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MEMBER SERIES: FINANCIAL INCLUSION JOURNEY

BRAZIL: FINANCIAL CITIZENSHIP JOURNEY IN BRAZIL



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INTRODUCTION

The Alliance for Financial Inclusion (AFI), a network owned and driven by members with a common objective of scaling up financial inclusion at country level, has been able to facilitate the implementation of impactful policy changes at country level through its cooperative model that imbeds peer learning and peer transformation. It has been a decade now since the network began this quest to address the global challenge of financial exclusion. We have witnessed tremendous achievements in financial inclusion from our membership, driven by practical policy solutions that draw on lessons across the network.

AFI members have been focusing on ways to support countries in designing and implementing high-impact, tailor made solutions that meet their needs and challenges. These country-led approaches have created ownership and a sense of pride as ever more ambitious targets are set and achieved. It is imperative that such lessons are highlighted from each member's perspective on how AFI's peer learning approach and in-country implementation have been instrumental in facilitating transformation. Thus, we feature such practical lessons in this Members Series publication.

The Members Series serves to elevate the members' financial inclusion achievements and bring to the fore, key policy lessons that will benefit other members who are pursuing similar objectives. AFI's ethos of cooperation and knowledge sharing is served better when the financial inclusion journeys of our members are recorded and shared amongst the network, and beyond.

AFI membership, which represents about 85% of global unbanked, is uniquely positioned to tackle the global financial inclusion challenges. We have enormous lessons from the network that need to be highlighted and amplified. These range from the effective use of technology, application of national and regional coordinating structures, to the pursuit of specific financial inclusion enablers that are unique to countries and regions.



We are proud of the leaders in our member institutions, who through their unwavering efforts have been able to steer national-wide support in addressing financial inclusion challenges.

This Member Series publication will continue to feature the unique journeys of our members in addressing their financial inclusion challenges. The diversity of the network has the advantages of highlighting multiple approaches to tackle the common goal of financial exclusion.

Join me in this Series and let's journey with our member Banco Central do Brasil as they champion the transformation of the financial inclusion landscape in Brazil.

Dr. Alfred Hannig
Executive Director, Alliance for Financial Inclusion

FOREWORD

In 2013, Banco Central do Brasil (Central Bank of Brazil - BCB) launched the Financial Citizenship Program as a way to integrate, in an innovative way, financial inclusion, financial consumer protection, and financial education.

Today, “financial citizenship” is much more than the mere name of a program. It is a concept that has become widely debated and operationalized, being one of the strategic objectives of the BCB and one of the four pillars of our public work agenda - the Agenda BC+, launched in 2016.

In this document, we intend to tell a small part of this story and show all the efforts undertaken to reach our goals. Such goals consist in broadening the coverage of financial services and guaranteeing that they are adequate and offered in a transparent manner, so that citizens may choose, responsibly and autonomously, from the myriad of financial services available, those that fit their needs.

In spite of the fact that the BCB did not coin the term financial citizenship, it is used to emphasize the importance of a citizen when it comes to financial inclusion, education, and protection. Financial citizenship evokes duties and rights, leadership and participation, reminding us that, as a government body, we have the responsibility to guarantee all the necessary conditions of full citizenship for every Brazilian.

The BCB is aware of that role. We also acknowledge that this is a path we will not walk on by ourselves. To this end, private institutions, governmental bodies, and civil society have been invited to actively participate. In that sense, we are satisfied to have the Alliance for Financial Inclusion (AFI) and its entire network of countries, on our side.

In addition to participating in AFI’s working groups, we frequently host delegations from different nations interested in learning about our programs. At various times, the sharing of experiences, provided by such a broad network, has helped us to reflect on our own initiatives and improve them. An example of this was the construction of the Financial Inclusion Report 2015, which has benefited from the productive discussions in the AFI Data group.

The Brazilian Constitution, the highest law in our country, states that the National Financial System (SFN) must have, above all things, a social function. That is, and will always be, the guiding principle of our journey, which consists of making sure that the SFN contributes to the promotion of a truly sustainable society.

Mauricio Moura
Deputy Governor of Institutional Relations
and Citizenship of the BCB



SUMMARY

Since 2013, the Central Bank of Brazil has been working on the concept of financial citizenship, which seeks to see financial inclusion, financial consumer protection, and financial education in a holistic and integrated way. This publication aims to display some of this path - which is still being walked through - as well as the reflections we have made throughout this journey.

BCB has been acting on these issues for over two decades. The full story, which would fit in a book of a few hundred pages, has already been partially told in some of our publications.¹

In this document, we intend to present an overview of the progress, obstacles, and challenges ahead. To meet this goal, we have been straightforward when describing and explaining the initiatives we have carried out.

A great deal of the topics covered here is approached in more detail on the official website of the BCB (<http://www.bcb.gov.br/en/#!/home>). For more information, please contact us by e-mail: inclusao.financeira@bcb.gov.br

BRAZILIAN CONTEXT

For better understanding of the subjects that will be highlighted throughout this document, we will firstly explain the mandate of the BCB and present some figures on the financial inclusion in Brazil.

The BCB's mission is to ensure the stability of the Brazilian currency's purchasing power and a sound and efficient financial system.

Among the main attributions of the BCB are: leading monetary, exchange, credit, and foreign financial policies; regulating and supervising the National Financial System (SFN); and managing the payments system and money supply.

Without a stable macroeconomic environment, where economic agents can have confidence in the financial system and monetary authority advancing the various dimensions of financial citizenship would be a very difficult task to achieve. Therefore, in our capacity as Brazil's monetary authority, our objectives of maintaining the purchasing power of our currency and the stability of our financial system are basic assumptions for the scope of all initiatives directed towards financial inclusion, financial education, and financial consumer protection.

Indeed, Brazil has demonstrated dramatic progress in our population's financial inclusion. One example is, in December 2017, approximately 140 million adults were banked in Brazil (87% of the population),² compared to 60.8% in 2005.

