



Flanders  
State of the Art

A central graphic featuring the word "FINTECH" in a dark blue box. Surrounding it are various icons representing fintech concepts: a smartphone, a candlestick chart, a padlock, a line graph, a refresh symbol, a document with a list, a credit card, and two people silhouettes. The background consists of glowing blue circuit lines and a person in a suit holding a tablet.

**FINTECH**

# FINTECH SECTOR IN BRAZIL

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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**FINTECH SECTOR IN BRAZIL**

14.10.2021

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## CONTENT

<b>1.</b>	<b>INTRODUCTION.....</b>	<b>3</b>
<b>2.</b>	<b>MAPPING.....</b>	<b>4</b>
<b>3.</b>	<b>BANK CONCENTRATION.....</b>	<b>6</b>
<b>4.</b>	<b>FINANCIAL INCLUSION.....</b>	<b>7</b>
4.1	THE UNBANKED POPULATION IN BRAZIL	7
4.2	EXPANSION OF THE FINTECH ECOSYSTEM	7
4.3	CHALLENGES AND OPPORTUNITIES FOR FINTECHS	8
<b>5.</b>	<b>BRAZIL'S FINTECH ECOSYSTEM.....</b>	<b>8</b>
5.1	A WIDE DIVERSITY OF SOLUTIONS FOR COMPANIES AND CONSUMERS	10
5.2	TRANSVERSALITY AS AN INCREASINGLY COMMON REALITY	10
5.3	A STRONG ECOSYSTEM STILL ON THE PROGRESS OF DEVELOPMENT	10
5.4	SPECIALIZATION TREND IN THE FINTECHS ECOSYSTEM	11
<b>6.</b>	<b>GENERAL ECOSYSTEM STATISTICS.....</b>	<b>11</b>
<b>7.</b>	<b>THE ROLE OF CRYPTO ECOSYSTEM.....</b>	<b>13</b>
7.1	DIGITAL SERVICES CONCENTRATE FUNDING IN FINTECHS	13
7.2	PROPER SCENARIO FOR FINTECH ACQUISITIONS	14
7.3	MOST IMPORTANT FINTECHS IN BRAZIL PER SUBSECTOR	15
7.4	THE IMPORTANCE OF INNOVATION	16
<b>8.</b>	<b>DISRUPTION OF THE INSURANCE SECTOR.....</b>	<b>17</b>
<b>9.</b>	<b>CRYPTO CURRENCIES AND TOKENS.....</b>	<b>18</b>
<b>10.</b>	<b>FINANCIAL EDUCATION.....</b>	<b>18</b>
<b>11.</b>	<b>CONCLUSION.....</b>	<b>20</b>
<b>12.</b>	<b>BIGGEST FINTECHS IN BRAZIL - MAIN INVESTORS.....</b>	<b>21</b>

# 1. INTRODUCTION

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There is no such prosperous territory for the development of fintech's in the world today as Brazil. A number of factors come together to explain this very favorable environment: it is a large region, home to more than 210 million people, with a large consumer market that is still unbanked or under-banked; there is a huge banking concentration in the countries of the region, there is still a lot to be developed in the offer of digital banks; money is still the main means of payment for the vast majority of the population, among other factors that together cause a "perfect storm", that is, a favorable scenario for the explosion that is currently observed in the fintech sector.

In this scenario, Brazil has a prominent role <sup>1</sup>, both for its economic and sociocultural power, which gives it a considerable degree of influence in the Latin America Region, but also for the culture of technological entrepreneurship that has developed in the country and bringing development, innovation and solutions to problems in the most diverse sectors, including finance.

Brazilian startups have already received until September 2021 US\$ 6.9 billion through 558 deals. Fintech is the hottest sector, with US\$ 2.9 billion contributed through 124 deals.

The innovation ecosystem is also still highlighted in the number of M&As carried out, there were 178 transactions in 2021, 19 of them in September 2021 alone. Following this pace, we will reach approximately 250 transactions carried out by the end of the 2021 <sup>2</sup>.

The maxim that necessity is the mother of inventions explains the capacity and inventiveness of Brazilian entrepreneurs and the vitality of its ecosystem of financial technologies. It is in this spirit that we announce the Fintech Study in Brazil, whose objective is to map the universe of Brazilian fintech companies, present their main numbers, as well as some trends for the sector in Brazil.

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<sup>1</sup> <https://www.finnovista.com/en/radar/brasil-recupera-el-liderazgo-fintech-en-america-latina-y-supera-la-barrera-de-las-370-startups/>

<sup>2</sup> <https://materiais.distrito.me/dataminer-inside-venture-capital-brasil>

## 2. MAPPING

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Most Brazilian fintechs are located in São Paulo (70%), closely followed by Rio de Janeiro and Belo Horizonte. Not only are these three cities in the top 10 biggest cities of the country in terms of inhabitants, they also contribute most to the national GDP (in both cases, São Paulo is number one and Rio de Janeiro number two). Some characteristics of the three cities:

São Paulo already houses South American headquarters of among others Google, Uber and Airbnb <sup>3</sup>besides offices of venture capital firms. Lately, the municipality has put more effort in automating processes and improving technological access by for example installing several new Wi-Fi-spots in the city.

Most of the important incubators and accelerators for start-ups are located in São Paulo. Google, for example, has its only Latin-American incubator in São Paulo, which is one of the six worldwide. Both Itaú and Bradesco – two of the most important private banks in Brazil – have their incubators in São Paulo and work closely together with well-known venture capital funds.

Although most of the activity is centered in São Paulo, Rio de Janeiro and Belo Horizonte each have their own unique fintech climate. In Rio, many fintechs are created from social inequality as many companies focus on the inhabitants without access to traditional financial services as for example Banco Maré<sup>4</sup>: a blockchain based digital platform focusing on people who are not included in the financial system.

Belo Horizonte, on the other hand, is known for delivering IT graduates and Google opened its engineering center in the city as from 2016. Belo Horizonte also has San Pedro Valley: a private hub with over 300 startups including some fintech companies.

