

March 21, 2024
037/2024-PRE

CIRCULAR LETTER

Revoked by Circular Letter nº 008/2024-VPC dated June 27, 2024

Listed B3 Participants

Re.: **Market Maker Pilot Program for the Cash Equities Spot Market**

B3 hereby informs you that the end of the obligation for market makers accredited with the Market Maker Pilot Program for the cash equities spot market (program), announced in Circular Letter 178/2023-PRE, dated October 31, 2023, will be put back to **June 30, 2024**.

Market makers that are already accredited will be able to request de-accreditation from the program up until **March 26, 2024**, if they do not wish to perform activity during the extended period.

In the case of de-accreditation of market makers from this program, B3 will announce a new deadline for the submission of the necessary documentation for the accreditation of parties who wish to join the program, aiming to fill the slots left by the de-accredited market makers. Please note that for those who are newly accredited there will be no change to the obligation end date, which will remain at the now extended date of **June 30, 2024**.

The other characteristics of the program remain unchanged. The rules and procedures of the program are contained in the Annex hereto.

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This Circular Letter revokes and substitutes Circular Letter 178/2023-PRE, dated October 31, 2023.

Further information can be obtained by email at formadordemercadob3@b3.com.br.

Gilson Finkelsztain
Chief Executive Officer

José Ribeiro de Andrade
Chief Product and Client Officer

Annex to CIRCULAR LETTER 037/2024-PRE

Rules for the Market Maker Pilot Program

1. Accreditation

Institutions that wish to take part in this program must request accreditation by submitting a) a completed application form (“Expression of Interest”) containing their registration information; b) designation of the assets in which they intend to make market; and c) bids for the spread auctions and/or the number of shares to incentivoliquidez@b3.com.br by the deadline given in this Circular Letter.

A copy of the application form is available at www.b3.com.br/en_us/, Products and Services, Trading, Market maker, Programs - Listed, Pilot – Market Maker, Expression of Interest Model.

After it receives the application form, B3 will allocate the selected institutions for each of the designated assets in their respective expression of interest forms, in accordance with the number of openings offered, and will announce the institutions selected for each asset and for each activity level.

If there are more expression of interest forms than number of openings, there will be selection by two separate auctions. The process will occur as described below.

There will be seven openings for each asset within the program, being:

- four openings defined by equities volume auction – whereby B3 predefines the maximum spread and selects the investors that bid the highest for the volume of equities that they have committed to maintaining on screen.
- three openings defined by spread auction – whereby B3 predefines the minimum quantity and selects the investors that bid for the lowest spread that they have committed to maintaining on screen.

Those approved in any of the auctions will have spread and volume obligations.

If the institution opts to take part in both auctions, when it submits the expression of interest form it must include the order of preference between the spread auction or volume auction. If the investor has made bids that would grant it an opening at the two activity levels, the preference that the investor has designated will be used to determine at which of the levels it will operate.

Guidance on submitting the Instrument of Accreditation can be found in the “Procedures Guide for Accreditation of Market Makers” at [www.b3.com.br/en_us/Products and Services, Trading, Market maker, Accreditation](http://www.b3.com.br/en_us/Products_and_Services_Trading_Market_maker_Accreditation).

If the selected institution has still not signed the Instrument of Accreditation with the Market Maker Program with B3, it must follow the procedures set out in items 4, 5 and 6 of the Accreditation Guide.

A specific Instrument of Accreditation form is available at [www.b3.com.br/en_us/Products and Services, Trading, Market maker, Programs - Listed, Pilot – Market Maker](http://www.b3.com.br/en_us/Products_and_Services_Trading_Market_maker_Programs_Listed_Pilot_Market_Maker).

The accredited institutions will be announced as of the first day of activity in the program.

The market makers do not enjoy exclusive activity in the assets for which they are accredited. Therefore, the issuers of these assets may, at their sole discretion, contract a market maker.

The market makers do not have any obligation or link with the issuer of the assets in which they make market and are governed by the obligations foreseen in the rules and regulations of the Securities and Exchange Commission of Brazil (CVM) and of B3 regarding this activity.

B3 may at any time include new assets in this program and accept the accreditation of interested institutions. This is a pilot program that does not affect the other cash equities market maker programs.

B3 may at its sole discretion assess accreditation applications submitted after the deadlines given in this Circular Letter, provided the delay is duly justified.

1.1. Trading and settlement account requirements

The accounts registered with the program must comply with the following trading and allocation rules for the assets for which they have been accredited.

- i. all transactions executed in the accredited asset, via a registered account, must be allocated in this same account when the transaction occurs, with no subsequent allocations or give-ups
- ii. give-ups or reallocations will not be allowed from or to accounts registered in the program

- iii. it is prohibited to use accounts that are already in use with the same asset in other market maker programs, including delta hedging accounts for options on single stocks or ETFs

Investors that are unable to meet these requirements due to trading issues of their own must not register for the program.