FIGURE 1: BANKING RELATIONSHIP

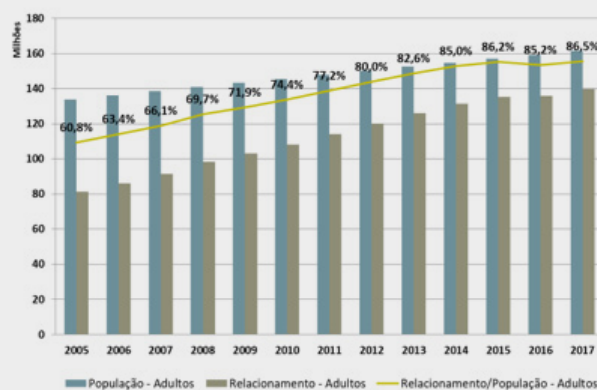
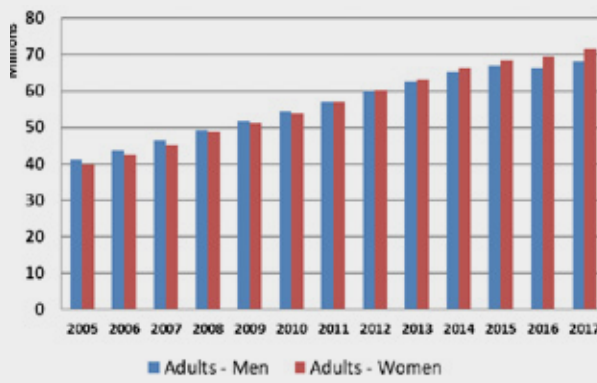


FIGURE 2: BANKING RELATIONSHIP: MEN AND WOMEN



Source: Central Bank of Brazil

These figures show that there has been a strong evolution of financial inclusion in Brazil, as measured by an account ownership indicator. Government transfers and the acting of public banks may be among the main factors for this evolution.

Regarding gender distribution in financial inclusion, access to banking in the period from 2005 to 2017 remained at similar levels for men and women. However, we observe a proportionately higher increase in the number of women with banking relationships. In 2005, among the banked adults, 50.8% were men and 49.2% women. In 2017, the figures were 48.7% (men) and 51.3% (women).

In terms of capillarity, a dense network of financial service delivery points characterizes Brazil, standing out in international benchmarks in terms of the number of points of service available to the population.

1 See FELTRIM, L.E., VENTURA, E.C. F., DODL, La. B. (Ed.) Perspectives and challenges for financial inclusion in Brazil: Vision of different actors. BRASÍLIA: Central Bank of Brazil, 2009. SOARES, M.M., MELO SOBRINHO, La.D.. Microfinance, the role of the Central Bank of Brazil and the importance of credit cooperatives. Brasília, Central Bank of Brazil, 2008.
2 This figure differs somewhat from that reported by Global Findex 2018, which considers 70% of the Brazilian population as banked. The BCB figures do not evaluate account activity. It is possible that respondents holding inactive accounts declare that they do not have accounts.

In the last decade, there was a considerable evolution in the number of points of service in the country. Therefore, the banking network now reaches all of the Brazilian municipalities, even in areas of lower population density. However, there is a greater concentration in the supply of financial services in the more developed regions, such as the South, Southeast and Central-West regions. As a result, these regions also have higher account ownership percentages.

Regarding the use of access channels and transactions, there was an increase in the use of remote channels (digital or electronic), which grew at an average annual rate of 21% in the period between 2010 and 2016 - well above the average annual 3% rate in in-person channels. Today, digital/electronic channels represent the main access channels to the SFN. Therefore, there is a great opportunity to be explored in the dissemination of financial citizenship through these channels, with a high potential for low-income populations and those scattered throughout the national territory.

Credit data, on the other hand, show that the number of people taking out loans increased considerably until 2014, when it fell and then rose again in 2016. By August 2017, the number of credit takers from the National Financial System (SFN) had already matched the figures of 2016. The figures relating to the totality of 2017 were even greater.

Based on this context, Section 2 of this document - **From the Beginning** - offers a quick historical retrospective, mentioning the beginning of the BCB's activities in financial inclusion and education. It also mentions BCB's organizational restructuring that occurred in 2012, with the creation of an area specifically aimed at our relationship with citizens and the importance of articulation with stakeholders, and the participation in discussion forums.

Section 3 - **Key Milestones** - describes the BCB's most important achievements, obtained with our partner institutions.

Section 4 of this document - **Looking Ahead** - focuses on the lessons learned along our journey and the next steps we are planning to take.

FIGURE 3: BANKING RELATIONSHIP - BY REGION

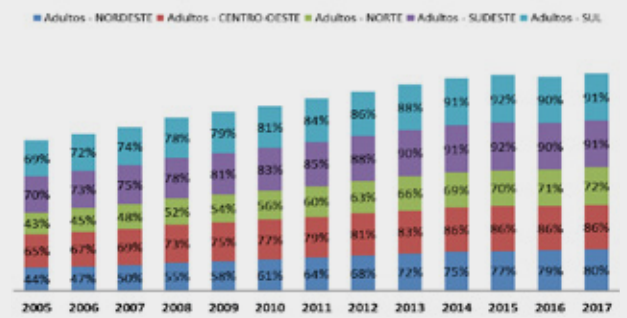


FIGURE 4: ACCESS AND TRANSACTION CHANNELS

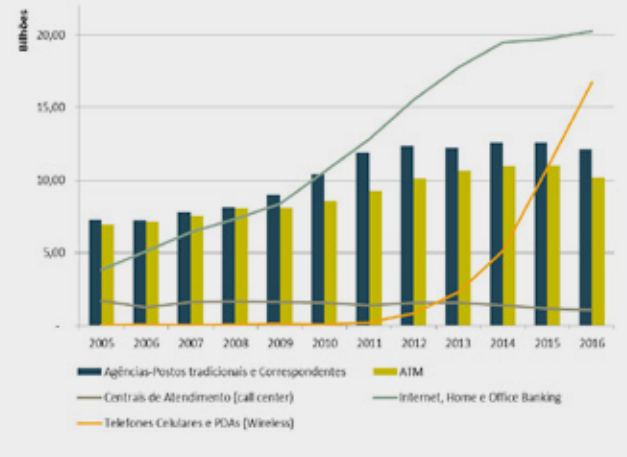
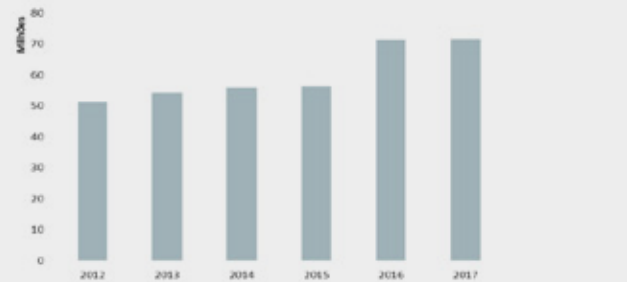


FIGURE 5: PEOPLE TAKING OUT LOANS IN THE SFN



The apparently dramatic gap between 2015 and 2016 is actually due to the following change in the Credit Operations Registration System (SCR): in 2016, the System started to consider operations above R\$200. Until 2015, only operations above R\$1,000 were considered.

