

CONNECTING GLOBAL MARKETS: PARTNERSHIPS FOR SUSTAINABILITY AND PROSPERITY

Rodrigo Bettini 01:36

Bom dia, everybody. If we can ask you to please find your seats, we are about to get started. Welcome to part two of our session this morning, "Connecting Global Markets: Partnerships for Prosperity and Innovation." Today, we focus on the transformative power of innovation in driving economic growth and expanding opportunities across borders. Roberto Campos Neto, who I'm proud to say is a Milken Institute senior fellow, has been a key architect of Brazil's innovation landscape. First, as Brazil's Central Bank president, where he spearheaded initiatives such as Pix, the instant payment systems that has revolutionized financial transactions nationwide. At NuBank his leadership continues to extend digital financial services to hundreds of millions, driving unprecedented financial inclusion. That's real impact. From the technology frontier. Melanie Nakagawa represents Microsoft, the company globally recognized for its innovation in cloud computing, artificial intelligence (AI), and digital transformation, among many other things. Microsoft's investments in Latin America support regional partnerships that accelerate the adoption of cutting edge technologies and sustainable business models. And Isabel Millat, from Barclays, brings deep expertise in sustainable finance innovation. Barclays leverages global networks and blended finance models to mobilize capital across borders, backing transformative projects like decarbonization ventures and infrastructure investments that fuel economic growth. Together, they illustrate how bold innovation in finance and technology is creating new pathways for prosperity in Brazil and beyond. Roberto, I'd like to start with you. Brazil has become an example in promoting innovation in the financial system on a global scale. What have been the main impacts on society as well as the national economy?

Roberto Campos Neto 03:39

Thank you. Hello, hello—yeah, hello? Thank you for having me here Rodrigo. Thank you. I want to thank the Milken Institute of the panelists—can you hear me? Yeah, okay, I think it's better now. So let me start first saying, you know, what was the idea from the very beginning and then we can go into what are the consequences of what happened. So the idea in the very beginning was thinking, you know, how financial intermediation, the future is going to look like. And we don't—we didn't know, you know, we didn't know all the steps that we needed to take, but we knew it was going to be much more digital than we had, and we knew at some point in time we would have financial assets and physical assets that will be expressed in tokens. And we knew that money needed to be programmable at some point in time, and we knew that that was a good opportunity to generate financial inclusion, because technology is the most democratizing instrument that exists. So the idea was to start it with a payment system. Then you go into putting the data into the rail, which is the open

finance, opening the system, which is all the changes that were made in effects to make sure that we connect. And finally, that tokenization process, which is Drex, which is still an ongoing effort. When I think about the consequences of what happened, I probably have to separate in many dimensions. The first one, which is, I think the most noticeable is the financial inclusion. And when you look at the financial inclusion, you have a lot of data now in for Brazil and a lot of people studying that I see all the time, someone is sending me a message saying, I'm doing a study on that. But basically, we have a bankarization now that is over a little bit 90 percent from being slightly under 60. So in five years, we're able to bankarize between 25 and 30 percent of the population. When you think about the number of accounts that were open, we are talking about more or less 80 million accounts, bank accounts, right? Just for interviews, not companies. If you look at companies, another 6 million accounts, right? But you have more, a lot more accounts than people have, 1.2 billion accounts in Brazil. So when you look at the number of people that actually had their first big bank account, it was around 47 million people that had the first, the first account. When you look at people who actually never had a credit card, you have around 40 million people never had a credit card and then had a credit card from that process. So really generated financial inclusion. But when you look at the financial inclusion, the results on an aspect of actually improving local communities—because a lot of small cities in Brazil did not have bank branches, they did not have ATM machines—and now you have a small cities, the economy runs basically on Pix. So there's, you know, there is this efficiency. The second part was the efficiency part in terms of macro economy. So all the new companies are being to that we're able to have a lot of companies there, especially very small companies like MSEs they were doing things that the item that needed to be sold was very small in value. So if you have to pay for the transfer, it would make the business unviable. So a lot of this actually, actually grew. There is an efficiency part on the economy, which is everything that is related to velocity of money and how you became more efficient controlling cash flow, because everything is digital. For example, one of the products that Pix has, which is called Pix Saque and Pix Troco, is basically that stores are now able to do, to be like an ATM machine, so you can go to a store and extra money. This leaves the possibility of the store to have less cash at the cash register at the end of the day. This is efficiency, because to carry cash around, is very costly. So you have all these dimensions. There is a study made by IMF recently that shows that interest rate on average, due to the competition went down by 2.9 percent. So that is the last dimension that I wanted to make, which is banking competition, because everything is digital, you lower the barrier of entry, and when you lower the barrier of entry, you have a lot of these new companies that develop, but you also have segmentation, because now you have a lower barrier of entry, and you have a platform of open finance. So anybody who is developing some kind of financial services could be like a niche service you can now plug into someone else's platform. So I would say those are like the main dimensions that we see efficiency. But there are a lot of studies now being done on the efficiency that generates. I have seen a couple of studies that show you know how much that meant in terms of new growth, but I still haven't seen a study that I actually look at the data set. And I thought it was something that is worth, you know, following too much, but I think we can, we'll sure go more into that in the future.

