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B3 FOREIGN EXCHANGE CLEARINGHOUSE OPERATING MANUAL

05/02/2024

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**CHANGE LOG
(FROM DE 02/05/2019)**

Change	Date	Circular Letter*
1	05/11/2020	059/2020-PRE
2	12/14/2020	178/2020-PRE
3	08/01/2022	091/2022-PRE
4	11/21/2022	153/2022-PRE
5	12/05/2022	169/2022-PRE
6	01/30/2023	006/2023-PRE
7	07/31/2023	127/2023-PRE
8	12/21/2023	208/2023-PRE
9	01/24/2024	004/2024-PRE
10	05/02/2024	064/2024-PRE

** Circular Letter by which the change was disclosed.*

1. GENERAL PROVISIONS

The terms used in this Operating Manual have their meanings defined in Chapter I (Definitions) of the B3 Foreign Exchange Clearinghouse (Clearinghouse or Foreign Exchange Clearinghouse) Rulebook.

In the event of ambiguity between the provisions contained in this Operations Manual and other regulations issued by B3 not related to Foreign Exchange Transactions, the more specific regulation shall prevail, considering the matter that is the subject of the ambiguity, or, in the event of ambiguity between this Operations Manual and the Risk Management Manual, this Operations Manual shall prevail for matters relating to the Clearinghouse operating procedures, except for those procedures relating to risk management.

This manual is approved by the B3 Joint Board of Officers and, as applicable, by the competent regulatory bodies, under the terms of the regulations issued by them.

2. PURPOSE AND ACTIVITIES OF THE CLEARINGHOUSE

The purpose of the Clearinghouse is the Transaction Registration, Analysis, Acceptance, Transaction Contracting, Clearing, and Settlement of the Foreign Exchange Transactions and other related activities performed by its Participants directly or via Trading Systems, as shown in Illustrations 1 and 2.

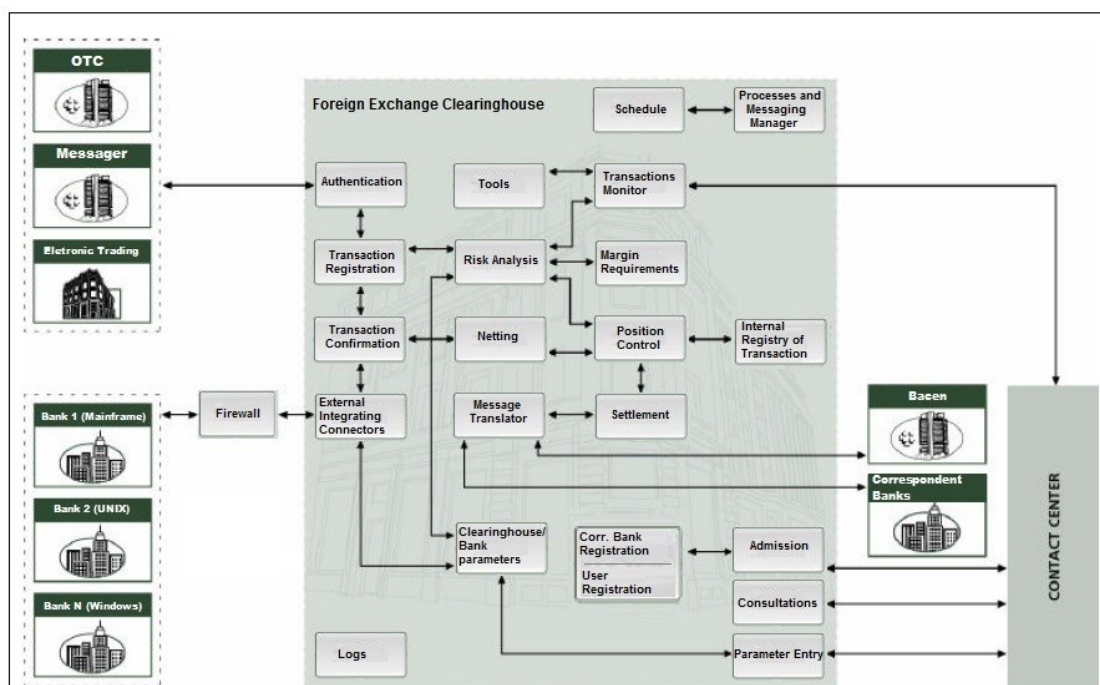


Illustration 1 – General Outline of the B3 Foreign Exchange Clearinghouse

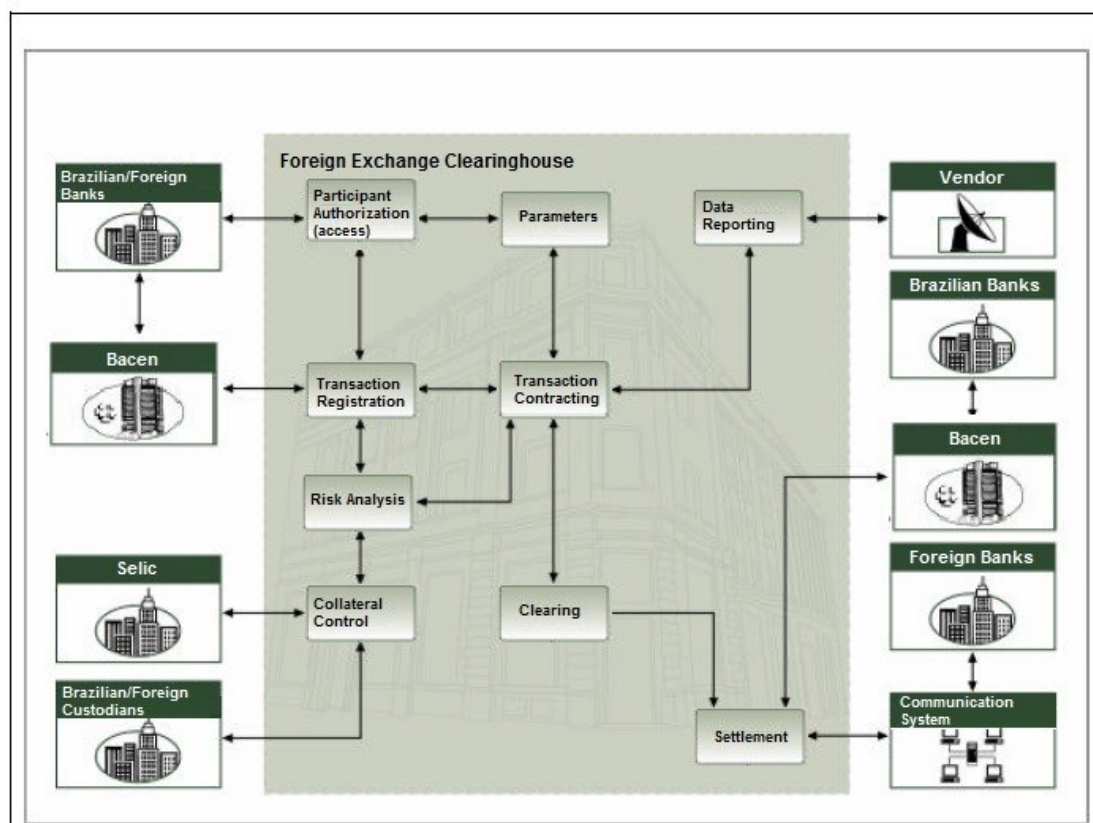


Illustration 2 – Process Flow Chart

3. OFFICIAL COMMUNICATION SYSTEMS

The official communication systems between B3 and its Participants have the following categories: self-regulatory, operational, and informative.

Self-regulatory communications are those disclosing decisions made by B3, as provided by its Bylaws and the Clearinghouse Rulebook and this Manual, approved by the Bacen, and the applicable legislation of the Brazilian Payment System (SPB) and the foreign exchange market. The B3 publishes its self-regulatory communications through Circular Letters, while other information is published through Communications.

Operational, among others, are communications related to the Transaction Registration, Analysis, Acceptance and Transaction Contracting of transactions, to the requests for Brazilian Currency Payment and Foreign Currency Delivery, and to the statements defined in the Clearinghouse Rulebook and this Operating Manual. All operational communications are made through SPB/MES messages and the B3 Screen system. There is also the use of other electronic communication systems that are utilized in international markets.

Informative communications are those that disclose information of public interest concerning Foreign Exchange Transactions carried out in the Clearinghouse Systems, such as: maximum, minimum and average price quotation and volumes traded, contracted and settled. Such communications are made through B3's own systems and through the

communication systems of specialized companies contracted to this end. Information that may harm Participants or their customers will not be disclosed.

B3 maintains contingency systems for all of the official communication systems, which also become official when they are used as such.

4. TIMES

All time references in this Operating Manual, in B3 Circular Letters, and in any and all other documents and/or communications are in Brasília time, as evidenced by the clocks in the Clearinghouse computers through which communication is received or sent by its Systems, by electronic Messages or other means.

5. PARTICIPANTS

The Participants designated below participate in Clearinghouse, pursuant to the provisions of the prevailing legislation and rules.

5.1. Agents

The following may be Agents:

- (i) Banks authorized by the Bacen to trade in the spot foreign exchange interbank market, in accordance with the provisions of the prevailing legislation and rules; and
- (ii) Securities brokers and dealers and brokerage houses authorized by the Bacen to trade in the spot foreign exchange interbank market, in accordance with the provisions of the prevailing legislation and rules.

5.2. Intermediaries

The Intermediaries may, exclusively, execute Foreign Exchange Transactions in electronic Systems linked to the Clearinghouse on behalf of Agents. The Intermediaries may not in any hypothesis execute Foreign Exchange Transactions in their own name or without due authorization from the Agents for which they provide services.

5.3. Correspondent Banks

The Correspondent Banks maintain a contractual link with the Clearinghouse in order to (i) hold a foreign account in its name for the Settlement of Foreign Exchange Transactions; (ii) execute buy and sell transactions in Foreign Currency; and (iii) provide other services of interest to the Clearinghouse.

5.4. Settlement Banks

The Settlement Banks maintain a contractual link with the Clearinghouse for (i) the receipt and transfer of values in Brazilian Currency, in reference to Collateral handling or using; and (ii) the provision of other services of interest to the Clearinghouse.

5.5. Other Participants

Others that use the Systems created by the Clearinghouse.

6. AUTHORIZATION OF PARTICIPANTS

The Authorization (access) is the process whereby an institution becomes a Clearinghouse Participant through completing the stages foreseen in the Acceptance, through the specific legal instrument, of all of the terms and conditions established in the Clearinghouse Rulebook, Operating Manual and Risk Management Manual, as well as the other operating manuals of the Trading Systems linked to the Clearinghouse and other rules published by B3, and the prevailing legislation and rules. The Authorization (access) process is divided into three stages: Admission, technical certification and Authorization (access).

6.1. Admission

The Admission is the procedure, in B3 and Clearinghouse Systems, whereby all of the information necessary for the identification of the institutions, and their responsible parties that intend to become authorized to access the Clearinghouse Systems is registered. The Admission process occurs through filling out specific documents published in B3 Circular Letter and also made available by electronic means.

The Admission process includes verification that all of the terms and conditions stipulated by B3 have been met regarding access to the markets that it manages, as well, as the case may be, approval by the B3 Board of Directors of the institutions that intend to access these markets.

6.2. Technical Certification

Technical certification is the process of executing verification tests of the technical capacity of the systems of the institutions seeking authorization to access the Clearinghouse Systems.

The purpose of technical certification is to verify whether its technological and information security structures are functioning well and correctly, so as to guarantee the perfect functioning of the Clearinghouse. This process covers, among others, the following stages:

- a) Compatibility verification of security, equipment, software, and data communications network with the Brazilian Payment System standards, or in the case of Intermediaries with the B3 systems; and
- b) A series of tests to check functions, message and/or electronic file exchange, and correct processing of operating rules and criteria.

The technical certification phase is coordinated by B3 and carried out in collaboration with the institution under the Authorization (access) process. Certification is made official in a result analysis report that must be filed by B3 together with the supporting evidence.

6.3. Authorization

Once the Admission and technical certification phases are successfully concluded, measures will be taken related to determination of the Safeguards, operating limits

(position and trading limits) and the value of the Foreign Exchange Transaction Settlement Fund amount.

The conclusion of all of the stages of the Authorization (access) process as well as the values of the Safeguards, will be communicated to the institution together with the request to deposit the value in the Fund.

The deposit of the value corresponding to the Foreign Exchange Transaction Settlement Fund amount authorizes the institution at the Clearinghouse.

7. DUTIES OF THE CLEARINGHOUSE AND THE PARTICIPANTS

The duties of the Clearinghouse are:

- a)** To receive and analyze, within the regular time frames, the proposed Foreign Exchange Transactions registered by Agents and Intermediaries, and inform them of the Analysis results;
- b)** To accept and contract, for Settlement purposes, the transactions approved in the Analysis process and inform the Agents and Intermediaries about the Transaction Contracting;
- c)** To keep Agents and Intermediaries informed about the whole process of the registered, analyzed, accepted and contracted transactions for Settlement through the Clearinghouse Systems, until their final Settlement;
- d)** To request immediate measures from Participants in regard to the transactions pending in the Clearinghouse Systems and monitor those transactions;
- e)** To net the amounts of the transactions contracted, and keep the Agents' Net Balances updated and available for consultation;
- f)** To issue to all Agents, within the regular time frames, all statements and requests concerning net debit balances for Brazilian Currency Payment and Foreign Currency Delivery;
- g)** To monitor the Payment processing of net debit balances;
- h)** To keep the Correspondent Banks informed, when applicable, of the need to execute buy or sell foreign exchange transactions definite or linked repurchase agreements (repos) or reverse repurchase agreements (reverse repos), due to Agents' operational or financial difficulty during the ongoing Settlement Session;
- i)** To issue Payment orders on behalf of the non-defaulting Agents, ensure their finality, and inform the respective creditors;
- j)** To conduct all of the procedures needed to resolve matters still pending from the Settlement Session, such as tracking Payments made by Operational Defaulters, buying or selling the currency needed to cover unsettled funds, and executing the Defaulter Agent's Collateral;
- k)** To issue reports on the failures committed by Participants and forward them to the directors responsible for the institutions and to the Bacen, when applicable; and
- l)** To send to the Bacen all of the information it requests on the behavior of the market and its Participants.

