

# CREDIT FINTECHS SCD AND SEP

## WHAT ARE CREDIT FINTECHS?

They are companies that use technology to improve and automate the offering of credit solutions and loans digitally. They simplify credit assessment, develop faster approval processes, promote easier access and control over loans and payment, and offer lower fees to their customers.

## CATEGORIES OF NEW CREDIT FINTECHS

In Brazil, there are two new types of credit Fintechs, which were regulated by the Brazilian Central Bank (“Bacen”) in 2018: (i) the Direct Credit Companies (“SCD”) and the Peer-to-peer Lending Companies (“SEP”). In both regulatory schemes, the financial institution offers their services through electronic platforms.

SCD	SEP
<ul style="list-style-type: none"><li>● Offers loan, financing, and credit rights acquisition operations using exclusively its own financial resources.</li></ul>	<ul style="list-style-type: none"><li>● enables peer-to-peer lending (P2P), connecting lenders to borrowers.</li></ul>
<p>Other services:</p> <ul style="list-style-type: none"><li><b>I.</b> credit analysis for third parties;</li><li><b>II.</b> credit collection for third parties;</li><li><b>III.</b> insurance representation related to credit operations;</li><li><b>IV.</b> issuance of cryptocurrency;</li><li><b>V.</b> issuance of postpaid instruments.</li></ul>	<p>Other services:</p> <ul style="list-style-type: none"><li><b>I.</b> credit analysis for clients and third parties;</li><li><b>II.</b> credit collection for clients and third parties;</li><li><b>III.</b> insurance representation related to credit operations;</li><li><b>IV.</b> issuance of cryptocurrency.</li></ul>



SCD	SEP
<ul style="list-style-type: none"> <li>● SCDs are not allowed to participate in the capital of financial institutions.</li> </ul>	<p>Procedure for carrying out operations:</p> <ul style="list-style-type: none"> <li><b>I.</b> unequivocal manifestation of will by the parties involved;</li> <li><b>II.</b> creditors make the resources available to SEP;</li> <li><b>III.</b> issuance of an instrument representing credit;</li> <li><b>IV.</b> issuance of an instrument linked to the instrument representing credit; and</li> <li><b>V.</b> transfer of the resources to the debtors</li> </ul>
<ul style="list-style-type: none"> <li>● SCDs are allowed to finance their operations through the sale or assignment of credit to financial institutions, as well as to investment funds and securitization companies.</li> </ul>	<ul style="list-style-type: none"> <li>● SEPs are not allowed to carry out operations using their own resources and cannot participate in the capital of financial institutions.</li> </ul>
<ul style="list-style-type: none"> <li>● SCDs are allowed to finance their operations by obtaining resources to grant credits in on-lending operations and loans originating from the National Bank for Economic and Social Development (BNDES).</li> </ul>	<ul style="list-style-type: none"> <li>● the operations must not pose any credit risk to the SEPs.</li> <li>● the lender cannot contract with the same borrower, in the same institution, operations with value greater than R\$15,000.00.</li> </ul>

## HOW TO BECOME A CREDIT FINTECH?

Any credit Fintech under the SCD and SEP regime is required to obtain Bacen authorization to operate. There are several requirements to be met, the main ones are:

**1. CORPORATE TYPE**  
joint-stock companies

**2. DENOMINATION**

**3. MINIMUM PAID-IN**  
capital stock and net worth of R\$1,000,000.00

The authorization procedure is bureaucratic and involves the presentation of documents and the submission of a form provided by Bacen.

While analyzing the documents, Bacen may request whatever additional documents it deems necessary, and may summon the controlling shareholders and managers for interviews and further clarifications. With an authorization from Bacen, the credit Fintech may begin its operation.

