



PIX
The Brazilian Experience

May 18th, 2022



The better the question. The better the answer.
The better the world works.

Instant Payments: Most companies have already started to transform their businesses with the adoption of instant payments around the world



*Volume of payments in transactions (2019/2020)
Source: EY analysis

Context of Adoption: Demand for instant payment models is growing due to a specific combination of factors



Technology innovation

New P2P providers of payment solutions are emerging every day, due to some catalysts such as social platforms, digital wallets/currencies and 'contactless' payments.



Global Trends

As the list of countries adopting real-time payments grows, pressure increases on other countries to establish the foundation and support for RTP models.



Consumer Expectations

Due to rapidly changing demographics, many consumers now expect almost everything to be available in real time due to their experience with other digital consumer services like video on demand etc.



Expectations of Merchants

Many small businesses and large retailers look to real-time payments to improve their cash flow management, reduce fraud activities and provide incremental value to their customers.



New Entrants and Business Models

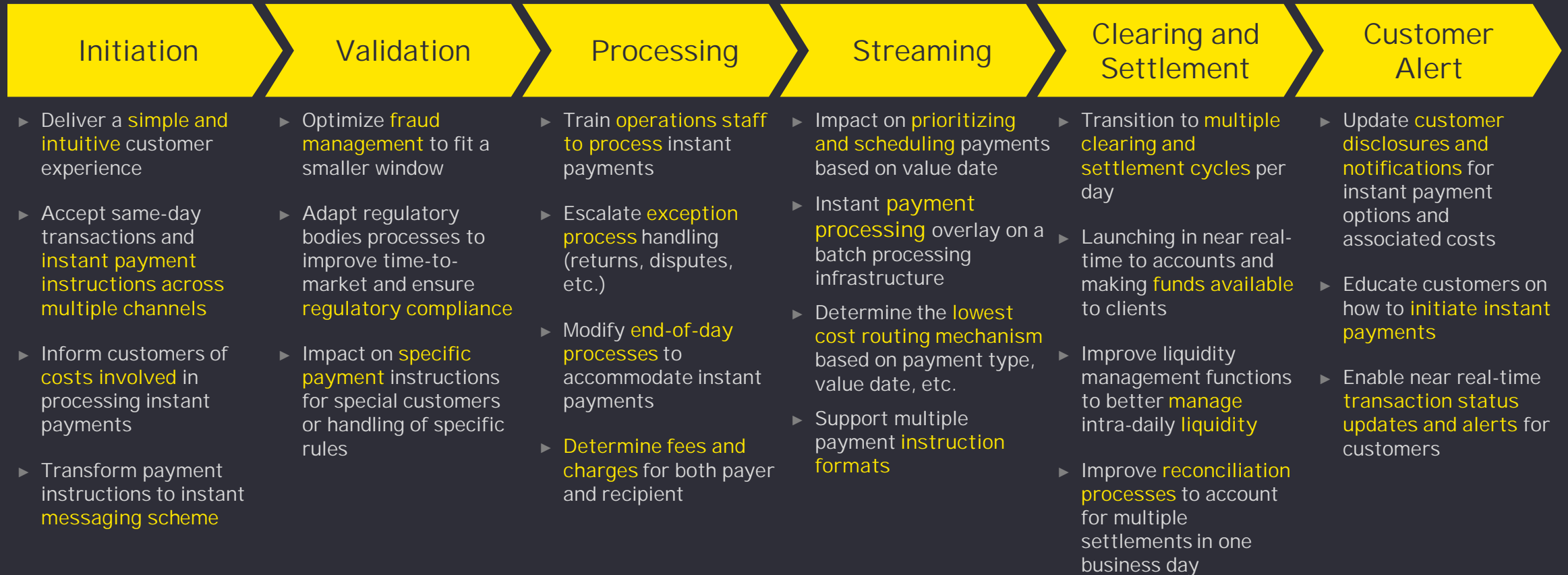
In recent years, several new FinTechs have been launched with a focus on 'mobile payments'. Focus tends to be on new real-time services