Source: Central Bank of Brazil

FROM THE BEGINNING

To better understand the roads towards financial citizenship in Brazil, it is necessary to go back in the history of our country.

CITIZEN CONSTITUTION AND FINANCIAL CITIZENSHIP

In 1988, a new Federal Constitution, known as the Citizen Constitution, was enacted, expanding several social rights. The new Constitution established two important elements for financial citizenship. One is the National Financial System's social function, which expresses that the SFN must be structured in a way that promotes Brazil's balanced development and serves a collective purpose. The other is consumer protection, which serves as a fundamental right and a principle of economic order, making room for a number of regulation acts and initiatives that are aimed at protecting consumers in general, including financial services consumers.

THE STABILIZATION OF THE ECONOMY PAVES THE WAY

In the early 1990s, more specifically after the implementation of the Real Plan in 1994, Brazil's economy, formerly ravaged by frequent cycles of hyperinflation, began to stabilize. Stabilization increased the purchasing power of the population, causing the expansion of credit and consumption. Higher purchasing power, in conjunction with other factors, such as economic expansion and the strengthening of the banking system, contributed to an increase in banking and in the offer of financial services.³

THE BCB STRENGTHENS FINANCIAL INCLUSION ACTIONS

Starting in the decade of 1990, in an environment of democratic consolidation and economic stabilization, the BCB began to take its most important steps in the construction of a more inclusive financial system.

As part of these efforts, we can highlight:

- > The improvement of the regulatory framework for credit unions, between 1990 and 2010;
- > The improvement of the regulation for banking correspondents, since 1999, increasing the scope of services and agents;
- > The establishment of regulation in 2003 that demanded mandatory application by financial institutions of at least 2% of their demand deposits in oriented productive microcredit operations, under penalty of collection of those amounts by the BCB (compulsory deposit, without remuneration);
- > The creation of "simplified accounts" in 2004, exempt from the collection of fees and with a simplified opening process, with a lesser degree of requirement in terms of documentation, up to the limit of R\$ 3,000;
- > The issue of regulations from the decade of 2000, aimed at improving the quality of financial services and

increasing transparency in the provision of financial services. Examples of such regulations are the standardization of bank fee terminology, compulsory establishment of ombudsmen in financial institutions, and disclosure of all costs involved in credit operations (CET);

- > The implementation, by BCB, in the late 1990s, of customer service structures, through multiple channels, to answer queries about the laws and norms related to the financial products and services and the operation of the SFN, and to receive and handle complaints against the institutions supervised by the BCB.

FINANCIAL EDUCATION COMES INTO SCENE

In this scenario of increased credit supply and diverse, and complex financial services, it has proven to be necessary to prepare the population to better understand the characteristics and risks of financial products, and to make autonomous and well-informed decisions. A complementary path to financial inclusion and financial services consumer protection has then emerged: that of financial education.

Thus, from 1998, by means of its Educational Communication Program, the BCB established a system to inform society about its activities and the functions of the SFN. In 2003, BCB's Financial Education Program (PEF-BCB) was institutionalized, with the aim of empowering individuals and Brazilian society to manage their financial resources in a savvy way. Thus, the Program sought to contribute to ensuring the stability of the Brazilian currency's purchasing power, and a sound and efficient financial system.

In 2005, the "Citizen Profile" was created on the BCB website, presenting information of interest for society in general, in simplified language and lighter layout. Topics include interest rates, calculations, and indexes. The Citizen Profile also offers answers to the most frequently asked questions by citizens about financial standards, products and services, and records administered by the BCB.

CHANGE IN BCB'S ORGANIZATIONAL STRUCTURE TO EMPHASIZE THE IMPORTANCE OF CITIZENS

In 2012, changes in the organizational structure of the BCB were undertaken with the objectives of strengthening BCB's relationship with citizens - reinforcing financial education actions; consolidating corporate practices that adhere to the values of transparency and social responsibility; and ensuring better governance standards.

³ LEVORATO, W. Microfinance and the Brazilian banking system. In: FELTRIM, L.E., VENTURA, E.C. F., DODL, A. B. (Ed.) Perspectives and challenges for financial inclusion in Brazil: View of different stakeholders. BRASÍLIA: Central Bank of Brazil, 2009 (In Portuguese).

The Area of Institutional Relations and Citizenship (Direc) was created and became responsible for citizen affairs, financial education, and institutional communication. The following departments have been structured under the Direc:

DEPARTMENT OF INSTITUTIONAL ATTENDANCE, CURRENT DEPARTMENT OF CITIZEN AFFAIRS:

This department receives queries on matters under BCB's responsibility and complaints against financial institutions.

COMMUNICATION DEPARTMENT

This department is responsible for the management of BCB's institutional image, with the goal of obtaining more efficiency in the communication of the BCB with society.

DEPARTMENT OF FINANCIAL EDUCATION, CURRENT DEPARTMENT FOR THE PROMOTION OF FINANCIAL CITIZENSHIP:

This department coordinates and executes actions for the promotion of financial education, inclusion, and financial consumer protection. It is also in charge of the propagation of the history of payment means in Brazil, through the Money Museum. It also facilitates dialogue and interaction with other public and private institutions involved with financial inclusion, financial consumer protection and financial education initiatives.

A Conduct Supervision Department (Decon) was also created in the BCB, under the Deputy Governor for Supervision, aimed at making sure that financial institutions promote an adequate governance structure and comply with the regulation concerning their relationship with consumers.

The full organizational chart of the Central Bank of Brazil is available online at <http://www.bcb.gov.br/Adm/Sobre/ingl/organom-ing.asp?idpai=orgstructure>.

