

March 15, 2012  
004/2012-DN

## C I R C U L A R   L E T T E R

To: The BM&FBOVESPA (BVMF) Market Participants – BM&F and BOVESPA Segments

Re.: **Rules for Accreditation of Market Makers in the Markets Managed by BM&FBOVESPA.**

Seeking to unify the procedures for the accreditation of Market Makers in the BM&F and BOVESPA segments, BM&FBOVESPA hereby publishes the Rules for Accreditation of Market Makers in the markets that it manages, a copy of which is attached (Annex 1).

With the publication of the Rules, the following norms are expressly revoked: Resolutions 239/06, 300/04 and 319/04 issued by the now extinct Board of Directors of Bolsa de Valores de São Paulo, and Chapter XII – Market Makers, in Operational Regulations of the BOVESPA Segment – Stocks and Stocks Derivatives.

Further information may be obtained from the Equities Area by telephone at (+55 11) 2565-7115.

Marcelo Maziero  
Chief Product and Customer Officer

Cícero Augusto Vieira Neto  
Chief Operating Officer

## **Annex to Circular Letter 004/2012-DN**

### **RULES FOR ACCREDITATION OF MARKET MAKERS IN THE MARKETS MANAGED BY BM&FBOVESPA**

#### **CHAPTER I – REQUIREMENTS FOR MARKET MAKER ACCREDITATION**

1. In accordance with CVM Instruction 384, dated March 17, 2003, BM&FBOVESPA may accredit Market Makers to carry out transactions in the markets it manages.
2. The minimum requirements for Market Maker accreditation are set out below. Any domestic or foreign legal entity interested in applying for accreditation must:
  - a) Be a participant in BM&FBOVESPA with access to its trading systems or appoint a participant through which it intends to carry out its transactions;
  - b) Demonstrate financial capacity to perform its duties as a Market Maker in accordance with criteria established by BM&FBOVESPA;
  - c) Comply with the technical and operational requirements established by BM&FBOVESPA for the performance of market making activities;
  - d) Present the documents and provide the registration details requested by BM&FBOVESPA;
  - e) Pledge the collateral required by BM&FBOVESPA for performing this function;
  - f) In the case of Market Makers for securities traded on the BOVESPA segment:
    - f.1) Be a custodian or custody account holder with the Central Securities Depository for the BOVESPA segment (CBLIC);
    - f.2) Be a clearing agent or appoint a clearing agent to assume full and comprehensive responsibility for settlement and for pledging the collateral required to perform the function of Market Maker;
  - g) Sign a specific agreement with BM&FBOVESPA establishing the terms and conditions for performing its duties as a Market Maker.
3. A Market Maker may perform its function on its own account or, where appropriate, under contract on behalf of a contracting party such as:
  - a) The issuer of the securities for which it is the Market Maker;

- b) The issuer's parent company or one of its subsidiaries or affiliates;
  - c) An owner of an asset or assets interested in market making for said asset(s);
  - d) A liquidity consortium that includes more than one of the aforementioned persons.
- 3.1. The contract between the Market Maker and the contracting party must comply with the provisions of Chapter III below.
4. No contracting party may enter into a contractual relationship with more than one Market Maker for any given asset.
- 4.1. In the case of assets traded in the fixed-income market managed by BM&FBOVESPA, BM&FBOVESPA may authorize a contracting party to contract with more than one Market Maker for the same asset provided this is justified by the existence of special contractual terms or special conditions for placement of the asset concerned.
5. Market Makers may receive from the contracting parties that contract with them:
- a) Compensation; and/or
  - b) Securities or assets of whatever nature except shares held in Treasury including those held by subsidiaries or affiliates of the issuers.
6. Market Makers are permanently supervised by BM&FBOVESPA in the performance of their function to verify compliance with the rules it establishes for this purpose and to assure the maintenance of high ethical standards and exemplary conduct.

## **CHAPTER II – APPLICATION FOR MARKET MAKER ACCREDITATION AND DEACCREDITATION**

1. Applications for Market Maker accreditation must be formally addressed to BM&FBOVESPA by letter.
2. BM&FBOVESPA establishes a time limit for the validity of the accreditation granted to each Market Maker and may or may not renew such accreditation at its sole discretion.

3. A separate application for accreditation as Market Maker must be submitted for each asset to be traded, and each application must specify the market or markets in which the asset in question will be traded.
4. Market Makers may apply for accreditation to trade more than one asset or to trade the same asset simultaneously in more than one market.
5. BM&FBOVESPA may decline an application for Market Maker accreditation if:
  - a) The applicant does not comply with the minimum requirements established in the rules issued by the Brazilian Securities and Exchange Commission (CVM), in these Rules, or in any supplementary rules that may be issued in future by BM&FBOVESPA;
  - b) It is aware of facts that in its sole opinion may affect the applicant's ability to perform the duties of a Market Maker.
6. BM&FBOVESPA may set a maximum number of Market Makers to be accredited per asset and per market.
7. Market Makers may apply to BM&FBOVESPA for deaccreditation provided the minimum time for performing the function has elapsed and any other requirements established by BM&FBOVESPA in supplementary rules to these Rules have been met.

