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## PRESENTATION

### Operator

Good morning, everybody. Thank you for your participation. We are together, once again, to continue our meetings about B3. Today, we'll have 2 panels. The first one will be about new products, led by Juca Andrade, our VP of Products and Clients; and Marcos Vanderlei, who is our Executive Director responsible for infrastructure for financing.

After the panel, we will have a panel with Mario Palhares and Rogério Santana, our Director of Relations with companies and assets to discuss potential regulatory changes that may impact our market -- our stock market. So first, we'll have a presentation of about 0.5 an hour for this first panel, and then we will open for questions and answers. Those willing to submit your questions, please put your name in the chat. You don't need to write the whole question, just your name.

And then we will call you in the order the names appear, right? Okay. Thank you very much. Juca, the floor is yours.

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**José Ribeiro De Andrade** - B3 S.A. - Brasil, Bolsa, Balcão - VP of Products & Customers and Member of Board of Executive Officers

Good morning, everybody. Thank you, Marcela. I hope you can hear me well. I think so. So let's start. Marcela introduced everybody. Me and Vanderlei, we will go to the next slide. Those are the pillars we have been working with in the product area for stock market, especially -- could you please go back, yes? We have listed products and over-the-counter products from the former BM&F Bovespa and over-the-counter is what we call TRM, former CTP over-the-counter products, fixed income, derivatives. I'll talk a little bit about energy, which is a new pillar under my responsibility, insurance, and data that permeates -- permits both areas. It's across initiative here.

So going to the listed products, yes. Specifically about 2021, I call your attention to the main points for 2021. So we will start because of the relevance, very relevant. The new charging fees for equities, as you remember, in the end of last year, in 2019, a little closer to the end of the year, we announced a new price list for equity fees. There were many changes in our prices. It was very old, the prices we had. We didn't change the price for 10 years.

So there were differences between types of investors. The incentives were kind of wrong; they were very little effective. We had a generalized discount over the volume traded. It was a little like throwing money from a helicopter because the small ones have more discount, the small

investors, so it's not the best way to charge. So this new list applies more -- deeper discounts. So we can apply lower fees to big investors. And it may impact in a positive way the liquidity. That's what we did with negotiation, the fees, individual investors, depository.

We made the lists to be equal. So the changes were very big. And we expected to start now. In August, we started talking about that, and maybe August would not be possible. But we expected to apply this by the end of the year this year, but the reality turned out to be different. We found difficulties. There are legacy systems. The company is not ready. The markets is not ready. This is some learning we had. When we make those big changes, we find this slow pace to deliver.

So in this case, what we did was to make this into stages. So what the low-hanging fruit, the faster changes that had less impact on systems, we applied. As you might have seen last week, we communicated that we are going to implement in February a relevant part of the changes from the financial perspective, 2/3 of the benefit in February. It's not the final model but we are creating day trade charging fees for individual investors. We have fees that we are creating -- we are changing and it's a way to anticipate our changes to the market. So in 2021, in addition to this deliver -- delivery, we will also deliver the final template. We don't have a date yet, but it depends on how fast we can deploy this. And it can unlock volume. That's our view. We always look back. We have back tests, but we have the dynamic going forward.

So we understand that the change in the charging fees may change the volume of trade. So the income will follow-up. So we always say, we need to share with the market our operational leveraging so we can give more discounts.

So this is about the fees in equities and about our LP back in 2019, in August, we had many contracts for 12 months. The update was renewed in August this year. And when CVM renewed it, they suggested we conducted testing other products, and that's what we are doing now. So we submitted to CVM, and we can expand now in some products the RLP stocks for some papers, not all of them. Some of them are under test.

Some futures about 10 tickets, 12. There is some overlapping between futures and stocks, micro agreements in S&P, we discussed with SME, who is our discussion in this agreement. So we are evolving to futures of currencies we launched in 2019, futures of currencies against dollar and not real so we have liquidity and also ETF of fixed income. The goal here is to look at the markets that don't have so much volume and those that are not typically day trades and see how RLP impacts them. So you are running tests to be able to enhance and migrate to something that's more final.

When it comes to stocks in May 2021, the publicly traded stocks that will expire by May 2021, they are included in this convenience, including the change in the validity date, so we'll have a calendar compatible with international market. And the automatic renewal, it was important for customers to avoid operational errors. So this is a very well-structured process that affects stocks. When we talk about structure, we are talking about the interest curve that is focused mainly in pre-interest rates, creating a number of changes in the charging fees to be delivered with this strategy of EDS, UDS so you can have trading in curve.

So for future contracts, there are many expiry dates. So they go from January 2021 and up to January 2022. I don't remember when is the last contract, but it's '35 or something like that. So it's over 10 years. So if you want to operate part of the curve, if you want to have a spread in January 2028, 2029, you have to pay full fee for the contract. So we understand this is not so good.

If you have a spread and you allow for the risk of the strategy, that's what we are targeting, and it's going to be transforming the interest market. So we have a combination. You can trade points in the curve. So this is the change. The interest rate structures. For exchange we have changes, including combined with dollar. We had a debate a long time ago, the Central Bank didn't want us to negotiate this on screen, and now we are aligned. The Central Bank wants it as well. So you have the futures of dollar to -- for pricing in Brazil, and you would have a combined operation with combined in futures.

And we have spot exchange and future exchange and some modernization in the exchange. We are making changes in the exchange chamber. It's up to D2. We want to create a DN exchange and guarantee for principle. This locks up a little bit the exchange market. We deliver the currencies. So there are issues of volumes above \$751 million. So we have limits of liquidity for the operation. So we want to ensure the price. If there is default from one of the parts, we will ensure the variation of prices, but not the delivery of the currency because the Central Bank agrees with that. So we'll work with both of them. One does not replace the other, but it's a way to lock higher volumes in the exchange market.

As for assets, we launched this year a very well-structured project, a long-term project. It's part of the learnings we had about charging fees for equity. As I mentioned in the beginning, borrowing of stocks, not only stocks but mainly stocks, a way to liquidate this operation, to negotiate a single price, brokerage out of the price.

Many changes in the market we launched after some challenges and in the end of October, it was launched. So it's starting to be offered on screen, all the lending and we can unlock -- this is very important for liquidity for the market as a whole. So they can have long-short strategies, and we are expanding this lending of products. We have those FII, FIP, fixed income ETF and also the implementation of public bonds, so this goes into this structure, including public securities. So we have more liquidity for those bonds.

There is the Basilia issue. All the bonds, they can borrow in the long-short term with public bonds. This is a change we had in fixed income. And finally, as we mentioned, data, there are 2 lines of products that have been launched up to date, data from the end of the day, updates from the market and data wise, that's more analytic to collect managerial information, mainly from brokers, but not only this for the whole market.

Yesterday, for example, we launched study on individual investors, as you might have seen. And there is a rationale behind this data-wise. Besides what we have been doing to develop these products, I'd like to call your attention to the fixed-income market.

So it goes through the transparency of these markets, debentures in our over-the-counter world. So we have transparency of pricing so we launched debentures, for instance, to use calculations for CRI, CRA, debentures, you have a price. We are talking about transparency, to offer some liquidity. We wanted to focus on this because it's important to foster this market. So these are our main initiatives in the listed market.

And then we go to the over-the-counter market.

Well, here, we've been having a very favorable regulatory change in terms of registration of new products, especially when we're talking about credit. So here, we're talking a little bit about the regulatory agenda of the Central Bank.

So in 2018, we had the credit fintechs, electronic CPR, which is not really a CPR at the moment, but you create a CPR that has an electronic record, but it still needs to be captured. You still need to capture the CPR itself. So that still depends on different normalizations and different regulatory actions from the Central Bank. So we already launched the CPR. It's supposed to be for 2021.

So we evaluated the volumes. If I'm not mistaken, CPRs over BRL 1 million are going to be in January 2021. So in January, they will have to be recorded. So that is a very important change. And other than CPR, I'm going to talk a little bit more in the future about more information, but we have Block, which is a product which Marcos Vanderlei has been talking about that. He's been working on that a little bit more. So that's the way that we're going to register the incorporators on the real estate market.

