



# Block Trading Solutions

Greater efficiency in trading large volumes of equities on B3



In June 2022, the Brazilian Securities and Exchange Commission (CVM) authorized, through Instruction 135, the creation of special systems for trading large volumes of shares, BDRs and Units.

In this context, B3 will offer three solutions to bring greater efficiency on block trading operations: **Midpoint Order Book, Book of Block Trade (BBT) and Request for Quote (RFQ).**

Through them, investors can perform block trading operations with no interaction with the central limit order book and without disclosing their orders on Market Data. Trades will be disclosed immediately after execution and will be guaranteed by B3 Clearinghouse.

## Key **benefits:**



### **Convenience**

- Streamlined execution of block trades, reducing market impact
- Expansion of counterparties encounters
- Access via PUMA through existing connections with B3 (Midpoint and BBT)



### **Efficiency**

- Potential improvement on the execution price of block trades
- Greater efficiency in price formation



### **Safety**

- Pre-trade confidentiality
- Exchange solutions, with all trades guaranteed by B3 Clearinghouse

LEARN MORE ABOUT **OUR SOLUTIONS**

# Midpoint Order Book

Trade on the average price between the best bid and ask prices of the central order book

New ticker: **ending in M**

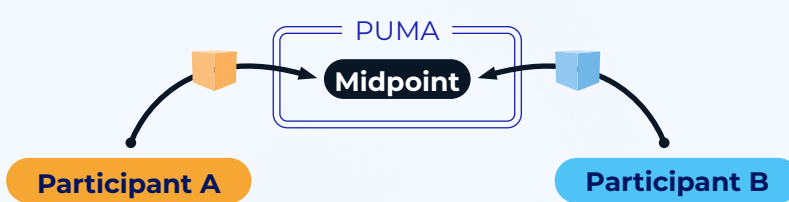
A hidden order that will always be executed at the midpoint price of the central limit order book and whose interaction will only occur with orders of the same type.

The price will be limited to a value previously indicated in the order. If the midpoint price of the central book does not meet the limit price of the order, the order will remain in the Midpoint book.

## 1. Order entry (example)

### Midpoint Order

Asset: XXXXX**M**  
Limit price: BRL30.10  
Qty.: 200,000  
Side: Buy

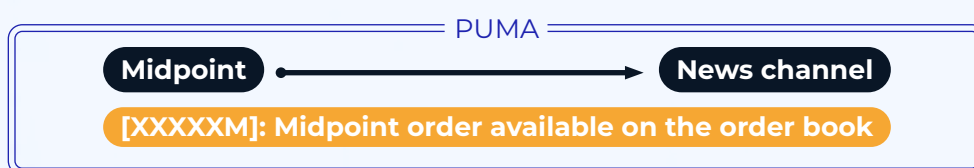


### Midpoint Order

Asset: XXXXX**M**  
Limit price: BRL30.02  
Qty.: 200,000  
Side: Sell

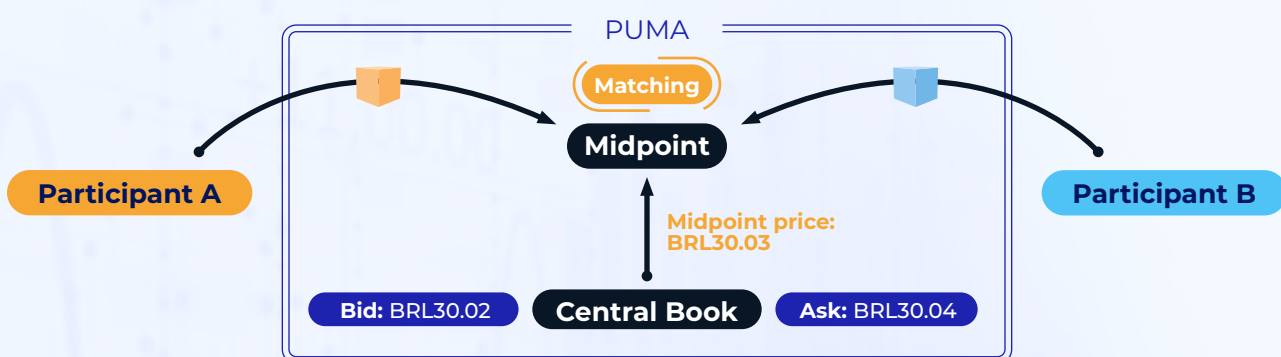
Participants send orders to the Midpoint Order Book using a new order type, ticker ending in M, Limit Price and quantity in multiples of the instrument's round lot.

