B3 CLEARINGHOUSE OPERATING PROCEDURES MANUAL

03/16/2026

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* Circular Letter by which the change was disclosed.

1. INTRODUCTION

This **clearinghouse** operating procedures manual describes the processes and procedures associated with the activities performed by the **clearinghouse** and its **participants** in connection with the financial, **commodity** and equities **derivatives markets**, the **securities lending** market, and the cash markets equities and corporate debt managed by B3 or by **external system** managing entities, involving the **transactions** accepted by the **clearinghouse** and executed in both **exchange-traded markets** and **organized OTC market**.

This manual is organized in chapters and is supplemented by:

- The B3 access rules and manual;

- The **clearinghouse** rules;

- The **clearinghouse** risk management manual;

- The **B3 central depository rules** and operating procedures manual;

- The B3 **participant registration** operating manual;

- The B3 glossary;

- Circular letters and further rules and regulations published by B3 and in force; and

- The B3 **message** and file catalog.

The terms in bold type, both in the singular and plural forms, as well as the acronyms used in this manual are subject to the definitions and meanings contained in the B3 glossary of terms and acronyms, which is independent from other rules and regulations issued by B3. The terms commonly used in the financial and capital markets, as well as legal, economic and accounting terms, and any other technical terms used in this manual and not included in the B3 glossary of terms and acronyms have the meanings generally accepted in Brazil.

All the times shown in this manual are Brasilia time.

In the event of ambiguity between the provisions contained in this operating procedures manual and in other regulations issued by B3 not related to the **clearinghouse**, the most specific regulation shall prevail, considering the matter that is the subject of the ambiguity. If the regulations and the matter are related to the **clearinghouse**, the **clearinghouse** rules should prevail; or, in the event of ambiguity between this operating procedures manual and the risk management manual, this manual shall prevail for

matters relating to the **clearinghouse** operating procedures, except those relating to risk management.

This manual is approved by the B3 Joint Board of Officers and, as applicable, by the competent regulatory bodies, under the terms of the regulations issued by them.

2. ACCOUNTS, LINKS AND SUBACCOUNTS

In order to operationalize B3's post-trade processes, the **clearinghouse** maintains a structure of **accounts** and **links** which must be used by **participants** in performing their activities.

The procedures for the **registration** and maintenance of **accounts** and **links** are described in the **participant registration** operating manual.

2.1. Accounts

2.1.1. Account types

The **clearinghouse accounts** are divided into definitive and transitory **accounts**, as follows:

I.   Definitive **accounts**

1. Regular **account**: the proprietary **account** which is held by a **participant** or the **account** which is held by an **investor**;

2. Error **account**: the **account** which is automatically created by the **clearinghouse** for **full trading participants** and **settlement participants**, in order to receive **transactions** not allocated to **investors**, in the manner and time frames prescribed by the **clearinghouse**, as a result of operational errors. Buy and sell **transactions** based on the same **asset** and allocated to an error account are not netted for **settlement** purposes. Buy and sell **transactions** based on the same **derivative** are netted for **settlement** purposes; and

3. Operational error **account**: the **account** which is automatically created by the **clearinghouse** and which is used by **full trading participants** and **settlement participants** to reallocate **transactions** when operational errors occur. Buy and sell **transactions** based on the same **asset** or **derivative** and allocated to an operational error account are netted for **settlement** purposes.

II.   Transitory **accounts**

1. Brokerage **account**: a transitory **account** which is used for the purpose of enabling a **give-up link** between two **full trading participants** or between a **full trading participant** and a **settlement participant** without the **investor** identification at the **executing participant**. In this case, the **give-up link** is

established between the brokerage **account** under the **executing participant** and the brokerage **account** under the **carrying participant**, both **accounts** held by the **carrying participant**. After accepting a **give-up** request, the **carrying participant** identifies the **investor** in the **allocation** process, since it is the **carrying participant** that receives and controls the **investor**'s orders;

2. Capture **account**: a transitory **account** which is automatically created by the **clearinghouse** for a **full trading participant** and which is used for the purpose of receiving the **transactions** that do not have an **account** assigned to them in the **trading environment**;

3. Master **account**: a transitory **account** which groups together the **accounts** of **investors** that maintain a specific **link** with each other, such as common management or representation by the same foreign intermediary, and which is registered under the same **full trading participant** or **settlement participant**;

4. Admincon **account**: a transitory **account** which is held by a **full trading participant** or a **settlement participant** and which is used in the **allocation** of **transactions** arising out of managed concurrent orders executed in the **equities market**, meaning orders received simultaneously from different **investors**. From an admincon **account** it is possible to allocate **transactions** to **investors**' **accounts**, subject to **allocation** rules and time frames. This mechanism allows the **full trading participant** or **settlement participant** to execute the orders received from different **investors** at the same time, thus ensuring the same conditions to them all;

5. Fintermo **account**: a transitory **account** which is held by a **full trading participant** or a **settlement participant** and which is used in the **allocation** of funding **transactions** in the forward market. This type of **account** can only be used for purchase **transactions** in the cash market or for sale **transactions** in the forward market. From a fintermo **account** it is possible to allocate **transactions** to **investors**' **accounts**, subject to **allocation** rules and time frames;

6. Intermediary **account**: a transitory **account** used in the **allocation** of **transactions** belonging to nonresident **investors**. From an intermediary **account** it is possible to allocate **transactions** to an **investor**'s **account** or to **investors**' **accounts**, subject to **allocation** rules and time frames; and

7. Market maker **account**: a transitory **account** which is held by a **full trading participant** and which is used in the **trading environment** for the **allocation** of orders within the scope of market maker programs. For **allocation** purposes in the post-trade environment, the rules and time frames applicable to the **transactions** captured in market maker **accounts** are the same that apply to the **transactions** captured in capture **accounts**.

2.1.2. *Account status*

The status of an **account** may vary, with each status affecting the types of transfers allowed, as described below.

The statuses an **account** may take are the following:

1. Active: the **account** is allowed to receive **allocations**, **positions** and/or transfers;

2. Partially suspended: the **account** can only be used to reduce **positions** in the **clearinghouse**;

3. Suspended: a temporary status prohibiting any and all **account** transfers;

4. Deactivating: a transitory status in the deactivation process, whereby the system checks for **positions** in the **account**. If there are none, the **clearinghouse** deactivates the **account**. Otherwise, the **account** reverts to its previous status; and

5. Inactive: an **account** deactivated and hence prohibited from receiving **allocations** or **positions** and from performing transfers of any kind.

2.2. Account links

2.2.1. *Types of account links*

Clearinghouse accounts can be linked to each other to make post-trade operational processes viable and to allow for the recognition of relationships between **participants** and **investors**. Each type of **link** has a specific purpose, which can be attributed to the **accounts** by the **participants** that maintain relationships with **investors**, at the time of **account** opening or later.

The following types of **links** are available:

1. Master: links a master **account** to regular **accounts** whose **investors** are linked by common management or are represented by the same foreign intermediary. In the

allocation process, this **link** ensures that a **transaction** originally allocated to a **master account** is only distributed to the **accounts** linked thereof;
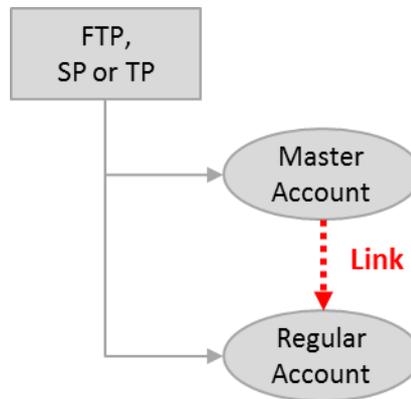
2. **Margin** consolidation: aims to centralize **margin** calls (**collateral posting** requirements) for the **transactions** performed by the holder thereof in a single **account** belonging to the same **investor**, by linking a regular **account** registered under a **full trading participant** or a **settlement participant** to another regular **account** held by the same **investor** and registered under the same **participant**;
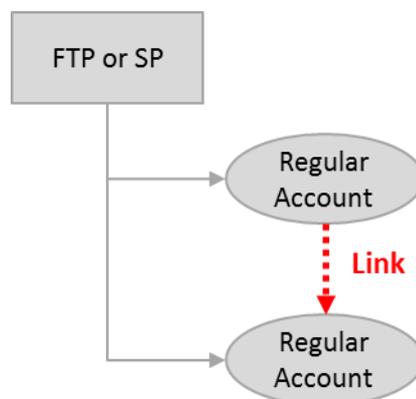
3. Optional custodian: in the cash market or in the markets stipulating the future **delivery** of **assets**, this **link** transfers automatically the **delivery** or receipt of **assets** in the **transaction allocation** process, by linking a regular **account** registered under a **full trading participant** or a **settlement participant** to another regular **account** held by the same **investor** and registered under a **custody agent**. This **link** does not eliminate the need for the **custody agent** to accept or reject the transfer, in the manner and time frames prescribed in this manual;
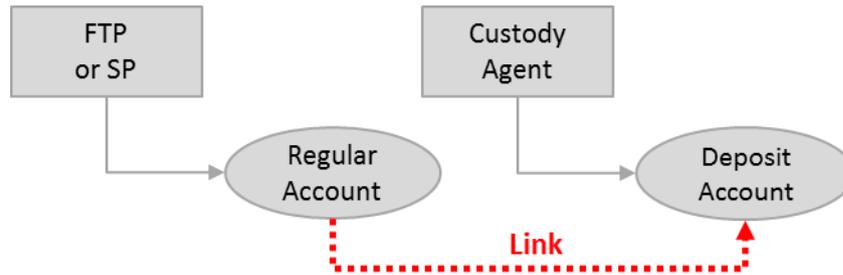
4. Mandatory custodian: a **link** which is only required when the **clearing member**, the **full trading participant**, or the **settlement participant** (i) is authorized to operate in markets where the **delivery** or the receipt of **assets** is stipulated, but (ii) is not authorized to operate as a **custody agent** at the **B3 central depository**. Under this scenario, the **clearing member**, **full trading participant**, or **settlement participant** must establish a relationship with a **custody agent** for possible **deliveries** or receipts of **assets** in the **settlement** process. This **link** is established between (i) the error **account** of the **full trading participant** or **settlement participant** and a **deposit account** held by the same **investor** and registered under a **custody agent**, and (ii) the regular **account** for the specific purpose of restricting **asset delivery** under the **clearing member**, **full trading participant**, or **settlement participant** and a **deposit account** held by the same **investor** and registered under a **custody agent**. Case (i) above addresses the rejection of a custodian indication, as described in chapter 7 of this manual, and case (ii) addresses the **asset delivery** restriction mechanism, as described in chapter 8 hereof. The **custody agent** appointed in the **link** cannot refuse to **deliver** or receive the **assets** in the **settlement** process;
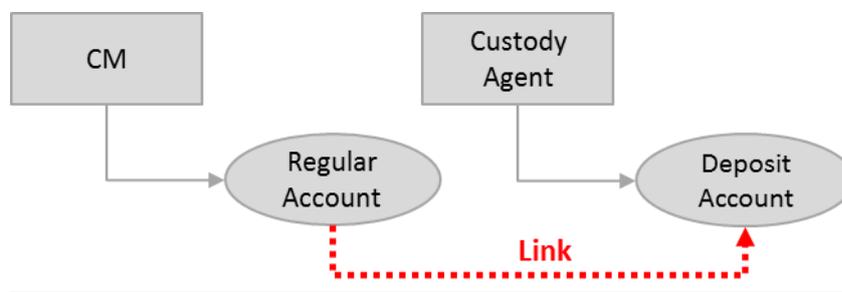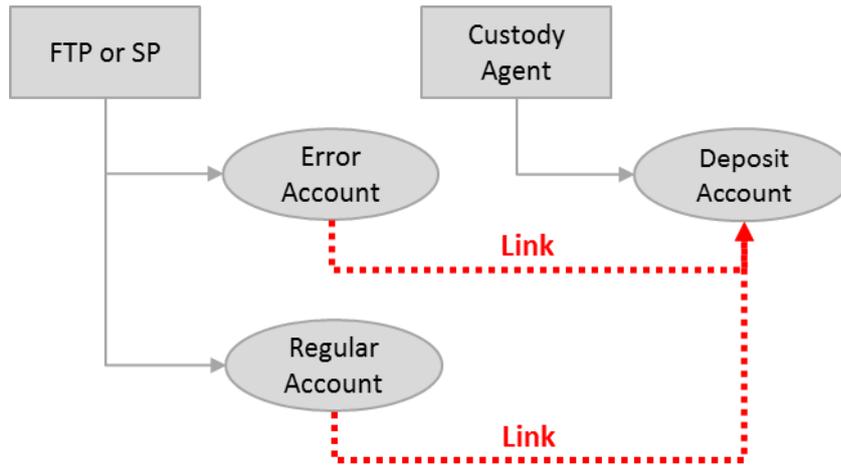
5. Options exercise: a **link** required to allow options that are registered in an **account** under a **full trading participant** or a **settlement participant** and whose exercise implies the execution of a new **transaction** to be exercised by another **full trading participant**. Such a **link** is established between a regular **account** under the **full trading participant** or **settlement participant** holding the relevant **position** and a regular **account** held by the same **investor** under the **full trading participant** appointed for exercise purposes. The error **accounts** under the **settlement participant** must have an options exercise **link** to a regular **account** held by the same **investor** under a **full trading participant**. Options exercise **links** are limited to ten (10) per **account**, one being necessarily the primary **link** that will be used in automatic exercises or written **position** exercises. The **accounts** that have an options exercise **link** must also carry a **give-up link**. Options exercise **links** can only be deactivated when the **account** under the **full trading participant** or **settlement participant** contains no options **positions**;
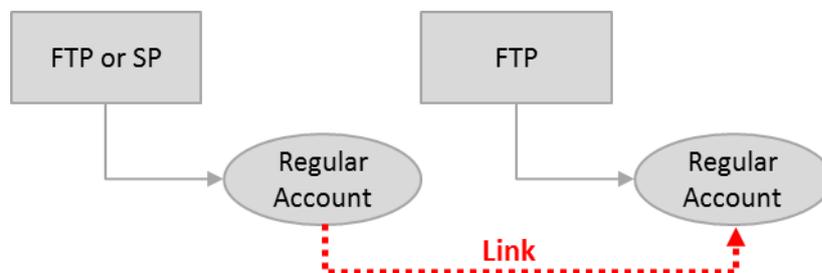
6. Trading on behalf: a **link** between a regular **account** under a **full trading participant**, **trading participant** or **foreign participant** and an another regular

account held by the same **investor** under the **full trading participant** that will execute the order, but without identifying the **investor** to the executing **full trading participant**. It is the latter that executes the order and is responsible for the **settlement** of the relevant **transactions**. The **full trading participants**, **trading participants** and **foreign participants** that receive this type of order from **investors** are responsible for the registration of the relevant **investors** with B3. The trading-on-behalf **link** is used by the **clearinghouse** to identify the final beneficial owner in the post-trade processes and does not imply a transfer of liability between the **participants** involved for **settlement** and risk management purposes; and
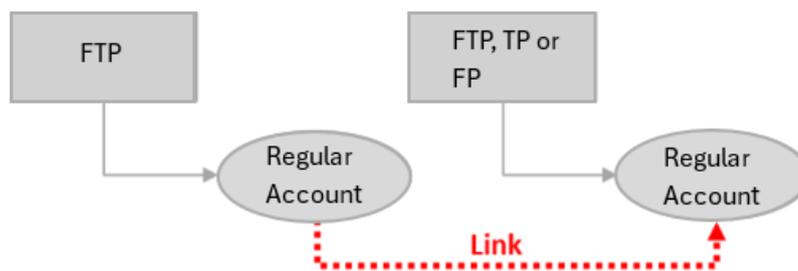
7. <u>**Give-up**</u>: a **link** between an **account** registered under a **full trading participant** and another **account** held by the same **investor** and registered under another **full trading participant** or a **settlement participant**. **Give-up links** may be established between two brokerage **accounts**, two regular **accounts**, two master **accounts**, between a regular **account** and a **master** account or between two admincon **accounts**.

The **give-up link** established between two regular **accounts**, two master **accounts**, or a regular **account** and a master **account** enables the holder of the master **account** or regular **account** to execute orders through one **participant** and settle them through another **participant**.

A **give-up link** between two brokerage **accounts** enables a **participant** to execute orders through other **participants** and to carry the **positions** deriving from the execution of such orders.

A **give-up link** between two admincon **accounts** enables a **participant** to execute orders from a group of clients whose **transactions** are carried and settled through another **participant**.
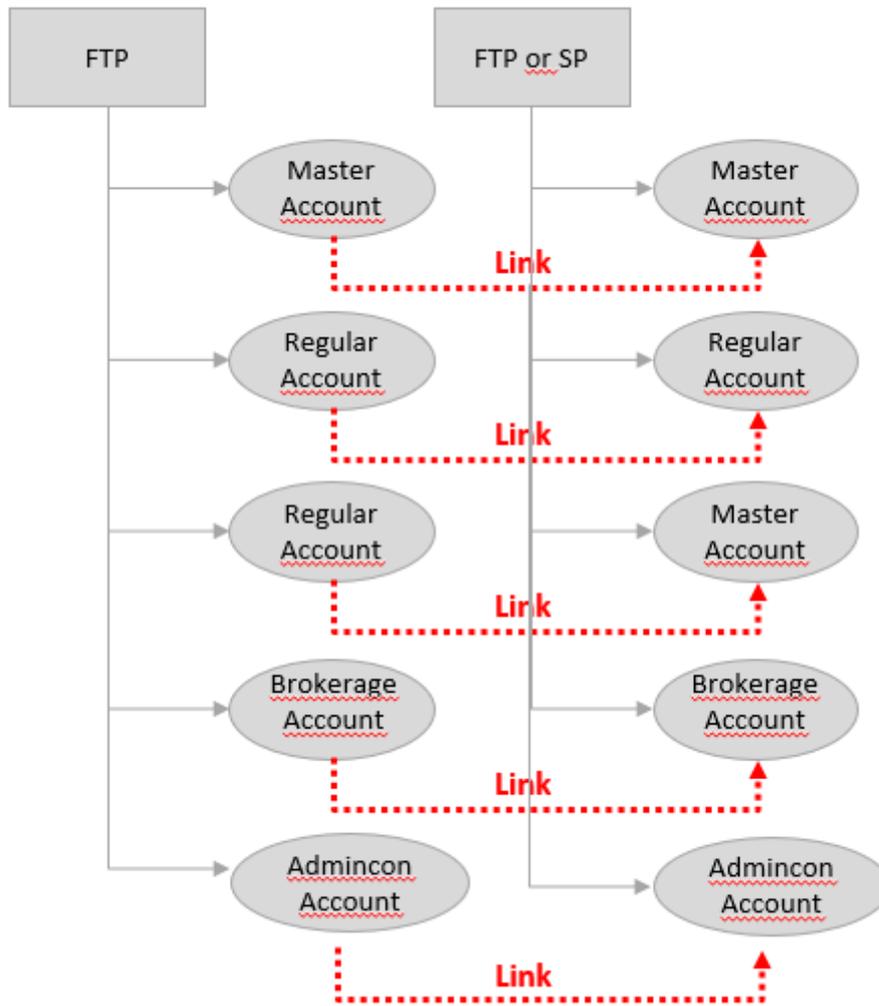
8. SELIC account: a **link** between a **deposit account** with the **B3 central depository** and a **SELIC deposit account** held by the same holder and registered under the same **participant**. The purpose of the SELIC account **link** is solely to transfer federal government bonds that will be used in the execution process of **securities lending** agreements and **repo transactions**, and to meet the **investor**'s obligations to the **clearinghouse**.
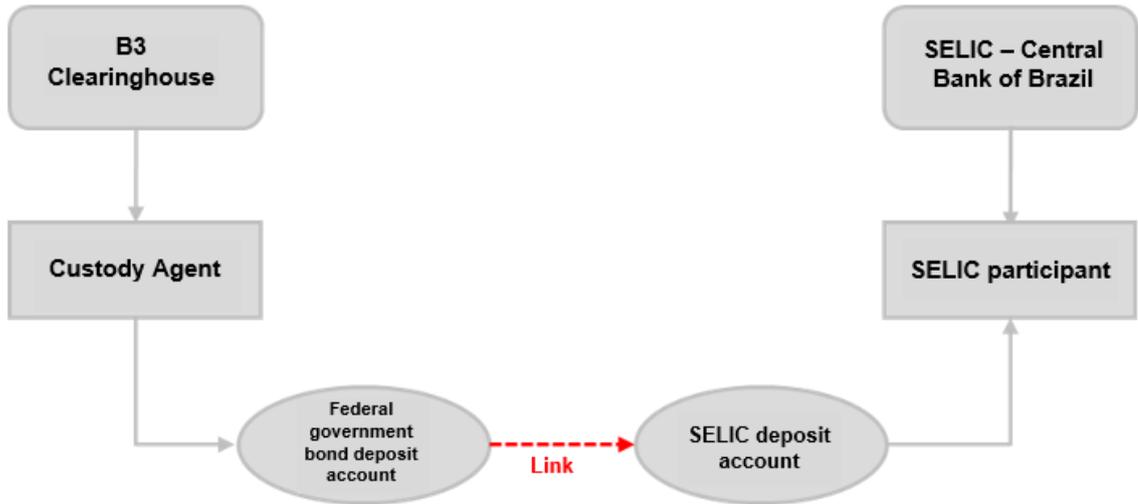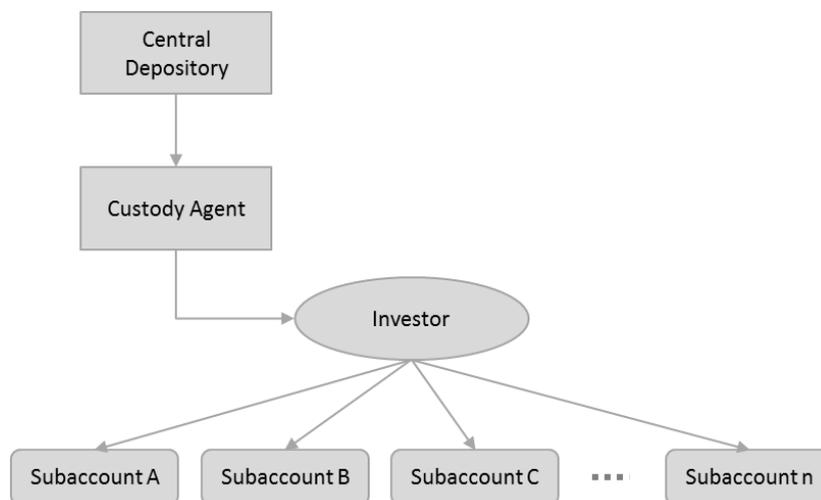
In order to make the **clearinghouse** operational processes viable, the **subaccounts** of the **B3 central depository** are used by the **participants** and the **clearinghouse** in the procedures described in this manual. The main **subaccounts** used in the **clearinghouse** processes are listed below:

▪ 2101-6: the free **subaccount**;

▪ 2390-6: the **subaccount** utilized in posting **participants**' **collateral** in favor of the **clearinghouse**;

▪ 2701-4: the **subaccount** utilized in the **coverage** of options **transactions**;

▪ 2601-8: the **subaccount** utilized in the **coverage** of forward **transactions**;

▪ 2201-2: the **subaccount** utilized in the **coverage** of **securities lending** agreements;

▪ 2409-0: the **subaccount** utilized in the **coverage** of cash sale **transactions**;

▪ 2105-9: the subaccount utilized for margin account funding information purposes;

▪ 2194-6: the subaccount utilized for control of assets that have encumbrances to comply with court order; and

▪ 2906-8: the **subaccount** utilized for control of assets by the **participant.**

The **full trading participant** or **settlement participant,** responsible for the **transaction**, is responsible for designating the **subaccount** that has sufficient balance for **settlement.** In the case of divergence in the **subaccounts** designation and absence of balance, the **clearinghouse** will proceed with the **asset delivery failure** management, as described in the subsection 9.1.5.2.

2.4. Purposes

The **federal government bond deposit accounts** used in the operationalization of federal government bond transfers are broken down into **purposes** at B3, with specific features and objectives.

In order to facilitate the **clearinghouse** operational processes, the **purposes** are utilized by **custody agents** and the **clearinghouse** in the procedures described in this manual. The main **purposes** contained in the **clearinghouse** processes are listed below:

▪ **Purpose** 21: deposit of government debt **assets**;

▪ **Purpose** 22: **coverage** of **positions** in agreements backed by government debt **assets**;

▪ **Purpose** 25: blocking to cancel buy-in order for government debt **assets**; and

▪ **Purpose** 28: **coverage** of government debt **securities lending** or **repo transaction** orders.

3. TRANSACTION MODES

This chapter describes the modes under which the **transactions** are registered in the **registration environments** and executed in the **trading** and **lending environments** managed by B3 or by **external system** managing entities and accepted by the **clearinghouse**.

3.1. Modes in the registration environments

The modes of the **transactions** registered in the **registration environments** managed by B3 or by **external system** managing entities and accepted by the **clearinghouse** are the following:

1. <u>Fully collateralized</u>: a mode whereby the **clearinghouse** acts as **central counterparty** to both parties to the **transaction**. This mode is applicable to swap contracts, flexible options, currency forwards and equities forwards, and also **transactions** where exchange-traded fund (ETF) shares are created and redeemed, provided the **assets** making up the index underlying the relevant ETF are deposited in a **B3 central depository** and are accepted by the **clearinghouse**;

2. <u>Partially collateralized</u>: a mode whereby the **clearinghouse** acts as **central counterparty** only to one of the parties to the **transaction**. This mode is applicable to swap contracts; and

3. <u>Uncollateralized and gross settled</u>: a mode whereby the **clearinghouse** does not act as **central counterparty** to the parties to the **transaction**, but only runs the **settlement** process. This mode involves confirmation of **registration**, whereby the **clearinghouse** ensures only the **asset delivery**-versus-**payment** process. This mode is applicable to **transactions** involving corporate debt securities issued by a financial or a nonfinancial institution and also to **transactions** where ETF shares are created and redeemed in situations where at least one of the **assets** making up the index underlying the relevant ETF is not deposited in the **B3 central depository** or is not accepted by the **clearinghouse**.

3.2. Modes in the trading environments

The modes of the **transactions** registered in the **trading environments** managed by B3 or by **external system** managing entities are the following:

1. <u>Fully collateralized</u>: a mode whereby the **clearinghouse** acts as **central counterparty** to both parties to the **transaction**. This mode is applicable to **equities market transactions**, **corporate debt transactions**, financial, **commodity derivatives** and equities **derivatives market**; and

2. <u>Uncollateralized and gross settled</u>: a mode whereby the **clearinghouse** does not act as **central counterparty** to the parties to the **transaction**, but allows for the final beneficial owner identification mechanisms to be in place, running the **asset delivery**-versus-**payment** process. This mode is applicable to **transactions** in the **equities market** and **corporate debt transactions**, tender offers, **asset** distributions, and other **transactions**, at the discretion of the **clearinghouse**.

In the case of **assets** like debentures, for example, that are traded in both aforementioned modes, the **clearinghouse** differentiates the relevant mode according to the characteristics of the instruments' record.

3.3. Mode in the lending environment

The mode in the **lending environment** managed by B3 is the following:

1. <u>Fully collateralized</u>: a mode whereby the **clearinghouse** acts as **central counterparty** to both parties to the **transaction**. This mode is applicable to **securities lending** agreements on equities, ETF, corporate debt market, government debt **assets** and **repo transactions** in government debt **assets**.

4. ASSET MANAGEMENT IN GOVERNMENT BOND TRANSACTIONS

This chapter describes the procedures adopted by the **asset** management system, whose purpose is to:

i.   Mirror the balances deposited in **SELIC deposit accounts** held by **investors**;

ii.   Mirror the balances in financial resources available to **investors**; and

iii.   Operate the transfer of federal government bonds in SELIC:

(a)   Between the proprietary SELIC **account** and the **SELIC deposit account**, both held by the **investor**;

(b)   Between the **investor**'s **SELIC deposit account** and the SELIC **asset settlement account**;

(c)   Between the **clearinghouse asset settlement account** and its proprietary **account**, both with SELIC; and

(d)   Between the SELIC **collateral account** and the **SELIC deposit account**, both held by the **investor**.

The **asset** management system makes it possible to submit requests for: (i) deposits, transfers and withdrawals of federal government bonds held in SELIC's custody, in order to fulfill obligations to the **clearinghouse**; (ii) deposits of financial resources required for accepting orders involving **specific collateral repos** or withdrawals of financial resources derived from the **settlement** of **specific collateral repos**. **Participants** may submit requests until 6:15 PM.

Requests for deposits, transfers and **withdrawals of assets** or financial resources may be submitted via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

4.1. Assets and funds statements

Assets and funds statements provide information to **participants** regarding the current balance of federal government bonds in a **SELIC deposit account** held by an **investor** and the balance of financial resources available to the **investor**.

The **custody agent** is the **participant** authorized to request, in the **asset** management system, detailed statements by **SELIC deposit account**. Such statements allow **participants** to view balances in a segregated manner, according to the **purposes** for

which the corresponding deposits have been made, as well as monitor deposits, withdrawals and transfers occurring during the day.

Assets statements are available in three ways, as follows:

1. <u>By message</u>. **Participants** submit **assets** statement requests by sending electronic messages to the **clearinghouse**, in the format specified in the B3 **message** and file catalog;

2. <u>Unified **assets** files</u>. Generated by the **clearinghouse** for **custody agents**, in the format specified in the B3 **message** and file catalog; and

3. <u>Via screen view</u>. Balances can be viewed by **custody agents** via system screen.

4.2. Movement of assets and funds

The process for moving **assets** and financial resources allows **participants** to:

(a)   Deposit federal government bonds to accept orders in the **lending system** and meet obligations to the **clearinghouse**;

(b)   Deposit financial resources to accept repo orders and meet obligations to the **clearinghouse**;

(c)   Withdraw the balance of federal government bonds from the **SELIC deposit account**;

(d)   Withdraw the balance of financial resources derived from the **settlement** of **repo transactions**; and

(e)   Transfer the balance of federal government bonds between the **SELIC deposit account** and the **collateral account**.

The **asset settlement** process, according to the procedures described in subsection 8.1.3, is also reflected in the movement of balances in **SELIC deposit accounts**.

4.2.1.   Deposit of assets and funds

Participants may request the deposit of federal government bonds, in a **SELIC deposit account** and financial resources, both held by an **investor**.

1. <u>Deposit requests for **assets**</u>. Deposit requests may be submitted to the **clearinghouse** by the **custody agent** who, after registering a request, must send the securities transfer with no funds involved to SELIC. The **clearinghouse**, in turn,

sends the securities transfer with no funds involved to SELIC, with the information included in the **custody agent**'s request. Based on SELIC information, the **clearinghouse** reports the request status and, if the deposit is completed, the **asset** management system is updated and the securities become available in the **investor**'s **federal government bond deposit account**, for the government debt **assets** deposit **purpose** (21).

2. Deposit requests for financial resources. Deposit requests may be submitted to the **clearinghouse** by the **custody agent**, indicating the amount to be deposited and the account held by the **investor**. After the **clearinghouse** processes the request, it sends the funds transfer request, via STR, message LDL0013, to the **custody agent**'s **settlement agent**. Upon receiving a transfer confirmation in the STR, the **clearinghouse** reports the status request and, if the deposit is completed, the **asset** management system is updated and the funds become available to the **investor**. The funds thus deposited do not yield any income by the **clearinghouse**.

3. Rejection of deposit requests for **assets** or funds. The **clearinghouse** may reject deposit requests in the cases where:

    (a) The relevant **participant** is not authorized to submit requests for the **account** or **purpose** indicated;

    (b) The **federal government bond deposit account** indicated for deposit does not have a SELIC account **link**;

    (c) The **asset** is not allowed for **registration** with the **clearinghouse**; or

    (d) The information provided by the **participant** is either insufficient or inconsistent.

4.2.2. Withdrawal of assets and funds

Participants may request the withdrawal of federal government bonds, from a **SELIC deposit account** held by the **investor**, and funds.

1. Withdrawal requests for **assets**. Withdrawal requests may be submitted to the **clearinghouse** by the **custody agent** who, after registering a request, must send the securities transfer with no funds involved to SELIC. The **clearinghouse**, in turn, sends the securities transfer with no funds involved to SELIC, with the information included in the **custody agent**'s request. Based on SELIC information, the **clearinghouse** reports the request status and, if the withdrawal is completed, the

asset management system is updated and the securities cease to integrate the balance of the **investor**'s **federal government bond deposit account**.

2. Withdrawal requests for financial resources. Withdrawal requests may be submitted to the **clearinghouse** by the **custody agent**, indicating the amount to be withdrawn and the account held by the **investor**. After the **clearinghouse** reviews the request, it sends the funds transfer request from its **settlement account**, via STR, message LDL0015, to credit the designated **custody agent**'s **settlement agent**. Upon receiving a transfer confirmation in the STR, the **clearinghouse** reports the status request and, if the withdrawal is completed, the **asset** management system updates the **investor**'s balance of financial resources.

4. Rejection of withdrawal requests for **assets** or funds. The **clearinghouse** may reject withdrawal requests in the cases where:

    (a) The relevant **participant** is not authorized to submit requests for the **account** or **purpose** indicated;

    (b) The balance of federal government bonds or financial resources is insufficient to fully meet the request; or

    (c) The information provided by the **participant** is either insufficient or inconsistent.

4.2.3. Transfer of assets between SELIC deposit account and collateral account

Custody agents may request federal government bonds to be transferred (i) from the **collateral deposit account** to the **SELIC deposit account** or (ii) from the **SELIC deposit account** to the **collateral deposit account**. Completion of transfers is conditioned, in either case, on:

1. The existence of a sufficient and free balance of federal government bonds in the origin **account**; and

2. The approval of the **full trading participant** or **settlement participant** appointed when the **custody agent** submitted the relevant request.

The transfer of **assets** is carried out by the **clearinghouse** directly in SELIC and, if completed, the **asset** management system is updated and the federal government bonds:

(i)   Become available in the **investor**'s **federal government bond deposit account** for the government debt **assets** deposit **purpose** (21), in the case of transfers from a **collateral account** to a **SELIC deposit account**; or

(ii) Cease to integrate the balance of the **investor**'s **federal government bond deposit account**, in the case of transfers from a **SELIC deposit account** to the **collateral account**.

4.2.4.   *Transfer of coupon payments or redemption of assets in federal government bond deposit accounts*

The financial amount associated with coupon payments or redemptions of **assets** deposited in **federal government bond deposit accounts** is transferred to the **account** holder through the relevant **custody agent**.

On the payment date, the **clearinghouse** transfers, via LDL0009 **message** sent to the **custody agent**'s **settlement agent**, the total balance concerning all the **investors** represented by the **custody agent**, by no later than 12:00 noon.

5. TRANSACTION EXECUTION AT THE CLEARINGHOUSE

5.1. Securities lending agreements

The execution of **securities lending** agreements is a set of procedures through which **full trading participants**, **settlement participants**, **custody agents** and the **investors** authorized by their **participants**, directly or via their managers, enter, authorize, cancel and lookup **securities lending** orders, as described below.

The execution modes for equities **securities lending** are:

1. **securities lending registration**;

2. **securities lending** electronic trading with T+0 **settlement**; and

3. **securities lending** electronic trading with T+1 **settlement**.

For fixed income ETF and government debt **securities lending** agreement, the execution mode is **securities lending** registration.

Securities lending is subject to **position** limit review, according to the procedures described in the **clearinghouse** risk management manual. If the **securities lending registration** execution mode is rejected after the risk analysis, the pre-agreement is cancelled.

B3 can, additionally, define a list of eligible assets as the object of lending operations.

5.1.1. Equities securities lending registration

The **full trading participants** and **settlement participants** may register equities **securities lending transactions**.

The **full trading participant** or **settlement participant** initiates the registration of the **securities lending** by entering lending orders that are cross orders or private orders, as follows:

1. Cross order. The **full trading participant** enters an order with the information of the **lender investor** and of the **borrower investor**, both under its responsibility; and

2. Private order. The **full trading participant** or the **settlement participant** responsible for the **lender investor** enters an order indicating the **full trading participant** responsible for the **borrower investor.**

In the private order case, the **full trading participant** responsible for the **borrower** must confirm the **transaction**.

In the execution of equities **securities lending**, the **full trading participant** is allowed to restrict, within the **securities lending system**, the **investor** under its responsibility who can be **borrowers**.

On the opening date of the agreement, generated by **registration**, there is **delivery** of the **assets** by the **lender** to the **borrower** in the gross settlement system, on T+0. **Settlement** of **securities lending** agreements occurs upon expiration or when early **settlement** is requested, in the **multilateral net balance**. The rules and procedures for the **settlement** of **securities lending** agreements are described in subsection 8.1.2 of this manual.

5.1.1.1. *Specific features of lending orders*

In lending orders, the **lender investors** offer **assets** they own to lending in exchange for compensation and the order is always certified.

When entering a certified lending order:

1. a regular **account** must be indicated, which may carry a **give-up link**, an optional custodian **link**, or a trading-on-behalf **link**.

2. it is allowed to indicate the free **subaccount** (2101-6), the **subaccount** utilized for control of assets by the **participant** (2906-8) or the **subaccount** utilized in posting **participants**' **collateral** in favor of the **clearinghouse** (2390-6) may also be designated as a **subaccount** for the debit of **assets**.

3. in the case of an offer from a normal **account** with an intermediation profile, only **securities lending coverage subaccount** (2201-2) can be informed; and

4. for the purpose of designating the **subaccount** utilized in posting **participants**' **collateral** in favor of the **clearinghouse** (2390-6), the certified lending order must be callable by the **lender**.

After the order is authorized by the **custody agent** receiving the custodian indication, if applicable, and is accepted, the **clearinghouse** transfers the **assets** in the **subaccount** designated upon entering the order to the **securities lending subaccount** (2801-0), from which the **assets** cannot be moved out.

If the designated **subaccount** balance is not sufficient when the order is accepted, the **clearinghouse** automatically rejects the order entry.

5.1.1.2. *Specific features of borrowing order confirmation*

Upon confirmation the order, the **borrower investors**, through the **participant** responsible for them, register their intention to borrow a certain **asset** and a regular **account**, which may carry an optional custodian **link**, a trading-on-behalf **link**, or a **give-up link**, **error account** or **operational error account** must be designated. On **registration** confirmation, the following **subaccounts** are also allowed to be designated: the free **subaccount** (2101-6), the **subaccount** utilized for control of assets by the **participant** (2906-8) or the **securities lending coverage subaccount** (2201-2). For confirmation from a normal **account** with an intermediation profile, only the **securities lending coverage subaccount** (2201-2) can be informed.

The **full trading participant** and the **settlement participant** may enter orders via the **securities lending system's screen** or via electronic **messages**, according to the format established in B3's **messages** and files catalog.

5.1.1.3. *Appointing a carrying participant*

The appointment of a carrying **participant** is a process whereby the **participant** responsible for entering an order, or for confirming **registration**, transfers to another **full trading participant** or **settlement participant** the responsibility for both the **settlement** and the risk management of the relevant **position** at the **clearinghouse**.

The appointment is effected by entering a regular **account** carrying a **give-up link**. The executing **participant** is the **full trading participant** that enters the lending order or confirms **registration**. The carrying **participant** is the **full trading participant** or the **settlement participant** designated as **carrying participant** in the **give-up link**.

After the order is matched, the carrying **participant** has forty (40) minutes to either accept or reject the give-up. In case of rejection, the execution process is cancelled. If the appointed carrying **participant** takes no action within the forty (40) minute period,

the **clearinghouse** considers the automatic **give-up** acceptance with appointment to the free **subaccount** (2101-6) as the default behavior. At this point, the **clearinghouse** checks for an optional custodian **link** in the **investor**'s **account**. If there is one, the **custody agent** and the **deposit account** appointed in the **link** are automatically indicated. Otherwise, the **clearinghouse** considers the carrying **participant** as the **custody agent**.

5.1.1.4. Custodian indication

The **full trading participant** or **settlement participant** responsible for entering a certified lending order or for confirmation of its **registration**, may transfer the **delivery** or receipt of the **assets** to a **custody agent** other than the concerned **full trading participant** or **settlement participant**, subject to the following rules:

1. If the **full trading participant** or the **settlement participant** (when no **give-up link** exists, the **participant** responsible for entering the certified lending order; when it does, the **carrying participant**) does not transfer the **asset delivery** or receipt to another **custody agent** upon order **registration**, the **clearinghouse** checks for an optional custodian **link** in the **investor**'s **account**. If there is one, the **custody agent** and the **deposit account** appointed in the **link** are indicated in the order message. Otherwise, the **custody agent** of the **full trading participant**, or of the **settlement participant**, and the **investor**'s **account** are indicated in the order message for **asset delivery** or receipt purposes; and

2. If the **full trading participant** or the **settlement participant** (when no **give-up link** exists, the **participant** responsible for entering the lending order; when it does, the **carrying participant**) transfers the **asset delivery** to another **custody agent** upon entering a lending order, confirming the respective **registration**, or generating a direct pre-agreement, the information on the **custody agent** and on the **investor**'s **deposit account** is indicated in the order message, subject to the acceptance of the **custody agent** receiving the custodian indication. If the receiving **custody agent** rejects the custodian indication, the order is cancelled.

The approval of the custodian indication can be carried out automatically, through setup by the **custody agent** through the **securities lending system**. The setup can be carried out as follow:

a. Setup by document: automatic approval by the **custody agent** of the custodian indication made by any **participant** for **accounts** in the **custody agent** owned by the defined document.

b. Setup by **participant**: automatic approval by the **custody agent** of the custodian indication made by the defined **participant** for any **account** at the **custody agent**; and

c. Setup by document and **participant**: automatic approval by the **custody agent** of the custodian indication made by the defined **participant** for **accounts** at the **custody agent** owned by the defined document.

The automatically approval of the custodian indication is conditioned upon the existence of the sufficient balance of **assets** for the offering. In case of insufficient balance in the **subaccount** designated at the time of automatic approval, the **clearinghouse** maintains the lender offer, but subject to the manual approval of the **custody agent**, until the end of the approval schedule established in subsection 5.1.8, thus not applying the automatic approval process.

5.1.1.5. *Generating a securities lending pre-agreement*

A pre-agreement is the instrument through which both **lender** and **borrower participants** indicate their intentions to open a **securities lending position**. The generation of a pre-agreement occurs in the following situations:

1. When the **borrower full trading participant** confirms the **registration** in the **securities lending system**;

2. When the **full trading participant** enters an order with information on the **borrower** and **lender investors**, both of whom/which acting under its responsibility; and

3. When the **participant** registers a differentiated agreement for underwriters of securities public offerings;

After the **position** limits are reviewed, a **securities lending position** is generated, when the pre-agreement is transformed into an agreement. If the **borrower investor** does not have a sufficient **margin** balance to maintain the relevant **position**, according to the

procedures described in the **clearinghouse** risk management manual, the agreement is generated and the **assets** are kept in the **securities lending coverage subaccount**.

5.1.1.6. Lending order attributes

The lending order has the following attributes:

▪ **Lender full trading participant** or **settlement participant**: **participant** responsible for the **lender investor**;

▪ **Lender investor**'s **deposit account**, if applicable: the **deposit account** of the **lender investor** in the **B3 central depository**;

▪ **Asset** quantity: the quantity of **assets** to be lent;

▪ **Subaccount**, if applicable: the **subaccount** of the **investor**'s **deposit account** where the **assets** to be lent are deposited;

▪ **Lending** instrument identifier: the symbol representing the generic instrument utilized in **securities lending** agreements;

▪ **Asset** ISIN and distribution: the ISIN number and the distribution of the **asset** underlying the **lending** agreement;

▪ Ticker symbol: the ticker symbol of the **asset** underlying the **lending** agreement;

▪ **Lending fee**: the consideration charged by the **lender** to the **borrower investor** in the **lending** agreement;

▪ Grace date: the date after which it is possible to renew or early settle the agreement;

▪ Expiration date: if an early **settlement** request is not submitted, the date on which the agreement is to be settled;

▪ **Carrying lender participant**: the **full trading participant** or **settlement participant** responsible for the **position**;

▪ **Lender investor**'s **position account** under the carrying **lender participant**;

▪ **Lender custody agent** responsible for **asset delivery**/receipt, if applicable: the appointed **custody agent** when custody is transferred;

▪ **Deposit account** under **lender custody agent**, if applicable: the **lender investor**'s **deposit account** under the **custody agent** receiving the custodian indication;

▪ Indicator of callable feature for **lender**: the indicator that allows the **lender** to submit an early **settlement** request;

- Indicator of callable feature for **lender** in tender offers: the indicator that allows the **lender** to submit an early **settlement** request only when a tender offer is announced involving the **asset** underlying the **lending** agreement;

- Differentiated agreement indicator: the indicator that differentiates the agreement for IPO underwriters. This type of agreement is subject to prior **clearinghouse** review and requires the submission of specific documentation; and

- Code of **participant** authorized to execute the agreement in private orders: the code of the **full trading participant** authorized to be the **lender participant** in a private order.

5.1.1.7. *Registration confirmation attributes*

Registration confirmation has the following attributes:

- Executing **borrower participant**: the **full trading participant** responsible for **registration** confirmation;

- **Borrower investor**'s **deposit account** under the executing **borrower participant**: the **deposit account** of the **borrower investor** under the executing **borrower participant** in the **B3 central depository**;

- **Asset** quantity: the quantity of **assets** to be borrowed;

- **Subaccount**: the **subaccount** of the **deposit account** where the **assets** to be borrowed will be deposited. As a result of the risk analysis, when the agreement is generated this **subaccount** can be automatically replaced by the **clearinghouse**;

- **Lending** instrument identifier: the symbol representing the generic instrument utilized in **securities lending** agreements;

- **Asset** ISIN and distribution: the ISIN number and the distribution of the **asset** underlying the **lending** agreement;

- Ticker symbol: the ticker symbol of the **asset** underlying the **lending** agreement;

- **Lending fee**: the consideration owed by the **borrower investor to the lender investor** under the **lending** agreement;

- Grace date: the date after which it is possible to renew or early settle the agreement;

- Expiration date: if an early **settlement** request is not submitted, the date on which the contract is to be settled;

- Carrying **borrower participant**: the **full trading participant** responsible for the **position**;

- **Position account** of the **borrower investor** under the carrying **borrower participant**;

- **Borrower custody agent** responsible for **asset delivery**/receipt, if applicable: the appointed **custody agent** when custody is transferred;

- **Deposit account** under **borrower custody agent**, if applicable: the **borrower investor**'s **deposit account** under the **custody agent** receiving the custodian indication;

- Indicator of callable feature for **lender**: the indicator that allows the **lender** to submit an early **settlement** request;

- Indicator of callable feature for **lender** in tender offers: the indicator that allows the **lender** to submit an early **settlement** request; and

- Differentiated agreement indicator: the indicator that differentiates the agreement for IPO underwriters. This type of agreement is subject to prior **clearinghouse** review and requires the submission of specific documentation.

5.1.2.   Equities securities lending electronic trading

When executing **securities lending** through electronic trading, the **full trading participants** and their **investors**, directly or via their managers, are authorized to enter **securities** lending and borrowing orders. The **settlement participants** and their **investors**, directly or via their managers, are authorized to enter lending orders. For orders intended for the scheduled orders call, a phase in which automatic business closures of scheduled orders occur, only the **investors**, directly or via their managers, are authorized to enter lending or borrowing orders.

The lending and borrowing orders of the standard and limited types are public, that is, they are disclosed publicly and can be looked up by the other **participants** authorized for this kind of transaction. In the case of orders intended for scheduled orders call, the disclosure of the transactions carried out to the **participants** occurs only after the end of the call, with the closure of the **transactions**.

The offers can be selected to be hit by the **participants** or automatically closed, if they are eligible.

The automatic closure is applicable following these situations:

- between limited borrower offers and standard lender offers. The **securities lending system** prioritizes lender offers with lower rates and higher quantities, respectively. For limited borrowers offers, the **securities lending system** prioritizes offers by chronological order of insertion in the system and higher rate, respectively. If there is more than one offer with the same characteristics, the chronological order of entering offer prevails; or

- between lending and borrowing orders included in the scheduled orders call, whose rate applied is the asset average rate disclosured on T-1. The **securities lending system** prioritizes lending and borrowing offers between accounts with the same manager, through an optional parameter. Next, offers are sorted in descending order of quantity per asset in the central order book, and automatic pro rata closing of trades is performed according to proportionality criteria. If there is more than one offer with the same characteristics, the chronological order of offer entry prevails.

In the contracting of **assets securities lending**, the **full trading participant** is allowed to restrict, within the **securities lending system**, the **investors** under their responsibility that can be **borrowers**.

As of the agreement's opening date, generated by electronic trading, there is **multilateral net settlement**, on T+0 or T+1, according to the form of execution. Settlement of the agreement on expiration or when early settlement is requested occurs via **multilateral net settlement**. The **settlement** rules and procedures for **securities lending** agreements are described in subsection 8.1.2 of this manual.

The agreements generated by electronic trading have standardized grace period, expiration and callability features, pursuant to the specifications of the **securities lending** agreements.

The orders placed in electronic trading and the transactions executed in the form of the electronic trading are subject to trading tunnels, which are rate ranges defined by B3. The orders and transactions will be analyzed according to the rejection tunnels criteria, whose calculation methodologies are published on the B3 website.

5.1.2.1. *Permission to access the investor or manager*

The **investor**, directly or via its manager, may have access to the electronic **trading environment** through permission granted by the respective **full trading participant** or **settlement participant** responsible for it.

The **investor** or its manager must therefore be registered in B3's **registration** system and the **participant** responsible for it must designate in the **securities lending system** the **accounts** with permission for order entry, change or lookup.

5.1.2.2. *Specific features of lending orders*

In **lending** orders, the **lender investors** offer **assets** they own for **lending** in exchange for compensation. The lending order may be certified or uncertified, and of the standard or scheduled type. The scheduled lending orders are always certified and cannot be from the same investor and the same asset as an already submitted borrowing scheduled order.

When entering a certified lending order, there must be designation of:

- a regular **account**, which may carry a **give-up link**, an optional custodian **link**, or a trading-on-behalf **link**; and

- the free **subaccount** (2101-6), the **subaccount** utilized for control of assets by the **participant** (2906-8) or the **collateral subaccount**. For designation of the **collateral subaccount** (2390-6), (i) the **securities lending system** checks whether there are sufficient **assets** in balance in this **subaccount** upon acceptance; and (ii) the order must be callable by the **lender**. The lending order with designation of the **collateral subaccount** (2390-6) that is not placed on the same date that it is entered will be automatically cancelled by the **securities lending system**. For the lending scheduled orders, only the indication of the **free subaccount** (2101-6) is allowed.

  When the order is accepted, after it is approved by the **custody agent** receiving the custodian designation, if applicable, the **clearinghouse** transfers the **assets** in the **subaccount** designated upon entering the order to the **securities lending subaccount** (2801-0), from which the **assets** cannot be moved out. If the designated **subaccount** balance is not sufficient when the order is accepted, the **clearinghouse** automatically rejects the order entry. In case of rejection by the designated **custody agent**, the offer is canceled.

The approval of the custodian indication can be carried out automatically, through setup by the **custody agent** through the **securities lending system**. The setup can be carried out as follow:

a. Setup by document: automatic approval by the **custody agent** of the custodian indication made by any **participant** for **accounts** in the **custody agent** owned by the defined document.

b. Setup by **participant**: automatic approval by the **custody agent** of the custodian indication made by the defined **participant** for any **account** at the **custody agent**; and

c. Setup by document and **participant**: automatic approval by the **custody agent** of the custodian indication made by the defined **participant** for **accounts** at the **custody agent** owned by the defined document.

The automatically approval of the custodian indication is conditioned upon the existence of the sufficient balance of **assets** for the offering. In case of insufficient balance in the **subaccount** designated at the time of automatic approval, the **clearinghouse** maintains the lender offer, but subject to the manual approval of the **custody agent**, until the end of the approval schedule established in subsection 5.1.8, thus not applying the automatic approval process.

In the insertion of the lending scheduled order, the clearinghouse may automatically assume the approval of the custody indication. The clearinghouse transfers the assets from the **subaccount** indicated in the scheduled order to the **securities lending subaccount** (2801-0), and it is not allowed to move the assets in this **subaccount**. If there is not enough balance in the indicated **subaccount** at the time of the order acceptance, the clearinghouse automatically rejects the respective insertion.

Upon entry of the uncertified lending order, there must be designation of a regular **account**, which may have a **give-up link** or **trading-on-behalf link**, or master **account** link, or a capture **account**. In the case of **execution** via electronic trading with T+0 **settlement**, it is not permitted to designate a master **account** or a capture **account**.

Upon uncertified order entry, there is no custodian indication, that is, the **clearinghouse** does not look up the availability of the balance and does not transfer the **assets**.

5.1.2.3. *Specific features of borrowing orders*

Upon borrowing order entry, it is permitted to designate a regular **account**, which may have a **give-up link** or a trading-on-behalf **link**, or a master **account**, which may have a **give-up link**, or a capture **account**, or an error **account**, or an operational error **account**. In the case of **execution** via electronic trading with **settlement** on T+0, it is not permitted to designate a master **account** or capture **account**.

They are authorized, for insertion into the **assets securities lending,** the following types of borrower offers:

i. limited offer: an offer that must be executed at a limit rate or better, that is, its execution cannot occur at a rate higher than the established one;

ii. standard offer: an offer that must be executed observing the defined rate, that is, its execution cannot occur at a rate different from the established one;

iii. scheduled offer: an offer that must be executed during the scheduled offer call, observing the defined rate, meaning its execution cannot occur at a different rate than the established one.

The borrowing scheduled orders cannot be from the same **investor** and **asset** as an already submitted lending scheduled order.

5.1.2.4. *Specific features of lending orders for management of asset delivery failures*

Lending orders that are eligible for **asset delivery failure** management by the **clearinghouse** must be certified orders, executed via electronic trading session for settlement on T+0, and be available for selection, that is, not pending approval.

The criteria applied by the **clearinghouse** for sorting orders eligible for **delivery failure** management are:

(i)   Lowest rate available in the order book on T+0;

(ii)   Order with the largest **asset** quantity; and

(iii)   Chronology of order entry.

5.1.2.5.   *Appointment of the carrying lender participant*

Appointment of the carrying **lender participant** is a process whereby the **participant** responsible for entering the certified lending order transfers to a **full trading participant** or **settlement participant** the responsibility, with the **clearinghouse**, for **settlement** and risk management of the **lending position**.

Appointment of the carrying **lender participant** is executed via entry of a certified lending order, using a regular **account** with a **give-up link**. The executing **participant** is the **full trading participant**, which enters the certified lending order. The carrying **participant** is the **full trading participant** or **settlement participant** appointed as the **carrying participant** in the **give-up link**.

After the give-up is indicated, the carrying **participant** has forty (40) minutes to either accept it or reject it. In the case of rejection, the process is cancelled. If the appointed carrying **participant** takes no action within the forty (40)-minute period, the **clearinghouse** considers the automatic acceptance of the order with appointment to the free **subaccount** (2101-6) as the default behavior. At this point, if there is an optional custodian **link**, the **custody agent** and the custody **account** registered in the **link** will be automatically indicated. Otherwise, the **clearinghouse** considers the carrying **participant** as the **custody agent**.

Lending schedule orders with an indication of a carrying **lender participant** are not available for approval, as the clearinghouse considers automatic acceptance with the indication for the **free subaccount** (2101-6) as the standard behavior. At this point, if there is an optional custodian **link**, the custody agent and the custody **account** registered in the **link** will be automatically indicated. If there is no link registered, the **clearinghouse** considers the carrying **participant** as the **custody agent**.

5.1.2.6. Order modification

Changing available order is permitted to managers and **investors** with access to the electronic **trading environment**.

Orders, entered by the **investor** himself or by the manager and which have not been partially filled, can have their **asset** quantities reduced or their rates changed, respecting the limits defined by the rejection tunnels. The other attributes of the orders are not eligible for modification.

Scheduled orders cannot be changed.

5.1.2.7 Generation of a securities lending transaction

The generation of a securities lending transaction occurs in the following situations:

1. when the **borrower full trading participant** or **borrower investor**, directly or via its manager, selects a lending order available to be acted on in the **securities lending system**;

2. when the **lender full trading participant**, **lender settlement participant** or **lender investor**, directly or via its manager, selects a borrowing order available to be acted on in the **securities lending system**;

3. when the **full trading participant** enters an order with the information of the **borrower investor** and **lender investor**, both under its responsibility;

4. in the automatic closing transaction, through the **securities lending system,** between a limited borrower offer and a standard lender offer;

5. in the automatic closing of the scheduled orders call, through the **securities lending system,** between scheduled lending and borrowing offers; and

6. in the case of mandatory **lending** arising out of an **asset delivery failure** in the **multilateral net balance settlement** process, whereby the **investor** that failed to deliver the **assets** takes the borrowing **position** in the mandatory **lending**, said **position** being the responsibility of either a **full trading participant** or a **settlement participant**.

In the case of electronic trading with **settlement** on T+0, execution of the transaction shall only occur to 10:45 AM.

5.1.2.8.   Order attributes

5.1.2.8.1.   Lending order

Lending orders have the following attributes:

- **Lender full trading participant** or **settlement participant**: **participant** responsible for the **lender investor**;

- **Lender investor**'s **deposit account**, if applicable: the **deposit account** of the **lender investor** under the lender **full trading participant** or under the lender **settlement participant** in the B3 **central depository**;

- **Asset** quantity: the quantity of **assets** to be lent;

- **Subaccount**, if applicable: the **subaccount** of the **investor**'s **deposit account** where the **assets** to be lent are deposited;

- **Asset** ISIN and distribution: the ISIN number and the distribution of the **asset** underlying the **lending** agreement;

- Ticker symbol: the ticker symbol of the **asset** underlying the **lending** agreement;

- **Lending fee**: the consideration charged by the **lender** to the **borrower investor** in the **lending** agreement;

- Validity date: date until which the order is available in the order book, limited to 34 days as of order entry;

- **Lender investor**'s **position account;**

- **Lender custody agent** responsible for **asset delivery**/receipt, if applicable: the appointed **custody agent** when custody is transferred;

- **Deposit account** under **lender custody agent**, if applicable: the **deposit account** of the **lender investor** under the **custody agent** receiving the custodian indication;

- Form of electronic trading: indicator that characterizes the **settlement** deadline, in accordance with the type of execution (T+0 or T+1);

- Certified order indicator; and

- type of offer: indicates the rate and quantity conditions to be observed in the closing of transactions.

5.1.2.8.2. Borrowing order

Borrowing orders have the following attributes:

- Executing **borrower participant**: **full trading participant** responsible for entering the borrowing order;

- **Deposit account** of the **borrower investor** under the executing **borrower participant**: the **deposit account** of the **borrower investor** in the B3 **central depository**;

- **Asset** quantity: the quantity of **assets** to be borrowed;

- **Subaccount**: the **subaccount** of the **deposit account** where the **assets** to be borrowed will be deposited;

- **Asset** ISIN and distribution: the ISIN number and the distribution of the **asset** underlying the **lending** agreement;

- Ticker symbol: the ticker symbol of the **asset** underlying the **lending** agreement;

- **Lending fee**: the consideration owed by the **borrower investor** in the **lending** agreement;

- Validity date: date until which the order is available in the order book, limited to 34 days as of order entry;

- Form of electronic trading: indicator that characterizes the **settlement** deadline, in accordance with the type of execution (T+0 or T+1); and

- type of offer: indicates the rate and quantity conditions to be observed in the closing of transactions.

5.1.2.9. Securities lending order cancellation

The request to cancel the **securities lending transaction** originating from electronic trading is only allowed due operational error on the day that the **lending transaction** is executed and is subject to analysis and authorization by the **clearinghouse**.

Regardless the prevision in the last paragraph, the **clearinghouse** can decide to cancel the **lending transaction** in scenarios that would constitute legal and regulatory infractions.

5.1.3. Equities securities lending execution using the broker-dealer account

The **securities lending** broker-dealer **account** seeks to ease the operational procedures for managing agreements between noninstitutional **lender investors** of the **full trading participant** or **settlement participant** and **borrower lenders**. This is a

regular **account**, in the name of the **full trading participant**, for performance, exclusively, of **securities lending** intermediation.

Securities lending intermediation, through registration or electronic trading with settlement on T+1, entails the creation of one or more agreements between (i) the **lender investor** and the **full trading participant** operating as a **borrower investor**; and (ii) the **full trading participant** operating as a **lender investor** and **borrower investor**.

5.1.3.1. Intermediation via securities lending registration

Upon **registration**, **securities lending** execution with the use of a broker dealer account occurs as follows:

- The **full trading participant** enters into a direct pre-agreement, designating (i) the broker dealer **account** in its name for registration of the **borrower investor transaction** and (ii) the **lender investor**, which must be an individual, investment club or nonfinancial institution. This pre-agreement accept (i) appointment of a carrying **participant,** only when this **participant** is a **settlement participant** of the same **financial conglomerate** of the **full trading participant** and (ii) custody indication, only when the designated **custody agent** has the same operational code of the **carrying participant**; and

- The **full trading participant** enters into another pre-agreement, designating (i) the broker dealer **account** in its name for registration of the **transactions** as a **lender investor** and (ii) the **participant** of the **borrower investor**, or the **borrower investor** itself, in the case of a direct pre-agreement. For the **lender investor**, custody indication is not permitted.