### GLOBAL FINTECH CITIES

#### HOW THE GLOBAL FINTECH INDEX WORKS<sup>5</sup>

Country and city rankings are calculated by a proprietary algorithm developed by Findexable in conjunction with their data partner StartupBlink to determine city and country scores. Findexable only use quantifiable data, from reliable sources, ignoring subjective inputs such as interviews or industry opinions. The Global Fintech Index scores each location for:

- the quantity of privately owned fintech companies
- the quality of those companies
- the local business environment

Below the results for global fintech cities ranking up to June 2021

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<sup>3</sup> <https://www.nathanlustig.com/the-brazilian-startup-ecosystem-sao-paulo-rio-de-janeiro-belo-horizonte-and-florianopolis/>

<sup>4</sup> <https://bancomare.com.br/>

<sup>5</sup> [https://findexable.com/wp-content/uploads/2021/06/Global-Fintech-Rankings-2021-v1.2\\_30\\_June.pdf](https://findexable.com/wp-content/uploads/2021/06/Global-Fintech-Rankings-2021-v1.2_30_June.pdf)





### 3. BANK CONCENTRATION

Before the implementation of the Real Plan in 1994, inflationary revenues obtained by commercial banks accounted for around 38% of total revenues. The latest and successful plan to combat inflation caused this share of inflationary revenues to fall to levels close to 0.6%.

In order to have an idea of the situation, in a study released by the Central Bank in 2001 it is possible to see the seriousness with which the banking market has become concentrated.

In the first quarter of 1994, there were about 247 banks, a number 31% higher than the amount registered 6 years later (2000). The fall in the number of banking groups is even more relevant. In the same period of analysis, there was a reduction from 243 to 152.




Banking concentration served to smooth a little the loss of revenue arising from an environment in which extraordinary levels of inflation prevailed.

According to the Banking Economy Report of the Central Bank, in 2019 the five largest banking institutions in the country (Banco do Brasil, Caixa Economica Federal, Itau, Santander and Bradesco) concentrated around 80% of the banking market, a percentage higher than that registered a year earlier <sup>6</sup>.

In other words, even though the monetary authority acted in favor of reducing concentration, the results still do not point to really significant changes.

The attempt to maintain shareholder profitability at levels where extraordinary gains were possible, coupled with the arrival of potential competitors whose costs are a fraction of the costs of traditional banks, explain, in part, the difference between the bank spreads present in banks traditional banks and digital banks and fintechs.

#### Much of the Population in Latin America Is Underserved by Banks

Country	Number of Banks	Concentration	Debit Cards	Credit Cards	Unbanked
 Brazil	174	Top 5 Banks: 80%	70%	33%	33%
 Mexico	51	Top 5 Banks: 69%	37%	30%	50%
 Colombia	25	Top 5 Banks: 77%	52%	26%	32%

Sources: ENIF, World Bank, Capital IQ, Financial Superintendence of Colombia, Verisk Financial Research, Reuters, Statista, Bankscope

<sup>6</sup> <https://www.bnamericas.com/en/features/banking-concentration-returns-to-the-spotlight-in-brazil>

## 4. FINANCIAL INCLUSION

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### 4.1 THE UNBANKED POPULATION IN BRAZIL

According to the study, 16.3 million do not have a bank account – a number that represents 10% of the adult population. Another 17.7 million – around 11% – have not used their bank account for at least a month. However, this group, representing 21% of the population, transacts BRL 347 billion annually.

Most of the unbanked Brazilians are young women, aged between 18 and 29 years old. These are generally people who live in remote areas, belonging to social groups D and E, and have only elementary education.

According to the survey, among the other 79% of the population, are the underbanked. These are people who, even with an active bank account, do not use all the financial services, such as credit, investments, payment methods, or insurance.

### 4.2 EXPANSION OF THE FINTECH ECOSYSTEM

Fintechs will better serve customers who do not receive good or no service from banks, whether for self-employed professionals, for example, with their limited proof of income but who need credit to grow; or for underrepresented groups in the ecosystem that like personalization and prioritize identification. The main innovation factor of fintechs is precisely to make the banking system an accessible instrument, understanding the market and its risks. There is need to provide access to credit, which is one of the major bottlenecks in the national banking system.

It is fundamental to address the pain of tens of millions of Brazilians without access to credit. It is difficult for the ecosystem to truly scale if the solutions are concentrated in large companies or clients of the A&B classes, not that these are not good groups, but the expansion involves the democratization of the services for the 80% of companies and individuals that are concentrated in SMEs and classes C, D & E.

We are living in a unique moment of transformation in the financial sector in Brazil, fintechs have a fundamental role in the process of reinventing models, democratizing services, reducing costs, including consumers and so on. This is a cycle that feeds on itself, the more financial inclusion, the more specialized fintechs will emerge, promoting niche solutions that aggregate and digitalize the financial life of the population <sup>7</sup>.

The more people understand compound interest, have access to credit at fair rates, and are able to invest with quality, the better the quality of life for this person. And since the big banks have been dealing with this problem for decades, and still haven't solved it, it seems the good fintechs will benefit from it.

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<sup>7</sup> <https://www.pagbrasil.com/news/brazil-34-million-unbanked/>



## 4.3 CHALLENGES AND OPPORTUNITIES FOR FINTECHS

Financial planning is extensively and exhaustively discussed in the most diverse communication channels. The fact that the average Brazilian is not capable of creating an emergency reserve, nor “venturing” into more complex investments than savings is one of the issues that mostly shock specialists.

The latest Savings Report <sup>8</sup> indicates that Brazilians have around R\$1.02 trillion in savings accounts. In just one year, the stock of resources in savings accounts grew by 22%. In two years, the increase was 29%.

But there is more. According to the Brazilian Institute of Geography and Statistics (IBGE), around 80% of the Brazilian population (168 million people) earns up to R\$1,400 ( around US\$ 250) <sup>9</sup>. This amounts to just over a minimum wage.

The data mentioned refer to the average household income per capita. For people with income at this level, a tank of fuel and a basic food basket can compromise around 85% of per capita income.

