International Conference Call
B3
Extraordinary Call
January 2nd, 2020

Operator: Good morning ladies and gentlemen, and welcome to the audioconference with Sell Side analysts regarding B3's new pricing policy in the equities and OTC markets.

At this time, all participants are on a listen-only mode. After Daniel Sonder's speech, a Question and Answer Session will be conducted and instructions to participate will be given at that time. If you should require assistance during the call, please press the star key followed by zero (*0).

I would now like to turn the conference over to Mr. Daniel Sonder, Chief Financial Officer of B3.

Mr. Daniel Sonder: Hello, good morning everyone. First, I want to wish everybody a happy new year, it's a great pleasure to speak to you so early in the year.

I am here with the investor relations teams, with Rogério and Marcela Bretas, as well as some of my colleagues from the communications, as well as the pricing teams on this call this morning.

And this is a very important and exciting day for us, we have worked very, very hard over the course of the last few months, as we might have told you, some of you during the year, particularly the pricing teams as well as the commercial and client relationships teams of B3 trying to look at opportunities to reduce and change some of our pricing policies in the direction of what our clients' desire and what with think are the best practices that we see in other exchanges, in particular with the team of sharing the benefits of scale and growth that we have seen in our business over the past couple of years.

Obviously, the goal has been very significant, and we felt that we have a long-standing commitment with our clients and with market participants in general, you know, brokers and so forth, to share those benefits when the market becomes bigger, and this is the time that we have chosen to do so.

So we are announcing a number of interesting and good news in our review to the market, and it reaches a broad spectrum of clients and partners of B3, and we want to take this opportunity to go over that with you.

I will turn over soon the call to Rogério, he will describe first the changes in the equity markets and then the changes in the OTC markets and the different products and prices that we have altered. We will take also the opportunity here (although this was not originally planned) to go over at a high-level in some of the points that CVM put out for public hearing just last week regarding proposed changes in the regulation for financial market infrastructures, which obviously affect B3 and the competitive landscape and the details of how potentially some of the aspects related to a more fragmented market in financial markets infrastructure could work in Brazil, and then at the end, we will take your questions.

I just wanted to first, before I turn it over (you know, I apologize for the slight delay in starting the call), we wanted to make sure that everyone who showed interest was able to join in, and finally, in terms of numbers, projections, we are not going to disclose anything that is not in the relevant notice, in the *Fato Relevante* that we released this morning, so that is the… those are the numbers, but we can get into more details on the specific changes that are detailed there.

So with that, I want to turn over to Rogério. Thank you.

Mr. Rogério Santana: Thank you Daniel. Good morning everyone. I would like to wish you a happy new year for you and your families and thank you for connecting in the call.

So as Daniel mentioned, we disclosed today some changes in our pricing policy for both equity market and also OTC products and services.

Starting with equity market, we changed our fees in 3 different services or products: So, trading and post-trading fees for cash equities market, including trading, clearing and depository fee that we are calling TTA, reflecting the solution for the arbitration procedure that we disclosed a few weeks ago; we also changed the fees for our depository services in relation to the maintenance of accounts in our fee structure; and finally, some changes for the securities lending business as well.

Starting now with cash equities trading and post-trading, the main drivers or changes are related to the fact that now we started to calculate our fees and all the discounts at the client level instead of calculating the discounts based on the overall market volumes level. This is a very important change because now we can look at the profile of each client and the level of trading of each of them and as a consequence charging according to this level of volumes.

We also introduced a new incentive program for larger day traders, and here it should cover mainly large high-frequency trading firms, large proprietary trading group firms and so on and so forth. This is something that aims to stimulate volume growth and also in attracting new clients that are not trading in Brazil yet.

A third important change is that the new pricing policy now reflects not only trading and post-trading fees, but now we are breaking down the post-trading fees between CCP fees (central counterparties fess) and fees related to the transferring of assets within our central depository, that we are calling TTA, as you can see in the material fact.

This TTA is totally in line with the announcement that we made 2 weeks ago related to the solution for the arbitration procedure regarding be commercial conditions to offer our depository services for other potential competitors in the clearing space.

