

January 2, 2020

001/2020-VPC

## EXTERNAL COMMUNICATION

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

Revoked by Circular Letter 125-2020-PRE, dated 01 October 2020

Re: **New Fee Policies for Cash Equity Products: Trading and Post-Trade, Central Depository, and Securities Lending Services.**

B3 hereby publishes new fee policies for certain services in the equities market: (i) trading and post-trading services in the cash market, (ii) central depository and (iii) securities lending.

The changes for the equity market consider the context of significant increase in volumes and are in line with B3's commitment to share with clients the benefits from gains of scale and operating leverage provided by its business model. These benefits will be shared through the efficient use of fee mechanisms that aim to foster the increase in both trading volumes and individual investors base.

The new models and fee schedules are set out in the Annexes to this External Communication.

The main changes for trading and post-trading services in the cash equity market are listed below:

- Lower fees for investors with higher volumes.
- Automatic mechanism that reduces fees (sharing operating leverage) according to the increase in volumes of each investor.
- Creation of Incentive Program for Large Day Traders.
- Segregation of fees in Trading Fee, Central Counterparty Fee (CCP Fee) and Securities Transferring Fee (TTA – Tarifa de Transfência de Ativos).

These changes aim to foster the increase in volumes through deeper discounts for customers according to the increase in their volumes.

The main changes for central depository services in the equity market are listed below:

- Monthly fixed maintenance fee per account drops to zero.
- Changes in fees applied on the outstanding positions under custody.
- Creation of a fee for processing financial earnings distributed by issuers.
- Full exemption from fees on the outstanding positions under custody and on for processing financial earnings distributed by issuers for investors with outstanding positions below R\$20,000.
- Simplification of the billing through the offsetting of B3's fees against cash corporate actions paid for each account.

These changes seek to foster the growth of the individual investor base by removing fixed fees and exempting the smaller ones. In addition, regarding the fee for processing financial earnings distributed by issuers, B3 aligns with the practices adopted by other central depositories around the world that, considering the costs and risks inherent in these processes, charge fees on the processing of those.

The main changes to fees for equity securities lending services are listed below:

- The new percentage fee will be based on the rate negotiated for the contract, with floor and cap applied, both calculated in basis points (bps) per year.
- Lower fees for electronic trading versus OTC market.

The development of the securities lending service plays a central role in the sophistication of the Brazilian market and the adjustments to B3's fee policy seek to foster this development by reducing costs and introducing incentives for more electronification and transparency.

The implementation dates of each change described above will depend on a hearing to be made with the market to know the time required by brokerage firms and other market participants to adapt their systems. B3 expects to have completed the necessary adaptations to its systems by August 2020 and is committed to implementing changes as soon as possible.

After consulting the market, B3 will announce a timetable for the deliveries and issue a Circular Letter setting out the rules, including any details not covered by this External Communication.

More information on the fee policies for cash market trading and post-trading services and securities lending services can be obtained from Support for Settlement Processes & Services by telephone on +55 11 2565-5015 or by email at [liquidacao.tarifacao@b3.com.br](mailto:liquidacao.tarifacao@b3.com.br).

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More information on the fee policy for central depository services can be obtained from the Depository and OTC Department by telephone on +55 11 2565-4760 or by email at [controledepositaria@b3.com.br](mailto:controledepositaria@b3.com.br).

Rodrigo Nardoni  
Chief Information Officer

## **Annex I to External Communication 001/2020-VPC**

### **New Fee Policy for Trading and Post-Trading in Cash Equity Products**

#### **1. Introduction**

##### **1.1. Scope**

The new model for trading and post-trading fees encompasses the services provided by B3 in the cash equities market, as described in item 2.

##### **1.2. Objectives**

The new fee model is designed to share with customers the gains arising from B3's operational leverage by awarding volume-related discounts in order to increase trading and liquidity throughout the market, and thereby benefiting all investors.

