



April 15, 2021

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CIRCULAR LETTER

To: Listed Participants

Re: **Accreditation Process for Market Makers in the DI x IPCA Spread Futures Contract (DAP).**

Under this program, up to three market makers will be accredited in Model A and two market makers in Model B.

If the number of applications for accreditation exceeds the number of openings offered, the selection of the applicants and any reassessment of the maximum number of those accredited will occur at the sole discretion of B3.

Accreditation procedure

Institutions that want to take part in the program can find guidance in the "Procedures Guide for the Accreditation of Market Makers", available at www.b3.com.br/en_us, Products and Services, Trading, Market maker, Join in, Accreditation.

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Deadlines

Accreditation Instrument Filed	Accounts registered	Activity starts	Obligation ends
Until April 27, 2021	April 30, 2021	May 3, 2021	April 30, 2022

B3 may at its sole discretion assess accreditation applications submitted after these deadlines, provided the delay is duly justified.

B3 may extended this program at its sole discretion. If the end of the obligation with the program is postponed, B3 will publish a Circular Letter with information about the extended period, changes to activity parameters and other necessary provisions. The market maker may then choose whether to continue activity up to the new deadline or to end accreditation upon the obligation's end date foreseen herein.

Activity parameters

Market makers shall enter bids and asks in accordance with the activity parameters defined by B3.

The list of securities eligible for the program and the respective activity parameters can be found in the document "Activity Parameters for Market Makers in DI x IPCA Spread Futures (DAP)", available at www.b3.com.br/en_us, Products and Services, Trading, Market maker, Join in, Programs, DI x IPCA Spread Futures Contract (DAP).



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Test period

For up to ten business days before the start of their mandatory activity, market makers shall enjoy the benefits specified below without having to observe the activity parameters, so that they can execute connectivity, session and order routing tests, as well as the necessary technological configurations. After the test period, B3 will monitor market makers' activities.

Maximum number of parameter breaches

Market maker accreditation with this program may be cancelled in the event of more than twelve unjustified breaches of the activity parameters and/or of the obligations set forth in this Circular Letter and in the Instrument of Accreditation with the Market Maker Program, available at www.b3.com.br/en_us, Products and Services, Trading, Market maker, Programs, Contracts.

Minimum activity period

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

Benefits

Accredited institutions will be entitled to the benefits contained in the Fee Policy described in the Annex hereto, which include:

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- exemption from exchange fees and from all other fees on transactions in the DI x IPCA Spread Futures Contract (DAP) and on hedging in the One-Day Interbank Deposit Futures Contract (DI1), as long as they comply with the rules and limits established in the Annex hereto;
- remuneration by granting credits to deduct exchange fees and other fees that B3 charges on transactions with the One-Day Interbank Deposit Futures Contract (DI1), or remuneration by net value via bank transfer into an account, with deduction of the taxes that are paid at source foreseen in the prevailing tax legislation on the payment date, with the market maker choosing the form of payment. Remuneration shall be comprised of fixed and variable portions defined in accordance with the performance of each market maker.

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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Further information can be obtained from the Chief Product and Client Officer's team by telephone on +55 +55 11 2565-5026/5870 or by email at formadordemercadob3@b3.com.br.

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Annex to Circular Letter 036/2021-PRE

Fee Policy for Market Makers in the DI x IPCA Spread Futures Contract (DAP)

1. Eligibility conditions for the market makers

This fee policy applies to market makers that B3 accredits in this program, for activity in the DI x IPCA Spread Futures Contract (DAP).

2. Fee structure

Exchange fees and other fees will be exempted on DAP buying and selling by market makers that meet the eligibility conditions described in item 1. This exemption will apply for transactions in any contract month, whether mandatory contract months for the activity parameters described in this Circular Letter, or whether non-mandatory contract months.

Exchange fees and other fees will also be exempted on DI1 hedging, in any contract months, if these transactions do not exceed the number of contracts traded with DAP in the same trading session – for example, the market maker that buys 100 DAP contracts will enjoy the exemption when it sells up to 100 DI1 contracts.

DI1 transactions that exceed the quantity of transactions with DAP will be subject to a BRL 0.90 charge per contract, relative to the exchange fees and other fees. In this case, there will not be differentiation by type of investor; progressive discount

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policies by average daily trading volume (ADTV) tier or by day trade volume; or any other discounts that B3 might bring into effect.

3. Remuneration

Upon compliance with the parameters described below, which vary in accordance with the market maker's choice of trading in Model A or Model B, the market maker will receive remuneration in credits that are exclusively for covering exchange fees and other fees related to DI1 transactions.

The market maker may also be remunerated by net value, via bank transfer into an account identified in the Accreditation Instrument for activity in this market maker program, with deduction of the taxes paid at source foreseen in the prevailing tax legislation on the payment date. The market maker selects the form of payment.

Remuneration will be paid monthly, in the month that follows the activity and up to the last business day if by bank transfer.

