



May 18, 2021

055/2021-PRE

CIRCULAR LETTER

To: Listed B3 Participants

Re: **Accreditation Process for the Market Maker Program for Put Options on PETR4 and VALE3 Single Stocks and for a Combo of Options on 15 Other Stocks.**

Up to five market makers will be accredited under this program for put options on single stocks in Petrobras S.A. (PETR4) and Vale S.A. (VALE3), as well as options on single stocks issued by the following 15 companies.

BBDC3 – Banco Bradesco S.A.	GOAU4 – Metalúrgica Gerdau
BBSE3 – BB Seguridade S.A.	HYPE3 – Hypera S.A.
BRKM5 – Braskem S.A.	MULT3 – Multiplan Empreendimentos Imobiliários S.A.
CYRE3 – Cyrela	PCAR3 – Pão de Açúcar
EGIE3 – Engie Brasil Energia	RADL3 – Raia Drogasil S.A.
ELET6 – Eletrobrás S.A.	TAEE11 – Taesa S.A.
EMBR3 – Embraer S.A.	YDUQ3 – Yduqs Participações
EQTL3 – Equatorial Energia	

Selection procedure

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Institutions that wish to take part in the program must request accreditation by sending the completed Expression of Interest form to formadordemercadob3@b3.com.br by the deadline shown below.

The Expression of Interest form is available at www.b3.com.br/en_us, Products and Services, Trading, Market Maker, Join in, Programs, PETR4 and VALE3 Put Options + Combo.

If the number of applications for accreditation exceeds the number of openings offered, B3 will select the applicants to be accredited by means of the process described in the Annex to this Circular Letter.

Having completed the selection process, B3 will announce individually the institutions selected for the program and the score of all the institutions that participated in the process. The public announcement of all the accredited institutions will occur as of the first day of activity of the program.

Accreditation procedure

The selected institutions must formalize their accreditation as market makers for the securities concerned by signing the Accreditation Instrument and filing it by the deadline stipulated in this Circular Letter.

Guidance on the procedure for returning the Accreditation Instrument can be found in the Procedures Guide for the Accreditation of Market Makers (Accreditation Guide), available at www.b3.com.br/en_us, Products and Services, Trading, Market Maker, Join in, Accreditation.

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Institutions that have not yet signed the Market Maker Accreditation Agreement with B3 must follow the procedures set out in items 4, 5 and 6 of the Accreditation Guide.

For this program, a specific Accreditation Instrument form is available at www.b3.com.br/en_us, Products and Services, Trading, Market Maker, Join in, Programs, PETR4 and VALE3 Put Options + Combo.

Timetable

Expression of Interest Filed	Selected market makers announced	Accreditation Instrument filed	Accounts registered	Activity starts	Obligation ends
By Jun. 1, 2021	Jun. 10, 2021	By Jun. 18, 2021	Jun. 29, 2021	Jul. 1, 2021	Jun 30, 2022

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 trading parameters defined by B3.

The list of options in single stocks eligible for the program and the respective activity parameters can be found in the document Rules for Activity by Market Makers in PETR4 and VALE3 Put Options + Combo, available at www.b3.com.br/en_us, Products and Services, Trading, Market Maker, Join in, Programs, PETR4 and VALE3 Put Options + Combo.

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Market makers are required to trade for at least ten minutes in the last thirty minutes of each trading session. They are also required to register bids and asks until the fifth business day before expiration of the first contract month available for trading. As of the fourth business day before these dates, they are not obliged to trade in the first contract month but must trade in the next two contract months authorized for trading.

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.

The mandatory series and rules for market maker selection are available at www.b3.com.br/en_us, Products and Services, Trading, Market maker, Derivatives, Options.

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. The market makers that

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require this period must inform B3 of the accounts for market making activities at least ten business days before the program starts. After the test period, B3 will monitor market makers' activities.

De-accreditation

In the event of de-accreditation of market makers for the securities listed in this program, B3 may select other institutions that have expressed interest in the options concerned to replace the de-accredited institutions.

Accreditation and de-accreditation of market makers will always be disclosed to participants via B3's usual communication channels.

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 Instrument, 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.

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

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thirty-day activity requirement without fail so that its de-accreditation can be communicated to the market.

Benefits

Market makers will be exempt from exchange fees and other fees on trades in all PETR4 and VALE3 put option series, and all put and call options on the single stocks in the program, including non-mandatory series.

They will also be exempt from payment of exchange and other fees on trades in the option underlyings performed in the cash markets for the purpose of delta hedging in the same trading session as the options.

For the purposes of this program, the delta hedging percentage considered will be fifty per cent (50%) in proportion to the notional value of the cash contract for options on single stocks, to be applied to the quantity of options traded for all series of the underlying security on the day it is calculated.

Market makers that exceed the above delta hedging limit on one or more days will have to pay exchange and other fees on the excess volume, in accordance with the fee policy in force for the cash market in equities. In this case there will be no discounts based on volume or day trading, and any other discounts B3 may introduce in future will not apply.

