



November 25, 2021

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CIRCULAR LETTER

To: Listed B3 Participants

Re: Accreditation Process for the US Dollar Referenced Currency Futures Market Maker Program - 2022.

We hereby inform you that, firstly, in the case of the prevailing US Dollar Referenced Currency Futures Market Maker Program, published in Circular Letter 132/2020-PRE, the end of the obligation date will be extended from December 10, 2021, to December 30, 2021, with the other aspects of the program remaining unchanged.

Market makers will be free to choose whether to continue trading as such until the new date for the end of the obligation, or to conclude their accreditation on the above date therefor.

Rules for the 2022 US Dollar Referenced Currency Futures Market Maker Program

For the 2022 program, up to five market makers will be accredited for each of the assets listed below.

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- U.S. Dollar per Australian Dollar Futures Contract (AUS)
- U.S. Dollar per New Zealand Dollar Futures Contract (NZL)
- U.S. Dollar per Euro Futures Contract (EUP)
- U.S. Dollar per Pound Sterling Futures Contract (GBR)
- Canadian Dollar per U.S. Dollar Futures Contract (CAN)
- Norwegian Krone per U.S. Dollar Futures Contract (NOK)
- Swedish Krona per U.S. Dollar Futures Contract (SEK)
- Swiss Franc per U.S. Dollar Futures Contract (SWI)
- Japanese Yen per U.S. Dollar Futures Contract (JAP)
- Chinese Yuan per U.S. Dollar Futures Contract (CNH)
- Turkish Lira per U.S. Dollar Futures Contract (TUQ)
- Argentine Peso per U.S. Dollar Futures Contract (ARS)
- Chilean Peso per U.S. Dollar Futures Contract (CHL)
- Mexican Peso per U.S. Dollar Futures Contract (MEX)
- South African Rand per U.S. Dollar Futures Contract (AFS)
- Russian Ruble per U.S. Dollar Futures Contract (RUB)

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Accreditation procedure

Institutions that wish to take part in this program must designate the contracts among the underlying assets of this program and request accreditation designating the model that they will follow.

Model A: adhesion to at least twelve assets in the program.

Model B: adhesion to at least eight assets in the program.

B3 will allocate the selected institutions for each of the contracts in accordance with the number of openings offered. In this allocation procedure, B3 may reduce the minimum quantity of contracts for one or more market makers with the aim of maximizing the number of institutions accredited in the program.

The market maker may change the model during the course of the program by filing the Instrument of Accreditation stating the model that it will follow, with the date to be agreed between B3 and the institution, along with the assets to be traded among those assets in the program.

The benefits will be granted in proportion to the market maker's activity period in each model.

All other guidance about the procedures for filing the Accreditation Instrument are described in the Procedures Guide for the 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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Timetables

Accreditation instrument filed	Accounts registered	Activity starts	Obligation ends
By December 10, 2021	Dec. 17, 2021	Jan. 3, 2022	Dec. 30, 2022

B3 may, at its sole discretion, assess any market maker applications submitted after these deadlines.

The duration of this program may be extended at B3's sole discretion. If the end of the obligation is deferred, B3 will publish a Circular Letter with information on the length of the extension, any changes to the activity parameters, and other necessary provisions. Market makers will be free to choose whether to continue trading as such until the new date for the end of the obligation or conclude their accreditation on the above date therefor.

Activity parameters

Market makers must enter bids and asks in accordance with B3's activity parameters.

The list of derivatives eligible for the program and the respective activity parameters can be found in the document Activity Parameters for Market Makers in Currency Futures (Pairs in USD) available at www.b3.com.br/en_us, Products and Services, Trading, Market maker, Join in, Programs, Currency Futures (USD Pairs).

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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 in the underlying assets affected by the parameter change. B3 will formally advise market makers of any proposals to change the activity parameters. They will have seven (7) 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 activity parameters are changed owing to adjustments needed to avoid the creation of artificial demand, supply or pricing conditions

Test period

The market makers shall enjoy the following benefits, without complying with the activity parameters, for a period of ten business days prior to the start of their mandatory activity, so that they can perform connectivity, session and order routing tests, as well as the necessary technological configurations. After the test period, B3 will monitor the market makers' activity

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 Agreement (Agreement of Accreditation for Market Maker Activity), or if the justification is not accepted by B3. The Agreement is available at



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

Benefits

The accredited market makers for the program will be exempted from the exchange fees and other applicable fees on transactions with any contract month of the asset in the program.

For those that adhere to **Model A**, remuneration will be by net value - via bank transfer into an account, with deduction of the taxes that are paid at source as foreseen in the prevailing tax legislation on the payment date – and defined in accordance with the performance of each market maker. The criteria, limits and conditions for receiving remuneration are available in the Annex hereto.

The market maker that opts for activity in **Model A** must submit the payment data to B3, which in its turn will request information such as NIF code and Iban, among others.