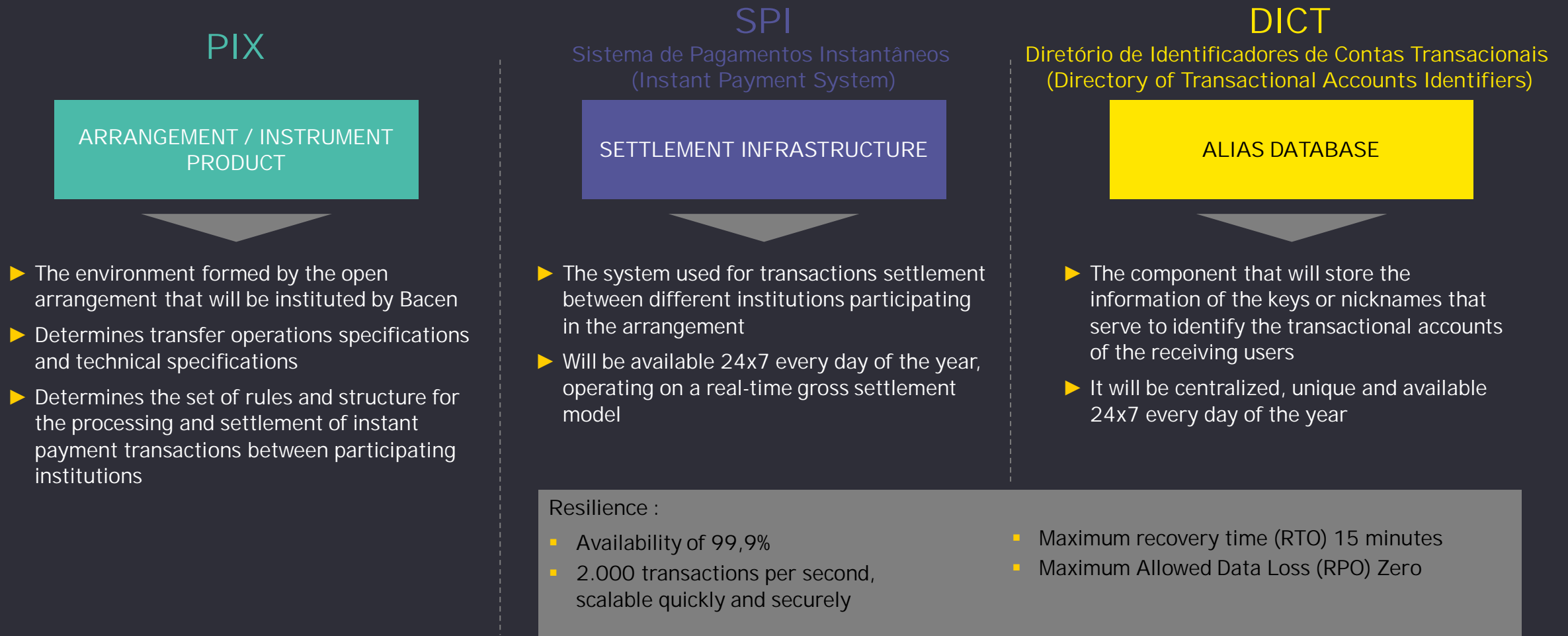
Industry Moment

Industry participants around the world are accelerating the path to real-time payments. Some markets have been instrumental in driving industry participation in real-time payments

Payment Chain Impacts: The adoption of instant payments generates impacts across the entire payments value chain

