



Basic Information on *Boleto* in Brazil¹

The *boleto* is a payment instrument (originally in paper but now available electronically) that customers use to pay companies and other persons for their products or services. The original and most common *boleto* is a bar-coded standardized paper document that allows bills to be paid in any branch, ATM, bank correspondent and internet until its due date. Any company or person with a bank account can issue a *boleto*, by contacting a bank branch. Febraban established the format of the document, which is printed by customers from the internet or mailed by companies.

In 2009, the cost of the *boleto* was estimated at R\$1-4 (\$0.5-\$2) depending on the bank. An additional fee of approximately R\$2 (\$1) is charged by banks for the registered collection. In the same year, the Monetary Council, in accordance with the Consumer Protection Code, prohibited companies to charge customers for the issuance of the *boletos*.

Febraban estimates that 2 billion paper *boletos* are issued per year and that amount could be reduced by 40%. In October of 2009, through the combined efforts of the CBB, Febraban, banks and CIP (Interbank Chamber of Payments) the DDA (Debito Direto Autorizado – *Authorized Direct Debit*) or the *electronic boleto* was created. Unlike the *automatic direct debit*, customers who registered in DDA are still able to decide whether they are going to pay or not each bill and will have more convenience. Febraban estimates that the potential of DDA could reach 15 million checking accounts. DDA is a source of revenue for banks as they receive money for managing a portfolio of receivables of companies.

What is the *Boleto Bancario*?

- Popular names: *boleto bancario* or *boleto de cobranca*. Oficial names: *bloqueto bancario* or *bloqueto de cobranca*.
- It is a payment instrument (originally in paper but now available electronically) that customers use to pay companies for their products or services.
- The original and most common *boleto* is a bar-coded standardized paper document that allows bills to be paid in any branches, ATMs, bank correspondents and internet until the due date. If the *boleto* is not paid until this date, the customer will be able to pay its bill only in a branch of the bank that issued the *boleto*, as each bank has different specifications on fines and “default” interest rates.
- Febraban² established the format of the document, which are printed by customers from the internet or mailed by companies. Any company with a bank account can issue a *boleto*.
- Who can issue it? Both individuals and legal entities can issue *boletos* by contacting a bank branch, and as long as they have bank accounts.
- Main elements of the document:
 - *Cedente*: who issues the bill and receives the money in the end
 - *Bank*: who has an agreement with the *cedente* and is responsible for the collection of the money and consequent deposit in the *cedente*'s bank account
 - *Sacado*: who pays the *boleto*
 - *Value* of the *boleto*
 - *Due date*
 - *Bar code* which can be scanned or typed into ATMs and the website of the bank.

¹ Prepared by Karina Baba. Karina was a summer fellow for CGAP's Technology Program during the summer of 2010.

² Febraban (*Federacao Brasileira de Bancos*) is the Federal Bank Association.



- Non-registered (*post paid boletos*): in this case the company or individual simply issues the boleto and sends it directly to the customer. The bank only becomes aware of it when the customer actually pays the bill. In this case, the bank charges the issuer of the *boleto* only when the customer pays the bill (*post paid*).
- In 2009, the cost of the *boleto* was estimated at R\$1-4 (\$0.5-\$2) depending on the bank. An additional fee of approximately R\$2 (\$1) is charged by banks for the registered collection. In the same year, the Monetary Council, in accordance with the Consumer Protection Code, prohibited companies to charge customers for the issuance of the *boletos*.

When was it introduced?

- Paper *boletos* were first introduced in the 80s when they became standard among banks in the system. In the 90s, the bar codes were introduced, which made *boletos* more popular and eliminated in 1995 the actual *physical* exchange of *boletos* between banks in the compensation chamber.
- Electronic *boletos* were introduced in October 2009, although discussions started after in 2004, right after the reform of the Brazilian Payment System in 2002.
- There are controversies about the *boleto* as the customer has to pay to pay its bill, as well as the companies have to pay to receive their money.

