

FLOOR-TRADED US DOLLAR SPOT MARKET OPERATING MANUAL

1. Introduction

In the foreign exchange market, transactions involving the purchase and sale of foreign currency are traded, contracted and settled between agents authorized by the Central Bank of Brazil, which also regulates and supervises this market, and executes Brazil's foreign exchange policy.

The Brazilian foreign exchange market can be segmented into two groups: the primary FX market and the secondary FX market. The primary FX market consists of commercial and financial transactions that are traded, contracted and settled through authorized banks in accordance with current FX legislation. The secondary foreign exchange market is made up of transactions that are traded, contracted and settled between authorized banks, and for this reason can also be called the interbank foreign exchange market.

Following the restructuring of the Brazilian Payment System (SPB) in 2002, the interbank FX market was provided with a contracting and settlement mechanism capable of ensuring the finality of all transactions: The BM&F Foreign Exchange Clearinghouse.

This Clearinghouse operates, within the context of the SPB, as a central counterparty to the interbank foreign exchange market transactions carried out through its systems, whereby it purchases from selling banks and sells to buying banks under the provisions set forth in the applicable legislation, thus eliminating the risks associated with the settlement process of contracted transactions.

Now in another step toward the development of the foreign exchange market, the Brazilian Mercantile & Futures Exchange (BM&F) has designed the Floor-Traded US Dollar Spot Market, which is a centralized trading system for the interbank FX market that is traded on its floor and is linked to the BM&F FX Clearinghouse.

The purpose of this Operating Manual is to define and detail the operational characteristics and the regulations to be applied to the BM&F Floor-Traded US Dollar Spot transactions. However, it should be noted that this is a regulated, controlled and supervised trading environment that is subject to the authorization of the Brazilian Securities & Exchange Commission (CVM), where the institutions that are authorized by both the CVM and the Central Bank of Brazil to intermediate transactions in the interbank foreign exchange market perform trades exclusively for the account and on the behalf of the banks authorized by the Central Bank of Brazil.