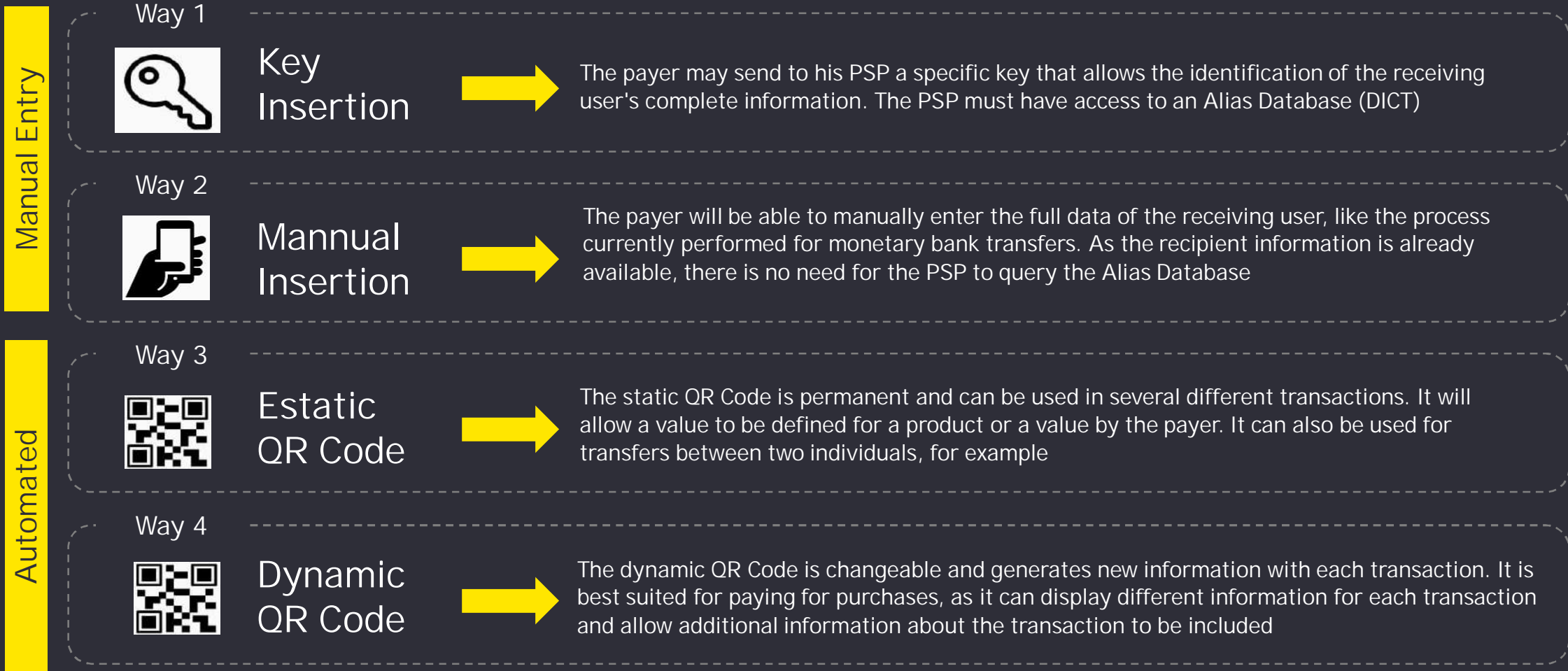


Bacen PIX: BACEN announced in February 2020 the arrangement of instant payments under the name PIX based on an SPI platform with national interoperability



PIX Payment Initiation:

There are 2 processes for initiating the payment, (i) manual entry of data by the payer and (ii) automated sending of information



PIX Key Features: Instant payments provides unique features that can be exploited for consumers and businesses

	Consumers	Companies
1 Availability	Customers can send and receive money 24x7x365	Businesses can send and receive money 24x7x365
2 Speed	Funds are available to recipients immediately (~10s)	Funds are available to recipients immediately (~10s)
3 Safety	Transactions are based on the SFN Network and have current protection technologies	Strong authentication before transactions start, network monitoring and fraud reporting
4 Convenience	Intuitive user experience	Automated invoicing and cash management, collections and reconciliation. Online cash position
5 Multiplicity of use	Transfers between people and/or companies, payments in physical or virtual establishments and taxes	Automated receipt and (re)conciliation, cash management and real-time payments
6 Aggregated information	Notifications sent to senders (transfer successful) and recipients (funds available)	Payment/information request, are part of the messaging and allows interbank messages
7 Open environment	Available not only to banks but also to finance companies, Fintechs and related companies	Available not only to banks but also to finance companies, Fintechs and related companies

Multiplicity of Use: The adoption of instant payments and its value proposition has the potential to benefit multiple uses



Illustrative, non-exhaustive

Use Cases: The potential value of use cases for corporate clients is greater as they can leverage added value with new instant payment services

Instant payments will be the 'new normal' and financial service providers must offer them to stay relevant in the future

The significant investment required to upgrade current payment infrastructures motivates financial service providers to **seek out relevant use cases and create value-added** services for their customers.

There are 3 potential value-added levers for new services:

1. Improve Customer Service

The ability to instantly send and receive payments allows businesses to interact with their customers in a different way. This new way of interacting with customers can improve customer service.

Insurance or reimbursement payments can be settled in real time, providing an instant level of service to improve the customer experience. 'Just-in-time' payments, customers can pay at the last moment with immediate confirmation

2. Improve Operational Efficiencies

Instant payments also allow corporate clients in different segments to improve operational efficiencies. Immediate confirmation of payments can expedite direct supplier deliveries or reduce inventories.