So other than CPR and Block, which is real estate, we have the credit card receivable record. So the Central Bank was going to launch this in November, but I believe it was postponed to January. We're also a part of that market. And there are some things about interoperability of the -- all the different operators, and we are part of that agenda and also recording duplicates. So when we have scripture duplicates, so you can already have this duplicator of record. We have this product, but now it's going to be in a scripture, which will make it even more trustworthy.

Now moving on to the next one. What we've been seeing here on the over-the-counter products, so how do we look at the projects that we're currently developing? On this order here, the duplicates, we already have the registration. As I said, we are creating structural duplicates. So we are participating with other registrars on this interoperability product and this whole project that we are doing with the Central Bank. So we are currently waiting for the Central Bank to approve our part. And once they do approve our convention, we have 6 months to have the system up and running. So we believe that in 1 semester, we are probably already going to have, of course, assuming that the Central Bank will deliver this approval the beginning of the year or maybe first trimester, second trimester. And 6 months from that date, we are going to have the system already up and going.

So that's a little bit of the duplicate scenario. CPR, we're talking about the scripture, as I said, so we are waiting for the Central Bank. We're already doing the mandatory registration. We already have registrations on this electronic duplicate that we already do. So it's something that we're already doing currently, and this is only going to help us in this sense.

So the goal here is to give a little bit more transparency, and this is the main goal for the project, which is going to roll out in July 2021. So what is going to happen in July? We're going to have publicity because the final goal of the Central Bank is to make sure that when we're giving credit to this product, we have the visibility of the size of CPRs that, that producer has. So this is a way of exposing their credit risk.

So we are also sending duplicate CPR, so you're able to control their total production. If it is compatible with the number of CPRs that they're emitting, how much these can be leveraged. That's a way of we -- that we used to evaluate credit risk, like we're doing a positive registration as well.

So we have shadow banking ever since the beginning of the agricultural world because you don't have the total transparency of the agricultural producers. So possibly July 2021, this is going to become a reality.

CCB, we're still waiting. There are still a few points about the scripture because nowadays, we already have the possibility of it being scripture, but the bank itself is going to create this. So if you imagine a secondary market for this and eventually maybe a re-pact or purchasing and selling maybe the original bank that admitted this and then sold this, maybe we'll have less information of the history of that title because they already sold it. So it's important to have an origin that can maybe control these structures. So from the CCB point of view, that's another thing we already have the registration.

And last but not least, credit card. Here, this is something that we're a little bit more on the sidelines. We're waiting. We already had a more developed market. Some competitors were more advanced than us. But there was an important point here, which was the independence. So we were kind of called on that. So some of the registrars are actually linked to banks or other agencies, and the market is asking for institutions that are not linked. So we were called to participate because of our infrastructure, and our registration know-how. So we are going into this market. The convention was already established. We already have the delivery date, as I said, in February, February 2021, but we are also going into this market.

I think that these are the main topics that we have on the off-the-counter products, banking registration and derivatives. So I think it's also worth mentioning here that I don't want to highlight 1 project. It's a very relevant activity for us, of course. So we are currently doing a migration for development via agile methodology for the entire of the counter product. So it's something that we need to pay attention to with more agility and delivery in terms of backlog and what's on production as well as launching new products.

So Marcos, now you have the floor, and I can come back later to talk a little bit more about energy.

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**Marcos Vanderlei Belini Ferreira** - B3 S.A. - Brasil, Bolsa, Balcão - Executive Director of the Financing Unit & Member of Executive Board

Thank you, Juca. Good morning, everyone. I welcome you all to the second day that we have here. And it is a pleasure to be here with you so that we can have this conversation. So I would like to start talking about the real estate segment. And B3 has been working on this segment for a while. And last year, with the acquisition of the document Portal company, which we actually talked about a lot, we were able to further accelerate our micro services within the real estate chain. So today, we're already working ever since real estate development, going to creating contracts and then management of accounts, account management.

So as Juca said, we have the Block, which is the receivable management. So we're very advanced on this topic where we already have a high volume of incorporators testing this platform. And here, basically, we're going to have the platform where we're going to be doing the entire scripture of receivables, the control of these receivables for incorporators as well as banks, generating the entire payment control, generating very important information which is automatic, like payment score for these enterprises, generating as well what we're calling here the impediment network where the Block is now an account of these receivables. We can be like a foundation for the credit that we see here in orange at -- on the right-hand side, which is what Juca talked about. So their -- Juca's team is now working on this process for these security products for the capital market as well as over-the-counter products, which is going to generate this Block platform. You also have the entire process we evaluated on the electronic record.

So here, we have a lot of documents and a series of operations that happen on financial institutions, evaluation platform, which is the oldest product that we have here. Since 2013, we've had kind of a rehab in a very important transformation for this platform. And with the Central Bank resolution that was released in August this year allowed for this information to be digital and no longer for it to be paper in a mandatory way. So this is helping a lot on the message flow, reducing a lot of rework that we used to have for evaluators and financial institutions as well as incorporators. So this platform kind of puts everything together between incorporator, bank and the evaluator, making everyone's life easier, generating more agility, safety and transparency as well.

And here, the electronic record that we see here is the electronic record of the real estate credit operation, which has been evolving a lot on the works that we've been doing with ADEs. And also on IMK, IMK5. So we've been talking a lot about that with the ministry. So also this year, we are on the final phase of testing to go into the beginning of 2021, which is AB -- AVM, which is automated valuation model. So we built this in a very big, important partnership, and the process is very robust with a lot of tests with a lot of customers. And now at the beginning of the year, we can launch AVM.

We also have this entire part of registration of financing contracts, 40, 88. We started this in 2018, and we expanded it a lot throughout these past 2 years. And we have also worked a lot. We offered this market flag. It's something that we've been doing ever since 2019, and we have also evolved a lot on this process within our real estate accounts.

So we have this entire process of market flag for these warranties. And at the end, as I said, which Juca already talked about, these are the security products and other products that are going to come from this Block platform, which will make it possible for us to generate the secondary market. I don't know how far you know this. But today, this entrepreneurial plan is quite restrictive.

If you could go to the next slide, please, because then we can talk a little bit more in detail of the Block. So what is this Block platform going to be? And what are the problems that the resource managers have?

So they don't have a lot of transparency and very uneven information. On the other side, the problem is incorporators. So they see a lot of bureaucracy and a very slow process to capture credit and also send it over. So much of the time, the processes are not together. They need to be synchronized the moment that they need the money to be able to continue with the job and when they actually have to do the job. So we have a different problem here. They don't have enough synchronicity and that is necessary.

So as I said, we worked a lot together with [Abrim, Sadiq, Sekholve] and (inaudible). And here, we already have the banks brought into this discussion where we were able to further build a product or a platform that will indeed help the financial system itself and the civil construction system where they are going to be able to solve these problems in the market, and we are able to improve and give more transparency and safety to this entire segment.

Next one, please. Okay. Now you go, Juca.

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**José Ribeiro De Andrade** - B3 S.A. - Brasil, Bolsa, Balcão - VP of Products & Customers and Member of Board of Executive Officers

Thank you, Marcos. Now I'm going to talk a little bit about the energy market. So the market of selling electrical energy on the free market. So here, we can see that the market has a very important potential of liquidity on the secondary market. Secondary market, which is already pretty much active. And with some problems that we could identify on the Brazilian market dating back to the beginning of the '90s, which is when it was created, when we created (inaudible) 85 and (inaudible) as well. So we started developing the derivatives market and also risks of counterpart, everything else, we developed that, and we have been developing for over 30 years. And on this energy part, we can realize how these same things can happen.

I think someone has their microphone open. Guys, can you please... Thank you. Sorry? [Jerome], can you close your microphone? Can you close everyone's microphone? Juca, I muted everyone. I need you to unmute. Sorry. Oh, no. Okay.