The intention is not to say that financial planning is not feasible in Brazil. We need to carefully observe this huge gap between income groups, regions, age groups and other characteristics, in order to effectively understand the opportunities that exist for the operation of fintechs in Brazil. Since, under this aspect, little has effectively changed.

## 5. BRAZIL’S FINTECH ECOSYSTEM

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Brazil received more than US\$ 2.1 billion in investments in Venture Capital in the first quarter of 2021. The data are from the Venture Pulse report <sup>10</sup>, prepared by KPMG, which analyzes the global behavior of this relevant sector. These results place the country as the third largest responsible for the record growth in Venture Capital in the Americas. First, there is the United States - the country has won US\$ 69 billion in investments - and in second place, Canada, which obtained around US\$ 2.5 billion.

In the first quarter of 2021, fintechs - financial startups received US\$ 517 million in contributions, which represents 25% of all resources invested in 2020. With the regulatory environment built by the Central Bank through resolutions that reduce bureaucracy - with emphasis on the PIX and Open Banking - in addition to the acceleration of business digitization due to the pandemic, several opportunities have arisen for the performance of fintechs.

So far, there are 1158 fintechs in Brazil <sup>11</sup>, and this ecosystem tends to grow at a fast pace, not only because of the regulatory environment that has favored the operation of these players, but also because of the growing increase in contributions by risk investment funds, as well as the significant rise in the number of M&As.

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<sup>8</sup> updated daily at <https://bit.ly/3etwWih>

<sup>9</sup> <https://observatorio3setor.org.br/noticias/80-dos-brasileiros-tem-renda-per-capita-inferior-r-14-mil/>

<sup>10</sup> <https://home.kpmg/br/pt/home/insights/2021/01/venture-capital-brasil-investimentos.html>

<sup>11</sup> <https://valoragregado.com/2021/05/17/fintechs-receberam-us-731-milhoes-ate-agora-em-2021/>

Regarding innovation and expansion, fintechs have stood out in modernizing the sector, offering new products, services and new experiences to consumers - and a large part of this offer is accessible to a notable portion of the population.

As almost 100% of the solutions provided by fintechs are digital, the business becomes scalable and, therefore, allows opportunities for expansion to other countries, especially in Latin America. But there are still many possibilities in Brazil - with a population with little financial education and one of the largest global consumer markets, the country has a favorable environment for fintechs.

An interesting move is the growing approximation between banks and large fintech companies, whether through acceleration programs, partnerships and even contracting their services. All of this further strengthens the ecosystem, promotes opportunities and allows for the advancement of contact channels with the end customer.

In this scenario, Brazil has become an ecosystem of reference in technologies focused on financial services. Today, with a greater number of people connected to the internet and the use of new tools, there is a wide variety of channels that connect users and institutions, which gives customers autonomy to take care of their finances.

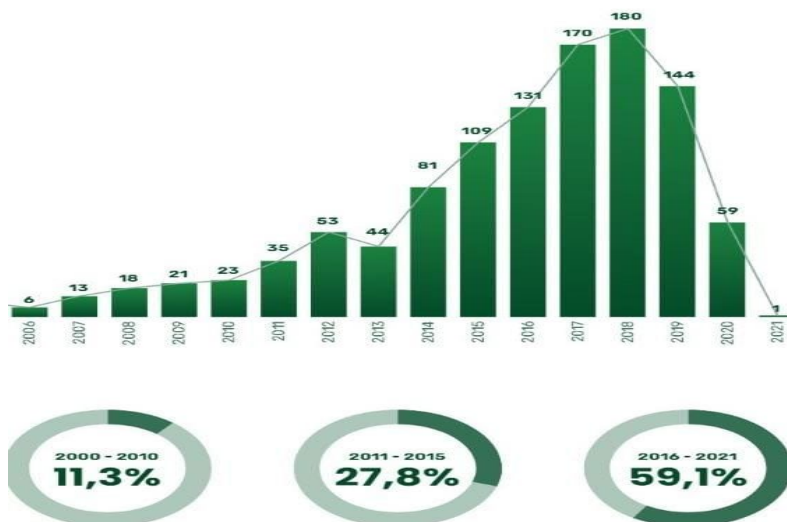
In Brazil, 105 startups were identified with a profile that includes elements such as growth speed, management team, funding rounds and valuation <sup>12</sup>. Fintechs represent the largest number of companies: more than a quarter of the total (27.6%).

### **MOST BRAZILIAN FINTECHS WERE FOUNDED RECENTLY <sup>13</sup>**

59,1% in the period 2016-2021

27,8% in the period 2011-2015

11,3% in the period 2000-2010



<sup>12</sup> <https://techcrunch.com/2017/05/13/brazils-fintech-boom-offers-new-vertical-opportunities-for-investors/>

<sup>13</sup> <https://materiais.distrto.me/agradecimento-fintech-mining-report-2021?submissionGuid=de2ec3fc-42ca-4550-adcc-0c40a9bfd2b0>

## 5.1 A WIDE DIVERSITY OF SOLUTIONS FOR COMPANIES AND CONSUMERS

The Brazilian fintech ecosystem is one of the most diverse and successful, with many well-established companies operating on its component fronts, which we present here. We observe how there is a relatively balanced distribution when we divide startups by performance categories, corresponding to the nature of the core of their financial solution.

Means of Payment, Credit and Backoffice solutions are the most numerous categories today, with several startups specializing in these pains for consumers and other companies in the financial market. The relatively large number of insurtechs, startups that offer insurance solutions, is noteworthy, as it is an extremely promising sector, but with a very significant barrier to entry.

Also, it is interesting to note how vast the number of cryptocurrency solutions is, given that it is still a very new category not only here, but in the global financial landscape.

## 5.2 TRANSVERSALITY AS AN INCREASINGLY COMMON REALITY

With each passing year our fintech ecosystem categorization exercise becomes more complex. This is mainly due to the speed of innovation industry startups and the increasingly complete range of solutions that different players offer to consumers.

