

# PRODUCTS OF THE 1ST YEAR OF THE FINANCIAL INNOVATION LABORATORY



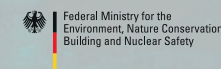
An initiative of:



With support from:



Supported by:



based on a decision of the German Bundestag



# Index

03

TEAM

04

THE FINANCIAL INNOVATION LABORATORY

05

LAB PARTICIPANTS

06

LETTER - MARCO AURÉLIO CROCCO - ABDE

07

LETTER - JUAN ANTONIO KETTERER - IDB

08

LETTER - MARCELO BARBOSA - CVM

09

GT GREEN FINANCE

10

ENERGY SAVING INSURANCE

12

MODEL OF RISK ANALYSIS OF PHOTOVOLTAIC SOLAR PROJECTS

13

FIRST LOSS FUND

15

GT FINANCIAL INSTRUMENTS AND IMPACT INVESTMENTS

16

CROWDFUNDING

17

SOLIDARITY REVOLVING FUND

18

PUBLICATION: METRICS FOR SOCIO-ENVIRONMENTAL EVALUATION:  
A PERSPECTIVE FOR REGIONAL DEVELOPMENT INSTITUTIONS

19

GT GREEN BONDS

20

BUSSINESS OPPORTUNITY FOR THE FINANCIAL INTERMEDIATION SECTOR

21

PUBLICATION: RESEARCH REPORT WITH ISSUERS AND  
INVESTORS ABOUT GREEN BONDS IN BRAZIL

22

GT FINTECH

23

CONTACT



Marco Antônio A. de Araujo Lima



Cristiane Viturino



Juan Ketterer



Maria Netto



Diego Herrera



José Alexandre Vasco



Antonio Berwanger



Fernanda Nogueira



Nathalia Galera



Johan Arroyo Lopez



Luciano Schweizer



Sylvia Gabriela



Claudio Maes



Bernardo Kruehl



Enilce Melo



Felipe Vignoli



Fernanda Sant'Anna



Flavia Moraes e Silva



Debora Goes



Gustavo Pimentel



Justine Leight-Bell



Luiz Serrano



Paulo Miotto



Tatiana Assali



Tatiana Coutinho



# LAB LABORATÓRIO DE INOVAÇÃO FINANCEIRA

The Laboratory of Financial Innovation (LAB) is a project of the Brazilian Development Association (ABDE), the Inter-American Development Bank (IDB) and the Securities and Exchange Commission (CVM), launched in August 2017, which works as a multi-sectoral discussion forum. Its purpose is to promote dialogue between the public sector and to share experience among various agents of the economy. In order to do so, we count on the participation of critical institutions in these sectors, in addition to the third sector for the development of sustainable development innovation in Brazil.

LAB's objective is to encourage the creation of new products and financial solutions that increase private sector participation in sustainable solutions in markets such as energy, water, transportation, agriculture and

finance (fintechs). The LAB proposes to go beyond a space of knowledge production, and effectively promote the structuring of new financial products, using research, analysis and the technical seniority of its participants. To this end, the LAB analyzes innovative instruments and good local and international practices that can be replicated by the financial institutions of development, as well as seeks to structure solutions that increase the efficiency of the resources of impact investors. To meet this objective, the LAB was organized into working groups (WG) focused on four themes: Green Finance, Fintechs, Financial Instruments, Impact Investments and Green Bonds. Each of the WGs developed products during the first year of the LAB and this work stems from this effort.



# PARTICIPANTS



Other participants: ABCD, ANEEL, ANPROTEC, BDMG, BNB, BNDES, BRB, CAIXA ECONOMICA FEDERAL, CAMARA-E.NET, CITI PRIVATE BANK BRASIL, CNI, CNSEG, COMPORTAMENTAL CONSULTORIA, CUBO DIGITAL, ELETROBRÁS, EPE, FGV-DIREITO, FOMENTO PARANÁ, KPMG, MATTOS FILHO, MCTIC, MDIC, MINISTÉRIO DA CULTURA, MINISTÉRIO DA FAZENDA, MINISTERIO DE MINAS E ENERGIA, MINISTÉRIO DO PLANEJAMENTO, MOODY'S, PROCURADORIA DO ESTADO, SUSEP, UFRJ, UNEP, USP