Rodrigo Bettini 08:55

It's amazing. Access to essential services like banking for tens of millions of people through investments and innovation. Melanie, how does Microsoft approach investing in innovation and sustainability while driving business growth?

Melanie Nakagawa 09:13

Great. Well, thank you so much and thank you for the Milken, for inviting us here for this just really exciting panel. I think you're gonna hear a lot of different perspectives about how we're accelerating innovation and change. And then, from a Microsoft perspective, we really thought about baking sustainability into the core of how we think about business growth, customer support, and delivering a global impact. And a way we think about in particular is probably twofold. One is back in 2020 when we set our ambitious sustainability goals around carbon negativity, water positive, zero waste, and protect ecosystems. Alongside that, we launched a billion dollar climate innovation fund, and this fund was Microsoft's role in scaling innovative markets to commercial scale. That weren't quite yet ripe in 2020 but we knew that the world would need by 2030 and through these investments, we've invested in a range of opportunities, including those here in Brazil and throughout South America. And some of those areas really include things like carbon removal. You know, to be a carbon

negative business by 2030 we not only need to reduce the amount of carbon in the atmosphere, but we also need to remove it. And this region, and particularly in Brazil, it's an incredible resource rich area between the forestry work, as well as the work they have in manufacturing and clean energy, that made it a really ripe area for investments like what we did with BTG Pactual, which is around 8 million tons of carbon removal invested for a contract here to protect and restore degraded land and replant forests. But what's interesting around the financial piece of that is now BTG is raising about a billion dollar fund for this type of work in nature conservation and restoration, and it's already secured around 500 million from entities like IFC and the World Bank as well as IKEA and so this is a great example of how we're investing in innovation, like in carbon removal and nature-based conservation, while also attracting new investors, new investment into the region, into an asset class that we're very excited about. We know we needed to scale, and to date, we've Microsoft has contracted for about 30 million tons total over the next several decades. And love to see the space grow, because we think it's an incredibly ripe area for necessary investment, but also delivering incredible sustainability progress for companies that are on a net zero or for us a carbon negative trajectory

Rodrigo Bettini 11:28

That's extraordinary. Isabel, staying on the carbon removal conversation, how does Barclays prioritize innovation to make the economic case for decarbonization and investment in low-carbon solutions?

Isabel Millat 11:46

First, thank you very much for having here. It's a pleasure to be speaking alongside Melanie and Roberto and what an audience. So thank you for the question. Well, our net zero strategy is underpinned by three pillars. First, we work with our clients on the transition. Second, we finance our clients transition. And third, we aim to scale up climate technologies. So, on that front, we provide direct support to climate tech companies. And the first way we do that is we have a £500 million mandate to invest equity in climate tech companies. So, for example, we invested in a company called Echelon. They produce a very innovative niobium-based type of material which serves to produce batteries for electric vehicles, and especially heavy duty vehicles. So I have to say, when we received the brief for this session, we were told to keep it very informal, and I quote dinner party style conversation. And I don't know how anodes and batteries would work for your next dinner conversation start. But let me tell you—

Rodrigo Bettini 13:02

Feel free to expand. It's no problem, please.

