



October 22, 2020

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## CIRCULAR LETTER

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

Re: **Accreditation Process for Market Maker Program in Options on Single Stocks, Units and ETFs – December Tranche**

Up to five market makers will be accredited under this program for options on each of the following stocks:

Ambev S.A. (ABEV3)	Klabin S.A. (KLBN11)
B3 S.A. – Brasil, Bolsa, Balcão (B3SA3)	Lojas Renner S.A. (LREN3)
BRF S.A. (BRFS3)	MRV Engenharia e Participações S.A. (MRVE3)
BR Malls Participações S.A. (BRML3)	Natura Cosméticos S.A. (NTCO3)
CCR S.A. (CCRO3)	Qualicorp S.A. (QUAL3)
Cielo S.A. (CIEL3)	Localiza Rent a Car S.A. (RENT3)
Cemig (CMIG4)	Banco Santander Brasil S.A. (SANB11)
Copel (CPLE6)	Sabesp (SBSP3)
Cosan S.A. (CSAN3)	Smiles Fidelidade S.A. (SMLS3)
Cotas do ETF IT NOW Ibovespa (BOVV11)	TIM S.A. (TIMS3)
Ecorodovias S.A. (ECOR3)	Ultrapar Participações S.A. (UGPA3)
Eletrobras (ELET3)	Usiminas S.A. (USIM5)
EDP – Energias do Brasil S.A. (ENBR3)	Telefônica Brasil S.A. (VIVT4)
Itaú Unibanco Holding S.A. (ITUB4)	Weg S.A. (WEGE3)
JBS S.A. (JBSS3)	



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### **Selection procedure**

Institutions that wish to take part in the program must request accreditation by emailing the Expression of Interest form, completed with their name and other details, and specifying the securities for which they wish to act as market makers, to [formadordemercadob3@b3.com.br](mailto:formadordemercadob3@b3.com.br) by the deadline shown below.

The Expression of Interest form is available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market maker, Join in, Programs – Listed, Options on single stocks – December Tranche.

If the number of applications for accreditation exceeds the number of openings offered, B3 will select the applicants to be accredited by means of the process described in the Annex to this Circular Letter.

Having completed the selection process, B3 will announce individually the institutions selected for the program and the ranking of all the institutions that participated in the process. The names of all the accredited institutions will be announced publicly on the first day of their activities under the program.

### **Accreditation procedure**

The selected institutions must formalize their accreditation as market makers for the securities concerned by signing the Accreditation Instrument and filing it by the deadline stipulated in this Circular Letter.

Guidance on the procedure for returning the Accreditation Instrument can be found in the Guide to Procedures for the Accreditation of Market Makers (Accreditation Guide), available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market maker, Join in, Accreditation.



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Institutions that have not yet signed the Market Maker Accreditation Agreement with B3 must follow the procedures set out in items 4, 5 and 6 of the Accreditation Guide.

For this program, a specific Accreditation Instrument form is available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market Maker, Join in, Programs – Listed, Options on single stocks – December Tranche.

### Timetable

Expression of Interest filed	Selected market makers announced	Accreditation Instrument filed	Accounts registered	Activity starts	Obligation ends
By Nov. 06, 2020	Nov. 14, 2020	By Nov. 20, 2020	Nov. 27, 2020	Dec. 14, 2020	Dec. 10, 2021

B3 may at its sole discretion assess accreditation applications submitted after these deadlines, provided the delay is duly justified.

### Activity parameters

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

The list of securities eligible for the program and the respective activity parameters can be found in the document Rules for Activity by Market Makers in Options on Single Stocks – December Tranche, available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market maker, Join in, Programs – Listed, Options on single stocks – December Tranche.

Market makers are required to trade for at least ten minutes in the last thirty minutes of each trading session. They are also required to register bids and asks until the fifth business day before expiration of the first contract month available for trading. As of the fourth business day before these dates, they are not obliged



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to trade in the first contract month but must trade in the next two contract months authorized for trading.

The activity parameters may be changed during the course of the program with the prior consent of the market makers accredited for the program. B3 will formally advise market makers of any proposals to change the activity parameters. They will have seven business days to respond in writing, and the lack of a timely reply will be taken as consent to the proposed change.

The prior consent of market makers will not be necessary if the parameters are changed owing to atypical market situations that incur a change in trading patterns or to adjustments required to avoid the creation of artificial demand, supply or pricing conditions.

The mandatory series and rules for market maker selection are available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market maker, Derivatives, Options.

### **Test period**

Market makers enjoy the benefits specified below without having to observe the activity parameters for up to ten business days before the start of their mandatory activity so that they can execute connectivity, session and order routing tests, as well as the necessary technological configurations. After the test period, market makers' activities will be monitored by B3.

### **De-accreditation**

In the event of de-accreditation of market makers for the securities listed in this program, B3 may select other institutions that have expressed interest in the securities concerned to replace the de-accredited institutions.



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Accreditation and de-accreditation of market makers will always be disclosed to participants via B3's usual communication channels.