So what I was mentioning is that this market is still in a stage that we were seeing at the beginning of the '90s. And obviously, we have a history here. So we're still learning. We don't have the perfect understanding of all the nuances that we are implementing on this free energy market. But we have this whole knowledge of leveraging control, prices, negotiation. Everything that we're bringing from the financial market can obviously be applied here. So we kind of felt like an obligation to be a part of this market. We have a lot to do here. We are being very well received as consumers, sellers and also energy generators. And here, we created a step by step. That's why here, we're saying that we're going to reach this part. I think it is the market's desire, and we can collaborate a lot, which is the collaboration with the stock exchange for this information. So we have a lot of details there.

So we have development groups, and we'll go each stage individually. So we can go to the next slide now. We start here in the over-the-counter world, operations among counterparts, not necessarily a typical environment of listed product. But we start with leveraging credit risk. We are launching now in January. So we control the participants, the economic capacity of participants' deposition capacity. It's not a rate, but if they are compliant according to the kind of information they've provided, then we compare based on all the operations by adherence. It's not regulatory. They will inform. We'll have neutrality. We will consolidate the information and present the risk of each counterpart and if they are compliant or not with their financial capacity.

So you're talking about leveraging here. With the information, we can communicate price. So we'll have a reference for price. This provides transparency. At the same price we used to mark markets and look at the results of the counterparts. We incorporate this and then we stress the portfolio to see the economic capacity in a stress scenario. So those all tools we have for a long time, and we apply to the market. So that's how we start. It does not have -- it is very more -- much more informative than our direct action. Then we can start with liquidation services because the agreements are liquidated out of CCE.

We can clearly facilitate the liquidation of those contracts in the physical market. We can start incorporating guarantees because we know the risk under stress, so we can manage guarantees between parts and following we can start discussing the volumes of CCP so registration, control position, control of warranties and then go into CCP. It's like over-the-counter product with CCP. And then we can say we can use this for this market and for parallel market, derivatives, you can combine things, control the whole exposition in spite of being 2 distinct markets. And possibly for risk management, it makes more sense to use derivatives. And then we can eventually migrate this market to the derivatives. And finally, the listing. So we have many steps exactly how we saw happening in our financial derivatives.

So this is our role. That's how we are entering this market with the first MVP the beginning of next year. Marcos, back to you.

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**Marcos Vanderlei Belini Ferreira** - B3 S.A. - Brasil, Bolsa, Balcão - Executive Director of the Financing Unit & Member of Executive Board

Thank you, Juca. Before talking about insurance, I'd like to mention that last year -- last month, B3 was in the auction of concession at the Caixa Economica, and we were awarded with the action. It was published last -- officially last year. So B3 is also operating 40, 38 at Caixa Economica from now on.

So about insurance. In this page, it's basically to show you how the ecosystem of insurance and reinsurance is restructured, capitalization, and life insurance, CRO, with the market registered at SUSEP, and we also launched this year the B&O platform, combined with ERV, to manage and -- and liquidation of the insurances. I'm not going to go into details, but it's just to show you how the process is structured, SRO at SUSEP, on the right here, where the registrars are all taking all the capturing processes, registering the policies and interoperability process that we've been working with to build the process considering nowadays, some of the registers are working with SUSEP.

But by the end of the year or in January, there will be a new public consultation. Considering that we started in November, SUSEP, with all the registrars in insurance and warranties in the next years, SUSEP is thinking of working with 3 other lines along 2021. And we have a great challenge. We are getting prepared to continue this SRO process.

Now about this platform, we launched in partnership with ERV. In a nutshell, this is a platform that will, in an integrated manner, do all the bookkeeping process, liquidation of insurance and reinsurance in this graphic that you can see on the right, where all the process we will cure within this platform, enabling here when it's mandatory for -- to register the reinsurance in SRO, we'll be ready to conduct the process of registration.



And in this upper part here, as I mentioned, there is the part of negotiation of reinsurance. The process is manually done in a non-structured way. So it will become electronic with conciliation, generation of files, generation of information. And other liquidation process will be conducted automatically. We are advanced in this development in partnership with our IRB.

Now still talking about insurance. We've been working a lot on the analytics, as Juca mentioned, about data and analytics. This permeates the structure of B3 as a whole. Juca works with a part and we with the other. So we are focusing a lot in analytics to generate and add value in segmentation process and risk management for insurance companies. We have segmentation here. Many -- a lot of work we've been doing about the profile of investors, score, probability to exchange assets, monitoring evolution of their equity, liquidity of warranties and also risk management, as you can see, and all the risk of subscription. We have been working on all those tools for 2021.

Here still talking a little bit about data, about the credit cycle. We have many clients working with this, more specifically about charging, localization, segmentation, qualification, offer of negotiation and the process to trigger. And also, we could accelerate a lot on our side with expertise B3 has, all the investments we made on working the data and the platform of the document that's called negotiate digital. It's implemented in many clients. It's a marketplace for negotiation and charging in a digital manner using electronic tools, using signature in those digital negotiations, registering them so they have legal effect. So this was accelerated a lot during the pandemic. Since people needed to trade, the Central Bank postponed credit, extended credit. And this [tool] is showing you that it's a tool to help our customers and final clients so we can accelerate, simplify and offer safety, security and transparency. So the next, please.

Here is a pipeline of data products that are under the management of infrastructure for financing. So on your left side, you can see a little bit of what we've been doing in 2020. On the bottom you can see how it is. So we have worked a lot with credit, charging capacity, fraud, PLD, PLG. We developed a platform called info defense. It evolved a lot for tests in the capital market and the credit market. Here, you can also see the tools for market strategies, very mature, and we operate a lot with financial institutions and retail. And for 2021, on your right side, it's how we are prepared and structured. So we have an evolution, the test we've worked on so there is important income. The middle row, as you can see here.

And we can advance a lot from what we built with the infrastructure permeating just about all segments, as you can see on the table. I'm not going to get into details. This is a nutshell of all we did, and we are prepared for 2021, so we can serve the market better. The credit market, the charging markets, capacity fraud, PSD, PLD market strategies and segmentation.

I will finish my presentation. I thank you, and I will change to Marcela, so we can start the Q&A.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) There is a first question from Pedro Gonzalez. Pedro, would you like to appear?

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### Pedro Gonzaga

Yes, first to Juca. In this proposition to expand RLP, it's reasonable to suppose all will be approved. CVM is working on a part, just to align expectations. And something else about the energy market. How do you see B3's positioned to have more market shares, considering there is BCE and the partners?

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### José Ribeiro De Andrade - B3 S.A. - Brasil, Bolsa, Balcão - VP of Products & Customers and Member of Board of Executive Officers

Thank you about RLP. We have some advancements here for CVM, but it's worth noting, we are still in a test stage. We are launching new products. We keep testing products. Of course, we are doing well. It's positive. We've had -- frequently with participants and with CVM, we are enhancing the product to become a final product. So things are going smoothly, but we should always remember, there are improvements to make, right?



We are working with the regulatory agencies and the brokers. So approval, if I'm not mistaken. No, no, it's right. It's public. They announced this week the approval. And now we are deciding how to implement and how to expand the products and then testing them so we can compare with 1 another.

So we have a lot of positive things so far, Pedro. What we see now is that, yes, we do have BCE, which is a negotiation exchange, and this is a very important topic. It's negotiation of energy contracts, which is mainly composed by salesmen. So the way that this is assembled today is the main function is negotiation. So we're not even going into a matching engine platform, like we call it, which is a negotiation platform. It's something that a negotiation platform already has. We can do it essentially. We already know that, but it's something that until certain point, match head is like a commodity. However, the expertise on risk management and collateral management calculation, risk limit, credit limit, that's what we work with, and we know that it can be quite complementary and relevant here. So there isn't necessarily a competition; there is more of a complementary potential here. So we are working on it.

And the perception is that as we're implementing that, and we are launching the product, now we're going to see how market adhesion is going to be. We already have a group that has helped us assemble this, and they should be on relevant companies, and they end up attracting the same because we have the B3 label.

This is something very important. And at the end, I think that people are going to end up joining without regulatory strength necessary. So to sum up, we have the incentive of this transparency seal and the exemption and not our capacity that is going to actually give us -- give more confidence to the prices and also characteristics of complementary items that are also related to that.

