

Investment Fund BM&FBOVESPA
Clearinghouse Liquidity (FILCB):
Frequently Asked Questions

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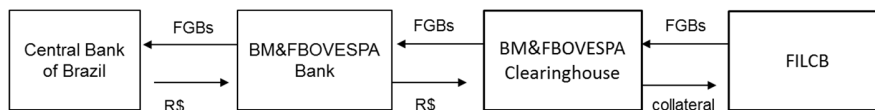
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Initial Considerations

- a) Collateral posting by participants is one of the requirements for access to the Clearinghouse. The rules establish that clearing members (CMs) must contribute to the Clearinghouse's settlement fund (FLI), and that full trading participants (FTPs) and settlement participants (SPs) must deposit minimum non-operating collateral (MNOC).
- b) The FLI and MNOC are part of the Clearinghouse's safeguard structure for containment of credit risk and liquidity risk.
- c) Only shares in Investment Fund BM&FBOVESPA Clearinghouse Liquidity (FILCB) are eligible for posting as collateral for the purposes of the FLI and MNOC.
- d) **The benefits for the system and for investors that motivated creation of the FILCB** are described below. The FILCB is characterized by the Clearinghouse's Rulebook and Risk Management Manual as one of the safeguards designed specifically to mitigate liquidity risk, alongside collateralized and uncollateralized liquidity assistance facilities and the portion of B3's own capital formally and exclusively dedicated to covering the Clearinghouse's risk.
- e) Shares in the FILCB purchased by CMs (FTPs or SPs) will be automatically pledged to the Clearinghouse and earmarked as contributions to the settlement fund or MNOC.
- f) The FILCB embodies **fundamental benefits** for the **containment of systemic risk**:
 - The Clearinghouse will have some R\$2.2 billion at its disposal for the treatment of liquidity risk (this is the fund's expected net worth, i.e. the sum of the contributions of CMs and B3 to the fund, plus MNOC deposits by FTPs and SPs).
 - This mechanism will not be affected by failures on the part of liquidity providers.
 - The mechanism will be operated entirely by B3, reducing the probability of a liquidity problem spilling over into the market.
 - Collateralized lending of federal government bonds will make the fund more robust for use in mitigating liquidity risk, compared with its use in BM&FBOVESPA Clearinghouse V1.
- g) The FILCB embodies **fundamental commercial and business benefits for the Clearinghouse's investors**. The limit on illiquid collateral (such as equities, for example) permitted by the Clearinghouse correlates directly with the amount of liquid funds available to it. The FILCB will be a major source of such liquidity.
- h) The FILCB bylaws are available from the IPN website (<http://ipn.bmfbovespa.com.br>). Its investment policy is limited in scope and does not include trading in derivatives. The liquidity mechanism offered by the fund to the Clearinghouse consists of a Brazilian federal government bond (FGB) lending transaction secured by assets

that have been settled and/or accepted as collateral by the Clearinghouse. The loan agreement between the FILCB and the Clearinghouse is available from the IPN website.

- i) The liquidity mechanism offered by the fund can be summarized as follows:



Three operations constitute the mechanism:

- i. An FGB loan from the FILCB to the Clearinghouse secured by assets linked to defaulting participants (collateral pledged to the Clearinghouse and blocked assets for delivery in the spot market);
 - ii. A repo between the Clearinghouse and BM&FBOVESPA Bank;
 - iii. A rediscount transaction between BM&FBOVESPA Bank and the Central Bank of Brazil (BCB), secured by the FGB loan from the FILCB (iii and ii are registered with Selic, BCB's Special System for Settlement and Custody).
- j) Given the FILCB's sensitivity, B3 began a **consultation process** with its participants in 2015:
- The FILCB was one of the topics discussed:
 - in bilateral visits by B3 and participants in second-half 2015;
 - by the Risk Analysis Advisory Committee on August 19, 2015;
 - at the V2 Risk Seminar on October 19-20, 2015.
 - The FILCB was among the normative documents relating to the Clearinghouse discussed in a public hearing between October and December 2015.
 - B3 received comments and suggestions on the normative documents relating to the Clearinghouse from participants and regulators, produced three new versions, and published them in External Communications dated:
 - October 26, 2016
 - December 21, 2016
 - March 22, 2017.
 - The FILCB was approved by B3's Board of Directors on August 23, 2016.

