

June 19, 2019  
021/2019-VOP

## C I R C U L A R   L E T T E R

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

Re: **New Version of LiNe 5.0 Pre – Trade Risk Control System**

As part of the process of continuous improvement of its systems, on **July 1, 2019**, B3 will implement a new version of the LiNe 5.0 pre-trade risk control system with behavioral alterations, enhancements and corrections. The key changes are described below.

### **Behavioral alterations**

**a) Netting of trades performed in give-up accounts (executing participant)**

Currently, all give-up origin accounts are treated as temporary accounts and transactions executed via these accounts are not netted. In the new version the give-up origin account has the same characteristic as the destination account. Thus if the destination account is definitive, the origin account is also treated as a definitive account and trades executed via these accounts are netted when calculating use of limits.

**b) Synchronous mode – violation of carrying participant's SPCI/SPVI**

In the current version, violation of risk metric SPCI or SPVI by the carrying participant triggers protected mode, and LiNe 5.0 sends the matching engine a request to cancel all orders that have violated the risk metric. Once LiNe 5.0 has received cancellation of open orders, the system only allows orders to reduce position and risk.

In the new version, when an entity (document or account) enters protected mode because SPCI or SPVI is violated for an instrument, LiNe 5.0 allows new orders for other instruments, even if this increases the position. However, orders for the instrument(s) that violated SPCI or SPVI are allowed only to reduce the position. Because the carrying and executing participants' limits must be validated in order to guarantee a reduction in SPCI/SPVI, latency in orders from the entity concerned will probably increase while in synchronous mode.

### **Enhancements**

#### **a) Details of reason for protected mode**

The new version of the system offers trading participants a screen detailing the reasons for which an entity has entered protected mode.

#### **b) Executing participant alerted when carrying participant enters protected mode**

The new version of the system sends the executing participant an alert when an entity enters protected mode in the carrying participant. It is important to note that the executing participant is not told why the entity has entered protected mode. This information is supplied only to the carrying participant.

### **Corrections**

**a)** Trading participants can upload files as carrying participant.

**b)** Rejection of order modification (ClientOrderID Not Found).

**c)** Online creation of options.

**d)** Export of all data from rejection screen data.

**e)** Limit use ranking.

**f)** Performance included in profile management screen (SPCI\SPVI tab).

The technical specifications for the LiNe 5.0 pre-trade risk control system can be consulted at [http://www.b3.com.br/en\\_us/](http://www.b3.com.br/en_us/)

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B3 will continue to improve LiNe 5.0, and new changes will be announced in due course.

Further information can be obtained from Trading Support by telephone on +55 11 2565-5021 or by email at [suporteanegociacao@b3.com.br](mailto:suporteanegociacao@b3.com.br).

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