December 19, 2018

050/2018-VOP

C I R C U L A R L E T T E R

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

Re: **Public Consultation on Change to Rule for Registration of Cross Orders in Exchange Environment**.

B3 S.A. – Brasil, Bolsa, Balcão (B3) hereby presents for public consultation, including appreciation and comments by its participants and other stakeholders (public consultation), a proposal to change the rule now in effect for the registration of cross orders in exchange markets in order to unify the rules for the BM&F and Bovespa segments in the PUMA Trading System and regulate a new type of order called retail liquidity provider (RLP).

This public consultation therefore comprises the following items: (1) the context and rationale for the proposed change; (2) the new rule on cross orders; (3) the proposal to regulate own portfolio trading by intermediaries acting as counterparties to the flow of aggressing orders from retail customers; (4) conclusion and proposal; and (5) comments.

1.   Context

In accordance with B3's Trading Rulebook, a cross order is an order to buy a given asset or derivative matched with an order to sell the same asset or derivative registered simultaneously at the same price by the same full trading participant or trading participant in the trading environment, representing both the buyer and seller.

This type of order will be accepted by the trading system only if it complies with the conditions established in B3's Trading Procedures Manual, as detailed below for each segment.

BM&F segment

The rules in effect for the BM&F segment permit registration of cross orders under the following conditions:

(i)   If the difference between the best bid and the best ask corresponds to the tick size, a cross order is allowed if the price is equal to the best bid or equal to the best ask;

(ii)   If the difference between the best bid and the best ask exceeds the tick size, a cross order is allowed only if the price falls somewhere between the best bid and the best ask (and therefore is not registered at the best bid or at the best ask);

(iii) Prices of cross orders must comply with the auction tunnel, rejection tunnel and fluctuation limits.

Bovespa segment

The rules in effect for the Bovespa segment permit registration of a cross order provided that:

(i)   the price is equal to or higher than the best bid and equal to or lower than the best ask registered in the order book for the asset or derivative concerned;

(ii)   the price of the cross order complies with the auction tunnel, rejection tunnel and fluctuation limits.

Rule updates

The above rules governing the registration of cross orders are old and entail asymmetrical treatment for the BM&F and Bovespa segments.

Moreover, the significant development of electronic trading in recent years includes increased use of high-frequency trading (HFT) algorithms and execution

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algorithms such as VWAP (volume-weighted average price) and TWAP (time-weighted average price), as well as growing participation by market makers in several products and use of more sophisticated order management systems (OMS) by participants.

B3 therefore proposes unification of the rules on cross orders in the BM&F and Bovespa segments, as explained below.

Furthermore, given the developments mentioned earlier, and in light of the rules in effect in international markets and recent interaction with intermediaries, BM&FBOVESPA Supervisão de Mercados (BSM) and the Securities & Exchange Commission of Brazil (CVM), B3 wishes to stimulate a broader discussion of the rules on cross orders and on own portfolio trading by intermediaries acting as counterparties to the flow of aggressing orders from retail customers, with the aim of promoting liquidity in the markets and assuring the proper functioning of the price formation process.

2. Rationale for the proposed new rule on cross orders

Underlying the proposal for a new rule on cross orders is the principle of prioritizing trades in the order book of the entity that operates the organized exchange market.

The order book is a trading environment with the following characteristics:

(i)   It can be accessed by any investor, provided the investor is registered and authorized by a participant linked to the entity that operates the exchange market;

(ii)   It admits different types of order, such as limit orders, market-to-limit orders, stop orders and iceberg orders, among others, in accordance with definitions published by the entity that operates the exchange market;

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(iii)   It offers pre-trade and post-trade transparency, as the market is immediately and automatically informed of all orders sent to the order book and all trades via the market data feed provided by the entity that operates the exchange market;

(iv)   It ranks the orders received according to best price and time stamp (price-time priority) regardless of the type of investor and/or intermediary;

(v)   It promotes multilateral trading, in which all investors can trade with each other in accordance with price-time priority;

