markets.

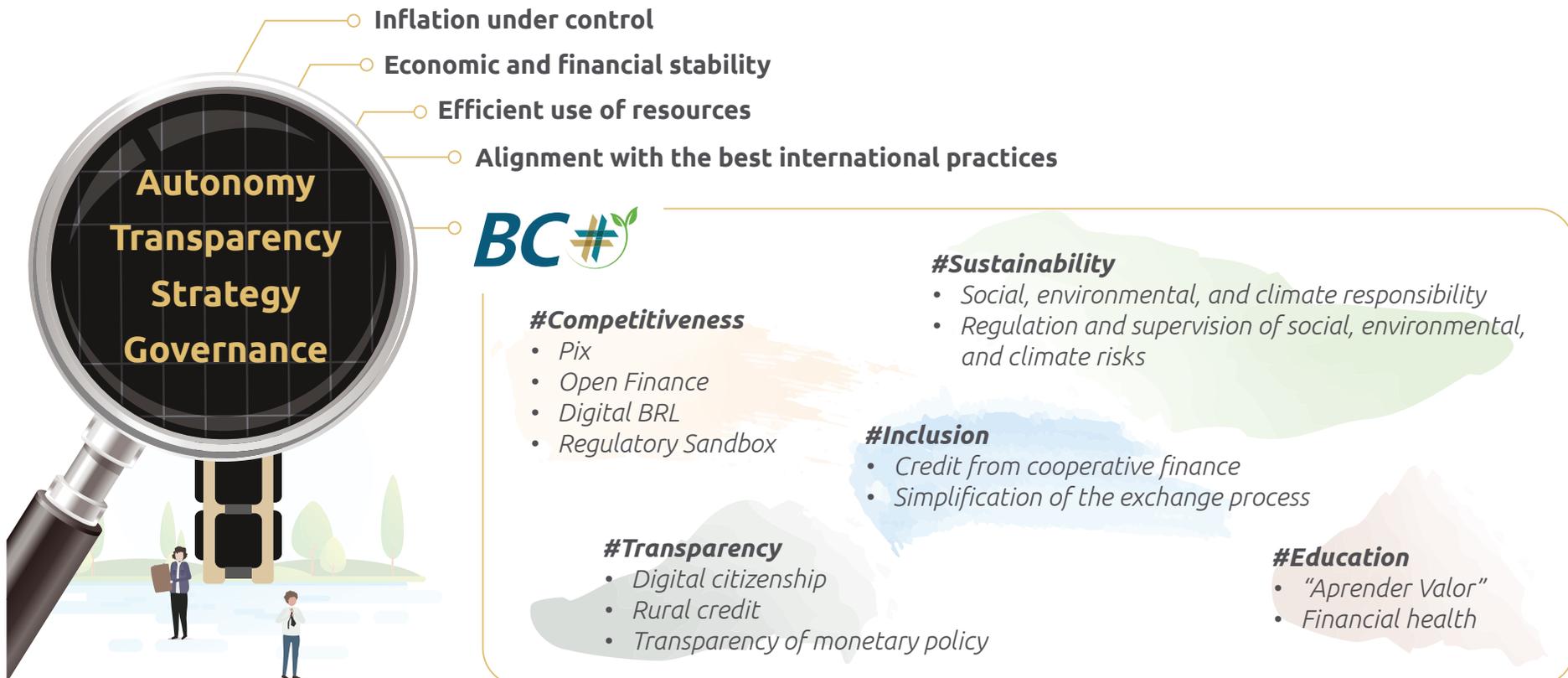
The war between Russia and Ukraine has contributed to intensifying this adverse scenario, bringing energy difficulties to Europe and problems in the fertilizer sector. Governments have responded with new packages of measures to address rising food and energy prices. All these elements have produced a complex environment for the future, in which inflationary pressures will be more persistent. In this new context, demand shocks are likely to make inflation more volatile.

Looking ahead, 2023 should present a challenging scenario for global economy and for emerging countries. Global economy tends to slow down in 2023. In this scenario, rising international interest rates promote an increase in international financing costs, a decrease in capital flows to emerging economies, and a tightening of financial conditions. The focus on fiscal balance and structural reforms will be essential to promote sustainable and inclusive growth. Therefore, despite the recent improvement in the inflationary picture, it is important to note that inflationary pressures will still be present in 2023. Accordingly, it is necessary that the BCB remain vigilant and active in fighting inflation.

Business model and external outlook

WHAT STOOD OUT IN THE BCB PERFORMANCE IN 2022

Defining what is important to be highlighted by this report is a task that comprises several stages and relies upon several information sources. Throughout the year, the Board of Governors' resolutions and the BCB's strategic actions are monitored by analyzing Votes and Communications. Votes are formal documents that aim to submit a matter that must be decided by the Board of Governors. They state the reasons for the decision. The purpose of documents that are named Communications is to make the Board of Governors aware of decisions adopted, measures implemented, or actions to be taken. Based on these sources, a list is constructed with major themes that were important to the performance of the BCB in 2022, as illustrated below:



Business model and external outlook

AWARDS RECEIVED IN 2022

In 2022, Pix was awarded several prizes. In November 2022, Pix won the *Prêmio iBest* as the best digital initiative in the Brazilian federal government. In addition, it received the *Prêmio BandNews Marcas Mais Admiradas do Brasil* (Most Admired Brands of Brazil BandNews Award). Pix also won the 25th *Concurso de Inovação no Setor Público* (Public Sector Innovation Contest). Moreover, Pix won the 2022 Central Banking Awards, under the category Payments and Market Infrastructure Development, given that its “introduction has radically improved payments infrastructure in the country, reduced frictions related to payments use and facilitated financial inclusion”.

Moreover, the BCB’s **Open Finance** project won the 2022 **FinTech RegTech Global Awards** in the Data Management Initiative category. The Open Finance introduces a new and transformative concept for financial systems around the world to ensure more competitiveness, efficiency, and inclusion. This innovative arrangement puts the consumer at the center of this change, as the owner of the data that can be shared. Held annually by Central Banking, the Fintech & Regtech Global Awards recognize the best initiatives from central banks around the world.

The BCB also received another recognition for the Open Finance, being chosen as the top-ranked regulators by **Open Future World**, which maintains a global directory of open data initiatives. In the first edition, the BCB was ranked 20th in the general ranking, which includes the most interesting companies that deal with or develop Open Finance. The ranking was based on the number of positive mentions of companies and institutions in news in its specialized portal on the theme throughout 2021, recognizing the organizations mentioned in the most interesting headlines and opinion articles in Open Finance.

Governance, structure, and integrity

The BCB is chaired by its Governor and its Deputy Governors, who make up the Board of Governors. All of them are nominated by the President of the Republic and approved by the Federal Senate. The BCB's Governor and Deputy Governors have a four-year term, not coincident with the term of the President of the Republic. The Deputy Governors' terms begin alternately (two appointments per year). The Governor and the Deputy Governors may be reappointed once.

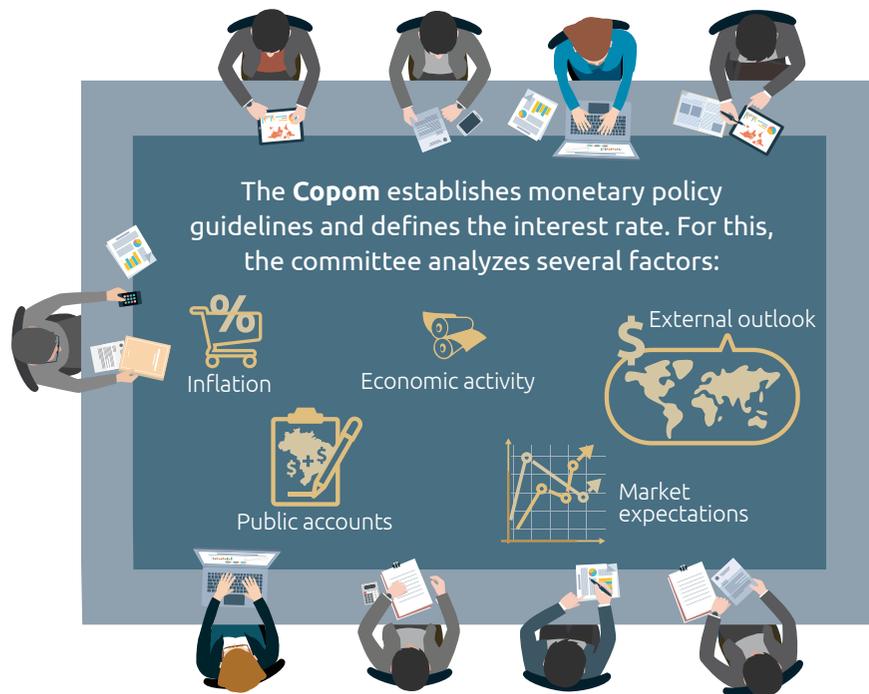
The BCB's Governor represents the institution in the country and abroad and interacts with foreign financial institutions and international organizations, on behalf of the Brazilian government. In addition, it is up to him to enact a resolution regime in institutions supervised by the BCB and designate the person responsible for conducting the process.



Governance, structure, and integrity

The Governor and Deputy Governors of the BCB comprise the following deliberative committees:

- » The **Monetary Policy Committee** (Copom), which defines the target of the economy's basic interest rate (the Selic interest rate) and publishes the Inflation Report;
- » The **Financial Stability Committee** (Comef), which establishes guidelines for maintaining financial stability and preventing the materialization of systemic risk, i.e., the risk of a halt on essential financial services to families and companies, with significantly damages to the Brazilian economy; and
- » The **Governance, Risks and Controls Committee** (GRC), which defines guidelines related to corporate governance, strategy and risk management and internal controls.



The **GRC** sets guidelines and monitors activities related to:

- Corporate governance
- Strategic management
- Risk management and internal controls

Comef seeks to preserve financial stability and mitigate systemic risk.

If there is any indication of a problem that impacts the system, the committee determines studies and recommends new standards.



The Committee is vigilant to put the financial services consumers, investors, workers and companies minds at rest.



Information related to the soundness and the efficiency of the financial system



Economic data



International outlook



Governance, structure, and integrity

The departments are subordinated to the Governor and Deputy Governors and carry out the activities of each area of competence. The BCB is headquartered in Brasília and has regional branches in nine state capitals. The organizational chart is available [here](#).

The internal instances that support governance are the Executive Secretariat, the Ombudsman, Internal Audit, the General Counsel's Office, and the Department of Professional Conduct.

Executive Secretariat: secretariat the collegiate meetings attended by the Governor and the Deputy Governors, including the **National Monetary Council (CMN)**; manages and keeps updated the *Busca de Normas* (search for standards tool) for consultation by the society in general; promotes the articulation of the various BCB areas, the strategic monitoring, the management of projects and programs, the improvement of corporate governance and the monitoring of institutional results.

The BCB's Office of the Ombudsman: receives complaints, compliments, and suggestions about the services provided by the BCB, in addition to formal allegations against its employees. It contributes to improving the quality of services and reinforcing institutional transparency.

Internal Audit: through objective and proactive assurance and consulting activities, it seeks to map and

mitigate conditions that could harm the fulfillment of the institutional mission and the achievement of strategic objectives. To do so, it focuses its engagements on evaluating and improving the effectiveness of governance, risk management and controls. The combined actions of the internal and external audits, hired to assess the reliability and transparency of published financial statements, aim to ensure excellence in accountability to society.

General Counsel's Office – Legal Department (PGBC): acts in defense of the BCB and carries out, internally, legal consultancy and advisory activities. The PGBC also follows up on lawsuits against the BCB filed by either its own employees or employees from companies who provide outsourced services. By the end of 2022, there were a total of 1,311 lawsuits of this kind.

Department of Professional Conduct (Coger): its main duties are to prevent and to investigate the misconduct of the BCB's civil servants. It is part of the Correction System of the Federal and Executive Branch. The Coger acts whenever faced by complaints and *ex officio* when it identifies potential disciplinary violations during its routine activities.

The BCB's governance structure is complemented by external players that contribute to guiding and overseeing BCB's practices. Such actors are represented by society

itself and by bodies of the Executive, Legislative and Judiciary branches.

The BCB also shares experiences, adopts best practices, and follows governance recommendations from various international bodies, notably the Bank for International Settlements (BIS), Group of 20 (G20), the Financial Stability Board (FSB), the International Monetary Fund (IMF), the Financial Action Task Force (FATF) and the Network for Greening the Financial System (NGFS), among others.

Correctional units

The Coger and the PGBC are the correctional units of the BCB.

They analyze requests from civil servants about the existence of conflicts of interest between private activities and the activities they are involved in the BCB.

The Coger also acts in administrative proceedings brought against entities that have committed harmful acts against the public administration.

The data concerning the correctional activity developed by the Coger and the PGBC can be consulted on the BCB's website.

Governance, structure, and integrity

GOVERNANCE

The BCB's governance practices follow the recommendations of federal control bodies, governance codes and international bodies, in addition to mirroring, as far as possible, the best practices of other central banks.

The BCB governance model represents the desirable balance between compliance and performance, translated into governance practices divided in six fields: autonomy, leadership, strategy, accountability, integrity, and transparency.

The BCB's ICT specific governance model is formed by a set of structures, mechanisms, and interfaces where roles and responsibilities are mapped.

The guidelines and actions related to governance are formalized in policies and other regulations, such as the Information Security Policy, Information Governance Policy, Integrated Risk Management Policy, Transparency Policy, Internal Audit Policy, and in the Master Plan for Information and Communication Technology.

The Compliance Policy, revised in 2022, indicates the BCB's commitment to adhere to legal rules and standards of conduct. Compliance management enables the BCB to keep the inventory of obligations up to date, which currently has more than nine hundred regulations, to identify new vulnerabilities, to plan and monitor corrective actions.

Throughout 2022, activities were also coordinated aiming towards the adherence to the Brazilian Data Protection Law (LGPD), such as the preparation and release of the second volume of the Data Protection Impact Assessment.

The BCB's governance is assessed on a regular basis by the TCU through the Integrated Public Governance and Management Index (iGG). The scores obtained by the BCB and other public agencies are available on the [TCU's website](#).

In addition to that assessment, the BCB has established improvements in its Governance Index (IgovBC) in 2022. The IgovBC seeks to assess the level of maturity of corporate governance at the BCB, equitably measuring performance and compliance mechanisms. After four years, the indicator was updated to better reflect the institution's governance model. The practices that make up the indicator were extracted from several sources, such as the TCU's governance questionnaire, the Governance Policy of the Federal Public Administration, and the legislation of other central banks.

The IgovBC is part of the set of thirty Key Performance Indicators (KPIs) of the BCB. The following section provides more information about the IgovBC and the other KPIs.

INTEGRITY

High standards of conduct and promotion of integrity are part of the BCB's daily routine. Those standards translate in actions such as the Integrity Program, the adoption of a Code of Conduct, the promotion of actions related to active transparency and access to information. Also worthy of mention are the actions for the handling of complaints and the adoption of accountability, among others.

The BCB Integrity Program, launched in 2018, presents a structured set of measures aimed at the adherence to values, principles, and norms of ethical and disciplinary conduct. In addition, it brings together measures for the prevention, detection, punishment, and remediation of fraud. It has three pillars: principles, guidelines, and the Integrity Plan.

The biennial Integrity Plan (2022/2023) consists of 29 actions. In 2022, nine actions were implemented. Some of the actions that stand out are the revision of the BCB Employees' Code of Conduct and the approval of the new regulation for the BCB Integrity Committee.

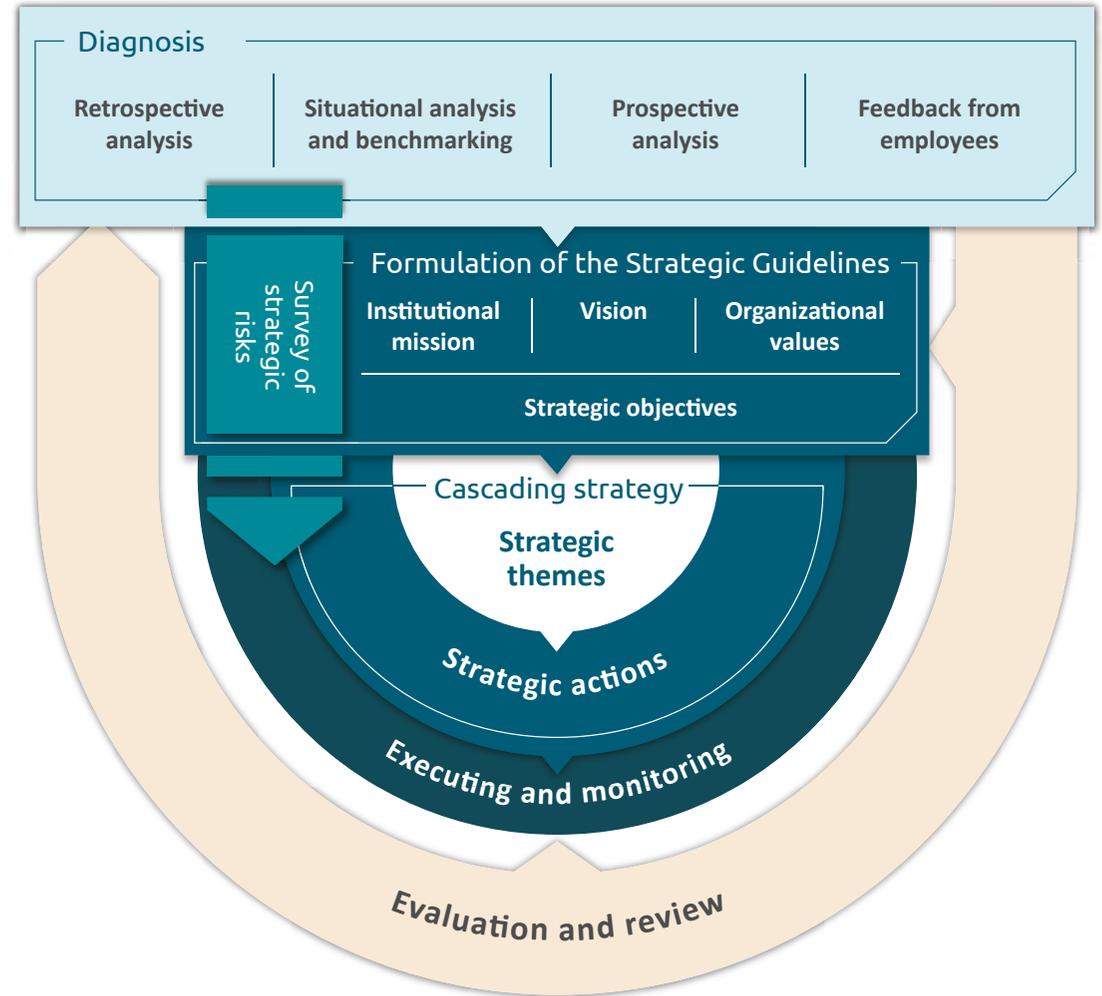
Institutional strategic planning

The strategic planning of the BCB establishes the focus of its activities. The planning cycles last four years and go through the stages illustrated below.

The BCB currently carries out and monitors the **Institutional Strategic Plan (PEI-BCB)** formulated for the period from 2020 to 2023.

Each action has follow-up milestones that ensures its execution at the proper pace and within the established deadlines. Periodically, the Governance, Risks and Controls Committee (GRC) – which has the same composition of the Board of Governors – meets to assess strategic actions and identify the need for planning additional actions. In 2022, some actions were completed or included, and others were adjusted or had their execution plans updated.

The monitoring reports inform the outcomes across the entire cycle and this information is presented on the **BCB's website**.



Institutional strategic planning

2020-2023 Strategic Map

MISSION

To ensure the stability of the currency purchasing power, to foster a sound, efficient and competitive financial system, and to promote the economic well-being of society.

VISION

To be recognized for promoting **INCLUSION**, **TRANSPARENCY**, **SUSTAINABILITY** and **COMPETITIVENESS** within the financial system and for stimulating **CITIZENS' FINANCIAL EDUCATION**.

ORGANIZATIONAL VALUES

- ★ Excellence
- ★ Cooperation
- ★ Integrity
- ★ Focus on results
- ★ Openness to change
- ★ Socio-environmental responsibility

STRATEGIC OBJECTIVES 2020-2023

- ▶ Meet the inflation targets set by the National Monetary Council (CMN) and – without prejudice to the price stability – to smooth fluctuations in economic activity, and to promote full employment.
- ▶ Maintain the national financial stability.
- ▶ Facilitate access to financial markets.
- ▶ Improve the transparency, quality and flow of information between the financial market and the BCB.
- ▶ Foster competition within the Financial and Payment Systems.
- ▶ Stimulate savings and a conscious market participation.
- ▶ Promote sustainable finance and contribute to the reduction of socio-environmental and climatic risks within the economy and the Financial System.
- ▶ Enhance the BCB's capability by means of innovations, technology, efficient use of resources, and alignment with the best international practices.

STRATEGIC THEMES AND ACTIONS

Set of corporate projects, initiatives and priority processes monitored by the Board of Governors.

Institutional strategic planning

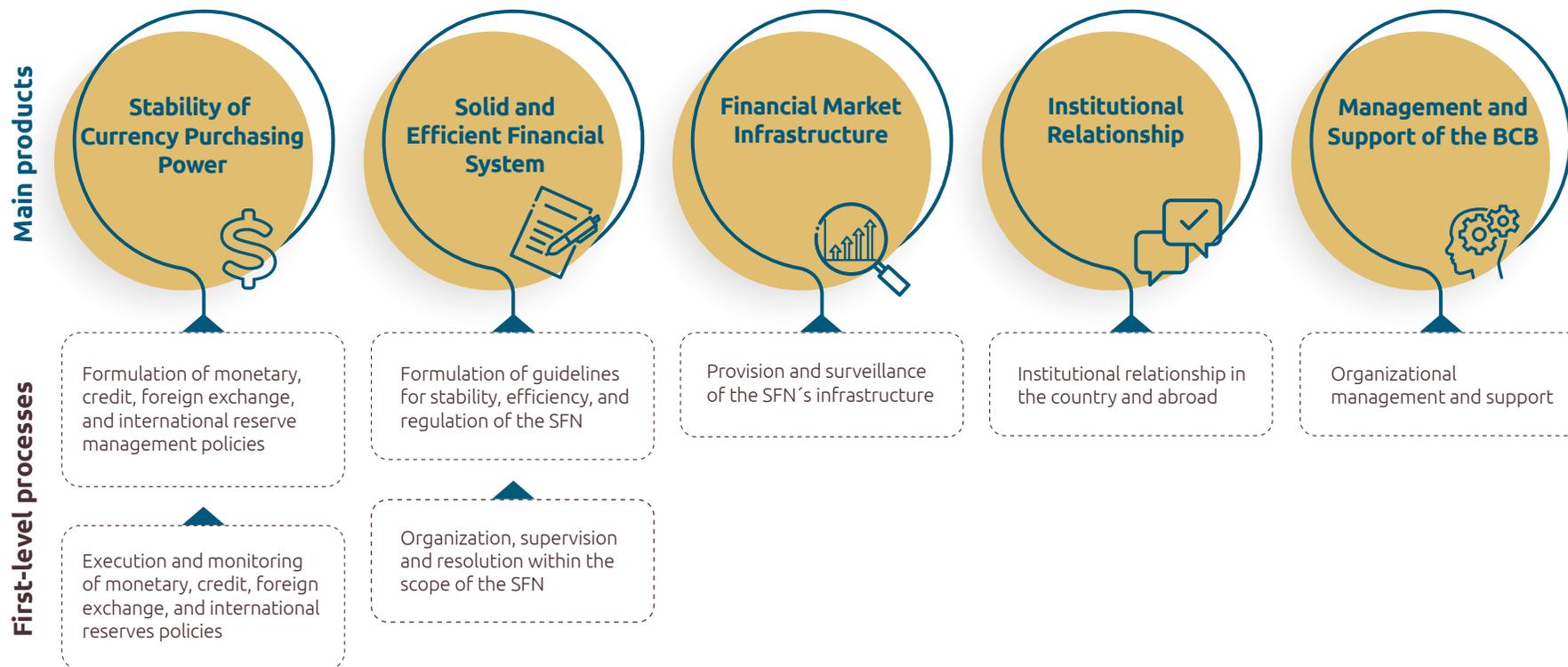
VALUE CHAIN AND KPIS

The **BCB value chain** seeks to encompass all work processes carried out to fulfill its institutional mission. The value chain is a management tool that explains the flow of value addition, i.e., it shows how the outputs of a work

process become inputs for other work processes in a logical chain, until the product or service is delivered to society. The major deliverables to society are called BCB's main products.

