

April 16, 2019  
003/2019-VPC

## C I R C U L A R   L E T T E R

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

Re: **Accreditation Process for Market Makers in ID x IPCA Spread Futures Contract.**

Up to three market makers in the ID x IPCA Spread Futures Contract (DAP) will be accredited under the program.

If the number of accreditation requests surpasses the number of available openings, market makers will be selected for accreditation at the sole discretion of B3, which may also revise the maximum number of market makers to be accredited.

### **Accreditation procedure**

Institutions that wish to take part in the program can find the relevant information in the Procedures Guide for the Accreditation of Derivatives Contract Market Makers (Guide), available from [www.b3.com.br/en\\_us/](http://www.b3.com.br/en_us/), Products and Services, Market maker, Join in, Accreditation.

### **Timetable**

<b>Accreditation instrument signed</b>	<b>Account registered</b>	<b>Start of activity</b>	<b>End of link</b>
By April 23, 2019	April 30, 2019	May 2, 2019	April 30, 2020

B3 may at its sole discretion assess accreditation applications submitted outside this timetable, provided their timing is duly justified.

### **Activity parameters**

Market makers accredited for this Program must enter buy and sell orders. Each market maker must choose one of the models below and trade in accordance with the respective activity parameters:

003/2019-VPC

### Model A

Vertices	Period of activity	Maximum spread (bps)	Round lot (contracts)
January 2020	May 2-July 14, 2019	14	300
	July 15-September 14, 2019	20	
January 2021	September 15, 2019-April 14, 2020	10	
	April 15-April 30, 2020	14	
August 2022	May 2, 2019-April 30, 2020	10	
May 2023			
August 2024			
August 2028		15	160

### Model B

Vertices	Period of activity	Maximum spread (bps)	Round lot (contracts)
January 2020	May 2-September 14, 2019	12	150
January 2021	September 15, 2019-April 30, 2020	8	120
August 2022	May 2, 2019- April 30, 2020	6	100
May 2023	May 2, 2019- April 30, 2020	6	100
August 2024	May 2, 2019- April 30, 2020	8	80
August 2028	May 2, 2019- April 30, 2020	13	60

### Times for activity in mandatory contract months

- **Mornings between 10:30 a.m. and noon:** 80% of this morning period during 60% of the days on which trading sessions take place;
- **Afternoons between 3:00 p.m. and 4:50 p.m.:** 80% of this afternoon period during 100% of the days on which trading sessions take place;
- **Closing call between 5:00 p.m. and 5:30 p.m.:** auction activity of one minute ten seconds per mandatory contract month during 100% of the days on which trading sessions take place.

### **Test period**

Market makers are entitled to the benefits specified in this Circular Letter without complying with the Parameters for up to ten business days before the start of their mandatory activity in order to conduct connectivity, trading session and order routing tests, and implement the requisite technological configurations. After the test period, market maker activities will be monitored by B3.

### **Maximum number of parameter breaches**

Market makers may have their accreditation for the program cancelled if they commit more than twelve unjustified breaches of the parameters and/or obligations set forth in this Circular Letter and the Master Agreement, or if the justification given is not accepted by B3.

### **Minimum activity period**

Market makers that withdraw from the accreditation process before starting their activities under the program will not be required to complete the thirty-day minimum period of activity established by Circular Letter 109/2015-DP, dated October 8, 2015. If they withdraw after starting their activities, they must complete the thirty-day notice period without fail in order for their de-accreditation to be communicated to the market.

### **Benefits**

Institutions accredited for this program will be entitled to the benefits described in the fee policy set out in the Annex to this Circular Letter, which include:

- Exemption from exchange and other fees on trades in the ID x IPCA Spread Futures Contract (DAP) and hedging transactions involving the One-Day Interbank Deposit Futures Contract (DI1), provided they comply with the rules and limits established in the Annex to this Circular Letter;
- Credits to be used for deduction from B3's exchange and other fees on DI1 trades. For market makers that choose model A, the credits will have fixed and variable portions defined according to the individual performance

003/2019-VPC

of each market maker accredited for model A. For market makers that choose model B, the credits will have only fixed portions.

Please note that 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 set forth in Circular Letters 039/2013-DP, dated May 27, 2013 and 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 the Client and Business Development Department by telephone on +55 11 2565-4218/5338/5685 or by email at [formadordemercadob3@b3.com.br](mailto:formadordemercadob3@b3.com.br).

José Ribeiro de Andrade  
Chief Product and Client Officer

Rodrigo Nardoni  
Chief Information Officer

## Annex to Circular Letter **003/2019-VPC**

### **Fee Policy for Market Makers in ID x IPCA Spread Futures Contract (DAP)**

#### **1. Market maker eligibility**

This fee policy applies to market makers accredited by B3 in this program for the ID x IPCA Spread Futures Contract (DAP).