Isabel Millat 13:05

They are very relevant to the future of electric mobility and also to us here, because that company, Echion, alongside their partners, recently opened in Brazil in Araxá, the world's largest facility to produce these, these types of anode materials. Now, we heard it yesterday. It's about the money, but it's not only about the money. So we also partner with Unreasonable Impact, which provides mentoring, networking opportunities to climate tech companies. So, for example, in that program, we supported Voltz Motor, so they're the first brand to bring smart electric motorbikes to Brazil, where the bikes are connected 24/7 to the company servers for monitoring, which enables vaults to provide extremely competitive financing and insurance, which, in turns, scales up the adoption of the of the product, right? So, for sure, climate tech are essential to decarbonize, especially hard to abate sectors and, as a bank, they also open opportunities to do the profitable decarbonization of our of our clients. Then—and as a bank, of course, we also finance decarbonization, right? So we have a

target to facilitate \$1 trillion of financing for sustainable in transition activities by 2030 and, for example, we recently arranged a £4 billion project finance for Net Zero Teesside to set up the world's first commercial scale gas fire power plant with carbon capture and storage. So it required a lot of partnerships across the globe, and of which one with the northern endurance partnership, and now that facility serves as a blueprint to further you know, scale carbon capture and storage for other industrial sectors. So, of course, you know, a lot of it is around technological innovation. But, of course, in our line of business, there's also financial innovation. So we know when we heard it yesterday, there is clear momentum for investing in clean energy infrastructure. Nine trillion dollars were invested in that space in the last decade, and actually a 25 percent growth in that time alone, per the International Energy Agency. However, a lot of it still comes from public money, and we know public finances are stretched, and governments need to take this off the public balance sheet. And in truth, not all of it can be borne by the commercial banks balance sheets, either. So it's crucial that we deliver this financial innovation to derisk investments and crowd in private investors. And, of course, the most relevant example of such blended finance here—I want to talk about it—is the tropical forest forever facility, and the progress made by the Brazilian government so far really shows the power of these public and private partnerships, and we want to support that, and we have convened investor sessions to provide feedback to the Brazilians, but also other potential donor countries, ultimately bringing together in a forum, the junior and senior tranches. And that's because we reckon that blended finances. Key challenge is the diversity of the financial participants. So in the spirit of partnership and dialogue, we really want to foster that feedback loop, especially, you know, early on in the design phase of the solutions. Then I will finish with that—I've heard so much through all of last week around the data challenge and data innovation is the last thing I wanted to mention. So in our advisory activity, when it's relevant for a sector, we aim to embed physical risk data, water stress data into the valuation of assets. And really, you know, we were used to talking around climate transition risks, which you can sort of handle at regional level, depending on regulations. But when you get into the physical risk, it's another level of innovation you need with your data, because you need to collect and analyze massive amount of satellite data for the geolocation of assets, and so that's another area where we partner with innovative data companies to source the data we need.

Rodrigo Bettini 18:14

Partnerships are essential at the end of the day. Staying on that topic, Roberto, as we discuss partnerships for prosperity, how do you see financial inclusion as a driver of sustainability and sustainable development?

Roberto Campos Neto 18:31

I think financial inclusion is essential, because what we have seen is that countries that have generated financial inclusion have also generated financial education. Have also generated better planning. You also foster more small companies, creation of small companies when you have financial inclusion in financial education. So there's an ecosystem of entrepreneurship that happens when people actually get exposed to content on financial education. I think the technology will be even more transformative on that, and I think AI is going to even add speed to that, because you can now offer a lot of content on streaming. You can do that in a fun way with gamification. You can attach that to the platform of FinTechs, so that when you're consuming a financial product, you actually are actually learning about it. You can do that through gaming, so that when you're consuming a financial product, you're actually playing a game. So I see that technology is fundamental, but I do think that the financial education is very, very important. We also need to take financial education more to the basic level of education, which is actually a program that the Central Bank had that was called Aprender Valor. Not a lot of people knew about that program, but it actually took financial education to 7 million kids in schools from a very early age. And the program was also able to compare and keep track of the people who had exposed to that, and you see a huge difference in terms of human develop when you do have access to financial inclusion, financial education.