5.1.3.2. Intermediation via electronic trading with settlement on T+1

In electronic trading with **settlement** on T+1, execution of **securities lending** with use of a broker dealer account occurs as follows:

- The **full trading participant** enters a lending order designating the broker dealer **account** in its name, as a **lender investor**;

- Upon each partial execution of the lending order, the **securities lending system** generates two **transactions** with the same characteristics, being:

i. A **transaction** between the **participant** that entered the lending order, as a **lender investor** (registered in its broker dealer **account**), and the **borrower participant** that executed the lending order;

ii. A cross by the **participant** that entered the lending order, with the borrower side registered in its broker dealer **account** and the lender side registered in its capture **account**. Identification of the lender **investors** occurs according to the deadlines and **allocation** rules of the **transaction**.

5.1.4. Government debt securities lending registration

Full trading participants and **settlement participants** are authorized to enter government debt **assets** lending and borrowing orders.

Orders may be public, private or cross.

1. Public order: is publicly disclosed and can be looked up and selected by all the **full trading participants** and **settlement participants**;

2. Private order: is disclosed only to the borrower **full trading participant** or **settlement participant** stated in the order. The **full trading participant** or **settlement participant** responsible for the **lender investor** must enter the order and the **full trading participant** or **settlement participant** responsible for the **borrower investor** must confirm the **transaction**; and

3. Cross order: the **full trading participant** or the **settlement participant** enters an order with information on the **lender** and **borrower investors**, both under the responsibility of the same **participant**.

On the opening date of the agreement, the **lender** makes **delivery** of the **assets** to the **borrower** in the **gross settlement** system, on T+0. The **settlement** of the agreement occurs, upon maturity or in advance, in the **multilateral net balance**. The rules and procedures for **settlement** by **delivery** of **assets** are described in subsection 8.1.3 of this manual.

5.1.4.1 Specific features of lending order

In lending orders, **lender investors** offer **assets** they hold to **securities lending**, in exchange for compensation.

When entering a lending order, a regular **account**, which may carry a **give-up link**, an optional custodian **link** or a trading-on-behalf **link**, must be designated as well as the government debt **assets** deposit **purpose** (21).

When the order is entered, the **clearinghouse** checks for:

(i)   Whether the designated **federal government bond deposit account** has a SELIC account **link**; and

(ii)   Whether a sufficient **asset** balance is available for the stated **purpose**.

If the designated **federal government bond deposit account** has no SELIC account **link** or the **asset** balance is not sufficient for the stated **purpose**, the **clearinghouse** automatically rejects the order entry.

Otherwise, the order entry is accepted and, upon authorization of the **custody agent** receiving the custodian indication, if applicable, the **clearinghouse** transfers the **assets** from the **purpose** stated in the order to the government debt **securities lending** order **coverage purpose** (28), where **assets** are not allowed to be moved.

Asset control is performed by the **asset** management system, whose procedures are described in this manual.

The lending orders eligible to be submitted to the **clearinghouse delivery failure** management for federal government bonds must be public orders and be available to be filled, that is, not pending approval by the **custody agent** or the carrying **participant**, as the case may be.

5.1.4.2. Specific features of borrowing order

In borrowing order, the **borrower investor** registers the intention to borrow a certain **asset** compensating the **lender investor.**

When entering a borrowing order or when confirming the lending order, a **borrower investor´**s regular **account** must be designated, which may carry an optional custodian **link**, a trading-on-behalf **link**, or a **give-up link**. Alternatively, an **error account** of the **full trading participant** responsible for the **borrower investor** may be designated. When entering a borrowing order may be designated the following **subaccounts**: the free **subaccount** (2101-6), the **subaccount** utilized for control of assets by the **participant** (2906-8) or the **securities lending coverage subaccount** (2201-2).

The investors that are subject of withholding tax, that is, individuals, non-financial entity, and non-resident investors, are restricted to enter borrowing order.

5.1.4.3. Appointing a carrying participant

The appointment of a carrying **participant** is a process whereby the **participant** responsible for entering an order or confirming its **registration** transfers to another **full trading participant** or **settlement participant** the responsibility for both **settlement** and risk management of the relevant **position** to the **clearinghouse**.

The appointment is effected by entering a lending order or selecting a borrowing order using a regular **account** carrying a **give-up link**. The executing **participant** is the **full trading participant** that enters the order or fills an opposite order available in the **lending system**. The carrying **participant** is the **full trading participant** or the **settlement participant** designated as **carrying participant** in the **give-up link**.

After the order is matched, the carrying **participant** has forty (40) minutes to either accept or reject the **give-up**. In case of rejection, the execution process is cancelled. If the appointed carrying **participant** takes no action within the forty (40)-minute period, the **clearinghouse** considers the automatic **give-up** acceptance with appointment to the deposit **purpose** of government fixed income **assets** (21) as the default behavior. At this point, if an optional custodian **link** is available, the **custody agent** and the custody **account** designated in the **link** are automatically indicated. Otherwise, the **clearinghouse** considers the carrying **participant** as the **custody agent**.

5.1.4.4. Custodian indication

The **full trading participant** or **settlement participant** responsible for entering a lending order or selecting a borrowing order may, with information on both the **lender** and **borrower investors**, transfer the **delivery** or receipt of the **assets** to a **custody agent** other than the concerned **full trading participant** or **settlement participant**, subject to the following rules:

1. If the **full trading participant** or the **settlement participant** (when no **give-up link** exists, the **participant** responsible for entering the order; when it does, the **carrying participant**) does not transfer the **asset delivery** or receipt to another **custody agent** upon order **registration**, the **clearinghouse** checks for an optional custodian **link** in the **investor**'s **account**. If there is one, the **custody agent** and **federal**

government bond deposit account appointed in the **link** are stated in the order. Otherwise, the **custody agent** of the **full trading participant**, or of the **settlement participant**, and the **investor**'s **account** are stated in the order for **asset delivery** or receipt purposes; and

2. If the **full trading participant** or the **settlement participant** (when no **give-up link** exists, the **participant** responsible for entering the order; when it does, the **carrying participant**) transfers the **asset delivery** to another **custody agent** upon order **registration**, information on the **custody agent** and on the **investor**'s **federal government bond deposit account** is stated in the order, subject to the acceptance of the **custody agent** receiving the custodian indication. If the receiving **custody agent** rejects the custodian indication, the order is cancelled. In case of rejection by the designated **custody agent**, the offer is canceled.

    The approval of the custodian indication can be carried out automatically, through setup by the **custody agent** through the **securities lending system**. The setup can be carried out as follow:

    a. Setup by document: automatic approval by the **custody agent** of the custodian indication made by any **participant** for **accounts** in the **custody agent** owned by the defined document.

    b.   Setup by **participant**: automatic approval by the **custody agent** of the custodian indication made by the defined **participant** for any **account** at the **custody agent**; and

    c. Setup by document and **participant**: automatic approval by the **custody agent** of the custodian indication made by the defined **participant** for **accounts** at the **custody agent** owned by the defined document.

The automatically approval of the custodian indication is conditioned upon the existence of the sufficient balance of **assets** for the offering. In case of insufficient balance in the **subaccount** designated at the time of automatic approval, the **clearinghouse** maintains the lender offer, but subject to the manual approval of the **custody agent**, until the end of the approval schedule established in subsection 5.1.8, thus not applying the automatic approval process.

5.1.4.5. Generating a government debt securities lending pre-agreement

A pre-agreement is the instrument through which both **lender** and **borrower participants** indicate their intentions to open a **securities lending position**. The generation of a pre-agreement occurs in the following situations:

1. When the **borrower full trading participant** or the **borrower settlement participant** selects a public lending order or confirms a private lending order in the **lending system**;

2. When the **lender full trading participant** or the **lender settlement participant** selects a public borrowing order in the **lending system**;

3. When the **full trading participant** or the **settlement participant** enters a cross order; and

4. When a mandatory **securities lending** arises out of an **asset delivery failure** in the **multilateral net balance settlement** process. If there is a lending order callable or not by the **lender** in the **lending system**, the pre-agreement will be automatically generated; the **investor** that failed to deliver the **assets** takes the borrowing **position** in the mandatory **securities lending** under the responsibility of a **full trading participant** or **settlement participant**.

Except for mandatory **securities lending**, the pre-agreement is subject to **position** limit review, according to the procedures described in the **clearinghouse** risk management manual. In the case of rejection by risk analysis, the pre-agreement is cancelled and the quantity in the order selected by the **participant** in excess of the **position** limits does not return to the order book. If the pre-agreement implies a **position** limit violation by the **participant** that accepted the available order, the filled quantity returns to the available list of orders.

After **position** limit adherence is reviewed, a **securities lending position** is generated, when the pre-agreement is transformed into an agreement.

If the **borrower investor** does not have a sufficient **margin** balance to cover the risk of its **subaccount** in order to preserve the **position**, according to the procedures described in the **clearinghouse** risk management manual, the agreement is generated and the **assets** are kept in the government debt **assets position coverage purpose** (22).

5.1.4.6. Lending order attributes

The lending order has the following attributes:

- **Lender full trading participant** or **settlement participant**: **participant** responsible for the **lender investor**;

- **Asset** quantity: the quantity of **assets** to be lent;

- **Purpose** of the **investor**'s **federal government bond deposit account** where the **assets** to be lent are deposited;

- **Securities lending** instrument identifier: the symbol representing the generic instrument utilized in government debt **securities lending** agreements;

- Type of rate: fixed or floating;

- **Lending** fee: the compensation to be paid to the **lender investor** by the **borrower investor** under the **securities lending** agreement;

- Adjustment index: an alternative index to the rate used in the calculation of the compensation to be paid to the **lender investor** by the **borrower investor** under the **securities lending** agreement;

- Percentage of adjustment to an index;

- Grace date: the date after which it is possible to renew or early settle the agreement;

- Expiration date: if an early **settlement** request is not submitted, the date on which the agreement is to be settled, which will always be on the first business day prior to the maturity date of the federal government bond backing the **securities lending** agreement;

- **Carrying lender participant**: the **full trading participant** or **settlement participant** responsible for the **position**;

- **Lender investor**'s **position account** under the carrying **lender participant**;

- **Lender custody agent** responsible for **asset delivery**/receipt, if applicable: the **custody agent** appointed in a custodian indication;

- **Lender investor**'s **federal government bond deposit account** under the **lender custody agent**;

- Indicator of callable feature for **lender**: the indicator that allows the **lender** to submit an early **settlement** request;

- Anonymity indicator: the indicator that enables the **lender full trading participant** or **settlement participant** to not be identified in the order book; and

- In the case of a private order, code of **participant** authorized to execute the agreement: the code of the **full trading participant** authorized to act as **lender participant**.

5.1.4.7. *Borrowing order attributes*

The borrowing order has the following attributes:

- **Borrower full trading participant** or **settlement participant**: **participant** responsible for the **borrower investor**;

- **Asset** quantity: the quantity of **assets** to be borrowed;

- **Purpose** of the **investor**'s **federal government bond deposit account** where the **assets** to be borrowed will be deposited;

- **Securities lending** instrument identifier: the symbol representing the generic instrument utilized in government debt **securities lending** agreements;

- Type of rate: fixed or floating;

- **Lending** fee: the compensation to be paid to the **lender investor** by the **borrower investor** under the **securities lending** agreement;

- Adjustment index: an alternative index to the rate used in the calculation of the compensation to be paid to the **lender investor** by the **borrower investor** under the **securities lending** agreement;

- Percentage of adjustment to an index;

- Grace date: the date after which it is possible to renew or early settle the agreement;

- Expiration date: if an early **settlement** request is not submitted, the date on which the agreement is to be settled, which will always be on the first business day prior to the maturity date of the federal government bond backing the **securities lending** agreement;

- **Carrying borrower participant**: the **full trading participant** or **settlement participant** responsible for the **position**;

- **Borrower investor**'s **position account** under the carrying **borrower participant**;

- **Borrower custody agent** responsible for **asset delivery**/receipt, if applicable: the **custody agent** appointed in a custodian indication;

- **Borrower investor**'s **federal government bond deposit account** under the **borrower custody agent**; and

Anonymity indicator: the indicator that enables the **borrower full trading participant** or **settlement participant** to not be identified in the order book.

5.1.5. Fixed income ETF securities lending registration

The **full trading participants** and **settlement participants** are authorized to enter fixed income ETF share lending and borrowing orders.

The order may be public, private or cross.

1. public lending or borrowing order: the lending and borrowing orders are public, that is, they are disclosed publicly and can be looked up and selected by all the **full trading participants** and **settlement participants**; and

2. private lending order: the private lending order is disclosed only to the appointed **full trading participant** or **settlement participant**; and

3. cross lending order: the **full trading participant** enters an order with information on the **borrower investor** and **lender investor**, both under its responsibility.

In the private order case, the **full trading participant** or **settlement participant** responsible for the **lender investor** must enter the order and the **full trading participant** responsible for the **borrower investor** must confirm the **transaction.**

On the opening date of the agreement, the **assets** are delivered by the **lender** to the **borrower** in the **gross settlement** system, on T+0. In the case of fixed income ETF share **lending transactions**, when the **position** is settled, the **clearinghouse** stores information on the analytical balance of the **assets** lent for informational and information recomposition purposes in the **B3 central depository**.

The **settlement** of the agreement occurs, upon expiration or in advance, in the **multilateral net balance**. The rules and procedures for **settlement** by physical **delivery** of **assets** are described in subsection 9.1.3 of this manual.

5.1.5.1. Specific features of lending orders

In lending order, the **lender investor** offers owned **assets** to **lending** in exchange for compensation and the order is always certified.

When entering a certified lending order, a regular **account**, which may carry a **give-up link**, an optional custodian **link**, or a trading-on-behalf **link**, must be designated. When entering a certified lending order, the free **subaccount** (2101-6), the **subaccount** utilized for control of assets by the **participant** (2906-8) or the **subaccount** utilized in posting **participants**' **collateral** in favor of the **clearinghouse** (2390-6) may also be designated as a **subaccount** for the debit of **assets**. For the purpose of designating the **subaccount** utilized in posting **participants**' **collateral** in favor of the **clearinghouse** (2390-6), the certified lending order must be callable by the **lender.**

After the order is authorized by the **custody agent** receiving the custodian indication, if applicable, and is accepted, the **clearinghouse** transfers the **assets** in the **subaccount** designated upon entering the order to the **securities lending subaccount** (2801-0), from which the **assets** cannot be moved out.

If the designated **subaccount** balance is not sufficient when the order is accepted, the **clearinghouse** automatically rejects the order entry.

Lending orders that are eligible for **asset delivery failure** management by the **clearinghouse** must:

- be public, certified, callable by the **lender**, grace date equal to or less than the order selection date, and be available to be hit, that is, not pending approval; and

- expiration date equal to or more than three (3) business days.

5.1.5.2. Specific features of borrowing orders

In borrowing order, the **borrower investor** registers the intention to borrow a certain **asset** compensating the **lender investor.**

When entering a borrowing order or when confirming the lending order, a **borrower investor**´s regular **account** must be designated, wich may carry an optional custodian **link**, a trading-on-behalf **link**, or a **give-up link**. Alternatively, an **error account** of the **full trading participant** responsible for the **borrower investor** may be designated.

When entering a borrowing order may be designated the following **subaccounts**: the free **subaccount** (2101-6), the **subaccount** utilized for control of assets by the **participant** (2906-8) or the **securities lending coverage subaccount** (2201-2).

The investors that are subject of withholding tax, that is, individuals, non-financial entity, and non-resident investors, are restricted to enter borrowing order.

5.1.5.3. *Appointing a carrying participant*

The appointment of a **carrying participant** is a process whereby the **full trading participant** responsible for entering an order, or for confirming **registration**, transfers to another **full trading participant** or **settlement participant** the responsibility for both the **settlement** and the risk management of the relevant **position** at the **clearinghouse**.

The appointment is operationalized by entering the lending or the borrowing order, using a regular **account** carrying a **give-up link.** The executing **participant** is the **full trading participant** that enters the lending order or hits an opposite order available in the **position control** system. The **carrying participant** is the **full trading participant** or the **settlement participant** designated as **carrying participant** in the **give-up link**.

After the order is matched, the **carrying participant** has forty (40) minutes to either accept or reject the **give-up**. In case of rejection, the execution process is cancelled, and the order is again available for selection. If the appointed **carrying participant** takes no action within the forty (40)-minute period, the **clearinghouse** considers the automatic **give-up** acceptance with appointment to the free **subaccount** (2101-6) as the default behavior. At this point, the **clearinghouse** checks for an optional custodian **link** in the **investor**'s **account**. If there is one, the **custody agent** and the **deposit account** appointed in the **link** are automatically indicated. Otherwise, the **clearinghouse** considers the **carrying participant** as the **custody agent**.

5.1.5.4. *Custodian indication*

The **full trading participant** or **settlement participant** responsible for entering a lending order or for selecting a borrowing order may, with the information of the **lender investor** and the **borrower investor**, transfer the **delivery** or receipt of the **assets** to a **custody agent** other than the concerned **full trading participant** or **settlement participant**, subject to the following rules:

1. If the **full trading participant** or the **settlement participant** (when no **give-up link** exists, the **participant** responsible for entering the order; when it does, the **carrying participant**) does not transfer the **asset delivery** or receipt to another **custody agent** upon order **registration**, the **clearinghouse** checks for an optional custodian **link** in the **investor**'s **account**. If there is one, the **custody agent** and the **deposit account** appointed in the **link** are indicated in the order message. Otherwise, the **custody agent** of the **full trading participant**, or of the **settlement participant**, and the **investor**'s **account** are indicated in the order **message** for **asset delivery** or receipt purposes; and

If the **full trading participant** or the **settlement participant** (when no **give-up link** exists, the **participant** responsible for entering the order; when it does, the **carrying participant**) transfers the **asset delivery** to another **custody agent** upon entering the certified lending order, selecting and borrowing order, or generating a direct pre-agreement, the information on the **custody agent** and on the **investor**'s **deposit account** is indicated in the order **message**, subject to the acceptance of the **custody agent** receiving the custodian indication. If the receiving **custody agent** rejects the custodian indication, the order is cancelled. In case of rejection by the designated **custody agent**, the offer is canceled.The approval of the custodian indication can be carried out automatically, through setup by the **custody agent** through the **securities lending system**. The setup can be carried out as follow:

   a. Setup by document: automatic approval by the **custody agent** of the custodian indication made by any **participant** for **accounts** in the **custody agent** owned by the defined document.

   b. Setup by **participant**: automatic approval by the **custody agent** of the custodian indication made by the defined **participant** for any **account** at the **custody agent**; and

   c. Setup by document and **participant**: automatic approval by the **custody agent** of the custodian indication made by the defined **participant** for **accounts** at the **custody agent** owned by the defined document.

The automatically approval of the custodian indication is conditioned upon the existence of the sufficient balance of **assets** for the offering. In case of insufficient balance in the **subaccount** designated at the time of automatic approval, the **clearinghouse** maintains the lender offer, but subject to the manual approval of the **custody agent**, until the end of the approval schedule established in subsection 5.1.8, thus not applying the automatic approval process.

5.1.5.5. Generating a fixed income ETF lending pre-agreement

A pre-agreement is the instrument through which both **lender** and **borrower participants** indicate their intentions to open a fixed income ETF shares **lending position**. The generation of a pre-agreement occurs in the following situations:

1. when the **borrower full trading participant** selects a public lending order or confirms a private lending order in the **securities lending system;**

2. when the **lender full trading participant** or the **lender settlement participant** selects a public borrowing order in the **securities lending system**;

3. when the **full trading participant** enters a direct order; and

4. in case of a mandatory **lending** arising out of an **asset delivery failure** in the **multilateral net balance settlement** process. If there is lending order callable by the **lender** in the **securities lending system**, the pre-agreement will be automatically generated; the **investor** that failed to deliver the **assets** takes the borrowing **position** in the mandatory **lending** under the responsibility of a **full trading participant** or a **settlement participant.**

Except for mandatory **lending**, the pre-agreement is subject to analysis of the **position** limits, according to the procedures described in the **clearinghouse** risk management manual. In the case of risk analysis rejection, the pre-agreement is cancelled, and the quantity of the order selected by the **participant** the exceeded the **position** limits must not return to the book order. If the pre-agreement implies on **position** limits violation by the hit **participant** of the available order, the hit quantity must return to the available orders list.

After the **position** limits are reviewed, a **securities lending position** is generated, when the pre-agreement is transformed into an agreement.

If the **borrower investor** does not have a sufficient **margin** balance to cover the risk of its **subaccount** considering preserving the **position**, according to the procedures described in the **clearinghouse** risk management manual, the agreement is

generated, and the **assets** are kept in the **securities lending coverage subaccount.**

5.1.5.6. *Lending order attributes*

The lending order has the following attributes:

- **Lender full trading participant** or **settlement participant**: **participant** responsible for the **lender investor**;

- **Lender investor**'s **deposit account**, if applicable: the **deposit account** of the **lender investor** under the **lender full trading participant** or under the **lender settlement participant** in the B3 **central depository**;

- **Asset** quantity: the quantity of **assets** to be lent;

- **Subaccount**, if applicable: the **subaccount** of the **investor**'s **deposit account** where the **assets** to be lent are deposited;

- **Lending** instrument identifier: the symbol representing the generic instrument utilized in **securities lending** agreements;

- **Asset** ISIN and distribution: the ISIN number and the distribution of the **asset** underlying the **lending** agreement;

- Ticker symbol: the ticker symbol of the **asset** underlying the **lending** agreement;

- **Lending fee**: the consideration charged by the **lender** to the **borrower investor** in the **lending** agreement;

- Grace date: the date after which it is possible to renew or early settle the agreement;

- Expiration date: if an early **settlement** request is not submitted, the date on which the agreement is to be settled;

- **Carrying lender participant**: the **full trading participant** or **settlement participant** responsible for the **position**;

- **Lender investor**'s **position account** under the carrying **lender participant**;

- **Lender custody agent** responsible for **asset delivery**/receipt, if applicable: the appointed **custody agent** when custody is transferred;

- **Deposit account** under **lender custody agent**, if applicable: the **lender investor**'s **deposit account** under the **custody agent** receiving the custodian indication;

▪ Indicator of callable feature for **lender**: the indicator that allows the **lender** to submit an early **settlement** request;

▪ Indicator of anonymity: the indicator that allows the **lender full trading participant** or the **lender settlement participant** to not be identified in the order book; and

▪ Code of **participant** authorized to execute the agreement in private orders: the code of the **full trading participant** authorized to be the **borrower participant** in a private order.

5.1.5.7. Borrowing order attributes

The borrowing order has the following attributes:

▪ Executing **borrower participant**: **full trading participant** responsible for entering the borrowing order;

▪ **Deposit account** of the **borrower investor** under the executing **borrower participant**: the **deposit account** of the **borrower investor** under the executing **borrower participant** in the B3 **central depository**;

▪ **Asset** quantity: the quantity of **assets** to be borrowed;

▪ **Subaccount**: the **subaccount** of the **deposit account** where the **assets** to be borrowed will be deposited. As a result of the risk analysis, when the agreement is generated this **subaccount** can be automatically replaced by the **clearinghouse**;

▪ **Lending** instrument identifier: the symbol representing the generic instrument utilized in **securities lending** agreements;

▪ **Asset** ISIN and distribution: the ISIN number and the distribution of the **asset** underlying the **lending** agreement;

▪ Ticker symbol: the ticker symbol of the **asset** underlying the **lending** agreement;

▪ **Lending fee**: the consideration owed by the **borrower investor** under the **lending** agreement;

▪ Grace date: the date after which it is possible to renew or early settle the agreement;

▪ Expiration date: if an early **settlement** request is not submitted, the date on which the contract is to be settled;

▪ Carrying **borrower participant**: the **full trading participant** responsible for the **position**;

- **Position account** of the **borrower investor** under the carrying **borrower participant**;

- **Borrower custody agent** responsible for **asset delivery**/receipt, if applicable: the appointed **custody agent** when custody is transferred;

- **Deposit account** under **borrower custody agent**, if applicable: the **borrower investor**'s **deposit account** under the **custody agent** receiving the custodian indication;

- Indicator of callable feature for **lender**: the indicator that allows the **lender** to submit an early **settlement** request; and

- Indicator of anonymity: the indicator that allows the **lender full trading participant** or the **lender settlement participant** to not be identified in the order book; and

- Code of **participant** authorized to execute the agreement in private orders: the code of the **full trading participant** authorized to be the **lender participant** in a private order.

5.1.6. Order cancellation

Order cancellation is a mechanism whereby the **full trading participant**, the **settlement participant** or the investor, directly or through its manager, may cancel its own orders registered in the **securities lending registration system**, via system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

After the scheduled orders call deadline has passed, all lending and borrowing scheduled orders that did not result in new transactions will be canceled by the clearinghouse.

If the **asset** is no longer traded or is not eligible for executing a **lending agreement**, the **clearinghouse** will cancel the available orders.

In the same way, the **clearinghouse** may cancel the offers from **participant** or **investor** that are submitted to court-supervised or out-of-court reorganization, intervention, bankruptcy, out-of-court liquidation, or temporary special administrative, as provided for in its regulations and exclude access and block the **participant´s** trading sessions in the **lending environment**, which will only be unblocked upon instruction from the responsible for conducting the regime.

Upon cancelling a certified lending order, the balance previously transferred to the **securities lending subaccount** returns to the designated **subaccount** upon entering the certified lending order.

5.1.7. Processing corporate actions

The processing of **corporate actions** applicable to equities **securities lending** orders depends on the type of the relevant event, as follows:

1. **Corporate actions** without changing the underlying **asset**

    The quantity of **assets** available in the order is changed, subject to the rules and percentages set out by the **issuer**, but only when the new quantity of **assets** is less than the quantity available in the order. Otherwise, the quantity of **assets** is not updated and the order remains available in the system; and

2. **Corporate actions** changing the underlying **asset**

    For events that change the underlying **asset**, the order is cancelled, except for bonus issues, in which case the order maintains its original features.

Securities lending orders are updated during the night processing of the date of the **asset** update in the **B3 central depository**.

For other types of **corporate actions**, there is no change to the order.

The processing of **corporate actions** applicable to equities **securities lending positions** is described in subsection 7.9.3.

5.1.8. Time grid for the execution of securities lending agreements

The execution of **securities lending** agreements follows the timetables below.

(i) **Equities market**

   Time grid & limits for securities lending – Equities market

Executing participant			
Process	**Modes**		**Notes**
	Registration and electronic trading with T+1 settlement	**Electronic trading with T+0 settlement**	
Order entry	By 7:15 PM of order entry date	By 7:15 PM of order entry date	After the start of the **asset settlement** process (11:00 AM), orders from **securities lending** electronic trading with T+0 **settlement** will be subject to execution as of the following day
Order entry with **give-up**	By 6:35 PM of order entry date	By 6:35 PM of order entry date	After the start of the **asset settlement** process (11:00 AM), orders from **securities lending** electronic trading with T+0 **settlement** will be subject to execution as of the following day
Order cancellation	By 7:15 PM of order expiration date	By 7:15 PM of order expiration date	-
Pre-agreement generation	By 7:15 PM of order selection date	By 10:45AM of order selection date	-
Pre-agreement generation with carrying **participant** appointment	By 6:35 PM of order selection date	By 9:50 AM of order selection date	-
Pre-agreement generation of certified lending order with custodian indication	By 7:15 PM of order selection date	By 10:30 AM of order selection date	-

Carrying participant			
Process	**Modes**		**Notes**
	Registration and electronic trading with T+1 settlement	**Electronic trading with T+0 settlement**	
Acceptance or rejection of certified lending order by **carrying participant**	By 7:15 PM of order entry date	By 7:15 PM of order entry date	After the start of the **asset settlement** process (11:00 AM), orders from **securities lending** electronic trading with T+0 **settlement** will be subject to execution as of the following day
Acceptance or rejection of pre-agreement by **lender carrying participant**	By 7:15 PM of order selection date	By 10:30 AM of order selection date	-
Acceptance or rejection of pre-agreement by **borrower carrying participant**	By 7:15 PM only for securities lending registration	N/A	-

Custody agent			
Process	**Modes**		**Notes**
	Registration and electronic trading with T+1 settlement	**Electronic trading with T+0 settlement**	
Acceptance or rejection of certified lending order with custodian indication	By 7:30 PM of order selection date	By 7:30 PM of order selection date	After the start of the **asset settlement** process (11:00 AM), orders from **securities lending** electronic trading with T+0 **settlement,** will be subject to execution as of the following day
Acceptance or rejection of lending order by **lender custody agent**	By 7:30 PM of order selection date	By 10:45 AM of order selection date	-

Table 1

Time grids for securities lending related to the scheduled orders call are available at the B3 website.

(ii)   Government bond market

Executing participant		
Process	**Time grids & limits**	**Notes**
Order entry	By 5:45 PM	-
Order entry with **give-up**	By 5:05 PM	-
Order entry with custodian indication	By 5:45 PM	-
Order cancellation	By 7:45 PM of first business day prior to order expiration date	-
Order matching	By 5:45 PM	-
Order matching with **give-up**	By 5:05 PM	-
Order matching with **lender** custodian indication	By 5:45 PM	-

Carrying participant		
Process	**Time grids & limits**	**Notes**
Acceptance or rejection of lending order by **lender** carrying **participant**	By 5:45 PM of order entry date	If no action is taken, order is tacitly accepted by **clearinghouse**
Acceptance or rejection of order (derived from matching) by **lender** carrying **participant**	By 5:45 PM of order entry date	If no action is taken, order is tacitly accepted by **clearinghouse**
Acceptance or rejection of pre-agreement by **borrower** carrying **participant**	By 5:45 PM of order entry date	If no action is taken, pre-agreement is tacitly accepted by **clearinghouse**

Custody agent		
Process	**Time grids & limits**	**Notes**
Acceptance or rejection of lending order with custodian indication	By 6:00 PM of order entry date	In case of rejection or no action, order is cancelled
Acceptance or rejection of order (derived from matching) by **lender custody agent**	By 6:00 PM of order entry date	In case of rejection or no action, order is cancelled

Table 2

5.1.9. Suspension of asset underlying securities lending agreements on equities

If the **asset** underlying a **securities lending** order is suspended in the **trading environment**, according to the situations contemplated by the B3 rules and regulations, the **clearinghouse** suspends new order entries for such **asset** in the **lending system**, except orders authorized by the **clearinghouse** for **asset delivery failure** management purposes or orders that meet pending obligations associated with the underlying **asset** that will settle during the suspension period.

Full trading participants and **settlement participants** can proceed as described in section 5.1 via screen view on the securities lending system or via electronic messages in the format specified in the B3 **message** and file catalog.

5.2. Specific collateral repos

The execution of **specific collateral repos** is a set of procedures through which **full trading participants** and **settlement participants** register **specific collateral repos**, meaning federal government bond purchase and sale **transactions** combined with the commitment to repurchase or reverse repurchase, at a future date, the same federal government bond, which is identified upon execution.

The execution mode for **specific collateral repos** is **registration**.

Full trading participants and **settlement participants** are authorized to enter sell orders for **specific collateral repo transactions**.

Orders may be:

1. <u>Cross order</u>: the **full trading participant** or the **settlement participant** enters an order with information on the buying and selling **investors**, both under the responsibility of the same **participant**; and

2. <u>Private order</u>: is disclosed only to the **full trading participant** or **settlement participant** stated in the order. The **full trading participant** or **settlement participant** responsible for the seller must enter the order and the **full trading participant** or **settlement participant** responsible for the buyer must confirm the **transaction**.

B3 can define a list of eligible assets as the object of specific collateral repo operations.

On the opening date of the agreement, the seller makes **delivery** of the **assets** to the buyer and **payment** by the buyer to the seller is settled in the **gross settlement** system, on T+0. The **settlement** of the agreement occurs, upon maturity or in advance, in the **multilateral net balance**. The rules and procedures for **settlement** by physical **delivery** of **assets** are described in subsection 9.1.3 of this manual.

5.2.1.   *Specific features of sell orders*

In sell orders, selling **investors** offer to sell a given federal government bond they hold, with the commitment to repurchase the same bond at a future date.

At the time of entering the sell order, a regular **account**, which may carry a **give-up link**, an optional custodian **link** or a trading-on-behalf **link**, must be designated. The deposit **purpose** (21) is also allowed to be designated.

When the order is entered, the **clearinghouse** checks for whether the designated **deposit account** with the **B3 central depository** has a **SELIC deposit account link**. If said **account** has no such **link**, the **clearinghouse** automatically rejects the order entry.

When the order entry is accepted and, upon authorization of the **custody agent** receiving the custodian indication, if applicable, the **clearinghouse** transfers the **assets** from the **purpose** stated in the order to the order **coverage purpose** (28), where **assets** are not allowed to be moved.

If the balance available is not sufficient for the **purpose** stated upon order acceptance, the **clearinghouse** automatically rejects the order entry. **Asset** control is performed by

the **asset** management system, whose procedures are described in chapter 4 this manual.

5.2.2. *Specific features of buyer confirmation*

When confirming a sell order, the buying **investors**, through the **participant** responsible for them, register their intention to buy a certain federal government bond and designate a regular **account**, which may carry an optional custodian **link**, a trading-on-behalf **link** or a **give-up link**. Upon **registration** confirmation, either the deposit **purpose** (21) or the government debt **assets position coverage purpose** (22) is allowed to be indicated.

At the time of confirming the order, the **clearinghouse** checks for whether the **deposit account** with the **B3 central depository** has a **SELIC deposit account link**. If said **account** has no such **link**, the **clearinghouse** automatically rejects the order entry.

When the order entry is accepted and, upon authorization of the **custody agent** receiving the custodian indication, if applicable, the **clearinghouse** checks for whether the financial resources available are sufficient and commands the corresponding amount to be blocked.

If the balance available is not sufficient for the **purpose** stated upon order acceptance, the **clearinghouse** automatically rejects the order entry. **Asset** control is performed by the **asset** management system, whose procedures are described in chapter 4 this manual.

5.2.3. *Appointing a carrying participant*

The appointment of a carrying **participant** is a process whereby the **full trading participant** responsible for entering an order or confirming its **registration** transfers to another **full trading participant** or **settlement participant** the responsibility for both the **settlement** and risk management of the relevant repo **position** at the **clearinghouse**.

The appointment is effected by entering the order using a regular **account** carrying a **give-up link**. The executing **participant** is the **full trading participant** that enters the order or confirms its **registration**. The carrying **participant** is the **full trading participant** or the **settlement participant** designated as **carrying participant** in the **give-up link**.

After the order is matched, the carrying **participant** has forty (40) minutes to either accept or reject the **give-up**. In case of rejection, the execution process is cancelled. If

the appointed carrying **participant** takes no action within the forty (40)-minute period, the **clearinghouse** considers the automatic **give-up** acceptance with appointment to the deposit **purpose** of government fixed income **assets** (21) as the default behavior. At this point, if an optional custodian **link** is available, the **custody agent** and the custody **account** appointed in the **link** are automatically indicated. Otherwise, the **clearinghouse** considers the carrying **participant** as the **custody agent**.

5.2.4.   Custodian indication

The **full trading participant** or **settlement participant** responsible for entering the order or confirming its **registration** may transfer the **delivery** or receipt of the **assets** to a **custody agent** other than the concerned **full trading participant** or **settlement participant**, subject to the following rules:

1. If the **full trading participant** or the **settlement participant** (when no **give-up link** exists, the **participant** responsible for registering the order; when it does, the carrying **participant**) does not transfer the **delivery** or receipt of **assets** or financial resources to another **custody agent** upon order **registration**, the **clearinghouse** checks for an optional custodian **link** in the **investor**'s **account**. If there is one, the **custody agent** and the **deposit account** designated in the **link** are stated in the order. Otherwise, the **custody agent** of the **full trading participant**, or of the **settlement participant**, and the **investor**'s **account** are stated in the order for purposes of **delivery** or receipt of **assets** or financial resources; and

2. If the **full trading participant** or the **settlement participant** (when no **give-up link** exists, the **participant** responsible for registering the order; when it does, the carrying **participant**) transfers the **delivery** or receipt of **assets** or financial resources to another **custody agent** upon entering the order, confirming its **registration** or generating a cross pre-agreement, information on the **custody agent** and the **investor**'s **deposit account** with the **B3 central depository** is stated in the order, subject to the acceptance of the **custody agent** receiving the custodian indication. If the receiving **custody agent** rejects the custodian indication by the end of the time limit, the order is cancelled.

    The approval of the custodian indication can be carried out automatically, through setup by the **custody agent** through the **securities lending system**. The setup can be carried out as follow:

a. Setup by document: automatic approval by the **custody agent** of the custodian indication made by any **participant** for **accounts** in the **custody agent** owned by the defined document.

b. Setup by **participant**: automatic approval by the **custody agent** of the custodian indication made by the defined **participant** for any **account** at the **custody agent**; and

c. Setup by document and **participant**: automatic approval by the **custody agent** of the custodian indication made by the defined **participant** for **accounts** at the **custody agent** owned by the defined document.

The automatically approval of the custodian indication is conditioned upon the existence of the sufficient balance of **assets** for the offering. In case of insufficient balance in the **subaccount** indicated at the time of automatic approval, the **clearinghouse** maintains the lender offer, but subject to the manual approval of the **custody agent**, until the end of the approval schedule established in subsection 5.1.8, thus not applying the automatic approval process.

5.2.5. Generating a specific collateral repo pre-agreement

A pre-agreement is the instrument through which both buying and selling **participants** indicate their intentions to open a **specific collateral repo position**. The generation of a pre-agreement occurs in the following situations:

1. When the buying **full trading participant** or the buying **settlement participant** confirms a private sell order in the **lending system**; and

2. When the **full trading participant** or the **lender settlement participant** enters a cross order.

Pre-agreements are subject to **position** limit review, according to the procedures described in the **clearinghouse** risk management manual. In case of limit violation by the selling **participant**, the pre-agreement is cancelled and the quantity in the sell order does not return to the order book. In case of limit violation by the buying **participant**, the quantity in the sell order returns to the order book.

After **position** limit adherence is reviewed, a **specific collateral repo position** is generated, when the pre-agreement is transformed into an agreement.

5.2.6.   Sell order attributes

The sell order has the following attributes:

▪ Selling **full trading participant** or **settlement participant**: **participant** responsible for the selling **investor**;

▪ **Asset** quantity: the quantity of **assets** to be sold;

▪ **Purpose** of the **investor**'s **SELIC deposit account** where the **assets** to be sold are deposited;

▪ **Securities lending** instrument identifier: the symbol representing the generic instrument utilized in **specific collateral repos**;

▪ Identification of the asset underlying the **specific collateral repo**;

▪ Type of rate: fixed or floating;

▪ Rate: the rate used in the indexation of the purchase or sale value of the **specific collateral repo**;

▪ Adjustment index: an alternative index to the rate used to update the purchase or sale value of the **specific collateral repo**;

▪ Percentage of adjustment to an index;

▪ Grace date: the date after which it is possible to renew or early settle the agreement;

▪ Expiration date: if an early **settlement** request is not submitted, the date on which the agreement is to be settled, which will always be on the first business day prior to the maturity date of the federal government bond, following the national calendar;

▪ Carrying selling **participant**: the **full trading participant** or **settlement participant** responsible for the **position**;

▪ Selling **investor**'s **position account** under the carrying selling **participant**;

▪ Selling **custody agent** responsible for **asset delivery**/receipt in case of custodian indication;

▪ **Deposit account** with the **B3 central depository** under the selling **custody agent**;

- Indicator of callable feature for seller: the indicator that allows the seller to submit an early **settlement** request;

- Indicator of callable feature for buyer: the indicator that allows the buyer to submit an early **settlement** request;

- Financial volume: the financial amount of the **transaction**, given by the product of the quantity offered by the price of the federal government bond; and

- Code of **participant** authorized to execute the agreement in private orders: the code of the **full trading participant** authorized to be the federal government bond's buying **participant**.

5.2.7. *Registration confirmation attributes*

The **registration** confirmation has the following attributes:

- Buying **full trading participant** or **settlement participant**: **participant** responsible for the buying **investor**;

- **Asset** quantity: the quantity of **assets** to be bought;

- **Purpose** of the **investor**'s **SELIC deposit account** where the **assets** to be bought are deposited;

- **Securities lending** instrument identifier: the symbol representing the generic instrument utilized in **specific collateral repos**;

- Identification of the asset underlying the **specific collateral repo**;

- Rate: the rate used in the indexation of the initial value of the **specific collateral repo**;

- Adjustment index: an alternative index to the rate used to update the initial value of the **specific collateral repo**;

- Percentage of adjustment to an index;

- Grace date: the date after which it is possible to renew or early settle the agreement;

- Indicator of callable feature for buyer: the indicator that allows the buyer to submit an early **settlement** request;

- Indicator of callable feature for seller: the indicator that allows the seller to submit an early **settlement** request;

- Expiration date: if an early **settlement** request is not submitted, the date on which the agreement is to be settled, which will always be on the first business day prior to the maturity date of the federal government bond, following the national calendar;

- Carrying buying **participant**: the **full trading participant** or **settlement participant** responsible for the **position**;

- Buying **investor**'s **position account** under the carrying buying **participant**;

- Buying **custody agent** responsible for **asset delivery**/receipt in case of custodian indication;

- **Deposit account** with the **B3 central depository** under the buying **custody agent**; and

- Financial volume: the financial amount of the **transaction**, given by the product of the quantity offered by the price of the federal government bond.

5.2.8. Order cancellation

Order cancellation is a mechanism whereby the **full trading participant** or the **settlement participant** may cancel its own orders registered in the **securities lending registration system**, via system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

Upon cancelling a sell order, the balance previously transferred to the **repo transaction coverage purpose** returns to the **purpose** stated upon entering the order.

5.2.9. Time grid for the execution of specific collateral repos

The execution of **specific collateral repos** follows the timetables below.

Executing participant		
Process	**Time grids & limits**	**Notes**
Order entry	By 5:45 PM	-
Order entry with **give-up**	By 5:05 PM	-
Order entry with custodian indication	By 5:45 PM	-

Acceptance or rejection of buying pre-agreement with custodian indication	By 6:00 PM of order matching date	In case of rejection or no action, pre-agreement is cancelled

Table 3

6. TRADE CAPTURE, ALLOCATION AND GIVE-UP

6.1. Trade capture

Subject to the rules and operational characteristics of each **trading environment, lending environment** and **registration environment**, the **clearinghouse** captures the **transactions** executed/registered in compliance with the practices, rules, trading and **registration** limits for each such environment.

The **transactions** captured by the **clearinghouse** arisen from **external system** must follow the rules established in this manual.

6.1.1. Validations in trade capture

From among the requirements to be observed in the **capture** process, the following are to be considered:

1. The status and **qualification** of the **participants** involved in the **transaction**;

2. The consent of **participant** concerning the **transactions** made in **external system** in order to be **captured** by the **clearinghouse;**

3. The date and time of the **transaction**;

4. The date and time of **capture** of the **transaction** made in an **external system**;

5. The status and validity of the transaction's underlying instrument. In the case of **transactions** originating from **external system** of managing entities, it is validated whether it has authorization to send **transactions** for the instrument; and

6. The **account** reported by the **full trading participant**, where applicable, in compliance with the following criteria:

    (i) The **account** must be duly registered in B3's **participant registration** systems and the status thereof cannot be "inactive" or "suspended";

    (ii) The **account** status must be "active" or "partially suspended." In the latter case, only the **transaction**s that do not increase the **positions** held in the relevant **account** are accepted;

    (iii) The instrument underlying the **transaction** must be compatible with the markets for which the **account** qualifies;

(iv) For the **transactions** originating from direct market access, the designated **account** must be either a regular **account** or a master **account**;

(v) If the designated **account** is the origin of a **give-up link**, the destination **account** must comply with the same criteria specified in the previous paragraphs;

(vi) In the case of **transactions** in the options market given up to a regular **account** under a **settlement participant**, the destination **account** must bear an active options exercise **link**;

(vii) In the case of **transactions** for creating or redeeming listed exchange-traded fund shares under the "fully collateralized" mode, the **investor**'s **account** and the **account** of the fund or of the share class of the issuing fund must be a regular **account**;

(viii) In the case of **corporate debt market transactions** under the "uncollateralized and gross settled" mode, the **accounts** can be a regular, master or capture **account** with or without a **give-up link**;

(ix) In the case of tender offers, the **accounts** must be a regular **account** with or without a **give-up link**;

(x) In the case of **asset** distributions, the **accounts** must be a regular **account** with no **give-up link**; and

(xi) In the case of offerings for creating or redeeming listed exchange-traded fund shares under the "uncollateralized and gross settled" mode, the **investor**'s **account** and the **account** of the fund or of the share class of the issuing fund must be a regular **account**.

In the event of noncompliance with the provisions of any of paragraphs (i) through (vi) of the item 6, the **transaction** is automatically allocated to the **full trading participant**'s error **account**. In the event of noncompliance with the provisions of the remaining paragraphs, that is, items 1,2,4,5 and 6 (vii to xi), the transactions are not captured by the **clearinghouse**.

If no **account** is indicated in an order transmitted to the **trading environment**, the corresponding **transaction** is automatically allocated to the **full trading participant**'s capture **account**.

The **transactions** that meet the aforementioned requirements will have their details disclosed to the **full trading participants** via **clearinghouse** system screen or electronic **message** and file, in the format specified in the B3 **message** and file catalog.

The **full trading participant** may also submit a request for a file to be sent with the details of captured **transactions**, in the format specified in the B3 **message** and file catalog.

In order to send electronic **messages** to the **clearinghouse,** the **external system** managing entity must follow the rules, procedures and the format established in the manual of clearing and settlement integration offered by the **clearinghouse** to **external system**.

6.1.1.1.   Deadline for trade capture

The **clearinghouse** deadline for trade **capture** is 07:00 PM. Specifically on the automatic exercise date of options on **assets** in the **equities market**, the **clearinghouse** deadline for trade **capture** is 08:00 PM.

For prudential or operational reasons, the **clearinghouse** may, at its sole discretion, advance or postpone the deadline for trade **capture.** The **clearinghouse** will communicate in advance to the **participants** and the **external system** administrator entities in case of advancement or postponement of the deadline for trade **capture**. In the case of postponement, the communication will only be made if the delay can impact the processes of said entities or **participants**.

6.1.2. Transaction cancellation

Information on the cancellation of **transactions** in the **trading environment** or in the **registration environment** or in the **securities lending environment** in the form of electronic trading, pursuant to the rules and procedures of the relevant environment, as well as in the post-trade environment is relayed by the **clearinghouse** to the **full trading participants** or **settlement participants** responsible for the cancelled **transaction**.

If the **transaction** is allocated or given up, the **allocations** and **give-ups** associated with the cancelled **transaction** are automatically cancelled and all the **participants** involved are notified.

The **clearinghouse** notifies the **participants** involved of **transaction** cancellations via **clearinghouse transaction allocation** system screen or electronic **message** and file, in the format specified in the B3 **message** and file catalog.

In order to send electronic **messages** to the **clearinghouse,** the **external system** managing entity must follow the rules, procedures and the format established in the manual of clearing and settlement integration offered by the **clearinghouse** to **external system**.

6.1.3 Block trade capture

Block trade **capture** is a procedure whereby the **transactions** captured in accordance with the rules established in subsection 6.1.1 of this manual can be grouped into blocks of **transactions** with similar features. Trades will be grouped by the **clearinghouse** using the following criteria: instrument, price, trade date, automated session, trade side, **participant** and **account**. The **clearinghouse** is also allowed to include in such criteria trade type, trading desk identifier (*DeskId*) and trader code. Trades will be aggregated into aggregation intervals and/or maximum number of **transactions** permitted in the same block.

This procedure applies only to futures market **transactions** carried out from a regular **account**, with or without a **give-up** request to another regular **account**, during an automated session. The **clearinghouse** will determine the **assets** that will be eligible for **transaction** aggregation and the relevant **participant** must indicate, via **clearinghouse** system, the **accounts** that will be used for this functionality.

When capturing a **transaction** eligible for an aggregation process, according to the criteria of enabled instrument, **participant** and **accounts**, the **clearinghouse** system generates a block of **transactions** with a specific number and initiates the process for aggregating further **transactions** that meet the same filter. The aggregation process creates distinct blocks by order side, price and automated session data.

The block of **transactions** thus created is closed and sent to the **allocation** process when the aggregation interval, counted as from the time of **capture** of the first **transaction** in the block, is met or when the parameter of maximum number of **transactions** in the same block is met. The time of **capture** for **allocation** and **give-up** purposes is the time when the block is released into the **allocation** system.

For the **allocation** and **give-up** processes, the same rules set out for regular **transactions** in sections 6.2 and 6.3 of this manual apply to blocks of **transactions**. Exception is made to the **allocation** or **give-up** process in partial quantity, which cannot be applied to blocks of **transactions**.

In addition to the regular **capture** and **give-up** messages made available after a block is generated, the **clearinghouse** also notifies **participants** of the details of the **transactions** contained in each block via system screen, **message** and electronic file, in the format specified in the B3 **message** and file catalog.

The aggregation interval and maximum number of **transactions** in the same block will be published on the B3 website.

6.1.3.1 Cancellation of transactions included in a block

When a **transaction** included in a block is cancelled in the **trading environment**, in accordance with the regulations and procedures of this environment, the **clearinghouse** initially sends the cancellation information about the block that contained the cancelled **transaction** to the **full trading participant** and **carrying participant**, where applicable.

In case a block of **transactions** has been allocated or given up, the **allocations** and **give-ups** associated with such block are automatically cancelled and all the **participants** involved are notified via system screen and electronic file, in the format specified in the B3 **message** and file catalog.

In the event that uncancelled **transactions** are still included in a block that has been cancelled, the **clearinghouse** system generates a new block of **transactions** with a different number, removing the trades that were cancelled and re-sending them to the **participant** and **account** designated in the original block **capture**. The time of **capture** for **allocation** and **give-up** purposes is the time when the new block is released into the **allocation** system.

6.1.3.2 Cancellation of block trades

On demand by the **participants** involved or whenever it deems necessary, the **clearinghouse** may cancel any already created block of **transactions** and send the trades originally included in such block to the **allocation** process.

In order to carry out this procedure, the **clearinghouse** system cancels the **transactions** contained in the block, as established in subsection 6.1.3.1 of this manual; however, instead of creating a new block of **transactions**, it sends the original **transactions**

contained in the block back to the **participant**, using the same **account** designated in the original block **capture**. The time of **capture** of the original **transactions** for **allocation** and **give-up** purposes is the time when the **transactions** are released into the **allocation** system.

6.2. Transaction allocation

Allocation is a procedure whereby the **investor** in a **transaction** is identified by submitting the details of the **account** held by such **investor**, as well as information required for **settlement** purposes, where applicable, such as (i) custodian indication for **asset delivery**, (ii) deposit **subaccount**, and (iii) quantity traded by the **investor**.

In the event that the **full trading participant** or the **settlement participant** responsible for the **transaction allocation** process is also the **custody agent** responsible for the **delivery** or receipt of **assets**, **transaction allocation** also implies the authorization of the relevant **participant** to the **clearinghouse** to provide the **movement of assets** in the **B3 central depository** for **transaction settlement** purposes.

6.2.1. Transaction allocation procedures

The **full trading participant** and the **settlement participant**, the latter in the capacity of a **carrying participant**, are the **participants** responsible for the **allocation** process at the **clearinghouse**.

The **allocation** process is performed incrementally, **transaction** by **transaction**, and consists of three stages:

1. Provision of information to the **clearinghouse**, namely:

    (i) Information on the **account** held by the **investor**, as previously registered with the **clearinghouse** by the **full trading participant**, **settlement participant**, **trading participant** or **foreign participant**, considering that:

    (a) An options **transaction** cannot be allocated to an **account** under a **settlement participant** without carrying an options exercise **link**; and

    (b) The allocated **account** must be qualified for the market and **asset/commodity** of the underlying instrument of the **transaction**;

(ii) Quantity of each **allocation**, but in the case of blocks of **transactions**, as described in subsection 6.1.3 of this manual, the quantity can only be the total block quantity; and

(iii) Other information required for **settlement** purposes, such as custodian indication for **asset delivery** and custody **subaccount**.

(a) Custodian indication for **asset delivery**: the **full trading participant** or **settlement participant** must designate the **deposit account** of the **investor** under the responsibility of the relevant **participant**, or alternatively an **account** of the same **investor** with a **custody agent** other than the **full trading participant** or **settlement participant** for **delivery** or receipt of **assets**. Such an **account** designation is called custodian indication procedure, which can be accomplished in one of two ways: (i) upon **transaction allocation**, or (ii) through the designation of an **account** under the **full trading participant** or **settlement participant** bearing a **link** (optional custodian) previously established in the **registration** system.

(b) Deposit **subaccount**: the **full trading participant** or **settlement participant** responsible for the **transaction** may designate a **subaccount**, under the **investor**'s **deposit account**, for **delivery** or receipt of **assets**. When designating a **subaccount**, the following **subaccounts** are not permitted: (i) options, forward and **securities lending coverage subaccounts**, in the case of sale **transaction**s in the cash market, and (ii) cash sale **coverage subaccounts**, in the case of purchase **transactions** in the cash market.

2. Confirmation or rejection of indication for **asset delivery** to another **custody agent** or of the custody **subaccount** for **securities lending transactions** executed in electronic trading mode. The **full trading participant** or **settlement participant**, responsible for the lending transaction or the borrowing transaction, with the information of the **borrower investor** or of **the lender investor**, may indicate **delivery** or receipt of **assets** to a different **custody agent** than the **full trading participant** or **settlement participant** in question, complying with the following rules:

(a) If the **full trading participant** or the **settlement participant** (**participant** responsible for the **transaction** when there is no **give-up** or the **carrying**

participant when there is a **give-up**) does not indicate **delivery** or receipt of **assets** to another **custody agent** upon **capture** or **allocation** of the **transaction**, the **clearinghouse** checks for the existence of an optional custodian **link** in the **investor**'s **account**. If there is one, the **custody agent** and the **deposit account** appointed in the **investor**'s **account**'s **link** preestablished in registration, are indicated for **asset delivery** or receipt purposes. Otherwise, the **custody agent** of the **full trading participant**, or of the **settlement participant**, and the **investor**'s **account** are indicated for **asset delivery** or receipt purposes;

(b) If the **full trading participant** or the **settlement participant** (**participant** responsible for the **transaction** when there is no **give-up**, or the **carrying participant** when there is a **give-up**) indicates **asset delivery** to another **custody agent** upon **capture** or **allocation** of the **transaction**, the information of the **custody agent** and of the **investor**'s **deposit account** are indicated and are subject for approval of the appointed **custody agent**;

(c) The **custody agent** appointed by the party responsible for the transaction has until the deadline of the **allocation** process, pursuant to the provisions of subsection 6.2.6, to accept or reject it. If the appointed **custody agent** rejects it, the appointment is cancelled and the **custody agent** of the **full trading participant** or of the **settlement participant** and the **investor**'s **account** are indicated for **asset delivery** or receipt purposes. If the **full trading participant** or **settlement participant** is not a **custody agent**, the **participant**'s error **account** is designated for the transaction; and

(d) If there is no comment by the appointed **custody agent**, custodian indication is tacitly accepted by the **clearinghouse** for borrowing **transactions** and rejected for lending **transactions**.

3. Confirmation of **allocation**: following completion of the first stage of the **allocation** process via the provision of information by the **full trading participant** or **settlement participant**, the **clearinghouse** informs the **participants** involved either (i) that the **allocation** process has been completed, or that (ii) errors or violations have occurred.

In case a **transaction** is allocated to a "partially suspended" **account** status, the **clearinghouse** may only accept the **allocation** of a covered sale **transaction** in the cash market, using **subaccount** 2409-0 to reduce the balance of the custody **account**

at the **B3 central depository**. The **full trading participant** and the **settlement participant** are responsible for the authorizations and necessary controls for selling using the balance of the custody **account** in the "partially suspended" status.

In the case of **allocation** of a purchase **transaction** in the cash market previously executed using the **collateral subaccount**, a new **allocation** that changes the **custody agent, custody account** and **subaccount** is not allowed. To modify the previously executed **allocation**, the **participant** must exclude the initial **allocation** and include a new **allocation**.

Block trading transactions, characterized in this way according to the regulation in effect, cannot be allocated to more than one **investor**, except block trading **transactions** owned by funds or share class of investment funds, nonresident **investors** and managed **portfolios** whose investment decisions are taken by the same manager.

Therefore, the **full trading participant** or **settlement participant** are prohibited to:

1. Allocate a block trading **transaction** to different **investors**, in quantities smaller than the minimum lot size applicable to the underlying **asset** involved in the **transaction**, except in the case of the **transaction** indicated for a master account and intended for normal accounts of resident **investors** linked to the said master **account**, or in the case of a **transaction** allocated to a nonresident **investor** whose manager, identified in the **investor´**s **account** registration, is the same across all the **accounts** identified in the **allocation** on the same side of the **transaction**; and

2. Maintain, until the closure of the **allocation** grid of the cash **equities market**, a partial quantity of a block trading **transaction,** allocated in the **participant´**s error **account**, in a transitory **account** or in **accounts** of different **investors**, in a quantity lower than the minimum lot size applicable to the underlying **asset** of the **transaction**, except in the case of a **transaction** allocated to normal **accounts** of resident **investors** linked to the same master **account**, or in the case of the **transaction** allocated to nonresidents **investors** whose manager, identified in the registration of the **investor´**s **account**, is the same in all **accounts** identified in the **allocation** of the same side of the **transaction**.

Irregular cases will be verified by the **clearinghouse** until the end of the cash equities market **allocation** time limit and the **participants** will be notified to arrange the regularization. In the case of no regularization until the end of **allocation** time limit, the **clearinghouse** will cancel the **allocation** of the total quantity of the block trading

transaction, indicating the entire **allocation** to the participant´s error **account**. **Transactions** with **allocation** irregularity that are allocated in **accounts** under different participants due to a **give-up** will have the mentioned **give-up** rejected. The conformity assessment of the block trading **transaction** is realized individually for each side of the **transaction**.

The **transactions** allocated to **accounts** considered to be transitory (brokerage **accounts**, capture **accounts**, intermediary **accounts**, fintermo **accounts**, admincon **accounts**, market maker **accounts** and master **accounts**) or to error **accounts** allow for a new **account** to be included, without the prior need to cancel the relevant **allocations**, pursuant to the provisions of subsection 6.2.3.

In the case of master **accounts**, only the **accounts** linked to the previously designated master **account** are allowed to be included.

In the case of **securities lending transactions** that comprise an intermediation, the **transaction** originally registered in the capture **account** accepts **allocation** only for the **accounts** of individual, investment club, or non-financial institution **investors**. These **accounts** may only have **a give-up** link when the destination **account** is registered in a **settlement participant** of the same **financial conglomerate** of the **full trading participant**. The custody indication is only accepted when the designated **custody agent** has the same operational code of the **carrying participant**.

The **full trading participant** or the **settlement participant**, the latter in the capacity of a **carrying participant**, can provide **allocations** via **clearinghouse transaction allocation** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

6.2.2. Average price allocation

The average price **allocation** is the process that allows the **full trading participant** or **settlement participant,** the latter when receiving a **give-up**, to create, in the **allocation** process, a block of aggregated **transactions** with an average price calculated by the **clearinghouse** system.

A block of **transactions** aggregated by average price must contain only **transactions**:

- carried out in the cash equities market, executed in the round lot or fractional lot of the **asset**, or in the futures market, with the exception of strategy **transactions** or futures contract transactions on **assets** traded in the **equities market**;

- carried out on the same date of trading session, with the same instrument and with the same trade side; and

- originally allocated in transitory **accounts** of type admincon, master or intermediary type.

6.2.2.1. Creation of a block of aggregated transactions by average price

The **full trading participant** and the **settlement participant**, the latter when receiving a **give-up**, are the **participants** who can request the creation of a block of aggregated **transactions** by average price. To that end, the **participants** must inform:

i. **transactions** trade date;
ii. transitory **account** number in which the **transactions** are allocated;
iii. **transactions** underlying instrument;
iv. trade side; and
v. **transactions** allocation number.

Transactions with **allocation** with pending status, or that are part of another block, are not considered in the composition of the block.

The **clearinghouse** can set a limit to the number of **allocations** that can be included in the block request. If the **participant** wants to create a block with several **allocations** higher than this limit, it must create a block with a number of **allocations** less than or equal to the established limit and then, through the block maintenance process, to increment this block with new **allocations**.

The **clearinghouse** can also establish a limit to the total number of **allocations** that can be included in the block, whereas, if this limit be reached, the block creation request is not accepted, and the **participant** is informed through the request response **message**.

The **clearinghouse** system performs the following initial validations on the request:

i. informed **account**: must be an active **account** and eligible for the creation of a block of aggregated **transactions** by average price;

ii.   date of the trading session: must be a validated date, which may be:

    a.   the date of the request to create the block;

    b.   the business day prior to the date of request for the creation of the block, in the case of **transactions** in the cash equities market; or

    c.   the business day following the date of request for the creation of the block, in the case of **transactions** carried out in the after-hours sessions in the futures markets.

iii.   underlying instrument of the **transaction:** it must be a validated instrument and eligible to the creation of the block of aggregated **transactions** by average price.

If an inconsistency in the validation of date, **account**, or instrument is found, or if the number of **allocations** to be included in the block exceeds the limits established by the **clearinghouse**, the block is not created, and the **participant** is informed through the block creation response **message**.

Using the date of the trading session, instrument, trade side, and **allocation** number, it is verified whether there are allocated **transactions** in the informed **account** for the creation of the block of aggregated **transactions** by average price.

If no **transactions** with the characteristics indicated in the request are found, or if the allocation numbers provided do not correspond to the date of the trading session, **account**, trade side, and instrument indicated in the request, the **participant** is informed through the response **message** about the impossibility of making the informed **allocations**, and the block is formed only with the valid **allocations**, if any.