## GREAT CHALLENGES AND GOOD IDEAS FOR PROMOTING INNOVATION IN SUSTAINABLE DEVELOPMENT.

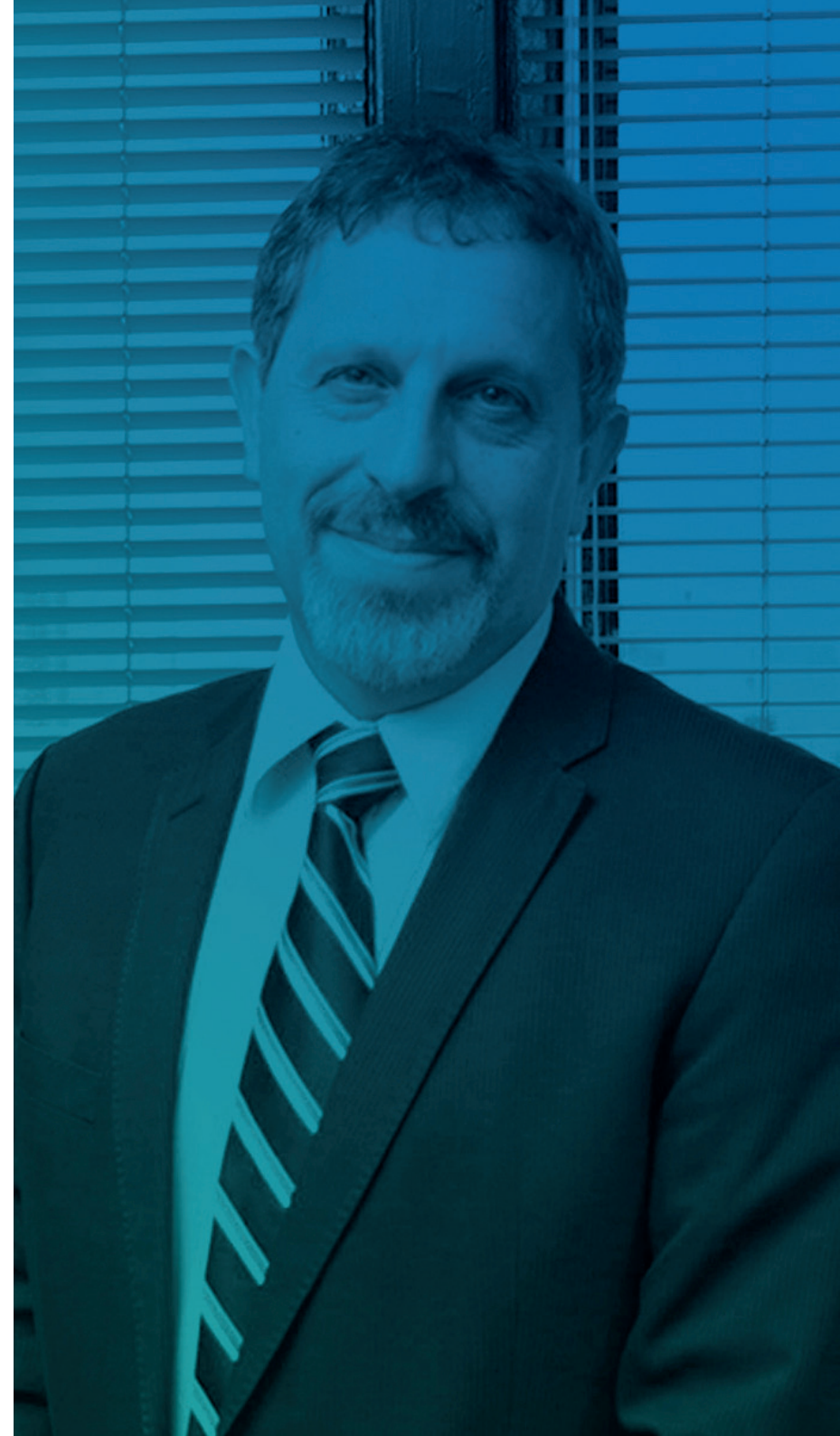
Innovation is necessary. Especially when innovation proposes to bring solutions to a subject as relevant as socio-environmental issues. It was for this purpose that the Brazilian Development Association (ABDE) promptly embraced a partnership with the Inter-American Development Bank (IDB) and the Securities and Exchange Commission (CVM) and took up the challenge of implementing the Financial Innovation Laboratory in Brazil (LAB). In line with its mission to contribute to the sustainable development of the country, ABDE believes that the strengthening of the National Development System, composed of the Development Financial Institutions (DFIs), and its union with public and private actors, for the elaboration of new financial mechanisms, will create significant gain making the Brazilian economy more sustainable promoting a necessary environmental balance. Throughout its first year of operation, LAB has contributed to the institutional strengthening of its members, considering its special capacity to unite and articulate different national and international actors and to generate vast multisectoral knowledge. Throughout this period, numerous debates were held, which inspired the formulation of documents that, in turn, contributed to increase knowledge and enabled the construction of a series of mechanisms that are gradually materializing. Although there are many challenges to overcome regarding creating

and improving practices, processes, systems, instruments and regulation, through LAB, it is possible to create and formulate public policies that allow an increase in investments and, consequently promote the necessary advances that Brazil both needs and desires in a safe and sustainable way. Initiatives such as The LAB's are a stimulus for ABDE and the National Development System to remain vigilant and firm in the relentless vocation for Brazilian development. And nothing is better than being an integral part of an active and timely initiative like this that points to goals for concrete, inclusive, participatory and, above all, innovative action.

Many thanks to the many actors who made the LAB a reality.



Marco Aurélio Crocco  
President of ABDE





## EXPERIMENTING TO CONVERT POTENTIAL INTO REALITY

“The journey of a thousand miles begins with a step.”  
(Lao-Tsé)

A laboratory is a place of great operations or transformations. Reflecting on our challenge to promote development in Latin American and Caribbean, it seems clear that there is a convergence between our challenge and what is happens at a laboratory. However, our challenge is to take the development scale of the laboratory that allows us to change the situation of countries and improve the lives of their inhabitants.

If the challenge of development is, on the one hand, a question of scale, on the other - and increasingly — it is a question of innovation and leadership at a time when technological changes point to a society that will be organized socially, economically and environmentally into new paradigms.

The opportunity for Latin America, and particularly for Brazil, is to position and sustain itself as leaders on issues where the region has comparative advantages and great opportunities, such as climate mitigation and adaptation, social impact and digital finance. We understand that in this context, finance plays a transformative role in enabling projects and investments that will transform the economy and channel resources in sufficient volumes to provide the necessary transformational scale. After a record 160 billion USD in 2017, green bond issuances globally are expected to hit another mark with 200 billion in 2018. With the Laboratory

of Financial Innovation (LAB), incorporating a collaborative environment of public and private actors from the financial and capital markets and sector specialists, a structured process was created to generate ideas, work solutions, and produce knowledge products that allow advancement the innovation agenda and seek leadership in concrete activities. Above all, it represents an environment conducive to inter-institutional innovation and to strengthening the competitiveness of Brazilian actors, allowing them to glimpse opportunities, identify barriers and present solutions that signal to society the alternatives to be pursued. For the Inter-American Development Bank, it is a great pleasure to note that the first year of LAB has resulted in a series of concrete products and proposals being implemented. We highly value being able to be part of this network and accompany the Brazilian Development Association (ABDE) and the Brazilian Securities and Exchange Commission (CVM) in this initiative that will undoubtedly outline visions and solutions that will transform and characterize Brazil of the future.



Juan Antonio Ketterer

Head of Connectivity, Markets and Finance Division (CMF)  
Inter-American Development Bank







## BUILDING SOLUTIONS FOR SUSTAINABLE FINANCE DEVELOPMENT

The challenge of promoting sustainable development requires collective and intersectoral action to diagnose barriers and build appropriate planning. This conviction was behind the launch of the Laboratory of Financial Innovation, a platform for dialogue and action that gathered, from the outset, a wide range of public and private entities from various sectors around the goal of ensuring economic growth with social responsibility and environmental.

The timing of the initiative could not have been timelier. In the international arena, political commitments made by Brazil, such as adherence to Agenda 2030 for Sustainable Development of the United Nations and the promulgation of the Paris Agreement, require concrete actions that require substantial investments in infrastructure. The Brazilian contribution to global climate protection, coupled with other climate investments, will require about USD \$ 1.3 trillion between 2016 and 2030, according to the International Finance Corporation (IFC) estimate, requiring significant participation from private sources.