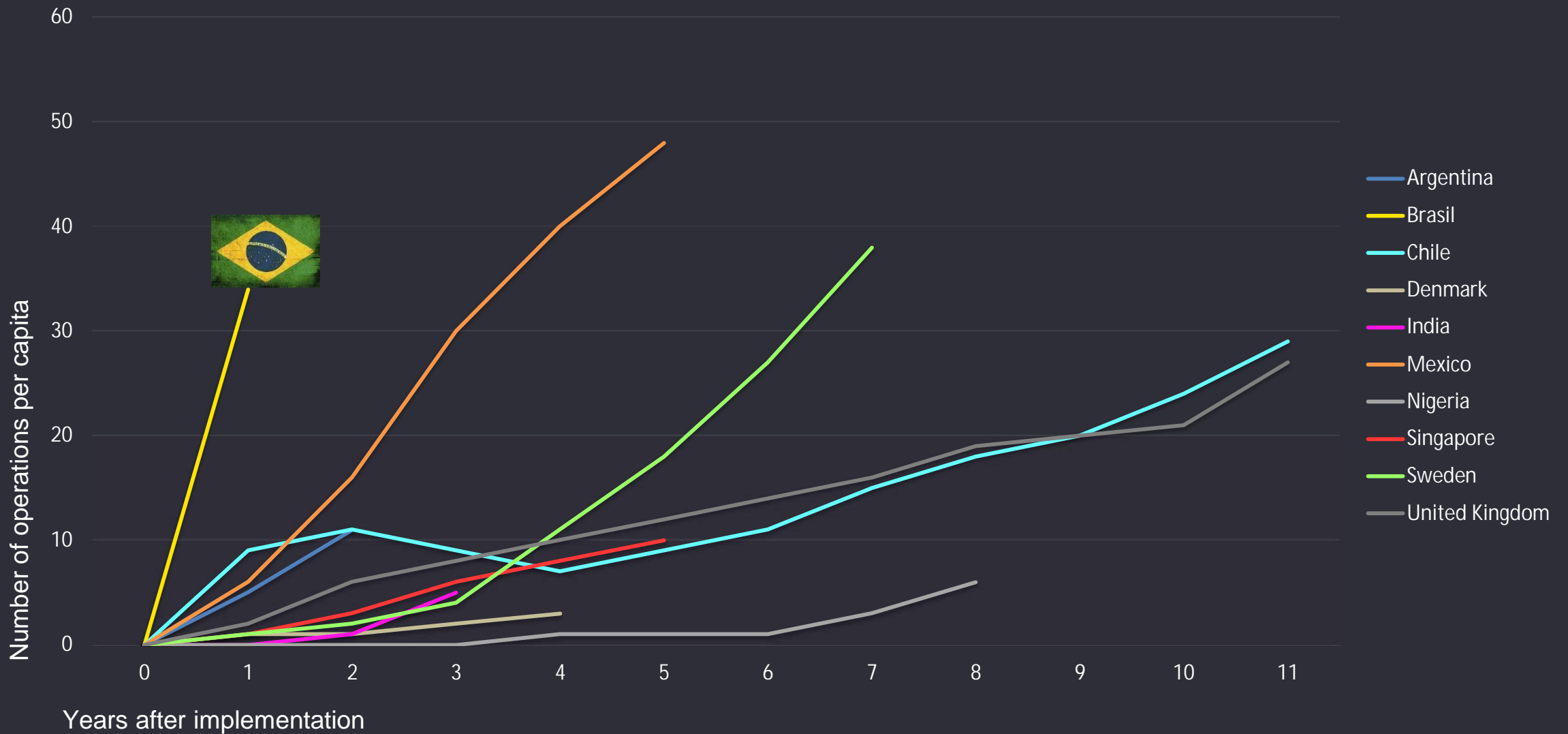
Drop shipping business models, which allow the company to send order and money to the supplier for direct and immediate delivery. 'Just-in-time' payments, with orders in JIT processes with suppliers.

3. Redefine Treasury and Cash Management

With 24x7 settlement, there is no set cut-off time for end-of-day positions. Corporate customers need to redefine their internal procedures for managing cash positions and forecasting future cash flows in order to optimally manage financial positions overnight and on weekends and holidays.

Corporate payments connected to treasury services that allow an intelligent integration, from the beginning of the payment, transaction status inquiry and balance inquiry. Initiating or requesting payments through portal and online applications for treasury and cash flow management (accounts payable/receivable)

Quick adoption: Brazil leads the instant payments implementation and utilization amongst other countries using similar schemes



Instant Payments in Brazil: PIX will gradually gain relevance, reaching 18~25% of the annual financial transacted volume by the end of 2022 (~R\$ 12 trillion Year 2022)