Rodrigo Bettini 20:17

Melanie, can you share examples of regional partnerships advancing the climate and digital transformation agenda in Latin America?

Melanie Nakagawa 20:27

Yes, definitely. And I loved your example around the financial inclusion piece as well as the skilling and the training. And I'll tie those two together, because those are so fundamental to see how we actually see the digitization and sustainability coming together. So if you just take on the financial inclusion piece or skilling on the LinkedIn platform, which is part of the Microsoft ecosystem, you've got about a billion users using LinkedIn on a daily basis. And of those billion users, we're seeing more and more that green skills and green jobs that focus around efficiency and sustainability. That's one of the largest growing sectors of job growth that's happening, but a key part of that is ensuring that they are skilled enough to be able to do things like using AI for the big data challenges that Isabel mentioned, as well as for understanding different types of financial tools and having a platform that they can access for some of that training and early adoption. Another area, though, taking it much more closer to the region, I'd say there's probably three areas that are pretty exciting for us when you talk about regional partnerships to scale this, you know, regional challenge of how do we deal with, you know, clean energy, water and and nature-based solutions that are abundant in the region. So I think on clean energy, for instance, Microsoft as a growing data center provider, a key part is, how do we how are we going to continue to build these assets with clean energy, and how do we continue to scale the growth while adding more capacity to the grids where we're operating and ensuring as much of that can be carbon free? This country in particular, is abundant in clean energy, and we want to continue to participate in that market. So companies like ours signed power purchase agreements for renewables. We did one here for wind power, to add more wind power to the grid and continue to be able to grow and invest in growing data center capabilities and replicate that model around the world. But it really is an area where the ability to continue to grow data centers is a key part is energy, and a key way to do that sustainably is to power those with much clean energy as possible. So Brazil is a great example of that. Another area that we get pretty excited about is the role of technology and data solutions in scaling important markets like water security. And so there's a—we brought recently through our water positive commitment, a goal to replenish more water than we use, which has now encouraged us to look for really innovative partners that are helping to scale water security, scale water replenishment programs, and a key way we thought about that was using technology to detect leaks faster. Leaks are a major challenge in most cities around the world, including here and so at the company, Wavin, has come to integrate a water management system that uses sensors and data to detect leaks faster and be able to work with the local municipality to identify where those leaks are come up response plans. So we're preventing those leaks, or stopping those leaks faster, and dealing and helping to replenish more water to those ecosystems here, particularly in Brazil. And then a third area is in an area of new areas for carbon removal and ways to, again, help the world reach—just in a couple of days, many of us might be in Belem, where the COP30 negotiations are happening, and that is a planetary scale problem, with a planetary convening happening to look at what are we all doing as a globe to implement solutions to reduce carbon from the atmosphere as well as remove it. And there's some innovative solutions out there. Obviously, there's the work we can do on reforestation and addressing tree planting, but there's a new area that is a bit more, I guess, technology forward, but you might not see it that way at the initial onset, which is taking basalt rocks, which are actually quite abundant here in Brazil, and finally grounding them up and using them like a fertilizer. And these rocks can actually store carbon. They react with rain, and they actually store more carbon dioxide, and they actually provide a soil benefit for irrigation. And so there's some companies like Terradot that are actually piloting that here, but in partnership with local research institutions like Embrapa, the agriculture institute here, a leading one in Brazil, to really help understand what's the science behind this type of fertilizer and enhancement, and we, as Microsoft and other companies, are looking for ways to invest in the scaling of this technology as part of a carbon removal plan, but actually it also provides the cobenefits of agriculture, as well as partnership with local communities and research institutions to actually scale this as a really full ecosystem from but the biodiversity benefits to the agriculture benefits really accelerated by companies like ours, who are looking at the carbon removal opportunity through an innovative solution like enhanced rock weathering, which really starts at something as simple as the grinding of basalt rocks. So those are some of the three areas that we've been seeing for the ways that we can take external companies as well as locally founded institutions and bring them together to actually scale our goals to be carbon negative and water positive in a region like Brazil and be able to scale up with key partnerships.

