

March 17, 2020

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CIRCULAR LETTER

To: B3's Market Participants – BM&FBOVESPA Segment

Re: **Changes to B3's Trading Procedures Manual – Publication of New Version**

A new version of B3's Trading Procedures Manual will enter into effect on **March 23, 2020**. The changes are detailed in the Annex to this Circular Letter and can be summarized as follows:

- (i) Modification of the rule for analysis of trade concentration or splitting;
- (ii) Inclusion of a new procedure for intentional trades by the same investor in an auction;
- (iii) Modification of the rules governing correction, cancellation and inclusion of orders and trades in the trading environment;
- (iv) Exclusion of the rule allowing extraordinary cancellation of orders participating in auction theoretical price formation that originated in an operating error.

The new version of B3's Trading Procedures Manual will be available from **March 23, 2020**, at http://www.b3.com.br/en_us, Regulation, Regulatory framework, Regulations and manuals, Trading, Access the documents.

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Further information can be obtained from the Electronic Trading Department by telephone on +55 11 2565-5022/5023/5024 or by email at negociacao@b3.com.br.

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Annex to Circular Letter 033/2020-PRE**DESCRIPTION OF CHANGES TO B3'S TRADING PROCEDURES MANUAL****TITLE II – TRADING ENVIRONMENT****CHAPTER III – TRADING****Section 6 – AUCTIONS**

- **Subsection 6.5 – Auction types, Subsection 6.5.1 – Ordinary auctions**
 - **Subsection 6.5.1.5 – Analysis of trades in consecutive trading sessions**

In the first paragraph, the period used by B3 to detect trade concentration or splitting among two or more investors via one or more full trading participants and/or trading participants is now up to fifteen (15) consecutive trading sessions (instead of 15 consecutive trading sessions).

The second paragraph has been changed as follows:

- (i) The object of analysis is now one or more trading sessions (instead of more than one);
- (ii) All trades that in toto exceed the limit are canceled and submitted to auction (instead of only the trades that correspond to the excess).

The fifth paragraph now includes an additional situation in which cancellation of trades and submission to auction does not apply: trades that interacted with the central order book, permitted free intervention by other investors, were not executed via cross orders, and did not involve coordinated instantaneous entry of bids and asks.

The wording of the last paragraph has been adjusted to state that uncanceled trades displaying concentration and/or splitting are sent for analysis only to BSM, which verifies whether they are atypical (no longer sent to CVM).

- **Subsection 6.5.1.8 – Intentional same investor trades in auctions**
- **Subsection 6.5.1.9 – Unintentional same investor trades in auctions**

New subsections 6.5.1.8 and 6.5.1.9 with rules on intentional and unintentional same investor trades in auctions respectively have been added to the Manual to mitigate trading risks in response to requests from participants.

Section 8 – CORRECTION, CANCELLATION AND INCLUSION OF ORDERS AND TRADES IN THE TRADING ENVIRONMENT

To make procedures performed via the PUMA Trading System more agile, B3 is now responsible for authorizing the correction, cancellation and extraordinary inclusion of orders and trades in this system (instead of the Director of Electronic Trading). The change has been made to the first paragraph of section 8 and to subsection 8.1, as detailed below.

▪ Subsection 8.1 – Requests for trade correction, cancellation or inclusion due to operating error

The fifth paragraph (referring to situations in which trades will not be corrected, cancelled or included) has been deleted from the subsection in order to improve B3's processes.

A new fifth paragraph has been included, exceptionally permitting correction, cancellation or inclusion of trades in the trading system due to operating error within a different time frame from that specified earlier in the subsection, if properly justified by the participant. Such occurrences will be periodically reported to BSM and CVM.

▪ Subsection 8.3 – Extraordinary cancellation of orders that are participating in auction theoretical price

Subsection 8.3 (transcribed below) has been deleted from the new version to ensure consistency with the changes made to the rules on cancellation due to operating error.

“B3 may cancel an order that is participating in formation of the theoretical price of an auction if the order originated in an operating error and provided it complies with the minimum limits for financial volume,

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quantity and/or price fluctuation defined per order for each asset or derivative available from B3's portal.

"Extraordinary order cancellation requests must be communicated to B3 by telephone within sixty (60) seconds of the end of an auction, and formalized not later than the end of the trading session by the full trading participant or trading participant concerned using the form provided by B3, with evidence that an operating error occurred.

"If an extraordinary order cancellation request is communicated to B3 by telephone less than sixty (60) seconds before the end of an auction, B3 will make best efforts to carry it out but will not be held liable for the execution of an order that cannot be canceled.

"On receipt of an order cancellation request from a full trading participant or trading participant, B3 follows these procedures if there is time to do so:

- I.Interruption of the auction;
- II.Cancellation of the order as requested by the full trading participant or trading participant;
- III.Use of the trading system's news channel to notify the market that the order has been canceled due to operating error;
- IV.Use of the trading system's news channel to notify the market that B3 will wait ten (10) minutes after sending this notification for requests from other participants to cancel orders affected by the operating error and entered or modified after the order placed due to operating error was registered;
- V.Execution of order cancellation requests sent by other participants by the established deadline;

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VI.Extension of the auction for at least two minutes after the last cancellation, respecting the number of extensions and duration originally established for the asset or derivative;

VII.Use of the trading system's news channel to inform the market of the new times for the end of the auction and the opening and closing calls;

VIII.If the operating error treatment procedure interferes with the time for the next trading phase to start, B3 may postpone the subsequent phases with advance notice to the market.

"Full trading participants responsible for cancelled orders must pay the exchange fees and other applicable charges up to the limit set by B3, in addition to a fine set by B3 if the occurrence of an operating error is not proven."

TITLE III – ORGANIZED MARKETS

CHAPTER II – ORGANIZED OVER-THE-COUNTER MARKET AS CENTRALIZED MULTILATERAL TRADING SYSTEM

Section 2 – TRADING IN EQUITIES

- **Subsection 2.2 – Ordinary auctions**
 - **Subsection 2.2.4 – Analysis of trades in consecutive trading sessions**

The same changes have been made to this subsection as to 6.5.1.5, detailed above.