1st year balance

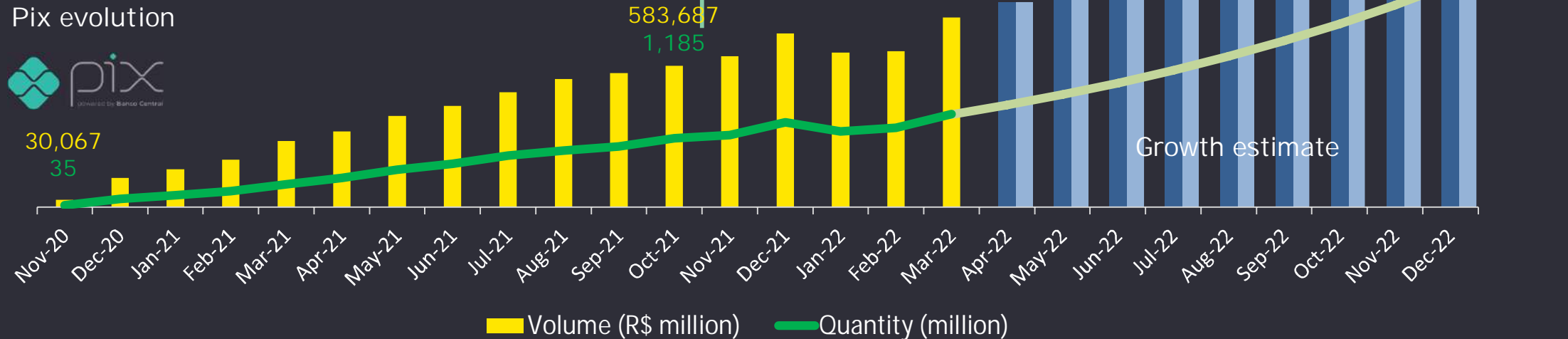
4T of financial volume
7B of transaction
348 Pix keys registered

2nd year expectations

12T of financial volume
25B of transaction
480 Pix keys

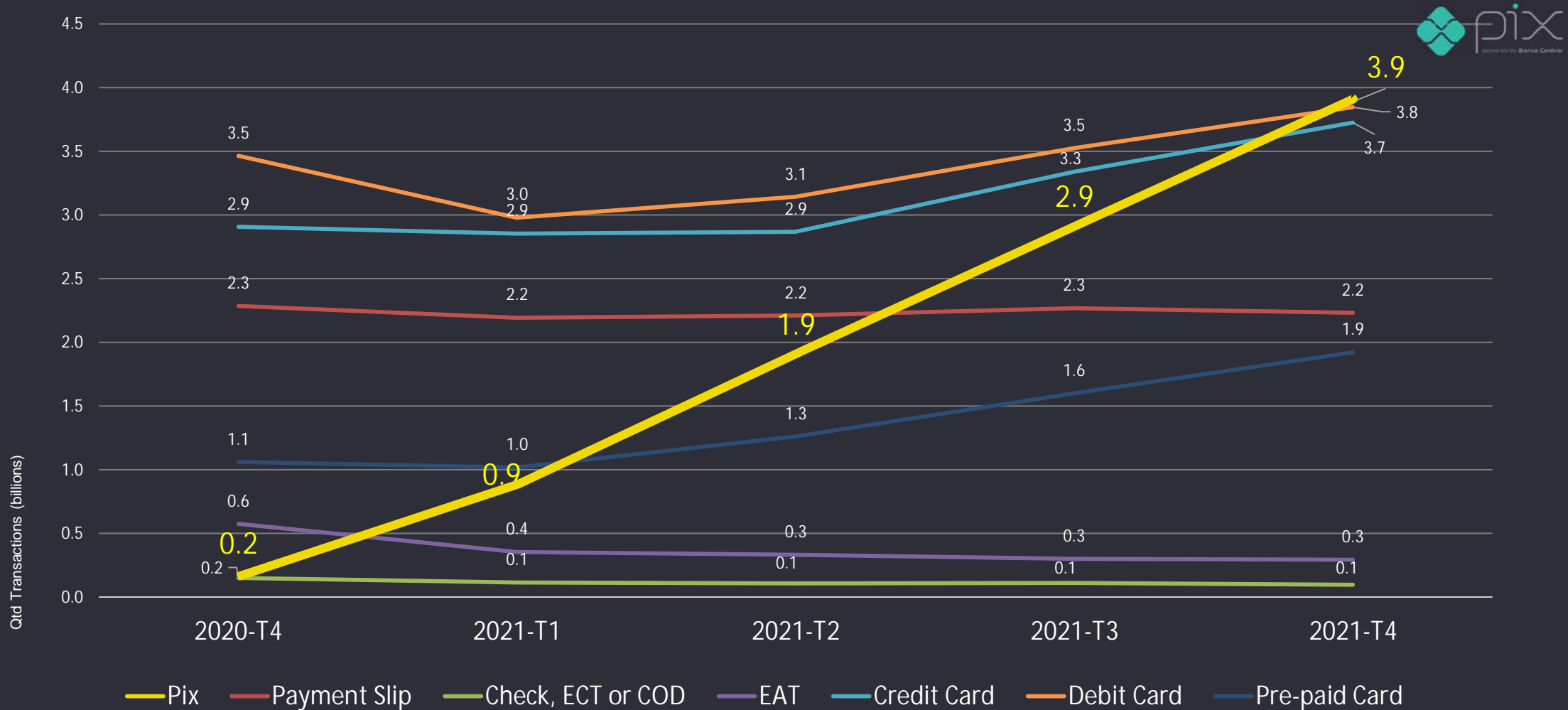


Pix evolution



PIX VS Payment Methods: PIX adoption was quick: experience, safety and reliability were critical factor driving adoption