Rodrigo Bettini 25:25

Yeah, it's all about partnerships at the end of the day, right? Isabel, as a UK-centered leader in sustainable finance with a global presence, how is Barclays leveraging cross-border expertise to support clients and scale transition investments?

Isabel Millat 25:44

Well, you know, as an international bank, we are in a very privileged position where we can interact with clients across sectors and connect them with investors, likewise, across the globe. So the first place where we use this privileged position to sort of naturally, organically create cross-border experience sharing as a service of decarbonization is in our advisory activities. So they are informed by the dialogue we have with our clients, as well as client transition framework, which we launched two years ago, and we really aim to benchmark and position, you know, clients on this transition pathway, so that we can provide this experience sharing and use it in our advisory activities. So examples in the advisory space: We recently helped Siemens Gamesa in the sale of their wind Sri Lankan and Indian assets to international asset manager TPG. Another example closer to here is when we supported Iberdrola in selling their Mexican renewable energy generation assets, right? So there's the advisory elements. Then, of course, we can also help issuers tap into international public markets to fund their transition or decarbonization pathways. We know that sustainable bonds are still a vibrant market, and actually here in LATAM, there's been a lot of growth, an estimated \$45 billion of issuance this year, which is almost 5 percent of the market. So, as an example, we have supported CABEL recently in the private placement of one of the social bonds to a Japanese insurance company. So, as a bank, we provide a currency hedging to make this possible to solve the International Fund and the issuer, the Central American Bank for economic integration, intends to use the proceeds towards financing public health care facilities or private health care facilities, which commit to providing free care to vulnerable populations. Now, I have to say, in the green and sustainable bond space, a challenge we're facing is still somewhat the fragmentation of the taxonomies of eligible activities, and in that regard, it's really helpful that Brazil, when they recently launched the taxonomy, sought to make it interoperable with other taxonomies out there. Lastly, in the financing space, we are very grateful for the partnership we have with local Brazilian banks where we can help provide, you know, flexible and cost-efficient financing to support their local sustainable finance agenda. You know, they have unparalleled connectivity and boots on the ground to know what's most relevant. So, for example, this year, we've worked with Banco Votorantim in such financing, whereby they financed water sanitation projects. Or earlier, we worked with Banco do Brazil, and they used the funds toward the financing of micro loans for SMEs, as well as female-led businesses. And, actually, Brazil has very ambitious program, which is probably best place to scale up such partnerships, and it's called Eco Invest. So it's innovative, because Brazil issues sustainable bonds and use the funds to provide concessional loans to local financial institutions with a goal to support the energy infrastructure, restoration of degraded land. The fourth auction actually exciting, about to be launched at COP, will concern the bioeconomy in the Amazon. And in that program, the local institutions have to leverage—I mean, complement—the local concessionary loan with international capital. And so, of course, we can, this is a place where we can partner with them.

Rodrigo Bettini 30:31

A tremendous opportunity.

Isabel Millat 30:32

Absolutely.

Rodrigo Bettini 30:34

Melanie, I'm going to come back to you. Where do you see the biggest opportunities for technology companies to collaborate with investors and governments to scale these climate solutions?