Moving to the changes that we introduced to the fees we are applying on the maintenance of accounts within our depository, the main change here has to do with the incentives that we want to introduce to expand the individual investors base in our markets. As you see in the recent numbers, the toll in interest rates in Brazil is pushing individual investors to getting more risks or adding more risk to the portfolios, adding more diversification, and what we are doing here we are removing some fixed fees that we applied for all the investors and we are creating an extension for investors with portfolios lower than R$20,000 per account.

We believe it is a very important movement to make sure that brokerage firms will continue to pursue new clients or to attract new clients to our markets and this is going to be very helpful for our medium to long-term growth.

We are also simplifying the billing process: instead of charging monthly fees from our clients, now we are offsetting the fees from the financial flow of payments that each account would receive. I mean, whenever a share or a stock pays a dividend, we will discount the fees owing to B3 from this flow. We believe it's going to simplify the process and will avoid small investors to have disbursements monthly while they have a more medium to long-term investment profile.

We are also equalizing the treatment between different clients. In the past, we were differentiating the fees we were applying on local investors versus foreign investors, now we designed one single price table that will, let's say, treat everyone as the same within our systems.

And now moving to the securities lending business, until now we charged 25 basis points per year on each transaction registered in our CCP and we are turning this price model to a percentage of the rates negotiated for each contract, we think it's going to be… it will fit better the size of the transaction and the development of these markets. We know that high liquidity stocks today are paying very low rates in the securities lending platforms and in some cases our fees became extremely high versus the potential return for the investors. At the same time, we are also introducing incentives for more transparency and electronification in these markets.

As you know, we are about to deploy a very important product that is going to be the securities lending trading screen and we will apply lower fees for investors and clients that are using these screens instead of negotiating in the OTC market.

Altogether, these 3 groups of changes, I mean cash equity trading, post-trading, maintenance fees on our depository and securities lending fees we applied or performed backtests using these new price tables applying them on the past 12 months' volumes and the results show that in this scenario, in these backtests our revenues would have been R$250 million lower than it was in fact.

Since it is a backtest, there is no guarantee that this is going to be the impact going forward because the level of volumes can change and also the profile of investors can change, but it is the best reference that we can show you here.

Moving now to the changes that we implemented in the OTC business, the main drivers were: simplifying the bidding process, as you know, we have many different fees, we have the initial registration fee when a transaction is registered in our platform, we have maintenance fee, we have transaction fees and connection fees and others, we are simplifying this bidding process by consolidating some of these fees within one single service. So basically here, we are removing the transaction fee and the fees that we applied to identify the final client behind the transactions, and we are consolidating these 2 fees within the utilization fee, that is a kind of a connection fee that we charge from our clients.

We believe also that with this new pricing scheme for OTC markets we will remove some restrictions for small funds, I mean funds with small amounts of equity that today face some restrictions in terms of costs to set up their structure in connecting to our systems. So we are converting these fees here into basis points according to the size of each fund in Brazil, and we believe that by doing that we will address one important demand from the buy side and from wealth management firms that will allow the creation of new structures to be offered to their clients.

Finally here, still within OTC, we are reaffirming our commitments to share the benefits of scale and to share parts of our personal [unintelligible] with clients. We do not expect any relevance in financial impact in our numbers in the coming quarters, but all this new price table that we released today will affirm that we are sharing more and more our scale with clients over time. In other words, according to the volumes' growth, clients will not see their costs growing at the same path because we will share parts of our scale with them.

Now shifting to a broader topic related to potential competition in the cash equities markets, as you have heard from us for quite some time, in our view we believe that competition will take place in Brazil, or to take place in Brazil in the medium to long-term. The conditions to have competition in Brazil are in place or almost in place. The first of them is having a bigger market in terms of volumes and we are seeing this happening, our volumes tripled in roughly 2 years and prospects are quite positive going forward, so it is one of the conditions to imagine that we could have a second exchange or a second infrastructure that would be viable.

The second thing is the access from a new player to our infrastructure. So we recently disclosed the conclusion of the arbitration procedure that sets the commercial conditions to offer our depository services to any other clearing house that want to install their business in Brazil.