(vi)   It admits the matching of orders over time (whenever a bid is compatible with an ask) and by auction (using an algorithm to determine the price that maximizes the volume of compatible orders in the order book and matches orders at that price);

(vii)   It has mechanisms for managing operational risks (order rejection tunnels, auction tunnels, daily fluctuation limits etc.), technological risks (e.g. throttling to limit the number of messages per second in a trading session, cancel-on-disconnect to cancel orders automatically if a trading session is disconnected, market protection to cancel pending orders and suspend the registration of new orders if parameters based on the trades executed by a given account are reached) and credit risks (pre-trade risk system).

Despite this premise, the trading and liquidity conditions represented by the order book may not totally meet investors' needs in certain situations, and in these cases order matching outside the central book with registration of cross orders at a later stage is justified.

The following exceptional cases justifying cross orders at the best bid or ask would therefore be provided for in the new rule:

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(i) Orders with a size disproportional to the liquidity of the asset or contract at the top price level of the order book, according to parameters to be issued by B3 from time to time;

(ii) Orders with a size disproportional to the liquidity of the asset or contract at the top price level of the order book for execution at the average price for the day, generated by TWAP (time-weighted average price) or VWAP (volume-weighted average price) algorithms, according to parameters to be issued by B3 from time to time;

(iii) Orders relating to structured transactions that involve several contracts and/or assets and coordinated execution to assure the quantities and prices agreed by the parties;

(iv) Orders designed to correct operational errors by a participant.

3. Own portfolio trading by brokers acting as counterparties to the flow of aggressing orders from retail customers

Aside from the four exceptional cases listed above, B3 believes it is pertinent to call for a discussion on systematizing the process of own portfolio trading by intermediaries acting as counterparties to the flow of aggressing orders from retail customers.

The flow of aggressing orders from retail customers has significant value. Aggressing buy orders trade at the best ask, while aggressing sell orders trade at the best bid. If a party or counterparty acts against both orders, executing a day trade, the result will be equal to the quantity traded multiplied by the contract size and the bid-ask spread.

In several of the world's markets there are rules that allow intermediaries to trade systematically as counterparties to the flow of orders from retail customers in order to supply liquidity for this flow. The intermediary is the main player responsible for originating the retail customer order flow. It is to be expected that

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the greater the intermediary's capacity to supply liquidity for this flow, the more incentive it will have to promote and develop the customer base and market liquidity.

To stimulate the discussion of regulatory alternatives in the context of a review of cross order rules, B3 has designed a new type of order within the BM&FBOVESPA PUMA Trading System with the following aims:

(i)   To enable intermediaries to supply liquidity for part of the flow of aggressing orders from retail customers;

(ii)   To assure compliance with best execution principles;

(iii)   To preserve the adequate functioning of the price formation process.

The new type of order would be called Retail Liquidity Provider (RLP) and would have the following characteristics:

(i)   RLPs would be a new type of order within the BM&FBOVESPA PUMA Trading System;

(ii)   Only intermediaries who meet the requirements established by B3 (transparency with customers, opt-in and opt-out mechanisms etc.) would be able to use RLPs. B3 is particularly interested in receiving responses to this public consultation that include suggestions regarding transparency criteria such as (i) the number of orders improved, (ii) the number of contracts improved, (iii) the number of customers who receive benefits of any kind, and (iv) the average economic benefit per customer;

(iii)   RLPs could be aggressed only by orders from customers of the same intermediary who were flagged as retail customers;

(iv)   RLPs would be market-pegged orders (the intermediary would indicate the buy and/or sell quantity and the order price would be automatically adjusted by PUMA to the best bid or best ask);

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(v)   If the spread between the best ask and the best bid were two or more tick sizes, the RLP price would improve by one tick size or more at the intermediary's discretion (as is the case under the existing rule for cross orders in the BM&F segment);

