



January 12, 2021

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C I R C U L A R L E T T E R

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

Re: **Selection and Accreditation Process for Market Makers in Commodity Futures Contracts.**

In this program, up to two market makers will be accredited for each of the futures contracts listed below.

- Cash-Settled Corn (CCM)
- Cash Settled Live Cattle (BGI)
- 4/5 Arabic Coffee (ICF)
- Cash Settled Hydrous Ethanol (ETH)
- Cash-Settled Soybean Futures Contract at the Price of the CME Group
Mini-Sized Soybean Futures Contract (SJC)



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Selection and accreditation procedure

Institutions that wish to take part in this program must request accreditation by submitting the duly filled in Expression of Interest form containing their personal information and designating the assets of interest to formadordemercadob3@b3.com.br, within the deadline given in this Circular Letter.

The Expression of Interest form is available at http://www.b3.com.br/en_us/, Products and Services, Trading, Market maker, Join in, Programs, Commodities.

If the expressions of interest exceed the number of available openings for each asset, selection will occur via the process described in Annex I to this Circular Letter.

Once defined, B3 will individually announce the institutions that have been selected for the program and the classification of all the institutions that participated in the selection process. The public announcement of all the accredited institutions will occur as of the first day of activity of the program.

The selected institutions must formalize accreditation for the assets in question by signing the Accreditation Instrument prior to the deadline given in this Circular Letter.

Guidance on the procedure for returning the Accreditation Instrument is available in the Procedures Guide for the Accreditation of Market Makers (Procedures Guide), available at http://www.b3.com.br/en_us/, Products and Services, Trading, Market maker, Join in, Accreditation.

Institutions that have not yet signed the Agreement of Accreditation for Market Maker Activity with B3 must follow the procedures outlined in chapters 4, 5 and 6 of the Procedures Guide.

A specific Accreditation Instrument for Market Makers in Commodity Futures Contracts is available at http://www.b3.com.br/en_us/, Products and Services, Trading, Market maker, Join in, Programs, Commodities.

Timetables

Filing of Expression of Interest	Filing of Accreditation Instrument and registration of the accounts	Start of activity	Review of activity parameters	End of agreement
By Jan. 19, 2021	Jan. 26, 2021	Feb 2, 2021	Jul. 2, 2021	Feb 1, 2022

B3 may, at its sole discretion, assess any market maker applications submitted after these deadlines, provided the delay is duly justified.

Activity parameters

Market makers accredited for this program must enter bids and asks in accordance with the Activity Parameters for Market Makers in Commodity Futures Contracts defined at www.b3.com.br, Products and Services, Trading, Market maker, Join in, Programs, Commodities.

Market makers are required to register bids and asks until the fifth business day before expiration of the first contract month available for trading. After this, market makers must trade in the following contract month.

The activity parameters may be changed during the course of the program with the prior consent of the market makers accredited for the program. B3 will formally advise market makers of any proposals to change the activity parameters. They will have seven business days to respond in writing, and the lack of a timely reply will be taken as consent to the proposed change.

The prior consent of market makers will not be necessary if the parameters are changed owing to atypical market situations that incur a change in trading patterns or to adjustments required to avoid the creation of artificial demand, supply or pricing conditions.

For purposes of calculating the trading volume of participants, only those transactions will be considered that comply with the rules and procedures established for B3's futures market, with cancelled transactions and/or those that do not meet the necessary requirements for their execution being disregarded.

Test period

The market makers shall enjoy the following benefits, without complying with the activity parameters, for a period of ten business days prior to the start of their mandatory activity, so that they can perform connectivity, session and order routing tests, as well as the necessary technological configurations. After the test period, B3 will monitor the market makers' activity.



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Maximum number of parameter breaches

Any market maker's accreditation under this program may be cancelled in the event of more than twelve (12) unjustified breaches of the activity parameters and/or of the obligations set forth in this Circular Letter and in the Market Maker Agreement (Agreement of Accreditation for Market Maker Activity), or if the justification is not accepted by B3. The Agreement is available at www.b3.com.br/en_us, Products and Services, Trading, Market maker, Join In, Contracts.

Minimum activity period

If a market maker desists from the accreditation process without having begun its activities under this program, it will be exempted from meeting the thirty-day minimum activity period required by Circular Letter 109/2015-DP, dated October 8, 2015. If a market maker withdraws after this period, it must comply with the thirty-day activity requirement without fail so that its de-accreditation can be communicated to the market.

Exemption from compliance with obligations

In periods in which there is no trading session on the CME Group electronic trading platform, as well as during public holidays on the New York or Chicago marketplaces, the market makers will be exempted from meeting the activity parameters for the Cash-Settled Soybean Futures Contract at the Price of the CME Group Mini-Sized Soybean Futures Contract (SJC).



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Benefits

Accredited institutions will be exempted from exchange fees and other fees on transactions executed with the asset in this program, in any contract month, both for futures and options.