##### **1.3. Overview of the new model**

Trading and central counterparty (CCP) fees are based on the investor's average daily trading volume (ADTV) in the previous month (Monthly ADTV - item 3.1), as applied to the fee schedule (the rule for calculation is in item 3.2; the fee schedule in item 0). The percentage fee for each service, calculated on the basis of ADTV for the previous month, is valid for the investor throughout the current month.

The asset transfer fee (ATF) is fixed for a year and defined annually in accordance with non-day trade volume in the cash equity market, as per item 4.

Day trades are entitled to an additional percentage reduction in trading and CCP fees.

The percentage reduction in fees for day trades is based on the investor's average day trade volume in the previous month (Monthly day trade ADTV), as applied to the day trading discount schedule (item 3.4).

B3 will also publish a specific fee schedule for investors classified as major day traders, as per item 0, with the aim of driving growth of market volume and liquidity.

## 2. Components

The fee model for cash equity products consists of three percentage fees applied to financial volume for the buyer and seller.

- Trading fee: charged as a consideration for the provision of trading environments.
- Central counterparty (CCP) fee: charged as a consideration for provision of acceptance, clearing, settlement and counterparty risk management services by B3's clearinghouse.
- Asset transfer fee (ATF): charged as a consideration for provision of buyer-seller asset transfer services by B3's central depository. Day trades do not pay ATF.

## 3. Rules for calculating fees – Trading fee and CCP fee

### 3.1. Monthly ADTV

Monthly ADTV is calculated by dividing aggregate cash equities trading volume in BRL for the period between the last business day of month  $M-2$  and the penultimate business day of month  $M-1$  by the number of trading sessions in the period.

Thus for month  $M$ , we have:

$$ADTV_M = \frac{\sum_{Last\ BD\ M-2}^{Penultimate\ BD\ M-1} Volume\ traded\ (BRL)}{\sum_{Last\ BD\ M-2}^{Penultimate\ BD\ M-1} No.\ of\ trading\ sessions}$$

Volume is consolidated for each investor (document) regardless of the participants involved.

For master accounts, volume is consolidated for each manager. All subaccounts for the same manager (document) are added up, except accounts under the major day trader incentive program (item 5).

In the case of on-behalf accounts, volume is consolidated for the final account holder (document).

ADTV does not include volumes traded via accounts registered for market maker programs, error accounts or operating error accounts.

### 3.2. Calculation of trading fee and CCP fee

Monthly ADTV is determined and then applied to the following progressive table to obtain the average value of each fee, calculated separately:

Monthly ADTV (BRL)		Fee (trading fee and CCP fee)
From	To	
D <sub>1</sub>	U <sub>1</sub>	V <sub>1</sub>
D <sub>2</sub>	U <sub>2</sub>	V <sub>2</sub>
D <sub>3</sub>	U <sub>3</sub>	V <sub>3</sub>
...	...	...
D <sub>i-1</sub>	U <sub>i-1</sub>	V <sub>i-1</sub>
D <sub>i</sub>	U <sub>i</sub>	V <sub>i</sub>
D <sub>n</sub>	U <sub>n</sub>	V <sub>n</sub>

The value of each fee can be mathematically expressed as follows:

$$Fee = \frac{\min(ADTV, U_1) \times V_1 + \sum_{i=2}^{n-1} [\max((\min(ADTV, U_i) - U_{i-1}), 0) \times V_i] + \max((ADTV - U_n), 0) \times V_n}{ADTV}$$

where:

**ADTV** is average daily trading volume in BRL, calculated as per item 3.1 above

**U** is the cap for each tier

**V** is the value of the trading fee or CCP fee associated with each tier

**i** is a variable that denotes the tier number

The percentage obtained is rounded to seven decimal places and applies throughout month M.

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The fee in BRL is calculated by multiplying the percentage by trading volume on each day of month M. The result is rounded to six decimal places.

Each fee is calculated separately.