(vi) Considering the top price level of the order book at a given time and the arrival of an aggressing RLP from an intermediary's customer:

   a)   The RLP would be ranked ahead of all orders from all other intermediaries (by price-broker-time priority instead of price-time priority). In this case the aggressing order would be forwarded to the RLP book. Any remainder left after execution in the RLP book would be sent to the central order book;

   b)   The RLP would not be ranked ahead of orders from customers of the same intermediary that matched the aggressing order (no preemption for customers of an intermediary). Thus if an order from another customer of the same intermediary was aggressed on the opposite side of the book, the aggressing order would be routed to the order book and would be matched with existing orders from all brokerage houses up to the last order from the same intermediary's customer (inclusive). Any remainder after execution in the RLP book would be sent to the central order book;

(vii) The aggregate volume of RLPs in the market would not be allowed to exceed Y% of the total volume of the instrument (e.g. 15%).[1] Calculation of "total volume of the instrument" and "aggregate volume of RLPs" would

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[1] The 15% suggestion is based on:
   - The international study "Dark pools, internalization and equity market quality" (CFA Institute, 2012); and
   - The cross order volumes currently executed for Mini US Dollar Futures (WDO) and Mini Ibovespa Futures (WIN), with the positive externalities mentioned below.

exclude contracts traded by participants on their own account via RLPs and include contracts traded by customers of participants via RLPs. Given the above rule and considering that RLPs would only be for retail customers, each brokerage house would be able to submit at most Y/X of its retail volume as RLPs, where X is the market share of retail customers in the instrument considering the market as a whole. Percentage Y could be changed by B3 depending on market conditions, with participants being notified in advance. Percentage X would be updated every month and calculated as the daily average market share of retail customers in the previous month. Thus the average computed for month t would be the parameter to be observed as the limit for month t+1. The purpose of this limit would be to assure that a significant proportion of the retail flow originated by brokerage houses interacted with other investors, contributing to an increase in liquidity and a reduction in spreads;

(viii) Because no orders in the overall market would be able to aggress them, RLPs would not have pre-trade transparency but would be disclosed via the market data feed immediately after the close of trading;

(ix) Through the BM&FBOVESPA PUMA Trading System, intermediaries A_1, A_2, ..., A_n could allow intermediary B to act as counterparty for the purpose of "consolidating" the respective flows of aggressing retail orders in compliance with all other conditions. Brokerage houses A_1, A_2, ..., A_n could stipulate a fee to be paid by intermediary B;

(x) Through the BM&FBOVESPA PUMA Trading System, an intermediary could allow a customer to act as counterparty to its flow of aggressing retail orders in compliance with all other conditions. The intermediary could stipulate a fee to be paid by the customer;

(xi) Initially, RLPs would be used only for Mini US Dollar Futures (WDO) and Mini Ibovespa Futures (WIN). In future, B3 would review the list of

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authorized products based on its assessment of the results of the new functionality.

The Annex presents detailed examples of the workings of RLP orders.

Based on an analysis of international experience and the characteristics of the Brazilian market, B3 has identified potential positive and negative externalities for the market that would result from introducing the RLP as a new type of order.

Positive externalities

(i) **Possibility of price improvement by aggressing orders from customers**

Price improvement for the customer could occur in two ways: first, if the liquidity offered by the intermediary exceeded the liquidity available at the top price level of the order book at any time. In this case, the entire lot would be traded at a single price, whereas execution against the order book would be at a worse average price for the customer as the trade would take place at more than one price level.

Price improvement would also occur if the bid-ask spread were equal to or greater than two tick sizes, since this improvement would be mandatory, as is the case under the existing rule for cross orders in the BM&F segment.

(ii) **Potentially higher risk limits**

Intermediaries would tend to trade with higher risk limits than those used by market makers who trade against the book, as they would trade solely against the flow of retail orders and would enjoy the certainty of being at the "top of the book", i.e. of being able to trade as a counterparty to the flow of aggressing orders regardless of the chronological sequence of the orders at the top price level.

