



BANCO CENTRAL DO BRASIL

G20 Finance and Central Bank Deputies Meeting

Friday, December 15, Brasília-DF

Introduction

- Good morning to Finance and Central Bank Deputies, representatives from invited countries, international organizations, all the delegates and, most especially, the Brazilian teams who have been relentlessly working to make this G20 one of concrete deliveries.
- It is a pleasure to have you here in Brasília.
 - I believe this is a great way to start the Brazilian G20 Presidency and, specially, the Finance Track meetings.
- We are very happy to be sharing with our Ministry of Finance the role to lead the Finance Track during this year.
- The G20 is a unique forum where countries that are so different with respect to political structures, advancement stage, wealth distribution and culture and traditions all come together, each one with equal importance to the other at this table, to find global solutions for problems that affect us all.
 - I commend your engagement in keeping this forum effective and relevant.
- The forum of Ministries of Finance and Central Bank Governors is at the origins of the G20, and we have achieved successful progress on our shared agenda.
- But we still see many challenges ahead of us.
- One of these challenges relates to the increasing and central role that technology has been taking on the financial system.
 - Technology stands as one of the most powerful instruments in designing the financial system of the future.
- In Brazil, technological evolution has been one of the greatest allies of Banco Central do Brasil to ensure a more efficient financial system and to promote digital and financial inclusion.
- I want to talk a little bit about some elements of our strategic agenda and how they relate to some of the priorities proposed for the Finance Track.

Agenda BC#

- The Banco Central do Brasil has been actively pursuing its financial innovation agenda, known as Agenda BC#.
- Over recent years, our focus has been on implementing projects aimed at enacting structural reforms within the financial system. These projects encompass:
 - Pix, our instant payments system;
 - The Open Finance initiative;
 - The modernization of foreign exchange legislation; and
 - The development of Drex, our central bank digital currency.
- These initiatives contribute to our objective to make the Brazilian Financial System more efficient, competitive, modern, and inclusive.
- Moreover, they also contribute to democratizing financial services through the integration of cutting-edge technology.
 - In my talk I will focus on the three parts more related to digital innovation.

Pix

- Based on this strategic vision, the Banco Central do Brasil implemented the Pix in November 2020.
- It not only increased competition within the Brazilian payments sector but also met the demand for a fast, cost-effective, and secure payment option.
- Most important, Pix played a pivotal role in the financial inclusion of millions of Brazilians, with 71,5 million new people now actively using electronic transfers.
 - Besides that, the wider access to digital payments has been associated with a decrease in informal employment.
- Currently, there are nearly 144 million individual users and over 13 million corporate users. The number of monthly transactions conducted by nearly 800 participant institutions has already exceeded 4 billion.

- We have now achieved almost one transaction per capita per day.
- All these results demonstrate the profound societal impact of Pix's success in terms of financial inclusion, efficiency, and the emergence of innovative business models.
- Looking ahead, Pix has the potential to enable integration with international instant payments systems, facilitating cross-border transactions, such as remittances, inter-company payments, and international purchases of goods and services.

Open Finance

- Another fundamental element in our effort to construct the financial system of the future is the Open Finance.
- In this initiative, the scope of shared information encompasses a wide array of financial data, including exchange rates, accreditation services, investment, insurance, pension funds, and capitalization.
- The implementation of Open Finance represents a crucial step in broadening the horizons of possibilities for innovative solutions in the provision of financial products and services.
- This expansion is poised to usher in a new era of integration, personalization, and accessibility, redefining the way individuals interact with the financial landscape.

Drex

- Our more recent project is Drex, the Brazilian CBDC.
 - Its focus is on increasing efficiency and access to financial services.
- It complements Pix's payment use cases and aligns with the ongoing Open Finance initiative.
- Drex is currently in a test phase, particularly focused on privacy measures, which is scheduled to continue until May 2024.
- Should all privacy requirements mandated by the Brazilian Data Protection Law be met by then, the subsequent phase will incorporate additional assets and products for public testing by the end of 2024 or the beginning of 2025.

Integration of fundamental blocks

- In the upcoming months and years, this innovation process will bring together the four projects – Pix, Open Finance, currency internalization, and Drex – which, although initially separate, will be increasingly integrated.
 - This strategic alignment will culminate in the development of a new interoperable system, with all our initiatives interconnected in a single way.

G20 Agenda

- As you can see, digital innovations are the core of many of the actions in our strategic agenda.
 - And they are also an important part of the proposed priorities for the G20 Finance Track program, as you discussed yesterday.
- It is good to know that there was a broad encouragement for the works proposed on the assessment of financial stability implications of the tokenization of assets, DeFi and artificial intelligence.
- There was also support regarding the work on potential future implications of a tokenized environment and what does this mean in the context of money and assets.
- This is linked to the cross-border payments agenda, for which we believe it is pivotal to continue working on the implementation of the Roadmap.
 - Besides, we are enthusiastic to contribute to the development of a framework on the governance and oversight of interlinking arrangements of cross-border payments systems.
- Today, in the session dedicated to the International Financial Architecture (IFA) working group, there will also be discussions related to cross-border payments.
- You will discuss the proposal to assess the macro-financial implications on the international monetary and financial architecture of the cross-border integration of fast payment systems or CBDC initiatives.

- Turning to the financial inclusion program, I want to highlight that this is also an important pillar in the strategic agenda of the Banco Central do Brasil.
- Our numbers show how successful we have been in improving the access to financial services.
- Nevertheless, we do believe that relevant efforts should be employed in focusing beyond access and use of financial services.
- We should also work on improving the quality of financial inclusion and on promoting greater levels of financial well-being.
- We are glad to know that there was a broad support from the membership on that proposal.
- I know you also discussed yesterday the proposals for the sustainable finance and framework working groups. I will not get to the details of that, but I am sure that there will be important contributions from central banks in this agenda as well.
 - I just want to thank you all for the feedback received so far on what we have proposed.
- I want to finish by thanking the efforts all delegations are putting into working together, listening to each other's opinions, constructively building consent on commitments and solutions that pave the way to ultimately improve lives and livelihoods, especially for the less privileged.
- I also thank the teams from the Brazilian Central Bank and Ministry of Finance for all the effort and engagement in preparing the proposed priorities brought to the Finance Track.
- I wish you a fruitful day of discussions today and that we have a very productive and effective year during the Brazilian G20 Presidency.
- Thank you.