A block of **transactions** aggregated by average price cannot be created from parts of another block of **transactions**, whether it comes from the process of block trade **capture,** or from **allocation** by average price. If an **allocation** belonging to another block is informed, its inclusion in the block is rejected, and the **participant** will be informed through the request´s response **message**.

The **participant** can request the creation of a block during the **allocation** window period for the market of the **transactions** that will compose the block. If the creation of the block is requested outside of the **allocation** window, the request is rejected, and the **participant** is informed through the request response **message**.

In case of successful validation of the request for the creation of the block of **transactions** aggregated by average price, and **allocations** with the characteristics

informed in the request are found, the **clearinghouse** system generates the block of **transactions** with specific number, with:

i.   the **asset** quantity or contracts of the block equal to the sum of the **asset** quantities or contracts from the **allocations** of the **transactions** that make part of the block; and

ii. the price equal to the weighted average of the prices of the **transactions** that make up the block by their respective quantities, calculated up to 6 (six) decimal places.

Upon its creation, the block of **transactions** aggregated by average price can be allocated, just like a regular **transaction**, following the provisions of item 6.2 of this manual.

Blocks of **transactions** aggregated by average price cannot be **gave-up**. The **give-up** of **transactions**, not belonging to a block of **transactions** aggregated by average price, continues to be authorized, including for the formation of blocks in the participant destination of the **give-up**.

The average execution trade time assigned to the block is given by the weighted average of the execution trade time of each **transaction** that make part of the block by its respective quantitie.

The **full trading participant** or **settlement participant**, the latter one when the destination of the **give-up**, can request the creation of a block through the **clearinghouse**´s system screen designated for **allocation** or by sending electronic **messages** to the **clearinghouse**, according to the format established in the B3 **message** and file catalog.

6.2.2.2. Maintenance of a block of aggregated transactions by average price

The **full trading participant** or **settlement participant** on whose behalf the block of **transactions** aggregated by average price was created may include or exclude transactions from the block, requesting a new average price calculation, provided that the block is fully **allocated** in the **account** in which it was generated.

For the inclusion of a **transaction** in the block, the **participant** must inform:

(i) Trade date of the **transactions** in the block;

(ii) Generation **account** of the block;

(iii) Block number;

(iv) Underlying Instrument of the block;

(v) Trade side;

(vi) Number of the block **allocation**; and

(vii) Numbers of the **transactions allocations** to be included in the block, which must be **allocated** in the same generation **account** of the block.

To exclude a **transaction** of the block, the **participant** must inform:

(i) Trade date of the **transactions** in the block;

(ii) Generation **account** of the block;

(iii) Block number;

(iv) Underlying instrument of the block;

(v) Trade side;

(vi) Number of the block **allocation**; and

(vii) Optionally, the **allocation** number of the **transaction** to be excluded from the block. If it is not informed, the **clearinghouse** system considers that all the **transactions** that make part of the block must be excluded.

After the request validation, following the procedure informed in the item 6.2.2.1 of this manual, the **clearinghouse** system recalculates the average price, the execution trade time and the quantity of the block, and informs the **participant**.

The excluded **transactions** from the block are again made available for a new **allocation** in the generation **account** of the block.

The **participant** may request the maintenance of the block during the market **allocation** window period for the block **transactions**.

The **full trading participant** or **settlement participant**, the latter when receiving the **give-up**, may carry out the maintenance of the blocks through the screen of the **clearinghouse** system designated for **allocation** or by sending electronic **messages** to the **clearinghouse**, according to the format established in the B3 **message** and file catalog.

6.2.2.3. Cancellation of a transaction belonging to a block

If a **transaction** belonging to a block of aggregated **transactions** by average price is canceled:

(i) All **allocations** of the block are canceled, returning the block to its generation **account**;

(ii) The **transaction** in question is removed from the block;

(iii) The quantity, execution trade time, and average price of the block are recalculated; and

(iv) This update is made available to the **participant**, who may proceed again with the block **allocation** process.

6.2.3 Transaction allocation procedures for local US Dollar interest rate swaps originating in BCB auctions

After an auction is held by the BCB and the **clearinghouse** receives the proposals accepted therein, the **full trading participant**, responsible for confirming the relevant **investor**'s proposal in the **clearinghouse** system, must inform, via the **transaction allocation** screen, the following attributes:

- The number of the BCB Communiqué concerning the local US Dollar interest rate swap auction;

- The number of the proposal accepted in the auction;

- The **SELIC account** number;

- The local US Dollar interest rate swap maturity date; and

- The **account** number in the **full trading participant**.

After the input data is validated, the **clearinghouse** system generates a local US Dollar interest rate swap **transaction** with initial valuation date, quantity, rate and side in accordance with the proposal originated in the BCB auction. Confirmation of the proposal accepted in the auction must be carried out by the **full trading participant** by 6:00 PM on the same day.

After the local US Dollar interest rate swap **transaction** is generated by the **clearinghouse** system, it can be allocated or given up following the procedures and rules established under sections 6.2 and 6.3 of this manual.

6.2.4. Cancellation of transaction allocation

Allocation cancellation is a process whereby a **full trading participant** or a **settlement participant** submits a request for the **clearinghouse** to exclude the **investor** to whom/which a **transaction** was previously allocated.

Following cancellation of **allocation** by the **full trading participant** or **settlement participant**, the **clearinghouse** allocates the **transaction** automatically to the error **account** of the **participant** that submitted the cancellation request, unless the **account** to which the cancelled **transaction** was allocated is linked to a master **account**, in which case the **transaction** is allocated to the previously designated master **account,** or the cancellation of the **allocation** from the block of aggregated **transactions** by average price, in which case the **transaction** is allocated to the generation **account** of the block.

In exceptional handling error cases, such as incorrect registration of a beneficiary account, the **transactions** originating from direct market access are also subject to **allocation** cancellation and in addition, whenever required, to the insertion of an operational error **account** type.

The **full trading participant** or the **settlement participant**, the latter in the capacity of a **carrying participant**, can cancel **allocations** via **clearinghouse** system screen or electronic **message** or file, in the format specified in the B3 **message** and file catalog.

Allocation cancellation is not permitted for:

- **Securities lending transactions** (i) registered in a broker dealer **account**; (ii) executed via electronic trading of a borrowing order and certified; and (iii) executed via electronic trading of a borrowing order in the **coverage subaccount** (2201-2); and
- Mandatory **lending transactions**.

The schedule for **allocation** cancellation follows the time grid shown in subsection 6.2.7.

Allocation cancellation requests are subject to review and approval by the **clearinghouse**, entailing the verification of risk criteria for the **transactions** and **positions**, as set out in the **clearinghouse** risk management manual.

6.2.5. Modifications to transaction allocation

The operating procedures for **allocation** modification requests contemplate the cancellation of previous **allocations** and the request for a new **allocation** to be included, as follows:

1. Cancelling an **allocation**. The **full trading participant** or the **settlement participant** excludes the **account** that received the relevant **allocation**, pursuant to the process specified in subsection 6.2.4; and

2. Including a new **allocation**. The **full trading participant** or the **settlement participant** submits an **allocation** request to a new **account**.

Listed exchange-traded fund shares' creations and redemptions and **asset** distributions under the "uncollateralized and gross settled" mode are not subject to **allocation** modifications.

In any event, **allocation** modifications involving different **investors**' **accounts** are only allowed when operational errors occur. Any such modification must be justified by the **full trading participant** or **settlement participant**, regardless of the time grid for **allocation** to **investors**. Exceptionally, and only on the same date of the **transaction**, **allocation** modifications between **investors** linked to the same master **account** do not require justification.

The justification for an **allocation** modification request must be submitted in the process of including a new **account**.

Allocation modification requests may be submitted by using the same mechanisms utilized in regular **allocations**, that is, via **clearinghouse allocation** system screen or electronic **message** or file, in the format specified in the B3 **message** and file catalog.

In case a request is submitted outside of the time frames stipulated in subsection 6.2.6, the **allocation** modification request must indicate that the **allocation** request is outside of the time limit and the relevant justification.

Modifications to ownership and **allocations** submitted outside of the prescribed time frames are violations of **investor** identification rules. In addition to the justifications to be submitted in the process of including a new **account**, the **participant** must send electronically to the **clearinghouse**, on the same day the violation is committed, a letter containing information on the **transactions** involved and a statement that the violation derived from an operational error, which must be signed:

1. By the **participant**'s attorneys-in-fact, with the consent of the **participant**'s Internal Controls Officer or Market Relations Officer, provided the officer who has not signed the letter is included among the recipients of the electronic message that forwards the letter; or

2. Only by the **participant**'s attorneys-in-fact, provided the letter is replaced by another letter, with the same content and signed by one of the aforementioned officers, within seven (7) calendar days.

When an electronic file, containing information on the **transactions** involved, is attached to the electronic message, the letter must refer to the name of the electronic file.

Whenever it deems necessary, the **clearinghouse** notifies the relevant **participant** and request the immediate regularization of the operational processes, in order to eliminate situations at odds with the **allocation** rules.

The notification described in the previous paragraph will also be reported to BSM, so that it can exercise its supervision power over the relevant **participant** and enforce, if applicable, the actions stipulated in BSMs Procedural Rules.

6.2.6. Procedures adopted for transactions not allocated to definitive accounts upon allocation time limit expiration

The **transactions** that remain allocated to transitory **accounts** after the **allocation** time limit expires will be automatically allocated to the error **account** of the **full trading participant** or **settlement participant**.

Alternatively, for options and futures markets, and their related structured **transactions**, the **clearinghouse** system may automatically allocate to separate purchase and sale **accounts transactions** that have not been allocated to definitive **accounts** or whose **give-ups** have been rejected upon **allocation** time limit expiration.

This alternative procedure aims to allow **transactions**, not allocated due to operational or systemic failure upon **allocation** time limit expiration, to be segregated into different **accounts**, avoiding opposite **transactions** to be matched and netted off and enabling processing to occur on the following day, by the means of **position** transfers to **investors**.

Participants must hold one regular **account**, registered in their name, to receive purchase **transactions** and another regular **account** to receive sale **transactions**.

The **clearinghouse** system recognizes the regular **accounts**, held by the **participant**, that will be used by the means of a specific attribute in the **account** profile assigned by the **participant registration** system. If no specific **accounts** are assigned in the **participant registration** for this purpose or an **account** information in the **participant registration** shows an inconsistency, such as an inactive **account**, an **account** with markets not authorized or an **account** not carrying an options exercise **link**, in the case of a **settlement participant**, the **clearinghouse** system automatically allocates **transactions** to the **participant**'s error **account**. In case more than one **account** is registered to receive purchase or sale **transactions**, the **clearinghouse** system will use the most recently updated **account**.

Options **transactions** on **assets** traded in the equities market, allowing for automatic exercise and executed on the options expiration date continue to be allocated to the **participant**'s error **account** at the end of the **allocation** window for such **transactions**.

Both the **clearinghouse** and BSM keep controls on the transfers of (i) the error **account** and (ii) specific **participant accounts** used in the receipt of **transactions** at the end of **allocation**. The **clearinghouse** will timely report to BSM, which is responsible for carrying out, at any time, direct supervision of **participants**, any frequent use by **participants** of the **accounts** referred to in this paragraph, so that it can exercise its supervision power and enforce, if applicable, the actions stipulated in BSMs Procedural Rules.

6.2.7. Time grids for investor allocation

Transactions in the cash markets for equities and corporate debt, as well as in the equities, financial and **commodity derivatives markets** and **securities lending** executed in electronic trading for **settlement** on T+1 mode, must be allocated to **investors** within thirty (30) minutes of the execution thereof in the **trading environment** or of the acceptance of a **give-up**, as the case may be, except when the time frames for **allocation** are those indicated in the tables below.

At any time and at its sole discretion, for prudential and risk management purposes, the **clearinghouse** may require from any type of **investor** either an early **allocation** or the prompt **allocation** of any **transaction**.

For prudential or operational reasons, the **clearinghouse** may, at its sole discretion, advance or postpone the end of time grids and limits for **allocation** and acceptance of custodian indication referred to in this subsection. The **clearinghouse** will send a prior

notice to **participants** in case of advancement or postponement of the end of **allocation** time grids and limits. A postponement notice will only be issued in case a delay to the end of time grids might cause an impact to **participants**' processes.

(i)   Financial and **commodity derivatives markets**

Time grid & limits for allocations – Financial & commodity derivatives, spot gold		
Process	**Time grid & limits**	**Notes**
Master accounts under **full trading participants** or **settlement participants**	Within 1 hour of **transaction** execution or **give-up** acceptance	**Transactions** not assigned to **master accounts** within the deadline defined in this manual cannot be allocated to **investors** linked to any **master account**.
Investors linked to **master accounts**	Until 7:30 PM of **transaction** date	**Transactions** originally assigned to **master accounts** cannot be later allocated to **investors** not linked to previously designated **master account**.
Nonresident **investors**, except nonresident **investors** under § 1º of art. 13 of Joint Resolution BCB/CVM #13	Until 7:30 PM of **transaction** date	———
Intermediary **accounts**	Until 7:30 PM of **transaction** date	Identification of nonresident **investors** only.

Table 4

The deadline for the **allocation** of **transactions** in the financial and **commodity derivatives markets** is 7:30 PM of the **transaction** date, except for:

1. Nonresident **investors** under § 1º of art. 13 of Joint Resolution BCB/CVM #13/2024, whose **transactions** executed during regular trading hours must be allocated by 5:30 PM of the relevant **transaction** date; and

2. **Commodity transactions** during the physical **delivery** period, which must be allocated by 6:00 PM of the **transaction** date.

(ii)   **Equities market**

Time grid & limits for allocations – Equities		
Process	**Time grid & limits**	**Notes**
Master accounts under **full trading participants** or **settlement participants**	<u>Within 1 hour</u> of **transaction** execution or **give-up** acceptance	**Transactions** not assigned to **master accounts** within the time frame defined in this manual cannot be allocated to **investors** linked to any **master account**.
Investors linked to **master accounts**	<u>By 8:30 PM</u> of **transaction** date in **derivatives** and cash markets for resident **investors** <u>By 3:00 PM</u> of day following **transaction** date in cash market for nonresident **investors**	**Transactions** originally assigned to **master accounts** cannot be later allocated to **investors** not linked to previously designated **master account**.
Nonresident **investors**	<u>By 8:30 PM</u> of **transaction** date in **derivatives market** <u>By 3:00 PM</u> of day following **transaction** date in cash market	––––
Concurrent orders (admincon **account**)	<u>Within 30 minutes</u> of **transaction** execution for admincon **account** designation <u>After admincon **account** designation, by 8:30 PM</u> of **transaction** date for master **account** designation and **investor** identification in **derivatives** and cash markets for resident **investors** <u>After admincon **account** designation, by 3:00 PM</u> of day following **transaction** date for **investor** identification in cash market for nonresident **investors**	––––
Intermediary **accounts**	<u>Within 30 minutes</u> of **transaction** execution for intermediary **account** designation <u>After intermediary **account** designation, by 8.30 PM</u> of **transaction** date for **master account** designation and **investor** identification in **derivatives market** <u>By 3:00 PM</u> of day following **transaction** date for **investor** identification in cash market for nonresident **investors**	Identification of nonresident **investors** only.

Time grid & limits for allocations – Equities		
Process	**Time grid & limits**	**Notes**
Forward (fintermo **account**)	<u>Within 30 minutes</u> of **transaction** execution for fintermo **account** designation <u>After fintermo **account** designation, by 8:30 PM</u> of **transaction** date for master **account** designation and **investor** identification in **derivatives** and cash markets for resident **investors** <u>After fintermo **account** designation, by 3:00 PM</u> of day following **transaction** date for **investor** identification in cash market for nonresident **investors**	Exclusive **account** for **allocation** of sale **transactions** in forward market and purchase **transactions** on the same underlying **asset** in cash market for forward funding coverage purposes only.

Table 5

The deadline for the **allocation** of **equities market transactions** is 3:00 PM on the first business day subsequent to the **transaction** date, except for:

1. Resident **investors**, whose **transactions** must be allocated by 8:30 PM on the **transaction** date;

2. Futures contract **transactions** in **assets** traded in the **equities market**, which must be allocated by 7:30 PM on the **transaction** date;

3. Options **transactions** in **assets** traded in the **equities market** with an automatic exercise provision executed on the options expiration date up to 1 hour after the closing time of the expiring option trading session; and

4. Other **derivatives transactions**, which must be allocated by 8:30 PM on the **transaction** date.

The designation of the **subaccount** utilized in the **coverage** of cash sale **transactions** (2409-0) may be made until the first business day subsequent to the **transaction** date with the following deadlines: at 8:00 PM, when the **subaccount** designation is carried out on the **transaction** date, and at 3:00 PM, when it is carried out on the first business day subsequent to the **transaction** date.

(iii) **Corporate debt market**, "fully collateralized" mode

Time grid & limits for allocations – Corporate debt, "fully collateralized" mode		
Process	**Time grid & limits**	**Notes**
Master accounts under **full trading participants** or **settlement participants**	<u>Within 1 hour</u> of **transaction** execution or **give-up** acceptance	**Transactions** not assigned to **master accounts** within the time frame defined in this manual cannot be allocated to **investors** linked to any **master account**.
Investors linked to **master accounts**	<u>By 12:30 PM</u> of **transaction** date for **transactions** with same day **settlement** <u>By 8:30 PM</u> of **transaction** date for **transactions** with **settlement** on the next day	**Transactions** originally assigned to **master accounts** cannot be later allocated to **investors** not linked to previously designated **master account**.
Nonresident **investors**	<u>By 12:30 PM</u> of **transaction** date for **transactions** with same day **settlement** <u>By 8:30 PM</u> of **transaction** date for **transactions** with **settlement** on the next day	⸺
Concurrent orders (admincon **account**)	<u>Within 30 minutes</u> of **transaction** execution for admincon **account** designation <u>After admincon **account** designation, by 12:30 PM</u> of **transaction** date for **transactions** with same day **settlement** <u>After admincon **account** designation, by 8:30 PM</u> of **transaction** date for **transactions** with **settlement** on the next day	Concurrent orders.
Intermediary **accounts**	<u>Within 30 minutes of **transaction** execution for intermediary **account** designation</u> <u>By 12:30 PM</u> of **transaction** date for **transactions** with same day **settlement** <u>By 8:30 PM</u> of **transaction** date for **transactions** with **settlement** on the next day	Identification of nonresident **investors** only.

Table 6

The deadlines for the **allocation** of **corporate debt market transactions** under the "fully collateralized" mode, according to the relevant **settlement** date, are:

▪ <u>12:30 PM</u> of **transaction** date for **transactions** with same day **settlement**; and

▪ 8:30 PM of **transaction** date for **transactions** with **settlement** on the next day.

Corporate debt market transactions under the "uncollateralized and gross settled" mode must be allocated within sixty (60) minutes of **transaction** execution in the **trading environment**, and the deadline for the **allocation** thereof is 5:00 PM of the **transaction** date.

(iv) **Securities lending market**, electronic trading mode

Time grid & limits for allocations – Securities lending executed via electronic trading with settlement on T+1		
Process	**Time grid & limits**	**Notes**
Master accounts under **full trading participants** or **settlement participants**	Within 1 hour of **transaction** execution	**Transactions** not assigned to **master accounts** within the time frame defined in this manual cannot be allocated to **investors** linked to any **master account**.
Investors linked to **master accounts**	By 7:45 PM of **transaction** date	**Transactions** originally assigned to **master accounts** cannot be later allocated to **investors** not linked to previously designated **master account**.
Nonresident **investors**	By 7:45 PM of **transaction** date	———

Table 7

The deadlines for the **custody agent** to accept or reject custodian indication for **securities lending** transactions executed in electronic trading mode, according to the **settlement** date, are:

▪ 10:55 AM of the execution date of the **transaction**, in the case of **transactions** with T+0 **settlement**; and

▪ 8:30 PM of the execution date of the **transaction**, in the case of **transactions** with T+1 **settlement**.

If the **custody agent** to which the **transaction** has been directed makes no comment, custodian indication will be accepted tacitly by the **clearinghouse** in the case of

borrowing **transactions** and rejected tacitly by the **clearinghouse** in the case of lending **transactions**.

6.3. Give-ups

Give-up is a procedure whereby an **executing participant** and corresponding **clearing member** transfer the responsibility for the risk management, **position** management and **settlement** derived from the concerned **transaction** to a **carrying participant** and corresponding **clearing member**, provided the **carrying participant** accepts, either explicitly or tacitly, the relevant **give-up** request.

Give-ups are operated through the **allocation** processes described in subsections 6.2.1, and 6.2.3. noting that a **transaction** may also be partially given up should the underlying instrument thus allow, except for block trade **capture**, as described in subsection 6.1.3 of this manual, where the quantity to be given up can only be the total block quantity.

The blocks of aggregated **transactions** by average price, as provided for in item 6.2.2 of this manual, cannot be **gave-up**.

The **executing participant** is the **full trading participant** that executes the **transaction** in the **trading environments** for the account and to the order of an **investor**, of another **full trading participant** or **settlement participant**, **trading participant** or **foreign participant**.

The **executing participants** are responsible for the following activities:

1. Registering the orders in the **participant**'s system and executing them in the **trading environment**; and

2. Allocating the **transactions** to **accounts** with previously established **give-up links**.

The **carrying participant** is the **full trading participant** or the **settlement participant** that receives a **give-up transaction** from the **executing participant**.

The **carrying participants** are responsible for the following activities:

1. Allocating the **transactions** when the **give-up** destination **accounts** are a master **account**, admincon **account** or a brokerage **account**;

2. Controlling the **positions**, including for risk management purposes; and

3. Clearing and settling the **transactions**.

The **executing participants** allow the **clearinghouse** to relay **give-up transaction** information originated in the **trading environment** to the **carrying participants**.

6.3.1. Types of give-ups

The following types of **give-ups** are admitted:

1. Brokerage: this type of **give-up** occurs when a **carrying participant** issues an order directly to an **executing participant** to execute and later return a **transaction**. The **executing participant** and the **carrying participant** involved in a brokerage **give-up** must be linked by contract stipulating the rights and obligations of each party. Said contract involves only the two **participants**, and the **carrying participant** has the duty to inform its **investors** of their right to have the orders they issue executed by other **participants** in the **trading environments**; and

2. Tri-party: this type of **give-up** is commanded by the **investor** or relevant intermediary by issuing an order directly to the **executing participant**, which will later give up the **transaction** to the **carrying participant**, which will hold the **position** and perform the **settlement** thereof. The **participants** involved in a tri-party **give-up** (**investor** or relevant intermediary, **executing participant** and **carrying participant**) must be linked by contract stipulating the rights and obligations of each party. Where there is no trading-on-behalf structure, as described in subsection 2.2.1, the **investor** must maintain an intermediation agreement with both **participants** (a single instrument signed by the three parties might be adopted for this purpose), and also be regularly registered with both.

6.3.2. Give-up procedures

The completion of any **give-ups** is contingent on the existence of a **give-up link** between the **accounts** of the **executing participant** and **carrying participant** in the B3 **registration** system.

Any **give-up** process comprises the following three stages:

1. Designation of **account** bearing a **give-up link**. The **give-up** request may be submitted:

    (i) In the **trading environment**: in this case, the **executing participant** indicates in the order the code of the **account** with the **give-up link** to an **account** of the **carrying participant**; and

(ii)   In the post-trade environment: through the **allocation** of the **transaction** to an **account** with a **give-up link** to an **account** of the **carrying participant**, within the time frames established by the **clearinghouse** in subsection 6.3.3 of this manual, via **clearinghouse allocation** system screen or electronic **message** and file, in the format specified in the B3 **message** and file catalog.

2.   **Give-up** acceptance/rejection. It is incumbent on the **carrying participant** to either accept or reject any given-up **transaction**, within the time frames established in this manual, via **clearinghouse allocation** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog. The **give-up** rejection is not allowed in the cases described below:

   i.   **Transactions** generated by direct market access with origin from **investors** co-location connection, as described in B3's trading procedure manual. Only the **clearinghouse**, based on the justification presented by the **participants** and **investors** involved, and with the necessary risk assessment, may, at its sole discretion, reject the given-up **transaction**; and

   ii.   Options exercise **transactions**.

In the absence of acceptance or rejection of any given-up **transaction** by the end of the specified time limit, the **give-up** is automatically considered to be confirmed, and the **clearinghouse** system assigns the **transaction** to the **carrying participant** (tacit confirmation).

In the event of **give-up** rejection by the **carrying participant**, the **transaction** returns to the error **account** of the **executing participant**. In this case, the **executing participant** is responsible for the **settlement** thereof.

3.   **Allocation**. After a **give-up** is accepted, the **carrying participant** may proceed to allocate the **transaction**, if provided **give-up** destination **account** is not held by the final beneficial owner of the **transaction**, subject to the procedures and time frames established in this manual.

6.3.3. Time grids for give-up requests and acceptance/rejection

The **clearinghouse** sets specific time limits for **executing participants** to request **give-ups** and for **carrying participants** to accept or reject the relevant requests, as follows:

1. **Executing participants** may submit a **give-up** request <u>within twenty (20) minutes</u> of **registration** of the relevant **transaction** in the **trading environment**, except for the cases referred to in tables 8 and 9.

(i)   **Equities market**

Time grid & limits for give-ups – Equities		
Process	**Time grid & limits**	**Notes**
Investors with **give-up links** after **allocation** of concurrent orders	<u>By 6:50 PM</u> of **transaction** date in cash market for resident **investors** and in **derivatives market**, except for **transaction** execution in futures based on **assets** traded in the **equities market** <u>By 7:00 PM</u> of **transaction** execution in futures based on **assets** traded in the **equities market** <u>By 1:20 PM</u> of day following **transaction** date in cash market for nonresident **investors**	————
Investors with **give-up links** after **allocation** of fintermo **accounts**	<u>By 6:50 PM</u> of **transaction** date in cash market for resident **investors** and in **derivatives market**, except for **transaction** execution in futures based on **assets** traded in the **equities market** <u>By 7:00 PM</u> of **transaction** execution in futures based on **assets** traded in the **equities market** <u>By 1:20 PM</u> of day following **transaction** date in cash market for nonresident **investors**	Exclusive **account** for **allocation** of sale **transactions** in forward market and purchase **transactions** on the same underlying **asset** in cash market for forward funding coverage purposes only.

Table 8

The deadline for the **allocation** of **give-up transactions** involving options based on **assets** traded in the **equities market** with an automatic exercise provision executed on the options expiration date is 20 minutes after the closing time of the expiring option trading session.

(ii)   Financial and **commodity derivatives markets**

The deadline for the **allocation** of **transactions** in the financial and **commodity derivatives markets** is at 7:00 PM on the **transaction** date, except for:

1. Nonresident **investors** under CMN § 1º of art. 13 of Joint Resolution BCB/CVM #13, whose **transactions** executed during regular trading hours must be allocated until 5:10 PM on the relevant **transaction** date; and

2. **Commodity transactions** during the physical **delivery** period, which must be allocated until 5:40 PM on the **transaction** date.

(iii)   **Corporate debt market**, "fully collateralized" mode

Time grid & limits for give-ups – Corporate debt, "fully collateralized" mode		
Process	**Time grid & limits**	**Notes**
Investors with **give-up links** after **allocation** of concurrent orders	<u>By 11:50 AM</u> of **transaction** date for **transactions** with same day **settlement** <u>By 6:50 PM</u> of **transaction** date for **transactions** with **settlement** on the next day	

Table 9

iv. **Securities lending** market in electronic trading mode

The deadlines for **securities lending give-ups**, in the electronic trading mode, according to the **settlement** date, are:

▪   10:05 AM of the execution date of the **transaction**, in the case of **transactions** with **settlement** on T+0; and

▪   7:05 PM of the execution date of the **transaction**, in the case of **transactions** with **settlement** on T+1.

2. The **carrying participants** may accept or reject a **give-up** request <u>within forty (40) minutes</u> of the execution of the corresponding **transaction** in the **trading environment**, whenever the **give-up** request is submitted <u>within twenty (20) minutes</u> of the **registration** of the **transaction** and none of the exceptions referred to in tables 8 and 9 apply. The lack of action by the **carrying participants** <u>within forty (40) minutes</u> of the execution of the **transaction** in the **trading environment** implies the automatic acceptance thereof.

3. The **carrying participants** may accept or reject a **give-up** request <u>within forty (40) minutes</u> of the receipt thereof, whenever the request fits into on**e** of the exceptions referred to in tables 8 and 9. The lack of action by the **carrying participants** <u>within forty (40) minutes</u> of the receipt of the relevant request implies the automatic acceptance of the **give-up**.

4. The **carrying participants** may accept or reject a **give-up** request <u>within forty (40) minutes</u> of the receipt thereof, whenever the request is submitted outside of the time limits shown in item 1 above. The lack of action by the **carrying participants** <u>within forty (40) minutes</u> of the receipt of the relevant request implies the automatic rejection of the **give-up**.

Give-up requests already accepted by the **carrying participants** can be rejected as follows:

1. If the forty (40)-minute time limit from the execution of the **transaction** or from the receipt of the **give-up** request has not expired, as the case may be, the **carrying participant** can reject the **give-up** by following the procedures in place for **give-up** rejection; and

2. If the forty (40)-minute time limit from the execution of the **transaction** or from the receipt of the **give-up** request has expired, as the case may be, the **carrying participants** must adopt the operating procedures for **give-up** rejection outside of the regular schedule, as described in subsection 6.3.4.

At its sole discretion, the **clearinghouse** may modify the relevant time limits or require a **transaction** to be early or promptly given up.

6.3.4. Processing violations of give-up rules

Requesting or rejecting **give-ups** outside of the time limits established in this manual, as well as changing **investor** ownership in any **give-up** process, are considered violations of **give-up** rules.

The following events are characterized as **give-up** request or rejection outside oftimes limits:

1. **Give-up** requests submitted twenty (20) minutes after the execution of the relevant **transactions**, should none of the exceptions referred to in the tables of item 1 of subsection 6.3.3 apply;

2. Rejection requests submitted forty (40) minutes after the execution of the **transaction**, whenever the relevant **give-up** requests are submitted within twenty (20) minutes of the execution of the **transaction** and none of the exceptions referred to the tables of item 1 of subsection 6.3.3 apply;

3. Rejection requests submitted forty (40) minutes after the receipt of the relevant **give-up** requests, in situations of exception referred to in tables 5 and 6 of subsection 6.3.3 and in the situation when the **give-up** request is submitted outside of the times limits and accepted by the **carrying participant**.

In situations 2 and 3 above, as the original **give-up** requests had been accepted by the **carrying participants** through the system or tacitly, the **executing participants** have forty (40) minutes, counted from the submission of the relevant rejection requests by the **carrying participants**, to either accept or refuse such rejection requests. If after forty (40) minutes the **executing participants** fail to take any action, the rejection requests are automatically refused, meaning that the **transactions** will remain with the **carrying participants**.

The following events are characterized as change to **investor** ownership in a **give-up** process:

1. Placing the **allocation** of a **transaction**, allocated to an error **account**, in a **give-up** origin **account** when the **transaction** had previously been allocated to an **account** holder different than the owner of the **give-up** origin **account**; and

2. Placing the **allocation** of a **transaction**, allocated to an error **account**, in a **give-up** origin **account** when the **transaction** had previously been designated to be given up to an **account** whose holder is different from the owner of the **give-up** origin **account**.

In any case, changes to **allocation** involving different **investors**' **accounts**, whether **give-up** origin **accounts** or not, are only allowed in the event of operational errors. Such changes must be justified by the **full trading participant** or **settlement participant**, regardless of the **give-up** time grids.

Give-up requests, acceptances or rejections outside of the regular time grid or changing ownership may be submitted through the same mechanisms regularly utilized, that is, via **clearinghouse transaction allocation** system screen or by electronic **message** to the **clearinghouse**, in the format specified in the B3 **message** catalog.

Participants must indicate in the **clearinghouse** system the justification for the **give-up** rule violation and identify the defaulting (executing or carrying) **participant**. After a

carrying participant accepts a **give-up** request or an **executing participant** rejects a **give-up** request, regularity of any such **give-up** process is assessed by the **clearinghouse**.

All ownership changes and all **give-ups** outside of the established time limits represent violations of **give-up** rules. In addition to the information sent in the process of **account** designation by the **executing participant** or **give-up** rejection by the **carrying participant**, the failing **participant** identified in the process must electronically forward to the **clearinghouse**, on the same day of the violation, a letter containing information on the **transactions** involved and a statement that the violation derived from an operational error, which must be signed:

1. By the **participant**'s attorneys-in-fact, with the consent of the **participant**'s Internal Controls Officer or Market Relations Officer, provided the officer who has not signed the letter is included among the recipients of the electronic message that forwards the letter; or

2. Only by the **participant**'s attorneys-in-fact, provided the letter is replaced by another letter, with the same content and signed by one of the aforementioned officers, within seven (7) calendar days.

When an electronic file, containing information on the **transactions** involved, is attached to the electronic message, the letter must refer to the name of the electronic file.

The **clearinghouse** sends to the **participant**, on a daily basis, an electronic file containing the list of violations of **give-up** rules observed on the previous day. Furthermore, the **clearinghouse** sends the list of violations of **give-up** rules observed in the previous month to the **participant**'s Market Relations Officer on a monthly basis, requesting the adoption of actions to prevent the recurrence thereof.

Whenever it deems necessary, the **clearinghouse** notifies the relevant **participant** and requests the immediate regularization of operational processes, in order to eliminate situations at odds with **give-up** rules.

The notification described in the previous paragraph will also be reported to BSM, so that it can exercise its supervision power over the relevant **participant** and enforce, if applicable, the actions stipulated in its Rules of Procedure.

The rejection of a **give-up** request involving a **transaction** whose **allocation** has been altered or cancelled by the **carrying participant** cannot be submitted by this **participant**. In this case, only the **clearinghouse**, based on the justification submitted by the relevant

participant, can, at its sole discretion, reject the **give-up** request and conduct the required risk assessment.

6.3.5. Prohibitions

The following events are prohibited:

1. Giving up **transactions** executed in the **organized OTC market** on financial and **commodity derivatives**; and

2. Partially giving up structured **transactions** that are subject to rounding when breaking down the underlying contracts.

7. POSITION MANAGEMENT

Position management is a process whereby **full trading participants**, **settlement participants** and **clearing members**, as well as B3, monitor and manage the rights and obligations of **participants** associated with:

1. **Transactions** accepted and pending **settlement**; and

2. Open interest.

The following types of **positions** are subject to **position management**:

1. Cash market **positions**: **positions** in equities and corporate debt securities to be settled in the **multilateral net balance** and submitted to the **central counterparty settlement** process;

2. **Delivery failure positions**: **positions** of failed **asset deliveries** in the **equities market**;

3. **Asset** buy-in **positions**: **positions** not settled and derived from **delivery failures** in the **equities market** and also **delivery failures** of **assets** in the cash markets for **corporate debt market**, and **government bond market** securities. A buy-in **position** ensures the rights of the creditor who did to receive the **assets** due to the **delivery failure** by the debtor;

4. Fungible **derivatives positions**: **positions** in financial and **commodity derivatives** and also in equities options;

5. Nonfungible **positions**: **positions** in (i) forward contracts based on cash market **assets** and metals, **securities lending** and repo agreements, swap and flexible options contracts registered under the "fully collateralized" or "partially collateralized" mode in the **registration environments** managed by B3; and (ii) contracts arisen from **lending systems** managed by B3 or by **external system** managing entities and;

6. Physical **delivery positions** in **commodities**: **commodity positions** submitted to the **central counterparty physical delivery** process.

Cash market **transactions** with **gross settlement** do not generate **positions** at the **clearinghouse** and, therefore, are not included in the **position management** system.

Positions are updated whenever an event occurs that affects the rights and obligations of **participants**, such as:

1. New **transactions** accepted by the **clearinghouse**;

2. Cancellation of **transactions** accepted by the **clearinghouse**;

3. **Give-ups** and **allocations** of **transactions**;

4. Breakdown of structured **transactions**;

5. **Position** transfers;

6. Price updates;

7. Maturity of **positions**;

8. Closeout of **positions** by physical **delivery**;

9. Options exercises;

10. **Settlement** of **transactions** against **asset delivery**;

11. Early **settlements** of forward, swap and flexible options contracts, **securities lending** agreements and **repo transactions**;

12. Renewal of **securities lending** agreements and **repo transactions**;

13. Modifications to **securities lending** agreements and **repo transactions**;

14. Requests for **coverage** of, or removal of **coverage** from open **positions**;

15. Cancellations, executions and reversals of buy-in **positions**;

16. **Corporate actions** applicable to **positions** in equities **derivatives**, equities **securities lending**, **delivery failures** and **asset** buy-ins;

17. Failure to meet obligations, including those resulting from **settlement**; and

18. Other events defined by the **clearinghouse**.

The **position management** system is responsible for breaking down the structured **transactions** executed in the financial and **commodity derivatives markets** into the contracts underlying any such **transactions**.

The outcome of a structured **transaction** breakdown may be modified by the provided **allocations** and by new price information, until the date on which the **transaction** generates the final **positions**.

The **positions** in the contracts underlying structured **transactions** are updated according to the outcome of the **transaction** breakdown process.

The following sections describe the processes for **position** statements, options exercises, **position** transfers, forward **position settlement**, **position coverage**, **securities lending position** maintenance, and **corporate action** processing.

7.1. Position statements

Position statements provide the following information to **participants**:

1. Details of the **positions** held by the **participants** and **investors**; and

2. A preview of the financial results to be settled in the next **settlement cycle**, whenever applicable to the instruments concerned. The calculated results may be modified by the end of the day due to events that may affect the **positions**.

The date of the **positions** generated by the **transactions** executed in the after-hours session of the agricultural **derivatives market** is the next business day.

The date of the **positions** in the **derivatives market** generated by the primary **registration** of contracts originated from BCB's auctions is equal to the initial valuation date established in the auction for the contracts involved.

The **positions** in the cash **equities market** are displayed with information on **custody agent**, **deposit account** and **subaccount**, in the case of custodian indication, until the end of the **transaction allocation** period. From the next business day on, the **positions** are consolidated, so that the information on **custody agent**, **deposit account** and **subaccount** is only presented in the **settlement** module of the **clearinghouse** system.

Forward **positions** are shown on the trade date without contract number. Symbol generation for forward contracts is performed at the end of the trade date and is made available as of the next business day.

Agreement numbers are generated for equities **securities lending positions** executed via **registration** and for government debt **securities lending** and **repo transactions** at the time each **position** is created. For equities **securities lending transactions** executed via electronic trading, the agreement number is generated after the end of the **allocation** deadline.

7.1.1. General information

Full trading participants, **settlement participants**, **clearing members** and **custody agents** are the **participants** that can access **position** statements detailed by **account**.

1. **Custody agents** have access to information on cash market **positions** (during the **transaction allocation** period), **delivery failure positions**, buy-in **positions**, forward **positions**, **securities lending positions** and repo **positions** to which they have been appointed by **full trading participants** or **settlement participants**; and

2. **Clearing members** do not have access to the registration details of **investors**.

Position statements are available in three ways, as follows:

1. Via **message**:

    (i) Statement requests. **Participants** submit **position** statement requests via electronic **messages** sent to the **clearinghouse**, in the format specified in the B3 **message** and file catalog; and

    (ii) Unified **position** files. Generated by the **clearinghouse** for each **full trading participant**, **settlement participant**, **clearing member** and **custody agent**, in the format specified in the B3 **message** and file catalog.

2. Via automatic file transmission. After end-of-day processing is completed, a unified **position** file is automatically generated by the **clearinghouse** and sent to all the **participants** holding **positions**.

3. Via screen view. Alternatively, **positions** can be viewed by **full trading participants**, **settlement participants**, **clearing members** and **custody agents** via **clearinghouse position management** system screen.

7.1.2 Structured transaction statements

Statements detailing the breakdown of structured **transactions** are available to the **full trading participants** and **settlement participants** holding the relevant **transactions** at the time the corresponding requests are submitted.

Position statements are available in three ways, as follows:

1. By **message**:

    (i) Statement requests. **Participants** submit **position** statement requests by sending electronic **messages** to the **clearinghouse**, in the format specified in the B3 **message** and file catalog; and

    (ii) Structured **transaction** breakdown files. Generated by the **clearinghouse** for each **full trading participant** and **settlement participant**, in the format specified in the B3 **message** and file catalog.

2. <u>By automatic file transmission</u>. After end-of-day processing is completed, a structured **transaction** breakdown file is automatically generated by the **clearinghouse** and sent to all the **full trading participants** and **settlement participants** holding the structured **transactions**.

3. <u>By screen view</u>. Alternatively, **positions** can be viewed by **full trading participants** and **settlement participants** via **clearinghouse position management** system screen.

7.1.3. Time limit for submitting position statement requests

Full trading participants, **settlement participants**, **clearing members**, or **custody agents** can request **position** statements by no later than 8:30 PM.

For prudential or operational reasons, the **clearinghouse** may, at its sole discretion, advance or postpone the end of the time limit for submitting **position** statement requests. The **clearinghouse** will send a prior notice to **participants** in case of advancement or postponement of the end of said time limit. A postponement notice will only be issued in case the new end time causes an impact to **participants**' processes.

7.2. Listed options exercises

In the **trading environment**, options are exercised through the **registration** of the exercise **transaction** in a specific instrument for this purpose. In the case of options on futures or on equities indices, in addition to the exercise **transaction** a complementary **transaction** is generated in the **asset** underlying the options.

The following **positions** are liable to be exercised:

(i) Those outstanding at the day's opening; and

(ii) The option **positions** based on **assets** traded in the **equities market** with an automatic exercise provision acquired on the options expiration date.

In case (ii), the exercise takes place automatically on the acquisition date.

Both the exercise **transaction** and the complementary **transaction**, the latter only for options on futures or on equities indices, are captured by the post-trade system and are utilized to:

1. Close out an options **position** at the exercised quantity;

2. Open a cash market **position**, in the case of options on **assets** traded in the cash market;

3. Open a **position** in the **derivative** underlying the options, in the case of futures options; and

4. Calculate the rights and obligations associated with the exercise, when applicable.

The exercise **transaction** and complementary **transaction** are disclosed to the **participants** involved through the same mechanisms utilized for the other **transactions**.

Listed options exercises can be either implemented automatically or requested by the holder of the relevant **position**, in accordance with the rules established for the **trading environment** where the relevant options are exercised.

1. Where the exercise is requested by the **position** holder:

    (i)   If the **position** is under a **full trading participant**, the exercise can be carried out by the **full trading participant** that holds the options **position** or by another **full trading participant** holding an **account** with an exercise **link** to the **account** of the **full trading participant** that holds the options **position**. In this case, the **give-up** request for the exercise **transaction** is automatically accepted, and it cannot be rejected by the **full trading participant** holding the options **position**; and

    (ii)   If the **position** is under a **settlement participant**, the exercise can be carried out by any **full trading participant** holding an **account** with an exercise **link** to the **account** of the **settlement participant** that holds the options **position**. In this case, the **give-up** request for the exercise **transaction** is automatically accepted by the **settlement participant**.

    For a written options **position** under a **settlement participant** or under a **full trading participant** which chooses to have the options **position** exercised by another **full trading participant**, the primary exercise **link** will designate the **account** under the **full trading participant** that will receive the exercise **transaction**. This same **account** has a **give-up link** to the **account** under the **settlement participant** or under the **full trading participant** that holds the **position**. In this case, the **give-up** request for the exercise **transaction** is automatically accepted by the **carrying participant**.

2. Where the exercise is automatic:

(i)   If the **position** is under a **full trading participant**, the **account** that holds the options **position** is designated for the exercise **transaction** or, if available, the primary exercise **link** will establish the **account** under another **full trading participant** that will receive the exercise **transaction**. This same **account** has a **give-up link** to the **account** under the **full trading participant** that holds the **position**. In this case, the **give-up** request for the exercise **transaction** is automatically accepted by the **carrying participant**; and

(ii)   If the **position** is under a **settlement participant**, the primary exercise **link** will establish the **account** under the **full trading participant** that will receive the exercise **transaction**. This same **account** has a **give-up link** to the **account** under the **settlement participant**. In this case, the **give-up** request for the exercise **transaction** is automatically accepted by the **settlement participant**.

Options exercises are processed with priority over other **position** update events, such as transfers and **transactions** executed on the exercise date, meaning that, whenever a transfer is requested for a **position** exercised on the exercise date, the relevant exercise is implemented and the transfer request is automatically rejected at the end of the day. Similarly, in the case of **transactions** carried out on the exercise date, the exercise is implemented and the **transactions** generate new **positions**.

For the exercise of equities **options** with **coverage**, the **clearinghouse** system automatically adds to the exercise **transaction**, for **settlement** purposes, information on the **custody agent**, **deposit account** and **coverage subaccount**. This information cannot be modified by the **participant**.

7.2.1. Blocking requests

Blocking requests allow the **full trading participant** or **settlement participant** responsible for the holder of the options **position** to limit the exercise of the relevant options. Where the **full trading participant** is responsible for the **position**, the restriction to submit an exercise request in the **trading environment** applies to the **participant** itself or to another **full trading participant** holding an **account** with an exercise **link** to the **account** under the **participant** holding the **position**. Where the **position** is under the responsibility of a **settlement participant**, said restriction applies to the **full trading participant** holding an **account** with an exercise **link** to the **account** under the **settlement participant**.

Full trading participants or **settlement participants** may submit blocking requests for the options **positions** held in the **accounts** for which they are responsible.

In order to submit a blocking request, the **participant** must access the **clearinghouse** system and enter the following information:

1. The **investor**'s **account**;

2. The options instrument; and

3. The quantity to be blocked.

Blocking requests remain valid until the **participant** modifies or rejects the relevant request, or until the expiration date of the options instrument.

Blocking requests may be submitted even if there are no **positions** in the options concerned at the time the request are entered. After end-of-day processing is completed, the **clearinghouse** system applies the blocking requests to the outstanding options **positions**, with the blocking instructions becoming valid on the next business day.

Blocking requests are monitored at the time the exercise requests are entered into the **trading environment**.

Blocking requests cannot be submitted on the options expiration date in the post-trade environment. For options based on **assets** traded in the **equities market**, automatic exercise blocking requests must be submitted on the expiration date in the **trading environment**.

7.3. Position transfers

Position transfers consist of a procedure whereby rights and obligations are transferred between **accounts** held under the same **full trading participant** or **settlement participant**, or between **full trading participants** or **settlement participants**.

The **position** transfer procedure applies only to **positions** in **derivatives**, **securities lending** and **repo transactions**.

7.3.1. Position transfer procedures

The **full trading participants** and **settlement participants** may submit **position** transfer requests, by order of the **investors** that hold the relevant **positions**.

The **full trading participant** or the **settlement participant** that (i) receives a transferred **position** is called "**participant** of destination"; and (ii) the **full trading participant** or the **settlement participant** responsible for the **position** to be transferred and for issuing the transfer request is called "**participant** of origin." The **participant** of origin and the **participant** of destination in a **position** transfer may be the same **full trading participant** or the same **settlement participant**.

Two types of **position** transfers are allowed, as follows:

1. To a different **investor**. **Position** transfers from one **investor** to another are only performed at the discretion of the **clearinghouse**, provided the following supporting documentation is also submitted:

    (i)   Proof of corporate restructuring (spin-offs, mergers, acquisitions, or change of legal form); and

    (ii) Correction of a registration error due to an incorrect **allocation**.

2. To the same **investor**. In this case, the **position** is transferred:

    (i)   To another **account** of the same holder under the same **full trading participant** or **settlement participant**; or

    (ii) From an **account** under a **full trading participant** or **settlement participant** to an **account** of the same holder under a different **full trading participant** or **settlement participant**.

At the discretion of the **clearinghouse**, the transfer of **positions** with **investor** modification is also allowed in the management process of defaulting **investors**.

Collateral transfers may be carried out with the **position** transfer process, provided that risk assessment criteria are met.

At the time a **securities lending** or repo **position** transfer request is submitted, the **participant** of origin (**full trading participant** or **settlement participant**) may submit a request for the **position** to be transferred with modification of (i) the **deposit account** of the **position**, in the case of equities, or of (ii) the **federal government bond deposit account**, in the case of government debt **assets**.

When requesting a **securities lending position** transfer, the originating **participant** may change the indication of the executing **participant** and the executing **account** of the **securities lending position** to be transferred, provided that the originating **participant** is also the executing **participant**. When the transfer is completed, the **clearinghouse** system automatically sets the destination **participant** and the

destination **account** of the transfer as the new executing **participant** and the new executing **account** of the **securities lending position**.

For the transfer of equities **securities lending positions** with ownership exchange, the **custody agent** of destination is substituted and the **deposit account** of destination is modified without the need for the relevant requests to be submitted by the **participant** to the **clearinghouse**.

Both **custody agent** and **deposit account** of destination derive from the **account** in the **participant** of destination, as follows:

1. If the **account** in the **participant** of destination is also a **deposit account**, this **account** will be used as the new **deposit account**;

2. If the **account** in the **participant** of destination is not a **deposit account** but has an optional custodian **link**, this **link** will be used to define the new **custody agent** and **deposit account**; and

3. If the **account** in the **participant** of destination neither is a **deposit account** nor has an optional custodian **link**, the receipt of the transfer by the **participant** of destination is not accepted.

For the transfer of government debt **securities lending** and repo **positions** with ownership exchange, the **custody agent** of destination is substituted and the **federal government bond deposit account** of destination is modified without the need for the relevant requests to be submitted by the **participant** to the **clearinghouse**.

Both the **custody agent** and **federal government bond deposit account** of destination derive from the **account** in the **participant** of destination.

1. If the **account** in the **participant** of destination is also a **federal government bond deposit account**, this **account** will be used as the new **federal government bond deposit account**;

2. If the **account** in the **participant** of destination is not a **federal government bond deposit account** but has an optional custodian **link**, this **link** will be used to define the **custody agent** and **federal government bond deposit account**; and

3. If the **account** in the **participant** of destination neither is a **federal government bond deposit account** nor has an optional custodian **link**, the receipt of the transfer by the **participant** of destination is not accepted.

The transfer of government debt **securities lending** and repo **positions** is automatically rejected by the **clearinghouse** when the **federal government bond deposit account** designated has no SELIC account **link**.

The **position** transfer process comprises the following stages:

1. Transfer request. The **participant** of origin (**full trading participant** or **settlement participant**) submits a **position** transfer request via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

    The following information is required for any **position** transfer to be implemented:

    (i)   The origin **account**;

    (ii) The **positions** to be transferred;

    (iii) The quantity to be transferred. **Positions** may be transferred in partial quantities, but for positions in local US Dollar interest rate swaps, forward contracts, **securities lending** agreements and **repo transactions** transfers can only be performed at their total quantities. For **positions** in options based on cash market **assets**, the quantity to be transferred must be a multiple of the relevant round lot;

    (iv) The indication that the **position** transfer will be made in concert with a **collateral** transfer, when applicable; and

    (v)   The indication that, when applicable, the transfer will be carried out with substitution of the **custody agent** and (i) modification of the **deposit account**, in the case of equities **securities lending positions**, or (ii) of the **federal government bond deposit account**, in the case of government debt **securities lending** and repo **positions**.

    The **clearinghouse** system generates the transfer code.

2. Transfer receipt. The **participant** of destination (**full trading participant** or **settlement participant**) receives the transfer from the **clearinghouse** system and enters the following information:

    (i)   The destination **account**; and

    (ii) The transfer code.

3. Risk assessment. The assessment of risk considers the **positions** in both origin and destination **accounts**, according to the criteria established in the **clearinghouse** risk management manual.

(i)   For concurrent transfers of **collateral**, risk is assessed together with the information on **collateral** to be transferred provided by the **participant** of origin.

4. Acceptance.

    (i)   The **clearing member** of the **participant** of origin must accept the transfer;

    (ii)   If the transfer involves the substitution of **investors**, the **clearinghouse** must receive and review the supporting documentation sent by the **participants** before authorizing the transfer, as described in subsection 6.3.1 of this manual.

        (ii.a) The **clearinghouse** reviews the supporting documentation sent by the **participants** and, if it is not satisfactory, it may require additional documentation or reject the **position** transfer request.

        (ii.b) The criteria for authorizing a transfer of **positions** with the substitution of **investors** are periodically reviewed in relation to, without limitation: (i) applicable legislation and regulations; and (ii) B3's internal rules and procedures.

        (ii.c) Additionally, and for the cases it deems necessary, the **clearinghouse** forwards the **position** transfer documents to BSM, so that BSM can verify, at any time, the **participant**'s compliance with the obligations defined in the rules established in this manual.

    (iii)   The **clearinghouse** must also authorize concurrent transfers of **positions** and **collateral**;

    (iv)   For prudential reasons, the **clearinghouse** may reject a transfer request or cancel an already-implemented transfer; and

    (v)   If a **position** transfer request is not accepted by one of the parties involved in the approval process on the same day the relevant request is submitted, the **position** will not be transferred.

5. Transfer implementation. If no inconsistencies are found or no pending issues remain, the **position** is transferred by the **clearinghouse**.

    (i)   Any and all transfers of **positions** that have been settled by physical **delivery** or exercised on the same day the transfer request is submitted will be reversed; and

(ii)   For concurrent transfers of **positions** and **collateral**, **participants** must, by using the code generated by the **position management** system, request the appropriate transfers in the **clearinghouse collateral** system. After the **collateral** system provides the relevant confirmation, the **position** transfer process is completed.

For covered **positions** in the **equities** and **government bond markets**, the following procedures are adopted for transfers, subject to risk analysis:

1. **Position** in equities forward contracts: if the **position** is covered at the origin, the contract remains covered at the transfer destination;

2. **Position** in equities options: if the **position** is covered at the origin, the relevant **coverage** is not transferred automatically and the **position** is considered to have no **coverage** at the transfer destination; and

3. **Position** in **securities lending** and repo agreements with **coverage** at the origin:

   (a) In the case of **position** transfers to the same holder and no custody data changes, the agreement remains covered at the transfer destination; and

   (b) In the case of transfers to a different holder, **coverage** is not transferred automatically and the **position** is considered to have no **coverage** at the transfer destination, with the agreement automatically its coverage after the position is transferred.

The following **positions** are not liable to be transferred:

- **Positions** on the maturity date, except for options **positions** based on **assets** traded in the **equities market** with an automatic exercise provision, which may be transferred up to 1 hour after the closing time of the expiring option trading session;

- **Positions** in forward contracts, **securities lending** agreements and **repo transactions** in the process of **settlement**, renewal or modification;

- **Positions** in **securities lending** agreements in the intermediation account that are part of an intermediation registered in the **clearinghouse** system, except in special situations, as described in subsection 7.6.7. of this manual; and

- Cash market **positions** in the process of **settlement** with **the central counterparty**, **delivery failure positions**, buy-in **positions** and commodity physical **delivery positions**.

For OTC **derivatives positions**, the **position** transfer process is described in specific rules and regulations of **registration environment**.

The **clearinghouse** monitors the transfers on a daily basis and provides the corresponding information to the **full trading participants**, **settlement participants** and **clearing members** involved via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

7.3.2. Position transfer cancellations

The **position** transfer cancellation process takes one of the following two forms, depending on the case:

1. If the transfer has not been completed yet, the **participant** of origin or of destination may submit a cancellation request via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog; and

2. If the transfer has already been completed, a written request must be sent to the **clearinghouse** with details of the transfers to be cancelled and the authorization of the **participants** and **clearing members** involved. Cancellation is subject to **clearinghouse** review.

7.3.3. Time limits for position transfers

The **full trading participants** and **settlement participants** can submit **position** transfer requests by no later than 7:30 PM, provided:

1. The documentation supporting ownership transfers are sent to the **clearinghouse** by 12:00 noon. With the **clearinghouse's** prior approval, and exceptional cases, the deadline for sending supporting documents may be extended; and

2. The transfers involving forward, futures and options agricultural contracts for nonresident **investors**, under § 1º of art. 13 of Joint Resolution BCB/CVM #13 are completed by 5:30 PM.

For prudential or operational reasons, the **clearinghouse** may, at its sole discretion, advance or postpone the end of the time limit for **position** transfers. The **clearinghouse** will send a prior notice to **participants** in case of advancement or postponement of the end of said time limit. A postponement notice will only be issued in case the new end time causes an impact to **participants**' processes.

7.3.4. Transfer of rights and obligations to substitute clearing members

By formal communication to the B3 Participant Registration Center, the **full trading participant** or **settlement participant** may submit a request to substitute the corresponding **clearing member**. The **clearing member** appointed as substitute assumes all the rights and all the obligations resulting from the **transactions** under the responsibility of the concerned **full trading participant** or **settlement participant**, even if such **transactions** were executed before the contractual relationship was created with the relevant **participant**. The substitute **clearing member** becomes responsible for the **settlement** of the **transactions** as of and including the first day the **link** is established between the parties in the B3 Participant Registration Center system.

The **clearing member** appointed as substitute must formally accept its appointment by sending a letter to the **clearinghouse**.

7.4. Early settlement of forward contracts

The **settlement** of forward contracts may occur on the maturity date of the relevant contract or earlier. In the latter case, the buying party must submit an early **settlement** request.

7.4.1. Early settlement

Only **full trading participants** or **settlement participants** can submit early **settlement** requests for forward contracts, by order of buying **investors**, via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

The early **settlement** procedures for swaps, metals forward and flexible options are included in the OTC **derivatives registration** system user manual.

7.4.1.1. Early settlement of assets traded in the equities market

Requests for the early **settlement** of forward contracts based on **assets** traded in the **equities market** can be submitted by the **full trading participants** or **settlement participants** responsible for the long **positions** as of the first business day subsequent to the contract opening date, for fully-covered contracts, up to the first business day

preceding the maturity date of the contract, depending on the type of **settlement** requested.

The **coverage** of forward contracts based on **assets** traded in the **equities market** is under the sole responsibility of the selling **investors**. If the contract is not fully covered, an early **settlement** request can only be submitted after seven (7) days have elapsed since the contract opening date, and in this case the contract must be settled in its entirety.

In the event of a **delivery failure** of **assets** on the contract **settlement** date, procedures are adopted for failure management, as described in subsection 9.1.5.2.

In order to submit an early **settlement** request, the **participant** must indicate:

(i)   The **account** that holds the **position**;

(ii)   The contract;

(iii)   The quantity to be early settled; and

(iv)   The type of **settlement**.

There are two types of early **settlement** processes, pursuant to the **settlement** date:

(i)   Early **settlement** on the first business day following the date of request, which can be submitted by no later than the first business day prior to the contract maturity date; and

(ii)   Early **settlement** on the second business day following the date of request, which can be submitted by no later than the second business day prior to the contract maturity date.

At the time an early **settlement** request is submitted, the **participant** responsible for the buying **investor** can indicate a **deposit account** under a **custody agent** other than the **participant** itself for the receipt of the **assets** deriving from the **settlement** process. The indicated **deposit account** must be held with the **clearinghouse** by the same buying **investor**.

In case a custodian indication to another **custody agent** is indicated in the early **settlement** request, the new **custody agent** must approve the transfer of the entire quantity on the very date of request. The early **settlement** requests that are not accepted by the **custody agent** appointed in the transfer by the end of the day are cancelled when the system closes.

The cash **settlement** value is calculated according to the price established by the following formula:

$$AP = CP \times (1 + i)$$

Where:

AP :   the price of the **asset** underlying the forward commitment, expressed in Brazilian Reais, rounding up to the second decimal place;

CP :   the underlying **asset** cash price, as informed by the **participant**, with up to eight decimal places; and

i :   the interest rate agreed upon between the parties and informed at the time of **registration**, with up to six decimal places.

7.4.1.2. Cancelling early settlement requests

If an early **settlement** request is not transferred to another **custody agent**, or if it is transferred to another **custody agent**, but is not accepted by the latter, the early **settlement** cancellation request is met.

When an early **settlement** request is transferred and accepted by the **custody agent** to which it was transferred, a request for the cancellation thereof is subject to the authorization of the **custody agent** to which it was transferred. If said **custody agent** does not accept the request for the cancellation of the early **settlement** request, the early **settlement** request remains valid.

For forward contracts based on cash market **assets**, the cancellation request for an early **settlement** scheduled to take place in (2) two business days must be submitted by the **participant** by no later than the first business day of the early **settlement** request date. In this case, the **participant** responsible for the short **position** and the **custody agent** to which the early **settlement** request was transferred must both authorize said request. In the absence of both **participants**' acceptance to the cancellation request by the end of the request date, the early **settlement** request remains valid.

7.4.1.3. Time limit for early settlement

Early **settlement** requests, whether with or without custodian indications, and early **settlement** cancellation requests must be submitted and accepted by no later than 7:30 PM.

For prudential or operational reasons, the **clearinghouse** may, at its sole discretion, advance or postpone the end of the time limit for early **settlement**. The **clearinghouse** will send a prior notice to **participants** in case of advancement or postponement of the end of said time limit. A postponement notice will only be issued in case the new end time causes an impact to **participants**' processes.

7.4.2. Custodian indication for forward contracts based on cash market assets to be settled at maturity

Only **full trading participants** or **settlement participants** can submit custodian indication for the **settlement** of equities forward contracts at maturity, by order of buying **investors**, via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

The custodian indication for the **settlement** of a contract at maturity can be made as of the first business day subsequent to the contract opening date, up to the business day preceding the maturity date thereof, and it must cover the entire quantity of the contract.

In order to submit a custodian indication, the **participant** must indicate:

(i)   The **account** that holds the **position**;

(ii)   The contract;

(iii)   The **custody agent**; and

(iv)   The **deposit account** under the **custody agent** appointed in paragraph (iii).

The designated **deposit account** must be held by the same holder of the **account** held with the **clearinghouse**.