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For all the programs described herein, 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.

Further information can be obtained from the Chief Product and Client Officer's team by telephone on +55 11 2565 7119/5830 or by email at formadordemercadob3@b3.com.br.

Gilson Finkelsztain
Chief Executive Officer

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Chief Product and Client Officer



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Annex to Circular Letter 152/2021-PRE

Service Provision Remuneration for Market Makers of US Dollar Referenced Currency Futures

1. Eligibility

Only market makers accredited in **Model A** will be considered eligible for remuneration in the US Dollar Referenced Currency Futures Market Maker Program.

2. Incentives

B3 will award remuneration quarterly net of taxes to market makers accredited with the program, as follows.

In the month following that of each quarter (April 2022, July 2022, October 2022 and January 2023), B3 will calculate what the growth rate was for each contract, separately, in accordance with the following formula:

$$C = \frac{ADV_t}{ADV_a}$$

Where:

C = growth rate of the asset in the analyzed period

ADV_t = average daily traded volume in number of contracts in the analyzed period

ADV_a = average daily traded volume in number of contracts in the whole of 2021.



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The value of C will define the total amount to be distributed to the market makers, in accordance with the following table.

"C" tier	revenue % of the asset to be distributed to the market maker (in reference to the period analyzed)
+10%	3%
+20%	6%
+30%	9%
+40%	12%
+50%	15%

Therefore, if the asset's growth rate is under 10% in the analyzed period, the market maker will not receive remuneration.

If, for example the asset has 35% growth rate in the period, 9% of the asset's revenue will be distributed to the market maker.

On this note, a market maker that meets at least 70% of its obligations in the analysis period will be eligible to receive the benefit.

The percentage to which obligations are met will be calculated based on total activity in the month, including atypical market situations such as excessive volatility, when failure to comply may be justified.

If there are more than four market makers eligible for the benefit in a single asset, B3 will select the three that have the best performance (based on the volume traded by the market makers) to receive the remuneration. The total value will be divided among the selected market makers (according to the above criteria) proportionate to the volume traded by them.



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In the case of three or fewer market makers trading in the asset, the total value will be divided among the selected market makers based on the volume traded by them (as explained above).

Payment shall be made by the last day of the month that follows the end of the quarter.

Please note that if the market maker chooses to change from Model A to Model B, or vice-versa, the remuneration will be calculated taking into consideration the values proportionate to the period that the market maker was active in each program. Calculation of the total value to be distributed by currency will not undergo any changes in this case.

Model A: example of remuneration after the first month of activity

Premise: five market makers registered for activity in Model A in the same contracts.

Contracts: A, B, C, D, E, F, G, H, I, J, K and L.

Revenue from these assets: Y

Table 1 – Growth rate of the contracts in the period and % total remuneration per asset

Contract	Growth rate (C)	% remuneration
A	2%	0%
B	29%	6%
C	15%	3%

D	0%	0%
E	-2%	0%
F	55%	15%
G	-12%	0%
H	20%	6%
I	33%	9%
J	8%	0%
K	2%	0%
L	1%	0%

Table 2 – Market makers’ compliance in the period and market share %

Market maker	compliance % of obligations	market share %
1	90%	13%
2	80%	22%
3	76%	32%
4	58%	5%
5	95%	28%

Therefore, by the criterion of compliance with obligations, market maker 4 did not obtain the necessary performance for remuneration in this period. Among the others, the three with the best performance, based on trading volume were market makers numbers 2, 3 and 5.

The market share percentage (%) for each market maker was calculated as follows:

$$\text{market share} = \frac{\text{ADV}_{\text{market maker } x}}{\text{ADV}_{\text{total among market makers}}}$$

Table 3 – Final remuneration of the market makers

Market maker	Remuneration
2	27% x Y x 3%*
3	39% x Y x 3%*
5	34% x Y x 3%*

*Average remuneration of the traded group of assets based on Table 1 (illustrative purposes only). The real process will calculate on a per-asset basis.



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The remuneration for each market maker will occur as follows:

$$\begin{aligned} & \text{Remuneration}_{\text{per MM}} \\ &= \% \text{market share Top 3}_{\text{asset}} \times \text{Revenue}_{\text{asset}} \times \% \text{ remuneration} \end{aligned}$$

Where:

$$\% \text{market share Top 3}_{\text{asset}} = \frac{\text{ADV}_{\text{market maker x in the asset}}}{\text{ADV}_{\text{total among Top 3 market makers in the asset}}}$$

% remuneration = according to the tier defined in Table 1.

In this case, strictly for purposes of illustrating the methodology, a scenario is considered in which the market makers trade in the same currencies with the same performances in all of them.

Please note that this method will be applied separately for each contract, in order to capture market maker's performance and remuneration in each asset, and not of the full package being traded.

Calculations will be rounded off to two decimal places.