The BCB processes are grouped into different levels, according to their scope. Processes of the first level provide a broad view of what the BCB does. The following figure illustrates the five BCB main products and the related first level processes.

Main products and first-level processes



WHO WE
ARE

OUR
STRENGTH
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OUR
RESULTS

Institutional strategic planning

The KPIs monitor the results associated with the BCB's main products. There are thirty KPIs in total.

In 2022, four KPIs were modified. As mentioned before, the IGovBC indicator was updated. The name of the "Extended National Consumer Price Index (IPCA)" indicator changed to "Inflation Target, as measured by the IPCA". The calculation formula for the "Administrative sanctioning process (PAS) decision average term" indicator now excludes from the suspension period of PAS processes under Term of Commitment agreements, which are suspended when they are under review by another area. Lastly, the "Human resources performance index" was altered to be compliant with the latest version of the Public Governance and Management Survey questionnaire from the TCU (Federal Court of Accounts).

The BCB management indicators are available on the BCB's website, where they are linked to their respective main products across the value chain.

This set of KPIs is periodically reviewed to reflect both the strategic changes in the BCB's operations and the balanced representations in relation to the value chain. It is worth mentioning that the adoption of KPIs for monitoring institutional outcomes is aligned with the best corporate governance practices, including those from central banks, as well as adherent to recommendations and orientations from the federal government oversight bodies. The KPIs are periodically monitored by the GRC.

Institutional strategic planning

Stability of
currency
purchasing power



Inflation Target, as measured by the IPCA

Selic rate target achievement index

Improvement of economic projection models

Productivity and quality of studies and research

Number of breaches of the operational limits (guidelines) established for the Investment Management of International Reserves

Solid and
efficient SFN



Level of compliance with the capitalization requirements by the SFN institutions

Administrative sanctioning process (PAS) decision average term

Percentage of authorization processes without loss of legal or normative term

Average period for analyzing acts of concentration

Indicator of Supervision Actions of five BCB departments:

- Banking Supervision
- Credit Unions and Non-banking Financial Institutions Supervision
- Strategic Management and Specialized Supervision
- Conduct Supervision
- Regulation, Supervision and Control of Farm Credit Operations and Proagro

Financial Market
infrastructure



General index on average availability of critical ICT services

Selic availability index

Change index per inhabitant – bank notes

Change index per inhabitant – currencies

Exchange Rate Disclosure Index – real reference by USD (Ptax)

Institutional
relationship



Timeliness in meeting society demands

Timeliness and quality in meeting public authorities demands

Scope index of BCB's financial inclusion actions

Reach on social media

Transparency – Page reach of the BCB's Open Data website

BCB's
management
and support



BCB's Governance Index (iGovBC)

Risk management performance Index

Workforce Effectiveness Index

Human Resources performance Index

Satisfaction of internal client areas regarding services provided by the BCB's Attorney General

Percentage of success in lawsuits

Key Performance Indicators

Institutional strategic planning

RELATIONSHIP BETWEEN THE BCB STRATEGY AND THE 2020-2023 PPA

The PEI-BCB is aligned with the Federal Multi-Year Plan (PPA). The BCB directly contributed to the PPA 2020-2023 through the Monetary and Financial Stability Guarantee Program. The objective of this finalistic program reflects the core of the BCB's mission, since it seeks to ensure the stability of the currency purchasing power and a sound, efficient and competitive financial system, to support the country's sustainable economic development. The BCB also participates in the Management and Maintenance Program of the Executive Branch. Through this program, budgetary resources are obtained to cover costs and investments, such as purchases and acquisitions of equipment and materials, and payment of salaries and service contracts.

THE BCB STRATEGY AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The **2030 Agenda for Sustainable Development** was created by the United Nations in 2015. This global agenda established 17 Sustainable Development Goals (SDGs) to be achieved by 2030. The 17 SDGs involve diverse themes such as inclusive economic growth, poverty eradication, reduction of inequalities, sustainable patterns of production and consumption.

The BCB reinforces its commitment to face some of the great challenges of Brazilian society: the promotion of sustainable and inclusive economic growth, the mitigation of risks arising from environmental and climate change, the eradication of poverty, and the reduction of social inequality.

In this sense, the BCB started to develop a holistic view of the institutional work on sustainability, fostering synergy between different efforts and seeking to make better use of the knowledge existing within the institution to move forward at a faster pace.

The BCB takes Agenda 2030 into consideration in its strategic planning and in the preparation of this report. Thus, the commitment of the BCB to sustainable development is made explicit in the PEI-BCB, in its vision for the future and in one of the strategic objectives established for the current planning cycle: "Promote sustainable finance and contribute to the reduction of socio-environmental and climate risks in the economy and the financial system".

In addition, the points of convergence between the PEI-BCB and the SDGs were mapped. The conclusion of this alignment work is that the BCB contributes, directly or indirectly, to the achievement of nine of the 17 SDGs. The BCB develops strategic actions that contribute more directly to the achievement of SDGs 4, 8 and 17.

The *Aprender Valor* program, for example, contributes to the achievement of SDG 4, which involves the promotion of lifelong learning opportunities for all.

SDG 8 is to promote inclusive and sustainable economic growth, full and productive employment, and decent work for all. Pix is an example of a BCB action that contributes to the achievement of target 8.10, which involves encouraging the expansion of access to banking and financial services for all.

Through the actions developed under the Sustainability dimension of the Agenda BC#, the BCB also contributes to the achievement of SDG 17, by strengthening the means of implementation and revitalizing the global partnership for sustainable development.

Institutional strategic planning

Examples of BCB initiatives that contribute to achieving the SDGs



Quality education

Target: by 2030, substantially increase the number of youth and adults who have relevant skills, including **technical and vocational skills, for employment, decent jobs and entrepreneurship.**



Decent work and Economic growth

Target: Strengthen the capacity of domestic financial institutions to encourage and expand **access to banking, insurance and financial services** for all.



More flexible rules for the granting of rural credit to small farmers

Streamlining and expanding the granting of microcredit



To access the UNO webpage on ODS, click here

Institutional strategic planning

RISKS, OPPORTUNITIES, AND PERSPECTIVES

The BCB has a well-established corporate risk management structure, with models based on best international practices. The BCB's Integrated Risk Management Policy is available [here](#) (Portuguese only). The integrated risk management approach adopted by the BCB seeks to comprehensively assess the institution's risk exposure, considering not only the different types of risks incurred, but also the interaction between them. As part of the BCB's Integrated Risk Management Policy, the information produced within the scope of corporate risk management process supports decision-making activities and seeks to strengthen the defense of the organization's processes by identifying, evaluating, controlling, and mitigating the possibility of losses.

Risk management at the BCB works on both organizational risk management and financial risk management.

Financial risk management uses quantitative models that focus on the assets and liabilities that add up to the BCB's balance sheet and comprises market, credit, and liquidity risks. Market risk is the risk of financial losses due to changes in market prices that affect the balance sheet accounts. Liquidity risk corresponds to the risk of not being able to sell an asset or close a position at the desired time without incurring in significant costs. Credit risk is the risk associated with the default of a BCB counterparty.

Organizational risk management refers to strategic risks and operational risks. To ensure the achievement of institutional objectives, it is necessary to manage the risks related to the BCB's strategy. Consequently, the so-called strategic risks correspond to the measurement of uncertainty related to potential external and internal events that may affect the fulfillment of the BCB's institutional mission or its strategic objectives.

Institutional strategic planning

Main strategic risks

Actions for risk mitigation

Extension of current above-target inflation scenario



Improving and strengthening the inflation-targeting framework



Relevant cyber incident in the National Financial System



Cyber Resiliency Enhancement Program for the National Financial System and the Brazilian Payments System

Inadequate government-level coordination for a national sustainable agenda



Actions of the Sustainability dimension of the Agenda BC#



Significant reduction in the number of BCB employees



Negotiation with the Brazilian federal government

Institutional strategic planning

Operational risk management is carried out at all the BCB levels and units in an integrated manner. The management of these risks involves, among other aspects, the identification and assessment of events that may affect the achievement of BCB's objectives. Threat management is necessary to keep risks at a level compatible with the BCB's conservative risk appetite. The result of the assessment is illustrated as a risk matrix and, based on it, the process managers must anticipate the appropriate response to each identified risk. In 2022, 40 risk response plans were implemented. Another 16 risk mitigation plans are expected to start in 2023.

Additionally, business continuity management provides a framework for building organizational resilience. It identifies and plans what needs to be done so that the BCB continues to fulfill its obligations in the event of a serious incident that interrupts its operations. This management seeks to create and maintain response plans in case of interruption of processes considered critical.

In 2022, the operationalization of the Business Contingency Site for the BCB's Senior Management (SCN-AA) was completed and specific Business Continuity Plans for the regional management branches began to be developed. Both actions contribute to increasing the BCB's operational resilience in response to disruptive events.

The Three Lines of Defense Model works within the organization's overall risk and control framework. Each line of defense carries out controls and checks for specific purposes.

Institutional strategic planning

THREE LINES MODEL AT BCB

Risk Owners and Managers

Operational Management

- Manage the risks associated with their work processes.
- Implement corrective actions to address vulnerabilities in existing processes and controls.

Internal Audit

Greater Autonomy

Reporting to the Board of Governors

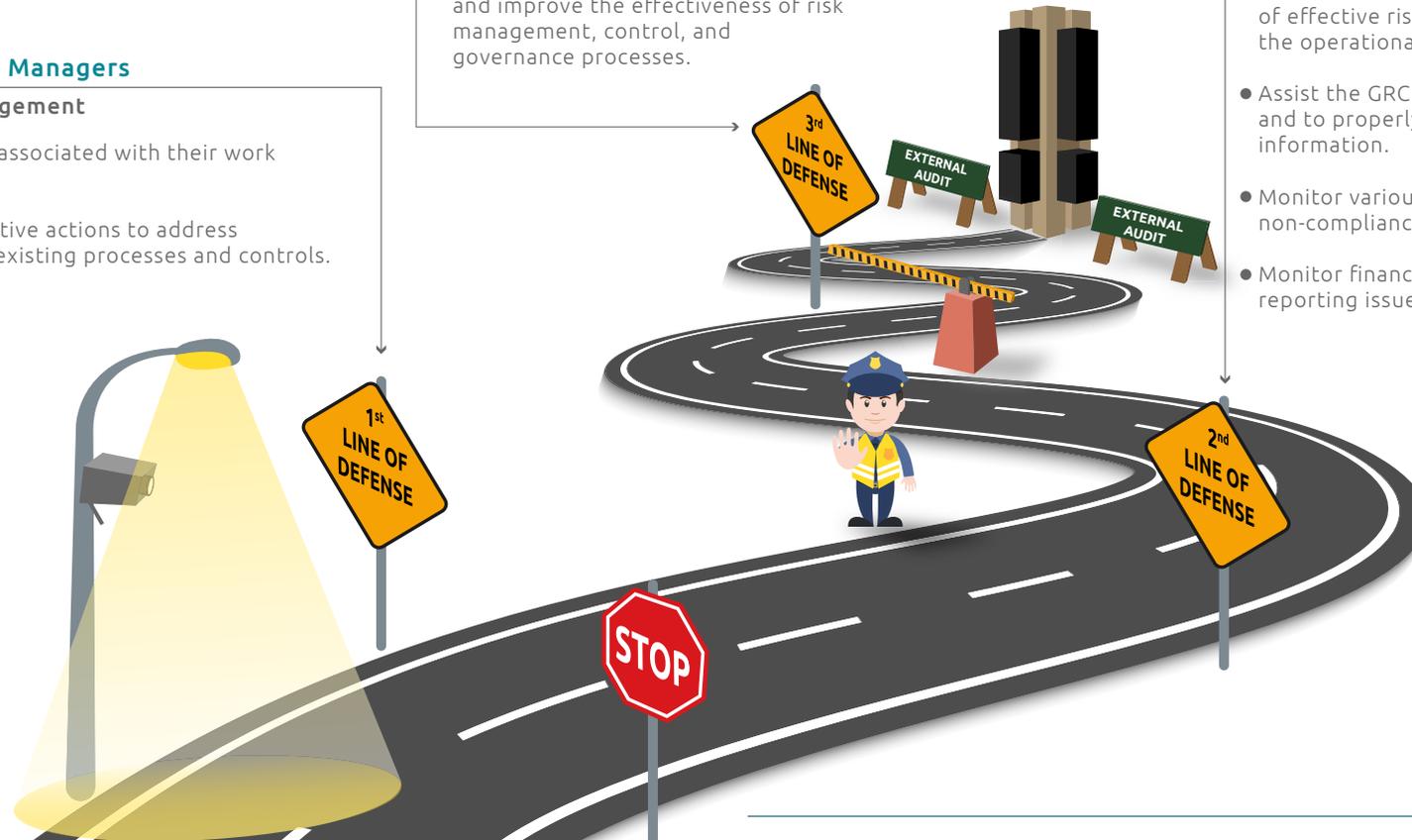
- Provides independent, objective assurance and consulting to evaluate and improve the effectiveness of risk management, control, and governance processes.

Risk Assessment, Compliance, and Internal Control

Limited Autonomy

Reporting primarily to the GRC

- Promote and monitor the implementation of effective risk management practices by the operational manager.
- Assist the GRC in risk exposure decisions and to properly report risk related information.
- Monitor various specific risks, such as non-compliance with laws and regulations.
- Monitor financial risks and financial reporting issues.



The background is a teal color with a complex pattern. On the left side, there is a grid of overlapping circles, similar to a honeycomb or mesh structure. On the right side, there are glowing blue and white circuit board traces and nodes, suggesting a digital or technological theme. The overall aesthetic is modern and tech-oriented.

OUR
STRENGTH
AND
OUR
RESOURCES

Our strength and our resources

During 2022, the BCB sought to manage its resources and strengths efficiently, particularly its financial resources and workforce.

The Annual Budget Law (LOA 2022) approved the amount of BRL 276.3 million for the BCB's discretionary budget. However, with the budgetary restrictions imposed throughout the year, significant efforts were necessary to adjust to the amounts made available. Priority demands continued to be met, especially those relating to ICT for development of new electronic money transfer functionalities for Pix and the *Sistema Valores a Receber*, for example.

These technological innovations benefit the expansion of competition in the financial market and the creation of new business models, products, and services by financial institutions. For this reason, they are a priority for the BCB. The continued incorporation of technological innovations in the BCB's business areas to support the financial system of the future is a 2023 challenge.

As for the workforce, the BCB has observed a reduction in active civil servants, due to retirements and dismissals without replacement through public tender. The BCB's last public tender was in 2013. To deal with such a reduction of staff, the BCB has adopted more flexible rules for internal

mobility. In addition, priority projects, such as Pix, Open Finance, and Digital BRL, have received special attention for the maintenance and strengthening of their management teams.

The BCB has been requesting authorization to hold a public tender from the Ministry responsible for the matter over the last few years. This request seeks the partial replacement of the workforce and will contribute to the continuity of deliverables to society. As the tender has not been authorized yet, one of the BCB's challenges for 2023 will be to maintain its current level of results, even in the face of a reduction in the number of civil servants.

In 2022, besides optimizing its staff, the BCB sought to improve the dialogue with its servants and their representative entities. Staff demands were mapped out. The fulfillment of these demands is important to maintain the BCB as an attractive institution for high-skilled professionals. For 2023, the challenge will be implementing the strategies elaborated during this year.

Throughout the year, the BCB continued to ensure excellence in terms of citizen services. In 2022, more than 20 thousand demands were received by the Ombudsman's Office, a significant increase (81%) compared to 2021. The number of reports issued by Registrato also rose by 72%.

In 2022, the BCB sought to get closer to society and further expand its presence on social media, with a 23.5% increase in the number of followers compared to the previous year, surpassing the mark of 1.5 million followers. The BCB's international relations also remained strong in 2022, with over 900 interactions with international counterparts.

In conclusion, the BCB was able to make a proper use of its resources and strengths in 2022, even in a restrictive scenario, in line with the organizational value "focus on results" and the strategic objective "Enhance the BCB's capability by means of innovations, technology, efficient use of resources, and alignment with international best practices".

Relationship

The BCB's relationship with society is carried out directly by citizen service and financial citizenship actions. There is also the attendance to the press, regulatory and supervisory activities. Furthermore, the BCB collaborates with federative entities and public authorities, participates in international organizations, interacts with international portfolio investors, and develops technical cooperation with national and foreign entities. The BCB also seeks to exchange knowledge with academia and the market.

The BCB Service Charter includes information about all the services that the BCB offers to citizens, the forms of access to these services and the commitment and quality standards of services provided to the public. The communication channels maintained by the BCB, as well as its governance efforts, strengthen transparency and credibility and allow the identification of the legitimate wishes and needs of its public of interest and the establishment of planning that responds adequately to them.

The BCB makes available channels that allow citizen participation in decision-making processes to improve communication with society. Public consultations, seminars and events with external public participation are examples of the BCB's efforts to offer products and services that meet the needs of the population.

Encouraging financial education is the objective of one of the dimensions of the Agenda BC# as well as one of the components of the BCB's vision. In 2022, 21 financial education lectures were held, reaching an audience of 1,908 people. Also, one facilitator training class and four financial education workshops were held with migrants and refugees, with 115 participants.

The BCB's financial education flagship program is the *Aprender Valor*, which provides financial education to Brazilian public elementary school students. The program surpassed the impressive mark of 1.2 million registered students in 2022. Major financial education programs are also the *Gestão de Finanças Pessoais* (Personal Finance Management) online course and the *Formação de Multiplicadores* (Train the trainer) on the *Eu e Meu Dinheiro* series. In 2022, both programs reached 7,239 people. In addition, there were 76,476 views of the *É da Sua Conta* and *Eu e Meu Dinheiro* video series, and 781,835 people accessed the BCB's Financial Citizenship page on the internet.

The BCB also relies on financial and payment institutions to promote financial education, under the scope of the BCB Communiqué 34.201. According to the latest mapping data, 96% of the mapped institutions (38 banks, 10 payment institutions, and 5 loan companies) promote financial education initiatives. Among credit unions, this percentage reaches 86% of the 619 mapped in 2021.

Relationship

The BCB maintains a constant relationship with the press. In 2022, 3,973 inquiries from journalists were answered, and 289 publications were released, including press releases, agenda notifications, speeches, and presentations. The relationship is also carried out through the monitoring of interviews and the participation of the institution's spokespersons in events.

In 2022, because of demands related to the *Sistema Valores a Receber*, the Ombudsman's office recorded a total of 20,759 manifestations with an average response time of 2.3 days. In addition, 3,251 demands based on Law on the Access to Information were received, an increase of 183.2% in the number of requests compared to 2021. The average response time for these demands was 7.2 days, the 6th shortest average time compared to the 25 most demanded public agencies and entities. The BCB also participates in the Federal Executive's Open Data Policy and is the public agency that provides the largest number of data sets in open format to society.

It is worth highlighting the BCB's ongoing work to provide more information through open data, an active transparency initiative. As a result of this work, as of December 31, 2022, the BCB made available on the Brazilian Open Data Portal, 3,636 data sets with no legal restriction on access, accounting for 25.7% of the total number of data sets made available on the Governmental Portal.

Regarding the BCB Open Data Plan, in place from May 2021 to April 2023, it is worth noting the update of the schedule for opening new data sets in May 2022 and a campaign, started in November 2022, to promote the release of new data sets on the BCB Open Data Portal, which reached 1,400,568 accesses in 2022, an increase of 21% compared to 2021.

As mentioned earlier, in 2022, the BCB expanded its presence on social media, surpassing 1.5 million followers. This result was achieved thanks to improvements in editorial guidelines and the use of new formats, such as live streams, videos for YouTube, and partnerships with digital influencers. The language is plain and direct, and information can be accessed anytime and from anywhere through the BCB's Instagram, LinkedIn, Facebook, Telegram, and Twitter.

The BCB provides a system named Registrato through which citizens can quickly, easily, and securely consult their personal financial information without the need for human assistance. Registrato can be accessed on the BCB webpage *Minha Vida Financeira*. The number of reports issued by users was approximately 13.1 million in 2022, a 72% increase over 2021.

Relationship

CITIZENS SERVICED THROUGH OFFICIAL CHANNELS



755,536

MONEY MUSEUM VIRTUAL TOUR



64k
hits

PUBLIC CONSULTATIONS



5

ATTENDANCE TO EVENTS AT THE CONGRESS



14

FINANCIAL CITIZENSHIP



21

lectures, reaching over 1,900 persons

15

technical cooperation agreements signed to promote financial citizenship

7,3k

persons trained in courses and workshops

Over

76k

accesses to the BCB's financial education videos series on YouTube



782k

people accessed the BCB's financial citizenship webpage

PRESS EVENTS

4

Inflation Report presentations

34

press conferences

208

press releases

3,973

information requests responded to journalists

OPEN EVENTS

25

SUPERVISION ACTIVITIES

845

activities concluded

SOCIAL MEDIA

3,345

posts about Pix, 200 BRL bill, Sandbox, Open Banking, financial education, among other topics

59 million

of reach by BCB's posts on Twitter, LinkedIn, Facebook, Instagram and YouTube

REGISTRATO

13,1 million

requests for reports answered

4,4 million reports about loans and credit operations

2,7 million reports on personal accounts and other financial products and services

Relationship

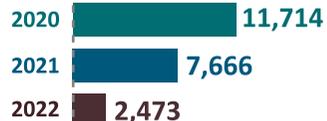
CITIZEN SERVICE

The main citizen service channels of the BCB are the **Contact us**, for registering demands online; the 145 hotline, a service available on business days from 8am to 8pm; and the Electronic Filing System, for sending digital documents over the internet. In-person service at the BCB headquarters in Brasília has been suspended since March 2020 due to the pandemic. Din is the BCB's virtual assistant, launched in 2019. It answers frequently asked questions from users about Registrato reports and the *Sistema Valores a Receber*, as well as helps calculate loan interest or the time needed to save a certain amount of money, search for a bank authorized by the BCB, and check the status of requests or complaints filed with the BCB.

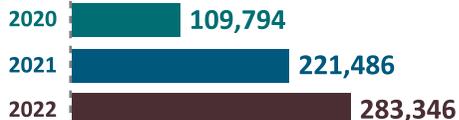
Contact us



Electronic filing



Phone



Chatbot



You can contact us here

Relationship

Accessibility is one of the ways of providing citizenship and, for this reason, the BCB adopts measures to favor access to digital content made available on social media, applications, and its website. In addition, the BCB has been carrying out a program for the remodeling of buildings to adapt its facilities in accordance with accessibility regulations.

The BCB handles suggestions, compliments and complaints received by the Ombudsman's Office to support and even to stimulate internal assessments about possible innovations and improvements in the quality of institutional services and on its general performance. The degree of satisfaction of users of information and complaint services is evaluated through a survey conducted on available service channels. In 2022, in the 145 service, out of a total of 278,804 calls answered, 54.5% of users responded to the quality-of-service survey, and over 90% of evaluations rated the service as good or excellent. On the internet, 14,640 satisfaction surveys were sent to information requesters, and 12.59% of those surveys were answered. On average, 80% of respondents rated the service as good or excellent.