Without minimizing the challenge, it is true that Brazil offers so many investment opportunities that, under the right market conditions, is a candidate to be the preferred destination of investors who incorporate environmental, social and governance (SGA) risk factors into their analysis and decision-making processes. The issuance of green bonds, for example, can provide solutions to finance large-scale efforts to adapt to climate change, at the same time generating employment, income and positive impacts for society.

Without minimizing the challenge, it is true that Brazil offers so many investment opportunities that, under the right market conditions, proves to be an ideal destination to investors who incorporate environmental, social and governance (SGA) risk factors into their analysis and decision-making processes. The issuance of green bonds, for example, can provide solutions to

finance large-scale efforts to adapt to climate change, at the same time generating employment, income and positive impacts for society.

However, the full use of these opportunities requires the ability to incorporate sustainability considerations into the regulatory agenda. On the one hand, new classes of assets require a review of the adequacy of the regulatory framework related to the specifics of the instruments. On the other hand, investors who have incorporated ASG factors in their analyzes have specific information needs that need solving, even by voluntary standards, such as those proposed by the Task Force on Climate-related Financial Disclosures instituted by the FSB.

In March 2018, the European Commission adopted a strategy on sustainable finance, drawing up a plan with several actions to stimulate investment in sustainable projects.

The Laboratory of Financial Innovation was thus launched in good time, and has the potential to be a relevant differential of the Brazilian market, highlighting the needs of the actors involved and allowing the joint construction of the consensus that will pave the way for a regime that fosters financial innovation and contribute to the sustainable development of the country, while preserving fundamental values for any capital market regulator: investor protection, efficient and equitable markets and reduction of systemic risks.

Marcelo Barbosa  
President of CVM



# WG GREEN FINANCES

Interest in Green Finance in the LAB is a development of the change in market perception in 2014. Environmental issues are no longer only treated as a risk factor for investment and financing but instead are treated as objects of study in several groups created for this purpose within the private sector.

Thus, the Green Finance WG aims to build an intersectoral dialogue, led by the National Development System, to originate, evaluate and test financial innovations that support sustainable development in Brazil, especially about environmental issues and social inclusion.

Over the last year, the WG has focused on financial mechanisms that could boost projects related to Energy Efficiency and Distributed Generation. The WG was divided into three subgroups to study the following topics: (I) Funding alternatives; (II) Guarantees; and (III) Investment Vehicles. Also, a subgroup was created to assist others with regulatory doubts in the formulation of products.

The subgroup of funding alternatives aimed to design ways to overcome barriers to funding and leveraging financing from public and private banks. The subgroup of guarantees proposed to design a guarantee instrument to operate in the first year of LAB. Finally, the investment vehicles subgroup had as its goal the design of a pilot project whose main indicator was the lower cost of capital allocation.

As results of the first year of LAB, Green Finance GT has designed and presented three products.

In addition to these, further discussions are under way within the WG. Examples of proposals that still remain on the agenda of this WG are: (I) the Green Inter-finance Deposit; (II) the design, for Financial Institutions, of the program of Eletrobrás that promotes the efficient use of electric energy; (III) the RenovaBio, a state policy aimed at designing a strategy to strengthen the participation of biofuels in the Brazilian energy matrix, and (IV) the Energy Efficiency Fund (F2E), an initiative of CNI and the World Bank with the objective of stimulating implementation of energy efficiency projects through off-balance model financing.

ENERGY  
**SAVING  
INSURANCE**

ANALYSIS OF  
INTEGRATED RISK  
**SOLAR PROJECTS**  
PHOTOVOLTAICS

**FIRST  
LOSS  
FUND**





1

## THE PRODUCT

Energy Saving Insurance (ESI) is a model that combines methodologies of technology evaluation and energy performance insurance, through a performance contract, aiming to stimulate lines of credit for projects of energy efficiency and solar generation, allowing greater security to the client in the making for greater investment in green projects.

2

## HOW DOES IT WORK?

See page 11 for more details

3

## INNOVATION

The ESI methodology is an innovative combination of a traditional line of credit and the ESCO model, with the difference that the client is who takes the credit. The scheme is based on a performance, and technical assessment methodologies implemented by a third body with high credibility in the Brazilian market - ABNT.

