



**BANCO CENTRAL DO BRASIL**

# **Brazilian Payment System Developments**

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# Brazilian Payment System

- Overview
- Recent improvements and transformations– STR and SSS
- Retail Payment Systems

# Brazilian Payment System Overview

- 148 Financial Institutions – direct access
- 5 Securities Settlement Systems
  - BM&Fbovespa Securities – federal bonds
  - BM&Fbovespa Derivatives – commodities, futures, options and swaps
  - BM&Fbovespa Forex – interbank foreign exchange
  - BM&Fbovespa – stocks and corporate bonds
  - Cetip – swaps, corporate and regional government bonds
- 3 Funds Transfer Settlement Systems
  - STR – reserve transfer / RTGS
  - Sitraf – funds transfer / hybrid settlement system
  - Siloc – low value credit order / DNS
- Cheques clearing
- Selic - central depository of securities issued by the National Treasury

## STR – problems recently addressed

- Few financial institutions with direct access to central bank money settlement: unfair treatment / no reason nowadays
- Concentration risk: indirect participants using few direct participants
- Low competitiveness and efficiency in the payment services market (direct participants)
- Intraday liquidity management for small institutions / Reduce liquidity costs for others
- Oversight improvement on institutions with direct access

# STR – recent improvements

## ➤ Access policy:

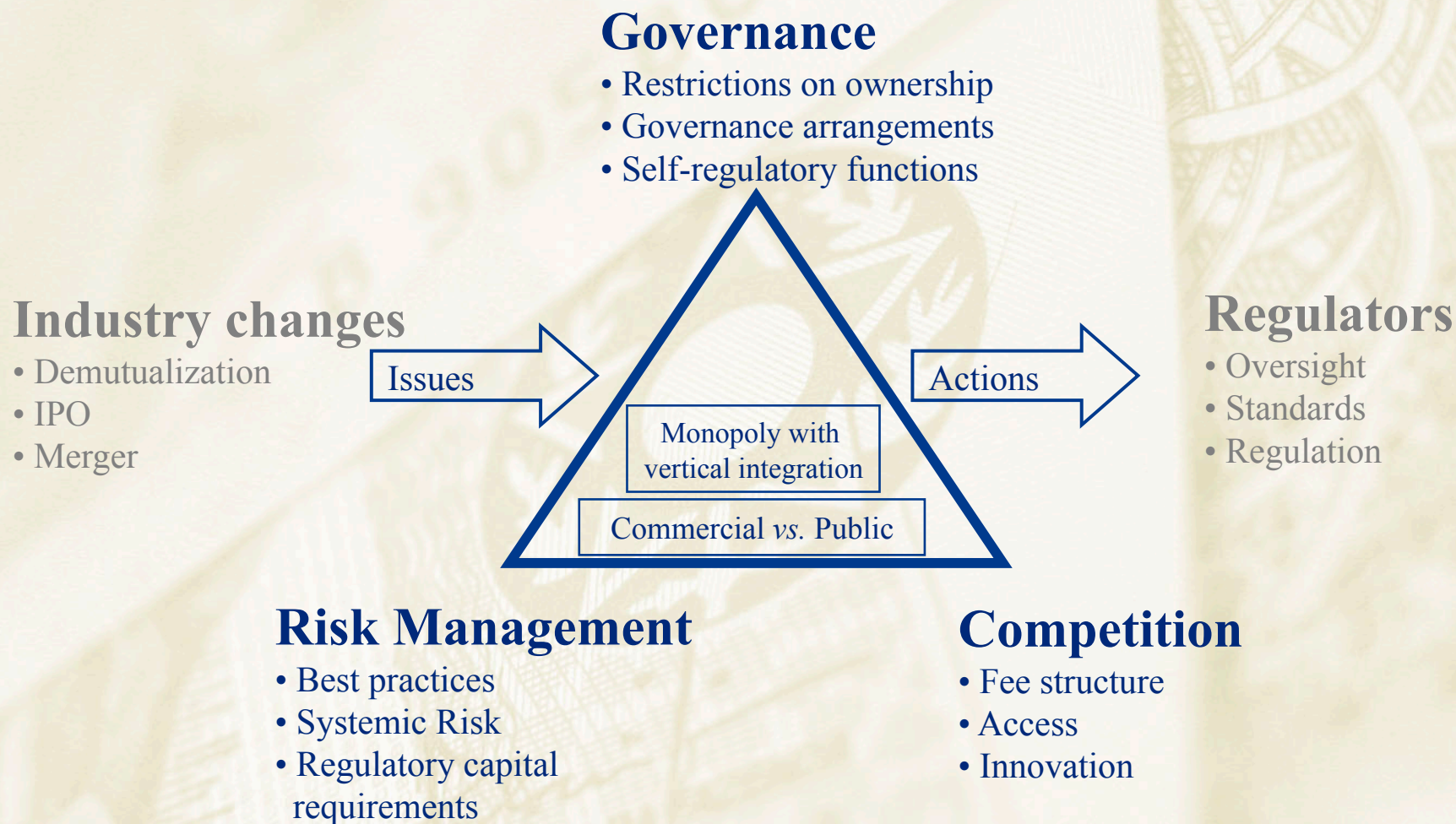
- Broader the range of financial institutions with direct access to central bank money settlement
- Reduce concentration risk
- Stimulate competitiveness and efficiency in the payment services market
- Improve oversight of institutions
- Provide low-cost and secure access for small institutions to access the STR directly (STR-Web)

<i>Institution</i>	<i>Before</i>	<i>Now</i>
<i>Commercial Banks</i>	Mandatory	Mandatory
<i>Investment Banks</i>	Optional	Optional
<i>Non-bank FI</i>	Not permitted	Optional

## ➤ Liquidity saving mechanisms:

- Enhanced intraday liquidity management for small institutions
- Reduced liquidity costs

# Brazilian Securities Settlement Systems – Industry transformations



# Retail Payment Systems Diagnosis

- Report on the Brazilian Retail Payment System:
  - Infrastructure as a competitive factor (barriers to entry) in the payment services supply
  - Settlement infrastructure fragmentation
  - Low level of interoperability among ATM networks
  - Low level of interoperability among POS networks
  - Price system does not provide a proper allocation of resources (indirect pricing and cross-subsidies)
- Report on the Brazilian Payment Cards Industry:
  - four-party schemes: contractual exclusivity and vertical integration (acquirer + NSP + ACH)
  - lack of interoperability (POS networks)
  - weak local debit arrangement
  - lack of price transparency and
  - No surcharge rule

# Retail Payment Systems Changes

- Retail Payment System:
  - Fragmentation: TecBan, MasterCard settled at CIP (Visa in process)
  - ATM: multilateral agreement between banks (e.g.: BB, Bradesco, Santander & Caixa)
- Payment cards industry
  - Multiple multi-scheme acquirers
  - Neutrality in the activities of clearing and settlement
  - establishment of national schemes of debit cards (e.g. ELO)





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