200th anniversary of Brazil's Independence: virtual exhibition

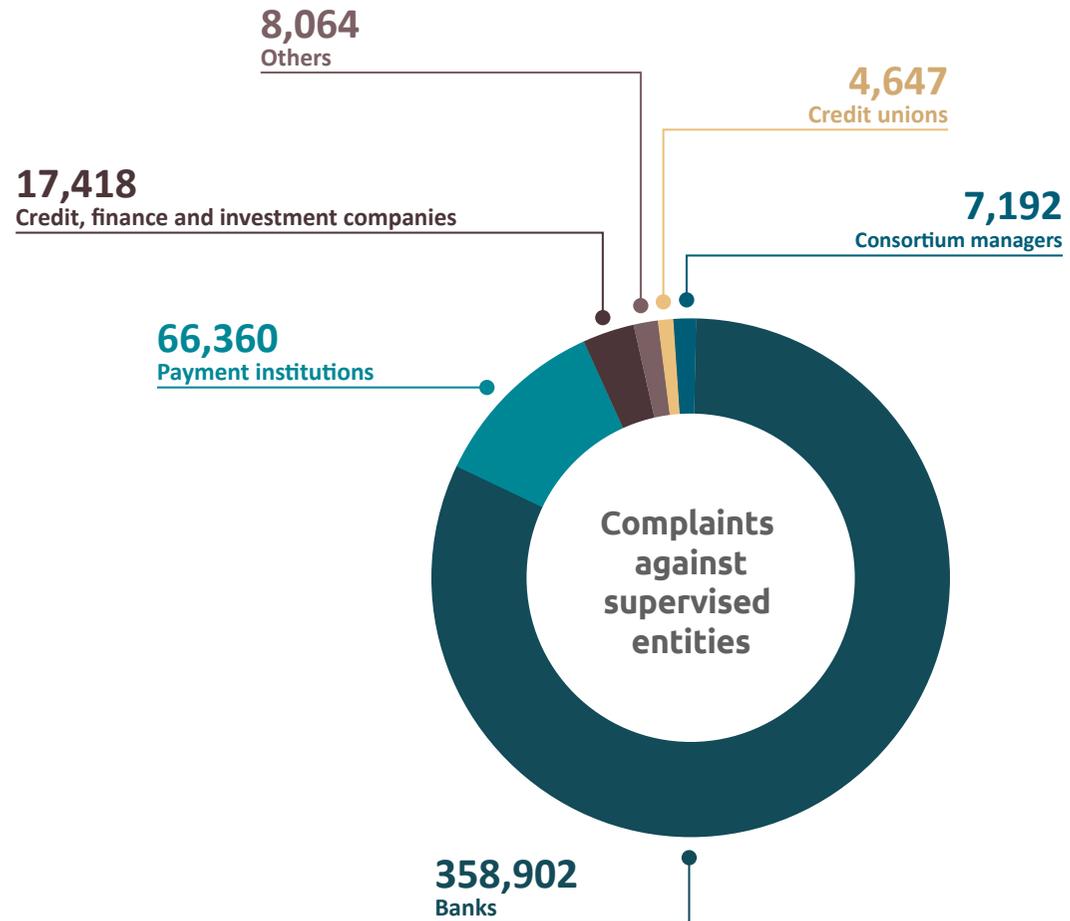
Celebrating the 200th anniversary of Brazil's Independence proclamation, the BCB held a virtual exhibition called *Nos tempos da Independência: o quebra-cabeça* (At the time of

independence proclamation: the puzzle), which debuted on September 7th, 2022. The exhibit aimed to piece together the puzzle of Independence from numismatic pieces which belongs to the Money Museum, covering the period from the arrival of the Portuguese Royal Family in 1808 to the writing of the Constitution of 1824.

Relationship

RELATIONSHIP WITH SUPERVISED ENTITIES FOCUSED ON THE CITIZEN

In addition to conducting supervision actions, the BCB receives complaints from customers and users of banks, loan companies, and other supervised entities. These complaints are forwarded to these entities so that they can respond to the complainant about the occurrence. The BCB investigates the facts, and the resulting information supports supervision activities and the preparation of rankings of complaints against banks, loan companies, and payment institutions on a quarterly basis, and against consortium³ managers on a semi-annual basis.



³ A consortium plan is like a purchasing pool through which a group of people decide to save money collectively to buy a certain durable good. There is always an institution, the consortium manager, which oversees collecting and investing the installments paid by the consortium participants. The consortium manager also distributes periodically the amount of money necessary to enable the purchase of the good to the members of the consortium, which are awarded by a draw that takes place in each round of money distribution and runs until all participants receive their share. The manager receives a fee paid by all participants, but no interest.

Relationship

THE BCB'S RELATIONSHIP WITH FEDERATIVE ENTITIES AND PUBLIC AUTHORITIES

Federative entities refer to state and municipal governments, their secretariats, and the agencies linked to their structure. The BCB's is always focused on responding in a timely and clear manner to requests for information, to contribute to improving the efficiency of public management.

Regarding the service to public powers, the *Sistema de Busca de Ativos do Poder Judiciário* (SISBAJUD) stands out as a tool for dialogue between the Judiciary, the Public Prosecutor's Office, and financial institutions. SISBAJUD is hosted and operated by the National Council of Justice (CNJ). The BCB is responsible for maintaining the communication infrastructure with financial institutions and the connection with the National Financial System Customer Registry (CCS).

The BCB has streamlined the process for public entities to access the CCS by enabling interested parties to directly access the system, making the process faster by dispensing the formalization of a technical cooperation agreement between parties. This measure allows the entities to more quickly access the information contained in the CCS directly, without any further intermediation. In addition, it reduces the number of requests for information received.

The BCB also responds to requests for information and actions from public authorities, which are submitted through the Electronic Filing System. In 2022, the responsible teams addressed 60,151 requests, with an emphasis on requests for bank secrecy breaches, blocking and unblocking of funds, and requests for information within the BCB's jurisdiction or available in systems managed by the BCB.

Regarding the Executive Branch, the participation of the BCB in the **National Monetary Council** (CMN) is an important institutional feature that defines how the economic policy is shaped in Brazil. In 2022, The CMN was composed by the Minister of Economy, the BCB's Governor, and the Special Secretary of Treasury and Budget of the Ministry of Economy. More information about the CMN and the meetings minutes are available on the **BCB's website**.

In relation to the Legislative Branch, in 2022, significant steps in terms of legislation were taken within the scope of the BCB's activities and its supervised entities. Fourteen virtual and in-person public hearings were held in both Houses of the National Congress, with the participation of the BCB officials, aimed at discussing topics of interest to the society

and the BCB. Twenty-two internal hearings were also held at the BCB, with the participation of members of the National Congress.

The BCB also held meetings with political groups from the National Congress and non-partisan political groups, aimed at presenting and discussing the domestic and international economic scenarios. These actions were important to maintain a good relationship between the BCB and the National Congress, helping the BCB proposals of new legislations, as well as clarifying several matters related to the BCB's activities and organization.

Relationship

BCB'S INTERNATIONAL RELATIONS

The BCB maintained strong international relations in 2022, surpassing 900 interactions with foreign counterparts. The BCB interacted with other central banks, supervisory authorities, international organizations and forums, international portfolio investors, global rating agencies, cooperation or development agencies, government bodies, regional and thematic blocs of countries, among others.

As part of this work, for example, the BCB actively contributed to almost 60 international working groups during the year. In the case of the Organization for Economic Cooperation and Development (OECD), the BCB took part in three groups. In 2022, the BCB also joined the Network for Greening the Financial System (NGFS), a cooperation network between central banks and supervisory authorities on the topic of green finance, as a member of the Steering Committee, where it actively participated in its working groups and initiatives. In the Basel Committee on Banking Supervision, within the scope of the BIS, the BCB actively participates in 10 working groups and deliberative subcommittees. Hence, the BCB seeks to contribute to the discussion and elaboration of international regulatory standards and to ensure that the Brazilian structural characteristics are considered.

The BCB also carried out around 250 exchanges of information, experiences, and positions abroad. For example, the Pix – the instant payment system created by the BCB – was discussed with governments of nearly 30 countries. Additionally, the BCB began to report more comprehensive data on the soundness of the financial system in a new format established by the IMF.

Within the scope of the Mercosur, the BCB produced, together with other instances of the Brazilian government, several positioning documents, many related to the Free Trade Agreement negotiated between Singapore and the Bloc.

Also in 2022, the BCB actively participated in more than 100 international events. A highlight is the BCB's participation in the Green Swan conference, jointly promoted by the BIS, the European Central Bank, the NGFS and the People's Bank of China, which addressed the adaptation of central bank operations in view of global warming.

The BCB also hosted some events with foreign counterparts, such as the IX Accounting Meeting and the XIX Meeting of Jurists of the BCPLP, a cooperation network formed by Central Banks of Portuguese-speaking Countries.

Over 2022, more than 480 meetings and evaluation missions occurred. Among these actions, around 25% were with rating agencies and international investors interested in discussing the macroeconomic and financial situation in Brazil. In its relationship with major international portfolio investors, the BCB receives and provides information on the Brazilian economy and financial system, as well as about financial services and products.

In the list of projects with foreign counterparts, five were active in 2022. One of them was **FiBraS – Sustainable Brazilian Finances** – whose first phase ended in mid-2022. The project, in partnership with the German government, has enabled the BCB to develop and improve capabilities, practices, and important tools for regulation and supervision related to social, environmental and climate risks in the SFN.

Finally, the BCB signed five memorandums of understanding and agreements during the year. These instruments lay the groundwork for international collaboration on specific issues.

Relationship

BCB's international relations actions in 2022



(1) Group formed by Brazil, Russia, India, China and South Africa
 (2) Southern Common Market
 (3) International forum that brings together the major advanced and emerging economies
 (4) Center for Latin American Monetary Studies
 (5) Central Banks of Portuguese speaking countries
 (6) Association of Supervisors of Banks of the Americas

Relationship

Brazilian accession to the OECD and adherence to its Codes

In January 2022, Brazil received an invitation letter from the OECD to open discussions on the accession process to become a full member of the organization. The OECD is dedicated to promoting global standards for public policy on a range of topics including economic, financial, trade, social and environmental issues.

Brazil has participated in OECD meetings since 1996. In 2007, it joined the Extended Engagement Program and, in 2012, it was promoted to Key Partner. In 2015, Brazil signed a cooperation agreement with the OECD and, in mid-2017, the country became the first key partner to formally request accession to full membership of the OECD.

Once Brazil is confirmed as a full member of the OECD, it will have a voice and vote within the organization, starting to influence its actions and definitions, shaping global debates, and ensuring that the specificities of the Brazilian economy can be considered in the establishment and the review of standards recommended by the entity.

A necessary condition for a given country to become a full member of the Organization is its adherence to the OECD Codes, legal instruments covering several thematic areas. Currently, the OECD has 266 Codes in force. Adherence to

them signals that the country applies the best international practices, already enshrined and shared by the 38 members of the organization.

Brazil is the non-member country that has adhered to the largest number of OECD instruments, 117 in all, 46 of them with the BCB's contribution. In 2022, it adhered to the Capital Movements Liberalization Code and the Capital Liberalization Code of Intangible Current Operations, related, respectively, to international financial flow (payments and transfers between countries, for example) and provision of cross-border services (consultancy, legal services, etc).

From the perspective of foreign counterparts, including investors, adherence means better understanding of the Brazilian regulatory framework, lower cost of adapting to the country's particularities and greater perception of legal certainty in international operations. It is important to highlight that the evolution of Brazilian regulation on foreign exchange and international capital, naturally already in line with the development and greater internationalization of the Brazilian economy, had synchronism and converged with the OECD recommendations, which resulted in mutual benefits within the scope of adherence to the two Codes mentioned.

The accession process to the OECD still requires effort and coordination, as it also involves adherence to other instruments and a formal position by the OECD committees on the regulations and rules in Brazil. The accession also depends on a parliamentary referendum, duly ratified and promulgated, of the invitation from the OECD Council.

Relationship

BCB was appointed to the vice-presidency of FinCoNet

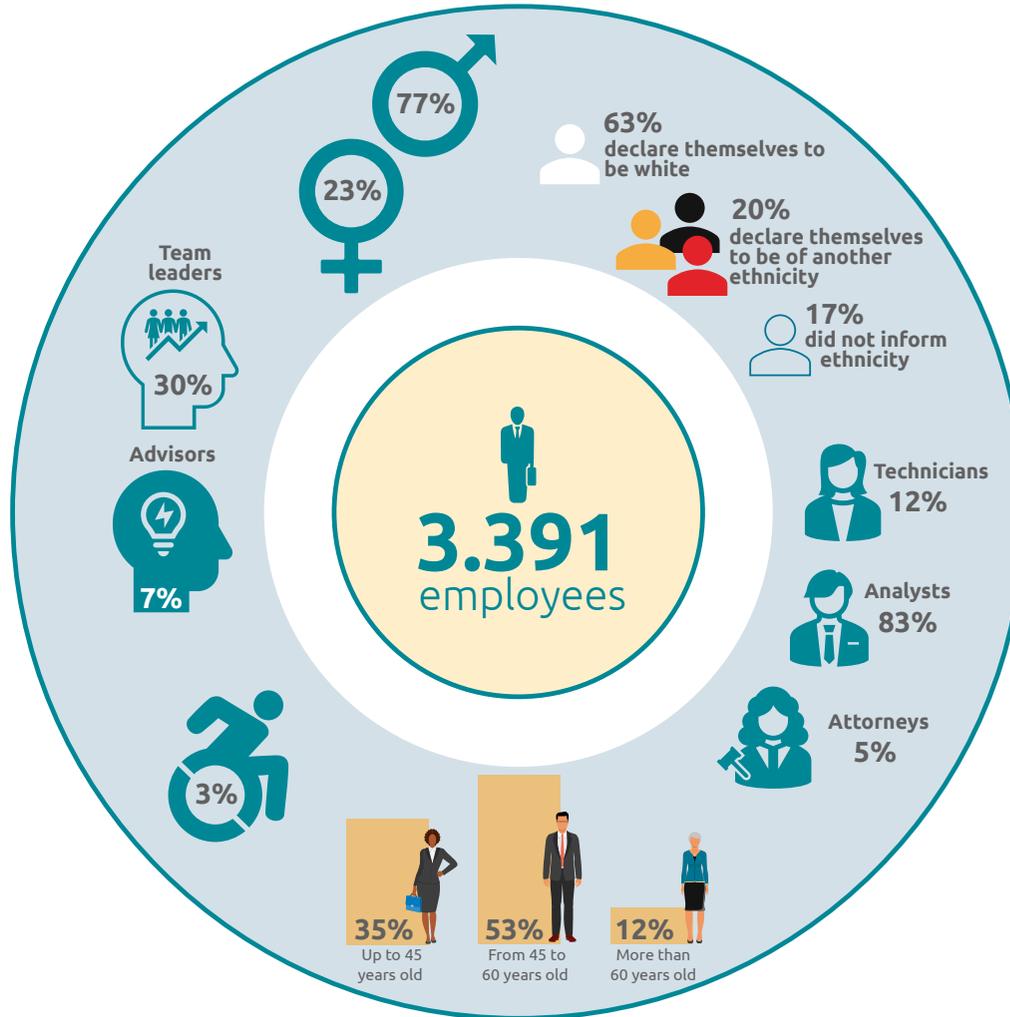
The BCB held the vice-presidency of the International Financial Consumer Protection Organization (**FinCoNet**), an international organization of authorities responsible for promoting regulatory and supervisory frameworks aimed at promoting responsible and ethical business conduct by financial institutions. **FinCoNet**, established within the OECD, encompasses supervisory bodies responsible for consumer protection regarding financial products and services. Brazil has been an official member of FinCoNet since 2019.

It is the first time that a representative from Brazil takes up a senior management post in the organization. With a three-year term as vice-president, the appointment reflects a significant acknowledgement of the BCB's efforts to protect consumers and users in the realm of financial products and services, as well as contributes to Brazil's efforts to the accession to the OECD.

It is also worth noting that Brazil adopted the High-Level Principles on Financial Consumer Protection approved by the OECD, whose review had the participation of the BCB. The principles, approved by the OECD Council on December 12, 2022, were reviewed, and expanded with the inclusion of two new principles ("Access and Inclusion" and "Quality Financial Products").

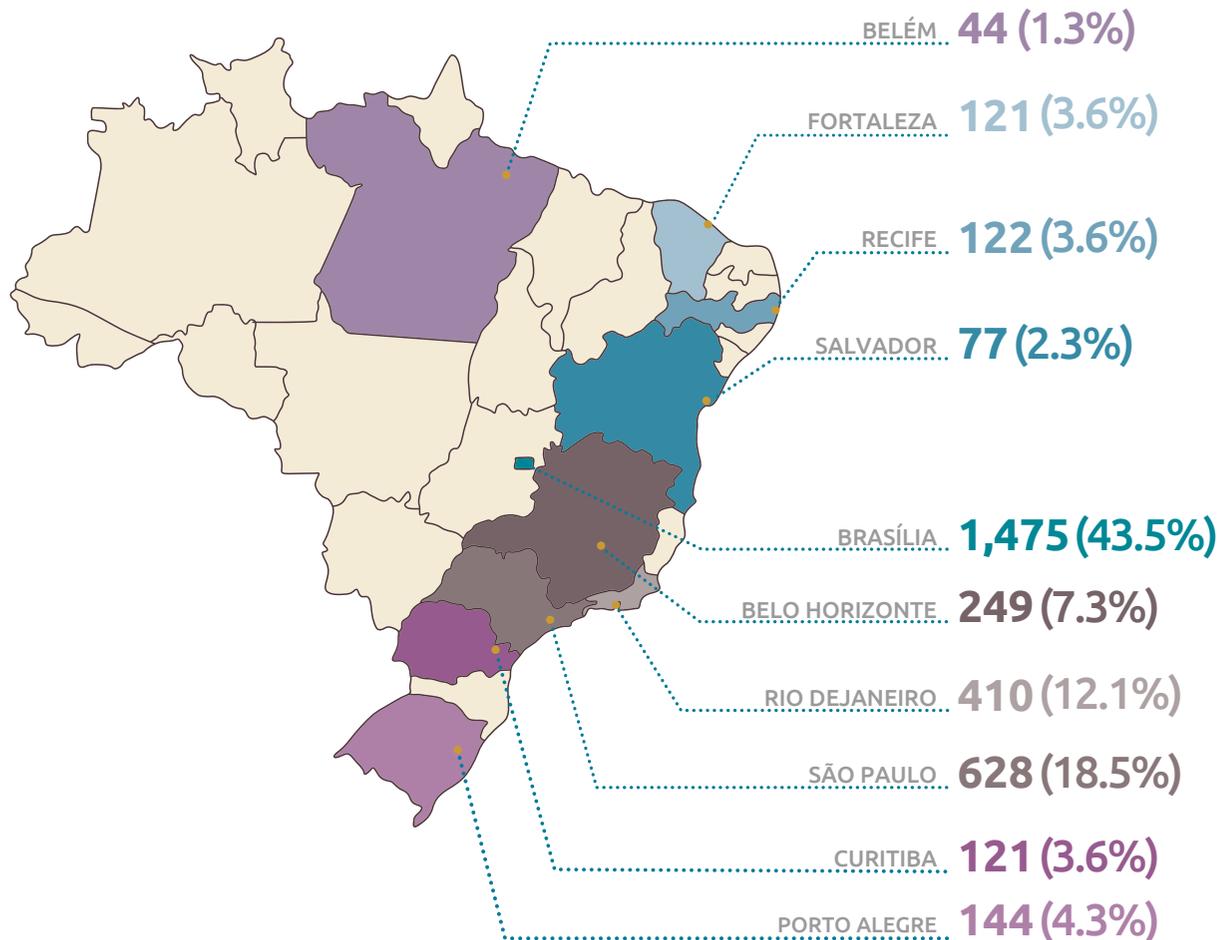
People and know-how

The BCB staff has technical capacity and well-developed skills. They are innovative, aligned with the organizational objectives and values of the institution, and devoted to delivering more value to society.



People and know-how

The BCB is headquartered in Brasília and has regional branches in nine state capitals. Its personnel is distributed as follows:



People and know-how

PERSONNEL MOVEMENT AND REMUNERATION

Regarding the dynamics of the workforce movement, the BCB has observed a reduction in its staff, mainly due to retirements since its last public tender took place in 2013. Employees' admission to the BCB takes place only through public tenders.

Law 9,650, of May 1998 established that the BCB number of employees at 6.470. A considerable reduction in the BCB's staff occurred, since no public tender was carried out in the last nine years.

The number of BCB employees has reduced 33% in the last sixteen years. In contrast, there was a 6% increase in the Federal Executive Branch staff in the same period.

In 2022, 58 BCB employees retired. Furthermore, on December 31, 2022, out of 3,391 active employees, 310 already become entitled to retire.

It is worth mentioning that, in addition to retirement cases, an average of 18 employees resign from the BCB each year for other reasons.

To mitigate the risk of discontinuity of work processes due to a lack of employee replacements, the BCB constantly requests the Federal Executive Branch for public

tenders, prioritizes its activities, and promotes internal redistributions of its workforce, through internal mobility.

The excellence and recognized technical capability of its employees generates a fundamental intangible asset for the fulfillment of the BCB's mission. Econometric models, economic statistical series, and proprietary technological solutions such as the Brazilian Payment System and Pix are typical knowledge created by the BCB.

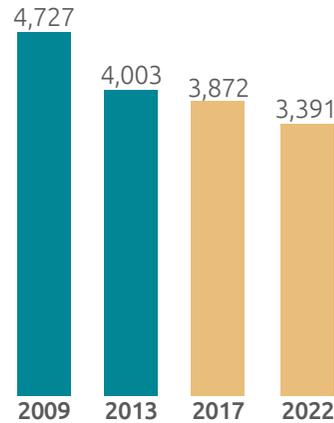
The BCB's Governor and Deputy Governors hold special nature positions and receive a fixed compensation of BRL 17,327.65 established by law. The BCB's employees receive a base salary, and those occupying management or advisory positions receive the corresponding additional value. The average value paid to an employee in a technical position, in 2022, was BRL 11,700.85, in an analyst position was BRL 26,810.99, and in an attorney position was BRL 27,303.70. The BCB's attorneys, as public lawyers, are entitled to receive attorneys' fees. Information on the remuneration of federal public employees, including fees, can be verified on the Transparency Portal.

People and know-how

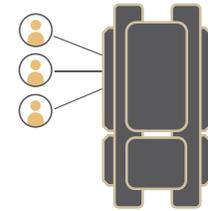


Movement of employees

Number of active employees per year
(December 31st, 2022)



— Years with public tender open to fill vacancies



116
in 2022
Reallocations in internal mobility



10
in 2022
Internal selection to fill commissioned positions

Occupancy of the 6,470 vacancies provided by law **52.4%**
December 2022



With the exception of the members of the Board of Governors, all the BCB's commissioned functions are occupied exclusively by the BCB's career employees.

People and know-how

TECHNOLOGICAL INNOVATION

The BCB continually seeks to improve the services it provides, and, for that, investments in technology are made. Examples of investments are the high availability technologies used in Pix and the more effective and timely analysis processes in the areas of supervision, and economic and monetary policies, through investments in analytical technologies, such as Big Data, Machine Learning and Artificial Intelligence.

It is worth noting that investments in innovation do not materialize only through the acquisition of software and hardware, but also by establishing partnerships with international organizations and universities for the internalization of knowledge about innovative technologies. An example is the BCB's participation in international innovation forums, such as the work groups of the BIS Innovation Hub, where experiences related to Open Finance, Central Banking Digital Currency, Suptech, among others, are shared. Projects were carried out in partnership with universities to explore the use of Machine Learning and Artificial Intelligence in the BCB processes, through the BCB Innovation Accelerator (Start).

In 2022, 36 relevant ICT initiatives were delivered for the SFN, companies and citizens, such as the *Sistema Valores a*

Receber, the simplification of the registration of Foreign Exchange operations, the remuneration of payment institution (PI) account in Pix, the new user information catalog (Sisorf), and the inclusion of the initiation of payment service in the Open Finance ecosystem.

The **Financial and Technological Innovations Laboratory (LIFT)** was created to encourage the development of projects that propose technological innovations in the SFN. In 2022, a special edition of LIFT called LIFT Challenge – Real Digital was launched, focusing on innovative use cases that could benefit from an eventual digital currency issued by the BCB. In this LIFT Challenge edition, 47 project proposals were received, from which nine projects from national and international institutions were selected. Additionally, the regular edition of LIFT focused on the initiatives of the Agenda BC#. The eight projects selected in this edition brought innovative contributions on relevant topics related to Pix, digitization of assets, financial inclusion, among others.

Despite the reduction in the number of employees and the increase in activities and responsibilities, the BCB has made efforts to maintain the level of excellence in the services it provides to the SFN and to society. In order to maintain the current level of excellence of services provided, the BCB

has invested in improving management and governance instruments, training its employees and adopting innovative practices with strong technological support.

In addition to investing in modernizing people management, the BCB has also invested in modernizing its processes. It launched the BCB Innovation Accelerator (Start) at the end of 2021, aiming to encourage the use of technological innovations in the institution's internal processes. Throughout 2022, the challenge was to execute Start's first cycle of projects.

People and know-how

CYBERSECURITY

Cybersecurity continued to be one of the focuses of BCB's activities in 2022, with emphasis on improving the cyber resilience of the BCB and the SFN.

