

Valor's Emerging Tech Summit 2024

Banco Central do Brasil's Innovation Agenda

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Digital world transformation



- People are looking for a digital representation of value
 - Assets are becoming encrypted
 - Distributed ledgers allow assets to be verifiable and transferable, with divisibility
 - We are talking about extracting value from an asset in its digital form
 - Art, pictures, properties, ideas and even money
- Are we moving towards a tokenized economy?

If the tokenization thesis holds true then the 21st Century may see the creation of regulated, global, token-based, multi-asset networks.*

* The Regulated Internet of Value, Citi's Digital Policy, Strategy and Advisory, 06/21.

Tokenization of the economy

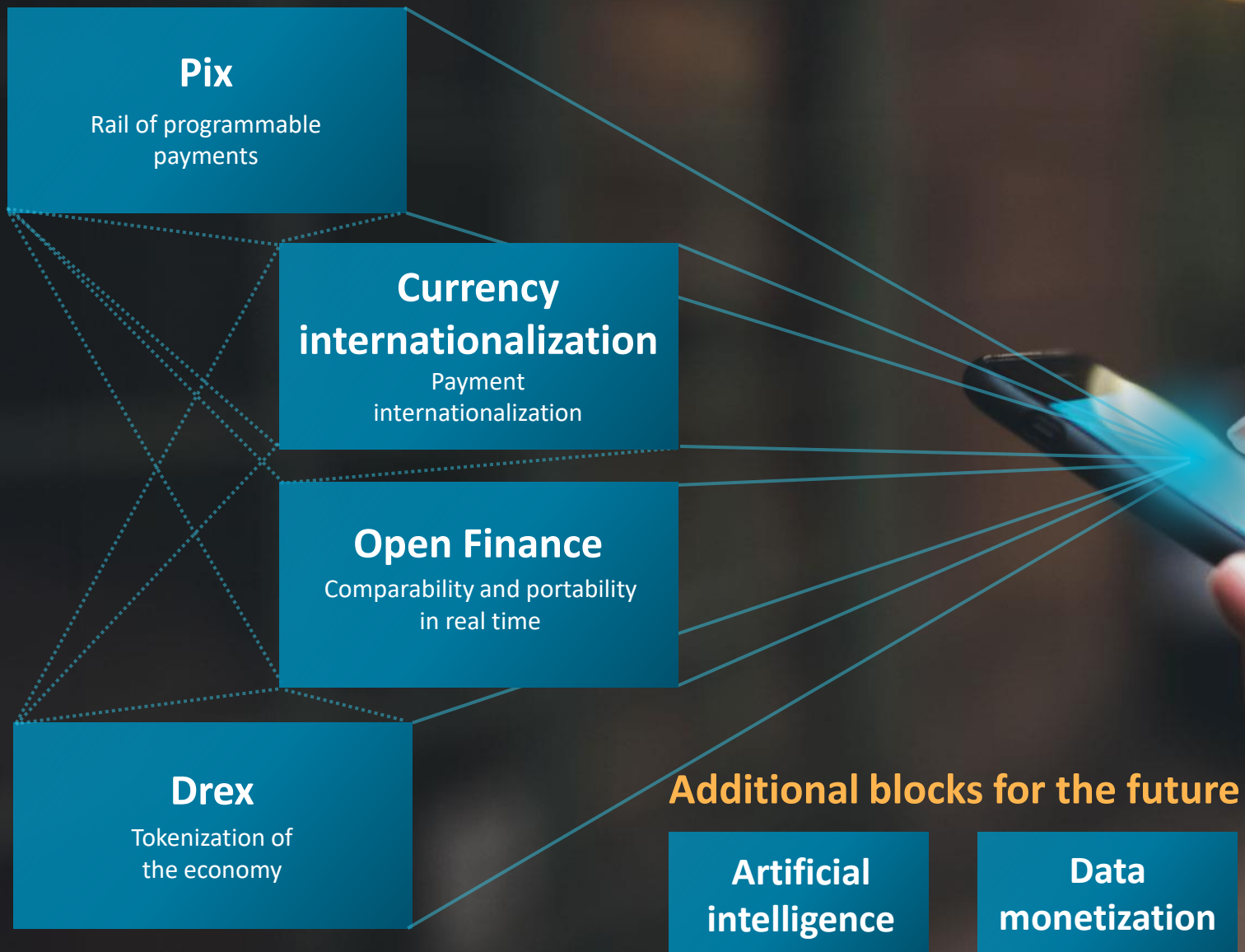
TOKEN



- The main change is the tokenization of assets for trading
- Asset tokenization generates efficiency gains
 - Trade, register, contracts, collaterals etc.
 - Greater speed and transparency
 - Lower cost
 - More open processes
 - Programmability in the purchase and sale of assets