The appointed **custody agent** must accept its appointment on the same day of the custodian indication.

The requests that are not accepted by the end of the day are cancelled.

7.4.2.1. Cancelling custodian indication for forward contracts based on cash market assets to be settled at maturity

When a custodian indication is not accepted by the appointed **custody agent**, the corresponding cancellation request is readily met.

However, if the custodian indication is accepted by the appointed **custody agent**, the corresponding cancellation request is subject to the authorization of said **custody agent**.

If said **custody agent** does not accept the cancellation request, the custodian indication remains valid.

7.4.2.2. Time limit for custodian indication involving forward contracts based on cash market assets

Custodian indication and custodian indication cancellation requests involving equities forward contracts can be submitted and accepted by no later than 7:30 PM.

For prudential or operational reasons, the **clearinghouse** may, at its sole discretion, advance or postpone the end of the time limit for custodian indication. The **clearinghouse** will send a prior notice to **participants** in case of advancement or postponement of the end of said time limit. A postponement notice will only be issued in case the new end time causes an impact to **participants**' processes.

7.5. Coverage

The types of **positions** subject to **coverage** are:

(i)   Short **positions** in the cash **equities market**;

(ii)   Short **positions** in call options based on cash market **assets**;

(iii)   Short **positions** in forward contracts based on cash market **assets**;

(iv)   Borrowing **positions** in **securities lending** agreements; and

(v)   Long **positions** in **specific collateral repos**.

The **coverage** of short **positions** in forward contracts is mandatory. Short **positions** in forward contracts without **coverage** are subject to **fines**, which are charged by debiting the **multilateral net balance** of the **clearing member** responsible for the selling **investor**.

Contingent on the type of **position**, **coverage** may be provided in the **allocation** process and/or by submitting a direct request to the **clearinghouse position management** system.

7.5.1. Short sale coverage

By using the **coverage** mechanism for sale **transactions** in the cash market, the **full trading participants** or **settlement participants** block the **assets** underlying the sale in order to make **delivery** thereof on the **settlement** date.

In order to activate the **coverage** mechanism, the **custody agent** must transfer the underlying **assets** to the short sale **coverage subaccount**. Then, the **full trading participant** or **settlement participant** must allocate the sale **transaction** to the short sale **coverage subaccount**, subject to the **allocation** rules and time frames.

At the time of **allocation**, the **clearinghouse** checks for the balance available in the short sale **coverage subaccount** to cover the **transaction**. If said balance is greater than or equal to the quantity subject to **allocation**, the **clearinghouse** accepts the **allocation** and considers that the sale **transaction** has been covered, thus ensuring compliance with the obligation to make **delivery** of the **assets** in the **settlement** process. If said balance of **assets** is not sufficient, the **clearinghouse** rejects the **allocation** to the **coverage subaccount** and the sale **transaction** remains without **coverage**.

Once the **coverage** process is completed, neither the reallocation of the sale **transaction** nor the movement of the **assets** deposited in the **coverage subaccount** are permitted.

7.5.2. Coverage of positions using transactions in the underlying asset

For the **positions** in options and forward contracts based on **assets**, a **coverage** request may be submitted by both selling the **derivative** contract and buying the underlying **asset** in the same trading session. This process is called "**coverage** by combined purchase." In this type of **coverage**, the **position** is only considered to be covered after the **settlement** of the cash market **transaction**.

7.5.2.1. Options position coverage

The **coverage** process for a combined purchase is performed in the **transaction allocation** process.

For the **clearinghouse** system to identify that a request for "**coverage** by combined purchase" is involved, the **participant** must allocate the sale of the call option and the purchase of the underlying **asset** to the options **coverage subaccount**, subject to the **allocation** rules and time frames of each market. Both **transactions** can be transferred to another **custody agent** or **deposit account** by using the options **coverage subaccount**.

Whenever a request is submitted for "**coverage** by combined purchase" of the call options sale **transaction**, but no request is submitted for "**coverage** by combined

purchase" of the underlying **asset** purchase **transaction**, the **clearinghouse** checks for the balance available in the options **coverage subaccount** and **deposit account**. This procedure is applicable only when the **account** held with the **clearinghouse** is the same as the **deposit account**.

The **clearinghouse** system checks automatically for the balance available in the **coverage subaccount** and determines which are the options **positions** with combined purchases, prioritizing those options that are close to maturity and, eventually, have lower strike prices.

The quantity considered as the combined purchase follows the round lot for trading the options instrument.

Should there be any **allocation** modifications, **custody agent** rejections in the cash purchase, or **delivery failures** in the **settlement** of the cash **transaction**, the request for "**coverage** by combined purchase" is cancelled and the **position** remains without **coverage**.

If a **participant** submits a **coverage** request directly to the **position management** system, as described in subsection 7.5.4., involving a **position** for which a request for the **allocation** of a combined purchase has already been submitted, the **clearinghouse** system accepts the request submitted to the **position management** system and cancels the request for the **allocation** of a combined purchase.

7.5.2.2. Forward position coverage

The **coverage** process for a combined purchase is performed in the **transaction allocation** process.

For the **clearinghouse** system to identify that a request for "**coverage** by combined purchase" is involved, the **participant** must allocate the cash purchase of the underlying **asset** to the forward **coverage subaccount** and the forward **transaction** to the free **subaccount**. The cash market **transaction** can also be transferred to another **custody agent** or **deposit account**, subject to the **subaccount** that is necessary for the **clearinghouse** system to identify the combined purchase.

The **clearinghouse** system checks automatically for the balance allocated to the **coverage subaccount** and determines which are the forward **positions** with combined purchases, prioritizing the forward contracts that are close to maturity and, eventually, have higher traded prices.

Should there be any **allocation** modifications or **custody agent** rejections in the cash purchase, the combined purchase is cancelled and the **position** remains without **coverage**.

In the event of a **delivery failure** in the **settlement** of the cash purchase **transaction**, the **clearinghouse** monitors the failure management until the registration step of the buy-in **position**. If the buy-in is reversed, the **position** remains without **coverage** and without the combined purchase.

If the **position coverage** is not implemented, the selling **investor** becomes subject to **fines**, as established in subsection 7.5.4.

7.5.3. Securities lending position coverage by specification of the coverage subaccount in allocation

In this mode of **coverage**, the participant must allocate the borrowing **transaction** in the **securities lending coverage subaccount**, according to the established **allocation** rules and deadlines.

In the case of a **delivery failure** in **settlement** of the **securities lending** agreement, the **clearinghouse** processes the **delivery failure** up until the stage of buy-in position registration. If the buy-in is reversed, the **position** will remain without coverage.

7.5.4. Position coverage requests submitted to the system

The **coverage** request process submitted directly to the **clearinghouse** system is applicable to **positions** in equities options contracts, forward contracts based on **assets**, **securities lending** agreements and **specific collateral repos**. Only **full trading participants** and **settlement participants** can submit **position coverage** requests, by order of selling **investors**, borrowing **investors** or buying **investors** of **specific collateral repos**, via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

In order to submit a **position coverage** request, the **participant** must indicate:

(i)   The **account** with the **clearinghouse**;

(ii)   The type of **position** (options, forward, **specific collateral repos** or **securities lending**); and

(iii)   The **asset** underlying the **position**.

In addition:

(a) For **positions** in contracts based on equities:

- The **participant** may designate another **custody agent** and **deposit account** whose balance to be required for **coverage** purposes will be checked out;

- For **securities lending** agreements, the **custody agent** and **deposit account** must be the same as those established in the agreement; and

- The **participant** may designate the **subaccount**, which may be the free **subaccount**, the **collateral subaccount**, or the **coverage subaccount** applicable to each type of **position**, whose balance to be required for **coverage** purposes will also be checked out. If no **subaccount** is indicated, the system checks for the custody balance in the **coverage subaccount** applicable to each type of **position**.

(b) For **positions** in government debt **securities lending** agreements or **specific collateral repos**:

- The **custody agent** and **federal government bond deposit account** must be the same as those established in the agreement; and

- The balance in the government debt **assets** deposit **purpose** is checked for **coverage** purposes.

After the basic data are entered, the **clearinghouse** system displays the **positions** eligible for **coverage** and the **participant** selects the **positions** and quantities to be covered, submitting the relevant request.

For the **coverage** of different types of **positions**, the **participant** must submit different requests.

If the requesting **participant** is not the **custody agent** for the **assets**, the **custody agent** that receives the indication must accept it on the same day the request is submitted.

Whenever the **coverage** consists of **assets** allocated to the **collateral subaccount**, the **coverage** request becomes subject to the criteria for releasing **collateral**, as described in the **clearinghouse** risk management manual.

After all the acceptances are provided, the **clearinghouse** system checks for a free balance in the **central depository** system, in order to meet the **coverage** request.

When the balance is sufficient, the **clearinghouse** system makes the necessary custody transfers for contracts and **coverage subaccount** or **purpose**, depending on the **asset**, blocking the balance so that it can be used in the **coverage** of **positions**.

Positions are updated immediately after a request is submitted.

Any request is automatically cancelled whenever:

▪ Any of the parties involved reject it;

▪ It is not accepted on the same day it is submitted; or

▪ No balance is available in the **B3 central depository** or in the **asset** management system, depending on the **asset**.

7.5.5. Position coverage withdrawal requests submitted to the system

The process for withdrawing a **position coverage** by submitting a request to the **clearinghouse** system is applicable to the **positions** in equities options contracts, **securities lending** agreements and **repo transactions**. Only **full trading participants** and **settlement participants** can submit **position coverage** withdrawal requests, by order of selling **investors**, via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

In order to submit a **position coverage** withdrawal request, the **participant** must indicate:

(i)   The **account** with the **clearinghouse**;

(ii)   The type of **position** (options, repos or **securities lending**); and

(iii)   The **asset** underlying the **position**.

For positions in options contracts and **securities lending** agreements based on equities:

▪ The **participant** must designate the **custody agent** and the **deposit account** whose balance utilized for **coverage** purposes is deposited and blocked;

▪ For **securities lending** agreements, the **custody agent** and **deposit account** can only be those established in the agreement; and

▪ In addition, the **participant** may designate the custody **subaccount**, which may be the free **subaccount**, the **collateral subaccount**, or the **coverage**

subaccount applicable to each type of **position**, where the balance to be generated by the withdrawal of **coverage** will be deposited. If no **subaccount** is indicated, the system considers that the custody balance will remain in the **coverage subaccount**.

For **positions** in government debt **securities lending** agreements or **specific collateral repos**:

▪ The **custody agent** and **federal government bond deposit account** must be the same as those established in the agreement; and

▪ The balance withdrawn from the **coverage purpose** (22) is transferred to the government debt **assets** deposit **purpose** (21).

After the basic data are entered, the **clearinghouse** system displays the **positions** liable to have the relevant **coverage** withdrawn, by considering the designated **custody agent** and **deposit account**, and the **participant** selects the **positions** and indicates the quantities to be withdrawn.

For the withdrawal of **coverage** from different types of **positions**, the **participant** must submit different requests.

If the custody **subaccount** or the **purpose**, depending on the **assert**, is replaced, the appointed **custody agent** must accept the request on the same day it is submitted.

Any and all **coverage** withdrawal requests are subject to risk assessment.

After all the acceptances are provided, the required custody transfers are implemented and the **positions** are updated as soon as the relevant request is processed.

A request is cancelled if that is rejected by any of the parties involved or is not accepted on the same day it is submitted.

The **coverage** provided to forward contracts based on cash market **assets** cannot be withdrawn.

7.5.6. Position coverage and position coverage withdrawal submitted to the system in the same request

For equities options contracts, **securities lending** agreements and **repo transactions**, the **participant** may submit in the same request: (i) the withdrawal of **coverage** from a given **position** and (ii) the **coverage** of another **position**, provided both **positions** are of the same type held in the same **position account** and the **assets** are under the same

custody agent held in the same **deposit account**. For instance, this procedure can be used in the following situations: (i) to avoid the need to post **collateral** for two **lending** agreements involved in a process whereby one agreement is to be closed out and a new one is to be opened; and (ii) to withdraw the **coverage** of an options contract and to cover another options contract with a different strike price.

In order to submit any such request, the **participant** must indicate:

(i)   The **position account**;

(ii)   The type of **position** (options, repos or **securities lending**); and

(iii)   The **asset** underlying the **position**.

The **participant** must also designate the **custody agent** and the **deposit account** where the balance utilized for **coverage** purposes is deposited. For **securities lending** agreements and **repo transactions**, the **custody agent** and **deposit account** can only be those established in the agreement.

After the basic data are entered, the **clearinghouse** system displays the **positions**, by considering the designated **custody agent** and **deposit account**, and the **participant** selects the **positions** and indicates the quantities to be withdrawn.

If more **assets** are needed for **coverage** purposes, the designated **custody agent** must accept the request on the same day it is submitted.

Any and all **coverage** withdrawal requests are subject to risk assessment, pursuant to the provisions of the **clearinghouse** risk management manual.

After all the acceptances are provided, the required custody transfers are implemented and the **positions** are updated as soon as the relevant request is processed.

Any request is automatically cancelled whenever:

▪   Any of the parties involved reject it;

▪   It is not accepted on the same day it is submitted; or

▪   No balance is available in the **B3 central depository** or in the **asset** management system, depending on the **asset**.

7.5.7. Asset transfers between coverage subaccounts

Under the same **participant**, **position account**, **custody agent** and **deposit account**, the withdrawal of **coverage** from a given type of **position** and the **coverage** of another type of **position** may be both submitted in the same request.

In order to submit such a request, the **participant** must indicate:

(i) The **position account**;

(ii) The type of **position** of origin (options or **securities lending**); and

(iii) The **asset** underlying the **position**.

The **participant** must also designate the **custody agent** and the **deposit account** where the balance utilized for **coverage** purposes is deposited. For **securities lending** agreements, the **custody agent** and **deposit account** can only be those established in the **lending** agreement.

After the basic data are entered, the **clearinghouse** system displays the **positions**, by considering the designated **custody agent** and **deposit account**, and the **participant** selects the **positions** and indicates the quantities to be withdrawn or covered in each **position**. The balance of **coverage** of, or of withdrawal of **coverage** from different **positions** of the same type must generate a withdrawal of **assets** to be used in the **coverage**.

At this point, the **participant** requests the destination of such withdrawal of **assets** from the **coverage** of a certain type of **position** to be used in the **coverage** of another type of **position** and, therefore, another **coverage subaccount**. The **clearinghouse** system provides the **participant** with the **positions** that can be covered or uncovered, by considering the type of **position** of destination that was indicated under the same **participant**, **position account**, **custody agent** and **deposit account**.

The **participant** selects the **positions** and indicates the quantities to be withdrawn from or covered in the type of **position** of destination. The **coverage** provided to equities forward **positions** cannot be withdrawn. The balance of **coverage** of, or of withdrawal of **coverage** from different **positions** of the same type must generate a **coverage** of **assets** as a whole.

The **coverage** of **positions** in government debt **securities lending** and **repo transactions** cannot be removed to cover another type of **position** outside of the **government bond market**.

The balance of **assets** withdrawn from the type of **position** of origin must be greater than or equal to the balance of **assets** utilized in the **coverage** of the type of **position** of destination. Any remaining balance will remain available in the **coverage subaccount** of origin.

The **clearinghouse** system generates a request number with the relevant status.

If the requesting **participant** is different from the **custody agent** for the **assets**, the appointed **custody agent** must accept its indication on the same day the request is submitted.

Any and all requests for **position coverage** withdrawal are subject to risk assessment, pursuant to the provisions of the **clearinghouse** risk management manual.

After all the acceptances are provided, the required custody transfers are implemented and the **positions** are updated as soon as the relevant request is processed.

A request is cancelled that is rejected by any of the parties involved or is not accepted on the same day it is submitted.

7.5.8. Position coverage cancellation requests submitted to the system

If a **coverage** request is not completed with all the required acceptances, the **full trading participant** or **settlement participant** may submit a **position coverage** cancellation request, which is promptly processed. Such a request may be submitted via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

If the **coverage** request has already been processed, the cancellation thereof becomes no longer possible.

7.5.9. Movement of securities lending coverage for insertion of the certified lending order in the intermediation account

Only for **securities lending** intermediation **accounts** is possible to use the balance deposited in the **securities lending coverage subaccount** (2201-2) to insert a certified **lending** order in the **securities lending system**, even if this balance is being used to cover borrowed **positions**.

When receiving the contract from **registration, lending** securities from the **coverage finality**, and the **settlement** of the **delivery** of the **asset** from the **lender investor** to the **borrower investor** occurs, the **position** system evaluates all covered positions and withdraw the coverage from the **borrower** contracts according to the criteria below:

1. The **position** system selects for withdraw of **coverage** only the **borrower** contracts with **covered position** that have the same underlying **asset**, grace date, registration date, expiration date and **lending fee** as the received **lender** contract; and

2. The withdraw of **coverage** is carried out according to the **covered** quantity of each contract, from contracts with larger quantities to those with smaller quantities.

According to the above criteria, if the **covered position** quantity is lower than the **borrowed** contract quantity, the **position** system searches for all **borrower** contracts in the same underlying **asset**, always seeking to withdraw **coverage** from the contract with the largest **covered** quantity to the contract with the smallest **covered** quantity.

7.5.10. Settlement of covered securities lending positions

In the event of **settlement** of a covered **securities lending position**, whether at expiration or earlier, the **clearinghouse** adopts the following procedures to generate the relevant **settlement** instructions for the borrowing **investor**:

(i)   First, it generates a debit **settlement** instruction to the **coverage subaccount**. The quantity in this instruction is limited to the covered quantity indicated in the **position**; and

(ii)   Second, for the remainder quantity, if any meaning the uncovered quantity, the **clearinghouse** verifies the **subaccount** indicated in the **lending position**. If the indicated **subaccount** is the **securities lending coverage subaccount**, the **clearinghouse** generates a debit **settlement** instruction to the free **subaccount**. If the indicated **subaccount** is not the **securities lending coverage subaccount**, the **clearinghouse** generates a debit **settlement** instruction to the **subaccount** indicated in the **lending position**.

7.5.11. Movement of assets in coverage subaccounts with the B3 central depository

As soon as a **position** is considered to be covered, the **assets** deposited with the **B3 central depository** for the **coverage** thereof are blocked.

Whenever a **custody agent** requests the movement of any such **assets**, the **B3 central depository** system verifies in the **clearinghouse** system whether the requested quantity is being used in the **coverage** of **positions** or not.

If the requested quantity is being used in the **coverage** of **positions**, the **custody agent**, for balance transfer purposes, must first request the **participant** that is utilizing the balance to withdraw the **position coverage** via **clearinghouse** system.

7.5.12. Movement of assets in SELIC

From the moment a **position** is considered to be covered, the **assets** deposited in SELIC for the **coverage** thereof are blocked against movements.

If the **custody agent** submits a request for the **movement of assets**, the **asset** management system checks for whether the quantity in the request is not being used in **position coverage**. If the quantity indicated in the request is being used as **coverage**, in order to move it the **custody agent** must first request the **participant** who is using the balance as **coverage** to remove it from the **position** in the **clearinghouse** system.

7.5.13. Fines for not covering forward contracts based on cash market assets

Any forward contract based on cash market **assets** must necessarily be covered by the selling **investor** by making the **asset** underlying the contract available to the **clearinghouse**. Failure to comply with this requirement will subject the selling **investor** to **fines**.

As of the second business day of the contract trade date, for each contract that is not covered by **assets** deposited with the **B3 central depository** or by combined purchases, the **investor** is subject to a 0.5% **fine** per day, applicable to the uncovered volume. Said **fine**, which has a daily noncumulative maximum value of two hundred thousand Brazilian reals (BRL200,000.00), will be charged daily until the contract is covered.

As of the seventh business day of the contract trade date, for each contract that is not covered by **assets** deposited with the **B3 central depository** due to the **delivery failure**

of the combined purchase and the nonexecution of the buy-in issued in favor of the forward seller, the **investor** is subject to a 0.5% **fine** per day, applicable to the uncovered volume. Said **fine**, which has a daily noncumulative maximum value of two hundred thousand Brazilian reals (BRL200,000.00), will be charged daily until the contract is covered.

The **fines** are charged to the **multilateral net balance** on the first business day after the calculation thereof.

7.5.14. Time limit for position coverage maintenance

All the requests, acceptances and cancellations associated with the maintenance of **position coverage** in the **equities market** can be submitted by no later than 7:30 PM. All the requests, acceptances and cancellations associated with the maintenance of **position coverage** in the **government bond market** can be submitted by no later than 6:00 PM.

For prudential or operational reasons, the **clearinghouse** may, at its sole discretion, advance or postpone the end of the time limit for maintenance of **position coverage**. The **clearinghouse** will send a prior notice to **participants** in case of advancement or postponement of the end of said time limit. A postponement notice will only be issued in case the new end time causes an impact to **participants**' processes.

7.5.15. Blocking position coverage for government debt assets

The transfer of **assets** from the government debt **assets** deposit **purpose** (21) to the government debt **assets position coverage purpose** (22) constitutes a separate balance in the **settlement** of **transactions** carried out at the **clearinghouse**.

7.6. Lending position maintenance

Securities lending positions are maintained by the **clearinghouse** until the expiration thereof and are subject to cancellation, modification, renewal and early **settlement**, according to the rules set forth in the following subsections.

7.6.1. Cancellations

Cancellation of a **securities lending** agreement is a process whereby the relevant agreement is cancelled, so that the quantity of **assets** in the **lending** agreement is returned to the **deposit account** of the **lender investor**, with no effects on cash **settlement**.

A cancellation request is only allowed to be submitted on the date the **lending** agreement is executed. The **participant** responsible for the **borrower investor**, the **participant** responsible for the **lender investor** and the **custody agent** appointed in the custodian indication, if any, must submit a formal request and supporting documentation for the operational error that may have occurred. In the case of a lending **position** that is being used for **margin** credit purposes, the cancellation request is subject to risk criteria, pursuant to the **clearinghouse** risk management manual.

The formal cancellation request must be signed:

1. By the **participant**'s attorneys-in-fact, with the consent of the **participant**'s Internal Controls Officer or Market Relations Officer, provided the officer who has not signed the letter is included among the recipients of the electronic message that forwards the letter; or

2. Only by the **participant**'s attorneys-in-fact, provided the letter is replaced by another letter with the same content signed by one of the aforementioned officers.

The request is subject to review by the **clearinghouse** which, at its sole discretion, may require additional documentation.

7.6.2. Modifications

Modification of a **securities lending** agreement is a process whereby the **full trading participant** or the **settlement participant** responsible for the relevant **position** requests certain parameters in the agreement to be modified, upon the acceptance of the **participant** that holds the opposite **position**, or custody changes to be implemented, upon the acceptance of the **custody agent** responsible for the **deposit account** subject to modification.

For agreements originating from **registration**, the **borrower** or **lender full trading participant** or **settlement participant** in the **securities lending** agreement may request modifications to the parameters listed below, which will be implemented only after the acceptance of the **full trading participant** or **settlement participant** holding the

opposite **position** in the **securities lending** agreement, subject to risk assessment by the **clearinghouse**:

- Grace date;

- Callable feature for **lender**; and

- Callable feature for **lender** in the case of tender offer and equities **securities lending**.

The **borrower** or **lender full trading participant** or **settlement participant** in the **lending** agreement may request modifications to custody information, as listed below, which will only be implemented after the acceptance of the **custody agent** responsible for the **deposit account** subject to modification:

- **Custody agent**;

- **Deposit account** in the case of equities **securities lending**;

- **Federal government bond deposit account** in the case of government debt **securities lending**;

- **Subaccount** in the case of equities **securities lending**; and

- **Purpose** in the case of government debt **securities lending**.

In connection with **subaccount** modifications in the case of equities **securities lending**, the following situations and rules apply:

- For **lending** agreements, only modifications between the free **subaccount** (2101-6) and the **subaccount** utilized in posting **participants' collateral** in favor of the **clearinghouse** (2390-6) and the **subaccount** utilized for control of assets by the **participant** (2906-8) are allowed to be included; and

- For borrowing agreements, only modifications between the free **subaccount** (2101-6) and the **subaccount** utilized in the **coverage** of **securities lending** agreements (2201-2) and the **subaccount** utilized for control of assets by the **participant** (2906-8) are allowed to be included.

When the **custody agent** established in the agreement is substituted, the new **custody agent** must first accept its appointment, by 7:45 PM, for the former **custody agent** to be notified.

When the **full trading participant** or the **settlement participant** that carries the **position** on the **securities lending** agreement has the same **participant** code as the

custody agent established in the agreement, the **custody agent** is not required to accept the modifications involving **custody** details.

If the **position** is covered, the **custody agent** established in the agreement cannot be substituted.

In the early settlement of **securities lending** agreements, once the respective **settlement** instruction is created, any modifications to the **custody agent** and other custody information will not be updated in the previously created **settlement** instruction.

Modification requests may be submitted as of the first business day after execution of the **securities lending** agreement (T+1) up to one (1) business day before the expiration date of the agreement (Te−1), by no later than 7:30 PM. In the event that the relevant acceptance is not submitted by the end of the request date, the modification request is cancelled by the **clearinghouse**.

For fixed income ETF agreements, after the custodian substitution and/or the custody **account** modification by the **lender**, the analytical balance, with information on price and acquisition date of the **assets** lent in the agreement, is transferred to the new **custody agent** or custody **account.**

Participants may submit and accept requests via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

7.6.3. Renewals

Renewal of a **securities lending** agreement is a process whereby the **full trading participant** or the **settlement participant** (the latter in the case of the **government bond market**) tha t registered the original **position** submits a request for the renewal of the relevant agreement, upon the acceptance of (i) the **participant** responsible for the **position**, in case a carrying **participant** was appointed upon execution, except in the situation described in subsection 7.6.7.3 of this manual, (ii) the **full trading participant** or **settlement participant** holding the opposite **position**, and (iii) the **borrower** and **lender custody agents**. In order to be implemented, the renewal request is subject to risk assessment by the **clearinghouse**.

The **securities lending** agreements that are mandatorily borrowed by a **settlement participant** in the **delivery failure** management process are not liable to be renewed.

In the renewal process, the following parameters may be modified by agreement between the parties, according to the contract underlying **asset**:

(a) Execution of government debt **assets** and fixed income ETF:

▪ Quantity equal to or less than that of the original agreement;

▪ **Lending** fee;

▪ Percentage of adjustment to an index in the case of government debt **assets**;

▪ Adjustment index in the case of government debt **assets**;

▪ Expiration date;

▪ Grace date; and

▪ Callable feature for **lender**;.

For government debt **securities lending** agreements, the **lending** fee and the percentage of adjustment, with the corresponding index, cannot be stated in the same request.

(b) Execution of equities:

▪ Quantity lower than or the same as the original agreement; and

▪ **Lending** fee.

In the case of agreements of equities, the new expiration date is defined according to the type of agreement, the new grace date is defined to the next business day and the reversibility data is copied from the original agreement.

When the **delivery** or the receipt of the **assets** backing the agreement is transferred to a **custody agent**, said **custody agent** must also accept the renewal request.

When the **full trading participant** or the **settlement participant** that carries the **position** on the **securities lending** agreement has the same **participant** code as the **custody agent** established in the agreement, the **custody agent** is not required to accept the renewal request.

Renewal requests for equities **securities lending** may be submitted as of the grace date of the agreement up to three (3) business days before the expiration date thereof (Te−3), by no later than 2:00 PM. In case of fixed income ETF shares **lending,** the renewal may be submitted up to two (2) business days before the expiration date thereof (Te−2). In case a carrying **participant** is appointed when the **transaction** is executed, said **participant** (i) cannot submit a renewal request for the relevant agreement and (ii) must accept or reject a renewal request by no later than 2:30 PM on the same date the request

is submitted. In the absence of acceptance or rejection by the carrying **participant** by the end of the specified time limit, the renewal request is automatically accepted.

After being notified of a renewal request, the executing **participant** of the opposite **position** must either accept it or reject it by no later than 4:00 PM. The carrying **participant** of that **position**, if any, must accept the renewal request or reject it by no later than 4:30 PM. In the absence of acceptance or rejection by the carrying **participant** by the end of the specified time limit, the renewal request is automatically accepted.

Following the acceptance of both executing and carrying **participants**, the **custody agents** must accept or reject the renewal request by no later than 5:30 PM. In the absence of acceptance or rejection by **custody agents** by the end of the specified time limit, the renewal request is automatically rejected.

Renewal requests for government debt **securities lending** may be submitted as of the grace date of the agreement up to five (5) business days before the expiration date thereof (Te−5), by no later than 2:00 PM. In case a carrying **participant** is appointed when the **transaction** is executed, said **participant** (i) cannot submit a renewal request for the relevant agreement and (ii) must accept or reject a renewal request by no later than 2:30 PM on the same date the request is submitted. In the absence of acceptance or rejection by the carrying **participant** by the end of the specified time limit, the renewal request is automatically accepted.

After being notified of a renewal request, the executing **participant** of the opposite **position** must either accept it or reject it by no later than 4:00 PM. The carrying **participant** of this **position**, if any, must accept the renewal request or reject it by no later than 4:30 PM. In the absence of acceptance or rejection by the carrying **participant** by the end of the specified time limit, the renewal request is automatically accepted.

Following the acceptance of both executing and carrying **participants**, the **custody agents** must accept or reject the renewal request by no later than 5:30 PM. In the absence of acceptance or rejection by **custody agents** by the end of the specified time limit, the renewal request is automatically rejected.

On the renewal date of the government debt **securities lending**, the reference price of the agreement is established based on the average price of the relevant **asset** observed on the previous business day, defined pursuant to the specifications of the corresponding government debt **securities lending** agreement.

On the third business day before expiration (Te-3), agreements of equities with an outstanding quantity and which are not in a **settlement** process, will be automatically

renewed, maintaining the characteristics of the original agreement, with the new expiration date and the lending fee, according to the type of agreement.

In the case of **corporate action** applicable to the contract underlying **asset**, on the following business day of the **asset** update date in the **B3 central depository**, the lending fee of the new contract is defined as follow:

- **Corporate action** that does not result in a change of the contract underlying **asset**: the average market rate determined on the previous business day, according to the contract specifications;

- **Corporate action** that results in a change of the contract underlying **asset**, due to the update of the issuer's corporate name or the trading code of the underlying **asset**: the average market rate determined on the previous business day, according to the contract specifications; and

- Other **corporate actions** that result in a change of the contract underlying **asset**: the original contract rate is applied to the new contract.

In the event of the impossibility of determining and consequently disclosing the average market rate for the contract underlying **asset**, the lending fee of the original contract is used for automatic renewal and the generation of the new contract.

On the renewal date, the reference price of the agreement in question is established based on the average price of the **asset** verified on the previous business day.

On the first business day following renewal, the compensation associated with the **securities lending** agreement and B3's fees are settled in the **multilateral net balance**. The financial values are calculated on a prorated basis from the execution date to the day the renewal request was submitted.

Participants may submit and accept requests via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

7.6.4. Early settlements

Early **settlement** of a **securities lending** agreement is a process whereby the **full trading participant** or the **settlement participant** that carries the **position** requests the relevant agreement to be settled on a date prior to the expiration date thereof, provided this provision is stipulated in the agreement.

When any such request is submitted by the **borrower full trading participant** or **settlement participant**, the **settlement** of the **lending** agreement is scheduled for the first business day after the request date (Tr+1). In the case of custodian indication, the appointed **custody agent** must also accept the early **settlement** request. The **borrower** may submit an early **settlement** request as of the grace date of the agreement up to two (2) business days before the expiration date thereof (Te−2).

When the **full trading participant** or the **settlement participant** that carries the **position** on the **securities lending** agreement has the same **participant** code as the **custody agent** established in the agreement, the **custody agent** is not required to accept early **settlements** submitted by the **borrower**.

When an early **settlement** is submitted for an equities **securities lending** agreement by the **lender full trading participant** or **settlement participant**, the **settlement** thereof is scheduled for the second business day after the request date (Tr+2), when submitted up to 9:30 AM, or for the third business day after the request date (Tr+3), when submitted after 9:30 AM. For a fixed income ETF **securities lending** agreement, the early **settlement** request by the lender is scheduled for the first business day after the request date (Tr+1)**,** when submitted up to 9:30 AM,) or on the second business day after the request date (Tr+2), when submitted after 9:30 AM. The **lender** may submit an early **settlement** request:

Finally, for a government debt **securities lending** agreement, the early **settlement** request by the **lender** is scheduled for the fourth business day (Tr+4) after the request date. The **lender** may submit the early **settlement** request as of the grace date of the agreement up to the day when the **settlement** date is not scheduled (i) for a later date to the expiration date of the agreement, for equities **securities lending** agreement, and (ii) for a date later than or equal to the expiration date, for **lending agreements** on the other assets.

On the **settlement** date, whether by expiration or early **settlement**, the **assets**, the compensation of the **securities lending** agreement and B3's fees are settled in the **multilateral net balance**. For the agreements executed via **registration** or electronic **trading** with settlement on T+0, the financial values are calculated on a prorated basis from the execution date to the business day preceding the **settlement** date of the agreement, except for B3's fees, which are accounted for through to the **settlement** date. For transactions executed in electronic trading mode with T+1 **settlement**, the financial values are calculated on a prorated basis as of the first business day following the execution date up to the **settlement** date of the agreement.

For government debt **securities lending** agreements, the financial values are calculated on a prorated basis from the execution date to the **settlement** date of the agreement.

An exception to the rules referred to above occurs when the **borrower full trading participant** or the **borrower settlement participant** requests an early **settlement** to be implemented on the same day of the **transaction registration** (T+0). In this case, the request does not consider the grace date and the **settlement** is processed on the first business day (T+1) after the request date. The financial value considers compensation of the **securities lending** agreement relating to one-day rates.

Early **settlement** requests can be submitted by 7:30 PM and accepted, by no later than 7:45 PM. In the event that the relevant acceptances are not submitted by the end of the request date, the early **settlement** request is cancelled by the **clearinghouse**.

Participants can submit and accept requests via **clearinghouse** system screen or electronic **messages**, in the format specified in the B3 **message** and file catalog.

7.6.5. Modification or renewal request cancellations

When a modification or renewal request is not accepted by all the parties involved, the **full trading participant** or **settlement participant** may submit a request for the cancellation of the corresponding request, which is immediately processed. That request may be submitted via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

If the request has already been processed, the cancellation thereof is no longer possible.

7.6.6. Early settlement request cancellations

When an early **settlement** request submitted by the **borrower** is pending acceptance by the **custody agent**, the **full trading participant** or **settlement participant** may submit a request for the cancellation thereof, which is immediately processed.

When the early **settlement** request submitted by the **borrower** is not pending acceptance by the **custody agent**, the **full trading participant** or **settlement participant** may submit a request for the cancellation thereof, but only on the same day the early **settlement** request is submitted. The **custody agent** must accept the cancellation request. Upon the acceptance of the **custody agent**, the **full trading participant** or the **settlement participant** that holds the opposite **position** in the

securities lending agreement must accept the cancellation of the corresponding request.

The **full trading participant** or **settlement participant** may submit a request for the cancellation of an early **settlement** request submitted by the **lender** up to the business day preceding the **settlement** date of the agreement. The **full trading participant** or the **settlement participant** that holds the opposite **position** in the **securities lending** agreement must accept the cancellation thereof.

Participants can submit and accept requests via **clearinghouse** system screen or electronic **messages**, in the format specified in the B3 **message** and file catalog.

Requests for the cancellation of early **settlement** requests can be submitted by 7:30 PM and accepted by no later than 7:45 PM.

7.6.7. Maintenance of transactions resulting from equities securities lending intermediation

In the case of **transactions** executed via electronic trading with **settlement** on T+1 and after the end of the time frame for acceptance of custody indication, the **clearinghouse** automatically links all of the agreements registered in the broker-dealer **account**, using a unique numeric identifier, generated by the **position control** system, for each intermediation.

In the case of **transactions** executed via **registration**, the **full trading participant** will communicate, in the **position control** system, the **lending** and **borrowing** agreements registered with the use of the broker-dealer **account** and which shall comprise the new intermediation of **securities lending transactions**. At this moment, the following validations are performed regarding the agreements comprising the intermediation:

▪ The communicated agreements must have the same **underlying asset**, consideration charged, trading date, expiration date and minimum grace period, as well as have a callable feature for the **lender**;

▪ The agreements between the **borrower investor** that is holder of the intermediation account and the **lender investors** must have the **full trading participant** as the executing **participant**, carrying **participant** and **custody agent**, except when there is a **give-up** indication on the lending side of the contract to a destination **account** that is in a **settlement participant** of the same **financial conglomerate** of the **full trading participant**. Custody assignment on the contract **lender** side is only

admitted when the designated **custody agent** has the same operational code of the **carrying participant**. The **lender participant** must be an individual, investment club or non-financial corporation;

- The agreements that the **lender investor** is the same holder of the broker-dealer **account** must have the **full trading participant** as executing **participant**, carrying **participant** and **custody agent**;

- The agreements executed via the broker-dealer **account**, as **lender investor** or **borrower investor**, cannot use the **collateral subaccount** (2390-6);

- The same agreement cannot simultaneously be part of more than one intermediation;

- Contracts where the **borrower investor** is the intermediation **account** itself cannot have a **covered** quantity;

- The sum of the quantities of agreements in which the holder of the broker-dealer **account** appears as a **lender investor** must be the same as the sum of the agreements in which the holder of the broker-dealer **account** appears as **borrower investor**; and

- The agreements cannot be pending of modification, renewal, early **settlement** or transfer.

After validation, if all the conditions necessary for creation of intermediation are met, the **position control** system links the agreements communicated by the **full trading participant**, generating a unique identification number for intermediation.

All contracts in which the **investor** is the intermediation **account** itself have their **subaccount** information automatically changed as follows:

- Contracts where the **borrower investor** is the intermediation **account** itself has its **subaccount** information changed, at the time the contract is received from **registration** by the **clearinghouse system**, from the **coverage subaccount** (2201-2) to free **subaccount** (2101-6); and

- After the creation of the intermediation, the **subaccount** of contracts from **registration**, where the **borrower investor** is the intermediation **account** itself, is changed from the **coverage subaccount** (2201-2) to the free **subaccount** (2101-6).

In the case of an operational error, the **clearinghouse** may, at its sole discretion and upon the request of the **full trading participant**, perform the link, as components of the same intermediation, of agreements with different trading dates or considerations owed.

7.6.7.1. Lender modification

Lender modification is the process whereby the **full trading participant** requests substitution from the **clearinghouse**, in an intermediation already registered in the **position control** system, of one or more agreements in which it appears as **borrower investor**.

To request **lender** modification, the **full trading participant** must, in the **securities lending system**, perform a new execution with a **lender investor** of individual, investment club or non-financial institution type, registering it in the broker dealer **account**.

After execution, the **full trading participant** must, in the **position control** system, perform the substitution, entering the number of the intermediation, the agreements to be substituted and the new agreements to comprise the intermediation. The substituted agreements are early **settled** by the **borrower**, requested automatically by the system.

To execute the lender modification process, the position control system performs the following validations:

- The communicated agreements must have the same **underlying asset**, expiration date and minimum grace period, and be callable by the **lenders**;

- The agreements must have the **full trading participant** as executing **participant**, carrying **participant** and **custody agent**, except when there is a **give-up** indication on the **lender** side of the contract to a destination account that is in the **settlement participant** of the same **financial conglomerate** of the **full trading participant.** Custody indication on the contract **lender** side only is admitted when the designated **custody agent** has the same operational code of the **carrying participant**.

- The **lender investors** must be of the individual, investment club or financial corporation type;

- The agreements executed via broker dealer **account** cannot use the **collateral subaccount** (2390-6);

- A same agreement cannot simultaneously be part of the same intermediation;

- The sum of the quantities of substituted agreements must be the same as the sum of the quantities of the new agreements comprising intermediation; and

- The agreements cannot be pending of modification, renewal, early **settlement** or transfer.

The **lender** modification may be requested for a **loan** executed via electronic trading with T+1 **settlement**, to be substituted by a loan executed via securities lending registration, as long as there is compliance with the above listed restrictions.

7.6.7.2. Agreement modification

The **securities lending** agreements that comprise an intermediation registered in the **position control** system cannot have their attributes modified by the **full trading participant** that is holder of the broker dealer **account**.

7.6.7.3. Agreement renewal

The **securities lending** agreements that comprise an intermediation registered in the **position control** system may be renewed upon the request and approval of all the **participants** involved.

The position renewal process for agreements that comprise an intermediation works as follows:

- Following the same rules and same timetables established in subsection 7.6.3, the agreements where the holder of the broker dealer **account** appears as **lender investor** may be fully or partially renewed;

- After effecting the renewal process, the **position control** system identifies via the intermediation number, the agreements where the broker dealer **account** holder appears as the **borrower investor** and performs renewal automatically, using the same renewal attributes established in subsection 7.6.3. There is no approval from the **carrying participant** or **custody agent** for the renewal of this contract;

- In the case of partial renewal, that is, where the renewal does not encompass the full quantity of the intermediation, the **full trading participant** must enter into the **position control** system which agreements, and respective quantities, must be renewed. If the **full trading participant** does not communicate the agreements to be renewed by the time limit for maintaining agreements in a broker dealer **account**, the **position control** system effects automatic renewal in the following order:

- ▪ Agreements with greater quantities; and

- ▪ Agreements with older numbering.

If during the renewal process an agreement is not renewed due to a rule breach, the **position control** system communicates the occurrence to the **full trading participant** that is the holder of the broker dealer **account**.

7.6.7.4. Position transfer

The **securities lending** agreements that comprise an intermediation cannot be transferred, except in the cases described in subsection 7.6.7.6.

7.6.7.5. Early settlement of the agreement

The **securities lending** agreements that comprise an intermediation registered in the **position control** system may be early settled, upon the request of the participants involved.

In the case of early **settlement** by the **lender**, the **full trading participant** or **settlement participant,** responsible by the **lender** investor**,** requests early **settlement** of the agreements that have the broker dealer **account** as borrower investor. The **position control** system automatically executes the early **settlement** request in the agreements entered into between the broker dealer account, as **lender investor**, and the **borrower investor**.

In the case of early **settlement** by the **borrower**, the **full trading participant** responsible for the **borrower investor** requests early **settlement** of the agreements that have the broker dealer **account** as **lender investor**. The **position control** system automatically executes the early **settlement** request of the agreements that comprise the same intermediation, in which the **full trading participant** appears as a **borrower investor**.

In the case of partial early **settlement** by the **borrower**, in other words, which does not encompass the full volume for the intermediation, the **full trading participant** must inform the **position control** system which intermediation agreements, among those in which the **full trading participant** appears as **borrower investor**, must be settled, and the respective quantities. If the **full trading participant** does not communicate the agreements to be settled by the time limit for maintenance of the agreements in an intermediation **account**, the position control system effects **settlement** in the following order:

- Agreements with greater quantities; and

- Agreements with older numbering.

If during the early **settlement** process an agreement is not **settled** due to a rule breach, the **position control** system informs this fact to the **full trading participant** that is the broker dealer **account** holder.

7.6.7.6. Assumption of transactions originating from securities lending intermediation

In the case of **default** or out-of-court liquidation of the **full trading participant** that is holder of the broker dealer **account**, according to the **clearinghouse** rules and risk management manual, the **securities lending** agreements that comprise an intermediation may, at the discretion of the **clearinghouse** or settlement agent, respectively, be transferred to another **full trading participant**.

If transfer cannot be executed using a broker dealer account of the **carrying participant**, there is assumption of the agreements, whereby the original agreements will be substituted by new agreements, without use of the broker dealer **account**, directly between the **lender investor** and **borrower investor**.

Maintenance of transactions resulting from **securities lending** intermediation may be performed up until 8:00 PM of the request date.

For prudential or operational reasons, the **clearinghouse** may, at its sole discretion, advance or postpone the end of the time limit for maintenance of **securities lending positions**. The **clearinghouse** will send a prior notice to **participants** in case of advancement or postponement of the end of said time limit. A postponement notice will only be issued in case the new end time causes an impact to **participants**' processes.

The **participants** may perform the procedures described in subsection 7.6.7. via the clearinghouse system's screens or by sending electronic **messages** to the **clearinghouse** according to the format established in B3's **messages** and files catalog.

7.7 Specific collateral repo position maintenance

Positions in **specific collateral repos** are maintained by the **clearinghouse** until the expiration thereof and are subject to cancellation, modification, renewal and early **settlement**, in accordance with the rules set out in the following subsections.

7.7.1. Cancellations

Cancellation of a **specific collateral repo** is a process whereby the **assets** backing the agreement return to the selling **investor**'s **deposit account** with SELIC and the financial value of the **transaction** returns to the buying **investor**.

A cancellation request is only allowed to be submitted on the date the **specific collateral repo** agreement is executed. The **participant** responsible for the buying **investor**, the **participant** responsible for the selling **investor** and the **custody agent** appointed in the custodian indication, if any, must submit a formal request and supporting documentation for the operational error that may have occurred.

The formal cancellation request must be signed:

1. By the **participant**'s attorneys-in-fact, with the consent of the **participant**'s Internal Controls Officer or Market Relations Officer, provided the officer who has not signed the letter is included among the recipients of the electronic message that forwards the letter; or

2. Only by the **participant**'s attorneys-in-fact, provided the letter is replaced by another letter with the same content signed by one of the aforementioned officers.

The request is subject to review by the **clearinghouse** which, at its sole discretion, may require additional documentation.

7.7.2 Modifications

Modification of a **specific collateral repo** agreement is a process whereby the **full trading participant** or the **settlement participant** responsible for the relevant **position** requests certain parameters in the agreement to be modified, upon the acceptance of the **participant** that holds the opposite **position**, or custody changes to be implemented, upon the acceptance of the **custody agent** responsible for the **deposit account** with the **B3 central depository** subject to modification.

At the time of modification, the **clearinghouse** checks for whether the designated **deposit account** with the **B3 central depository** has a **SELIC deposit account link**. If there is no such **link**, the **clearinghouse** automatically rejects the concerned modification to the agreement.

The buyer or seller **full trading participant** or **settlement participant** in the **specific collateral repo** agreement may request modifications to the parameters listed below,

which will be implemented only after the acceptance of the **full trading participant** or **settlement participant** holding the opposite **position** in the agreement, subject to risk assessment by the **clearinghouse**:

- Grace date;

- Callable feature for buyer; and

- Callable feature for seller.

The buyer or seller **full trading participant** or **settlement participant** in the **specific collateral repo** agreement may request modifications to custody information, as listed below, which will only be implemented after the acceptance of the **custody agent** responsible for the **SELIC deposit account** subject to modification:

- **Custody agent**; and

- **Deposit account**.

At the time of modification, the **clearinghouse** checks for whether the **deposit account** with the **B3 central depository** carries a **SELIC deposit account link**. If there is no such **link**, the **clearinghouse** automatically rejects the concerned modification to the agreement.

When the **custody agent** established in the agreement is substituted, the new **custody agent** must first accept its appointment, by no later than 7:15 PM, for the former **custody agent** to be notified.

When the **full trading participant** or the **settlement participant** that carries the **position** in the **specific collateral repo** agreement has the same **participant** code as the **custody agent** established in the agreement, the **custody agent** is not required to accept modifications involving custody details.

If the **position** is covered, the **custody agent** established in the agreement cannot be substituted.

In the early settlement of **specific collateral repo** agreements, once the respective **settlement** instruction is created, any modifications to the **custody agent** and other custody information will not be updated in the previously created **settlement** instruction.

Modification requests may be submitted as of the first business day after execution of the **specific collateral repo** agreement (T+1) up to one (1) business day before the expiration date of the agreement (Te−2), by no later than 7:00 PM. In the event that the

relevant acceptance is not submitted by the end of the request date, the modification request is cancelled by the **clearinghouse**.

Participants may submit and accept requests via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

7.7.3 Renewals

Renewal of a **specific collateral repo** agreement is a process whereby the **full trading participant** or the **settlement participant** that registered the original **position** submits a request for the renewal of the relevant agreement, upon the acceptance of (i) the **participant** responsible for the **position**, in case a carrying **participant** was appointed upon execution, (ii) the **full trading participant** or **settlement participant** holding the opposite **position** and (iii) the buyer or seller **custody agents**. In order to be implemented, the renewal request is subject to risk assessment by the **clearinghouse**.

In the renewal process, some of the following parameters may be modified by agreement between the parties:

▪ Quantity equal to or less than that of the original agreement;

▪ Repo fee;

▪ Percentage of adjustment to an index;

▪ Adjustment index;

▪ Expiration date;

▪ Grace date;

▪ Callable feature for seller; and

▪ Callable feature for buyer.

When the **delivery** or the receipt of the **assets** backing the agreement is transferred to a **custody agent**, said **custody agent** must also accept the renewal request.

When the **full trading participant** or the **settlement participant** that carries the **position** in the **specific collateral repo** agreement has the same **participant** code as the **custody agent** established in the agreement, the **custody agent** is not required to accept the renewal request.

Renewal requests may be submitted as of the grace date of the agreement up to five (5) business days before the expiration date thereof (Te−5), by no later than 2:00 PM. In

case a carrying **participant** is appointed when the **transaction** is executed, said **participant** (i) cannot submit a renewal request for the relevant agreement and (ii) must accept or reject a renewal request by no later than 2:30 PM on the same date the request is submitted. In the absence of acceptance or rejection by the carrying **participant** by the end of the specified time limit, the renewal request is automatically accepted.

After being notified of a renewal request, the executing **participant** of the opposite **position** must either accept it or reject it by no later than 4:00 PM. The carrying **participant** of this **position**, if any, must accept the renewal request or reject it by no later than 4:30 PM. In the absence of acceptance or rejection by the carrying **participant** by the end of the specified time limit, the renewal request is automatically accepted.

Following the acceptance of both executing and carrying **participants**, the **custody agents** must accept or reject the renewal request by no later than 5:30 PM. In the absence of acceptance or rejection by **custody agents** by the end of the specified time limit, the renewal request is automatically rejected.

On the first business day following renewal, B3's fees and the difference between the renewed **transaction** value and the new **transaction** value are settled in the **multilateral net balance**. The financial values of repurchase and reverse repurchase are calculated on a prorated basis from the execution date to the day the renewal request was submitted.

On the renewal date, the reference price of the agreement is established based on the average price of the federal government bond verified on the previous business day, defined pursuant to the specifications of the relevant **specific collateral repo** agreement.

For **specific collateral repo** agreements, the time period count considers business days, as defined in chapter 5.

Participants may submit and accept requests via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

7.7.4 *Early settlements*

Early **settlement** of a **specific collateral repo** agreement is a process whereby the **full trading participant** or the **settlement participant** that carries the **position** submits a request for the relevant agreement to be settled on a date prior to the expiration date thereof, provided this provision is stipulated in the agreement.

When any such request is submitted by the buyer or seller **full trading participant** or **settlement participant**, the **settlement** of the agreement is scheduled for the fourth business day after the request date (Tr+4). In case of custodian indication, the appointed **custody agent** must also accept the early **settlement** request.

When the **full trading participant** or the **settlement participant** that carries the **position** in the **specific collateral repo** agreement has the same **participant** code as the **custody agent** established in the agreement, the **custody agent** is not required to accept early **settlements** submitted by the buyer.

Early **settlement** requests may be submitted as of the grace date of the agreement up to the day when the **settlement** date is not scheduled for the same date as the expiration date of the agreement or for a later date to the expiration date of the agreement.

On the **settlement** date, whether by expiration or early **settlement**, the **assets**, the updated value of the **transaction** and B3's fees are settled in the **multilateral net balance**.

For **specific collateral repo** agreements, the time period count considers days in number of reserves.

Early **settlement** requests can be submitted and accepted by no later than 7:00 PM. In the event that the corresponding acceptances are not submitted by the end of the request date, the early **settlement** request is cancelled by the **clearinghouse**.

Participants can submit and accept requests via **clearinghouse** system screen or electronic **messages**, in the format specified in the B3 **message** and file catalog.

7.7.5 Modification or renewal request cancellations

When a modification or renewal request is not accepted by all the parties involved, the **full trading participant** or **settlement participant** may submit a request for the cancellation of the corresponding request, which is immediately processed. Such request may be submitted via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

If the request has already been processed, the cancellation thereof is no longer possible.

7.7.6 Early settlement request cancellations

The **full trading participant** or **settlement participant** may submit a request for the cancellation of an early **settlement** request submitted by the seller or the buyer up to the first business day prior to the **settlement** date of the agreement. The **full trading participant** or the **settlement participant** that holds the opposite **position** in the **specific collateral repo** agreement must accept the cancellation thereof.

When an early **settlement** request submitted by the buyer is pending acceptance by the **custody agent**, the **full trading participant** or **settlement participant** may submit a request for the cancellation thereof, which is immediately processed.

When the early **settlement** request submitted by the buyer is not pending acceptance by the **custody agent**, the **full trading participant** or **settlement participant** may submit a request for the cancellation thereof, but the **custody agent** must accept this cancellation request. Upon the acceptance of the **custody agent**, the **full trading participant** or the **settlement participant** that holds the opposite **position** in the **specific collateral repo** agreement must accept the cancellation of the corresponding request.

Participants can submit and accept requests via **clearinghouse** system screen or electronic **messages**, in the format specified in the B3 **message** and file catalog.

7.8 Securities lending position notifications

B3 sends income and reimbursement reports in connection with **securities lending positions** directly to individual and corporate **investors**, as follows:

Reimbursement reports for legal entities, which are sent on a quarterly basis to corporate **investors** with information on the financial values associated with **corporate actions** reimbursed to **lenders** and recorded in the period;

▪ Reimbursement reports for individuals, which are sent on an annual basis to individual **investors** with information on the financial values associated with **corporate actions** reimbursed to **lenders** and recorded in the previous year;

▪ Income reports for legal entities, which are sent on a quarterly basis to corporate **investors** with information on income generated by **securities lending** agreements to **lenders** and recorded in the period; and

▪ Income reports for individuals, which are sent on an annual basis to individual **investors** with information on income generated by **securities lending** agreements to **lenders** and recorded in the previous year.

These reports are sent by electronic mail, whose content is protected by encryption and personal password, or provided in hard-copy format, or both, under the option chosen by the **investor**.

7.9 Processing corporate actions and government bond interest payments

The **position management** system is responsible for adjusting open **positions** to each **corporate action** or government bond interest payment applicable to the **assets** underlying the **positions** held in this system, as well as for the identification, registration and update of the rights and obligations of **participants**.

The way **positions** will be managed depends on each type of **position** and on the corresponding events, which may be ranked as follows:

1. <u>**Corporate actions** in cash</u>. An **issuer**'s decisions regarding the **assets** of its issuance that are deposited with the **B3 central depository** and that result in the payment of funds are considered as **corporate actions** in cash. Examples: dividends, interest on equity, other cash distributions, capital refunds, interest payments, income, and amortizations;

2. <u>**Corporate actions** in **assets** without changing the underlying **asset**</u>. An **issuer**'s decisions regarding the **assets** of its issuance that are deposited with the **B3 central depository** and that result in the modification of the quantity of **assets** of the same type, category or class are considered as **corporate actions** in **assets** without changing the underlying **asset**. Examples: splits, reverse splits and bonus shares;

3. <u>**Corporate actions** in **assets** changing the underlying **asset**</u>. An **issuer**'s decisions regarding the **assets** of its issuance that are deposited with the **B3 central depository** and that result in the credit of **assets** of a different type, category or class from the original **assets** are considered as **corporate actions** in **assets** changing the underlying **asset**. Examples: mergers, spin-offs and acquisitions;

4. <u>**Corporate actions** automatically generating rights in the **B3 central depository** - subscription rights</u>;

5. <u>**Voluntary corporate actions**</u>. An **issuer**'s decisions regarding the **assets** of its issuance that are deposited with the **B3 central depository** and that provide the

investor holding such **assets** or the relevant **position** with the option to choose between exercising and not exercising an event are considered as **voluntary corporate actions**. Examples: preemptive rights, priority offers, tender offers, and voluntary conversions; and

6. Government bond interest payments. These payments apply to coupon-bearing federal government bonds.

When the **asset** liquidity is significantly impacted or in the cases where the **asset** is redeemed by the **issuer**, B3 may cash settle the outstanding **positions** or accelerate the maturity thereof, and the processing described in this section will be applied according to the type of **position**.

If there are changes to the original characteristics of the **corporate action** and it is not possible to reverse an already-implemented processing, at the sole discretion of B3, the effects thereof on the **positions** will be maintained.

Other **corporate actions** that are not contemplated in this section, or that are contemplated but for which the processing described in this manual does not preserve the originally negotiated economic value, may have the treatment published in advance in a B3 circular letter.

The **corporate actions** may be subject to the incidence of taxes, in accordance with the legislation and regulations applicable to each type of **investor**, and the taxpayer or their representative, as applicable, must be responsible for the **payment** of any eventual tax.

7.9.1. Processing corporate actions for options based on cash market assets

When an event is to be applied, options **positions** are updated in the night processing of the last day before the event is to be processed in the **trading environment**, and the **positions** outstanding on the business day following trade opening will already reflect the relevant **corporate action**.

1. **Corporate actions** in cash

    For cases in which the value of the **corporate action,** net of taxes**,** is lower than the strike price of the option series, only the strike price is updated, according to the following formula:

:

$$SP_{Adj} = SP - CA$$

Where:

SP_{Adj} : the adjusted strike price, expressed in Brazilian reals, rounded to the second decimal place;

SP : the original strike price; and

CA : the value of the **corporate action**, in local currency, net of taxes, considering the value paid by the **issuer**.

For options on Brazilian Depositary Receipts (BDRs), the Brazilian real value of the **corporate action** to be deducted from the original strike price, according to the formula described in the previous paragraph, is the one declared by the BDR program **issuer** to update the **asset** in the cash market on the date it goes from "cum-rights" to "ex-rights."

For cases in which the net value of the **corporate action** is greater than or equal to the strike price of the option series, the **position** quantity and the strike price are updated, according to the procedure described below:

- The call and put options that are open at the end of the date "cum-right" will have their strike price and their quantities adjusted according to the adjustment factor calculated based on the ratio between the prices "cum-right" and "ex-right" of the underlying **asset**.

Update of the strike price, according to the formula below:

$$SP_{Adj} = SP \times F$$

Where:

SP_{Adj} : the adjusted strike price, expressed in Brazilian reals, rounded to the second decimal place;

SP : the original strike price; and

F: conversion factor, according to the **corporate action**:

F	Variables
$$F = \frac{P_{ex}}{P_{com}}$$	P_{ex}= **asset** closing price calculated after the **corporate action** application. P_{com}= **asset** closing price verified before the **corporate action** application

The conversion factor is calculated, rounded to the octave decimal place.

Update of the quantity, according to the formula below:

$$QTY_{Adj} = \frac{QTY}{F}$$

Where:

QTY_{Adj} : the quantity adjusted, truncated to the zero decimal place;

QTY : the original **position** quantity; and

F : the conversion factor

After processing the **corporate action** treatment, if the total quantity of long **positions** is different from the total quantity of short positions, the **clearinghouse** adjusts the **positions** following the criteria below:

(i) Either the long **position** or the short **position** with the smallest total quantity remains unaltered;

(ii) The adjustment factor is calculated by dividing the total quantity of the **position** with the smallest quantity by the total quantity of the opposite side **position**;

(iii) All the **positions** with the largest quantity are corrected by multiplying the quantity adjusted after the **corporate action** by the adjustment factor calculated in paragraph (ii) above; and

(iv) Considering only the whole part of the result calculated in item (iii), the total long and short quantities are once again compared. If there is still a discrepancy, the decimal places of the result calculated in item (iii) above are

sorted in descending order and a quantity is added to the **position** with the largest decimal fraction. This procedure is performed for the subsequent **positions** until the total quantities are equalized.

2. **Corporate actions** without changing the underlying **asset**

The **position** quantity is changed, following the percentages established by the **issuer**, in accordance with the following formula:

$$\textbf{QTY}_{\textbf{Adj}} = \textbf{QTY} \times \textbf{F}$$

Where:

$\textbf{QTY}_{\textbf{Adj}}$: the quantity adjusted, rounded up, or truncated to the nearest whole unit, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

$\textbf{QTY}$: the original **position** quantity; and

$\textbf{F}$: the aggregation factor, according to the relevant **corporate action**, as follows:

Corporate action	F	Variables
Bonus issue/Share splitting	$1 + B$	B is the percentage of bonus/split shares announced by the issuer
Share grouping	$1/ER$	ER is the exchange ratio announced by the issuer

After processing the **corporate action**, if the total quantity of long **positions** is different from the total quantity of short **positions**, the **clearinghouse** adjusts the **positions** following the criteria below:

(i) Either the long **position** or the short **position** with the smallest total quantity remains unaltered;

(ii) The adjustment factor is calculated by dividing the total quantity of the **position** with the smallest quantity by the total quantity of the opposite **position**;

(iii) All the **positions** with the largest quantity are corrected by multiplying the quantity adjusted after the **corporate action** by the adjustment factor calculated in paragraph (ii) above; and

(iv)   Considering only the integer of the result calculated in paragraph (iii) above, the total long and short quantities are once again compared. If there is still a discrepancy, the decimal portions of the result calculated in paragraph (iii) above are sorted in descending order and a quantity is added to the **position** with the largest decimal fraction. This procedure is performed for the subsequent **positions** until the total quantities are equalized.

The strike price is updated, as follows:

$$SP_{Adj} = SP \times \frac{1}{F}$$

Where:

SP_{Adj} :   the adjusted strike price, expressed in Brazilian reals, rounded to the second decimal place;

SP :   the original strike price; and

F :   the aggregation factor, as detailed in the adjustment of quantities.