FLI and MNOC

1. How will the contribution of clearing members (CMs) to the FLI be defined? Will it be static in value?

As established in the Access Manual, the CM's contribution to the FLI will be defined by the range of risk in which it is classified. Risk range classification will be performed on a monthly basis. The classification methodology smooths variations. For an CM to change ranges between one month and another, a significant percentage variation is needed. Assuming no change in the CM's risk profile in the Clearinghouse, so that it stays in the same risk range, the contribution will be adjusted at 66% of the Selic rate each year. See also answer to question 3.

2. How will the MNOC for full trading and settlement participants (FTP and SPs) be defined? Will it be static in value?

As established in the Access Manual, the minimum non-operating collateral (MNOC) required from FTPs and SPs will be defined by the risk range in which they are classified. Risk range classification will be performed on a monthly basis. The classification methodology smooths variations. For a FTP or SP to change ranges between one month and another, a significant percentage variation is needed. Assuming no change in the FTP's/SP's risk profile in the Clearinghouse, so that it stays in the same risk range, the contribution will be adjusted at 66% of the Selic rate each year. See also answer to question 3.

3. If the values are not static, what might lead B3 to alter them? How often? Could an CM, FTP or SP decide not to contribute any more in response to an additional requirement? What would the mechanism be to cease contributing and within what timeframe?

Article 83 of the Clearinghouse rulebook establishes that safeguard structure parameters, models and contributions are periodically revised. The article defines a ceiling for increases in contributions to the FLI and MNOC, a timeframe for participant communication and accreditation, and restrictions applicable to the use of new contributions. Contributions cease to be mandatory for any participant that requests de-accreditation as a FTP/SP and/or CM, in accordance with the procedures described in section 2.10 of the Access Manual.

4. In the new model, will the classification of participants into risk ranges be based on their consolidated operations in B3's different markets (derivatives and cash)? In other words, is it correct to say that the collateral requirements for FTPs/SPs and CMs in relation to the safeguard structure will be calculated only by participant instead of by participant and market?

Yes, that is correct. Participant collateral requirements for access to the Clearinghouse will be based on the overall risk for all operations covered by the Clearinghouse.

5. Will the FLI be mutualizable? In other words, may default by an CM affect non-defaulting CMs once the contributions of the defaulting CM and B3 have been used up?

Yes, the FLI will be mutualizable.

6. Will the minimum non-operating collateral (MNOC) required from FTPs/SPs be mutualizable?

MNOC will not be mutualizable, as this term is used and understood in relation to safeguard structures. That is, if there is a default and it is not contained by previous layers of the safeguard structure, non-defaulting participants will inexorably bear part of the expense of covering the uncovered default.

In the case of the Clearinghouse, for example, the FLI will be mutualizable. If the amount of the default exceeds the cumulative value of the defaulting investor's collateral plus the defaulting FTP's/SP's MNOC, the defaulting CM's contribution to the FLI and B3's contribution to the FLI, the non-defaulting CMs will take a loss because their contributions to the FLI will have to be used. Thus losses for non-defaulting CMs are **designed, predicted and inexorable if the previous layers of the safeguard structure are not sufficient to cover default by a participant.**

This is not the case for MNOC. Nor will the MNOC of a non-defaulting FTP/SP inexorably take a loss due to default in the Clearinghouse.