The duties of Participants are:

- a)** The Agent, to register their transactions in a timely fashion, in the systems of the Bacen, pursuant to its provisions, and in the Clearinghouse Systems, through the

- means defined in its Rulebook and this Operating Manual, and to monitor their processing, until their final Settlement, when applicable;
- b) The Agent, to maintain an accurate control of the Analysis of their transactions, until the final result of the process;
 - c) The Agent, to meet promptly Clearinghouse requests to resolve matters concerning transactions pending in its Systems;
 - d) The Agent, to maintain an adequate control of the transactions accepted and contracted for Settlement through the Clearinghouse Systems, especially in regard to operational limits and the amount of Non-Linked Collateral at the disposal of the Clearinghouse;
 - e) The Agent, to monitor and control Net credit and debit Balances, until final Settlement, resulting from the transactions accepted, contracted and cleared by the Clearinghouse Systems;
 - f) To receive, and acknowledge the receipt in a timely fashion, of the requests for Brazilian Currency Payment and Foreign Currency Delivery issued by the Clearinghouse;
 - g) To provide within the time frame established by the Clearinghouse the payments due and required in the requests for payment, and monitor the entire funds transfer process in Brazilian Currency and Foreign Currency;
 - h) To keep the Clearinghouse informed of any financial or operational difficulty corresponding to the Settlement of funds under their responsibility, and when the case so demands to take the necessary steps together with the Clearinghouse to resolve that difficulty;
 - i) The Agent, to make sure that the transfer of credits communicated by the Clearinghouse is confirmed by the respective Correspondent Banks abroad or by the Bacen;
 - j) To take part together with the Clearinghouse in all of the procedures needed to resolve, on the same day as the Settlement Session, pending obligations under their responsibility that arise from the Settlement process;
 - k) To make the necessary adjustments to resolve the pending obligations under their responsibility that are listed in the reports issued by the Clearinghouse; and
 - l) To update the institution's admission data, as well as the data of the personnel directly or indirectly involved in all of the phases of the Foreign Exchange Transactions carried out through the Clearinghouse Systems.

8. FOREIGN EXCHANGE TRANSACTIONS

For Clearinghouse purposes, Foreign Exchange Transactions are interbank purchase and sale transactions of Foreign Currency performed by Agents of the Clearinghouse and registered directly in its Systems or traded, directly or through Intermediaries, in Trading Systems linked to its Systems.

The full extent of the Foreign Trade Transaction is considered, encompassing trading, Transaction Registration in the Clearinghouse Systems, Analysis, Acceptance, Transaction Contracting, Central Bank Registration in the Bacen systems, Clearing to calculate the Net Balances in the currencies involved, Payment of Brazilian Currency, and Delivery of Foreign Currency.

Only the Foreign Exchange Transactions that are in full compliance with Brazil's prevailing foreign exchange legislation, the rules of the National Monetary Council and

the Bacen, and with the provisions set forth in this Operating Manual and in the Clearinghouse Rulebook and Risk Management Manual, can be carried out through the Clearinghouse Systems.

The Participants are solely responsible for the information registered in the Clearinghouse Systems, including their compliance with prevailing foreign exchange regulations.

The Clearinghouse publishes and updates through B3 Circular Letters or External Communications, whenever necessary, the characteristics and conditions of the Foreign Exchange Transactions that can be carried out through the Clearinghouse Systems.

9. FOREIGN EXCHANGE TRANSACTIONS TRADING

A Foreign Exchange Transaction trading is the adjustment, involving the definition of all corresponding variables, executed between the Clearinghouse Agents, directly or in Trading Systems, with or without Intermediaries. The transaction variables are, among others, the amount in Foreign Currency, the exchange rate, the Foreign Currency Delivery date, and the Brazilian Currency Payment date.

Trading is usually carried out by foreign exchange traders at the Agents' trading desks by using the available communication Systems, or the Trading Systems. The latter can be an electronic or other System.

Foreign Exchange Transactions traded in Trading Systems can be registered, cleared and settled through the Clearinghouse Systems.

The B3 has its own Authorization (access) procedures for each of these Trading Systems, by means of which legal, technological and risk factors, among others, are assessed.

Linked to the Clearinghouse is an electronic Trading System managed by B3, which has its own form of integration with the Clearinghouse, described below. To access this Trading System the Participants of the Clearinghouse must meet B3 requirements regarding access conditions and the established technological and financial requirements.

As previously mentioned, the Agents may register Foreign Exchange Transactions traded in an authorized system (i) directly between them or (ii) through Intermediaries.

All transactions accepted by the Clearinghouse shall be registered at the Bacen, with the use of the means determined for this, such as the SPB/MES messaging System, in compliance with the conditions established in its rules.

The Trading Systems, through which transactions pass to the Clearinghouse, shall have their own rules approved by the Clearinghouse, as well as Safeguards structure to guarantee Participants and the Clearinghouse the solution to all pending issues that may arise in the trading phase.

If necessary, the Clearinghouse will use the specific Safeguards of the system where the transaction has been traded to cover expenses. This procedure will follow the provisions set forth in the Clearinghouse Risk Management Manual.

9.1. Electronic Trading System

As the electronic Trading System linked to the Clearinghouse does not have its own operating manual, its operational rules are those valid for the B3 electronic Trading System. However, due to the particularities of spot Foreign Exchange Transactions, the flow of the transaction shall be shown here, from the entering of buy and sell orders by the Agents, to the Central Bank Registration of the foreign exchange contract with the Bacen.

In the case of the Electronic Spot Foreign Exchange electronic trading system, the Central Bank Registration of Foreign Exchange Transactions in the Bacen systems will occur exclusively by SPB/MES messages. In this manner, to participate in this system, the Agents must rely on the necessary structure for the exchange of these messages.

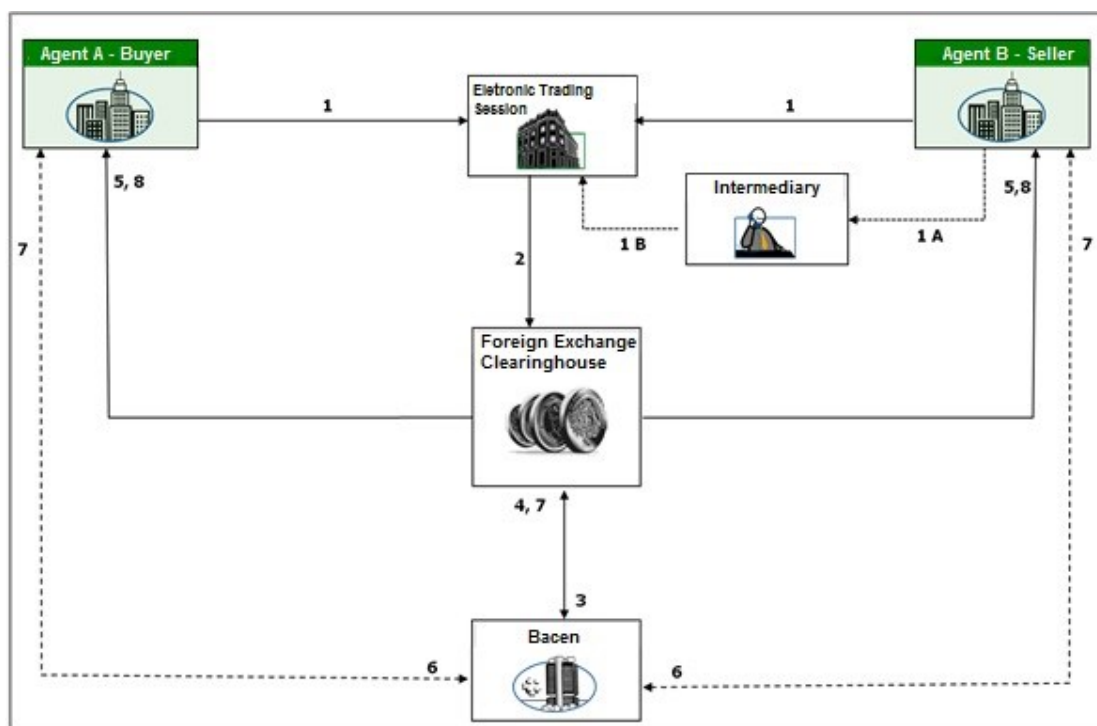


Illustration 3 – Foreign Exchange Transactions Trading in an Electronic Trading System

- 1) The Agents enter buy and sell orders directly into the electronic Trading System. Alternatively, access to the system may occur through an Intermediary;
- 2) The executed trade is registered at the Clearinghouse;
- 3) The Clearinghouse registers the transaction at the Bacen (CAM0053);
- 4) The Bacen informs the Clearinghouse of the registration of the transaction (CAM0053RI);
- 5) The Clearinghouse requests from Agents the Central Bank Registration of the foreign exchange contract at the Bacen (BMC0015);
- 6) The Agents register the foreign exchange contract at the Bacen (CAM0054);
- 7) The Bacen confirms the Central Bank Registration of the foreign exchange contract (CAM0054RI/R2);
- 8) The Clearinghouse informs Agents of the conclusion of Central Bank Registration of the foreign exchange contract process (BMC0005).

The Clearinghouse requests that Agents proceed the Central Bank Registration, at the Bacen, of the transactions executed through the electronic trading system. If an Agent is unable to execute the Central Bank Registration of the foreign exchange contract with Bacen or if it has been declared a Defaulter due to insufficient Collateral, the following stages will be followed to obtain a new counterparty: (i) the Clearinghouse, at its exclusive discretion, may grant another attempt to the Agent that has not registered the transaction, reinitiating the procedure with the Bacen; (ii) the Clearinghouse will contract the services of Banco B3 S.A. to take on the position of the Agent that has been unable to register the transaction, with this latter being liable for all of the Costs resulting from this substitution.

In determined situations a transaction executed in the electronic system may not be approved in the Analysis made by the Clearinghouse due to insufficient Collateral. In these situations, the Clearinghouse will request (i) an additional deposit of Collateral or (ii) a reversal of the transaction as a condition of its Acceptance. If the Agent does not meet the Clearinghouse's determinations, it will be classified as a Defaulter and submitted to all of the effects of this, including its substitution in the pending transaction. To cover Costs resulting from substitution, the Clearinghouse will execute in this order: (i) its Non-Linked Collateral and (ii) its share in the Foreign Exchange Transaction Settlement Fund.

The Clearinghouse will use the services of one of the Correspondent Banks taking into account that providing the best conditions when it is impossible to resolve the pending matter in the previously set terms.

In any case, even when the Agent has used the services of an Intermediary to conduct transactions in the electronic Trading System, the Agent that has a transaction executed in this system will be responsible for all of the subsequent stages of the operation, from its Central Bank Registration to its Settlement, with failure resulting in it being declared a Defaulter, pursuant to the provisions of the Clearinghouse Rulebook.

9.1.1. Treatment when out of Time

If an Agent does not execute registration of the Foreign Exchange Transaction with the Bacen, the Clearinghouse will adopt the following procedure:

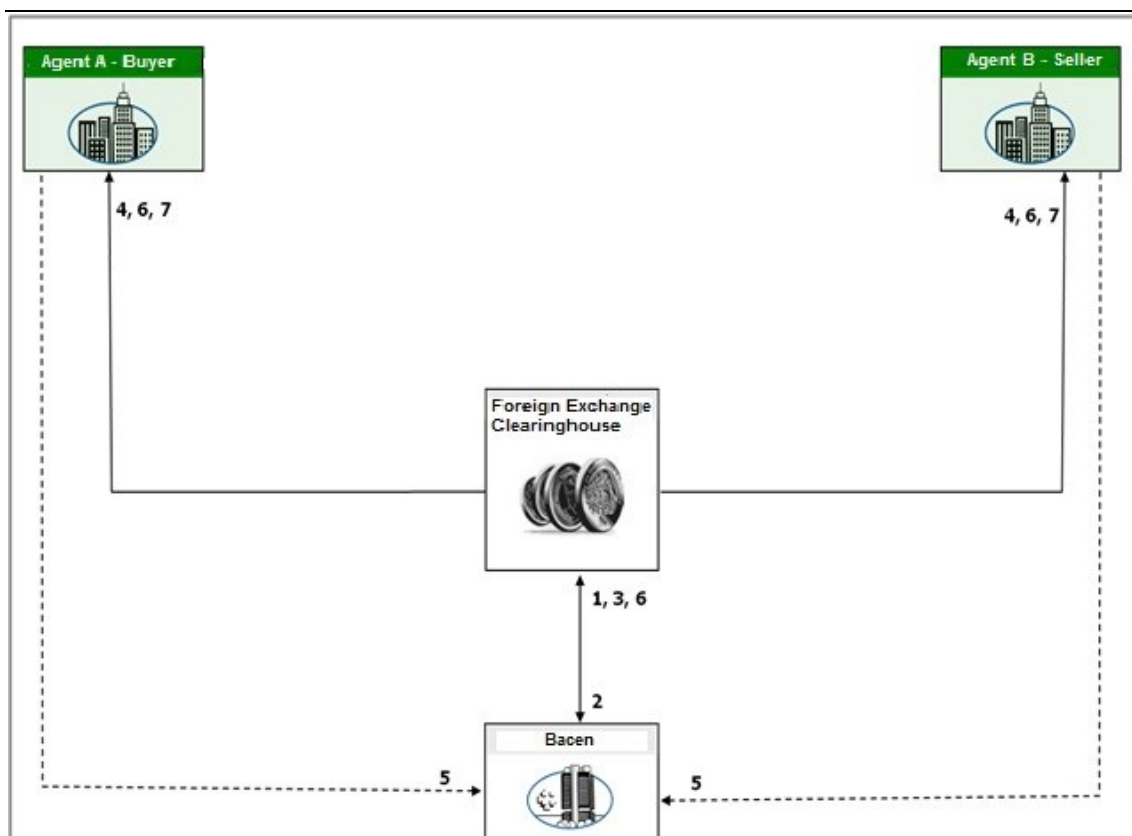


Illustration 4 – Treatment when out of Time

- 1) The Bacen gives notification of the end of the time for Central Bank Registration of the foreign exchange contract (CAM0055);
- 2) The Clearinghouse reinitiates the Central Bank Registration process of the transaction with the Bacen (CAM0053);
- 3) The Bacen informs the Clearinghouse of the registration of the transaction (CAM0053R1);
- 4) The Clearinghouse requests from Agents the Central Bank Registration of the foreign exchange contract at the Bacen (BMC0015);
- 5) The Agents register the foreign exchange contract at the Bacen (CAM0054);
- 6) The Bacen confirms the Central Bank Registration of the foreign exchange contract (CAM0054R1/R2);
- 7) The Clearinghouse communicates to the Agents the conclusion of the Central Bank Registration process of the foreign exchange contract at the Bacen (BMC0005).