For a bonus issue on other shares of the same **issuer**, the **position** quantity is not modified, but the strike price is updated according to the following formula:

$$SP_{Adj} = SP - RVB_{OS}$$

Where:

SP_{Adj} :   the adjusted strike price, expressed in Brazilian reals, rounded to the second decimal place;

SP :   the original strike price; and

RVB_{OS} :   the reference value of the bonus issue on other shares of the same **issuer**, calculated according to the following formula:

$$RVB_{OS} = B_{OS} \times \frac{P_{cum,OS}}{(1 + B_{OS})}$$

Where:

B_{OS} :   the percentage of the bonus issue on other shares of the same **issuer**, as announced by the issuer; and

$P_{cum,OS}$:   the cum-rights price of the stock receiving the bonus shares, or the closing price of the stock receiving the bonus shares prior to the ex-rights date.

3. **Corporate actions** changing the underlying **asset**

For the processing described in this section to apply the new underlying asset(s) resulting from the event is(are) assessed as to whether it(they):

(i) Is(Are) listed and traded in a **trading environment** managed by B3;

(ii) May be deposited in the **B3 central depository**;

(iii) Has(have) a sufficiently similar volatility to that of the original **asset**, at the sole discretion of B3;

(iv) Has(have) a sufficiently similar liquidity to that of the original **asset**, at the sole discretion of B3; and

(v) Is(Are) eligible to underlie listed options.

The option instrument and the underlying **asset** are both changed, as detailed below.

Where a **corporate action** results in only one **asset**, a new **position** is generated and the quantity thereof is calculated by the following formula:

$$QTY_N = QTY \times F$$

Where:

QTY_N : the quantity of the new **position** rounded up or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

QTY : the original **position** quantity; and

F : the **asset** exchange ratio, as disclosed by the **issuer**.

The **clearinghouse** applies the following formula to the calculation of the new strike price:

$$SP_{Adj} = SP \times \frac{1}{F}$$

Where:

SP_{Adj} : the adjusted strike price, expressed in Brazilian reals, rounded to the second decimal place;

SP : the original strike price; and

$\mathbf{F}$: the **asset** exchange ratio as disclosed by the **issuer**.

The **clearinghouse** adopts the creation of a basket of **assets** to process the **corporate action** whenever its application results in:

▪ One **asset** and a financial portion, as established by the **issuer**;

▪ **Assets** with or without a financial portion, as established by the **issuer**; or

▪ **Asset**(**s**) liable to underlie listed options and **asset**(**s**) not liable to underlie listed options with or without a financial portion, as established by the **issuer**.

that the referred basket becomes the underlying **asset** of the new options instruments.

In case part of the **assets** generated by the **corporate action** is not liable to underlie listed options, the **clearinghouse** calculates and incorporates into the basket of **assets** the financial portion of the price of the original **asset** associated with such **assets**, to be cash settled on the **settlement** date of the exercise of the option based on the basket.

The cash **settlement** value is (i) debited to the option seller and credited to the option buyer, for call options, and (ii) debited to the option buyer and credited to the option seller, for put options.

To calculate the financial portion, the **clearinghouse** uses as a basis the methodologies presented in the Corporate Actions Pricing Manual, available on the B3 website, the data on the **assets** generated by the **corporate action** and the calculation inputs available on the last trade date of the original **asset**. For the situations not contemplated by the Corporate Actions Pricing Manual, the procedures published in advance in a Circular Letter by B3 shall apply.

If, at its sole discretion, the **clearinghouse** deems that the liquidity or the volatility of the **asset** generated by the **corporate action**, liable to underlie an option, is not sufficiently similar to that of the original **asset**, the **clearinghouse** may determine not to create options **positions** after the **corporate action** is applied and to cash settle the options **positions** in the original **asset**. Based on the closing price of the original **asset** on its last trade date, the **clearinghouse** calculates the **settlement** value of each option series, according to the methodology described in the B3 Pricing Manual – Options, available on the B3 website. The options cash **settlement** value, multiplied by the quantity in each **position**, is settled in the **multilateral net balance** on the second business day after the last trade date of the original **asset**.

The relevant amount is credited to the **investors** holding long option **positions** and debited to the **investors** holding short option **positions**. For the situations not contemplated by the B3 Pricing Manual – Options, the procedures published in advance in a Circular Letter by B3 shall apply.

After the creation of options based on the basket of **assets**, no changes apply to the **position** quantity and original strike price, thus preserving the economic equilibrium for the holders of such **positions**. The quantity of each **asset** included in the basket and, when applicable, the value of the financial portion are calculated considering the option round lot and the **asset** exchange ratio defined by the **issuer**.

The **coverage** of such options is then implemented by the basket of **assets** deposited in the options **coverage subaccount** with the **B3 central depository** system.

As the basket of **assets** is not traded, its creation for **coverage** purposes occurs via the **B3 central depository** system. If the basket consists of **assets** and a financial portion, its creation at the **B3 central depository** must be preceded by the **settlement** of the financial portion at the **clearinghouse**, to be carried out by entering a debit to the **multilateral net balance** of the **investor**'s **account**. In case covered options based on the basket of **assets** are exercised, the **investors** holding covered **positions** must submit a request, to the **B3 central depository**, for the basket to be dismantled in order to proceed with the **settlement** by physical **delivery** of the **assets** deriving from the exercise. If the basket has a financial portion and is dismantled, the **clearinghouse** credits such financial portion to the **multilateral net balance** of the **investor**'s **account**.

Should a **corporate action** apply to an **asset** that is part of a basket producing only an **asset** quantity change, the proportion of such **asset** in the basket is modified to reflect the declared **corporate action**. If the **corporate action** causes an **asset** change, the **clearinghouse** applies the rules established in this subitem to determine the corresponding change to basket components, the replacement of the original **asset** by a financial portion or, ultimately, the cash **settlement** of the option **position**. In the case of **positions** covered by a basket of **assets** at the **B3 central depository**, the basket change, from **asset** to financial portion, generates the need to settle this portion at the **clearinghouse**, to be carried out by entering a debit to the **multilateral net balance** of the **investor**'s **account**.

The exercise of an option generates trades in the basket of **assets**, but said trades are replaced by cash market trades in the **assets** that make up the basket on the exercise date. The number of trades in **assets** that make up the basket is calculated by considering the option round lot and the **asset** exchange ratio defined by the **issuer** and is always calculated in multiple quantities of the quantity calculated for the option round lot.

Should the basket contain fraction units that cannot be settled in the **assets** that make it up, such units will be converted into financial values to be settled on the exercise **settlement** date. In order to convert fractional units into financial values (i) either the **asset** price at the time immediately preceding the exercise, in the case of early exercise, or (ii) the closing price of the **asset** on the exercise date, in the case of automatic exercise, is used. The financial value resulting from the units' conversion will be entered as (i) a debit to the **multilateral net balance** of the option seller and a credit to the **multilateral net balance** of the option buyer, for call options, and as (ii) a debit to the **multilateral net balance** of the option buyer and a credit to the **multilateral net balance** of option seller, for put options.

In the case of a basket containing **assets** and a financial portion, on the **settlement** date of the exercise the value of the financial portion that makes up the basket is settled by multilateral **netting**. The value of the financial portion is entered as (i) a debit to the **multilateral net balance** of the option seller and a credit to the **multilateral net balance** of the option buyer, for call options, and as (ii) a debit to the **multilateral net balance** of the option buyer and a credit to the **multilateral net balance** of option seller, for put options.

The difference, if any, between (i) the sum of the financial volumes of the trades in the **assets** that make up the basket and (ii) the financial volume of the exercise of the option on the basket is cash settled on the exercise **settlement** date in the **multilateral net balance**.

For BDR options, upon termination of the BDR program underlying asset of an option or in the event of a **corporate action** that generates **assets** that are not eligible as underlying of listed option , the **clearinghouse** calculates, based on the closing price of the original **asset** on its last trade date, the **settlement** value for each option series, according to the methodology described in the B3 Pricing Manual – Options, available on the B3 website. The cash **settlement** value of the option series, multiplied by the quantity in each **position**, is settled in the **multilateral net balance** on the second business day after the last trade date of the original **asset**.

The relevant amount is credited to the **multilateral net balance** of the **investors** holding long option **positions** and debited to the **multilateral net balance** of the **investors** holding short option **positions**. Should the BDR subject to a **corporate action** or program termination be a constituent of a basket of **assets**, the **clearinghouse** calculates, based on the closing price of the BDR on its last trade date, the cash **settlement** value in Brazilian reals, in proportion to the BDR quantity in the basket. This financial portion is incorporated into the basket of **assets** and will be settled at the time of exercise. If said BDR is the only **asset** in the basket, the **clearinghouse** proceeds to cash settle the option **position**, as described at the beginning of this paragraph. In the situations not contemplated by the B3 Pricing Manual – Options, the procedures published in advance in a Circular Letter by B3 shall apply.

After processing the **corporate action**, if the total quantity of long **positions** is different from the total quantity of short **positions**, the **clearinghouse** adjusts the **positions** following the criteria below:

(i)   Either the long **position** or the short **position** with the smallest total quantity is considered to be correct;

(ii)   The adjustment factor is calculated by dividing the total quantity of the **position** with the smallest quantity by the total quantity of the opposite **position**;

(iii)   All the **positions** with the largest quantity are corrected by multiplying the quantity adjusted after the **corporate action** by the adjustment factor calculated in paragraph (ii) above; and

(iv)   Considering only the integer of the result calculated in paragraph (iii) above, the total long and short quantities are once again compared. If there is still a discrepancy, the decimal portions of the result calculated in paragraph (iii) above are sorted in descending order and a quantity is added to the **position** with the largest decimal fraction. This procedure is performed for the subsequent **positions** until the total quantities are equalized.

In the event of suspension of trading in an **asset** due to the **issuer**'s bankruptcy or extrajudicial liquidation, the processing contemplated by subsection 7.10 of this manual shall apply.

Should it not be possible to process the **corporate actions** described in this section in a timely manner, options trading might be suspended, pursuant to the provisions set forth in the B3 Trading Rulebook.

In case the processing, as described in this manual, of a **corporate action** contemplated by this section does not preserve the economic value originally traded, or in case of **corporate actions** not contemplated by this section, the procedures published in advance in a Circular Letter by B3 shall apply.

4. **Corporate actions** automatically generating rights in the **B3 central depository** - subscription rights

The **position** quantity does not change, but the strike price is updated according to the following formula:

$$SP_{Adj} = SP - RVR$$

Where:

SP_{Adj} : the adjusted strike price, expressed in Brazilian reals, rounded to the second decimal place;

SP : the original strike price; and

RVR : the reference value of the right, calculated according to the underlying **asset**.

(i) Subscription of new shares

$$RVR = \frac{S}{(1 + S)} \times \max[P_{cum} - P_{Sub}; 0]$$

Where:

P_{cum} : the cum-rights price of the stock, or the closing price of the stock prior to the ex-rights date;

P_{Sub} : the subscription price announced by the **issuer**; and

S : the percentage of the subscription announced by the **issuer**.

(ii) Subscription of another type of stock of the same **issuer**

$$RVR = \frac{S}{(1 + S_{OS})} \times \max[P_{cum,OS} - P_{Sub,OS}; 0]$$

Where:

$P_{cum,OS}$: the cum-rights price of the stock underlying the subscription rights or the closing price of the stock prior to the ex-rights date;

$P_{Sub,OS}$: the subscription price of the stock underlying the subscription rights, as announced by the **issuer**;

S : the percentage of the subscription of the stock to which the rights apply, as announced by the **issuer**; and

S_{OS} : the percentage of the subscription of the other type of stock to which the rights apply, as announced by the **issuer**.

(iii)   Subscription of other **assets**

The reference value is calculated by B3 by considering the characteristics of the **asset** announced by the **issuer**.

5. <u>**Voluntary corporate actions**</u>

i.   Tender offer

In the case of tender offer, with the subsequent end of trading of the **asset** due to the offer, for the options **positions** that are still open on T+3 of the last trading date of the **asset**, the **clearinghouse** proceeds, on that date, the advance of the expiration of all options, removing these **positions** from the **clearinghouse** system at the end of the day.

The financial **settlement** between the seller (debt) and buyer (credit), concerning the expired positions, is carried out on the fourth business day following the last trading date of the **asset**, as per the criteria described below:

Call option:

$$VL = Máximo(PA - PE, 0) * Q$$

Put option:

$$VL = Máximo(PE - PA, 0) * Q$$

Where:

VL = **position settlement** value;

PA = **asset** price defined by the tender offer. If there is the criteria provided by the **issuer** in the offer notice, the **asset** price defined in the tender offer may be corrected from the offer **settlement** date to the date of the financial **settlement** of the option contracts;

PE = option strike price;

Q = **position** quantity.

Options exercise cannot occur if the **settlement** date is greater than or equal to the financial **settlement** date of the **positions**.

For options expiring between the business day following the last trading date of the **asset** and the T+3 from this date, the financial **settlement** between the seller (debt) and buyer (credit) of the **positions** will be carried out on the fourth business day following the last trading date of the **asset**, as described in the formulas above.

Additionally, depending on the characteristics of the tender offer, B3 may determine the treatment to be applied to option **positions**, through a Circular Letter.

There is no specific treatment for the other types of **voluntary corporate actions**.

Contingent on the characteristics of the relevant corporate action, B3 may, at its sole discretion, define the way options **positions** will be managed, which will be disclosed in advance in a Circular Letter.

7.9.2. Processing corporate actions for forward contracts based on assets

Positions in forward contracts based on **assets** are updated in the night processing of the last day before the event is to be processed in the **trading environment**, and the **positions** outstanding on the business day following trade opening will already reflect the relevant **corporate action**.

As soon as a forward **transaction** based on cash market **assets** is executed, all the **corporate actions** announced by the relevant **issuer** become the property of the forward buyer, and the results of any such events are received via the **B3 central depository**.

Forward **positions** in **assets** are updated on a contract-by-contract basis.

1. **Corporate actions** in cash

   The identification of the **asset** underlying the forward instrument is updated.

   If the forward contract is not covered by the selling **investor** until the day the **asset** is to be updated in the **B3 central depository**, regardless of the payment date scheduled by the **issuer** and the implementation thereof, the **position control** system calculates the value of the **corporate action** applicable to the uncovered quantity of the corresponding forward contract, crediting the buyer and debiting the seller in the multilateral **settlement window** on the next business day.

2. **Corporate actions** without changing the underlying **asset**

   The **position** quantity is changed, following the percentages established by the **issuer**, in accordance with the formula:

   $$QTY_{Adj} = QTY \times F$$

   Where:

   QTY_{Adj} : the quantity adjusted, rounded up, or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

   QTY : the original contract quantity; and

   F : the adjustment factor, as announced by the **issuer**.

   The volume of the contract does not change, but as the quantity thereof does a new forward price is calculated, according to the following formula:

   $$PRICE_{Adj} = VOL/QTY_{Adj}$$

   Where:

   $PRICE_{Adj}$: the new forward price;

   VOL : the contract volume (the original quantity times the original price); and

   QTY_{Adj} : the adjusted quantity.

If after the implementation of the **corporate action**, the quantity of the **position** is equal to zero, the financial **settlement** of the contract will occur on the business day following the update of the **asset** in the **B3 central depository**.

Any fractions resulting from the application of the **corporate action** on the **coverage** of the contract are processed through the **B3 central depository**.

If the **issuer** establishes the redemption of the **asset**, the forward **positions** are removed from the **clearinghouse** system on the same date the event of redemption is processed in **B3 central depository.** For contracts with covered quantities, the financial **settlement** of the forward contract value related to the covered quantity, occurs in the multilateral **settlement window** on the business day following the removal of the forward **positions** from the **clearinghouse** system. For contracts with uncovered quantities, the financial **settlement** occurs on the same **settlement** date as the covered **positions**, based on the following formula:

$$SV = (P_{Redemption} - P_{Forward}) \times QTY$$

Where:

SV = the financial **settlement** value of the uncovered portion of the contract. This value, if positive, generates a credit for the buyer and a debit for the seller; if negative, it generates a debit for the buyer and a credit for the seller;

$P_{Redemption}$ = the redemption price of the **asset**, if it has a value in Brazilian reals already disclosed on the processing date of the event of redemption at the **B3 central depositary**. In the absence of this price, the last available closing price for the underlying **asset** is used.

$P_{Forward}$ = the forward price of the contract; and

QTY = the uncovered quantity in the contract.

3. **Corporate actions** changing the underlying **asset**

The processing described in this item applies when the new underlying asset(s) resulting from the event:

(i)   Is(Are) listed and traded in a **trading environment** managed by B3;

(ii)   May be deposited in the **B3 central depository**; and

(iii)   Has(have) a sufficiently similar liquidity to that of the original **asset**, at the sole discretion of B3.

The forward instrument and the underlying **asset** are both changed, as detailed below.

Where a **corporate action** results in only one **asset** and the new **asset** is traded in the B3 forward market, a new **position** is generated and the quantity thereof is calculated by the following formula:

$$QTY_N = \ QTY \times F$$

Where:

QTY_N :   the quantity of the new contract rounded up or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

QTY :   the original contract quantity; and

F :   the adjustment factor, as announced by the **issuer**.

The volume of the contract does not change, but as the quantity thereof does a new forward price is calculated, according to the following formula:

$$PRICE_{Adj} = \ VOL/QTY_N$$

Where:

$PRICE_{Adj}$:   the new forward price;

VOL :   the contract volume (the original quantity times the original price); and

QTY_N :   the new contract quantity.

Where a **corporate action** results in more than one **asset** and the new **asset** is traded in the forward market, new contracts are created as many are the **assets** generated, with their respective quantities given by the following formula:

$$QTY_N = \ QTY \times F$$

Where:

QTY_N :   the quantity of the new contract rounded up or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

QTY :   the original contract volume; and

F :   the adjustment factor, as announced by the **issuer**.

The volume of each newly-generated forward contract is calculated according to the following formula:

$$VOL_N = VOL \times K$$

Where:

VOL_N :   the new contract volume;

VOL :   the original contract volume; and

K :   the adjustment factor established based on the proportion of the theoretical opening prices of the **assets**, generated on the business day of the implementation of the **corporate action** in trading.

The sum of the volumes of the forward contracts generated must be equal to the original contract volume.

Contract prices are adjusted to reflect the new ratio of **position** quantity to volume, according to the following formula:

$$PRICE_{Adj} = VOL_N/QTY_N$$

Where:

$PRICE_{Adj}$:   the new forward price;

VOL_N :   the new contract volume; and

QTY_N :   the new contract quantity.

If after the implementation of the **corporate action**, the quantity is equal to zero, the financial **settlement** of the contract will occur on the business day following the update of the **asset** in the **B3 central depository**.

Any fractions resulting from the application of the **corporate action** on the coverage of the contract are handled through the **B3 central depository**.

If the **corporate action** processing results in more then one **asset** and one of these **assets** is not traded on the B3 forward market, the forward **position** is not generated for this **asset**. In this case, the buyer of the covered forward contract receives the

result of the **corporate action** treatment related to the non-traded **asset** through the **B3 central depositary**.

In the case of a **corporate action** that does not result in an **asset** traded on the B3 forward market or in the case of the closing of the BDR program underlying **asset** of the contract, the forward **positions** are removed from the **clearinghouse** system on the same date the event is processed in the **B3 central depositary**. For contracts with covered quantities, the financial **settlement** of the forward contract value, related to the covered quantity, occurs in the multilateral **settlement window**, on the following business day of the removal of the forward **positions** from the **clearinghouse** system. For contracts with uncovered quantities, the financial **settlement** occurs on the same **settlement** date as the covered **positions**, based on the following formula:

$$SV = (P_{Closing} - P_{Forward}) \times QTY$$

Where:

SV = the financial **settlement** value of the uncovered portion of the contract. This value, if positive, generates a credit for the buyer and a debit for the seller; if negative, it generates a debit for the buyer and a credit for the seller;

$P_{Closing}$ = the last available closing price for the underlying **asset** of the contract;

$P_{Forward}$ = the forward price of the contract; and

QTY = the uncovered quantity in the contract.

If the **issuer** establishes a cash portion to be paid in the treatment of the **corporate action**, the amount of portion in cash is paid to the forward buyer, on the date established by the issuer, through the **B3 central depository**, only for contracts that are covered on the date update of the **asset** at **B3 central depository**. For uncovered quantity contracts, the **Position Control** System calculates the **corporate action** value on the uncovered quantity of the corresponding forward contract and credits the buyer and debits the seller of that forward contract in the **multilateral net balance**.

4. **Corporate actions** automatically generating rights in the **B3 central depository** - subscription rights

The identification of the underlying **asset** in the forward instrument is updated.

If the forward contract is not covered by the selling **investor** until the day the **asset** is to be updated in the **B3 central depository**, regardless of the payment date scheduled by the **issuer** and the implementation thereof, the **position control** system calculates the value of the **corporate action** applicable to the uncovered quantity of the corresponding forward contract, crediting the buyer and debiting the seller in the multilateral **settlement window** on the next business day.

5. **Voluntary corporate actions**

    (i) Tender offers

    The forward buyer who wants to participate in a tender offer must early settle the relevant contract in time to receive the **assets** and deposit them in a specific **subaccount** with the **B3 central depository**. In this process, the forward buyer must also consider **settlement** time frames and possible **asset delivery failures**.

    In the case of tender offer, with the subsequent end of trading of the **asset** due to the offer, for the forward contracts that are still open on T+3 from the last trading date of the **asset**, the **clearinghouse** proceeds, on that date, the request for early **settlement** of these contracts to the following business day, over the covered quantity. Contracts that, on the T+3 from the last trading date of the **asset**, have pending early **settlement** requests for later dates will have their **settlement** advanced to the following business day.

    For forward contracts that are still open on T+3 from the last trading date of the **asset**, but have an uncovered quantity, the financial **settlement** will be applied for the uncovered **position** using the difference between the forward price and the price given by the tender offer, with this amount being adjusted from the offer **settlement** date to T+4 from the last trading date of the **asset**, only if there is a criteria established by the **issuer** in the offer notice. In the case of a positive result, the amount of financial **settlement** will be debited from the buyer of the forward contract and credited to the seller. In the case of a negative result, the amount of the financial **settlement** will be debited from the seller and credited to the buyer. The financial **settlement** occurs on the T+4 from the last trading date of the **asset** through the multilateral **settlement window** of the **clearinghouse**.

    Depending on the characteristics of the tender offer, B3 may also determine the treatment to be applied to the forward **positions**, through a Circular Letter.

(ii) **Voluntary conversion of assets**

The forward buyer who wants to participate in a voluntary conversion of **assets** may early settle the relevant contract in time to receive the **assets** and submit a conversion request to the **B3 central depository**. In this process, the forward buyer must also consider **settlement** time frames and possible **asset delivery failures**.

Alternatively, if the **asset** resulting from the conversion is an **asset** able to be traded on cash markets, the buyer **investor** may request, through its **full trading participant** or **settlement participant**, the conversion of the forward contract, provided that the contract comply with the eligibility criteria disclosed by the **issuer**.

The contracts eligible for conversion are:

- have the conversion request in the contract´s total quantity received from the seller **participant**, complying with the limits established by the **clearinghouse**;

- have the total outstanding quantity superior to the minimum required quantity for the underlying **asset** contract. In the case of contracts with total outstanding quantity, not multiple of the minimum required quantity for the conversion of the underlying **asset** at **B3 central depository,** the remaining **assets** resulting from the conversion will be delivered to the buyer through transfer at **B3 central depository**;

- have the expiration date after the business day following the **positions** conversion date;

- do not have early **settlement** requests in progress at the end of the conversion date. After the limits for conversions requests, the contracts with conversion requests will not be able to be settled by the buyer until the effective conversion;

- be totally covered.

The **positions** conversion takes place on the same date of the **asset** conversion at **B3 central depository.**

At the **asset** conversion date at **B3 central depository**, the contracts that were requested for conversion and remain eligible will be converted using the factors disclosed by the **issuer**.

The contracts will have the original volumes preserved, and the price will be adjusted to adapt the volume ratio to the new contract quantity.

Contingent on the characteristics of the relevant **corporate action**, B3 may, at its sole discretion, define the way forward **positions** will be managed, which will be disclosed in advance in a circular letter.

7.9.3. Processing corporate actions for equities securities lending positions

Positions in **securities lending** agreements are updated in the night processing of the day the underlying **assets** are updated in the **B3 central depository**.

1. **Corporate actions** in cash

    There is no change to the **position** price or quantity. The financial value associated with the **corporate action** is calculated by the **clearinghouse**, considering the registration information of the **lender investor**, such as type of investor for tax purposes. The financial entry is provisioned for the same date of payment by the **issuer**, but if the **issuer** does not settle the **corporate action**, the financial entry is returned.

    The agreements executed via electronic trading with **settlement** on T+1 are only eligible for **corporate actions** in cash as of the business day after the execution date.

    The financial amounts associated with a provisioned **corporate action** are eligible for ownership transfers. An ownership transfer is the process whereby a provisioned **corporate action** is transferred from the transferor's **account** to the transferee's **account**.

    Ownership transfer requests can be submitted by no later than two business days before the payment date of the relevant **corporate action**.

    The **participants** responsible for transferor and transferee must submit a formal request, with the agreement of the **investors** involved. The request is subject to

review by the **clearinghouse** which, at its sole discretion, may require additional documentation.

2. <u>**Corporate actions** without changing the underlying **asset**</u>

The **position** quantity is changed, following the percentages established by the **issuer**, in accordance with the following formula:

$$QTY_{Adj} = QTY \times F$$

Where:

QTY_{Adj} : the quantity adjusted, rounded up, or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

QTY : the original quantity of the **lending** agreement; and

F : the adjustment factor, as announced by the **issuer**.

The volume of the **lending** agreement does not change, but as the quantity thereof does a new reference price is calculated for the **lending** agreement, according to the following formula:

$$PRICE_{Adj} = VOL/QTY_{Adj}$$

Where:

$PRICE_{Adj}$: the new reference price of the **lending** agreement;

VOL : the volume of the **lending** agreement; and

QTY_{Adj} : the adjusted quantity.

If the **issuer** establishes the redemption for the **asset**, **positions** are adjusted to reflect any such redemption and the financial amount associated with the portion to be redeemed is provisioned to be paid on the same date defined by the **issuer**. The financial amount of fees and emoluments to be paid on the **lending** agreement in connection with the redeemed portion thereof is settled on the first business day following redemption of the **asset**, using the **reference price** of the contract, the **settled** proportion of the contract volume and the period between the opening date of each contract and the financial **settlement** date.

Corporate actions in **assets** that create fractions to the **positions** are processed according to the rules defined by the **issuer**, which may include: (i) execution of an

auction of fractional units by the **issuer**; (ii) purchase of fractional units by the **issuer**; (iii) donation of the quantity of units required to make up one **asset** by the **issuer**; or (iv) cancellation of fractions with no payments attached. For items (i) and (ii), the **position control** system enters a debit to the **borrower investor** and a credit to the **lender investor**. For items (iii) and (iv), no processing is required of the **position control** system and the fractions are cancelled.

3. **Corporate actions** changing the underlying **asset**

    The processing described in this item applies when the new underlying asset(s) resulting from the event:

    (i)   Is(Are) listed and traded in a **trading environment** managed by B3;

    (ii)   May be deposited in the **B3 central depository**;

    (iii) Has(have) a sufficiently similar volatility to that of the original **asset**, at the sole discretion of B3; and

    (iv)   Has(have) a sufficiently similar liquidity to that of the original **asset**, at the sole discretion of B3.

    If the new **asset(s)** resulting from the event does(do) not meet the above provisions, B3 may define the way **securities lending positions** will be managed, which will be disclosed in advance in a circular letter.

    Where a **corporate action** results in only one **asset**, a new **position** is generated and the quantity thereof is calculated by the following formula:

    $$QTY_N = QTY \times F$$

    Where:

    QTY_N : the quantity of the new **lending** agreement rounded up or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

    QTY : the original quantity of the **lending** agreement; and

    F : the adjustment factor, as announced by the **issuer**.

The volume of the **lending** agreement does not change, but as the quantity thereof does a new reference price is calculated for the **lending** agreement, according to the following formula:

$$\mathbf{PRICE_{Adj}} = \mathbf{VOL/QTY_N}$$

Where:

$\mathbf{PRICE_{Adj}}$: the new reference price of the **lending** agreement;

$\mathbf{VOL}$: the volume of the **lending** agreement; and

$\mathbf{QTY_N}$: the new quantity of the **lending** agreement.

Where a **corporate action** results in more than one **asset** and the new **asset** is available in the **lending system**, new agreements are created as many are the **assets** generated, with their respective quantities given by the following formula:

$$\mathbf{QTY_N} = \mathbf{QTY \times F}$$

Where:

$\mathbf{QTY_N}$: the quantity of the new **lending** agreement rounded up or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method and processes the fractions;

$\mathbf{QTY}$: the original quantity of the **lending** agreement; and

$\mathbf{F}$: the adjustment factor, as announced by the **issuer**.

The volume of each new **securities lending** agreement is calculated by the following formula:

$$\mathbf{VOL_N} = \mathbf{VOL \times K}$$

Where:

$\mathbf{VOL_N}$: the volume of the new **lending** agreement;

$\mathbf{VOL}$: the volume of the original **lending** agreement; and

$\mathbf{K}$: the adjustment factor established based on the proportion of the theoretical opening prices of the **assets**, generated on the business day of the implementation of the **corporate action** in trading.

The sum of the volumes of the **lending** agreements generated must be equal to the volume of the original **lending** agreement.

The prices of the **lending** agreements are adjusted to reflect the new ratio of **position** quantity to volume, according to the following formula:

$$PRICE_{Adj} = VOL_N/QTY_N$$

Where:

$PRICE_{Adj}$: the new reference price of the **lending** agreement;

VOL_N : the volume of the new **lending** agreement; and

QTY_N : the quantity of the new **lending** agreement.

If the implementation of the **corporate action** results in more than one **asset**, and one of these **assets** is not eligible for contracting in the **lending system**, no **lending** position is created for this **asset**. In this case, on the business day following the date the **corporate action** is processed in the **B3 central depository**, the financial **settlement** occurs based on an amount equivalent to the product of the quantity generated in the **corporate action** and the price of the **asset** determined by B3, based on the characteristics of the instrument and in accordance with the methodology available in the Corporate Actions Pricing Manual. If deemed necessary, B3 may disclose the pricing calculation methodology for the asset through a Circular Letter.

In the case of a **corporate action** that does not result in an **asset** eligible for contracting in the **lending system**, or in the case of the termination of the BDR program subject to the contract, the **lending** positions of the **assets** are removed from the **clearinghouse** system on the same date the **corporate action** is processed in the **B3 central depository**, and the financial **settlement** occurs on the following business day based on the last available price for the original **asset** of the contract.

On the occasion of the financial **settlement** of the contracts, the amounts related to fees and charges are calculated and **settled** on the financial **settlement** date, using the **reference price** of each contract, the **settled** proportion of the contract volume, and the period between the opening date of each contract and the financial **settlement** date.

If the **issuer** establishes a portion to be paid in cash, the **clearinghouse** operates the settlement of such portion in the **multilateral net balance** on the date of payment of the **corporate action** by the **issuer**. The agreements executed via electronic trading with settlement on T+1 are only eligible for the portion to be paid in cash as of the business day after the execution date.

Corporate actions in **assets** that create fractions to the **positions** are processed according to the rules defined by the **issuer**, which may include: (i) execution of an auction of fractional units by the **issuer**; (ii) purchase of fractional units by the **issuer**; (iii) donation of the quantity of units required to make up one **asset** by the **issuer**; or (iv) cancellation of fractions with no payments attached. For items (i) and (ii), the **position control** system enters a debit to the **borrower investor** and a credit to the **lender investor**. For items (iii) and (iv), no processing is required of the **position contro**l system and the fractions are cancelled.

4. **Corporate actions** automatically generating rights in the **B3 central depository** - subscription rights

A **corporate action** involving subscription rights does neither change the price nor the quantity of the original **securities lending** agreement.

Subscription rights for **securities lending positions** are processed as follows:

(i)   As of the date the **asset** is updated in the **B3 central depository**, the **position control** system automatically calculates the number of subscription rights applicable to each **securities lending** agreement and submits a request for the relevant rights to be returned, on behalf of the **lender investor**, to the **borrower investor**.

(ii)   On the sixth business day after the date the **asset** is updated in the **B3 central depository**, a closing call will be conducted to price the subscription rights. If the price thereof is not set in the closing call, B3 will calculate the relevant price according to the subscription features and the disclosed methodology in the Corporate Actions Pricing Manual. If necessary and considering the subscription features, B3 may disclose the methodology applied to calculate the subscription rights in a Circular Letter.

Short selling subscription rights is prohibited in the period during which such rights are traded, including the closing call.

For **lending** agreements on investment fund shares, the subscription rights price calculation process occurs on the third business day after the date the **asset** is updated in the **B3 central depository**.

If the subscription right does not begin trading on the business day following the last date entitled to the benefit, the pricing date of the rights is postponed by N business days until the original minimum quantity of trading sessions for the right is preserved until its pricing, as if there had been no postponement in the start date of trading for the right. The dates for the other deadlines in the subscription process are also postponed by N days. An exception to this rule occurs when the effective subscription date, as defined by the **issuer**, is earlier than the financial **settlement** date of the rights. In this case, the period between the start date of trading of the rights and its pricing date is reduced until the subscription effective date is at least equal to the financial **settlement** date of the rights.

If a basket of rights is created in trading or if there is a change in the **asset** quotation factor, the price of the right will always be given by its unit value.

(iii) By no later than the eighth business day after the date the **asset** is updated in the **B3 central depository**, the subscription rights must be returned by the **borrower** to the **lender**, according to the request submitted pursuant to paragraph (i) above.

For **lending** agreements on investment fund shares, the subscription rights return process may occur by the fifth business day after the date the **asset** is updated in the **B3 central depository**.

(iv) On the ninth business day following the date the **asset** is updated in the **B3 central depository**, the **lender investor** who submitted a request for the return of the subscription rights but did not received the relevant rights by the previous business day is allowed to choose, through the relevant **full trading participant** or **settlement participant**, between (a) the receipt of the financial value associated with the subscription rights, pursuant to paragraph (ii) above and (b) the registration of the agreement as a subscription warrant, with alternative (b) admitted only when the asset underlying the subscription is an **asset** available in the **securities lending system**. In this case, the **lender investor** must also inform whether he/she/it wishes to participate in any additional rounds for the subscription of remaining shares and also his/her/its

choice regarding the withdrawal clause, which may be no withdrawal, partial withdrawal, or full withdrawal. If the **lender** chooses to register the agreement as a subscription warrant, such registration will take place on the effective date of the subscription indicated by the **issuer**. If the **lender** does not take any action or the subscription results in an **asset** that is not available in the **securities lending system**, the default procedure will be the receipt of the financial value, to be implemented on the tenth business day. If the subscription is cash settled, the **lender investor** cannot participate in any of the rounds involving unsubscribed shares and the withdrawal clause will not be an option.

For **lending** agreements on investment fund shares, the date on which the **lender** may choose to either register the agreement as a subscription warrant or receive the financial value associated with the subscription rights is the sixth business day after the date the **asset** is updated in the **B3 central depository**.

If the **lender** does not take any action or the subscription results in an **asset** that is not available in the **securities lending system**, the default procedure will be the receipt of the financial value, to be implemented on the next business day.

(v)   From the first business day after the date the **lender** chooses to register the agreement as a subscription warrant to the business day preceding the effective date of subscription, said **investor** is allowed to cancel, in whole or in part, the request for the registration of the agreement as a subscription warrant, submitted pursuant to paragraph (iv) above. In case of cancellation of the request submitted for the creation of sub-agreements, receipt of the financial value, as described in paragraph (iv)(a) above, will not apply.

(vi)   On the effective date of subscription, the **clearinghouse** system registers the agreement as a subscription warrant with a time limit of one hundred eighty (180) days, for the cases where the **lender investor** has decided to choose the alternative described in paragraph (iv)(b) above, and makes the financial entries for the corresponding subscription value, by debiting the **borrower investor** and crediting the **lender investor**. Even if the right to participate in the subscription process has been generated from an agreement executed in trading screen, the **registration** of the subscription receipt agreement is always made with the features of an agreement originated from the

registration environment. Such an agreement cannot be modified or renewed until the subscription is ratified.

(vii)   If the **issuer** ratifies partially the subscription and the subscription includes a withdrawal clause, the **clearinghouse** system adopts the following procedure for the agreements registered as subscription warrants:

   (a)   In case of full withdrawal by the **lender investor** as referred to in paragraph (iv), the agreement is cancelled and the financial entry made according to paragraph (vi) is fully reversed;

   (b)   In case of partial withdrawal by the **lender investor** as referred to in paragraph (iv), the agreement is reduced proportionally, according to the factor disclosed by the **issuer**, and the financial entry made according to paragraph (vi) is partially reversed; and

   (c)   In case of no withdrawal by the **lender investor** as referred to in paragraph (iv), there are no changes whatsoever to the agreement registered as a subscription warrant.

(viii) On the date of ratification of the subscription, the agreements registered as subscription warrants are converted into agreements in the **asset** underlying the subscription. Such agreements expire three business days after the date of subscription ratification.

In the case of subscriptions giving right to a bonus, should the concerned bonus not be available in the **securities lending system**, cash **settlement** will be based on a value to be calculated by B3, applying the features of the right to a bonus and the disclosed methodology in the Corporate Actions Pricing Manual. The cash **settlement** of the bonus occurs on the business day following the approval date of the subscription. If necessary and considering the subscription features, B3 may disclose the methodology applied to calculate the subscription bonus in a Circular Letter. However, should the bonus be available in the **securities lending system**, a bonus agreement will be created on the date of subscription ratification and it will expire three business days after the date the subscription is ratified.

In the case of unsubscribed shares, **lender investors** who chose to participate in the corresponding rounds will have the opportunity, at each round, to increase the quantity of subscribed **assets** in proportion to their participation in the preceding rounds. New financial entries are made by debiting the **lender investors** and crediting the **borrower investors**. Each new round of subscribed **assets** will

generate a new agreement registered as subscription warrant. Only subscription rounds where the **issuer** determines the subscription factor to be applied proportionally to the participation of **lender investors** in the previous rounds are considered.

If the **asset** underlying a **securities lending** agreement is not subject to management by the **B3 central depository**, the subscription rights process described above does not apply.

The time limit for the maintenance of subscription processes is 7:30 PM.

For prudential or operational reasons, the **clearinghouse** may, at its sole discretion, advance or postpone the end of the time limit for subscription processes in **securities lending** agreements. The **clearinghouse** will send a prior notice to **participants** in case of advancement or postponement of the end of said time limit. A postponement notice will only be issued in case the new end time causes an impact to **participants**' processes.

The agreements executed via electronic trading with **settlement** on T+1 are only eligible for **corporate actions** automatically generating rights as of the business day after the execution date.

5. **Voluntary corporate actions**

   (i) **Tender offers**

   The **lender investor** in a **securities lending** agreement wishing to participate in a tender offer must early settle the relevant agreement, subject to the latter's callable feature, in time to receive the **assets** and deposit them in a specific **subaccount** with the **B3 central depository** for the auction. In this process, the **lender investor** must consider **settlement** time frames and possible **asset delivery failures**.

In the case of the tender offer, with the subsequent end of trading of the **asset** due to the offer, for **securities lending** contracts that are still open on T+3 from the last trading date of the **asset**, the **clearinghouse** proceeds, on that date, the removal of the positions from the **clearinghouse** system and, on the following business day, the financial **settlement** of the contracts between the borrower (debit) and the lender (credit) through the multilateral **settlement window**.

The financial **settlement** of the contracts will be carried out using the price defined by the tender offer, adjusted from the **settlement** date of the offer until the financial **settlement** date of the **securities lending position**, only if there is a criteria established by the **issuer** in the offer notice.

Investors opting for early **settlement** must request it until the deadline date whose **settlement** date is prior to the financial **settlement** date of the open contracts. Therefore, requests for early **settlement** with a **settlement** date equal or later than the financial **settlement** date of the open contracts will be disregarded, and the contracts will be financially settled.

At the time of the financial **settlement** of the contracts, the amounts related to fees and charges are calculated and settled on the financial **settlement** date, using the reference price of each contract and considering the period between the opening date of each contract and the financial **settlement** date.

(ii) **Priority offerings of assets**

The **asset issuer** sets the eligibility criteria for participation in the corresponding offering, announcing them via market information. Such criteria establish at least a cut-off date to define the **positions** of shareholders that will be allowed to participate in the offering. When only one cut-off date is set, the **securities lending positions** outstanding at the end of that date are eligible to participate in the offering via the **position control** system. When more than one cut-off date is set, the **securities lending positions** that remain outstanding at the end of the second cut-off date and whose **lender investor** held a **position** either in a **securities lending** agreement or in the underlying **assets** on the first cut-off date are eligible to participate in the offering via the **position control** system.

The agreements executed via electronic trading with **settlement** on T+1 are only eligible to participate in the priority offering as of the business day after the execution date.

For **securities lending** agreements eligible to be processed in priority offerings of **assets**, the **lender investors** wishing to participate in any such offering must indicate their interest via the **position control** system, through their **full trading participant** or **settlement participant**. Even if the offering underlying **asset** is different from the agreement eligible for participation in the corresponding

offering, the **lender investor** request is executed according to the **registration** agreement that originated the priority offering participation.

The relevant **participant** must submit the corresponding request within the period defined in the offering, indicating the quantity of **assets** the **lender investor** wish to acquire. The maximum quantity of **assets** that may be acquired is calculated by multiplying the quantity of **assets** of each eligible agreement by the priority subscription criteria disclosed by the **issuer**, initially considering the factor disclosed by the **issuer** with the placement of the totality of **assets** of the offering, that can be altered after the pricing process. In addition, the **participant** may also indicate to the **clearinghouse** a maximum price or a minimum rate, in the case of public offers of debentures containing a priority clause.

For offerings involving agreements whose underlying **asset** is a unit, if the **issuer** establishes the percentages for participation in the offering only for the **assets** that compose the unit, the **position** control system calculate the quantity of **assets** that may be acquired by the **lender investor**, as following criteria:

i. Based on the agreements of units eligible for participation in the offering, the quantity of each **asset** of the unit is verified;

ii. The factors for participation in the offering disclosed by the **issuer** upon the quantity of **assets** of the unit are applied;

iii. Based on the quantity of **assets** verified in item ii, the maximum quantity of units that may be created and requested by the **lender investor** through the **position** control system, is verified; and

iv. If there is divergence between the quantity of **assets** verified in item ii and the quantity of **assets** utilized in item iii, the remaining quantity of **assets** will be available for requesting by the **lender investor**.

The time limit for submitting a request for participation in any priority offering process is 7:30 PM.

For prudential or operational reasons, the **clearinghouse** may, at its sole discretion, advance or postpone the end of the time limit for priority offering processes in **securities lending** agreements. The **clearinghouse** will send a prior notice to **participants** in case of advancement or postponement of the end of said time limit. A postponement notice will only be issued in case the new end time causes an impact to **participants**' processes.

In the case of alteration of the priority subscription factors, the following procedures take place:

i. If the subscription factor is decreased, the quantity initially requested by the **lender investor** for each agreement will be limited to the quantity of **assets** calculated by the new subscription factor;

ii. If the subscription factor is increased by the **issuer** and the priority subscription period is available, the quantities of **assets** that can be subscript for each agreement are updated for the request of the **lender investor** to the end of the subscription period;

iii. If the subscription factor is increased by the **issuer** and the priority subscription period is closed, only the agreements that has had subscription of the total quantity by the **lender investor** will be able to have the subscription of additional quantity, limited to the new subscription factor.

If the underlying **asset** is available in the **lending system** and is sufficiently liquid, at the sole discretion of B3, on the settlement date of the offering the **clearinghouse** generates the agreement at the requested quantity and makes the required financial entries, by debiting the **lender investor** and crediting the **borrower investor** at an amount equal to the product of the quantity in the agreement by the offering price. Said agreement expires three business days after the **settlement** date of the offering.

If the underlying **asset** is not available in the **lending system** and is not sufficiently liquid, at the sole discretion of B3, the processing to be extended to eligible **lender investors** will be exclusively financial. On the **settlement** date of the offering, the **clearinghouse** enters a credit to the **lender investor** and a debit to the **borrower investor** at an amount equal to the product of the **lender investor**'s requested quantity by the difference, if any, between (i) the reference price calculated by B3 based on the instrument's characteristics and according to the available methodology in the Corporate Actions Pricing Manual and (ii) settlement price of the priority offering. If necessary and considering the offering features, B3 may disclose the methodology applied for calculating the **asset** in a Circular Letter.

In the case of priority offerings that give the right to subscription bonus, if the bonus is not subject to be registered in the securities lending **system**, its cash

settlement occurs by the value to be calculated by B3, using the characteristics of the subscription bonus and the methodology disclosed in the Corporate Event Pricing Manual. The cash **settlement** occurs on the **settlement** date of the offering, when the **clearinghouse** generates credit to the **lender investor** and debit to the **borrower investor** of the financial value equivalent to the product of the bonus value by the quantity of the subscription request in the offering.

(iii) **Voluntary conversions of assets**

The **lender investors** wishing to participate in a voluntary conversion of **assets** may submit a request, through their **full trading participant** or **settlement participant**, for the early **settlement** of their **lending** agreements, provided the latter include a callable feature, in time to take part in the **asset** conversion via the **B3 central depository**. In this process, **lender investors** must consider **settlement** time frames and possible **asset delivery failures**.

Alternately, if the **asset** resulting from the conversion is available in the **securities lending system**, the **lender investors** may submit a request, through their **full trading participant** or **settlement participant**, for the conversion of their agreements in the **position control** system, provided their agreements meet the eligibility criteria disclosed by the **issuer**. The **participants** responsible for the **borrower investors** will be advised of such request.

The agreements eligible for conversion are:

- have the conversion request in the agreement´s total quantity received from the **lender participant**, within the limits established by the **clearinghouse**;

- have the total outstanding quantity superior to the minimum required quantity for conversion of the underlying **asset** of the agreement;

- have expiration date after the second business day following the **positions** conversion date;

- agreements with conversion request cannot have early **settlement** request by the **lender** with **settlement** date equal or posterior the **position** conversion date. The early **settlement** request by the **lender** may be performed after the **positions** conversion;

▪ agreements with conversion request cannot have **borrower** early **settlement** requests with **settlement** date posterior to the limit period for requesting the **asset** conversion at **B3 central depository** until the business day following the **position** conversion date.

The **positions** conversion takes place on the same date of the **asset** conversion at **B3 central depository.**

At the **asset** conversion date at **B3 central depository**, the agreements that were requested for conversion and remain eligible are converted using the factors disclosed by the **issuer**. The converted **lending** agreements will have the underlying **asset**, price and quantity altered, keeping the remaining features of the agreement.

If there are remaining shares that could not be converted, as the agreement is not multiple of the minimum quantity established by **issuer**, it will be created a sub-agreement that will bear the quantity of shares that could not be converted. This agreement will maintain the **reference price** of the original agreement and all other features. The sum of the financial volumes of the converted agreement and the relevant sub-agreement created must be equal to the financial volume of the original agreement.

The agreements executed via electronic trading with **settlement** on T+1 are only eligible for voluntary conversion as of the business day after the execution date.

Corporate actions in **assets** that create fractions to the **positions** are processed according to the rules defined by the **issuer**, which may include: (i) execution of an auction of fractional units by the **issuer**; (ii) purchase of fractional units by the **issuer**; (iii) donation of the quantity of units required to make up one **asset** by the **issuer**; or (iv) cancellation of fractions with no payments attached. For items (i) and (ii), the **position control** system enters a debit to the **borrower investor** and a credit to the **lender investor**. For items (iii) and (iv), no processing is required of the **position contro**l system and the fractions are cancelled.

Depending on the features of the **corporate action** B3 may determine the process to be applied for **lending positions** in a Circular Letter.

7.9.4. Processing corporate actions for delivery failure positions

Delivery failure positions are updated in the night processing of the day the **assets** are updated in the **B3 central depository** and have also an effect on the **settlement** instructions for the next business day.

1. **Corporate actions** in cash

   The **position control** system calculates the value of the **corporate action** based on the quantity of the **delivery failure position** and enters a credit to the buyer and a debit to the seller in the multilateral **settlement window** on the next business day.

2. **Corporate actions** without changing the underlying **asset**

   The **position** quantity is changed, following the percentages established by the **issuer**, in accordance with the following formula:

$$QTY_{Adj} = QTY \times F$$

   Where:

   QTY_{Adj} : the quantity adjusted, rounded up, or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

   QTY : the quantity of the **delivery failure position**; and

   F : the adjustment factor established based on the proportion of the theoretical opening prices of the **assets**, generated on the business day of the implementation of the **corporate action** in trading.

   The fraction resulting from the adjusted quantity calculation, when applicable, will be cash settled. The **clearinghouse** will enter a debit to the seller and a credit to the buyer, equivalent to the fraction's financial volume, on the next day's multilateral **settlement window**. If the adjusted quantity is less than 1 (one) unit, **delivery failure position** is closed, and the financial **settlement** of the fraction occurs.

   A new average price is calculated, according to the following formula:

$$AVERAGE\ PRICE_{Adj} = VOL/QTY_{AdjFrac}$$

   Where:

   $AVERAGE\ PRICE_{Adj}$: the new average price;

VOL :   the volume of the **position**; and

$QTY_{AdjFrac}$:   the adjusted quantity, considering the fraction truncated in the third decimal place.

The **position** volume is adjusted, according to the following formula:

$$VOL_{Adj} = VOL - VOL_{Frac}$$

VOL_{Adj} :   the new adjusted volume;

VOL :   the volume of the **position**; and

VOL_{Frac} :   the volume of the fraction obtained from: $QTY_{Frac} \times AVERAGE\ PRICE_{Adj}$.

If the issuer establishes the redemption of the **asset**, the **positions** are adjusted to reflect the redemption **corporate action** and the financial amount related to the redeemed portion is **settled** on the business day following the redemption processing date at **B3 central depository**.

3. **Corporate actions** <u>changing the underlying</u> **asset**

The processing described in this item applies when the new underlying asset(s) resulting from the event:

(i)   Is(Are) listed and traded in a **trading environment** managed by B3;

(ii)   May be deposited in the **B3 central depository**;

(iii)   Has(have) a sufficiently similar volatility to that of the original **asset**, at the sole discretion of B3; and

(iv)   Has(have) a sufficiently similar liquidity to that of the original **asset**, at the sole discretion of B3.

Where a **corporate action** results in only one **asset**, a new **position** is generated and the quantity thereof is calculated by the following formula:

$$QTY_N = QTY \times F$$

Where:

QTY_N : the quantity of the new **position** rounded up or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

$\textbf{QTY}$: the quantity of the original **position**; and

$\textbf{F}$: the adjustment factor, as announced by the **issuer**.

The fraction resulting from the calculation of the new **position** quantity, when applicable, will be cash settled. The **clearinghouse** will enter a debit to the seller and a credit to the buyer, equivalent to the fraction's financial volume, on the next day's multilateral **settlement window**. If the adjusted quantity is less than 1 (one) unit, the **delivery failure position** is closed, and the financial **settlement** of the fraction occurs.

A new average price is calculated, according to the following formula:

$$\textbf{AVERAGE PRICE}_{\textbf{Adj}} = \textbf{VOL}/\textbf{QTY}_{\textbf{NFrac}}$$

Where:

$\textbf{AVERAGE PRICE}_{\textbf{Adj}}$: the new average price;

$\textbf{VOL}$: the volume of the **position**; and

$\textbf{QTY}_{\textbf{NFrac}}$: the quantity of the new **position**, considering the fraction truncated in the third decimal place.

The **position** volume is adjusted, according to the following formula:

$$\textbf{VOL}_{\textbf{Adj}} = \textbf{VOL} - \textbf{VOL}_{\textbf{Frac}}$$

$\textbf{VOL}_{\textbf{Adj}}$: the new adjusted volume;

$\textbf{VOL}$: the volume of the **position**; and

$\textbf{VOL}_{\textbf{Frac}}$: the volume of the fraction obtained from: $\textbf{QTY}_{\textbf{Frac}} \times \textbf{AVERAGE PRICE}_{\textbf{Adj}}$.

Where a **corporate action** results in more than one **asset**, **positions** are created as many are the **assets** generated, with their respective quantities given by the following formula:

$$\textbf{QTY}_{\textbf{N}} = \textbf{QTY} \times \textbf{F}$$

Where:

$\textbf{QTY}_{\textbf{N}}$: the quantity of the new **position** rounded up or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

QTY :   the quantity of the original **position**; and

F :   the adjustment factor, as announced by the **issuer**.

The fraction resulting from the calculation of the new **position** quantity, when applicable, will be cash settled. The **clearinghouse** will enter a debit to the seller and a credit to the buyer, equivalent to the fraction's financial volume, on the next day's multilateral **settlement window**. If the adjusted quantity is less than 1 (one) unit, the **delivery failure position** is closed, and the financial **settlement** of the fraction takes place.

The volume of each newly-generated contract is calculated according to the following formula:

$$\mathbf{VOL_N = (VOL \times K) - VOL\ _{Frac}}$$

Where:

VOL$_N$:   the volume of the new **position**;

VOL :   the volume of the original **position**;

K :   the adjustment factor established on the basis of the proportion of the theoretical opening prices of the **assets** generated on the business day the **corporate action** becomes effective; and

VOL $_{Frac}$: the volume of the fraction obtained from: **QTY $_{Frac}$ $\times$ AVERAGE PRICE $_{Adj}$**.

The sum of the volumes of the **positions** generated and the volumes of the fractions, when applicable, must reflect the volume of the original **position**.

The average prices are adjusted to reflect the new ratio of **position** quantity to volume, according to the following formula:

$$\mathbf{AVERAGE\ PRICE_{Adj} =\ VOL_N/QTY_{NFrac}}$$

Where:

AVERAGE PRICE$_{Adj}$:   the new average price;

VOL$_N$:   the volume of the new **position**; and

QTY$_{NFrac}$:   the quantity of the new **position**, with the fraction truncated in the third decimal place.

If the **issuer** establishes a portion to be paid in cash, the **clearinghouse** performs the **settlement** of such portion in the **multilateral net balance**.

If the implementation of the **corporate action** results in more than one **asset**, and one of these **assets** is not eligible for trading, the **delivery failure position** for this **asset** is created based on the quantity generated by the **corporate action**, and the volume is calculated based on the price of the **asset** determined by B3, according to the characteristics of the **instrument** and in accordance with the methodology available in the Corporate Actions Pricing Manual. If deemed necessary, B3 may disclose the pricing calculation methodology for the **asset** through a Circular Letter. If the generated **asset** has no trading and is not eligible for **settlement** with the **B3 central depository**, no **delivery failure position** is created for the **asset.** In this case, the financial settlement of the corresponding **position** occurs based on an amount equivalent to the product of the quantity generated for the **asset** and the price determined by B3. Financial **settlement**, when applicable, occurs on the business day following the date of the **asset** update in the **B3 central depository**.

In the case of a **corporate action** that does not result in an **asset** eligible for **settlement** with the **B3 central depository**, the buy-in **positions** are removed from the **clearinghouse** system on the same date the **corporate action** is processed in the **B3 central depository**. On the following business day, the reversal of the **position** is **settled** based on the price of the **asset** determined by B3, according to the characteristics of the **instrument** and in accordance with the methodology available in the Corporate Actions Pricing Manual.

4. **Corporate actions** generating rights

On the day the **asset** is updated in the **B3 central depository**, an additional **position** is created from the subscription rights, in the proportion defined by the **asset issuer**. The sum of the volumes of the **positions** and the volumes of the fractions, when applicable, will be equal to the volume of the original **position**, and the proportion of the volume of each **position** will be established on the basis of the proportion of the theoretical opening **asset** prices to the subscription rights on the day the **corporate action** is processed into the **trading environment**. The average prices of each **position** correspond to the ratio of volume to quantity of each **position**.

If the right does not begin trading on the date the **asset** starts trading under the ex-subscription condition, the **delivery failure position** will be created based on the quantity of rights generated by the **corporate actions** and the volume calculated based on the price of the right determined by B3, according to the characteristics of the instrument and in accordance with the methodology available in the Corporate Actions Pricing Manual.

If the right is not created in the **B3 central depository**, there is no creation of a delivery failure **position** for the right on the business day following the **asset** update date, and therefore, the financial **settlement** occurs based on the price of the determined by B3.

5. **Voluntary corporate actions**

In the case of the tender offer, with the subsequent end of trading of the **asset** due to the offer, for the **delivery failure positions** that are still open on T+3 from the last trading date of the **asset**, the **clearinghouse** proceeds, on that date, the reversal of the **position**, with **settlement** on the following business day using the price given by the tender offer, adjusted from the offer **settlement** date to T+4 from the last trading date of the **asset**, if there is a criteria established by the **issuer** in the offer notice.

Additionally, depending on the characteristics of the tender offer, B3 may determine the treatment to be applied to **delivery failures positions**, through a Circular Letter.

There is no specific treatment for the other types of voluntary corporate actions for the **delivery failures positions**.

Depending on the features of the **corporate action,** B3 may determine the process to be applied for **delivery failure positions** in a Circular Letter.

7.9.5. Processing corporate actions for asset buy-in positions

Buy-in **positions** are updated in the night processing of the day the **assets** are updated in the **B3 central depository** and have also an effect on the **settlement** instructions for buy-in cancellations to be settled on the next day. For this update, the quantities already filled or cancelled in the buy-in order will not be considered.

1. **Corporate actions** in cash

The **position control** system will calculate the value of the **corporate action** based on the quantity of the buy-in **position** and enter a credit to the buyer and a debit to the seller in the multilateral **settlement window** on the next business day.

2. <u>**Corporate actions** without changing the underlying **asset**</u>

The **position** quantity is changed, following the percentages established by the **issue**r, in accordance with the following formula:

$$QTY_{Adj} = QTY \times F$$

Where:

QTY_{Adj} : the quantity adjusted, rounded up, or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

QTY : the quantity of the **delivery failure position**; and

F : the adjustment factor, as announced by the **issuer**.

The fraction resulting from the adjusted quantity calculation, when applicable, will be cash settled. The **clearinghouse** will enter a debit to the seller and a credit to the buyer, equivalent to the fraction's financial volume, on the next day's multilateral **settlement window**. If the adjusted quantity is less than 1 (one unit), the **buy-in position** is closed, and the financial **settlement** of the fraction occurs.

A new average price is calculated, according to the following formula:

$$AVERAGE\ PRICE_{Adj} = VOL/QTY_{AdjFrac}$$

Where:

$AVERAGE\ PRICE_{Adj}$: the new average price;

VOL : the volume of the **position**; and

$QTY_{AdjFrac}$: the adjusted quantity, with the fraction truncated in the third decimal place.

The **position** volume is adjusted, according to the following formula:

$$VOL_{Adj} = VOL - VOL_{Frac}$$

VOL_{Adj} : the new adjusted volume;

VOL :   the volume of the **position**; and

VOL $_{Frac}$:   the volume of the fraction obtained from: $QTY_{Frac} \times$ **AVERAGE PRICE** $_{Adj}$.

If the **issuer** establishes the redemption of the **asset**, the **positions** are adjusted to reflect the redemption of the **asset**, and the financial amount related to the redeemed portion is **settled** on the business day following the processing date of the redemption in the **B3 central depository**.

3. **Corporate actions** changing the underlying **asset**

    The processing described in this item applies when the new underlying asset(s) resulting from the event:

    (i)   Is(Are) listed and traded in a **trading environment** managed by B3;

    (ii)   May be deposited in the **B3 central depository**;

    (iii)   Has(have) a sufficiently similar volatility to that of the original **asset**, at the sole discretion of B3; and

    (iv)   Has(have) a sufficiently similar liquidity to that of the original **asset**, at the sole discretion of B3.

    Where a **corporate action** results in only one **asset**, a new **position** is generated and the quantity thereof is calculated by the following formula:

    $$QTY_N = QTY \times F$$

    Where:

    QTY_N : the quantity of the new **position** rounded up or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

    QTY :   the quantity of the original **position**; and

    F :   the adjustment factor, as announced by the **issuer**.

    The fraction resulting from the calculation of the new **position** quantity, when applicable, will be cash settled. The **clearinghouse** will enter a debit to the seller and a credit to the buyer, equivalent to the fraction's financial volume, on the next day's multilateral **settlement window**. If the adjusted quantity is less than 1 (one

unit), the **buy-in position** is closed, and the financial **settlement** of the fraction occurs.

A new average price is calculated, according to the following formula:

$$\text{AVERAGE PRICE}_{Adj} = \text{VOL}/\text{QTY}_{NFrac}$$

Where:

$\text{AVERAGE PRICE}_{Adj}$: the new average price;

VOL : the volume of the **position**; and

QTY_{NFrac} : the quantity of the new **position**, with the fraction truncated in the third decimal place.

Where a **corporate action** results in more than one **asset**, **positions** are created as many are the **assets** generated, with their respective quantities given by the following formula:

$$\text{QTY}_N = \text{QTY} \times \text{F}$$

Where:

QTY_N : the quantity of the new **position** rounded up or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

QTY : the quantity of the original **position**; and

F : the adjustment factor, as announced by the **issuer**.

The volume of each newly-generated contract is calculated according to the following formula:

$$\text{VOL}_N = (\text{VOL} \times \text{K}) - \text{VOL}_{Frac}$$

Where:

VOL_N : the volume of the new **position**;

VOL : the volume of the original **position**; and

K : the adjustment factor established on the basis of the proportion of the theoretical opening prices of the **assets** generated on the business day the **corporate action** is processed into trading.

The sum of the volumes of the **positions** generated and the volumes of the fractions, when applicable, must reflect the volume of the original **position**.