FINANCIAL CITIZENSHIP: WHERE THE ROADS TO INCLUSION, CONSUMER PROTECTION, AND EDUCATION MEET

Actions to strengthen and promote financial inclusion, financial education and financial consumer protection have become increasingly present in the agenda of government bodies, entities responsible for regulation and supervision of financial institutions, and international organizations, due to the recognition of the importance of these issues for economic stability and economic and social development on a global scale.

The maturity of the debate on these three elements has led to the profound relationship around them. In 2013, the BCB united these three pillars around the concept of Financial Citizenship, which sought to express the rights and duties of a citizen, in relation to their financial life. The idea is that these three elements, which contribute to the efficiency of the SFN and to the stability of the economy, cannot be separated from the exercise of full citizenship.

Thus, in 2013, BCB's Financial Citizenship Program was launched, with three fronts: personal finance management; dissemination of information on the financial system; and induction of good practices in the provision of financial services.

The financial citizenship journey had begun.

ALONG THE WAY, IN PARTNERSHIP

The BCB acknowledges that the steps towards financial citizenship are not taken on our own. Partnership has always been a key word. Since 1992, and more intensely since 1999, the BCB sought to foster debates with the main stakeholders involved in the issues of inclusion, education, and protection. Players comprise financial institutions, government bodies, and third sector entities. Some examples of the actions that have been taken are as follows:

ANNUAL EVENTS

BCB's annual events to address and disseminate these issues have brought together, for over fifteen years, thousands of people. Such events constitute a privileged space for discussion, the scope of which has led to a better understanding of the challenges that lay ahead. The first discussions focused on microcredit, then on microfinance. From 2009 to 2014, they evolved towards the issue of financial inclusion and since 2015 the focus has been on financial citizenship. BCB's forums are currently known as the Forum on Financial Citizenship.

NATIONAL STRATEGY FOR FINANCIAL EDUCATION

In the field of financial education, especially since the global financial crisis of 2008, several stakeholders in Brazil, not limited to government bodies, began to meet and organize a strategy for the country. Thus, in 2010, the BCB took part in the creation of the National Strategy for Financial Education (ENEF). With the ENEF, financial education became a permanent State policy, with the involvement of public and private institutions in the federal, state, and municipal levels.

To define the ENEF actions and to coordinate its execution, a National Committee for Financial Education (CONEF) was instituted. CONEF is composed by four financial market regulatory bodies (BCB, Securities and Exchange Commission of Brazil - CVM, Superintendence of Private Insurance - SUSEP, and National Pension Funds Authority - PREVIC); by three ministries (Education, Justice, and Finance); and currently, six representatives of civil society, renewed every three years.

NATIONAL PARTNERSHIP FOR FINANCIAL INCLUSION

In 2011, under the G20 Global Partnership for Financial Inclusion (GPFI), the BCB coordinated the launch of the National Partnership for Financial Inclusion (PNIF), which is a network of public and private actors engaged in actions to promote the proper financial inclusion of the Brazilian population.

The first plan under the PNIF was launched in 2012 and was in full force until 2014. Its main goal was to strengthen the governmental environment, in order to make it more adequate for the promotion of financial inclusion. This plan had the participation of 13 government and development institutions and had three fronts: diagnosis, regulation, and education and transparency. It included actions, such as the improvement of the regulatory framework for microcredit; the definition of the legal framework for mobile payments; the promotion of financial education; and the improvement of indicators and diagnosis. A report with the results of the actions carried out and the progress obtained was published and is available, in Portuguese, on BCB's website.⁴

INTERNATIONAL ENGAGEMENT

The BCB also seeks to be present in the international arena for discussion, integrating the following forums: Global Partnership for Financial Inclusion (GPFI), under the G20; International Network on Financial Education (INFE); and the International Financial Consumer Protection Organization (FinCoNet), both linked to the OECD. Furthermore, the BCB is a member of the Alliance for Financial Inclusion, having participated actively in the constitution of the AFI as an independent organization.

The BCB has also occupied the position of Chair of the AFI Board of Directors and the presidency of the Financial Inclusion Initiative for Latin America and the Caribbean (Filac).

KEY MILESTONES (2013-2017)

In order to advance with regard to financial citizenship, the BCB seeks to make maximum use of its influence and summoning power to involve stakeholders, promote debates, stimulate change and design actions in conjunction with society.

The progress presented here illustrates this spirit.

RECOGNITION OF FINANCIAL CITIZENSHIP AS STRATEGIC FOR BCB

The growing internal recognition of the relevance of financial citizenship as a concept and as a subject in the BCB is an important breakthrough. In 2015, when the promotion of financial citizenship was elevated to the condition of strategic goal, senior management gave a clear signal: financial citizenship contributes to the mission of the BCB and the whole institution must be committed to its achievement.

In 2016, the launch of the **Agenda BC+** with its four pillars, one of them being 'More Financial Citizenship', can be seen as an additional endorsement of the relevance of the subject for the institution and thus, for the Brazilian economy and society.

The actions that make up the "More Financial Citizenship" pillar aim to increase the level of education and financial inclusion of the population, and to provide more protection to financial service consumers. They also seek to improve communication and transparency between financial institutions and their clients, a fundamental factor in raising awareness of their financial rights and duties. This pillar also includes actions to measure the impact of BCB's actions under the perspective of financial citizenship, a relevant element for the actions to be always evaluated and built on solid foundations.

FINANCIAL CITIZENSHIP IN THE AGENDA BC+ AND AS A STRATEGIC GOAL

The Agenda BC+, launched in 2016, has a primary objective to work on structural issues of the Central Bank and the National Financial System, generating sustainable benefits for the Brazilian society.

It is structured into four thematic pillars: a more modern legislation, a more efficient National Financial System, cheaper credit and more financial citizenship.

The Agenda BC+ is public and available in Portuguese on the BCB's website.⁵

4 NATIONAL PARTNERSHIP FOR FINANCIAL INCLUSION. Action Plan for the Strengthening of the Institutional Environment: Report 2012-2014. Brasilia: Central Bank of Brazil, 2014. Available in <https://www.BCB.gov.br/pec/apron/apres/Relat%F3rio%20PNIF%20-%20Br.%200462.pdf> (in Portuguese).