9.1.2. Agent Substitution Treatment

When the trading desk identifies a situation in which an Agent is unable to register, it will adopt the following operational procedure:

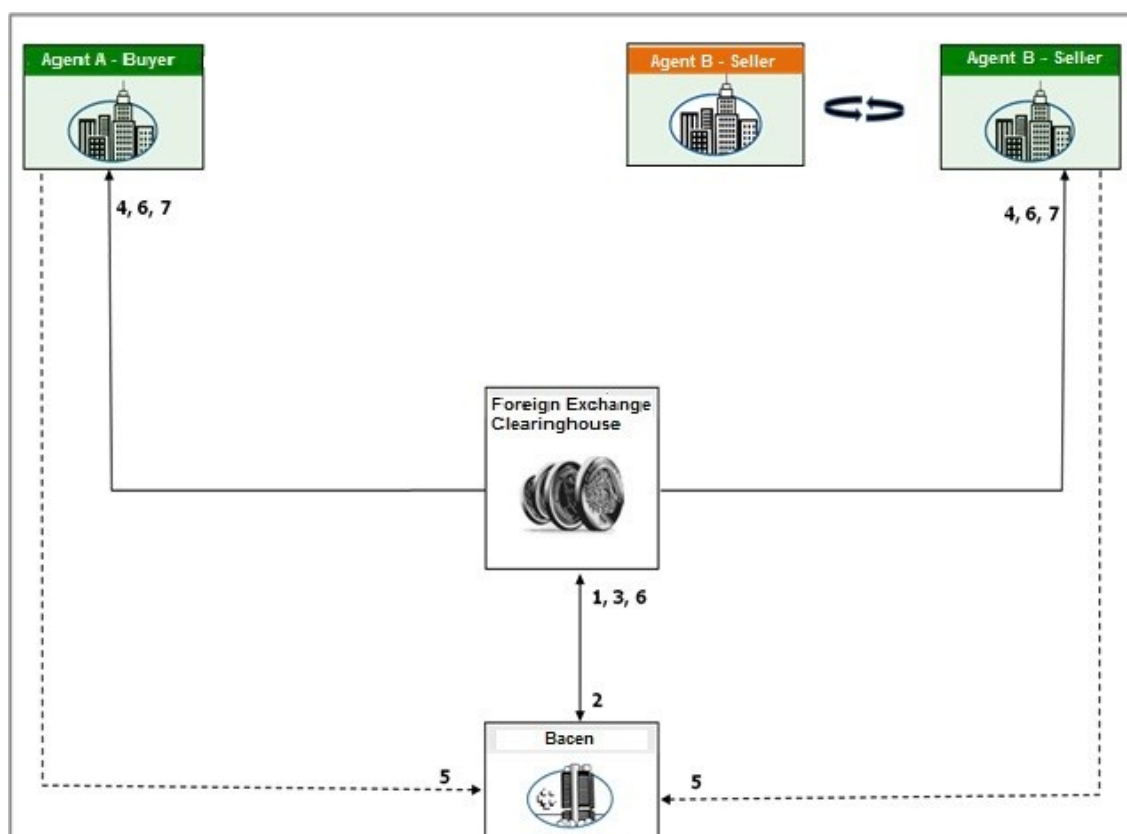


Illustration 5 – Agent Substitution

- 1) The Bacen announces the end of the time for Central Bank Registration of the foreign exchange contract with it (CAM0055);
- 2) The Clearinghouse reinitiates the Central Bank Registration process of the transaction at the Bacen substituting the Agent that is unable to register the foreign exchange contract (CAM0053);
- 3) The Bacen notifies the Clearinghouse of the registration of the transaction (CAM0053R1);
- 4) The Clearinghouse requests from the Agents the Central Bank Registration of the foreign exchange contract at the Bacen (CAM0054);
- 5) The Agents register the foreign exchange contract at the Bacen (CAM0054);
- 6) The Bacen confirms the Central Bank Registration of the foreign exchange contract (CAM0054R1/R2);
- 7) The Clearinghouse communicates to the Agents the conclusion of the process of Central Bank Registration of the foreign exchange contract at the Bacen (BMC0005).

10. FOREIGN EXCHANGE TRANSACTIONS REGISTRATION IN THE CLEARINGHOUSE SYSTEMS

Once the trading adjustments are concluded, the Agents may register the Foreign Exchange Transactions that they have executed on the OTC market so that these may be analyzed, accepted contracted, cleared and settled through the Clearinghouse Systems.

The Foreign Exchange Transactions executed directly between Agents are registered in the Clearinghouse Systems with direct use of the SPB/MES messenger.

All Foreign Exchange Transactions that occur directly between Agents and which are not accepted by the Clearinghouse are the exclusive responsibility of the Agents involved.

10.1. Transaction Registration on the B3 Over-The-Couter market

Registration of Foreign Exchange Transactions traded in the OTC market, through SPB/MES messaging, is in compliance with the provisions of the prevailing foreign exchange rules and occurs through the following operational procedure.

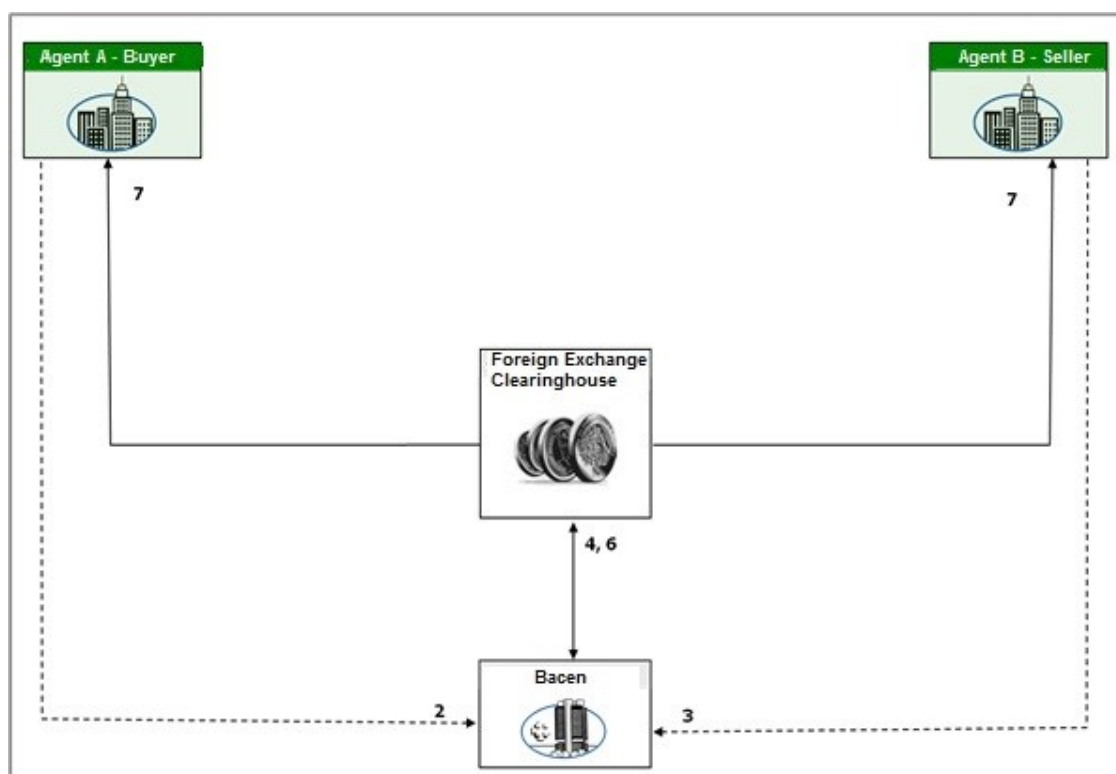


Illustration 6 – Registration of Foreign Exchange Transactions on the OTC market

- 1) Agents trade the Foreign Exchange Transaction directly or through an Intermediary;
- 2) The buying Agent registers the transaction, via messaging, in the Foreign Exchange System of the Bacen (CAM0006);
- 3) The selling Agent confirms the transaction, via messaging, in the Foreign Exchange System of the Bacen (CAM0007);
- 4) The Clearinghouse receives the transaction's data, via messaging, in the Foreign Exchange System of the Bacen (CAM0006R3 and CAM0007R3);

- 5) The Clearinghouse gives notification of the acceptance/rejection of the transaction, via messaging, in the Foreign Exchange System of the Bacen (CAM0008);
- 6) The Bacen responds, via messaging, the acceptance/rejection of the transaction (CAM0008R1);
- 7) The Clearinghouse communicates to the Agents the conclusion of the Central Bank Registration process of the foreign exchange contract at the Bacen (BMC0005), in the case of acceptance.

11. ANALYSIS AND ACCEPTANCE OF FOREIGN EXCHANGE TRANSACTIONS BY THE CLEARINGHOUSE

The Analysis and the Acceptance of Foreign Exchange Transactions are part of the purchase and sale process for the purposes of Settlement within the Clearinghouse's scope. In the Analysis stage, the Clearinghouse checks data, terms, conditions and characteristics of each proposed transaction registered in its Systems, notably to the corresponding risk aspects, and decides whether or not it will buy from the seller and to sell to the buyer.

The Acceptance by the Clearinghouse is as follows:

- (i) Foreign Exchange Transactions performed directly by Agents and registered in the Clearinghouse via SPB/MES messaging
 - in this situation, the Clearinghouse receives the Transaction Registration directly from the Foreign Exchange System of the Bacen, via messaging. After the transaction is Analyzed and if it is in a condition to be accepted, the Clearinghouse confirms its Acceptance and informs the respective Agents, via SPB/MES messaging or through the B3 communication systems. In this case, the formal link of the Clearinghouse to the transaction as its buyer/seller occurs with confirmation in the Foreign Exchange System of the Bacen (CAM0008) and the sending of messages or communication to the Agents;
- (ii) Foreign Exchange Transactions performed by Agents in electronic Trading System
 - in this situation, the Clearinghouse receives the Transaction Registration directly from the Trading System, at which time it formally binds itself to the transaction as its buyer/seller. This Transaction Registration is made directly by the Agents or through the responsible Intermediaries. In this case, specification of the Agent by the Intermediary is made prior to Registration of the order in the system. The Clearinghouse makes prior analyzes and proceeds the validation of the orders registered in the Trading System. After the transaction is confirmed, with execution of the transaction, the Clearinghouse makes the definitive Analysis and announces its Acceptance, via SPB messaging or by the B3 communication systems. In this same communication of Acceptance, the Clearinghouse requests the measures in relation to registration of the transaction in the Bacen's systems.

11.1. Position and Trading Limits

The position and trading limits are established for each Participant upon their Authorization (access) to the Clearinghouse Systems. Position Limits are established for Agents, while Trading Limits are established for Intermediaries.

11.2. Position Limit – Use, Grant and Alteration

The Position Limit is the buy or sell maximum position which the Agent may have on each Settlement Date without Additional Collateral being required of it, pursuant to what is set forth in the prevailing foreign exchange legislation.

In the Analysis process, the Clearinghouse's risk management systems add the values of the new Foreign Exchange Transaction under Analysis, in Brazilian Currency and Foreign Currency, to the existing cleared Net Balances, by Settlement Date, and compare the Agents' new situation with their position limit.

The transaction under Analysis that, considered jointly with the position that the Agent has already contracted and which generates greater exposure than the granted limit, may only be accepted after the required Collateral is pledged or with the authorization of the B3 Central Counterparty Risk Internal Committee, which, considering the value and the Agent in question, may take the matter up with the Joint Board of Officers of B3.

The Clearinghouse always grants the Position Limit upon a request by the Agent. The requested value is assessed by the Clearinghouse based on the Agent's profile.

To this end the following variables are considered, among others that the Clearinghouse may deem necessary for the System's security: net worth, current asset, rating received from specialized rating companies, and most importantly the history of the Agent in the financial market and in Foreign Exchange Transactions. In particular, operational indicators are considered such as Settlement procedures, response time to Collateral Pledge requests, etc.

The change to the position limit granted by the Clearinghouse shall occur through a formal request by the Agent for an increase or reduction, or by the decision of the Clearinghouse itself, always for a reduction, considering prudential criteria and seeking to resolve special situations in which an Agent needs to execute transactions at a higher volume than its limit. The change to the limit via an Agent's request, if met by the Clearinghouse, will come into effect two business days after the request.

11.3. Trading Limit for the Activity of Intermediaries in the Electronic Spot Foreign Exchange System

The Intermediaries may act in the Electronic Spot Foreign Exchange electronic trading system only on behalf of the Agents. For this, each Agent must grant to each Intermediary with which it is linked two limits, (i) for the maximum exposure that the Intermediary may generate in its name and (ii) for the maximum size of each order that the Intermediary may place or aggress in its name. The Agents must register these limits with B3. The use of these limits is defined in the Clearinghouse Risk Management Manual.

11.4. Marking to Market

The Clearinghouse Systems are programmed to manage the exchange rate variation risk, in the case of one or more Agent defaults, with pre-deposited Collateral, pursuant to the provisions and conditions set forth in the Clearinghouse Rulebook and Risk Management Manual, as well as in this Operating Manual.

