



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 Brazil Index-50 Futures Contract (BRI).**

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.

### **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](http://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.

## 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 the respective activity parameters, can be found in the document Brazil Index 50 Futures (BRI) Market Maker Program Rules, available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market maker, Join in, Programs, IBrX-50 Futures (BRI)

Market makers are required to register bids and offers until the fifth business day before expiration of the first contract month available for trading. As of the fourth business day prior to this expiration date, market makers are obliged to trade in the next two contract months admitted to trading.

It is important to note that the mandatory minimum daily period of activity for market makers is eighty per cent (80%) of each trading session on the equity and ETF markets, in order to ensure that hedging transactions are not jeopardized.



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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**

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](http://www.b3.com.br/en_us), Products and Services, Trading, Market maker, Join In, Contracts.



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### **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 institutions will be exempted from exchange fees and from (i) fixed and variable registration fees, (ii) settlement fees, and (iii) permanence fees, as applicable, on trades in the assets in this program and trades executed for hedging purposes in the stocks comprised in the theoretical portfolio of the IBrX-50 Index or ETFs referenced to this index, provided such trades comply with the criteria and limits defined in the Fee Policy set forth 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.



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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](mailto:formadordemercadob3@b3.com.br).

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## **Annex to Circular Letter 141/2020-PRE**

### **Fee Policy for Market Makers in the Brazil Index-50 Futures Contract (BRI)**

#### **1. Conditions for market maker eligibility**

This fee policy applies only to market makers accredited by B3 for this program, subject to their compliance with the requirements described below.

#### **2. Applicable fees**

Exchange fees and other fees on buy and sell orders for IBrX-50 Futures (BRI) by accredited market makers will be reduced to zero.

#### **3. Exemption from fees on hedge trades**

No exchange fees or settlement fees will be due on hedge trades in the stocks comprised in the theoretical portfolio of the IBrX-50 Index or ETFs referenced to this index, provided such trades are executed in accordance with the criteria and limits defined in items (a) and (b) below (exemption from fees on hedge trades):

##### **a) Limit for exemption from hedge trades**

Market makers will be exempted from fees on hedge trades only if:

- (i) the total financial volume of buy and sell orders for the said stocks and ETFs executed for hedging purposes in the account designated for market maker activity as per item (b) below does not exceed the same-day (T0) volume or next-day (T+1) volume (if the BRI is held to



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expiration) of offsetting sell and buy orders for the IBrX-50 Futures in which the market maker is accredited to trade;

- (ii) the financial volume of buy and sell orders executed for hedging purposes for each stock in the theoretical portfolio of the reference index is limited to thirty per cent (30%) of the same-day (T0) volume or next-day (T+1) volume (if the BRI is held to expiration) of offsetting sell and buy orders for the IBrX-50 Futures in which the market maker is accredited to trade.

If a market maker surpasses the limit defined in items (i) and (ii) on one or more days, the exchange and other fees will be charged on the daily excess volume as specified in the fee policy for the cash equity market products concerned, available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and services, Fee schedules, Listed equities and derivatives, Equities, Equities and Investment Funds, Spot. In this case no distinctions will be made by type of investor, and policies offering progressive discounts based on average daily trading volume (ADTV) or day trade volume will not apply, nor will any other discount offered by B3.

Buy and sell orders for stocks and ETFs executed on the odd-lot market are not considered for the purposes of granting hedge trade fee exemption.

Market makers are responsible for payment in full of exchange fees and settlement fees on each month's daily excess volumes, not later than the last business day of the following month.



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#### **b) Account for hedge trade fee exemption**

To be eligible for hedge trade fee exemption, market makers must designate a specific account solely for the settlement of hedge trades relating to IBrX-50 Futures, regardless of the number of accounts they use overall in their market making activities.

#### **4. General provisions**

If a market maker is de-accredited by B3 or requests de-accreditation before the end of its obligation, the exemptions provided for in items 2 and 3 of this fee policy will cease to be applicable as of the date of its de-accreditation.

This fee policy does not apply to market makers for other securities admitted to trading on the markets operated by B3.