



Open Finance: Lessons from Brazil

Webinar

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Speakers



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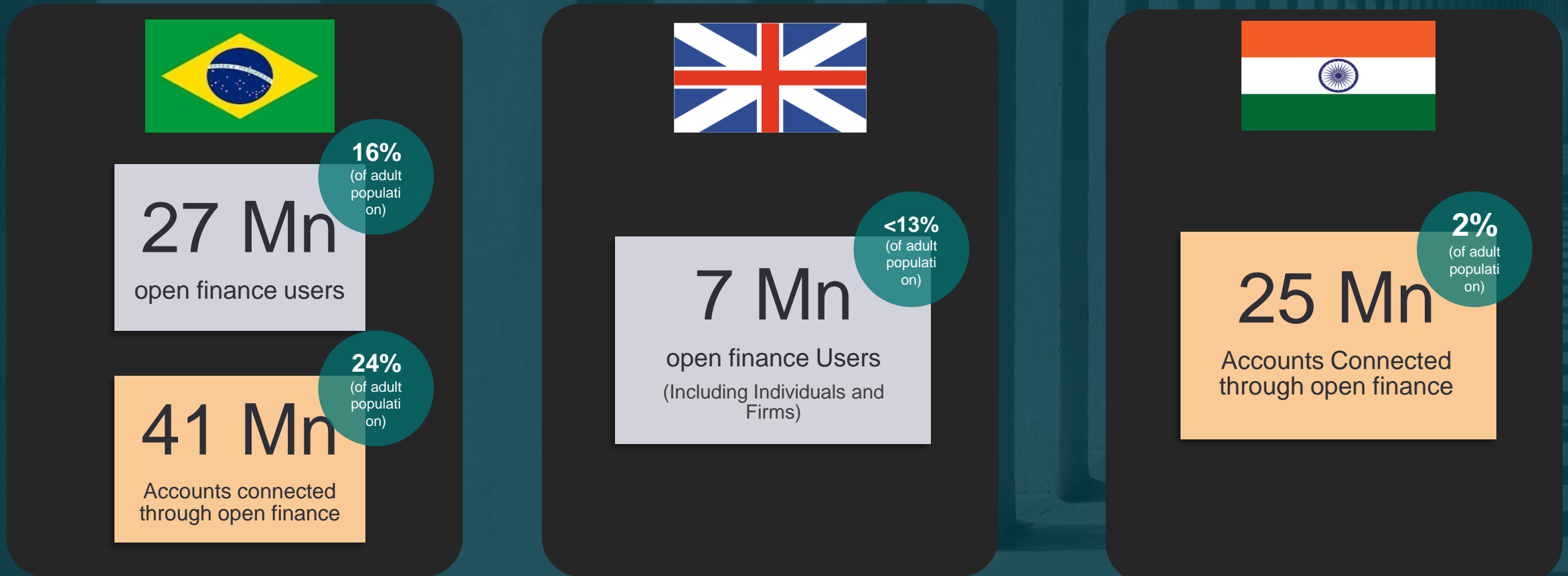
Agenda

- 1 Context
- 2 Customer Research
- 3 Provider Research
- 4 Panel Discussion

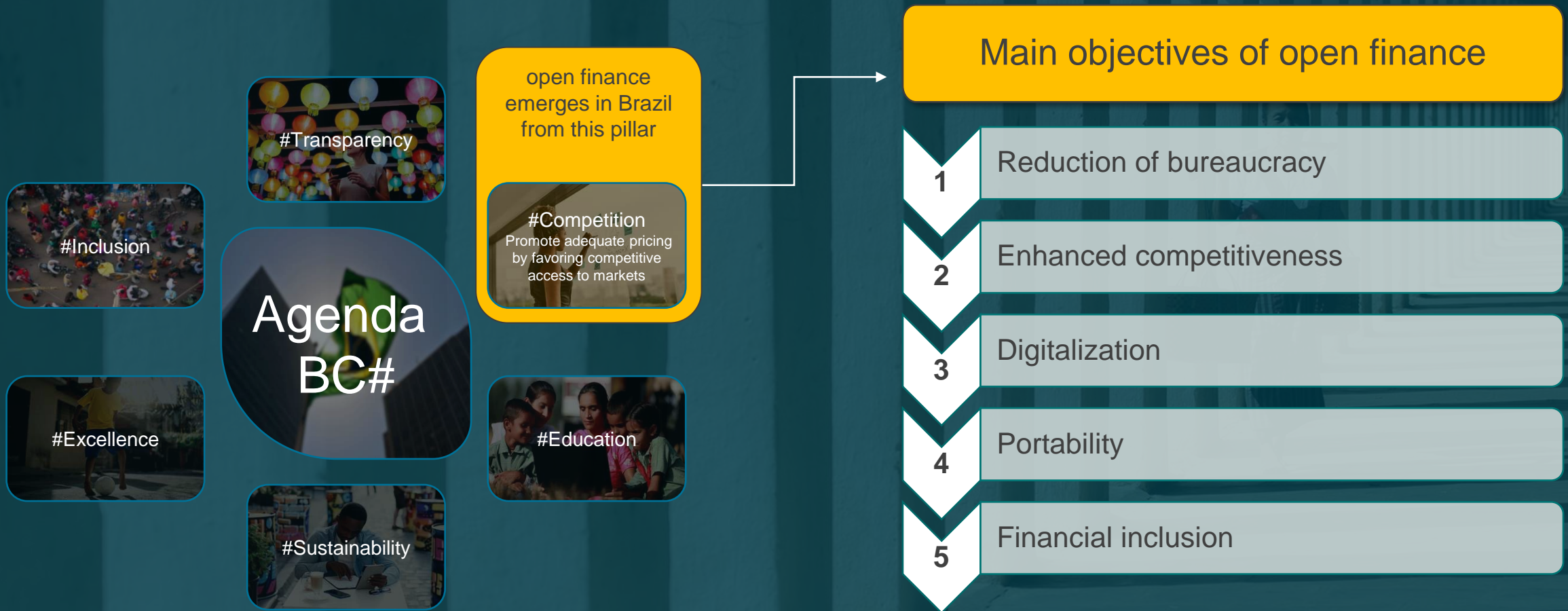


Brazil has seen a rapid expansion of open finance, and is ahead of both UK and India in terms of adoption

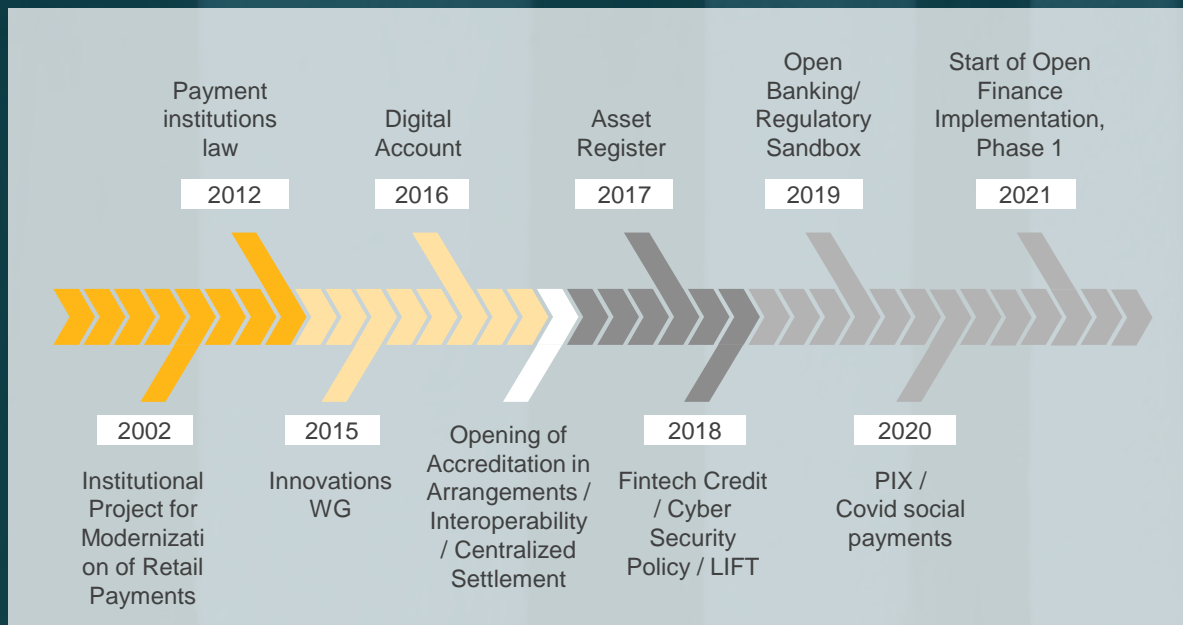
Progress of open finance (by 2023) – Brazil, UK, India



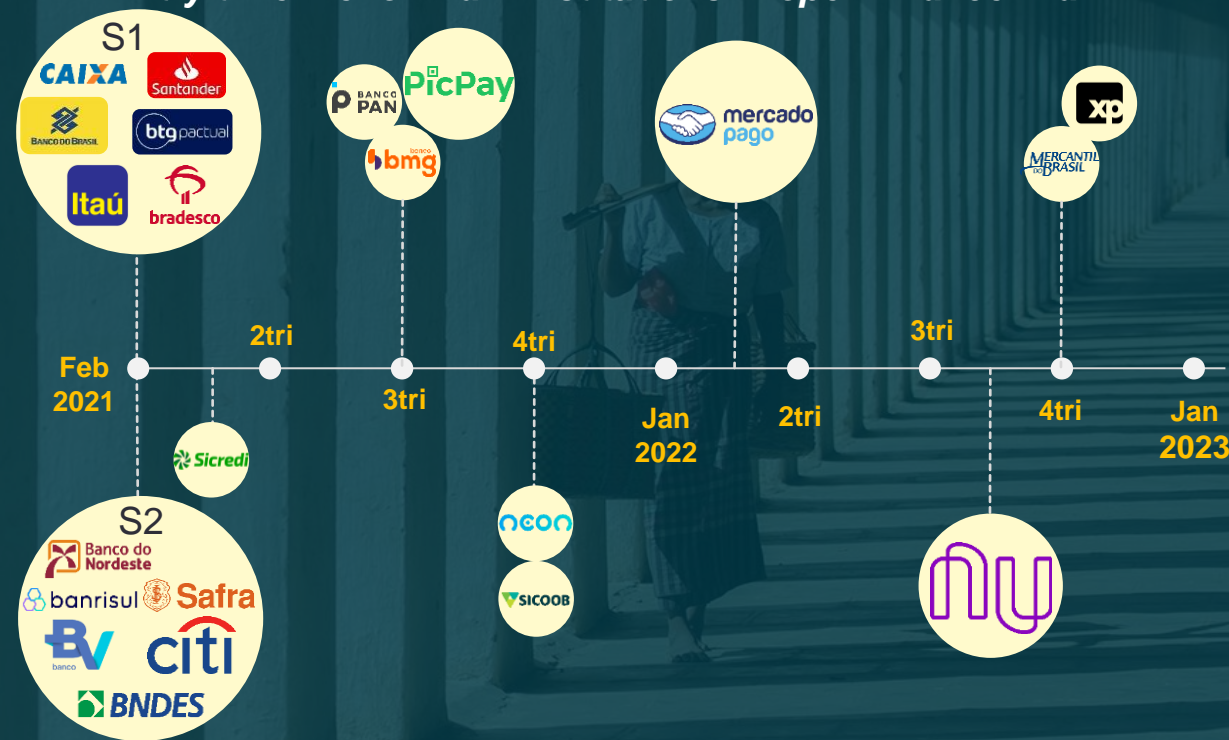
Reducing bureaucracy and promoting competition were the Central Bank's main goals of launching open finance in Brazil



For over a decade, the Central Bank has made concerted efforts to implement robust payment systems, digitize financial services, and now data sharing through the implementation of Open Banking/Finance



Entry timeline for main institutions in open finance Brazil



S1 and S2 institutions have been mandated to participate

- S1: Banks as big as or bigger than 10% of the GDP, or that have relevant international activity
- S2: Institutions with size between 10% and 1% of the GDP

The Central Bank has implemented open finance in a phased manner



Phase 1

Standardized **sharing of information by financial institutions** about products and services

Early 2021



Phase 2

Sharing of registration, transactional, credit card, and credit operation data by users between their financial institutions

Mid 2021



Phase 3

Implementing **payment initiation services** via PIX, allowing account holders to make payments using open finance