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As for market makers who trade against the book, the flow of aggressing orders from retail customers would not always be symmetrical and simultaneous, so that intermediaries might be obliged to take net short or net long positions. For this reason, the algorithm used by intermediaries would have to set a risk limit for long and short positions. After this limit was reached, the algorithm would accept only orders that reduced the open position, and other orders would be rerouted to the book. An intermediary's capacity to offer customers liquidity and improve the average traded price would therefore be a function of the risk limit utilized. The higher the limit, the smaller the "dent" in the book caused by large orders or spates of small orders.

(iii) Strong incentives to develop customer base and liquidity

The intermediary is the main player responsible for originating the retail customer order flow. It is to be expected that the greater the intermediary's gain from this flow, the more business incentives it will have to promote and develop the flow, contributing to development of the customer base and market liquidity.

(iv) Possibility of reducing brokerage fees to the benefit of customers

The new rule would tend to enable intermediaries to substitute revenue from spreads for brokerage fees, benefiting the customer.

Negative externalities

(i) Free riding and preemption of offers on order book

The orders that are on the order book (resting orders) are exposed to risk, disclose information to the market and form prices, constituting the basis for market liquidity and the price formation process. In principle, given the essential function of such orders, the market rules should valorize and prioritize them, and any exceptions should be carefully assessed and

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justified (e.g. registration of cross orders for large block trades, structured transactions involving several parties etc). In many situations, however, resting orders would be preempted by RLPs. Free riding would occur because trading by intermediaries would depend on the information generated by the order book but would not respect its chronology. If the volume of trading by intermediaries were large enough, the probability of resting orders being matched could diminish significantly. This would discourage the placement of such orders, reducing liquidity and increasing spreads, to the detriment of the entire market.

The table below sums up the pros and cons of RLPs in B3's considered opinion.

Pros	Cons
Price improvement by aggressing orders (via increase in liquidity and wider spreads)	Free riding and preemption of orders already on order book, possibly affecting prices and liquidity
Potentially higher risk limits thanks to trading solely against retail flow and certainty of being "at the top of the book"	–
Strong financial incentives for intermediaries to develop customer base and market liquidity	–
Reduction in brokerage fees paid by customers	–

In light of its analysis of the pros and cons, B3 has reached the conclusion that introducing RLPs will be beneficial for customers and the market in general provided their use is subject to a cap designed to limit and mitigate the risk to the price formation process.

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4. Proposal

In this context the proposed rule on cross orders and the role to be played by intermediaries as counterparties to the flow of aggressing orders from retail customers would work as detailed below.

(i) Registration of cross orders would be allowed if they were priced at the best bid and lower than the best ask, i.e. between the bid and ask, respecting the tick size for each asset or contract:

(ii) Exclusively in the following cases, cross orders would be registered at the best bid or the best ask:

a) Orders with a size disproportional to the liquidity of the asset or contract at the top price level of the order book, according to parameters to be issued by B3 from time to time;

b) Orders with a size disproportional to the liquidity of the asset or contract at the top price level of the order book for execution at the average price for the day, generated by TWAP (time-weighted average price) or VWAP (volume-weighted average price) algorithms, according to parameters to be issued by B3 from time to time;

c) Orders relating to structured transactions that involve several contracts and/or assets and coordinated execution, to assure the quantities and prices agreed by the parties;

d) Orders designed to correct operational errors by a participant.

(iii) In all other situations, registration of cross orders would not be allowed.

(iv) The BM&FBOVESPA PUMA Trading System would process RLP orders in accordance with item 3 of this Circular Letter, subject to a maximum usage limit to be announced by B3.

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5. Comments

This public consultation will end on February 2, 2019. Comments and suggestions must be emailed to controledeoperações@b3.com.br and should preferably be accompanied by arguments, justifications and drafting proposals, if applicable.

B3 will analyze the comments and suggestions received during the public consultation, and will produce a report summarizing these submissions, the adjustments required to its normative documents, and the reasons for not accepting submissions, if any (public consultation report). Suggestions and comments that do not relate to the proposal will not be considered.