ENERGY  
**SAVING  
INSURANCE**

5

## ACHIEVEMENT

4

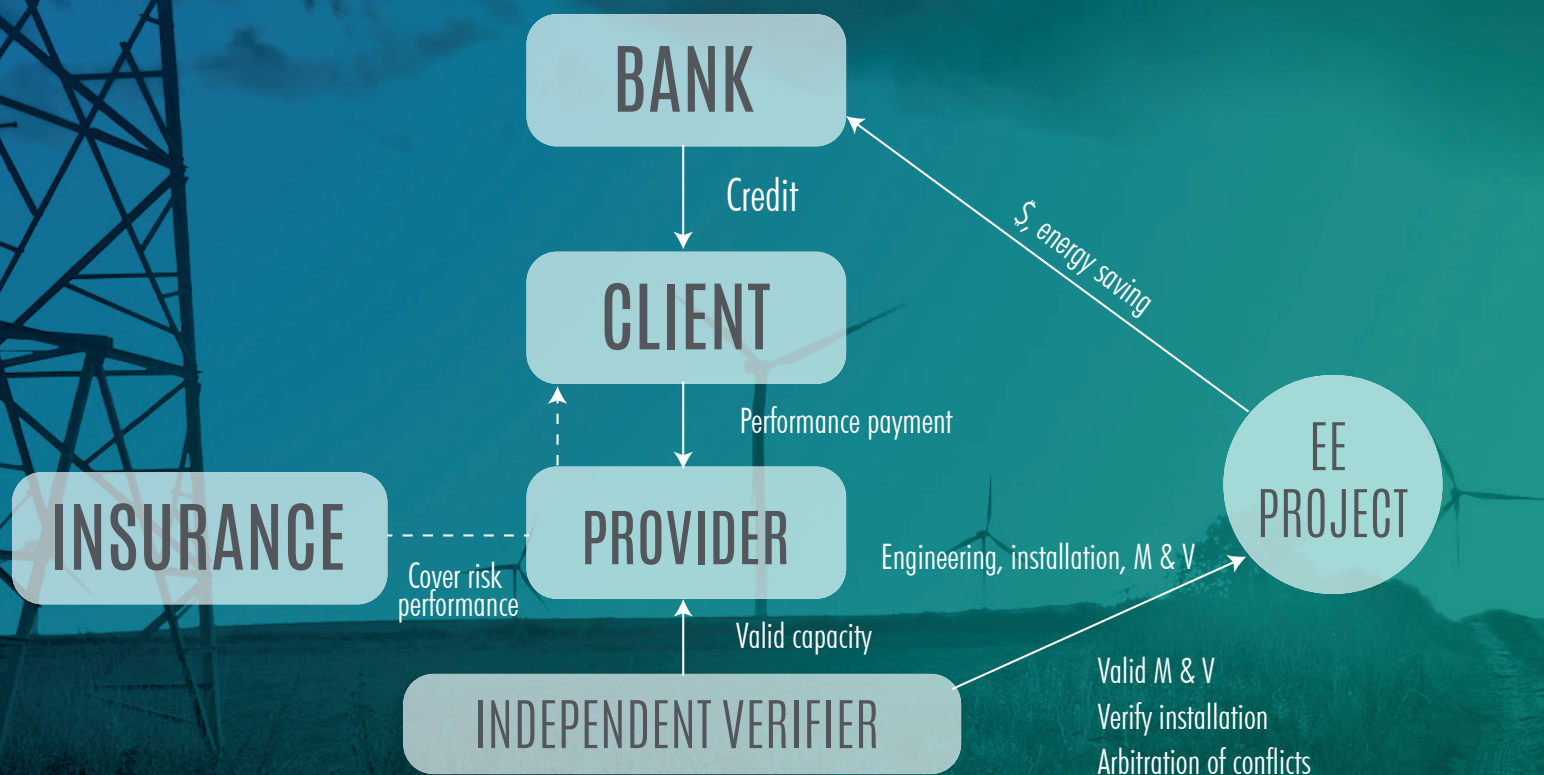
## CURRENT STAGE

The ESI methodology will be launched in the pilot phase in Brazil in September 2018. The first financial institutions to promote the ESI credit lines will be the Development of Espírito Santo (BANDES - ES), Goiás Fomento (GO), and the Development of the Extreme South (BRDE - RS). At least one project by the institution at this stage with the possibility that the resources allocated for the pilot phase in each bank and development agency will be depleted.



# ENERGY SAVING INSURANCE — HOW DOES IT WORK?

The ESI methodology is based on a series of elements that aim to bring greater security to the client borrowing from financial institutions, especially technical evaluation methodologies on energy efficiency technologies and distributed solar generation, an insurance policy on energy performance and a contract between the customer and the technology services provider (TSP). ABNT (Brazilian Association of Technical Standards) was chosen as the certifying and validating body that will carry out the technical interface between the insurance company, bank, customer and TSP, evaluating both the project and the technical capacity of the TSP, to ensure greater customer security for projected earnings.





## CURRENT STATUS

In a joint initiative, FEBRABAN and the IDB, within the scope of the LAB, encouraged eight financial institutions to analyze the model proposed. The banks consulted considered it a viable model and that it could increase the number of operations. The application of integrated analysis changes the paradigm of the analysis of credit risk of operations and reduces the need to guarantees. They also indicated the need to calibrate the model in accordance with risk and credit policies of each bank. Of the eight banks that evaluated the model, three expressed interest in testing the tool.

## THE PRODUCT

It is a model of risk analysis that banks can adapt to finance photovoltaic projects for small and medium-sized operations in transactions ranging from R\$ 500 thousand to R\$ 30 million. The model considers the client's credit risk and the risk of the project to be financed to define the risk of the operation.

## HOW DOES IT WORK?

The project's risk rating is composed of a derived score of their payback and the technical and financial guarantees offered to bank financing. Scores are used for different paybacks and guarantees.

- The longer the payback, the greater the risk of the project and, therefore, the lower the score.
- Technical and financial guarantees follow liquidity and solidity criteria and. The score depends its value to the bank. For example, the guarantee of property or performance insurance would have a score greater than the equipment warranty, which is difficult to execute and monetize. The client's risk is assessed in a traditional way by the bank. It is up to the bank to determine what weight will be attributed to the risk of the project and the risk of the client in determining the risk of the operation.

## INNOVATION

The innovation model is in integrated risk analysis that considers the client's credit risk and the risk of the project to be financed. The proposal aims to encourage banks to test an innovative model, applying it to photovoltaic projects that they intend to finance. The combination of technical and financial guarantees offer the model a more complete analysis of project risk in the composition of the risk of the operation to be financed.



AGGREGO  
CONSULTANTS

ANBIMA

1

## THE PRODUCT

First Loss funds are a credit and/or equity enhancement tool that has gained prominence with impact investors who are experimenting with this innovative model for ways to reduce risk and advance social and environmental objectives using commercial capital and, at the same time, to stimulate investment in new markets. This mechanism encourages investors who do not have long-term capital. On the other hand, subordinated mezzanine could earn a higher remuneration.

2

## HOW DOES IT WORK?

See page 14 for more details.

3

## INNOVATION

The Organization for Economic Co-operation and Development (OECD) suggests that the subordination structure is created to foster socio-environmental impact in the investment sector. The impact investment market is incipient, but some investment opportunities with strong potential for social or environmental impact are perceived as having a high financial risk. While some funds from this profile are viewed with caution because they do not produce enough returns for their level of risk, others suffer from lack of information or history due to the novelty of the opportunity. The supply of innovative credit, a sector in which this mechanism is included, already has as a common feature the traditional financial market's power to encourage the flow of capital to these investment opportunities. It improves profiles and thus encourages more investors to co-invest because it is an innovative tool to reduce risk and catalyze impact. Multilateral providers are the protagonists in impact investment. Its capacity and willingness to offer protection to other investors are the most important factors in driving greater capital flows through these structures.

4

## CURRENT STATUS

The construction of this mechanism was led by the Aggrego in conjunction with the Brazilian Association of Financial and Capital Markets (Anbima). Currently, Aggrego is seeking partners to launch the pilot project in the market.