Late 2021 – Early 2023
(phased launch)



Phase 4

Enhancing scope of data sharing to include **more data sources**. Already includes data on investments and will in future include data on currency exchange, insurance and pension

Early 2023 – ongoing

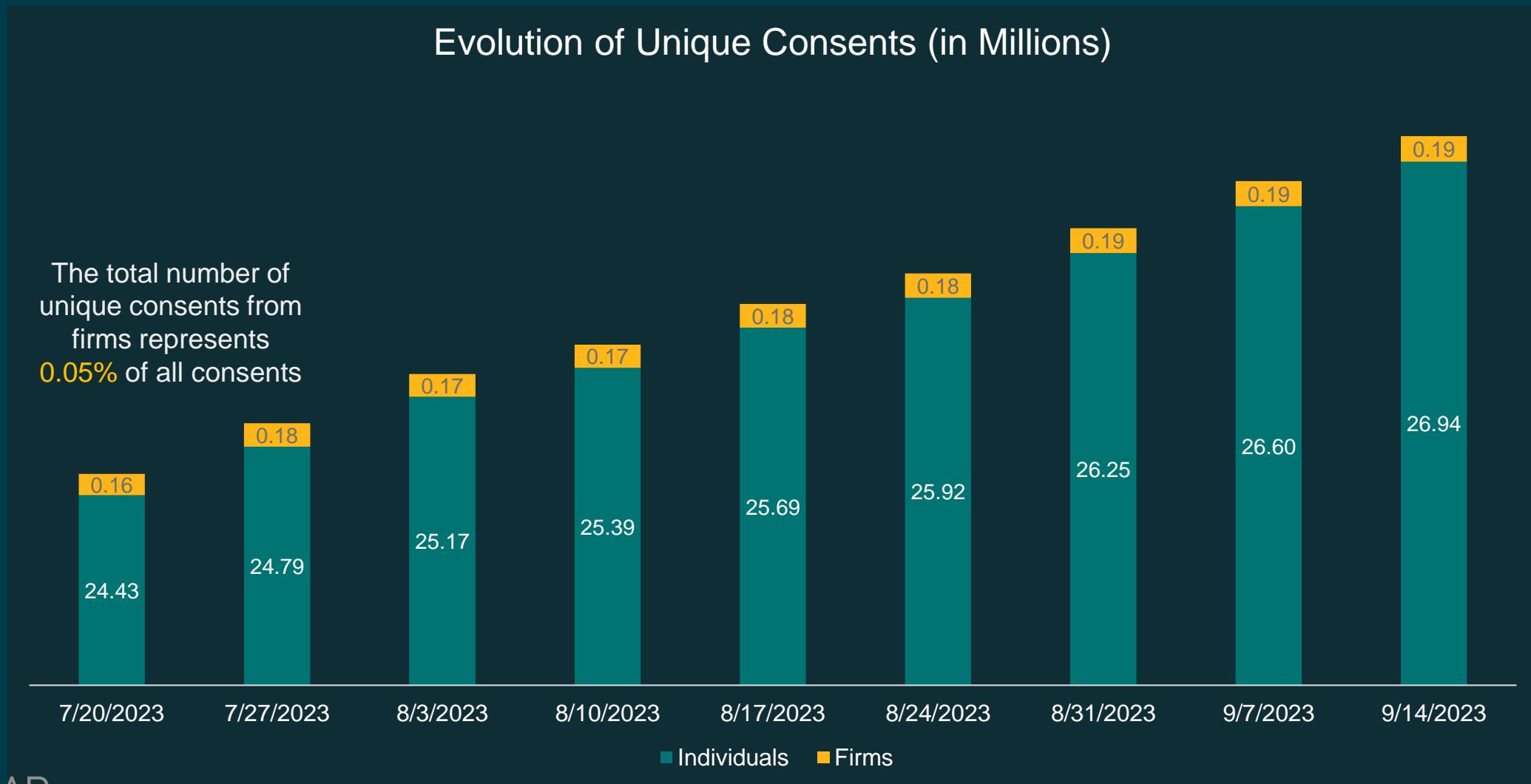
Anecdotal evidence of the **positive impact** open finance has had for some financial service providers (FSPs)

Banco do Brasil has used open finance data to better score customers and as a result was able to raise credit limits by more than **R\$ 700MM**

An S2 bank reported an average real increase in proven income by **25 to 30%** (better visibility of customer's financial situation)

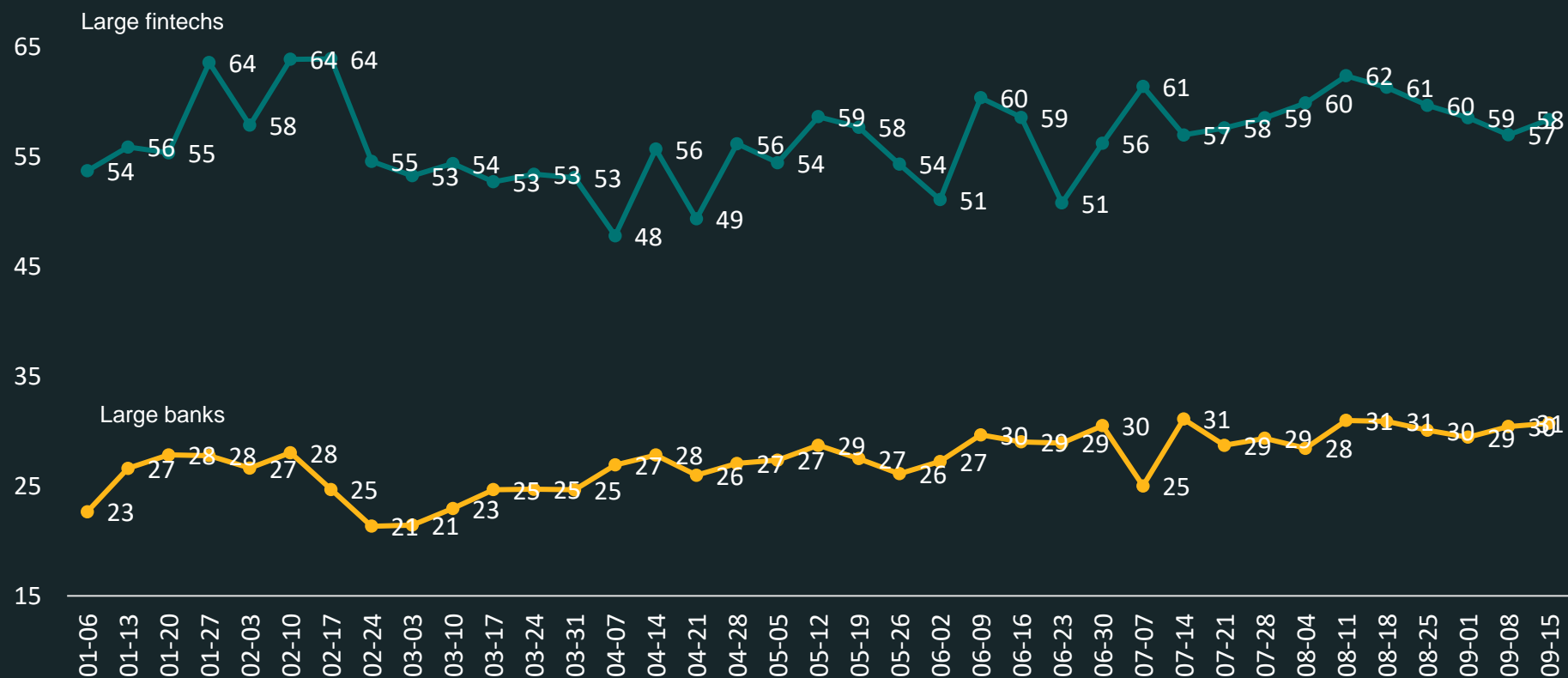
An S2 bank has reported personalized offers using data from open finance tend to be up to **8x more** effective than other products in terms of conversion rate

Adoption has been growing steadily - from 21M in May 2023 to 27M in September 2023



While uptake numbers are positive, challenges remain around data quality and the effectiveness of the consent process with banks demonstrating lower success rates than fintechs

Consent success rate by institution type (as data transmitter)



Possible factors for **low conversion rates** include **technical failures**, and **challenges in the consent journey** due to **app redirects**, which, as indicated by account holders, **disincentivizes** them from participating in the ecosystem.

Agenda

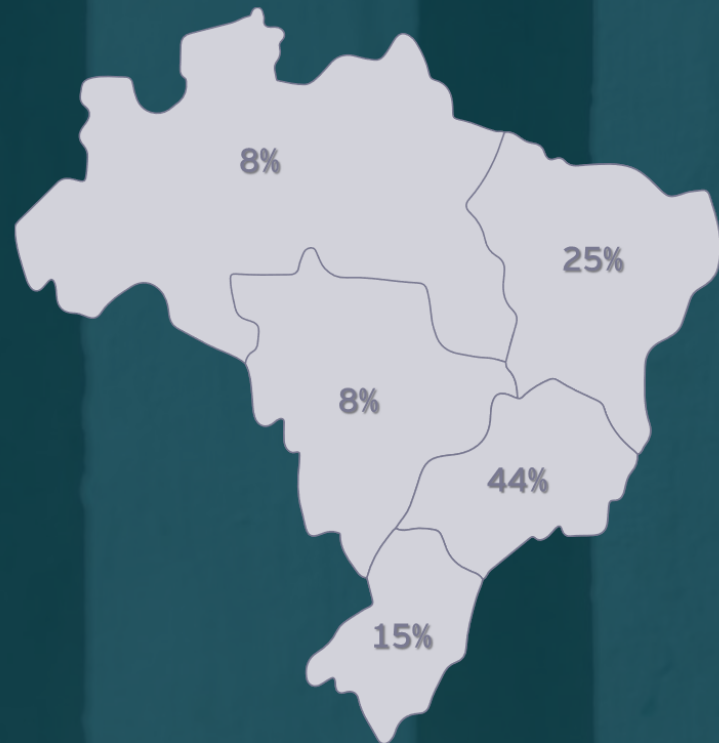
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We conducted a nationally representative survey of 2000 adults

Objective: Understand readiness, awareness, willingness and adoption of open finance for different population segments

Sample distribution by region/state (%)