5 Available at: <http://www.bcb.gov.br/pt-br/#!/c/BCBMAIS/>

EVOLUTION AND CONSOLIDATION OF THE FORUM ON FINANCIAL CITIZENSHIP

In the field of external articulation, the evolution and consolidation of the Forum on Financial Citizenship is a great milestone. The Forum, an annual event traditionally held in November, attracts representatives from the main segments interested in the development of financial citizenship in Brazil, such as commercial banks, development banks, government institutions, FinTechs, microcredit institutions, third sector institutions, credit unions, educational institutions, and etc.

Each year, these actors gather at the event to share successful experiences, discuss challenges and expand their networks. The Forum is now consolidated as one of the main events of the BCB and is recognized as a qualified platform for discussion.

THE EVENT DISSEMINATES THE ISSUE OF FINANCIAL CITIZENSHIP IN OTHER CITIES

One of the main features of the Forum is its itinerancy. It has been held in various Brazilian cities in different regions of the country. This is a way for BCB to spread the issue and to display local initiatives, helping to bring together regional actors and motivate new actions. For the BCB, it is also an opportunity to acquire more knowledge about the different Brazilian realities and their challenges.

PLAN FOR THE STRENGTHENING OF FINANCIAL CITIZENSHIP: ACTIVE PARTICIPATION OF THE PRIVATE SECTOR

In 2015, during the annual BCB forum, we launched the Plan for The Strengthening of Financial Citizenship,⁶ to be developed between 2016 and 2019, under the coordination of the BCB and in line with the then newly launched UN Sustainable Development Goals (SDGs). The main feature of this Plan was the aggregation of the private sector, as well as government entities, in favor of financial citizenship. The actions are organized around four thematic groups: financial inclusion of small businesses; relationship between the citizen and the National Financial System; measuring financial well being; and citizenship and financial vulnerability.

The Plan initially had 32 actions and nine participating institutions. It is a dynamic initiative, so that new actions and partners can be added. The progress of the actions is reported annually by the BCB - at each Forum on Financial Citizenship, a progress report is presented publicly and made available at the event's hot site.⁷

FINANCIAL CITIZENSHIP AND SUSTAINABLE DEVELOPMENT GOALS (SDGs)

In 2015, the United Nations (UN) released the Sustainable Development Goals (SDGs). In total there are 17 SDG,⁸ some of which are more closely related to financial citizenship. As presented in the 7th annual report published by the Special Adviser of the UN Secretary General for Inclusive Finance for Development

(UNSGSA),⁹ there is a direct mention of expansion in financial service access in seven SDGs: No. 1) Poverty eradication; No. 2) Zero hunger; No. 3) Health and well-being; No. 5) Gender equality; No. 8) Decent work and economic growth; 9) Industry, innovation and infrastructure; and 10) Reduced inequalities.

It is also worth mentioning that the Consultative Group to Assist the Poor (CGAP) and UNSGSA published an article¹⁰ which recognized the role of financial inclusion in achieving the other three SDGs: No. 4) Quality education; No. 6) Clean water and sanitation; and No. 16) Peace, justice and strong institutions.

These SDGs may help us to understand the close relationship between qualified access to financial services and fully exercising citizenship.

The BCB participates in the working group that is building the official Brazilian platform for the SDG indicators, under the coordination of the national statistical entity (IBGE). The group will define the national indicators to be monitored for measuring Brazil's evolution, including the increase in financial service access.

CONSOLIDATION OF THE NATIONAL WEEK FOR FINANCIAL EDUCATION

At the suggestion of the BCB, at the time the President of the National Committee for Financial Education (CONEF), the National Week for Financial Education (ENEF Week) was created in 2014. Held annually since then, it consists the promotion of educational actions during the course of a specific week, with the aim of disseminating financial and social security education in the country. All initiatives are free of charge for participants.

In 2018, the ENEF Week had approximately 4,000 actions both in-person and online, reaching millions of people in all regions of the country - an increase of 75% in relation to the previous year. In addition to events organized by the Central Bank itself, most of the actions were carried out by partners invited by the BCB.

6 CENTRAL BANK OF BRAZIL. Plan for strengthening financial citizenship: reference document. BRASÍLIA, 2016. Available in https://cidadaniafinanceira.bcb.gov.br/forum/Documents/2016/Plano_Fortalecimento_da_Cidadania_Financial.pdf

7 Available, in Portuguese, at <https://cidadaniafinanceira.bcb.gov.br/forum/Paginas/plano-fortalecimento-cidadania-financeira.aspx>.

8 To learn more about SDGs see <https://sustainabledevelopment.un.org/sdgs>

9 UNSGSA. Annual report to the Secretary-General. New York, 2016. Available in: https://www.unsgsa.org/files/6214/7708/0597/UNSGSA_report_2016_copy.pdf

10 KLAPPER et al. Achieving the Sustainable Development Goals, the role of financial inclusion. CGAP, 2016. Available in <http://www.cgap.org/publications/achieving-sustainable-development-goals>

ADDITION OF FINANCIAL EDUCATION IN THE NATIONAL CURRICULAR BASIS

Under the National Strategy for Financial Education, the addition of financial education as an integrating theme in the Common National Curricular Basis (BNCC) was an important step to guarantee that topics related to personal finance management are effectively presented to adolescents and children.

The Ministry of Education approved the BNCC at the end of 2017, with various references to financial education and economic education. The main idea is that financial literacy contents may be introduced in a transversal way, dialoguing with other areas of knowledge (such as Language, Mathematics, Natural Sciences, among others).

WHAT IS THE BNCC?

The BNCC is a normative document that defines the set of essential learning that all students must develop throughout the stages and modalities of the first two levels: child education¹¹ and elementary school. It guides the curricula of teaching systems and networks of the Brazilian states, as well as the pedagogical proposals of all public and private schools.

The BNCC that was approved in 2017 does not cover high school, which will be considered in the expanded Basis in 2018.

LISTENING TO SOCIETY ON REGULATION OF DIGITAL FINANCIAL SERVICES

The BCB is responsible for the regulation and supervision of the National Financial System, to guarantee that it is sound and efficient. This normative attribution is also important for the promotion of financial citizenship, guaranteeing a fair relationship between the population and the financial institutions, as well as the clear establishment of the rights and duties in the relationship between them.

