



September 17, 2020

118/2020-PRE

## CIRCULAR LETTER

Revoked by Circular Letter nº 047/2021-PRE, dated May 11, 2021

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

Re: **Fee Policy for One-Day Interbank Deposit Futures (DI1)**

A new fee policy for One-Day Interbank Deposit Futures (DI1) will enter into effect on **November 30, 2020**. The HFT DI Short Vertices Program will end on the same day.

Furthermore, a new model for calculating the permanence fee on One-Day Interbank Deposit Futures (DI1) comes into effect on **October 30, 2020**. The new model grants an additional reduction in the permanence fee for offsetting (opposite) positions in the same contract month, in the same investor's account and via the same settlement participant.

Release 20.1 of Sinacor is compliant with the new permanence fee calculation model. More information about the release can be obtained by calling +55 11 2565-5056 or emailing [sinacor.certificacao@b3.com.br](mailto:sinacor.certificacao@b3.com.br).

As of **October 30, 2020**, this Circular Letter revokes and replaces, solely for One-Day Interbank Deposit Futures (DI1):

- Circular Letter 101/2003-DG (Sep. 22, 2003), Annex, Section I (3)
- Circular Letter 044/2011-DP (Oct. 25, 2011), Annex, Section on Post-Trade Fees, item 2
- Circular Letter 084/2014-DP (Nov. 13, 2014), Annex, Section I, "Permanence Fee"



118/2020-PRE

As of **November 30, 2020**, this Circular Letter revokes and replaces:

- The rest of Circular Letter 084/2014-DP (Nov. 13, 2014), Annex, Section I
- Circular Letter 026/2018-PRE (Jun. 14, 2018)
- Circular Letter 056/2019-PRE (August 1, 2019)

The new fee policy is set out in Annex I to this Circular Letter.

The new model for calculating the permanence fee is exemplified in Annex II to this Circular Letter.

Fee schedules are available at [http://www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Product and services, Fee schedules, Listed equities and derivatives, Interest rates and inflation, DI rates.

Further clarification can be obtained from Support for Settlement Processes and Services by calling +55 11 2565-5015 or emailing [liquidacao.tarifacao@b3.com.br](mailto:liquidacao.tarifacao@b3.com.br).

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## **Annex I to Circular Letter 118/2020-PRE**

### **Fee Policy for DI Rate Family**

#### **1. Fee model**

The fee model for the DI rate product family consists of an exchange fee and registration fee, both calculated on the basis of average daily volume (ADV); a permanence fee; and a settlement fee.

ADV is based on trading volume for One-Day Interbank Deposit Futures (DI1). All trades in DI1 futures pay the above fees.

#### **2. Exchange fee and registration fee – calculation steps**

##### **2.1. ADV**

ADV is calculated on the last business day of each week and consists of the average number of contracts traded in the previous 21 trading sessions.

The quantity of contracts traded is adjusted for contract length and expiration:

$$Q_{aj} = Q_j \times \frac{n}{252}$$

where:

$Q_{aj}$  is the adjusted quantity of contracts for contract month  $j$

$Q_j$  is the quantity of contracts traded for contract month  $j$

$n$  is the number of business days between the trade date and the contract expiration date

The result is rounded to zero decimal places.

ADV is calculated as follows:

$$ADV = \frac{\sum Q_{aj}}{21}$$

The result is rounded to zero decimal places.

## 2.2. Average price

Once ADV has been determined, it is applied to the fee schedule in force on the trade date to obtain the average price ( $\bar{P}$ ) of the exchange and registration fees, calculated progressively as shown in the following table:

Progressive table		
Floor	Cap	Value tier
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 average exchange fee and registration fee can be expressed mathematically as follows:

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

where:

ADV is ADV calculated as described in 2.1 above

U is the upper limit (cap) for each tier



118/2020-PRE

$V$  is the value of the fee to be calculated

$i$  is a variable that denotes the tier number

The result is rounded to seven decimal places.

### 2.3. Unit cost

To obtain the effective unit cost of the exchange fee and registration fee for each contract, the average price obtained in accordance with item 2.2 above is applied in the following formula:

$$\text{Unit cost} = 100,000 \times \left[ \left( 1 + \frac{\bar{P}}{100} \right)^{\frac{\text{term}}{252}} - 1 \right]$$

where:

$\bar{P}$  is the average price calculated for the exchange fee or registration fee

*term* is the number of business days between the trade date and expiration, limited to 290 days

The result is rounded to two decimal places. For contracts whose expiration is less than 290 days ahead, the floor for the exchange fee and registration fee is BRL0.01 each. For contracts expiring 290 days ahead or more, the floor is BRL0.50 for the exchange fee and BRL0.41 for the registration fee.

## 2.4. Fee schedule

ADV		Exchange fee	Registration fee
From	To		
1	5,000	0.0006059	0,0004934
5,001	20,000	0.0005049	0,0004112
20,001	35,000	0.0004712	0,0003837
35,001	55,000	0.0004376	0,0003563
55,001	100,000	0.0003703	0,0003015
100,001	170,000	0.0003366	0,0002741
170,001	260,000	0.0003029	0,0002467
260,001	520,000	0.0002693	0,0002193
520,001	1,000,000	0.0002020	0,0001645
More than 1,000,000		0.0001346	0.0001096

## 2.5. Day trades

Day trades are entitled to a percentage reduction on the unit cost of the exchange and registration fees calculated as in item 2.3 above. The reduction is variable, as it is based on the number of months between the trade date and the contract expiration date.

$$\text{Unit cost, day trade} = \text{Unit cost} \times \text{Reduction, day trade}$$

The result is rounded to two decimal places. The floor for exchange and registration fees is BRL0.01 each.