GENDER

55.8% Female

43.6% Male

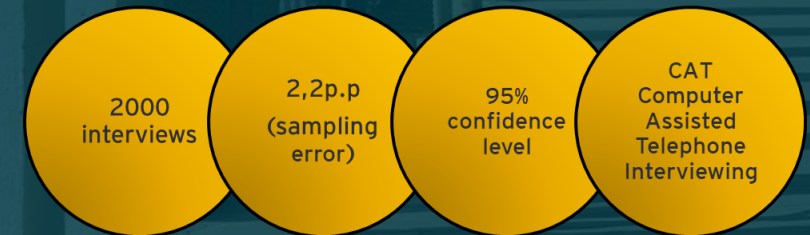
0.6% Other

CLASSES

18% A+B

47% C

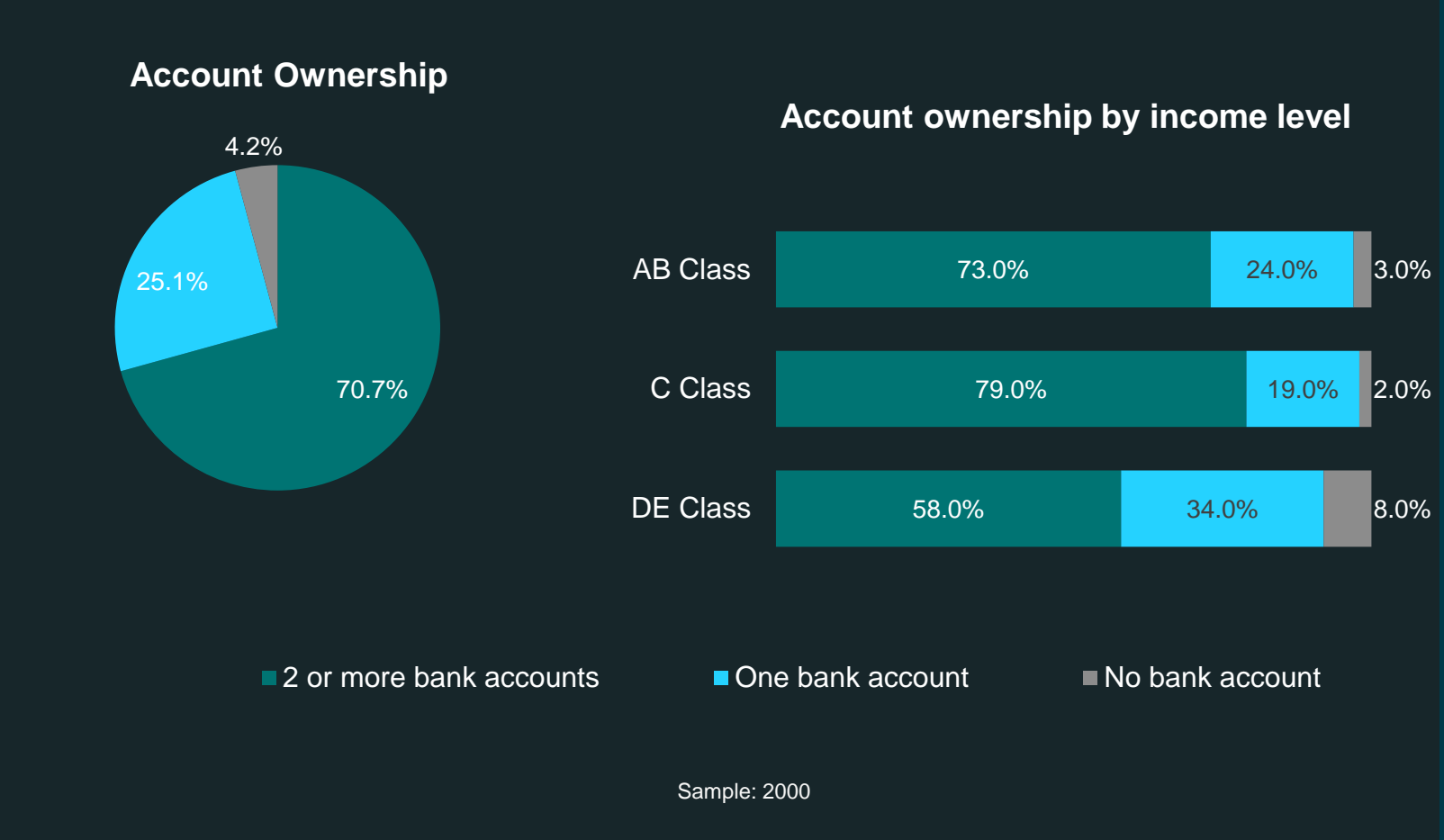
35% D+E



Our survey helps us better understand the following areas:

1. Readiness for open finance
2. Awareness and understanding of open finance
3. Willingness to share data
4. Adoption of open finance

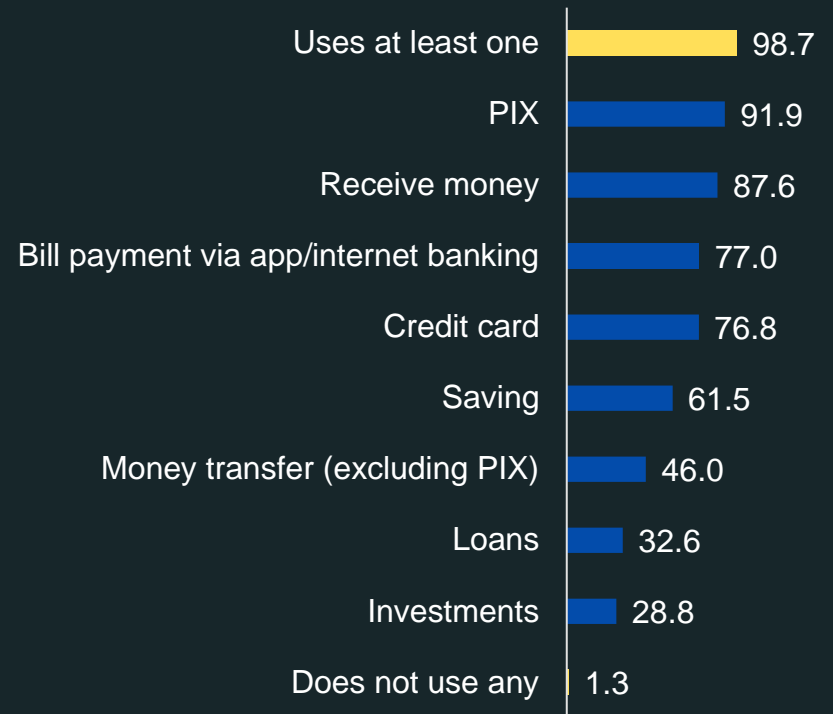
Account ownership is high, with 96% of respondents having an account



- Having an account is a prerequisite to participating in open finance
- Account ownership is high with 95.8% respondents reporting a bank account
- 70.7% have more than one bank account
- Even for the lower income segment, 92% have a bank account

Almost 99% of those who have an account use it, 77% use 4 or more services

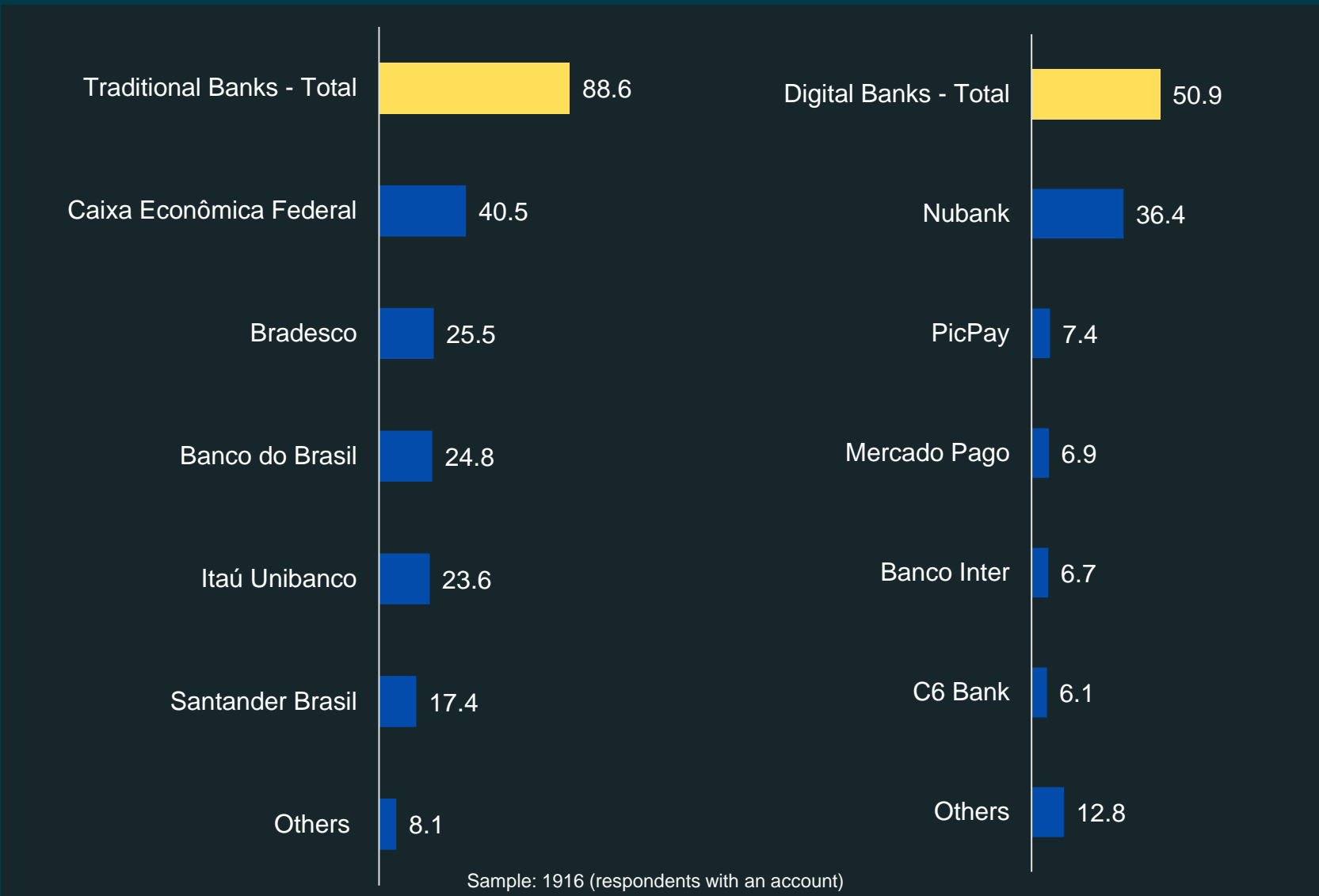
Financial services used (%)



Sample: 1916 (respondents with an account)

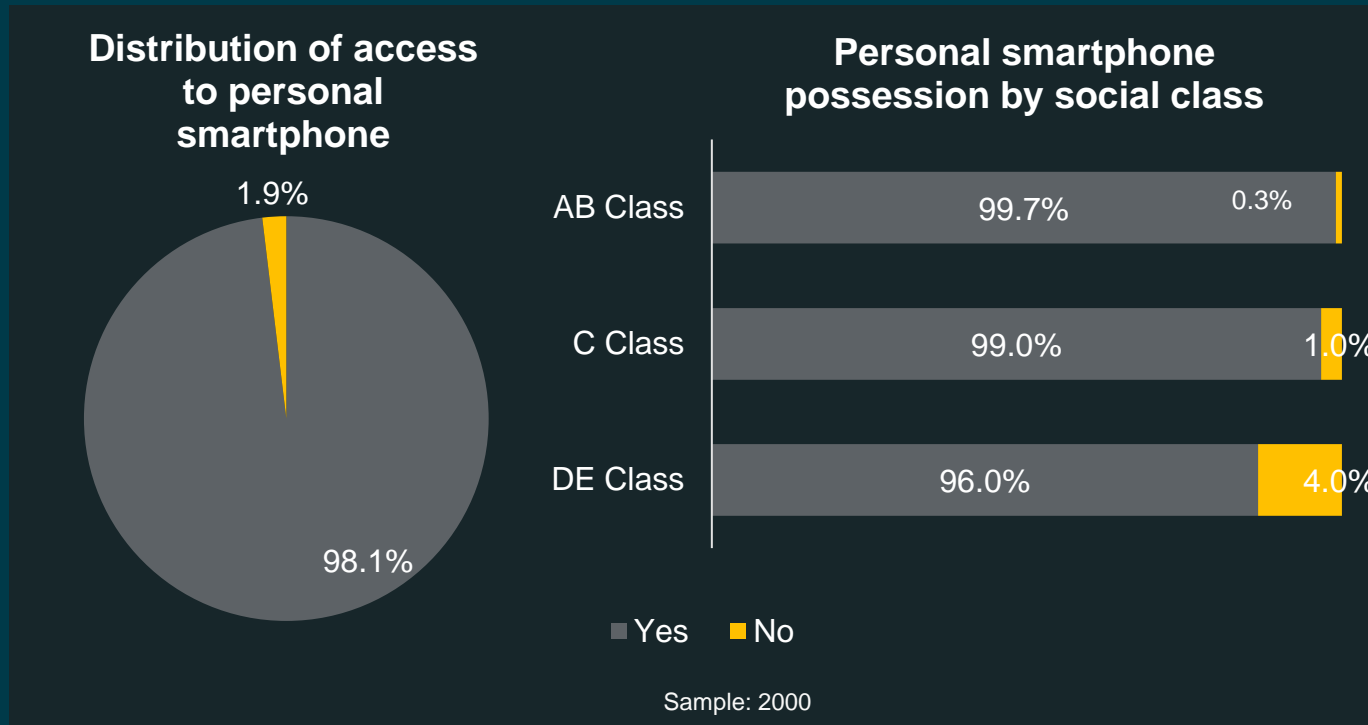
- Active accounts will have more relevant data that can be leveraged by financial service providers
- Pix payment is the most common financial service used
- 77% of respondents use 4 or more services

89% of banked respondents have an account with a traditional bank, 51% with a digital bank



