India – Brazil Fintech Webinar

**Topic:** Chapter 2 on “Digital Payments: Towards Universalization?”

**Date and Time:** 31st July 2020, 9h00 (BRT), 17h30 (IST)

**Panellists**
1. Mr. Angelo Jose Mont Alverne Duarte, Head of Department of Competition and Financial Market Structure, Brazilian Central Bank (Brazil)
2. Mr. Eduardo Salvatore - Co-founder and COO at PandaPay (Brazil)
3. Mr. Naveen Surya - Chairman, Fintech Convergence Council, IAMI (India)
4. Mr. Dharmender Jhamb - Vice President at Paytm (India)

**Moderators:**
5. Sec. Pedro Ivo Ferraz da Silva, Head of ST&I, Embassy of Brazil – New Delhi
6. Ms. Navya Sharma, Associate, Startup India, Invest India

**Key Outcomes and Observations**

**India:**
- India has seen unprecedented growth in digital payments over the last few years. This is primarily due to the favourable regulatory environment and attractive.
- COVID-19 presents an opportunity for fintech companies to grow and scale-up further. The sector will play an important role in the post COVID scenario with the acceleration of digital adoption and social distancing needs.

**Brazil:**
- The instant payment transfer system- PIX, which will be launched by the Brazilian Central Bank in November this year, will be a game changer for the Brazilian Fintech ecosystem.
- The open platform will allow 24x7 payment settlement and is a step in consolidating the Brazilian Fintech ecosystem and increasing its competitiveness.
- This innovation will also be key in increasing financial inclusion in Brazil.

**Webinar Viewership**
The second chapter witnessed a **4x growth in viewership** over the first India–Brazil Fintech webinar.

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<th>S.No.</th>
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<td><strong>Total</strong></td>
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There were **over 750 active engagements** across all digital platforms.
Next Step(s)

- Three more monthly webinars planned in association with Embassy of Brazil in India on themes including Open Banking, Agri-Fintech and Neobanking.

Discussion Highlights

1. **Mr. Angelo Jose Mont Alverne Duarte, Head of Department of Competition and Financial Market Structure, Brazilian Central Bank (Brazil)**
   
   - Brazilian Central Bank (BCB) is dedicated to promoting innovation and a level playing field in Brazil’s solid financial system. There are 5 major banks in the country and hundreds of small banks find it difficult to compete with large banks. PIX, Open Banking and Sandbox are projects launched by BCB along the same line of promoting efficiency, competition and innovation and convenience for the users.
   
   - The innovation offered by PIX lies in its availability and speed of use – 50% of payments will be settled in 6 seconds and 99% will be settled within 10 seconds, as opposed to the prevalent duration of several days it takes for bank transfers or card payments currently.
   
   - Around 1000 authorized and unauthorized banks, Fintech’s and other financial entities are part of PIX. Thus, PIX is open even to entities not regulated by the Central Bank.
   
   - India and Brazil have large urban populations, similar challenges in terms of unbanked population. Brazil can learn from India with regard to financial inclusion in terms of the successes and even for issues. For 30-40% of Brazilian population, the only means of payments is still cash.
   
   - The number of new physical branches in Brazil is decreasing steeply year-on-year. For card transactions, the costs associated are very high in Brazil. So, digital payments are the need of the hour to drive financial inclusion as universalising credit or debit cards is more difficult. PIX is working to make this mode more lucrative for customers to bring them into the banked services.
   
   - Because of COVID-19, Brazil moved two years in two months in terms of digital payments because of new products and services coming up by Fintech’s. For example, Caixa Econômica Federal, a public bank, created 40 million digital accounts in two months for benefits transfer during the pandemic.
   
   - BCB presently does not acknowledge crypto assets as financial assets. Congress has to pass a law if it wants to direct Central Bank to regulate the assets. But Central Bank is observing its trade. BCB cautious on it because of its potential misuse like money laundering, crime financing, etc.
2. Mr. Naveen Surya - Chairman, Fintech Convergence Council, Internet and Mobile Association of India (India)