5

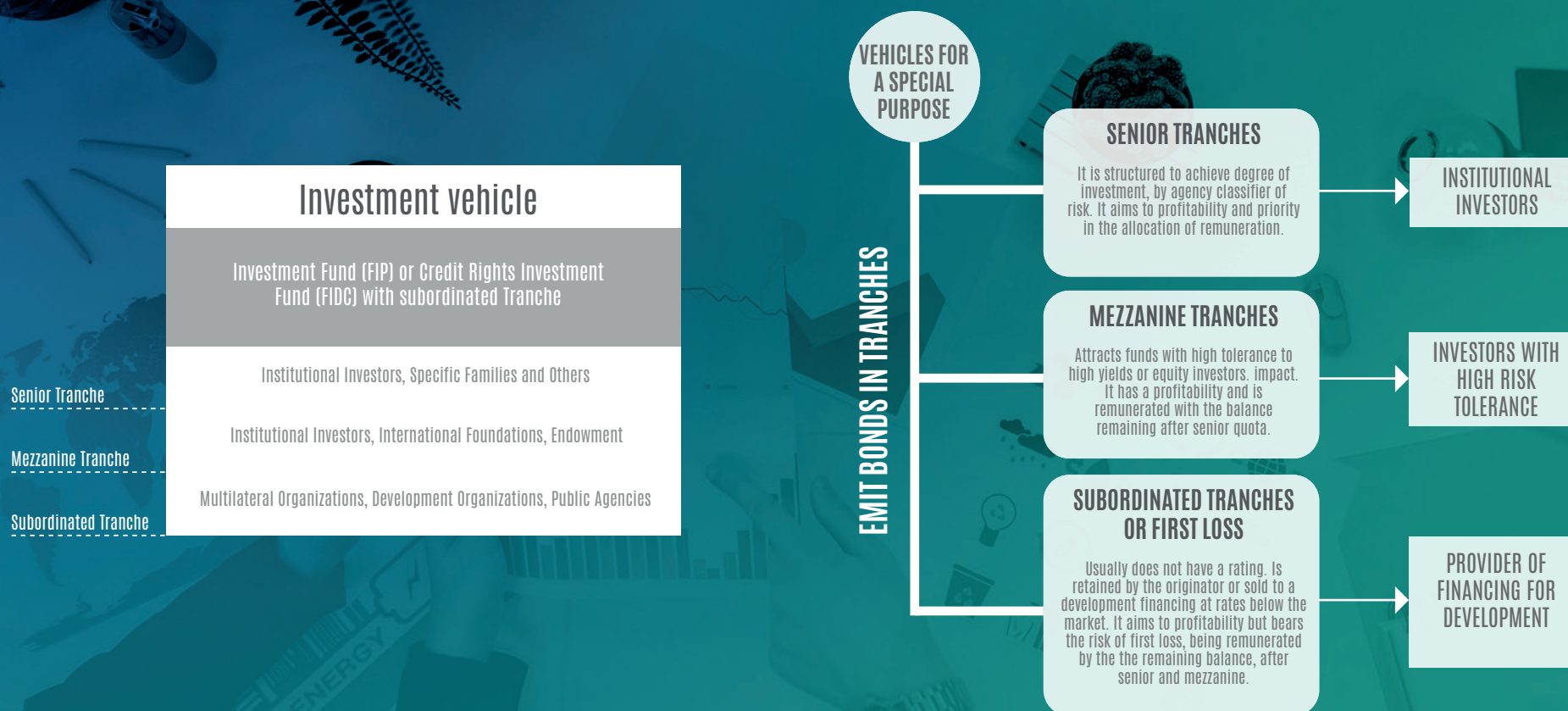
## ACHIEVEMENT

FIRST LOSS FUND



# FIRST LOSS FUND — HOW DOES IT WORK?

First Loss Funds can be incorporated into a capital structure through a variety of instruments (grants, equity, subordinated debt and guarantees) defined by two main characteristics. First, they improve the recipient's risk-return profile and catalyze the participation of investors who otherwise would not be able to participate. First, they are purposely targeted: channel commercial capital is earmarked for the achievement of certain social or environmental results. In addition, often - though not always - the purpose may be to demonstrate the commercial viability of investing in a specific market.



# WG FINANCIAL INSTRUMENTS AND IMPACT INVESTMENTS

The WG dedicated to Impact Investments appears in the context of the LAB, considering two observed needs. First, the need to discuss financial instruments aimed at financing Sustainable Development Goals (SDG) in force by the United Nations since 2016. Likewise, it has been observed that the DIFs could play a relevant role in promoting investment because of its unique role of being a public agent with access to the private market and have as their primary objective the mandate of promoting policies, tools and solutions for economic, social and environmental challenges in their areas. Thus, the purpose of this GT for the first year was support the Financial Institutions for Development (DIFs), banks, players and market regulators financial and capital markets to identify, develop, support pilots, and disseminate financial instruments which can stimulate impact investments that social objectives of the SDGs, as well as the better align and post what they already do in the financing of development with the objectives of SDGs. In the last 12 months the group has gone back to studying ways that DIFs could act against three instruments financial instruments: (I) Impact Contract Social (CIS); (II) Crowdfunding; and (III) Solidarity Revolving Funds. In addition, a metric subgroup for social impact assessment was structured with the objective of studying methods of impact assessment available socio-environmental and suggest alternative implementation of the financial instruments studied. Much progress has been made in each of these instruments. As a result of the first year

of the LAB, the Financial Instruments and Impact Investments carried out a publication dealing with Metrics for Social and Environmental Assessment, in a perspective regional development institution and the design of two products that are presented on the blades subsequently.