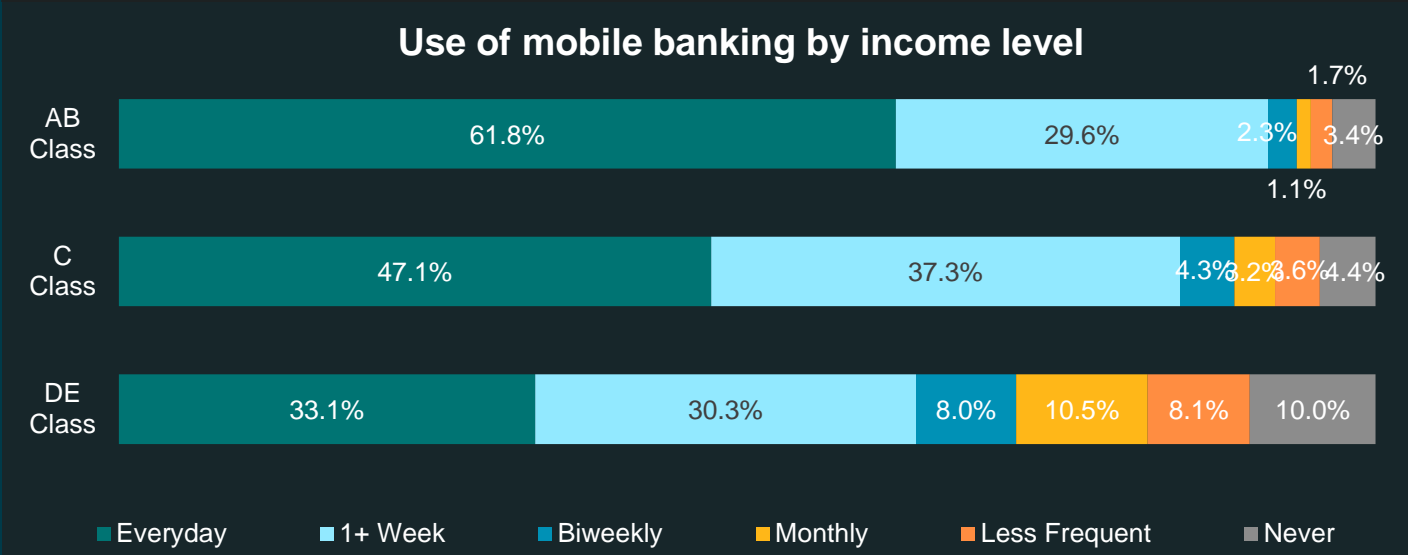
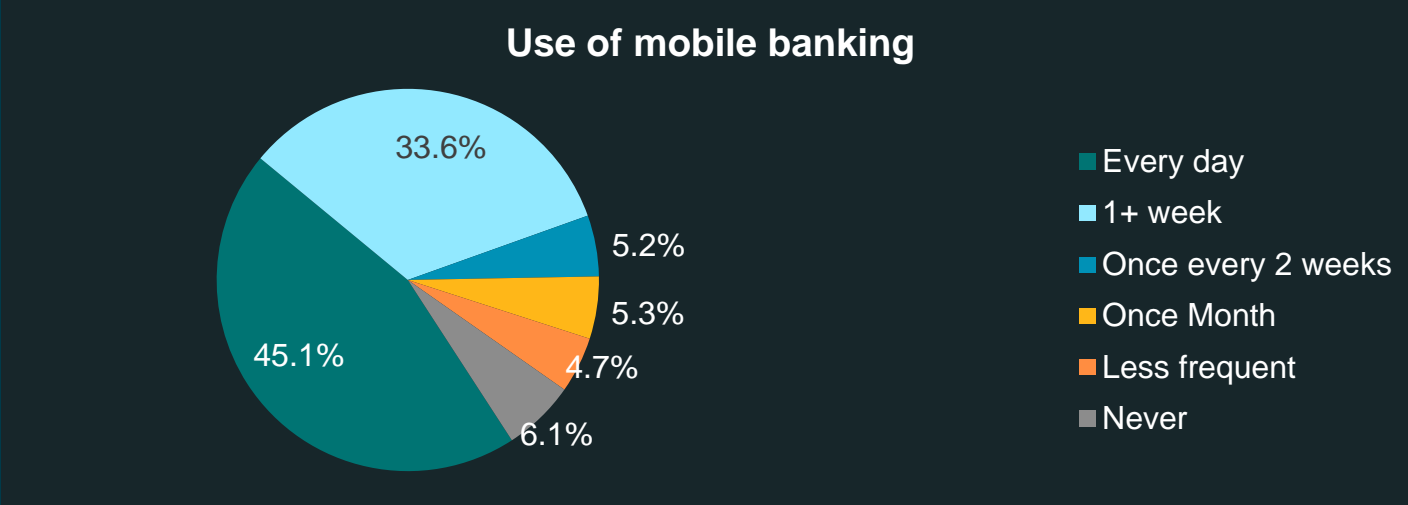
- 71% of banked respondents have a traditional bank as their primary bank
- 29% have a digital bank as their primary bank

Smartphone ownership is high, even for the lower income segments



- The most prevalent way of joining open finance is through a banking app which requires a smartphone
- Smartphone ownership is high at 98%
- Even for the lower income segment, 96% have a smartphone

Use of mobile banking is high, with 94% of respondents using it



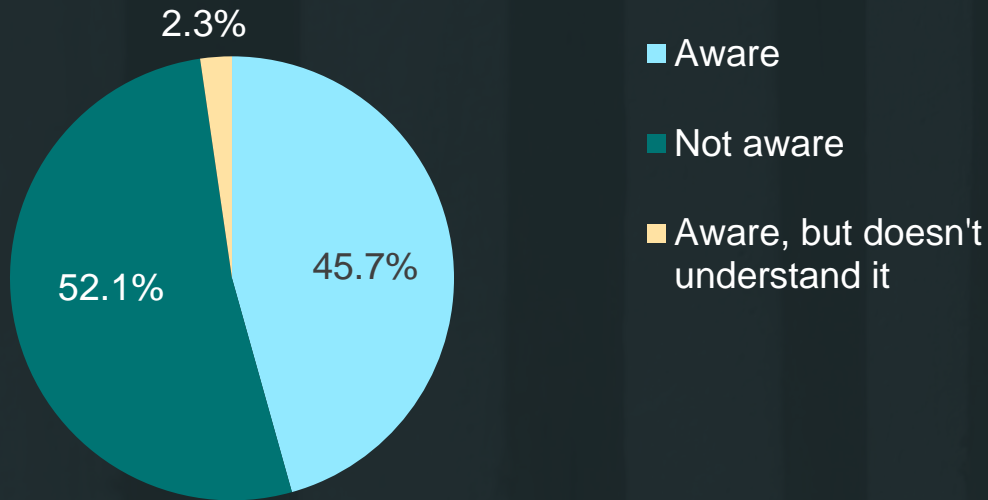
- 96% of respondents use mobile banking with 79% of respondents using it at least once a week
- 90% of lower income respondents use mobile banking, with 63% using it at least once a week

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48% of respondents are aware of open finance