The parameter applied to manage the exchange rate variation risk is determined based on studies involving the foreign exchange market and its variables. These studies are prepared by the B3 technical areas, pursuant to the guidelines of its Central Counterparty Risk Internal Committee, whenever they are deemed necessary.

During the period between the constitution of the balance and its Settlement, or its extinction or modification by Clearing with other transactions contracted with the Clearinghouse, the Pledge of new Collateral for exchange rate variation can be required from the Agents whose marked-to-market balances expose the Settlement process to risk, in accordance with the methodology described in the Clearinghouse Risk Management Manual. Following this reasoning, the Collateral of Agents whose balances no longer expose the Settlement process to risk may be released.

The lack of the Pledge of Collateral required by the Clearinghouse to keep the exchange rate of the outstanding Net Balance marked to market will cause the suspension of the Acceptance of new transactions from the Agent, except for those that result in the reduction of that balance. In this case, the Clearinghouse will assess the situation, and it may choose, when applicable, to contract from Correspondent Banks an opposite position or other type of transaction available for risk protection.

Any expenses from the transaction contracted for risk protection, when applicable, will be incumbent on the Agent that originated the situation.

12. FOREIGN EXCHANGE TRANSACTION REGISTRATION AT THE BACEN

The Clearinghouse Systems are able to receive Foreign Exchange Transaction Registrations, including for same day Settlement, at the times published by B3, but observing the times fixed for the Central Bank Registration of transactions in the Bacen's systems.

The Agents' Foreign Exchange Transactions that are registered, analyzed and accepted by the Clearinghouse are registered with the Bacen, pursuant to the provisions of the foreign exchange legislation.

With Central Bank Registration of the transaction at the Bacen, the Clearinghouse becomes the contracting party for the purposes of the Settlement of obligations, pursuant to the provisions set forth in Law No. 10.214, of March 27, 2001, and further rules and regulations of the Brazilian Payment System.

If Central Bank Registration with Bacen is refused, the Agent is considered a Defaulter by the Clearinghouse.

In this situation, the Clearinghouse resorts to the Banco B3 S.A. to resolve the pending obligation.

The Clearinghouse will utilize one of the Correspondent Banks considering that which offers the best conditions, in cases where it is impossible to resolve the pending obligation as set forth previously.

All expenses from using the services of Correspondent Banks or the Banco B3 S.A., as well as from exchange rate equalization, when applicable, will be incumbent on the Defaulter Agent. If necessary, the Clearinghouse may also use the Collateral pledged by the Agent that originated the situation.

13. CLEARING

The Clearinghouse Systems process the Settlement of Foreign Exchange Transactions with their Agents on a bilateral net basis. The Clearinghouse therefore operates under the Deferred Net Settlement (DNS) System. This means that foreign exchange purchase and sale transactions contracted with the Clearinghouse for Settlement on a net basis can generate situations where the parties—the Clearinghouse and Agents—become reciprocal bilateral debtors and creditors in Brazilian Currency and Foreign Currency. These obligations in both currencies are in full compliance with the clearing procedures set forth in applicable legislation. Netting is then automatic. Thus, reciprocal obligations in Brazilian Currency and Foreign Currency will terminate after they are cleared.

Net credit and debit balances in Brazilian Currency and Foreign Currency result from automatic Clearing between the Clearinghouse and its Agents. These Net Balances are paid and received on the dates, during the hours and under the forms defined by the Clearinghouse Rulebook and this Operating Manual.

Net credit and debit Balances may be composed of the following amounts:

- (i) In Foreign Currency
 - The amounts corresponding to the foreign exchange purchase and sale transactions registered per Agent on the Transaction Contracting date, and analyzed and accepted by the Clearinghouse for Settlement through its Systems;

- (ii) In Brazilian Currency
 - The amounts corresponding to Payments and receipts for the foreign exchange purchase and sale transactions registered per Agent on the Transaction Contracting date, and analyzed and accepted by the Clearinghouse for Settlement through its Systems;
 - The Costs incurred by the Clearinghouse as a consequence of financial or operational failures, under a Agent's responsibility, as referred to in the Clearinghouse Rulebook and this Operating Manual; and
 - The basic and extra Fees defined in the Clearinghouse Rulebook and this Operating Manual for the use of the Clearinghouse Transaction Registration, Clearing, and Settlement Systems.

14. FOREIGN EXCHANGE TRANSACTION SETTLEMENT

The Clearinghouse performs the daily Settlement of Foreign Exchange Transactions for the dates when the Agents have Net credit and debit Balances in Brazilian Currency and Foreign Currency. Settlement occurs pursuant the provisions set forth in Chapter VIII (Settlement) of the Clearinghouse Rulebook.

If the Agent is submitted to court-supervised or out-of-court-reorganization, intervention, bankruptcy, out-of-court liquidation, or temporary special administrative, the Clearinghouse may determine the appointment of another bank to carry out reserve transfers within the scope of the STR, in order to enable financial settlement, with consequent interruption of message traffic related to the Agent under resolution in the RSFN.

14.1. Phases of the Settlement Session

14.1.1. First Phase of the Settlement Session

In the first phase of the Settlement Session, the Clearinghouse issues the corresponding Messages containing preliminary communications with Net debit Balances in Brazilian Currency and in Foreign Currency, respectively for the net buying and the net selling Agents. Such requests are issued immediately after the close of the Foreign Exchange Transactions on the day before the Settlement Date and sent in a Message format, in accordance with the parameters defined for the communications network of the SPB (Brazilian Payment System), or made available to the Participants by a specific B3 system. The types of Messages or other communications channels accepted and used by the Clearinghouse are published in the SPB Message Catalog or by B3. The preliminary communications with Net debit Balances in Brazilian Currency and in Foreign Currency remain at the disposal of the debtors until 06:00 of the Settlement Date.

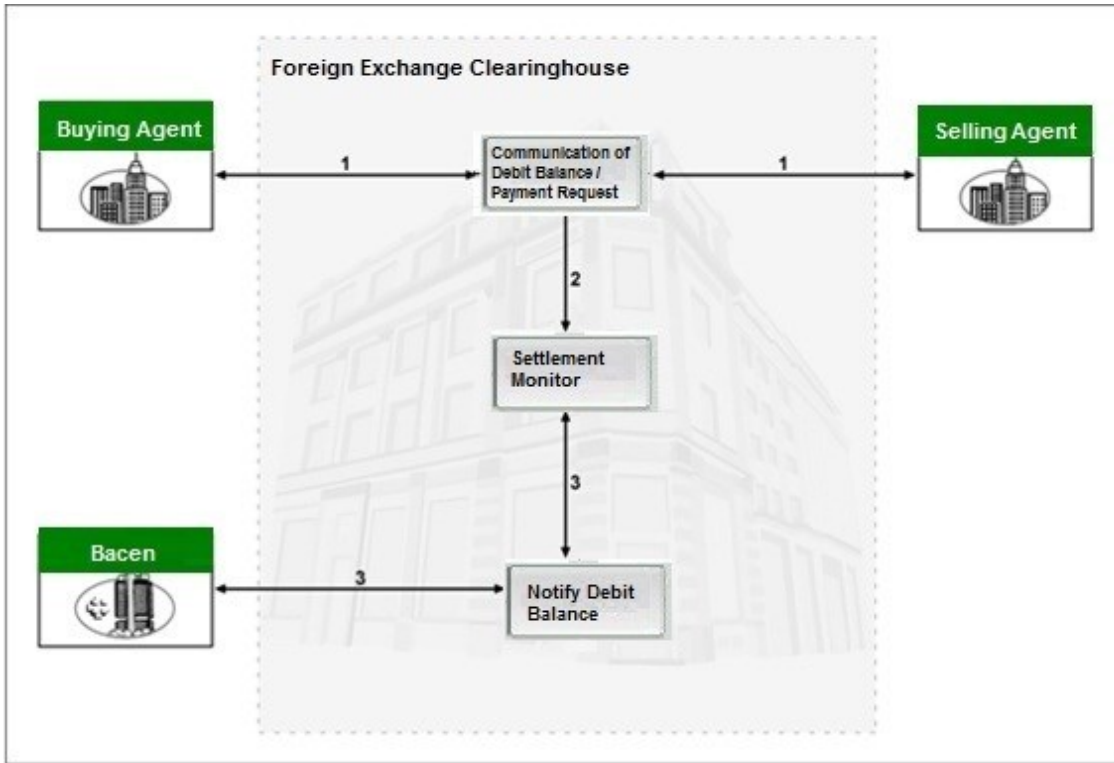


Illustration 7 – First/Third Phase of the Settlement Session

14.1.2. Second Phase of the Settlement Session

The second phase of the Settlement Session is destined to fund transfers by Agents for the Payment or Transaction Contracting of new purchases and/or sales for same day Settlement. This phase ends precisely at 10:15 for both the Transaction Registration and the Confirmation of new transactions. Agents with Net debit Balances in Brazilian Currency must provide the corresponding credit to the Settlement Account of the Clearinghouse at the Bacen. Agents with Net debit Balances in Foreign Currency may provide the corresponding delivery, through the credit, in Foreign Currency, to the Settlement Account of the Clearinghouse at the Correspondent Bank abroad that it designates.

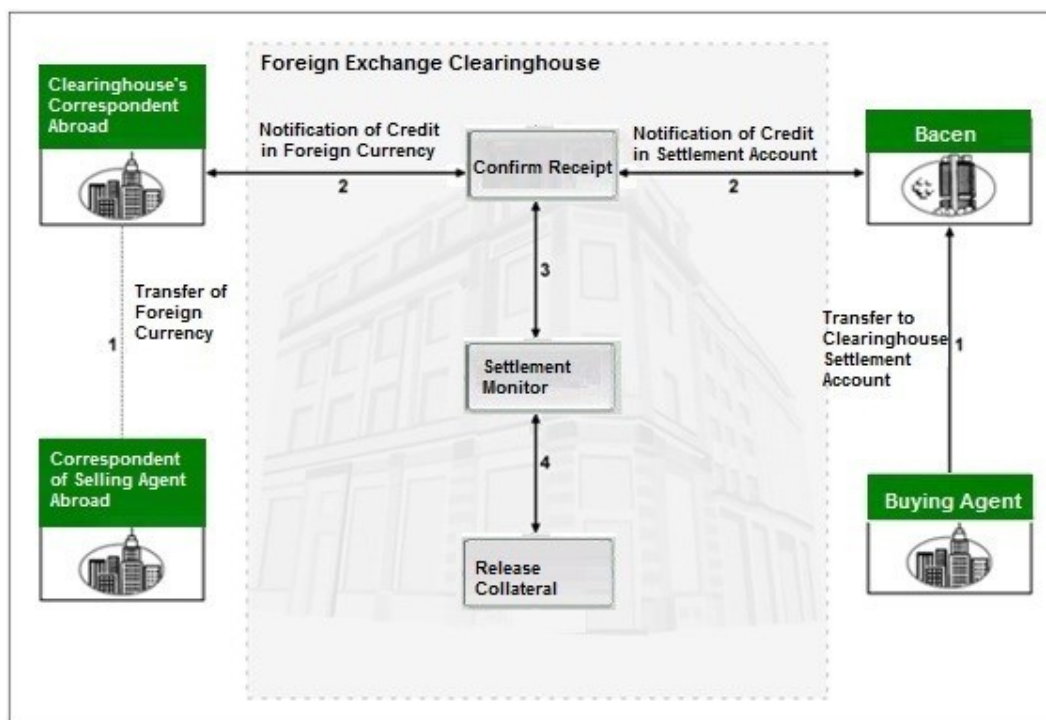


Illustration 8 – Second/Fourth Phase of the Settlement Session

14.1.3. Third Phase of the Settlement Session

The third phase of the Settlement Session begins at 10:45, when the Clearinghouse issues the “Request for Brazilian Currency Payment” and the “Request for Foreign Currency Delivery” to all Agents with net credit or debit balances respectively, that have registered transactions for same day Settlement. The requests for Brazilian Currency Payment and Foreign Currency Delivery must be confirmed by the Agents, also through specific Messages or the B3 systems, by no later than 11:00. The requests that are not confirmed in this manner will need to be confirmed by the Clearinghouse telephone recording system. Telephone confirmation may be charged to the Agent as an extra Fee, pursuant to the provisions and values published by B3 in its Circular Letters.

14.1.4. Fourth Phase of the Settlement Session

In the fourth phase, Agents must provide Brazilian Currency Payments and/or Foreign Currency Deliveries to the Clearinghouse and confirm them.

All Agents with total or partial net debit balances to the Clearinghouse must make the corresponding fund transfers in this phase, which ends precisely at 13:05, by which time all Payments should be confirmed to the Clearinghouse. The Brazilian Currency Payments and Foreign Currency deliveries that have not been confirmed by this time will cause the Agents to be considered as “Operational Defaulters” or as “Defaulters.”

14.1.5. Fifth Phase of the Settlement Session

The fifth phase of the Settlement Session, pursuant to the Clearinghouse Risk Management Manual, occurs at 14:05. At this stage, the clearinghouse coordinates the final and irrevocable delivery of the amounts in Brazilian

currency and foreign currency. The Clearinghouse Systems issue all Payment orders: (i) in Brazilian Currency, directly to the credit of the “bank reserve” accounts or as per the instructions of the net selling Agents; and (ii) in Foreign Currency, for delivery through a credit to the net buying Agents’ accounts at the Correspondent Bank designated by them. Payment orders in Brazilian Currency are issued by the Reserve Transfer System (STR) of the Bacen, and deliveries of Foreign Currency are made in Fed Funds or by internal book transfer to the Correspondent Bank, whenever admissible.

14.1.6. Sixth Phase of the Settlement Session

In this phase, which ends at 15:30, the Clearinghouse takes the necessary measures to meet the obligations that may still be pending from the other phases.

14.2. Changes to STR’s operating hours

Should extraordinary events so warrant, the Bacen might make an exceptional declaration to alter STR’s operating hours. The clearinghouse might also determine modifications to its settlement time schedules and related processes, in case the change to STR’s operation impacts such processes.

In the event of the STR being unavailable at the settlement times in Brazilian Currency established in this Manual and the payments in favor of the clearinghouse or its agents, the clearinghouse may adopt exceptional procedures for settlement.

