Brazil Summary

Overall Mobile Money Readiness: 4 (Excellent)
Current Mobile Money Solution: Oi Pago and Vivo
Population: 201 million (Extremely High)
Mobile Penetration: 101% (Very High)
Banked Population: 43% (Relatively Low)
Remittance % of GDP: 0.2% (Very Low - Ranking)
Percent under poverty line: 26% (Relatively Low)
Economically Active population: 52% (High)
Adult Literacy: 89% (High)
Main banks: Banco do Brasil, Caixa Economica Federal, Bradesco, Banco Itau, Banco Santander, HSBC
Mobile Network Operators: Vivo (30% market share), Claro (25.5%), TIM Brazil (25%), Oi (19%)
Ease of doing business: 127th out of 183

Comments: Brazil is the largest economy and the most populated country in Latin America. Its banking sector is strong but there are strong disparities between the North-Northeast regions and the rest of the country. Mobile money solutions could help strengthen financial inclusion, especially in the isolated areas. As of today, the only real mobile money solution has been Oi Pago (now Paggo) that struggled to gain wide adoption, especially because of lack of a bank partner. Potential launches include most of the MNOs and banks.
• **Macro-economic Overview**

• Regulations
• Financial Sector
• Telecom Sector
• Distribution Channel
• Mobile Financial Services Landscape
### Macro-Economic Overview

#### Key Country Statistics

- Population: 201,103,330 (July 2010, density 23.61 ppl/sqm)
- Age distribution: (2009 est.)
  - 0-14 years: 26.7%
  - 15-64 years: 66.8%
  - 65 years and over: 6.4%
- Urban/rural split: 87/13 (1.1% urbanization rate 2010-2015)
- GDP (PPP): US$ 2,194Bn in 2010
- GDP per capita (PPP): US$10,900
- Literacy rate: 88.6%
- Banking penetration: 43%
- Mobile phone penetration: 101%
- Remittance (% of GDP): 0.05% (outflows) and 0.19% (inflows)

#### Insights

- Actual potential market size of ~135m people makes Brazil the largest market in the LAC region in terms of volume. Several MFS opportunities can be envisaged like G2P and Bill Payments to serve the large number of people with little to no access to financial instruments.
- Strong regional migration makes domestic transfers a market to consider; whereas international remittance remains low and shows limited immediate opportunity.
- Price sensitivity is likely to be high due to the structure of the population and will be a key element of a successful value proposition.
- Relatively good banking penetration, but usage of financial services is not equally distributed in the territory: mobile can be a relevant channel to expand financial instrument reach.
- More elaborate MM technology is relevant in this country (high literacy rate and young population).

Sources: IOM world, Wikipedia, 2010 CIA WORLD FACTBOOK, GSMA
1. Banking infrastructure availability is good in Brazil (~ to western countries):
   - 9.73 bank branches / 100,000 hab.
   - 78.86 ATMs / 100,000 hab.
   - 1579.83 PoS terminals / 100,000 hab.

2. But there are strong regional differences
   - Metropolitan centers are better served than most states
   - ATM or POS per inhabitant is twice the Brazilian average only in a couple of states
   - In the Amazon area the banking infrastructure is almost inexistent

Banking infrastructure reach is good in Brazil but regional disparities are strong; conversely, mobile penetration is very strong nationwide.

Sources: IOM world, Wikipedia, 2010 CIA WORLD FACTBOOK, GSMA
13 million families covered by the program
- 2.8 million beneficiaries opened a simplified bank account
- 7.8 million beneficiaries receive the money through banking correspondents
- 1.5 million beneficiaries receive the money through other channels
- ~25% of recipients are banked

Bolsa Familia Program (BFP) in Brazil

Migration to Middle-class (2002 - 2008)

- 14m banked households
- 26m unbanked households

- ~3.25m recipients are banked
- ~9.75m recipients are unbanked

- 25.9m migrated from class D & E to class C
- 5.3m people migrated from class C to class B

19m people are currently moving up to middle class.
• Macro-economic Overview
• Regulations
• Financial Sector
• Telecom Sector
• Distribution Channel
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Roles & Responsibilities

- **Banco Central do Brasil (BCB)**
  - Role: Ensure stability of the Brazilian financial system, foster its development and efficiency