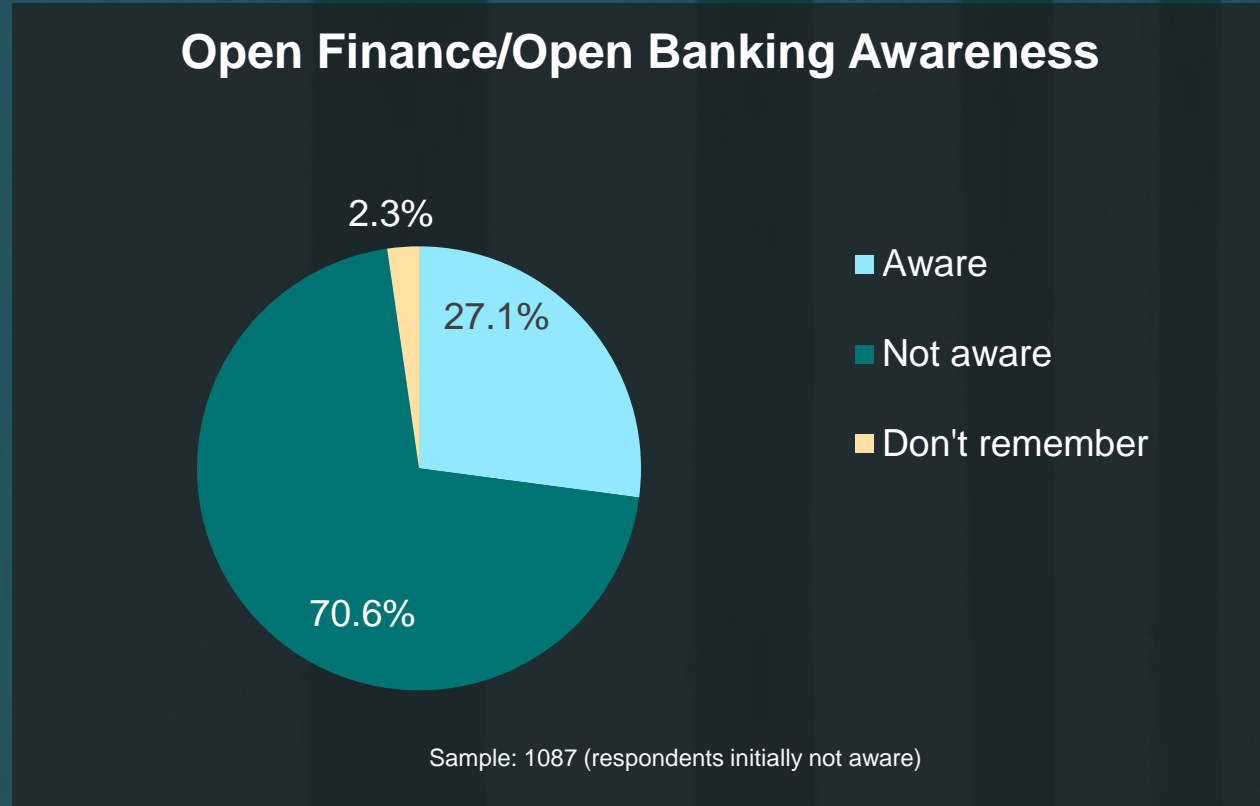
Open Finance/Open Banking Awareness



Sample: 2000

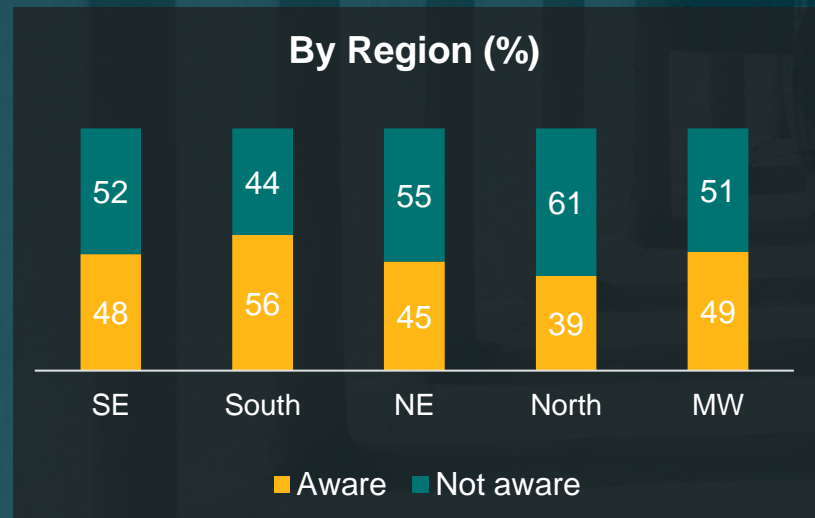
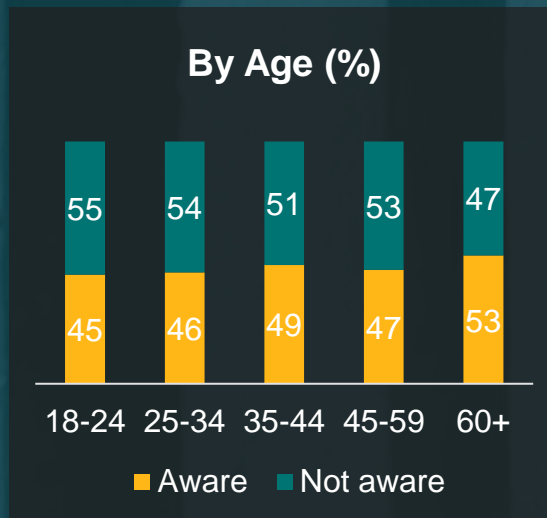
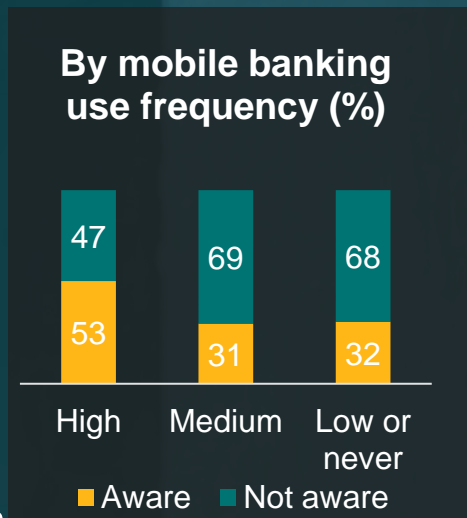
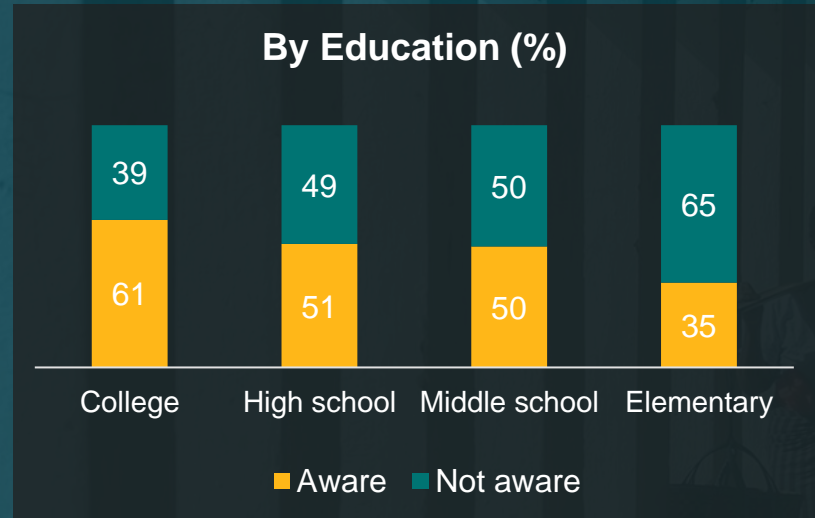
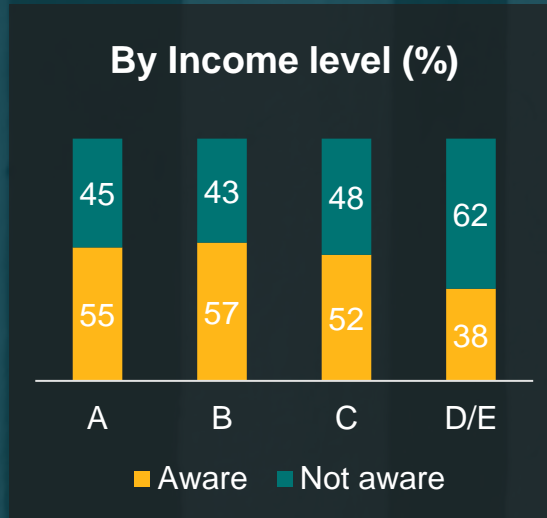
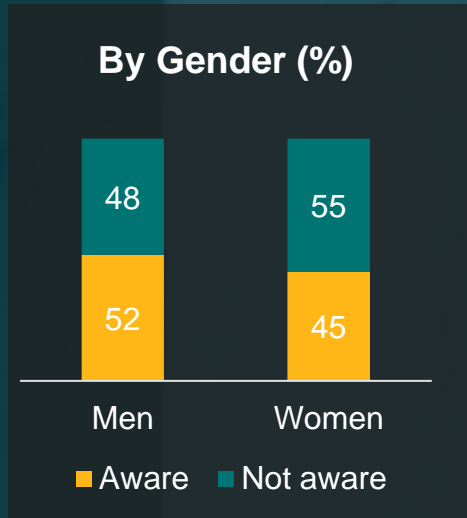
- 48% of respondents are aware of open finance, 2% are aware but don't understand it
- 24% of respondents are aware of both open finance and Open Banking terms
- 17% are aware just of Open Banking and 5% just of open finance

Of those who were not aware of the term, 27% reported awareness once open finance was explained to them



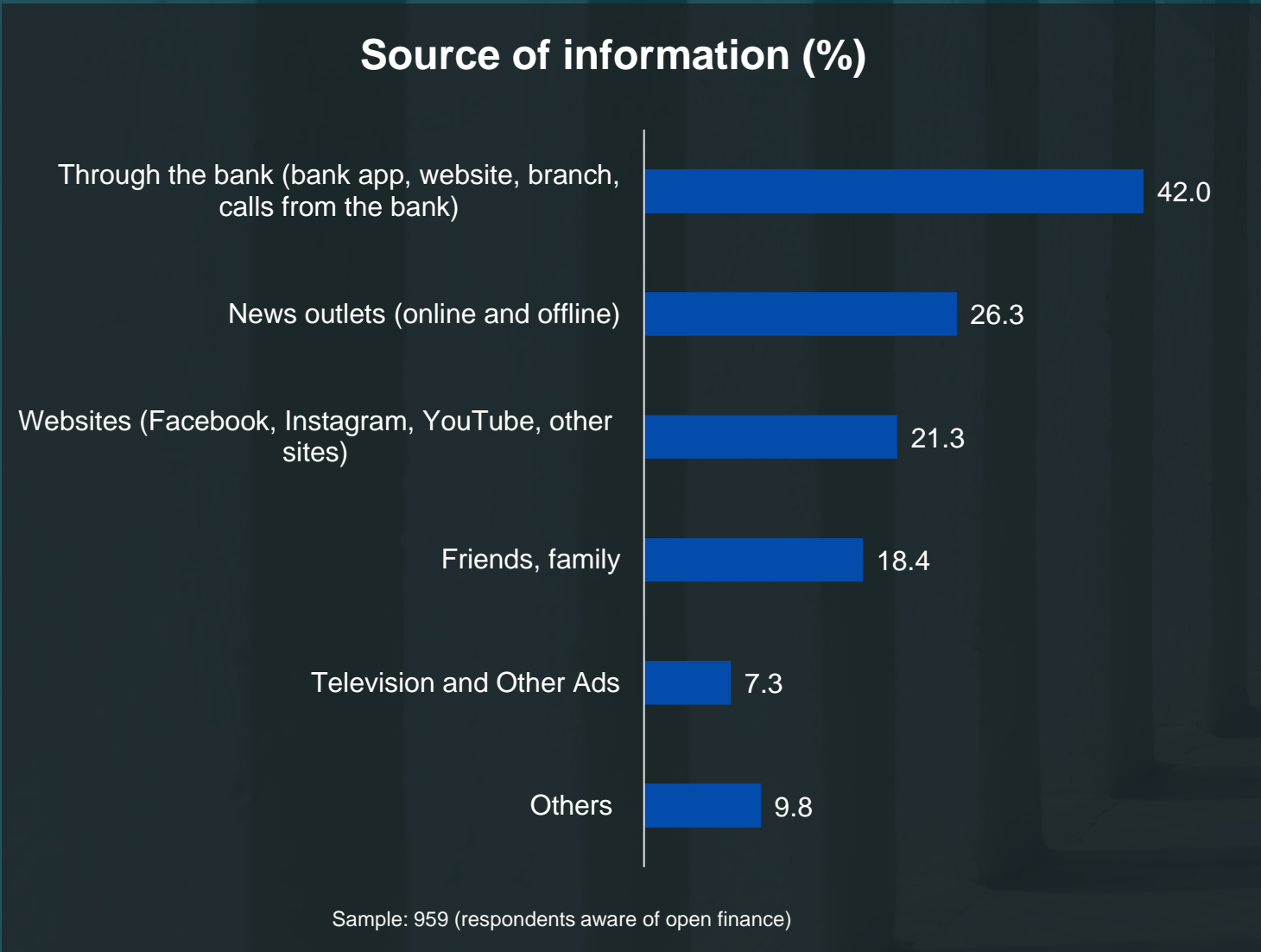
- 27% of 'not aware' were not aware of the terms open finance or open banking but had heard about the initiative once it was explained to them

Awareness differs by segment



- Awareness is 8pp less for women than for men
- Awareness is significantly lower for the lower income segment
- Awareness is 26pp higher for college graduated than for those with just elementary
- Awareness is more than 20pp higher for those who use mobile banking frequently
- Awareness is lowest in the North

43% of those aware of open finance heard of it from their bank, primarily through the mobile banking app



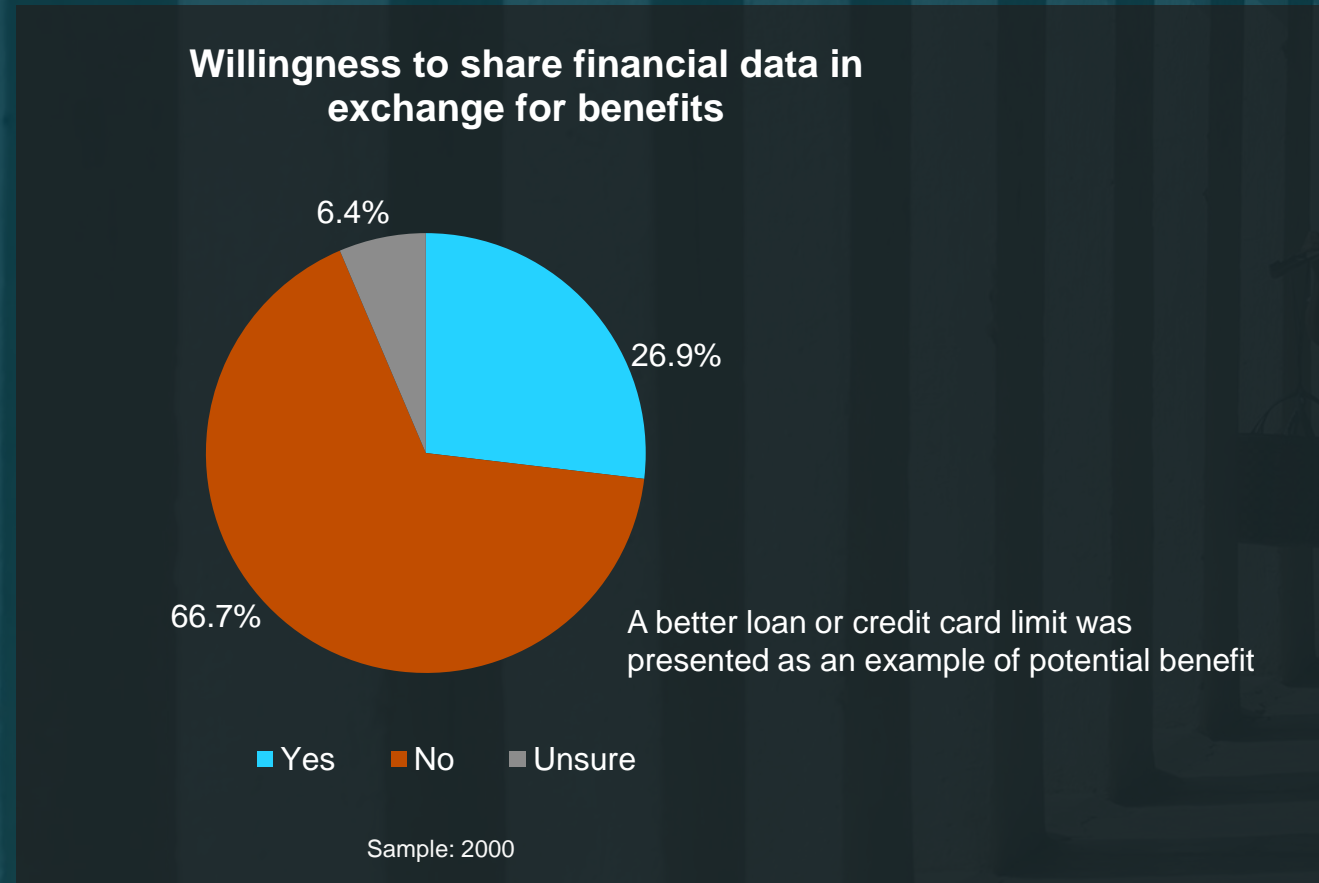
- 42% of respondents heard of open finance through their bank, the app (32%), the website (9%) and at the branch (less than 2%)
- The second most frequent source are friends, family and coworkers (18%)

Our survey looked to better understand the following areas:

