

Brazil's Regulatory Framework to Encourage Competition

Brazil's financial sector reforms illustrate how a strong competition lens can drive inclusion, supported by a regulatory framework that actively enables new entrants and innovation. The Central Bank promoted competition by introducing new licensing categories for payment institutions and fintech lenders, simplifying onboarding requirements, and investing in digital infrastructure like Pix, which contributed to a dramatic expansion of account ownership and usage over the last two decades ([AFI, 2025](#)). At the same time, Brazil's broader regulatory approach has created legal certainty and proportional oversight for fintechs, with multiple authorities supervising different activities to encourage innovation while managing risk ([Mesquita & Barata, 2023](#)). Together, these efforts lower barriers to entry, enable diverse business models, and foster a competitive ecosystem in which fintechs and digital banks can compete at the national level, driving both innovation and expanded access to financial services.

Quick facts

Barriers addressed



Policy & Regulation

Policies that discourage healthy financial sector competition



Digital & Physical Infrastructure

Lack of inclusive instant payment systems

Unreliable payment system & network

Distance from financial service points

Poor digital & foundational ID infrastructure

Segment focus

1 2 3 4

Geography

Brazil

Sources

[AFI \(2025\)](#)

[BCB \(2025\)](#)

[BCB \(2016\)](#)

[CGAP \(2025\)](#)

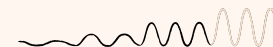
[IMF \(2023\)](#)

[Mesquita & Barata \(2023\)](#)

[Vidal, Jenik, & Salman \(2023\)](#)

[Xu \(2026\)](#)

Customer Journey Relevance



Key stakeholders involved

Banco Central do Brasil

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Key activities

Brazil's Central Bank (BCB) has advanced competition in the financial sector through a series of regulatory and infrastructural interventions that expanded participation and reduced barriers to entry and use. The 2013 Payments Law enabled nonbank actors to operate as regulated payment institutions ([AFI, 2025](#)), and subsequent regulations allowed customers to open and manage accounts online, without needed to travel or appear in person ([BCB, 2016](#); [Xu, 2026](#)). In parallel the rollout of open finance frameworks enabled data sharing across institutions, with consent from consumers ([Vidal, Jenik, & Salman, 2023](#)).

In 2020, BCB took another step to strengthen competition through the launch of Pix, Brazil's interoperable instant payment system, which connects banks, nonbank lenders, and conustmers under BCB regulation and operation ([BCB, 2025](#); [AFI, 2025](#)). Large institutions—those housing more than 500,000 accounts—are required to participate in Pix, which has rapidly become the country's largest payment system ([IMF, 2023](#); [BCB, 2025](#)).

Outcomes/results

- As of 2025, Pix is the most common payment system in Brazil – used by 74.5% of women and 78.4% of men, and broadly adopted across age and income groups ([BCB, 2025](#))
- Nubank reached 100 million customers by 2024, of which nearly a quarter were previously unbanked ([Xu, 2026](#)). 44.4% of first-time customers were women, and 35.5% were men (20% declined to identify their gender; [CGAP, 2025](#))
- Doubling of non-bank credit institutions between 2018 and 2024, reaching 40% of Brazil's adult population - nearly 60 million borrowers ([Xu, 2026](#))
- Increased competition is associated with reduced average lending rates by commercial banks, by 2.7 percentage points since 2018, and with increased operational efficiency of commercial banks ([Xu, 2026](#))

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Key enabling environment factors for the intervention

Strong institutional leadership by BCB provided a clear and cohesive regulatory framework across banking, payments, and data-sharing, creating an enabling environment for innovation and competition. This was complemented by high levels of digital readiness, including widespread smartphone penetration across income groups, which supported rapid adoption of digital financial services ([Vidal, Jeník, & Salman, 2023](#)).

Key design elements and principles that led to successful outcomes

- Pix designed as a free, instant, universal platform, lowering costs and barriers to usage. Systems were designed to be inclusive and interoperable, allowing banks, fintechs, and non-banks to participate, and large institutions were required to participate.
- Policies explicitly aimed to reduce concentration, enable switching, and foster new entrants.

- Sequenced reform approach: Brazil first addressed structural barriers in payments, then layered open finance and credit market reforms ([Xu, 2026](#))

Potential for scale/replicability

Brazil's model offers a blueprint for other countries to expand financial inclusion through regulation that encourages competition and innovation, alongside digital infrastructure like Pix. Brazil's experience suggests that replication requires strong, coordinated regulatory leadership and alignment of competition, innovation, stability, and inclusion. Replication must be undertaken with careful consideration of local market conditions, available digital infrastructure and penetration, regulatory maturity, and the ability to sustain reform momentum over time. Policymakers must also consider the extent to which ecosystem-level effects will reach women, and the extent to which regulatory frameworks and policies can and must be gender-intentional.

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Challenges encountered during the program

Advances in the widening of the financial sector have introduced new risks and constraints. Expanded access to credit has been accompanied by rising household indebtedness, with the debt-to-income ratio increasing significantly, from 37% to 50% between 2018 and 2022 (Xu, 2026). At the same time, limited awareness of open banking and reluctance to share data across institutions, particularly among women and lower-income customers, has slowed uptake (Vidal, Jenik, & Salman, 2023). The rapid scale of Pix has also created supervisory and monitoring challenges for regulators (IMF, 2023).

Recommendations from the research

- **Balance competition with consumer protection** and financial literacy to avoid over-indebtedness while expanding access.
- **Strengthen trust** through transparency, consent, and data protection policies.

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