The public consultation report will be published at www.b3.com.br/en_us/, Regulation, Public Consultation.

We would like to take this opportunity to inform you that on December 19, 2018, B3 published Circular Letter 090/2018-PRE on the new fee policies for products referenced to the U.S. Dollar and Bovespa Index.

Further information can be obtained from the Electronic Trading Department by email at controledeoperacoes@b3.com.br or by telephone on +55 11 2565-5000, option 2.

Cícero Augusto Vieira Neto   José Ribeiro de Andrade
Chief Operating Officer   Chief Product and Client Officer

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Annex to Circular Letter 050/2018-VOP

Retail Liquidity Provider (RLP) Functionality Scenarios

General considerations on scenarios 1-7:

- The order book spread is closed and tick size for the instrument is equivalent to five (5) points.
- Pegged prices of hidden buy and sell orders (RLPs) are 74,995 and 75,000 respectively.
- Given that a customer of brokerage house A is submitting a retail order, the hidden order (RLP) from brokerage house B is inactive and therefore cannot be executed.

Scenario 1: closed spread without order from brokerage house's customer on order book

- A retail customer of brokerage house A sends the trading platform a bid for 10 at a limit price of 75,000.
- A hidden ask (RLP) from brokerage house A is active and can be aggressed by retail bids from the same brokerage house since there are no visible asks from customers of brokerage house A at the top price level of the order book.

	BID			ASK		
	Broker	**Qty**	**Price**	**Price**	**Qty**	**Broker**
Hidden	**RLP A**	**1000**	**Pegged**	**Pegged**	**1000**	**RLP A**
	RLP B	1000	Pegged	–	–	–
Visible	C	5	74,995	75,000	20	D
	D	10	74,990	75,005	10	F
	E	5	74,985	75,010	5	G

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- A bid from a retail customer of brokerage house A for 10@75,000 aggresses a hidden ask (RLP) from brokerage house A.
- The trade is published in the market data feed.

Trade			
Buy broker	Sell broker	Qty	Price
A	RLP A	10	75,000

- Resulting book: balance of 990 quantities in the RLP from brokerage house A.

BID			ASK		
Buy broker	Qty	Price	Price	Qty	Sell broker
RLP A	1000	Pegged	Pegged	990	RLP A
RLP B	1000	Pegged	–	–	–
C	5	74,995	75,000	20	D
D	10	74,990	75,005	10	F
E	5	74,985	75,010	5	G

Scenario 2: closed spread with order from brokerage house's customer at top price level of order book

- A retail customer of brokerage house A sends the trading platform a bid for 10 at a limit price of 75,000.
- A hidden ask (RLP) from brokerage house A is inactive and cannot be aggressed by retail bids from the same brokerage house since there is a visible ask from a customer of brokerage house A at the top price level of the order book and this ask matches the total quantity of the RLP.

BID			ASK		
Buy broker	Qty	Price	Price	Qty	Sell broker
RLP A	1000	Pegged	Pegged	1000	RLP A

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RLP B	1000	Pegged	–	–	–
C	5	74,995	75,000	10	A
D	10	74,990	75,005	10	F
E	5	74,985	75,010	5	G

- A bid from a retail customer of brokerage house A for 10@75,000 aggresses a visible ask from a customer of brokerage house A at the top price level of the order book.
- The trade is published in the market data feed.

Trade			
Buy broker	Sell broker	Qty	Price
A	A	10	75,000

- Resulting book: hidden ask (RLP) from brokerage house A is altered to active since there are no longer any visible asks from customers of brokerage A at the top price level of the order book.

BID			ASK		
Buy broker	Qty	Price	Price	Qty	Sell broker
RLP A	1000	Pegged	Pegged	1000	RLP A
RLP B	1000	Pegged	–	–	–
C	5	74,995	75,005	10	F
D	10	74,990	75,010	5	G
E	5	74,985			

Scenario 3: closed spread with order from brokerage house's customer at top price level of order book (alternative scenario)

- A retail customer of brokerage house A sends the trading platform a bid for 10 at a limit price of 75,000.