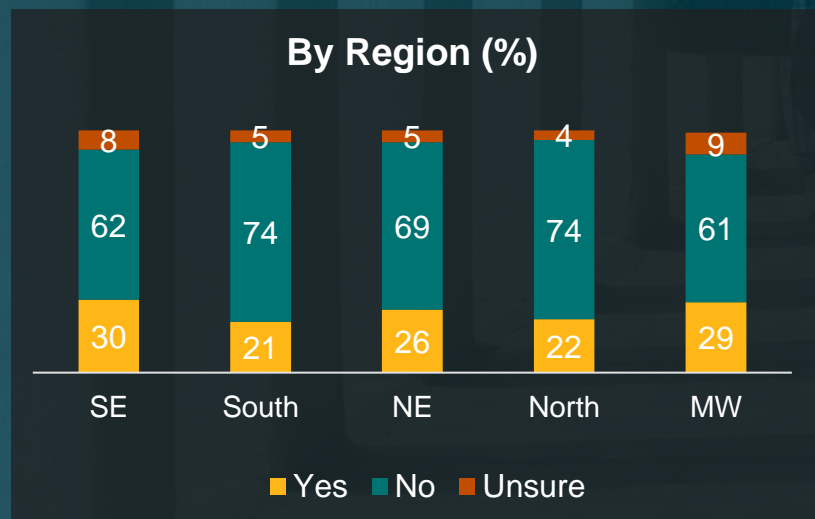
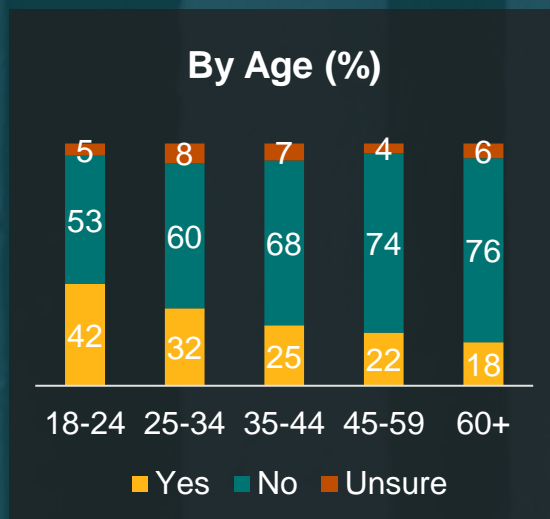
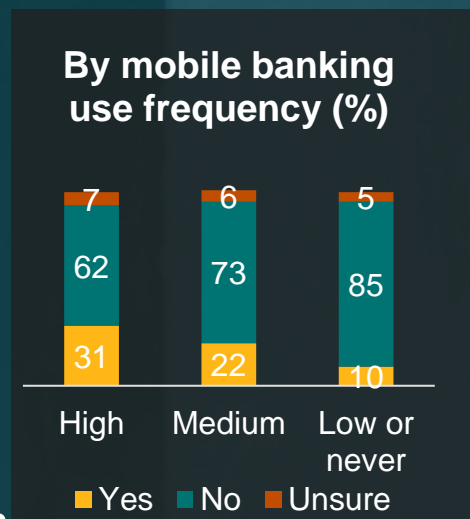
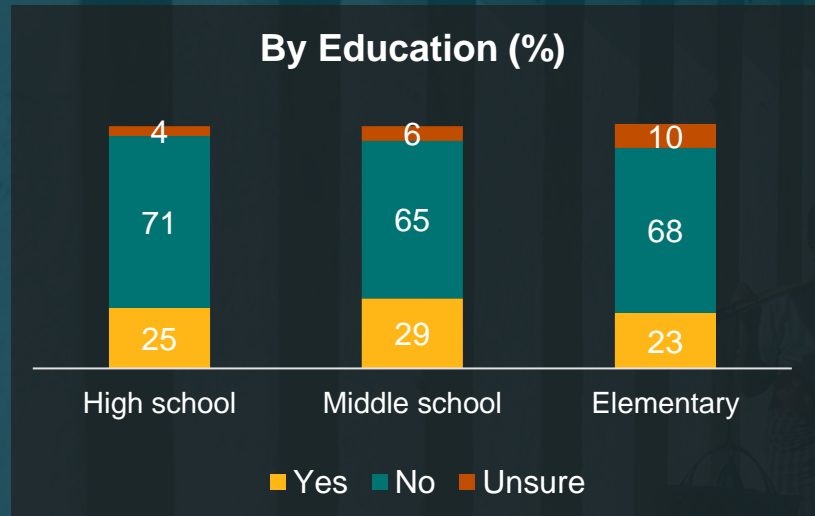
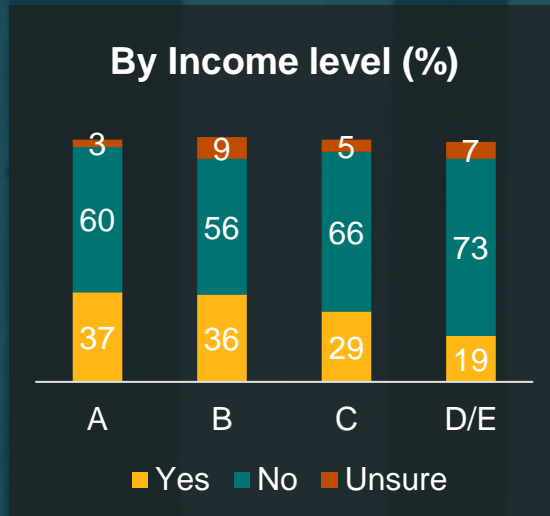
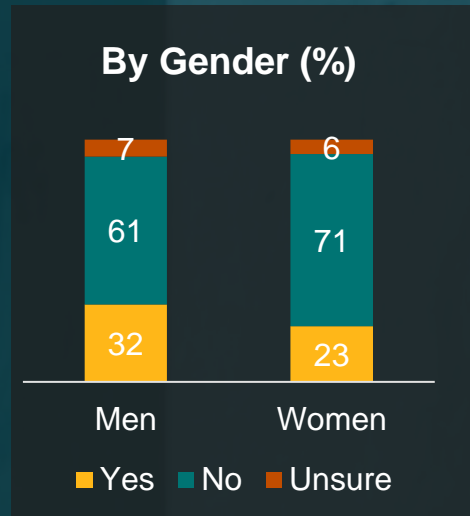
1. Readiness for open finance
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WILLINGNESS

27% of respondents would be willing to share financial data in exchange for benefits



Willingness to share is lower for women and for low-income segments

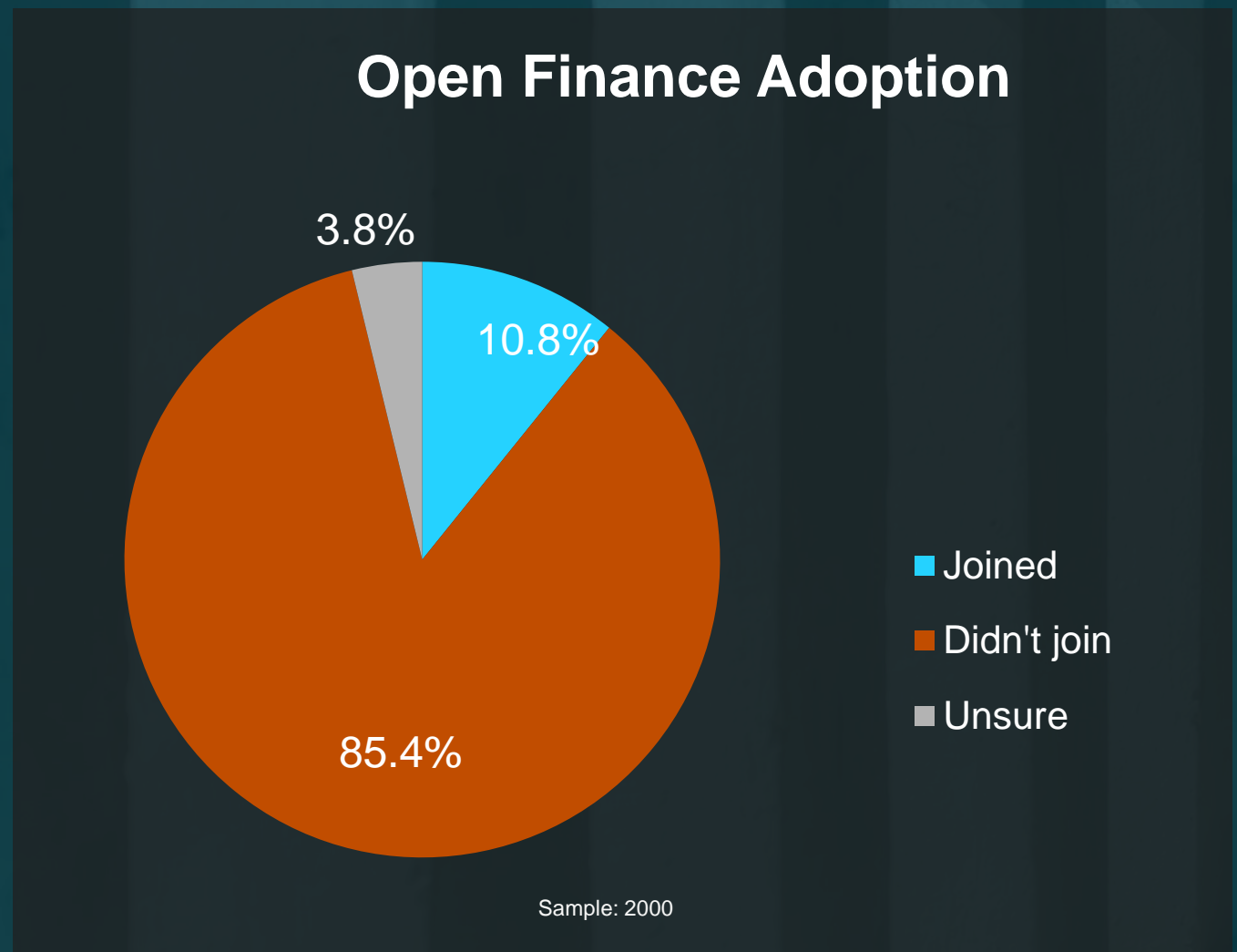


- Men are 40% more willing to share data than women
- Willingness to share is significantly higher for high income segments
- Willingness to share decreases for older age groups

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11% of the respondents have joined open finance



- In our sample, 11% of people reported having joined open finance and 4% were unsure if they had joined or not
- As of mid-July, 24M people had adopted open finance, which represents 14% of the adult population
- Among those who reported being willing to share data, adoption was 27%
- For those not willing to share data adoption was 4%