Payment Transactions (Quarterly)



PIX Participants: All kinds of financial and payment institutions are allowed to participate



PIX

Open Environment

Interoperable

Competitive

All Kinds of financial institutions can participate:

- Traditional banks
- Digital Banks
- Cooperatives
- Payment Institution
- Fintechs
- And more!

People Using PIX: Almost 70% of the adult population has already used PIX to pay or receive funds

110

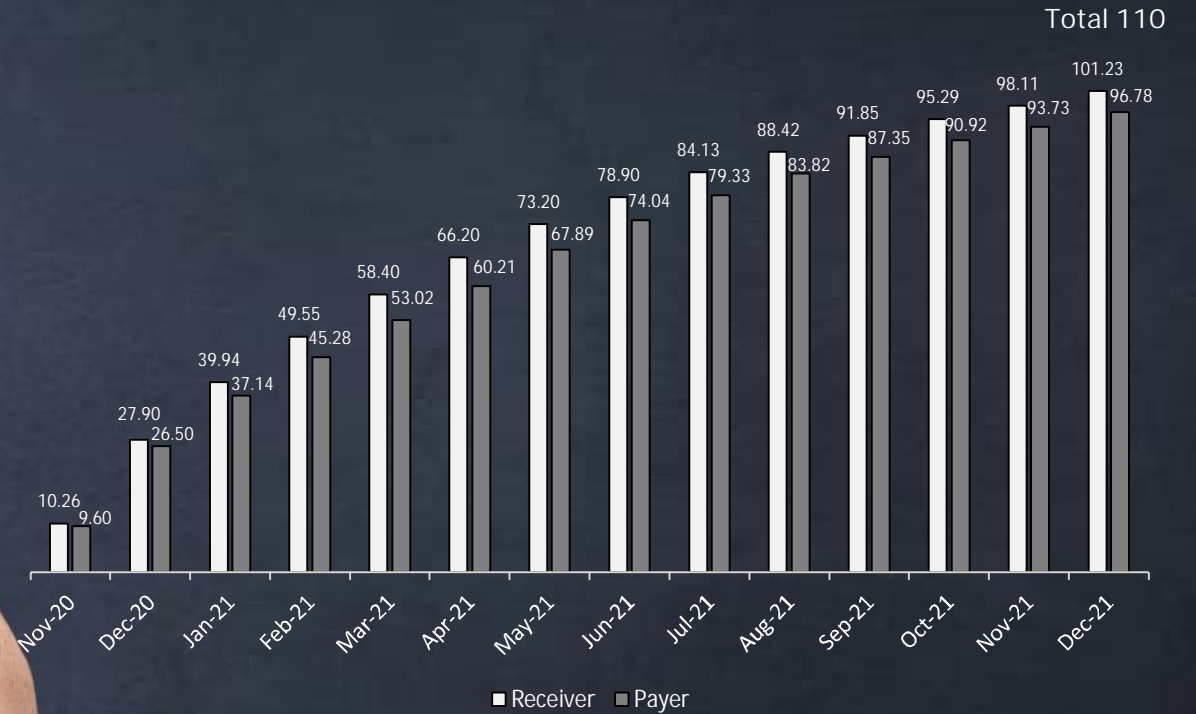
Million Users

65,1%

Of adult population



Number of People using PIX in million (x1,000,000)



Companies Using PIX: More than 50% of the companies in "SFN" have already used PIX to pay or receive funds