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**Ian Simmons** - *Fiera Capital Limited - Portfolio Adviser*

Thanks very much for the presentation. I just had 2, please. First of all, on the cash equity segment, you started the presentation saying that you thought that the price reduction could lead to an increase in volumes. Could you just help us understand the quantity or the size of that increase, please, given this price reduction? Any help you can give us there would be appreciated.

My second question is just about the energy market. And sorry if I missed any of the details in the presentation. But can you talk me through what the incentives are for OTC market participants in the energy sector to adopt central clearing? Is there any regulatory incentive, for example, that would mean they would be more likely to switch to a centrally cleared offering rather than a bilaterally cleared offering, which I'm assuming how the market works today? And kind of similarly, what regulator incentives might exist for them to adopt a exchange-traded environment rather than the OTC market. Those are my 2 questions, please.

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**José Ribeiro De Andrade** - *B3 S.A. - Brasil, Bolsa, Balcão - VP of Products & Customers and Member of Board of Executive Officers*

(technical difficulty)

So 2.2 to 2.1 basis points. So that was not a big, let's say, incentive for -- especially for the heavy users and not a great incentive for the low -- not so high (inaudible) users as well. So it's kind of giving money away without creating the exact benefits, right?

So the way that we are structuring the new trading pricing, not only trading but also post-trading and including depository fees in order to make that discount much, much greater. So instead of giving discount to everybody, we'll start with 3 basis points and then we're going to apply discounts based on your volumes, both on the outright trades and the trading. So on the day trading side, we can go as deep as, depending on the volumes that you trade, might be above BRL 1 billion, BRL 2 billion ADTV or average daily traded, which happens. There are participants that

(technical difficulty)

those type of volumes. For those, we can go as low as 1 basis points or even lower. So you see the difference. We're making a huge discount, but it's more oriented, let's say, to the heavy users.

And we believe that by doing that, we might unlock some volumes that maybe the fees are kind of taking away a lot of the P&L that we can make. So we can bring more day trading for those heavy users. So that's the concept, right?

So we believe that might be a big impact. We don't make projections, and it's hard to make that procession. You can imagine, right? Because we don't have -- that's like you're changing the parameters, but you cannot simulate what will be the reaction. You have to go to production to see exactly how people react, right? So that's the first point.

On the energy side, as you mentioned, there were problems recently, I'd say, at least maybe for the last few years for the counterparty risk, on the current environment of the trading of energy. So in reality, to move to a CCP, I think it's a further step. It's positive because it's easier when you have CCP to have the price discovery because you don't have to take into consideration the credit business between the counterparties, right? Because you don't have CCP, you might have changes in price because of the quality of the counterparty. And it's embedded in the price.

So it's better to have price discovery when you have CCP as we know, right? That's something very clear. But that's a further step. So before going there, we have transparency and control of exposure of leverage of the players and the capability of them of assuming those type of exposures. That's what we're going to do. We're going to have the price. We're going to calculate the risk, and we're going to provide if the client -- the participant is compliant or low.

So the incentive between them is that as long as you have someone new to SB3, controlling those exposures, and telling to the other participants that you're compliant or not compliant. And if you have the compliance, let's say, stamp the probability of you trading more. It grows and the profit of your no trade, not trading, if you don't have a compliance stand, it's great as well.

So it's kind of -- the adoption would be as an incentive for the others to trade with you. So the more that you're a participant and you're compliant, the more you're going to attract counterparties to trade with you. That's the attraction that we believe. And then we can develop from there. That's the constant.

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**Operator**

Next question is from Marcel [Omisari]. Marcel?

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**Unidentified Analyst**

(foreign language)

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**Operator**

(foreign language)

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**Unidentified Analyst**

(foreign language) The insurance platform. So how are you talking about that? You're talking about IRB, but we are talking to other players as well. I think that for SUSEP. I think that would be really great if it was negotiated related to stock as changes, especially about what you mentioned in terms of documentation, registry, liquidity and all that. So is there a possibility of risk here or no? Marcos? You're on mute.

**Marcos Vanderlei Belini Ferreira** - B3 S.A. - Brasil, Bolsa, Balcão - Executive Director of the Financing Unit & Member of Executive Board

Sorry, guys, speaking on mute. Thank you so much for your question. So SUSEP is actively participating on the discussions that are being done for the building of this platform along with ERV. So it's been participating on talks, meetings and the entire structure process. So they are very close to this discussion for sure. I don't know if that was your question.

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**Unidentified Analyst**

Okay. But do you have any other player other than you're testing the platform?

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**Marcos Vanderlei Belini Ferreira** - B3 S.A. - Brasil, Bolsa, Balcão - Executive Director of the Financing Unit & Member of Executive Board

Actually, ERV is together with us, but we are bringing all the other insurance companies. So ERV is also building the platform, but we are bringing insurance companies as well as other insurance companies to be a part of this ecosystem. That's the goal. And the conversations have been quite evolved with the other players. But the thing is, ERV has been kind of ahead of others because they wanted to be our partner in building the platform. But we have a series of other partners in the market in terms of reinsurance companies or insurance companies that are part of the development of the project, including SUSEP.

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**Unidentified Analyst**

Yes. My question is more like if the platform is just for reinsurance companies or just insurance companies.

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**Marcos Vanderlei Belini Ferreira** - B3 S.A. - Brasil, Bolsa, Balcão - Executive Director of the Financing Unit & Member of Executive Board

It will be also for insurance companies. So we started with the project. If you look at the graph that I showed in the presentation, you have the insertion of insurance companies because right off the bat, when the insurance company goes to maybe send it to the reinsurance company, they're going to be on that platform already. That's the goal.

Because today, an insurance company, when we go to do, create an insurance, they usually divide that insurance in more than 1 company. So it's a very complex process today that needs to be done. The goal is that this insurance company, when they go ahead to send that to the other companies, this is already done within this platform for those who do choose to enter this project.

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**Unidentified Analyst**

Okay. So do you think that like another year or something to be able to evolve on this discussion, talking about 2022 with this working? Or...

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**Marcos Vanderlei Belini Ferreira** - B3 S.A. - Brasil, Bolsa, Balcão - Executive Director of the Financing Unit & Member of Executive Board

Well, the goal is for us to start leading this on the last semester of this year, so that in 2022, we are actually having this in production already. That is our main goal, and that was our aim in the project and the project that we're developing. So we start kind of doing this on the second semester so that we can go into production on 2022.

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**Operator**

Now next question is Nishio.

**Eduardo Nishio** - *Brasil Plural Corretora de Cambio, Titulose Valores Mobiliários S.A., Research Division - Financial Sector Analyst*

(foreign language) Marcos, just a follow-up on (foreign language) Is this going to be on the first semester that we implement this world? And the evolutions that you said are quite positive? So the regulator are allowing it to test and everything, so is there any technical problem in implementing RLP in less liquid stocks? And if you have any projection in terms of timeline as well for RLP and the entire market for cash equities in case the tests are positive.

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**Unidentified Company Representative**

Okay. Thank you for your question. Nishio -- sorry, I didn't see your name. Nishio. Okay. Sorry about that. So our system is ready for us to get bigger and go -- move on to other markets. We don't have any restriction in terms of product. The college decision was released this Tuesday, so we were aware of the approval on Tuesday. And now we need to build with SMI the details on what they are approving. We don't have any major significant change, but we still have to vote with them and things that we're going to do right after this.

So it's going to be very fresh news for us to be able to see how we're going to continue with implementation. And as soon as we have more details with CVM itself and the market, we can come back. But for now, the products are approved and we doesn't have any significant changes at the moment. So that's the scenario that we're at. And we hope to have the implementation to be done fairly quickly. So I don't want to say anything about dates, but I think that the first trimester is desirable on our side. So I can't make a commitment with the date, but that's what we're aiming for.

Even because you already have this already working for RLP, so we're creating new products. And it's important to have a little bit of an overlap. So what is approved and what is already coming. So what they need to live with. It's bad to have a scenario where one stops, you have the other. So if it's the case of having to get the other one as well, that's fine, but it's important that they work together, so you can have more options, and you can look at the product dynamics as a whole and not just parts of the market.