### 3.3. Trading and CCP fee schedule (non day trade)

Monthly ADTV (BRL)		Trading fee	CCP fee
From	To		
0.00	100,000.00	0.00600%	0.02140%
100,000.01	200,000.00	0.00583%	0.02077%
200,000.01	1,000,000.00	0.00567%	0.02023%
1,000,000.01	20,000,000.00	0.00534%	0.01906%
20,000,000.01	150,000,000.00	0.00468%	0.01672%
150,000,000.01	600,000,000.00	0.00403%	0.01437%
600,000,000.01	1,000,000,000.00	0.00359%	0.01281%
1,000,000,000.01	2,000,000,000.00	0.00337%	0.01203%
2,000,000,000.01	3,000,000,000.00	0.00294%	0.01046%
3,000,000,000.01	4,000,000,000.00	0.00261%	0.00929%
More than 4,000,000,000.00		0.00217%	0.00773%

### 3.4. Day trading fees

Day trades performed and settled on B3 are entitled to an additional percentage reduction on the value of each fee (trading and CCP). The percentage reduction is based on monthly day trade volume, excluding regular trading volume, and is calculated in a similar manner to item 3.1 (above), i.e. by dividing aggregate day trade volume between the last business day of month M-2 and the penultimate business day of month M-1 by the number of trading sessions in the period.

The table of day trade fee reductions is also progressive.

Monthly day trade ADTV (BRL)		% reduction
From	To	
0.00	100,000.00	10.0%
100,000.01	500,000.00	13.0%
500,000.01	2,000,000.00	18.0%
2,000,000.01	10,000,000.00	21.0%
10,000,000.01	40,000,000.00	23.0%
40,000,000.01	150,000,000.00	25.0%
150,000,000.01	300,000,000.00	27.0%
300,000,000.01	700,000,000.00	32.0%
700,000,000.01	2,000,000,000.00	34.0%
2,000,000,000.01	3,000,000,000.00	35.0%
More than 3,000,000,000.00		36.0%

The percentage reduction is determined via this table in a similar manner to item 3.2. The result is rounded to two decimal places and applied to the trading and CCP fees calculated in item 3.2.

The percentage day trade fee (trading or CCP) is calculated by applying the reduction [ $Fee_{DT} = Fee \times (1 - \% \text{ reduction})$ ]. The result is rounded to seven decimal places. This new percentage fee (trading or CCP) applies to all day trades performed by the investor during month M.

The fee (trading or CCP) in BRL is calculated by multiplying the day trade fee by day trade volume for each day, and the result is rounded to six decimal places.

Each trading fee and CCP fee is calculated separately.

### **3.5. Closing auction**

During the closing auction the trading fee is 0.0084% for all trades including day trades and for all investors except:

- Trades performed under the aegis of the program of incentives for major day traders, which follow the rules and tables described in item 0.
- Trades performed via accounts registered with market maker programs, which follow their respective fee policies.nc

## **4. Rules for calculating asset transfer fees**

The asset transfer fee (ATF) is a fixed percentage applied to non-day trade daily volume, i.e. trades for which the CCP sends a transfer order to the central depository. The ATF is paid by both the seller (the account that originates the transfer) and the buyer (the account to which the asset is transferred).

### **4.1. Overall price adjustment based on central depository volume**

The ATF for each year is based on non-day trade ADTV for the cash equity market as a whole, regardless of whether the trading entity concerned is B3 or another trading platform, multiplied by the percentage of trades not characterized as day trades in the period. The fee is calculated regressively. The value defined by this mechanism will be valid for all investors throughout the subsequent year.



## 4.2. Fee schedule

Amount transferred (BRL billion)		ATF
From	To	
0	12	0.00260%
12	16	0.00225%
16	20	0.00190%
20	24	0.00170%
24	28	0.00140%
More than 28		0.00135%

Tier values will be adjusted annually, starting in 2022, in line with inflation measured by IBGE's IPCA index. The change in the IPCA in 2021 will be applied on January 1, 2022, and so on.

## 5. Major day trader incentive program

The major day trader incentive program (the program) is designed to drive liquidity growth by offering fee incentives to investors who trade high volumes using day trading strategies.

To enroll in the program and be entitled to the lower fees it entails, investors must have their participant formally request inclusion in the program via B3's enrollment system.

Investors are enrolled in the program only after B3 approves the request.

