

April 02, 2018  
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## **C I R C U L A R   L E T T E R**

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

Re: **Accreditation Process for Market Makers in ID x IPCA Spread Futures Contract (DAP).**

Up to three Market Makers in the ID x IPCA Spread Futures Contract will be accredited under the Program. If the number of accreditation requests surpasses the number of available openings, Market Makers will be selected for accreditation at the sole discretion of B3.

### **Accreditation procedure**

Institutions that wish to take part in the Program can find the relevant information in the Procedures Guide for the Accreditation of Derivatives Contract Market Makers (Guide), available from [www.bmfbovespa.com.br/en\\_us/](http://www.bmfbovespa.com.br/en_us/), Services, Market maker, Join in, Accreditation.

### **Timetable**

<b>Accreditation Instrument signed</b>	<b>Account registered</b>	<b>Start of activity</b>	<b>End of link</b>
By Apr. 9, 2018	Apr. 16, 2018	May 2, 2018	Apr. 30, 2019

B3 may at its sole discretion assess accreditation applications submitted outside this timetable, provided their timing is duly justified.

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## Activity parameters

Market Makers accredited for this Program must enter buy and sell orders in accordance with the following activity parameters (Parameters):

Vertices	Period of activity	Maximum spread (bps)	Round lot (contracts)
Jan/19	May 2-Jul. 14, 2018	16	300
	Jul. 15-Aug. 14, 2018	24	
Jan/20	Aug. 15, 2018-Apr. 14, 2019	12	
	Apr. 15-30, 2019	16	
Aug/20	May 2, 2018-Apr. 30, 2019	10	160
May/21			
May/23			
Aug/26		15	

## Times for activity in mandatory contract months

- **Mornings between 10:30 a.m. and noon:** 80% of this morning period during 60% of the days on which trading sessions take place;
- **Afternoons between 3:00 p.m. and 4:50 p.m.:** 80% of this afternoon period during 100% of the days on which trading sessions take place;
- **Closing call between 5:00 p.m. and 5:30 p.m.:** auction activity of one minute ten seconds per mandatory contract month during 100% of the days on which trading sessions take place.

## Test period

Market Makers are entitled to the benefits specified in this Circular Letter without complying with the Parameters for up to ten business days before the start of their formal activity in order to conduct the necessary tests of connectivity, trading session and order routing, as well as the requisite technological configurations. After the test period, Market Maker activities will be monitored by B3.

**Maximum number of parameter breaches**

Market Makers may have their accreditation for the Program cancelled if they commit more than twelve unjustified breaches of the Parameters and/or obligations set forth in this Circular Letter and the Master Agreement, or if the justification given is not accepted by B3.

**Minimum period of activity**

Market Makers that withdraw from the accreditation process before starting their activities under the Program will not be required to complete the thirty-day minimum period of activity established by Circular Letter 109/2015-DP, dated October 8, 2015. If they withdraw after starting their activities, they must complete the thirty-day notice period without fail in order for their deaccreditation to be communicated to the market.

**Benefits**

Institutions accredited for this Program will be entitled to the benefits described in the Fee Policy and Remuneration Policy mentioned in Annex I and Annex II respectively. Remuneration will consist of credits to be used solely for deduction from B3's exchange and other fees on trades in the One-Day Interbank Deposit Futures Contract (DI1), as specified in item 2 of Annex II. This remuneration will have fixed and variable portions. The variable portion will be based on the Market Maker's individual performance.

Institutions will also be exempted from exchange and other fees on DAP trades and hedging transactions involving DI1, provided they comply with the rules and limits established in Annex I.

Please note that 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 set forth in Circular Letters 039/2013-DP, dated May 27, 2013 and 050/2013-DP, dated July 30, 2013.

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### **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 2565-4218/5338/5685 or by email at [formadordemercadob3@b3.com.br](mailto:formadordemercadob3@b3.com.br).

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Chief Executive Officer

José Ribeiro de Andrade  
Chief Product and Client Officer

## **Annex I to Circular Letter 012/2018-PRE**

### **Fee Policy for Market Makers in ID x IPCA Spread Futures Contract (DAP)**

#### **1. Market Maker eligibility**

This Fee Policy applies to Market Makers accredited by B3 for the ID x IPCA Spread Futures Contract (DAP).

#### **2. Fee structure**

Exchange and other fees on DAP trades by Market Makers will be reduced to zero provided they comply with the eligibility condition in item 1. This exemption will apply to trades in any contract month, whether mandatory as per the activity parameters detailed in this Circular Letter or non-mandatory.

Exchange and other fees on DI1 hedging trades in any contract month will also be reduced to zero provided these do not exceed the number of DAP contracts traded in the same session. For example, a Market Maker that buys 100 DAP contracts will be entitled to the exemption when selling up to 100 DI1 contracts.

DI1 trades exceeding the number of DAP trades will be subject to a charge of BRL1.40 per contract for exchange and other fees. These fees will not be eligible for differentiation by investor type, progressive discount policies in accordance with average daily trading volume (ADTV) or day-trade volume, or any other discounts B3 may introduce.