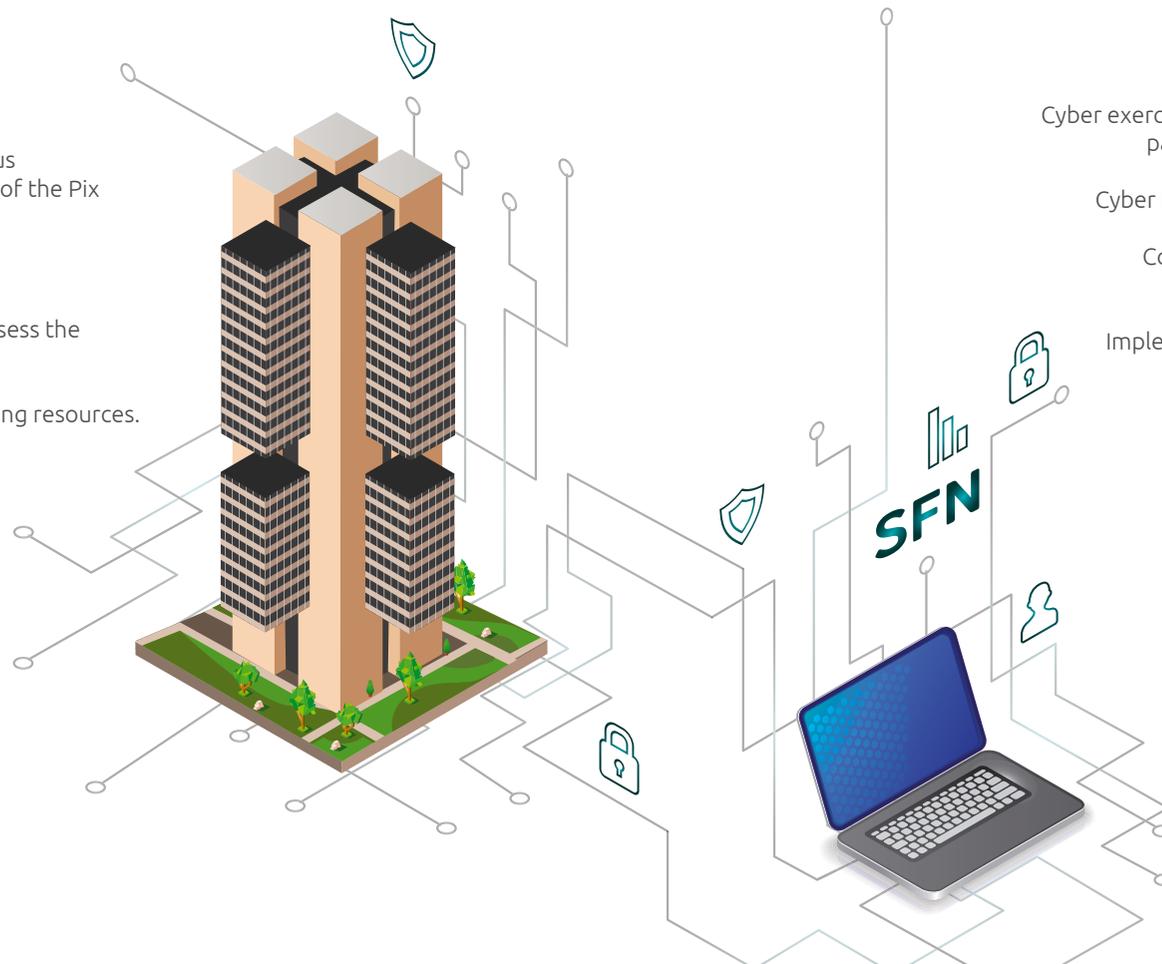
BCB cyber resilience

Purchase of solutions for continuous improvement of the cyber security of the Pix ecosystem and other BCB systems.

Cybersecurity awareness actions.

Conducting penetration tests to assess the security of critical BCB systems.

Policy on safe use of cloud computing resources.



SFN cyber resilience

Cyber exercise of the financial sector with the participation of Supervised Entities.

Cyber Incident Management framework.

Collaboration between the BCB and Supervised Entities.

Implementation of a plan to respond to cyber incidents with the potential to trigger a financial crisis.

People and know-how

With the greater digitalization of the financial system, the risk of cyber incidents with the potential to affect the provision of services by financial institutions to their customers is increasing. The deeper interconnection among SFN and Brazilian Payment System (SPB) participants must be followed by actions that prevent incidents that could threaten financial stability. It is essential that institutions can properly manage cyber incidents, mitigating their effects and enabling the services affected to quickly recover, in order to ensure the efficiency and security of the SFN and SPB.

One of the work fronts of the SFN and SPB Cyber Resilience Enhancement Program consisted of coordination among the main representative associations of the financial sector to organize simulation exercises of cyber incidents aimed at financial institutions, payment institutions and financial market infrastructures.

As part of the program, the first cyber exercise carried out specifically for the financial sector took place in mid-2022 at the Cybernetic Security Laboratory of the Brazilian Federation of Banks (Febraban), which involved representatives of financial market infrastructures and seven associations. The exercise was essential to train cyber incident response and recovery procedures. The initiative aimed to assess the effectiveness of responses of technical, tactical and strategic teams to simulated crisis

situations caused by cybercriminal attacks on the SFN. Several scenarios of cyberattacks were addressed, in an isolated, controlled, and protected environment, seeking to simulate current threats and large-scale impacts on financial institutions during the exercises.

The periodic execution of cybernetic exercises enables exchange of knowledge among participants and training for response and recovery teams, which will certainly contribute to the cyber resilience of the financial sector as a whole.

Handling classified information

In September 2022, the BCB qualified as a Level 1 Registration Body for classified information treatment. This qualification is relevant, since it consolidates the BCB's role as an autonomous institution to supervise compliance with the rules and procedures for security and treatment of classified information, among others procedures.

People and know-how

LEARNING

The BCB invests in learning actions so that its employees are able to develop their technical and behavioral skills.

In 2022, the Sapiens (the BCB's learning platform) usage level was intensified, consolidating the trend of new learning ways. Similarly, the work with the BCB's Corporate University stakeholders – development and training agents, facilitators, content writers and curators – was strengthened.

1,059 learning actions were carried-out, of which 53 were designed and offered to groups composed only by BCB's employees (in-house training).

Also in 2022, the BCB granted seventeen new employee leaves under the Postgraduate Program and 94 leaves for training. The BCB also provided 531 self-development licenses for learning English, data science, and various other topics.

It is also noteworthy the workshops of negotiation and conflict resolution for 64 leaders within the Leadership School, a permanent managerial training program.

1,259 employees were trained in 2022, a number just slightly lower than 2019 when the budget was 2.4 times higher. Creative solutions, such as Sapiens, allowed the decrease in the number of trained employees not to be so abrupt despite the decreasing budget.

People and know-how



Self-training licenses

English Live: **224** licenses
 Coursera: **173** licenses
 Datacamp: **98** licenses
 FSI: **36** licenses



Learning actions

1,059 actions
2,172 participants
1,259 employees



53 in house training groups
36 learning actions conducted by internal facilitators



Postgraduate Program (PPG)

60 employees
35 abroad, **25** in Brazil
17 approved in 2022



Training leaves

94 employees
493 learning actions



Trained employees

Budget

	Trained employees	Budget
2022	1,259	BRL 1,631,520
2019	1,684	BRL 3,910,120

With a decreasing budget, creative solutions such as Sapiens permitted that the decline in the number of trained employees was not so abrupt.

People and know-how

Since 2021, the BCB has adopted the Management and Performance Program (PGD). The PGD encourages result-oriented management and provides work flexibility, enabling more suitable arrangements for each team's needs (in-person work, full remote work, or hybrid regime) to become part of the BCB's daily routine.

Regarding knowledge management – the set of practices to promote and encourage the acquisition, maintenance, and use of relevant knowledge so that the organization can fulfill its mission – in 2022, the BCB sought to improve and intensify the use of solutions aimed at sharing knowledge.

In this sense, initiatives such as the Sustainability Practices Community (including spaces for document sharing, event dissemination, and learning opportunities) and the Exchange of Ideas Workshops stand out as important tools to consolidate the new virtual format. They foster agile dissemination of cross-cutting knowledge throughout the organization.

INFORMATION SHARING

The easiest way to access BCB's shared intellectual capital is to browse its website, a valuable source of specialized knowledge. There, information on different activities of the BCB is published and organized by themes.

Subscribing to receive **feeds** from the BCB is possible. This tool allows users to follow, in real time, whenever an update on news, regulations, exchange rates, indicators and studies are available on the BCB's website. Notifications can be received by email, internet browser or specific applications.

Some content on the BCB's website are worth highlighting:

About: information about the Institution, governance framework, accountability, international relations, speeches, presentations, and the Board of Governors agenda.

Monetary policy: Copom decisions, macroeconomic overview, inflation targeting, monetary policy instruments, and regular publications.

Financial stability: prudential regulation and supervision, Cofe's SFN analyses and decisions, adherence to international recommendations.

Statistics: statistical press releases, SFN statistics, selected information on supervised institutions.

Banknotes and coins: information about Brazilian currency and its management, regular survey on citizens' relationship with money.

Publications and research: the BCB's regular reports, such as the **Inflation Report**, the **Financial Stability Report**, the **Banking Report**, the **BCB Annual Report**, and **Working Papers**.

Agenda BC#: the BCB's strategic focuses and related actions developed under each one of the five dimensions of the Agenda.

Time Series (SGS): repository of 19,064 statistical time series.

Regulation searching (*Busca de normas*): more than 53,000 norms in force, from Statements to Resolutions.

Citizen's Calculator (*Calculadora do Cidadão*): application that carries out simple financial estimates aiming to help citizens with their daily financial calculations (results should be considered as reference for real situations, not as official values).

Video and Document Library: information on financial citizenship issues, including reports.

Financial resources

The BCB's financial resources come from two main sources: the Federal General Budget (OGU) and the Monetary Authority's Budget of Revenues and Expenses (OAM). The BCB also manages the Fund for the Rural Credit Insurance Program (Proagro), and the Brazilian international reserves.

FEDERAL GOVERNMENT GENERAL BUDGET (OGU)

The Federal Government Budget summarizes the priorities of government spending and the ways in which the resources needed to fund these priorities will be collected through taxes. In a simple way, OGU is the financial resource planned for the BCB to cover its mandatory and discretionary expenses to guarantee its administrative functioning.

The Annual Budget Law 14,303, January 21, 2022 (LOA 2022), approved the amount of BRL 3,887.6 million. This number excludes the expenses with plaintiffs arising from court cases decided against the BCB (*precatórios*) that are paid directly by the competent courts and the amounts related to the Financial Activity Control Council (Coaf) activities.

In 2022 the BCB spent BRL 3,814.6 million, of which 92.5% were related to mandatory expenses (personnel, social charges, and benefits) and the remainder was related to discretionary expenses (funding and investment), as shown in the following Figure.

Budget Execution of the BCB 2022

Investment • 1.9%
BRL 73.9 million

Costing • 5.5%
BRL 210.9 million

**Personnel,
social charges and
benefits • 92.5%**
BRL 3,529.8 million



Source: National Treasury of Brazil

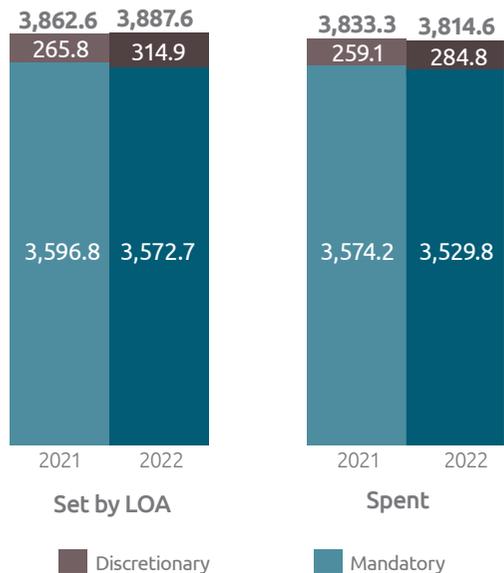
Financial resources

Regarding discretionary expenses, the BCB spent 99.91% of the BRL 314.9 million, authorized final value, fixed in LOA 2022, including the amount of BRL 29.8 million recorded as deferrals.

Compared to the amount spent in 2021, discretionary expenses (funding and investment) increased 9.9% and mandatory expenses (personnel, social charges, and benefits) decreased 1.2%. As a result, total expenses in 2022 were 0.5% lower than in 2021.

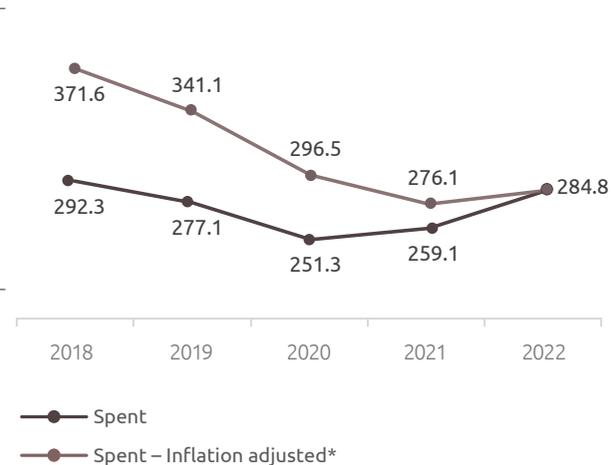
Since the adoption of the Zero-Based Budgeting (ZBB), the BCB has made important advances in budget management. Over the past few years, the BCB had no budget surpluses, which can be observed in the evolution of the budget execution over the years, which is highlighted in the Figure.

BRL 141.7 million were carried out in ICT contracts using OGU, with a forecast of BRL 13.6 million in deferrals. A significant part of this amount was used for increasing computational capacity and cyber resilience.



Source: National Treasury of Brazil

Mandatory and discretionary expenses – Comparative chart (BRL million)



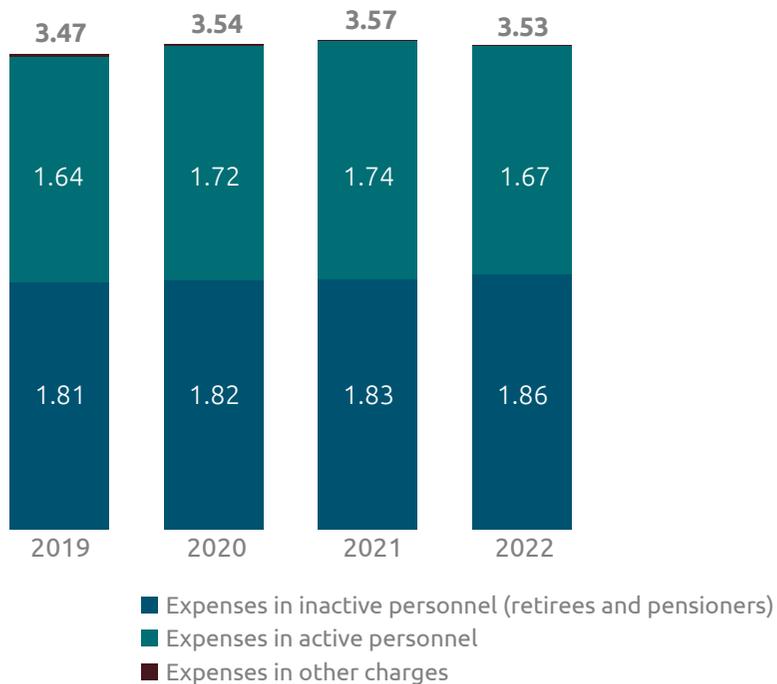
* Present value obtained by correction of the amount executed each year using IPCA variation in December 2022

Financial resources

PERSONNEL EXPENSES

In 2022, the BCB spent BRL 3.53 billion on personnel, of which BRL 1.86 billion with inactive personnel (retirees and pensioners) and BRL 1.67 billion with active personnel (remuneration and variable benefits such as food allowance, medical assistance, and retirement benefits, among others).

Personnel expenses (in BRL billion)



Financial resources

MONETARY AUTHORITY BUDGET (OAM)

The Monetary Authority Budget (OAM) is another source of financial resources, but has a specific purpose. OAM exists to legally forecast expenses and revenues of typical activities of the BCB, such as the management of the country's international reserves, the execution of financial operations carried out as bank of banks, the management of BRL banknotes and coins in circulation in the economy, among others.

OAM comprises all income and expenses (primary and non-primary) related to operations carried out in the execution of the country's monetary, foreign exchange and credit policies.

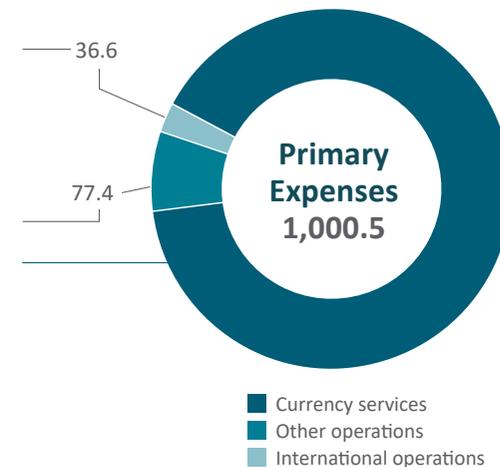
Financial income and expenses (non-primary) arise from the remuneration of financial assets and liabilities and are measured on an accrual basis. Primary income and expenses, such as transactions with goods and services, are measured on a cash basis.

The OAM budget proposal for 2022 set the amounts of Monetary Authority revenues and expenses at BRL 682.8 billion and BRL 673.7 billion, respectively (CMN Vote 66, August 26, 2021). Throughout 2022, a budget reprogramming was necessary, increasing these amounts to BRL 879.7 billion and BRL 1,143.3 billion, respectively.

Of the BRL 1,143.3 billion budgeted for expenses, BRL 1.1 billion went to primary expenses, which is equivalent to 0.10% of the total. Expenses estimates for currency services, such as issuance and distribution, represented BRL 947.9 million, about 87.16% of estimated primary expenses.

Execution of the monetary authority's budget (OAM) – in BRL million

	Revenues	Charges
International	467,902.7	715,405.3
Open Market	366,006.9	208,752.5
Banking area	1,468.2	48,318.3
National Treasury	0.0	169,694.8
Other operations	8,448.5	82.2
Currency	-	905.0
Total	843,826.3	1,143,158.4



Financial resources

CONTRACTING AND PROCUREMENT PROCEDURES

The most prominent items in the 2022 Annual Contracting Plan were those for the provision of software development and support services, involving systems that support the BCB's core activities, such as the **Reserves Transfer System** (STR) and the International Reserves Management System (SAR), in addition to contracting to expand storage capacity for Pix and other applications, to support the ICT infrastructure and to update cybersecurity solutions.

In 2023, the current ICT service contracts will expire. It will be necessary to contract services for the development and support of software products that underpin the innovation, creation, and maintenance of technological solutions, as well as contract a service to support the ICT infrastructure, necessary for the full operation of the BCB computing environment and the critical services supported by it.

Also noteworthy are the contracts that provide public utility communication services to the entire population. In addition to contracts for the preservation of public assets and functional properties (armed ostensive surveillance, cleaning and conservation services, building maintenance etc).

Concerning contracts funded with OAM resources, those related to currency services, such as the acquisition of banknotes and coins and the transportation of cash, stand out.

All contracts must follow the principle of full transparency, which states that people have the right to access all information about them. The adherence to this principle contributes to the greater approximation of the BCB to the public.

Financial resources

OTHER MANAGED RESOURCES

Rural Credit Insurance Program (Proagro)

The Proagro is a federal government rural insurance program that guarantees funding for agricultural costs when the supported crop has its revenue reduced due to climatic events or uncontrolled pests and diseases.

Proagro focuses mainly on small and medium-sized farmers, within the coverage limit established in the regulations. It is managed by the BCB, regulated by the CMN, and operated by financial institutions such as banks and cooperatives.

International Reserves

International reserves are foreign currencies denominated assets owned by Brazil that serve as a safety buffer for the country to face its obligations abroad, as well as withstand external shocks, such as currency crises and abrupt interruptions of capital flows.

As Brazil adopts floating exchange rate regime, this buffer helps to keep the proper functionality of the internal foreign exchange market, enabling the mitigation of sharp variations of the local currency, the Brazilian real, against the dollar and providing greater predictability and safety for market agents.

International reserves are mainly allocated in bonds, time deposits in foreign currencies (dollar, euro, pound sterling, yen, Canadian dollar, and Australian dollar), IMF's Special Drawing Rights, time deposits at the Bank for International Settlements, gold, among other assets. The allocation of the international reserves follows three pillars, prioritized in this order: safety, liquidity and profitability.

The BCB annually publishes the [International Reserves Management Report](#), which addresses aspects ranging from the economic environment and governance, to investment policy, risk management and reserve management's performance evaluation.

Concluding the extrajudicial liquidations of banks *Banorte* and *Econômico*

In 2022, the extrajudicial liquidation regimes of *Banco Banorte* and *Banco Econômico*, which started in the 1990s, were concluded. After *Banco Banorte* settled its debts with the BCB and its qualified creditors, the BCB ended the extrajudicial liquidation upon conversion to ordinary liquidation. During the regime, *Banco Banorte* paid BRL 1.1 billion, in nominal value, to the BCB.

Banco Econômico had its extrajudicial liquidation terminated by transferring its share control, increasing capital and changing the corporate name to *Banco BESA S.A.* During

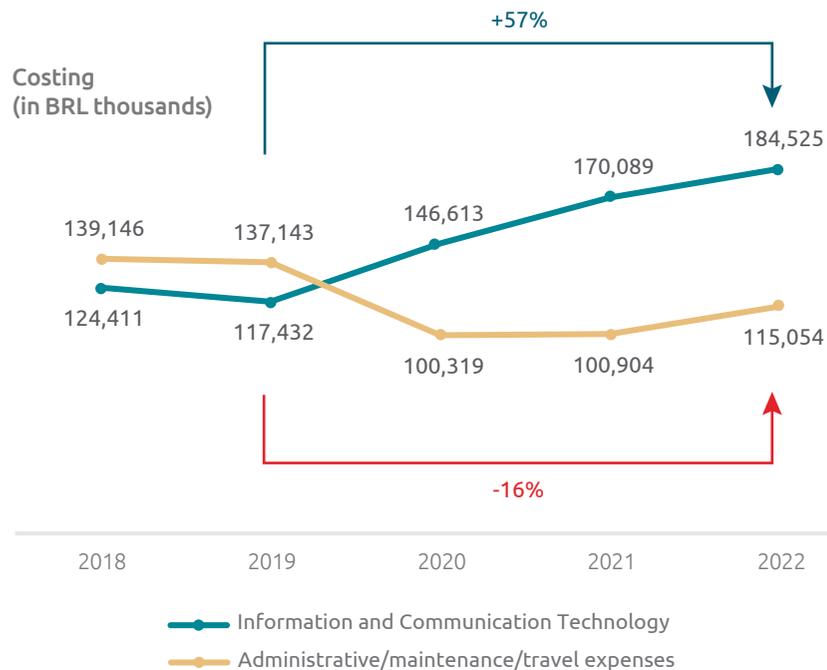
the regime, the BCB collected, in nominal value, BRL 32.5 billion. A balance of BRL 1.6 billion remains to be paid by *Banco BESA S.A.*, subject to installments within a federal tax recovery program (the so-called *Refis das Autarquias*). This Installment Agreement signed by *Banco BESA S.A.* represents the full recovery of funds deposited by the BCB and the final settlement of liabilities with other creditors.

Financial resources

COSTS

The BCB calculates the costs of its activities, services and processes in compliance with the best management practices and legal requirements. Its internal 'Cost and Managerial Information System' (Cost System) uses a management model for cost classification. It considers all resources used in the BCB regardless the budget source (OGU or OAM), differing from the conventional accounting and budget classifications. The main objective pursued in calculating costs is to contribute effectively to management's decision making, especially with regard to the best allocation of available resources for the functioning and operation of the autarchy.

In this sense, in 2022, the continuity of the cost dynamics established from the beginning of 2020 with the adoption of remote or hybrid work was observed, with a reduction in expenses for the maintenance of facilities and an increase in ICT expenses, both to support remote work and to subsidize important projects related to the financial system. The following Figure shows this situation:



Financial resources

FINANCIAL STATEMENTS AND RESULTS EVALUATION

The BCB's financial statements comprise the following reports: Balance Sheet; Income Statement; Statement of Comprehensive Income; Statement of Changes in Equity; and Statement of Foreign Currencies Cash Flows. The statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), an international organization that sets international accounting standards, with the aim of facilitating accounting analysis and comparison between institutions in different countries.

BCB's Balance Sheet Structure

In the Balance Sheet, the balances of the accounts representing assets and liabilities are segregated into foreign currencies and local currency, in addition to shareholders' equity at year-end.

The BCB's foreign currency assets are basically represented by financial instruments related to the investment of international reserves, in the form of securities, time deposits with financial institutions, repurchase agreements, gold, among other types of operations.

Regarding assets in local currency, almost 96% corresponds to the portfolio of federal government securities used by the BCB to implement monetary policy.

Liabilities denominated in foreign currencies are not very significant, while liabilities in local currency represent 93% of the total. Among these, the following stand out:

- » balance of the National Treasury Operating Account, which is operated by the BCB;
- » repurchase agreements (repos); and
- » reserve requirements balances.