An integrated agenda

The four fundamental blocks





Establish **rail of programmable payments**



Democratize the access to digital means of payment and **make things easier** for payers and payees



Enable **new business models and innovations in companies' payment processes**



Reduce costs



Contribute to payment **digitalization** and financial **inclusion**



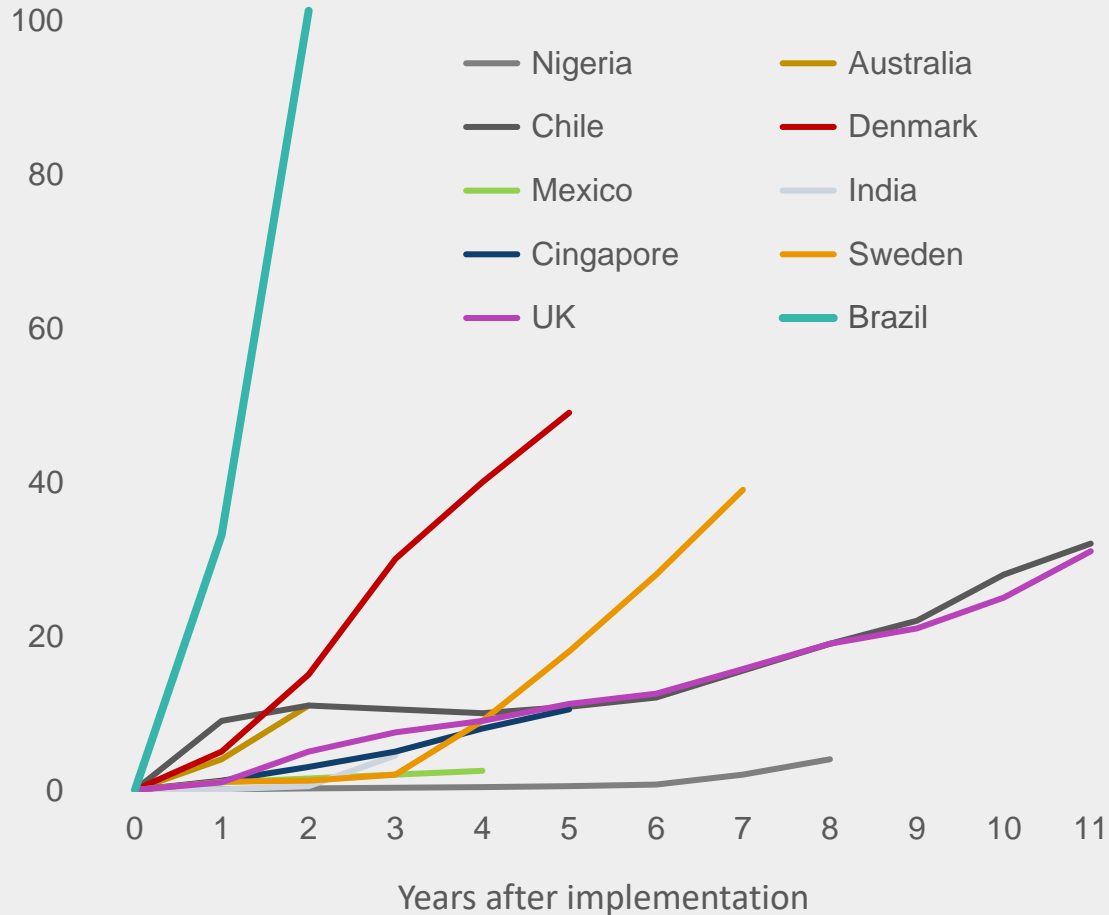
Boost **competition** and increase **efficiency**

Pix gains space and increases its popularity



Pix growth promotes financial inclusion and enables small businesses

Per capita transactions – by countries



Pix growth

754 million active Pix's keys.