If, traditionally, the focus of fintechs was on offering unique solutions, extremely specialized, and mediated by new technologies - contrasting with the more generalist solutions of traditional financial institutions - what we see today are companies that are increasingly expanding beyond their traditional domains.

This movement is observable, above all, among the more mature and expressive fintechs, such as the “neobank” Nubank <sup>14</sup>, the largest in the world in this description, and the Brazilian leader in international payments, Ebanx <sup>15</sup>.

It is interesting to note that this transversality occurs both in fintechs specializing in the provision of services for consumers, such as those whose main front of action is with other businesses.

## 5.3 A STRONG ECOSYSTEM STILL ON THE PROGRESS OF DEVELOPMENT

Despite being one of the most consolidated innovation ecosystems in the Brazilian technological entrepreneurship panorama, we observe that most fintechs are still relatively young, having been founded from 2016 onwards - approximately 60% of the total.

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<sup>14</sup> <https://www.forbes.com/sites/jeffkaufman/2021/04/07/fintech-billionaire-david-velez-nubank-brazil-digital-bank/?sh=7d451486b279>

<sup>15</sup> <https://a16z.com/2021/04/13/latin-america-fintech/>

This indicates that the ecosystem is not yet saturated, on the contrary, there are several opportunities for the performance and development of new players in the country. Still significant growth is expected in these numbers.

The reduction in the number of startups from 2019 is due to the greater complexity of identifying startups that are still very young, whose brands are still not well known in the markets in which they operate.

## 5.4 SPECIALIZATION TREND IN THE FINTECHS ECOSYSTEM

With the increasing competitiveness and complexity of the ecosystem of technological financial solutions, we are seeing an increasingly strong trend of acting in niches, that is, of fintechs specialized in offering solutions for the unique pains of specific audiences.

Fintechs are one of the sectors where Brazilian startups are more mature, so there is a panorama with well-established players operating, including international presence.

Focusing on the specific financial needs of some sectors is one of the most successful practices, which has been proven in the many success stories of fintechs with B2B and B2C expertise for companies and consumers in sectors such as agribusiness, real estate, health, energy, sustainability, among others.

This movement is especially beneficial for the sectors where these fintechs operate, since they are able to offer an expert-driven and efficient experience, delivering tailor-made solutions without the burden of traditional financial institutions.

## 6. GENERAL ECOSYSTEM STATISTICS

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### **MOST FINTECHS OPERATE ON THE BUSINESS FOR BUSINESS MODEL (B2B)**

Over half of fintechs provide services to businesses, especially small and medium-sized entities (annual billings up to R\$ 90 million), whereas 43% serve individuals.

Those with exclusive focus on servicing corporate clients increased from 29% to 40%. The change reflects greater confidence of corporates in these service entities and increasing willingness of fintechs to take on corporate risks. Having enhanced their service platforms for the individual, they are now developing more complex services for companies, which require, for example, more comprehensive record keeping, without the benefit of standardized or digitalized documents.

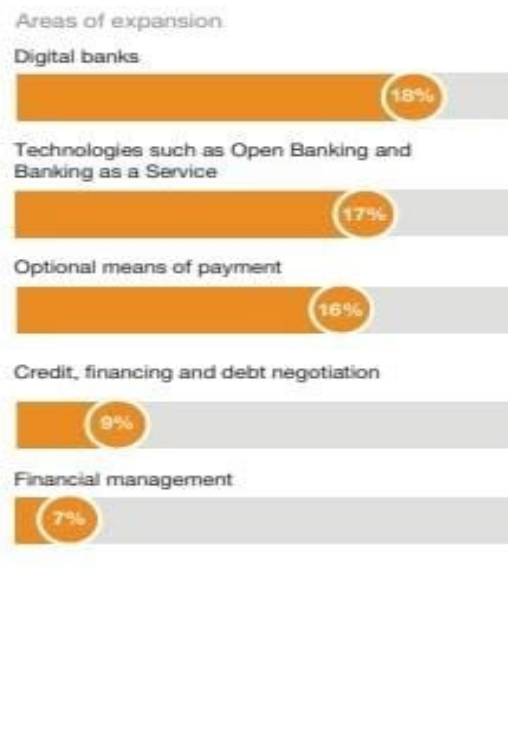
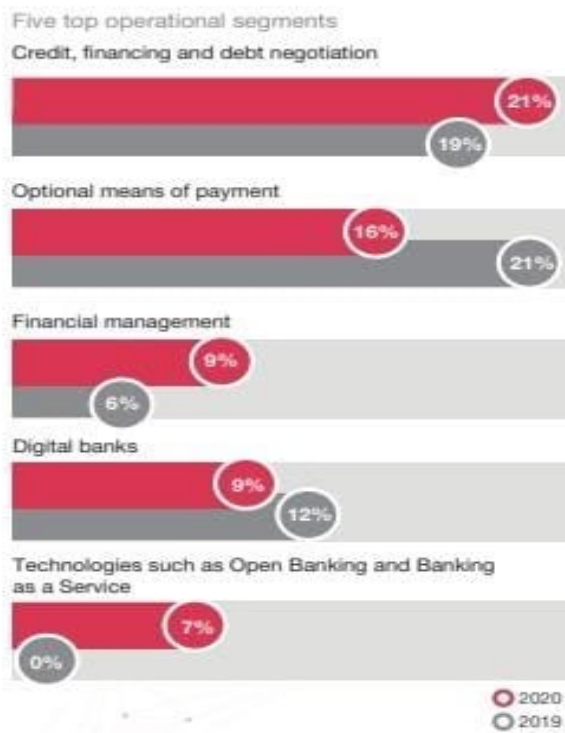
The vertical of technologies of Open Banking and Banking as a Service already appear in fifth in the ranking of the main segment operations, and in second in the list of segments into which companies are expanding.