No clear patterns emerged on open finance adoption by region

North

Awareness	36.9%
Willingness to share data	21.9%
Adoption	11.2%

Northeast

Awareness	44.6%
Willingness to share data	26.0%
Adoption	12.2%

Midwest

Awareness	48.1%
Willingness to share data	29.4%
Adoption	8.8%

Southeast

Awareness	44.5%
Willingness to share data	29.9%
Adoption	10.2%

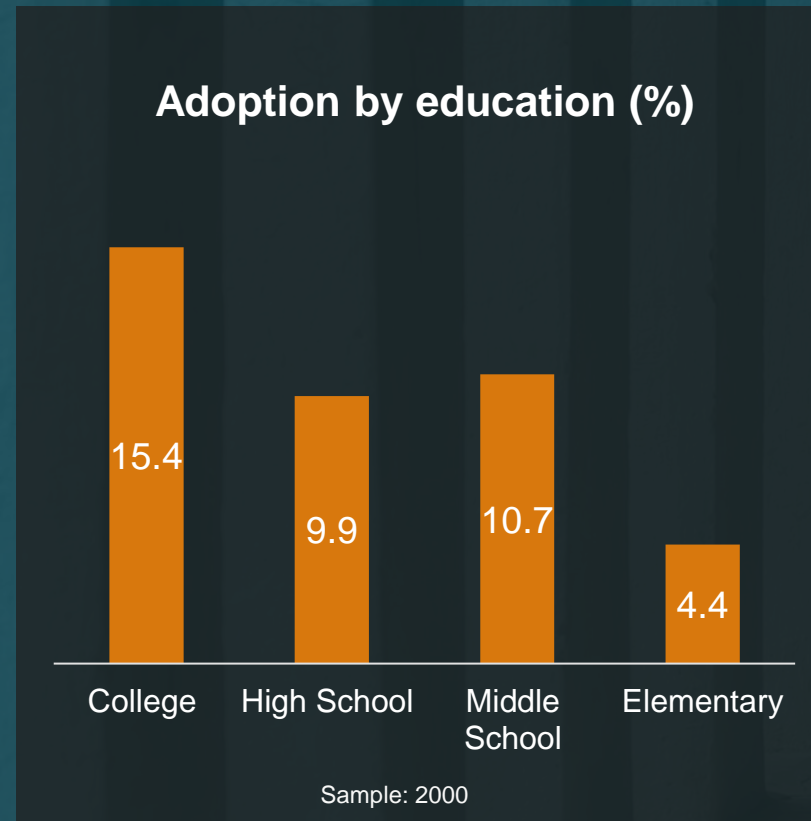
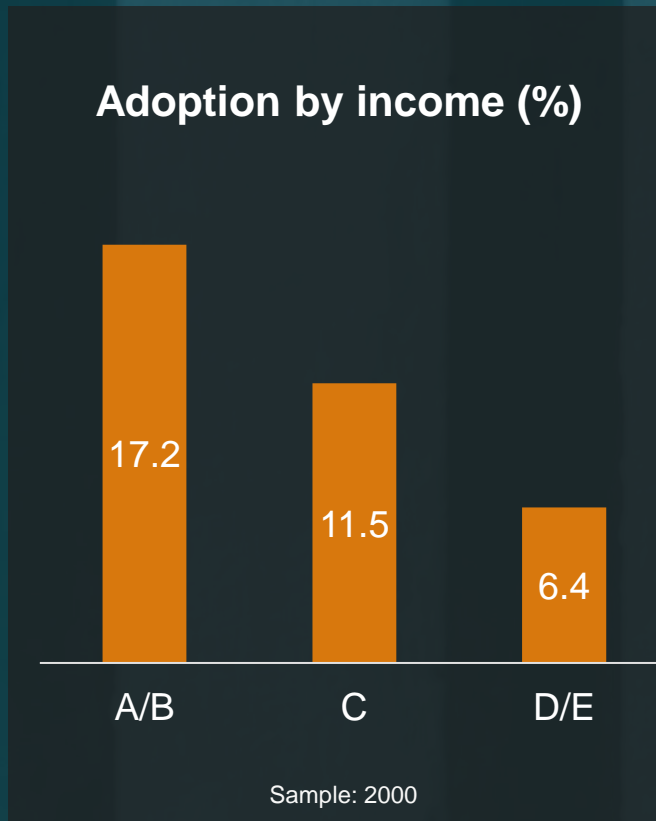
South

Awareness	54.0%
Willingness to share data	20.7%
Adoption	10.7%



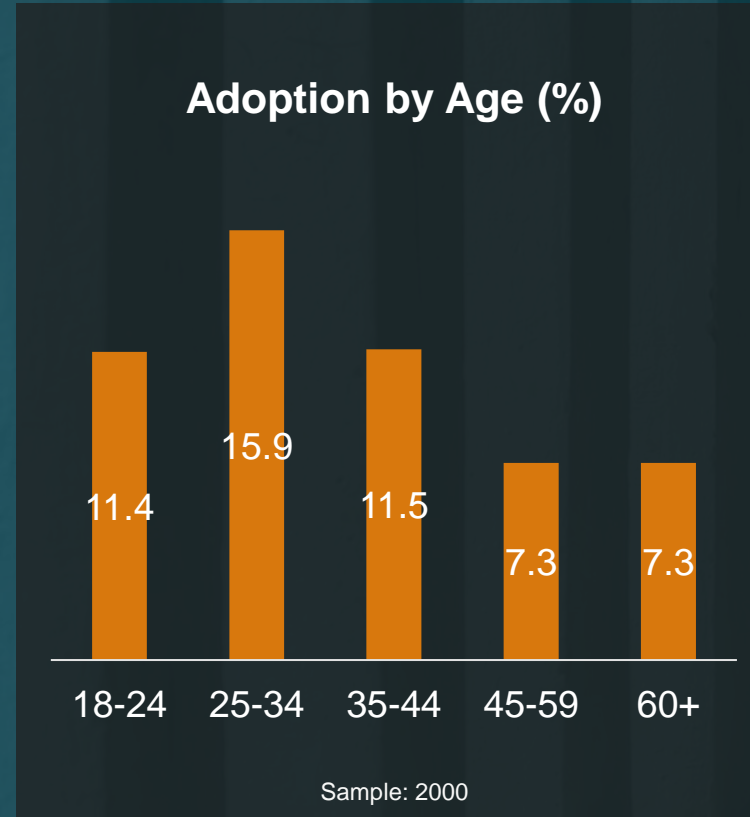
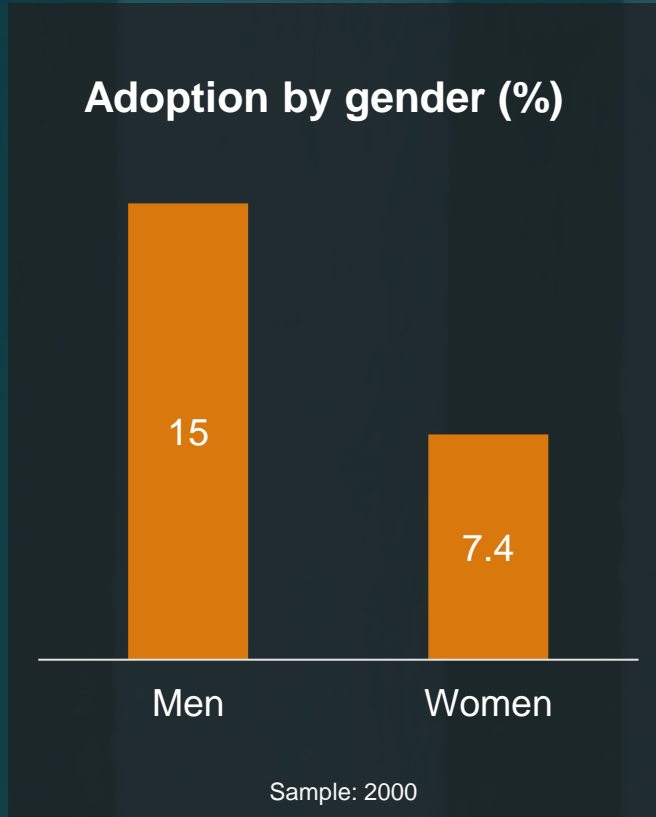
- While the South and North differ significantly on awareness (54% vs 37%) this does not translate into materially different willingness to share or adoption rates
- All regions are within 2pp from the national average

Adoption is lower among people in the lower income segments and for those with less formal education



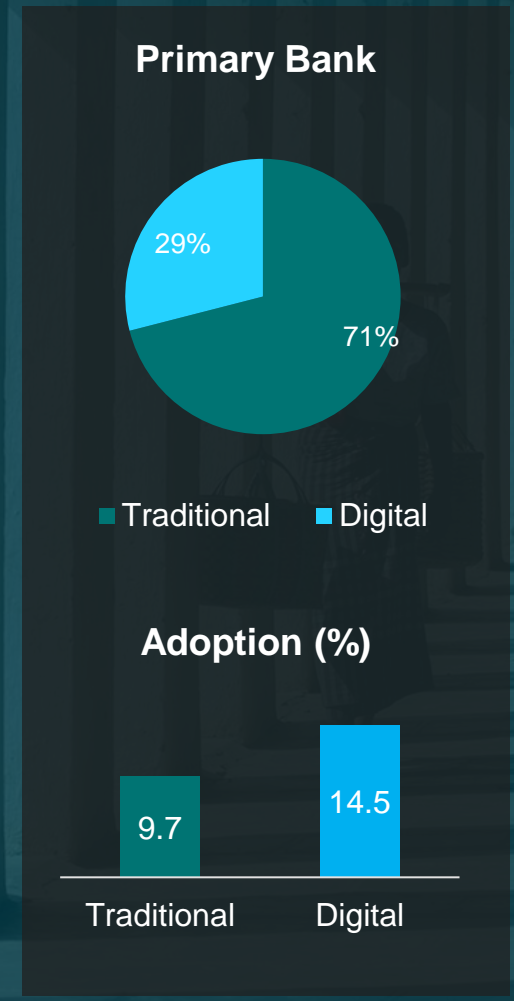
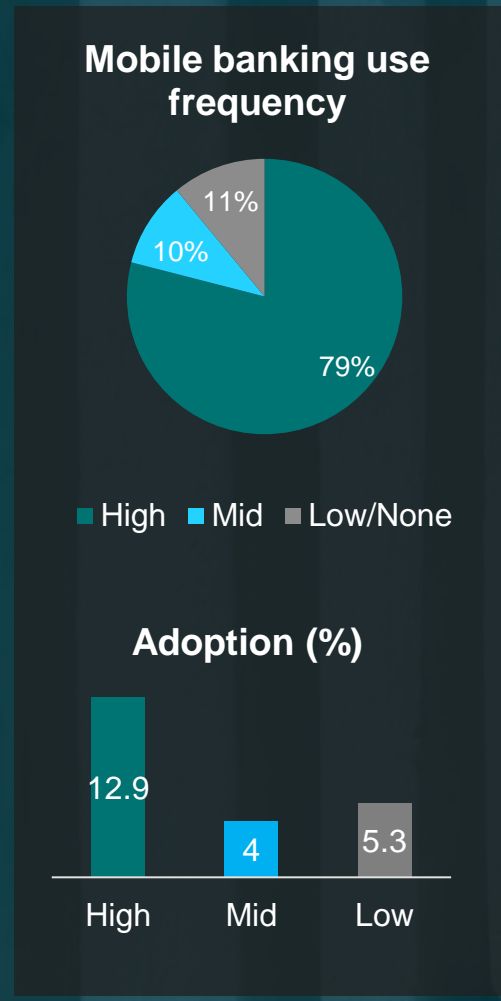
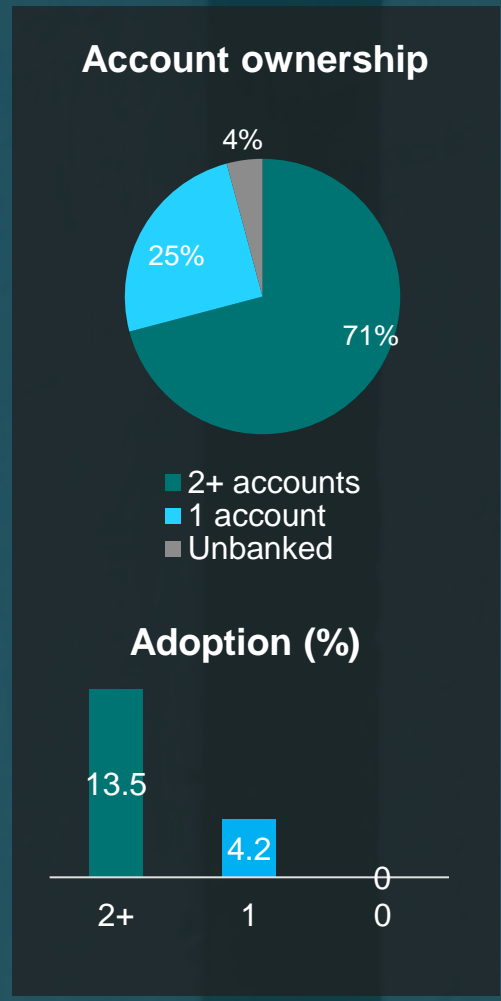
- Adoption for the A and B income segments is more than **2.5 times** that of the lowest income segments (D and E)
- Adoption for **college graduates** is higher than for those without a college education. Adoption is particularly low for those with only elementary schooling

Men were twice as likely to adopt open finance than women



- Adoption for **men is double the adoption of women**. As implementation matures it will be important to monitor the gender gap
- Adoption is **highest for the 25 to 34 group** and lowest for people over 45

Adoption is higher for the more active users of digital channels



Improving credit access and conditions were the main motivations for those who adopted open finance



- **75%** of those who adopted open finance were motivated by increasing credit lines and improving credit conditions
- **26%** of people who joined mentioned having a consolidated view of their finances and improved control of their finances as their motivation

