

January 23, 2024
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CIRCULAR LETTER

Listed B3 Participants

Re.: **Accreditation Process for the Market Maker Program for Weekly Expiring Options on Single Stocks, Units and ETFs**

B3 hereby informs you that it is extending the test period without having to observe the activity parameters, to twenty-three business days after the start of the mandatory activity period for the market maker, so that it is possible to execute the connectivity, session, and order routing tests, as well as the necessary technological configurations.

Furthermore, in the period of **January 29, 2024 to March 1, 2024** (including), there will only be a change to the trading volume rule to be considered for defining the day trade fee level in accounts and assets registered for options market activity.

During this period, the definition of day trade fee level: **(i)** for activity in the options market, will consider in its calculation the day trade volume for the day; and **(ii)** in the cash equities market, will not consider in its calculation the day trade volume for the day transacted for hedging purposes.

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As of **March 4, 2024**, the trading volume in accounts and assets registered in the program, both for activity in the program and for hedging purposes, will not be considered for definition of the day trade fee level for the cash equities market or for the options market.

The other characteristics of the program remain unchanged and have been consolidated herein, as described below.

Market Maker Program for Weekly Expiring Options on Single Stocks, Units and ETFs

Up to five market makers will be accredited under this program for options on the assets, as listed below.

Ambev S.A. (ABEV3)	Grupo Casas Bahia S.A. (BHIA3)
Banco Bradesco S.A. (BBDC4)	Hapvida Part. e Investimentos S.A. (HAPV3)
Banco do Brasil S.A. (BBAS3)	Itaú Unibanco Holding S.A. (ITUB4)
B3 S.A. – Brasil, Bolsa, Balcão (B3SA3)	Magazine Luiza S.A. (MGLU3)
ETF iShares Ibovespa (BOVA11) shares	Natura Cosméticos S.A. (NTCO3)
ETF IT NOW Ibovespa (BOVV11) shares	Suzano S.A. (SUZB3)
Gerdau S.A. (GGBR4)	

Selection procedure

Institutions that wish to take part in the program must request accreditation by sending the completed Expression of Interest form designating the options in

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which they wish to make market, to formadordemercadob3@b3.com.br by the deadline defined in this Circular Letter.

The Expression of Interest form is available at www.b3.com.br/en_us, Products and Services, Trading, Market Maker, Join in, Programs, Weekly Expiring Options on Single Stocks, Units, and ETFs.

After receiving the Expression of Interest form, B3 will accordingly allocate options to each of the selected institutions, respecting the number of openings offered. B3 will then announce the institutions selected for each option.

If the number of applications for accreditation exceeds the number of openings offered, B3 will select the applicants to be accredited by means of the process described in Annex I to this Circular Letter.

Having completed the selection process, B3 will announce individually the institutions selected for the program and the scores of all the institutions that participated in the process. The public announcement of all the accredited institutions will occur as of the first day of activity of the program.

Accreditation procedure

The selected institutions must formalize their accreditation as market makers for the options concerned by signing the Accreditation Instrument and filing it by the deadline stipulated in this Circular Letter.

Guidance on the procedure for submitting the Accreditation Instrument can be found in the Guide to Procedures for the Accreditation of Market Makers

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(Accreditation Guide), available at www.b3.com.br/en_us, Products and Services, Trading, Market Maker, Join in, Accreditation.

Institutions that have not yet signed the Market Maker Accreditation Agreement with B3 must follow the procedures set out in items 4, 5 and 6 of the Accreditation Guide.

For accreditation in this program, a specific Accreditation Instrument form is available at www.b3.com.br/en_us, Products and Services, Trading, Market Maker, Join in, Programs, Weekly Expiring Options on Single Stocks, Units, and ETFs.

Timetable

Expression of Interest Filed	Selected market makers announced*	Accreditation Instrument filed	Accounts registered	Activity starts	Obligation ends
By Dec. 19, 2023	Dec. 22, 2023	By Jan. 15, 2024	By Jan. 15, 2024	Jan. 29, 2024	Jun. 28, 2024

*If there is selection as described in Annex I, the initial announcement on December 22, 2023 will only be made to the selected institutions. The public announcement will occur as of **January 29, 2024**.

B3 may at its sole discretion assess accreditation 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 trading parameters defined by B3.

The list of equity options eligible for the program and the respective activity parameters can be found in the document Rules for Activity by Market Makers

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Program in Options on Single Stocks, Units and ETFs available at www.b3.com.br/en_us, Products and Services, Trading, Market Maker, Join in, Programs, Weekly Expiring Options on Single Stocks, Units, and ETFs.

Additionally, market makers are required to trade for at least ten minutes in the last thirty minutes of each trading session. They are also required to register bids and asks until the business day before expiration of the first contract month available for trading. As of expiration date, they are not obliged to trade in the first contract month but must trade in the next two contract months authorized for trading.

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.

The mandatory series and rules for market maker selection are available at www.b3.com.br/en_us, Products and Services, Trading, Market maker, Derivatives, Options.

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Test period

Market makers enjoy the benefits specified below without having to observe the activity parameters, for up to **twenty-three business days** after the start of their mandatory activity, so that they can execute connectivity, session, and order routing tests, as well as the necessary technological configurations. The market makers that require this period must inform B3 of the accounts for market making activities at least ten business days before the program starts. After the test period, B3 will monitor market makers' activities.

De-accreditation

In the event of de-accreditation of market makers for the securities listed in this program, B3 may select other institutions that have expressed interest in the options concerned to replace the de-accredited institutions.

Accreditation and de-accreditation of market makers will always be disclosed to participants via B3's usual communication channels.

