

EXPERTS GROUP ON FINANCE AND DIGITALIZATION

BCB'S APPROACH ON OPEN BANKING, REGULATORY SANDBOX AND INSTANT PAYMENTS (PIX)

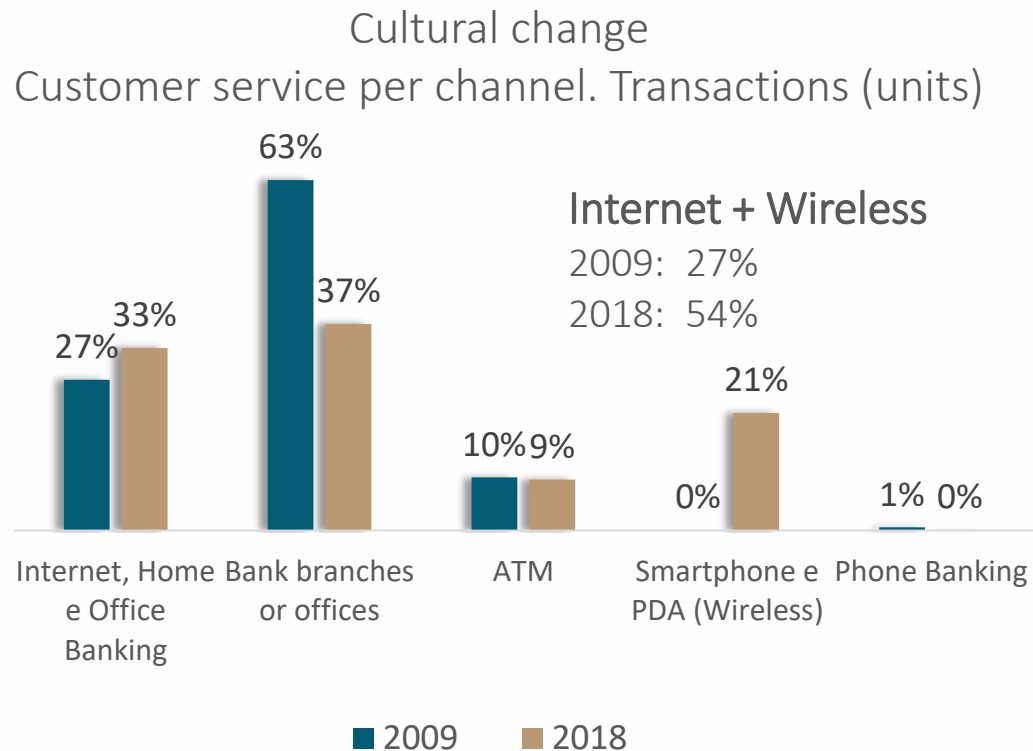
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July, 2020

Context for digitalization: innovation and level playing field

Central Bank's view to establish the so called financial intermediation of the future: **innovation is compatible with financial stability**



Proactivity to deal with a world in which the **business models adapt quickly**

Stimulus to the entry of **new competitors, often nontraditional ones**

Guarantee that all processes are based on **data protection**

Dissemination of credit information

Development of the financial intermediation

Open Banking

Instant payments

Sandbox

The open banking in Brazil

Regulation published in May 8th, 2020.
<https://www.bcb.gov.br/en/pressdetail/2330/nota>

Schedule aiming at providing broad info in a short time

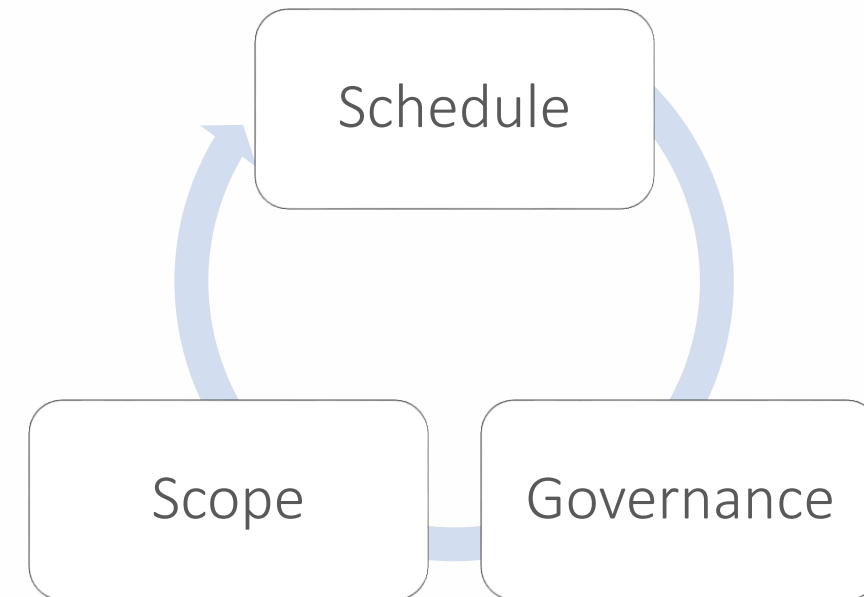
- Stage I: **public access** to products, services and fees of institutions (**11/2020**);
- Stage II: customer transactions and registry (**5/2021**)*;
- Stage III: payment initiation service (**8/2021**)*;
- Stage IV: expansion of the scope of data (**10/2021**)*.