If B3 identifies breaches of rules i, ii and iii above, it will charge the standard fee (with no reduction) on the month's entire volume and will deregister the investor's accounts in the program.

Participants and investors must inform B3 of any changes to the accounts that are part of the program, by email at incentivoliquidez@b3.com.br at least five days in advance of the first business day of the transaction month in which the changes will become valid. The information in question encompasses inclusion, exclusion and modification both of the trading accounts and of the settlement accounts and necessitates awaiting B3's confirmation that the changes have been made.

2. Program rules

2.1. Activity parameters

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

The respective activity parameters can be found in the document "Market Maker Program Rules" at www.b3.com.br/en_us/, Products and Services, Trading, Market maker, Program Listed, Pilot – Market Maker.

The parameters set out in the above document do not apply to market makers contracted by the issuers of the assets in which they make market, which will follow the parameters determined in their respective service provision agreements.

2.2. Benefits

The institutions accredited for activity in the Market Maker Pilot program will have the right to the following benefits in the equities for which they are accredited:

- differentiated structure for exchange fees and settlement fees on buy and sell transactions in equities, with differentiation between transactions resulting from maker and non-maker orders in accordance with the performance assessment described in item 2.5
- the message flows, trades and volume generated by the market makers will be considered for the purposes of the Trading Message Control Policy, as per Circular Letter 086/2023-PRE, dated May 30, 2023

Please note that the trading volume in accounts and assets registered in the Market Maker Pilot program will **not** be considered for calculation of the daily day trade volume for purposes of defining the fee tier for cash equities market day trades.

2.3. Volume definitions

The following parameters are defined to calculate the performance metric of the exchange fees and other fees:

- **total volume of the asset:** financial volume traded by the market in the respective asset, considering the two sides (buy and sell)
- **taker volume:** financial volume traded by the investor originating from its aggressive orders, also known as market orders
- **non-maker volume:** financial volume traded by the investor generated from taker orders (taker volume) originating at the closing auction and/or via cross trades
- **maker volume:** financial volume traded by the investor in the respective asset, minus the non-maker volume

The above volumes (except the total volume of the asset) only consider the registered accounts that the investor reports.

Please note that option exercise volumes will **not** be considered for calculating the full volume or the investor's volume, that is, they do not affect the performance metric.

2.4. Calculation and charge timetable

Fees will not be charged daily in the settlement window (T+2). Investors will be charged fees by the tenth business day of the month following that of the transaction (M+1).

Fee calculation will consider the following timetable:

- **M0:** month of the transaction with the assets, to which the fee will be applied

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- **M-1:** month prior to the transaction, in which the fees will be calculated and disclosed in percentage
- **M-2:** two months prior to the transaction, whose volumes will be used to assess the performance
- **M+1:** month in which the fees will be charged in Brazilian Reals

An example considering M0 as March:



- January's volume will be used to assess the performance
- fees will be calculated and disclosed in February in percentage
- the fee percentages disclosed in February will be applied to the volume traded in March, to obtain the values of the fees in Brazilian Reals
- the value of the fees in Brazilian Reals will be charged up until the tenth business day of April

B3 will announce the amount to be charged in Brazilian Reals to each individual participant via the email addresses given in the Instrument of Accreditation and in the application form.

2.5. Trading and settlement fee calculation

The fee structure, comprised of exchange fees and settlement fees and differentiated between maker and non-maker orders, is based on the share maker performance table. The higher the share maker percentage reached by the market maker in the designated asset, the lower the fee that the investor pays.

$$\text{Share maker \%} = \frac{\text{Investor maker asset volume } M - 2}{\text{Total asset volume } M - 2}$$

This is a regression table and will be structured as follows.

Tiers	Share maker %		Investor's fee	
	From	To	Non-maker	Maker
1	D ₁	U ₁	Y ₁	X ₁
2	D ₂	U ₂	Y ₂	X ₂
...
n-1	D _{n-1}	U _{n-1}	Y _{n-1}	X _{n-1}
N	D _n	U _n	Y _n	X _n

The table with the performance tiers and fees is available in the "Fee Structure" document available at [www.b3.com.br/en_us/](http://www.b3.com.br/en_us/Products_and_Services/Trading/Market_maker/Programs_-_Listed_Pilot_-_Market_Maker) Products and Services, Trading, Market maker, Programs - Listed, Pilot – Market Maker.

The values in the tables will be reviewed every three months with any changes, or not, to the tiers and percentage reductions being at B3's sole discretion on these occasions.