**Five top operational segments** <sup>16</sup>

- Credit, financing and debt negotiation - 21%
- Optional means of payment – 16%
- Financial management – 9%
- Digital banks – 9%
- Technologies such as Open Banking and Banking as a Service – 7%

**Areas of expansion**

- Digital banks – 18%
- Technologies such as Open Banking and Banking as a Service – 17%
- Optional means of payment – 16%
- Credit, financing and debt negotiation – 9%
- Financial management – 7%



<sup>16</sup> Fintech Deep dive 2020, pg 9 - [https://6616f38f-e25d-475f-a303-Od73ddb2746b.filesusr.com/ugd/27398d\\_22d93b21bc08410a8b23301334287d23.pdf](https://6616f38f-e25d-475f-a303-Od73ddb2746b.filesusr.com/ugd/27398d_22d93b21bc08410a8b23301334287d23.pdf)

## 7. THE ROLE OF CRYPTO ECOSYSTEM

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One of the greatest values of the innovation ecosystem is the collaborative purpose. There is a lot of value in organizing forces to deal with an environment with more barriers (natural, regulatory or created by incumbents).

Startups like Neon and Nubank <sup>17</sup>, for example, grew in the Brazilian market supported by this model. Only in this way they were able to dialogue with the Central Bank of Brazil, for example, which started to act on regulations that favored the development of digital banks - and ours have even been successful in the global market dispute.

One of these achievements, it is worth mentioning, was Bacen Resolution No. 4,649 <sup>18</sup>, which prevented banks from closing accounts of payment institutions (the formal aspect of those digital accounts) and favored the development of the sector.

The good news is that the Brazilian fintech environment is already quite mature, with funds and accelerators offering capital and support to entrepreneurs, with incumbents and startups collaborating with each other, and regulators increasingly keen to stimulate proposals for regulatory evolution (see CVM, Bacen and Susep sandbox). At this point, the crypto market is increasingly part of the financial and capital system. The use of the block-chain as an infrastructure to remove unnecessary intermediaries and lower the cost of funding is a movement with no return.

### 7.1 DIGITAL SERVICES CONCENTRATE FUNDING IN FINTECHS

Breaking down investments by category, the Digital Services sector concentrates most of the funding. This distribution is justified by the presence of neobanks such as Nubank, Neon, among others, in this category, as these are the fintechs that receive the most private investment. This category alone receives more than half of all funding from fintechs.

Next, we highlight credit solutions, a vertical that has shown great growth in recent years, followed by Fintechs in means of payment and insurance, the so-called insurtechs.

For instance, Brazilian digital bank Nubank announced June 2021 that it had received a \$500 million investment from Warren Buffett's investment fund Berkshire Hathaway.

Berkshire Hathaway's investment is an extension of the fintech's \$400 million Series G round announced in January. Buffett's company also has StoneCo, a Brazil-based digital payments firm, among its tech investments in the region. <sup>19</sup>

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<sup>17</sup> <https://ibsintelligence.com/ibsi-news/5-fintech-companies-transforming-the-financial-space-in-brazil/>







<sup>18</sup> [https://www.bcb.gov.br/en/financialstability/fintechs\\_en](https://www.bcb.gov.br/en/financialstability/fintechs_en)

<sup>19</sup> <https://www.forbes.com/sites/angelicamarideoliveira/2021/06/08/warren-buffetts-berkshire-hathway-invests-500-million-in-brazilian-challenger-nubank/?sh=12d28bf43717>



It is worth noting that the development of the ecosystem has taken place at a very fast pace and that, with the increase in mega rounds, there is room for sudden changes in this scenario.

## NUBANK X 5 TOP TRADITIONAL BRAZILIAN BANKS

						
<b>Valuation</b>	\$30B	\$51B	\$24B	\$15B	\$38B	\$29B
<b>Number of customers</b>	40M	55M	103M	54M	72M	26M
<b>Deposits</b>	\$6B	\$150B	\$99B	\$111B	\$100B	\$68B
<b>Loans</b>	\$3.3B	\$133B	\$128B	\$126B	\$77B	\$92B
<b>Loans / Deposits</b>	<b>59%</b>	<b>89%</b>	<b>129%</b>	<b>114%</b>	<b>77%</b>	<b>135%</b>
<b>Revenue</b>	\$0.9B	\$38B	\$14B	\$23B	\$48B	\$13B
<b>Net profit</b>	-\$0.1B	\$3.5B	\$3.9B	\$2.2B	\$3.0B	\$2.4B
<b>Number of employees</b>	4k	96k	87k	99k	100k	43k
<b>Customers per employee</b>	<b>10,000</b>	<b>573</b>	<b>1,184</b>	<b>545</b>	<b>720</b>	<b>605</b>
<b>Deposits per customer</b>	<b>\$140</b>	<b>\$2,727</b>	<b>\$961</b>	<b>\$2,056</b>	<b>\$1,389</b>	<b>\$2,615</b>
<b>Revenue per customer</b>	<b>\$23</b>	<b>\$691</b>	<b>\$136</b>	<b>\$426</b>	<b>\$667</b>	<b>\$500</b>

## 7.2 PROPER SCENARIO FOR FINTECH ACQUISITIONS

Most of the recent acquisitions involve companies that offer new forms of payment and facilitations for credit lines. We note that there are companies of various specialties acquiring fintechs and not just banks, insurance companies and other players in the financial market, which indicates a general opening of the market for the adoption of solutions in this line.

Another common factor among the acquired companies is the focus on the B2B audience. Working with this audience, it is possible to reach higher levels of personalization and assertiveness regarding the offer of products and services.

An interesting point of analysis is the acquisition of startups with the objective of implementing them in acquirers. BTG Pactual acquired Kinvo with the probable objective of incorporating its functionalities into the platform itself. This trend is becoming common, as it is more agile and cheaper in the long run to incorporate a ready-made tool rather than designing a completely new one.

