



October 29, 2020

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CIRCULAR LETTER

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

Re: **Accreditation Process for Market Makers in the Micro S&P 500 Futures Contract Cash-Settled to the CME Group S&P 500 Quotation (WSP).**

Up to five market makers will be accredited for this program.

If the accreditation requests exceed the number of vacancies offered, B3 will at its sole discretion select the market makers to be accredited.

Market makers in this program will also be required to contribute to market making in the Rollover of the Micro S&P 500 Futures Contract Cash-Settled to the CME Group S&P 500 Quotation (WS1).

Accreditation procedure

Institutions that wish to take part in the program are advised to consult the Procedures Guide for Accreditation of Market Makers, available at www.b3.com.br/en_us, Products and Services, Trading, Market maker, Join in, Accreditation.



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Timetable

Accreditation instrument filed	Accounts registered	Activity starts	Obligation ends
By Nov. 20, 2020	Nov 27, 2020	Dec. 14, 2020	Dec 10, 2021

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

The duration of this program may be extended at B3's sole discretion. If the end of the obligation is deferred, B3 will issue a Circular Letter with information on the length of the extension, any changes to the activity parameters, and other necessary provisions. Market makers will be free to choose whether to continue trading as such until the new date for the end of the obligation or conclude their accreditation on the above date therefor.

Activity parameters

Market makers accredited for this program must enter bids and asks in accordance with the activity parameters defined by B3.

The list of assets eligible for the program, as well as their respective activity parameters, can be found in the document Micro S&P 500 Futures Contract (WSP) Market Maker Program rules, available at www.b3.com.br/en_us, Products and Services, Trading, Market maker, Join in, Programs, Micro S&P 500 Futures Contract (WSP)



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Market makers are required to register bids and offers for at least the first two contract months admitted to trading and must do so until the fifth business day before WSP expiration. Thereafter they are obliged to trade the subsequent contract month.

On the fourth and third business days prior to expiration, market makers are required to trade WS1.

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.

Test period

Market makers enjoy the benefits specified below without having to observe the activity parameters for up to ten business days before the start of their mandatory activity so that they can execute connectivity, session and order routing tests, as well as the necessary technological configurations. After the test period, market makers' activities will be monitored by B3.

Maximum number of parameter breaches



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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 Accreditation Agreement, 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.

Waiver of obligation

Market makers in this program are not required to fulfill the activity parameters on dates that are public holidays in New York or Chicago. They may also suspend mandatory activity whenever there is no trading session on CME Group's electronic trading platform.

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

Accredited market makers will be exempt from exchange fees and other fees on all trades in any contract months of the assets that are the object of this program.



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In addition, market makers may receive a share of B3's total revenue from trading in the Micro S&P 500 Futures Contract ("revenue pool"), in accordance with the terms and conditions described in the Annex 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 the Chief Product and Client Officer's team by telephone on +55 11 2565 5026 or by email at formadordemercadob3@b3.com.br.

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Annex to Circular Letter 140/2020-PRE

Conditions for Revenue Pool Eligibility - Micro S&P 500 Futures Contract Cash-Settled to the CME Group S&P 500 Quotation (WSP) and Rollover (WS1)

1. Purpose

The purpose of this program is to offer market makers in the Micro S&P 500 Futures Contract incentives to develop, promote and guarantee liquidity for the futures market operated by B3 and for the contract concerned.

In this program, besides the benefit consisting of exemption from exchange fees and from (i) fixed and variable registration fees, (ii) settlement fees, and (iii) permanence fees on trades in all contract months of the asset concerned, market makers may also receive the following benefit:

- Twenty per cent (20%) of B3's total revenue from trading in the Micro S&P 500 Futures Contract ("revenue pool") will be distributed net of taxes to the three market makers with the highest trading volumes in the periods and proportions specified in item 3 below.

2. Eligibility

Market makers accredited under the program for the Micro S&P 500 Futures Contract will be considered eligible for a share of the revenue pool only if their



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trading volume reaches the necessary classification in the periods concerned, as described in item 3 below.

Market makers not selected by B3 for accreditation under this program will not be entitled to the benefit of sharing in the revenue pool.

3. Calculation of revenue pool shares

The revenue pool for this program is defined as B3's total revenue from trading in the Micro S&P 500 Futures Contract after deduction of the taxes levied on such revenue or on the price of the service, as applicable (currently ISS and PIS/COFINS).

Twenty per cent (20%) of the revenue pool will be shared among the three market makers with the highest trading volumes in the contract in the periods concerned.

Each month B3 will calculate the value of the benefit and will verify each participant's contribution to the revenue generated in order to identify those ranked first, second and third by trading volume (in contract quantities). These will receive the benefit. In the event of a tie, the market maker with the best performance in the mandatory activity parameters will be selected.

The amount corresponding to twenty per cent (20%) of the revenue pool will be distributed in the following proportions:

- Fifty per cent (50%) to the market maker ranked first
- Thirty per cent (30%) to the market maker ranked second
- Twenty per cent (20%) to the market maker ranked third



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Even if the number of market makers accredited under the program is less than three, the shares will remain the same in percentage terms.

The benefit will be calculated monthly and, if received in cash, will be distributed quarterly (by the last business day of the month following the calculation period) to the first three participants, in accordance with the following timetable:

Calculation period		Benefit awarded
Dec. 14-Dec. 31, 2020	1 st calculation period	MM ranked first: 50% of benefit MM ranked second: 30% of benefit MM ranked third: 20% of benefit
Calendar months	Other calculation periods	
Dec. 1-Dec. 10, 2021	Last calculation period	

The benefit can be paid in cash or in the form of credits for use solely to reduce the fees charged by B3 on trades in one of the following futures contracts:

- One-Day Interbank Deposit Futures Contract (DI1)
- US Dollar Futures Contract (DOL)
- Mini US Dollar Futures Contract (WDO)
- Ibovespa Futures Contract (IND)
- Mini Ibovespa Futures Contract (WIN)



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- S&P 500 Futures Contract (ISP)

In the case of credits, the market maker must choose one of the above financial instruments for use of the benefit. Designating more than one instrument is not allowed.

The instrument to which the benefit applies may not be changed for the duration of the program.

The credits awarded will expire at the end of the month following the month for which the benefit is calculated and cannot be renewed.

Market makers must designate an exclusive account for receipt of the benefit.

It should be noted that the above percentage shares of benefit to be received by the market makers ranked first, second and third are based on the total benefit calculated in accordance with B3's monthly net revenue from trading in the Micro S&P 500 Futures Contract. Absolute monetary values will not be established for the benefit.

If the Micro S&P 500 Futures Contract is not traded during a calculation period, so that B3 earns no revenue from it, no benefit will be distributed for the period.

For the purposes of measuring participants' trading volumes, only trades that comply with the rules and procedures established for the futures market by B3 will be considered. Canceled trades and trades that do not comply with the pertinent requirements will not be considered.



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Market makers will be notified of the rankings and benefit values awarded by email not later than the fifth business day of the month following the last month in each calculation period.

The benefit will be paid or credited to market makers in net terms after deduction of the withholding taxes specified in the applicable tax legislation in force on the date of payment or credit.

Market makers interested in accreditation under the program after its inception will be allowed to begin acting as market makers only on the first business day of the calculation period subsequent to their accreditation.