And the third condition has to do with the regulatory framework that already allows competition and it's been like that since 2007 but still has some gaps in terms of important aspects to assure that the fragmentation of the markets will not create risks, so aspects related to best execution, self-regulation rules and other things. And this last aspect was addressed by the Securities Commission a few days ago when they disclosed a public hearing that brings some proposal of rules to address all these aspects that I mentioned.

We think that it is a natural process. Remember that they started the discussion in 2012 when we had international players interested to set up a Brazilian operation. At that time, the Securities Commission hired some studies from global consulting firms, they also did some public hearings touching on these aspects that I mentioned, and now they are revisiting that because this process was not concluded. So they are proposing piece of rules that cover the best execution practice in Brazil, also covers what they call unified self-regulatory body that would perform or offer services for any infrastructure in Brazil, and also what is new, they are also proposing some special treatments for block trade, that is something that should be very important because today we do not have a special or a specific rule that treats block trading in Brazil and sometimes it creates some problems for clients that are trading in our markets.

As you have heard from us as well, this topic [I mean competition] is not something new, we have worked hard to make sure that the level of satisfaction of our clients is increasing, they are demanding from us operational credibility and our platforms are performing quite well, they are also demanding from us more products and more sophistication in our platforms and we are also delivering on that, and now we just released some adjustments in our pricing policy that will definitely address some paying points that some clients were bringing to us over the past few months.

So this is how we are preparing ourselves for a potential competitive environment. We don't think that competition will be promoted by regulatory changes. In our view, any potential competition if it happens will happen because clients are demanding that, and in this scenario the relation must be prepared, and this is exactly what the Securities Commission is doing now.

We don't think that they prefer scenario A or B, but they need to make sure that the regulation is prepared for both, having one thing will exchange or having multiple exchanges and as a consequence letting the clients, I mean brokerage firms, investment banks and the final investors, deciding what is going to be the more healthy environment for the continuous development of the Brazilian market.

We know that in a potential fragmentation of the Brazilian market we could have benefits in relation to more arbitrage transaction transactions that could have a positive impact on the liquidity of foreign markets, but it also could bring additional costs for the entire industry in terms of connectivity, self-regulation, compliance requirements and so on and so forth.

Also, if the best execution rules are the rules that apply on each infrastructure that establishes in Brazil going forward, if not well-designed and prepared, we could have problems in terms of liquidity or in terms of transparency. We are at this point analyzing in more details the public hearing and the piece of rules proposed by the Securities Commission last week to write down our position and to run our studies here, but definitely we will cover these potential problems that the fragmentation of the Brazilian market could bring to our clients and we will make sure that the Securities Commission is aware about that.

Here I conclude my long opening in the call, and we can start the Q&A session.

Question-and-Answer Session

Operator: Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press the star key followed by 1. If at any time you would like to remove yourself from the questioning queue, press star 2.

Please, hold while we gather the questions.

Our first question comes from Henrique Navarro, Santander.

Mr. Henrique Navarro: Hi, good morning everyone. Happy new year. I have 2 questions. First is on the level of the margin Ebitda that you expected looking forward, basically we are trying to access the potential impact from those measures, the new pricing table.

And second question, why are you doing this now? I mean, it could be later, it could be earlier, so what was the reason to led you guys to take this measure now? Thank you very much.

Mr. Daniel Sonder: Navarro, thank you very much, this is Daniel here. So we do not disclose Ebitda margin projections for the company and we try to give you the best assessment that we can on the potential impact for this.

It's obviously not very easy to assess the implications that such change will have, we trust it will have the intended effect of bringing in more people, bringing in more volumes and also encouraging all types of activities that we see in this new phase of sophistication in the market.

So we are obviously doing something that we believe is for the benefit of the clients and the company in general for the long-term. But unfortunately, I cannot translate that into an Ebitda margin projection at this point.

And in terms of the timing, we have studied these price changes for a number of months, we felt that we needed to coordinate a lot of different stakeholders to be able to announce this to the market. We, as you know, we have a governance procedure of that includes committees, as well as client conversations before we do any kind of changes, we ran studies, we do benchmarks, we compare things with other exchanges, we bring those ideas in private conversations to some selective clients and test their reaction to some of these things, so this all takes a team that is dedicated to this, which we are very proud of because they’ve done an immense amount of work over the last few months in the company, and this is when we felt this was all ready.