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### 7.3 MOST IMPORTANT FINTECHS IN BRAZIL PER SUBSECTOR

Payments	Lending	Insurtech	Investech	Blockchain	Other

#### SOME IMPORTANT PAYMENT FINTECHS IN BRAZIL

- PAGAR.ME - <https://pagar.me/>
- PAGSEGURO - <https://pagseguro.uol.com.br>
- VINDI - <https://vindi.com.br/>
- STONE - <https://www.stone.com.br/>
- RECARGA PAY - <https://recargapay.com.br/>
- ZOOP - <https://zoop.com.br/>
- IUGU - <https://www.iugu.com/>

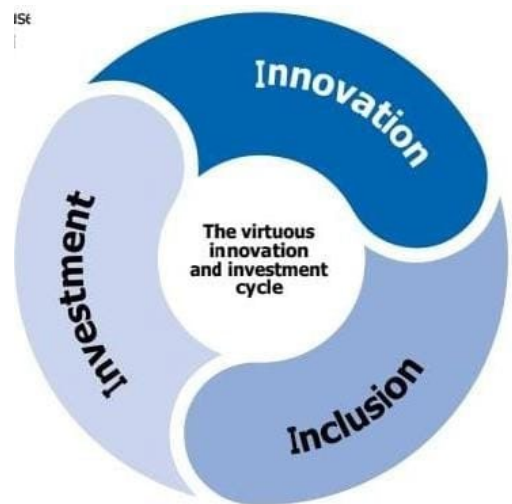
#### SOME IMPORTANT LENDING FINTECHS IN BRAZIL

- NUBANK - <https://nubank.com.br/>
- CREDITAS - <https://www.creditas.com/>
- PRAVALER - <https://www.pravaler.com.br>
- GERU - <https://www.geru.com.br/>
- WEEL - <https://weel.com.br/>
- BIZ CAPITAL - <https://bizcapital.com.br>
- FINANZERO - <https://finanzero.com.br/>



## 7.4 THE IMPORTANCE OF INNOVATION

What drives innovation is, without a doubt, necessity. Today, we clearly see a need for more flexible and digital structures. The search for innovation for the financial market is a global trend and the Central Bank of Brazil, as well as the market as a whole, has been making efforts in recent years and building an innovation agenda, with a series of products and services and regulations that seek to meet this high demand for a more agile, transparent and democratic scenario. An excellent example of the transformation of the Brazilian financial scenario is the arrival of fintechs and, more recently, the launch of Pix, a Brazilian instant payment method powered by BACEN (Brazilian Central Bank), the implementation of Open Banking and finally Open Finance, which mark a moment of revolution in the financial market



PIX <sup>20</sup> is an instant money transfer and all kinds of payment for and between people and companies. It is powered by the Central Bank of Brazil. It works 24/7 -24 hours, 7 days a week.

Open banking <sup>21</sup> regulation is based on the principle that registration data and information on the products and services provided belong to the customer, and it is up to him or her to decide whether to share them with third parties. Therefore, consent will always be required before any customer data sharing.

Such changes are already impacting and increasing competitiveness among financial institutions. This is because companies, in a more agile, transparent and flexible environment, now need to present even better and specialized products and services to be increasingly assertive to their customers.

All this thanks to the innovations that the Open Banking model is already providing. In Brazil, for example, the customer will quickly and easily decide which player to look for each product. Now, the information becomes the property of the individual and, through a simple and easy to revoke authorization, he can take it to different players, promoting competitiveness and encouraging innovation. And the impacts are already moving the market as a whole. This is shown by an analysis by the American consultancy Allied Market Research. According to the report, it is estimated that Open Banking promotes an average annual growth in the global market of 24.4% between 2018 and 2026 <sup>22</sup>. This is the context of technological innovation that the global financial market - and in particular Brazil - is currently experiencing. It is a very positive scenario, as the ones who benefit from the block-chain trends, cryptocurrency, artificial intelligence, instant payment and a whole range of options and advantages are the users, and this is the focus we must give when creating truly disruptive innovations. The result of this is that companies, from startups to the most consolidated financial institution, start to foster even more an innovative ecosystem and accelerate digital transformation processes. Those who understand that innovation comes from collaboration and diversity are already out in front, of course.

<sup>20</sup> [https://www.bcb.gov.br/en/financialstability/pix\\_en](https://www.bcb.gov.br/en/financialstability/pix_en)

<sup>21</sup> [https://www.bcb.gov.br/en/financialstability/open\\_banking](https://www.bcb.gov.br/en/financialstability/open_banking)

<sup>22</sup> <https://www.mediarunsearch.co.uk/open-finance-is-driving-the-race-to-transform-the-financial-market-in-brazil/>

## 8. DISRUPTION OF THE INSURANCE SECTOR

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Insurance is a very old - and prosperous - business, present since the great navigations until the modern era, having become enormously sophisticated since then. Despite all the innovations, there is still a long way to go for digital transformation, given the speed and intensity of technological advances in recent years; artificial intelligence, instantaneous communication, blockchain, etc. bring along enormous possibilities for insurance. We therefore have a huge opportunity for new entrants to the ecosystem, the so-called insurtechs, to provide services that are cheaper, more convenient and more in tune with the needs and possibilities of the present time.

Still, it is an extremely difficult market for new companies to establish themselves. The obstacles are many: complex regulation, extremely high competition, high operating cost, low consumer engagement, difficulty in winning new customers, among others. However, the very context in which we live is the enormous pressure on the status quo of insurers, so that a truly disruptive transformation takes place in the industry despite the difficulties.

Although the number of newly founded InsurTech startups has decreased worldwide after peaking in 2016, the value of global funding for such companies has since exceeded two billion U.S. dollars each year. In Latin America, the Brazilian real estate and insurance company QuintoAndar has raised nearly 86 million U.S. dollars, making it the InsurTech company to have received the largest venture capital investments in Latin America. Single investment deals can also make a large impact on the development of startups. In 2020, the Brazilian online insurance brokerage company, Minuto Seguros, collected the nation's largest single InsurTech investment deal, worth 60 million U.S. dollars. All in all, financial contributions to startups in this market represent an acknowledgement of InsurTech's potential for improving Brazil's broad insurance industry <sup>23</sup>.

There is also a new category of risks associated with the digital world, such as data leaks, invasion of personal accounts, identity theft, among other misfortunes that are not adequately covered by traditional insurance and for which there are great possibilities. Also, insurance is increasingly data-driven, benefiting from the huge amounts of data that are collected on the most different aspects of our lives, which allows for a highly specialized insurance offer for the most different fields, covering from consumers like health insurance and insurance for agribusiness.