For the purpose of calculating the equity position, the balance of banknotes and coins in circulation, registered at their face value, is also a BCB obligation.

Financial and Accounting Results

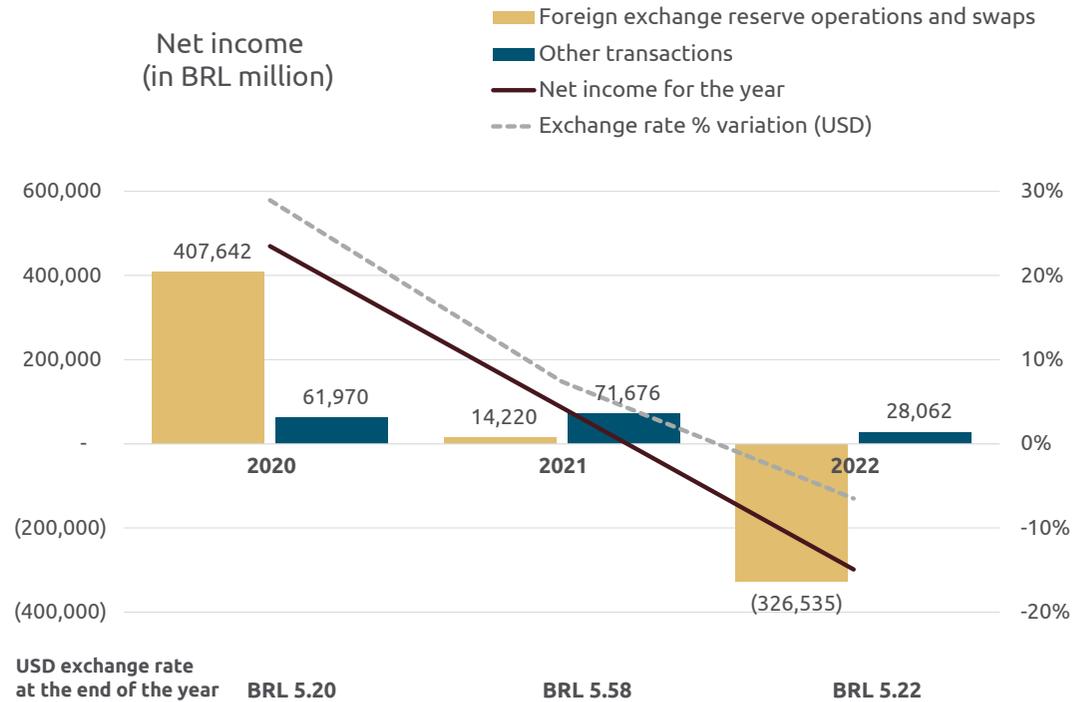
The BCB's net income, considering all revenues and expenses, is calculated annually on an accrual basis and covers the calendar year. In 2022, the BCB's net income was negative by BRL 298,473 million, as detailed below:

	In BRL million	
	Years ended December 31	
	2022	2021
Foreign Exchange Reserve Operations and Swaps	(326,535)	14,220
Profitability of the international reserves	(406,306)	27,915
Profitability	(267,434)	127,230
Funding Cost	(138,872)	(99,315)
Foreign exchange derivatives	79,771	(13,695)
Other transactions	28,062	71,676
Net income for the year	(298,473)	85,896

Note: negative values are shown in parentheses, according to the adopted accounting standard.

Financial resources

Given the composition of the BCB's balance sheet, results are highly impacted by fluctuations in exchange rate. The exchange rate adjustment represents a variation resulting from the conversion of the international reserve assets balances into domestic currency. Therefore, the related result does not constitute a result in financial terms. The following chart shows the change in net income compared to the variations in the USD exchange rates:



Financial resources

The BCB annual net income is treated as follows:

a) if positive, it is transferred to the National Treasury after the constitution of reserves, until the 10th working day after the approval of the balance sheet; and

b) if negative, the National Treasury covers it, after the reversal of reserves and the use of institutional assets, observing the minimum limit for equity of 1.5% of the total assets, until the 10th working day of the year after the balance sheet approval.

The positive result associated to operations with foreign exchange reserves and derivatives is destined to the constitution of a specific reserve aimed at offsetting negative results in future years. It may also be used for the payment of the Internal Federal Public Securities Debt (DPMFi) by the National Treasury exclusively when severe restrictions on liquidity conditions significantly affect the debt refinancing, as long as it is authorized by the CMN.

In 2022, the negative net income of BRL 298,473 million, after the realization of the revaluation reserve (BRL 6 million), was covered by the reversal of the Result Reserve (BRL 179,132 million), by the reduction of the BCB's institutional equity (BRL 82,799 million) and by the constitution of a credit with the Federal Government, to

be received by the 10th working day of the next fiscal year (BRL 36,536 million).

Seigniorage

Seigniorage, from an economic point of view, is the revenue derived from the monetary authority monopoly of currency issuance. The table below shows the result of seigniorage by the monetary concept, measured by the variation of the monetary base, discounting the inflation of the period and the cost of acquisition.

Seigniorage (in BRL million)	2022
Variation of currency in circulation	3,321
Variation of compulsory and voluntary deposits on cash resources and Instant Payments account	7,155
= Change in the monetary base	10,476
IPCA variation (Extended National Consumer Price Index)	5.79%
Seigniorage revenue	9,903
Currency production costs and issuing expenses	(905)
= Result of seigniorage	8,998

Infrastructure and natural resources

The BCB has buildings in ten cities and a state-of-the-art technological park, fundamental for the fulfillment of the mission of ensuring an efficient financial system.

In 2022, the improvement of building facilities continued, especially in the aspects of accessibility, safety and sustainability. There was particular attention to the best use of spaces, allowing the sharing of real estate with other federal government bodies. In August, the BCB started an extensive renovation of its museum, the *Museu de Valores* located at the headquarter in Brasília, following sustainable practices, which include the use of energy-efficient building materials and the sustainable disposal of the related waste. The renovation of the museum is funded by the Diffuse Rights Defense Fund, managed by the Ministry of Justice and Public Security.

ASSIGNMENT OF USE OF AREAS TO OTHER PUBLIC ENTITIES

Facilities sharing arrangements provided better use of spaces, optimization of the processes of contracting services and acquisitions, apportionment of expenses (water and sewage services, electricity, surveillance, maintenance and conservation of real estate etc) and reduction of costs with lease of real estate by the assignees. The savings in administrative costing allows efficient reallocation of resources, allowing to strengthen the public policies of the agencies.

Currently, the BCB has co-located facilities to 21 government agencies and entities, totaling approximately BRL 16 million in transfers, referring to the apportionment of common expenses.

The areas provided by the BCB are distributed as follows:

- » Belém: CGU; Superintendence of Administration of the Ministry of Economy in the State of Pará (SRA/ME); National Agency of Supplementary Health (ANS); National Agency of Waterway Transport (ANTAQ); and State Superintendence of the Ministry of Health in Pará (SEMS).
- » Belo Horizonte: Brazilian Intelligence Agency (ABIN); National Civil Aviation Agency (ANAC); National Telecommunications Agency (ANATEL), IBRAM.
- » Brasília: Superior Labor Court (TST), with six apartments at SQS 314, Asa Sul neighborhood.
- » Curitiba: ANTAQ, Regional Superintendence of Administration of the Ministry of Economy in the State of Paraná (SRA/ME), Superintendence of Private Insurance (SUSEP) and Federal Court of Accounts (TCU).
- » Fortaleza: Regional Superintendence of the Federal Police and ANS.
- » Porto Alegre: ANTAQ and the National Mining Agency (ANM) and Telecomunicações Brasileiras S/A (Telebrás).
- » Recife: National Agency of Land Transportation (ANTT).

- » Rio de Janeiro: Institute for Applied Economic Research (IPEA); National Institute of Metrology, Standardization, and Industrial Quality (INMETRO); National Complementary Welfare Superintendence (PREVIC); and The Superintendence of Private Insurance (SUSEP).
- » Salvador: ANS, ANTT and Ibama (Brazilian Institute of Environment and Renewable Natural Resources).
- » São Paulo: CGU, PREVIC and SUSEP.

Infrastructure and natural resources

PARTNERSHIP WITH THE *CASA DA MOEDA DO BRASIL (CMB)*

The CMB, the Brazilian Mint, is a state-owned company that manufactures banknotes and metallic coins. The interaction between the BCB and the CMB is steady, from negotiations for the purchase of the Annual Production Program defined by the BCB to the partnership in the development of new series of the Real and commemorative coins.

In 2022, the BCB ordered 1,181,280 thousand banknotes and 990,100 thousand coins. In addition to coins of common circulation, 40,000 commemorative cupronickel and 20,000 silver coins were manufactured referring to the Bicentennial of Independence.

To celebrate the 50th anniversary of the Money Museum (*Museu de Valores*), the CMB launched commemorative medals at the Brazilian Numismatic Congress. Fifty silver and 300 bronze medals were minted to mark the special date.

RELEASE OF THE BICENTENNIAL COIN

The BCB launched, in June 21, two commemorative coins, one in silver and the other in cupronickel, alluding to the 200 Years of the Independence of Brazil. The launching of the coins marks the BCB's contribution to the celebration of the historic moment that established Brazil as a nation.

Based on the BCB's definitions and specifications, the CMB developed the graphic designs, in addition to being responsible for selling the commemorative coins through the *Clube da Moeda's* website.

SURVEY ON THE USE OF MONEY

The BCB released the results of the new edition of the survey "Brazilians and their relationship with money". Held in late 2021, the survey is an important source of information for the continuous improvement of the management of the Brazilian money supply and of the disclosure actions on the characteristics of the banknotes and coins of the BRL. Among the most relevant results, the survey indicated that cash is still the means of payment most frequently used by the population, despite having lost relevance compared to the 2018 survey edition.

COLLABORATION WITH THE *BANCO DO BRASIL*

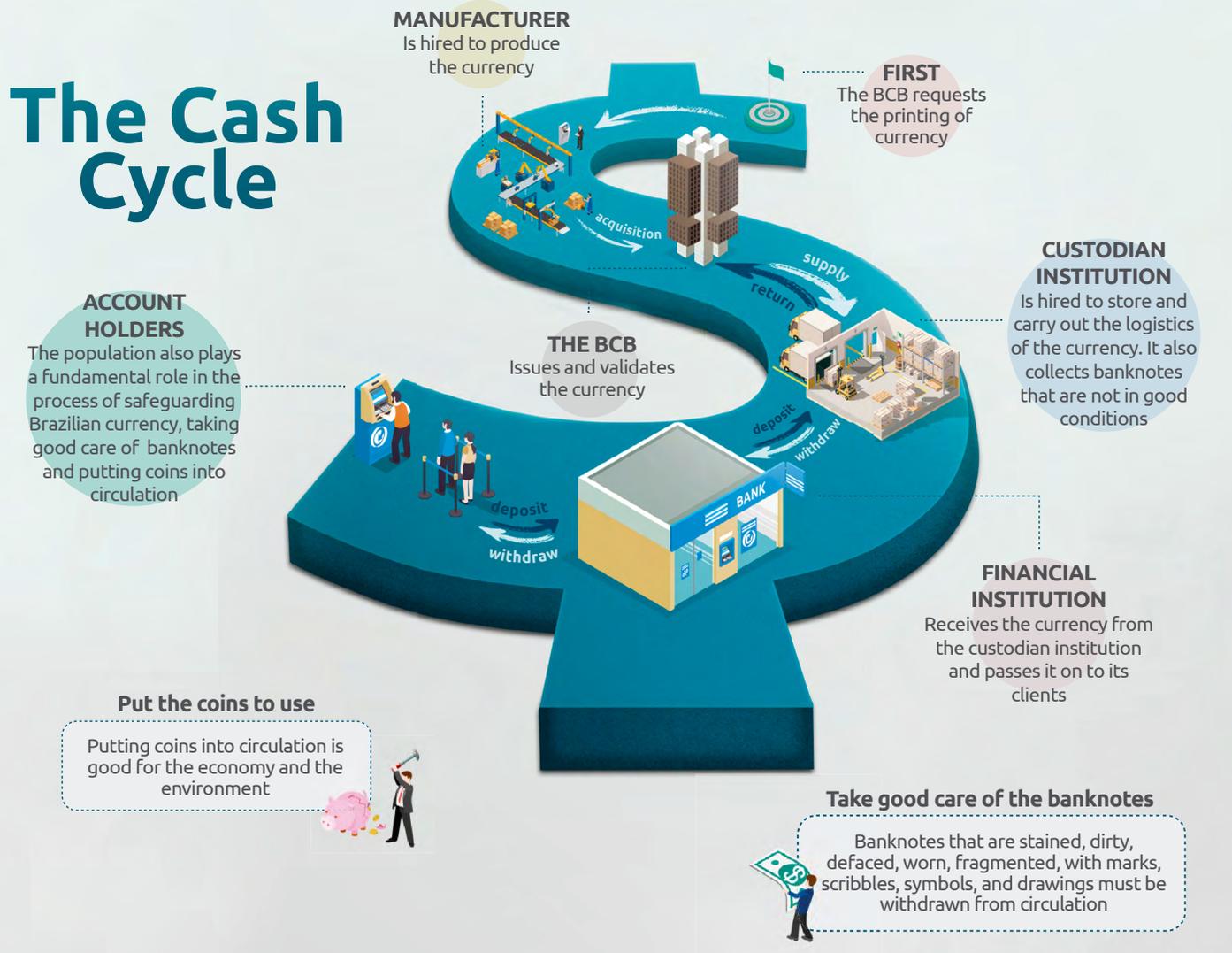
Banco do Brasil S.A. is the financial institution that works together with the BCB in the distribution of cash (banknotes and coins) throughout the national territory. *Banco do Brasil S.A.* has a wide network, thus enabling a wide capillarity.

After receiving cash from the BCB, *Banco do Brasil S.A.* conducts withdrawal, deposit, and exchange operations

with financial institutions, and is reimbursed by them for the costs incurred in these operations and other activities related to custody, for which it must report to the BCB. Upon receiving cash from the banking network, the custodian sorts the bills, returning to circulation those considered appropriate for use. The cash considered inadequate is sent to the BCB in due time.

Infrastructure and natural resources

The Cash Cycle



Infrastructure and natural resources

ACTIONS TO REDUCE THE CONSUMPTION OF NATURAL RESOURCES

The BCB recognizes the importance of using natural resources responsibly and minimizing the impact of its activities on them.

Therefore, in 2017, the BCB created its Environmental Responsibility Policy (PRSA) and a governance structure for its implementation and monitoring, the Committee for Organizational, Social, and Environmental Responsibility (CRSO). The Committee is responsible for coordinating internal actions to strengthen social and environmental responsibility, consolidating good practices, and favoring the integration and exchange of experiences on actions and sustainability projects developed at the BCB. In addition, in 2021, the Sustainable Economy Committee (Ecos) was created. It aims to harmonize and disseminate information on internal and external initiatives for all areas of the BCB, since the theme is broad and growing, and touches on issues from different areas.

Results of these actions can be seen in the chapter “Our Results”, Sustainability section. In addition, among several other initiatives, the BCB maintains guidelines for the establishment and implementation of the respective Social, Environmental and Climate Responsibility Policy (PRSAC) by institutions authorized to operate in the SFN.

Among the actions carried out in 2022 to encourage the consolidation of a sustainability culture, there are highlights such as the inventory of greenhouse gas emissions, initiatives to reduce the use of paper, the installation of selective collection bins in all the BCB buildings, the initiative to use waste from BRL banknotes and the donation of computer and furniture items. The collaborative efforts with other central banks and other public bodies, with participation in meetings and events, are also important opportunities to exchange knowledge in this matter.

The execution of the 2021-2022 Sustainable Logistics Management Plan sought to implement sustainability practices in the BCB’s facilities and in processes with the potential to generate waste. The primary goal of the Plan was to reduce as much as possible the generation of waste and to correctly dispose of it.

In 2022, the preparation of the BCB’s first greenhouse gas emissions inventory also began. Both the inventory and the strategies for reducing emissions are being individualized for each of the BCB’s twelve buildings. The process is being carried out according to IPCC’s (Intergovernmental Panel on Climate Change) guidelines.

The BCB persists in the search for increased energy efficiency and reduction of its water consumption, through building revitalization works and the installation of more sustainable solutions. The intention is to reduce the consumption of natural goods, as well as rationalize public spending, bringing direct benefits to the country.

Another example of the BCB’s initiative to reduce the consumption of natural goods was the elimination of the transit of paper documents. To this end, the BCB adapted its work processes and adopted the Digital Protocol, aiming at eliminating the sending and receiving of paper documents. Annually, around 90 thousand documents are filed. The elimination brought gains to the BCB, the SFN, and to society in general, by making the process more agile, safer, and less costly. Added to this is the sustainability benefit brought about by the significant reduction in paper consumption.

To facilitate the correct separation of the waste produced, the BCB installed selective collection bins in all its buildings. It has also replaced individualized bins with shared ones. The correct separation allows the allocation of all recyclables to waste pickers’ cooperatives, which generates income for several families involved in the activity in all cities where the BCB operates.

Infrastructure and natural resources

Annually, the BCB withdraws from circulation, through a selection and fragmentation process, about 1,100 tons of banknotes that are no longer appropriate for circulation. In 2022, the BCB destined all the waste produced by the fragmentation process of worn out and unsuitable BRL banknotes for use as a co-processing fuel for cement kilns or inputs in the manufacture of coating and/or furniture items.

The correct disposal of this waste is so important for the preservation of the environment that the BCB hired a company to carry out the Life Cycle Assessment of BRL banknotes. Through it, the BCB intends to identify possible modifications that can be made in the life chain of banknotes and coins to make it more sustainable from the beginning.

It is worth highlighting another initiative that aims to use IT and furniture items that are considered unusable by the BCB, in its organizational context, but which may be useful for Non-Governmental Organizations (NGOs) and other public bodies. Thus, the BCB donates these items to foster the circular economy and avoid the disposal of items that can still be used.

The BCB seeks to serve as a reference, disseminating these good sustainability practices through meetings and events with members of the SFN and other public agencies.

Participation in editions of the event *Café com PLS*, in which PLS stands for Sustainable Logistics Plan, is an example of this. The goal is to exchange experiences with other agencies and public entities on the best sustainability practices that have been adopted. In November 2022, the BCB organized the 6th edition of the event, available [here](#).

Finally, the participation of CRSO members in the NGFS working group, a network that seeks to make the operation of central banks greener”, stands out. The BCB goal is to bring new practices to its daily routine, in addition to sharing those it already performs, assisting peers to build a more sustainable path for their operations.

SUSTAINABILITY CRITERIA IN CONTRACT MANAGEMENT AND ACQUISITIONS

To guide its sustainability efforts, the BCB published the Sustainable Logistics Management Plan (PGLS) 2021-2022. The main goals of the PGLS are:

- » to disseminate and promote the practice of eco-efficiency within the BCB;
- » to promote environmental, economic, and social sustainability within the BCB community;

- » to review and improve the procurement and contracting processes, aiming at developing specifications for the acquisition of goods, services, and projects that contain environmental sustainability criteria;
- » to qualify facilities and buildings for a better use and utilization of natural resources;
- » to establish partnerships aimed at recycling waste or environmentally correct disposal; and
- » to promote the quality of life in the work environment.

OUR RESULTS



Our Results

The BCB's mission is to ensure the stability of the currency's purchasing power, to foster a sound, efficient, and competitive financial system, and to promote the economic well-being of society.

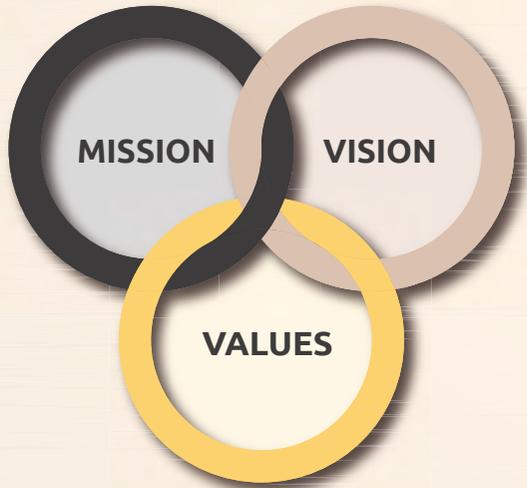
The BCB's primary objective is to ensure price stability by controlling inflation. To fulfill this objective, the BCB defines the policies to meet the targets set by the inflation targeting regime. Such targets are defined by the CMN for the annual variation of the Extended National Consumer Price Index (IPCA). For 2022, the inflation target was set at 3.5%, with a tolerance interval of 1.5 p.p. However, the 2022 inflation was 5.79%. The causes for inflation being above the upper limit of the target tolerance interval in 2022 were presented in an [Open Letter](#). In addition, the section Stability of the Purchasing Power of this report provides further details on the topic.

To face numerous challenges, the BCB continually seeks to promote enhancements in the SFN. Thus, its strategic agenda, the Agenda BC#, aims to promote these improvements with a view to financial democratization, with lower interest rates, better financial services, and increasing participation in the financial market. The Agenda BC# is organized in five thematic dimensions: inclusion, competitiveness, transparency, education, and sustainability. Each of these dimensions encompasses several strategic actions, some of which have already been completed.

Ten out of 57 strategic actions that were under execution throughout 2022 have been completed. For the sake of transparency, the BCB's Transparency and Accountability Portal disseminates follow-ups and results of all the BCB's activities and actions to the public on a regular basis.

Our Results

STRATEGIC ACTIONS – 2022



OBJECTIVES

	taken	completed
Inflation within the target range	1	0
Financial stability	6	0
Inclusion	4	0
Competitiveness	16	1
Transparency	12	4
Education	7	2
Sustainability	10	3
BCB modernization	1	0

57 ★
actions **taken**

10 ✓
completed actions



Our Results

To measure institutional results, the BCB also uses a set of 30 management indicators. These indicators monitor results associated with the main products of the BCB's value chain and are approved and monitored by internal governance instances.

In 2022, 22 out of the 30 monitored KPIs showed results equal to or greater than their targets, while eight did not meet the minimum required index. Those KPIs are listed below:

- » Inflation Target, as measured by the IPCA (the following section provides more details).
- » Indicator regarding supervision actions carried out by the Conduct Supervision Department.
- » Administrative Sanctioning Process (PAS) – average time period of decisions.
- » Percentage of authorization processes without loss of legal or normative deadlines.
- » Supply of change index per inhabitant – bank notes.
- » Supply of change index per inhabitant – coins.
- » Social media reach.
- » Timeliness and quality index for meeting public authorities demands.

The KPIs, their descriptions, calculation methods, results, justifications for unmet targets, and details can be consulted on the [BCB's website](#).

The following sections present the results that supported the achievement of the eight BCB's strategic objectives in 2022. The sections present the results associated with each objective.

In addition to its fundamental objective of maintaining price stability, the BCB also pursues the maintenance of national financial stability and six other strategic objectives. Five of them are expressed in the dimensions of the Agenda BC#. Finally, there is one more strategic objective: "To improve the BCB performance through innovations, technology, efficient use of resources, and alignment with best international practices".

In 2023, the BCB will continue to implement BC# Agenda actions with a proactive approach, to foster competitiveness, transparency, the entrance of new institutions in the SFN and SPB, financial citizenship, and sustainability, in a way that is consistent with its mission.

Stability of the Currency Purchasing Power

This section presents the BCB's results aimed at achieving the strategic objective "To meet the inflation targets set by the National Monetary Council (CMN) and – without harm to the price stability – to smooth out fluctuations in economic activity, and to promote full employment".

By acting to ensure the stability of the purchasing power, the BCB contributes to a better performance of the economy. Price stability allows Brazilians to make well-founded decisions on consumption, investment, and savings, which favors growth, reduces uncertainties, and increases the welfare of society.

Keeping inflation under control is important because it preserves the value of money by safeguarding purchasing power of the currency. To achieve this goal, the BCB implements monetary policy, which comprises the BCB's actions aimed at affecting the cost of money (interest rates) and the amount of money (liquidity conditions) in the economy.