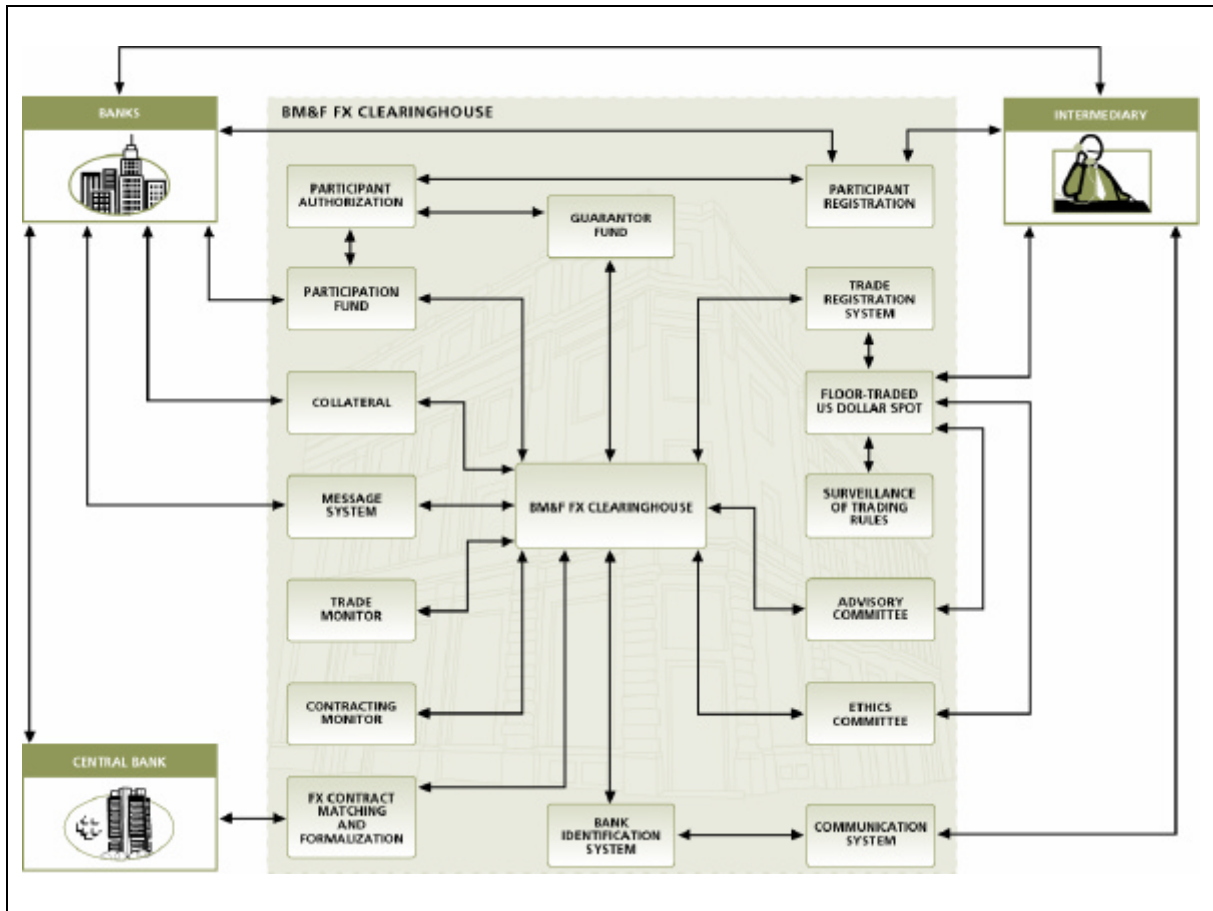


Illustration 1 – General Representation of the Floor-Traded US Dollar Spot Market

2. Definition

The Floor-Traded US Dollar Spot Market is a regulated, monitored and supervised trading environment established on the BM&F trading floor, where banks authorized to trade in the foreign exchange market and registered with the BM&F FX Clearinghouse can, through institutions authorized to render intermediation services in the foreign exchange market, place US Dollar purchase and sales orders, and also execute transactions against existing orders for contracting and settlement through the BM&F FX Clearinghouse.

3. Underlying Asset

The currency traded in the Floor-Traded US Dollar Spot Market, through interbank foreign exchange transactions, is the United States Dollar.

4. Participants

As a general rule, in order to participate in the Floor-Traded US Dollar Spot Market, the institutions must be authorized to both trade in the interbank foreign exchange market,

pursuant to the provisions set forth in current legislation, and be registered with the BM&F FX Clearinghouse. As for intermediaries, they must additionally be BM&F members. However, in order to trade in the Floor-Traded US Dollar Spot Market, non-member intermediaries may also be able to make use of some of the prerogatives set forth by BM&F.

Participants are fully responsible for their own strict compliance with all foreign exchange regulations when conducting US Dollar spot transactions on the floor.

Special attention should be paid to transaction documents and customer registration, as well as to a clear liability definition of intermediaries and both buying and selling banks when rendering intermediation services for the Floor-Traded US Dollar Spot Market.

Participants in the Floor-Traded US Dollar Spot Market can be divided into two categories: banks and intermediaries.

According to Brazilian foreign exchange legislation, all banks are allowed to perform any FX transaction, except for development banks and savings banks, which can only carry out trades that are specifically authorized.

Intermediaries are institutions authorized to intermediate foreign currency purchase and sale transactions in the interbank market.

Considering current FX legislation, transactions in this market cannot be specified to the account of intermediaries. Therefore, at this time only orders received from buyers and sellers (banks) may be entered into this market by intermediaries.

Participating banks and intermediaries must have full knowledge of, agree, adhere to, and comply with all of the provisions set forth in the BM&F FX Clearinghouse Rulebook and Manuals, as well as those established in this Operating Manual. This also applies to the general rules currently governing the BM&F floor transactions.

The nonobservance of the features and trading conditions of the Floor-Traded US Dollar Market by its participants may result in financial errors and losses, in addition to the application of other punitive measures by BM&F.

4.1 Intermediaries

Intermediaries can place purchase and sale orders for US Dollars in the spot market traded on the floor, but only for the account of the banks registered with the BM&F FX Clearinghouse.

The conditions determining the type of access intermediaries will have to the Floor-Traded Spot US Dollar Market, such as the number of brokers and floor runners, shall be announced and updated by BM&F whenever necessary.

In order to participate in the Floor-Traded US Dollar Spot Market, intermediaries must be registered with the BM&F FX Clearinghouse, and comply with the provisions set forth in this Operating Manual and with the general rules governing the BM&F floor transactions.

The registration of intermediaries in the BM&F FX Clearinghouse and Floor-Traded US Dollar Spot Market requires their compliance with all requisite BM&F certification processes, and whenever applicable the deposit of amounts and assets in the respective funds that make up the safeguard system for the FX spot transactions.