### SOME IMPORTANT INSURTECH FINTECHS IN BRAZIL

PIER - <https://www.pier.digital/>

PITZI - <https://pitzi.com.br/>

SEGUROVC - <https://segurovc.com.br/>

YOUSE - <https://www.youse.com.br>

MUTUUS - <https://www.mutuus.net/>

SMARTIA - <https://www.smartia.com.br/>

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<sup>23</sup> <https://www.statista.com/topics/7238/insurtech-in-brazil/>

## 9. CRYPTO CURRENCIES AND TOKENS

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The emergence of Bitcoin, the first and most consolidated cryptocurrency, in 2007 marked the beginning of what is the most disruptive economic revolution of our times. Blockchain, cryptocurrencies and tokens represent the definitive association between the economy and digital technologies, which means new possibilities, challenges, opportunities and, as in everything related to the financial system, risks.

The crypto universe went from a niche theme, proposed by the vanguard of the movement known as cypherpunk, to an absolutely pop theme, present in everyday discussions, frequently addressed by the mainstream media, motivating viral content on social networks - such as posts of Elon Musk - and, finally, target of state regulatory agencies and Central Banks, which are gradually becoming aware of this novelty and, in some cases, studying how to appropriate it.

The possibilities offered by these financial technologies have given rise to a specialized entrepreneurial activity, with several fintechs whose core lies in offering products and solutions for the crypto economy. Brazil is no exception: there is a considerable ecosystem in the country - and in rapid expansion -, which promises to become a global reference among some of the main technological poles on the planet.

### SOME IMPORTANT BLOCKCHAIN COMPANIES IN BRAZIL

BYEBNK - <https://byebnk.com/>

MERCADO BITCOIN - <https://www.mercadobitcoin.com.br/>

BITBLUE - <https://bitblue.com/>

BLOCO1 - <https://www.bloco1.com.br/>

ORIGINALMY - <https://originalmy.com/>

## 10. FINANCIAL EDUCATION

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Financial literacy is the combination of financial knowledge with the ability to manage personal finances, essential skills for making financially responsible decisions for good financial planning - one of the foundations of quality of life. Given the explosion of fintechs in Brazil, associated with greater access to information by the public, millions have sought ways to better understand the functioning of the financial market in its different aspects.<sup>24</sup>

Retirement planning is an example of a financial issue that places great responsibility on people, as it is directly related to their own financial security. Whereas before, consumers depended exclusively on pension managers, public or private, to organize pensions, today there is greater openness and transparency - which implies greater responsibility and a need for continuing education on the subject. With the increase in investments, the possibility arises for the average citizen to improve their income and standard of living by putting the money, accumulated over the years, to work in their favor, among other options that did not exist until recently.

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<sup>24</sup> <https://www.vidaemheiro.gov.br/wp-content/uploads/2017/07/Brazil-Financial-Education-Presentation-v13.pdf>

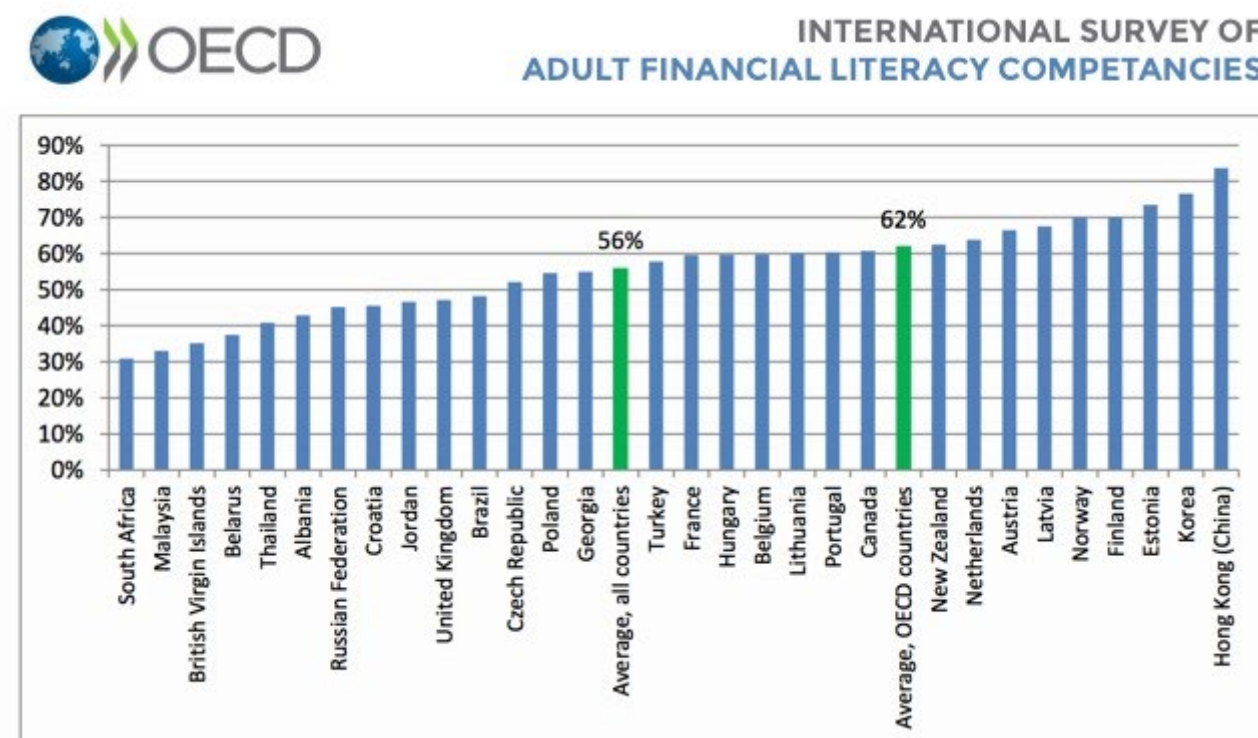
Another case of financial education is showing customers how to avoid excessive spending on late bills or how to promptly cancel unwanted subscriptions. As a result, you generate happy, loyal, and more wealthy customers who are willing to stick with your brand for the long term. It is a virtuous circle brought about by better control of personal finances through a corporate initiative.