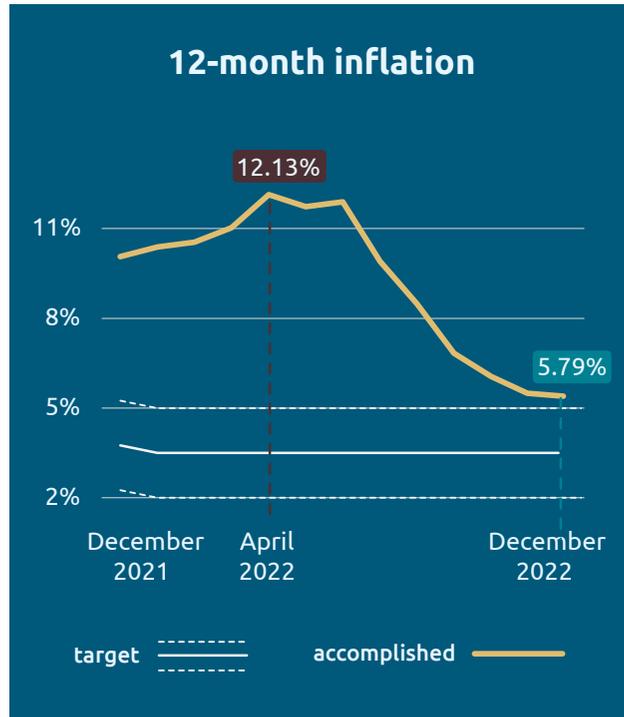
2022 Inflation Control

The BCB works to adopt timely measures to mitigate risks of price pressures on goods and services when identified



Stability of the Currency Purchasing Power

The year of 2022 was challenging from a monetary policy standpoint. The year-over-year (YoY) inflation rate, measured by the IPCA, reached 5.79% in December, above the upper limit of the tolerance interval (5%). Some factors were especially relevant to explain the behavior of inflation.



Inertia had an important contribution to inflation in 2022 due to the high inflation in 2021 of 10.06%, affecting both market and administered prices inflation. In the case of market prices, past inflation means current costs pressure, arising both from other prices of goods and services used as inputs and from informal inertial mechanisms of wage indexation. For example, adjustments in wage negotiations tended to follow past inflation, although to a lesser extent, for much of the year. In the case of administered prices, institutional arrangements link the adjustment of prices to past inflation, especially in the case of health insurance and drug prices.

The rise in commodity prices, especially oil, also affected 2022 inflation, especially in the first half of the year, and acted indirectly in 2022 through the high impact on 2021 inflation. Commodity prices fell in the second half of 2022, influenced by the perspective of world economic deceleration and the rebalancing of grains supply. Even so, in general, price levels at the end of 2022 were still above those of late 2021, except for metal commodities.

Imbalances between demand and supply of inputs and bottlenecks in global supply chains were another determining factor. These pressures reflected changes in consumption patterns caused by the pandemic. There was a proportionally greater share of demand directed toward

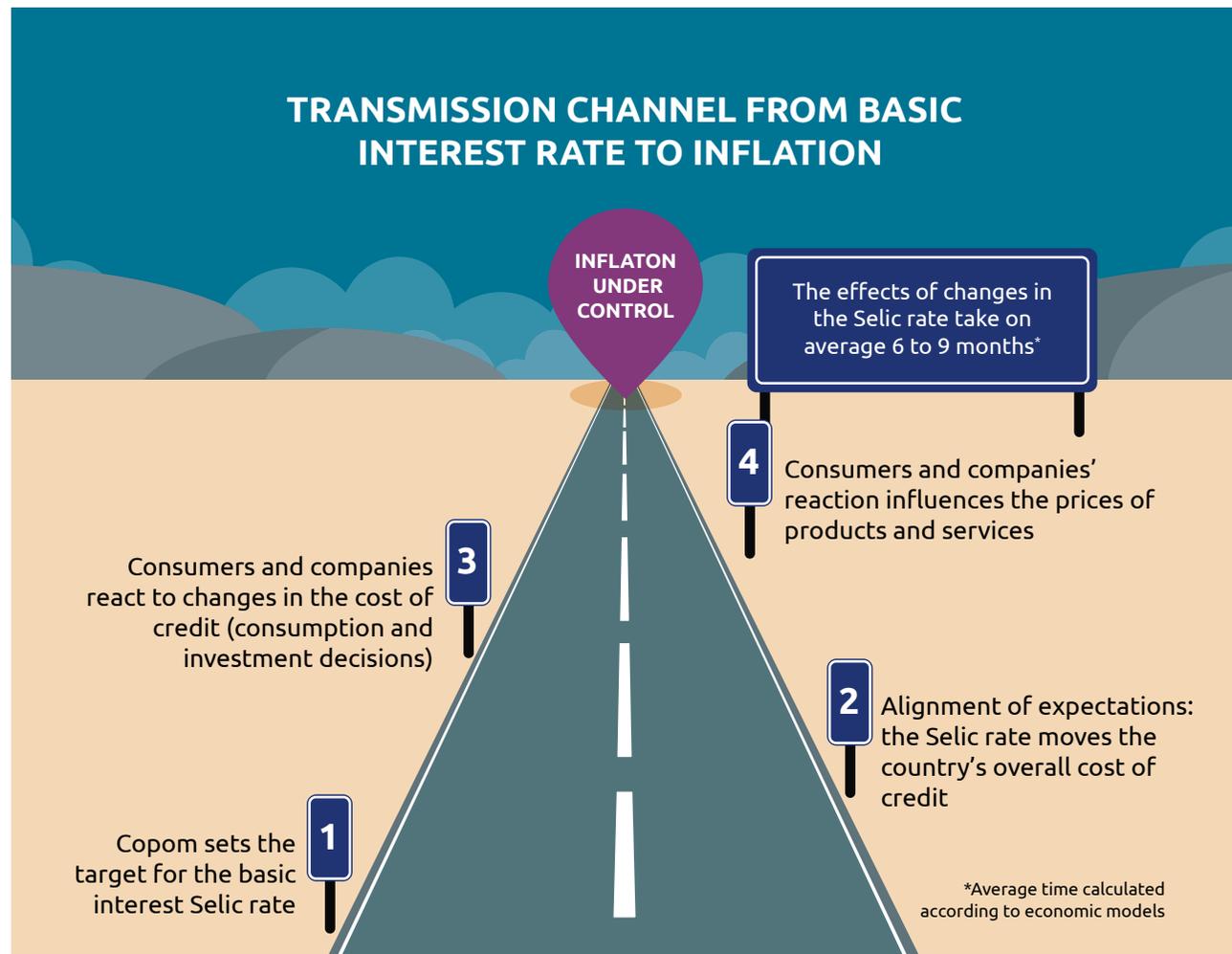
goods, driven by expansionary policies. As for 2022, these pressures were aggravated by the outbreak of war in Ukraine. These developments, which occurred on a global level, generated excess demand over short-term supply for several goods, causing an imbalance in several countries and sectors.

Food price shocks are also one of the main reasons to explain 2022 inflation. These shocks resulted from climate issues, the recovery in the employment level, and the recovery in the demand for services.

Conversely, several factors contributed to reducing the deviation of inflation from the target. An important event that contributed to a lower 2022 inflation compared with 2021 were the tax measures involving fuels, electricity, and telecommunications. In April 2022, due to the rainfall improvement, the water scarcity flag effective since September 2021 was replaced by the green flag, which also contributed to reducing inflation. The exchange rate partially counterbalanced the increase in commodity prices. The exchange rate appreciated in the first months of 2022 and, although it depreciated afterwards, it still reached, in 2022Q4, a 5.9% lower average compared to the same period of the previous year.

Stability of the Currency Purchasing Power

It is noteworthy the role that monetary policy played in containing inflation. Monetary policy, which in 2021 had already moved from highly stimulative to contractionary territory, in 2022 moved substantially into the latter, with the continuous increase in the basic interest rate until August 2022. In this sense, the projections presented in the **December 2022 Inflation Report** point to a scenario of inflation convergence to the targets defined by the CMN over the relevant horizon.



National Financial Stability

This section reports the actions and results that contributed throughout the year to achieve the strategic objective: “To maintain national financial stability”. Besides being a strategic objective, it is part of the BCB’s mission to foster a sound, efficient, and competitive financial system.

In this sense, the BCB constantly monitors the SFN. The analyses carried out indicate that there was no relevant risk to financial stability and that the banking system was prepared to face all simulated macroeconomic shocks.

The SFN has maintained appropriate provisions and capitalization and liquidity were preserved above prudential requirement levels. In 2022, the materialization of credit risk in higher risk lines granted to households and microenterprises was highlighted in the REF (Financial Stability Report) and in Minutes and Statements of the Comef (Financial Stability Committee) meetings. Improvement in the quality of credit granting was noted in the last quarter of 2022.



SUMMARY

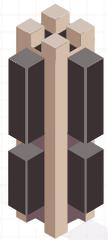
WHO WE
ARE

OUR
STRENGTH
AND
OUR
RESOURCES

OUR
RESULTS

National Financial Stability

Financial Stability



FINANCIAL SYSTEM

Analyses carried out by the BCB indicate that in 2022 there was no relevant risk to financial stability.



CREDIT

Credit to micro, small and medium companies continued to grow strongly.

Larger companies continued to access the capital market, but began to increase operations with the banking system.

Banking credit to households maintained the high pace of growth, especially in consumer credit and credit cards operations.

RESILIENCE

SFN's provisions were adequate, above expected losses estimates, and capitalization and liquidity were preserved above prudential requirement levels.

Stress test results indicated that the banking system was able to absorb all simulated shocks, both in capital and liquidity.

RISKS

Risk appetite of financial institutions remained high in credit for micro companies and households.

Risk materialization increased due to riskier credit granting in previous quarters and the deterioration of households' payment capacity.



National Financial Stability

A monthly indicator that allows the BCB to follow the financial system soundness is the Level of Compliance with Capitalization Requirements by the SFN institutions. Throughout the year, it maintained a performance above the established target of 98.8%, with a 99.9% average.



The BCB's prudential and conduct monitoring and supervision activities continued to contribute decisively to the proper functioning of the SFN in 2022. The proactive action of the supervision teams preserved the SFN soundness and the adequate credit flow to the economy. To this end, the BCB made periodic contacts with representatives of supervised institutions and carried out several types of supervisory actions on these entities.

The BCB also worked to make available information of interest to society regarding the SFN performance. The supervision area set up improvements by intensifying the use of information systems, applications, tools, and algorithms that had been under development for the past few years.

Throughout the year, the BCB finished 845 finalistic supervisory actions, encompassing micro and macroprudential monitoring, banking, non-banking, and conduct supervision, as well as technical advisory actions, specialized supervision, and strategic management. The supervision actions had as a guideline the balance between preserving the financial health of the SFN entities, the continuity of the provision of essential financial services, and the development of innovative solutions to improve supervision.

In 2022, 12 Settlement Agreements were signed with supervised institutions aiming at the cessation of practices by the committed institutions and the correction of irregularities and the compensation for losses to customers, with the collection by the BCB of BRL 53.8 million as a pecuniary contribution. Two of these Settlement Agreements that dealt with the collection of tariffs and/or financial charges in disagreement with the regulations in force set up the obligation to refund more than 1.3 million clients, totaling BRL 81.1 million.

National Financial Stability

Special Temporary Liquidity Facility – Guaranteed Financial Letters (LTEL-LFG)

In December 2022, the last operations of Special Temporary Liquidity Facility guaranteed by credit operations or securities (LTEL-LFG) were settled. Created by the BCB in April 2020, the LTEL-LFG was developed to minimize the economic impacts during the Covid-19 pandemic, with the maintenance of credit operations, especially for micro- and small companies.

Since its implementation, 245 LTEL-LFG operations have been carried out by 51 financial institutions, making available a total amount of BRL 121.9 billion.

The Liquidity Facility was carried out through fixed-income securities issued by financial institutions to raise long-term funds. [Learn more.](#)

The uncertainty caused by the pandemic generated dysfunctions in the bank funding and broad credit markets, deteriorating the financial sector's ability to meet the financing demands of households and companies. The supply of liquidity to the SFN through the LTEL-LFG was one of the measures adopted by the BCB to keep the markets functioning.

At the beginning of the pandemic, debt issues in the capital market were strongly impacted, affecting corporate funding negatively. As a result, large non-financial companies resorted to bank loans and made massive bank withdrawals to remain liquid during a crisis that they did not know how long would last. This situation created great difficulty for smaller companies to access credit, as banks were also concerned about their own liquidity during the health crisis. In this context, the BCB launched the LTEL-LFG. This instrument guaranteed liquidity to financial intermediaries, who were able to offer more credit without jeopardizing their own liquidity. One should note that there were no delinquency on these operations and the BCB properly managed the risks over almost two years. The LTEL-LFG highlighted the expansion in the types of assets and securities accepted as collateral, which included commercial papers and credit operations of financial institutions, in addition to debentures.

National Financial Stability

Alignment of accounting rules and tax rules in the acknowledgement of losses associated to credit risk

The alignment of accounting rules and tax rules in the acknowledgement of losses associated to credit risk followed international standards on financial reporting. Acknowledging such losses aims at reducing the recognized amount of tax credits and, consequently, also reducing the need to allocate additional prudential capital for institutions that hold these assets.

This regulatory adjustment creates conditions for an enhancement in credit concession within the SFN, having direct and indirect effects on the cost of credit, on economic growth, and on tax collection. The new rules will be effective in 2025 given the complexity of the subject and the magnitude of efforts needed for their implementation by financial institutions and by the BCB.

Market and credit risks management by supervised entities

The BCB carried on with the domestic adoption of the set of prudential measures called Basel III, following the recommendations of the Basel Committee on Banking Supervision (BCBS).

The prudential regulation on market risk management started to allow the adoption of more advanced prerogatives in the management of this risk by the supervised entities, provided they are authorized by the BCB. The criteria for classifying instruments in the trading or banking book went into effect in March 2022 and the other provisions are scheduled to go into effect in January 2023. New rules for calculating the capital requirement for credit risk of financial instruments classified in the trading book are expected to be published in 2023.

Three segments of supervised entities may request specific authorizations for special market risk management procedures, with the possibility of benefits in the regulatory capital calculation. In 2022, specialized supervision has structured processes for technical evaluation of these requests. The granting of more sophisticated possibilities in market risk management implies compliance with better governance and capital allocation practices, resulting in more sound and efficient supervised entities.

Still in 2022, the BCB launched a public consultation on the regulatory proposals that implement the minimum capital requirements for operational risk. The new methodology for the calculation of the required capital for operational risk replaces three methodologies currently in force with a single standardized model.

The standardized approach to calculate the risk-based capital requirements for credit risk was also reviewed. The new regulation reflects the most recent recommendations of the BCBS on the subject. The new rules make the framework more robust and risk-sensitive by increasing the risk weights granularity, which allows for a more optimized use of capital resources.

New prudential rules and proportional supervision model for payment institutions

Payment institutions are now required to observe prudential rules proportional to their size and complexity, in a similar form to those already in place for financial institutions. The simplification of treatment and procedures aligns the rules to the reality of the segment, which tends to offer innovative products and services.

The new regulation preserves the ease of entry for new competitors in the payment segment, to increase competition in the system. The new rules will be effective from July 2023, with a two-year phased implementation.

A specific methodology was also developed for the proportional supervision of payment institutions not subject to BCB's authorization that are part of the SPB, exclusively because of their participation in the Pix payment

National Financial Stability

arrangement. For the payment institutions not subject to authorization by the BCB, but that integrate the SPB due to their participation in the Pix, the proportional supervision has a specific methodology. This methodology was applied simultaneously to 53 unauthorized payment institutions.

Furthermore, supervision procedures were improved, and face-to-face actions were carried out in all the payment arrangement providers, to promote harmonization of concepts, gathering of information, and full adaptation to the rules in force.

Advances in the automation of the on-site supervision process

Throughout 2022, further progress was made in the automation of the on-site supervision process of non-banking institutions. To build up a complete inspection roadmap, automatable questions were mapped from the areas of internal control, integrated risk and capital management, and treasury; as well as for the economic and financial situation of credit fintechs.

The application for text summarization through natural language processing techniques was improved by the incorporation of a very advanced algorithm, although still limited to texts of up to 512 words. Also, the first version of the application for on-site supervision of the credit fintech

segment was implemented, which will be expanded to the analysis of other segments.

The developed applications aroused great interest from the international supervisory community, being the object of a presentation at a BIS event and of individual presentations to the European Central Bank (ECB), the Monetary Authority of Singapore (MAS) and the IMF.

Agenda BC#

The Agenda BC# brings together strategic actions which are directly linked to five of the eight strategic objectives of the BCB. It guides the work of the BCB, and its results seek to modernize the SFN and contribute to the sustainable growth of the economy, as well as important inclusion initiatives through technology. In 2022, the results of the Agenda BC# can be distributed across its five dimensions: Competitiveness, Inclusion, Transparency, Education, and Sustainability.

COMPETITIVENESS

This section reports actions and major results aligned with the strategic objective: “To foster competition within the Financial and Payment Systems”.

The Competitiveness dimension seeks to foster competition within the SFN, with the expansion in the number of participants and solutions. The development of new products and services, mainly digital, favors quality improvement and market diversification. More agile and cheaper means of payment, in an environment of increasing refinement of the financial and payment systems, favors lower prices for citizens. In addition, competition promotes innovation, reduced business maintenance costs, and market improvement.

Efficiency is also sought in the allocation of international reserves and participation in international organizations that provide protection to the entire market for Brazilian products and services, not restricted to the SFN. For the country to maintain and expand its capacity to compete in the international market, it is necessary for the value of the BRL to be balanced against the USD and other reference currencies. In addition, adherence to international codes protects the country in trade operations with other countries.

Agenda BC#

Pix

Pix is a payment scheme that instantly transfers funds between accounts at any time or day. It is possible to carry out immediate transfers and payments, schedule transactions for a future date, and withdraw cash. Pix is used in the most diverse cases: transfers between people, payment of purchases and invoices, and payment of taxes and public fees, among others.

The objective of the implementation of Pix was to democratize access to electronic payment methods, make transfers and payments more convenient, contribute to the digitalization of the economy, promote financial inclusion, and leverage competitiveness and efficiency in the Brazilian Payment System, with a reduction of costs to end users. After the launch of Pix Saque (Pix Withdrawal) and Pix Troco (Pix Change) in 2021Q4, 2022 was a year of maintenance and improvements of existing features.

With a little more than two years since its launch, Pix has become one of the leading payment schemes used in the country, and it is responsible for more than 30 billion transactions and for handling approximately BRL 15 trillion during the whole period.

Created to fulfill a series of public objectives, Pix is recognized worldwide as a success story. In addition to leveraging financial inclusion, Pix expands the digitalization of payments and promotes competitiveness and efficiency in the market.

In 2022, Pix surpassed the milestone of 100 transactions per capita. It means that, on average, a Brazilian resident makes more than 100 transactions via Pix annually. It is worth noting that some countries that have had instant payments for more than ten years have yet to reach this milestone.

There are over 523 million active “Pix keys” (aliases to the payee’s account information). Since its release, 130 million people and eleven million businesses have used Pix. Of these, 64 million people who had never used TED (a same-day electronic transfer available to the banked population since April 2002) are using Pix, which shows how the tool boosts financial inclusion.

With the increasing use of Pix, cases of frauds involving this payment scheme also grew. Like any other payment

scheme, Pix can be used for swindles. However, the system is considered safe. The BCB adopts different mechanisms to prevent fraud, such as precautionary blocking, infraction notifications, and regulations establishing transaction limits.

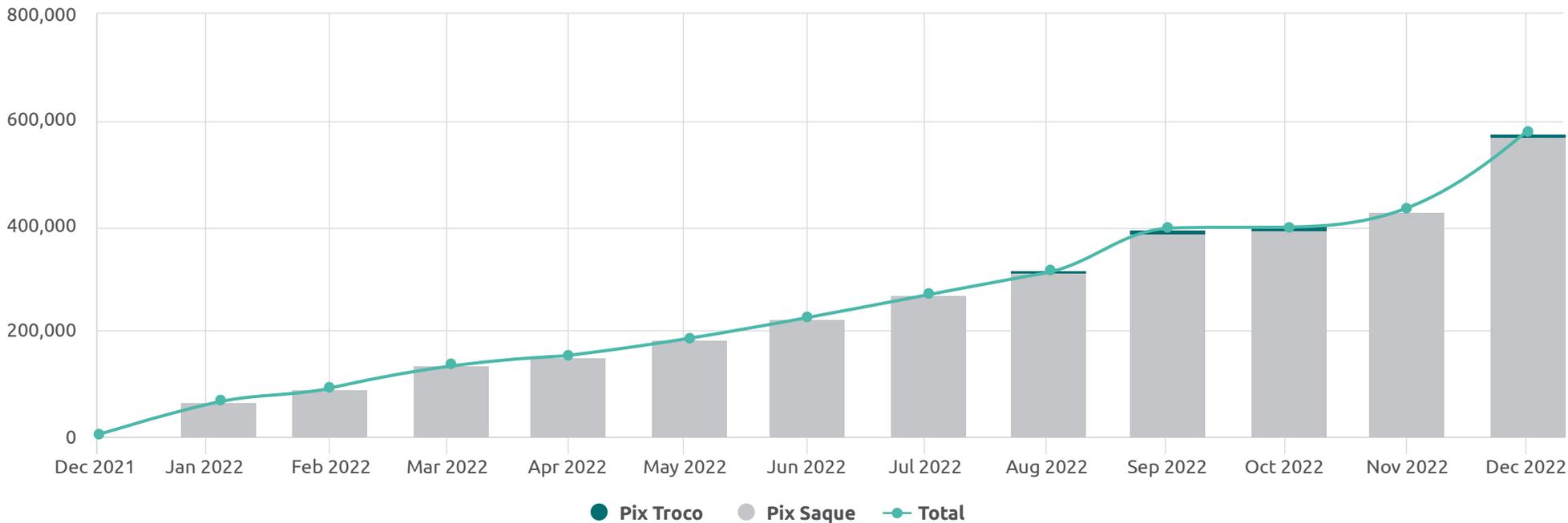
It is also important to remember that the financial institution through which the customer carries out Pix transactions is responsible for any instability or delay in its applications and for any fraud resulting from failures in the institution’s own risk management mechanisms. In addition, the BCB disseminates videos and communication pieces for citizens, with tips on how to take precautions. Watch videos [#1](#), [#17](#), and [#28](#) (available only in Portuguese) of the *BC Te Explica* (the BCB Explains to You) series.

As Pix is fast, practical and safe, Pix users became familiar with instant payments and fund transfers without bureaucracy. Transfers between people are still the largest share of transactions. Still, payments from people to companies are gradually gaining relevance, with the QR Code becoming increasingly popular.

Agenda BC#

Pix Saque (withdrawal) e Pix Troco (change)

Amount of Transactions



Agenda BC#

Open Finance

Open Finance is the standardized sharing of customer data and services among institutions, which participate in this arrangement created and regulated by the BCB. Through it, bank account holders may authorize their data to be shared with another institution to obtain a service offer. Another possibility is to obtain credit at a certain institution and request that the debit occur in the checking account of another bank.

In 2022, the BCB took steps with supervised entities, demanding the resolution of problems that arose in the data sharing phase of Open Finance, mainly related to interoperability, consumption, and data quality.

Open Finance is one of the pillars of the financial system of the future. It facilitates the access to information on financial services and promotes the emergence of innovative solutions for offering and contracting financial products and services. Consumers now have control over their own data.

Open Finance helps financial systems to be more competitive, efficient, and inclusive, placing the consumer at the center of this change. Brazil has the largest Open Finance environment in the world, both in terms of scope and number of participants, as well as in terms of number of consent from consumers.

By the end of 2022, the Open Finance structure had logged more than 2 billion API calls (allowing interaction between computer software and the exchange of information) and 5.6 million active consents. [Learn more.](#)

Agenda BC#

openfinance

Benefits



New business models



Financial inclusion



Financial data portability



Consumer centric approach



Greater transparency



Improved control over personal finances

Solutions that may be developed from Open Finance



Service and bank fees comparative tools



Financial advice and family planning apps



Social media payment services



Credit marketplaces

Agenda BC#

The Digital BRL

Since 2018, the BCB has been conducting actions related to central bank digital currencies to monitor and promote the digital evolution of the Brazilian economy. The idea is that, when launched, the Digital BRL will become part of people's daily lives, being also used by those who use bank accounts, payment accounts, cards, or cash. It is important to emphasize that the objective of the Digital BRL is not to replace the conventional BRL in the everyday life of Brazilians.

In 2022, the BCB started the evaluation of use cases and technological feasibility of the Digital BRL, through the LIFT Challenge Digital BRL. The initiative, led by the BCB and Fenasbac, selected technological projects for the development of minimally viable products (MVP). Based on the LIFT Challenge results, the BCB may move forward to a testing phase in 2023.

The new digital currency can be used for financial transactions settlement, fostering financial inclusion and the emergence of new businesses. The platform of the Digital BRL will allow access to financial services at banks and other financial service providers.

Based on guidelines released in 2021, the Digital BRL Initiative foresees the creation of a market infrastructure,

under the governance and regulation of the BCB, where technologies such as programmable money and smart contracts will be available for new business models.