The average prices are adjusted to reflect the new ratio of **position** quantity to volume, according to the following formula:

$$\text{AVERAGE PRICE}_{Adj} = \text{VOL}_N / \text{QTY}_{NFrac}$$

Where:

$\text{AVERAGE PRICE}_{Adj}$: the new average price;

VOL_N : the volume of the new **position**; and

QTY_{NFrac} : the quantity of the new **position**, with the fraction truncated in the third decimal place.

If the **issuer** establishes a portion to be paid in cash, the **clearinghouse** performs the **settlement** of such portion in the **multilateral net balance**.

If the implementation of the **corporate action** results in more than one **asset**, and one of these **assets** is not eligible for trading, the **delivery failure position** for this **asset** is created based on the quantity generated by the **corporate action**, and the volume is calculated based on the price of the **asset** determined by B3, according to the characteristics of the **instrument** and in accordance with the methodology available in the Corporate Actions Pricing Manual. If deemed necessary, B3 may disclose the pricing calculation methodology for the **asset** through a Circular Letter. If the generated **asset** has no trading and is not eligible for **settlement** with the **B3 central depository**, no **delivery failure position** is created for the **asset**, and the corresponding position is reversed based on an amount equivalent to the product of the quantity generated for the **asset** and the price determined by B3. Financial **settlement**, when applicable, occurs on the business day following the date of the **asset** update in the **B3 central depository**.

In the case of a **corporate action** that does not result in an **asset** eligible for **settlement** with the **B3 central depository**, the buy-in **positions** are removed from the **clearinghouse** system on the same date the **corporate action** is processed in the **B3 central depository**. On the following business day, the reversal of the **position** is **settled** based on the price of the **asset** determined by B3, according to the characteristics of the **instrument** and in accordance with the methodology available in the Corporate Actions Pricing Manual.

4. **Corporate actions** generating rights

On the day the **asset** is to be updated in the **B3 central depository**, an additional **position** will be created from the subscription rights, according to the proportion defined by the **asset issuer**. The sum of the volumes of the **positions** and the volumes of the fractions, when applicable, will be equal to the volume of the original **position**, and the proportion of the volume of each **position** will be established on the basis of the proportion of the theoretical opening **asset** prices to the subscription rights on the ex-rights date. The average prices of each **position** correspond to the ratio of volume to quantity of each **position**.

If the right does not begin trading on the date the **asset** starts trading under the ex-subscription condition, the **buy-in position** will be created based on the quantity of rights generated by the **corporate actions** and the volume calculated based on the price of the right determined by B3, according to the characteristics of the instrument and in accordance with the methodology available in the Corporate Actions Pricing Manual.

If the right is not created on the business day following the date of the **asset** update in the **B3 central depository**, no **buy-in position** for the right will be established, and the **position** will be reversed based on the price of the right calculated by **B3**.

5. **Voluntary corporate actions**

In the case of the tender offer, with the subsequent end of trading of the **asset** due to the offer, for the buy-in **positions** that are still open on T+3 from the last trading date of the **asset**, the **clearinghouse** proceeds, on that date, the reversal of the **position**, with **settlement** on the following business day using the price given by the tender offer, adjusted from the offer **settlement** date to T+4 of the last trading date of the **asset**, if there is a criteria established by the **issuer** in the offer notice.

Additionally, depending on the characteristics of the tender offer, B3 may determine the treatment to be applied to buy-in **positions**, through a Circular Letter.

There is no specific treatment for the other types of voluntary corporate actions for the buy-in **positions**.

Depending on the features of the **corporate action,** B3 may determine the process to be applied for buy-in **positions** in a Circular Letter.

7.9.6 Processing corporate actions for futures contract based on assets traded in the equities market

When an event is to be applied, **positions** on futures contracts based on **assets** traded in the **equities market** are updated in the night processing of the last day before the event is to be processed in the **trading environment**, and the **positions** outstanding on the business day following trade opening will already reflect the relevant **corporate action**.

1. **Corporate actions** in cash

    The **position** quantity does not change, but the settlement price of each outstanding maturity is updated according to the following formula:

    $$SP_{Adj} = SP - CA$$

    Where:

    SP_{Adj}: the adjusted settlement price, expressed in Brazilian reals, rounded to the second decimal place;

    SP: the original settlement price; and

    CA: the value of the **corporate action**, in local currency, net of taxes, considering the value paid by the **issuer**.

    Extraordinary dividends might be processed differently than described in this manual.

2. **Corporate actions** without changing the underlying **asset**

    The **position** quantity is changed, following the percentages established by the **issue**r, in accordance with the following formula:

    $$QTY_{Adj} = QTY \times F$$

    Where:

QTY_{Adj} : the quantity adjusted, rounded up, or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

QTY : the original **position** quantity; and

F : the aggregation factor, according to the relevant **corporate action**, as follows:

Corporate action	F	Variables
Bonus issue/Share splitting	$1 + B$	B is the percentage of bonus/split shares announced by the **issuer**
Share grouping	$1/ER$	ER is the exchange ratio announced by the **issuer**

After processing the **corporate action**, if the total quantity of long **positions** is different from the total quantity of short **positions**, the **clearinghouse** adjusts the **positions** following the criteria below:

(i)   Either the long **position** or the short **position** with the smallest total quantity remains unaltered;

(ii)   The adjustment factor is calculated by dividing the total quantity of the **position** with the smallest quantity by the total quantity of the opposite **position**;

(iii) All the **positions** with the largest quantity are corrected by multiplying the quantity adjusted after the **corporate action** by the adjustment factor calculated in paragraph (ii) above; and

(iv)   Considering only the integer of the result calculated in paragraph (iii) above, the total long and short quantities are once again compared. If there is still a discrepancy, the decimal portions of the result calculated in paragraph (iii) above are sorted in descending order and a quantity is added to the **position** with the largest decimal fraction. This procedure is performed for the subsequent **positions** until the total quantities are equalized.

The settlement price is updated, as follows:

$$SP_{Adj} = SP \times \frac{1}{F}$$

Where:

SP_{Adj} :   the adjusted settlement price, expressed in Brazilian reals;

SP :   the original settlement price; and

F :   the aggregation factor, as detailed in the adjustment of quantities.

For a bonus issue on other shares of the same **issuer**, the **position** quantity is not modified, but the settlement price is updated according to the following formula:

$$SP_{Adj} = SP - RVB_{OS}$$

Where:

SP_{Adj} :   the adjusted settlement price, expressed in Brazilian reals;

SP :   the settlement price; and

RVB_{OS} :   the reference value of the bonus issue on other shares of the same **issuer**, calculated according to the following formula:

$$RVB_{OS} = B_{OS} \times \frac{P_{cum,OS}}{(1 + B_{OS})}$$

Where:

B_{OS} :   the percentage of the bonus issue on other shares of the same **issuer**, as announced by the **issuer**; and

$P_{cum,OS}$:   the cum-rights price of the stock receiving the bonus shares, or the closing price of the stock receiving the bonus shares prior to the ex-rights date.

If the **issuer** establishes the redemption of the **asset**, the **positions** are removed from the **clearinghouse system** on the redemption processing date in the **B3 central depository**, with the following business day, the financial **settlement** of the last adjustment variation occurs, using the redemption price set by the issuer as the final adjustment price for the **position**.

3. **Corporate actions** changing the underlying **asset**

The processing described in this item applies when the new underlying **asset(s)** resulting from the event:

(i)   Is(Are) listed and traded in a **trading environment** managed by B3;

(ii)   May be deposited in the **B3 central depository**;

(iii)   Has(have) a sufficiently similar volatility to that of the original **asset**, at the sole discretion of B3; and

(iv)   Has(have) a sufficiently similar liquidity to that of the original **asset**, at the sole discretion of B3.

The futures instrument and the underlying **asset** are both changed, as detailed below.

Where a **corporate action** results in only one **asset**, a new **position** is generated and the quantity thereof is calculated by the following formula:

$$QTY_N = \ QTY \times F$$

Where:

QTY_N :   the quantity of the new **position** rounded up or truncated, as disclosed by the **issuer**. If the **issuer** does not disclose any criterion, the **clearinghouse** assumes the truncation method;

QTY :   the original **position** quantity; and

F :   the adjustment factor, as disclosed by the **issuer**.

The **clearinghouse** applies the following formula to the calculation of the new settlement price:

$$SP_{Adj} = SP \times CA$$

Where:

SP_{Adj} :   the adjusted settlement price, expressed in Brazilian reals, rounded to the second decimal place;

SP :   the original settlement price; and

CA :   the adjustment value of the **corporate action**, according to the parameters disclosed by the **issuer**.

Where a **corporate action** results in more than one **asset** or in **asset** and financial portion, a basket is created comprising the **assets** and the financial portion established by the **issuer** to process the **corporate action**. That basket becomes the underlying **asset** of the new futures instruments.

After the new futures are generated on the basket of **assets**, no change applies to the **position** quantity, thus preserving the economic equilibrium for the **position** holders.

If the **asset** resulting from the **corporate action** is not eligible to be the subject of a futures contract, the **clearinghouse** does not create **positions** after the implementation of the **corporate action**, and the financial **settlement** of the last adjustment variation occurs on the following business day based on the adjustment prices verified on the last trading day of the original **asset** of the **position**.

If the **clearinghouse** deems, at its sole discretion, that the **asset** resulting from the **corporate action**, eligible to be the subject of a futures contract, does not have liquidity or volatility sufficiently similar to that of the original **asset**, the **clearinghouse** may determine not to create futures **positions** after the implementation of the **corporate action** and the financial **settlement** of the last adjustment variation based on the last available adjustment price.

After processing the **corporate action**, if the total quantity of long **positions** is different from the total quantity of short **positions**, the **clearinghouse** adjusts the **positions** following the criteria below:

(i)   Either the long **position** or the short **position** with the smallest total quantity is considered to be correct;

(ii)   The adjustment factor is calculated by dividing the total quantity of the **position** with the smallest quantity by the total quantity of the opposite **position**;

(iii)   All the **positions** with the largest quantity are corrected by multiplying the quantity adjusted after the **corporate action** by the adjustment factor calculated in paragraph (ii) above; and

(iv)   Considering only the integer of the result calculated in paragraph (iii) above, the total long and short quantities are once again compared. If there is still a discrepancy, the decimal portions of the result calculated in paragraph (iii) above are sorted in descending order and a quantity is added to the **position**

with the largest decimal fraction. This procedure is performed for the subsequent **positions** until the total quantities are equalized.

4. **Corporate actions** automatically generating rights in the **B3 central depository**—subscription rights

The **position** quantity does not change, but the settlement price is updated according to the following formula:

$$SP_{Adj} = SP \times RVR$$

Where:

SP_{Adj} : the adjusted settlement price, expressed in Brazilian reals, rounded to the second decimal place;

SP : the original settlement price; and

RVR : the reference value of the right, calculated according to the underlying **asset**.

(i)   Subscription of new shares

$$RVR = \frac{S}{(1 + S)} \times \max[P_{cum} - P_{Sub}; 0]$$

Where:

P_{cum} : the cum-rights price of the stock, or the closing price of the stock prior to the ex-rights date;

P_{Sub} : the subscription price announced by the **issuer**; and

S : the percentage of the subscription announced by the **issuer**.

(ii)   Subscription of another type of stock of the same **issuer**

$$RVR = \frac{S}{(1 + S_{OS})} \times \max[P_{cum,OS} - P_{Sub,OS}; 0]$$

Where:

$P_{cum,OS}$: the cum-rights price of the stock underlying the subscription rights, or the closing price of the stock prior to the ex-rights date;

$P_{Sub,OS}$:   the subscription price of the stock underlying the subscription rights, as announced by the **issuer**;

S :   the percentage of the subscription of the stock to which the rights apply, as announced by the **issuer**; and

S_{OS} :   the percentage of the subscription of the other type of stock to which the rights apply, as announced by the **issuer**.

(iii)   Subscription of other **assets**

The reference value is calculated by B3 by considering the characteristics of the **asset** announced by the **issuer**.

5. **<u>Voluntary corporate actions</u>**

     i.   Tender offer

In the case of the tender offer, with the subsequent end of trading of the **asset** due to the offer, on the last trading date of the **asset**, the regular calculation of the **settlement** prices of future contracts takes place, with the **settlement** of the variation margin amount in the clearinghouse´s multilateral **settlement window** on the following business day.

For the **positions** that are still open on T+3 from the last trading date of the **asset**, B3 proceeds, on that date, the expiration of all positions, removing them from the **clearinghouse** system at the end of the day.

The financial settlement of the **positions** that expired on the previous business day is carried out on the fourth business day following the last trading date of the **asset**, and the amount to be settled is calculated as the difference between the price given at the time of the tender offer, adjusted if there is a criteria established by the **issuer** in the offer notice, from the offer **settlement** date to T+4 of the last trading date of the **asset**, and the adjusted **settlement** price on the last trading day of the asset.

Additionally, depending on the characteristics of tender offer, B3 may determine the treatment to be applied to futures positions, through a Circular Letter.

Voluntary corporate actions do not apply to others types of futures **positions**. Contingent on the characteristics of the relevant voluntary **corporate action**, B3 may

define the way futures **positions** will be managed, which will be disclosed in advance in a circular letter.

Depending on the features of the **corporate action** B3 may determine the process to be applied for future **positions** in a Circular Letter.

7.9.7. *Coupon payments on government bond positions*

Interest payments do not change the **position** price or quantity. The financial value associated with each payment is calculated by the **clearinghouse** and the corresponding financial entry is made on the payment date established in the federal government bond underlying the **position**. On the payment date, the **borrower investor** of the **securities lending** and the buying **investor** of the **repo transaction** are debited and the **lender investor** of the **securities lending** and the selling **investor** of the **repo transaction** are credited in the **multilateral settlement window**.

7.10 Processing open positions arising from auction of assets with suspended trading by the issuer´s bankruptcy order or extrajudicial settlement

When occurring the suspension of trading of an asset subject to open **positions** in the **clearinghouse** due bankruptcy order or extrajudicial **settlement** of the issuer, B3 may establish, according to the B3's Trading Procedures Manual, a specific auction to determine the reference price of the underlying **asset**, according to the disclosed methodology in the Corporate Actions Pricing Manual.

The procedures applied to each type of **position** are described below, using as reference the auction´s date:

1. Options positions

Options **positions** that have expiration date later than the business day following the auction date will have their expiration date adjusted to the business day following the auction date. If the options **positions** expire between the business day following the date of the bankruptcy order or extrajudicial settlement of the **issuer** and the date of the auction, the expiration date is altered to the business day following the auction date.

In the night processing of the business day following the auction date, all open options **positions** on the underlying **asset** expire and are removed from the **clearinghouse** system.

The cash **settlement** of the **positions** expired on the previous business day is carried out on the second business day following the auction date, as follows:

(i) Call option

$$SV = \mathbf{MAX}(PRICE - SP; 0) \times QTY$$

Where:

SV = the **settlement** value of the **position;**

$PRICE$ = the **reference price** of the option series;

SP = the strike price of the option series; and

QTY = the **position** quantity.

The cash **settlement** amount is credited to the long **position** holders and debited from the short **position** holders**.**

2. Forward positions

All open contracts expiring after the second business day following the auction date will have their expiration date adjusted to this date.

The early **settlement** requests will continue to be accepted if the **settlement** date is not superior to the second business day following the auction date. The last physical **delivery** and cash **settlement** of the forward contracts is carried out on this date.

3. Securities lending positions

All agreements expiring after the second business day following the auction date will have their expiration date adjusted to this date.

Agreement renewal requests are only accepted if the expiration date of the new agreement is prior or equal to the second business day following the auction date.

Early **settlement** requests continue to be accepted if the **settlement** date is not posterior to the second business day following the auction date. The last physical **delivery** and cash **settlement** is carried out on this date.

Eventual securities lending contracts with a provision for an **asset** fraction, will have the respective fraction settled on the auction **settlement** date by the **reference price** of the underlying **asset** established from the auction procedure.

4. Failing positions

The **failing positions,** at the closing of the **delivery** of **assets window** of the second business day following the auction date, will be removed from the **clearinghouse** system and will have the cash **settlement** as described in this manual.

The **clearinghouse** will determine the need for compensation to the creditor damaged by the **delivery failure** of **asset**, from any losses originated from the not delivered **asset**, calculated based on the **reference price** of the underlying **asset** determined in the auction.

In the case of compensation, the amount will be credited and debited from the **multilateral net balance** of the day, from the creditor **investor** to the failing debtor **investor**, in this order, as follows:

$$V_{creditor} = \text{MAX}(PRICE - P_{creditor}; 0) \times QTY$$

$$V_{debtor} = \text{MAX}(PR - P_{Debtor}; P_{creditor} - P_{Debtor}; 0) \times QTY$$

Where:

$V_{Creditor}$**:** the amount to be debited to the **multilateral net balance** of the failing debtor **investor**;

V_{Debtor}: the amount to be credited to the **multilateral net balance** of the damaged creditor **investor**;

$PRICE$: the **reference price** of the underlying **asset** determined in the auction;

P_{Debtor} : the average price of the **assets** obtained from all the trades and **positions** based on the same **assets** held by the failing debtor **investor**, which were supposed to have been physically delivered when the **delivery failure** occurred. For **securities lending positions**, the **clearinghouse** includes the closing price of the day preceding the agreement **settlement** in the composition of the average price;

P_{credor}: the average price of the **assets** obtained from all the trades and **positions** held by the damaged creditor **investor**, which were supposed to have been physically **delivered** when the **delivery failure** occurred. For **securities lending positions**, the **clearinghouse** includes the closing price of the day preceding the agreement **settlement** in the composition of the average price; and

QTY: quantity of the **asset** that was not settled.

5. Buy-in positions

The buy-in **position** can be: (i) executed, until the auction date; (ii) canceled, until the business day following the auction date; (iii) reverted in the case of absence of the execution **registration** or cancelation of the buy-in order, for the buy-in **position** to the closing of the **delivery** of **assets window** of the second business day following the auction date. In this event, the buy-in **position** is reverted and removed from the **clearinghouse** system. The financial amount of the reversal is calculated based on the **asset** price determined from the auction, and remain the processing and calculations established in this manual, with cash **settlement** in the multilateral **settlement window** on the same day.

6. Position in futures contracts for variable income assets

In the overnight processing on the business day following the auction date, all open **positions** in futures contracts for the underlying **asset** are removed from the **clearinghouse system**, with financial **settlement** occurring on the following business day for the adjustment variation between the last adjustment price disclosed for each **position** and the price of the underlying **asset** defined in the auction.

8. MULTILATERAL NETTING

This chapter describes the **netting** processes carried out by the **clearinghouse**.

Netting consists of the calculation of a **participant**'s net rights and obligations. Multilateral **netting** is a procedure whereby the sum of the debit and credit balances of each **participant** in relation to the other **participants** is calculated. The multilateral **netting** procedure generates a single net result between the **clearing members** and the **clearinghouse** to be settled in the manner established by B3.

8.1. Netting procedures

The **clearinghouse** acts as counterparty to the **clearing members** for the purposes of the **settlement** of the **transactions** executed in the **trading environments,** in **lending environment** and registered in the **registration environments** managed by B3 or by **external system** managing entity, under the "fully collateralized" or "partially collateralized" modes.

The **clearing members**, **full trading participants** and **settlement participants** have access to their respective **multilateral net balances** via **clearinghouse** system or electronic **message** and file, in the format specified in the B3 **message** and file catalog.

8.1.1. Calculating multilateral net balances in local currency

A **participant**'s final **multilateral net balance**, which is calculated by the **clearinghouse** systems, is the cash amount to be settled, as derived from the **positions** the **participant** holds with the **clearinghouse**.

In addition to the rights and obligations arising out of **positions**, the **settlement** values also include **margin** calls in local currency, **costs**, **charges** and rates arisen from **transactions captured** by the **clearinghouse** coming from an **external system**, being its managing entity responsible to estimate and refer to the **clearinghouse** the charges of each **lending** contract.

8.1.1.1. Investors' multilateral net balances

An **investor**'s **multilateral net balance** considers the **positions** held by the same **investor** under each **participant** structure, that is: (i) **trading participant**, **full trading**

participant and **clearing member**; (ii) **foreign participant**, **full trading participant**, and **clearing member**; (iii) **full trading participant** and **clearing member**; or (vi) **settlement participant** and **clearing member**.

An **investor**'s **multilateral net balance** is made up of the entries listed below, associated with both **exchange-traded markets** and **organized OTC market**, whether fully or partially collateralized:

1. Variation margin resulting from **derivatives positions**;

2. Options premiums;

3. **Securities lending** fees;

4. **Settlement** value on expiration or early **settlement** of **repo transactions**;

5. Proceeds from options exercises;

6. **Corporate action**s in cash on **securities lending** and repo **positions**;

7. **Settlement** amounts resulting from the maturity of **derivatives positions**;

8. **Settlement** amounts resulting from the early **settlement** of **derivatives positions**;

9. **Settlement** value from early **settlement** of **securities lending** and repo **positions**;

10. **Payments** and receipts of **payments** associated with cash market **transactions**;

11. **Payments** associated with **settlement** by physical **delivery**;

12. Movements of **collateral** in cash funds;

13. Adjustments resulting from **corporate actions** distributed or paid to **assets** posted as **collateral**;

14. **Costs** and **charges;**

15. Transaction costs of each **securities lending** contract due to the **external system** managing entity that chose to charge under the **settlement** process of the **clearinghouse**; and

16. **Fines**.

The **transactions** executed in the **organized OTC market** under the partially collateralized mode are included in the **investor**'s **multilateral net balance** when the result is a credit balance in favor of the party that required **collateral**. Otherwise, meaning that when the result is a credit balance in favor of the party that did not require **collateral**, the cash **settlement** takes place directly between the parties and the

clearinghouse disclaims any and all liability for the **settlement** of the corresponding amounts.

The amounts deriving from **margin** calls represent a debit balance and are excluded from the net balance when an equivalent amount is deposited in other **assets** for **margin coverage** purposes, at the sole discretion of the **clearinghouse** and pursuant to the provisions of the **clearinghouse** risk management manual.

The amounts corresponding to **derivatives** denominated in a **foreign currency** and included in the **multilateral net balance** to be settled in local currency are converted into local currency, in accordance with the specifications of each contract.

For nonresident **investors** in the agricultural markets under § 1º of art. 13 of Joint Resolution BCB/CVM #13, the **settlement** value converted into local currency is included in the **multilateral net balances** of the **clearing member** and **full trading participant** or **settlement participant** responsible for the **investor**, in the event that there is no confirmation of the **payment** of the relevant United States dollar amounts within the time frame stipulated by the **clearinghouse**. If such a confirmation is made, the **settlement** follows its course under the specific mode required for this type of **investor**.

For **CEL accounts**, the **settlement** value to be paid by the **investor** that holds the relevant **CEL account** is included in the provisional **multilateral net balances** of the **clearing member** and **full trading participant** or **settlement participant** responsible for the concerned **investor**, until the relevant payment to the **clearinghouse** is confirmed via the B3 Bank. In the absence of such a confirmation, the **settlement** is effected using the **clearing members**' **settlement** mode via **LDL messages**.

8.1.1.2. Full trading participants' and settlement participants' multilateral net balances

The **multilateral net balance** of any **full trading participant** or of any **settlement participant** is the sum of:

1. The **multilateral net balances** of the **investors** that settle through one **participant** or the other;

2. The amount of **collateral** movements in cash funds of the **full trading participant** or the **settlement participant**, pursuant to the **clearinghouse** rules and the risk management manual; and

3. The **costs**, **charges** and **fines**, pursuant to the **clearinghouse** rules, risk management manual and these operating procedures manual.

As defined in the B3 access manual, a **full trading participant** or a **settlement participant** may have links with more than one **clearing member**. However, for each market group the **full trading participant** or the **settlement participant** must utilize one only **clearing member**. Therefore, the same **full trading participant** or the same **settlement participant** may have more than one **multilateral net balance**, one under each **clearing member** to which the relevant **participant** is linked.

8.1.1.3. Clearing members' multilateral net balances

The **multilateral net balance** of any **clearing member** is the sum of:

1. The **multilateral net balances** of (i) the **full trading participants** and (ii) the **settlement participants** that settle through the **clearing member**;

2. The amount of **collateral** movements in cash funds of the **clearing member**, pursuant to the provisions of the **clearinghouse** rules and the risk management manual; and

3. The **costs**, **charges** and **fines**, pursuant to the **clearinghouse** rules, risk management manual and these operating procedures manual.

A **clearing member** with a positive **multilateral net balance** is a creditor of the **clearinghouse**; a **clearing member** with a negative **multilateral net balance** is a debtor to the **clearinghouse**.

The **clearing members'** **multilateral net balances** are settled by the relevant **clearing members** with the **clearinghouse**.

8.1.1.4. Settlement values attributed to settlement agents

Unlike **clearing members**, **full trading participants** and **settlement participants**, the **settlement agents** are not allowed to offset the **multilateral net balances** of the **clearing members** that engage their services.

Hence, each **settlement agent** may have one set of **participant**s with debit balances and another set of **participant**s with credit balances, as the case may be.

If court-supervised or out-of-court reorganization, intervention, bankruptcy, out-of-court liquidation, or temporary special administrative of **the settlement agent** is decreed by the BCB, the **clearinghouse** may instruct **participants** who use the **settlement agent's** service to indicate another **settlement agent** to replace it, in order to enable the financial **settlement**, with consequent interruption of **message** traffic related to the **settlement agent** under resolution in the RSFN.

8.1.2. Calculating the multilateral net balances in assets held in custody of the B3 central depository

The **clearinghouse** calculates the net results in **assets** by netting cash market **positions** and **positions** resulting from options exercises, early **settlements** and maturity of forward contracts, **lending** execution via trading with settlement on T+0 or on T+1, and early **settlements** and expiration of **lending** agreements with the same **settlement date**, the same **full trading participant** or **settlement participant**, the same **investor**, the same **custody agent** and the same **deposit account**.

In the case of execution of securities lending via **registration**, the **settlement** of **securities lending** agreements, meaning the **delivery** of **assets** from the **lender** to the **borrower**, is performed in the **gross settlement** system and, therefore, does not make up the **multilateral net balance** in **assets**. However, the **settlement** of **securities lending** agreements upon expiration or by early **settlement**, in which case the **asset** returns to the **lender**, independently of the execution mode, occurs in the **multilateral net balance**.

Each of the **positions** that make up the net result has a single **settlement** instruction. Each **settlement** instruction comprises the set of information required for **asset settlement** purposes in the **B3 central depository**, such as **full trading participant** or **settlement participant**, **custody agent** responsible for **delivery** or receipt of **assets**, **asset**, **investor**'s **deposit account** and **subaccount**.

The calculation process for the **multilateral net balance** in **assets** provides the netting of **settlement** instructions and generates the net **settlement** instructions. For both the **equities market** and the **corporate debt market**, that netting procedure preserves the characteristics of the **subaccounts** with the **B3 central depository** and, in order to preserve an **investor**'s intention to cover **positions** at the **clearinghouse**, considers the restrictions described in the following table:

Do the settlement instructions in the following subaccounts:	Net debits against all the other settlement instructions?	Net credits against all the other settlement instructions?
2101-6: the free **subaccount**	Yes	Yes
2105-9: the **subaccount** utilized for **margin account** funding information purposes	Yes	Yes

2201-2: the **subaccount** utilized in the **coverage** of **securities lending** agreements	No	No
2390-6: the **subaccount** utilized in posting **participants' collateral** in favor of the **clearinghouse**	Yes	No
2409-0: the **subaccount** utilized in the **coverage** of cash sale **transactions**	No	No
2601-8: the **subaccount** utilized in the **coverage** of forward **transactions**	No	No
2701-4: the **subaccount** utilized in the **coverage** of options **transactions**	No	No
2194-6: the **subaccount** utilized for control of assets that have encumbrances to comply with court order.	Yes	Yes
2906-8: the **subaccount** utilized for control of assets by the **participant.**	Yes	Yes

For each **subaccount** which does not present the netting feature, an independent **settlement** instruction is generated, just gathering the **positions** of that type (credit and debit) and the **subaccount**.

For the **subaccounts** listed above which present the netting feature, the **settlement** system calculates the net quantity to be delivered or received and generates one or more **settlement** instructions, limited to the net quantities allocated by **subaccount**. For both credit and debit **settlement** instructions, the priority of such distribution is given to the free **subaccount** (2101-6).

Example:

Consider the following **transactions** for the same **settlement** date:

Transaction type	Participant/ Investor's account	Custody agent/ Deposit account	Asset	Subaccount	Side	Quantity
Cash sale	ABCD/100	DEF/200	BRWXYZACNOR9	21016	Debit	1,000
Cash purchase	ABCD/100	DEF/200	BRWXYZACNOR9	21016	Credit	1,500
Cash sale	ABCD/100	DEF/200	BRWXYZACNOR9	23906	Debit	200
Written option exercise	ABCD/100	DEF/200	BRWXYZACNOR9	27014	Debit	600
Cash purchase	ABCD/100	DEF/200	BRWXYZACNOR9	27014	Credit	600

Considering each **subaccount** and its netting characteristics, the following **settlement** instructions would be generated:

Instruction	Participant/ Investor's account	Custody agent/ Deposit account	Asset	Subaccount	Side	Quantity
Settlement instruction #1	ABCD/100	DEF/200	BRWXYZACNOR9	21016	Credit	300
Settlement instruction #2	ABCD/100	DEF/200	BRWXYZACNOR9	27014	Debit	600
Settlement instruction #3	ABCD/100	DEF/200	BRWXYZACNOR9	27014	Credit	600

8.1.2.1.   Settlement instructions for assets in the error account

For the trades allocated to the error **account**, credits and debits are not netted against each other. Thus, even for the **subaccounts** which present the netting feature, there will be both a debit and a credit instruction.

8.1.2.2. Authorizing asset delivery or receipt

The **delivery** or receipt of **assets** must be made directly to or from a **deposit account** held with the **B3 central depository**, under the responsibility of a **custody agent**. When no other **custody agent** is appointed, the **custody agent** of the **full trading participant** or **settlement participant** is considered liable for the **delivery** or receipt of the **assets**.

The delivery or receipt of assets may also be made directly to or from a deposit account held with the B3 central depository under the responsibility of a custody agent different from the full trading participant or settlement participant responsible for transaction settlement, provided:

1. The relevant appointment is made by the **full trading participant** or **settlement participant** in the **transaction allocation** process; or

2. The **account** allocated by the **full trading participant** or **settlement participant** bears an optional custodian **link**, previously established in the **participant registration** system, with the **investor**'s **account** in the **custody agent**.

The actual **delivery** to the designated **deposit account** is subject to an express **delivery** or receipt authorization to be granted exclusively by the **custody agent** responsible for the **deposit account**.

The **custody agent** may accept or reject the **delivery** or receipt of the **position** balance which was transferred to said **custody agent**, after receiving the custodian indication, by no later than 8:30 PM on T+1, subject to the following:

1. When the **full trading participant** or the **settlement participant** performs a reallocation of **transactions** that impacts a **settlement** instruction previously authorized by the **custody agent** receiving the custodian indication:

    (a)   If the reallocation results in a debit **settlement** instruction for the **assets**, the previously accepted **settlement** instruction will be rejected in its total quantity, even when, due to the **transaction** reallocation, there is an increase or decrease to the quantity previously authorized by the **custody agent**; or

    (b)   If the reallocation result in a credit **settlement** instruction for the **asset**, the **settlement** instruction will be automatically accepted in the newly allocated quantity; and

2. At the time of **allocation**, the **full trading participants**, **settlement participants** and **custody agents** may obtain information on the acceptance or rejection of the **delivery** or receipt of the **position** balance, by means of a file provided by the **clearinghouse**, in the format specified in the **clearinghouse message** and file catalog.

In exceptional cases, by submitting a request to the **clearinghouse**, the **custody agent** can accept or reject the **delivery** or receipt of the **position** balance that was transferred to said **custody agent** on T+2 of **transaction registration**, from 7:00 to 9:30 AM.

The acceptance of **delivery** or receipt represents the express consent by the **custody agent** for a given quantity of **assets** to be debited or credited by the **clearinghouse** to the **deposit account** of the **investor** under the **custody agent**'s responsibility in the **settlement** process.

The **custody agent** receiving the custodian indication may accept or reject the **delivery** or receipt of the **position** balance via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

The **full trading participant** and **settlement participant** receive confirmation of the **custody agent** action via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

The **clearing member**, **full trading participant** and **settlement participant** are always responsible for the **settlement** of any and all **transactions**, even when the **delivery** or the receipt of the corresponding **assets** is subject to a **custody agent**'s acceptance.

In case of rejection by the **custody agent** that received the custodian indication, the following procedure is adopted:

1. When the **full trading participant** or the **participant settlement** responsible for the relevant **settlement** is also authorized as **custody agent** in the **B3 central depository**, the **delivery** or receipt will occur to or from the **investor**'s **deposit account** under the **custody agent** of the **full trading participant** or **settlement participant**; or

2. When the **full trading participant** or the **participant settlement** responsible for the relevant **settlement** is not authorized as **custody agent** in the **B3 central depository**, the **position** is earmarked for the error **account** under the **full trading participant** or **participant settlement** responsible for **settlement**. Through the mandatory custodian **link**, the error **account** will indicate the **deposit account** for the **delivery** or receipt of **assets**. The **custody agent** appointed in the mandatory custodian **link** cannot reject the **delivery** or receipt of **assets**.

If the **custody agent** does not take any action until the end of the authorization period, the acceptance of the **delivery** or receipt that was transferred to said **custody agent** will be recorded as follows:

1. The full credit of **assets** is considered to be accepted; and

2. The full debit of **assets** is considered to be rejected.

For cash market **transactions** to be settled in the **coverage subaccount**, acceptance of **delivery** is granted by the **custody agent** at the time said **custody agent** makes the transfer of **assets** to the **coverage subaccount** for cash sales.

8.1.2.3. Deposit account modification

The **full trading participant** or **settlement participant** may submit a request for the replacement of the **deposit account** specified in the **allocation** of **equities market transactions** on T+1 of **transaction registration**, from 4:00 PM to the time limit of 8:30 PM, provided the **settlement** instruction has not been accepted by the **custody agent**.

The new **deposit account** must be held by the same holder of the **deposit account** previously specified in the **allocation** period.

The request for **deposit account** modification may be submitted via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

8.1.2.4. Subaccount modification in settlement instructions

Pursuant to the provisions of subsection 8.1.2, in the **asset** netting process the **clearinghouse** calculates the net result in **assets** and generates the relevant net **settlement** instruction. For the net **settlement** instructions deriving from **equities market positions** and **corporate debt market**, the **custody agent** responsible for the **delivery** or receipt of **assets** may replace the **subaccount** indicated in the relevant instruction.

When the **custody agent** responsible for the **delivery** or receipt of **assets** is not the **full trading participant** or **settlement participant** responsible for the **settlement** of the **transaction**, said replacement can only be carried out if the net **settlement** instruction has been authorized by the **custody agent** receiving the custodian indication.

The replacement of **subaccounts**, whether for the full or partial quantity included in the relevant net **settlement** instructions, may be performed only between **subaccounts** that accept **netting** as provided in subsection 8.1.2. Exclusively for credit **settlement** instructions in the **collateral subaccount**, only **subaccount** change for instructions whose credit originates from the maturity or early **settlement** of **securities lending** contracts is authorized.

For the **equities market**, the change can be made on T+1 of **transaction registration**, from 4:00 PM to the time limit of 8:30 PM, or on T+2 of **transaction registration**, by no later than 10:50. For the **corporate debt market** with settlement on T+0, from 12h30 PM to 12:50 PM on the **transaction date** and with **settlement** on T+1, since the opening of T+1 until 12:50.

A **subaccount** replacement request may be submitted via **clearinghouse** system screen or electronic **message**, in the format specified in the B3 **message** and file catalog.

8.1.3. Calculating multilateral net balances in assets held in SELIC's custody

The **clearinghouse** calculates the net results in **assets** by **netting** early **settlement** and expiration of government debt **securities lending** agreements and **repo transactions** with the same **settlement date**, the same **full trading participant** or **settlement participant**, the same **investor**, the same **custody agent** and the same **federal government bond deposit account**.

The **settlement** of government debt **securities lending** agreements and **repo transactions** is performed in the **gross settlement** system and, therefore, does not make up the **multilateral net balance** in **assets**.

Each of the **positions** that make up the net result has its own **settlement** instruction. **Settlement** instructions comprise a set of information required for **asset settlement** purposes, such as: (i) **full trading participant** or **settlement participant**; (ii) **custody agent**; (iii) **asset**; (iv) **investor**'s **federal government bond deposit account**; and (v) **purpose**.

The calculation process for **multilateral net balances** in **assets** provides the **netting** of **settlement** instructions and generates net **settlement** instructions. For the **government bond market**, this **netting** procedure maintains the characteristics of **purposes** in the **asset** management system and, in order to preserve an **investor**'s intention to cover **positions** at the **clearinghouse**, considers the restrictions described in the following table:

Settlement instruction bearing purpose:	Netting of debits with other instructions	Netting of credits with other instructions
21 (deposit of government debt **assets**)	Yes	Yes
22 (**coverage** of **positions** in government debt **assets**)	No	No

Table 10

For each **purpose** which does not present the **netting** feature, an independent **settlement** instruction is generated, just grouping **positions** of the same type (credit or debit) and **purpose**.

For the **purposes** listed on table 10 that present the **netting** feature, the **settlement** system calculates the net quantity to be delivered or received.

8.1.3.1. *Settlement instructions for assets in the error account*

Credits and debits derived from agreements generated in the error **account** are not netted against each other, even if their **settlement** instructions indicate **purposes** containing the **netting** feature, as listed on table 10.

9. MULTILATERAL NET SETTLEMENT

9.1. Net settlement procedures

Settlement is the process for extinguishing the obligations remaining after the multilateral **netting** process is carried out, and it comprises the following steps:

1. **Delivery** of **assets** to the **clearinghouse** by the debtor **investors** of **assets**;

2. **Payment** of funds to the **clearinghouse** by the net financial debtors; and

3. **Delivery** of **assets** to the creditors of **assets** and **payment** of funds to the net financial creditors.

The multilateral **settlement** between the **clearinghouse** and its **clearing members** takes place every business day, subject to a specific time grid, as per the subsection 9.1.4.

For multilateral **settlement** purposes, a business day is a day when execution or trading takes place at B3 in the **securities lending**, **derivatives**, **equities**, **corporate debt** and **government bond markets**. A nonbusiness day is a day when trading does not take place at B3, such as Saturdays, Sundays, national holidays, bank holidays in the capital city of São Paulo and any other holidays that may be created in the future.

For the purposes of multilateral **settlement** deriving from the agricultural **derivatives**, a business day is a day when trading takes place at B3 and is not a bank holiday in New York City.

The multilateral **settlement** of the immediately following business day after a holiday in New York City covers all the cumulative amounts that were not settled.

9.1.1. Delivery of assets to clearinghouse by debtor investors of assets

9.1.1.1. Delivery of assets under B3 central depository custody in cyclic asset delivery processing

Cyclic **asset delivery** processing allows the **clearinghouse** to submit requests for **asset transfers** to be made from debtor **investors'** **deposit accounts** to the **clearinghouse asset settlement account**, in the period from **clearinghouse** opening to regular **asset**

delivery processing, in relation to debit **settlement** instructions in **assets** to be carried out on the day.

At its sole discretion, the **clearinghouse** may review requests, submitted by **full trading participants**, **settlement participants** and **custody agents**, for non-adherence to the cyclic process. If the clearinghouse agrees with non-adherence, the debit **settlement** instructions in **assets** under the responsibility of the relevant **participant** are then disregarded in cyclic processing and considered in the regular **asset delivery** process.

The process for transferring **assets** from the **deposit account** of a debtor **investor** to the **clearinghouse asset settlement account** held with the **B3 central depository** during cyclic processing includes the following steps:

1. For each **deposit account**, where there are **settlement** instructions at opposite sides for the same **asset** in the same **account** under the same **full trading participant** or **settlement participant** and the same trade date, the smaller quantity between the two instructions is considered to be settled in the debit and credit instructions, but only for the **subaccounts** that present the **netting** feature, pursuant to subsection 8.1.2;

2. The **clearinghouse** then proceeds with the **delivery** of the **assets** that are deposited in the **deposit account** and **subaccount** designated in the debit **settlement** instructions, up to the quantities indicated in the **settlement** instructions;

3. When the quantity stipulated in a **settlement** instruction is not delivered, the **clearinghouse** considers the undelivered quantity as settled and generates, in case of partial **deliveries**, a new **settlement** instruction for the quantity still to be delivered;

4. The **clearinghouse** completes the **asset delivery** process to its **asset settlement account** held with the **B3 central depository**, characterizing the **settlement** instructions according to the end result of this process, as follows:

   (a) Settled: the debit instructions that were settled in the cyclic **asset delivery** process and credit instructions subject to **netting**; and

   (b) To be settled: the debit instructions that were not settled at the end of the cyclic **asset delivery** process;

5. The undelivered quantity at the end of the cyclic **asset delivery** process does not generate failure or buy-in **positions** but is otherwise submitted to a new **settlement** attempt in the next cyclic or regular **asset delivery** process; and

6. The **clearinghouse** notifies **custody agents** of the settled **settlement** instructions, via **clearinghouse** system or electronic **message**, in the format specified in the **clearinghouse message** catalog.

9.1.1.2. Delivery of assets under B3 central depository custody in regular asset delivery processing

The process for moving **assets** from the **deposit account** of a debtor **investor** to the **clearinghouse asset settlement account** held with the **B3 central depository** includes the following steps:

1. For each **deposit account**, where there are **settlement** instructions at opposite sides for the same **asset** in the same **account** under the same **full trading participant** or **settlement participant** and the same trade date, the smaller quantity between the two instructions is considered to be settled in the debit and credit instructions, but only for the **subaccounts** that present the netting feature, according to the criteria set forth in subsection 9.1.2. **Settlement** group considers one of the following features of **settlement** instructions: (i) the first **delivery** attempt; (ii) **delivery failure** instructions from previous days; or (iii) instructions generated from buy-in cancellation requests;

2. The **clearinghouse** then proceeds with the **delivery** of the **assets**, except those included in the **settlement** instructions previously categorized as settled, posted in the **deposit account** and **subaccount** designated in the debit **settlement** instructions, up to the quantities indicated in the **settlement** instructions;

3. Where partial or total **delivery failures** apply, the **clearinghouse** identifies the credit **settlement** instructions that will no longer receive the corresponding **assets**, subject to the criteria set forth in subsection 9.1.1.2.1;

4. In order to settle one debit against one credit generated due to a **delivery failure** occurred on the previous business day, the **clearinghouse** optimizes the netting of credit **settlement** instructions against debit **settlement** instructions, regardless of the trade date that originated the relevant **settlement** instruction, so that **delivery failures** are minimized, subject to the criteria set forth in subsection 9.1.1.2.1;

5. For the debit **settlement** instructions still pending **settlement** or which were only partially settled after the previous steps were taken, the **clearinghouse** activates the mandatory **securities lending** mechanism;

6. For the remaining partial or total **delivery failures**, the **clearinghouse** identifies the credit **settlement** instructions that will no longer receive the corresponding **assets**, subject to the criteria set forth in subsection 9.1.1.2.1;

7. The **clearinghouse** optimizes the netting of credit **settlement** instructions against debit **settlement** instructions, in order to minimize **delivery failures**, subject to the criteria set forth in subsection 9.1.1.2.1;

8. The **clearinghouse** completes the **asset delivery** process to its **asset settlement account** held with the **B3 central depository**, characterizing the **settlement** instructions according to the end result of this process, as follows:

   (a) Settled: the debit instructions that were settled in one of the steps of the **asset delivery** process, and credit instructions that were settled in the instructions' optimization process, according to subsection 9.1.1.2.2.1, and will therefore will receive the **assets** at the specified credit hours;

   (b) To be settled: the credit instructions that will receive the **assets** at the specified credit hours (3:50 PM);

   (c) Partially settled: the debit and credit instructions that were partially settled at the end of the regular **asset delivery** process; and

   (d) Not settled: the debit and credit instructions that were not settled at the end of the regular **asset delivery** process; and

9. The quantity that was not settled at the end of the regular **asset delivery** process generates **failure** or buy-in **positions**, according to subsection 9.1.5.2.

9.1.1.2.1. Process to identify credit instructions that were not settled

The algorithm for the identification of credit instructions that were not settled, which is employed twice during the **asset delivery** process, pursuant to subsection 9.1.1.2, aims to define which of the credit **settlement** instructions will no longer receive the **assets** due to the **delivery failures** of debit **settlement** instructions, according to the following criteria:

1. Only the credit **settlement** instructions for the same **asset** and the same **settlement** date of the debit **settlement** instruction are considered;

2. The first criterion is to search for the credit **settlement** instructions of the same **full trading participant** or **settlement participant** and the same **custody agent** in the

debit **settlement** instruction where an **asset delivery failure** occurred, in descending order of quantity;

3. The second criterion is to search for the credit **settlement** instructions of the same **full trading participant** or **settlement participant** of the debit **settlement** instruction where an **asset delivery failure** occurred, in descending order of quantity;

4. The third criterion is to search for the credit **settlement** instructions of the same **clearing member** and the same **custody agent** of the debit **settlement** instruction where an **asset delivery failure** occurred, in descending order of quantity; and

5. The fourth criterion is to search for the credit **settlement** instructions of the same **clearing member** of the debit **settlement** instruction where an **asset delivery failure** occurred, in descending order of quantity.

If the above criteria are not sufficient to determine the credit instructions that will no longer receive the corresponding **assets**, the **clearinghouse** will determine, in descending order of quantity, the credit instructions that will not be settled.

9.1.1.2.2. Process for optimizing the offsetting of assets

Optimizing the offsetting of **assets** is a process whereby the **settlement** of a debit instruction is performed by checking the credit instructions with same features, subject to the following criteria:

1. Only the debit **settlement** instructions which, until the beginning of the optimization process, are characterized as not settled or as partially settled are considered;

2. Only the credit **settlement** instructions that, until the beginning of the optimization process, have a quantity to be settled greater than zero are considered;

3. The system searches for credit **settlement** instructions to settle the debit **settlement** instructions, provided the instructions involve the same **assets** under the same **full trading participant** or **settlement participant** and the same **custody agent** in the same **deposit account**, and the **subaccounts** are allowed to be netted against each other, pursuant to subsection 8.1.2, regardless of the trade date on which the relevant **settlement** instruction was originated; and

4. The quantity in the debit **settlement** instructions considered to be settled is the minimum quantity between the quantity to be settled in the credit **settlement** instruction and the quantity not settled in the debit **settlement** instruction.

9.1.1.3. Delivery of assets in SELIC's custody

The process for moving **assets** from the debtor **investor**'s **federal government bond deposit account** to the **clearinghouse asset settlement account** in SELIC includes the following steps:

1. For each **federal government bond deposit account**, where there are **settlement** instructions at opposite sides for the same **asset** in the same **account** under the same **full trading participant** or **settlement participant** and in the same **settlement** group, the smaller quantity between the two instructions is considered to be settled in the debit and credit instructions for the **purposes** that present the **netting** feature, according to the criteria set forth in subsection 8.1.3. **Settlement** group considers one of the following features of **settlement** instructions: (i) the first **delivery** attempt; (ii) **delivery failure** instructions from previous days; or (iii) instructions generated from buy-in cancellation requests;

2. Then the **clearinghouse** proceeds with the **delivery** of **assets** that are posted in the **federal government bond deposit account** for the **purposes** designated in the debit **settlement** instructions, up to the quantity indicated therein;

3. Where partial or total **delivery failures** apply, the **clearinghouse** identifies the credit **settlement** instructions that will no longer receive the corresponding **assets**, subject to the criteria set forth in subsection 9.1.1.2.1;

4. For the debit **settlement** instructions still pending **settlement** or which were only partially settled after the previous steps, the **clearinghouse** activates the mandatory **securities lending** mechanism;

5. For the remaining partial or total **delivery failures**, the **clearinghouse** identifies the credit **settlement** instructions that will no longer receive the corresponding **assets**, subject to the criteria set forth in subsection 9.1.1.2.1;

6. The **clearinghouse** carries out the **delivery failure** management process for government debt **assets**, pursuant to subsection 9.1.5.2.3;

7. The **clearinghouse** completes the process for **asset delivery** to its **asset settlement account** in SELIC, characterizing the **settlement** instructions according to the end result of this process, as follows:

    (a) Settled: the debit instructions that were settled in any of the steps of the **asset delivery** process and therefore will receive the **assets** at the specified credit hours;

(b)   To be settled: the credit instructions that will receive the **assets** at the specified credit hours (3:50 PM);

(c)   Partially settled: the debit or credit instructions that were partially settled at the end of the **asset delivery** process;

(d)   Not settled: the debit and credit instructions that were not settled at the end of the **asset delivery** process; and

(e)   Managed: the debit instructions that were subjected to the **delivery failure** management process, in accordance with the procedure described in subsection 9.1.5.2.3; and

8.   The quantity that was not settled at the end of the **asset delivery** process generates buy-in **positions**, according to subsection 9.1.5.2.3.

9.1.1.3.1. Process to identify credit instructions pending settlement

The algorithm for the identification of credit instructions that were not settled, which is applied twice during the **asset delivery** process, pursuant to subsection 9.1.1.2, aims to define which of the credit **settlement** instructions will no longer receive the **assets** by reason of debit **settlement** instruction **delivery failures**, based on the following criteria:

1.   Only the credit **settlement** instructions for the same **asset** and the same **settlement** date of the debit **settlement** instruction are considered;

2.   The first criterion is to search for the credit **settlement** instructions of the same **full trading participant** or **settlement participant** and the same **custody agent** in the debit **settlement** instruction where an **asset delivery failure** occurred, in descending order of quantity;

3.   The second criterion is to search for the credit **settlement** instructions of the same **full trading participant** or **settlement participant** in the debit **settlement** instruction where an **asset delivery failure** occurred, in descending order of quantity;

4.   The third criterion is to search for the credit **settlement** instructions of the same **clearing member** and the same **custody agent** in the debit **settlement** instruction where an **asset delivery failure** occurred, in descending order of quantity; and

5.   The fourth criterion is to search for the credit **settlement** instructions of the same **clearing member** in the debit **settlement** instruction where an **asset delivery failure** occurred, in descending order of quantity.

If the above criteria are not sufficient to determine the credit instructions that will no longer receive the corresponding **assets**, the **clearinghouse** will determine, in descending order of quantity, the credit instructions that will not be settled.

9.1.1.4. Commodity delivery

The agricultural **commodity derivatives** traded in the B3 **trading environment** may be eligible for **settlement** by physical **delivery**, subject to the time frames and specific conditions established in each contract.

When settling agricultural **commodity derivatives** by physical **delivery**, the following is considered eligible for **delivery**/receipt:

1. The **commodity** lots that are in conformity with the standards established in the respective contract, duly classified by the accredited firm(s) or by B3 and deposited in the warehouses accredited for the relevant **commodity**;

2. The selling **investor** that proves the ownership of the **commodity** lots to be delivered, by submitting specific supporting documentation;

3. The selling **investor** that, in addition to the previous items, holds a short **position** in the futures contract eligible to be settled by physical **delivery**; and

4. The buying **investor** holding a long **position** in the futures contract eligible to be settled by physical **delivery** and having no restrictions, under legislation and regulations in force, to take **delivery** of the **commodity** underlying the futures contract.

The **settlement** process by the physical **delivery** of **derivatives** based on agricultural **commodities** comprises eight stages, as described on the following table:

Stage	Date	Time	Event
1	T+0 of registration of **delivery** request (according to date stipulated in each contract)	By 6:00 PM	The **full trading participants** or **settlement participants** responsible for the selling **investors** register the **delivery** requests via **delivery notices** or **notices of intent to deliver**, depending on the contract, by: (i) submitting the documentation required under the concerned contracts; and (ii) registering the requests electronically in the **clearinghouse** classification and physical **delivery** system. Contingent on the contract, the depositaries where the **commodities** are stored may submit the documentation and register the relevant requests.

2	T+0 of registration of **delivery** request (according to date stipulated in each contract)	By 8:00 PM	After reviewing the documentation received and the information registered in the system, the **clearinghouse** accepts or rejects the registered **delivery** requests.
3	T+n (time limit under each contract)	10:00 AM thru 6:00 PM	The **clearinghouse** makes the details of the accepted **delivery** requests available to the **full trading participants** or **settlement participants** responsible for the buying **investors** via **clearinghouse** systems.
4	T+n (time limit under each contract)	By 6:00 PM	• For the **delivery** requests submitted via **delivery notices**: the buying **investors**, through their **full trading participants** or **settlement participants**, choose the **commodity** they want to receive from among all the **delivery notices** available, in chronological order of **positions** (oldest first). If no buyers show interest in taking full or partial **delivery** of the **commodity**, after 6:00 PM B3 designates the buyers for the **commodity** lots specified in the **delivery notices** automatically and in chronological order (oldest **positions** first). • For the **delivery** requests submitted via **notices of intent to deliver**, after 6:00 PM B3 designates the buyers who will take **delivery** of the **commodity** lots specified in the relevant **notices** automatically and in chronological order (oldest **positions** first).
5	T+n, but on a later date than that of stage 4 (time limit under each contract)	——	• The **full trading participants** or **settlement participants** responsible for the buying **investors** who have chosen a **delivery notice** or who have been designated by B3 register the details for invoicing purposes, pursuant to the concerned contract, in the **clearinghouse** classification and physical **delivery** system. • The **full trading participants** or **settlement participants** responsible for the selling **investors** must send the invoices to the **clearinghouse**, which then forwards the invoices to the **full trading participants** or **settlement participants** responsible for the buying **investors**. The time frame for submitting invoices to the **clearinghouse** is stipulated in concerned the contract.
6	T+n, but on a later date than that of stage 5 (time limit	By 2:50 PM	The **clearinghouse** receives the **payment** of the cash **settlement** values due by the buying **investors** in the **multilateral net balances** of the relevant **clearing members**.

	under each contract)		
7	T+n, after settlement by buying investors is completed (time limit under each contract)	——	• The **clearinghouse** sends the printed copies of the **physical delivery orders** to the **full trading participants** or **settlement participants** responsible for the buying **investors** and to the depositaries where the **commodities** are stored. • The buying **investors** can now proceed to withdraw the **commodities** from the depositaries appointed by the selling **investors**.
8	T+n, but on a later date than that of stage 7 (time limit under each contract)	——	The **clearinghouse** makes the **payment** of the cash **settlement** values to the selling **investors** in the **multilateral net balances** of the relevant **clearing members**.

Table 11

For the contracts that require a **declaration of quality and delivery** *[TQR in the Portuguese acronym]*, B3 considers that the **commodity** lots are delivered:

1. When the **clearinghouse** receives the TQR from the buying **investor**, or the substitute buyer, attesting to the conformity of the **commodity** received; or

2. At the end of the time limit prescribed for the TQR to be submitted under the concerned contract.

For **derivatives** that do not require a TQR to be submitted to the **clearinghouse**, the latter considers to be delivered the **commodity** that (i) has been paid for by the buying **investor**, (ii) has not been challenged by the buying **investor** as to quality or warehousing conditions within the time limit stipulated in each contract, and (iii) has been invoiced by the selling **investor** by the end of the time period stipulated in each contract.

Certain contracts require the **delivery**/receipt of **commodities** to follow the regularity stipulated in the schedule established by the buying or the selling **investor**. To that end, the corresponding **delivery schedule** must be filed with the **clearinghouse**.

Other contracts establish specific procedures for the **commodities** intended for exportation, such as the filing of export-related declaratory and supporting

documentation for the appropriate action to be taken, particularly in connection with applicable taxes.

The selling **investor** that decides not to make **delivery** of the **commodity** or the buying **investor** that decides not to take **delivery** of the **commodity** must close out the relevant **position** by the end of the trading period of the contract.

Without prejudice to the sanctions defined in the **clearinghouse** rules, pursuant to the provisions of each contract, the **clearinghouse** may impose **fines** or other penalties to the buying or selling **investors** in the event of late filing of the documentation required for **commodity delivery** or invoicing purposes.

9.1.1.4.1 Appointing a third party to make and take delivery of commodities

The **clearinghouse** allows resident buying and selling **investors** to appoint a third party to make and take **delivery** of **commodities**, respectively.

It is mandatory for nonresident selling and buying **investors** under § 1º of art. 13 of Joint Resolution BCB/CVM #13 to appoint a third party to make and take **delivery** of **commodities**, respectively, as follows:

1. The nonresident selling **investor** must appoint a third party residing in Brazil, to which party the **delivery** rights and obligations are to be transferred; and

2. The nonresident buying **investor** must appoint a third party residing in Brazil, to which party the **delivery** rights and obligations are to be transferred. If the nonresident buying **investor** intends to take **delivery** of the **commodity**, the third party appointed as legal representative must be empowered to take all the necessary action on behalf of the nonresident buying **investor** to arrange for transportation and shipping of the **commodity** for export, as well as to comply with any requirements of the competent public authorities.

The third parties thus appointed must provide complete details for invoicing purposes and assume any and all financial, commercial and tax obligations, among others, arising from or associated with the respective contracts until the final **settlement** thereof. Under the relevant contract, the third parties must be registered as clients of the **full trading participants** that intermediate the **delivery** and also of the **settlement participants** and/or **trading participants**, as the case may be.

The appointment of third parties must occur when a **delivery** request is registered, for selling **investors**, and by the time information must be submitted for invoicing purposes, for buying **investors**.

The original buying and selling **investors** remain liable for all the obligations of the third parties they appoint until the final **settlement** of the corresponding contracts, including the possibility of **collateral** held by the original **investors** being liquidated to meet the obligations of the third parties they appointed.

9.1.2. Payment of net debtors of funds to the clearinghouse

This stage is conducted as follows:

1. **Settlement** by the **clearing members** via transfers in BCB's STR system;

2. **Settlement** by the **full trading participants** and **settlement participants** holding **CELP accounts** with the B3 Bank;

3. **Settlement** by the **investors** holding **CEL accounts** with the B3 Bank; or

4. **Settlement** by the nonresident **investors** under § 1º of art. 13 of Joint Resolution BCB/CVM #13 through the financial institution engaged by the **clearinghouse** to provide this service abroad.

9.1.2.1. Settlement by clearing members

The multilateral **settlement** between the **clearinghouse** and its **clearing members** takes place by means of the transfer of bank reserves between the **clearinghouse settlement account** and the **Bank Reserves accounts** or **Settlement accounts** of the **settlement agents** via BCB's STR system. The communication regarding such transfers between **clearinghouse**, **settlement agents** and BCB is transmitted by **LDL messages**.

The **settlement** of the **clearing members**' **multilateral net balances** involves the **payment** by the debtors to the **clearinghouse** and the **payment** by the **clearinghouse** to the creditors.

1. <u>**Payments**</u> to the <u>**clearinghouse**</u>. A time period that extends from the opening to the closing of the stage of credits in favor of the **clearinghouse**, that is, from 2:10 PM to 2:50 PM. To that end:

    (i)   The **clearing members** must deposit the funds corresponding to their debit balances with their respective **settlement agents**; and

    (ii)   The **settlement agents** must issue the corresponding credit orders to the

clearinghouse.

Without prejudice to the obligation assumed by the **clearing members** to settle their **multilateral net balances** with the **clearinghouse**, the cash **settlement** between the **participants** must take place before the opening of the **clearinghouse settlement window**, in the following order: (i) by 1:30 PM, the debtor **investors** settle with their respective **full trading participants**, **settlement participants**, **trading participants** or **foreign participants**, as the case may be; (ii) by 1:40 PM, the **trading participants** or **foreign participants** settle with their respective **full trading participants**; and (iii) by 2:00 PM, the **full trading participants** and **settlement participants** settle with their respective **clearing members**.

9.1.2.2. Settlement via the special settlement account (CEL account)

Settlement via the **CEL account** is a mechanism for settling the **multilateral net balances** directly between the **investors** and the **clearinghouse**.

The **CEL account** is a special **account** which is maintained with and managed by the B3 Bank with the same characteristics as a current **account** and which is held by an **investor** to provide the cash **settlement** of the **investor**'s rights and obligations to the **clearinghouse** in a segregated manner from the financial flows of the relevant **full trading participant**, **settlement participant** and **clearing member**. The **CEL accounts** can only be utilized to transfer the funds inherent in the **settlement** process and in **collateral posting** and withdrawal in local currency.

9.1.2.2.1. Qualification for settlement via the special settlement account (CEL account)

The following may qualify to provide **settlement** via the **CEL account**: financial institutions not holding a **Bank Reserves account** or a **Settlement account**; funds and share class of investment funds; nonresident **investors** under CMN Resolution #4373; and other entities, at the discretion of B3.

Investors are granted qualification to hold a **CEL account** after the following process is met:

1. The **full trading participant** or the **settlement participant** responsible for the **investor** requests qualification for the **investor** to hold a **CEL account**;

2. B3 reviews the **investor**'s adherence to the minimum trade volume levels it establishes;

3. Qualification is granted for the **investor** to hold a **CEL account**; and

4. The **full trading participant** or the **settlement participant** applies to the B3 **participant registration** department to open a **CEL account** for the **investor** with the B3 Bank.