However, as noted in section 1.4.1 of the Risk Management Manual, there is a highly unlikely but remotely possible situation in which non-defaulting FTPs/SPs take a loss to their MNOC that is not due to their own default: "Collateral posted by the clearinghouse to the FILCB fund is subject to value loss due to the materialization of market risk and/or of the risk involving the issuer of the relevant collateral. This might represent a total or partial loss of the minimum nonoperating collateral deposited by the full trading participant or settlement participant only in the event that the clearinghouse fails to comply with its obligations to the FILCB fund, that is, after exhaustion of all the applicable safeguard structure resources and the clearinghouse capital."

This remotely possible situation occurs if and only if the following sequence of events materializes:

- a) An CM becomes an operational defaulter and the entire FILCB fund is used by the Clearinghouse to assure liquidity.
- b) The operational defaulter becomes a defaulter.
- c) FGB loans are reversed and the collateral pledged by the Clearinghouse to the FILCB is not sufficient to cover the amount of these loans.
- d) The Clearinghouse still has funds to treat the default in addition to the FLI and MNOC (its cash dedicated to central counterparty risk, free cash flow and other components of its own equity capital) to cover the residual amount between the amount of the loans and the collateral executed, but it does not replenish MNOC.
- e) The Clearinghouse uses up all the funds in the safeguard structure and activates its Recovery Plan.

- f) The Recovery Plan does not work as expected and the Clearinghouse becomes insolvent.
- g) The Clearinghouse lacks the funds to cover the difference between the loans and the collateral executed.

7. Will a haircut be applied to the value of shares in the FILCB for the purpose of calculating the guarantee value of fund shares pledged as minimum non-operating collateral and contributions to the settlement fund?

No, because of the fund's investment policy.

8. Do the BM&FBOVESPA Clearinghouse rulebook and risk management manual establish that the FILCB is the only asset eligible for use as MNOC and FLI contributions? Can FTPs/SPs/CMs opt instead to pledge cash as MNOC and FLI contributions?

In Chapter 6 (Table 6.3), the Risk Management Manual presents a list of the assets accepted for each collateral purpose. This list clearly shows that shares in the FILCB are the only assets eligible for use as contributions to the FLI and as MNOC. In sum, participants may not use cash for this purpose.

9. If the answer to question 8 is affirmative, what is the reason for the next paragraph after Table 6.3: "Prior to regulatory approval for FILCB to become operational, the clearinghouse might accept local currency and federal government bonds for settlement fund and minimum nonoperating collateral purposes"?

This paragraph is a failsafe to address what needs to happen if there is a gap between V2's going live and regulatory approval for the FILCB from BCB and CVM (Securities and Exchange Commission of Brazil).

10. If the answer to question 8 is negative, in what context does the following provision from subsection 6.1.1 of the Risk Management Manual apply: "The deposit of local currency is automatically accepted by the clearinghouse for collateral constitution, with no need for prior consultation"?

This subsection deals with asset acceptance as collateral and not with the purpose of collateral posting, which is addressed by 6.1.2. Prior consultation is unnecessary because there are no restrictions on cash deposits if cash is accepted for this purpose. There are restrictions on other eligible assets, and these are addressed by other sections of Chapter 6.

As examples of restrictions on assets accepted as collateral, consider the following cases. Federal government bonds and equities are listed as eligible for acceptance by the Clearinghouse as collateral in subsection 6.1.1. After being listed in this context, however, the FGBs automatically accepted as collateral are restricted to those accepted by BCB for rediscount operations. Subsection 6.3.4 restricts the equities posted as collateral depending on secondary-market liquidity indicators.

11. What is the limit for contributions by FTPs/SPs or CMs as shareholders in the FILCB?

The collateral required from participants as FLI contributions and MNOC will be defined by risk range according to the Access Manual. Thus if a participant does not pledge surplus collateral for these two purposes, the value of its FILCB shares will be equal to the value of the collateral required for these two purposes.

12. Does the FILCB alter the mechanism for access to collateral pledged to the FLI and as MNOC in the event of default by a customer?