So there is no, let's say, bigger reason behind the timing, we also obviously wanted to be comfortable that the growth that we have seen in the market is a, let's say, permanent and firm ground for us to make these decisions, and we also believe that the market is maturing, right, and when the Securities Commission and we applaud their effort to ensure that the regulation is ready for competition and that the market is maturing into a stage where there is excitement and interest in Brazil enough for other people to want to look at it, and we also want to be ready for that situation. It is a growing market, it is an exciting market and it's a market that may soon have new entrants, as we are seeing, we already see that in some parts of our OTC business, we see that in the listing business as some Brazilian companies choose to list elsewhere, and we might see that in equities.

So it is only natural that as a business that thinks about its future and about its clients and about preserving its position that was hard-earned over the last many many decades, we also in an environment that is more exciting and where there is more interest in what we are doing that we should also move on on pricing.

So long answer. These are all the things that have motivated us, I think it's been a phenomenal work done by the company and with a lot of engagement from our clients and we hope this is the right movement at the right time.

Mr. Henrique Navarro: Well, thank you very much, and if I may ask just one more question, we are seeing a new pricing policy for equity and OTC. Shall we see a new pricing policy for fixed income as well?

Mr. Daniel Sonder: At this point, these are the changes that we are ready to announce. If we do any more changes in our pricing, we will inform that at due time. But this is a very comprehensive package of changes, we try to bundle everything together that we were working on over the last few months, as I mentioned, but the work is something that we always do. We continue to look at every aspect of our work, we will now have an opportunity to really test how the clients and the partners that we have react to those changes, we think they are going to be very very welcome, we believe there is people that are ready to [unintelligible] new volumes, but you know, this is a continuous process and we have a very complex and broad pricing scheme for a number of products and whenever we feel there is an opportunity for us to change or there is a particular client pain, we will address that as quickly and as effective as possible.

Mr. Henrique Navarro: Thank you very much.

Operator: Our next question comes from Otávio Tanganelli, Credit Suisse.

Mr. Otávio Tanganelli: Hi everyone, thanks for taking my question. I have just a quick one. On the public hearing, it seems that it was strictly targeting the trading segment, but I have received kind of a few questions whether there could be competition on the post-trading. Is that something that you are seeing, or do you understand that this was mainly more targeted on the trading segment as it suggests? Thank you.

Mr. Daniel Sonder: Yes, thank you. Thank you, Otávio, for your question. So our view is that the most likely market structure for Brazil will be one where there is more than one venue for trading and a single post-trading infrastructure through B3. This, however, is based [our view is based] essentially on international experiences, on other models that we see and in general on the discussions that we have had over several years, it is not as recent conversation about the interest of different stakeholders, investments that are required and therefore and thereon.

Now I am stating this but it's very important to remember that competition is possible in all parts of the business, including in clearing. In fact, one of the players that made itself, let's say, made its plans public a couple of years ago announced that it would do both a trading venue and a clearing house for equities, so there is nothing that would, let’s say, prevent from a regulatory point of view the establishment of another clearing house for equities in Brazil although we still maintain our view that this is probably not the best solution over all.

But we might be wrong. This is again a competitive market, it is an open market, it's a market where clearing house we have been significant investments over the last decades to make sure that we are efficient, that we are robust, that we are prudent in risk management, but also that we manage our collateral in the best way possible. This was very large project in the company for a number of years. We believe we are very strongly positioned, very well positioned if there were to be someone that wants to do another clearing house.

The CVM is mostly focused on the operations of the trading markets, both listed and OTC, the Central Bank also has a role to play in setting parameters and regulations and authorizations for clearing houses, so it is, I think, only natural that the hearing proposed by the CVM would have most of its items linked to the trading. But I don't want to give any suggestion that the regulators are pushing one model or favoring one versus the other, we don't have any information about that. In fact, we believe that if you have an open landscape for different types of players to be able to look at those opportunities this is absolutely fine, and we are ready to engage and to show the merits of B3 services in all parts of the value chain.