The use of Digital BRL for retail purposes was initially foreseen. There is a focus on technology to foster innovative business models that can provide greater efficiency to the Brazilian economy. As for the online operation, the Digital BRL must be integrated with current payment systems, allowing operations such as payments in points of sale or transfers of funds between its users.

The BCB thus seeks to promote the adoption of efficient and secure technologies, while increasing the population's access to cheaper financial products and services. The creation of the Digital BRL will be another step in the direction of a technological and inclusive financial system.

Agenda BC#



How can Digital BRL improve our lives?

Digital BRL will use technologies already available in decentralized financial environments - such as smart contracts and programmable money. Its use will occur through tokenized deposits in entities supervised by the BCB.

Its great advantage is to allow democratic access to more efficient financial services in an increasingly digitalized economy.

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With the increased flexibility to create financial solutions, there will be increased competition for banking customers. Financial products will become more suited to users' needs and the costs will be increasingly affordable. For entrepreneurs, more secure and accessible financial transactions will facilitate the creation of new business models that can integrate, for example, the internet of things and promote data monetization.

For Digital BRL to translate into concrete benefits for the Brazilian economy, however, many tests are needed and challenges overcome. The technologies that support digital currencies are in a maturation phase, and fundamental guarantees, such as the right to privacy, must be protected in the Digital BRL environment. Finding the balance between this need for privacy and the innovative use of information offered by these technologies is still an issue.

Ensuring mechanisms to prevent money laundering, financing of terrorism, and financing of the proliferation of weapons of mass destruction is another guideline for the Digital BRL. In compliance with court orders, the ability to trace illicit transactions, which used the Digital BRL, is very important to the BCB. [Learn more.](#)

What is identical

- They are expressions of the sovereign currency of Brazil: BRL
- Both will have the same value and be freely converted between each other
- They can be handled in the same way
- Both will be included in the monetary aggregate
- Both will be equally safe and guaranteed by the BCB

What is different

Issuance and distribution

- Physical printing
- Costly distribution logistics

Custody

- Financial institutions are responsible for the money deposited

Application in new business models

- Uses existing payment arrangements
- Higher intermediation cost

Physical BRL



X

Digital BRL



- Digital, instantaneous, almost costless issuance and distribution

- Exclusive BCB's stewardship

- More versatile applications
- Lower intermediation cost
- More adequate to technological innovations

Agenda BC#

Special edition of the Financial and Technological Innovations Laboratory: the LIFT Challenge Real Digital

The Financial and Technological Innovations Laboratory (LIFT) develops prototypes of innovative products, as reported in a previous section of this report. All projects are proposed by society, which makes LIFT an open environment for direct society participation in the promotion of innovations for the SFN.

The **LIFT Challenge Real Digital** was a LIFT's special edition, with the objective of evaluating cases of use of digital currency issued by the BCB, as well as its technological viability. Importantly, this edition attracted 43 companies from Brazil and from seven other countries (Germany, United States, Israel, Mexico, Portugal, United Kingdom, and Sweden).

The LIFT Challenge Real Digital allowed the BCB to get closer to participants in the financial system regarding the expectations and expected benefits of Digital BRL. Under the initiative, participants presented several projects that were developed with a close monitoring by the regulator, who clarified doubts about regulations, and presented suggestions to enhance the projects. Additionally, the BCB advanced its understanding of the technologies involved in the projects, which included, for example, decentralized finance platforms and the internet of things.

In this process, new challenges not yet mapped by participants were discovered in the joint discussions, especially in terms of privacy and compliance with current regulations. Thus, the BCB now has more maturity to face the challenges of the Digital BRL Initiative, in addition to a proper perspective of the technological limitations that remain unresolved.

Nine out of the 47 projects presented were selected for follow-up. The initiative aims to identify desired features that an infrastructure for Digital BRL should have. This infrastructure will be able to support the use cases provided by the selected projects.

The application projects were the most varied, covering the universe proposed in the call for papers, with applications for delivery against payment, payment against payment, internet of things, decentralized finance, and offline payment solutions.

The BCB's Regulatory Sandbox

The Regulatory Sandbox is an environment in which the BCB authorizes entities to test, for a specified period, an innovative project in the financial or payment sectors, which is somehow constrained by the BCB's present regulation. The authorized institution must observe a specific set of regulatory provisions that applies to controlled activities. The sandbox was created to encourage innovation in

business models and foster competition among financial product and service providers.

The BCB selected 7 among the 52 projects registered for participation in the First Cycle of the Regulatory Sandbox. In December 2021, the entities responsible for the selected projects were authorized to begin their operation under the Regulatory Sandbox regime for one year, extendable once for the same period. Six of the authorized projects had their finishing date postponed to December 2023, when the first cycle will end. There is no regulatory provision for a new postponement.

The Regulatory Sandbox provides an environment in which the selected institutions can effectively implement new business models that have the potential to deliver new and better financial services and products for end users while leading to the modernization of regulatory framework. After the conclusion of the first cycle, it is expected that the selected projects will prove to be effective and viable to be permanently implemented under a suitable regulation.

[Learn more.](#)

Agenda BC#

Improvement of rules for registering and negotiating credit card receivables

Whenever a consumer uses his or her card, a credit is generated for the seller. These credits are known in the financial system as “receivables” because they are expected to be received by the seller in the future. Sellers can negotiate their receivables, both those already registered by point-of-sale (POS) machines and those yet to be constituted, which have their value estimated according to the commercial establishment’s revenue history. Receivables are thus used as a high-quality collateral and allow credit to be offered at a lower cost, which can lead to a financial advantage to small and medium-sized companies.

The BCB improved the regulation on the limits and requirements for transactions involving credit and debit card receivables. The new rules standardize the names of the tariffs and the forms of charging for services provided by registrars of card receivables. They also establish that the acquiring institutions provide a channel for commercial establishments to access information on their registered receivables schedules, including the negotiation contracts carried out. Such channel will also allow establishments to dispute terms of registers.

Under the new rules, registrars are required to respond to disputes within five business days. They will also be required to reconcile information on receivables, settlements, and

contracts schedules, in order to keep updated system records. The measures will bring more transparency to this market.

A governance framework for the interoperability between registry systems was also created, involving not just card receivables but also other financial assets. In this way, systems are expected to operate in a more stable, safe and efficient way, enabling better services and more competitiveness.

Interchange fee and settlement lag for debit and prepaid cards

The interchange fee is the remuneration the acquirer pays to the card issuer in each transaction. The acquirer is the entity responsible for enabling the acceptance of the payment instrument by the merchant; it may also rent or sell POS terminals to the merchant. This interchange fee represents a cost which the acquirer passes on to the merchant, that generally transfers it to the consumer.

The BCB improved the regulations on the limits for the interchange fee and the settlement lag for prepaid and debit card transactions. The objective was to encourage the reduction of costs for merchants by making the acceptance of these instruments cheaper. Thus, it is expected that the savings made by merchants can be passed on to final consumers, with reductions in product prices.

Agenda BC#

Nowadays

- ✓ Cap on debit card interchange fees (IF):
 - Weighted average IF must be less or equal to 0.5%; and
 - IF must be less or equal to 0.8% in any transaction.
- ✓ Transactions not subjected to the cap (exceptions):
 - Transactions with corporate debit cards; and
 - Transactions in e-commerce.

From 2023, April 1st on

- ✓ Cap on debit card interchange fees (IF):
 - IF must be less or equal to 0.5% in any transaction.
- ✓ No exceptions.

fostering the use of
cheaper payment instruments

Price reduction

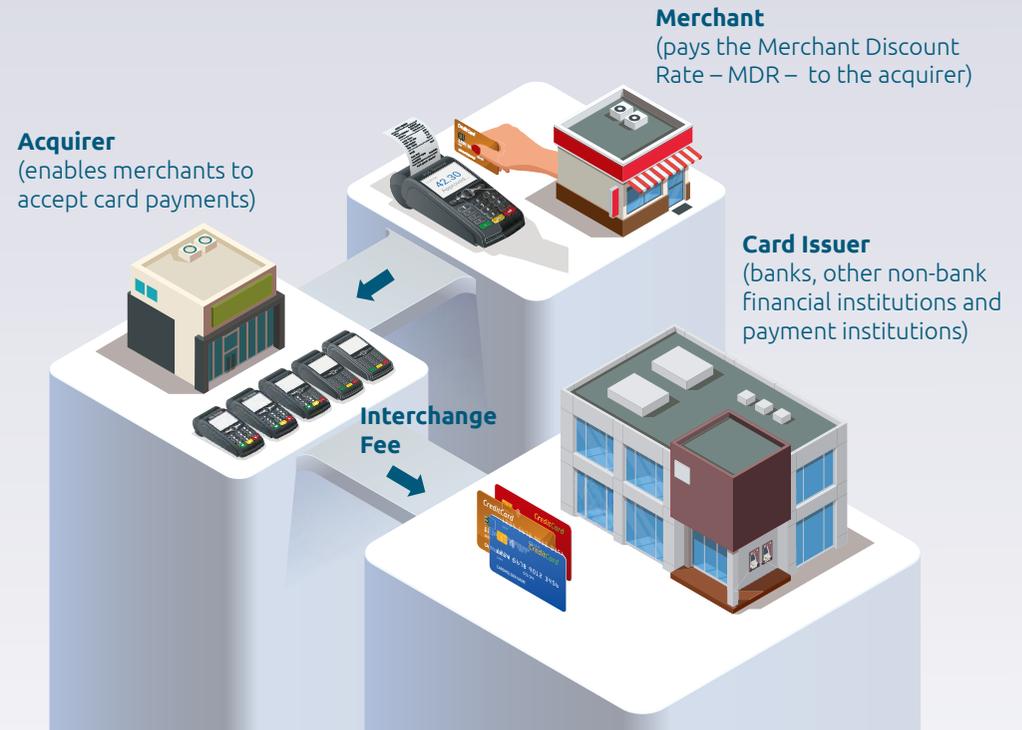
Merchants



Consumers

Interchange Fee

Price paid by the acquirer to the card issuer



Agenda BC#

Regulatory Result Assessment of the implementation of cap on the interchange fee for debit cards

With the aim of improving the regulatory process and contribute to its effectiveness, efficiency, and efficacy, the BCB has carried out a Regulatory Result Assessment (RRA) on the effects arising from the implementation of caps for the interchange fee charged within the scope of debit card schemes that are participants of the Brazilian Payment System (SPB).

The RRA verified the impacts of regulatory acts, considering the scope of the intended objectives and other impacts observed on the market and society in view of their implementation.

The RRA shows that the average merchant discount rate (MDR) charged in debit card transactions decreased after the BCB established the cap on the interchange fee. The pass-through of the reduction in the interchange fee to the MDR encouraged merchants to reduce prices charged to consumers for debit card purchases. There is no evidence that the regulation has contributed to increased debit card use. In addition, there is evidence that issuers incurred a reduction in revenue earned per active debit card, considering the cap in the interchange fee. Finally, there was no evidence of increased fees charged to the acquirer by the networks following the regulation.

The importance of this evaluation resides in the vast repercussions on the country's economy, since the definition of caps for the interchange fee aims to encourage the reduction of prices charged to the consumer in purchases with a debit card, affecting the choice of final consumers towards the use of cheaper payment instruments.

Brazil's adherence to the OECD Liberalization Codes

In May 2022, Brazil was invited to adhere to the two founding OECD instruments: the Code of Liberalization of Capital Movements and the Code of Liberalization of Current Invisible Operations.

These codes are instruments that have been in force since the foundation of the OECD, in 1961. The first document covers recommendations for regulating the international financial flow, including payments, transfers, loans, investments, in addition to the purchase and sale of foreign currency. The other, in turn, basically encompasses the provision of cross-border services – such as consultancy, law, and architecture services.

The two liberalization codes consolidate recommendations resulting from decades of studies and are based on principles of non-discrimination and transparency, among others.

The Council's approval of the Brazilian adherence to the codes does not imply an obligation for Brazil to promote the full adoption of all recommendations and parameters contained in these instruments. No OECD member country has adhered to all the Codes' recommendations.

Adherence to the codes, even with reservations, protects Brazil against discrimination by another member country. In addition, Brazil gains an appeal instance to question the disproportionate weight of a measure from another nation. It also gains the ability to influence and vote in the Investment Committee.

As mentioned previously, in January 2022, Brazil received an invitation letter from the OECD to open discussions on the accession process. Brazil is currently the non-member country that has adhered to the largest number of OECD instruments, having already adhered to 117 of the 266 legal instruments in force.

OECD Principles on financial consumer protection

Brazil has adopted the High-Level Principles on Financial Consumer Protection approved by the OECD, whose review involved the participation of the BCB. The principles were reviewed and approved by the OECD Council in December 2022, and two new ones were included: Access and Inclusion and Quality Financial Products.

Agenda BC#

The secondary market for federal public securities

To strengthen the secondary public securities market, new functionality allows liens and encumbrances registration in compliance with regulatory provisions.

The BCB also started to count on a prior confirmation tool, the Selic pre-matching. This digital platform matches and confirms the operations data in post-trading federal public securities. The tool automates transaction matching and specification processes (allocation and ballast passage) and automatically generates registration commands.

Organization of the Financial Market Infrastructure Forum

The financial market infrastructures (FMIs) are responsible for the operation of fundamental systems for the efficient and secure operation of the SPB, as well as the SFN. These systems provide a range of services and functionalities for financial and payment institutions to operate on a day-to-day basis.

Given the systemic nature of FMIs, a major supervisory action was carried out in 2022 within the Financial Market Infrastructure Forum, bringing together the top management of 10 FMIs currently participating in the market.

On this occasion, it was possible to communicate the expectations of the supervisory authority on important topics such as corporate governance, risk management, and promotion of financial stability, as well as to hear the demands of the segment.

The establishment of channels that enable the discussion of topics of common interest, such as interdependency issues, cyber resilience, and interoperability, has been subsidizing action plans and other measures aimed at increasing the efficiency of this segment. As a result, improvements are expected in the supply of services for financial institutions and, consequently, the provision of new products and services tailored to the needs of financial services customers.

Fraud and Scams in the SFN

As the volume of transactions advances massively on online platforms for financial services, the banking industry is becoming an increasingly attractive target for criminals, with a consequent increase in payment transaction fraud.

Thus, in 2022, the BCB implemented several actions aimed at reducing the number of frauds and scams, improving the SFN transactional security. The articulation with supervised entities, associations representing financial institutions, and security agencies was essential for the elaboration and implementation of these actions.

Throughout the year, the BCB requested the database of 145 supervised entities, aiming at carrying out statistical analyses and identifying weaknesses, which resulted in the adoption of occasional regularizing and/or sanctioning measures.

Agenda BC#

INCLUSION

This section reports actions and results that contributed, in 2022, to the achievement of the strategic objective: “Facilitate access to financial markets.” These strategic actions were conducted under the directives of the Inclusion dimension of the Agenda BC#.

Financial inclusion is the process by which individuals have effective access to financial services provided by financial institutions, such as credit, savings, payments, insurance, pension plans, and investments. In this dimension, the initiatives aim to facilitate the access of all to the financial market, covering small and large users, investors and borrowers, Brazilians, and foreigners. They aim to simplify procedures and cut red tape to facilitate the entry of new participants.

When procedures are simplified within the SFN, there is an increase in efficiency. This means that the routines of financial institutions are simplified and become more agile. The costs of operations required for financial products and services to be offered to the population are reduced. In addition, new institutions, with fewer resources or with differentiated performance proposals, are also allowed to participate in the SFN, thus increasing competition.

Reduction in transaction costs and increase in competition favor the reduction of fees or interest rates charged for

the services offered. Furthermore, when operations are simplified, a part of the population that did not previously participate in the financial market becomes interested in

the facilities offered. Facilitating access and reducing costs are initiatives that favor Inclusion. [Learn more.](#)



Agenda BC#

Expansion of the credit union sector

Credit unions can offer more wide-range access to financial products such as credit, investments, bill collection, and insurance. They can be present in places where other financial institutions do not operate and offer services to citizens with no bank account.

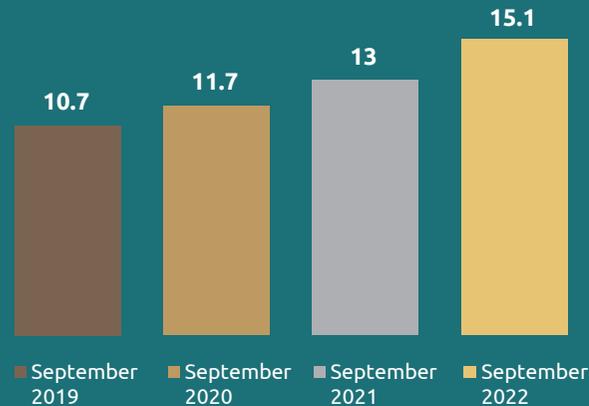
The credit union sector regulatory framework was revised and improved in 2022, with the aim of strengthening the activities of cooperatives. The new legislation provides such institutions with better conditions to expand their business, for the benefit of their members and the communities where they operate.

The credit union sector has had a considerable expansion over the last three years. Considering the period from September 2019 to September 2022, the number of members increased by 41.12% and the number of service units increased by 31.42%.

+ 41.12%



millions of associates



+ 31.42%



Service points



Agenda BC#

Regulatory Result Assessment (RRA) on Cooperative Auditing

The cooperative audit is an additional line of defense to the traditional ones, to enable the increase of specialization and the integration of monitoring and control activities of the credit unions. They perform an activity that complements the task that is done by the BCB's supervision.

In 2022, in addition to the RRA on debit card interchange fees, mentioned in the previous section, the BCB carried out another RRA on cooperative auditing. This RRA analyzed the effects of regulations that implemented cooperative auditing from 2015 on the credit union segment. The RRA revealed improved information on operational status and economic and financial soundness, as well as improved management and governance of credit unions.

Regarding the supervised entities, governance has been strengthened, with qualitative evolution in the performance of the members of the boards of directors, supervisory boards, and senior management. The sustainable short-, medium-, and long-term growth planning of the credit unions has also been improved.

Finally, for society, the market share of credit unions in the SFN increased, contributing to boosting competitiveness and the process of financial inclusion and education. The cooperative audit was essential for strengthening constant

evaluation and correcting vulnerabilities previously identified by the BCB.

Launching of the Cooperative Journey

The learning trail on credit cooperativism, the "Cooperative Journey", was launched in 2022. It allows BCB's employees to broaden their knowledge about the fundamentals and functioning of credit cooperatives in Brazil. The **Notions about Cooperativism course (Portuguese only)** is open to any interested citizen. The content was developed by the BCB staff in partnership with the German Confederation of Cooperatives.

New licensing regulation for financial institutions

The licensing process for financial institutions has been simplified. The BCB consolidated all licensing requirements into a single framework to simplify and provide greater transparency to the process and standardize the requirements and conditions applicable to each license type.

In addition to operating licenses, the new rules discipline and simplify processes related to cancellation of activities, change of ownership, split or merger, and change of name, among other topics. The changes in the licensing regulation will facilitate the proportional application of requirements

to be met with the risk profile and complexity of the business. The new rules will lead to a reduction in the cost of compliance, and authorization proceedings will become faster.

New Regulation on Foreign Exchange and International Capital

The new regulation on foreign exchange and international capital, resulting from the recent enactment of a Foreign Exchange and International Capital Law, will increase legal certainty in foreign businesses and simplify procedures. In addition, this regulation will provide more agility to Brazilian citizens and companies in their transactions abroad, both in obtaining funding and in attracting foreign investment.

The BCB received suggestions when preparing the infra-legal regulation. Contributions to the future regulation were collected in three steps. The first one was a public consultation on provisions related to the foreign exchange market and the definition of residence for the purposes of the Foreign Exchange and International Capital Law. A second public consultation involved a draft on foreign capital in Brazil earmarked to direct investment and at credit operations. A third and last consultation involved a regulatory proposal concerning capital abroad which belongs to residents.

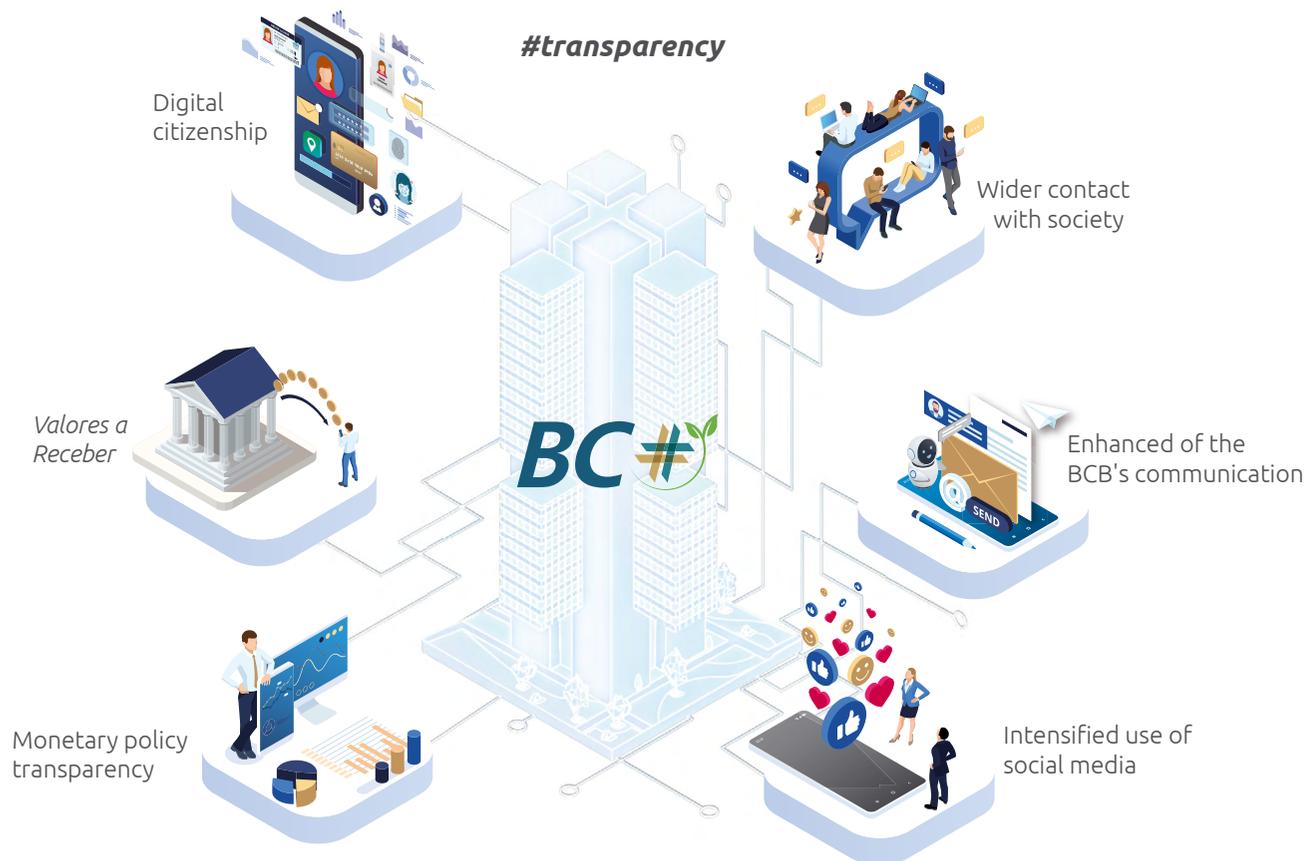
Agenda BC#

TRANSPARENCY

This section reports the actions and results that contributed, in 2022, to achieving the strategic objective of “Improving the transparency, quality, and flow of information between the financial market and the BCB”. These strategic actions make up the Transparency dimension of the Agenda BC#. In this dimension, the initiatives aim at improving the transparency of the BCB, financial market, and price formation process information, providing the entire population with the opportunity to understand what the BCB does and how the SFN works.

The initiatives within this dimension seek the improvement of the BCB’s communication actions, the expansion of contact with society, and the promotion of an increasing transparency in the SFN relationship with clients and users.

Understanding the services and products offered are often troublesome because of the complexity surrounding the issues related to the SFN. Part of the problem is addressed through Education, a dimension of the Agenda BC# presented ahead in this document. However, in addition to teaching the population about finance-related topics, it is important to reduce the asymmetry of information between clients and financial institutions. Initiatives as *Valores a Receber* (application in a BCB website which helps Brazilians to identify their own forgotten funds in financial institutions), *Fale Conosco* (Contact Us), and the Registrato are examples in this direction.