Approval and maintenance of investors in the program depend on compliance with the minimum requirements established by B3, as described in item 5.3.

### 5.1. Consolidation of ADTV

The program follows the model for fees on cash equity products. Monthly ADTV is calculated as in item 3.1 considering all trades in the document but without aggregating master accounts.

Trades not characterized as day trades pay the fees due on regular trades, in accordance with the rules described in item 3.2.

Trading fees and CCP fees apply to day trades in accordance with a special schedule for enrolled investors only, as shown in item 0.

## 5.2. Rules for calculating fees on day trades

Monthly ADTV calculated in accordance with item 3.1 is applied to the special fee schedule (item 0) to obtain the average value of each fee (trading or CCP) on day trades. The fees (trading or CCP) are calculated separately and progressively, in a similar manner to item 3.2.

## 5.3. Minimum requirements

To be eligible for the program, an investor must maintain ADTV of at least BRL 100 million, with day trades accounting for at least 90% of the total.

Because the aim of the program is to drive liquidity growth in the entire market, B3 may include other requirements for investors to be accepted and kept in the program.

Once approved for the program, the investor must continue to comply with the minimum requirements for the duration of the program.

## 5.4. Fee schedule for major day trader incentive program

Monthly ADTV – day trading (BRL)		Trading fee	CCP fee
From	To		
0.00	100,000,000.00	0.00362%	0.01238%
100,000,000.01	200,000,000.00	0.00281%	0.00959%
200,000,000.01	300,000,000.00	0.00253%	0.00867%
300,000,000.01	500,000,000.00	0.00226%	0.00774%
500,000,000.01	700,000,000.00	0.00199%	0.00681%
700,000,000.01	1,000,000,000.00	0.00172%	0.00588%
1,000,000,000.01	1,500,000,000.00	0.00145%	0.00495%
1,500,000,000.01	2,000,000,000.00	0.00127%	0.00433%
2,000,000,000.01	3,000,000,000.00	0.00122%	0.00418%
3,000,000,000.01	4,000,000,000.00	0.00118%	0.00402%
More than 4,000,000,000.00		0.00113%	0.00387%

## 5.5. Failure to achieve minimum ADTV

Investors who fail to achieve minimum ADTV while enrolled in the program will cease to have access to the special fee schedule, and all of their day trades will pay a fixed percentage fee regardless of ADTV, as follows:

Monthly ADTV – day trading (BRL)		Trading fee	CCP fee
From	To		
0.00	100,000,000.00	0.00600%	0.02400%

### **5.6. Grace period**

Between enrollment in the program and the end of the first month of trading for the purposes of monthly ADTV calculation, i.e. between the last business day of one month and the penultimate business day of the next month, the rule described in item 5.5 does not apply, and the trading fee and CCP is capped at the level of the first tier in the special day trade fee schedule.

After the grace period is over, the investor is subject to the rule described in 5.5.

## **Annex II to External Communication 001/2020-VPC**

### **Changes to Fee Policy for Central Depository Services**

#### **1. Introduction**

The changes are designed to standardize fees for all investors and remove possible obstacles to market growth, eliminating fixed fees for custody account maintenance (item 0) and waiving fees on value in custody for small investors (item 6). On the other hand, some previous waivers, such as exemption from fees on value in custody for non-resident investors (item 3), have been revised. In addition, based on an assessment of the cost of B3's central depository services and the risks incurred by B3 as provider of the services, as well as international benchmarks, B3 is introducing a fee for processing the financial earnings distributed by issuers (item 4).

Lastly to facilitate fee payment flows B3 is changing the billing method by introducing memorandum accounts (item 5).

#### **2. Custody account maintenance fee**

The fixed fee for custody maintenance is reduced to zero for all types of custody account, with or without a balance and with or without movement.

#### **3. Value in custody fee**

A daily fee on the value of the assets held in the central depository is calculated by applying a percentage (prorated daily) to the value of the investor's portfolio. The table is progressive, as shown below.