8,5

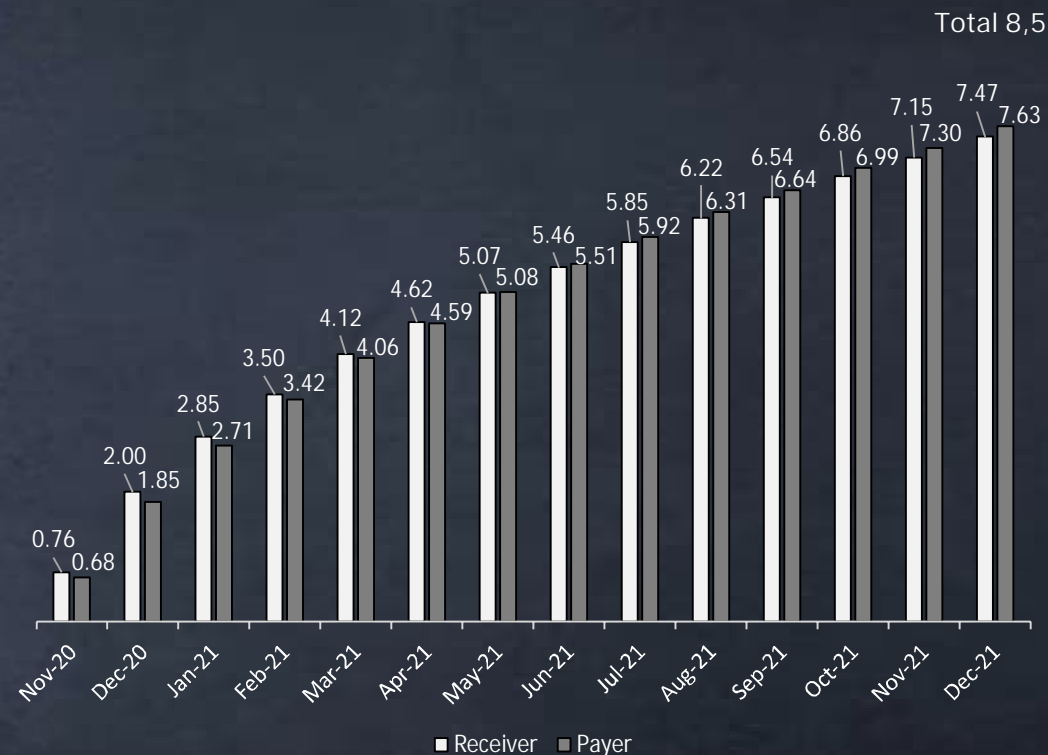
Million Companies

62,9%

Of companies with relationship in the National Finance System (SFN)