- **Agência Nacional de Telecomunicações (ANATEL)**
  - Role: Legal authority to supervise, promote, regulate and coordinate an efficient development and the social coverage of the telecommunication sector

- **Conselho de Controle de Atividades Financeiras (FIU)**
  - Role: Responsible for receiving, analyzing, and disseminating STRs (Suspicious Transactions Reports) and CTRs (Cash Transactions Reports), as well as reports on the cross-border movements of currency

Implications

- **Banco Central do Brasil (BCB)** has no power to regulate m-money, m-payment and m-banking activities. A tentative law is being discussed at the congress and is not expected before end of 2011

- For many years, interoperability in the PoS and ATM networks has been an issue in Brazil. Recent evolution towards interoperability:
  - Main ATM networks have started engaging in discussions

- Since 2004, simplified bank account (“conta simplificada”) scheme to breach market failure and foster financial inclusion: a total of 9.8m of which 6.6m are active. These accounts are unprofitable to banks and mostly supplied by the 2 largest state-owner banks (Banco do Brasil and Caixa Econômica Federal)

- Brazil offers the correspondent banking model, mostly supplied by BB and CEF.
The business of collecting, intermediating, or investing funds from third parties is reserved for BCB licensed, regulated, and supervised entities. Thus, nonbanks are prohibited from issuing e-money or other stored-value instruments, such as electronic accounts stored in mobile phones.

BCB-licensed institutions are permitted to offer services through legal entities functioning as agents such as deposits, withdrawals, consultations, prepaid mobile phone top-ups, bill payments, receiving, reviewing, and forwarding applications for account openings, loans, and credit cards, preliminary credit analysis, loan collection and transfers. BCB authorization is not needed to get agents. Banks register their agents online. However, BCB regulations prohibit the use of an agent whose primary or sole activity consists of “banking services.”

There is no regulation on nonbank prepaid schemes. There are conflicting interpretations of the Banking Law regarding collection of funds, whether prepaid schemes could involve collection only or intermediation, and how this fits with the legal requirement that only licensed financial institutions may engage in collection and intermediation of funds. It has hindered development of nonbank-based branchless banking initiatives and even the implementation of simple payment features, such as “cash-back” at retail points.

The correspondent banking (Corbans) system allows non financial institutions affiliated to a bank to provide some types of financial services. State-owned banks (Banco do Brasil and Caixa) have the largest networks, with more than 20,000 agents each and an extensive country coverage. For convenience, Corbans are usually close to regular bank branches. Mobile financial Services can help banks leverage their existing Corbans and in some cases increase their networks, in particular in the North East region poorly addressed by the private banking sector.
### Regulatory Framework & Requirements

#### Current Regulations

- Several laws govern AML/CFT (Law 9.613 criminalizes money laundering, Law 10.701 of 2003 amends Law 9.613 of 1998 to include the financing of terrorism)
- The Financial Intelligence Unit (Conselho de Controle de Atividades Financeiras), centralizes and analyzes reported transactions and suspicious transaction reports related to all sectors covered by the AML/CFT Law. MNOs are currently not covered by the AML/CFT Law.
- **Customer identification**: Banks are required to know the identity of all their clients and depositors.
- **Customer verification**: ID, taxpayer card, marital status, parents’ names, profession, date and place of birth, address, and telephone number within six months of the account opening (for a simplified balance accounts it is easier).
- **Transaction verification & thresholds**: banks are required to inform the Central Bank of institutional transactions exceeding 100,000 BRL (approximately $55,000).
- **Balance limit** of 1000 BRL for a simplified account (if the balance exceeds more than twice this limit the account is blocked) and 1500 BRL if the depositor has a microcredit account.
- **Record keeping**: maintain identifying information obtained during account opening. The Central Bank is also required to create and maintain a registry of info on bank account holders.

#### Implications

- The simplified bank account model has introduced a less stringent solution than regular bank accounts for low income masses who do not have a bank account.
- People are able to open such accounts with lower KYC requirements.
- However, few banks have benefited from the system because of cost and fraud issues.
- The introduction of mobile financial services can help addressing better the population targeted by the simplified bank account model.
### Current Regulations

- There is no specialized financial consumer protection body, but an active network of government entities, known as Procon, enforces the Consumer Protection Code (CPC) in the financial sector.
- BCB issues regulations dealing with specific areas of consumer protection (bank fees…) and has the power to require prompt action in case of noncompliance.
- The principles of data privacy are set in the Consumer Protection Code and are applicable to branchless banking.
- Agents may face criminal and civil charges for not complying with bank secrecy rules or for misusing client’s information (as do MNOs, in the case of mobile banking, and any third party in other types of outsourcing).
- Recent introduction by Anatel of a regulation on number portability.
- Complex and high direct taxation for telecommunications.
- The basic tax is the VAT, calculated over revenues (18% to 35% with an average of 33%).