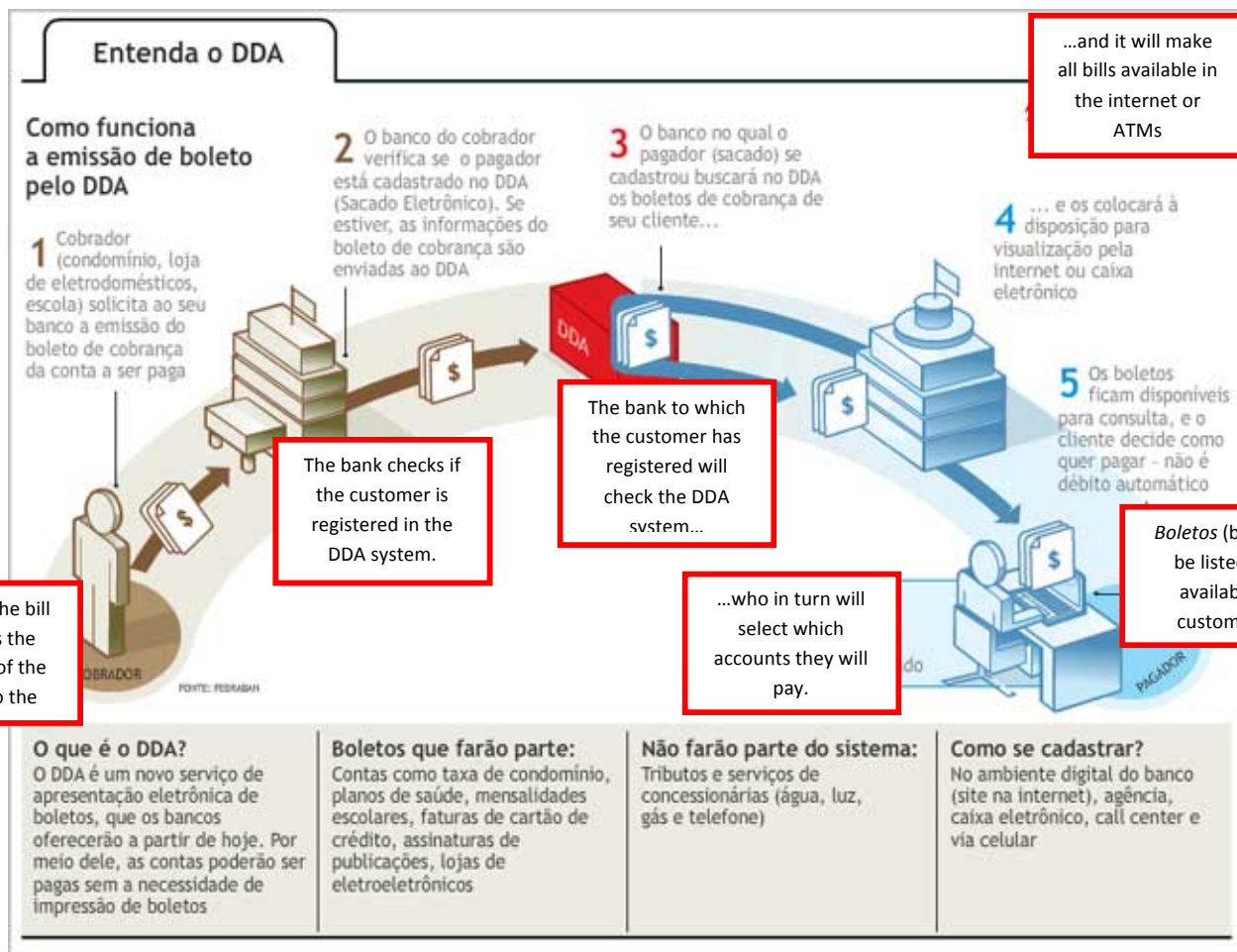
What is DDA (Debito Direto Autorizado – Authorized Direct Debit)?

- Febraban estimates that 2 billion paper *boletos* are issued per year and that amount could be reduced by 40%. So recently, in October 2009, in a combined effort between the Central Bank, Febraban, banks and CIP (Interbank Chamber of Payments, responsible for processing and liquidating interbank transactions) created the DDA (Debito Direto Autorizado – *Authorized Direct Debit*) or the *eletronic boleto*.
- In this case, CIP/DDA works as an intermediary between companies and customers by receiving information of the *boletos* from companies and making them available for customers. That way, CIP/DDA works as a huge database of bills and allows interbank liquidation, without the issuance of paper, reducing costs of banks and avoiding fraud and losses.
- Companies that are issuing the *boletos* send the information to their banks, which check if the customers are registered in DDA and, if they are, they send this information to CIP/DDA. At the same time, all banks access all bills registered under their customers and make the list of all bills available to customers through internet banking, ATMS and branches.
- Customers who register for DDA (for free) will have their bills listed in all of their bank accounts, so they can select which bill they want to pay and which bank account they are going to use.
- Unlike the *automatic direct debit*, customers who registered in DDA are still able to decide whether they are going to pay each bill and will have more convenience.
- Febraban estimates that DDA could reach 15 million checking accounts.
- Central Bank hasn't defined yet if banks will be able to charge for DDA or related services. At first, taxes and public services will not be part of DDA.

Why is it relevant?

- *Boletos* allowed customers to pay their bills (the ones that can't be paid directly at stores through POS devices, such as rent, utilities, taxes, school tuitions, insurance, installments of purchases, credit cards, loans, phone) in different locations without having access to internet, while they keep control over their accounts. Unlike the *automatic direct debit*, customer can chose which bills are a high priority.
- They increased security and efficiency for banking system by assigning a specific code to each transaction and by allowing the electronic settlement of all transactions through the CIP.

- It is a source of revenue for banks as they receive money for managing a portfolio of receivables of companies.
- The electronic *boleto* will reduce costs of transaction and posting of banks and will avoid frauds and losses.



Sources:

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