And the idea is we can keep testing. We're expanding to new markets so that we can improve this product to expand it. So the intention, in the end, is to extend it if the product does show that. If it's a great success, and we have the environment on the regulatory point of view and the broker's point of view working well. We do want to make it wider.

I can't say anything now, but that's the intention. That's what we want to do, but we're still on a phase of almost like sandbox. It's not sandbox because we are following the entire regulatory process, but we are running tests with the goal of writing...

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**Unidentified Participant**

[Interpreted] Is there any technical challenge for not-so-liquid stocks?

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**Unidentified Company Representative**

[Interpreted] No. The point is because those stocks have less liquidity for brokers, it might not be so simple. Liquidity is important as the market characteristic. But ideally, we will have sellers and buyers who have actual spread. But if the market goes more to one side or to the other, there are difficulties. But thinking of RLP is a market former, if it's not so liquid, there are more challenges. So not based on the technology, but on the execution perspective.

Because sometimes it's kind of more difficult. But this is the experience we have in all markets we operate. We always want to bring volume to it.

**Marcela Bretas** - B3 S.A. - Brasil, Bolsa, Balcão - IR

[Interpreted] Next question from Henrique Navarro from Santander.

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**Henrique Navarro** - Santander Investment Securities Inc., Research Division - Analyst

[Interpreted] When you talk about the new initiatives and new products, can you give us an idea of the magnitude? How much are we speaking of potential increment? When we look at the income from B3 in the future, maybe if you could make it more clear each of them in the real estate market. What are we talking about 1%, 2%? Can it be material in terms of income in the future? And even about the price list, you say those are new initiatives. At first, this would be negative about BRL 250 million to BRL 400 million, the negative impact.

And if there is more volume, it can become something positive in the future. So if you could mention a comment on that, please, how do you imagine when is it, we are going to have a breakeven from this negative impact on the price list?

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**Marcela Bretas** - B3 S.A. - Brasil, Bolsa, Balcão - IR

[Interpreted] Henrique, I will skip here in the answer. So we can be consistent with what we share with the market. Those new B3 initiatives, in our opinion, have a great potential. We believe in them. That's why we are investing time and resources to make them go to the market, but we don't believe there is a silver balance -- silver bullet. There is no such thing as running to veto thing having a great impact, significant impact. So we have an approach on the portfolio. So we are looking at different markets, different products, and we believe some of them we're really been successful. They will surpass our expectations. Some of them will be according to our expectations and some of them will fail.

So having all this happening at the same time, we expect to have a contribution to the growth of the income from those new products. But individually speaking, and even to the portfolio as a whole, it's really hard to talk about figures on how they will contribute to the income because we are at a very early stage of implementation in these projects.

Regarding the price list, you can add to what I'm saying, if you want to. We'll have an initial impact, probably to be negative regarding the drop in the average price. And this will vary a lot. Just to remind you, we had a back test. There is a certain level of volume. And the final result observed may vary according to the volumes, real volumes. So I think, yes, we expect to have a negative impact on prices in the beginning, but our expectation is, with the higher volume due to the elasticity of response to prices from customers, it will offset the price in the long term.

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**Henrique Navarro** - Santander Investment Securities Inc., Research Division - Analyst

[Interpreted] It's very clear. Marcela. If I could add to what you said.

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**Marcela Bretas** - B3 S.A. - Brasil, Bolsa, Balcão - IR

[Interpreted] Yes [Marcela]. We are constantly talking during product development. We have this impression that we are planting the seeds many seeds, but it's hard to see immediate fruit growing. So we plant the seeds. Some of them will turn out into big trees. And one is important to the other. There is like a collaboration, this ecosystem because one tree support and helps the other. And it may happen that none of them will prosper or thrive. So we need to kind of remove them. So comparing to the ecological cycle, that's how we assess the portfolio.

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**Unidentified Company Representative**

[Interpreted] Perfect. If you could just a reminder in the next panel, we'll talk a little bit more about RLP, the discussions we've been having with CVM so I guess some of your questions may be addressed in the next panel, too. Okay?

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**Marcela Bretas** - B3 S.A. - Brasil, Bolsa, Balcão - IR

[Interpreted] Next question I have is from Luis Azevedo from Safra.

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**Luis Fernando Azevedo** - J. Safra Corretora de Valores e Cambio Ltda, Research Division - Research Analyst

[Interpreted] I'd like to ask a little bit about income from data. Yesterday, I guess, [you also] mentioned that B3 model will be based a lot on charging fees, the traditional trading model. But I guess, this line is growing well. I'd like to know from you if you think that this income from data and analytics will grow 2 digits for some time. Is this going to drive B3 outcome?

And a little bit about data products. You said we should look at the credit cycle and offer charging products. Will these charges be warranted, I suppose, as you mentioned? Do you plan to expand this from the credit analysis perspective? Would it make sense to B3? Those are my questions.

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**Unidentified Company Representative**

[Interpreted] I will start and then Marcela can add to what I said. I wouldn't say it would be a credit bureau, but we offer in the market solutions to support the credit analysis. We have many banks that consume those credit scores, behavioral scores. We built this. We work a lot on this. We've been doing that since 2018, developing customized solutions using the data B3 has, customers' data, we developed this, and we deploy an APU with the customized model for the specific institution. We've been doing this since 2018 in the credit cycle, the same thing we've been doing to prevent fraud.

As I've mentioned, the portal of documents has a large process of notifying about lawsuits to institutional financial institutions and the platform of digital negotiation they developed that is operating with some customers today. We use that to charge we use these models in the platform, not only to recover credit from warranted operations, but also current accounts, credit cards and so on and so forth.

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**Luis Fernando Azevedo** - J. Safra Corretora de Valores e Cambio Ltda, Research Division - Research Analyst

[Interpreted] Perfect. And about the income from data, do you think there is potential to grow 2 digits for some time? Can this leverage the results because we observe, this has been happening.

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**Unidentified Company Representative**

[Interpreted] Marcela, this is to you.

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**Marcela Bretas** - B3 S.A. - Brasil, Bolsa, Balcão - IR

[Interpreted] Luis, we use a smaller base of data income comparing to the capital market, and data for analytics and credit. So I think that, naturally, when you have a smaller base, the growth rate will be higher. As we showed, we have been investing a lot in developing new products and offering new solutions to the market. So we expect this line will have good performance in the future. Of course, I cannot tell for sure if it will be double-digit or single-digit, but our expectations are that, as the Brazilian market gets more sophisticated, and we structure more solutions to add values on the capital market side and on the credit and analytics side, we'll be able to develop this line gradually different than other stock markets that had more income from data income in a very significant way through acquisitions. We expect to grow them gradually through organic initiatives and developing new products.

And also the adherence of new customers as we launch new products.

We have a last question here, Pedro Gonzaga. And then after the question, we will wrap up, okay, guys.

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**Pedro Gonzaga**

[Interpreted] Thank you, Marcela. The question is to Marcos, if you could compare B3, the real estate segment with what [ISTAN] did abroad compared to what you do – you're doing versus what they are doing and the potential of the market.

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**Marcos Vanderlei Belini Ferreira** - *B3 S.A. - Brasil, Bolsa, Balcão - Executive Director of the Financing Unit & Member of Executive Board*

[Interpreted] There is no question there are many similarities of what we've been doing. Just to remind you that the real estate market in Brazil has suffered some waves of growth. And then there was drop and so we did not develop so much.

What we are seeking with the partnerships and the execution of work on that is to accelerate those development projects, and we chose to do that through the creation of microservices.

So this is a reality now. We've been working. We have customers who are working with us using this platform, I call end-to-end. From the moment the bank approves the credit, this goes into our pipeline. And we work on the management to work with the customers through WhatsApp, e-mail or digital platform. We also provide services for customers, all the documentation, the certificates they need to accelerate the process, and monitor the customer and the bank about the information to have what we call a digital file, so we can complete the electronic registration of the document at the official institutions.

So we do this. It goes through the warranty platform as I mentioned. Because the financial institution starts the assessment project, so we have messaging. This is all automated to geolocation. We choose the engineer that's disclosure to the financial institutions. So we enable this to messaging.