Melanie Nakagawa 30:45

It's a great question, especially with who we've assembled here. It really is a three-legged stool that requires everyone in these components working together. And so you see already here in Brazil, the role that policy can play, whether it's in carbon markets or in clean energy growth or in scaling local jobs as becoming a key indicator and accelerator for attracting business. We recently invested in a company called Boston metal through our climate Innovation Fund and the first facility to produce a new type of steel using a chemical process, and not coal furnaces. So that's like a 90 percent lower carbon steel than traditional steel, the first facilities here in Brazil. And so it's an area where you see the ability for policy and the clean energy environment coming together. But government, you know, government supported and government led, those policies really matter in attracting investment. The second key part of the stool is the investor confidence and investor preference for going towards markets that are innovative, scalable, helping to bank and support first of a kind-type projects that are out there, things like low-carbon steel, low-carbon concrete, which are so critical, not just for companies like ours that are physically building assets like data centers, but for the building sector as a whole, and other infrastructure providers, which are growing here in the region, but also in Brazil. So you have the investor component of, how do they help support the bankability, and the first of a kind financing, or second, third and nth of a kind, coupled with the government policy, and then coupled with tech, where the role of tech, I think, is twofold. One is obviously on the innovation of new technology solutions that can reach scale. But then also second, as we're starting to see more and more, how are tech companies a offtaker or a procurer of some of these innovative solutions? How does tech companies set a demand signal for certain types of supply chains that then help scale those markets? And we've done that now, both in partnership with governments who also set procurement targets, but also on our own, whether it's procuring clean energy, procuring low-carbon solutions, low-carbon materials, but that's the way I think the three come together. Is a demand signal, an investment signal, as well as a policy signal. Bringing those three together is really how I see the acceleration and change happen, but why that partnership and collaboration is so critical.

Rodrigo Bettini 33:00

That's brilliant. So many of us in this room will be traveling to Belém over the next day or two. Melanie, when we were backstage, we were talking, you mentioned you had been to 15 of the last COPS or so—

Melanie Nakagawa 33:13

Not sequentially. I took a couple of years off.

Rodrigo Bettini 33:16

What makes Brazil COP so special, and what does Microsoft hope to accomplish in this wonderful convening?

Melanie Nakagawa 33:24

I mean, we're just so thankful for the Brazilian government hosting this conference at such an important time when it comes to talking about climate action and progress that's being made. When I sat with Richard earlier yesterday, we talked about the optimism. And, you know, we take it from a pragmatic optimist perspective, where this is a really unique moment, where there are such innovation. You just heard it here today, scaling innovation that's happening. And the Brazil COP gives you an opportunity, one to have conferences and discussions talking about the successes, because there are plenty, and often times we don't often hear about the successes that are happening in digital inclusion, in AI acceleration, and clean energy adoption. So hosting it in a country that has an incredibly clean energy-focused grid—and I think the secretary from California mentioned this as well—you know, this is a moment which say that clean investing in supporting clean energy is economically smart, savvy. It's the place where you're actually seeing a lot of growth, and so this is a great place to do it. Another thing we're excited about is the role of forest conservation, addressing, you know, reforestation degradation. What an incredible space, which has been a topic for since I started going to these conferences about what are we doing to help create an economic incentive to ensure that those communities stand to benefit from any of the work that's happening around forestry. And that's not just seen as a forestry effort for timber harvesting, but it can be a "both" "and." So whether it's you know, companies like Mombak or BTG, which is really showcasing in this region, the "both" "and"; you can both be economically driven, support communities with economic prosperity and do things to actually perturb, protect, conserve, expand, really incredibly biodiverse regions that are necessary for the region, if not the world. So you know, again, I'm really excited that we can have this conversation here, and particularly in Brazil.

Rodrigo Bettini 35:20

Yeah, truly extraordinary. I'm actually good friends with Peter Fernandez. I remember when Mombak was just a concept, and in five years, it's really transformational—

Melanie Nakagawa 35:27

Been in another room, so for those that were interested in that topic, there's a parallel session happening, but they—it's an incredible story, and we're so thrilled to be able to support them. Absolutely.

Rodrigo Bettini 35:36

Absolutely. Roberto, you ushered in an age of innovation into this country that is really unprecedented. Take us into the future. Now we have AI. Now we have the advent of all these other technologies. What do you see happening over the course of the next few years?

Roberto Campos Neto 35:55

Okay, so the main agenda was to create a rail for payments, and we need engagement. Now we have 300 million transactions a day in Pix. So you really have very—we have a very high engagement. If you consider the Brazil has around 110 million banked people, you have more than two transactions per banked person per day. So that's three times more than India, which is a much older system. So really, you had a lot of engagement. The second thing was to be able to cross border. I think we still struggle globally trying to find a solution to carry money around, transfer money around, that, I think, is improving. The open finance, which I think is something that today Brazil has, in a way that no other country has. If I open my app here and I go into the app of my bank, I can see the balance of every bank, of every bank account I have in