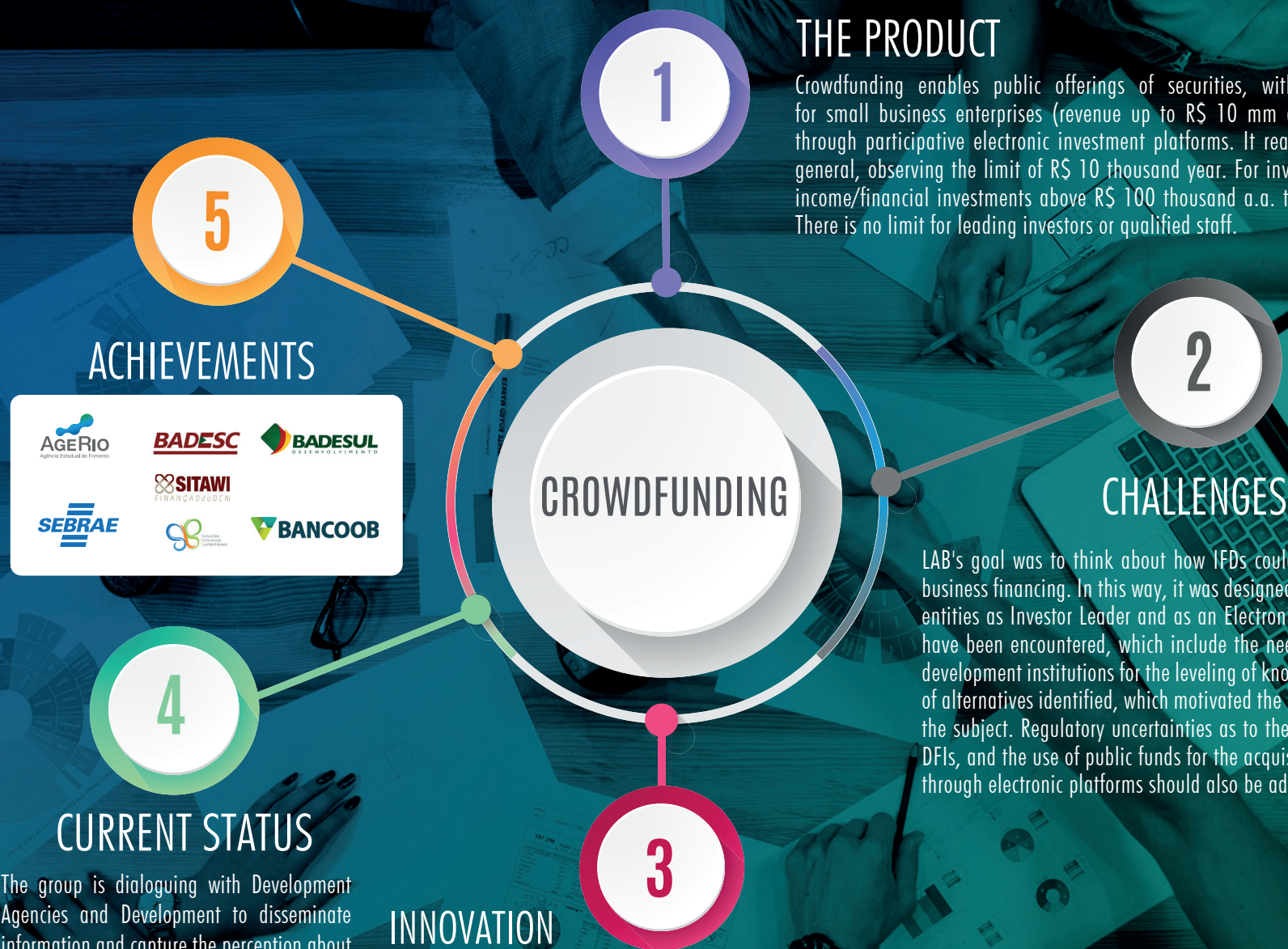
In addition, the group made aimed to understand the current state of implementation of the CIS in Brazil, which motivated him to include the SDG theme Bonds in the agenda of next year, to design a pilot project in this line.



CROWDFUNDING

SOLIDARITY  
ROTATING  
FUNDS





## THE PRODUCT

Crowdfunding enables public offerings of securities, with an exemption for small business enterprises (revenue up to R\$ 10 mm a.a.), exclusively through participative electronic investment platforms. It reaches investors in general, observing the limit of R\$ 10 thousand year. For investors with gross income/financial investments above R\$ 100 thousand a.a. the limit is 10%. There is no limit for leading investors or qualified staff.

## CHALLENGES

LAB's goal was to think about how IFDs could use the platforms for local business financing. In this way, it was designed for the performance of these entities as Investor Leader and as an Electronic Platform. Some challenges have been encountered, which include the need for greater involvement of development institutions for the leveling of knowledge and for the validation of alternatives identified, which motivated the LAB to carry out a Webinar on the subject. Regulatory uncertainties as to the possibilities of action of the DFIs, and the use of public funds for the acquisition of distributed securities through electronic platforms should also be addressed to the regulators.

## INNOVATION

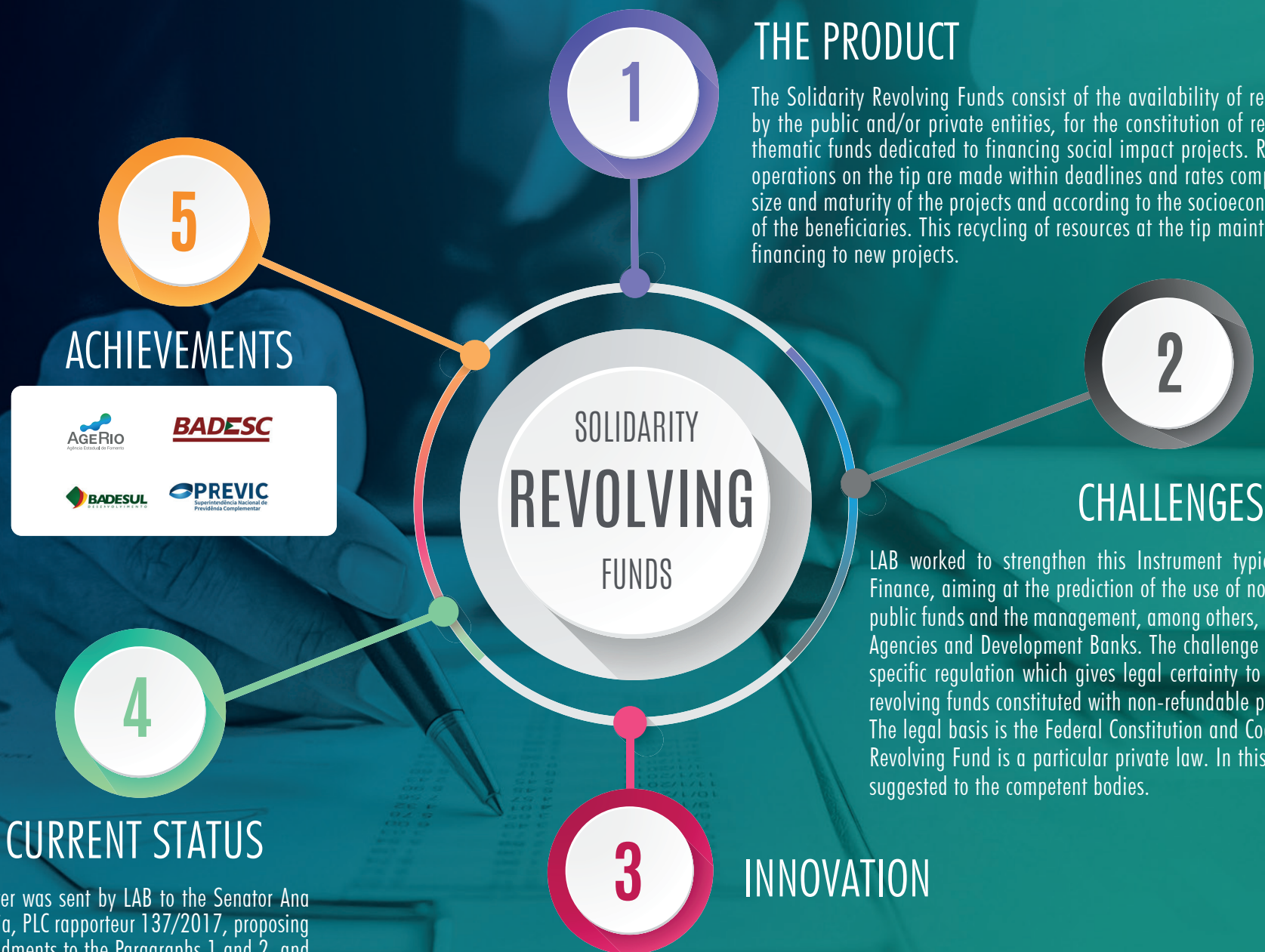
The innovation lies in the identification of the alternative uses of this mechanism by the institutions. Two options were available:

- Leading investor - can vary the level of responsibility and attributions depending on the size and structure of the Institution.
- Option 1 - Leading Investor (broad role), exercising all planned activities.
- Option 2 - Leading Investor (restricted role), outsourcing activities, with the follow-up of the execution of the tasks performed by the contractor.
- Option 3 - Articulating and promoting the Union - choosing and monitoring the execution of the tasks by the Leading Investor, among other actions.
- Platform - design of three models:
  - Own platform, which would require registration with the CVM.
  - Platform of third parties, without ancillary obligations.
  - Third-party platform (white label format), with use of the institution's logo, which allows one to form a personalized network.

## CURRENT STATUS

The group is dialoguing with Development Agencies and Development to disseminate information and capture the perception about potential restrictions (legal and operational) on the use of crowdfunding, including with the Webinar. Has approached regulators for the clarification of doubts and suggestions for improvements, in addition to being modeling of a pilot project.







## PUBLICATION: METRICS FOR SOCIO-ENVIRONMENTAL EVALUATION: ONE PERSPECTIVE FOR REGIONAL DEVELOPMENT INSTITUTIONS

The publication originates the study of conceptual leveling of tools available for performance evaluation socio-environmental perspective from the IFD perspective. O document was structured to support the subgroups of the Instrument Working Group Financial Instruments and Impact issues involving the need to use of socio-environmental metrics. At the beginning of the LAB, the participating members of the our WG were in stages of maturity. Therefore, it was necessary to equalize the level of knowledge among participants by means of indications of readings, interviews with experts and discussions in group. In addition, there was a need to study tools appropriate to the different financial instruments studied by the other subgroups. Finally, guidelines to assist the IFDs to incorporate impact assessment metrics management. A framework was proposed by the subgroup conceptual framework that facilitates understanding of necessary components in an assessment of socio-environmental performance. In summary, the structure proposed suggests the use of change at all stages, gives examples of indicators available to managers and indicates different approaches for evaluation socio-environmental and impact assessment. Provided also a basis for

various tools were compared to each other and suggestion to use each one according to different instruments: impact contract social, crowdfunding and solidarity funds. This study is available for access to the LAB site.

[www.labinovacaofinanceira.com](http://www.labinovacaofinanceira.com)

Sponsored:



Also participated:  
BNDES | CAIXA | BRADESCO

# GT GREEN BONDS

Green Securities are debt instruments of the capital markets in which the funds raised must be investments and projects with externalities and positive environmental impacts. Its market voluntary, however, some regulators, such as the People's Republic of China, have encouraged local green bonds with specific standards. In Brazil, up to creation of the LAB, the subject had been widely debated in private sector forums. Some examples of results achieved until then were the publication and guidelines to guide issuers (Febraban and CEBDS - Brazilian Business Development Agency Sustainable Development), the creation of a dedicated fund for green certificates from the energy sector by BNDES (Banco Nacional Economic and Social Development), training program and actors by CEBDS and GIZ (German Agency for International Cooperation). Thus, the objective of the GT Green Bonds of LAB was to establish a working group for regulators and other public agents in the financial markets, and strategic sectors can better the development of the international organizations bond market and develop and evaluate intervention in the Brazilian green bond markets including:

The group should also serve as the interface of entities for dialogue with the private intersectoral council of green bonds. Thus, in the last twelve months the group has advanced work on various fronts. The main result of the group was conducting research with issuers and investors on the green bond market in Brazil. The report with this research was published and has recommendations to promote this market. This is displayed in the graph that follows. Other points raised by the WG and which remain on the agenda are the possibility of sovereign issuance, regulatory changes, financial instruments to encourage emission and alignment with the best international practices. As for the sovereign issue, after analysis with the Federal Government, a conclusion was reached which would not succeed in the short-term. Like this, it entered the WG agenda, a benchmark on this subject. Susep presented a proposal for change by introducing environmental, social and environmental risks. And governance (ASG), which is being analyzed internally. In addition, the LAB was recently invited by the Ministry of Finance to assist the Working Capital Markets on proposals to encourage the green bond market.



Consider types of incentives and activities to develop a market for national green bonds.



Opportunities to promote sovereign bonds.



Possible financial instruments emissions.



Aligning the local market with international best practices.



# SUSTAINABILITY: OPPORTUNITY FOR THE INTERMEDIATION SECTOR

The Sustainability Guide: Opportunity for the intermediation sector aims to stimulate debate on sustainability in the intermediation sector and encourage brokers, distributors and banks (participants) that operate in markets managed by B3 to integrate environmental, social and environmental Governance (ESG) processes and products, as well as the relationship with customers. Therefore, it takes up the subjects covered in the Basic Qualification Program Operational Plan (PQO) of B3 through which such integration is possible, describes good practices and examples of products and suggests steps to make it viable. The document is divided into 2 sections. In section 1, it is possible to find products that exemplify such integration, without the making them guidelines or impositions of structures, a time you want to invite the participants in this sector to reflect on and develop their own proposals

to make sense of their respective models of business and the reality of their customers. Already in section 2, excerpts from the Bacen Resolution 4,327 / 2014, highlight some guidelines for the preparation, implementation and possible revision of PRSA. In this sense, it is also a material exchange of information, presents good practice and opens up more space for dialogue between the various market players and institutions. Of course, the integration of ESG to the mainstream of business, despite its challenges, represents a great opportunity and gain for participants, their customers, the market and, consequently, the country. Therefore, the debate on the subject is of extreme importance for the subsistence of business, customer satisfaction and the strengthening of the sector.