They also work electronically. They upload the report, and we do this in a very short time span, in a very transparent and secure way, very similar to what's going on abroad, we are trying to accelerate the process of the real estate negotiations flow. This is a very nice moment in the market to do this.

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**Marcela Bretas** - *B3 S.A. - Brasil, Bolsa, Balcão - IR*

[Interpreted] Well, everyone, I think now we're going to the end of the first panel. I would like to thank Juca and Marcos being here today and for being available to talk to us in chatting a little bit about B3's initiatives. Marcos, Juca, thank you so much.

Guys, now we are going to continue with our next panel, which is going to talk about regulatory changes on the stock segment. I'm going to now give the floor to Mario. Sorry, we start with José. Oh, I'm sorry. Okay. So Rogério, good morning.

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**Rogério de Araujo Santana**

[Interpreted] Good morning, Marcela, Mario, good morning, everyone. It's very nice to see you again virtually. It's nostalgic for me to be here today. This material that Mario and I are going to share with you is quite short. So I think we're going to use 20 to 30 minutes to talk about it. Part of the discussions that we have here were already dealt with or maybe discussed on yesterday's and today's Q&A. So we're going to try not to be very much repetitive, and we're going to leave room for questions and answers. This first slide here tries to create a connection between 3 topics that were very much discussed. And I'm sure you guys are following.

So the public hearing on the reform regarding the organized market rule, which is now known as the 461 Public Hearing, which was in December 2019. And it ended in June 2020. So it was a very long process where CVM maybe reach the record of receiving manifestations or maybe close to it. I think it was around [50] manifestations because the audience was quite important and very broad as well.



It was -- this hearing was talking about the functioning of organized markets. And of course, we think stock market, but not only stock market on the Brazilian regulation, we have the structure of over-the-counter products market for this rule, which is 461. It was talking about the better execution rule, which was on Instruction 505.

I was also talking about some older instructions, which is 68, which defines negotiation rules on the stock market, negotiation of self-regulation of organized markets and a possible creation of the unified self-regulation market. So it was a very broad audience. And here, we selected 2 main topics so that we could maybe talk a little bit about the initial proposal on CVM and what was B3's definition on that.

So here, we're talking about block trading, so big batches and renegotiation rules for the Brazilian market, and I'm going to talk about that in the next few slides.

Right after the end of this hearing, and as I said, it happened in June 2020. At the end of August, so around 2 months after the hearing, we released -- they released a statement in one of the economy ministry secretaries, they talked about a specific topic on some manifestations that were sent to CVM and negative position on the competition point of view, which is very important to say, not the point of view of regulation or market organization, but about -- from the competition and productivity point of view, what was your vision on internalizing orders? And where does internalizing orders go on the 461 discussion?

It wasn't quite clear, and it wasn't held within the topics that CVM would like to discuss on a public hearing, but there was a topic that was approaching this discussion, which was in the negotiation of big batches because one of the possible models that CVM was proposing was the possibility of having big batches to be negotiated over-the-counter in a very lateral way between the customer and the intermediary, which would go to the internalization concept.

And here, some market participants understood that it would make sense here to take this opportunity and have a more profound discussion on order internalization as a whole. And if you guys don't know much about the subject, this basically means that we are going to allow for intermediary, so brokers to be able to match the purchasing and sale orders from their customers internally without having to send this on the central book, and consequently, without allowing for any interference or without respecting price and time priority. Price priority, yes, but time priority of the orders that are in the book, they don't have to be respected.

So I have a discussion that the ministry brought through this statement, understanding that it would make sense for CVM to manifest and advance on this discussion. And then Matt is going to talk about this in more detail. And RLP that was already mentioned here as well, which is a product or a functionality that we have developed a little over a year ago, that has had a lot of positive efforts for liquidity of many contracts, as José mentioned, and which also allows for the brokers to be able to better explore or better develop customer flow and product liquidity, the products that they're offering to these customers. And Mario will also talk about this in more detail because it was something very much discussed yesterday. And today, we're going to try to bring more detail and some updates.

You can go ahead to the next slide, [Cícero], please. Here, when we're starting on the audience of 461, as I was saying, the first item that we're going to discuss here is the negotiation of big batches. And this slide is organized on the left side with the main topics on the proposal of CVM. I think someone has their microphone open.

Thank you. So the main topics of the proposal are on the left side, and the positioning of B3 on the right side. So why is the negotiation of big batch is a relevant topic? Well, here, this is a great topic, especially for bigger investors, so they have higher inputs or maybe the ones that are using less liquidity. The market impact that this can generate is, for sure, not even a fundamental topic on the decision-making of investing or not investing on a specific stock like you guys well know.

And the Brazilian regulation today doesn't have a specific rule for the negotiation of these big batches. So we have parameters that can lead a business to an auction, which is defined on the stock regulation. But we don't have functionalities, arrangements, rules, which are specific, like other markets have developed throughout the last few years, implemented on the Brazilian market.

So this is a discussion that has been happening for a long time, and CVM is addressing it in a very opportune way. And on the CVM's point of view, on the initial proposal that we saw in this structure, we saw that stock markets as well as the environments that had organized over-the-counter could create special procedures or segments for the negotiation of these big batches.

And they don't go into detail as to how these mechanisms would work, how these environments or segments would work. So this would be a discussion that would take place later, where each one of the stock exchange or over-the-counter products market could have this difference, and then the regulator could approve it or not after evaluation.

CVM also says that this segment would have to respect unique batch and undividable batch concept. So here, we can see this 1 of 2 ways, either purchasing or selling should be represented exclusively by one investor. So it should be 1 person buying, one person selling, or at least one of the sides here, so decide that originated that batch should be unadvisable. So it should be only one sale -- one person selling, if it was a selling order that originated this block in this segment.

Here, the rule doesn't make it really clear if this is -- if it can be undivided for both sides or only one side. And it also doesn't go into too much detail as to the demands of a CCP. But our interpretation was that, in case that we had operations on the over-the-counter market that were organized with specific characteristics, existing like a central counterpart, that wouldn't be really a requirement, which is something that would significantly change the process of negotiation and risk management on the stock market in Brazil.

And what was B3's positioning on that? First, we think it's very important to discuss the possibility of negotiating big batches and creating mechanisms and specific segments for this. So this is a discussion that we have with our customers and with the regulatory agents for a -- we've been having that for a long time. But we thought that all broader problems and needs can be better serviced on a special specific segment using specific procedures within the stock exchange market. And why?

Well, because you would have a significant gain when you're using all processes that processes connections, relationships, registrations that are already established. So we have a very great synergy, which -- with what we already have today. This is the most appropriate way of making sure we are going to have economy and equity of access for all customers. So you're still in a centralized environment, where all intermediary and all investors that are operating through these intermediaries could access. And also, it wouldn't be necessary to have a complex tax discussion because especially in the case of investors that are foreign negotiation on over-the-counter market.

In both cases, we can have a different tax treatment as to great capital in the assumptions that we have for foreign investors. So this loss or gain of capital doesn't apply for the over-the-counter products and more regulatory matters that would, in fact, affect these local investors. We have some sector rules, which, today, are having some restrictions to negotiate on over-the-counter businesses.

A very important point as well for B3, and this is something that was verified on the manifestation of some participants is how important it is to preserve the quality of the price formation process. And this process happens on a centralized book for one stock exchange or several stock exchanges. And this is a very important point because, even though you have more than one stock exchange and the fact that all of them are promoting transparency prenegotiation, the liquidity pool is just one liquidity pool. And this is very different when you start offering solutions that don't offer transparency for the negotiation, or that don't respect the priority of time and leading the orders.

So these are 2 characteristics. The lack of transparency for the negotiation, which is time priority, and this is going to make a centralized book so important. And also in case these characteristics don't exist, you can have a more frail process of generating prices.

So on our point of view, any functionality here, including functionality to negotiate big batches, direct orders, RLP, all of them should not represent a relevant part of the liquidity of the market and the liquidity of each asset. And that is done to make sure that the biggest part of the volume is being negotiated on the centralized book. And the centralized book is still attractive so that investors can keep sending their orders, and consequently, that there is the best price formation process as possible.