For Agents that have fulfilled their obligations in Brazilian Currency before the STR’s is unavailable, the Clearinghouse may perform the credit of the net result in Foreign Currency. For agents that have not fulfilled their obligations in Brazilian Currency before the STR’s is unavailability, the credit of the net result in Foreign Currency will be provided by fulfilled their obligations in Brazilian Currency.

If the STR closing time is postponed till after 11:59 PM of a specific session, the settlement agents must be able to carry out the settlement processing associated with the still valid settlement date.

15. FORMS OF PAYMENT

All Brazilian Currency Payments by the Agents to the Clearinghouse, and by the Clearinghouse to Agents, must be made by using funds. The Clearinghouse holds a Settlement Account at the Bacen, to transfer Brazilian Currency values.

Fund transfers to and from the Settlement Account consist of the financial results of Foreign Exchange Transactions, as well as proceeds from Collateral execution, and Clearinghouse Fees.

For Foreign Currency transfers, the Clearinghouse holds current accounts abroad at Correspondent Banks, the names of which are published and updated by B3 through Circular Letters. Delivery of United States Dollars can be made in Fed Funds or by book transfer.

15.1. Payment of Brazilian Currency by the Agent

Net debit balance due by buying Agents must be paid by such through the transfer of funds to the Settlement Account of the Clearinghouse. The buying Agents, which owe Brazilian Currency, must make the transfers in accordance with the instructions contained in the Messages with preliminary communications of the amounts due in Brazilian Currency, or in the “Request for Brazilian Currency Payment.” These Payments must be credited—as prompt funds—and confirmed to the Clearinghouse by no later than 13:05, through the STR. Brazilian Currency Payments that are not confirmed by that time will cause the Agent to be included in the status of “Operational Defaulters” or “Defaulters.”

15.2. Delivery of Foreign Currency by the Agent

Net debit Foreign Currency balance due by the selling Agents must be credited by such to the account of the Clearinghouse with the Correspondent Bank it designates. The selling Agents, which owe Foreign Currency, must make the transfers in accordance with the instructions contained in the Messages with preliminary communications of the amounts due in Foreign Currency, or in the “Request for Foreign Currency Delivery.” Deliveries must be credited in Fed Funds or by book transfer—as prompt funds—and confirmed to the Clearinghouse by no later than 13:05. Foreign Currency deliveries that are not confirmed by that time will cause the Agent to be included in the status of “Operational Defaulters” or “Defaulters.”

15.3. Payment of Brazilian Currency by the Clearinghouse

The Clearinghouse will pay the net cleared Brazilian Currency funds due to the selling Agents that have met their obligations with it, by transferring the corresponding funds from its Settlement Account to the Agents’ “bank reserves” accounts at the Bacen, via the STR, or to another account as instructed by the Agents that do not hold “bank reserves” accounts. All Payments and their respective communications are issued at 14:05.

15.4. Delivery of Foreign Currency by the Clearinghouse

The Clearinghouse delivers the net balances in Foreign Currency to the net buying Agents who have met their obligations with it. These deliveries are made abroad to the Agent’s account at the designated Correspondent Bank, which must be registered in the Clearinghouse Systems. The Payment instruction is issued by the Clearinghouse via Society for Worldwide Interbank Financial Telecommunication (SWIFT) system or an alternative means of communication defined by the parties. The Clearinghouse will instruct its Correspondent Bank to make delivery by crediting the bank designated by the Agent. Delivery will be made in Fed Funds or by book transfer.

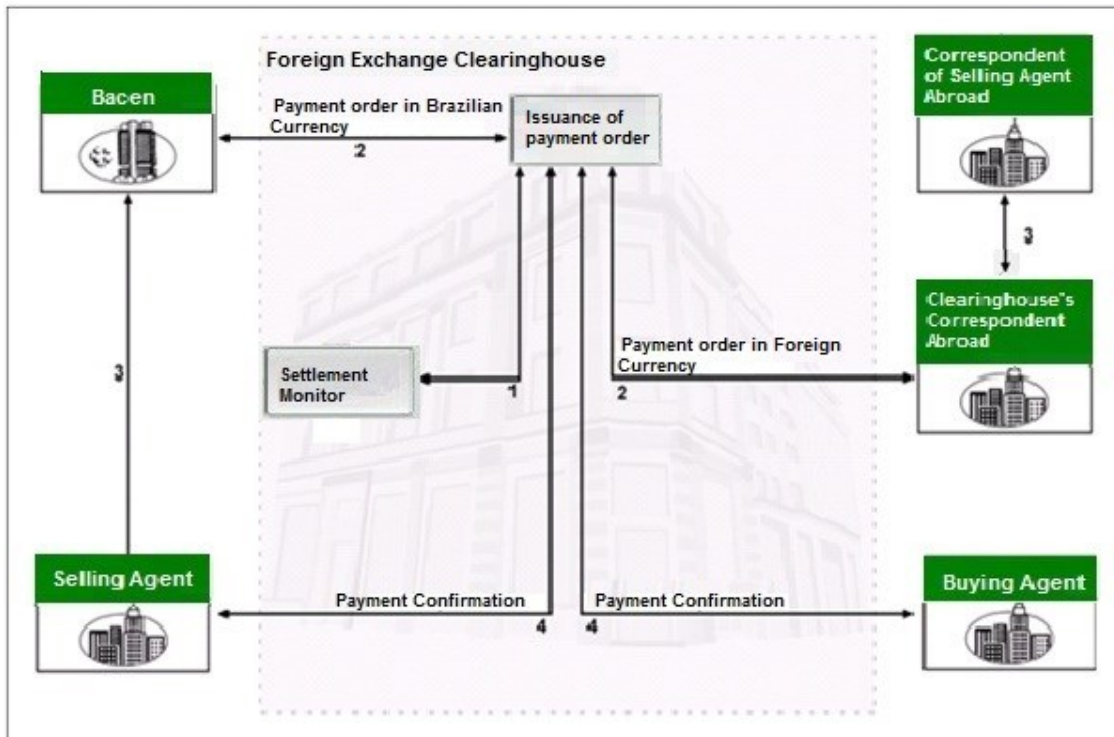


Illustration 9 – Payment of Brazilian Currency/Delivery of Foreign Currency

16. FAILURE MANAGEMENT

16.1. Management of Operational Defaulter Agent

Failure to make Brazilian Currency Payment or Foreign Currency Delivery by the stipulated time limit, for strictly operational motives, will result in the Agent being classified as an “Operational Defaulter.” This may occur in situations in which the Agent is unable to meet its obligation for any operational reason, such as interruption to the communication systems, error in the Messages formatting and Payment instructions, failure in internal authorization to make Payment effective, or any other type of operational problem generated by human or systems failure.

These situations are monitored by the Clearinghouse throughout the Settlement Session stages, through automated monitors and contacts with the Agents. It may occur that an Agent becomes an “Operational Defaulter” in Brazilian Currency or in Foreign Currency, with each of these two situations having a specific management. Either of these situations will be duly communicated to the Bacen.

16.1.1. Operational Defaulter Agent in Brazilian Currency

Non-Payment of the net debit balances in Brazilian Currency by 13:05 – as instructed in the Messages with the preliminary communications of the amounts due or in the “Request for Brazilian Currency Payment” issued to all of the Agents with net debit balances in Brazilian Currency – will result in the Agent immediately being given “Operational Defaulter” status, when Payment is not executed for operational motives alone. Failure to pay the value in Brazilian Currency, for any reason, will result in the Clearinghouse suspending the corresponding Payment of Foreign Currency and charging a

fine for late payment, pursuant to the provisions set forth in section 16.3 of this Manual.

The Operational Defaulter must adjust the Payment of funds due with the Clearinghouse by no later than 15:30 on the day in question or will be declared Defaulter. The Settlement Officer will propose to the B3 Central Counterparty Risk Internal Committee that the Agent be suspended or excluded from the Clearinghouse Systems.

The Clearinghouse will use the Foreign Currency funds which were not delivered to the Operational Defaulter to obtain, through a repo, the Brazilian Currency amount needed to pay the non-defaulting Agents that are the creditors in this currency. Foreign Currency repos will be made by the Clearinghouse with the Correspondent Bank that submits the best proposal.

A Foreign Currency repo will always be made when a debit is identified by the Clearinghouse as being a lack of Payment due to operational failure, in other words, when the buying Agent's capacity to pay is not in question. A repo will therefore have the sole purpose of solving purely operational issues concerning the Payments of net debtors Agents in Brazilian Currency and must be resolved by no later than 15:30 of the day scheduled for the Settlement of the transaction. If the lack of payment persists, the Operational Defaulter will be considered a Defaulter. In this case, the repo will become a sale.

Special situations are examined by the B3 Central Counterparty Risk Internal Committee that may propose to the Joint Board of Officers of B3 that there be differentiated treatment, on a case-by-case basis.

A repo will always be subject to the conditions agreed upon between the Clearinghouse and one of the Correspondent Banks. In order to make a repo, the Agent considered as an Operational Defaulter must previously transfer to the Clearinghouse, as Collateral, the amounts corresponding to the Fees/Costs, as well as to the exchange rate variations, as the case may be. Such a transfer must be made in Brazilian Currency, in Foreign Currency, or in federal government bonds, and confirmed at the Clearinghouse by no later than 13:15.

Partial deposits to the Settlement Account will be received as Additional Collateral in the Agent's accounts with the Clearinghouse.

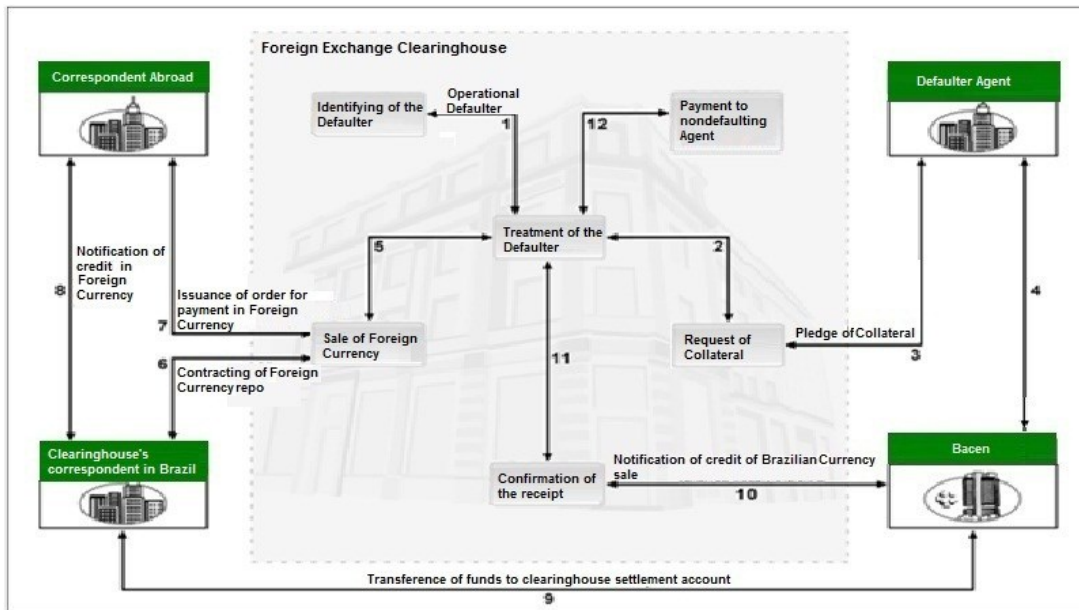


Illustration 10 – Operational Defaulter in Brazilian Currency – Sale of Foreign Currency

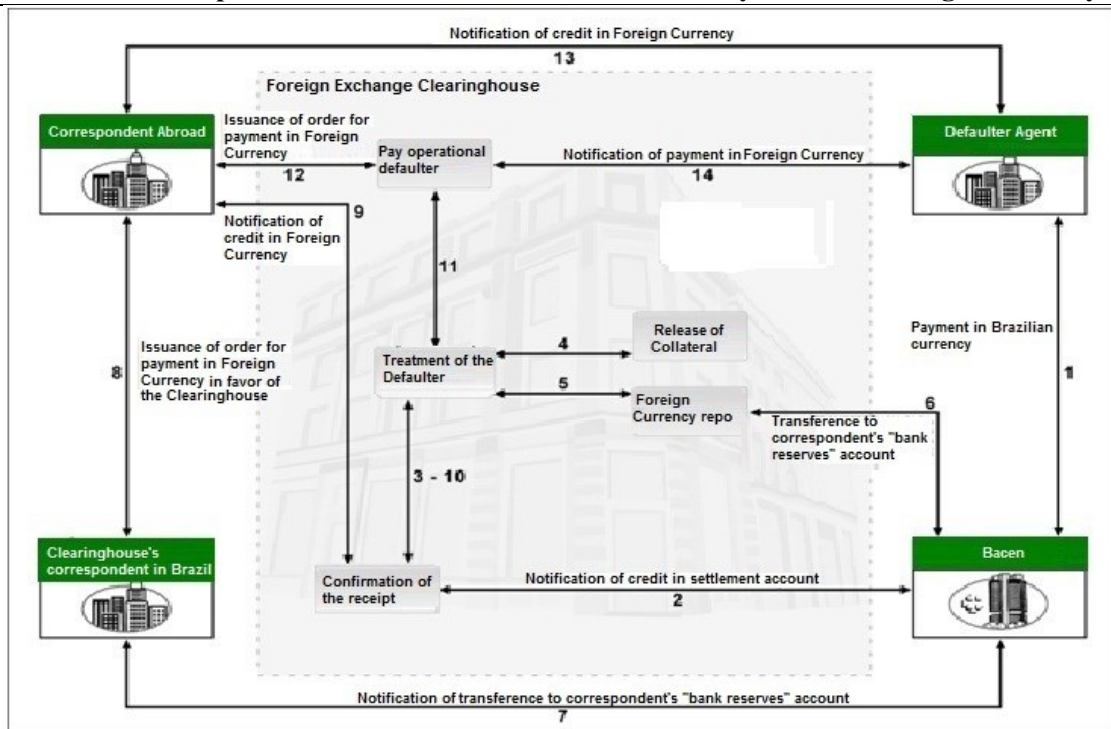


Illustration 11 – Operational Defaulter in Brazilian Currency – Repurchase of Foreign Currency

16.1.2. Operational Defaulter Agent in Foreign Currency

Failure to deliver the net balance due in Foreign Currency by 13:05 – as instructed in the Messages with the preliminary communications of the amounts due or in the “Request for Foreign Currency Delivery,” document issued to all of the Agents with net debit balances in Foreign Currency – will result in the Agent immediately being given “Operational Defaulter” status, when delivery is not executed for operational motives alone. Failure to pay

the value in Foreign Currency, for any reason, will result in the Clearinghouse suspending the corresponding Payment of Brazilian Currency and charging a fine for late delivery, pursuant to the provisions set forth in section 16.3 of this Manual.