Furthermore, intermediaries must have a qualified staff, and a comprehensive technical and operational structure, in order to perform their intermediation activities in the Floor-Traded US Dollar Spot Market.

BM&F may require that intermediaries provide proof that they possess the minimum professional requirements to perform such activities. Among other aspects, intermediaries should have the basic staff structure that is described below.

4.1.1 Desk Brokers

Desk brokers are responsible for the communication between the intermediaries and the banks. They receive and enter orders in the Floor-Traded US Dollar Spot Market, and follow up on their execution, keeping all those involved constantly informed as to the status of each order.

Additionally, desk brokers, or other employees appointed by the intermediaries, are responsible for the identification of the banks that originated the transactions performed in the Floor-Traded US Dollar Spot Market. The identification of banks by intermediaries, which is extremely important for the orderly conduct of US Dollar spot transactions on the floor, must be submitted within the time frame established by BM&F. Failures in the identification process of buyers and sellers may result in financial losses for the intermediaries, in addition to the application of other punitive measures by BM&F.

In order to effectively fulfill their duties, desk brokers must be familiar with the operating rules and procedures of the interbank foreign exchange market, the Floor-Traded US Dollar Spot Market and the BM&F FX Clearinghouse.

4.1.2 Floor Brokers

Floor brokers are responsible for receiving the orders from desk brokers, executing them by open outcry in the US Dollar spot market traded on the floor, and filling out the trading card, and submitting it for processing through the BM&F systems.

This Operating Manual sets forth the rules for the proper functioning of the Floor-Traded US Dollar Spot Market. However, considering that it is part of the BM&F floor, when applicable, the same general rules relating to trading floor conduct should also apply. For this reason, floor brokers must be fully aware of all procedures governing the BM&F floor transactions and the Floor-Traded US Dollar Spot Market, lest they be exposed to operational risks, which may result in financial losses for the intermediaries, in addition to the application of other punitive measures by BM&F.

4.1.3 Floor Runners

Floor runners are responsible for assisting floor brokers in executing US Dollar spot transactions on the floor, such as filling out the trading card and ensuring its processing through the BM&F systems.

In order to effectively fulfill their duties, floor runners must be aware of the operating rules and procedures governing the Floor-Traded US Dollar Spot Market and the BM&F floor.

4.2 Buying and Selling Banks

In order to perform purchase and sale transactions in the Floor-Traded US Dollar Spot Market, participants must:

- (a) Be authorized to buy and sell foreign currency in the interbank market in accordance with current legislation;
- (b) Be registered with the BM&F Foreign Exchange Clearinghouse; and
- (c) Use the services of intermediaries pursuant to the provisions set forth in the Brazilian FX regulations.

As a general rule, participants place their purchase and sale orders with the intermediaries' desk brokers, who in turn convey them to floor brokers for execution. However, Direct Settlement Participants (PLDs), under the terms established by BM&F, may transmit their orders directly to floor brokers.

Purchase and sale transactions carried out in the Floor-Traded US Dollar Spot Market shall only be cleared and settled through the BM&F FX Clearinghouse upon confirmation of the participating buyer or seller identified by the intermediary, in accordance with provisions set forth in the Clearinghouse Manuals and Rulebook. The observance of time limits and means of confirmation of transactions by buyers and sellers identified by the intermediaries, as well as other provisions set forth by the BM&F FX Clearinghouse, are extremely important for the orderly conduct of the Floor-Traded US Dollar Spot Market. Operational errors may result in financial losses, among other damages of an administrative nature, for participating buyers and sellers pursuant to the provisions set forth in this Operating Manual and the BM&F FX Clearinghouse Manuals and Rulebook.

For the good performance of the Floor-Traded US Dollar Spot Market, participating buyers and sellers must be fully aware of the operating rules, regulations and procedures governing its transactions, as well as the BM&F FX Clearinghouse Manuals and Rulebook, and promptly adhere to them. All operational and regulatory procedures of the BM&F FX Clearinghouse are duly approved under the terms of current Brazilian Payment System legislation.

5. Trading

This Operating Manual, as well as the general rules pertaining to the BM&F floor transactions, set forth the conditions under which the Floor-Traded US Dollar Spot Market transactions shall be conducted. Both intermediaries and banks must be fully aware of all the defined operating procedures, since violation of any of these rules may result in financial losses and other punitive administrative measures, in addition to exposing the system as a whole to risk. All of the parameters established in this Operating Manual are open to future review by BM&F.