### Implications

- Data privacy is well addressed by the current regulatory framework.
- Number portability to increase interoperability between Mobile Network Operators in a market with lack of interoperability.
- Mobile operators have to take into account high level of taxes when launching new services.
No regulation addressing the provision of money transfer services
Pursuant to the Banking law, international and domestic transfers require the involvement of a CBB-licensed institution
This institution must be licensed to operate in foreign exchange (bank, FX houses...)

The Civil Code provides for recognition of electronic signatures
Digital certificates are issued by certifying authorities licensed by a Root Certification Authority.
However, the E-signature Law does not expressly establish criteria for validation of authenticity and integrity of electronic documents. Instead, each certifying authority sets its own standards.

The Payment System Law authorizes BCB to license certain types of service providers
Clearinghouses and other entities are subject to BCB authorization and supervision
Largest ATM and POS networks (controlled by banks) are supervised by BCB while the small (not controlled by banks) are not

Only licensed institutions have authorization to operate international remittances
The postal service has a special dispensation to operate in foreign exchange without a license
Lack of a legal framework for prosecuting crimes related to electronically authorized transactions.
The payment system network has been inefficient because of low level of interoperability of the PoS and ATM networks.
The main impacts are high prices for the end customer, low competition and cooperation
Actual trend is a move toward greater interoperability
• Macro-economic Overview
• Regulations
• Financial Sector
• Telecom Sector
• Distribution Channel
• Mobile Financial Services Landscape
Financial Infrastructure

<table>
<thead>
<tr>
<th>Banks</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple Banks</td>
<td>137</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>20</td>
</tr>
<tr>
<td>Development Banks</td>
<td>4</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Branches</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ATMs</td>
<td>158,600</td>
</tr>
<tr>
<td>POS terminals</td>
<td>3,177,100</td>
</tr>
<tr>
<td>Credit cards</td>
<td>137,800,000</td>
</tr>
<tr>
<td>Debit cards</td>
<td>207,900,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Microfinance Institutions</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 100,000 customers</td>
<td>1</td>
</tr>
<tr>
<td>20,000 to 100,000 customers</td>
<td>4</td>
</tr>
<tr>
<td>&lt; 20,000 customers</td>
<td>40</td>
</tr>
</tbody>
</table>

Facts:

• Strong and competitive banking system dominated by 5 main institutions. In recent years, the market has seen several mergers and acquisitions leading to higher concentration.

• Well served banking system, benefiting in particular from a large network of banking correspondents (above 20,000 for both CEF and BB and 5,115 for Santander…)

• MFI market is facing fierce competition from state-owned banks.

Source: BCB, May 2011

Clearing and Settling

STR (Reserves Transfer System)
• Ownership: Banco Central do Brasil (BCB)
• Participants: Financial Institutions registered at the BCB
• STR is used to settle all clearinghouses’ net positions: CIP-SITRAF, CIP-SILOC (both credit transfer), COMPE (cheque), Tecban (direct debit), Cielo and Redecard (both debit/credit cards acquirers)

Card acquirers

Cielo (ex Visanet)
• Ownership: originally a JV between Visa and Bradesco, Santander and Banco do Brasil
• Since 2010, not the only processor of Visa and allowed to process MasterCard, Diners Club…

Redecard
• Ownership: created by Banco Itau, Citibank with MasterCard
• Since 2010, can process Visa cards

Credit Bureaus

SERASA Experian
• Ownership: Experian (65%) + all medium and large banks are currently shareholders of the company
• More than 200 banks involved (Amro, Santander, HSBC, Unibanco, Itau and Bradesco)

SCPC (Serviço Central de Proteção ao Crédito)
• Ownership: BoaVista serviços and Sao Paulo Chamber of Commerce (ACSP)
• Participants were traditionally retail merchants. Banks increasingly involved.