The FILCB does not alter the mechanism for access to the collateral of defaulting participants, as defined by the Risk Management Manual in sections 1.2.5-1.2.9. However, given the FILCB shareholders and the chain of responsibility, only CMs and the Clearinghouse can use the assets in the FILCB. In the event of default by a FTP/SP toward its CM, the CM can apply to the Clearinghouse for permission to execute the defaulting FTP's/SP's MNOC (see section 1.2.7).

Customers are not FILCB shareholders, so FTPs/SPs will not apply for execution of assets in the FILCB.

13. How can FILCB shares be disposed of?

FILCB shareholders can request total or partial redemption of their shares in the FILCB if:

- their contribution is reduced owing to a reduction in their risk range;
- if the participant requests de-accreditation as a FTP/SP and/or CM, provided the normative documents governing the Clearinghouse are complied with.

14. According to article 22 (3) of the FILCB rules, shares in the fund can be paid for in bonds and securities. Since participants already have collateral posted as FLI contributions and MNOC, can they use it to pay for FILCB shares?

Participants must pay for FILCB shares in cash. The initial endowment for the FILCB, however, will include other options to avoid the temporary burden on participants' cash flow due to the regular procedure, over and above the collateral required for V2.

The regular procedure requires participants to acquire shares in the FILCB and deposit them for appropriate purposes in the Clearinghouse. They can then withdraw collateral deposited in the existing clearinghouses (BM&FBOVESPA V1 and the Equities Clearinghouse) as FLI contributions and MNOC.

FTPs/SPs and CMs will be offered three options. The first is the regular procedure. The second is the use of LFTs (Treasury notes, a type of Brazilian federal government bond) already deposited as collateral for these two purposes with existing clearinghouses to pay for FILCB shares. The third is the sale by B3 of the Brazilian federal

government bonds (FGBs) already deposited as collateral for these two purposes with existing clearinghouses, in which case the participant must agree to the sale price and the cash proceeds from the sale are then used to purchase FILCB shares.

15. Does B3 know of any structures similar to the FILCB in other exchanges?

No.

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FILCB

16. Will the FILCB be allowed to invest in other assets besides LFTs?

The FILCB's investment policy will be restricted to the following:

- a) Definitive purchases and sales of floating-rate Brazilian federal government bonds pegged to the Selic rate;
- b) Brazilian federal government bond repos;
- c) Loans of Brazilian federal government bonds, collateralized by securities settled and/or accepted as collateral by the Clearinghouse, when the FILCB is used as a liquidity risk containment mechanism.
- d) Regarding "b" and "c" above, the FILCB may carry out sale or redemption operations of the securities pledged as collateral for FGB loans by the Clearinghouse if they become part of its net worth.

17. CVM Instruction 555, article 89, forbids administrators and managers of investment funds regulated by this Instruction from performing lending transactions except in services authorized by BCB or CVM. How does this prohibition affect the FILCB's loans of Brazilian federal government bonds?

The FILCB's loans of FGBs are registered with Registro de Títulos e Operações (RTO), which is a service authorized by BCB and CVM, and are therefore allowed under the exception provided for by CVM Instruction 555, article 89, sole paragraph.

A specific module has been created for registration of such transactions and will be for use solely by B3 and the FILCB.

18. How will the FILCB be classified by ANBIMA?

The FILCB should be classified as a Free Multimarket Fund without leverage (*Fundo Multimercado Livre sem alavancagem*). If this classification is changed before the fund is registered, B3 will at once announce the change.

19. Is it correct to say that the FILCB's net worth will never be negative?

The FILCB's investment policy is highly restrictive – see answer to question 17 – and does not allow the use of derivatives. Its net worth can therefore never become negative owing to leverage.