We can talk about this on the Q&A and the parameters that we suggested for the regulator was maximum 15% of the volume, which could happen without a specific competitive interaction with the central book.

Definition of the size of this batch is also something that CVM didn't talk about on the public hearing. So the suggestion was that this was a responsibility for the unique self-regulator. And on B3's opinion, it should be the responsibility of the regulator itself. So CVM should define the threshold that is going to make a big batch. So we think that, that is the best way as other markets have solved this issue.

And finally, I think that one of the most important topics here is that all operations, regardless of the environment that they're working on, are going to have a central counterpart. So this is one of the main characteristics on the Brazilian market, and it's one of the main topics that explain how the Brazilian market has gone through so many crises, and we didn't have any disruptive event in any traumatic event. And here, for sure, the entire strength of the financial market in Brazil is very important. And also having a central counterpart for the operation that is being done in the stock exchange was a very important factor in this process.

So giving that out doesn't seem to make sense to us. And actually, it would go against what other markets are doing.

Here in the second slide, the second point, I highlight is about the rule of best execution defined in 505 instruction, that's ICVM. It offers flexibility for intermediaries to define the consensus of best execution according to certain principles and parameters, along with their customers. What ICVM is proposing, in case of qualified investors, this rule will, basically, be capped in a very similar way it's today. But for retail or non-qualified investors, there will be a more straightforward rule exclusively based on the total value of the operation considering the explicit cost, the negotiation fees and post negotiation fees of the stocks and implicit cost that would be BDS spread expressed on the screen of each of the platforms.

So where it's possible to get the lower cost would be the best execution for our customers. Here, from our point of view, these rules, although intuitively it makes a lot of sense, it's not necessarily the levers, the best solution for nonqualified investors. Here are some examples.

If, in the future, we have an environment where there is competition between 2 stock markets and retail investors with day trading silo, but in one stock market in a clearing and in another one they won't have a day trade. So from the point of view of the value, it will be best execution, but they need to have capital because they need to have stocks to deliver and money to liquidate the operations.

Another example about the fee rules, in our new price list, we considered progressive discounts, meaning the more customers operate, the more they have discounts and removing part of their volume because for the -- that operation, it wouldn't happen at these 3 operations. There will be negative impact in the price list as a whole.

We could explore further examples, but it seems to us that it makes more sense to broaden this best execution rule, allowing for customers, along with their brokers, to define the best execution. And this distinction between qualified investors and nonqualified investors will bring complexity between these 2 world. So our position is to keep a similar rule as we currently have. It seems to work very well.

Now CVM questions if it's important to have a no-PR order protection rule? It's a specific rule the exist in the U.S., but not in Europe, not in Asia. And we don't think it makes sense for the Brazilian market. It has been questioned from many participants in the American market. The public hearing at CVM does not require all to be connected to the same stock market. It seems to us it's a right decision. They should consider the costs involved, the strategy, the profile of their customers.

Another important thing to wrap up is that we understand any rebate mechanism to buy order flow for any stock market, including B3, can be damaging for the market. So although it was not in the scope of CVM discussion in explicit way, from our point of view, we should make it clear that incentive models that pay for the purchase of order flow should not be allowed in the Brazilian market. Mario, the floor is yours now.

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## Mario Palhares

[Interpreted] Rogério, and Marcela, good morning everybody. I guess Rogério has already mentioned, about the opinion from the secretary of competition in the Ministry of Finance, we were aware of this report, this opinion in the end of August, addressing questions, issues related to competition. And as a reflection of some of the comments in the Public Hearing 461, it's the role of the secretary. The goal is to foster competition and it apparently makes sense. They are asking CVM to have a position about a topic that had should be discussed according to the understanding to see if there will be better competition in the Brazilian market.

This topic somehow goes with the discussion that we've been having the market in CVM about the minimum size of direct orders in the brokers aligned with B3, looking at the market, allowing for the market development, allowing for the emergence of solutions.

So this has been the way we've been addressing the 461 rule. I guess, the only relevant point here in the Rogério mentioned that, and it's always important to reinforce that is that innovations and enhancements in a competitive model, they should not be viewed without concerns evolving the integrity of the market. There are some values. When you are discussing internalization and 461, we've been addressing this. And they are especially related to pricing. Because if you don't use the book, there is impact on pricing, and it's hard to discuss if you are providing or not the best execution for your customers.

There is this second topic, I think, it's very important, market transparency and the access to information so everybody can understand the dynamics of trade and make better choices. And I guess a very important topic here is isonomic access. So all investors have access to the pool of liquidity so they have peace of mind to trade and make business. Rogério mentioned something that's very important. Yes, there should be room for you to preserve pricing and preserve transparency so you have the most part of liquidity in a central book of offers or in multilateral models, templates, which all investors can have access to.

I guess the great concern here and the attraction preserve this under the perspective of investors is that, in fact, we should avoid poor pricing, and we should avoid difficulty to access liquidity. And ultimately, this may generate higher cost of transactions for investors.

Pricing and access to liquidity maybe are the 2 major components of total cost of transaction for any investors in any market, domestically or abroad. And this is the perspective we are trying to apply. Of course, we encourage competition.

[Cícero], I guess, we could move to the next slide here and talk a little bit about RLP. I guess many of those aspects were covered by Juca, but it's important to have a flashback of where we are, and how we got here.

RLP was implemented in August 2019. At that moment, we had a pilot with CVM for 12 months. It would expire now in August, 2020. Our assessment of the first year, as Juca mentioned, was very positive when we look under all points of view. But under the perspective of the broker, it is a product that allows brokers to generate value from part of their retail customers. But more than that, we were able to create a mechanism to generate values to all brokers, combining -- doing this directly or operating the flow through another broker or someone else they hired to do the service.

We have about 15 to 20 broker agencies doing that and capturing value. From the operation of the market perspective, we are going to show the data. We had the big expansion in the number of contracts traded, an expansion in the quantity available at the first year of price and better spread. We have about 95%, 98% of time, we've a closed spread, the difference between the possible price of purchase and price of selling. And this talks a lot about the quality in the market.

For investors, generally speaking, in retail, the product ensures the best execution. You're always executing the best price of buying, the best price of selling. Customers' access to liquidity pool is larger. They have access to the private booking of brokers. All the operations are being liquidated through our clearing, and we have a monitored regulated environment to execute the operations.

And here, it's worth pointing out that for the other customers, they also benefited from that. Because when you have a cap in RLP, it generates higher flow and all investors have access to it. Reminding you that the retail flow generated by broker, they can trade for a part of the audience when they have a cap of 15%. And then it overflows to the book. What explains the growth we had in mini index, mini dollar, and now we can start seeing new profiles of investors operating in this.

Under the regulator point of view, there is a single environment that's easier to monitor and control, with no additional cost for the market.

In August 2020, we renewed mini programs -- program for one more year up to August '21. At that time, CVM challenged us asking if in this period of regulatory sandbox, if we shouldn't reassess the introduction of new assets in this program. We worked along with the regulator, with the market to try to understand what kind of new assets we should introduce the proportion Juca showed you.

We have a pilot program with the quantity of reduced stocks at different levels of liquidity. To address a question that was asked, we want to experience RLP in stocks, but also measure the benefits of its impact in different levels of liquidity we have. We are getting into stock futures if tickets between futures and stocks. We are also discussing receivables. We need to assess this discussion, the fixed income ETF and some of other currency futures. As Juca also mentioned, we had, on Tuesday, a positive signaling from CVM, but we are still seeking access to the full content of what was approved by CVM. They had a positive opinion on the CVE to try to understand the content of the approval.

And then from this point on, we will see if we need to adapt the model somehow. And then we'll be ready to launch new products.