The Operational Defaulter must adjust the delivery of the value due with the Clearinghouse by no later than 15:30 on the day in question; otherwise it will be declared Defaulters. The Settlement Officer will propose to the B3 Central Counterparty Risk Internal Committee the suspension or exclusion of the Defaulter Agent from the Clearinghouse Systems.

The Clearinghouse will use the Brazilian Currency funds not paid to the Operational Defaulter to obtain, through a reverse repo, the Foreign Currency amount needed to be delivered to the non-defaulting Agents. Foreign Currency reverse repos will be made by the Clearinghouse with the Correspondent Bank that submits the best proposal.

A Foreign Currency reverse repo will always be made when a debit is identified by the Clearinghouse as the lack of Payment for operational reasons, that is, when the selling Agent's capacity to pay is not in doubt. A reverse repo will therefore have the sole purpose of solving purely operational issues concerning the payments of net debtor Agents in Foreign Currency, and must be resolved by no later than 15:30 of the day scheduled for the Settlement of the Foreign Exchange Transaction. If the Delivery failure persists, the Operational Defaulter, will be declared a Defaulter. In this case, the reverse repo will become a purchase.

The B3 Central Counterparty Risk Internal Committee will examine special situations and can then propose to the Joint Board of Officers of B3 that special treatment be applied on a case-by-case basis.

A reverse repo will always be subject to the conditions agreed upon between the Clearinghouse and one of the Correspondent Banks. In order to make a reverse repo, the Agent that has been declared an Operational Defaulter must previously transfer to the Clearinghouse, as Collateral, the amounts corresponding to the Fees/Costs, as well as to the exchange rate variations as the case may be. Such a transfer must be made in Brazilian Currency, in Foreign Currency, or in federal government bonds, and confirmed to the Clearinghouse by no later than 13:15.

Partial deposits to the Settlement Account will be received as Additional Collateral in the Agent's accounts with the Clearinghouse.

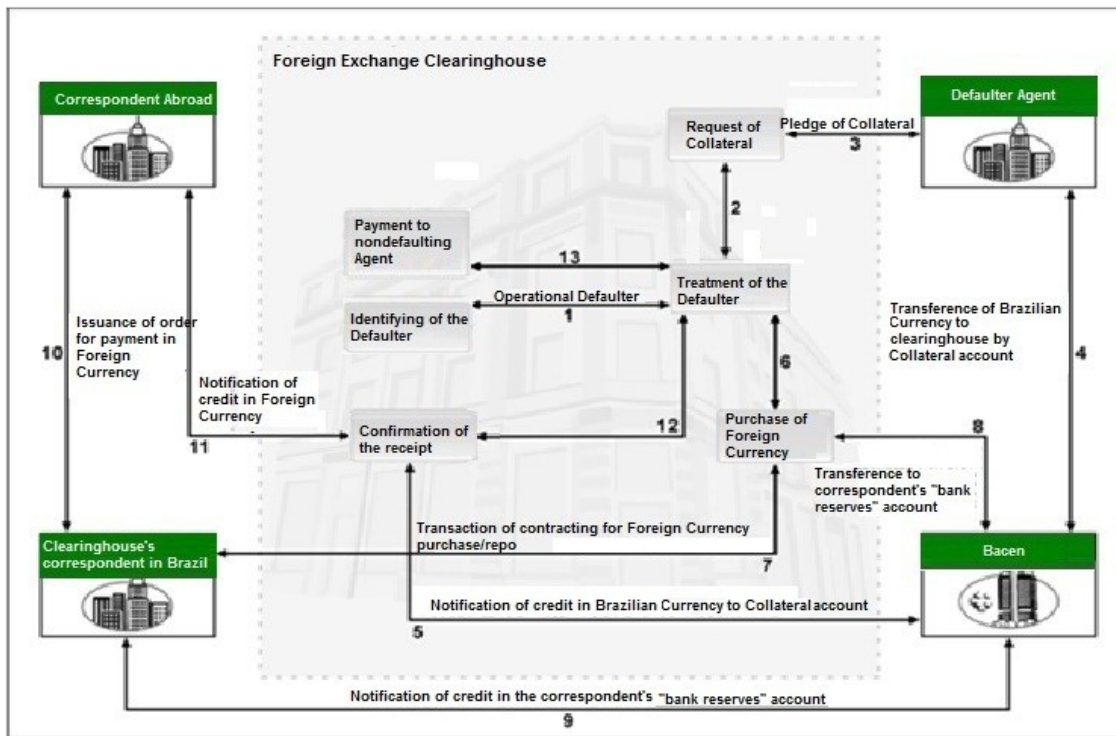


Illustration 12 – Operational Defaulter in Foreign Currency – Purchase of Foreign Currency

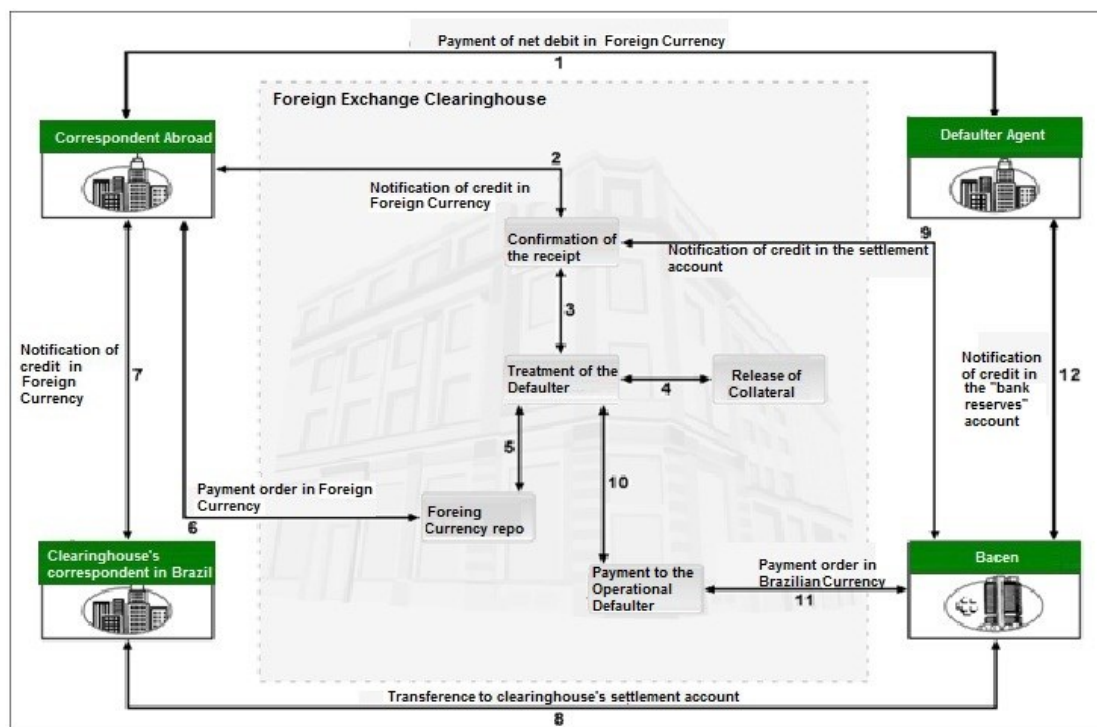


Illustration 13 – Operational Defaulter in Foreign Currency – Resale of Foreign Currency

16.2. Management of Defaulter Agent

Failure to make Brazilian Currency Payment or Foreign Currency Delivery by the stipulated time limit due to lack of financial capacity will result in the Agent being classified as a “Defaulter.” Furthermore, the Agent that does not Pledge Collateral

in the amounts and at the times requested by the Clearinghouse, or which refuses to register, with the Bacen, Foreign Exchange Transactions that were executed in Trading Systems, electronic or otherwise, will in the same way be declared a “Defaulter,” pursuant to the provisions of the Clearinghouse Rulebook.

These situations are monitored by the Clearinghouse throughout the Settlement Session stages, through automated monitors and contacts with the Agents. It may occur that an Agent becomes a “Defaulter” in Brazilian Currency or Foreign Currency, with each of these situations having a specific management. In either of these situations the fact shall be duly communicated to the Bacen.

16.2.1. Defaulter Agent in Brazilian Currency

Non-Payment of the net debit balance in Brazilian Currency by 13:05 – as instructed in the Messages with the preliminary communications of the amounts due or in the “Request for Brazilian Currency Payment” issued to all of the Agents that are net debtors in Brazilian Currency – will result in the Agent immediately being given “Defaulter” status, when Payment is not executed due to the Agent’s total Payment incapacity. Failure to pay the value in Brazilian Currency, for any reason, will result in the Clearinghouse suspending the corresponding Payment of the Foreign Currency value and charging a fine for late payment, pursuant to the provisions set forth in section 16.3 of this Manual.

The Agent that is declared a Defaulter, or that has been suspended or excluded cannot register new Foreign Exchange Transactions in the Clearinghouse Systems as long as its pending issues remain unresolved. The Settlement Officer, together with the Central Counterparty Risk Management Officer, must seek the means to resolve these issues in a coordinated effort with the Agent. Such event will be reported to Bacen.

Transactions that are already registered for Settlement Dates occurring after the date of the default will remain in the Clearinghouse Systems and will be settled on their respective dates, pursuant to the provisions of the Clearinghouse Rulebook and this Operating Manual.

The Clearinghouse will use the Foreign Currency amount which was not delivered to the Defaulter to obtain, through a sale, the Brazilian Currency amount needed to pay the non-defaulting Agents. Foreign Currency sale will be made by the Clearinghouse with the Correspondent Bank that submits the best proposal.

In the sales, a negative exchange rate variation, if any, will be covered by the use of Collateral pledged by the Defaulter Agent. If there is a positive variation it will be included in the Non-Linked Collateral account and managed according to the provisions set forth in the Clearinghouse Rulebook and Risk Management Manual, as well as in this Manual and in the SPB legislation. The use of Collateral shall meet the provisions of Chapter IX (Safeguards) of the Clearinghouse Rulebook.

Special situations will be examined by the B3 Central Counterparty Risk Internal Committee that may propose to the Joint Board of Officers of B3 that there be differentiated treatment, on a case-by-case basis.

Partial deposits to the Settlement Account will be received as Additional Collateral in the Agent's accounts with the Clearinghouse.

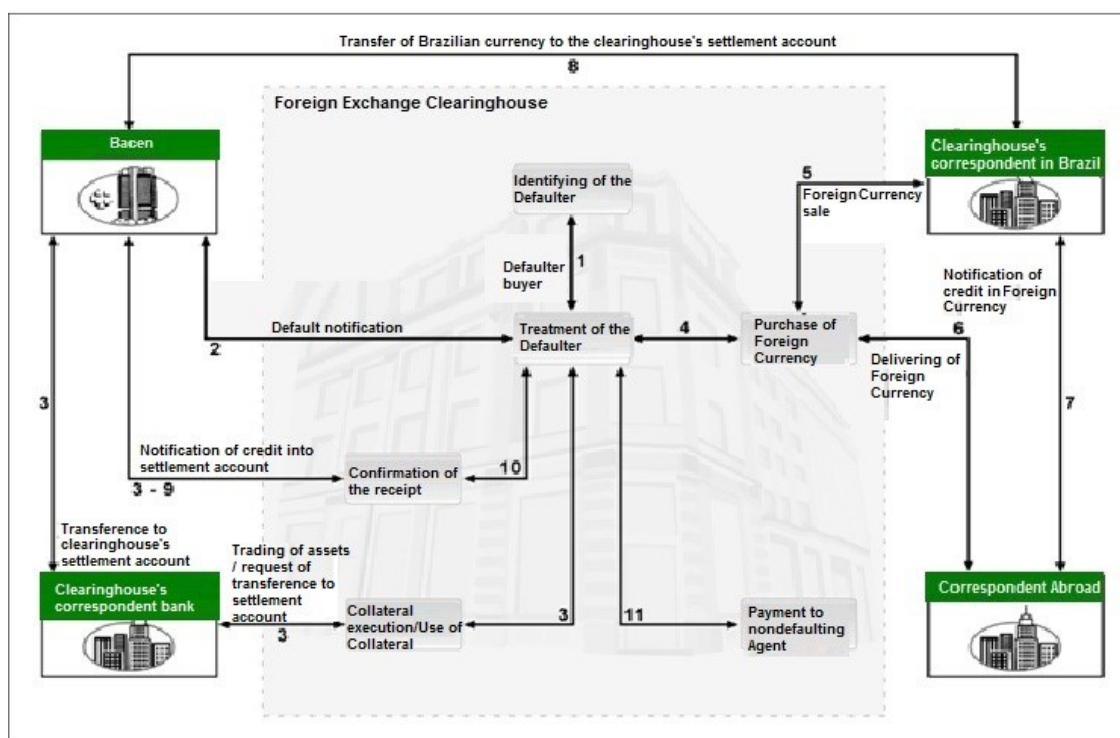


Illustration 14 – Defaulter in Brazilian Currency – Sale of Foreign Currency

16.2.2. Defaulter Agent in Foreign Currency

Non-delivery of the net debit value in Foreign Currency by 13:05 pursuant to the instructions contained in the Messages – with prior communication of the amounts owed or in the “Request for Foreign Currency Payment” issued to all of the Agents that are net debtors in Foreign Currency – will result in the Agent immediately being given “Defaulter” status, when delivery is not executed due to the Agent's total Payment incapacity. Failure to deliver the value in Foreign Currency, for any reason, will result in the Clearinghouse suspending the Payment of the respective value in Brazilian Currency and charging a fine for late delivery, pursuant to the provisions set forth in section 16.3 of this Manual.