The authorization for **settlement** via the **CEL account** granted to an **investor** may be cancelled, and the **CEL account** closed, in the following situations:

1. When the **CEL account** is not operated for a period of over ninety (90) days;

2. When the **investor**, the **full trading participant**, or the **settlement participant** is deemed to be noncompliant with the requirements of the grant and with the conditions and procedures established in the **clearinghouse** rules, in this operating procedures manual and in other rules and regulations issued by B3;

3. Upon request by the relevant **full trading participant** or **settlement participant** submitted in writing to B3 at least five (5) business days in advance;

4. When the business relationship between the **investor** and the **full trading participant** or **settlement participant** is terminated; and

5. In other situations, at the discretion of B3.

9.1.2.2.2. Liability in settlement via the special settlement account (CEL account)

Despite the segregation that exists between the **settlement** value of the **investor** and the financial flows of the **full trading participant**, or **settlement participant**, and **clearing member**, the use of the **CEL account** does not change the rights and obligations between **participants** and **investors**. The **full trading participants** or the **settlement participants**, as the case may be, remain responsible to the **clearing members** for the **settlement** of their own **transactions** and for those of their **investors**, and the **clearing members** are responsible for all the **payments** to the **clearinghouse**. Hence, if for any reason the balance in an **investor**'s **CEL account** is insufficient to cover the **investor**'s **payment** obligations, the amounts due by said **investor** must be paid by the **full trading participant** or **settlement participant** to the **clearing member** and by the latter to the **clearinghouse**.

The time frames for **settlement** via the **CEL account** coincide with the **settlement window** for **multilateral net settlement** by the **clearing members** via the STR system, since in the event of a **CEL account settlement** failure the **investor**'s obligations are transferred to the **clearing members** and **full trading participants** or **settlement**

participants.

9.1.2.2.3. Procedures for settlement via the special settlement account (CEL account)

The **settlement** process via the **CEL account** entails the transfer of funds between B3 Bank's **Bank Reserves account** and the **clearinghouse settlement account**. The **full trading participant** or the **settlement participant**, as the case may be, notifies the **investor** of the amounts to be settled on the day based on the information provided by the **clearinghouse** via files and system screens.

Upon confirmation by the B3 Bank of the transfer of the debit amounts deposited in a **CEL account** to the **clearinghouse settlement account**, the **clearing member**, **full trading participant**, or **settlement participant** linked to the **investor** can no longer activate the **delivery** restriction mechanism for the position in that **CEL account**, since the **payment** of the financial obligation has already been effected.

9.1.2.3. *Settlement via a participant's special settlement account (CELP account)*

This special **settlement** procedure is a mechanism whereby the **settlement** of **multilateral net balances** in local currency is carried out directly between (i) the **full trading participant** or **settlement participant** and (ii) the **clearinghouse**, through the B3 Bank, via the **CELP account**.

The **CELP account** is a special **account** which is maintained with and managed by the B3 Bank with the same characteristics as a current **account** and which is held by a **full trading participant** or **settlement participant** to provide the cash **settlement** of **participant**'s rights and obligations to the **clearinghouse** in a segregated manner from the financial flows of the relevant **clearing member**. **CELP account** can only be utilized to transfer funds inherent in the **settlement** process and to move **collateral** in local currency.

Settlement via **CELP account** can only be carried out when so defined by B3, which shall notify the concerned **full trading participants** and **settlement participants** and the relevant **clearing member**, by telephone, electronic mail, physical correspondence or any other means of communication, of the special procedure activation. The **settlement** process via **CELP account** will not be impacted in the absence of confirmation that such notification has been received by the **clearing member**.

CELP account is created by the **clearinghouse**, according to the procedures established by the B3 Bank, for **full trading participants** or **settlement participants** that do not act as their own **clearing member**.

9.1.2.3.1. Liability in settlement via a participant's special settlement account (CELP account)

Despite the segregation that exists between the **settlement** values of the **full trading participants** and **settlement participants** and the financial flows of the **clearing member**, the use of the **CELP account** does not change the rights and obligations between the **clearing member** and **full trading participants** and **settlement participants**. The **clearing member** remains responsible to the **clearinghouse** for the **settlement** of its **participants**' **transactions**. Hence, if for any reason the balance in a **full trading participant**'s or **settlement participant**'s **CELP account** is insufficient to settle any such **participant**'s obligations, the amounts due by either **participant** must be paid by the **clearing member**.

The time frames for **settlement** via the **CELP account** coincide with the **settlement window** for **multilateral net settlement** by the **clearing members** via the STR system, since, in the event of a **participant**'s **CELP account settlement** failure, the responsibility for performing the relevant obligation shall remain with the **clearing member**.

9.1.2.3.2. Procedures for settlement via a participant's special settlement account (CELP account)

The **settlement** process via the **CELP account** entails the transfer of funds between B3 Bank's **Bank Reserves account** and the **clearinghouse settlement account**.

Upon confirmation by the B3 Bank of the transfer of the debit amounts deposited in a **CELP account** to the **clearinghouse settlement account**, the **clearing member** linked to the **full trading participant** or **settlement participant** can no longer activate the **delivery** restriction mechanism for the **position** in that **CELP account**, since the **payment** of the financial obligation has already been effected.

9.1.2.4. *Settlement by nonresident investors* – Joint Resolution BCB/CVM #13

Under § 1º of art. 13 of Joint Resolution BCB/CVM #13, nonresident **investors** are those who trade B3's agricultural contracts and settle their **transactions** in US dollars.

9.1.2.4.1. Process for settlement by nonresident investors – Joint Resolution BCB/CVM #13

The rights and obligations of nonresident **investors** under § 1º of art. 13 of Joint Resolution BCB/CVM #13 are settled in US dollars directly with the **clearinghouse** in New York City, through a financial institution engaged by the **clearinghouse** to provide this service.

Alternatively, to the direct **settlement** with nonresident **investors**, the **clearinghouse** may, at its sole discretion, authorize **settlement** to be carried out with the institution responsible for the relevant nonresident **investor** abroad, provided supporting documentation is submitted to prove the institution's relationship with the **investor**, under the consent of the **full trading participant** or **settlement participant**.

In the event that a nonresident **investor** fails to settle obligations to the **clearinghouse**, the **full trading participant** or the **settlement participant** responsible for the corresponding **transaction** takes responsibility before the relevant **clearing member** and the latter before the **clearinghouse** for the **settlement** of the **transaction** on the same day, in local currency. Therefore, the time frame for nonresident **investors** under § 1º of art. 13 of Joint Resolution BCB/CVM #13 to settle their **transactions** is included in the **settlement window** for **clearing members**.

In the event that a nonresident **investor** does not make the **payment** due by the time limit established in this manual and the **full trading participant** or the **settlement participant** submits a request for the corresponding undeposited funds not to be included in the final **multilateral net balance**, the **clearinghouse** may, at its sole discretion:

1. Block the **full trading participant**'s or the **settlement participant**'s available **collateral** at an amount at least equivalent to the amount due; and

2. Extend the deadline for making the **payment** due to 4:00 PM on the same day. If the **payment** is not made by that time, the **clearinghouse** will require the **clearing member** to provide the relevant **payment** on the same day and, as soon as it confirms receipt thereof, it will remove the block on the **full trading participant**'s or the **settlement participant**'s **collateral**. The information on the amount to be settled is relayed to the **clearing member**'s **settlement agent** via **LDL message** 0013.

9.1.3. Delivery of assets to creditors of assets and payment of funds to net creditors

At this stage, the **clearinghouse** coordinates the **delivery** of **assets** against the simultaneous, final and irrevocable **payment** of the financial values, by instructing:

▪ A debit to its **asset settlement account** held with the **B3 central depository** and a credit to its **deposit account** or **federal government bond deposit account**, depending on the **asset**, which is a net creditor of **assets**. For fixed income ETF **securities lending**, the **clearinghouse** adopts the LIFO/FIFO method registered in the **lender´s deposit account** with the **B3 central depositary** for analytical balance update, with information on price and acquisition date of the **assets** lent; and

▪ A debit of funds to its **Settlement account** held with STR and a credit to the **clearing members** that are net creditors through their **settlement agents**.

9.1.4. Time grid

The **settlement** activities follow the timetable below:

Stage	Time	Event	STR message
1	6:30 AM thru 6:45 AM	**Clearinghouse** announces its opening for **settlement**.	LDL0028
2	7:00 AM thru 7:30 AM	• **Clearinghouse** informs **settlement agents** of **clearing members**' provisional **multilateral net balances**. • **Clearinghouse** informs BCB of provisional amounts to be settled by **settlement agents**.	LDL0001 LDL0002
3	7:00 AM thru 10:30 AM	**Clearinghouse** may cyclically process attempts to transfer **assets** from debtor **investors**' **deposit accounts** to **clearinghouse asset settlement account** held with **B3 central depository**.	____
4	7:30 AM	For market on corporate debt with **settlement** on T+1, **clearinghouse** informs **custody agents** of the allocated **deposit accounts** for which they are responsible and requests **deliveries** to be accepted or rejected, when applicable.	____
5	7:30 AM thru 1:30 PM	• **Clearing members**, **full trading participants**, **settlement participants** and **investors** indicate/post **collateral** to meet **margin** calls, pursuant to the provisions of the **clearinghouse** risk management manual. • Time limit for posting in **CEL accounts** or **CELP accounts** the portion of **margins** that will be met in local currency funds.	____
6	11:00 AM	For **equities market**, **clearinghouse** processes regular **asset** transfers from **deposit accounts** held by net debtor **investors** of **assets** to	____

		clearinghouse asset settlement account held with **B3 central depository**.	
7	By 10:30 AM	For **settlement** by nonresident **investors** under § 1º of art. 13 of Joint Resolution BCB/CVM #13: • **Full trading participants** and **settlement participants** inform **clearinghouse** of the commission values to be included in the nonresident **investors' multilateral net balances**.	
8	12:00 noon	For **settlement** by nonresident **investors** under § 1º of art. 13 of Joint Resolution BCB/CVM #13: • Time limit for transfer of nonresident **investors'** debit amounts to **clearinghouse** account with offshore financial institution engaged by B3 to settle **transactions**.	――
9	12:00 noon	For **government bond market**, **clearinghouse** processes **asset deliveries** by transferring securities from debtor **investors' SELIC deposit accounts** to **clearinghouse asset settlement account**, both held with SELIC.	――
10	By 12:30 PM	For **corporate debt market** with **settlement** on T+0, **full trading participants** or **settlement participants** allocate the **transactions**, indicating, where applicable, **custody agents**, **investors' deposit accounts** under **custody agents** and **subaccounts**.	――
11	12:30 PM	For **corporate debt market** with **settlement** on T+0, **clearinghouse** informs **custody agents** of the allocated **deposit accounts** for which they are responsible and requests **deliveries** to be accepted or rejected, where applicable.	LDL0004
12	By 1:00 PM	• For **corporate debt market** with **settlement** on T+0, **custody agents** must accept or reject, in whole or in part, **deliveries** that were transferred to them, where applicable. • For **corporate debt market** with **settlement** on T+1, **custody agents** must accept or reject, in whole or in part, **deliveries** that were transferred to them, where applicable.	――
13	1:00 PM	• For **corporate debt market** with **settlement** on T+0, **clearinghouse** processes **asset deliveries** by transferring securities from debtor **investors' deposit accounts** to **clearinghouse asset settlement account** with the **B3 central depository**. • For markets on gold as a financial **asset** and corporate debt with **settlement** on T+1, **clearinghouse** processes **asset deliveries** by transferring securities from debtor **investors' deposit accounts** to **clearinghouse asset**	――

		settlement account with the **B3 central depository**.	
14	1:45 PM	For **settlement** via **CELP account**: • Time limit for transfers of amounts due by debtor **participants** to **CELP account**. • **Clearinghouse** excludes from provisional **multilateral net balances** of relevant **clearing members**: (i) debit amounts deposited in **CELP account**; and (ii) credit amounts authorized to be settled via **CEL account**. For **settlement** via **CEL accounts**: • Time limit for: (i) transfers of amounts due by debtor **investors** to **CEL accounts**; and for (ii) **full trading participants** or **settlement participants** responsible for debtor **investors** to determine that **payments** will not be made via **CEL accounts**. • **Clearinghouse** excludes from provisional **multilateral net balances** of **full trading participants**, **foreign participants** or **settlement participants**, and **clearing members**: (i) debit amounts deposited in **CEL accounts**; and (ii) credit amounts authorized to be settled via **CEL accounts**.	――
15	By 1:30 PM	• **Settlement** by debtor **investors** in favor of **full trading participants**, **settlement participants trading participants** or **foreign participants**, as the case may be. • **Settlement** by debtor **investors**' **trading participants** or **investors`foreign participants** in favor of **full trading participants**.	――
16	By 2:00 PM	**Settlement** by debtor **full trading participants** or **settlement agents** in favor of **clearing members**.	――
17	2:10 PM thru 2:15 PM	• **Clearinghouse** informs **settlement agents** of **clearing members**' final **multilateral net balances**. • **Clearinghouse** informs BCB of final **multilateral net balances** to be settled by **settlement agents**.	LDL0001 LDL0002
18	2:10 PM thru 2:30 PM	**Settlement agents** confirm availability of **clearing members**' funds to settle obligations, specifying the available portion of each **clearing member**'s **multilateral net balance**.	LDL0003
19	By 2:50 PM	• **Settlement** by debtor **clearing members**: credits are entered in favor of **clearinghouse** (**payments** to **clearinghouse**). • **Settlement agents** send funds transfer requests from their **Bank Reserves accounts** or **Settlement accounts** to **clearinghouse settlement account**, settling debtor **clearing members**' **multilateral net balances**.	LDL0004
20	2:50 PM thru 3:49 PM	Failure check and execution of procedures to solve payment failures.	――

21	3:50 PM	• **Clearinghouse** sends transfer requests from its **Settlement account to settlement agents**' **Bank Reserves accounts** or **Settlement accounts**, settling creditor **clearing members**' **multilateral net balances**.	LDL0005
		• **Clearinghouse** makes **payments** due to creditor nonresident **investors**.	———
		• **Clearinghouse** coordinates **asset deliveries** against simultaneous, final and irrevocable **payments** of financial values, by instructing its **asset settlement accounts** with the **B3 central depository** and SELIC to be debited and its **SELIC deposit accounts** creditors of **assets** to be respectively credited.	———
22	3:55 PM	For **settlement** via **CEL accounts** or **CELP account**: • Time limit for B3 Bank to transfer funds received from **clearinghouse** to respective **CEL accounts** or **CELP account**.	———
23	6:30 AM thru 6:29 PM	**Clearinghouse** and **settlement agents** refund credits undue, if any.	LDL0006
24	6:30 PM	**Clearinghouse** announces its closing for **settlement**.	LDL0029

Table 12

9.1.4.1. Changes to STR's operating hours

Should extraordinary events so warrant, BCB might make an exceptional declaration to alter STR's operating hours. The **clearinghouse** might also determine modifications to its **settlement** time schedules and related processes, in case the change to STR's operation impacts such processes.

If the STR closing time is postponed till after 11:59 PM of a specific session, the **settlement agents** must be able to carry out the **settlement** processing associated with the still valid **settlement** date.

9.1.5. Failure management

9.1.5.1. Failure to pay the multilateral net balances

When the time limits for the **settlement** procedures to be performed by the **clearing members** are not complied with, the **clearinghouse** activates the management mechanisms for failed funds transfers, according to the procedures prescribed in the **clearinghouse** risk management manual.

Any failure to pay funds entails the application of **fines**. The amount of the **fine** for late

payment of **multilateral net balances** is a percentage of the financial value that is in arrears and varies according to the time for the relevant **payment** to be rectified, subject to lower and upper limits.

The following table describes the applicable percentage rates and amounts:

	Time for rectification		
	Up to 15 minutes	**15 minutes thru 3 hours**	**Over 3 hours**
Percentage rate	0.5%	0.75%	1%
Minimum **fine**	BRL5,000.00	BRL7,500.00	BRL10,000.00
Maximum **fine**	BRL50,000.00	BRL100,000.00	BRL200,000.00

Table 13

The above percentages will double at every late **payment** event committed by the same **clearing member**. After twelve (12) consecutive months without the occurrence of any further late **payment** event, the rates will return to the original values shown in table 9.

The time considered to determine how long a **clearing member** will take to rectify its **payment** obligations to the **clearinghouse** is the time at which the relevant funds are credited to the **clearinghouse settlement account** in STR, as indicated in BCB's reply **message**.

The amounts of the **fines** charged for late **payments**, which are allocated to supervisory, regulatory, financial education and social activities, will be entered into the **multilateral net balance** of the concerned **clearing member** on the day following the date the failure was committed.

9.1.5.1.1. Restriction mechanism

The restriction mechanism enables:

1. The **clearinghouse** to apply a restriction to the **delivery** of **assets** to the **investors** linked to the **clearing member** that failed to meet **payment** obligations in full;

2. The **clearing member** to request the application of restriction to the **delivery** of **assets** to the **investors** linked to the **full trading participant** or **settlement participant** that failed to meet **payment** obligations;

3. The **full trading participant** or **settlement participant** to request the application of restriction to the **delivery** of **assets** to the **investor** that failed to meet **payment** obligations; or

4. The **custody agent** to request the application of restriction to the **delivery** of the **asset position** to the **investor** that failed to meet **payment** obligations.

The **clearing members**, **full trading participants**, **settlement participants** and **custody agents** may submit a restriction request to the **delivery** of **assets** by 2:45 PM on the **settlement** date of the **transaction**, as well as a **delivery** restriction cancellation request (i) for the **equities** and **corporate debt markets** , by 6:30 PM on the same day and (ii) for the **government bond market**, by 5:45 PM on the same day.

When a restriction cancellation request is submitted, the **assets** are delivered to the **deposit account** designated in the **allocation** process.

If a restriction cancellation request is not submitted, the **assets** are delivered to an **account** held by the **clearinghouse**, **clearing member**, **full trading participant** or **settlement participant**, or **custody agent**, which order will also be followed in case of restriction requests submitted by more than one **participant**.

The **clearinghouse** provides the restriction mechanism for the **transactions** executed in the following markets:

– Equities;

– Government debt; and

– Corporate debt.

Delivery restriction requests and **delivery** restriction cancellation requests may be submitted via **clearinghouse** system or electronic **message**, in the format specified in the **clearinghouse message** and file catalog.

9.1.5.2. Asset delivery failure

9.1.5.2.1. Asset delivery failure in the equities market

In the event of a **delivery failure** of **asset** quantity Q by the **investor** holding a **multilateral net** debit **balance** of **assets**, the **clearinghouse** takes the following action, in the order presented:

(i)   The debtor **investor** executes mandatorily a **securities lending transaction** under the responsibility of the **trading participant**, **foreign participant**, **full trading participant**, or **settlement participant**, and **clearing member** responsible for the **delivery failure** in the **securities lending system** managed

by B3, thus meeting the obligation to deliver **asset** quantity Q_1 ($Q_1 \leq Q$), which is obtained from the mandatory **transaction**.

If $Q_1 = Q$, the failure management is completed. Otherwise, the next steps apply.

(ii) A **fine** is imposed on the failing **investor**, according to the criteria established in subsection 9.1.5.

(iii) By denoting by Q_2 the quantity still not settled ($Q_2 = Q - Q_1$), the following occurs on T:

1. The creditor **investors** are selected that will be impacted by the **delivery failure** of quantity Q_2 of **assets** (meaning those who will not receive the expected quantity of **assets**) and of the quantity each creditor **investor** will not receive.

   Said selection is determined by means of a B3 algorithm which seeks to preserve the **delivery** of **assets** to those who are not under the responsibility of the **participants** responsible for the **delivery failure** and who are creditors of smaller **asset** quantities.

2. **Delivery failure positions** are registered to each of the creditor **investors** selected in step (iii)(1), having the effect of:

   (a) Transferring to T+1 each creditor **investor**'s **payment** obligation, if any, corresponding to the average price of **transactions** in the **assets** and also to the quantity of **assets** still not received;

   (b) Transferring to T+1 each creditor **investor**'s right to receive the quantity of **assets** still not received; and

   (c) If the unreceived quantity corresponds to the settlement of the lending **position** in the **securities lending** agreement: crediting to each creditor **investor**'s **multilateral net balance** in local currency, to be settled on T+0, the amount given by product $q \times p$, where q is the still unreceived quantity of the **assets** underlying the **lending** agreement and p is the **asset** closing price on T−1.

   With the purpose of updating the **margin** to be required of the creditor **investor** or of the creditor **investor**'s **full trading participant** or **settlement**

participant, depending on the collateralization mode for cash market **transactions** under which the creditor **investor** operates, said **investor**'s **delivery failure position** is considered in risk calculation.

3. A **delivery failure position** is registered to the failing debtor **investor**, having the effect of:

    (a) Transferring to T+1 the debtor **investor**'s **delivery** obligation of quantity Q_2 of **assets**;

    (b) Transferring to T+1 the debtor **investor**'s right to receive the **payment**, if any, corresponding to quantity Q_2 of **assets**; and

    (c) If quantity Q_2 of **assets** corresponds to the settlement of the borrowing **position** in the **securities lending** agreement: debiting to the debtor **investor**'s **multilateral net balance** in local currency, to be settled on T+0, the amount given by product $q' \times p$, where q' is the still undelivered quantity of **assets** underlying the **lending** agreement and p is the **asset** closing price on T−1.

With the purpose of updating the **margin** to be required of the debtor **investor**, said **investor**'s **delivery failure position** is considered in risk calculation, but it cannot be collateralized under the mode of collateralization by the **full trading participant** or **settlement participant**.

If deemed necessary, the **clearinghouse** may opt not to create a **delivery failure position** and proceed to create a buy-in **position** to prevent intentional failures on the end date of the period determined by the issuer, allowing investors to choose the treatment of the corporate event concerning a specific asset. In this scenario, there is no transfer to T+1 of the financial **settlement** amount for the unfulfilled obligation. The activation of this provision is duly disclosed by **B3** through a Circular Letter. The procedures to be followed for the treatment of this buy-in **position** adhere to the provisions of this subsection, considering the reduction of 1 (one) business day in the processing deadlines for the **position**, given that the issuance of the buy-in order occurs on the same date as the **delivery failure**.

(iv)　If the failing **investor** fully complies with the **delivery** obligation of quantity Q_2 of **assets** on T+1, established by the **delivery failure position**, then on T+1:

1.　Quantity Q_2 is distributed among the creditor **investors** selected in step (iii)(1), being credited to each creditor **investor**'s **multilateral net balance** in **assets** to be settled on T+1;

2.　For each creditor **investor** selected in step (iii)(1), the financial value corresponding to the **asset** quantity credited to each creditor **investor** is debited to said **investor**'s **multilateral net balance** in local currency to be settled on T+1;

3.　The financial value corresponding to quantity Q_2 of **assets** is credited to the debtor **investor**'s **multilateral net balance** in local currency to be settled on T+1; and

4.　All the obligations and all the rights associated with the **delivery failure positions** registered on T+0 are considered to having been settled on T+1 and the **delivery failure positions** are terminated, thus completing the **delivery failure** management process.

(v)　If the failing debtor **investor** meets only partially the **asset delivery** obligation of **asset** quantity Q_2 on T+1, with **asset** quantity Q_3 still pending **delivery** ($Q_3 \leq Q_2$), then the following occurs on T+1:

1.　The debtor **investor** executes mandatorily a **securities lending transaction** under the responsibility of the **trading participant**, **foreign participant**, **full trading participant**, or **settlement participant**, and **clearing member** responsible for the **delivery failure** in the **securities lending system** managed by B3, thus meeting the obligation to deliver **asset** quantity Q_3, which is obtained from the mandatory **transaction**. If Q_3 is equal to Q_2, the failure management is completed. Otherwise, the next steps apply.

2.　A **fine** is imposed on the failing **investor**, according to the criteria established in subsection 8.1.5.

3.　The **delivery failure positions** are terminated.

4. A debit is entered to the **multilateral net balance** of the debtor **investor** of the **asset** corresponding to the financial value of the **investor**'s **delivery failure**, as given by the product of the undelivered **asset** quantity by the average price of the **asset** that was supposed to have been delivered, considering all the **positions** and trades involved in the **delivery**. The purpose of this debit entry is to reverse the originally-entered provisional credit.

5. A credit is entered to the **multilateral net balance** of each creditor **investor** corresponding to the financial value given by the product of the unreceived **asset** quantity by the average price of the **asset** that was supposed to have been received as a result of all the **positions** held by each such **investor**. The purpose of this credit entry is to reverse the originally-entered provisional debit;

6. A buy-in **position** is registered to each of the creditor **investors** who still have not received the total **asset** quantity owed to them, the effect of which is the **clearinghouse** issuing a buy-in order for the unreceived quantity of **assets** in favor of each creditor **investor**, the characteristics and results of which are described in the following sections.

    With the purpose of updating the **margin** to be required of the creditor **investor** or of the creditor **investor**'s **full trading participant** or **settlement participant**, depending on the collateralization mode for cash market **transactions** under which the creditor **investor** operates, said **investor**'s buy-in **position** is considered in risk calculation.

7. A buy-in **position** is registered to the debtor **investor**, the effect of which is to create a **payment** obligation for the amounts referred to in the following sections.

    With the purpose of updating the **margin** to be required of the debtor **investor**, said **investor**'s buy-in **position** is considered in risk calculation, but it cannot be collateralized under the mode of collateralization by the **full trading participant** or **settlement participant**.

9.1.5.2.1.1. Buy-in order execution

The procedure for executing a buy-in order is described below:

Step	Date	Time	Event
1	T+1 of **delivery failure** date	By 12:00 noon	Buy-in order is issued The buy-in order is issued by the **clearinghouse**, via system registration, in favor of the **full trading participant** or **settlement participant** responsible for the creditor **investor**.
2	Up to and including T+3 of **delivery failure** date	Trading hours	Buy-in order is executed The buy-in order must be executed by the **full trading participant**; if the buy-in order was issued in favor of a **settlement participant**, the **transactions** corresponding to the order execution must be given up by the **full trading participant** to the **settlement participant**.
3	Up to and including T+4 of **delivery failure** date	By 6:00 PM	Buy-in order execution is notified The **clearinghouse** must be notified of the order execution, via system registration, by the **full trading participant** or **settlement participant** in whose favor the buy-in order was issued.

Table 14

At the sole discretion of the **clearinghouse**, the buy-in order may be executed by the **clearinghouse** itself or by an appointed brokerage house, but not by the **full trading participant**.

The buy-in order execution, by **participant**, shall be realized in the **trading environments** managed by B3.

The **transactions** carried out as part of the buy-in order execution are settled according to regular procedures for **multilateral net settlement** in **assets** and **multilateral net settlement** in local currency performed by the **clearing members** responsible for the buying and selling parties to those **transactions**. Moreover, the costs for the buying party arising out of such **transactions** and the amounts specified below are credited and debited, respectively, to the **multilateral net balances** in local currency of the creditor **investor** damaged by the **delivery failure** and the failing debtor **investor**, for **settlement** on T+1 of the date of the buy-in order execution. Any differences between debited and credited amounts, which are not used by the **clearinghouse** to perform its own activities, will be allocated to supervisory, regulatory, financial education and social activities.

$$V_{Creditor} = Q \times \max\left(P_{Exec} - P_{Creditor} , 0\right)$$

$$V_{Debtor} = Q \times \max\left(P_{Exec} - P_{Debtor} , P_{Creditor} - P_{Debtor} , 0\right)$$

Where:

$V_{Creditor}$:   the amount to be credited to the **multilateral net balance** of the damaged creditor **investor** in local currency;

V_{Debtor} :   the amount to be debited to the **multilateral net balance** of the failing debtor **investor** in local currency;

Q :   the quantity of **assets** underlying the **transactions** carried out by the creditor party as part of the buy-in order execution;

P_{Exec} :   the average purchase price of the **assets** underlying the **transactions**, as appointed by the creditor party, carried out as part of the buy-in order execution;

P_{Debtor} :   the average price of the **assets** included in the buy-in order issued by the **clearinghouse** and obtained from all the trades and **positions** based on the same **assets** held by the failing debtor **investor**, which were supposed to have been physically delivered when the **delivery failure** occurred. For **securities lending positions**, the **clearinghouse** includes the closing price of the day preceding the contract **settlement** in the composition of the average price; and

$P_{Creditor}$:   the average price of the **assets** included in the buy-in order issued by the **clearinghouse** and obtained from all the trades and **positions** held by the damaged creditor **investor**, which were supposed to have been physically **delivered** when the **delivery failure** occurred. For **securities lending positions**, the **clearinghouse** includes the closing price of the day preceding the contract **settlement** in the composition of the average price.

9.1.5.2.1.2. **Buy-in order cancellation**

A buy-in order may be cancelled when:

(i)   All the parties involved—meaning the party responsible for the **delivery failure** and the damaged creditor party—agree to the cancellation thereof; and

(ii)   The **assets** owed are available for **delivery**.

Cancellation of a buy-in order involves the procedures described on the following table, which must be carried out on a single day:

Step	Date	Time	Event
1	Up to and including T+3 of **delivery failure** date	By 6:00 PM	Buy-in order cancellation request is registered The cancellation request, which may involve the whole or part of the buy-in order, must be registered in the **clearinghouse** system by the **full trading participant** or **settlement participant** responsible for the **delivery failure**.
2	Up to and including T+3 of **delivery failure** date	By 6:00 PM	**Asset delivery** The **asset** quantity to be delivered corresponds to the balance of the **assets** stated in the buy-in order cancellation request. For **delivery** to be effected, that balance must be made available to the **custody agent** of the failing debtor **investor**.
3	Up to and including T+3 of **delivery failure** date	By 6:00 PM	Buy-in order cancellation request is confirmed The buying **full trading participant** or **settlement participant** must consent to the buy-in order cancellation via registration in the **clearinghouse** system.
4	Up to and including T+3 of **delivery failure** date	By 6:00 PM	Buy-in order cancellation request is reviewed The **clearinghouse** reviews the request and decides on the acceptance or rejection thereof. In case of acceptance, which requires compliance with all the previous steps, the **clearinghouse** cancels the buy-in order and calculates the amounts to be credited and debited, respectively, to the **multilateral net balances** of the creditor and debtor **investors** in local currency. In case of rejection, the buy-in order remains valid for execution within the prescribed time period and the **clearinghouse** returns the **assets** delivered by the debtor **investor** to the **deposit account** of origin, according to step 2.

Table 15

Both the **asset delivery**, as indicated in step 2, and the cash **settlement** of the amounts, as indicated in step 4, occur:

(i)   On the same day of the buy-in order cancellation request registration, when the request is submitted by 11:00 AM; or otherwise,

(ii)   On the business day following the date of the buy-in order cancellation request registration.

9.1.5.2.1.3. Buy-in order reversal

The **clearinghouse** proceeds to reverse the buy-in in the absence of registration of (a) a buy-in order execution or (a) a buy-in order cancellation, that is, when the **participant** responsible for the damaged creditor **investor**:

(i)   Executes the buy-in order and does not notify the execution thereof to the **clearinghouse**, in the prescribed manner and time; or

(ii)   Does neither execute nor cancel the buy-in order, in the prescribed manner and time.

In both cases, the buy-in order is cancelled and the **transaction** is cash settled. Under situation (i), the **transactions** are regularly settled, together with all the other **transactions**.

The buy-in order reversal is executed by the **clearinghouse** on T+5 of the **delivery failure** date, resulting in compensation to the creditor—in whose favor the corresponding buy-in order was issued—for any costs and damages associated with the undelivered **assets**. In addition to the amount of the costs incurred by the creditor, the following amounts are credited and debited, respectively, to the **multilateral net balances** of the creditor and debtor **investors**. Any differences between debited and credited amounts, which are not used by the **clearinghouse** to perform its own activities, will be allocated to supervisory, regulatory, financial education and social activities.

$$V_{Creditor} = Q \times \max\left(P_{Closing} - P_{Creditor} \, , \, 0\right)$$

$$V_{Debtor} = Q \times \max\left(P_{Closing} - P_{Debtor} \, , \, P_{Creditor} - P_{Debtor} \, , \, 0\right)$$

Where:

V_{Debtor} :   the amount to be debited to the **multilateral net balance** of the failing debtor **investor**;

$V_{Creditor}$:   the amount to be credited to the **multilateral net balance** of the creditor **investor** damaged by the **delivery failure**;

Q: the **asset** quantity pending **delivery** upon execution of the reverse buy-in;

$P_{Closing}$:   the **asset** closing price at the end of T+4 of the **delivery failur**e date. If this price is not representative, the **clearinghouse**, at its sole discretion, may arbitrate $P_{Closing}$;

P_{Debtor} :   the **asset** average price included in the buy-in order to be reversed and obtained from all the trades and **positions** based on the same **assets** held by the failing debtor **investor** and which were supposed to have been physically delivered when the **delivery failure** occurred. For **securities lending positions**, the **clearinghouse** includes the closing price of the day preceding the contract **settlement** in the composition of the average price; and

$P_{Creditor}$:   the **asset** average price included in the buy-in order to be reversed and obtained from all the trades and **positions** based on the same **assets** held by the damaged creditor **investor** and which were supposed to have been physically delivered when the **delivery failure** occurred. For **securities lending positions**, the **clearinghouse** includes the closing price of the day preceding the contract **settlement** in the composition of the average price.

9.1.5.2.1.4. Characterizing delivery failures

The **delivery failures** are characterized by the **clearinghouse** as being:

▪ Caused by previous failures committed by third parties;

▪ Of an operational nature; and

▪ Of a nonoperational nature.

9.1.5.2.1.4.1. Failures caused by previous failures committed by third parties

The failures caused by previous failures committed by third parties are thus characterized whenever the debtor of the **assets** missing upon **delivery** has the right to receive the same **assets** whose **settlement** otherwise would allow for the obligation of the debtor of the **assets** to be settled in the regular time period. Such failures are not subject to **fines** by the **clearinghouse**.

9.1.5.2.1.4.2. Operational failures

The **delivery failures** listed below are characterized as operational, provided they present information and evidence supporting such a characterization:

(i)   **Delivery failures** that are rectified by the **delivery** of **assets** on the morning of T+3, in the **clearinghouse asset delivery** window, except failures rectified through the **delivery** of the assets acquired in the follow-on;

(ii)   **Delivery failures** that derive from a sell **investor allocation** error (for example, when an investment manager sells **assets** the to fund or to the share class of the fund A and, due to an operational failure, the **transaction** is allocated to the share class of the fund B of the same investment manager, with fund or the share class of the fund A being provenly the holder of the **assets** sold and not delivered) or borrowed **securities lending** agreements with the purpose to cover the obligations, provided that borrowed said balance of **assets** is not meet for another obligation;

(iii)   **Delivery failures** that derive from the **allocation** error of a **deposit account** held by the same holder (for example, when an **investor** has more than one **deposit account** and a **transaction** is allocated to the incorrect **deposit account**, with the **investor** being provenly the holder of the **assets** sold through another **deposit account**);

(iv)   **Delivery failures** that derive from arbitrage **transactions** between index futures and the underlying equities portfolio, whereby the futures contract is bought and the underlying equities portfolio is simultaneously sold, in which case the **delivery failure** occurs due to a lack of lending orders in the **securities lending system**;

(v)   **Delivery failures** arising out of arbitrage **transactions** between ETFs (local and foreign) and the underlying **assets** portfolio, whereby the ETF is bought and the **assets** portfolio is simultaneously sold, in which case the **delivery failure** of one or more **assets** occurs due to a lack of lending orders in the **securities lending system**;

(vi)   **Delivery failures** arising out of arbitrage **transactions** between **assets** and ADRs, whereby the ADRs are bought abroad and the **assets** are simultaneously sold in Brazil, in which case the **delivery failure** occurs due to a mismatch of the **settlement** of the cash **transaction** with the ADR conversion process into **assets**, or to a lack of lending orders in the **securities lending system**;

(vii)   **Delivery failures** arising out of arbitrage **transactions** between **assets** and BDRs, with the purchase of **assets** or the execution of a lending agreement abroad and the simultaneous sale of BDRs in Brazil, in which case the **delivery failure** occurs due to a mismatch of the **settlement** of the BDR cash **transaction** with the conversion process of foreign **assets** into BDRs;

(viii)   **Delivery failures** resulting from **transactions** executed in the **assets** market by market markers accredited by B3, in which case the **delivery failure** occurs exclusively in connection with the **transactions** allocated to the **account** earmarked for the market-making activity or to an **account** provenly linked to the market-making activity;

(ix)   **Delivery failures** resulting from **transactions** executed in the equities options market by market markers accredited by B3, in which case the **delivery failure** occurs exclusively in connection with the **transactions** allocated to the **account** earmarked for the market-making activity and also with the options' delta hedge;

(x)   **Delivery failures** deriving from an **asset** sale on T+0 combined with the reversal of a **securities lending position** on T+0 or on T+1, by no later than 9:30 AM, in which case the **delivery failure** occurs due to a mismatch of the **settlement** of the sale **transaction** with the **settlement** of the **securities lending** reversal;

(xi)   **Delivery failures** deriving from the exercise of uncovered call options on T+0 followed by the purchase of the **asset** underlying the options in the cash market on T+1 through the same **full trading participant**; and

(xii)   **Delivery failures** deriving from **corporate action**, such as share grouping, where the transaction date coincides with the date the event is processed into trading and the **issuer** has announced the event with less than three business days' advance notice.

In respect to paragraphs (viii) and (ix) above, which deal with market-making activities in the cash equities and options markets, respectively, the **delivery failures** resulting from **transactions** involving the block sale of equities or equities options ("facilitation" trades) allocated to a market maker **account** will not be considered as operational. For each **asset**, the **clearinghouse** will define the criteria to classify **transactions** as block trades.

9.1.5.2.1.4.3. Nonoperational failures

Any and all **delivery failures** that are not characterized as operational will automatically be associated with uncovered short sales, and the requests for the reconsideration of **fines**, if any, will not be accepted by the **clearinghouse**.

In connection with the **delivery failures** that are not characterized as resulting from an operational issue, the following situations and rules apply:

(i) The failures occurring on T+2 which are not characterized as operational and are rectified on T+3 through the purchase of **assets** on T+1 via the same **full trading participant** or **settlement participant** will be subject to a 1% **fine** on T+2 (where 0.5% relates to the application of the minimum **fine** and 0.5% to the application of the additional **fine**); and

(ii) The failures occurring on T+3 which are not characterized as operational, whereby the **investor** *bought* the **assets** on T+1 through another **full trading participant** or **settlement participant**, will be subject to a **fine** of 1% on T+2 (where 0.5% relates to the application of the minimum **fine** and 0.5% to the application of the additional **fine**) and of 0.5% on T+3.

9.1.5.2.1.5. Fines for asset delivery failures

The **fines** applicable to **asset delivery failures** are classified as minimum **fine** or additional **fine** and are allocated to supervisory, regulatory, financial education and social activities.

9.1.5.2.1.5.1. Minimum **fine**

For both operational and nonoperational **delivery failures**, a minimum **fine** of 0.5% will be applied to T+2 **delivery failures** and also to T+3 **delivery failures**, irrespective of a request for reconsideration of the relevant **fine** having been submitted to **clearinghouse** review.

Date of failure	Type of failure	Percentage rate of minimum fine (on amount of failure)
T+2	T+2 failures not linked to previous failures committed by third parties	0.5%, limited to fifty thousand Brazilian reals (BRL50,000.00)
T+3	T+3 failures not linked to previous failures committed by third parties	0.5%, limited to fifty thousand Brazilian reals (BRL50,000.00)

Table 16

The amounts associated with the **fine** will be entered into the **multilateral net balance** of the relevant **clearing member**. The minimum **fines** for T+2 and T+3 **delivery failures** will be included in the T+2 and T+3 **settlement windows**, respectively.

9.1.5.2.1.5.2. Additional fine

In addition to the minimum **fine** applicable to the failures characterized as non-operational, additional **fines** also apply to **asset delivery failures**.

The percentage rates of the additional **fine** applicable to any **asset delivery failure** are presented on the following table:

Date of failure	Type of failure	Percentage rate of additional fine (on amount of failure)
T+2	T+2 failures not characterized as operational	0.5%
T+2	T+2 failures rectified on T+4 and associated with purchase transactions in follow-on offering	4.5%
T+3	T+3 failures not characterized as operational	4.5%

Table 17

The percentage rates of the additional **fines** applicable to T+3 **delivery failures** will be raised from 4.5% to 9.5% if the **investor** who failed to comply with the relevant obligation also incurred in a nonoperational **delivery failure** in the six months, even if under different **full trading participants**.

9.1.5.2.1.6. Requests for reconsideration

Requests for reconsideration of the **fines** imposed on **asset delivery failures** apply only to the additional **fines** which may have been levied on T+2 and T+3 failures. Requests for reconsideration of the minimum **fines** imposed on **asset delivery failures** are not accepted by the **clearinghouse**.

The requests for reconsideration of a **fine** and for characterizing a failure as operational must be submitted by means of a declaration by the **full trading participant** or **settlement participant** responsible for the relevant **investor**.

For each **investor** and failure, the **full trading participant** or **settlement participant** must indicate via **clearinghouse** system, up to and including T+5, which type of situation led to the operational failure, whenever applicable.

The T+2 failures rectified through the **delivery** of **assets** on the morning of T+3 will be automatically considered as operational failures, except when the rectification thereof occurs through the **delivery** of **assets** acquired in a follow-on offering.

In the absence of a declaration or when a submitted declaration is not accepted by the **clearinghouse**, the **delivery failure** will be considered as being nonoperational and the additional **fines** will be charged on T+6.

Any and all declarations must be accompanied by supplementary information and evidence on the executed **transactions**, pursuant to the list of information required by the **clearinghouse**.

The **clearinghouse** will review the declarations registered in its systems and the evidence thereof. Incorrect or incomplete declarations will be rejected, which rejection will be communicated to the **full trading participants** and **settlement participants** by T+10.

In this case, the **delivery failure** will be considered as not operational and the additional **fines** will be charged in the T+11 **settlement window**.

The **full trading participants** and **settlement participants** may be informed of the values of the additional **fines** and the **clearinghouse** justifications for charging such **fines** via system screens and electronic files provided by the **clearinghouse**, in the format specified in the B3 **message** and file catalog.

9.1.5.2.2. Delivery failure of assets traded in the corporate debt market

The **clearinghouse** adopts the following procedures for **delivery failures** of **assets** traded in the **corporate debt market**, referred to in this subsection as **asset**.

In case of fixed income ETF shares, prior the other steps, the debtor **investor** executes mandatorily a **securities lending transaction** under the responsibility of the **trading participant**, **foreign participant**, **full trading participant**, or **settlement participant**, and **clearing member** responsible for the **delivery failure** in the **securities lending system** managed by B3, thus meeting the obligation to deliver **asset** quantity, which is obtained from the mandatory **transaction.** If the **asset** quantity obtained from the mandatory **transaction** is equal to the not delivered quantity of the **asset**, the failure

management is completed. Otherwise, the next steps apply, in subsequent order. The following steps apply equally to other **assets.**

(i) Select the creditor **investors** of the **asset** who will be impacted by the **delivery failure**, meaning those who will not receive the expected **asset** quantity; said selection is determined by means of a B3 algorithm which seeks to preserve the **delivery** of **assets** to those who are not under the responsibility of the **participants** responsible for the **delivery failure** and who are creditors of smaller **asset** quantities;

(ii) Credit to the **multilateral net balance** of each creditor **investor** selected in the previous step the financial value given by the product of the unreceived **asset** quantity by the average price of the **asset** that was supposed to have been received as a result of all the **positions** held by each such **investor**. The purpose of this credit entry is to reverse the originally-entered provisional debit. If the unreceived quantity corresponds to the **lending position** in the **lending** agreement, the credit entering will correspond to the financial value of the unreceived **asset**, given by the product underlying the unreceived **lending** agreement by the asset closing price on T-1;

(iii) Debit to the **multilateral net balance** of the debtor **investor** of the **asset** the financial value corresponding to the **investor**'s **delivery failure**, as given by the product of the undelivered **asset** quantity by the average price of the **asset** that was supposed to have been delivered, considering all the **positions** and trades involved in the **delivery**. The purpose of this debit entry is to reverse the originally-entered provisional credit. If the undelivered quantity corresponds to the borrowing **position** in the **lending** agreement, the debit entering will correspond to the financial value of the undelivered **asset**, given by the product underlying the undelivered **lending** agreement by the asset closing price on T-1;

(iv) Levy the **fine** for **delivery failure** on the failing **investor**, corresponding to 0.5% of the amount of the **delivery failure**;

(v) Register a buy-in **position** to each creditor **investor** selected in step(i), having the effect of issuing a buy-in order for the **asset** quantity not received by each such **investor**; the buy-in order is valid for a certain period of time and its features are described in the following sections.

With the purpose of updating the **margin** to be required of the creditor **investors**, each creditor **investor**'s buy-in **position** is considered in risk calculation; and

(vi)   Register a buy-in **position** to each debtor **investor**, having the effect of creating an obligation to pay the amounts indicated in the following sections.

With the purpose of updating the **margin** to be required of the debtor **investor**, said **investor**'s buy-in **position** is considered in risk calculation.

9.1.5.2.2.1. Buy-in order

A buy-in order is the instrument through which the **full trading participants** or **settlement participants** responsible for the creditor **investors** of **assets** are authorized to execute, at market price, purchase **transactions** in **corporate debt market assets**, as the case may be, totaling the unreceived quantity, with compensation for the costs incurred by any such **transaction** and any possible losses. The losses to be compensated for are determined by considering:

(i)   The purchase price of the **corporate debt market** through any such **transaction**; and

(ii) The purchase price of the **assets** acquired in the **corporate debt market**, as the case may be, scheduled to be delivered in the **settlement cycle** where the debtor **investor** failed and associated with the trades and **positions** of the creditor **investors**.

9.1.5.2.2.2. Buy-in order execution

The procedure for executing a buy-in order is described below:

Step	Date	Time	Event
1	**Delivery failure** date	By 1:00 PM	Buy-in order is issued The buy-in order is issued by the **clearinghouse**, via system registration, in favor of the **full trading participant** or **settlement participant** responsible for the creditor **investor** of **assets**.
2	Up to and including T+1 of **delivery failure** date	By 6:00 PM	Buy-in order is executed The buy-in order must be executed by the **full trading participant**; if the buy-in order was issued in favor of a **settlement participant**, the **transactions** corresponding to the order execution must be given up by the **full trading participant** to the **settlement participant**.
3	Up to and including T+1 of **delivery failure** date	By 6:00 PM	Buy-in order execution is notified The **clearinghouse** must be notified of the order execution, via system registration, by the

Step	Date	Time	Event
			full trading participant or **settlement participant** in whose favor the buy-in order was issued.

Table 18

The buy-in order execution, by **participant**, shall be realized in the **trading environments** managed by B3.

At the sole discretion of the **clearinghouse**, the buy-in order may be executed by the **clearinghouse** itself or by an appointed brokerage house, but not by the **full trading participant**.

The **transactions** carried out as part of the buy-in order execution are settled according to regular procedures for **multilateral net settlement** of the **clearing members** responsible for the buying and selling parties to those **transactions**. Furthermore, the costs for the buying party arising out of such **transactions** and the amounts specified below are credited and debited, respectively, to the **multilateral net balances** of the creditor **investor** damaged by the **delivery failure** and the failing debtor **investor**, for **settlement** on T+1 of the date of the buy-in order execution. Any differences between debited and credited amounts, which are not used by the **clearinghouse** to perform its own activities, will be allocated to supervisory, regulatory, financial education and social activities.

$$V_{Debtor} = Q \times \max\left(P_{Exec} - P_{Debtor} \, , P_{Creditor} - P_{Debtor} \, , \, 0\right)$$

$$V_{Creditor} = Q \times \max\left(P_{Exec} - P_{Creditor} \, , \, 0\right)$$

Where:

V_{Debtor} :   the amount to be debited to the **multilateral net balance** of the failing debtor **investor**;

$V_{Creditor}$:   the amount to be credited to the **multilateral net balance** of the damaged creditor **investor**;

Q :   the quantity of **assets** underlying the **transactions** carried out as part of the buy-in order execution;

P_{Exec} : the average purchase price of the **assets** underlying the **transactions**, as appointed by the creditor party, carried out as part of the buy-in order execution;

P_{Debtor} : the average price of the **assets** included in the buy-in order issued by the **clearinghouse** and obtained from all the trades and **positions** held by the failing debtor **investor**, which were supposed to have been physically delivered when the **delivery failure** occurred; and

$P_{Creditor}$: the average price of the **assets** included in the buy-in order issued by the **clearinghouse** and obtained from all the trades and **positions** held by the damaged creditor **investor**, which were supposed to have been physically **delivered** when the **delivery failure** occurred.

9.1.5.2.2.3. Buy-in order cancellation

A buy-in order for **corporate debt market assets**, as the case may be, may be cancelled when:

(i) All the parties involved—meaning the party responsible for the **delivery failure** and the damaged creditor party—agree to the cancellation thereof; and

(ii) The **assets** owed are available for **delivery**.

Cancellation of a buy-in order involves the procedures described on the following table, which must be carried out on a single day:

Step	Date	Time	Event
1	Up to and including T+1 of **delivery failure** date	By 6:00 PM	Buy-in order cancellation request is registered The cancellation request, which may involve the whole or part of the buy-in order, must be registered in the **clearinghouse** system by the **full trading participant** or **settlement participant** responsible for the **delivery failure**.
2	Up to and including T+1 of **delivery failure** date	By 6:00 PM	**Assets** are delivered The **asset** quantity to be delivered corresponds to the balance of the **assets** stated in the buy-in order cancellation request. For **delivery** to be effected, that balance must be made available to the **custody agent** of the failing debtor **investor**.

Step	Date	Time	Event
3	Up to and including T+1 of **delivery failure** date	By 6:00 PM	Buy-in order cancellation request is confirmed The buying **full trading participant** or **settlement participant** must consent to the buy-in order cancellation via registration in the **clearinghouse** system.
4	Up to and including T+1 of **delivery failure** date	By 6:00 PM	Buy-in order cancellation request is reviewed The **clearinghouse** reviews the request and decides on the acceptance or rejection thereof. In case of acceptance, which requires compliance with all the previous steps, the **clearinghouse** cancels the buy-in order and calculates the amounts to be credited and debited, respectively, to the **multilateral net balances** of the creditor and debtor **investors**. In case of rejection, the buy-in order remains valid for execution within the prescribed time period and the **clearinghouse** returns the **asset** delivered by the debtor to the **deposit account** of origin, according to step 2.

Table 19

Both the **asset delivery** referred to in step 2 of table 19 and the cash **settlement** of the amounts referred to in step 4 occur:

(i)   On the same day of the buy-in order cancellation request registration, when the request is made by 11:00 AM; or otherwise,

(ii)   On the business day following the date of the buy-in order cancellation request registration.

9.1.5.2.2.4. Buy-in order reversal

The **clearinghouse** proceeds to reverse the buy-in in the absence of registration of a buy-in order execution or cancellation, that is, when the **full trading participant** responsible for the damaged creditor **investor**:

(i)   Executes the buy-in order and does not notify the **clearinghouse** of the execution thereof, in the prescribed manner and time; or

(ii)   Does neither execute nor cancel the buy-in order, in the prescribed manner and time.

In both cases, the buy-in order is cancelled and the **transaction** is cash settled. Under situation (i), the **transactions** are regularly settled, together with all the other **transactions**.

The buy-in order reversal is executed by the **clearinghouse** on T+2 of the **settlement** date when the **delivery failure** occurred, resulting in compensation to the **asset** creditor—in whose favor the corresponding buy-in order was issued—for any costs and damages associated with the undelivered **assets**. In addition to the amount of the costs incurred by the creditor, the following amounts are credited and debited, respectively, to the **multilateral net balances** of the creditor and debtor **investors**. Any differences between debited and credited amounts, which are not used by the **clearinghouse** to perform its own activities, will be allocated to supervisory, regulatory, financial education and social activities:

$$V_{Creditor} = Q \times \max\left(P_{Closing} - P_{Creditor} \ , \ 0\right)$$

$$V_{Debtor} = Q \times \max\left(P_{Closing} - P_{Debtor} \ , \ P_{Creditor} - P_{Debtor} \ , \ 0\right)$$

Where:

V_{Debtor} :   the amount to be debited to the **multilateral net balance** of the failing debtor **investor**;

$V_{Creditor}$:   the amount to be credited to the **multilateral net balance** of the creditor **investor** damaged by the **delivery failure**;

Q :   the **asset** quantity pending **delivery** upon execution of the reverse buy-in;

$P_{Closing}$:   the **asset** closing price on T+1 of the **settlement** date when the **delivery failure** occurred. If this price is not representative, the **clearinghouse**, at its sole discretion, may arbitrate $P_{Closing}$;

P_{Debtor} :   the **asset** average price included in the buy-in order to be reversed and obtained from all the trades and **positions** held by the failing debtor **investor** and which were supposed to have been physically delivered when the **delivery failure** occurred; and

$P_{Creditor}$:   the **asset** average price included in the buy-in order to be reversed and obtained from all the trades and **positions** held by the damaged creditor

> **investor** and which were supposed to have been physically delivered when the **delivery** failure occurred.

9.1.5.2.3. Asset delivery failure in government bond market

The **clearinghouse** takes the following action when a **delivery failure** of an **asset** traded in the **government bond market**, which is referred to in this subsection as **asset**, occurs.

If the **investor** holding a **multilateral net** debit **balance** of **assets** fails to deliver **asset** quantity Q, the **clearinghouse** takes the following steps, in the order presented:

(i)   The debtor **investor** mandatorily executes a **securities lending transaction** under the responsibility of the **trading participant**, **foreign participant**, **full trading participant**, or **settlement participant**, and **clearing member** responsible for the **delivery failure** in the **lending system** operated by B3, thus meeting the obligation to deliver **asset** quantity Q_1 ($Q_1 \leq Q$), which is obtained from the mandatory **transaction**.

If $Q_1 = Q$, the **delivery failure** management is completed. Otherwise, the next steps apply.

(ii)   A **fine** is imposed on the failing **investor**, corresponding to two tenths of a percent (0.2%) on the amount of the **delivery failure**, limited to one hundred thousand Brazilian reals (BRL100,000);

(iii)   By denoting by Q_2 the quantity still pending **settlement** ($Q_2 = Q - Q_1$), the creditor **investors** are selected that will be impacted by the **delivery failure** of **asset** quantity Q_2 (meaning those who will not receive the expected **asset** quantity) and of the quantity each creditor **investor** will not receive.

Said selection is determined by means of a B3 algorithm which seeks to preserve the **delivery** of **assets** to those who are not under the responsibility of the **participants** responsible for the **delivery failure** and who are creditors of smaller **asset** quantities.

(iv)   The **clearinghouse** seeks to obtain **asset** quantity Q_2 in the OTC market through **purchase and sale transactions**, **repo transactions** or Central Bank´s repo auction means of accredited institutions, as follows:

1.   **Purchase and sale transactions**:

If the **clearinghouse** obtains **asset** quantity Q_3 ($Q_3 \leq Q_2$) through a **purchase and sale transaction**, the following are entered as a debit to the **multilateral net balance** of the failing debtor **investor**, for **settlement** on the same day:

(a)   The financial value corresponding to the **investor**'s **delivery failure**, given by the product of quantity Q_3 by the average price of the **asset** that was supposed to have been delivered, considering all the **positions** and trades involved in the **delivery**. The purpose of this debit entry is to reverse the originally-entered provisional credit or cash settle the undelivered **assets**' value, in the case of **settlement** of a borrowing **position** in a **securities lending** agreement;

(b)   The difference between the price of **asset** quantity Q_3 bought by the **clearinghouse** in the OTC market and the average price of the **asset** that was supposed to have been delivered, if positive; and

If $Q_3 = Q_2$, the **delivery failure** management is completed. Otherwise, the next steps apply.

2. **Repo transactions**:

    By denoting by Q_4 the still not obtained quantity associated with the **delivery failure** ($Q_4 = Q_2 - Q_3$), should the **clearinghouse** obtain **asset** quantity Q_5 ($Q_5 \leq Q_4$) through a **repo transaction**:

    (a)   The following is entered as a debit to the **multilateral net balance** of the failing debtor **investor**:

    -   The financial value corresponding to the **investor**'s **delivery failure**, given by the product of quantity Q_5 by the average price of the **asset** that was supposed to have been delivered, considering all the **positions** and trades involved in the **delivery**. The purpose of this debit entry is to reverse the originally-entered provisional credit or cash settle the undelivered **assets**' value, in the case of **settlement** of a borrowing **position** in a **securities lending** agreement; and

    -   The difference between the price of the **asset** bought by the **clearinghouse** in the OTC market and the average price of the **asset** that was supposed to have been delivered, if positive; and

(b) A buy-in **position** is registered in favor of the **clearinghouse**, the characteristics and results of which are described in the following sections, in quantity Q_5 and price equal to the price traded in the **repo transaction** executed by the **clearinghouse**, in order to maintain the **investor**'s obligation to deliver the originally agreed-upon **asset** or meet any price differences required for the same **asset** to be obtained in the market.

If $Q_5=Q_4$, the **delivery failure** management is completed. Otherwise, the next steps apply.

3. Central Bank's repo auction by means of accredited institutions:

By denoting by Q_6 the still not managed quantity associated with the **delivery failure** ($Q_6=Q_4-Q_5$), should the **clearinghouse** obtain **asset** quantity Q_7 ($Q_7 \leq Q_6$) through a Central Bank's repo auction:

(a) The rights of the failing debtor **investor** in other **assets** are restricted;

(b) The difference between buy and sell prices of the **asset** involved in the Central Bank's repo auction, if positive, is entered as a debit to the **multilateral net balance** of the failing debtor **investor**; and

(c) A buy-in **position** is registered in favor of the **clearinghouse**, the characteristics and results of which are described in the following sections, in quantity Q_7 and price equal to the price in the Central Bank's repo auction executed by the **clearinghouse**, in order to maintain the **investor**'s obligation to deliver the originally agreed-upon **asset** or meet any price differences required for the same **asset** to be obtained in the market.

(v) In the event that all the **delivery failure** management initiatives adopted by the **clearinghouse** are not sufficient to acquire the entirety of **assets** not delivered, the **clearinghouse** will register a buy-in **position**, between the failing debtor **investor** and each of the creditor **investors** who still have not received the total **asset** quantity owed to them, in quantity Q_8 ($Q_8=Q_6-Q_7$) and price equal to the average price of the **settlement** instruction of each **investor**, resulting in the **payment** obligation of the amounts indicated in the next subsections. In this case, the **clearinghouse** also performs:

1. The debit entry, to the **multilateral net balance** of the failing debtor **investor**, of the financial value corresponding to the **investor**'s **delivery failure**, given by the product of the undelivered **asset** quantity (Q_8) by the average price of the **asset** that was supposed to have been delivered, considering all the **positions** and trades involved in the **delivery**. The purpose of this entry is to reverse the originally-entered provisional credit or cash settle the undelivered **assets**' value, in the case of **settlement** of a borrowing **position** in a **securities lending** agreement; and

2. The credit entry, to the **multilateral net balance** of the creditor **investor** who still has not received the total **asset** quantity owed to such **investor**, of the financial value corresponding to the product of the undelivered **asset** quantity (Q_8) by the average price of the **asset** that was supposed to have been delivered, considering all the **positions** and trades involved in the **delivery**. The purpose of this entry is to reverse the originally-entered provisional debit or cash settle the undelivered **assets**' value, in the case of **settlement** of a lending **position** in a **securities lending** agreement.

9.1.5.2.3.1. Buy-in order execution

The procedure for executing a buy-in order is described below.

Step	Date	Time	Event
1	T+0 of **delivery failure** date	By 1:30 PM	Buy-in order is issued The buy-in order is issued by the **clearinghouse**, via system registration, in favor of the **full trading participant** or **settlement participant** responsible for the creditor **investor**.
2	Up to and including T+2 of **delivery failure** date	By 5:00 PM	Buy-in order is executed The **full trading participant** or **settlement participant** responsible for the creditor **investor** must submit a request for the **clearinghouse** to execute the buy-in order.

Table 20

At the sole discretion of the **clearinghouse**, the buy-in order may be executed by the **clearinghouse** itself without requiring a request to be submitted by the **full trading participant** or **settlement participant** responsible for the creditor **investor**.

The buy-in order execution request is contingent on the deposit, by the **full trading participant** or **settlement participant** responsible for the creditor **investor**, of the originally agreed-upon amount in the agreement, as detailed in the buy-in order, pursuant to table 20.

Based on the request submitted by the **full trading participant** or **settlement participant**, the **clearinghouse** will use its best efforts to acquire the **asset** underlying the buy-in order. If the **asset** underlying the buy-in order is not obtained in OTC market **transactions**, the buy-in will remain open and may be cancelled up to the deadline described in subsection 9.1.5.2.3.2, and the amount previously deposited by the **participant** responsible for the creditor **investor** of **assets** will be returned by the **clearinghouse**.

If the **clearinghouse** is successful in purchasing the **asset** underlying the buy-in order, the **transactions** carried out as part of the execution thereof are settled by the **clearinghouse** and any expenses arising therefrom, as well as the amounts specified below, are debited to the **multilateral net balance**, in local currency, of the failing debtor **investor**, for **settlement** on T+1 of the buy-in order execution date.

$$V_{Debtor} = Q \times \max\left(P_{Exec} - P_{Debtor}\ ,\ P_{Creditor} - P_{Debtor}\ ,\ 0\right)$$

Where:

V_{Debtor} : the amount to be debited to the **multilateral net balance** of the failing debtor **investor**;

Q : the quantity of **assets** underlying the **transactions** carried out as part of the buy-in order execution;

P_{Exec} : the average purchase price of the **assets** underlying the **transactions** carried out as part of the buy-in order execution;

P_{Debtor} : the average price of the **assets** included in the buy-in order issued by the **clearinghouse** and obtained from all the trades and **positions** held by the failing debtor **investor**, which were supposed to have been settled when the **delivery failure** occurred; and

$P_{Creditor}$: the average price of the **assets** included in the buy-in order issued by the **clearinghouse** and obtained from all the trades and **positions** held by the

damaged creditor **investor**, which were supposed to have been settled when the **delivery failure** occurred.