Lack of awareness was the #1 reason for not adopting open finance

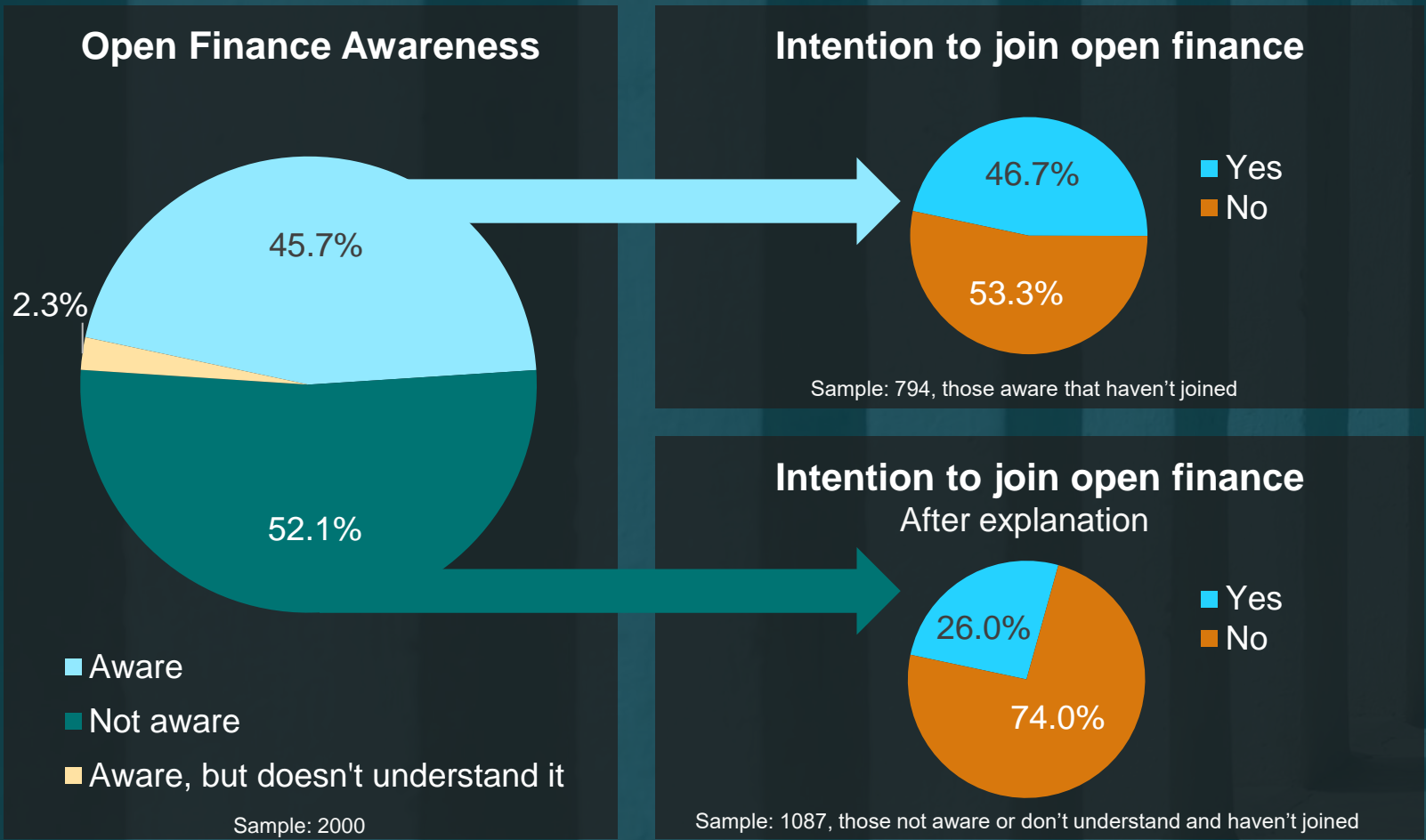
Reasons for not adopting open finance (%)



Sample: 1710 (respondents who have not adopted open finance)

Note: Respondents could select multiple options

47% of respondents who were aware of open finance but had not joined said they intended to do so



- 47% of respondents who were aware of open finance but had not yet joined said they planned to do so in the future
- For the respondents who learned about open finance during the interview (those not aware or aware of the term but not the meaning), 26% said they planned to join open finance in the future
- For this group a big driver of the result was how well they said they understood the concept after the explanation, going from 41% for those who understood it well to 15% for those who still did not understand

We conducted deep dive interviews with 30 people to better understand their perception of open finance



Regions	Know and use OF	Don't know and use OF
North	3	3
Midwest	3	3
Southeast	3	3
Northeast	3	3
South	3	3

50% Male	50% Female	Average age 36 years
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Monthly household income

	QTD	%
A - Above R\$ 22,000	5	17%
B1 - Between R\$ 16,500.01 and R\$ 22,000	1	3%
B2 - Between R\$ 11,000.01 and R\$ 16,500	1	3%
C1 - Between R\$ 7,700.01 and R\$ 11,000	8	27%
C2 - Between R\$ 4,400.01 and R\$ 7,700	9	30%
D - Between R\$ 2,200.01 and R\$ 4,000	5	17%
E - Up to R\$ 2,200	1	3%

Education

High School	2	7%
Incomplete Higher Education	4	13%
Complete higher education	18	60%
Post-Graduation	6	20%

Key learnings

Barriers to adoption:

1. **Limited understanding:** the use of an English name and the technical concept make it less approachable, especially for the lower income segments and older people
2. **Fear of risks associated with sharing data:** especially the risk of adopting something new
3. **Fear of negative impact:** those that have faced financial challenges in the past worry that sharing data could hurt their relationship with other banks

Enablers of adoption:

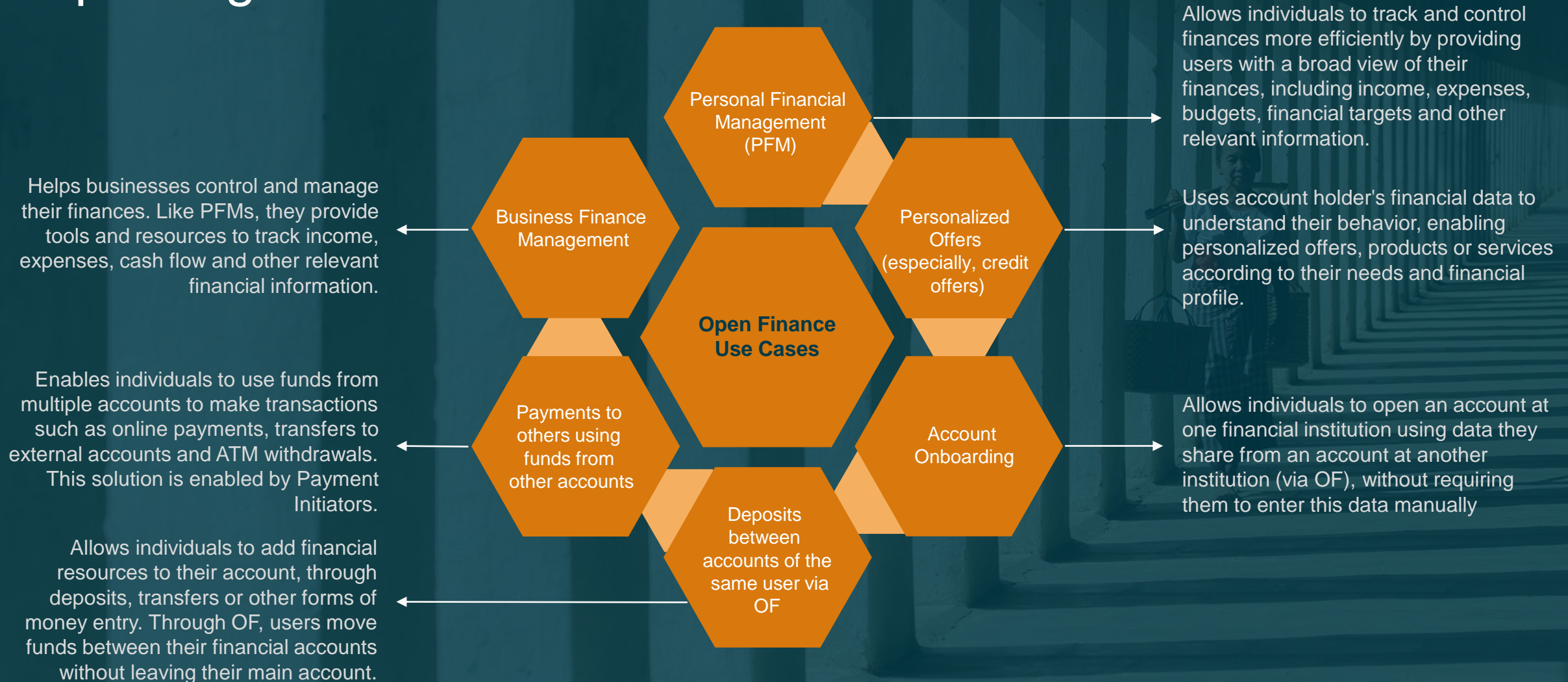
1. **Opportunity to benefit:** the opportunity to chose better products and to speed up access to better conditions
2. **Empowerment:** the possibility to chose when and for how long data is shared is an incentive to try it out
3. **Information:** access to more detailed information, especially videos, can help customers build trust

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Use cases that leverage the open finance ecosystem keep expanding



Providers have been launching products across use cases including PFM solutions, on-boarding solutions, and overdraft protection (1/2)



Bradesco's PFM solution, "Meus Bancos"

Bradesco offers account holders a centralized view of their financial information, including balances, statements, and limits



Mercado Pago's, "Check-out Pro"

Mercado Pago allows account holders to complete their purchases in a practical and secure manner, with the option of using open finance to finalize the transaction (to pay using other accounts)



Banco do Brasil WhatsApp Compatibility with Virtual Assistant

Banco do Brasil account holders can use the bank's official WhatsApp channel to get virtual assistance for any open finance journey, including signing up, providing consent, and beginning data sharing

Providers have been launching products across use cases including PFM solutions, on-boarding solutions, and overdraft protection (2/2)



Sicoob Smart Onboarding

Sicoob enables account opening by leveraging data that individuals have provided to other financial institutions. Users are asked to provide their CPF and with their consent, the data is automatically collected from other financial institutions



Nubank's Overdraft Protection

Nubank provides personalized offerings, which includes overdraft protection. If any user's account has a negative balance and the user has the funds in other banks, Nubank sends them a warning and helps them avoid overdraft protection fees



PicPay's PFM Solution "Minhas Finanças+"

PicPay provides a summary of all connected accounts' balances including a view of income and expenditures, as well as credit card limits used. It also categorizes and gives a graphical view of spending

Personal finance management tools (PFM) and personalized (loan) offers are among the most common solutions

Use Cases	S1 and S2										Relevant S3-S5 and fintechs							
	Banco do Brasil	Bradesco	Santander	Itaú	Caixa	BTG	Safra	Banrisul	Banco do Nordeste	BV	Nubank	PicPay	Mercado Pago	Inter	XP	Sicredi	Sicoob	Mercantil do Brasil
Personal Financial Management	✓	✓	✓	✓		✓		✓			✓	✓	✓		✓			✓
Personalized Offers*	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓		✓		✓		
Account onboarding																✓		
Deposits between accounts of the same user	✓			✓								✓	✓	✓	✓			
Payments using funds from other accounts	✓			✓								✓	✓					✓
Business Finance Management	✓	✓	✓	✓						✓			✓		✓	✓		

*Personalized offers include, but are not limited to, credit cards aligned with spending profile, better credit limits, discounts on specific stores and insurance.

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Speakers



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Senior Advisor, Financial
System Regulation
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Luana Soratto

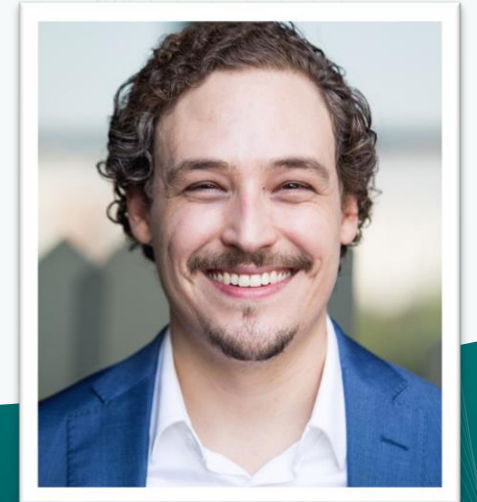
Head of Product
PicPay



Pablo Barbosa-Morais

Manager, Regulatory
Relationships and
innovation

Itau



Gustavo Bresler

Chief Operating Officer
Inciador



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