- A hidden ask (RLP) from brokerage house A is inactive and cannot be aggressed by retail bids from the same brokerage house since there is a visible ask from a customer of brokerage house A at the top price level of the order book, and the total quantity of visible orders at the top price level of the order book matches the quantity of the RLP.

BID			ASK		
Buy broker	Qty	Price	Price	Qty	Sell broker
RLP A	1000	Pegged	Pegged	1000	RLP A
RLP B	1000	Pegged	–	–	–
C	5	74,995	75,000	5	F
D	10	74,990	75,000	5	A
E	5	74,985	75,010	5	G

- A bid from a retail customer of brokerage house A for 10@75,000 aggresses an ask from a customer of brokerage house F and then aggresses an ask from a customer of brokerage house A at the second price level of the order book.
- The trade is published in the market data feed.

Trades			
Buy broker	Sell broker	Qty	Price
A	F	5	75,000
A	A	5	75,000

- Resulting book:

BID			ASK		
Buy broker	Qty	Price	Price	Qty	Sell broker
RLP A	1000	Pegged	Pegged	1000	RLP A
RLP B	1000	Pegged	–	–	–

C	5	74,995	75,010	5	G
D	10	74,990			
E	5	74,985			

Scenario 4: closed spread with order from brokerage house's customer at top price level of order book and RLP for higher quantity than quantity available at top price level

A retail customer of brokerage house A sends the trading platform a bid for 15 at a limit price of 75,000.

	BID			ASK		
	Buy broker	**Qty**	**Price**	**Price**	**Qty**	**Sell broker**
Hidden	**RLP A**	**1000**	**Pegged**	**Pegged**	**1000**	**RLP A**
	RLP B	1000	Pegged	–	–	–
Visible	C	5	74,995	75,000	10	A
	D	10	74,990	75,005	10	F
	E	5	74,985	75,010	5	G

- A bid from a retail customer of brokerage house A for 15@75,000 aggresses a hidden order (RLP) from brokerage house A.
- The trades are published in the market data feed.

Trades			
Buy broker	**Sell broker**	**Qty**	**Price**
A	A	10	75,000
A	RLP	5	75,000

- Resulting book: balance of 995 quantities in the hidden order (RLP) from brokerage house A.

BID	ASK

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Buy broker	Qty	Price	Price	Qty	Sell broker
RLP A	1000	Pegged	Pegged	985	RLP A
RLP B	1000	Pegged	–	–	–
C	5	74,995	75,000	10	F
D	10	74,990	75,010	5	G
E	5	74,985			

Scenario 5: closed spread without orders from brokerage house customers in order book – order from retail customer matched partially by hidden order (RLP) and balance matched by visible order

- A retail customer of brokerage house A sends the trading platform a bid for 15 at a limit price of 75,000.

- A hidden ask (RLP) from brokerage house A is active and can be aggressed by retail bids from the same brokerage house since there are no visible asks from customers of brokerage house A at the top price level of the order book.

BID			ASK		
Buy broker	Qty	Price	Price	Qty	Sell broker
RLP A	1000	Pegged	Pegged	10	RLP A
RLP B	1000	Pegged	–	–	–
C	5	74,995	75,000	5	D
D	10	74,990	75,005	10	F
E	5	74,985	75,010	5	G

- A bid from a retail customer of brokerage house A for 15@75,000 aggresses a hidden order (RLP) from brokerage house A and the balance of 5 quantities is routed for matching with visible orders.

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- The balance is matched with a visible ask brokerage house D available at the top price level of the order book.

- The trades are published in the market data feed.

Trades			
Buy broker	**Sell broker**	**Qty**	**Price**
A	RLP A	10	75,000
A	D	5	75,000

- Resulting book: no hidden asks (RLPs).

