



November 18, 2021

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CIRCULAR LETTER

To: Listed B3 Participants

Re: **Market Maker Selection and Accreditation Process for the ISP, WSP and BRI Futures Contracts.**

For each Futures Contract Cash-Settled to the CME Group S&P 500 Quotation (ISP), Micro S&P 500 Futures Contract Cash-Settled to the CME Group S&P 500 Quotation (WSP) and Brazil Index-50 Futures Contract (BRI) program, up to five market makers will be accredited.

If the accreditation requests exceed the number of vacancies offered, B3 will at its sole discretion select the market makers to be accredited.

Each program referred to in this Circular Letter is **independent**, with **different adhesions** required for each.

Accreditation procedure

Institutions that wish to take part in the program are advised to consult the Procedures Guide for Accreditation of Market Makers, available at

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www.b3.com.br/en_us, Products and Services, Trading, Market maker, Join in, Accreditation.

Timetables

Accreditation instrument filed	Accounts registered	Activity starts	Obligation ends
By Nov. 29, 2021	Dec. 6, 2021	Dec. 13, 2021	Dec. 9, 2022

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

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

Activity parameters

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

The list of assets eligible for the **ISP**, **WSP** and **BRI** programs, as well as their respective activity parameters, can be found in the Market Maker Program rules documents, available at www.b3.com.br/en_us, Products and Services, Trading, Market maker, Join in, Programs.

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Please note that in the case of the **ISP** and **WSP** programs, market makers will also be required to contribute, **respectively**, to market making in the Rollover of the S&P 500 Futures Contract Cash-Settled to the CME Group S&P 500 Quotation (RSP) and the Rollover of the Micro S&P 500 Futures Contract Cash-Settled to the CME Group S&P 500 Quotation (WS1). The market maker may request exemption from rollover activity, in which case it will be ineligible for the respective benefits for the transactions executed with these instruments.

The activity parameters may be changed during the course of the program with the prior consent of the market makers accredited for the program. B3 will formally advise market makers of any proposals to change the activity parameters. They will have seven business days to respond in writing, and the lack of a timely reply will be taken as consent to the proposed change.

The prior consent of market makers will not be necessary if the parameters are changed owing to atypical market situations that incur a change in trading patterns or to adjustments required to avoid the creation of artificial demand, supply, or pricing conditions.

Test period

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

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Maximum number of parameter breaches

Any market maker's accreditation under this program may be cancelled in the event of more than twelve (12) unjustified breaches of the activity parameters and/or of the obligations set forth in this Circular Letter and in the Market Maker Agreement (Agreement of Accreditation for Market Maker Activity), or if the justification is not accepted by B3. The Agreement is available at www.b3.com.br/en_us, Products and Services, Trading, Market maker, Join In, Contracts.

Waiver of obligation

Market makers in the **ISP** and **WSP** futures are not required to fulfil the activity parameters of the respective programs on dates that are public holidays in New York or Chicago. They may also suspend mandatory activity whenever there is no trading session on CME Group's electronic trading platform.

Minimum activity period

If a market maker desists from the accreditation process without having begun its activities under this program, it will be exempted from meeting the thirty-day minimum activity period required by Circular Letter 109/2015-DP, dated October 8, 2015. If a market maker withdraws after this period, it must comply with the thirty-day activity requirement without fail so that its de-accreditation can be communicated to the market.

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Benefits

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

- In addition, market makers may receive a share of B3's total revenue from trading in the **Micro S&P 500 Futures Contract** ("revenue pool"), in accordance with the terms and conditions described in Annex I to this Circular Letter.
- In the case of the **Brazil Index-50 Futures Contract (BRI)**, the charge will be on transactions with the contracts of this program and on hedging transactions, with equities in the Brazil Index-50 theoretical portfolio or with shares of ETFs that track this index, as long as the latter have been executed for and in accordance with the criteria and limits defined in the fee policy described in Annex II hereto.

For all the programs described herein, the message flows, trades and volume generated by the accredited institutions will not be considered for the purposes of the Trading Message Control Policy, as per Circular Letter 039/2013-DP, dated May 27, 2013, and Circular Letter 050/2013-DP, dated July 30, 2013.

General provisions

B3 will resolve any omissions regarding this accreditation process and the program.

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Annex I to Circular Letter 148/2021-PRE

Conditions for Revenue Pool Eligibility - Micro S&P 500 Futures Contract Cash Settled to the CME Group S&P 500 Quotation (WSP) and Rollover (WS1)

Purpose

The purpose of this program is to offer market makers in the Micro S&P 500 Futures Contract incentives to develop, promote and guarantee liquidity for the futures market operated by B3 and for the contract concerned.

In this program, besides the benefit consisting of exemption from exchange fees and from other fees on trades in all contract months of the asset concerned, market makers may also receive the following benefit:

- Twenty per cent (20%) of B3's total revenue from trading in the Micro S&P 500 Futures Contract ("revenue pool") will be distributed net of taxes to the three market makers with the highest trading volumes in the periods and proportions specified in item "Calculation of the revenue pool" below.

Eligibility

Market makers accredited under the program for the Micro S&P 500 Futures Contract will be considered eligible for a share of the revenue pool only if their trading volume reaches the necessary classification in the periods concerned, as described in the item below.



