

April 2, 2020
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C I R C U L A R L E T T E R

To: B3's Market Participants – BM&FBOVESPA Segment

Re: **Accreditation Process for Market Makers in Single Stock and Unit Futures**

The activity period and commitment termination date under the program announced in Circular Letter 083/2018-PRE, dated December 5, 2018, and extended in Circular Letter 094/2019-PRE, dated December 10, 2019, have been re-extended until **May 15, 2020**.

The characteristics of the new Single Stock and Unit Futures Market Maker Program and the accreditation procedure are described below.

Up to five market makers will be accredited under the new program.

Participation requires market making in all the securities eligible for the program.

Selection procedure

Institutions that wish to take part in the program can request accreditation by sending a completed application form (“Expression of Interest”) to formadordemercadob3@b3.com.br by the appropriate deadline, as shown below.

The Expression of Interest form is available at www.b3.com.br/en_us, Products and Services, Trading, Market Maker, Join in, Programs, Single stock and unit futures.

If the number of applications for accreditation exceeds the number of openings offered, B3 will select the applicants to be accredited by means of a system of points. The institutions ranked in the top five will be selected.

To calculate each applicant’s score in points, B3 will analyze the following variables:

- Duration of the institution’s participation in the Single Stock and Unit Futures Market Maker Program;
- Performance in the previous program;
- Share of total trading in single stock and unit futures by all the applicants concerned.

Having calculated their scores, B3 will announce the rankings of all applicants and the names of those selected for the program.

Accreditation procedure

The institutions selected must formalize their accreditation as market makers for the securities concerned by signing the Accreditation Instrument by the deadline stipulated in this Circular Letter.

Guidance on the procedure for returning the Accreditation Instrument can be found in the Guide to Procedures for the Accreditation of Market Makers (Accreditation Guide), available at www.b3.com.br/en_us, Products and Services, Trading, Market Maker, Join in, Accreditation.

Institutions that have not yet signed the Market Maker Accreditation Agreement with B3 must follow the procedures set out in items 4, 5 and 6 of the Accreditation Guide.

For this program, a specific Accreditation Instrument form is available at www.b3.com.br/en_us, Products and Services, Trading, Market Maker, Join in, Programs, Single stock and unit futures.

Timetable

Expression of Interest filed	Selected market makers announced	Accreditation Instrument filed	Accounts registered	Activity starts	Obligation ends
By Apr. 13, 2020	Apr. 17, 2020	By Apr. 27, 2020	May 04, 2020	May 18, 2020	May 18, 2021

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

Activity parameters

Market makers accredited for this program must enter bids and asks in accordance with the trading parameters defined by B3.

The list of securities eligible for the program and the respective activity parameters can be found in the document Rules for Activity by Market Makers in Single Stock and Unit Futures (Rules), available at www.b3.com.br/en_us, Products and Services, Trading, Market Maker, Join in, Programs, Single stock and unit futures.

Market makers are required to register bids and asks for the contract months listed in the Rules, and must do so until the second business day before the expiration date. As of the last business day before the expiration date, they are not obliged to trade in the first contract month but must trade in the next two contract months authorized for trading

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 adjustments to avoid the creation of artificial demand, supply or pricing conditions.

Test period

Market makers may enjoy the benefits specified below without having to observe the activity parameters for up to ten business days before the start of their

mandatory activity so that they can execute connectivity, session and order routing tests, as well as the necessary technological configurations. After the test period, market makers' activities will be monitored by B3.

De-accreditation

In the event of de-accreditation of market makers from this program, B3 may select other institutions that have expressed interest in the securities concerned to replace the de-accredited institutions.

Accreditation and de-accreditation of market makers will always be disclosed to participants via B3's usual communication channels.

Maximum number of parameter breaches

Any market maker's accreditation to 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 Accreditation Instrument, or if the justification is not accepted by B3.

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 exempted from exchange fees and from all other fees on trades in any contract months of the securities in this program, and on trades in the underlying stocks or units performed for hedging purposes, provided the latter comply with the criteria and limits established in the fee policy set out in Annex II to this Circular Letter.

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Accredited market makers will receive remuneration comprising fixed and variable portions determined in accordance with each market maker's performance.

The criteria, limits and conditions for this remuneration are established in Annex I to this Circular Letter.

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 program.

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

Gilson Finkelsztain
Chief Executive Officer

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Chief Product and Client Officer

Annex I to Circular Letter 042/2020-PRE

Incentive Program for Market Makers in Single Stocks and Units

1 Eligibility

Only market makers accredited in the Single Stock and Unit Futures Market Maker Program are eligible for the incentive program.