<b>Value in custody (BRL)</b>		<b>Custody fee (annual)</b>
<b>From</b>	<b>To</b>	
0.00	100,000.00	0.0500%
100,000.01	200,000.00	0.0400%
200,000.01	300,000.00	0.0200%
300,000.01	1,700,000.00	0.0130%
1,700,000.01	17,000,000.00	0.0072%
17,000,000.01	170,000,000.00	0.0032%
170,000,000.01	1,700,000,000.00	0.0025%
1,700,000,000.01	17,000,000,000.00	0.0015%
More than 17,000,000,000.00		0.0005%

To help drive growth of the small investor base, the custody value fee will be waived for investors with value in custody of up to BRL 20,000 per participant.

The fee will be paid by all other accounts, including those of non-resident investors and those used for depositary receipts (DRs) issued by Brazilian companies for overseas trading.

#### **4. Fee for processing financial earnings distributed by issuers**

The fee for processing financial earnings distributed by issuers is charged as a consideration for the provision of services relating to the updating, reconciliation, maintenance and settlement of corporate actions in cash, such as dividends and interest on equity. The fee is calculated as a fixed percentage of the amount to be transferred by B3 for each corporate action in cash per custody account, subject to a cap in BRL.

<b>Fee for processing financial earnings distributed by issuers</b>	<b>Cap</b>
0.12%	BRL 5,000.00

The cap does not apply to accounts used for depositary receipts (DRs) issued by Brazilian companies for overseas trading.

The fee for processing financial earnings distributed by issuers is waived for investors with value in custody of up to BRL 20,000 per participant.

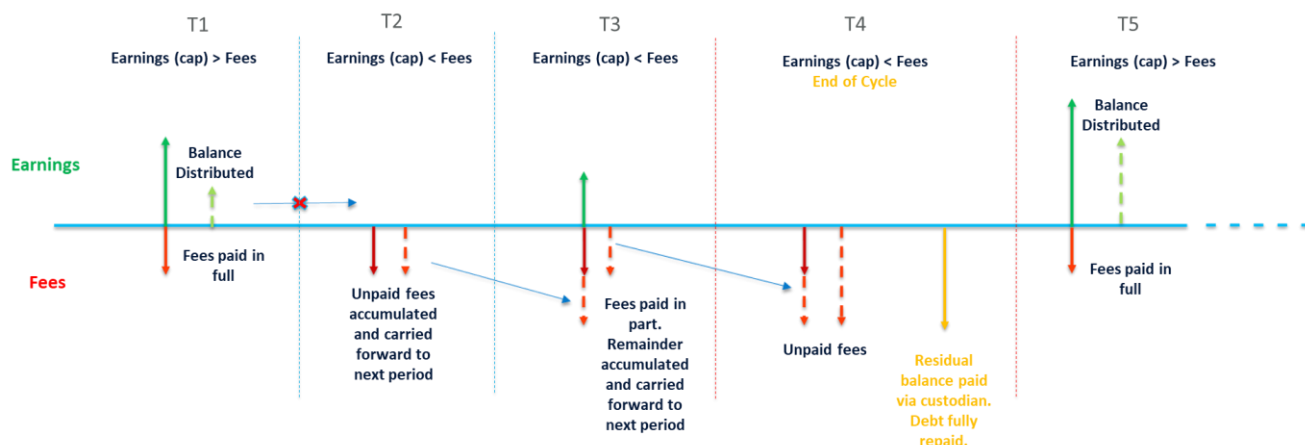
#### **5. Charging of fees by deduction from earnings flow**

To simplify the charging of custody fees and processing financial earnings fees, B3 will now deduct these fees from the flow of cash earnings paid into each account up to a specific percentage (cap) of each cash earning.

If this flow is not sufficient to cover all fees due, the remainders will be accumulated annually. The investor will be billed for any residual balance via the custody agent, who will receive a bank slip (*boleto*) once a year and will be liable for payment to B3.

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The chart below illustrates how this mechanism will work using memorandum accounts.



## 6. Exemptions

Custody value fees and fees for processing financial earnings will be waived for investor accounts with a balance of up to BRL 20,000 per participant.