5.1 Trading Days

Trading on the Floor-Traded US Dollar Spot Market shall take place on the same business days as all other BM&F floor transactions.

5.2 Trading Hours

Trading shall begin at 09:15 and close at 16:00, Brasília time, without breaks. Trading card registration shall begin at 09:15 and end at 16:10, Brasília time. Trading card registration shall not take place outside these hours.

5.3 Order Execution

Floor brokers shall execute orders received through open outcry. The open outcry rules are defined in section 6 of this Operating Manual.

5.4 Transaction Registration

All transactions must be registered in the BM&F systems no later than ten (10) minutes after they are executed. All controls shall be carried out based on the technological and administrative systems of the BM&F floor.

The registration of executed transactions shall be accomplished through the completion and processing of the trading cards in the BM&F systems. Each trading card must be signed by the intermediaries representing both the buyer and the seller.

Each transaction closed in the Floor-Traded US Dollar Spot Market makes up a single trading card, just as each trading card must contain a single transaction executed in the Floor-Trade US Dollar Spot Market.

The processing of transactions through the BM&F systems implies the use of the risk management system of the BM&F FX Clearinghouse, which does not consider—proportionally to the established parameters such as volatility, exchange rate, etc.—the amounts pledged by intermediaries in the Guarantor Fund as collateral, in accordance with the terms and conditions set forth in the BM&F Foreign Exchange Clearinghouse Rulebook and Manuals. The follow-up of this process by intermediaries is of utmost importance.

The Guarantor Fund is a mutualized fund that is composed of funds pledged by BM&F and the intermediaries, pursuant to the provisions set forth in the Clearinghouse Rulebook and Manuals, in order to cover risks during trading in the Floor-Traded US Dollar Spot Market, between the time a transaction is made and its confirmation by the banks.

The Clearinghouse shall monitor the total exposure of the Guarantor Fund and the individual exposures of all intermediaries, in accordance with the procedures established in its Risk Management Manual. However, individual limits shall not be defined for the exposures of intermediaries. These exposures may exceed the pledges made by the intermediaries in the Guarantor Fund, as this is a mutualized fund. Nevertheless, the Clearinghouse shall not allow the total Guarantor Fund exposure to be exceeded. For this purpose, it can require additional pledges from BM&F and the intermediaries, or take other prudential measures.

5.5 Trade Interruption

In order to preserve its trading and settlement system, BM&F may interrupt trading in the Floor-Traded US Dollar Spot Market whenever the relationship between volatility and liquidity indicates that such action needs to be taken.

5.6 Auctions

BM&F may, at the discretion of the Trading Director, submit for auction any transaction that, in his/her understanding, does not comply with the requirements of the Floor-Traded US Dollar Spot Market.

5.7 Cross Trades

Cross trades are those performed by the buying and selling banks with the same intermediary, the same volume and the same exchange rate. These trades are always presented for auction by the BM&F Trading Director.

5.8 Identification of Banks by Intermediaries

Transactions registered on the trading cards shall be processed through the BM&F open outcry system and transmitted in real time to the BM&F FX Clearinghouse systems and to the intermediaries' desks. The Clearinghouse risk management system shall, also in real time, not consider the amounts deposited in the Guarantor Fund as collateral until the buying and selling participants have been duly identified and confirm acceptance of their respective transactions.

The intermediaries must identify the buyers and sellers within the set time frame so that they can confirm their transactions through the BM&F FX Clearinghouse systems and allow for the Clearinghouse to reestablish the collateral status of the amounts deposited in the intermediaries' Guarantor Fund, thus reestablishing their respective trading limits in accordance with this Operating Manual and the BM&F FX Clearinghouse Manuals and Rulebook. Notwithstanding the need for the adoption of this measure within set time frames, the BM&F FX Clearinghouse may, depending on the market situation, wait up to a maximum of ten (10) minutes, counting from the time the transactions have been processed through the BM&F open outcry system, before reestablishing the collateral status of the amounts deposited in the intermediaries' Guarantor Fund.

Intermediaries must utilize the communication channels provided by BM&F. Should an operational problem make their utilization unfeasible, the intermediaries may, as a matter of contingency, identify the buyers and sellers by telephone contact with the BM&F FX Clearinghouse trading desk.