#### **3. General provisions**

Market Makers that are deaccredited from the Program by B3 or request deaccreditation before the end of their link will no longer be eligible for the fee structure detailed in this Policy.

After the link has ended, the Market Maker's account will be subject to exchange and other fees in accordance with the Fee Policy then in effect.

## **Annex II to Circular Letter 012/2018-PRE**

### **Remuneration Policy for Market Makers in the ID x IPCA Spread Futures Contract (DAP)**

#### **1. Market Maker eligibility**

This Remuneration Policy applies to Market Makers accredited by B3 under the Program for activity in the ID x IPCA Spread Futures Contract (DAP)

#### **2. Remuneration of Market Makers in the ID x IPCA Spread Futures Contract (DAP)**

DAP Market Makers will be entitled to the following remuneration as a consideration for their activity:

- (i) **Fixed remuneration:** BRL20,000.00 per month, paid to each institution accredited as Market Maker in the form of credits to be used solely for deduction from exchange and other fees charged by B3 on DI1 trades, valid non-renewably until the end of the month following the month of Market Maker activity;
- (ii) **Variable remuneration:** the total amount of variable remuneration will be defined in accordance with the number of accredited Market Makers, as follows:
  - (a) BRL60,000.00 per month if there is only one Market Maker;
  - (b) BRL120,000.00 per month if there are two Market Makers;
  - (c) BRL180,000.00 per month if there are three Market Makers.

The total amount of variable remuneration will be distributed among the Market Makers in proportion to their share of the total volume of DAP trades by all

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accredited Market Makers for all contract months, considering the following contract month weights allocated by B3:

Contract months	Weights	
	Regular session	Closing call
Until end-2019	1	3
2020-2022	3	9
2023-2025	5	15
From 2026	7	21

Variable remuneration will be paid in the form of credits to be used solely for deduction from B3's exchange and other fees on DI1 trades, valid non-renewably until the end of the month following the month of Market Maker activity.

Each month B3 will tell Market Makers how many DI1 contracts are available for trading via the credits obtained as the sum of their fixed and variable remuneration, considering a value per DI1 contract of BRL0.60 (average transaction cost) for the purpose of converting remuneration into Brazilian Reals.

### **Example of remuneration after first month of activity**

**Fixed remuneration:** BRL20,000.00 for each Market Maker

**Variable remuneration according to contracts traded:**

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		Market Maker		
Trading period	Vertices	A	B	C
Regular session	Jan/20	20	10	20
	Aug/26	30	25	40
Closing call	Jan/19	20	20	15
	May/23	30	30	10
Sum of weighted contracts		$(20 \times 3) + (30 \times 7) + 3 \times [(20 \times 1) + (30 \times 5)]$ $= 780$	$(10 \times 3) + (25 \times 7) + 3 \times [(20 \times 1) + (30 \times 5)]$ $= 715$	$(20 \times 3) + (40 \times 7) + 3 \times [(15 \times 1) + (10 \times 5)]$ $= 535$
Market Maker share		$\frac{780}{2,030} = 38.4\%$	$\frac{715}{2,030} = 35.2\%$	$\frac{535}{2,030} = 26.4\%$

### Distribution to ranked Market Makers

- 1st place:  $\text{BRL}180,000.00 \times 38.4\% = \text{BRL}69,120.00$
- 2nd place:  $\text{BRL}180,000.00 \times 35.2\% = \text{BRL}63,360.00$
- 3rd place:  $\text{BRL}180,000.00 \times 26.4\% = \text{BRL}47,520.00$

**Total remuneration** (sum of fixed and variable remuneration with rounding up of round lots):

- 1st place:  $\frac{(\text{BRL}20,000.00 + \text{BRL}69,120.00)}{\text{R\$}0.60} \cong 148,535 \text{ contracts}$
- 2nd place:  $\frac{(\text{BRL}20,000.00 + \text{BRL}63,360.00)}{\text{R\$}0.60} \cong 138,935 \text{ contracts}$
- 3rd place:  $\frac{(\text{BRL}20,000.00 + \text{BRL}47,520.00)}{\text{R\$}0.60} \cong 112,535 \text{ contracts}$

Market Makers will be responsible for payment of exchange and other fees in full on DI1 trades that (i) exceed the number of contracts announced monthly by B3; and (ii) do not match the fee structure rules in item 2. Daily exchange and other fees on surplus contracts will be accumulated monthly and must be paid by Market Makers not later than the last business day of the subsequent month.



### **3. General provisions**

Market Makers that are deaccredited from the Program by B3 or request deaccreditation before the end of their link will no longer be entitled to the remuneration stipulated in this Policy but will receive remuneration prorated until the date of deaccreditation in accordance with the remuneration rules detailed in item 2.

After the link has ended, the Market Maker's account will be subject to exchange and other fees in accordance with the Fee Policy then in force. In this case no fees will be charged on credits for deduction from DI1 futures contract costs resulting from the remuneration due for the last month of activity, as defined above.