150 million people and **14.5 million** companies use Pix.



201.6 million operations in one day

4.9 billion transactions in Apr/24, against **3.2 billion** in May/23, **increase of 53 %**.

Pix gains space and increases its popularity

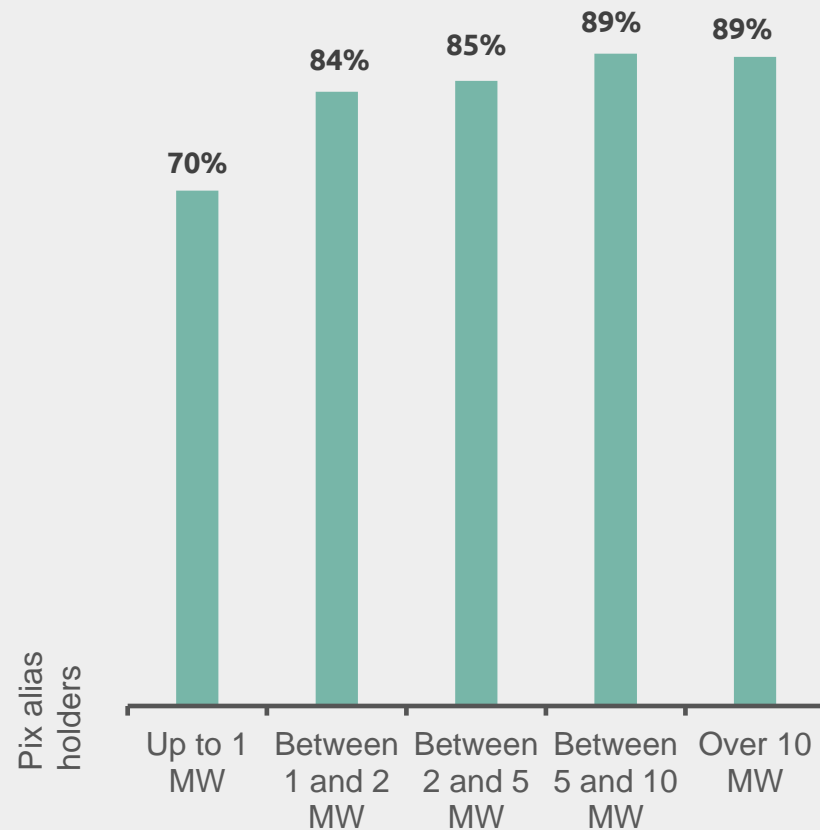


Pix growth promotes financial inclusion and enables small businesses

Pix and financial inclusion

- 71.5 million new users included with Pix.*

Pix transactions per income level
(2022)



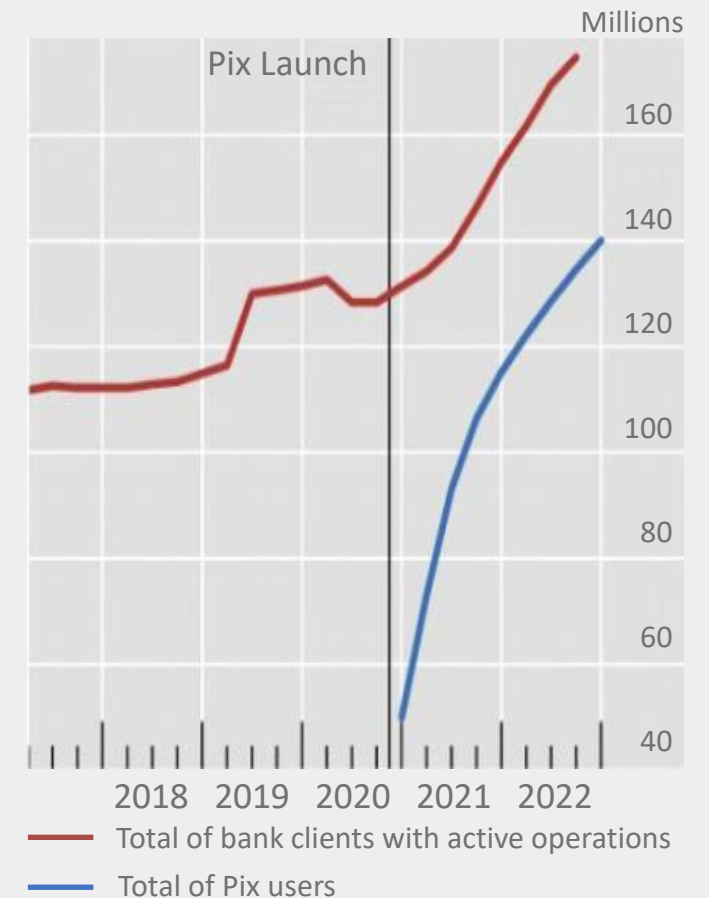
Sources: BCB, BIS.