#### **2. Fee structure**

##### **2.1. Exchange and other fees on DAP trades and DI1 hedging trades**

Exchange and other fees on DAP trades by market makers will be reduced to zero provided they comply with the eligibility condition in item 1. This exemption will apply to trades in any contract month, whether mandatory as per the activity parameters detailed in this Circular Letter or non-mandatory.

Exchange and other fees on DI1 hedging trades in any contract month will also be reduced to zero provided these trades do not exceed the number of DAP contracts traded in the same session. For example, a market maker that buys 100 DAP contracts will be entitled to the exemption when selling up to 100 DI1 contracts.

DI1 trades exceeding the number of DAP trades will be subject to a charge of BRL0.90 per contract for exchange and other fees. These fees will not be eligible for differentiation by investor type, progressive discount policies in accordance with average daily trading volume (ADTV) or day-trade volume, or any other discounts B3 may introduce.

##### **2.2. Exchange and other fees on other DI1 trades**

B3 will grant credits for use solely for deduction from exchange and other fees on DI1 trades provided they comply with the parameters described below, which vary according to the market maker's choice of model (A or B).

003/2019-VPC

### 2.2.1. Model A

- I. A fixed credit of BRL20,000 per month for each market maker.
- II. A variable credit, to be defined according to the number of market makers accredited under model A, as follows:
  - i) BRL60,000 per month if only one market maker is accredited under model A;
  - ii) BRL120,000 per month if two market makers are accredited under model A;
  - iii) BRL180,000 per month if three market makers are accredited under model A.

The variable credit will be distributed among the market makers in proportion to their shares in total DAP volume traded by all market makers accredited under model A for all contract months, considering the following weights assigned by B3 to each contract month and trading period:

Contract months	Weights	
	Regular hours	Closing call
Until end-2020	1	3
2021-2023	3	9
2024-2025	5	15
From 2026	7	21

Fixed and variable credits will be valid until the end of the next month following the month of market-making activity (for example, the credit for May 2019 can be used until June 2019) and non-renewable.

Each month B3 will inform market makers the quantity of D11 contracts available for trading as the sum of fixed and variable credits, considering the amount of BRL0.60 per contract for conversion of the credits to D11 (average transactional cost).

003/2019-VPC

### Model A: Example of credits after first month of activity

**Premise:** Three market makers accredited under model A.

**Fixed credit:** BRL20,000 for each market maker.

**Variable credit according to quantity of contracts traded:**

		Market maker		
Trading period	Vertices	A	B	C
Regular hours	January 2021	20	10	20
	August 2026	30	25	40
Closing call	January 2020	20	20	15
	May 2024	30	30	10
<b>Weighted sum of contracts</b>		$(20 \times 3) + (30 \times 7) + 3 \times [(20 \times 1) + (30 \times 5)] = 780$	$(10 \times 3) + (25 \times 7) + 3 \times [(20 \times 1) + (30 \times 5)] = 715$	$(20 \times 3) + (40 \times 7) + 3 \times [(15 \times 1) + (10 \times 5)] = 535$
<b>Market maker share of total</b>		$\frac{780}{2030} = 38.4\%$	$\frac{715}{2030} = 35.2\%$	$\frac{535}{2030} = 26.4\%$

### Distribution to ranked market makers

- 1st place:  $\text{BRL}180,000 \times 38.4\% = \text{BRL}69,120$
- 2nd place:  $\text{BRL}180,000 \times 35.2\% = \text{BRL}63,360$
- 3rd place:  $\text{BRL}180,000 \times 26.4\% = \text{R}\$47.520,00.$

**Total credit** (sum of fixed and variable credits, with round lot decimal fraction rounded up):

- 1st place:  $\frac{(\text{BRL}20,000 + \text{BRL}69,120)}{\text{BRL}0.60} \cong 148,535$  contracts
- 2nd place:  $\frac{(\text{BRL}20,000 + \text{BRL}63,360)}{\text{BRL}0.60} \cong 138,935$  contracts
- 3rd place:  $\frac{(\text{BRL}20,000 + \text{BRL}47,520)}{\text{BRL}0.60} \cong 112,535$  contracts

### **2.2.2 Model B**

A fixed credit of BRL80,000 per month for each market maker accredited under model B, valid until the end of the next month following the month of market-making activity and non-renewable.

### **3. General provisions**

Market makers will be responsible for payment of exchange and other fees in full on DI1 trades that (i) exceed the number of contracts announced monthly by B3; and (ii) do not match the fee structure rules in item 2. Daily exchange and other fees on surplus contracts will be accumulated monthly and must be paid by market makers not later than the last business day of the subsequent month.

Market makers that are de-accredited from the program by B3 or request de-accreditation before the end of their link will no longer be entitled to the benefits described in this policy.

After the link has ended, the market maker's account will be subject to exchange and other fees in accordance with the fee policy then in force, but any remaining credits may still be used for deduction from DI1 futures contract costs.