So this is our focus, I think we try to convey this over the last 2 years at least in our conversations with investors that our starting position as a team and as a company is one where we believe that the market will become increasingly competitive, this will demand basically 3 things: it will demand a very good quality of service and technology platform and risk platform and execution on a day-to-day basis; this will require us to be at the front of the product discussion and having all kinds of innovations in the market and delivering to the market new products and services that this more sophisticated environment will require; and finally, it will require pricing that is adequate to the market size and to particular investors' agendas.

So this is what we are looking at right now, and we feel that this announcement today is us delivering on this third aspect and other things that we have been over time and will continue to do, we will deliver on the 2 other aspects. Since you know, we are working on operational improvements, we are working on product pipeline and now we have shown the work that we have done over the last few months regarding prices.

So it is a new time for us, but it's a very very exciting time and we are truly happy that we have come to the moment where the gains of size and scale that we have seen in the last few years are really here to stay and that we can translate those gains into better pricing for our clients and get ready for competition, if there is.

Mr. Otávio Tanganelli: Very clear, thank you.

Mr. Daniel Sonder: Thank you Otávio.

Operator: Excuse me, our next question comes from Victor Shabbel, Bradesco BBI.

Mr. Victor Shabbel: Hi, good morning everyone. Happy new year. Thanks for the opportunity. Just a quick follow-up here on the ranges that you guys put out for the different fees. Clearly, for the asset transfer fee, you say that it's going to be adjusted annually by the inflation, and for the other fees you don't mention inflation adjustment for the ranges. So basically, the question here is: does it mean that for the other ranges, for example, trading and post-trading, for example, central counterparty fees, you mean that the ranges could be often adjusted or adapted or no? Or if it's going to be adjusted by inflation at some point? Just to clarify that because there is clearly a statement saying that inflation will be applied to the asset transfer fee and not for the others. Thanks.

Mr. Rogério Santana: Hi Victor, this is Rogério. Happy new year for you. The intention is to adjust to the ranges by inflation annually, not only the TTA range, but also the ranges that are applied in trade and the clearing fees. The idea is to consider what is the impact of inflation for each of the layers of pricing and adjusting that.

Mr. Victor Shabbel: Perfect Rogério. Thanks, very clear.

Operator: Our next question comes from Thomas Peredo, BTG Pactual.

Mr. Thomas Peredo: Hi Daniel Rogério and team. My first question is regarding the TTA depository fee as well as the CCP fee. If an investor trades via another trading platform [not B3] will also be entitled to the discounts in volumes increase?

And my other question is, I know you didn't give any guidance, any further detail than the 250 million, but if you could share and give any further detail on the benchmark study that you did for the new pricing policy, like what would be the new total margins in bps to trade in the cash equities and how it compares to practices in the US, Europe and Asia, like what is the difference in the bps or cost per transaction for small and large investors comparing B3 fees with fees in those markets? Thank you.

Mr. Rogério Santana: Let me start here with the first question and the last one regarding benchmarks. Regarding a scenario where potentially could have 2 different trading venues but all the clients are using our clearing services, we will look at the consolidated volume for each client, and according to that, these clients will be eligible to different levels of discounts.

So, yes, we will look at the consolidated position of each client despite the fact that they are trading through venue 1, 2 or 3. So we will look at the consolidated volume for each of them.

Regarding benchmarks, we believe that we have a very competitive value proposition in terms of fees. As you, Thomas, it is not a simple exercise to do this kind of benchmarks because you have different price schemes, in the US, for example, the fees are based on cents per share, in Europe it's a mix between basis points at the trading level and cents per transaction at the post-trading level, and the most of relevant difference has to do with the business model that we have in Brazil versus what you see in other markets.

So comparing apples to apples, it's not simple, but we run our exercise here, we do that by ourselves, we also count on the support of global advisors that are very well connected to the financial states. So using these 2 sources, internal analysis and global benchmarks, we feel very comfortable that we are very competitive for small and midsized clients.

And now we are introducing a special incentive program for large day traders. This is something that we did not have before, our discounts were limited to this kind of clients, and we believe that now we will become much more competitive for this group of clients as well.