Transactions by value range
(Only natural persons payers – Nov/20 until Dec/22)



* Considering users who did not use TED in the 12 months prior to the launch of Pix and became PIX users.

Pix users vs. Bank clients



Pix new functionalities



Pix

Pix Cobrança
(Future dated billing)

Pix Saque (withdrawal)
Pix Troco (change)

Pix Agendado
(Scheduling)

Transaction

- Single: mandatory
- Recurrent: optional
It will become mandatory

Frequency:

Value:

Receiver:

Payment instructions:

Channel:

Purpose:

Defined

Fixed

Individual or legal entity

Payer

Secondary

Transfer

Pix Automatico
(Recurring payments)

Automatic Pix after payer's previous authorization

Defined

Fixed or variable

Legal entity

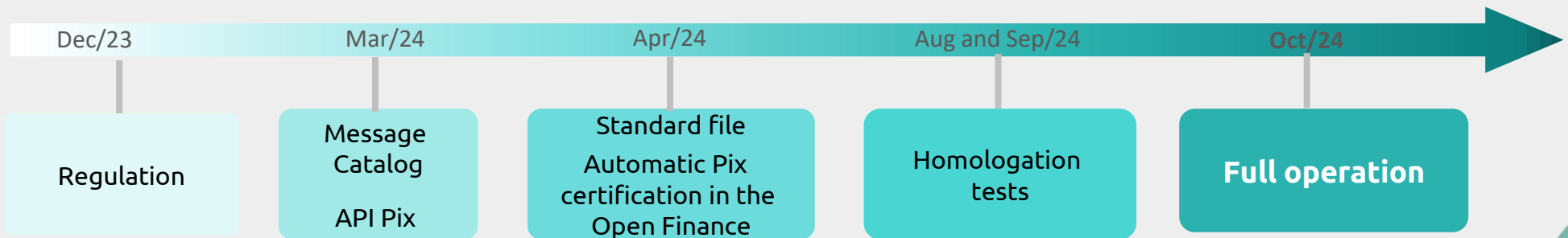
Receiver

Secondary

Purchase

- Frequency:
- Value:
- Receiver:
- Payment instructions:
- Channel:
- Purpose:

Schedule



Currency internationalization

Three challenges for the connection of international payments systems:

- **Technology**
 - Connection between DLT and centralized systems (solved)
- **Settlements**
 - Liquidity token pool (solved)
- **Governance**
 - Taxonomy (minimal rules for cross-border payments)
 - We need to advance on the topic



Benefits already achieved:

- Greater efficiency in processes.
- More customized products and services.
- Easier credit and salary portability.
- More convenient and programmable transfers.
- Reduced interest payments for overdraft users.
- Financial aggregators and managers for individuals and companies.
- Easier customer onboarding.

Examples of Open Finance benefits:

Incumbent financial institution I:

- R\$ 1 billion in credit via portability.
- R\$ 700 million increase in customer credit limit.

Incumbent financial institution II:

- R\$ 1.5 billion in more profitable investments for the clients.

Entrant financial institution:

- R\$ 8 million in savings from paying overdraft interest at another financial institution in the first twelve months.
- 1.4 million customers notified that funds held at another institution could be earning interest.

Payment institution:

- Analysis of data shared via Open Finance already results in 80% of credit origination for new sellers.

Credit cooperative:

- Reduction from 32 hours to 2h10m in the account opening process based on information obtained within the scope of Open Finance.
- 34% growth in account opening requests.