* *authorized institutions*

Large scope of institutions

- Mandatory to the **largest banks**. **Voluntary** to all other **authorized institutions** (reciprocity);
- Participating institution is responsible for the reliability, integrity, availability, security and confidentiality;
- Institutions are allowed to have **partnerships**;
- **Costs will be proportional** to the size of the participants
- Convention will define access parameters to prevent abuse.

Three pillars of the OB in Brazil



The open banking in Brazil

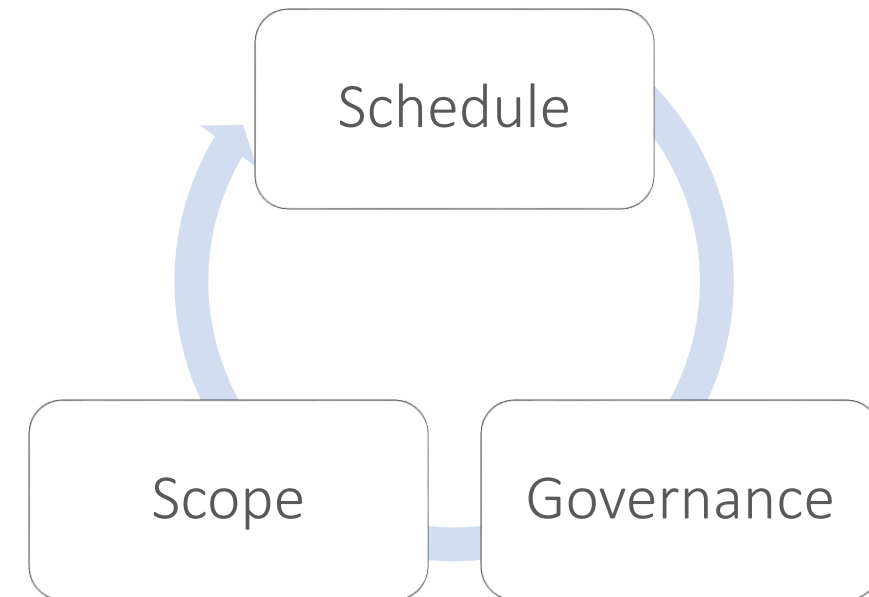
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BCB is building an “assisted governance”

While developing technological and operational issues of the open banking, the governance was built aiming at:

- Fostering competition, efficiency and data security
- Striking a **right balance between incumbents and new players**
 - ✓ **Governance** will be managed in a way to **keep the level playing field**
(6 representatives of all segments and 1 independent member).
 - ✓ **BCB** does not vote but has a “**veto power**” and can regulate issues that governance fails to regulate.