Months		Reduction (%)
From	To	
1	3	90%
4	12	85%
13	18	80%
19	24	75%
25	30	70%
31	36	65%
37	42	60%
43	48	55%
49	60	50%
61	72	45%
73	96	40%
More than 96		35%

### 3. Permanence fee

The incidence basis for the permanence fee is the total number of open futures contracts held on the previous day in the same commodity and the same market for a given account and settlement participant, regardless of expiration. The fee is calculated for the period between the last business day of the previous month and the penultimate business day of the current month.

The permanence fee is calculated daily and billed as follows:

- i. The sum of the daily permanence fees calculated between the last billing and the previous business day is billed on the last business day of each month.
- ii. The sum of the daily permanence fees on positions in the same commodity, same market and same investor (account) that are closed out between the last billing and the previous business day (exclusive) is billed on the business day after the position is closed out.



118/2020-PRE

- iii. A permanence fee is billed when all positions held by an investor (same account) in the same commodity and on the same market are transferred to a different settlement participant.

The following formula is used to calculate the permanence fee:

$$\text{Permanence fee} = p \times (1 - R) \times \max \{CA_{t-1} - [\lambda \times (C_t + V_t)]; 0\}$$

where:

**p** is the daily permanence fee

**R** is an additional reduction factor, as detailed below

**CA<sub>t-1</sub>** is the number of open contracts on the previous day (t-1) for each account

**λ** is the reduction factor

**C<sub>t</sub> + V<sub>t</sub>** is the total number of contracts (normal + day trade) bought and sold on the date for each account (no netting)

<b>Contract</b>	<b>Reduction factor (λ)</b>	<b>Permanence fee (BRL)</b>
DI1 futures	0.73	0.00816

### 3.1. Additional reduction of permanence fee

An additional reduction factor (R) will be applied as a percentage to the daily permanence fee (p) set for each contract, based on the opposite (offsetting) positions held in different accounts provided they are for the same:

- commodity
- market
- contract month
- investor
- and settlement participant (carrying broker)

The quantity of open contracts cleared is calculated for each contract month in terms of the minimum amounts of the sums of long and short open positions in



all accounts for the same commodity, market, contract month, investor and settlement participant.

$$\text{Open contracts cleared} = \sum_1^j \left[ \min \left( \sum_1^1 \text{CAc}_{t-1}; \sum_1^1 \text{CAv}_{t-1} \right) \times 2 \right]$$

The additional reduction factor is calculated by applying a 50% reduction to this proportion of the total quantity of open contracts cleared,

where:

**CAc<sub>t-1</sub>** is the quantity of open contracts bought on the previous day

**CAv<sub>t-1</sub>** is the quantity of open contracts sold on the previous day

**I** is the quantity of accounts held by one investor in one participant

**j** is the quantity of different contract months

The additional reduction factor is applied to the daily permanence fee for each investor calculated in accordance with item 3 and rounded to five decimal places.

#### 4. Settlement fee

The settlement fee is an amount in BRL per contract held to expiration and is rounded to two decimal places:

Contract	Settlement fee (BRL)
DI1 futures	0.01166



118/2020-PRE

## Annex II to Circular Letter 118/2020-PRE

### Example of New Model for Calculating One-Day Interbank Deposit Futures (DI1) Permanence Fee

An investor with no initial position in DI1 on a given day (D) trades two different contract months in three different accounts under the same settlement participant. None of the transactions is a day trade.

On the next day (D+1), the investor will hold identical positions to the trades performed on D in each of the accounts. On D+1 the investor buys and sells DI1.

Document	Brokerage house	Acct	Contract month	Position (D-1)		Position per account	Trades (D)	
				Long	Short		Buy	Sell
AAA	BBB	1	F21	1,000	-	2,000	1,000	
		1	F23	-	1,000		10,000	
		2	F21	-	4,000	14,000		1,000
		2	F23	10,000	-			
		3	F21	13,000	-	14,000	1,000	
		3	F23	-	1,000			1,000
<b>Total per contract month</b>			F21	14,000	4,000	30,000		
			F23	10,000	2,000			

The daily permanence fee is calculated as shown below according to the new model.

#### Calculation of additional reduction factor (R)

$$\text{Open contracts cleared} = [\min(14,000; 4,000) \times 2] + [\min(10,000; 2,000) \times 2]$$

$$\text{Open contract cleared} = 12,000$$

$$R = \frac{12,000}{30,000} \times 50\% = 20\%$$

$$p \times (1 - R) = \text{BRL}0.00816 \times (1 - 20\%) = \text{BRL}0.00653$$



118/2020-PRE

### **Calculation of permanence fee**

$$\text{Permanence fee} = \text{BRL}0.00653 \times \max \{ \text{CA}_{t-1} - [\lambda \times (C_t + V_t)]; 0 \}$$

#### Account 1

$$\text{Permanence fee} = \text{BRL}0.00653 \times \max \{ 2,000 - [0.73 \times 11,000]; 0 \} = 0$$

#### Account 2

$$\text{Permanence fee} = \text{BRL}0.00653 \times \max \{ 14,000 - [0.73 \times 1,000]; 0 \} = \text{BRL}86.65$$

#### Account 3

$$\text{Permanence fee} = \text{BRL}0.00653 \times \max \{ 14,000 - [0.73 \times 2,000]; 0 \} = \text{BRL}81.89$$

**Total:** BRL168.54