

Contribution to MED 2.0

Proposal 5

July 24, 2024

Context for International Audiences

Changes around the Special Refund Mechanism (Mecanismo Especial de Devolução - MED), a Pix feature designed to facilitate money refunds in cases of fraud, are currently being discussed at the Pix Forum. The Brazilian Federation of Banks (Febraban), the volunteer secretariat for the Security Working Group at the Forum, is leading the discussions.

According to the Brazilian Central Bank, only 9% of requests were refunded last year. The mechanism was created in 2021 and had 1.5 million refund requests for fraud in 2022. In 2023, the number surged to 2.5 million. From January to May 2024, the number of requests has already reached 1.6 million.

With MED, if a consumer is a fraud victim, they can report it to their bank within 80 days after making a Pix transfer. When reporting, the funds are blocked in the recipient's account for analysis. If the fraud is confirmed, the funds are returned to the victim, but this depends on the availability of funds in the fraudster's account. A study by the digital financial security fintech [Silverguard](#) found that 89% of refund requests via MED are rejected due to lack of funds or closure of the account that received the money.

This is because, in most cases, the fraudster quickly transfers the money to other accounts or withdraws the funds after the scam, making refunds impossible. In the current MED model, the violation notice allows for blocking only in the first

account—the first layer—that received the amount. The new project, MED 2.0, will aim to block funds in other layers of triangulation. Its implementation is expected to occur at the end of 2025.

About Idec

The Brazilian Institute of Consumer Defense ([Idec](#)) is a civil society organization established in 1987 with the aim of defending consumers' rights—including the rights of public service users, the fight for fair and balanced economic relations, and the expansion of access to essential goods and services. Idec is a consumer association that operates entirely independently of governments, companies, and political parties.

Our Contributions

We are concerned about the recurrent use of “cost and time cuts” as justification for decision-making regarding MED 2.0. Specifically, we draw attention to the two points below:

- In **proposal 5**, “Establishing the time window and the cut-off value for the tracking service,” the proposed initial limits for the time window (240 hours) and cut-off value (BRL 200) for operationalization, based on which decisions would pose an “adequate cost” to banks, run counter to the needs of citizen consumers using Pix. After all, as pointed out by the proposal itself, its approval would mean the exclusion of “a significant proportion of frauds falling under MED 2.0,” since [75% of Pix transactions are valued at less than BRL 200](#). Given the increasing number of scams and fraud cases in the system, the limits suggested in the proposal 5 would fail to support the vast majority of cases that motivated the creation of MED in the first place. *Therefore, we recommend more reflection and debate to establish new limits.*

- Also regarding the efficiency of MED, it is worth noting that 9 out of 10 Brazilians do not know what MED is or how it works ([Silverguard](#), 2023).
- Additionally, it is important to remember that the current minimum wage established by the federal government is BRL 1,412.00. In other words, the proposed limits would make it difficult or even impossible for consumers to get reimbursed for fraudulent transactions amounting to almost 15% of the minimum wage.
- The process of discussing, designing, and implementing MED 2.0 has been **rushed and provided little room for public participation and contributions from actors outside the Pix ecosystem**. We understand that creating participatory processes requires time and resources, but their suppression can undermine the system's efficiency and legitimacy. *Therefore, we recommend revising the MED 2.0 schedule and allocating resources to conduct more inclusive and legitimate decision-making processes.*