Consider a hypothetical situation in which the Clearinghouse uses the FILCB as a liquidity risk containment mechanism by means of a collateralized loan of Brazilian federal government bonds (FGBs) from the fund. Assume the most severe scenario for the fund's net worth: it lends all the FGBs in its possession to the Clearinghouse, the lending transaction is closed out by execution of the collateral pledged to the FILCB, the proceeds of the execution are not sufficient to cover the amount of the loan, and the Clearinghouse does not make up the difference. In this situation, the fund's net worth could become negative if, and only if, the value obtained by executing the collateral is zero (i.e. the prices of all the securities pledged as collateral fall to zero in the same period) and an operating

expense is incurred on the same date. Given the small size of its operating expenses (the FILCB does not charge management or custody fees), net worth would be negative by a very small amount.

It should be stressed that the hypothetical situation described in the previous paragraph is very similar to what can happen to an equity investment fund (FIA) that is prohibited from investing in derivatives. In such cases, while it cannot be said that net worth will never be negative for the same reason as that given for the FILCB, this hypothesis is not considered in the rulebooks applicable to FIAs.

To offer more comfort to FILCB shareholders, article 8 (paragraph 5) of the fund's bylaws establishes that "Due to the investment policy adopted, there is no possibility of additional contributions of resources by the shareholder as a result of negative net worth".

20. What is the view that allows B3 to use collateral pledged to it by investors as collateral for transactions performed between B3 and the FILCB? What is the legal nature of this mechanism? Does it involve rehypothecation?

The collateral for loans of Brazilian federal government bonds (FGBs) consists of the rights of a **defaulting investor**, which include (i) assets receivable as a result of a purchase transaction, and (ii) collateral posted to cover the risk associated with the investor's portfolio in the Clearinghouse. In this situation, the collateral is used for its original purpose: to assure compliance with the obligations assumed by the investor and/or by the participants concerned toward the Clearinghouse, and rehypothecation is therefore not involved.

The collateral regime created by Law 10,214 is sui generis, and should not be confused with a pledge, chattel mortgage or non-possessory lien. Moreover, in the case of FGB lending, the fact that collateral is not immediately executed, as provided for in the Clearinghouse rulebook, does not mean that B3 is taking possession of the collateral. It will be monetized in the event of default or otherwise used in the context of transactions designed to create liquidity for the Clearinghouse as part of the treatment for default.

It should be noted that section 1.4 of BM&FBOVESPA Clearinghouse V1's risk management manual, entitled "Liquidity risk management", enumerates the "mechanisms that allow for the rapid monetization of collateral and assets under settlement": mechanisms that comprise a portion of B3's own capital and liquidity assistance facilities, both collateralized and uncollateralized.

21. Will the collateral accepted by the FILCB be submitted to an appraisal of market risk and its impact on the fund's shares? Would it be correct to assume that if collateral is not executed its market value does not affect the fund's shares?

Haircuts will be applied to the assets pledged as collateral by B3 to FILCB in connection with loans of Brazilian federal government bonds (FGBs) in line with the minimum value of collateral (assets accepted as collateral by

the Clearinghouse) and the maximum theoretical margin (assets settled by the Clearinghouse and not accepted as collateral). These haircuts are calculated by CORE and capture market risk.

The transactions permitted by the FILCB's investment policy are described in the answer to question 15. When the FILCB is used as a liquidity mechanism, the transactions will involve loans of FGBs in the fund's net worth, and in these cases the collateral is not part of its net worth.

The loan collateral (including equities) becomes part of the FILCB's net worth only if it has to unwind the transaction by selling the collateral. Because the Clearinghouse, through its normative documents and the securities lending contract with the FILCB for the loan of FGBs, undertakes to cover any difference between the value of the loan and the proceeds of the loan collateral sale, a provision receivable from the Clearinghouse will be booked in the fund's net worth in order to equalize the difference.

Thus the only event that could generate volatility characteristic of equities in the value of FILCB shares would be non-payment of the difference by the Clearinghouse and the end of this kind of book entry.