2.2.1 Model A

- I.** Fixed value of BRL 200,000.00 a month, if there is only one market maker registered in this model.
- II.** Fixed value of BRL 20,000.00 a month for each market maker, if there are two or three market makers registered in this model.
- III.** Variable value, to be defined in accordance with the number of market makers accredited in Model A, as follows:



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- i) BRL 200,000.00 monthly if there are two market makers registered in this model;
- ii) BRL 180,000.00 monthly if there are three market makers registered in this model.

The variable value will be distributed among the market makers to the proportion of their participation in the total volume of DAP traded by all the market makers accredited in Model A for all contract months, considering the following weightings that B3 attributes to each contract month and trading period.

Contract months	Weighting
Until the end of 2022	1
From 2023 to 2025	3
From 2026 to 2028	5
From 2029 to 2030	7
As of 2031	9

If the market maker opts to receive credits that are exclusively for covering exchange fees and other fees with DI1 trades, the fixed or variable credits will have a non-extendible validity until the end of the month subsequent to the month of market maker activity (for example, the credit in relation to May/2020 may be used until June/2021).

B3 will announce monthly the quantity of DI1 available for trading through use of the sum of fixed and variable credits, considering the value of BRL 0.60 (average charge in transactions) per contract for conversion into credits related to the DI1 futures contract.

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

Premise: three market makers registered for activity in Model A.



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Fixed value: BRL 20,000.00 for each market maker.

Variable value according to traded contracts

	Market maker		
Vertices	A	B	C
May/2023	20	10	20
August/2030	30	25	40
Sum of weighted contracts	$(20 \times 3) + (30 \times 7) = 270$	$(10 \times 3) + (25 \times 7) = 205$	$(20 \times 3) + (40 \times 7) = 340$
Participation by market maker	$\frac{270}{815} = 33.13\%$	$\frac{205}{815} = 25.15\%$	$\frac{340}{815} = 41.72\%$



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Distribution by market maker:

- 1st place: $\text{BRL } 180,000.00 \times 41.72\% = \text{BRL } 75,092.02.$
- 2nd place: $\text{BRL } 180,000.00 \times 33.13\% = \text{BRL } 59,631.90.$
- 3rd place: $\text{BRL } 180,00.00 \times 25.15\% = \text{BRL } 45,276.07.$

Total value (sum of the fixed and variable values) **for market makers with remuneration via bank transfer:**

- 1st place: $\text{BRL } 75,092.02 + \text{BRL } 20,000.00 = \text{BRL } 95,092.02.$
- 2nd place: $\text{BRL } 59,631.90 + \text{BRL } 2,000.00 = \text{BRL } 79,631.90.$
- 3rd place: $\text{BRL } 45,276.07 + \text{BRL } 20,000.00 = \text{BRL } 65,276.07.$

Total credit (sum of the fixed and variable credits, with the round lot rounded upwards) **for market makers with remuneration through credit for DI1 exchange fees and other fees:**

- 1st place: $\frac{(\text{BRL } 95,092.02)}{\text{BRL } 0.60} \cong 158,487 \text{ contracts.}$
- 2nd place: $\frac{(\text{BRL } 79,631.90)}{\text{BRL } 0.60} \cong 132,720 \text{ contracts.}$
- 3rd place: $\frac{(\text{BRL } 65,276.07)}{\text{BRL } 0.60} \cong 108,793 \text{ contracts.}$



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2.2.2 Model B

- I. Fixed value of BRL 60,000.00 a month for each market maker.
- II. Variable value of BRL 40,000.00 a month.

The variable value will be distributed among the market makers to the proportion of each market maker's met obligations, in other words the market maker meeting the highest percentage of obligations in the month will receive a larger portion of the BRL 40,000.00.

The percentage of compliance with the obligations will be calculated based on total activity in the month, also considering atypical market situations such as excess volatility, where noncompliance may be justified.

Model B: Example of remuneration after the first month of activity

Premise: two market makers registered for activity in Model B.

Fixed value: BRL 60,000.00 for each market maker.

Variable value according to the compliance percentage of obligations

	Market maker	
	X	Y
Compliance percentage	75%	96%
Variable remuneration (BRL)	$40,000 \times 75\% / (75\% + 96\%) = 17,543.86$	$40,000 \times 96\% / (75\% + 96\%) = 22,456.14$



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3. General provisions

The market maker will be responsible for paying the full value of the exchange fees and other fees pertaining to DI1 transactions that (i) exceed the quantity of contracts that B3 announces monthly; and (ii) do not comply with the fee structure rules described in item 2. The excess daily value of exchange fees and other fees will be accumulated over the month, which the market maker must pay by the last business day of the subsequent month.

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

When the obligation ends, the market maker's account will be charged the exchange fees and other fees in accordance with the fee policy that is in force, reserving the possibility in any case to use credits already acquired to discount costs in the DI1 futures contract.