



HARVARD

Office of the Vice Provost for Advances in Learning



MODULE 6 UNIT 2

Video 1 Part 1 Transcript

© 2022 Harvard - s VPAL
All Rights Reserved



HARVARD

Office of the Vice Provost for Advances in Learning

HarvardX

Module 6 Unit 2 Video 1 Part 1 Transcript

How did your role at the Central Bank of Brazil inspire the creation of Pix?

JOÃO MANOEL PINHO DE MELLO: The role of the Central Bank was crucial as a catalyst. The Central Bank has been stimulating—trying to stimulate market players to come up with an instant payment solution for several years now. In fact, these broad conversations started back in 2013/2014. The first stake was that market participants and payments arrangements would do it themselves.

They faced several challenges, especially coordination. And then the Central Bank of Brazil decided to be the catalyst and operate the system as a paying scheme of order, both from an operational perspective and from a regulatory perspective. And the crucial role here is to solve coordination problems and make this platform available to market participants, free tax banks, credit unions, famous institutions, to take advantage of it in a broad, pro-competitive environment.

What have been Pix's most significant successes and challenges?

PINHO DE MELLO: I think it was the launching of the platform itself. At that point, obviously, there was a lot of uncertainty about onboarding on the part of consumers, and how consumers would see the service in general. We were very confident that banks and payment institutions could provide a fantastic service through this platform, but we weren't sure about how much they would engage into—themselves engage with consumers.

I think big success was the registration of the aliases, or as we call it the payee identifier, which made it very, very easy for payers to proceed with the transaction. And that I think launched the whole process in a very successful way.

After that we faced a serious challenge – and I think it's a peculiarity of Brazil – in terms of the narrative on security issues. Because of the instantaneity of Pix, and because of the high violence environment that Brazil lives, there was uncertainty on how this would play through. Criminals that do kidnapping at first took advantage of the instantaneity of Pix to perpetrate some serious crimes. But I believe that we could have anticipated it, had done a little better extensive, and put some of the preventative measures to start with. That was a tradeoff to be faced, and I think we dealt well.

How do the public and private sectors influence innovation at Pix?

PINHO DE MELLO: I think it's fair to say that Pix is a success because it's a public–private partnership that went well. Having said that, I think the disposition of the private sector fluctuated a lot. The private sector had to engage with Pix because we had the regulatory mandate to oblige it. So, in terms of network economics, we impose participation on the payment service providers.

But, obviously, before the launching of the platform, we had quite a lot of uncertainty, as I said, as to the onboarding of consumers and clients. At the first moment, I think, the private sector was somewhat waiting to see whether this would take off. Less banks and payment

institutions and more tech services providers that aren't regulated entities, and they were just, you know, "Let's wait and see."

Others, important stakeholders, for instance, retailers, at the very first moment, they waited to see whether this took off because they needed to do serious development to engage with Pix. You know, credit and debit cards were ready there and the development was made.

The payment service providers which are the regulated entities, they collaborated in the design of Pix. And without their collaboration, you wouldn't go through, but there was a lot of back and forth. And I think at some point, they realized, "This has taken off and although this might cannibalize a little bit of our interchange fees and acquiring fees, this is also a big opportunity." And then I guess at this point they are really engaging with the product.

So, it did fluctuate. It was necessary that govern here solved the coordination problem to begin with. And I think this back and forth will continue throughout, you know, the life span of Pix. How do I think now? Most of the stakeholders see it as an opportunity and less of a problem.