- In retail payments in India, digital component accounts for 20%. And has seen 30-40% growth year-on-year in the past 5 years. Department of Payment and Settlements System created in Reserve Bank of India to facilitate this growth. Retail payments in terms of transaction numbers is 95%, in value only 5%.
- For the first time in India, physical cash transactions were lower than digital transactions during the COVID-19 period. The initiatives by the Indian government that enabled this growth are investments in telecom and Internet infrastructure, Aadhar, creation of National Payments Corporation of India for coming up with innovative infrastructure for digital payments (e.g. Immediate Payment Services - IMPS, Unified Payments Interface - UPI, etc).
- In India, less than 10% of the population has access to the complete digital payments system infrastructure because payments have traditionally been thought of being led by banks and its regulations, rather than treating them as commercial transactions like you treat cash.
- Future of payments system in India has to be less cash (if not completely cashless), AI-powered, contactless, voice enabled. RBI launching New Umbrella Entities licensing regime to allow setting up of companies with new innovative solutions for digitizing the entire financial ecosystem – from digital payments to ATMs and remittances.
- Cryptocurrency is being examined by Ministry of Finance and RBI. Trading into cryptocurrency was halted by RBI, overturned by Supreme Court now. There is a Bill pending that seeks to ban all private cryptocurrency trading in India.

3. Mr. Eduardo Salvatore - Co-founder and COO at PandaPay (Brazil)

- With PIX and all other innovative initiatives brought out by BCB, competitiveness, efficiency and scalability are being driven in the Brazilian financial system. For PandaPay, a digital wallet and solutions provider using blockchain, PIX will provide interoperability with other banks and financial entities enabling PandaPay to concentrate on differentiating their product solely. The system has also boosted the confidence of investors because of favourable regulations.
- Digitization in Brazil has not reached the end-user yet. In the past 5 years, it has been focused on corporates and card payments, leading to a marginal reduction in cash payments. After the entrenchment of PIX in the country, we will see more new products and services coming up than today.
- PIX and other payments systems in Brazil only deal with fiat money (i.e. conventional currency). So, blockchain services providers like PandaPay always need an intermediary for fiat-to-token conversion and vice versa. Financial inclusion with blockchain products is difficult to accomplish with fiat currency, so there is a need to be plugged to a bank or one of the infrastructure layers by BCB for dealing with Brazilian Reais. If we can obviate this need, blockchain could be used for interoperability not among platforms, but among different currencies of the world also, truly “universalising” digital payments.
• BCB has mentioned that all the recent initiatives by the bank like PIX, Open Banking, fintech sandbox, crypto regulations, etc will culminate in the creation of a Central Bank digital currency, similar to the current pilots in China, Japan, Sweden and Germany.
• Since late 2018, QR codes started being available for payments, but different QR codes for different digital wallet led to a bad experience for users. PIX trying to bring interoperability in QR codes. In Brazil, 70% Internet penetration. COVID-19 accelerated the migration of even small businesses to digital platforms.

4. Mr. Dharmender Jhamb - Vice President at Paytm (India)
• Interoperability is the key to universalise our payment systems in all the countries. In India, Demonetisation was a big push towards digital payments. People became aware of digital payments, in addition to card payments. Demonetisation put forward India’s digital payments journey by 3-4 years.
• Indian regulator accelerated this journey by setting up differentiated Payments Bank to push digital payments. Paytm transformed itself and its products as services as per need of the time. A dedicated mission was initiated by Ministry of Electronics and Information Technology (MeITy) called DigiDhan Mission focused solely on increasing the digital payments transactions year on year.
• Paytm’s diversified products & services include— Paytm Mall, Paytm Money, ticket buying platform from its origin as a digital wallet.
• PM Jan Dhan Yojana – India launched largest financial inclusion to onboard all Indian households with a bank account. India opened 340 million bank accounts across country. Paytm contributed to financial inclusion by creating services for using that bank account like lending, insurance, receiving direct benefits transfer from the government, etc.
• Approximately 16 million merchants and 340 million users are associated with this platform. Paytm payments Bank is working particularly in Tier-3 and below cities. Next phase on financial inclusion will be Paytm going to small towns for enabling payments with QR codes, smart Point-of-Sale (PoS) machines for low-value transactions, etc.
• India should look at One Nation One Card for transit payments as the next innovation in the digital payment’s ecosystem like in other developed countries.
• Ticket paying, FASTags payments have reduced during COVID-19. For some use cases like merchant, food delivery, medicines, etc it has increased phenomenally. People are referring QR codes or cards in urban cities for making payments instead of cash to minimise contact. Paytm has seen doubling of transactions per user during the pandemic period.
Invest India Team
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Embassy of Brazil Team
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