Three pillars of the OB in Brazil

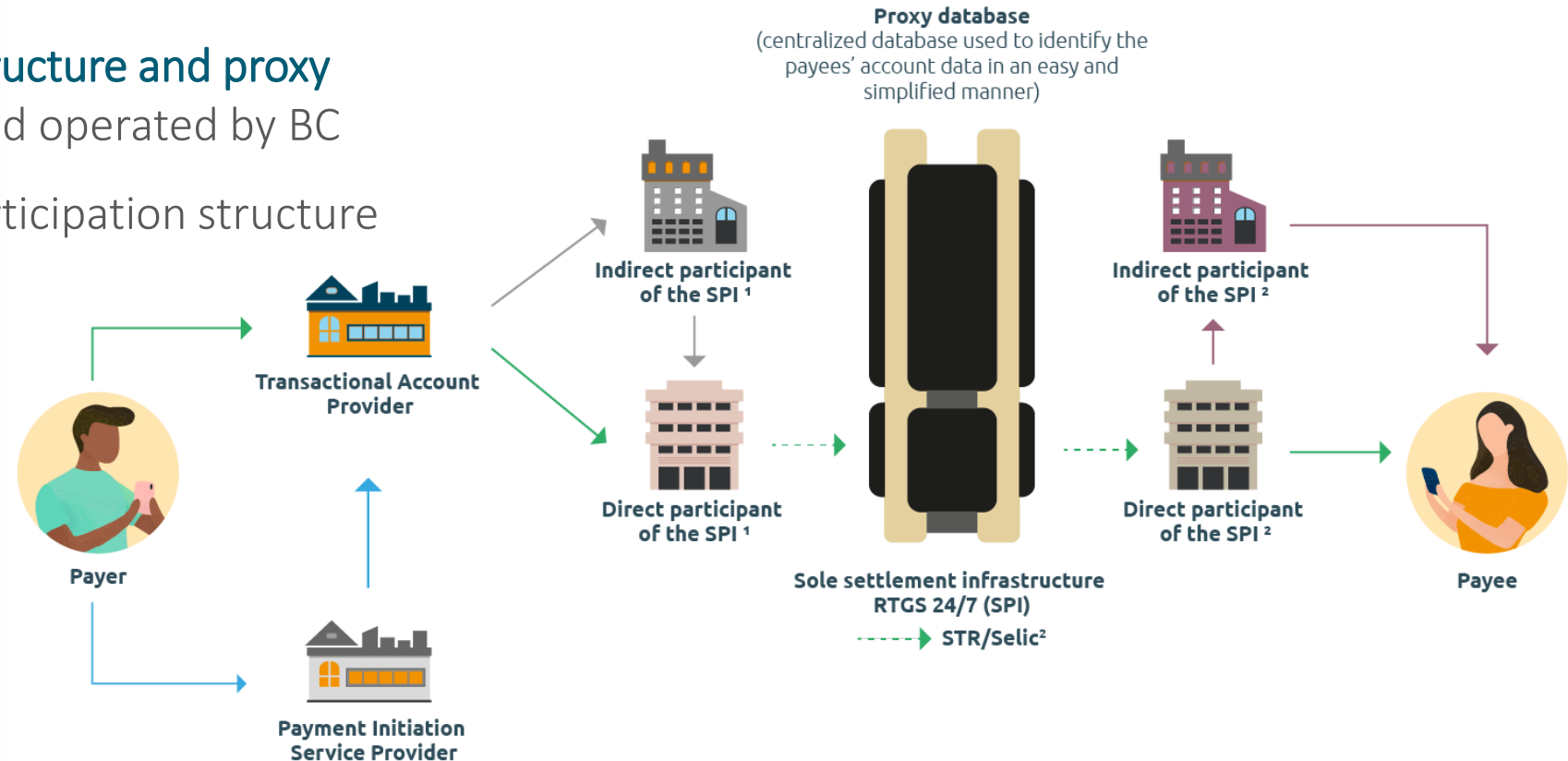


Pix: Brazilian Instant Payments



BCB will be the payment scheme owner (rulebook) and an infrastructure provider

- **Centralized settlement infrastructure and proxy database** will be developed and operated by BC
- Pix has a **flexible** and **open** participation structure
980 institutions applied to offer Pix since its launch.



Pix: Why BCB is leading the initiative?

1. Speed and availability;
2. Safety and convenience;
3. Open, cheap and flexible;
4. Rules developed by Central Bank in accordance with market (level playing field);
5. Mandatory to all regulated institutions that have more than 500k active deposit accounts
6. Launch in November



P2P



P2B



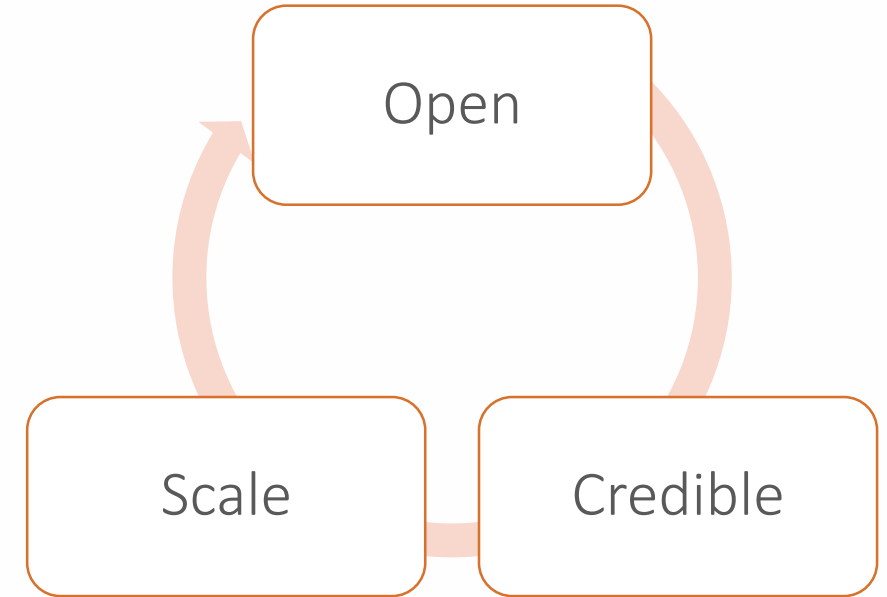
B2B



GOV



Underpinning instant payments



<https://www.bcb.gov.br/en/financialstability/instantpayments>

Sandbox

Regulation expected up to July/August 2020

Innovation of services, products or technology

Ensure that the size and capital do not become a barrier;