The Agent that is declared a Defaulter, or that has been suspended or excluded cannot register new Foreign Exchange Transactions in the Clearinghouse Systems as long as its pending issues remain unresolved. The Settlement Officer, together with the Central Counterparty Risk Management Officer, must seek the means to resolve these issues in a coordinated effort with the Agent. Such events will be reported to Bacen.

Transactions that are already registered for Settlement Dates occurring after the date of the default will remain in the Clearinghouse Systems and will be settled on their respective dates, pursuant to the provisions of the Clearinghouse Rulebook and this Operating Manual.

The Clearinghouse will use the Brazilian Currency funds which were not delivered to the Defaulter to obtain the Foreign Currency amount needed to pay the nondefaulting Agents. The Foreign Currency purchase will be made by the Clearinghouse with the Correspondent Bank that submits the best proposal.

In the purchases, a negative exchange rate variation, if any, will be covered by the use of Collateral deposited by the Defaulter Agent. If there is a positive variation it will be included in the Non-Linked Collateral account and managed according to the provisions set forth in the Clearinghouse Rulebook and Risk Management Manual, as well as in this Manual and in the SPB legislation. The use of Collateral shall meet the provisions of Chapter IX (Safeguards) of the Clearinghouse Rulebook.

Special situations will be examined by the B3 Central Counterparty Risk Internal Committee that may propose to the B3 Joint Board of Officers of B3 that there be differentiated treatment, on a case-by-case basis.

Partial deposits to the Settlement Account will be received as Additional Collateral in the Agent's accounts with the Clearinghouse.

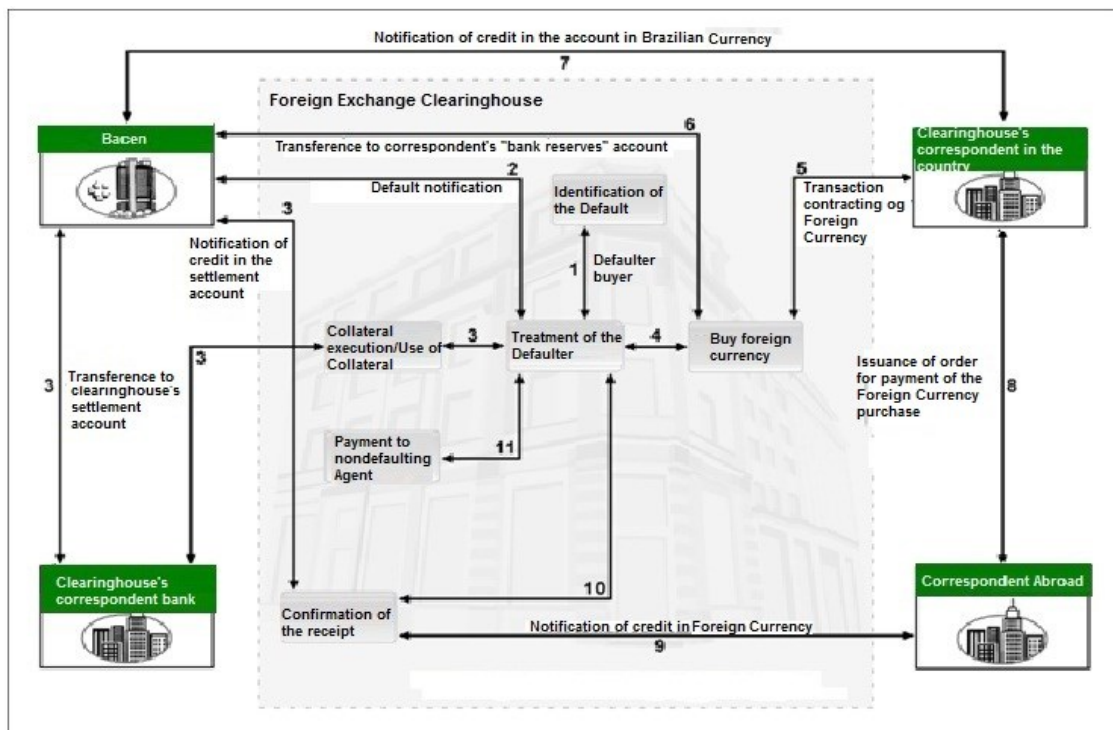


Illustration 15 – Defaulter in Foreign Currency – Purchase of Foreign Currency

16.3. Fine for Late Brazilian Currency Payment or Foreign Currency Delivery by an Agent

If the time frame established for Brazilian Currency Payment or Foreign Currency Delivery to be made by Agents is not met, the Clearinghouse will activate failure management mechanisms, according to the procedures established in this Manual.

Failure to make a Brazilian Currency Payment or a Foreign Currency Delivery will be subject to a fine, whose value will be the result of a percentage rate to be applied to the amount of the corresponding failure. For Foreign Currency Delivery failures the Clearinghouse will consider, when calculating the applicable fine, a value equivalent to the overdue amount in Foreign Currency converted into Brazilian Currency at the average rate of transactions registered at the Clearinghouse (TCAM FX rate) on the day before the date of failure. For Brazilian Currency Payment failures the Clearinghouse will consider, when calculating the applicable fine, the overdue amount in Brazilian Currency.

The value of the fine will vary according to the time when the failure is rectified, subject to lower and upper limits, as shown in the table below:

	Time of rectification		
	By 13:20	From 13:21 to 15:30	As of 15:31
Percentage rate	0.5%	0.75%	1%
Minimum fine	BRL5,000.00	BRL7,500.00	BRL10,000.00
Maximum fine	BRL50,000.00	BRL100,000.00	BRL200,000.00

The time of rectification is the time when the funds are credited to the Clearinghouse account: in the case of Brazilian Currency, it is the time indicated in STR's reply Message; in the case of Foreign Currency, it is the time indicated in the message informing the corresponding credit to the Clearinghouse account with the Correspondent Bank.

The values of the fines levied for late payments or deliveries will be entered into the multilateral net balance of the concerned Agent (outgoing Message LDL0013) on the day after the date of failure. The amounts thus received will be allocated to supervisory, regulatory and financial education activities.

The above percentage rates will double at every late payment or delivery event committed by the same Agent, subject to both minimum and maximum fines. After twelve (12) consecutive months without the occurrence of any further late payment or delivery event, the percentage rates will return to their original values, as shown in the table.

17. SAFEGUARDS

Safeguards are the mechanisms that compose the security structure of the Clearinghouse and that guarantee the necessary conditions for the Settlement of transactions carried out through its Systems, pursuant to the provisions of article 4, paragraph 2, of Law No. 10.214.

17.1. Clearinghouse Safeguards

The Clearinghouse Safeguards are of operational, administrative and financial nature, as follows:

- a) Operational Safeguards refer, among other things, to the technological support, its accessories, and the communication Systems used to connect the Clearinghouse with its Agents or other entities that are directly or indirectly involved in the achievement of its purposes in Brazil and abroad;
- b) Administrative Safeguards refer, among other things, to the specialized staff members who belong to the B3 workforce and undertake Clearinghouse activities; and
- c) Financial Safeguards refer, among other things, to the Collateral pledged by Agents with the Clearinghouse; the constitution of the Funds established by the Clearinghouse to cover possible operational or administrative failures; and the formation of Segregated Capital by B3 to guarantee, as a last recourse, the fulfillment by the Clearinghouse of the obligations concerning the accepted Foreign Exchange Transactions. Pursuant to the provisions of Law No. 10.214, financial Safeguards are intended to guarantee the cash Settlement of Transactions that are registered, analyzed, accepted and contracted for Settlement through the Clearinghouse Systems.

To guarantee the cash Settlement of transactions carried out through its Systems, the Clearinghouse will make use of the Safeguards that follow.

17.1.1. Concerning the Principal

- (i) Every Foreign Exchange Transaction for which the Clearinghouse becomes the contracting party is subject to the payment versus payment (PVP) principle. The Clearinghouse will settle the transactions registered in its Systems through the DNS process, in both Foreign Currency and Brazilian Currency, which will reduce the amount of funds to be transferred and will allow a greater control of principal risk. PVP settlement is possible because Foreign Exchange Transactions are bilateral agreements for the purchase and sale of Foreign Currency. A Brazilian Currency payment or a Foreign Currency Delivery will only be made to the Agents that have not defaulted in their obligations to the Clearinghouse.
- (ii) The establishment of Position Limits for Agents aiming to restrict net debit balances, in both currencies, to the actual Payment capacities of the Agents, thereby keeping them from assuming, within the scope of the Clearinghouse, commitments and risks which are beyond their capabilities.

17.1.2. Concerning the Exchange Rate

(i) Exchange Rate Variation in a Default Situation

To guarantee exchange rate variations when one or more Agents default, the Clearinghouse will use, whenever necessary, the Agent's pre-deposited Collateral. To define the size of this variation, the Clearinghouse will employ a combination of objective and subjective factors. The objective factors will be obtained through equations applied to an exchange rate

variation database verified in past periods. The subjective factors will be obtained through information from the foreign exchange market and other domestic and international financial markets, with reflections on the exchange rate formation. For the establishment of the Exchange Rate Variation Index that will provide the Clearinghouse and its Participants with the greatest security, the B3 Central Counterparty Risk Internal Committee will if necessary examine the results of statistical studies along with day-to-day market information. The index is published in the B3 systems.

(ii) Exchange Rates Contracted Out of Market Parameters

The proposed Foreign Exchange Transactions whose rates are not within the parameters defined by the Clearinghouse will only be accepted after Collateral is Pledged, as determined by its Systems. The Systems will include parameters and algorithms to identify and calculate, if necessary, the amount of equalization to be deposited by the Agent that is exposed to risk in those transactions.

(iii) Losses in Foreign Exchange Transactions for Same Date Settlement

For each proposed Foreign Exchange Transaction registered by Agents with an opposite sign to the existing balance (buyer or seller), for the same Settlement Date, the Clearinghouse Systems, before Acceptance, will simulate the resulting balance in both currencies through the calculation of the average exchange rate of that balance and its marking to market, as described in The Clearinghouse Risk Management Manual. Therefore, any negative results from transactions will be covered by Collateral.

17.1.3. Concerning Clearinghouse Liquidity in the Event of Operational Problems and Defaults

The Clearinghouse counts, contractually, on buy and sell liquidity assistance facilities in Foreign Currency from the Correspondent Banks. These liquidity facilities provide the Clearinghouse at any time with enough liquidity to face, if necessary, an operational problem or the default of Agents. The agreements the Clearinghouse has entered into with the Correspondent Banks specify the amounts and conditions for the use of those facilities.

Operationally, a Payment failure by an Agent will generate an excess amount of the other currency in the Clearinghouse accounts. This excess amount will be used in the purchase or sale to the Correspondent Banks of the other currency needed to meet the obligation with the non-defaulting Agent. Taking into consideration the average turnover in the interbank foreign exchange market during the last few years, the liquidity assistance facilities will be enough for the Clearinghouse to meet its obligations, pursuant to the provisions of the regulations set forth by the Bacen for the Brazilian Payment System.

17.2. Agents' Safeguards

The purpose of these is to eliminate the Settlement risk of balances, in Brazilian Currency or Foreign Currency, constituted by buyer and selling Agents. The accepted assets are disclosed by B3 Circular Letter.

The assets delivered as Collateral to the Clearinghouse are received and placed into the Non-Linked Collateral account, which is linked to the Linked Collateral

subaccounts, to cover risks in the Settlement process, as defined in this Manual and in the Clearinghouse Risk Management Manual. All of the assets accounted for as Linked Collateral will be transferred to the Non-Linked Collateral account whenever the main obligation has been covered. These assets may be handled by the non-defaulting Agents for their obligations with the Clearinghouse.

Federal government bonds deposited as Collateral in the Clearinghouse accounts which, for any reason, cease to be included in the Bacen rediscount list, must be immediately substituted by the Agents. Yields from federal government bonds deposited by Bacen in the Clearinghouse Settlement Account must be granted to the respective Agents, as long as these are up to date with their obligations with the Clearinghouse.

Custody costs debited by providers of this service will be passed along to the proprietors of the assets pledged to the Clearinghouse as Collateral.

With regard to custody risk, the handling of federal government bonds deposited as Collateral, including for enforcement purposes, will be instructed directly by the Clearinghouse at Selic, without the participation of third parties.

Collateral values deposited in Brazilian Currency or Foreign Currency will not be remunerated in for any reason.

As well as the above mentioned Collateral, B3 created Funds, Segregated Capital and loss sharing mechanisms with the resources of the Agents and/or B3 to further strengthen the Safeguards structure of the Clearinghouse.

17.2.1. Foreign Exchange Transaction Settlement Fund

This consists of the deposit demanded by the buying and selling Agents upon their Authorization (access), to carry out their transactions through the Clearinghouse Systems and the resources deposited by B3. The Foreign Exchange Transaction Settlement Fund is mutualized and is composed of individual shares. The shares' values differ from Agent to Agent and are refundable to those that, having met all obligations with the Clearinghouse, cease to participate in the Clearinghouse.

The Agents' shares are calculated and updated whenever necessary, based on the operating limits assigned to each Agent by the Clearinghouse. B3 will publish and update the value of the shares that compose the Foreign Exchange Transaction Settlement Fund in its Circular Letters.

In accordance with the conditions established and published in B3 Circular Letters, the assets accepted to make up this Fund include all federal government bonds eligible for rediscount at the Bacen. Other assets can be accepted as well, after prior consultation with the Clearinghouse. With the exception of cash deposits, the values of the assets accepted to compose the Foreign Exchange Transaction Settlement Fund will be defined and marked to market, in accordance with the criteria defined by the Clearinghouse.

The Agents' shares in the Foreign Exchange Transaction Settlement Fund can be used to cover their possible participation in a loss sharing process, and the Agents must recompute their shares within the time frame established by Clearinghouse, pursuant to the provisions of the Rulebook.