Excess volume will be defined by multiplying the excess quantity by the average price of the option traded by the market maker on the day in question.

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Market makers will be responsible for paying the full amount of the exchange fees and settlement fees on daily excess volumes accumulated in any given month on the second business day of the subsequent month.

The flow of messages, trades and volumes generated by accredited institutions will not be considered for the purposes of the Policy for the Control of Trading Messages, as set forth in 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.

General provisions

B3 will resolve any omissions regarding this accreditation process and the program.

Further information can be obtained from the Electronic Trading Department by calling +55 11 2565 5021 or emailing formadordemercadob3@b3.com.br.

Gilson Finkelsztain
Chief Executive Officer

José Ribeiro de Andrade
Chief Product and Client Officer

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Annex I to Circular Letter 055/2021-PRE

Selection Process for the Market Maker Program in Put Options in PETR4 and VALE3 and Combo of 15 Options on Single Stocks

1. Eligibility

Only institutions that file a properly completed Expression of Interest form in accordance with this Circular Letter will be considered eligible for the selection process.

2. Selection model

The five openings available for accreditation of market makers under this program will be divided into two selection methods:

- Two openings reserved for primary allocations;
- Three openings reserved for secondary allocations.

If the two openings reserved for primary allocations are not filled, the remaining openings will be offered for secondary allocations in order to maximize the number of market makers accredited for this program.

2.1 Primary allocation

To be eligible for primary allocations, institutions:

1. Must have been accredited for the previous market maker program;

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2. Must express an interest in the asset in this program.

Selection in the primary allocation will be based on the following variables, with their respective weightings, as follows.

- **Average daily volume (ADV) Maker:** trading participation in the option contract among the interested institutions in the last three months before the start of the selection process, considering only trades executed through “maker” orders, (50%).
- **Performance:** this covers the activity performance in the asset for the previous market maker program and considers activity since the start of the program (50%).

B3 will inform the institutions pre-selected for primary allocation after the expression of interest period.

If there is no market maker accredited in the previous program, the opening reserved for the primary allocation will be made available for the secondary allocations, in the second analysis score.

For the pre-selected institution to be qualified for accreditation in the program, the spread it offers in the auction must respect the program’s spread defined by auction in the secondary allocation. If the offer made in the auction is larger than the program’s spread, the institution must inform B3 if it accepts activity with the defined value. If it does not accept it, the opening will be automatically made available for secondary allocations, in the second analysis score and the institution will compete with the other institutions in the secondary allocation.

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2.2 Secondary allocation

Institutions not selected for primary allocation may be selected for secondary allocation on the basis of a scoring system in which those with the highest scores will be accredited for the program.

To calculate each interested institution's score, B3 will analyze the variables shown below with their respective weightings:

- **Spread auction:** each institution will make an offer in the spread auction which must be the same or better than the maximum spread determined by the program's rules (33%).
- **Total assets:** the number of options in which the institution is accredited and the number of options that it wishes to be accredited (12%).
- **Average daily volume (ADV):** participation relative to trading in the option contract among interested institutions (33%).
- **Performance:** regards the activity performance for the previous market maker program and considers activity since the start of the program (22%).

Selection of the institutions will be based on two analyzes, as described below.

- **1st Analysis (1 opening):** the institution with the best score is selected in accordance with the scoring system, considering all four variables detailed previously, with the only the volume of contracts executed through the

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“maker” orders being considered in the average daily volume (ADV) variable.

- When the interested institution does not perform market maker activity in the option in which it wishes to be accredited and is already accredited in other options, B3 considers for the variable its average percentage of daily quantity of contracts traded via “maker” orders in the options in which it already performs market maker activity, multiplied by the average daily volume (ADV) of the past three months in the option for which it is applying.
- **2nd Analysis (two or more openings):** the institutions with the best scores are selected in accordance with the scoring system. However, in the “Total assets” variable B3 only considers the number of options in which the institution wants accreditation. The “Performance” variable is disregarded for the purposes of the scoring system. In the average daily volume (ADV), B3 considers trades executed through “maker” and “taker” orders.

The final score will hold for the entire program, with the combo options and PETR4 and VALE3 put options accounting for the following proportions in the final score:

- PETR4 put options: 1/4 of the final score;
- VALE3 put options: 1/4 of the final score;
- Combo options: 1/2 of the final score.

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The spread for market makers in the program will be subject to that offered by the institutions selected for secondary allocation and will be updated when the selected market makers are announced.

The institution must state its proposed spread in its Expression of Interest form, based on the reference parameters defined by B3 in the document Market Maker Program – Put Options on PETR4 and Vale3 + Combo, available at www.b3.com.br/en_us, Products and Services, Trading, Market Maker, Join in, Programs, Put Options on PETR4 and VALE3 + Combo Market Maker Program Rules.

The proposals filed by institutions will be confidential at all times.

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