22. What is the credit risk associated with loans of Brazilian federal government bonds for FILCB shareholders?

Loans of FGBs are collateralized, as noted in the answer to question 19, and the counterparty is B3 as Clearinghouse. Any deficit resulting from closeout of the loan transaction will be covered by B3, as provided for by the loan agreement.

23. Will loans of federal government bonds be performed via the SELIC system? Will the collateral posted by B3 be encumbered via the Liens and Encumbrances Service (local acronym SOG)?

The FGBs will be transferred via the SELIC system. The loan agreement with all its characteristics, including the collateral involved, will be registered with the RTO system. Legally speaking, ownership of the collateral will not change. The assets involved are blocked in the Clearinghouse environment, preserving investor identification and assuring the coverage required under Law 10,214.

24. Will loans of federal government bonds earn interest? Where is this provided for in the loan agreement? Who will bear the interest expense?

Item 2.3.2 of the second clause of the loan agreement states that "B3 undertakes to pay the Remuneration Rate to the Fund on the Due Date".

25. How will loans of federal government bonds appear in the FILCB's portfolio?

Loans of FGBs will be registered in the FILCB's portfolio by means of a withdrawal of the quantity of FGBs loaned and a positive provision for the amount receivable by the FILCB, marked to the closing price of the FGB. There will

also be a provision for the remuneration rate agreed at the time of the loan, generating a positive result for the FILCB.

- 26. In the event that the FILCB has to execute the collateral for the FGB loan, owing either to default by B3 or to performance by Payment-In-Kind, and the assets cannot be sold the same day, will the collateral be transferred to the fund's portfolio?**

In this case, the loan agreement will be settled and the assets pledged as collateral will be transferred to the fund's portfolio.

- 27. Can the loan described in the bylaws be considered a recourse loan? In other words, in the event of performance by Payment-In-Kind, where the proceeds from the sale of the assets are not sufficient, will B3 pay the FILCB this difference? Can you point out this provision in the bylaws and/or loan agreement?**

Yes, in accordance with clause 3.1 of the loan agreement. If the proceeds from selling the assets posted as collateral to the FILCB are insufficient, the Clearinghouse will honor the difference using its safeguard structure, since the sale of such assets is part of the process of closing out the portfolio of a defaulting investor. If the safeguard structure does not have sufficient funds, B3 will use its own funds.

- 28. Article 32 in conjunction with article 39 of the FILCB's bylaws establish that only the general shareholder meeting can substitute the fund's administrator or custodian and that this decision must be approved by a qualified majority. As a shareholder in the fund, will B3 vote on the matters mentioned in article 32, especially substitution of the administrator or custodian?**

Yes, B3 will vote on the matters mentioned in article 32. It should be stressed that construction of the FILCB liquidity mechanism requires that its operation be entirely the responsibility of B3, via the Clearinghouse and BM&FBOVESPA Bank. More specifically, BM&FBOVESPA Bank must be the FILCB's manager, administrator and custodian.

- 29. Does the FILCB make the exposure of clearing members to the Clearinghouse unlimited via their contributions to the FLI?**

The rules for replenishing the FLI limit the exposure of clearing members (CMs) to the Clearinghouse. The FILCB will not change this in any way. CMs will pledge their fund shares for the purpose of contributing to the collateral held by the FLI.

30. How will the share value and portfolio composition be disclosed? Where and how frequently will this information be available?

Share value and fund net worth will be disclosed on a daily basis to participants, via the SFTP connection and BM&FBOVESPA Bank's reports portal on the internet.

Portfolio composition will be disclosed in the same way but with a lag of a few months, as noted in the answer to the next question.

31. Will activation of the liquidity mechanism be disclosed? Will the fund shareholders be notified if loan collateral are sold or in case of performance by Payment-In-Kind? Will the shareholders be notified if the loan is not repaid?

