Brazilian CBDC The Digital Real

II Meeting of Heads of Financial Market Infrastructures CEMLA

Fabio Araujo September 2021

CENTRAL

A CBDC for Brazil:

Domestic & Global drivers



Three kinds of "practical" applications, internationally observed:

- 1. Wholesale payments (Europe, Singapore, Switzerland)
- 2. Instant payments (Bahamas, China, Sweden)
- 3. Fostering new business models (Brazil, Korea, Canada)





DeFi markets: a source of inspiration

Opportunities

- Reduced transaction costs and friction for:
 - designing, distributing, negotiating and settling financial deals
- High degree of
 - standardization and functional interoperability, reuse and composability of financial services
 - auditability, traceability and transparency
 - accountability: software-based governance
- Financial inclusion
 - automatic tools available to everyone, with transparency and non-discriminatory execution

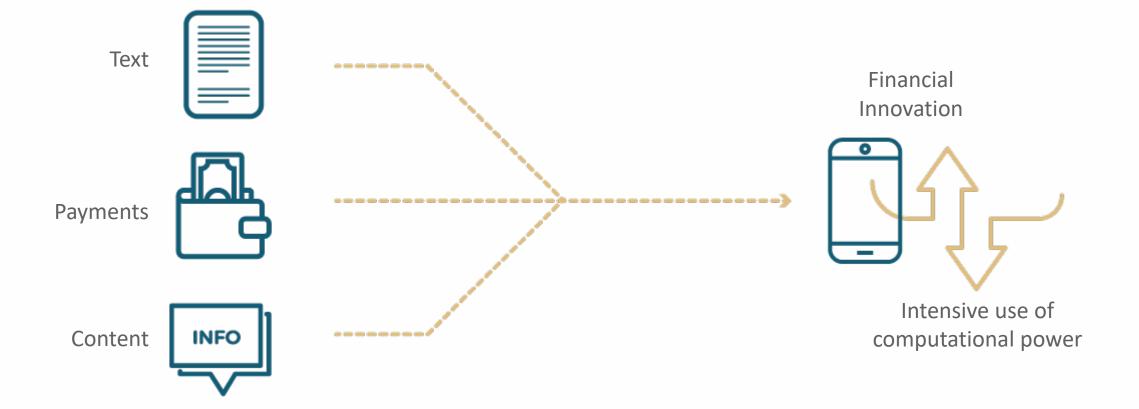
Challenges

- Scalability and settlement fees
 - blockchain platforms are limiting
- Limited interoperability
 - blockchains ⇔ traditional financial services
- Lack off maturity
 - Governance: potential for facilitating the crime of money laundering
 - Technology: Operational risks, poor implementation choices, failed software execution and interdependencies