Evolution of Open Finance

• Portability via Open Finance:

- ✓ Credit
- ✓ Wages
- ✓ Investments

• One-click payments (wallets and e-commerce).

• Functionalities for companies.

• Credit Marketplace.

Benefits in three dimensions:

1. Banking efficiency

- To introduce the concept of tokenization
 - Risk management, collateral, financing, asset management, data analysis, settlement and products

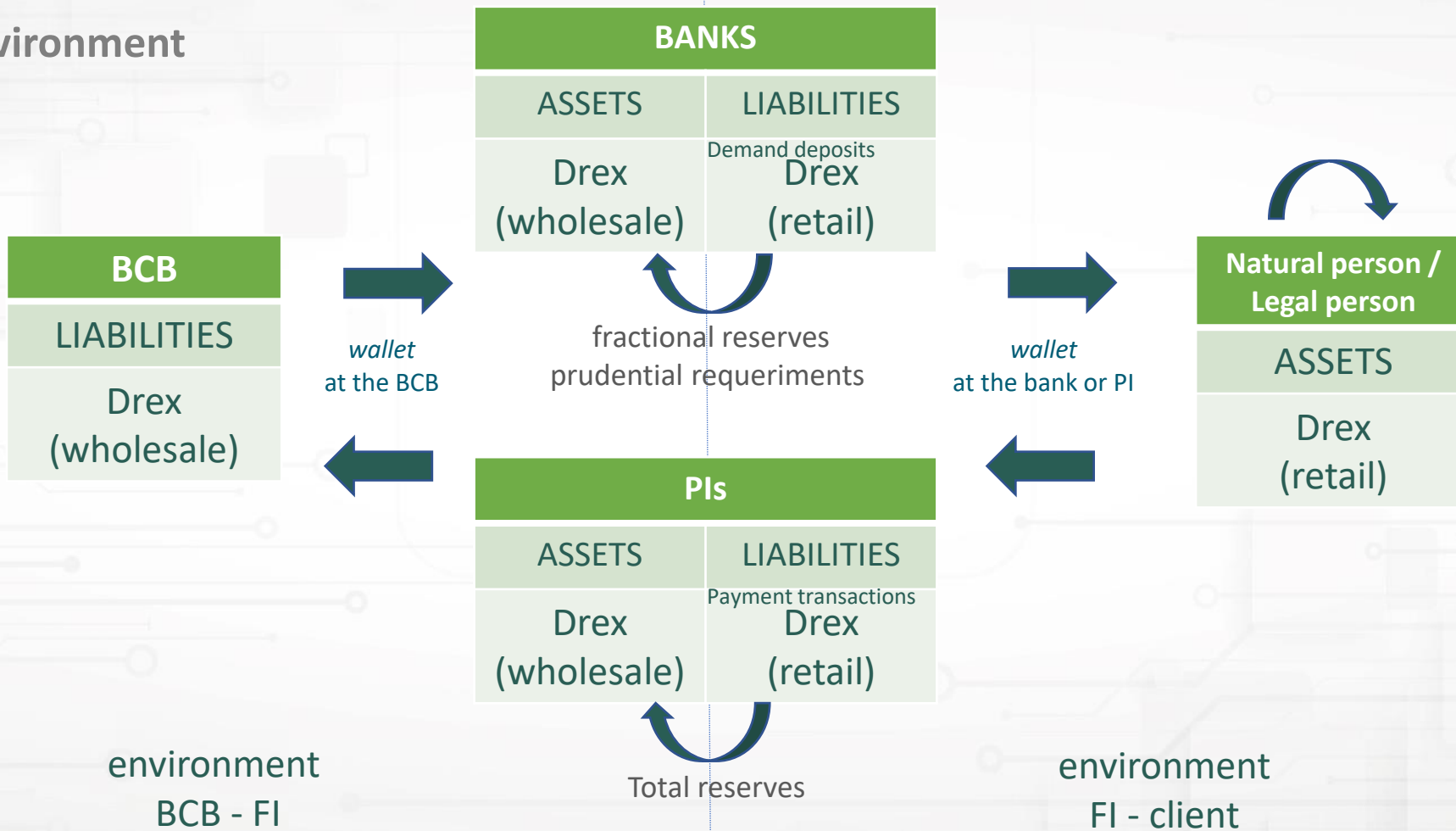
2. Efficiency in digital payments

- Bridge to De-Fi environment
 - To bring decentralized finance into the regulatory perimeter
- Efficiency in financial intermediation