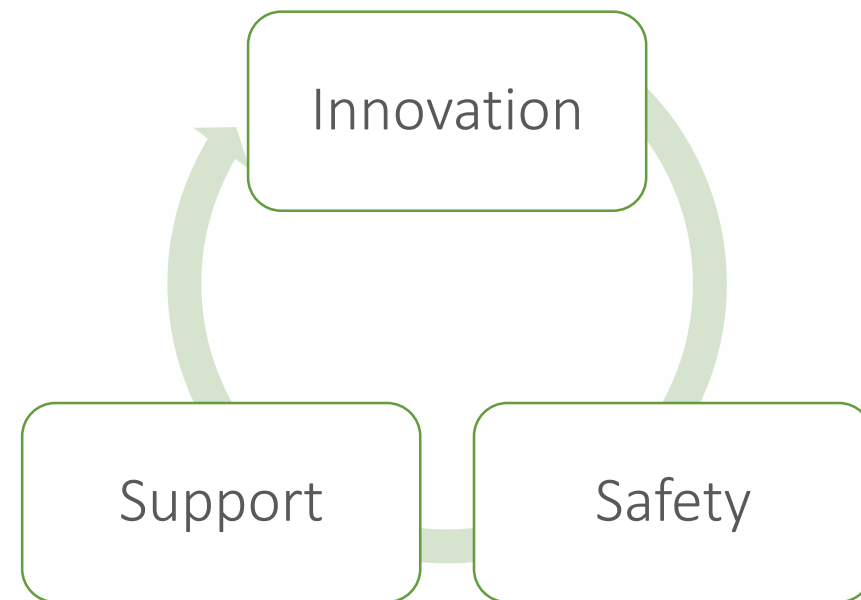
Control the systemic and reputational risks;

Stimulus to create new business model and get the most out of the other strategies of the BCB (Pix and Open Banking);

Projects in the sandbox are prioritized following the directives of the BCB's Agenda, which aim to improve:

- Competition and financial inclusion;
- Efficiency and cost reduction
- Innovation and diversity of business models
- Reliability, quality and safety of products and services;
- Regulation and supervision;

Sandbox as a rail to “guide” innovation



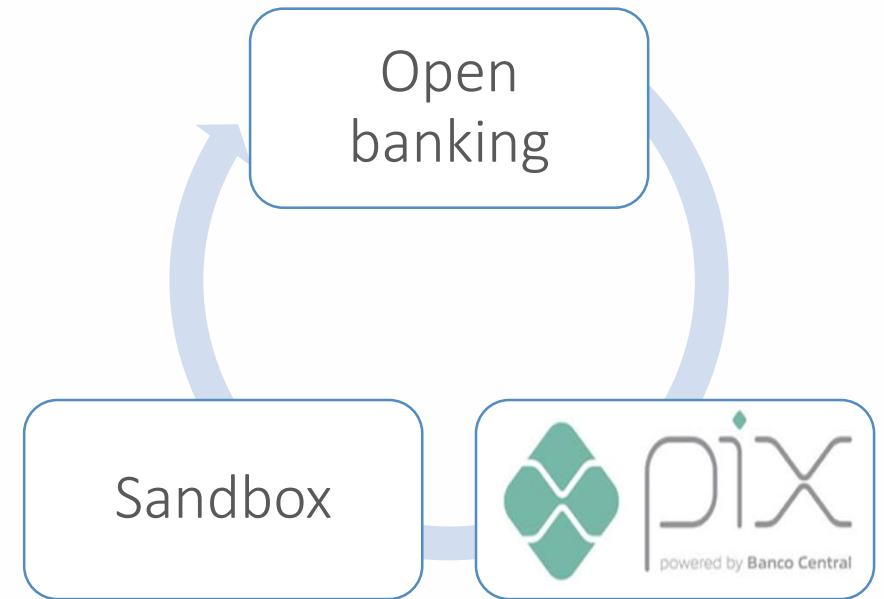
How is everything connected?

Stimulate the emergence of a contestable market (competition due to low barriers of entry) in a client oriented ecosystem.

Competitive advantage will not be in the scale or capital, but in understanding and anticipating customer demand, which changes at a significant pace;

Innovation and competition in harmony with prudential requirements and consumer and data protection;

If an institution makes fair use of technology and knowledge, it can compete on a level playing field with traditional participants, regardless of size and capital.



Thank You!

João Manoel Pinho de Mello