SCI Equifax - Segurança ao Crédito e Informações
• Recently merged with SCPC -

SCR – Sistema de Informações de Credito
• Ownership: BCB
• Participants: all financial institution

CADIN
• Ownership: BCB
• Participants: institutions of the government
Strong Regional Disparities in the Banking Sector

% Municipalities with at least 1 Branch

Northeast: 30.00%
North: 25.00%
Center-West: 20.00%
Southeast: 15.00%
South: 10.00%

% Municipalities without banking facilities

Northeast: 15.00%
North: 8.00%
Center-West: 5.00%
Southeast: 2.00%
South: 1.00%

% of bank branches per region

Southeast: 55%
Northeast: 14%
North: 4%
Center-West: 8%
South: 19%

Source: UNICAD, Banco Central do Brasil, 2010
Northeast includes Bahia, Maranhão, Pernambuco + 6 other regions
North includes Amapa, Amazonas, Para + 4 other regions
Center-West includes DF, Goias, Mato Grosso and Mato Grosso do sul
Southeast includes Espirito Santo, Minas Gerais, Rio de Janeiro and SP
South includes Parana, Rio Grande do Sul and Santa Catarina

Northeast and North regions have the lowest banking infrastructure capabilities and the highest rates of unbanked population.
High Penetration Rate in the Card Industry

3 times more cards in use than the actual population in Brazil

As many debit card transactions as credit card transactions in 2010

In 2010, 40% of the cards in the market were debit cards

- Visa is the market leader with 56% market share
- MasterCard has an estimated market share of a little over 40%
- Other strong brands include AMEX and Hypercard

Source: ABECs
# Bank Snapshot

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Branches</th>
<th>Checking Accounts</th>
<th>Savings Accounts</th>
<th>Agents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Banco do Brasil</strong></td>
<td>5,089</td>
<td>34,565,780</td>
<td>50,585,846</td>
<td>~20,000</td>
</tr>
<tr>
<td><strong>Banco Itau</strong></td>
<td>3,741</td>
<td>17,991,883</td>
<td>32,389,489</td>
<td>~5,000</td>
</tr>
<tr>
<td><strong>Bradesco</strong></td>
<td>3,607</td>
<td>20,104,226</td>
<td>30,029,905</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>Caixa Econômica Federal (CEF)</strong></td>
<td>2,221</td>
<td>10,948,886</td>
<td>72,805,302</td>
<td>~20,000</td>
</tr>
<tr>
<td><strong>Santander</strong></td>
<td>2,207</td>
<td>9,200,000</td>
<td>5,600,000</td>
<td>5,115</td>
</tr>
<tr>
<td><strong>HSBC</strong></td>
<td>865</td>
<td>4,817,115</td>
<td>2,064,844</td>
<td></td>
</tr>
<tr>
<td><strong>Banco Triangulo</strong></td>
<td>1 branch</td>
<td>38,136</td>
<td>2,064,844</td>
<td></td>
</tr>
<tr>
<td></td>
<td>in Uberlandia + 46 regional offices</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: BCB, March 2011
## MFI Snapshot

<table>
<thead>
<tr>
<th>MFI Name</th>
<th>Active Borrowers</th>
<th>Loans Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>CrediAmigo</td>
<td>737,826</td>
<td>US$ 464,225,843</td>
</tr>
<tr>
<td>Central Cresol Baser</td>
<td>45,023</td>
<td>US$ 333,413,153</td>
</tr>
<tr>
<td>Cresol Central</td>
<td>77,064</td>
<td>US$ 216,127,336</td>
</tr>
<tr>
<td>Santander Microcrédito</td>
<td>95,612</td>
<td>US$ 75,250,000</td>
</tr>
<tr>
<td>CEAPE MA</td>
<td>19,399</td>
<td>US$ 20,715,683</td>
</tr>
<tr>
<td>ICC BluSol</td>
<td>5,829</td>
<td>US$ 10,864,496</td>
</tr>
<tr>
<td>Banco da Família</td>
<td>7,858</td>
<td>US$ 9,494,163</td>
</tr>
</tbody>
</table>