3. Efficiency in contracts and register



on chain environment



Trilemma



PRIVACY



PROGRAMABILITY



DESCENTRALIZATION

- ✓ Decentralization in the provision of products and services
- ✓ Programmability and composition of financial services
- ✓ Privacy compatible with legal requirements



Objectives

- Development of the Drex platform
- Dialog with society on Drex development

Guidelines:

1. Multi-asset DLT - Hyperledger Besu
2. Simulated transactions
3. Asset fragmentation
4. Access to services through IFs and IPs

Testing Expansion:

- Governance: smart contracts, assets, business models
- Privacy: requirements of other business models

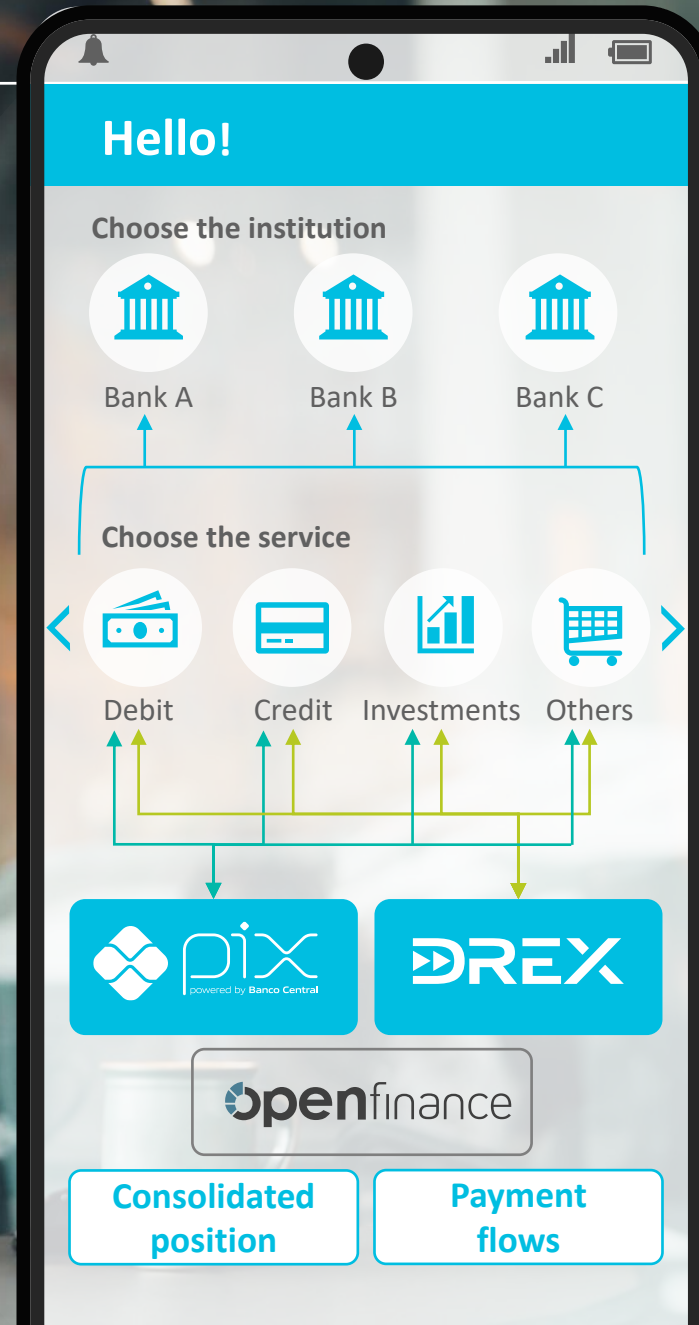
Business scope:

- Inclusion of new assets
 - Inclusion of the respective regulator, with governance over tests with its regulated assets and operators
- Expansion steps
 - 2024: Current Pilot participants, proposals for implementation in 2024Q3.
 - 2025: new bidders selected in 2024Q4.



Financial services aggregator

- Marketplace environment
- Competition by channel and for principality



Thank you!

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