## 7. Withdrawal

The central depository asset withdrawal service now charges a fee. This fee corresponds to 0.67% of the withdrawn asset's value.

The fee will be waived where withdrawal is required as part of the operational process, such as ETFs, public offerings, and delistings.

No fee is charged when an asset is deposited with the central depository and this will remain the case.

## Annex III to External Communication 001/2020-VPC

### New Fee Policy for Equity Securities Lending

#### 1. Scope

The new policy applies to all equity securities lending transactions regardless of market segment (OTC or electronic trading) and regardless of trading method (regular trading with book matching, direct or compulsory).

#### 2. Model

B3's new fee will be a percentage of the lending fee, with both a floor and cap in basis points (bps) per year. The previous fixed fee in bps per year, with a fixed floor in BRL per contract, will cease to exist.

The fee will continue to be paid only by the borrower.

In electronic trading, fees are divided into a trading fee and a post-trade fee. The same formulas are used for both fees.

#### 3. Formulas

The percentage fee (i) is defined as follows:

$$(1) \ i = \min(\max(\alpha * \text{lending fee, floor}), \text{cap})$$

where:

**i** is the fee in bps per year, to be applied to contract value and term, in accordance with formula (2) below

**$\alpha$**  is a cost percentage that varies according to market segment and contract trading method

**Lending fee** is the fee negotiated between lender and borrower

**Floor** is the minimum fee in bps per year

**Cap** is the maximum fee in bps per year

The formula for calculating the fee in BRL (LF) remains unchanged except for the value to be considered in **i**:

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$$(2) \text{ LF} = Q * C * \left\{ \left[ \left( 1 + \frac{i}{100} \right)^{\frac{n}{252}} \right] - 1 \right\}$$

where:

**LF** is the amount in BRL to be paid for the period

**Q** is the quantity of assets

**C** is the quotation of the underlying asset established in the contract

**i** is the fee in bps per year, as defined by formula (1)

**n** is the number of business days between the asset delivery date (exclusive) and the multilateral netting date (inclusive).

The results are rounded to two decimal places.

#### 4. Fee schedule

Cost percentage  $\alpha$ , floor and cap depend on trading method, as shown in the following table.

Equity Security		Trading Fee			Post-Trading Fee			Total		
Market	Trade	$\alpha$	Floor (bps/year)	Cap (bps/year)	$\alpha$	Floor (bps/year)	Cap (bps/year)	$\alpha$	Floor (bps/year)	Cap (bps/year)
Electronic Trading	Regular	2.0%	0.25	10	18.0%	2.25	90	20.0%	2.5	100
	Direct	2.5%	0.5	12.5	22.5%	4.50	112.5	25.0%	5	125
OTC	Registered	N/A	N/A	N/A	30.0%	5.00	150	30.0%	5	150
Compulsory		4.0%	2	25	36.0%	18.00	225	40.0%	20	250



Where:

**Electronic trading** means the market on which standardized securities lending agreements drawn up in accordance with B3's specifications are traded and registered

**OTC** means the over-the-counter market on which securities lending agreements are registered in accordance with specifications agreed between the parties

**Regular trading** means trading carried out entirely via the order book, with one party entering an order in the book, which is available to the entire market, and any non-predetermined counterparty selects the outbound order. For a trade to be regular, it must be executed entirely via the order book, without prior negotiation outside an exchange's environment.

**Direct trades** are off-book trades in which a full trading participant uses the electronic trading segment only to send the trade executed between a party and counterparty that are its customers, without the possibility of involvement by third parties.

**Compulsory trades** are automatically generated by B3 to cover delivery failures.

In the event of renewal, the original terms and conditions are maintained.

## 5. Trading terminals

To carry out electronic trading, traders may access the trading environment via trading terminals provided by B3 or other providers.

If the terminals provided by B3 are used, a monthly fee of BR 150.00 per user is charged. In the case of profiles with exclusive access to functionalities such as registration and order authorization by the carrying participant or custodian, no fee will be charged for use of trading terminals.