Some products and services that tend to stand out in this market:

- Simple ways to visualize investments, as well as tools to control expenses and create financial goals;
- Education initiatives offered by financial players of different specialties and sizes, such as blogs, podcasts, courses, etc.
- Financial education platforms with practical and targeted tutorials according to the profile and needs of consumers.

Below you find an overview of the adult financial literacy competencies in 30 countries. It is the result of a survey conducted by OECD/INFE among adults aged 18 to 79 from 30 countries (including 17 OECD countries); the results were released in 2016. On average, just 56% of adults across all participating countries and 63% across OECD countries achieved the minimum target score on financial knowledge of at least 5 out of 7. Brazil figures below the minimum target score.

**ADULT FINANCIAL LITERACY COMPETENCIES <sup>25</sup>**



<sup>25</sup> <https://www.oecd.org/finance/oecd-infe-survey-adult-financial-literacy-competencies.htm>



**SOME IMPORTANT INVESTECH COMPANIES IN BRAZIL**

ÓRAMA - <https://www.orama.com.br/>

GORILA - <https://gorila.com.br>

MAGNETIS - <https://magnetis.com.br/>

BLOXS - <https://bloxs.com.br/>

TORO - <https://www.toroinvestimentos.com.br/>

SMARTTBOT - <https://smarttbot.com/>

## 11. CONCLUSION

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With this study we hope to open an opportunity to better understand the Brazilian fintech ecosystem and present it to the Flemish companies, which can also benefit from operating in the Brazilian market either directly or with a local partnership. The considerable increase in risk investment, the growth in the number of solutions and the complexity of the ecosystem are signs of how important this sector is becoming.

Even in the face of the socioeconomic disaster of the COVID-19 pandemic, the fintech ecosystem has demonstrated resilience and maturity, capitalizing on the crisis and helping the population to cope with the economic depression through the provision of increasingly accessible financial services, efficient and inexpensive. It is precisely in the context of a crisis that the importance of financial inclusion becomes clearer.

Another delicate point, and where fintechs also act as a vanguard, is education and access to reliable information about finance. The popularization of services necessarily involves a need to exchange more openly with the public - whether it is composed of companies or individuals - in order to enshrine the adoption of new technologies and combat resistance and prejudices that still hinder the advancement of solutions.

It is a challenge to follow and interpret an ecosystem that is in constant transformation and is increasingly complex, but it is extremely rewarding to amplify the achievements and collaborate with the development of this essential ecosystem. Fintechs are promoting a positive impact and opening new business opportunities in the sector in Brazil.



# BIGGEST FINTECHS IN BRAZIL - MAIN INVESTORS

There are 339 FinTech startups in the State of São Paulo, Brazil. Here is a list of the 10 most exciting ones<sup>26</sup>



## Nubank | Digital bank for consumers

<https://nubank.com.br>

Digital bank for consumers. It offers NuAccount, an online bank account that allows users to send and receive money and make scheduled transfers. It also offers consumer loans, bill payments, NFC-enabled credit cards for online/offline purchases, and more. The application is available on iOS and Android platforms.

**Founded** Year 2013

**Location:** São Paulo (Brazil)

**Funding** USD 2.27B [Funding Details]

**Investors:** Thrive Capital, Whale Rock Capital Management, Black Tee Ventures, Berkshire Hathaway's and 25 Other Investors

<sup>26</sup> <https://tracxn.com/explore/FinTech-Startups-in-Sao-Paulo>

**Neon | Neo bank for consumers**

<https://neon.com.br>

Neon Pagamentos is a neo bank for consumers. Its services include deposit accounts, money transfers, bill payments, NFC-enabled debit cards for online/offline purchases, cash withdrawal, and more. It offers an app-based platform that is available on iOS and Android platforms.

**Founded** Year 2016

**Location** São Paulo (Brazil)

**Funding** USD 417M

**Investors** Omidyar Network India, PayPal, Flourish and 13 Other Investors

**Mercado Bitcoin | Exchange platform for Bitcoins**

<https://mercadobitcoin.br.com/>

Mercado Bitcoin is an exchange platform for Bitcoins. It allows users to buy & sell multiple assets through the platform.

**Founded** Year 2013

**Location** São Paulo (Brazil)

**Funding** USD 238M

**Investors** JPMorgan Chase, Gear Ventures, HS Investimentos and 4 Other Investors

**Unico | Provider of facial biometrics authentication solutions**

<https://unico.io/?lang=en>

Unico provides a facial recognition solution to businesses for better onboarding and security. It helps in validating and hiring candidates.

**Founded** Year 2007

**Location** São Paulo (Brazil)

**Funding** USD 237M

**Investors** SoftBank Corp, General Atlantic, SoftBank Latin America Fund and 4 Other Investors

**CloudWalk | Plug-and-play payment platform for merchant acquirers**

<https://www.cloudwalk.io/>

Plug-and-play payment platform for merchant acquirers. The company offers a tech platform that enables merchant acquirers and PSPs to implement payment acceptance solutions. Its platform capabilities range from planning, development to deployment and then monitoring payment devices.

**Founded** Year 2013

**Location** São Paulo (Brazil)

**Funding** USD 206M

**Investors** The Hive, Coatue, DST Global and 3 Other Investors

**Cora | Digital bank for businesses**

<https://www.cora.com.br/>

Digital bank for businesses. Its services include business accounts, NFC-enabled prepaid cards for bill payments, online/offline purchases, money transfers, and more. It provides automated billing and reminders, blogs on entrepreneurship, and more. The application is available on Android and iOS platforms.

**Founded** Year 2019

**Location** São Paulo (Brazil)

**Funding** USD 153M [Funding Details]





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Date of publication: 10/2021