This is especially important in the regulation of digital financial services, which has a great potential to stimulate financial inclusion. Interlocution with and listening to society is essential to stimulate innovation and, at the same time, to ensure an environment in which consumers are protected. Recent BCB initiatives illustrate this assumption, as mentioned below.

LEGAL AND REGULATORY FRAMEWORK OF THE PAYMENT INSTITUTIONS AND SCHEMES

Law 12,865 of October 9, 2013, established principles and guidelines to be observed for the adequate development, not only for the mobile payments segment but also for other sectors, such as the card industry. This law was the direct result of the interaction between BCB and other governmental bodies, such as the Ministry of Communications, the National Telecommunications Agency (ANATEL), and the Ministry of Finance. After the publication of the law, the BCB defined the rules that regulate the issue, establishing minimum conditions for the secure offer of payment services, stimulating

competition with the entry of new players and boosting the emergence of more competitive and efficient models.

PUBLIC CONSULTATION ON PEER-TO-PEER LENDING

This proposal regulates loan operations between people through electronic platforms and covers the creation and operation of direct credit companies and person-to-person loan companies. 85 contributions were received during the public consultation period between August and November 2017. The regulation is to be published in 2018. Its objective is to broaden the opportunities for economic agents to access the credit market, increase legal security in the segment and provide a more favorable credit framework to the consumer.

PUBLIC CONSULTATION ON CYBER SECURITY

This is a public consultation on the implementation, by institutions authorized to operate by the BCB, of a cyber security policy. This public consultation also aimed to give voice to society on the requirements for contracting data processing and storage services, and cloud computing. The purpose of this initiative is to strengthen the structures of prevention and treatment of incidents related to the cyber environment, so that the financial inclusion of the population can be achieved with quality, accompanied by the proper consumer protection. The public consultation was launched in September 2017 and closed in November of the same year, having received 82 contributions.

DEEPENING THE RELATIONSHIP WITH THE CITIZEN

The initiatives mentioned here are unequivocal examples of the assertion that the path towards financial citizenship is not walked alone. Multiple voices accompany the Central Bank, one that is louder and clearer with each passing day - the voice of the citizen.

Since the creation of BCB's Area of Institutional Relations and Citizenship, actions to not only service, but to proactively interact with the citizen have been improved. Relationship with society includes not only listening to the citizen, their claims and perceptions of the financial system, but also offering services to help them in the task of better relating with the institutions that integrate the SFN. The following are clear examples of initiatives addressed to the Brazilian Citizen:

REGISTRATO

Registrato is a system that allows citizens to have fast, secure and free Internet access to reports containing information about their relations and, more specifically, their credit operations with financial institutions. Between the creation of the Registrato in November 2014 and the end of March 2018, more than 950,000 reports were issued through the system.

¹¹ Basic education in Brazil is comprised by three levels: child education (for children up to 5 years), elementary school (with a duration of 9 years) and high school (with a duration of 3 years).

IMPROVEMENT OF REGISTRATION AND FOLLOW-UP OF CONSUMER COMPLAINTS AND QUERIES

Since 2017, citizens have been able to use the Internet to follow up on their demands (complaints and information requests) sent to the BCB citizen service, regarding their relationship with financial institutions. The BCB receives almost 500,000 demands per year, and the online tracking module, which has been available from May 2017, was accessed over 100,000 times in 2017.

RANKING OF COMPLAINTS AGAINST FINANCIAL INSTITUTIONS

Available on the BCB's official website, the Ranking provides information for users to compare the quality of services offered by banks, financiers and consortium administrators.

UNDERSTANDING THE RANKING

The Complaints Ranking¹² aims to contribute to the transparency of the actions of the Central Bank of Brazil, informing the Brazilian society about the profile of the complaints that were processed, analyzed and finalized by the BCB during each period of reference. The Ranking rates the financial institutions accordingly, with their index of registered complaints and also presents the reasons the complaints were filed.

Thus, the Ranking allows society, especially customers and bank service users, to identify more clearly the nature of the complaints registered before the BCB to the detriment of each financial institution. Therefore, the Ranking helps the citizen to choose the institution that best suits his/her needs.

The highest ranked institutions, either by position in the Ranking or by number of clients, receive official reports from the Deputy Governor of Institutional Relations and Citizenship, covering the most frequent types of complaints observed during a given period. In addition, the Ranking information serves as a subsidy for supervisory actions brought against the institutions, for improvement of the regulation, and for financial education actions.

FINANCIAL CITIZENSHIP WEB PORTAL

In this web portal (<http://cidadaniafinanceira.bcb.gov.br>), available since 2015, the citizen may access the following relevant sections and information:

- > **Profile browsing**, which can help in everyday situations (indebtedness, financial planning, investment);
- > **Training environment**, where courses and collaborative tools are available to assist in planning and improving one's personal finance management. Since 2014, more than 20,000 people have completed the Personal Finance Management online course offered on the platform;
- > **Video episodes of the "My Money and Me" series**. These are short episodes with light and informal language, based on everyday situations that let the viewer reflect on his/her financial decision-making;
- > **Citizen Calculator**, an initiative created in 1999 to simulate financial daily operations (financing, monetary correction, credit card bill payments) from information

provided by the user. The webpage has an average of 400,000 views per year. Since 2010, the calculator has also been available as a mobile application.

PERSONAL FINANCE MANAGEMENT

As the main product of the BCB's financial education initiatives since the creation of the Department for Promotion of Financial Citizenship, personal finance management contents are available in different formats, both online and in-person. One of the highlights is a "trainer training course in personal finance management" that is free of charge for selected participants nominated by BCB partners, with a long-term learning path that combines in-person and on-line activities, and relies on its own specifically-designed didactic material.

MONEY MUSEUM AS AN INSTRUMENT OF FINANCIAL CITIZENSHIP

Since 2013, the BCB Money Museum has carried out studies on economic psychology. One of the Museum main products is the "Have you given it a thought?" exhibition, inaugurated in March 2015. The exhibition seeks to show artifices used in retail marketing to induce consumption, based on the knowledge about how people's brains react. The Money Museum is nowadays a powerful tool to raise public awareness about issues covered by the BCB, such as inflation and exchange, as well as to stimulate reflections on one's personal financial attitudes and behavior.

