

July 28, 2022  
092/2022-PRE

## CIRCULAR LETTER

Listed B3 Participants

Re.: **Rules on Exemption from Exchange and Other Fees for Market Makers in Equity ETFs**

New rules governing exemption from exchange and other fees for market makers in equity ETFs will come into effect on **July 1, 2022** inclusive. The fee policy attached to this Circular Letter sets out all the rules, which apply to both regular trading in ETF shares and hedging transactions.

It is important to note that already accredited market makers must also follow the new rules.

The fee policy published as the Annex to this Circular Letter will be valid until **August 31, 2023**.

Further clarification can be obtained from the Chief Product and Client Officer's team by calling +55 11 2565-4616/4042.

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Chief Executive Officer

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Chief Product and Client Officer

## **Annex I to CIRCULAR LETTER 092/2022-PRE**

### **Fee Policy for Market Makers in Equity ETFs**

#### **1. Conditions for market maker eligibility**

This fee policy applies to market makers in ETFs referenced to equity indices with theoretical portfolios that comprise stock traded on B3 (market makers).

#### **2. Fees applicable to market makers in ETFs**

Market makers are exempt from payment of exchange and settlement fees on all purchases and sales of shares in ETFs for which they act as market makers (ETF shares).

#### **3. Exemption from fees on hedge trades**

Market makers are also exempt from payment of exchange and other fees on all transactions on secondary market performed for hedging purposes involving assets traded on B3 and includes in the theoretical portfolio for the index tracked by the ETF in question (hedge fee exemption).

The hedge fee exemption is processed in accordance with the market maker categories defined in items 3.1 and 3.2 below.

### **3.1 First group of ETF market makers with hedge fee exemption**

In order to be eligible for hedge fee exemption in accordance with the criteria and limits established in this item, market makers must be accredited for ETFs (i) with an average daily trading volume (ADTV) of less than BRL 80 million in the twelve months before this policy comes into effect or accreditation, whichever occurs later; or (ii) admitted to trading less than twelve months from the date of publication of this policy or from accreditation, whichever occurs later.

The provisions of this item (3.1) will remain applicable to market makers for as long as this policy is in force even if the ETFs for which they are accredited cease to comply with the criteria stipulated in the previous paragraph.

#### **3.1.1 Limits to hedge fee exemption**

The following limits apply to hedge fee exemption for this group of market makers:

- i.** The financial volume of purchases and sales of assets performed for hedging purposes on any single day in the account designated for the market maker's activity in accordance with item 4 of this Annex must not exceed the financial volume of the purchases and sales of shares in the ETF for which the market maker is accredited, performed on the respective opposite side on the same day;
- ii.** The financial volume of purchases and sales performed for hedging purposes with each asset in the theoretical portfolio of the index tracked by the ETF for which the market maker is accredited must not exceed thirty per cent (30%) of the financial volume of the purchases

and sales of shares in this ETF, performed on the respective opposite side on the same day.

Only trades to which the market maker is a party are considered for the purposes of calculating financial volume.

If a market maker exceeds the limits defined in item (i) or (ii) on one or more days; the exchange and other fees established in the fee policy in force for cash equities are due on the daily excess volume. In this case, the market maker is required to pay the maximum exchange and other fees regardless of any incentives established by B3, such as progressive price reductions in accordance with volume, or any similar policies introduced by B3. If both limits in items (i) and (ii) are exceeded on any day, the exchange and other fees are due only on the higher daily excess volume.

For the purposes of hedge fee exemption, buy or sell transactions in assets will be considered both standard lots and odd lots market. The limits established will encompass total trading volume in the standard lots and odd lots market.

Market makers with daily excess volumes accumulated during the month must pay in the full exchange and other fees due on the excess by the last business day of the subsequent month.

### **3.2 Second group of ETF market makers with hedge fee exemption**

In order to be eligible for hedge fee exemption in accordance with the criteria and limits established in this item, market makers must be accredited for ETFs with an ADTV equal to or greater than BRL 80 million in the twelve months before this policy comes into effect or before accreditation, whichever occurs later.

### 3.2.1 Limits to hedge fee exemption

The following limits apply to hedge fee exemption for this group of market makers:

- i. The financial volume of purchases and sales of assets performed for hedging purposes on any single day in the account designated for the market maker's activity in accordance with item 4 of this Annex must not exceed the financial volume of the purchases and sales of shares in the ETF for which the market maker is accredited, performed on the respective opposite side on the same day;
- ii. The financial volume of purchases and sales performed for hedging purposes with each asset in the theoretical portfolio of the index tracked by the ETF for which the market maker is accredited must not exceed thirty per cent (30%) of the financial volume of the purchases and sales of shares in this ETF, performed on the respective opposite side on the same day;
- iii. The financial volume of purchases and sales of assets performed for hedging purposes in any month must not exceed thirty-five per cent (35%) of the total financial volume of ETF shares traded in the same month.

It is important to note that only trades for which the market maker's account is designated when the respective orders are registered in the trading environment in accordance with item 4 of this Annex will be considered for the purposes of

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calculating the financial volume of purchases and sales of ETF shares, as per items (i) and (ii).

If a market maker exceeds the limits defined in items (i), (ii) or (iii) on one or more days, the exchange and other fees established in the fee policy in force for cash equities will be due on the daily excess volume. In this case, the market maker will be required to pay the maximum exchange and other fees regardless of any incentives established by B3, such as progressive price reductions in accordance with volume, or any similar policies introduced by B3. If two or more limits are exceeded on any day, the exchange and other fees are due only on the highest daily excess volume.

For the purposes of hedge fee exemption, buy or sell transactions in assets will be considered both standard lots and odd lots market. The limits established will encompass total trading volume in the standard lots and odd lots market.

Market makers with daily excess volume accumulated during the month must pay in full the exchange and the other fees due on the excess by the last business day of the subsequent month.

#### **4. Account for hedge fee exemption**

For the purposes of exemption from fees on the hedge trades, market makers must designate one specific account for each ETF for which they are accredited, regardless of the number of accounts they have for the exercise of their activity.

B3 may at its sole discretion allow a market maker to designate more than one account for each ETF for the purposes of hedge fee exemption, provided this is properly justified.

## 5. General provisions

Market makers are entitled to the exemptions described in items 2 and 3 of this Annex until **August 31, 2023**. Any market maker whose accreditation is cancelled before this date will cease to be entitled to the exemptions described in this policy as the cancellation date.

In determining eligibility for the benefits described in this policy, the calculation of ADTV mentioned in items 3.1 and 3.2 will consider the end of the twelve-month period to be the last business day of the month prior to the month in which this policy comes into effect or in which the market maker is accredited, whichever occurs later.

In applying this fee policy, B3 will analyze individually any proposed splits, reverse splits or other actions that alter the base-quantity of ETF shares, or otherwise affect the assessment of eligibility conditions and hedge fee exemption criteria described in this Annex.

This fee policy does not apply to market makers for other securities admitted to trading on the markets operated by B3.

Should B3 detect use of the benefit of hedge fee exemption to a different end than that required by this policy, B3 may suspend the exemption of the market maker in question at any time, albeit with advance notice.

All cases not covered expressly by this policy will be resolved by B3.