## 2. Message disclosure on the news channel



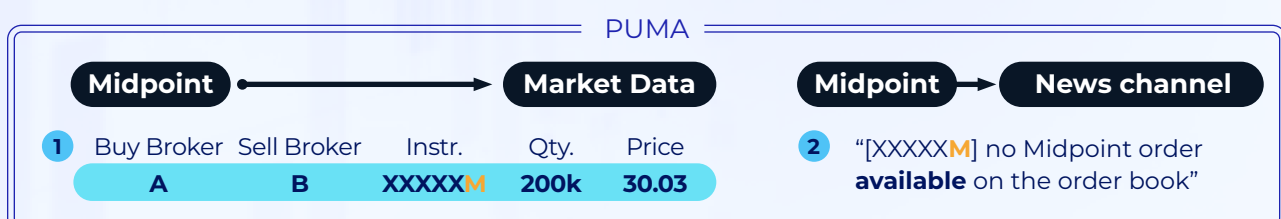
Orders are not disclosed on Market Data. Only one message is disclosed in the news channel indicating that there are one or more active orders available for a particular instrument on the Midpoint book.

## 3. Matching on midpoint price of the central book



Midpoint book consumes in real time the Midpoint price of the underlying asset on the central limit order book. If the Midpoint price meet the limit price of the orders, matching is carried out using Price-Time Priority criterion and the trade is executed at the Midpoint price. The execution will be divided into two trades if the Midpoint price exceeds two decimal places.

## 4. Trade disclosure + possible update on the news channel



1 Trades are disclosed on Market Data completely and immediately after execution.

2 If there are no more orders available for the instrument at Midpoint Order Book, a new message will be disclosed in the news channel.

# Book of Block Trade (BBT)

Continuous block trading with possible premium or discount in relation to the central book

New ticker: **ending in Q**

A book in which the trade execution price may have a premium or discount in relation to the central order book, always respecting tunnels defined by B3.

The tunnels per instrument can be found on B3's website.

## 1. Order entry (example)

Order Limit,  
FAK or FOK

Asset: XXXXXQ  
Limit price:  
BRL15.10  
Total Qty.: 100.000  
Side: Buy

🕒 15:05:00

Participant A



Participant B

Order Limit,  
FAK or FOK

Asset: XXXXXQ  
Limit price:  
BRL15.00  
Total Qty.: 100.000  
Side: Sell

🕒 15:03:00

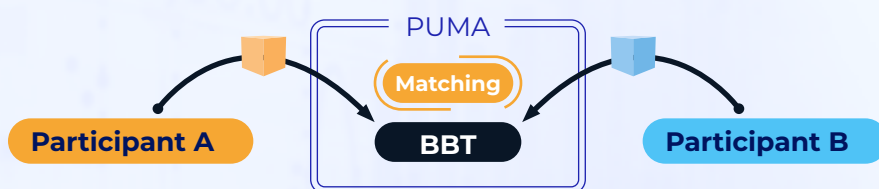
Participants send orders to BBT with ticker ending in Q, Limit Price and quantity in multiples of the instrument's round lot. The price may have a premium or discount in relation to the central book. Upon order entry, it will be validated whether the price is within the variation allowed in the tunnels.

## 2. Message disclosure on the news channel



Orders are not disclosed on Market Data. Only one message is disclosed in the news channel indicating that there are one or more active orders available for a particular instrument in BBT.

## 3. Matching on the price of the first order



Matching is carried out using the Price-Time Priority criterion and the trade is executed considering the price of the order that arrived first.

## 4. Trade disclosure + possible update on the news channel



1 Trades are disclosed on Market Data completely and immediately after execution.

2 If there are no more orders available for the BBT instrument, a new message will be disclosed in the news channel.

# Request for Quote (RFQ)

Request a price quotation to the market, with possible responses within a time limit

New ticker: **ending in R**

In the RFQ model, you send requests for quotes to the market to buy or sell assets. Requests can be responded by other participants within a predefined time limit.

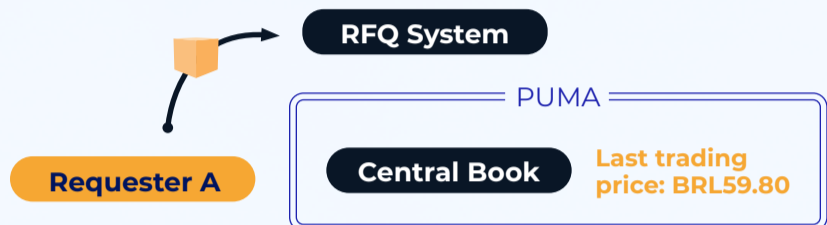
Trades may be executed at prices with a premium or discount in relation to the central book, in a controlled manner, complying with price tunnels defined by B3. The tunnels per instrument can be found on B3's website.