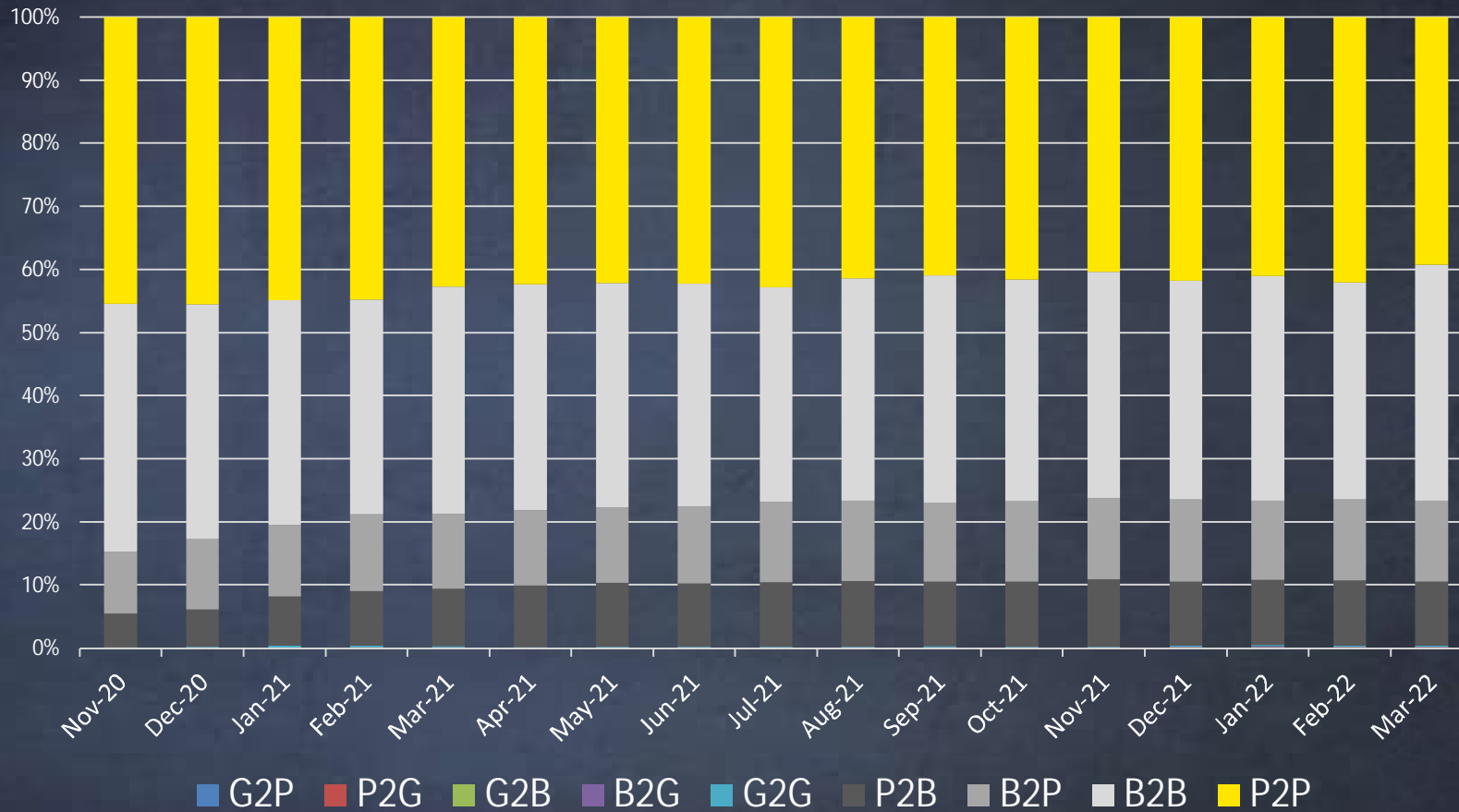


Number of Companies using PIX in millions (x1,000,000)

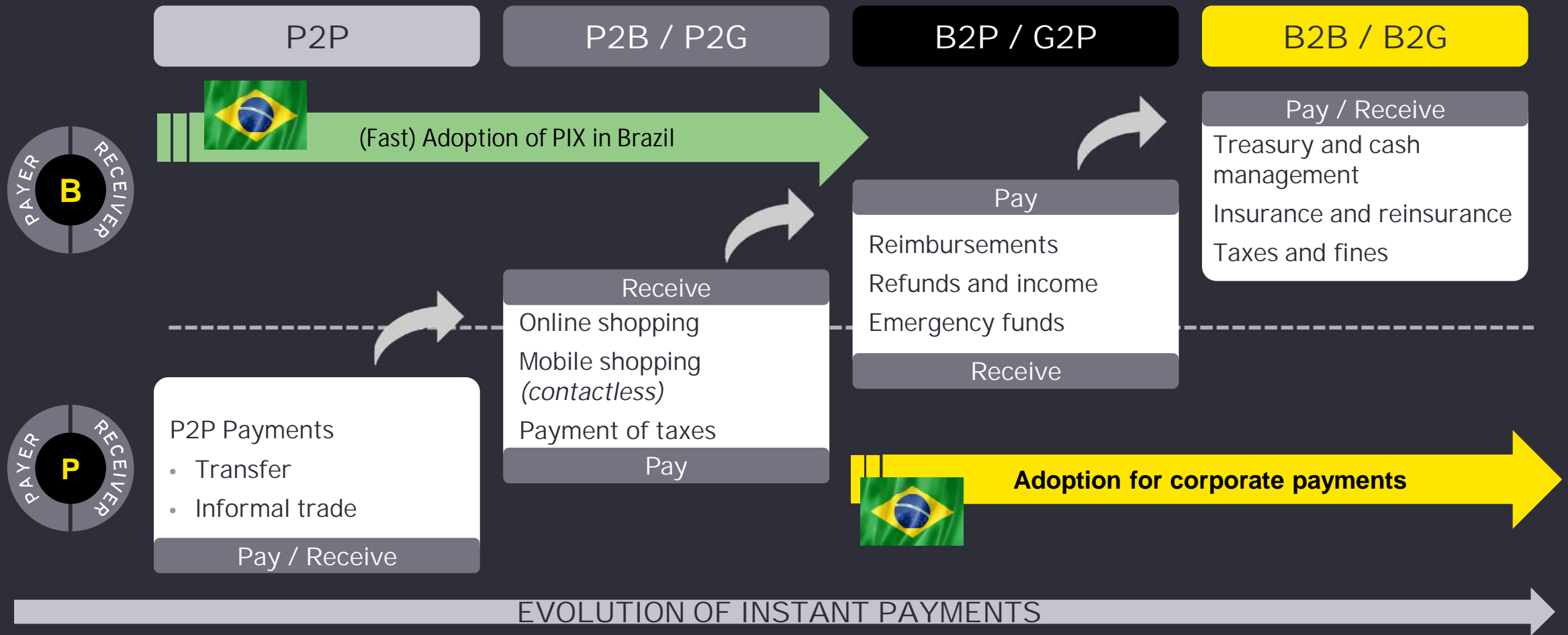


Transactions Evolution: P2P and B2B transactions represent more than 70% of total value transactions (R\$)

Use Case of the Transactions (value in R\$)



The Journey: Instant payment models around the world have gone through stages of evolution in line with customer needs and the offer of new services to the market



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