CITIZEN COMMITTEE

The Committee on Citizen Affairs with the Financial System and the Central Bank - the Citizen Committee - was instituted in 2016 with the objective of addressing the citizen in his/her relationship with the financial system.

POLICIES AS A GUIDE

Two important internal policies, launched in recent years, are important guides on the trajectory towards financial citizenship, as stated below:

Central Bank Relationship Policy with Citizens and Stakeholders

Launched in 2016, it aims to ensure that BCB is effective in its relations to society through the provision of services, dialogue, and accountability, in favor of the satisfaction of the public interest, the promotion of citizenship, and the fulfillment of BCB's mission.

The Central Bank Socio-Environmental Responsibility Policy

Published in August 2017, it addresses the contributions of the BCB for sustainable development, in its social, environmental and economic dimensions. Among other objectives, BCB's Socio-Environmental Responsibility Policy defines guidelines, with a view to stimulate the institutions that are part of the financial system, to participate in the country's balanced development process and to promote access to information, services, and financial products, suitable for the needs of Brazilian citizens and companies.

12 The Complaints Ranking is available at <https://www.bcb.gov.br/ranking/index.asp>

IMPROVING THE DIAGNOSIS

The BCB has made efforts to improve the diagnosis of financial citizenship in Brazil, so that public policies, as well as the proposal and the analysis of actions and initiatives, may be based on solid evidence and background.

BCB's Financial Inclusion Reports (RIF) have been a fundamental step in this process, by consolidating information on financial inclusion in Brazil, available initially in the databases of the BCB. In general terms, the three dimensions of financial inclusion have been taken into consideration:

- > **Access** - availability of financial services and products;
- > **Use** - scope and depth of the use of financial services;
- > **Quality** - relevance of financial services and products to the daily life of the consumer.

Three editions of the RIF have been published. The first, in 2010, represented an effort to integrate information, by means of the interaction of different units of the BCB. The second edition, in 2011, had significant advances, bringing an analysis of the 2000-2010 decade. The report also included a "financial inclusion index", with 18 indicators of access and use of financial services.

The third edition of the RIF,¹³ issued in 2015, presented the evolution of the financial inclusion in Brazil between 2010 and 2014. Analyses were enriched with cross references between databases external to the BCB and also with results of research and surveys that measure the perception of the population on the process of financial inclusion.

THE BCB PROVIDES FINANCIAL INCLUSION DATA TO THE PUBLIC

Since 2012, the BCB has been working to automate data, in order to ensure the quality, timeliness and transparency of the information provided to the public. This process, still under development, has brought important new developments by providing indicators of financial inclusion in the so-called **BCB Time Series System (SGS)**.¹⁴ SGS strengthens and offers different economic-financial information. The series can be consulted individually, in groups, by means of personalized lists and also, automatically.

Researchers and Citizens in general also have access to the financial citizenship data developed by the BCB in the **Federal Government Open Data Portal**.¹⁵ The portal aims to gather and provide data of public interest with unrestricted access, contributing to social control and to the improvement of public administration.

As a way of sharing the results of the work and consolidating the issue of financial citizenship, the **Financial Citizenship Series**¹⁶ was created in 2015. It is a publication that aims to gather and disseminate knowledge developed in BCB's institutional field on financial citizenship and its three pillars.

Since then, specific studies and analyses on financial citizenship have been published in the series, with topics such as microcredit; the efficacy of financial education; the use and quality of financial services in Brazil; credit to individual micro entrepreneurs; and the results of the research on financial behavior. The idea is that the series consolidates its position as an important channel for the dissemination of knowledge and the debate on financial citizenship, which also includes researchers outside the BCB.

THE EXPERIENCE IN THE AFI DATA GROUP CONTRIBUTED TO THE ACTIVITIES

AFI's Financial Inclusion Data Working Group - FIDWG - aims to develop common frameworks to measure financial inclusion and promote its adoption among international AFI member countries. It also allows the sharing of member countries' experiences in defining goals, research methodologies, data analysis, and data use to subsidize policy formulation.

The participation of the BCB in the group has always been highlighted, leading the work of the sub-group of the quality indicators of the FIDWG until the end of 2013, and actively participating in the formulation of these indicators. Brazil's contributions and the exchange of experiences with other members have been fundamental. For example, BCB's participation in the AFI Data group contributed to the development of activities, such as the construction of a structure of financial inclusion data that made up the Financial Inclusion Report 2015 and the dissemination of financial inclusion data in the BCB Time Series, as well as the Open Data Portal of the Federal government - which now exceeds two thousand series.

13 Available, in Portuguese, in <https://www.bcb.gov.br/Nor/relinclin/RIF2015.pdf>

14 SGS Can be accessed in the link [Http://www4.bcb.gov.br/pec/series/ingl/avisoi.asp](http://www4.bcb.gov.br/pec/series/ingl/avisoi.asp)

15 The Open Data Portal is available, in Portuguese, in this link <http://www.datos.gov.br>

16 The Financial CITIZEN Series can be consulted in <http://www.bcb.gov.br/en/#!/n/SERIECIDFINAN>

17 Available, in Portuguese, in <http://www.cidadaniafinanceira.bcb.gov.br/edasaconta/#!/home>

LOOKING AHEAD

LESSONS LEARNED

Some lessons learned throughout the process of strengthening financial citizenship are the following:

ESTABLISHING PARTNERSHIPS

Establishing partnerships is essential for the integral understanding of the environment, for the coverage of a territory of continental proportions, and for the development of material that considers the various nuances of the three pillars of financial citizenship. Establishing and maintaining these partnerships, however, generates the need for constant integration, as well as governance structures that organize tasks, establish a clear mission, avoid "redoing" of work and facilitate the multiplication of knowledge and results among the participants. Building and solidifying these relationships is a considerable part of BCB's work on financial citizenship.

APPLYING HUMAN-CENTERED DESIGN

Throughout our experience with financial citizenship, the importance of deeply understanding the characteristics and needs of the target audience in the design of the initiatives has become clear. An example of this is *É da Sua Conta* ("It's in your interest") - Relationship with the National Financial System (SFN)¹⁷ project. This project was developed to train people responsible for customer service within the governmental Brazilian consumer protection entities. The project's aim was to improve guidance to citizens in financial matters.