### **Maximum number of parameter breaches**

Any market maker's accreditation under this program may be cancelled in the event of more than twelve (12) unjustified breaches of the activity parameters and/or of the obligations set forth in this Circular Letter and in the Market Maker Accreditation Agreement, or if the justification is not accepted by B3.

The Agreement is available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market maker, Join In, Contracts, Options.

### **Minimum activity period**

If a market maker desists from the accreditation process without having begun its activities under this program, it will be exempted from meeting the thirty-day minimum activity period required by Circular Letter 109/2015-DP, dated October 8, 2015. If a market maker withdraws after this period, it must comply with the thirty-day activity requirement without fail so that its de-accreditation can be communicated to the market.

### **Benefits**

Market makers will be exempt from exchange fees and other fees on trades in all options, including non-mandatory series.

They will also be exempt from payment of exchange and other fees on trades in the option underlyings performed in the cash markets for the purpose of delta hedging in the same trading session as the options.

For the purposes of this program, the delta hedging percentage considered will be fifty per cent (50%) in proportion to the notional value of the cash contract for



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options on single stocks, units and ETFs, to be applied to the quantity of options traded for all series of the underlying security on the day it is calculated.

Market makers that exceed the above delta hedging limit on one or more days will have to pay exchange and other fees on the excess volume, in accordance with the fee policy in force for the cash market in equities, available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Listed equities and derivatives, Fee schedules, Equities, Equities and investment funds, Spot. There will be no incentives based on investor type, volume or day trading, and any other incentives B3 may introduce in future will not apply.

Excess volume will be defined by multiplying the excess quantity by the average price of the security traded by the market maker on the day in question.

Market makers will be responsible for paying the full amount of the exchange fees and other fees on daily excess volumes accumulated in any given month on the second business day of the subsequent month.

Furthermore, in order to be eligible for exemption from fees on delta hedging, market makers must designate a specific account to be used solely for the purpose of delta hedging with respect to the options on single stocks, units and ETFs for which they are accredited, regardless of the number of accounts they may use to perform their market making activities.

The flow of messages, trades and volumes generated by accredited institutions will not be considered for the purposes of the Policy for the Control of Trading Messages, as set forth in Circular Letter 039/2013-DP, dated May 27, 2013, and Circular Letter 050/2013-DP, dated July 30, 2013.



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### **General provisions**

B3 will resolve any omissions regarding this accreditation process and the program.

Further information can be obtained from the Chief Product and Client Officer's team by calling +55 11 2565-5860/5338/5185 or emailing [formadordemercadob3@b3.com.br](mailto:formadordemercadob3@b3.com.br).

Gilson Finkelsztain  
Chief Executive Officer

José Ribeiro de Andrade  
Chief Product and Client Officer



## **Annex to Circular Letter 135/2020-PRE**

### **Selection Process for Market Maker Program in Options on Single Stocks, Units and ETFs**

#### **1. Eligibility**

Only institutions that file a properly completed Expression of Interest form in accordance with this Circular Letter will be considered eligible for the selection process.

#### **2. Selection methods**

The five openings available for accreditation of market makers in each security or derivative will be divided into two selection methods:

- Two openings reserved for primary allocations;
- Three openings reserved for secondary allocations.

If the two openings reserved for primary allocations are not filled, the remaining openings will be offered for secondary allocations in order to maximize the number of market makers accredited for this program.

#### **2.1 Primary allocation**

To be eligible for primary allocations, institutions:

1. Must have been accredited for the previous market maker program;
2. Must express an interest in the securities enrolled in the program;
3. Must have been one of the top performers in the activity period for the previous program.





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B3 will announce the institutions preselected for primary allocation after the period for filing the Expression of Interest form.

Preselected institutions whose bids in the spread auction rank among the best five among those submitted by all institutions will qualify for direct accreditation to the program.

Preselected institutions whose bids in the spread auction do not rank among the best five must advise B3 whether they agree to the spread defined in the auction. If they do not, they will qualify only to participate in the secondary allocation scoring process described below.

## **2.2 Secondary allocation**

Institutions not selected for primary allocation may be selected for secondary allocation on the basis of a scoring system in which those with the highest scores will be accredited for the program.

To calculate each interested institution's score, B3 will analyze the variables shown below with their respective weightings:

- The total number of options on single stocks, units and ETFs for which the institution is accredited and wishes to be accredited: 12%.
- The institution's performance in the ongoing program from its inception until September 2020: 22%.
- Its share of trading in the option concerned by the interested institutions via "maker" orders only: 33%.
- The spread it offers: 33%.

The institution must state its proposed spread in its Expression of Interest, based on the reference parameters defined by B3 in the Rules for Activity by Market



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Makers in Options on Single Stocks – December Tranche, available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market maker, Join in, Programs – Listed, Options on Single Stocks – December Tranche.

The proposals filed by institutions will be confidential at all times.

The spread for market makers in the program will be subject to that offered by the institutions selected for secondary allocation and will be updated when the selected market makers are announced.