When losses are mutualized through the Foreign Exchange Transaction Settlement Fund, the Clearinghouse becomes the creditor to the Defaulter, or to its estate, pursuant to the provisions of article 8 of Law 10.214, and shall adopt the necessary measures to recover the respective credit.

17.2.2. Coverage level of the safeguard structure

The level of coverage of the Clearinghouse Safeguard structure for credit and liquidity risks is assessed daily through stress tests. In the case of the credit stress test, the sufficiency of the Safeguards is assessed to cover the financial result of the operations to be carried out by the Clearinghouse to obtain resources not paid or delivered by the Agents in the Settlement of their Operations. In the case of the liquidity stress test, the sufficiency of the liquidity lines to provide resources to the Clearinghouse in a timely manner is assessed.

Credit stress test

The credit stress test consists of comparing:

- (a) the amount necessary to cover the worst financial loss resulting from the operations carried out (purchase and/or sale of Foreign Currency) to obtain the funds not received by the Clearinghouse, in the Settlement process, from 2 (two) Defaulting Agents simultaneously, considering market stress scenarios with a severity greater than the severity of the scenarios used in the calculation of the required Collaterals and in the valuation of the Collaterals provided, established by B3's Board of Directors; and
- (b) the amount of Safeguards available for use in Defaults management.

Under the stress scenarios indicated in item (a), the two (2) Agents whose defaults result in the greatest financial losses are selected, after using their respective Collaterals and contributions to the Foreign Exchange Settlement Fund.

The difference between the sum of the losses associated with the two (2) selected Agents and the remainder of the Safeguards, if positive, indicates the shortfall in resources to ensure full coverage of the simultaneous defaults of these Agents. The worst deficit of the Safeguards defines the amount of resources needed to ensure coverage of the credit risk of 2 (two) Agents.

If the Clearinghouse Safeguards are not being used and the test indicates insufficiency for the desired level of coverage for at least M days in an interval of the last N days, both defined by B3, on which the test was carried out, the components of the Safeguards to be adjusted to cover the largest deficit observed must be determined. The required Collateral (including additional Collateral), the operating limits assigned to the Agents, B3's contribution to the Foreign Exchange Settlement Fund, the Agents' contributions to the Foreign Exchange Settlement Fund, B3's other own resources or a

combination of these may be adjusted in this case. It is up to B3's Board of Directors, after analysis by the Risk and Financial Committee, to decide on changes to the value of the Foreign Exchange Settlement Fund and B3's own resources.

Regardless of the measures observed in the above criteria, B3 may, at its discretion, adjust the Clearinghouse Safeguards at any time if the test indicates insufficient resources for the desired level of coverage on any given day.

If, as a result of the use of the Clearinghouse Safeguards, the test indicates insufficiency for the desired level of coverage, the components of the Safeguards may be adjusted to make up for this deficit, at B3's discretion and without prejudice to measures to replenish the Foreign Exchange Settlement Fund and B3's own resources, as provided for in the Clearinghouse Rulebook. The non-implementation of Safeguards adjustments must be communicated and justified to Bacen.

A reverse credit stress test is applied daily to identify the confidence level at which the Clearinghouse Safeguards are not sufficient to cover the greatest loss arising from the simultaneous default of two (2) Agents.

Liquidity stress test

The Liquidity stress test consists of comparing:

- (a) the amount necessary to cover the greatest need for funds in Brazilian Currency and/or Foreign Currency to fulfill the Clearinghouse's obligation to pay creditor Agents in the event of failure to pay or deliver by the Agent with the largest debit balance, considering market stress scenarios with a severity greater than the severity of the scenarios used to calculate the required Collaterals, as established by B3's Board of Directors; and
- (b) the amount of funds in Brazilian Currency and/or Foreign Currency that can be obtained by the Clearinghouse through liquidity mechanisms, disregarding those contracted with entities belonging to the same prudential conglomerate, as defined by Bacen, of the defaulting Agent referred to in item (a).

Under the stress scenarios indicated in item (a), the Agent whose Payment or Delivery failure results in the greatest need for funds for the Clearinghouse is selected.

The difference between (i) the liquidity requirement associated with the selected Agent's Payment or Delivery failure and (ii) the available liquidity structure, if positive, indicates the liquidity deficit that prevents the Clearinghouse from fully meeting its obligations to creditor Agents. The worst deficit defines the amount of funds in Brazilian Currency and/or Foreign Currency needed to cover the liquidity risk associated with the Agent.

If the structure of liquidity lines is not being used and the test indicates insufficiency for the desired level of coverage for at least T days in an interval of the last U days, both defined by B3, in which the test was carried out, it

must be determined, in order to make up for the largest deficit, (i) the components of this structure to be adjusted or (ii) the substitution of assets for Brazilian Currency or Foreign Currency in the constitution Collaterals and the Foreign Exchange Settlement Fund or (iii) the additional contribution, in currencies, of Collaterals and contribution to the Foreign Exchange Settlement Fund or (iv) the reduction of operating limits assigned to Agents or (v) the contribution of additional B3's own resources or (vi) a combination of these items. Regarding the liquidity lines, any adjustment consists of increasing the limit of funds to be provided, either by contracting lines with other providers or by amending the contracts for existing lines.

It is up to B3's Board of Directors, after analysis by the Risk and Financial Committee, to decide on changes to the Foreign Exchange Settlement Fund and B3's own resources dedicated to the Clearinghouse.

Regardless of the measures observed in the above criteria, B3 may, at its discretion, adjust at any time the liquidity lines or determine the actions listed above if the test indicates insufficient resources for the desired level of coverage on any given day.

If, as a result of using the structure to deal with a Default, the test indicates a shortfall in the desired level of coverage, the items listed above may be determined to make up for this shortfall, at B3's discretion and without prejudice to the measures to replenish funds obtained via uncollateralized liquidity lines and to replenish the Foreign Exchange Settlement Fund. Non-implementation of adjustments must be communicated and justified to Bacen.

A reverse liquidity stress test is applied daily to identify the confidence level at which the structure is not sufficient to cover the liquidity need arising from the major Payment or Delivery failure of one (1) Agent.

17.3. Segregated Capital

Segregated Capital is a portion of B3's equity that was segregated upon decision of the Special General Meeting on March 27, 2001. The segregated amount is one hundred million Reals (R\$100,000,000.00). The amount deposited for the purposes of article 5 and its paragraphs of Law No. 10.214 and Bacen regulations was ten million Reals (BRL10,000,000.00).

18. RECOVERY PLAN

This section describes the special Settlement procedures that may be adopted by the Clearinghouse should the Recovery Plan be activated, pursuant to the provisions of the Clearinghouse Rulebook.

Agents will be notified of the adoption of any such procedures through B3's regular communication channels.

18.1. Postponement of Settlement Window hours

If B3 decides to postpone Settlement window hours for creditor Agents' Net Balances to be settled in Brazilian and/or Foreign Currency, the Clearinghouse will determine the new window hours, subject to STR's time restrictions.

18.2. Clearinghouse and/or STR IT infrastructures

The Clearinghouse may adopt special Settlement procedures in the event of unavailability or integrity failure of Clearinghouse and/or STR information technology infrastructure, as well as of Clearinghouse operational continuity plans, except, in STR's case, when Bacen provides an alternative system for processing Settlement during the unavailability period.

On the date the availability or integrity of B3's and/or STR's IT infrastructure is restored, the Settlement of obligations not settled during the period of suspension of Clearinghouse activities proceeds.

By denoting by T+0 the first day without Settlement due to unavailability of the IT infrastructure, the amounts that should have been settled on this and subsequent days will have their Settlement Dates delayed by N days, where N is the number of subsequent days of Clearinghouse unavailability, in order to avoid trades with originally different dates being accumulated on a single Settlement Date. When processes resume:

- Settlement originally scheduled for T+0 will occur on T+N; and
- Settlement originally scheduled for T+1 will occur on T+N+1.

19. EXTRAORDINARY HOLIDAY

This chapter describes the special Settlement procedures, pursuant to the Clearinghouse Rulebook, that may be adopted by the Clearinghouse in the event of an extraordinary holiday being declared until the previous business day.

An extraordinary holiday is a holiday established by a competent authority which has not been regularly scheduled on the national, state, municipal or local calendar, and which is not reflected in the calendar published by B3, and on which it is not possible to have (i) trading, registration and settlement of Foreign Exchange Transactions carried out at B3 and/or (ii) activities at the Clearinghouse.

B3 will notify Agents, through its usual communication channels, of the adoption of procedures in the event of an extraordinary holiday.

19.1. Foreign Exchange Transaction Contracting

The process for Foreign Exchange Transaction Contracting resumes on the first business day immediately following the end of the extraordinary holiday.

19.2. Settlement of Foreign Exchange Transactions

Upon resumption of Clearinghouse activities, the Settlement of obligations not settled during the period of the extraordinary holiday proceeds. Settlements originally scheduled but not carried out for the duration of the extraordinary holiday will be postponed for N days, counted as from the original date of Foreign Exchange Transaction Contracting, where N is the number of business days in the extraordinary holiday. However, the Settlement of transactions originally contracted with different Settlement dates will not accumulate on a single day.

20. FEES AND COSTS

Costs represent the charges incurred by the Clearinghouse as the result of a financial or operational failure committed by an Agent. Those Costs will be charged to the Agent involved and augmented by the fine defined and published in B3 Circular Letters.

Financial costs, among others, are charges that arise from the use of limits in Brazilian or Foreign Currency with Correspondent Banks by the Clearinghouse, in order to cover a lack of payment for any reason, as well as any judicial or extrajudicial payment the Clearinghouse may be obliged to make directly or indirectly in connection with an Agent's failure.

Operational costs are, among others, those that arise from the use of third-party services in the solution of an Agent's failure in meeting obligations with the Clearinghouse, as well as any judicial or extrajudicial payment the Clearinghouse may be obliged to make directly or indirectly in connection with an Agent's operational failure.

Agents must pay these Costs as soon as they are charged by the Clearinghouse. A lack of payment under these conditions may result in the suspension of the registration of new Foreign Exchange Transactions and the use of an Agent's Non-Linked Collateral in the Clearinghouse Systems, including its share in the Foreign Exchange Transaction Settlement Fund.

Fees are the values that must be paid by Agents for their use of the Clearinghouse Transaction Registration, Clearing and Settlement Systems or of the Trading Systems. Such Fees, which are calculated and paid in Brazilian Currency, are divided into basic and extra Fees.

(i) Basic Fees

Basic Fees are charged for the use of the conventional Clearinghouse processing Systems, pursuant to the provisions set forth in the Clearinghouse Rulebook, for trading, Transaction Registration, Clearing and Settlement of Foreign Exchange Transactions.

(ii) Extra Fees

Extra Fees are charged, among other things, for the extraordinary services requested by Agents, such as registration of transactions by unconventional means of communication, issuance of additional statements, or statements in a format different from the ones defined by the Clearinghouse. The Fees for extraordinary services will be published in B3 Circular Letters.

Every day the Clearinghouse will issue, through specific Messages, “Requests for Payment of Fees/Costs.” Payment instructions will be published in B3 Circular Letters. Agents that fail to pay Fees/Costs, as defined by the Clearinghouse, can be subject to the suspension of the Registration of new proposed Foreign Exchange Transactions.

The Costs of the transactions registered directly by the buying and selling Agents will be established based on a percentage of the sum of the Brazilian Currency amounts of all transactions registered in the Clearinghouse Systems by each Agent, as defined in B3 Circular Letters.

21. PENALTIES

The Clearinghouse Systems will count on mechanisms to register, automatically and/or manually, all exceptional occurrences, such as: the absence of Transaction Registration (Confirmation); exceeded Position Limits; the delay in adjusting exceeded limits; the lack of Collateral upon Transaction Registration and Settlement; the delay in funds transfers to Settle Net debit Balances; the delay and the lack of payment of Fees/Costs; errors in communications with the Clearinghouse in the Transaction Registration, Confirmation and funds transfer processes. Occurrences are registered in specific reports, which are sent to the officers responsible for transactions at the respective Participants and at the Bacen, pursuant to its instructions.

The following penalties may be applied by the Clearinghouse:

- a) A warning, which, at the Clearinghouse’s discretion, will be given for those practices that make the processing of transactions in the Clearinghouse Systems difficult, and thus generate market disturbances, such as: constant delays in Transaction Registration (Confirmation), in fund transfers to Settle Net debit Balances, and in Fee/Cost payments; exceeded limits; and lack of Collateral in Transaction Registration or Settlement;
- b) A suspension, which can be imposed on the Participant that accumulates five (5) warnings over a period of no more than thirty (30) consecutive business days; that fails to pay the Costs and Charges under the conditions defined by the Clearinghouse and/or becomes a Defaulter. The suspended Agent or Intermediary cannot register new proposed Foreign Exchange Transactions in the Clearinghouse Systems during the suspension period; and
- c) An exclusion, which can be applied to the Agent that Defaults, that does not transfer the funds due, in the conditions defined by the Clearinghouse, and that has been suspended five (5) times within a twelve (12)-month period.

The Settlement Manager will propose to the Settlement Officer that a warning be issued. The Settlement Officer will propose to the B3 Central Counterparty Risk Internal Committee that a suspension or exclusion be issued.

An appeal, which will not suspend the punitive actions, may be made to the B3 Board of Directors within ten (10) days, counting from the date the penalty is communicated. Upon the Clearinghouse or Participant’s decision, unresolved pending matters can be submitted to the B3 Arbitration Panel.

All penalties applied to an institution will be hand delivered, with the receipt confirmed in writing by the responsible officer, and also sent to the Bacen, pursuant to its instructions.

22. DATA CONFIDENTIALITY

The B3 Foreign Exchange Clearinghouse is responsible for the confidentiality of the data registered in its Systems, pursuant to legislation currently in force applicable to bank secrecy, as well as the regulations of the Bacen.

The Clearinghouse, however, can disclose or order the disclosure, by any means available, of information considered important for the financial market and the economy as a whole, with the exception of the information that through its identification may cause damages to Participants or their customers.