other banks, I can go into investments and see the investments, and at the end, the success is measured by being able to do two things—and you can only do this in Brazil today—to have immediate compatibility of all your products and services and immediate portability. And you start getting leads from one bank to the other. So like, if you have a finance you can get a lead for a bank saying, okay, if you move your investment here, or if you move your product here, I can make it cheaper, and all you need to do is accept it, and in two clicks, you can actually change a product from one bank to the other. That's real-time competition. That is something that I haven't seen in any other place. Brazil has it already. It's improving. We had more than 40 billion calls of APIs, of migration of data. I work for a FinTech that's done a lot on that. It's the first one in Pix, is the first one in migration of data. We think the future will be shaped by the interactions of these blocks that were created in terms of innovation. But probably, I think, the most unappreciated interaction that will cause a lot of disruption in the future is the intersection between open finance, tokenization, and AI. The intersection of these three things will actually allow you to have your house, to make it visibility, to optimize payments, to have collaterals segregated, to have orders of payments subject to better consider your risk profile. You can do so many things, in terms of collateral, in terms of credit. Plus at the end, credit is a business of asymmetric information, and the more data you have, the less asymmetric information you have. And the business of open finance, with AI being able to analyze all this data that is now open will generate a lot of gains in terms of lowering spread. I mentioned on the first question that we have this study of IMF that actually shows that FinTechs and financial innovation are actually lowering, lowering the spread the interest rate in Brazil, and you're going to see more and more of that. But I think the future is going to be when you have these marketplaces of finance that you go into one place, you're going to have all your bank data there. You're going to be able to choose which product you want to consume, how do you want to migrate. The segmentation is going to be booming, because everybody can plug in their little services onto that platform. And, actually, we are not very far from that in Brazil. What we need to do in Brazil now is to make sure we have a system that stimulates the banks to tokenize their assets so that they don't see assets and liabilities in an account way. They see them in a token way. And that's what Drex does. Because one thing—I'm sorry for taking so much time—this is one important thing when, when we designed direct some time ago, I thought at some point in time, money is going to be so programmable that you're going to have a problem of disintermediating the banks. Why? And you can see that if you fly to small countries, it's happening already. Because if you have all these digital wallets, and people are using more and more stablecoins and cryptos, what happens at the end is you're drawing money from a bank and putting in a digital wallet. What the digital wallet still does not do very well is credit. So we have drawing money from a deposit to put in a digital wallet that does not have a village to generate credit. So what you do is you're shrinking your deposit base, and it's happening many places. And stablecoin is growing a lot and this is going to accelerate a lot now. So if you do that at the limit, what you're going to have is less deposits. So you're going to have less credit. And this really hurts not only the credit function, but the ability of the Central Bank to do monetary policy to fix that. You need what actually I thought was going to be the solution 2018 which is the token deposit. So I need to be able to have digital assets to gather the digital assets inside the balance sheet of a financial institution and to do credit on the top of it. So I think this is where we're going to go. The one—the country that cracks this faster and is able to integrate the traditional banking with the digital space is going to be a clear winner.

Rodrigo Bettini 40:57

It seems like Brazil, it's on its way to be that country. Would you like to add a thought, Isabel?

Isabel Millat 41:02

I really wanted to equate—I loved, you know, the pragmatic optimism. I hope you know—

Melanie Nakagawa 41:07

The dinner table conversation that we're having.

Isabel Millat 41:09

Exactly, there you go. I mean, I hope you know the examples we have shared really show that with the right partnerships, we can make the investment case work for climate and nature and yes, the narrative may have changed. You know, a client last week in the food and beverage industry was telling me, well, we don't finance regenerative agriculture. We finance supply chain security and price stability. Likewise, when we finance energy efficient, water efficient, clean energy, power data centers, they're simply cost efficient assets, right? Underpinning these business priorities. I mean, the decarbonisation trajectory, the direction of travel is clear. And you know, we cannot let this be derailed. Absolutely.

Rodrigo Bettini 42:00

Absolutely. Can't think of a better way to end the session. We want to thank our panelists. Thank you all very much for being here, and please stay for a conversation with Gavin Newsom coming up next.

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