Domestic

Digital Real: a platform for smart settlement



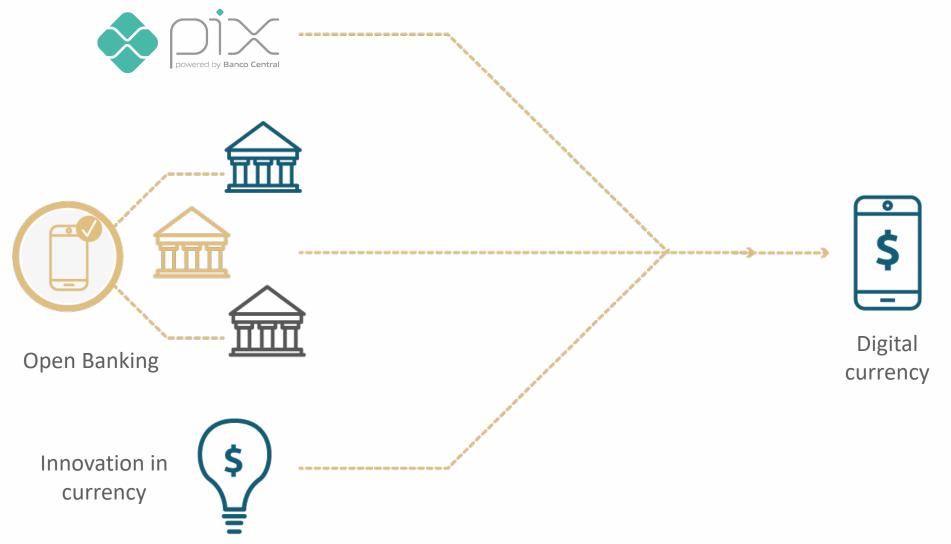


DO BRASIL

Domestic

Innovation in the financial system

DO BRASIL





A CBDC for Brazil: The Digital Real





Policy objectives

Innovation and competition in a digital economy

- Improved cross-border payments
- Reduction in the use of cash



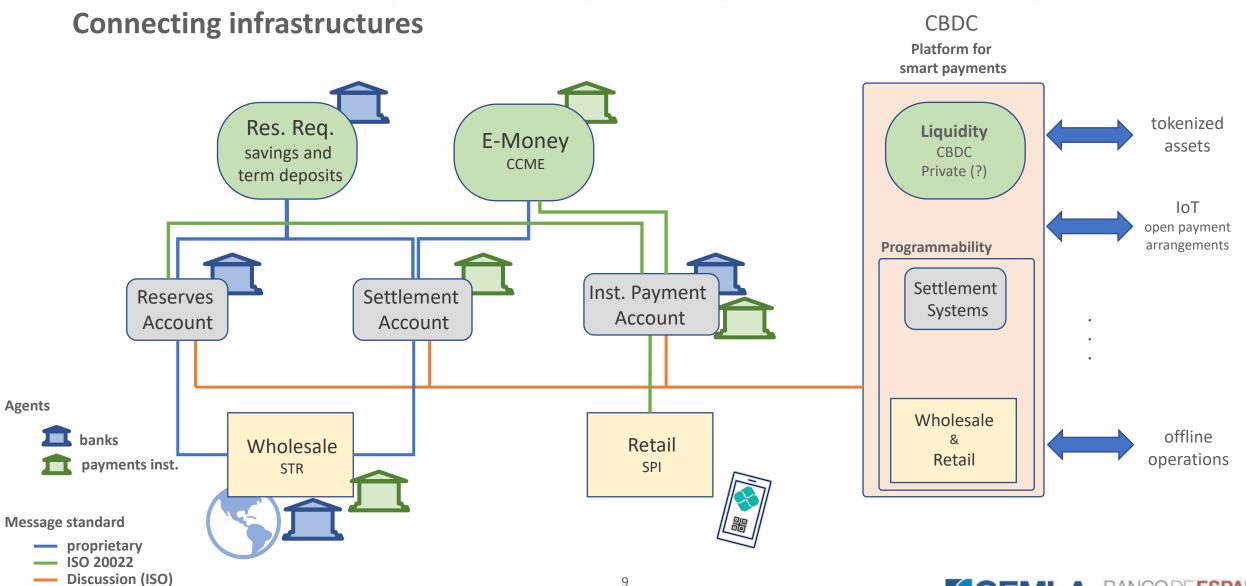
A CBDC for Brazil – Connecting infrastructures

CBDC

L BANCO CENTRAL DO BRASIL

BANCO DE ESPAÑA

Eurosistema



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A CBDC for Brazil – DeFi inspiration

Eurosistema

Need for new infrastructure?

Platforms that aggregate several applications from the previous layer	Aggregation layer	Aggregator 1	Aggregator 2	Aggregator 3
Development of user- oriented applications	Application layer			
Standardizations for specific business models	Protocol layer lending exchange derivatives asset			
Standards for issuing tokens representing financial instruments	Asset layer		fungible no tokens	on-fungible
Blockchain and its native token	Settlement layer	Native token	Blockchain	



Challenges

CBDC

- Must enable uses that go beyond the payment solutions we have available today
 - It should take advantage of the business ecosystem we expect to emerge from the open banking
 - Demand already exists Lift and Regulatory Sandbox
- Depends upon maturation
 - BC# Agenda Internal markets

International discussion







Thanks



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