### **CHAPTER III – MARKET MAKER CONTRACTS**

1. Contracts entered into by and between Market Makers and contracting parties must contain at least the following provisions:
  - a) Object;
  - b) Term;
  - c) Market Maker's compensation;
  - d) Asset(s) and market(s) covered;
  - e) Clauses stating that Market Maker undertakes always to abide by BM&FBOVESPA's rules and regulations, and that contracting party has read and understood such rules and regulations;
  - f) Market Maker's responsibilities and duties toward contracting party;
  - g) Contracting party's responsibilities and duties toward Market Maker;
  - h) Any prohibitions applicable to Market Maker in performing its duties;
  - i) Termination events.

## **CHAPTER IV – AUTHORIZED ASSETS**

1. The activities of Market Makers in the markets managed by BM&FBOVESPA may encompass the following assets in all forms of trading:
  - a) Stocks and Brazilian Depository Receipts (BDRs);
  - b) Selected stock portfolio receipts;
  - c) Index fund shares;
  - d) Closed-end investment fund shares;
  - e) Non-standardized equity put and call options;
  - f) Government and corporate bonds;
  - g) Commodity derivatives contracts;
  - h) Financial derivatives contracts;
  - i) Interest rates;
  - j) Gold;
  - k) Other securities authorized by CVM for trading in the markets managed by BM&FBOVESPA.

## **CHAPTER V – DUTIES OF MARKET MAKERS**

1. Market Makers are obliged to:
  - a) Perform its function on a daily basis by placing buy and sell orders for at least the minimum lot of assets per order established by BM&FBOVESPA;
  - b) Comply with the upper limit for bid/ask spread;
  - c) Make best efforts to match the orders received.

## **CHAPTER VI – PARAMETERS APPLICABLE TO MARKET MAKERS**

1. Market Makers shall observe the following parameters in performing their duties:
  - a) Minimum lot for each order as established by BM&FBOVESPA;
  - b) Maximum bid/ask spread as established by BM&FBOVESPA
2. The parameters mentioned in 1 (a) and 1 (b) above are periodically reviewed by BM&FBOVESPA, which announces any changes resulting from reviews.

3. If the price of any security is excessively volatile in any trading session, BM&FBOVESPA may authorize the Market Maker to raise the maximum bid/ask spread or even suspend the obligations established in item 1 above for the duration of the session. BM&FBOVESPA announces this decision to the market by the usual means of communication.
- 3.1. Where appropriate, BM&FBOVESPA defines excessive volatility in terms of the upside or downside movement in asset prices it considers atypical.
4. If the pattern of asset price behavior changes, BM&FBOVESPA reviews the above parameters.

#### **CHAPTER VII – ANNOUNCEMENT OF MARKET MAKER ACCREDITATION AND DEACCREDITATION**

1. BM&FBOVESPA announces the names of Market Makers in activity on a daily basis via its usual means of communication, as well as announcing new accreditations and deaccreditations, with emphasis on any Market Makers that are currently undergoing the deaccreditation process.
2. The announcement of a Market Maker's accreditation must contain at least the following information:
  - a) The minimum lot for each order to be placed by the Market Maker;
  - b) The maximum bid/ask spread established for the Market Maker.
  - c) When the Market Maker is contractually engaged to perform its function on behalf of a contracting party in accordance with the provisions of Chapter III above:
    - c.1) Identification of the contracting party;
    - c.2) The term of the contract and termination events provided for therein.

#### **CHAPTER VIII – PROHIBITIONS APPLICABLE TO MARKET MAKERS**

1. Market Makers are prohibited from directly or indirectly:
  - a) Artificially supporting the prices of the assets in which they make a market;
  - b) Allowing asset prices or volumes to be manipulated;

- c) Executing any type of transaction not in accordance with the applicable laws and regulations.

## **CHAPTER IX – PENALTIES APPLICABLE TO MARKET MAKERS**

1. Market Makers who infringe CVM Instruction 384, dated March 17, 2003, these Rules or any other rules established by BM&FBOVESPA are subject to the following penalties, without prejudice to the application of other penalties provided for in BM&FBOVESPA's rules:
  - a) An oral or written warning;
  - b) A monetary fine in an amount established by BM&FBOVESPA's Executive Board;
  - c) Suspension of activities for a period determined by BM&FBOVESPA, which may not exceed ninety (90) days;
  - d) Deaccreditation.
2. The above penalties may also be applied to any Market Maker in the event of occurrences deemed at BM&FBOVESPA's sole discretion to have placed at risk the integrity and reliability of the markets it manages.
3. BM&FBOVESPA notifies CVM and BM&FBOVESPA Supervisão de Mercados (BSM) when any Market Maker is penalized.

## **CHAPTER X – FEES**

1. Fees are due on all transactions executed by Market Makers, in accordance with a fee schedule published by BM&FBOVESPA.
2. BM&FBOVESPA may at its sole discretion grant benefits to Market Makers with regard to the fees applicable to the transactions they execute in the performance of their duties.

## **CHAPTER XI – FINAL PROVISIONS**

Resolutions 293/06, 300/04 and 319/04 issued by the Board of Directors of the São Paulo Stock Exchange are hereby expressly revoked.