To mitigate the propagation of systemic risks, use of the liquidity mechanism will not be disclosed while it is in progress. Analysis of the FILCB's portfolio, disclosed with a lag of a few months, will show by inference whether the FILCB was involved in any stage of a loan of FGBs on the base date for the disclosed portfolio.

Brazilian Regulation

32. Does B3 know whether BCB will issue guidance on the treatment to be given to the FILCB in terms of regulatory capital?

Based on informal discussions with BCB, B3 takes the view that the RWA ratio for FILCB shares should be 2%, since BCB considers the Clearinghouse qualified. B3 has filed a formal query on this point with BCB. As soon as it receives a reply, which may or may not confirm this view, B3 will share it with participants.

Participants can consult BCB directly.

33. Does B3 know whether BCB will issue guidance on the accounting treatment to be given to the FILCB? How will the FILCB be registered in the Chart of Accounts for Institutions in the National Financial System (COSIF)?

B3 has filed a formal query with BCB to validate its intent to register FILCB shares in COSIF under the code 1.8.4.35.00-7, Trade Settlement Guarantee Fund - Other.

34. Will BCB indicate whether institutions are obliged to report not just credit risk but also market risk associated with their investments (in this case with FILCB shares and/or the assets in its portfolio)?

B3 has no knowledge of this matter. Participants can consult BCB directly.

35. Will CVM include any specific provisions or exemptions regarding the FILCB in ICVM 555?

B3 has no knowledge of this matter. Participants can consult CVM directly.

US Regulation

- 36. Has B3 asked the law firm Cleary Gottlieb Steen & Hamilton LLP whether the FILCB could be subject to restrictions under Regulation K?**

The firm has not issued a legal opinion, but believes ownership of shares in the FILCB may not configure investment for the purposes of Reg. K, given that they represent the contributions of participants to a default fund. However, this assessment is the responsibility of any institution subject to Reg. K.

- 37. If ownership of shares in the FILCB is interpreted as an investment under Reg. K, Federal Reserve authorization is not required for investment of up to US\$25m. Would investment in the FILCB be considered separately from other investments for the purpose of compliance with this limit?**

B3's view is that individual investment in the FILCB would be limited to US\$25m. However, this assessment is the responsibility of any institution subject to Reg. K. Moreover, institutions may be subject to other global limits if so decided by the Federal Reserve.

- 38. If ownership of shares in the FILCB is interpreted as an investment under Reg. K, would contributions to the FLI and MNOCs for different entities controlled by the same parent company be added up for the purpose of compliance with the US\$25m limit?**

Yes, in B3's view. For example, consider an organization with a bank as CM and SP and a brokerage house as FTP in the Clearinghouse. The sum of the CM's contribution to the FLI and the FTP's and SP's MNOC must be less than the US\$25m limit. However, this assessment is the responsibility of any institution subject to Reg. K. Moreover, institutions may be subject to other global limits if so decided by the Federal Reserve.

- 39. If ownership of shares in the FILCB is interpreted as an investment under Reg. K, would additional contributions to the FILCB (extra collateral for access to or replenishment of the FLI and MNOC) be counted in verifying compliance with the limit? I.e. would contributions over a given period be added together?**

Yes, in B3's view. The limit applies to the sum of all contributions made over time. However, this assessment is the responsibility of any institution subject to Reg. K.

- 40. Will B3's PFMI Self-Assessment include changes to the assets eligible for contributions to the FLI and MNOC, the structure of the FILCB, the liquidity mechanism and its possible impact on the quality of collateral risk and CCP risk? If so, how and when will it be available?**

B3 will publish a new version of its Self-Assessment for BM&FBOVESPA Clearinghouse V2 in 2017 after implementation of V2. The Self-Assessment will describe the Clearinghouse's safeguard structure, including the

assets it comprises and the liquidity mechanisms (such as the FILCB). The eligibility of assets as collateral for the different purposes will have to be looked up in the Clearinghouse's risk management manual.

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