There will be an additional benefit for corn (CCM asset) market makers, set out Annex II to this Circular Letter.

The message flows, trades and volume generated by the accredited institutions will not be considered for the purposes of the Trading Message Control Policy, as per Circular Letter 039/2013-DP, dated May 27, 2013, and Circular Letter 050/2013-DP, dated July 30, 2013.

General provisions

B3 will resolve any omissions regarding this accreditation process and the program.

Further information can be obtained from Listed Products by telephone on +55 11 2565 7118/5709 or by email at formadordemercadob3@b3.com.br.

José Ribeiro de Andrade
Chief Product and Client Officer

Cícero Augusto Viera Neto
Chief Operating Officer

This Circular Letter produces effects as of the date of its publication.

Any specified time limits for validity shall apply.

This free translation is not legally binding. Any questions arising from the text should be clarified by consulting the original in Portuguese. In the event of any discrepancy, the original in Portuguese shall prevail.

INFORMAÇÃO PÚBLICA – PUBLIC INFORMATION

Annex I to Circular Letter 003/2021-VPC

Selection Procedure for Market Makers in Commodity Futures Contracts

The two openings available in each asset for accreditation of the market makers are divided into two selection methods:

- One opening reserved for primary allocations
- One allocation reserved for secondary allocations

If the opening reserved for primary allocations is not filled, the remaining openings will be offered for secondary allocations in order to maximize the number of market makers accredited for this program.

1. Primary allocation

To be eligible for primary allocations, institutions:

- Must have been accredited in the Commodities Market Maker Program governed by Circular Letter 011/2019-PRE, in Portuguese, dated February 13, 2019;
- Must have been one of the top performers in the activity period of the previous program.

2. Secondary allocation

Institutions not selected for primary allocation may be selected for secondary allocation on the basis of the following criteria, with the best ranked being selected for accreditation, as set out below:

2.1 To have traded the minimum volume of the candidate asset in 2020.

Asset	Minimum volume
CCM	13,000
BGI	2,000
ICF	1,000
ETH	1,000
SJC	1,000

2.2 If the number of candidates for secondary allocation exceeds the number of openings, the candidates must submit a proposal to improve the spreads presented in this program.

The institutions that wish to take part in this program should seek guidance on filing the Accreditation Instrument in the Procedures Guide for the Accreditation of Market Makers (Procedures Guide), available at [http://www.b3.com.br/en_us/Products and Services, Trading, Market maker, Join in, Accreditation](http://www.b3.com.br/en_us/Products_and_Services/Trading/Market_maker/Join_in/Accreditation).

Annex II to Circular Letter 003/2021-VPC**Additional Benefit for the Corn (CCM) Market Maker**

Corn market makers shall receive the additional incentive in accordance with their performance in the asset's traded volume in the month of activity, as described below:

Volume/month (%)		Additional benefit per corn market maker/month
From	To	
0.01%	7.50%	Fee exemption
7.51%	15.00%	Fee exemption + BRL 15,000 in credits
≥ 15.01%		Fee exemption + BRL 30,000 in credits

$$\text{Volume /month (\%)} = \frac{M}{VT} \times 100$$

Where:

M = number of CCM contracts traded by the corn market maker in the reference month, considering the two sides of the transaction (buy and sell)

VT = total number of CCM contracts traded in the reference month, considering the two sides of the transaction (buy and sell)

Regarding use of the corn market maker's credits:

1. B3 will inform market makers of the benefit in the first 15 business days of the month that follows the market maker activity month.

2. The market makers must designate an exclusive settlement account to receive the benefits. The credits shall be used exclusively for deduction of the exchange fees and other fees that B3 charges on transactions with:
- Cash Settled Live Cattle (BGI)
 - 4/5 Arabic Coffee (ICF)
 - Cash Settled Hydrous Ethanol (ETH)
 - Cash-Settled Soybean Futures Contract at the Price of the CME Group Mini-Sized Soybean Futures Contract (SJC)
 - Gold Futures Contract (OZ1)
 - Gold Spot Contract 250 Grams (OZ1D)
 - Gold Spot Contract 10 Grams (OZ2D)
 - Gold Spot Contract 0.225 Grams (OZ3D)
 - US Dollar Futures Contract (DOL)
 - Mini US Dollar Futures Contract (WDO)
 - One-Day Interbank Deposit Futures Contract (DI1)
3. To enjoy the benefit, the market maker must also designate in the Accreditation Instrument up to two of the assets named above, with at least one of these coming from the commodities asset group (BGI, ICF, ETH, SJC, OZ1, OZ1D, OZD2 and OZ3D). Market makers may change these financial instruments, which will receive the credits on the activity parameters review date that is given in this Circular Letter.



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4. Credits granted will have unextendable validity up until the end of the month that follows the month of corn market maker activity.
5. There will not be consideration of differentiation by type of investor; progressive discount policies by average daily trading volume (ADTV) tier or day trade volume; or any other discounts that B3 may bring into effect.