Source: Mixmarket, 2011
<table>
<thead>
<tr>
<th>Mobile Payment Service Provider Snapshot</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Paggo</strong> (2006)</td>
</tr>
<tr>
<td>• Number of agents and growth plans: 75,000 merchants</td>
</tr>
<tr>
<td>• Users: 1,000,000</td>
</tr>
<tr>
<td>• Services offered: Mobile remittance, Mobile POS</td>
</tr>
<tr>
<td>• Banking partners: in process</td>
</tr>
<tr>
<td>• MNO partner: Oi</td>
</tr>
<tr>
<td>• Type of Technology: SMS</td>
</tr>
<tr>
<td>• Security: personal password used to authorise the transaction</td>
</tr>
</tbody>
</table>

| **M-Cash** (2006)                          |
| • Number of agents and growth plans: unknown |
| • Users: 10,000 HSBC accounts holders       |
| • Services offered: Mobile POS, purchase products in retail stores with mobile or through internet |
| • Banking partners: HSBC Bank               |
| • Type of technology: SMS                  |

| **Samba38 Tecnologia - Alimutu Technologies (Year Launched)** |
| • Number of agents and growth plans: unknown |
| • Monthly transaction volumes: unknown       |
| • Services offered: Mobile POS, Samba38 debit or credit card |
| • Banking partners: N/A                     |
| • MNO partners: Claro, CTBC, Oi, Secomtel, Telemig, TIM and Vivo |
| • Type of technology: SMS                   |
| • Additional information: Service in brazil seems to be shut down |
## Large Financial Flows

### Opportunity analysis summary

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Total</th>
<th>Description</th>
</tr>
</thead>
</table>
| Bill payments             | US$ 164.3m     | • Fairly efficient bill payment system, controlled by banks.  
• Majority uses the correspondent bank system to pay bills.                                       |
| Public transport          | US$ 1.42bn     | • Sizeable market (16.8bn trips taken in 2008 using public transport / 0.47 trip/day/inhabitant)  
• Municipal buses, metropolitan buses, rail transport are the most common used  
• Higher use in cities with more than 1m inhabitants                                            |
| P2P (domestic)            | N/A            | • Strong domestic migration from the North and Northeast to the main metropolitan areas  
• Lower level of financial inclusion in the North and Northeast offers significant opportunity for alternative payment methods |
| G2P                       | US$ 380m       | • Launched in 2003, Bolsa Familia is a social welfare program of the Brazilian government  
• The program attempts to reduce short-term poverty by direct cash transfers and fight long-term poverty by increasing human capital through conditional cash transfers  
• Caixa Economica Federal is the bank partner                                                  |
| Payroll (informal market) | US$ 48m        | • Relatively large informal sector  
• Opportunity with payment from banked to unbanked (domestic staff, black market…)          |
| B2B, B2C or B2Employees   | N/A            | • Strong potential in some industries like coffee, sugarcane, cattle and tobacco with seasoned workers that often do not have bank accounts  
• Wholesale/distribution business to optimize B2B delivery services                           |
| Credit & micro-finance    | N/A            | • Only very few larger scale MFIs as they are facing fierce competition from state-owned banks (mainly Banco do Brasil and Caixa Economica Federal)  
• Microfinance is a growing market in Brazil                                                   |
| Remittances (international)| US$ 5.3bn      | • International remittances flowing mainly from Japan, USA and Spain  
• Transfers sent by migrant communities through formal channels have dropped since the peak of 2008 (-16%) but Brazil remains the 2nd market in Latin American in terms of volume. |

Source: Intelecon survey, Amarante analysis

![Significant opportunity](image1.png)  
![Potential opportunity](image2.png)  
![Weak opportunity](image3.png)
• Macro-economic Overview
• Regulations
• Financial Sector

• **Telecom Sector**

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## Mobile Network Operators

<table>
<thead>
<tr>
<th>Name</th>
<th>Ownership</th>
<th>Subscribers (Dec 2010)</th>
<th>Market Share</th>
<th>Partnerships/Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telefonica</td>
<td>100%</td>
<td>60.29 M</td>
<td>30%</td>
<td>Several partnerships with Banks (Itau, Santander...)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Insurance companies (Mapfre...) and aquirers</td>
</tr>
<tr>
<td>América Móvil</td>
<td>100%</td>
<td>51.64 M</td>
<td>25.49%</td>
<td>Partnership with Banco Bradesco</td>
</tr>
<tr>
<td>Telecom Italia</td>
<td>100%</td>
<td>51.03 M</td>
<td>25.19%</td>
<td>Partnership and discussion with several banks</td>
</tr>
<tr>
<td>Oi, PT Telecom, BNDES</td>
<td>100%</td>
<td>38.89 M</td>
<td>19.20%</td>
<td>Launched the Oi Paggo service in 2008</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Oi Paggo looking for bank partnerships</td>
</tr>
<tr>
<td>NII Holdings</td>
<td>100%</td>
<td>1.94 M</td>
<td>1.12%</td>
<td>No known projects under way</td>
</tr>
<tr>
<td>+ 3 others very small MNOs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Wikipedia, interviews with partners, Amarante Analysis