9.1.5.2.3.2.   Buy-in order cancellation

A buy-in order for government debt **assets** may be cancelled when:

(i)   All the parties involved - meaning the party responsible for the **delivery failure** and the damaged creditor party—agree to the cancellation thereof; and

(ii)   The **assets** owed are available for **delivery**.

Cancellation of a buy-in order involves the procedures described on the following table, which must be carried out on a single day:

Step	Date	Time	Event
1	Up to and including T+2 of **delivery failure** date	By 6:00 PM	Buy-in order cancellation request is registered The cancellation request, which may involve the whole or part of the buy-in order, must be registered in the **clearinghouse** system by the **full trading participant** or **settlement participant** responsible for the **delivery failure**.
2	Up to and including T+2 of **delivery failure** date	By 6:00 PM	**Assets** are delivered The **asset** quantity to be delivered corresponds to the balance of the **assets** stated in the buy-in order cancellation request. For **delivery** to be effected, that balance must be made available to the **custody agent** of the failing debtor **investor**.
3	Up to and including T+2 of **delivery failure** date	By 6:00 PM	Buy-in order cancellation request is confirmed The buying **full trading participant** or **settlement participant** must consent to the buy-in order cancellation via registration in the **clearinghouse** system.
4	Up to and including T+2 of **delivery failure** date	By 6:00 PM	Buy-in order cancellation request is reviewed The **clearinghouse** reviews the request and decides on the acceptance or rejection thereof. In case of acceptance, which requires compliance with all the previous steps, the **clearinghouse** cancels the buy-in order and calculates the amounts to be credited and debited, respectively, to the **multilateral net balances** of the creditor and debtor **investors**. In case of rejection, the buy-in order remains valid for execution within the prescribed time period and the **clearinghouse** returns the **assets** delivered by the debtor to the **federal**

Step	Date	Time	Event
			government bond deposit account of origin, according to step 2.

Table 21

Both the **asset delivery** referred to in step 2 and the cash **settlement** of the amounts referred to in step 4 occur:

(i)   On the same day of the buy-in order cancellation request registration, when the request is submitted by 12:00 noon; or otherwise,

(ii) On the business day following the date of the buy-in order cancellation request registration.

9.1.5.2.3.3.   Buy-in order reversal

The **clearinghouse** proceeds to reverse the buy-in in the absence of registration of a buy-in order execution or cancellation, that is, when the **full trading participant** or the **settlement participant** does neither submit a request for the **clearinghouse** to execute it nor cancel the buy-in order in the prescribed manner and time. In this case, the buy-in order is cash settled.

The buy-in order reversal is executed by the **clearinghouse** on T+3 of the **settlement** date when the **delivery failure** occurred, resulting in compensation to the **asset** creditor—in whose favor the corresponding buy-in order was issued—for any costs and damages associated with the undelivered **assets**. In addition to the amount of the costs incurred by the creditor, the following amounts are credited and debited, respectively, to the **multilateral net balances** of the creditor and debtor **investors**. Any differences between debited and credited amounts, which are not used by the **clearinghouse** to perform its own activities, will be allocated to supervisory, regulatory and financial education activities:

$$V_{Creditor} = Q \times \max\left(P_{Closing} - P_{Creditor} \, , \, 0\right)$$

$$V_{Debtor} = Q \times \max\left(P_{Closing} - P_{Debtor} \, , \, P_{Creditor} - P_{Debtor} \, , \, 0\right)$$

Where:

V_{Debtor} :   the amount to be debited to the **multilateral net balance** of the failing debtor **investor**;

$V_{Creditor}$:   the amount to be credited to the **multilateral net balance** of the creditor **investor** damaged by the **delivery failure**;

Q :   the **asset** quantity pending **delivery** upon execution of the reverse buy-in;

$P_{Closing}$:   the price established based on the price of the federal government bond observed on the previous business day. If this price is not representative, the **clearinghouse**, at its sole discretion, may arbitrate $P_{Closing}$;

P_{Debtor} :   the **asset** average price included in the buy-in order to be reversed and obtained from all the trades and **positions** held by the failing debtor **investor** and which were supposed to have been settled when the **delivery failure** occurred; and

$P_{Creditor}$:   the **asset** average price included in the buy-in order to be reversed and obtained from all the trades and **positions** held by the damaged creditor **investor** and which were supposed to have been settled when the **delivery** failure occurred.

9.1.5.3. Commodity delivery

Should it not be possible to make **delivery** of contracts based on agricultural **commodities** due to a **delivery failure** by the seller or the impossibility to receive the **commodities** by the buyer, pursuant to applicable legislation, the **clearinghouse** may:

1. Extend time limits and **settlement** dates;

2. Appoint a substitute seller or a substitute buyer for **settlement** purposes; and

3. Determine the cash **settlement** of the relevant **transaction** by setting a price that reflects the market condition of the **commodity**.

Whatever the case, the **clearinghouse** may impose **fines** and other penalties on the defaulting party.

The **clearing member** responsible for the defaulting party will pay for any possible **fines** and differences in the cash **settlement** values of the **transactions**, exempting the **clearinghouse** from any and all liability resulting therefrom.

10. GROSS SETTLEMENT AND BILATERAL NET SETTLEMENT

The **clearinghouse** provides **gross settlement** and **bilateral net settlement** services for the **transactions** executed in the **trading environments** or registered in the **registration environments** managed by B3, therefore not acting as **central counterparty** to any such **transactions**.

The **clearinghouse** will act as a **settlement** facilitator, providing the necessary infrastructure for an efficient preparation and **settlement** of the **transactions** executed in the **trading environments** and of the rights and obligations in funds resulting from the **registration** of **assets** and **transactions** in the **registration system**.

The **transactions** that are subject to **gross settlement** or **bilateral net settlement** are settled at the gross or bilateral amounts thereof, as the case may be, not being liable to multilateral **netting** in **clearing member** funds.

The following **transactions** are subject to **gross settlement** and **bilateral net settlement** by the **clearinghouse**:

(i)   **Equities market transactions**;

(ii)   **Government bond market transactions**;

(iii) **Corporate debt market transactions**;

(iv)   OTC **derivatives transactions**;

(v)   Corporate debt securities registration;

(vi)   ETF registration;

(vii) **Transactions** resulting from **asset** distributions and public offerings;

(viii) **Transactions** determined by CVM, BCB, or the judicial branch; and

(ix)   Special **transactions**, as previously authorized by the **clearinghouse**.

Gross or bilateral **settlement** provided by the **clearinghouse** and **settlement agents** occurs daily (business days only), subject to a specific time grid.

For the purposes of **gross settlement** or **bilateral net settlement**, a business day is a day when trading or registration takes place at B3 for the **assets** subject to either type of **settlement**.

10.1. Gross settlement process

The **clearinghouse** operates a **gross settlement** system by coordinating the transfer of **assets** in the **central depository** where the **asset** is deposited, if applicable, and of funds in STR.

The **gross settlement** of **assets** deposited in the **B3 central depository** follows the steps below:

1. Through the electronic linkage in place, the trading system relays automatically to the **clearinghouse** systems the **transaction** performed, or the registration system relays automatically to the **clearinghouse** systems the **asset** or the **transaction** registered for **settlement**;

2. The selling participant delivers the assets to the **asset settlement account** with the B3 **central depository**, where applicable;

3. Via **message** LTR0001, the **clearinghouse** relays the financial value to be settled to the **settlement agent** of the **custody agent** owing funds;

4. The **settlement agent** of the **custody agent** or of the **full trading participant** or of the **settlement participant** owing funds confirms the financial value to be settled via **clearinghouse** systems or **message** LTR0002;

5. Via **message** LTR0004, the **settlement agent** of the **custody agent** or of the **full trading participant** or of the **settlement participant** owing funds transfers the financial resources to the **clearinghouse settlement account** in STR;

6. For the **transactions** executed in trading environments, after checking for the transfer of the **assets** to the **deposit account** of the selling **custody agent** or of the **full trading participant** or of the **settlement participant** to the **asset settlement account** with the **B3 central depository** or with other depositories, the **clearinghouse** transfers the funds to the **settlement agent** of the selling **custody agent** or of the **full trading participant** or of the **settlement participant** via **message** LTR0005. Concurrently with the funds transfer in STR, the **clearinghouse** transfers the **assets** to the **deposit account** of the buying **custody agent** or of the **full trading participant** or of the **settlement participant** with the **B3 central depository** or with other depositories, coordinating the **delivery** versus **payment** process;

7. For the **settlement** of **transactions** and **assets** registered in the registration system, **message** LTR0005 and possibly **message** LTR0006 will be sent

immediately after the **clearinghouse** systems receive and process **message** LTR0004R2. The **clearinghouse** systems relay to the registration system the **settlement** entry for additional processing, under the provisions of the registration system rules and procedures;

8. For the cases where the **settlement agent** of both creditor and debtor of funds is the same, instead of the **messages** referred to in the previous flow, **message** LTR0007 will be utilized to report to the **settlement agent** the amount to be settled between the **participants**, and **message** LTR0008 will be used by the **settlement agent** to inform the **clearinghouse** of the transfers processed between the **participants**; and

9. If the **delivery** of **assets** or the relevant **payments** are not implemented, or the **settlement agent** of the **custody agent** or of the **full trading participant** or of the **settlement participant** owing funds does not meet the stipulated time frames, the **clearinghouse** considers, as the case may, that either the **transaction** has not been settled or the rights to funds and the obligations in funds resulting from the registration of **assets** and **transactions** have not been settled. In the latter case, the **clearinghouse** returns the **assets** or the funds to the **custody agent** or of the **full trading participant** or of the **settlement participant** that has met the relevant obligation. In either situation, the **clearinghouse** will utilize **message** LTR0012 to cancel the financial value to be settled, as reported by **messages** LTR0001 and LTR0007.

Under no circumstances does the **clearinghouse** utilize **message** LTR0003 in its processes and systems.

The **gross settlement** of federal government bonds deposited in SELIC follows the steps below:

1. As a preliminary step to the process of accepting **securities lending** and **repo transactions**, **participants** lending **securities lending** agreements or selling **repo transactions** provide the **deposit of assets** to the **investors**' **SELIC deposit accounts**, as described in subsections 5.1.4.1 and 5.2.2;

2. For **repo transactions**, buying **participants** submit a request for the deposit of financial resources to their **investors**' **federal government bond deposit accounts**, as described in subsection 4.2.1;

3. Through the electronic linkage in place, the **securities lending** and repo execution system automatically relays to the **clearinghouse** systems the **transaction** performed for **settlement**;

4. The **clearinghouse** debits the **assets** to the **SELIC deposit account** of the **investor** lending **securities lending** or selling repos and credits them to the **asset settlement account** in SELIC;

5. For **securities lending** agreements, the **clearinghouse** transfers the financial resources graphically represented in the buyer's **federal government bond deposit account**, in the **asset** management system, to the **clearinghouse settlement account**;

6. The **clearinghouse** credits the **assets** to the **federal government bond deposit account** of the **securities lending borrower** or repo buyer; and

7. For **repo transactions**, the **clearinghouse** transfers the funds from the **clearinghouse settlement account** to the seller's **federal government bond deposit account** graphically represented in the **asset** management system.

10.1.1. Time grid for the gross settlement cycle

The **gross settlement** cycle follows the timetable below:

Stage	Time	Event	Message
1	8:00 AM	Beginning of period for the receipt of **gross settlement** orders.	____
2	5:30 PM	Time limit to inform **settlement agents** of the gross result of funds owed.	LTR0001 LTR0007
3	6:00 PM	Time limit for **settlement agent** confirmation.	LTR0002
4	6:00 PM	Time limit for debtor **settlement agents** to pay the gross result of funds.	LTR0004 LTR0008
5	6:00 PM	Time when the **clearinghouse** cancels the financial value to be settled from the gross results that were not settled.	LTR0012

Table 22

Message LTR0005 and possibly **message** LTR0006 will automatically be transmitted, via **clearinghouse** system, as soon as the receipt of funds by the **clearinghouse settlement account** in STR, associated with the performance of the relevant obligation, is confirmed by the **clearinghouse** via **message** LTR0004R2.

10.2. Bilateral settlement process

The **transactions** that are subject to **bilateral net settlement** are settled at the bilateral amounts thereof, as effected via LTR **messages**, not being liable to multilateral **netting** in **clearing member** funds.

The **clearinghouse** operates a **bilateral net settlement** system whereby funds are received and paid through STR by two **participants**, whether full **trading participants** or **settlement participants** as a result of the offsetting of rights and obligations arising from the **registration** of **assets** and **transactions** in the **registration system**.

The **clearinghouse** sets time frames and limits, which are defined as **settlement cycle**, for the performance of obligations resulting from the bilateral **settlement** of rights and obligations in funds arising out of the **registration** of **assets** and **transactions** in the **registration system**.

The **settlement cycle** follows the steps below:

1. Through the electronic linkage in place, the registration system relays automatically to the **clearinghouse** systems the **asset** or the event(s) to be settled through the **bilateral net settlement** system;

2. The **clearinghouse** processes the netting of the amounts reported in each **transaction**, **asset** or event generated in the **registration system**, producing a net result for each combination of two **participants**, whether full **trading participants** or **settlement participants**;

3. Via **message** LTR0001, the **clearinghouse** relays the financial value to be settled to the debtor **full trading participant**'s or **settlement participant**'s **settlement agent**;

4. The **settlement agents** of the debtor **full trading participant** or **settlement participant** may confirm the debit balance or not, via **clearinghouse** systems or **message** LTR0002, by the time limit defined for **settlement agent** confirmation, as shown in the time grid below;

5. If the **clearinghouse** does not receive **message** LTR0002 or if the debit balance is not confirmed via its systems, it will assume that the **settlement agent** of the debtor **full trading participant** or **settlement participant** has confirmed the debit balance, as the case may be, of the full amount that makes up the relevant balance;

6. The debtor **full trading participant** or **settlement participant** must instruct the **payment** of the debit balance, through the relevant **settlement agent**, to the **clearinghouse settlement account** via **message** LTR0004. In order for this **payment** to be considered as completed by the **clearinghouse**, the **clearinghouse** must receive the confirmation thereof from STR via **message** LTR0004R2 by the time limit stipulated for net balance **payment**, as shown in the time grid below;

7. If the **clearinghouse** receives only a portion of the funds due, it returns said funds to the **full trading participant**'s or **settlement participant**'s or **settlement**'s **agents** via **message** LTR0006, therefore not considering the net result as settled;

8. If the **clearinghouse** receives an amount in excess of the funds due, it will utilize the funds required to settle the net result and return the excess amount to the relevant **full trading participant** or **settlement participant** via **message** LTR0006;

9. The **clearinghouse** transfers the funds to the **settlement agent** of the creditor **full trading participant** or **settlement participant** via **message** LTR0005 immediately after the **clearinghouse** systems receive and process **message** LTR0004R2. The **clearinghouse** systems relay the **settlement** status to the registration system for additional processing, under the provisions of the registration system rules and procedures;

10. When the **settlement agent** of both creditor and debtor of funds is the same, instead of the **messages** described in the previous flow, **message** LTR0007 will be utilized to report to the **settlement agent** the amount to be settled between the **participants**, and **message** LTR0008 will be used by the **settlement agent** to inform the **clearinghouse** of the transfers processed between the **full trading participants** or between the **settlement participants**; and

11. At the end of the **settlement cycle**, the **clearinghouse** will utilize **message** LTR0012 to cancel the financial value to be settled from the net results that have not been settled (as reported by **messages** LTR0001 and LTR0007). Under such circumstances, the **clearinghouse** considers that the bilateral result was not settled and proceeds with the **gross settlement** of each component of the original bilateral result.

10.2.1. Time grid for the bilateral settlement cycle

The **bilateral net settlement** cycle follows the timetable below:

Stage	Time	Event	Message
1	8:00 AM	Beginning of period for the receipt of bilateral **settlement** orders.	────
2	11:10 AM	Calculation of the net bilateral results.	────
3	11:15 AM	Time limit to inform the **settlement agents** of the debit balance of funds.	LTR0001 or LTR0007
4	12:00 noon	Time limit for **settlement agent** confirmation.	LTR0002
5	12:15 PM	Time limit for the **settlement agents** to pay the debit balance of funds.	LTR0004 or LTR0008
6	12:15 PM	Time when the **clearinghouse** cancels the financial value to be settled from the net results that were not settled.	LTR0012
7	12:15 PM	Time when the **gross settlement** of each component of the bilateral result that was not settled is initiated.	LTR0001 or LTR0007

Table 23

Message LTR0005 and possibly **message** LTR0006 will automatically be transmitted, via **clearinghouse** system, as soon as the receipt of funds by the **clearinghouse settlement account** in STR, associated with the performance of the relevant obligation, is confirmed by the **clearinghouse** via **message** LTR0004R2.

11. LIST OF DEFAULTERS

This chapter describes the procedures to include **investors** in B3's list of **defaulters** and to exclude them from this list.

11.1 Including investors in the list of defaulters

The inclusion of **investors** in B3's list of **defaulters** occurs when an **investor** fails to meet his/her/its financial obligations to the **clearing member**, **trading participant**, **foreign participant**, **full trading participant**, or **settlement participant** arising from **transactions** executed or registered in the name of the concerned **investor** for **settlement** at the **clearinghouse**.

The **clearing member**, **trading participant**, **foreign participant**, **full trading participant** and **settlement participant** are referred to in this and the following section only as **participant**.

The responsibility for the inclusion request of **investors** in B3's list of **defaulters** and for providing the required information for it relies exclusively under the **participant.** B3 only operationalize the inclusions in B3's list of **defaulters** and respective **default** treatment consequences through express instruction of the **participant**, not carrying out technical or informational sent by the **participant**. B3 is not responsible for the inclusion of the **default** indication, nor for its permanence, and does not have any interference in eventual charges of the pending obligations of the **investor** to the **participant**.

The listing process begins when the **participant** notifies the **clearinghouse** of pending obligations. To that end, the **participant** must send to the **clearinghouse,** electronically, the request of inclusion of the relevant **investor** in B3's list of **defaulters**, providing the following information:

- Name or corporate name and identification number - Corporate Taxpayer (or CNPJ), Individual Taxpayer (or CPF) or CVM code;

- **Default** initial date;

- The value of the financial pending obligation;

- The **transaction** part referring to non-compliance concerned obligation arising from **transactions** executed or registered in the name of the concerned **investor** for **settlement** at the **clearinghouse**; and

- The e-mail of the concerned **investor.**

At the time of submitting the request, the **participant** must also:

- Declare the **investor** was previously charged for the financial pending obligation;

- Declare the accuracy and veracity of the information and the authenticity of the documentation supporting the debits and the registration details in order to exempt B3 for any kind of responsibilities that may arise from making the fact public to the market of the **investor** as a **defaulter**;

- Sign the contract of obligation to compensate B3 and its directors, employees and representatives, for any third party claims against them in consequence to the **investor** inclusion in B3's list of **defaulters**, and for the effects arising from, specially resulting from the insufficiency, the absence of updating or the absence of information veracity and necessary documentation for effective communication of **default**, including and not limited to indemnities, contractual and legal attorney fees of the advisors chosen by B3, fines, court costs or any other kind of charges or payments that B3 may have to bear. After the correct filling of the form and the forwarded of all required documentation, B3's informs the **investor**, by electronic correspondence (e-mail), of the pending financial obligation towards the **participant** that may require the **investor** inclusion in the list of **defaulters**.

Within five (5) business days of the date of confirmation of the electronic correspondence sent by the **clearinghouse**, the **investor** must provide the payment due to the **participant** to avoid the inclusion in the list of **defaulters**.

- When the payment is provided by the **investor** within the prescribed time frame, the **participant** must electronically communicate the **clearinghouse** about the compliance with the concerned obligation, thus ending the process without the **investor** being included in the list of **defaulters**.

- Otherwise, the **clearinghouse**:

  (i) disclose the fact to the **participants**, reporting the **investor**'s name or corporate name and identification number - Corporate Taxpayer (or CNPJ), Individual Taxpayer (or CPF) or CVM code;

  (ii) Includes the **investor** in B3's list of **defaulters**; and

  (iii) Updates the **investor**'s status in the B3 **participant registration** system to "partially suspended," thus preventing the **investor** from executing, allocating or registering new **transactions** on his/her/its behalf, except for **transactions**

aiming at reducing the **investor**'s open **position** or portfolio risk. For sale **transaction** in the cash market, its required to designate the **coverage** of cash sale **transactions subaccount** (2409-0) in the process of **transaction allocation**, otherwise the **transactions** will be allocated to the **participant**'s error **account** even if the **investor** holds **assets** deposited in **B3 central depository.**

The inclusion of the **investor** in B3's list of **defaulters** does not prevent that new inclusion requests be made by other **participants** in which the **investor** have debits related to non-compliance financial pending obligations arising from **transactions** executed or registered in the name of the concerned **investor** for **settlement** at the **clearinghouse**. After the first inclusion of the **investor** in B3's list of **defaulters** all the new requests will be considered, not having new disclosures, however, of the updating list for the same concerned **investor**.

11.2. Excluding investors from the list of defaulters

The exclusion of **investors** from B3's list of **defaulters** occurs when the relevant **investor** meets all of his/her/its financial obligations.

The responsibility for the exclusion request of the **investors** in B3's list of **defaulters** and for providing the required information for it relies exclusively under the **participant.** B3 only operationalize the exclusions in B3's list of **defaulters** and respective **default** treatment consequences through express instruction of the **participant**, not carrying out technical or informational sent by the **participant**. Except for the maximum period of 5 (five) years of permanence on that list, B3 is not responsible for verifying the need to maintenance, or not, of the **investor** in B3's list of **defaulters** and does not have and any interference in eventual charges of the pending obligations of the **investor** to the **participant**.

To that end, **the participant** must send electronically to the **clearinghouse** the exclusion request of the **investor** from the B3's list of **defaulters**, providing the following information:

▪ Name or corporate name and identification number - Corporate Taxpayer (or CNPJ), Individual Taxpayer (or CPF) or CVM code;

▪ When the **investor**'s obligations to the **participant** are met by liquidating a bank letter of credit, a statement from the **guarantee issuing bank** regarding compliance of the **investor**'s obligations towards the **guarantee issuing bank**; and

▪ When the **investor**'s obligations to the **participant** are met by liquidating **collateral** posted for the same **investor** by another **participant**, a statement from the latter regarding compliance of the **investor**'s obligations towards said **participant**.

After the exclusion request, and not having any other inclusion request in B3's list of **defaulters** for the same **investor** made by other **participant**, B3:

(i) Disclose the fact to the **participants**, reporting the name or corporate name and identification number - Corporate Taxpayer (or CNPJ), Individual Taxpayer (or CPF) or CVM code of the **investor** excluded from B3's list of **defaulters**; and

(ii) Updates the **investor**'s status in the B3 **participant registration** system to "active," thus making the **investor** fit to execute, allocate or register **transactions** on his/her/its behalf.

After the inclusion of any **investor** in B3's list of **defaulters** is made public, the maximum period of the concerned **investor**'s permanence on that list is up to five (5) years. In the case of inclusion in the list of **defaulters** made by more than one **participant**, the maximum period of 5 (five) years of the concerned **investo**r's permanence on that list will be considered from the date of the last request received by B3.

12. ASSET DISTRIBUTIONS AND TENDER OFFERS

12.1. Public distributions of assets

A public offering process occurs whenever an **issuer** of **assets** or a holder of **assets** decides to conduct an offer to sell such **assets** to the market. The **clearinghouse** acts as a facilitator in such a process, as long as the underlying **asset** to be distributed can be deposited in the **B3 central depository** and the distribution is targeted to **investors** through B3's **participants**.

Distribution offers may involve **assets** in the **equities market** or in the **corporate debt market**. They can also be an initial public offering or a subsequent offering (follow-on).

Each **asset** distribution has its own specific documentation establishing the characteristics and time frames for each of the stages of the concerned offering. The **clearinghouse** is responsible for setting up its systems according to the conditions defined and following the stages of the offering under its responsibility, such as:

- Formation of distribution pool, if applicable;

- Investment intentions;

- **Allocation**; and

- Settlement.

The setup provided by the **clearinghouse** has the purpose of:

- Entering into the systems the characteristics set out in the offering documents;

- Establishing the modes to be utilized to meet the conditions of the offering; and

- Allowing the access of the distribution process participants to the B3 systems, in order to register investment intentions, access statements and issue reports.

12.1.1. Distribution pools

The formation of distribution pools is under the responsibility of the lead bookrunner. When a pool is open to all the B3 **participants**, the **clearinghouse** may be requested to include the **issuer**'s letter on a specific page of the offering.

In order to take part in a distribution pool, the **participant** must also be a **custody agent**.

In offers in which the **issuer** grants priority rights and there is no restriction on forming the distribution pools through the invitation from the lead bookrunner, B3 will allow all the **participants** in the **custody agent** category to forward, by the System Distribution of Assets (DDA System), the reservation requests, in financial value or **asset** quantity, resulting from the exercise of the right of priority of holders of **assets** of the **issuer** of the offer that are its **investors**.

The DDA System access will be conditioned to the prior submission, by the **custody agents**, of a specific license term to be available on the offer page on the B3 website, through which the **custody agents** agree to comply with the procedures established in B3 regulations. The license term must be sent to B3, under the care of the area responsible for B3 **participant registration** and will be valid for any subsequent primary public offerings of **assets** in which B3 will be contracted to provide the public distribution service.

12.1.2. Investment intentions

Collecting investment intentions is a process whereby the **custody agents** submit to the **clearinghouse** the intentions of **investors** to acquire the **assets** to be distributed within each offering, via system screen or electronic registration, stating:

- The **investor** identification (**deposit account** and ID);
- The financial value or the **asset** quantity; and
- The maximum price or minimum rate determined.

Upon receiving investment intentions, the **clearinghouse** performs the relevant validations and reports the results to the **custody agents**. Until the end of the period for the registration of investment intentions, the **clearinghouse** reports daily to the **custody agents** the cumulative intentions received, and if necessary, this information can also be sent on demand.

The registration of investment intentions, as well as any corrections thereto, can be made via **clearinghouse** system screen or electronic file, in the format specified in the B3 **message** and file catalog.

The time range for registering investment intentions goes from 8:00 AM to 7:30 PM on business days during the period for collecting investment intentions, subject to the specific conditions established in the offering documents.

For public offerings (**equities market** and **corporate debt market**) providing priority rights, B3 utilizes the entire base of holders of the issuer´s **assets**, in which case is also required the **asset** base in the book of the **registrar**. In the case of offerings with two cut-off dates, when on the first cut-off date occurs the process of determining the eligible **investors** to participate in the offering, the DDA System also uses the base of **investors** with lending **positions** of **securities lending** in the **clearinghouse**. On the second cut-off date, only the base of **asset** holders in the **B3 central depository** and the **registrar** is considered. It is the responsibility of the **issuer**, directly or through its **registrar**, to inform the B3 **Clearinghouse**, in a timely manner for the start of the reservation process, the list of **asset** holders maintained at the **registrar** institution.

It is the responsibility of the **issuer** to establish in the offering documentation the procedures related to the exercise of the right of priority, including informing the cut-off dates for verifying the base of the **asset** holders of the **issuer**, the deadline for exercising the right, the subscription factors, and the treatment to be given in the relation to the priority rights in the event of non-compliance with the procedures established in this Manual and in the relevant regulations.

It is the **custody agent** responsibility to ensure that the registration of investment intentions is carried out for the **investors** who adhere to the offer´s target audience.

12.1.3. Allocation

Allocation of an offering is a process whereby the **investors** and the quantity of the underlying asset to be distributed to each **investor** are defined. This process is managed by the **clearinghouse** and is based on the characteristics of the offering, on the investment intentions and on the single distribution price, on the same day, for securities of the same type, class, or series, on the defined offering price.

The result of the **allocation** is relayed to the **custody agents** participating in the distribution via **clearinghouse** system screen or electronic file, in the format specified in the B3 **message** and file catalog.

For the distributions where the **allocation** of a portion of the **assets** to be offered is the sole responsibility of the bookrunners, the process is performed by the bookrunners themselves, which then relay the relevant **allocation** to the **clearinghouse**, which in turn performs the validations and reports the results to the bookrunners.

The **allocation** of a direct offering under the regime FÁCIL must observe the criteria and the lower and upper limits, both in terms of price and quantity, as established by the applicable regulations. Should the offer fail to reach the lower limit or exceed the upper limit, the **allocation** will not be carried out.

12.1.4. Settlement

The settlement of any offering follows the time frames disclosed in specific documentation and is carried out on a **gross settlement** basis, in which case the **clearinghouse** does not act as **central counterparty**.

12.1.4.1. Offering settlement process

For public offering, the **clearinghouse** acts as a facilitator in the **delivery** versus **payment** process, providing the necessary infrastructure for an efficient preparation and **settlement** of the **transaction.**

The **transactions** are settled at the gross amounts, not being liable to multilateral **netting** in **custody agent** funds.

On the **settlement** date of the offering the following process is carried out:

1. After the **assets** deposit confirmation, the **clearinghouse** initiates the **gross settlement**, by debiting seller's custody **account**, in which the **assets** are deposited, and crediting the **clearinghouse asset settlement account** in the **B3 central depository**;

    o   In the case where there is secondary portion in the offerings, the **assets** must have been fully deposited by the selling **custody agent** with the **B3 central depository** before the offer pricing date and must be clear and unobstructed of any kind of liens, charges or encumbrances, in compliance to **B3 central depository** rules.

    o   In the case where there is primary portion in the offerings, by 10:00 AM of the **settlement** date, the **assets** must have been fully deposited by the **custody agent** with the **B3 central depository** and must be clear and unobstructed of any kind of liens, charges or encumbrances, in compliance to **B3 central depository** rules.

2. By 11:00 AM, the **clearinghouse** relays**,** via **message** LTR0001, the financial value to be settled to the **settlement agent** of the **custody agent** owing funds;

3. The **settlement agent** of the **custody agent** owing funds confirms the financial value to be settled via **clearinghouse** systems or **message** LTR0002;

4. By 1:00 PM, the **clearinghouse** must receive from the offering's lead bookrunner, or, in the case of a direct public offering under the regime FÁCIL, from the person designated by the offeror, the following information:

- o Net value to be moved to each selling **custody agent**;

- o Values referring to commission fee due;

- o Values referring to compensation related to the services provided by B3.

5. By 2:30 AM, the **settlement agent** of the **custody agent** owing funds transfers, via **message** LTR0004, the financial resources to the **clearinghouse settlement account** in STR and the **custody agent** creditor of **assets** may request restriction on the delivery of the **asset position** to the **investor** that has not met his/her/its **payment**;

6. For the cases where the **settlement agent** of both creditor and debtor of funds is the same, instead of the **messages** referred to in the previous flow, **message** LTR0007 will be utilized to report to the **settlement agent** the amount to be settled between the **participants**, and **message** LTR0008 will be used by the **settlement agent** to inform the **clearinghouse** the confirmation or rejection of the financial value to be settled;

7. If the transfers do not be completed totally nor partially by 2:30, or if the **settlement agent** of the **custody agent** does not comply with the time frame, the **clearinghouse** considers the funds obligations not settled and activates the management mechanisms for failed funds transfers, according to the procedures prescribed in item 12.1.5.2.

8. When the owing funds transfer is confirmed, the **clearinghouse** transfers the funds, via **message** LTR0005, by 4:30 PM, to the **settlement agents** of the selling **custody agents**. Concomitantly with the funds transfer in STR, the **clearinghouse** transfers

the **assets** to the creditor **custody agents deposit account** in **B3 central depository**, coordinating **delivery** versus **payment**.

The time frame stablished above may be altered due to delay of previous processes carried out in external environments from B3 and/or due to delay to compliance of the time limits stablished by the **custody agents** involved in the offering **settlement.**

12.1.4.2. Deposit and management of collateral associated with retail portions and exercises of priority rights

Should the **clearinghouse** be engaged to provide **collateral** management services, it might fully promote, for the offering's lead bookrunner, the cash **settlement** of the subscription of the **assets** derived from (i) the retail portion of public distributions or (ii) the exercise of priority rights, pursuant to CVM regulation.

Settlement will be carried out with the **custody agents**, through the management of **collateral** posted and held by them or held by the own holder of **assets** origin of the offering under the responsibility of the **custody agents** (in this case, exclusively for holder of **assets** origin of the offering who are institutional investor) at the **clearinghouse**, which **collateral** will be liquidated whenever a **custody agent** fails to deposit, on a timely basis, the financial resources required for the **settlement** of the amount effectively allocated to such agent, pursuant to the procedures described in this manual.

12.1.4.3. Procedure for posting collateral

Collateral must be posted by the **custody agents** by 1:00 PM on the day subsequent to the end of the registration period of investment intentions, either in local currency or in federal government bonds.

For deposits made in local currency allocated to guarantee the investment intentions of the offer portions destined to non-institutional investors and the granting of priority rights, it is possible to use these resources for the financial **settlement** of the amount due by **custody agent** towards the **clearinghouse**.

The operational procedure is carried out upon the **custodian agent**´s request by Third Party Collateral Management System – GG3 until the end of the day before of the settlement.

Confirmation of the investment intentions by the **investors** participating in the priority or non-institutional portion of the offering will be made against the deposit of the amounts stipulated and disclosed by B3 for each **transaction**, together with the relevant procedures to be followed until the **margin** call date.

If a **custody agent** does not deposit the amounts to be used as **collateral** for its investment intentions, as required by the **clearinghouse** under this manual, within the stipulated time frames and conditions, the relevant investment intentions registered by such **custody agent** will be disregarded.

If the **custody agent** deposits only part of the required amounts, it must cancel, in the pre-authorized direct debit system, the unconfirmed investment intentions, meaning those whose **collateral** amounts were not deposited with the **clearinghouse**. Said cancellation must occur by 1:00 PM on the business day after the end of the registration period of investment intentions.

After this procedure is completed, the other investment intentions registered by the same **custody agent** and associated with **collateral** amounts effectively deposited with the **clearinghouse** will be confirmed.

12.1.5. Failure management in public distribution of assets

12.1.5.1. Restriction mechanism

The mechanism of restriction enables the **custody agent** creditor of the **assets** to request the application of restriction to the **delivery** of **assets** to the **investor** that failed to meet **payment** obligation**.**

Custody agents may request the application of restriction to the **delivery** of **assets** on the offering **settlement** date, by 2:30 PM.

The **delivery** of restricted **assets** follows the management procedures for failed **payment** described in subsection 12.1.5.2, according to the public offering restricted portion mode:

1. In uncollateralized retail portions, the **asset** restricted by the **custody agent** creditor of **assets,** corresponding to the amount not transferred to the **clearinghouse** by its **settlement agent**, is delivered, by 4:30 PM on the **settlement** date, according to the management procedures for failed **payments**, to the account indicated by the seller of **assets**, whether **issuer**(s) or holder(s) of **assets**;

2. In institutional portions, the **asset** restricted by the **custody agent** creditor of **assets,** corresponding to the amount not transferred to the **clearinghouse** by its **settlement agent**, is delivered, by 4:30 PM on the **settlement** date, to the **deposit account** indicated by **custody agent** of the bookrunner responsible for the relevant portion, or, in the case of a direct public offering under the regime FÁCIL, from the person designated by the offeror, provided that the failure management conditions are met;

3. In collateralized retail portions, the **asset** restricted by the **custody agent** creditor of **assets** is transferred by 6:30 PM on the **settlement** date, to the indicated and held account by the **custody agent**, provided that the failure management conditions are met.

For collateralized retail portion, **custody agents** may also submit a **delivery** restriction cancellation request by 6:30 PM on the same day. When a restriction cancellation request is submitted, the **assets** are delivered to the **investor's deposit account** designated in the public offering **allocation** process. If a restriction cancellation request is not submitted, the **assets** are delivered, by 06:30 PM, to the **deposit account** designated held by the **custody agent.**

Delivery restriction requests and **delivery** restriction cancellation requests may be submitted via **clearinghouse** system or electronic **message**, in the format specified in the **clearinghouse message** and file catalog.

12.1.5.2. Procedures for payment failure

For uncollateralized offerings, the funds portion not transferred, totally nor partially, by the **settlement agent** of the debtor **custody agent** to the **clearinghouse** is considerate a failure. The **clearinghouse** notifies the public offering seller(s), whether **issuer**(s) or holder(s) of **assets** and transfers the restricted **assets** throughout the **custody agent** of the buyer, corresponding to the not settled funds, to the **deposit account** designated and held by the seller(s).

For collateralized offerings, the institutional portion nor transferred, totally nor partially, by the **settlement agent** of the debtor **custody agent** to the **clearinghouse** is considerate a failure. The financial obligation is directed and informed by the **clearinghouse**, via **message** LTR 0001, to the **settlement agent** of the bookrunner **custody agent** responsible for the relevant portion, or, in the case of a direct public offering under the regime FÁCIL, from the person designated by the offeror, which

becomes responsible to comply with the payment obligation. When the owing funds transfer is confirmed, via **message** LTR0004, to the **clearinghouse settlement account** in STR¸ the **clearinghouse** transfers the restricted **assets** throughout the buyer **custody agent**, related to the not settled funds, to the **deposit account** designated and held by the bookrunner.

In the case of collateralized retail offering, the funds portion not transferred, totally nor partially, by the **settlement agent** of the debtor **custody agent** to the **clearinghouse** is considerate a failure, a situation in which the **clearinghouse** will execute the **collateral** posted by the **custody agent** in face to comply with the financial obligation. The **assets** restricted by the buyer **custody agent** will be transferred to the **deposit account** designated and held by the **custody agent,** even if the executed **collateral** have been provided by the **participant** pointed by the **custody agent**.

12.1.6 Procedures Applicable to Direct Public Offerings under the regime FÁCIL

Within the scope of the Facilitation of Access to Capital and Listing Incentives (FÁCIL) regime, in accordance with the applicable regulation, public offerings of distribution that make use of the general CVM rules applicable to public offerings shall be admitted, as well as direct public offerings that make use of the specific rules described under the regime FÁCIL.

A direct public offering under the regime FÁCIL shall be deemed to be the initial or subsequent public offering of distribution of securities, carried out directly in a system administered by an organized market administrator entity, in which the **issuer** classified as a CMP is listed or is to be listed, without the participation of an entity registered as coordinator of public offerings of distribution of securities.

Under the regime FÁCIL, the subject matter of the direct public offering, with settlement carried out through the **clearinghouse**, shall be shares and share depositary receipts.

B3 shall maintain the procedures and monitoring routines necessary for the fulfillment of its duties as an organized markets administrator entity and as a central securities depository under the regime FÁCIL , entering into an agreement or technical cooperation arrangement with the CVM, so as to detail and supplement, as applicable, the provisions set forth in its rules.

12.1.6.1 Analysis of Direct Offerings under the regime FÁCIL

The documentation of the direct public offering shall be analyzed in order to determine its operational feasibility, considering the following criteria:

1. the classification of the issuer as a CMP – Companhia de Menor Porte, in accordance with the provisions set forth in the applicable regulation;
2. the limit of BRL 300 million, considering offerings benefiting from exemptions provided for under the regime FÁCIL and direct public offerings carried out within a period of twelve (12) months;
3. compliance of the structure of the direct public offering with the provisions set forth in the applicable regulation;
4. compliance with the deadlines and stages of the direct public offering, as described in the documentation of the direct public offering, in accordance with the applicable regulation;
5. disclosure of the documentation of the direct public offering, as well as the type and form of disclosure of purchase orders;
6. adequacy to the functionalities offered by B3's DDA System.

B3 allows the submission of a request for confidential review of an offering within the scope of the regime FÁCIL, which shall be conducted with the preservation of the confidentiality of the transaction, with the feedback on the review performed by B3 being restricted to the requesting parties.

The confidential status of the offering shall cease upon the submission of the request for admission of the issuance, accompanied by the final documentation, or upon the disclosure of the offering to the market.

In the event of any loss of control over the information during the confidential review stage, the offeror shall proceed with the immediate disclosure of the offering to the market.

The deadline for the issuance of the feedback on the review of the direct public offering shall be twelve (12) business days, counted as from the receipt of the documentation by B3. In the event that adjustments are requested, the resubmission shall be reviewed within up to eight (8) business days.

B3 may: (i) require that the information provided within the scope of public offerings be brought into compliance with the applicable legal and regulatory provisions, (ii) determine corrections, amendments, or the cessation of the offering's publicity, should any non-compliance with any of the criteria set forth above be identified, and (iii) request the inclusion, in the FÁCIL form, of additional information deemed appropriate, as well as warnings and considerations considered necessary for its review and for the proper understanding of the offering by the investors to whom it is addressed.

Upon the fulfillment of any comments or requirements issued by B3 in the offering documentation, a specific page shall be created on B3's website containing the information and documents related to the offering, including the disclosure of purchase orders. If necessary, the offeror may request B3 to update such page, by submitting, for this purpose, the information and documents to be updated. B3 shall update the page by the end of the day on which the offering is closed, indicating whether or not the offering was successfully completed. Furthermore, in the event that the direct public offering is successfully closed, the information required under the applicable regulation shall be included on the offering's page.

The direct public offering shall be conducted in accordance with the provisions set forth in its documentation, the applicable regulation and this Chapter, except for item 12.1.1, which shall not apply to direct public offerings.

12.1.6 .2 Analysis of Direct Offerings under the regime FÁCIL

All **participants** classified as **custody agents** shall be included in the distribution, without the need for the formation of a pool or the submission of a qualification term, provided that the minimum technical qualification requirements set forth in B3's Access Manual are met.

B3 may exclude the **custody agent**, as well as temporarily prevent specific **custody agents** from representing investors in direct offerings, should it identify non-compliance with the rules or procedures established for direct offerings, pursuant to the regime FÁCIL and its applicable regulations. The offering may proceed in the event of the exclusion of a given **custody agent**, at the discretion of the offeror, except in cases where B3 determines the interruption of the offering.

B3 shall notify the **custody agent** of the exclusion or temporary impediment, as applicable, and shall establish a deadline for the submission of an appeal, which shall be sent through the channel made available for such purpose. B3 shall review the appeal and notify the **custody agent** of its final decision.

Custody agents may cancel orders entered on behalf of i**nvestors** up to twenty-four (24) hours prior to the **allocation** of the direct offering. Orders entered by **custody agents** in the direct public offering that are not in compliance with the lower and upper price limits shall be rejected.

In the event of interruption or postponement of the direct offering, all purchase orders submitted up to that moment shall be automatically cancelled. Once the irregular conduct has ceased or the event that gave rise to the interruption or postponement has been duly addressed, the offeror must disclose a notice to the market updating the offering schedule, including new dates for the submission of purchase orders by **custody agents**.

Direct offerings, provided that demand is verified for the acquisition of the base quantity at the base unit price, may be closed prior to the date and time set forth in the offering documentation, provided that the minimum period of ten (10) days following the disclosure of the FÁCIL form is observed. The final unit price of the direct offering shall be the same for all **investors**, on the same day, for offerings of the same type, class or series, after the **allocation** procedure.

12.2. Tender offers

B3 acts as a facilitator in the **settlement** process of tender offers by coordinating the transfer of **assets** against the simultaneous, final and irrevocable **payment** of financial values. The **settlement** time frames and the operational details are published in specific notices and may vary for each tender offer.

To join a tender offer, the **investors** must instruct their **custody agents** to transfer the **assets** to the **subaccount** held with the **B3 central depository** for this purpose.

Information on the **accounts** under the **full trading participant**, on the **custody agent**, on the **deposit account** and on the **subaccount** which will be debited upon **settlement** of the tender offer is received when the **transactions** are captured from the **trading system**. Said information cannot be modified.

If the appointed **custody agent** is not the **full trading participant** who represented the **investor** in the auction, B3 considers the transfer of the balance to the order blocking **subaccount** as the **custody agent**'s authorization for the **settlement** of the **transaction**.

13. AUCTIONS OF SECTOR FUNDS

This chapter describes the procedures for the **settlement** of special auctions, which may take place in the B3 **trading environment**, involving shares of companies that benefit from sector or regional funds whose units are deposited with the **B3 central depository**, such as the Amazon Investment Fund and the Northeast Investment Fund *[FINAM and FINOR in the Portuguese acronyms, respectively]*.

As established in the public notice or in the specific documentation of each auction, the participating **investors** may choose to settle the **transactions** (i) by transferring funds in STR, (ii) by transferring fund units in the **B3 central depository**, or (iii) by combining the first two alternatives. Whatever option is chosen, **settlement** must occur on T+2 of the auction date.

Settlement occurs in two stages:

1. Transfer of funds or of fund units:

    (i)   For the portion involving cash **settlement**:

    On T+2 of the auction date, the **participant** responsible for the **investor** transfers the funds to the **clearinghouse** via LTR **messages** in STR and the **clearinghouse** transfers the funds to the bank that manages the relevant fund.

    (ii)   For the portion involving unit transfers:

    By T+2 of the auction date, the **custody agent** of the **investor** transfers the fund units to a specific **account** with the **B3 central depository**.

2. Transfer of auction shares: by T+15 of the auction date, the **issuer** transfers the shares acquired in the auction to the **investor**, according to the book of shares.

14. Costs and charges

This chapter describes the procedures adopted by the **clearinghouse** to disclose the **costs** and **charges** to be collected as a result of the **participants**' **transactions** and **positions**.

The **costs** and **charges** levied by B3 are described in its pricing policy, which is published in a circular letter.

At its sole discretion, B3 may grant discounts or incentives to **participant** categories, which will be applied to the **costs** and **charges** to be collected.

The **costs** and **charges** are collected from the same **participant** that will settle the **transactions**—in the case of **give-ups**, by the **carrying participant**.

At its sole discretion and at any time, B3 may apply different fees to the **transactions** characterized as strategies, day trades, rollover and **give-ups**, as well as limit the relevant triggering events to specific product groups, or contract volume and financial volume.

Buy and sell **transactions** for the same **asset** executed on the same trade date by the same **participant** to the same **position account** are considered as day trading by the **clearinghouse**.

Even if **organized OTC market transactions** registered under the uncollateralized mode are not settled through the **clearinghouse settlement** services, they are subject to B3's fees.

14.1. Cost and charge report

The process to disclose the **costs** and **charges** payable by each **full trading participant** and **settlement participant** is conducted by the **clearinghouse** daily, at the end of the night processing, whereby files are sent with the relevant information, in the format specified in the B3 **message** and file catalog.

15. RECOVERY PLAN

Pursuant to the provisions set forth in the **clearinghouse** rules, B3 may adopt specific procedures in case of **recovery plan** activation due to a temporary or definitive insufficiency of resources in the **clearinghouse safeguard** structure, or under a scenario of unavailability or integrity failure of **clearinghouse** or STR information technology infrastructure.

This chapter describes the special **settlement** procedures that may be adopted by the **clearinghouse** should the **recovery plan** be activated.

Participants will be notified of the adoption of any such procedures through B3's regular communication channels.

15.1. Postponement of settlement window hours

If B3 decides to postpone **settlement** window hours for creditor **clearing members**' **multilateral net balances** to be settled in local and/or foreign currency and/or **settlement** window hours for **multilateral net** credit **balances** to be settled in **assets**, the **clearinghouse** will determine the new window hours, subject to STR's time restrictions.

15.2. Clearinghouse and/or STR IT infrastructure failure

The **clearinghouse** may adopt special **settlement** procedures in the event of unavailability or integrity failure of **clearinghouse** and/or STR information technology infrastructure, as well as of **clearinghouse** operational continuity plans, except, in STR's case, when BCB provides an alternative system for processing **settlement** during the unavailability period.

On the date the availability or integrity of B3's and/or STR's IT infrastructure is restored:

- Trading, **securities lending** and OTC **derivatives registration** under full or partial **clearinghouse** collateralization resume;

- The **settlement** of obligations not settled during the period of suspension of **clearinghouse** activities proceeds, as described below; and

- Further **clearinghouse** and **B3 central depository** procedures resume, in the case of **clearinghouse** IT infrastructure unavailability.

The procedures described in this section address **clearinghouse** procedures for trades, **positions** and **settlement** of obligations not settled during the period of suspension of its activities.

The following terms are adopted by convention:

N :   the number of business days of **clearinghouse** unavailability;

T+0 :   the last business day before **clearinghouse** unavailability;

T+N :   the last business day of unavailability before **clearinghouse** activities resume;

T+N+1 :   the first business day after **clearinghouse** activities resume;

T+N+2 :   the second business day after **clearinghouse** activities resume; and

T+N+3 :   the third business day after **clearinghouse** activities resume.

15.2.1. After-hours transactions

The trade dates of the **transactions** carried out in the after-hours session of the agricultural **derivatives market** will be adjusted to the first business day following the end of the period of suspension of **settlement**, that is, T+N+1.

15.2.2. Transaction allocation

On the first business day immediately following the end of suspension of **clearinghouse** activities, that is, on T+N+1, the **clearinghouse** will be able to process cash **equities market** trades executed on T+0, subject to **allocation** or cancellation.

15.2.3. Auctions of local US Dollar interest rate swaps

Auctions of local US Dollar interest rate swaps conducted by BCB during the period of suspension of **settlement** will be made available for **allocation** by **participants** on the first business day following the end of the period of suspension of **settlement**, that is, on T+N+1.

The dates of the trades originating from auctions of local US Dollar interest rate swaps with initial valuation date during the period of suspension of **settlement** will be adjusted to T+N+1. The financial result to be settled on T+N+2 will consider the original initial valuation date.

15.2.4. Position control

15.2.4.1.   Premiums and settlement prices

Cash **settlement** relating to options premiums traded on T+0 will be performed on T+N+1.

Variation margin for T+0 **positions** in futures contracts is calculated on a regular basis, making use of price and index information available on T+0. Financial entries associated with settlement prices are postponed to the T+N+1 **settlement**.

Variation margin calculation will once again be carried out at the end of T+N+1, subject to marking-to-market and price criteria defined in contract specifications, concerning the procedures to be implemented in the event that **clearinghouse** activities are suspended.

15.2.4.2.   Early settlements and renewals

The processes associated with pending early **settlements** occurred during the period of suspension of **clearinghouse** activities will be delayed by N days from the originally scheduled dates.

Time limits for renewing **securities lending** agreements and early settling forward contracts and **securities lending** agreements will follow postponement of their respective expiration dates.

15.2.4.3.   Contract expirations

The processes associated with maturity dates occurred during the period of suspension of **clearinghouse** activities will be delayed by N days from the originally scheduled dates, as described below.

(i) **Securities lending** agreements

The expiration dates of **securities lending** agreements occurred during the period of suspension of **clearinghouse** activities or by T+N+3 will be delayed by N days, but will not exceed T+N+4.

(ii) Forward contracts

The expiration dates of forward contracts occurred during the period of suspension of **clearinghouse** activities or by T+N+2 will be delayed by N days, but will not exceed T+N+3.

(iii) Futures and options contracts

Positions with maturity or price formation dates occurred on any date during the period of suspension of **clearinghouse** activities will be processed according to the criteria defined in contract specifications, with regard to processing in the event that **clearinghouse** activities are suspended.

15.2.4.4. *Position coverage*

The process for covering options on **assets** traded in the cash or forward market, through the purchase of the underlying **asset** in the cash market, will be delayed by the same number of days of the delay applying to the cash market. Therefore, **positions** covered by trades carried out in the cash market will remain covered until completion of this market's **settlement** flow.

15.2.4.5. *Corporate actions*

(i) **Corporate actions** having an impact on open **positions**

When **corporate actions** are due during the period of suspension of **clearinghouse** activities, **position** updates are assumed to occur simultaneously with **asset** updates in the **trading system** or at the **B3 central depository**, depending on the type of **position**.

(ii) **Payment** of provisioned **corporate actions**

If payouts are anticipated to be made during the period of suspension of **settlement**, their cash **settlement** will be postponed to the date established by the **B3 central depository**.

(iii) Subscriptions

Time limits for subscription processes of shares on **positions** in **securities lending** agreements will be postponed by N days. The date of completion of any such subscription process must be the same as the date stipulated by the **asset issuer**.

(iv) Priority offers

Time limits for priority offerings of shares on **positions** in **securities lending** agreements will be postponed according to the time limits stipulated by the relevant **asset issuer**.

15.2.5. *Physical delivery of commodities*

The final **delivery** dates of commodity futures contracts in the physical **delivery** period ended during the period of suspension of **settlement** will be postponed to T+N+1 and their expiration dates will be postponed to the first business day following the end of the **delivery** period, that is, T+N+2.

Alternatively, the **clearinghouse** may, at its sole discretion, delay physical **delivery** periods and contract expiration dates by N days, in order to allow for the completion of physical **delivery** processes.

15.2.6. *Settlement process*

15.2.6.1. *Permission for delivery or receipt of assets*

After resuming its activities, the **clearinghouse** will not carry out the **netting** of **transactions** with originally different **settlement** dates.

On the first business day immediately following the end of the period of suspension of **clearinghouse** activities, that is, on T+N+1, the **clearinghouse** will be able to process **settlement** instructions for **transactions** with T+0 trade dates apt to receive permission for making or taking **delivery** of **assets**.

15.2.6.2. *Position settlement*

Positions with **settlement** by **delivery** of **assets**, originally scheduled to occur during the period of suspension of **clearinghouse** activities, that is, up to and including T+N, will have their **settlement** dates postponed by N days from the originally scheduled dates. The financial entries of **settlements** scheduled to occur up to and including T+N will be postponed, but cash **settlements** relating to different dates will not accumulate on a single day.

The cash **settlement** of **positions** not involving **settlement** by **delivery** of **assets**, originally scheduled for T+1, will be postponed to T+N+1.

Settlement instructions for **delivery failures**, whose **settlement** dates had originally been scheduled for T+1, will be settled on T+N+1. The **clearinghouse** will process the relevant **fine** and justification for each **delivery failure** on T+N+1.

Settlement instructions generated by virtue of buy-in cancellations, with **settlement** dates originally scheduled to occur on T+1, will be adjusted to be settled on T+N+1.

15.2.6.3. Buy-in positions

Time limits for cancelling, executing and reversing buy-in **positions** will be delayed by N days from the originally established dates.

15.2.7. Asset distributions

Before the start of the period for collecting investment intentions, **asset** distribution schedules may be changed as long as the period for registering such intentions has not yet been opened.

For ongoing public offerings, schedule changes will follow the rules agreed upon with CVM.

16. EXTRAORDINARY HOLIDAY

This chapter describes the special **settlement** procedures, pursuant to the **clearinghouse** rules, that may be adopted by the **clearinghouse** in the event of an extraordinary holiday being declared until the previous business day.

An extraordinary holiday is a holiday established by a competent authority which has not been regularly scheduled on the national, state, municipal or local calendar, and which is not reflected on the calendar published by B3, and on which it is not possible to have (i) trade session at B3 and/or (ii) activities at the Clearinghouse.

On the first business day following the extraordinary holiday:

▪ The trading and registration of **securities lending** agreements resumes; and

▪ The **settlement** of obligations not settled for the duration of the extraordinary holiday and further B3 **clearinghouse** procedures proceed.

The procedures described in this chapter address **clearinghouse** procedures for trades, **positions** and **settlement** of obligations previously contracted and not settled during the period of the extraordinary holiday.

The following terms are adopted by convention:

N: the number of business days in the extraordinary holiday;

T+0: the last business day before the first day of the extraordinary holiday;

T+N: the last day of the extraordinary holiday before **clearinghouse** activities resume;

T+N+1: the first business day after the end of the extraordinary holiday;

T+N+2: the second business day after the end of the extraordinary holiday;

T+N+3: the third business day after the end of the extraordinary holiday; and

T+N+4: the fourth business day after the end of the extraordinary holiday.

Participants will be notified of the activation of the relevant procedures through regular **clearinghouse** communication channels.

16.1. After-hours transactions

The trade date of the **transactions** carried out in the after-hours session of the agricultural **derivatives market** on T+0 will be adjusted to the first business day following the end of the extraordinary holiday, that is, T+N+1.

16.2. Transaction allocation

On the first business day immediately following the end of the extraordinary holiday, that is, on T+N+1, the **clearinghouse** will be able to process cash **equities market** trades executed on T+0, subject to **allocation** or cancellation.

16.3. Auctions of local US Dollar interest rate swaps

Auctions of local US Dollar interest rate swaps conducted by BCB during the period of the extraordinary holiday will be made available for **allocation** by **participants** on the first business day following the end of the period of suspension of **settlement**, that is, on T+N+1.

The dates of the trades originating from auctions of local US Dollar interest rate swaps with initial valuation date during the period of the extraordinary holiday will be adjusted to T+N+1. The financial result to be settled on T+N+2 will consider the original initial valuation date.

16.4. Position control

16.4.4. Premiums and settlement prices

Cash **settlement** relating to options premiums traded on T+0 will be performed on T+N+1.

Variation margin for T+0 **positions** in futures contracts is calculated on a regular basis, making use of price and index information available on T+0. Financial entries associated with variation margin are postponed to the T+N+1 **settlement**.

Variation margin calculation will once again be carried out at the end of T+N+1, subject to marking-to-market and price criteria defined in contract specifications, concerning the

procedures to be implemented in the event that **clearinghouse** activities are suspended due to an extraordinary holiday.

16.4.5. Contract expirations

The processes associated with maturity dates occurred during an extraordinary holiday will be delayed by N days from the originally scheduled dates, as described below.

(i) **Securities lending** agreements

The expiration dates of **securities lending** agreements occurred during the extraordinary holiday or by T+N+3 will be delayed by N days, but will not exceed T+N+4.

(ii) Forward contracts

The expiration dates of forward contracts occurred during the extraordinary holiday or by T+N+2 will be delayed by N days, but will not exceed T+N+3. No changes will apply to forward prices due to extended expiration dates.

(iii) Futures and options contracts

Positions with maturity or price formation dates occurred on any date during the extraordinary holiday will be processed according to the criteria defined in contract specifications, with regard to processing in the event that **clearinghouse** activities are suspended.

16.4.6. Early settlements and renewals

The processes associated with pending early **settlements** occurred during the extraordinary holiday will be delayed by N days from the originally scheduled dates.

Time limits for renewing **securities lending** agreements and early settling forward contracts and **securities lending** agreements will follow postponement of their respective expiration dates.

16.4.7. Position coverage

The process for covering options on **assets** traded in the cash market or forward market, through the purchase of the underlying **asset** in the cash market, will be delayed by the same number of days of the delay applying to the cash market. Therefore, **positions**

covered by trades carried out in the cash market will remain covered until completion of this market's **settlement** flow.

16.4.8. Corporate actions

(i) **Corporate actions** having an impact on open **positions**

In the occurrence of **corporate actions** during the period of the extraordinary holiday, **position** updates are assumed to occur simultaneously with **asset** updates in the **trading system**, for options, futures and forward **positions** based on cash market **assets**, or at the **B3 central depository**, for **securities lending**, **delivery failure** and buy-in **positions**.

(ii) **Payment** of provisioned **corporate actions**

In the event of a provision for the payment during the extraordinary holiday, their cash **settlement** will be postponed to the date established by the **B3 central depository**.

(iii) Subscriptions

Time limits for subscription processes of shares on **positions** in **securities lending** agreements will be postponed by N days. The date of completion of any such subscription process must be the same as the date stipulated by the **asset issuer**.

(iv) Priority offers

Time limits for priority offerings of shares on **positions** in **securities lending** agreements will be postponed according to the time limits stipulated by the relevant **asset issuer**.

16.5. Physical delivery of commodities

The final **delivery** dates of commodity futures contracts in the physical **delivery** period ended during the period of suspension of **settlement** due to the extraordinary holiday will be postponed to T+N+1 and their expiration dates will be postponed to the first business day following the end of the **delivery** period, that is, T+N+2.

Alternatively, the **clearinghouse** may, at its sole discretion, delay physical **delivery** periods and contract expiration dates by N days, in order to allow for the completion of physical **delivery** processes.

16.6. Settlement process

16.6.4. Authorizing asset delivery or receipt

After resuming its activities, the **clearinghouse** will not carry out the **netting** of **transactions** with originally different **settlement** dates.

On the first business day immediately following the end of the extraordinary holiday, that is, on T+N+1, the **clearinghouse** will be able to process **settlement** instructions for **transactions** with T+0 trade dates apt to receive authorization for delivering or receipt **delivery** of **assets**.

16.6.5. Settlement process

Net settlement instructions with **delivery** of **assets**, originally scheduled to occur during the extraordinary holiday, that is, up to and including T+N, will have their **settlement** dates postponed by N days from the originally scheduled dates. The cash **settlements** scheduled to occur up to and including T+N will be postponed, but cash **settlements** relating to different settlement dates will not accumulate on a single day.

The cash **settlement** of **positions** not involving **settlement** by **delivery** of **assets**, originally scheduled for T+1, will be postponed to T+N+1.

The net settlement instructions generated by previous **delivery failures**, whose **settlement** dates had originally been scheduled for T+1, will be settled on T+N+1. The **clearinghouse** will process the **fine** and justification for each **delivery failure** on T+N+1.

Net Settlement instructions generated by buy-in cancellations, with **settlement** dates originally scheduled to occur on T+1, will be adjusted to be settled on T+N+1.

16.6.6. Buy-in positions

Time limits for cancelling, executing and reversing buy-in **positions** will be delayed by N days from the originally established dates.

16.7. Securities lending agreements

Orders available in the orders list and expiring during the extraordinary holiday will be cancelled.

16.8. Asset distributions

Before the start of the period for collecting investment intentions, **asset** distribution schedules may be changed as long as the period for registering such intentions has not yet been opened.

For ongoing public offerings, schedule changes will follow the rules agreed upon with CVM.