Okay, if I can please go on one slide. Here, we have a little bit of data. Just here, we're actually adjusting the size of mini to the size of our standard contracts. So we started in January of 2019 with more or less 1 million mini contracts being negotiated, so 600 mini dollar contracts. Today, we're around 3 million at 1 million contracts. So if we go back on this graph a few years, then we would be talking adjusted to the standard, maybe both, combined, would be something smaller than 100,000 contracts. So as I said, when we're looking at the ADV point of view, but when we look at the investor base and the amount on the top and the spread, it seems like this product brought very positive benefits to all the market agents.

So Cícero, I think we can move on to the last slide. Here. Yes. This one here.

So regarding the tests that we are doing. So on this new pilot that we are now proposing, we are currently choosing products that don't necessarily have the same flow symmetry. And -- which we usually have on minis. Looking at products that have very initial liquidity. We're looking at products that have a smaller day trader participation. And this is a little bit of the scope on the pilot that we want to do. Cícero and [Marcela], I think that's it. Rogério, I think that was it. So we can move on to questions and answers.

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**Marcela Bretas** - B3 S.A. - Brasil, Bolsa, Balcão - IR

[Interpreted] Thank you, Mario. Thank you, Rogério. So guys, if you have any questions, please write your name on the chat, and we are going to call you one at a time.

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#### Unidentified Participant

[Interpreted] Thanks for all the color. Just earlier this year, there was a lot more talks about potential competition on the clearing side. Just wanted to get your thoughts on there. I mean -- and we've spoken on that before. And given just efficiency doesn't always make sense. But given that it's been talked about, and I know some market participants have looked into that. Just give us your thoughts on the potential of that happening? How do you think the regulator would think about that? Any color you can provide would be helpful.

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#### Unidentified Company Representative

[Interpreted] The two clearing house that is operating in the same market. First of all, on a stand-alone basis, the clearing business is much more complex from a technology point of view, from a risk management point of view and from an operational point of view than when you compare it to potentially having a competing trading business. So on a stand-alone basis, it's a much more complex business to put together.

Second, you have to have very clear rules on interoperability, which is something that happens in markets, which have more than one clearing house, namely in Europe. So otherwise, you will cause a lot of capital inefficiency in the market, right? Because you have to deposit margins in different clearing houses.

And for clearance to interoperate, it becomes also a matter of how you manage the systemic risk, and how you put very clear rules in terms of the requirements you have for the clearing -- for those clearing houses in order to avoid a race for the bottom in terms of this clearing, having the wrong incentives in terms of capital margin requirements and risk management procedures so that you don't increase the overall market risk by having more than one clearing house. That potentially could also contaminate the risk of the other clearing house.

So it's something that it's possible, but it's definitely not as straightforward as establishing another trading venue. I don't know, Mario, Rogério, if you want to complement that.

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**Rogério de Araujo Santana**

Sure. Maybe I can add, Marcela and Mario could be great to bring your view and your background in operations. But there are sometimes not clear to understand what means this complexity, right? So we've heard about potential competition in the Brazilian equity market for years now.

Sometimes the noise is higher, sometimes the noise is lower. But in fact, nothing happens, although the regulation has no restriction that would impede any kind of competition in our markets. And this year, we had 2 examples that bring some color on what means this complexity, this operational complexity of adapting B3 systems, broker systems, custodian systems, the buy side systems and so on and so forth.

So Juca mentioned in his presentation that we announced a new pricing table in January 2020 for cash equities that would give very clear benefits for the entire market in terms of price reduction and in incentives. And one year later, we've not been able to implement that.

And now we are simplifying that and phasing it in different stages to make it easier to the entire market to adapt to it and get the benefits of that. And here, we are talking about specifically of adding discounts for a specific kind of product in cash equity markets.

So here, you can see that the complexity of doing systemic change when you need to align the entire markets, all the brokers, all the custodians and all the other stakeholders in the chain, including vendors and so on and so forth to be [ready], to play once it's implemented.

And recently, we concluded after many years, one very important change to bring security lanes into the screen and bringing more transparency and changing the dynamic of these markets. And it definitely was not easy to align or redefine all the process, all the rules and making sure that the markets would be ready for that.

We are still improving the process because it is still very complex, but it took years. And again, we are talking about one single product that would have a different trading dynamic.

So I think this would help you to understand why, although we have noise, we have potential players, it has not happened yet.

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**Unidentified Company Representative**

And Rogério, if I may add something, something here. I think on the B3 side, although with all the complexities that you and Marcela mentioned, competition is possible. It is allowed by regulation. There is, I think, a role on the B3's side, and we have been paying a lot of attention to that, which is listening to the clients understand what they expect from us on the trading and on the post-trading environment and being able to develop services and products that, to some extent, fulfill the needs of those clients.

So when you look into competition, trying to either anticipate or react properly to the demands of the clients, it's something that we have been focusing a lot as well.

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**Marcela Bretas - B3 S.A. - Brasil, Bolsa, Balcão - IR**

[Interpreted] Bernardo?

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**Bernardo Mariano**

[Interpreted] So a quick question here. You guys were talking about that study of individual investors on the market. It's like 10,000 people have 2/3 of [JS rate], I believe. Can you give us an idea of how this data is on minis, so in dollar, and in mini contracts, if it's an even distribution or if it's more uniform distribution? And also -- no, sorry, Mario, on the slide, when we're talking about benefits, I think RLP benefit, that's clear. But if I'm not mistaken, in the past, there was an idea where we could attract a customer to having like index and dollar day trade would be like one step for them to come to the stock exchange with like more investments and everything else. So what I'm thinking about benefits, I don't really see that point of view anymore. If you could let us know if that has been happening or not because I understand the benefit of RLP once they want to do day trade. But you think of the counter factor, if this is actually generating an attraction of investors to other markets and stocks?

**Unidentified Company Representative**

[Interpreted] Well, Bernardo, I'm going to start here and then Marcela and Rogério, you guys, please you're welcome to complement. And maybe here, I can give you order of greatness of these numbers because maybe I don't have the precision of numbers about migration from day traders to new products. Just to give you a number of people who are operating minis, the November number, we had more or less 100,000 individual investors operating day trade and mini contracts.

And in this base, we've seen a great evolution and growth in a way that has been kind of constant on the past few months. So a lot here as a reaction of the effort that brokers have been doing to further develop this market.

Related to the second question, we do see minis as an entry way to the B3 markets. Right now, I don't think I'm going to remember exactly, but I think approximately, and Marcela, you can correct me if I'm wrong, I think it's more or less 50% of people that are operating minis, they started on minis, if I'm not mistaken. And something around half of these who started on minis, after one year, are operating new products on the B3 environment. So again, here, the order of great news, as I mentioned.

So we believe that minis have this. So somehow, they contribute to the investor to understand the negotiation dynamic. And from that, understanding what are the more adequate products for them to invest on or operate. So we have 2 things here that are very important Bernardo. When we're talking about this, day trade and this investor profile, which is education and information are essential. So it's very important for the user to be educated and informed about the products that they're operating. And here, we find that this is a regulatory challenge. So for B3 and brokers as well in the sense of guiding investors, mainly from brokers side, who know the customer in more detail and eventually knowing what is the investment profile or the profile -- the investment profile for each investor.

So education and guidance and information would be the key words for this discussion. So for minis as well as the migration products -- migrating to new products. So I don't know if you guys want to complement that.

**Marcela Bretas - B3 S.A. - Brasil, Bolsa, Balcão - IR**

[Interpreted] From my side, I think that was it. Thank you, Bernardo. Yes, perfect. Thank you, guys.

Guys, I don't think we have any more questions apparently. And our time is also running out. So I would like to thank you all again. Thank you again, Rogério and Mario for being here. Thank you for participating on B3 Day. It was an amazing session that really helped clear up some topics and brought a lot of great information for all of us. Thank you so much.

Thank you to everyone who could be a part of this and listen to presentations. Soon, we should send you a quick research (sic) [survey] to know what your impression was on this year's event.

And if you can answer, we appreciate it to try to make it even better about next year. Thank you all so much. And I hope you have great holidays at the end of 2020, and I hope 2021 is a quieter year than 2020. So have a nice new year.



Thank you so much, and have a nice day. Thank you, guys. Thank you all, bye.

[Portions of this transcript that are marked Interpreted were spoken by an interpreter present on the live call.]

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