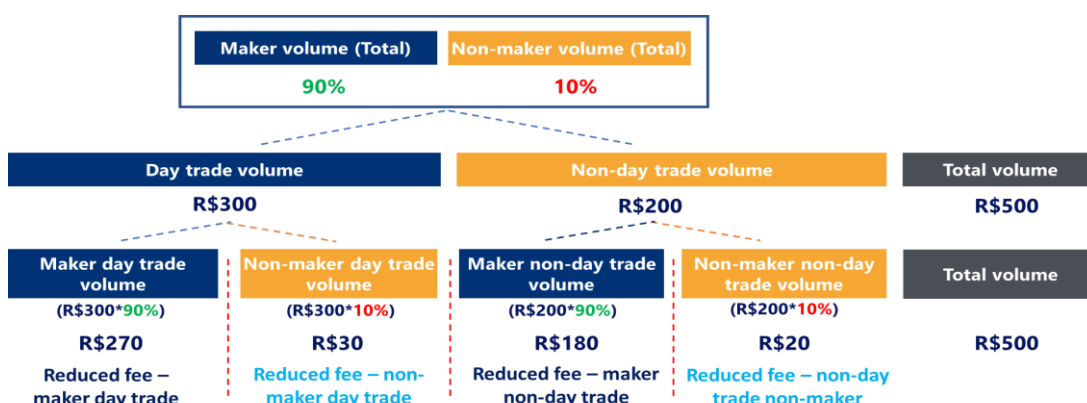
2.5.1. Segregation of volumes

The financial volume traded in M0 will be distributed as follows:

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- The maker financial volume percentage will be calculated (day trade or not) in relation to the investor's total financial volume.
- This proportion will be used both in the day trade financial volume and in the non-day trade financial volume to calculate the maker and non-maker financial volume.
- The fee applied to each of the four components of the financial volume will be that calculated in item 2.5, respectively.

Example. In the illustration below, the BRL 500 traded financial volume, of which BRL 300 is day trade and BRL 200 is non-day trade, with 90% maker, would be distributed as follows:



2.5.2. Fee calculation in Brazilian Reals

The value that each investor will be charged in M+1 on the M0 trading volume is calculated as follows:

Total value charged =

$$+ \text{Value charged}_a = \text{Monthly fee}_a \times \text{Traded volume}_a$$

$$+ \text{Value charged}_b = \text{Monthly fee}_b \times \text{Traded volume}_b$$

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$$+ \text{Value charged}_c = \text{Monthly fee}_c \times \text{Traded volume}_c$$

$$+ \text{Value charged}_d = \text{Monthly fee}_d \times \text{Traded volume}_d$$

Where:

Monthly fee

= fee calculated in accordance with item Erro! Fonte de referência não encontrada. 5

Traded volume

= financial volume traded in accordance with item Erro! Fonte de referência não encontrada. 1

a = index that denotes values considered maker day trade

b = index that denotes values considered non – maker day trade

c = index that denotes values considered maker non – day trade

d = index that denotes values considered non – maker non – day trade

2.6. Fee transition period

To build a performance history in the investor's first two months in the program, the benefit will be applied via the fee reductions as set forth in the "Fee Structure" document available at www.b3.com.br/en_us/, Products and Services, Trading, Market maker, Programs - Listed, Pilot – Market Maker.

Charges will occur in the settlement window (T+2) according to the trades executed in the assets for which the investor is registered.

As of the third month the benefit will be applied in accordance with the model described in item 2.4.

2.7. Eligible assets

The list of assets eligible for the program, and the respective activity parameters, is available in the document "Market Maker Program Rules" at

www.b3.com.br/en_us/, Products and Services, Trading, Market maker, Program Listed, Pilot – Market Maker.

3. 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, as long as it informs B3 at least seven days before it begins activity. If a market maker withdraws after this period, it must comply with the thirty-day notice period without fail so that its de-accreditation can be communicated to the market.

4. De-accreditation

In the event of de-accreditation of market makers from this program, B3 may select other institutions that have expressed an interest in activity in the securities concerned to replace the de-accredited market maker, following the selection criteria described in item 1. B3 will always inform participants of the accreditation and de-accreditation of market makers via its usual communication channels.

4.1. Maximum number of parameter breaches

Any market maker's accreditation to this program may be cancelled in the event of breaches of the activity parameters and/or of the obligations set forth in this Circular Letter and in Circular Letter 084/2023-PRE, dated May 30, 2023, regarding the rules for monitoring market maker noncompliance, and in the Market Maker Activity Instrument of Accreditation, in a way that is unjustified or if the justification is not accepted by B3. The instrument of accreditation is available at

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www.b3.com.br/en_us, Products and Services, Trading, Market maker, Programs – Listed, Pilot – Market Maker, Instrument of Accreditation.

4.2. Performance

The market maker's accreditation in this program may be cancelled if for more than three months they perform only in the first tier of the table of item 2.5.

5. Deadlines

Expression of interest filed	Selected market makers announced	Instrument of Accreditation filed	Accounts registered	Activity starts	Obligation ends
By Oct. 28, 2022	Nov. 1, 2022	By Nov. 7, 2022	Nov. 14, 2022	Nov. 16, 2022	Jun. 30, 2024

New accreditations will have deadlines for filing documentation, and an activity start date, that B3 announces to the interested participants.

The end of the obligation will be the same for the new accreditations and for the previously accredited market makers.