To design the solution, *Design Thinking (or human centered design)* techniques were used. The result was the construction of an online platform with tutoring, video-classes, discussion forum, and support manuals, adapted to the profile, language, and working characteristics of the participating government officials. A database of practical cases was also developed, with examples of frequent situations involving financial consumers. The initiative was launched in 2017 and has already reached 349 Brazilian cities, comprising 37% of the country's consumer protection entities.

MAKING IT FORMAL

An important step to consolidating financial citizenship is the institutionalization of a corporate project under the BCB program and project management guidelines. This new Financial Citizenship Project has the objective of improving the coordination of the efforts related to the promotion of the three pillars of financial citizenship within the Central Bank, since they are currently dispersed among various BCB departments.

PARTICIPATING IN INTERNATIONAL FORUM

BCB's work in financial citizenship is also guided by its participation in the main forums and membership in the most relevant international organizations that address the topic. It not only keeps the BCB well informed and updated on subjects that are already being addressed, such as the

development of national strategies for financial education and inclusion, but also guides internal discussions on issues of rapid evolution or those new to the institution.

IMPROVING IMPACT ASSESSMENT

Finally, we must mention the need to improve our impact assessment. Our capacity for the development of material and the establishment of partnerships for elaboration and dissemination are being properly developed, reaching a level of adequate maturity. But, it is still a challenge to properly assess the effectiveness of the initiatives that have been implemented, including many of those cited in this document. This hinders the incremental improvement of the work and the identification of possibly inadequate strategies.

Some of the strategies envisaged to mitigate this problem are the following: approaching other areas within the BCB that can help this development; learning from international reference institutions; and monitoring international forums and organizations that develop work and discussions on the subject.

An important part of this work is the construction of appropriate indicators to measure the evolution of financial citizenship in Brazil, in such a way that it is possible to identify the impact of BCB interventions, including the development of a specific index. To reach these goals, we count on our important partnership with AFI.

ON THE HORIZON

Some of the main actions that are currently being developed by the BCB and its partners are the following:

IMPROVING THE CONCEPT OF FINANCIAL CITIZENSHIP

Throughout this journey, the need to deepen our knowledge about the meaning of financial citizenship and to find ways to measure its evolution has become clear. This is an essential step for the definition of criteria for the diagnosis of the current situation; the detailing of initiatives that contribute effectively to the promotion of financial well being; the delimitation of the scope of the efforts; and the evaluation of the results of the strategies we have chosen to adopt.

Deepening the concept of financial citizenship has been done since 2015, through studies, debates and technical meetings on the subject. As explained in this publication, financial citizenship goes far beyond the BCB's areas of competence. Therefore, this process of conceptualization involves the participation of different stakeholders from the academia, the third sector, government and the private sector. This conceptual discussion will be published this year in BCB's Financial Citizenship Series.

¹⁷ Available, in Portuguese, in <http://www.cidadaniafinanceira.bcb.gov.br/edasuaconta/#!/home>

In addition to this need for conceptual deepening, there are other subjects in our path, including those described below:

ECONOMIC EDUCATION

The BCB intends to make economic concepts, such as inflation and interest rates, more accessible to the population. The institution also aims to demonstrate how individual expectations and behaviors can exert influence on the economy as a whole and how economic changes can affect each person's lives. This work can bring obvious benefits to the population (knowledge, empowerment, and ultimately, financial well-being) and optimize monetary policy by increasing the credibility and reputation of the monetary authority, as well as the transparency of the BCB's actions.

SAVINGS

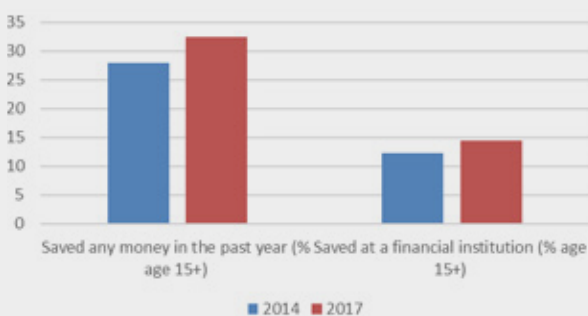
It is also important to consider the Brazilian citizen's tendency to think in immediate terms and not save money, which has largely been validated by research. Although these characteristics are more notable among groups with lower income and less schooling, the fact that it also occurs in significant levels in the more privileged groups of the population, draws our attention. In addition to the people's natural resistance to the habit of saving, we must also consider cultural issues such as Brazil's recent past of hyperinflation, which stimulated consumption instead of saving, and the population's low levels of financial education.

All of this directly affects the creation of public policies, which must consider the tendency of the population to not to give up consumption in the present, in exchange for saving resources for the future.

ALMOST 30% OF BRAZILIANS SAVE MONEY

Research carried out in 2015 by the BCB, in association with Serasa Experian and Ibope, showed that only 31% of respondents claimed to have saved some of their earnings in the previous twelve months.¹⁸ The latest edition of the Global Financial Inclusion (Global Findex), published in 2017, arrived at a close result (32%), as shown in figure 6.

FIGURE 6: SAVINGS LEVEL IN BRAZIL



Source: Global Financial Inclusion (Global Findex)

GLOBAL TRENDS - GENDER AND DIGITALIZATION

Topics that are gaining strength on the international stage are also being monitored in the BCB, such as gender issues and the financial inclusion of women. The BCB has been using the extensive set of data it possesses on financial inclusion in Brazil to understand the differences between men and women, both within the context of access to and use of financial services.

The **digitization of financial services** and its consequences on regulation, education, and protection of the population, is also a trend that the BCB follows closely. It implies a new interaction between technology and human beings, offering a new and promising set of tools, and possibilities to improve financial citizenship, while presenting a new set of risks to be considered.

We know that the future has new and complex challenges that may distance us from our objective: a population with access to options for financial services that fit personal needs and situations, aware of their rights and duties, capable of making informed decisions about their financial life, and collaborating for a more solid and efficient financial system.

However, in the company of our partners in the public and private sectors, we will continue to seek to understand our environment, so we can draw and track the best possible path towards our final destination.

¹⁸ Based on a toolkit developed by the International Financial Education Network (INFE), within the framework of the OECD (INFE/OECD toolkit).

Alliance for Financial Inclusion

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