2 Incentives

2.1 Awards of remuneration

B3 will award remuneration net of taxes to market makers accredited in the program, to be distributed as follows:

- a) Fixed remuneration: BRL 15,000 for each market maker;
- b) Variable remuneration: a pool of up to BRL 175,000 (BRL 35,000 per market maker) to be awarded in proportion to the market maker's share of the total traded by all market makers in the program, in accordance with a performance indicator calculated by the formula:

$$P_i = I_i \times P_T$$

where:

P_i = award to market maker i

I_i = performance indicator for market maker i

P_T = total award

B3 will calculate monthly performance indicators for each market maker based on the financial volume traded per participant in the incentive program in accordance with the following formula:

$$I_i = \frac{V_i}{V_T}$$

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where:

I_i = performance indicator for market maker i

V_i = financial volume traded during the period by market maker i

V_T = total financial volume traded during the period by all market makers participating in the incentive program

In calculating the volume traded by the participants, B3 will consider only transactions that comply with the rules and procedures established for its futures market. Transactions that have been cancelled and/or do not comply with these requirements will not be included in volume traded.

B3 may at its sole discretion review the method used to calculate market maker remuneration at any time considering the program's success, in which case it will issue a circular letter detailing the new method and any other necessary provisions.

The market makers concerned will be informed of the results and respective values by email not later than the fifth business day of the month after the end of each calculation period.

2.2 Forms of remuneration

At the discretion of each market maker, the remuneration awarded can be received in cash or credits, net of withholding taxes in compliance with the tax legislation in force on the payment date.

Market makers who opt to receive the remuneration in cash will be paid by the last business day of the month after the end of each calculation period.

Market makers who opt to receive the remuneration in credits must designate a settlement account to be used solely for this purpose. The credits may be used solely to reduce the amount charged by B3 in fees on trades in the following futures contracts:

- Ibovespa Futures Contracts (IND);

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- Mini Ibovespa Futures Contracts (WIN);
- US Dollar Futures Contracts (DOL);
- Mini US Dollar Futures Contracts (WDO);
- One-Day Interbank Deposit Futures Contracts (DI1)

In this case each market maker must also choose one of the above financial instruments for use of the benefit. Designating more than one contract is not allowed.

The instrument to which the benefit applies may not be changed for the duration of the program.

The credits awarded expire at the end of the month following the month for which the benefit is calculated, and cannot be renewed.

Each month B3 informs market makers how many futures contracts are available for trading by means of the credits awarded as remuneration, considering the average cost per futures contract shown below for conversion into Brazilian Real (BRL):

IND	BRL 1.16
WIN	BRL 0.18
DOL	BRL 2.62
WDO	BRL 0.75
DI1	BRL 0.56

Market makers are responsible for payment in full of all exchange and other fees on trades in the selected instrument that exceed the number of contracts established each month by B3. Daily excess fees accumulate during the month, and the cumulative amount must be paid by market makers not later than the last business day of the following month.

The following per contract fees are due on excess trades as defined above:

IND	BRL 1.95
WIN	BRL 0.39
DOL	USD 1.15
WDO	USD 0.23
DI1	BRL 1.40

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Costs in US Dollar (USD) are translated to Brazilian Real (BRL) at the PTAX offered rate for the last day of the month preceding the trade date.

These fees are not eligible for differentiation by investor type, progressive discount policies in accordance with average daily trading volume (ADTV) or day-trade volume, or any other discounts B3 may introduce.

Annex II to Circular Letter 042/2020-PRE

Fee Policy for Market Makers in Single Stock and Units

1. Conditions for market maker eligibility

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

2. Applicable fees

Market makers are exempt from exchange, registration, permanence and settlement fees on buy and sell orders for the single stock and unit futures contracts for which they are accredited.

3. Exemption from fees on hedge trades

Market makers are exempt from exchange fees and settlement fees on hedge trades in the stocks and/or units underlying the futures contracts for which they are accredited, provided such trades are executed in accordance with the criteria and limits defined in the next item.

a) Limits for exemption from fees on hedge trades

Market makers are exempt from fees on hedge trades only if the total quantity of buy and sell orders for the stocks and units executed for hedging purposes does not exceed the same-day (T0) volume or next-day (T+1) volume (if the futures contract is held to expiration) of offsetting sell and buy orders for the single stock and unit futures in which the market maker is accredited to trade.

If a market maker surpasses the above limit on one or more days, the exchange and other fees specified in the fee policy for the cash equity market products concerned are charged on the daily excess volume. In this case no distinction is made for volume, day-trade and no other discount offered by B3 applies.

Excess volume is calculated by multiplying the excess quantity by the average price of the security traded by the market maker on the day.

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Market makers are responsible for payment in full of all exchange fees and settlement fees on each month's daily excess volumes on the second business day of the following month.

4. 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 to market makers for other securities admitted to trading on the markets operated by B3.