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Market makers that B3 does not select for accreditation under this program will not be entitled to the benefit of sharing in the revenue pool

Calculation of the revenue pool

The revenue pool for this program is defined as B3's total revenue from trading in the Micro S&P 500 Futures Contract after deduction of the taxes levied on such revenue or on the price of the service, as applicable (currently ISS and PIS/COFINS).

Twenty per cent (20%) of the revenue pool will be shared among the three market makers with the highest trading volumes in the contract in the calculation period.

Each month B3 will calculate the value of the benefit and will verify each participant's contribution to the revenue generated in order to identify those ranked first, second and third by trading volume (in contract quantities). These will receive the benefit. In the event of a tie, the market maker with the best performance in the mandatory activity parameters will be selected.

- The amount corresponding to twenty percent (20%) of the revenue pool will be distributed in the following proportions:
 - Fifty per cent (50%) to the market maker ranked first
 - Thirty per cent (30%) to the market maker ranked second
 - Twenty per cent (20%) to the market maker ranked third

Even if the number of market makers accredited under the program is less than three, the shares will remain the same in percentage terms.



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The benefit will be calculated monthly and, if received in cash, will be distributed quarterly (by the last business day of the month following the calculation period) to the first three participants, in accordance with the following timetable:

Calculation period		Benefit awarded
Dec. 13, 2021 to Dec. 31, 2021	1 st calculation period	MM ranked first: 50% of benefit
Calendar months	Other calculation periods	MM ranked second: 30% of benefit MM ranked third: 20% of benefit
Dec. 1, 2022 to Dec. 12, 2022	Last calculation period	

The benefit can be paid as above or in the form of credits for use solely to reduce the fees that B3 charges on trades in one of the listed derivatives, whatever the traded commodity.

The credits awarded will expire at the end of the month following the month of market maker activity and cannot be renewed.

Market makers must designate an exclusive account for receipt of the benefit.

It should be noted that the above percentage shares of benefit to be received by the market makers ranked first, second and third are based on the total benefit calculated in accordance with B3's monthly net revenue from trading in the Micro S&P 500 Futures Contract, with no fixed values foreseen for the benefit.

If the Micro S&P 500 Futures Contract is not traded during a calculation period,



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so that B3 earns no revenue from it, no benefit will be distributed for the period.

For the purposes of measuring participants' trading volumes, only trades that comply with the rules and procedures established for the futures market by B3 will be considered. Canceled trades and trades that do not comply with the pertinent requirements will not be considered.

Market makers will be notified of the rankings and benefit values awarded by email not later than the fifth business day of the month following the last month in each calculation period.

The benefit will be paid or credited to market makers in net terms after deduction of the withholding taxes specified in the applicable tax legislation in force on the date of payment or credit.



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Annex II to Circular Letter 148/2021-PRE

Fee Policy for Market Makers in the Brazil Index-50 Futures Contract (BRI)

Conditions for market maker eligibility

This fee policy applies only to market makers accredited for this program by B3, subject to their compliance with the requirements described below.

Applicable fees

Exchange fees and other fees on buy and sell orders for Brazil Index-50 Futures (BRI) by accredited market makers will be reduced to zero.

Exemption from fees on hedge trade

No exchange fees or settlement fees will be due on hedge trades in the stocks comprised in the theoretical portfolio of the Brazil Index 50 (IBrX 50) or ETFs referenced to this index, provided such trades are executed in accordance with the criteria and limits defined in items (a) and (b) below (exemption from fees on hedge trades).

1. Limit for exemption from hedge trades

Market makers will also be exempted on hedge trades only if:

- 1.1.** the total financial volume of buy and sell orders for the equities and ETF shares executed for hedging purposes in the account designated for market maker activity as per item (b) below does not exceed the same



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day (T0) volume or next-day (T+1) volume (if the BRI is held to expiration) of offsetting sell and buy orders for the Brazil Index-50 Futures in which the market maker is accredited to trade

- 1.2.** the financial volume of buy and sell orders executed for hedging purposes for each stock in the theoretical portfolio of the reference index is limited to thirty per cent (30%) of the same-day (T0) volume or next-day (T+1) volume (if the BRI is held to expiration) of offsetting sell and buy orders for the Brazil Index-50 Futures in which the market maker trades.

If a market maker surpasses the limit defined in items (1.1) and (1.2) on one or more days, the exchange and other fees will be charged on the daily excess volume as specified in the fee policy for the cash equity market products concerned, available at www.b3.com.br/en_us, Products and services, Fee schedules, Listed equities and derivatives, Equities, Equities and Investment Funds, Spot.

In this case no distinctions will be made by type of investor, and policies offering progressive discounts based on average daily trading volume (ADTV) or day trade volume will not apply, nor will any other discount offered by B3.

Buy and sell orders for equities and ETF shares executed on the odd-lot market are not considered for the purposes of granting hedge trade fee exemption.

Market makers are responsible for full payment of exchange fees and other fees on each month's daily excess volumes, not later than the last business day of the following month.



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2. Account for hedge trade fee exemption

To be eligible for hedge trade fee exemption, market makers must designate a specific account solely for the settlement of hedge trades relating to Brazil Index-50 Futures, regardless of the number of accounts they use overall in their market making activities.

General provisions

If a market maker is de-accredited by B3 or requests de-accreditation before the end of its obligation, the exemptions provided for in items 2 and 3 of this fee policy will cease to be applicable as of the date of its de-accreditation.

This fee policy does not apply for market makers for other securities admitted to trading on the markets operated by B3