Regarding your question related to the backtest that we performed, basically we used all the data that we have internally, we considered trading activities, number of accounts and the distribution of the portfolios among these accounts over the last 12 months and basically simulate that we were applying or adopting this new price table since the first day within these periods, so the consequence was… or the outcome from this backtest shows revenues R$250 million lower than they were in fact by applying the actual price tables that we have today.

So since it is a backtest, we cannot guarantee that the impact going forward will be the same because volumes will grow [we hope so at least], we expected that we will see more and more clients joining the equity markets, and as a consequence we will change the profile of the average clients that we have not only in terms of portfolio, but also in terms of trading activities in trading behavior.

So we need to wait and see what is going to be the impact going forward, but again, as Daniel mentioned, it is totally in line with one thing that we have said many times over the past years that we will share part of our operational scale, part of our operational leverage with clients through what we think is an intelligent way to look at the client, to look at their needs and addressing that with an efficient pricing scheme.

This is what drove these changes, and this is exactly what we will continue to do going forward looking at the clients and understanding what are their needs and if necessary, adjusting fees or services or adding new products.

Mr. Daniel Sonder: Just to add one quick point on your first question, Thomas, the way that we want this to be understood when we are in a more competitive environment is that the clients are clients of B3 for CCP and depository services, so the discounts will apply to their entire volume whether they trade through our platform or through another platform because for those of services of clearing house and depository we regard them as clients of B3 and we have to earn their trust how we operate, how we define margins, how we execute, how the systems perform and how we price, because this is an experience that they are having with B3, and that's why we want to consider the entire volume that they have with us, whether they choose to trade through our systems for trading or through somebody else's.

So this is very important message in a competitive environment, this is how we are approaching it, each client matters, each client profile matters and this is the direction that we are going when we change from kind of overall umbrella discounts to the entire market versus client by client discounts and behavior. This is very much in line with this idea that the client is at the center of our thoughts.

Mr. Victor Shabbel: Okay, thank you very much.

Operator: Our next question comes from Domingos Falavina, J.P. Morgan.

Mr. Domingos Falavina: Thank you for taking the questions and happy new year to everyone as well. Two quick questions. The first one is just to understand a little bit the rational on the dividends and on the payments, on the 12 bps basically on cash outflows. What exactly was the reason that drove you to charge as a percentage instead of a fee? Because if we were to compare to the banking world, this would be like an ACH or a liar and not a lot of credit risk. So, Daniel, just curious to understand what's really the rationale behind a transaction-based kind of pricing having not, but a notional-value-paid kind of pricing, if there is any risk that we are not seeing.

Second one is more also on the rationale, like the pricing tables they basically, on notional bases, most of them charge more from smaller clients and less from bigger clients. Just wondering if you perceive higher risk coming from brokers or institutional clients, or if you see more risk from competition stemming from independent platforms, or retail-driven clients and how exactly… if you believe basically in increases on [unintelligible] the way your pricing table, because it's surprising to us that you could see potentially broker service in retail clients now having a bigger yield or a bigger pricing to seek or to go after. Thank you.

Mr. Rogério Santana: Domingos, this is Rogério, happy new year. I will take the first question and later I will ask you to repeat the second one because it was not clear for us, okay?

So when we were performing all these internal analyses that resulted in these new pricing models, we were looking at other international central depositories and we realized that we were the outliner here. Charging for the processing of corporate actions it's very common among other central depositories around the world, in Europe especially, but also in the US and in different parts of Asia, so here what we are doing is aligning our practices according to that.

And choosing between basis points versus a fixed fee in reais, for example, it was a decision made based on the risk for the central depository. At the central depository, we are not guaranteeing the risk of the transaction, this is the role of the central counterparty, but we are responsible to perform the transferring of the assets, and if something goes wrong related to that it becomes a risk for the central depository because we need to cover this problem and so on and so forth. So that's why we choose base points, this is also very common among other central depositories.

Mr. Domingos Falavina: Super clear. Yeah, benchmark.

Mr. Rogério Santana: Yes. Just one last comment here, as I mentioned in a previous question, the pricing model among different markets is very, very different. So, for example, if you look at Europe, where you have few central depositories, most of the post-trading activities, the entire chain is based on cents per transaction, and it is reflected in basically everything or most of the fees while here in Brazil we have a model where the entire chain is based on basis points and in the final investor, and when you look at what is the pricing dynamic for the players in other jurisdictions that deal with the final investors in many cases you have basis points because they try to cover exactly this risk.