The Sustainability Guide: Business Opportunity for the intermediation sector was launched during International Organization of Investors Securities Commission (IOSCO) Week in 2017, held at B3 and with the support of the Innovation Lab Financial Statements (CVM, IDB, ABDE).

# PUBLICATION: RESEARCH REPORT WITH ISSUERS AND INVESTORS ABOUT GREEN BONDS IN BRAZIL

The research that is based on this report was by done the Green Securities WG with issuers and investors in the Brazilian green bond market. This arises from the need to promote greater knowledge about the market demanded by the participants of the debt securities market, and also to identify new instruments and ways that are being discussed to develop this market in Brazil. Thus, the research aims to create a map: it was conducted via an online questionnaire and interviews with potential issuers and investors. The distribution of the questionnaires was with the participation of members of the Financial Innovation and Sectoral Associations, the Brazilian Securities and Exchange Commission (CVM), the Brazil Stock Exchange Counter (B3), the Superintendence of Private Insurance (SUSEP), the Business Council For Sustainable Development (CEBDS), the Brazilian Association of Wind Energy (ABEEOLICA), the Industry Union of Sugarcane (UNICA), the Brazilian Federation of Banks (FEBRABAN), the Brazilian Association of Closed Entities of Complementary Pension Plans (ABRAPP) and the Brazilian Association of Entities of the Financial and Capital Markets (ANBIMA). The report is available on the LAB website

([www.labinovacaofinanceira.com](http://www.labinovacaofinanceira.com)) and presents an analysis of the results obtained, identifying the potential of the market and the challenges to be faced. Finally, recommendations are made to boost the Brazilian green bond market.



Obstacles to market growth of green bonds in Brazil.



The opportunities and benefits of issuance and investment.



Decision-making factors issuance and investment.



Financial mechanisms and instruments the market.



The perception of issuers and investors regarding regulatory improvement, especially the topics discussed in LAB.



# GT FINTECH

The Fintech GT was launched in December 2017 and as a new work front to be handled by LAB - digital innovations in the financial system. The new financial technologies (fintechs) emerged at last for the entire financial services market world. They are responsible for bringing solutions to challenges of the financial system. First of all, they contribute to the greater financing of the productive sector, mainly aimed at small and medium enterprises. In addition, they are responsible for allowing the inclusion of financial agents previously excluded from the financial system traditional. However, there is still much discussion about how to incorporate these innovations to the market both in the regulatory institutional. In this sense, the LAB Fintech GT arises with the objective of creating a platform to articulate the institutional framework, which makes it possible for the Brazilian market and its different sectors. In addition, it allows design, in a dialogued way, and the technological services for Brazilian society by a future joint action between organs and governmental entities, the financial institutions of developing countries that are part of National Development, investors, private financial institutions and other local actors.

The GT delimited two main focuses of action: Thus, the ecosystem necessary for these to develop, the necessary regulatory apparatus and interaction with traditional financial institutions have become part of the WG which was divided into three subgroups.



Regulation and innovative solutions: studies how to implement a regulatory framework in Brazil. The group documents that will serve as the basis for regulators who wish to implement it by instituting rules and parameters.



Ecosystem development: studies opportunities and current challenges of the market, outlining how to promote an ecosystem conducive to the development of fintechs.



Public and private financial institutions: deals with forms of cooperation that may emerge between this new market and the traditional financial system, complementarities between them and ways of establishing partnerships.



Studies and evaluations of new technologies, the digital economy and trends and alternative financing mechanisms (impacts, opportunities and challenges).



Drawing up the proposal for joint action in financial technologies, digital economy and alternative financing mechanisms (rules of governance, members, services offered, among others.), including a study on the feasibility of implementing a project for regulatory markets in the capital markets, insurance and social security.



[info@labinovacaofinanceira.com](mailto:info@labinovacaofinanceira.com) | [lab@abde.org.br](mailto:lab@abde.org.br) | [www.labinovacaofinanceira.com](http://www.labinovacaofinanceira.com) | (21) 2109-6009



# LEGAL NOTICE

This document was prepared by the Financial Innovation Laboratory ("LAB") and is intended to inform readers about the main characteristics of the products developed during the first year of activities of the Working Groups, in favor of sustainable development in Brazil, without, however, seeking to specify all possible risks or characteristics thereof. The products described herein are summary and merely indicative, subject to the terms and conditions set forth in the legal documentation relating to the respective products, which will be timely and available for consultation prior to the availability of such products on the Brazilian market. Any person who acquires or subscribes to the products or titles mentioned in this document must be only on the definitive terms of the official documents related thereto or, where applicable, in the prospectus to be issued. LAB, its associates, members, consultants and employees, do not offer advice, recommendation or endorsement with respect to any financial or guarantee for products, investment mechanisms, company or this document. Therefore, this document, which is for information only, does not replace the advice of its consultant and is not intended to be the sole basis for any evaluation of transactions or financial products mentioned in this document, not constituting an offer to buy or sell, investment recommendation, or a request to buy or sell any amount of securities or financial instruments, or participation in any trading strategy, or confirmation, official or otherwise, of the respective terms. Any indicative pricing or analysis included here was prepared based on assumptions and parameters that reflect the judgment or choice of good faith of the set of entities that are part of the LAB and does not necessarily represent the opinion of the governing bodies of the same, or of its associates, members, consultants and collaborators individually. Without prejudice to the legal responsibility for the information, LAB, its members, consultants and collaborators do not accept any responsibility for any cost, loss or damage arising or related with the investment in the products described here. In case of doubt, interested parties should seek specific and professional advice before making an investment decision. This document is subject to change without notice. LAB, its members, consultants and employees disclaim any responsibility for editorial errors in this document. LAB does not guarantee or ensure the accuracy or completeness of the information contained in this document. This document is intended for distribution in Brazilian territory and is not intended to be distributed or used by any person or entity in any jurisdiction or country where such distribution or use is contrary laws or regulations. Reproduction is permitted, without the need for prior notice or consent of the LAB, provided that the source is cited correctly (LAB, The products of the 1st year of the Financial Innovation Laboratory, 2018, 1st Edition, <http://www.labinovacaofinanceira.com/>)