BID			ASK		
Buy broker	**Qty**	**Price**	**Price**	**Qty**	**Sell broker**
RLP A	**1000**	**Pegged**	–	–	–
RLP B	1000	Pegged	–	–	–
C	5	74,995	75,005	10	F
D	10	74,990	75,010	5	G
E	5	74,985			

Scenario 6: closed spread without orders from brokerage house customers in order book – order from retail customer matched partially and balance routed to order book

- A retail customer of brokerage house A sends the trading platform a bid for 20 at a limit price of 75,000.

- A hidden ask (RLP) from brokerage house A is active and can be aggressed by retail orders from the same brokerage house since there are no visible asks from customers of brokerage house A at the top price level of the order book.

BID	ASK

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Buy broker	Qty	Price	Price	Qty	Sell broker
RLP A	1000	Pegged	Pegged	10	RLP A
RLP B	1000	Pegged	–	–	–
C	5	74,995	75,000	5	D
D	10	74,990	75,005	10	F
E	5	74,985	75,010	5	G

- A bid from a retail customer of brokerage house A for 20@75,000 aggresses a hidden order (RLP) from brokerage house A.
- The balance of the retail order, 10 quantities, is matched partially by a visible ask from brokerage house D available at the top price level of the order book.
- The trades are published in the market data feed.

Trades			
Buy broker	Sell broker	Qty	Price
A	RLP A	10	75,000
A	D	5	75,000

- Resulting book: balance of ask from customer of brokerage house A goes to the order book, causing "inactivation" of hidden order (RLP) from brokerage house A.

BID			ASK		
Buy broker	Qty	Price	Price	Qty	Sell broker
RPL A	1000	Pegged	–	–	–
RLP B	1000	Pegged	–	–	–
A	5	75,000	75,005	10	F
C	5	74,995	75,010	5	G
D	10	74,990			
E	5	74,985			

Scenario 7: open spread with order from brokerage house customer in order book

- The order book spread is open and tick size for the instrument is equivalent to five (5) points.

- The pegged price of the hidden bid (RLP) is 75,005 (best visible bid plus 1 tick). The pegged price of the hidden ask (RLP) is also 75,005 (best visible ask minus 1 tick).

- A retail customer of brokerage house B sends the trading platform a bid for 10 at a limit price of 75,010.

- A hidden ask (RLP) from brokerage house B is active and can be aggressed by retail orders from the same brokerage house in light of the open spread, meaning these orders always lead to price improvement for retail investors.

- Given that a customer of brokerage house B is submitting a retail order, the hidden order (RLP) from brokerage house A is considered inactive.

BID			ASK		
Buy broker	Qty	Price	Price	Qty	Sell broker
RLP A	1000	Pegged	Pegged	1000	RLP A
RLP B	1000	Pegged	Pegged	1000	RLP B
C	5	75,000	75,010	10	B
D	10	74,995	75,015	10	F
E	5	74,990	75,020	5	G

- A bid from a retail customer of brokerage house B for 10@75,010 aggresses a hidden order (RLP) from brokerage house B, with a hidden order (RLP) from another brokerage house and a visible order from a customer of brokerage house B at the top price level of the order book.

- The trade is published in the market data feed.

This free translation is not legally binding. Any questions arising from the text should be clarified by consulting the original in Portuguese. In the event of any discrepancy, the original in Portuguese shall prevail.

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Trade			
Buy broker	**Sell broker**	**Qty**	**Price**
B	RLP B	10	75,005

- Resulting book

BID			ASK		
Buy broker	**Qty**	**Price**	**Price**	**Qty**	**Sell broker**
RLP A	1000	Pegged	Pegged	1000	RLP A
RLP B	**1000**	**Pegged**	**Pegged**	**990**	**RLP B**
C	**5**	**75,000**	**75,010**	**10**	**B**
D	**10**	**74,995**	**75,015**	**10**	**F**
E	**5**	**74,990**	**75,020**	**5**	**G**