Maximum number of parameter breaches

Any market maker's accreditation under this program may be cancelled in the case of non-compliance with the parameters and/or obligations set forth herein, or in Circular Letter 084/2023-PRE, dated May 30, 2023, regarding the rules for monitoring market maker non-compliance, or in the Market Maker Accreditation Agreement, in a way that is either unjustified or whereby B3 does not accept the justification given. The Agreement is available at www.b3.com.br/en_us/, Products and Services, Trading, Market maker, Join In, Contracts, Options.

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.

Benefits

Market makers will be exempt from exchange fees and other fees on trades in all the option series, including non-mandatory series.

They will also be exempt from payment of exchange and other fees on trades in the option underlyings performed in the cash markets for the purpose of delta hedging in the same trading session as the options.

For the purposes of this program, the delta hedging percentage considered will be fifty per cent (50%) in proportion to the notional value of the cash contract to be applied to the quantity of options traded for all series of the underlying on the day it is calculated.

Market makers that exceed the above delta hedging limit on one or more days will have to pay the fees described in Annex II on the daily cash market excess volume.

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Market makers will be responsible for paying the full amount of the exchange fees and settlement fees on daily excess volumes accumulated in any given month on the second business day of the subsequent month.

Furthermore, in order to be eligible for exemption from fees on delta hedging, market makers must designate a specific account to be used solely for the purpose of delta hedging with respect to the options for which they are accredited, regardless of the number of accounts they may use to perform their market making activities. Compliance with this rule assures correct application of the benefits of this and other programs with which the participant is accredited.

We reiterate that in the period of **January 29, 2024 to March 1, 2024** (including), there will be a change only to the trading volume rule to be considered for defining the day trade fee level in accounts and assets registered for options market activity. During this period, the definition of day trade fee level: (i) for activity in the options market will consider in its calculation the day trade volume for the day; and (ii) in the cash equities market will not consider in its calculation the day trade volume for the day transacted for hedging purposes.

As of **March 4, 2024**, the trading volume in accounts and assets registered in the program, both for activity in the program and for hedging purposes, will not be considered in the calculation of the day trade fee level for the cash equities market or for the options market.

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General provisions

The flow of messages, trades and volumes generated by accredited institutions will be considered for the purposes of the Policy for the Control of Trading Messages, as set forth in Circular Letter 086/2023-PRE, dated May 30, 2023.

B3 may extend the length of the program at its sole discretion. If the end of the obligation is put back, B3 will publish a Circular Letter with information about the extended period, any changes to the activity parameters and other necessary provisions. It will be up to the market maker to remain active up until the end of the new deadline or to end accreditation on the current obligation end date that is foreseen herein.

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

This Circular Letter revokes and substitutes Circular Letter 204/2023-PRE, dated December 5, 2023.

Further information can be obtained from the Electronic Trading Department by calling +55 11 2565 5025 or emailing formadordemercadob3@b3.com.br

Gilson Finkelsztain
Chief Executive Officer

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Annex I to CIRCULAR LETTER 014/2024-PRE

Selection Process for the Market Maker Program in Weekly-Expiring Options on Single Stocks, Units and ETFs

1. Eligibility

Only institutions that file a properly completed Expression of Interest form in accordance with this Circular Letter will be considered eligible for the selection process.

2. Selection method

If expressions of interest for activity in the program exceed the number of openings offered, the five available openings will be filled by the institutions that score the best in the points system detailed below.

To calculate each interested institution's score, based on the information that they submit in the Expression of Interest form, B3 will analyze the variables shown below with their respective weightings:

- **Spread auction:** each institution will make an offer in the spread auction which must be the same as or better than the maximum spread determined by the program's rules (50%).

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- **Quantity auction:** each institution will make an offer in the minimum quantity auction which must be the same as or better than the minimum quantity determined by the program's rules (35%).
- **Total assets:** the number of options in which the institution wishes to be accredited (15%).

The institutions with the highest scores, in accordance with the above points system, will be selected for accreditation in the program. In case of a tie, the selection criterion will be each participant's Average Daily Trading Volume (ADTV) of the past three months in the monthly-expiring options in the respective underlying assets, with the institutions with the highest ADTV being selected.

Market maker spreads and quantities for activity in the program must match the highest spread and lowest quantity offered by the selected institutions and will be updated alongside the announcement of the names of the selected market makers.

Institutions must specify their spread and quantity offers in the Expression of Interest form, based on the reference parameters defined by B3 in the document Rules for Activity by Market Makers in Weekly Expiring Options on Single Stocks, Units, and ETFs, available at www.b3.com.br/en_us, Products and Services, Trading, Market Maker, Join in, Programs, Weekly Expiring Options on Single Stocks, Units, and ETFs.

All offers submitted will be strictly confidential.

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Fee structure for the day trade excess volume and non-day trade excess volume in excess equity options

Segregation of the assets' financial volume for hedging between day trade and non-day trade volume

Calculation of the excess day trade volume and excess non-day trade volume of the underlying, in the designated account, is defined daily as follows:

$$\text{Excess day trade volume} = 2 \times \text{Minimum (PV, SV)}$$

$$\text{Excess non-day trade volume} = (\text{PV} + \text{SV}) - \text{Excess day trade volume}$$

Where:

- PV = excess purchase volume in the underlying
- SV = excess sales volume in the underlying

1. Application of trading and settlement fees for excess volume

The trading and settlement fees for the cash market are applied daily for excess day trade and non-day trade volume.

Exchange fees and other fees on the excess volume are accumulated and executed in the month following that of execution.

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None of the volume (whether exempted or subjected to a fee as excess) of the asset in the account registered in this program is considered in the ADTV composition, which daily defines the trading and settlement fees for day trade volumes.

Fee benefits and other B3 programs are not applicable on the excess volumes in the accounts registered in this program.