Mr. Domingos Falavina: Very clear. We'll look for benchmarking is… It seems to be the explanation because the risk you mentioned is operational risk and usually banks charge [unintelligible] all operational risk, but there is no credit.

But in any case, the second question is basically… I will put in more simplistically; if you had a potential competitor A focusing on big institutional investors and a potential competitor B focused on retail clients, the new pricing table [at least in our opinion here] increased the incentives to competition B that is focused on retail clients because the average price went up, while it reduced the incentives to potential competitor A focused on institutional clients.

So my question is: was that behind the decision? Do you perceive higher risk from a competition coming focused on institutional clients or not?

Mr. Rogério Santana: Hi Domingos. In fact, we are reducing fees for retail investors. Retail investors were paying 3.25 basis points and now the fees they are paying is 3 basis points. So we have a reduction, a BDA reduction once we implemented this new pricing table, and also, we create many other layers of discounts. So of course, if it is a very small client, it will be in the first layer of pricing, the base price, but for retail investors that are a little bit more sophisticated and have a trading profile more aggressive, it's easier now to move to higher level of discounts.

So in fact, we think that we are addressing directly the needs of this group of clients and at the same time, in the case of the depository, we are creating an extension that applies on any client with less than R$20,000 per account. So…

Mr. Domingos Falavina: But since you have this data, I'm sorry, but since you have this data, if I add R$50 for every for every 100,000 of custody, if you had the custody price versus the average turnover and versus the delta in trading fees, the average retail client would pay less versus before when you backtest?

Mr. Rogério Santana: Let me get it here. Just one second.

Mr. Domingos Falavina: Because that did not seem the case to us, so this would be new news, like if the average retail client only in cost turns out to be lower now…

Mr. Rogério Santana: Domingos, when we performed the backtests most of the clients were paying less. If you break down the individual investors into 2 groups, let's say, the ones that have a more conservative trading profile or, in other words, a lower turnover, in the actual price table they are paying the base fee, that is 3,25, and in the new price table they will pay 3, it is lower. And the second group where you have investors with a higher turnover or a more aggressive trading profile, now they can move down to different layer or levels of discounts, and the larger ones they are paying lower fees.

This is only regarding trading and post-trading, and in the case of the depository fees, as I mentioned, we created some extension and the clients that are above R$20,000 for most of them considering the average size of our portfolio they are also paying less, because even considering that we will charge the fees on the value under custody or for the processing of corporate actions these fees that are basis points are lower than the annual fees that they would pay summing up the monthly maintenance fee costs.

So it's a net positive for most of the retail investors, smaller ones and the ones with higher turnover velocity.

Mr. Domingos Falavina: Thank you. Just one last quick one. Ballpark, what percentage of investors have more than 20,000 in custody on average?

Mr. Rogério Santana: 35% of the investors are above R$20,000 per account. The other 65% are below.

Mr. Domingos Falavina: Thank you. Have a happy new year. Thank you.

Mr. Rogério Santana: Happy new year.

Operator: Ladies and gentlemen, as a reminder, if you would like to pose a question, please press the star key followed by 1.

Excuse me, this concludes today's question-and-answer session. I would like to invite Mr. Daniel Sonder to proceed with his closing statements.

Mr. Daniel Sonder: Okay, thank you very much. Thank you for the great questions everyone and I just want to close by saying that this, again, is an important announcement for us, it is a result of a lot of work by different teams in the company and I think that translates our desire to really be ahead of the game, be in front of the market, [unintelligible - background noise] of our clients, and it is a very very positive moment for the company and I think we are building a company to last for a very, very long time in a tougher and more competitive market and doing the things that are in the interest of our clients, aligning ourselves with global trends and truly we are extremely happy to be in this position today.

So please, feel free to reach out to us if you have further questions, we hope we did a reasonable job in communicating all this to you, but I am sure there will be follow-up questions, so please feel free to access our investor relations team. Thank you all.

Operator: That does conclude the B3 audio conference for today. Thank you very much for your participation, have a good day and thank you for using Chorus Call Brazil.