(CTBC, SercomTel Celular, Unicel)
Mobile Outlook - a Dynamic Market

Key Learning:
- One of the most dynamic markets in Latin America with above 100% penetration rate and more than 200m total customers
- 4 players dominate the market and own between 20% and 30% market share
- Vivo, recently acquired by Telefonica, is the leading player in the market with 30.1% market share
- Subscribers’ growth rate is very high considering the high level of mobile phone penetration (17% between 2009 and 2010). Among the main players TIM Brazil had the highest subscriber base growth (+24%) while Oi only had a +10% subscriber base growth over the period

Sources: Companies websites
ARPU is around $13.5 in 2010, in the high-end for the region. Regularly decreasing since 2007 when it stood at an average $17.4 for the top 4. With the upper and middle class segments already covered by the market, MNOs might increasingly target lower income masses, thus affecting their ARPU. Fierce competition between the top 4 players might also be a reason.

**Consequence**
- A set of differential services can help provide new revenue stream and eventually reversing the current trend

**Need for value creation and new revenue streams beyond traditional voice**
Mobile Outlook - a Prepaid Market with a Relatively Low Churn Rate

Key Learning:
- As of 2010, Prepaid customers account for 82% of total customer base
- Since 2006, this figure has been on the increase probably due to MNOs developing low income segments targeted offers

Key Learning:
- Average monthly churn rate of 2.8% is relatively low but the MNOs are not on the same page
- Innovation and new VAS offering can help MNOs reduce churn in a congested market

Source: Anatel
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• Regulations
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Distribution Landscape

- Several Mergers and Acquisitions activities in the past years leading to a higher concentration in the retail distribution segment. Recently: discussion between Carrefour and CBD Grupo Pao de Açucar.
- Grupo Martins has developed a training program for small and medium sized retailers aiming at increasing their sales and resisting large retailers.
- E-commerce has become a strong market in Brazil experiencing double figure growth. Americanas.com is the leader in this segment.

Retail network structure

- **Hypermarkets**
  - Carrefour 654 ($R 29bn income)
  - Pao de Açucar 615 ($R 25.7bn income)
  - Wal Mart 479 ($R 22.3bn income)

- **Supermarkets**
  - Lojas Americanas
  - Grupo DMA Distribuidora
  - Grupo Smart

- **Specialty Stores**
  - Casa Bahia (Home Equip.) 500
  - Ponto Frio (Home Equip.) 369
  - Lojas Pernambucas (Dpt. Store) 238

Source: ABIA & ABRAS, 2010
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Current MFS Initiatives in Brazil

**Joint Venture model**
- Service co-branded and co-distributed with the operator and/or the bank

**Operator-led model**
- Service entirely distributed and managed by the operator under its own license and own brand

**Bank-led model**
- Mobile channel is only seen as an access channel (bearer) to banking services

**Operator-driven model**
- Service distributed and managed by the operator under a partnering bank’s license

**Third-party led Model**

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**Highlights**

- In 2007, mobile network operator Oi launched Oi Paggo, first service of this kind in Brazil
- Since 2009, several initiatives have raised among major banks partnering with major MNOs
- Card providers - MasterCard and Visa - are also considering entering the mobile money space

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**Constraints to provide the service**

- Regulatory barrier to obtain a MM license
MFS Implementations

(2007)

- **“Mobile Credit Card”** that replaces the actual card and mobile phone acting as a POS for the merchants
- 1,000,000 registered users (12/2010)
- 75,000 agents (12/2010), some of them inactive
- Services:
  - Airtime Top Up
  - Bill Payment
  - Merchant Payment
- Clients pay 2.99 BRL on the months of utilization of the service

(2009)

- Description:
  - Co-branded mobile credit card with leading Brazilian bank Itau
  - Insurance policies to customers in partnership with Santander and Mapfre
  - Service for the unbanked users in partnership with Bradesco