Trades will be automatically registered in the B3 (PUMA) trading system only after the transaction is completed.

## 1. Sending a request for quote to the market

### New request

Side: Buy  
 Asset: XXXXX**R**  
 Total Qty: IMM  
 Min Qty: 100k  
 Limit Price: 61.00 or +2%  
 Request time: 00:03:00



Requester sends a request for quote for instruments ending in R and with quantity in multiples of the instrument's round lot. The price may be in absolute value (BRL) or as a percentage of premium/discount in relation to the last traded price of the underlying asset on the central book. Upon order entry, it will be validated whether the price is within the variation allowed in the tunnels.

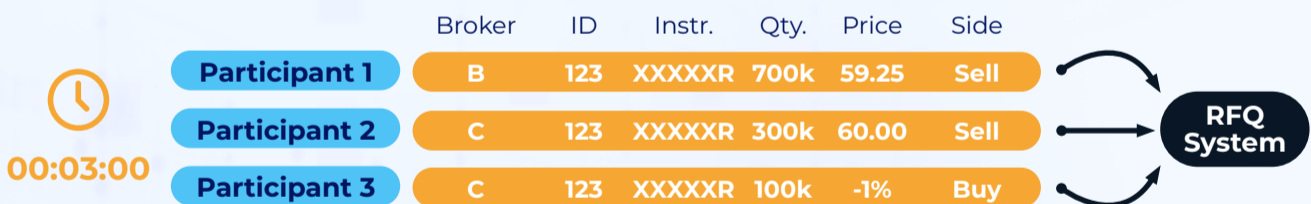
Request time must comply with maximum and minimum times defined by B3.

## 2. Message disclosure in the news channel



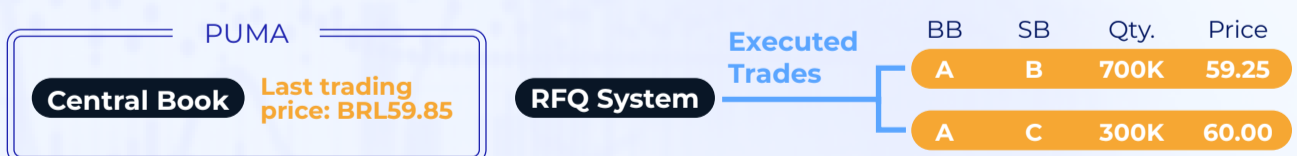
A message is disclosed on the news channel containing the request identifier, instrument, and request time only. The requestor can choose to disclose other information at its sole discretion.

## 3. Sending responses



Participants 1, 2 and 3 send responses to the request for quote within the time limit, and the prices informed may have a premium or discount in relation to the central book. The response prices may also be in absolute value (BRL) or as a percentage of premium/discount in relation to the last traded price on the central limit order book. Responses are not disclosed to the market.

## 4. Automatic matching



After the request timeout, the prices indicated as a percentage of premium or discount are calculated based on the last traded price of the underlying asset on the central book. Matching is carried out using the Price-Time Priority criterion, with the price benefit given to the requester.

## 5. Trade disclosure on PUMA



Executed trades are analyzed by LiNe and are disclosed on PUMA Market Data completely and immediately after execution.

## Criteria and rules

The three solutions are complementary to each other and aim to meet different market needs. The criteria and rules that apply to all solutions can be found below.

### Round lot

Trading will occur in **multiples of the instrument's round lot for block trading**, disclosed by CVM and published on B3's website.

### Transparency

- Orders will not be disclosed on Market Data.
- Disclosure of alerts indicating availability (or unavailability) of orders for a given asset in the Market Data news channel, informing only the asset's ticker in the respective solution.
- Trades disclosed completely and immediately once the transaction is carried out.

### Assets that may be traded

Equities market - Stocks, BDRs and Units

### Execution Criteria

Price-time Priority



## Don't miss out any **information**

Log in to this page on the **B3 Clients** project website and activate the notifications, so you won't miss any update.

[LOG IN NOW](#)

## Talk to your **RM**

Get in touch with B3's relationship team to learn more about our solutions.