Agenda BC#

Transparency in the relationship among clients, the financial institution, and the BCB also favors the strengthening of the entire SFN and the best use of public and private resources. The use of technology or the integration of information systems facilitate the supervision of operations by financial institutions and the BCB. Cost reduction and operational simplification can be reflected in lower fees and interest rates, as well as a greater understanding of the whole process by citizens. The clarity of information benefits decision-making and the exercise of financial citizenship. [Learn more.](#)

Valores a Receber

In 2022, citizens were able to consult the *Sistema Valores a Receber* to verify whether they had unclaimed money in any bank or other entity of the SFN, related to balances in closed checking or savings accounts; resources from closed consortium groups; and shares of capital and net surpluses that were not distributed to beneficiaries and credit union participants.

People also directly searched the customer service channels of banks and other institutions to find out if they had any unclaimed funds.

In December 2022, the queries were suspended so that the BCB could work on improving the system, adding new types of values, and a module to query data of deceased individuals.

The *Sistema Valores a Receber* is scheduled to be reopened in 2023.

It is estimated that there is still BRL 6 billion to be returned to 38 million individuals and 2.4 million legal entities.

BCB's chatbot - Din

The BCB's customer service tool, Din, now has simpler and clearer language and offers new services. The technological evolution of Din has made it more secure and allowed for the inclusion of new topics in a simpler and faster way.

Information about the *Sistema Valores a Receber* and all the reports available in the Registrato system, including the Report of Checks with Insufficient Funds and the Report of Debts Registered in the Federal Cadin, have been added, in addition to new services, such as: the Citizen Calculator, queries to check the status of demands registered with the BCB (complaints against banks and information requests), and search for authorized institutions.

Din allows for 24/7 self-service. In 2022, the virtual assistant handled over 850,000 inquiries. This number is over 8 times higher than the accesses in 2021, which were around 102,000.

Agenda BC#

Digital services to citizens

As part of the *Plano de Transformação Digital*, the BCB offers a range of digital services to citizens registered on the gov.br portal. For demands that involve confidential information, access (login) can now be done through the gov.br Account, which allows users to access other electronic services of the Federal Executive Branch.

In addition, a module was added allowing users to evaluate their satisfaction with these services. The BCB's efforts to protect privacy and personal data are noteworthy, including the publication of its Privacy Policy and Terms of Use for Digital Services. Also, information on authorization processes related to the operation of institutions in the SFN, the SPB, and the Consortium System were gathered on a separate page, with the aim of making it easier for the public to access.

Regulation improvement in Proagro

Proagro is a federal government program that guarantees the payment of rural loans in case of crop damage caused by adverse climatic events or by pests and diseases impossible to be controlled, as described in the chapter "Our Strengths and Our Resources". Proagro is managed by the BCB and regulated by the CMN.

Some initiatives contributed to increasing the efficiency of Proagro for the 2022-2023 agricultural year. Percentages of coverage have been adjusted with the purpose of rebalancing expenses after the increase in sinistrality observed in recent years. In addition, a new method will provide agility in processing coverage requests when loss events result in an accumulation of such requests or appeals to financial institutions. These initiatives, combined with the deployment of new functionalities in the System of Rural Credit Operations and Proagro (Sicor), will enable a reduction in the period for producers to receive indemnities.

One point to be highlighted is the continuation of the agreement that provides for the transfer of Proagro funds to the Brazilian Agricultural Research Corporation (Embrapa). Such funds support research oriented to the improvement of the Agricultural Risk Climate Zoning (Zarc), which mitigates risks to crops covered by Proagro. This investment seeks to increase the efficacy of Zarc, which in turn contributes to improving the efficiency of Proagro expenditures.

In 2022, Proagro regulation was updated. The norm, which goes into effect in January 2023, makes it clear that a Proagro agent is responsible for monitoring and inspecting operations covered by the program. The regulation also

strengthens the autonomy of the agent in determining the procedures to be adopted, provided that such procedures are effective and that the criteria and methods used are consistent, verifiable, and may be assessed by the BCB.

This norm also extends from 45 to 90 calendar days the deadline for a Proagro agent to analyze and judge indemnity requests. It also simplifies procedures in exceptional cases that impede a regular processing of such requests. In these cases, the regulation allows the agent to conclude the analysis and judgment after regular deadlines without having to ask for the BCB's authorization.

Disclosure of rural credit operation data in the BCB's website

Operations funded with earmarked resources make roughly 60% of total rural credit operations. Earmarked resources in rural credit are those whose contracting conditions, such as amounts, interest rates, warranties, and terms, are regulated by the federal government. Data on such operations are now being published in the BCB's website. The goal is to provide as much transparency as possible to rural credit and Proagro operations registered in Sicor. Microdata on operations funded by non-earmarked or by mandatory resources are also made public, excluding data covered by banking secrecy.

Agenda BC#

Modernization of Public Registries

The modernization of legislation related to public registries aims at contributing to the improvement of the business environment in Brazil. Changes in rules on registration services, information, and guarantees mean reduced burdensome for users. The new legal framework governs the implementation of an integrated electronic system of legal acts and transactions – the Electronic System of Public Registries (SERP) – and simplifies the procedures related to public registries. All these initiatives seek to reduce costs and completion dates by making it easier to get access to information and to send documentation for registration.

The increased security involved in the use of assets as collateral increases the degree of access to credit and reduces the costs of loans.

Modernization of the platform of the Financial System Organization Manual (Sisorf)

The Sisorf is a manual released to the public that presents legal, regulatory, and operational aspects of matters that depend on the BCB authorization, related to all institutions authorized to operate by the BCB. The manual also informs the procedures and routines adopted in the evaluation of

applications. This manual is an important tool to increase the transparency of the BCB's actions related to this activity.

The BCB has modernized the Sisorf platform in the Integrated Authorization System environment. As a result, the BCB is now able to update the manual quickly and efficiently, increasing the legal certainty of authorization proceedings and providing public access to the most up-to-date information.

Expanding the sharing of credit information with the SFN

The Credit Information System (SCR) aims to capture information on credit operations with two purposes. The first is to make the BCB's supervisory action more efficient. The SCR is a source of information for the monitoring of credit in the financial system and the supervisory activities. The second is to enable the exchange of this information between financial institutions, a function known as "credit bureau".

In 2022, the BCB enacted a new regulation that will improve the role of SCR as a credit bureau. The new regulation will make it possible to share more detailed and granular information on credit operations in the Brazilian financial

system. It will also expand the access to SCR information to other important agents, such as database managers and guarantors of credit operations.

These measures aim at the evolution of risk analysis by the financial system and, consequently, at greater security and efficiency in the credit granting process in the country.

Agenda BC#

EDUCATION

This section reports the actions and results that contributed, in 2022, to achieving the strategic objective of “Stimulating savings and a conscious market participation”. In this dimension of the Agenda BC#, initiatives are developed to promote understanding about financial products, concepts, and risks.

The initiatives seek to increase citizens’ knowledge about financial risks and opportunities, and about where to look for information or help in making decisions. Through accurate information in simple language, consumers and financial investors develop knowledge and skills to make choices that improve their financial welfare. The initiatives in the Education dimension also seek to encourage the habit of saving and the reduction of indebtedness. [Learn more](#).

Debt negotiation campaigns

Debt negotiation campaigns allow consumers who are late in the repayment of their unsecured credit modalities – such as credit cards and overdraft facilities – to renegotiate their debt.

In 2022, two national campaigns were held for debt negotiation and financial guidance. The first campaign took place in March, and the second, in November 2022. During the campaigns, four million overdue contracts

Debt, delinquency, and over-indebtedness: understand the difference



Indebted



When someone takes on a financial commitment to be paid in the future.



Delinquent



When a person is in arrears or fails to pay installments or financial commitments previously assumed.



Over-indebted



When the level of indebtedness reaches a point where it affects the ability to meet basic needs such as food and housing.

were renegotiated – 1.7 million in March, and 2.3 million in November. The BCB conducted these campaigns in partnership with Febraban, the National Consumer Secretariat (Senacon), and consumer protection entities (Procons) spread across the country.

Whereas such campaigns are indispensable, the BCB reminds the public that guidance to help citizens who want to renegotiate their debts is available permanently. An example is the e-book “How to Get Out of Debt”, available on Febraban’s website, which lists steps for resolving financial issues.

It is important to highlight that over-indebted citizens have the right to a multi-creditor renegotiation of their debts, with all creditors simultaneously, enabling more appropriate agreements than bilateral negotiations with each bank separately. Therefore, citizens who may be over-indebted are advised to seek specialized help from consumer protection and defense agencies, whose links are available on the campaign page, instead of negotiating their debts through such campaigns.

Agenda BC#

Over 1 million students enrolled in *Aprender Valor*

The *Aprender Valor* program provides free financial education to elementary school students in public schools across the country. The initiative aims at transforming children and adolescents' relationship with money, promoting awareness, responsibility, and autonomy in their use of financial resources.

The program was conceived by the BCB and is funded by resources from the Diffuse Rights Defense Fund of the Ministry of Justice and Public Security. It is carried out in partnership with the Center for Public Policies and Education Evaluation of the Federal University of Juiz de Fora (CAEd/UFJF).

The *Aprender Valor* program surpassed the significant mark of 1.2 million enrolled students in 2022. It involved the participation of around 106,000 education professionals (teachers, principals, and education technicians, among others) and 17,000 schools in over 2,400 Brazilian municipalities from all states of the country.

The educational resources of the program are available on an online platform created by CAEd/UFJF. It is possible



Imagine learning
how to **take care**
of your money
since childhood?

Over
106k
education professionals

1.2 million
students enrolled in
the platform

Around
17k
schools in 2.4k
Brazilian cities

In 2022,
200k
students took financial
literacy tests

to access school projects, training courses, and learning assessments. The school projects present financial education embedded within the content of the Portuguese Language, Mathematics, and Social Sciences, which follows

the guidelines of the National Common Curricular Base (BNCC). The BNCC is a normative document that defines the organic and progressive set of essential learning stages and modalities of elementary education.

Agenda BC#

The second round of the Brazilian Financial Health Index

The Brazilian Financial Health Index (I-SFB) measures various dimensions of financial health. The I-SFB benefits various target audiences: citizens, who can improve their decision-making related to their financial issues; the financial system, which can design and offer banking products more suitable to the needs of citizens; and the public sector, which will have precise information to develop public policies for financial education and inclusion.

The I-SFB, developed by Febraban, with technical support from the BCB and participation of more than 70 specialists, is measured through a questionnaire that allows the calculation of a score ranging from 0 to 100, to be placed in ratings that range from “poor” to “excellent”.

The I-SFB is a **free tool** that provides a diagnosis aimed at helping citizens to improve their financial health.



In 2022, the survey identified an increase in the number of people declaring to have a checking account, a debit card, and a savings account. However, there was a slight decline in the average financial health of Brazilians in the last two years. The overall average dropped 1.2 points, going from 57.2 at the end of 2020 to 56.0 at the beginning of 2022.

This is the second edition of the survey, conducted between January and March 2022. The sample included 4,797 people from all five regions of the country, aged 18 and over, with a bank account.

Guide to Excellence in the Offer of Financial Products and Services - Credit Operations

In 2022, a new edition of the “Guide to Excellence in the Offer of Financial Products and Services - Credit Operations” was launched. The publication aims at disseminating good practices of responsible credit among financial institutions, which is essential for preventing over-indebtedness. Providing information and guidance at the time of offering a financial service can contribute to better informed decisions made by consumers as they should be more aware of the costs and risks involved in contracts.

The BCB regulates issues related to the citizen’s relationship with financial and payment institutions,

such as transparency, suitability, and fair treatment, and provides financial education to the population through various programs. The Guide to Excellence in Offering Financial Products and Services seeks to complement these initiatives by indicating best practices in credit offering for financial institutions.

Agenda BC#

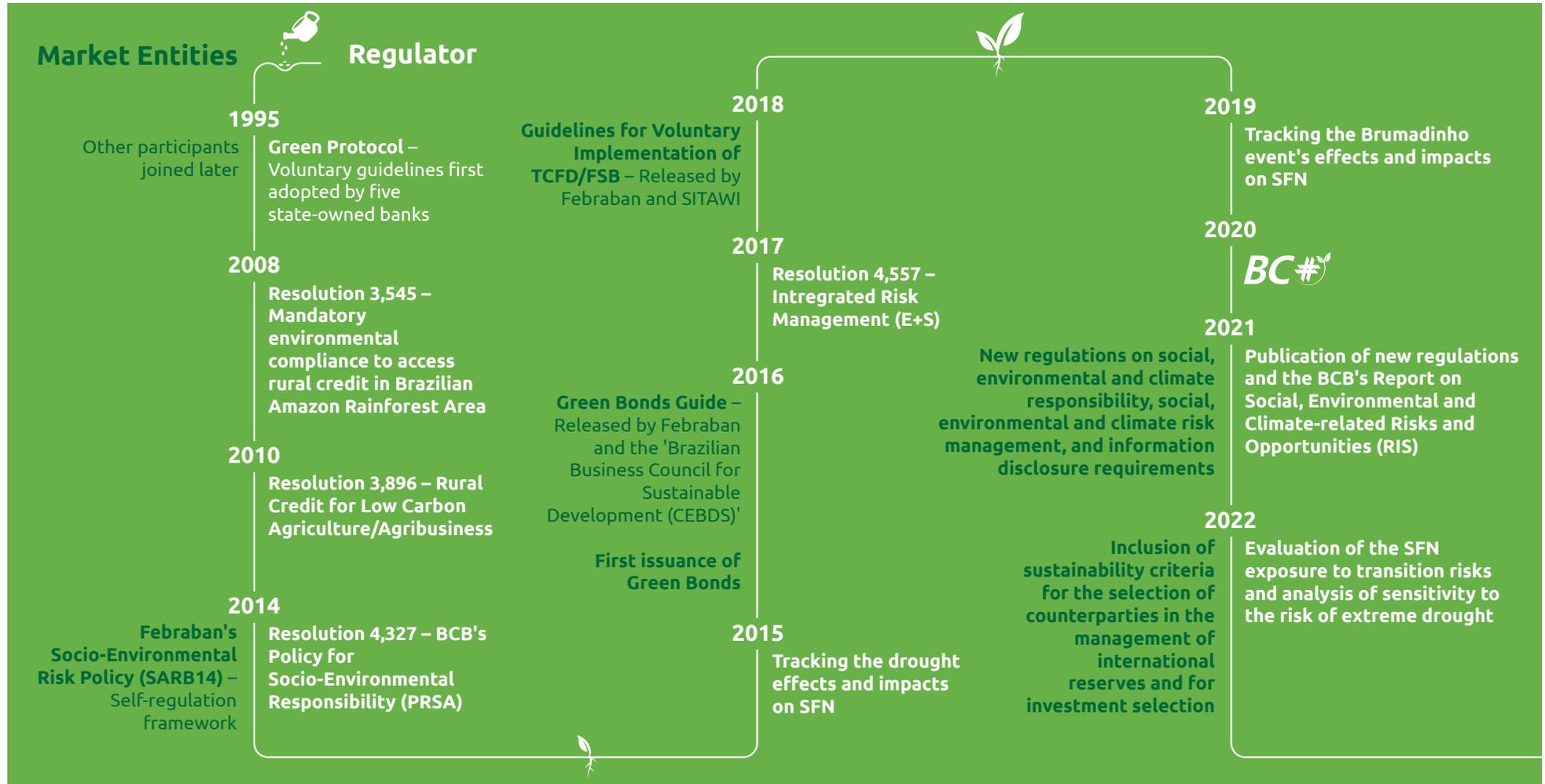
SUSTAINABILITY

This section reports the actions and results that contributed, in 2022, to achieving the strategic objective of “Promoting sustainable finances and contribute to the reduction of socio-environmental and climate risks within the economy and the Financial System”. These strategic initiatives are part of the Sustainability dimension of the Agenda BC#.

In this dimension, the initiatives deal with the promotion of sustainable finance, the adequate management of socio-environmental and climate risks, opportunities, and responsibilities in the economy and in the SFN. Initiatives in this dimension focus on the promotion of a balanced relationship between human action and the environment as a whole. The focus of intervention is the scenarios in which the BCB operates and covers the various participants in the economic-financial environment.

It also seeks to make more resources available in the SFN for sustainable initiatives, the exchange of experiences, the implementation of best international practices, and the alignment with the global sustainability agenda. [Learn more.](#)

Agenda BC#



Agenda BC#

The BCB became a member of the Steering Committee of the Network for Greening the Financial System (NGFS)

The BCB became a member of the Steering Committee of NGFS. In 2022 and 2023 the BCB will be part of the group of 15 central banks that help better outline the network's agenda, composed of more than 100 members. By the end of 2022, 19 of the G20 countries were members of the NGFS.

This move is a relevant recognition of BCB's efforts on the issue of sustainability. Less than two years after joining the Committee, the BCB already participates in numerous NGFS initiatives, more recently by coordinating the preparation of a progress report on supervision.

Being part of the Steering Committee brings a greater chance to actively participate in the discussions and influence the direction intended by the NGFS to its issues, which is relevant in a network mostly composed of European elements and countries with advanced economies.

Besides the benefits of producing relevant material and exchanging experiences, being part of the Steering Committee is an opportunity to bring the perspective of an emerging Latin American economy to this agenda. The exchange of experiences and participation in the NGFS

working groups enhance knowledge in the BCB, which is crucial to design its new regulations and publish reports in the ESG (environmental, social, and governance) area.

Report on Social, Environmental, and Climate Risks and Opportunities (RIS)

In 2022, the second edition of the RIS was published. The report was based on the structure proposed by the World Economic Forum, addressing not only climate aspects, but also social and environmental ones.

It is worth remembering that, in 2020, the BCB included the Sustainability dimension in the Agenda BC#. Thus, the BCB confirmed its understanding of the importance of social, environmental, and climate risks in the economy and in the SFN, and the relevant role played by institutions in addressing these risks.

The second edition of the RIS presented an overview of the actions underway in the Sustainability dimension since the publication of its first edition, in 2021, as well as new actions included in the agenda during 2022.

Promoting the disclosure of information related to risks is a fundamental step towards building a consensus on the best way to measure, disclose and then manage these risks appropriately.

Improvements in the monitoring of rural credit operations with advances in the FiBraS Project

The FiBraS Project reached the end of its first phase in March 2022. Starting in October 2018, it pursued the improvement of structuring conditions for the Brazilian green finance market development. FiBraS was originally conceived with a focus on supervision-specific issues, to ensure the implementation of rules related to socio-environmental risk management by financial institutions in their lending operations.

The BCB was able to improve the qualification of its employees in topics related to social, environmental, and climate risks, through courses and consultancies offered by FiBraS. The project provided the BCB with access to relevant tools to improve the monitoring of rural credit operations, with the expansion of the use of geospatial data in the process. It also contributed to the promotion of regulatory improvements.

Agenda BC#

Data sharing of rural credit operations

New rules allow data sharing of rural credit operations according to the guidelines of Open Finance. The goals are to provide rural producers with more funding sources, to improve availability of financial services and products, and to reduce information asymmetry in this segment.

Since May 2022, rural credit borrowers may share data on their operations with any person, company, or financial institution. For this purpose, the BCB developed and implemented the System of Consultation and Access Authorization to Rural Credit Operations (CACR). Authentication is made by means of a gold or silver profile at the gov.br internet dominium.

Data sharing is directly operationalized in the BCB system for registering rural credit operations. Data access is granted to third parties only by the borrower. Such information may also be used by rating or audit agencies, certifiers, and other entities of similar purpose, a circumstance that may also contribute to broadening the credit supply to rural producers.

These new rules are expected to increase transparency as well as the level of financial leverage in rural credit operations, especially for potential lenders that are not financial institutions. This may help to mitigate over-indebtedness and contribute to lowering the cost of credit to rural producers.

Goals

- **More funding sources for rural producers.**
- **Improvement of available products and financial services.**
- **Less information asymmetry in the segment.**



Agenda BC#

Improvement of the social, environmental, and climate risk supervision process

Financial institutions must establish a Social, Environmental and Climate Responsibility Policy (PRSAC, from its name in Portuguese) and implement actions aiming at its effectiveness. Additionally, they must include social, environmental and climate risks in their integrated risk management processes. As part of this initiative, the content regarding these two subjects was updated in the publicly available Guide to Supervision Practices, in order to clarify to the financial institutions regarding the evaluation criteria of the BCB supervision regarding the compliance with requirements, including examples of good practices.

Additionally, research and implementation of solutions for the identification of climate risks (physical and transition) in financial institutions in Brazil continued through contacts with representatives from the Ministry of Science, Technology, and Innovation (MCTI) and the National Institute for Space Research (INPE). In addition, contacts have been made with information providers on large companies and on geolocation of economic activities and borrowers in general.

This information is used to improve the monitoring of the exposures of financial institutions, specifically regarding climate risks, as well as in the development of climate stress tests, within the process of evaluating the stability of the SFN.

First assessment of climate risks in the Financial Stability Report

The BCB's commitment to the sustainability agenda has resulted in several actions that seek to reduce the possible impacts of events associated with social, environmental, and climate risks. In addition to regulatory and supervisory measures, the BCB has been implementing databases and metrics to monitor the effects of climate change in the SFN.

In this sense, the BCB published, in section II of the **Financial Stability Report (REF)** of November 2022, the first assessments for physical climate risk and transition climate risk within the SFN.

These are the first analyses resulting from a continuous BCB action, associating and adapting different methodologies and databases.

A sensitivity analysis of the SFN credit portfolio to physical risk was presented, based on INPE's projections of extreme droughts. As for the transitional risk, the exposure of the SFN's credit portfolio to borrowers who are more exposed to the process of transition to a low carbon economy was measured.

One of the main objectives of the studies presented is to disseminate the topic and promote a better understanding of climate risk in the financial system. Given the complexity of the subject, the dynamism of the emergence of new

methodologies, and the availability of new databases, the expectation is that new studies of this nature will be carried out and presented in the future, incorporating new methodologies and addressing different aspects of climate risk.

Accounting register of investments in carbon credits and other sustainability assets

The BCB adjusted the accounting register of sustainability-linked assets in the accounting planning of the Accounting Standard for Institutions Regulated by the BCB (Cosif). Sustainability-linked assets are those related to social, environmental, and climate sustainability mechanisms.

This adjustment aims at providing greater transparency to the use of these assets by financial institutions, as well as resolving any uncertainties and standardizing their accounting register, so that the BCB can monitor the sustainability-linked assets held by these institutions in their investment portfolios, monitor the evolution of the market and, when necessary, adopt measures in a timely manner.

By establishing clear criteria for recognizing and measuring these elements by financial institutions and other licensed institutions, it contributes to the growth of these operations in the financial market. The accounting criteria for recording and measuring sustainability-linked assets and liabilities defined by the BCB are in line with the best international practices.

Innovations, best practices, and other results

This section reports the actions and results that contributed, in 2022, to the achievement of the strategic objective of “To enhance the BCB’s capability by means of innovations, technology, efficient use of resources, and alignment with best international practices”.

The BCB’s corporate programs and projects are essential to enable the achievement of this objective. Through them, innovations and improvements in the services provided by the BCB are implemented, which contribute to the pursuit and maintenance of excellence in its work processes and to delivering benefits for society.

Consolidation process of regulatory acts

In 2022, the BCB continued a comprehensive process started in 2020 to consolidate the regulatory acts under its competence. In effect, a Federal Decree determined that agencies and entities of the federal public administration should review and consolidate their regulatory acts to improve the efficiency of the state’s actions. The Decree triggered a substantial effort in various state bodies to eliminate unnecessary and excessive rules for compliance with the law and facilitate the citizen’s understanding of the regulation by removing part of the regulatory burden. In this way, it improved the Brazilian business environment.

Thus, in 2020, the BCB created a task force with collaborators involved in normative acts production. This task force worked on a broad process of screening, analysis, revocation, and consolidation of its entire body of regulations. The process demanded a concentrated effort from a substantial number of BCB’s staff. This robust movement promoted a deep reconsideration of the regulatory inventory under the BCB’s responsibility.

Within the scope of the BCB and the CMN, from 2020 to 2022, more than 2,300 regulations were examined, of which a total of 2,007 were revoked. Under this effort, 89 CMN Resolutions, 92 BCB Resolutions, and 79 Normative Instructions were published.

Corporate programs and projects

The BCB’s Project Management Office completed 18 years of operation in 2022. Since its establishment, over 250 corporate projects were developed. Currently, the BCB’s corporate portfolio consists of 34 projects in execution, four of which are part of a corporate program.

In 2022, six new corporate projects were selected to be incorporated into the portfolio in 2023. In fact, several actions of the Agenda BC#, which led to the results described in the previous sections of this report, are implemented through corporate projects.

More information about the BCB’s ongoing corporate programs and projects are available at the [BCB’s website](#).



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