5.9 Confirmation of Transactions by Banks Identified by Intermediaries

Buying and selling banks must confirm the transactions submitted by intermediaries within the set time frames so that they can be processed through the BM&F FX Clearinghouse and formalized within the systems of the Central Bank of Brazil (PCAM 383), in accordance with the terms and time frames set forth in the FX regulations, in this Operating Manual, and in the BM&F FX Clearinghouse Manuals and Rulebook. In spite of the need to confirm transactions within set time frames, the Clearinghouse may, depending on market circumstances, wait up to a maximum of ten (10) minutes, counting from the time it has issued a communication to the banks involved.

The entire communication system between the BM&F FX Clearinghouse and the buying and selling participants for the purposes of the Floor-Traded US Dollar Spot Market transaction confirmation and contracting, is based on specific messages, which were designed, validated and included in the SPB message

catalog, or in the BM&F communication systems for participants who are not yet integrated into this message system.

Should operational problems occur which affect the utilization of these means of communication, banks may, as a matter of contingency, confirm their transactions by telephone contact with the BM&F FX Clearinghouse.

Transaction confirmation by banks ratifies the previous use of the BM&F FX Clearinghouse risk management system in relation to the buyer and the seller, in order to reestablish the collateral status of the amounts deposited in the intermediaries' Guarantor Fund, at which point the intermediaries' responsibility for the transactions confirmed by the participating buyers and sellers is terminated.

5.10 Trade Rejection by Banks

Buying and selling banks may reject transactions which have been mistakenly identified as theirs by intermediaries. A trade rejection must be made within the set time frames so that intermediaries can settle the issue as quickly as possible, in order to avoid exposures to the market risk they incur in this type of situation. In spite of the importance of these measures, the BM&F FX Clearinghouse may, in consideration of market conditions, wait a maximum of ten (10) minutes after a communication requesting confirmation has been issued.

These situations shall be treated according to the provisions set forth in this Operating Manual and the BM&F FX Clearinghouse Manuals and Rulebook.

6. Offers

As referred to in subsection 5.3, floor brokers shall execute the orders they receive by open outcry. Open outcry practices must obey the following rules, in addition to the general rules governing of the BM&F floor.

6.1 Mandatory Trade Close

Trades shall be closed at the best available market prices, with purchase orders being closed against the highest price and sale orders against the lowest price.

6.2 Minimum Volume

The minimum volume offered in a trade shall be USD50,000.00 (fifty thousand US Dollars).

6.3 Maximum Volume

The maximum volume offered in a trade shall be USD10,000,000.00 (ten million US Dollars).

6.4 Trading Volumes and Closed Trades

Floor brokers can only make an offer and close a trade by using the multiple volumes described in Table 1.

Volumes		Multiple Volumes
From	To	
Minimum volume	USD1,000,000.00	USD50,000.00
USD1,000,000.00	USD5,000,000.00	USD500,000.00
USD5,000,000.00	Maximum volume	USD1,000,000.00

Table 1 – Trading Volumes and Closed Trades

6.5 Level of Interference

Floor brokers can close transactions by interfering in offers that fall within the intervals included in Table 2.

Offers		Interference Volumes
From	To	
Minimum volumes	USD950,000.00	USD50,000.00
USD1,000,000.00	USD4,500,000.00	USD500,000.00
USD5,000,000.00	Maximum volume	USD1,000,000.00

Table 2 – Interference Volumes

6.6 Firm Offers

BM&F may regulate firm offers through a Circular Letter.

6.7 Incorrect Offers

Floor brokers who fail to make their offers properly, in accordance with the provisions set forth in this Operating Manual and the general rules governing the BM&F open outcry system, shall be subject to the application of the following measures:

6.7.1 Offers Without a Set Volume

Floor brokers shall accept orders with a minimum volume of USD50,000.00 (fifty thousand US Dollars) and a maximum volume of USD1,000,000.00 (one million US Dollars), at the criteria of those hitting their offers.

6.7.2 Offers Without a Set Exchange Rate

In the case of a bid, floor brokers must accept the prevailing offered exchange rate. In the case of an ask, floor brokers must accept the prevailing asked exchange rate.

Should there be no bids or asks considered to be fair during a given period, BM&F, through its Trading Director, may arbitrate an exchange rate for the transaction.

6.7.3 Offers Without a Set Volume and a Set Exchange Rate

The same criteria as those referred to in the previous items shall apply, in addition to other criteria deemed necessary by the BM&F Trading Director.

6.8 Operational Disputes

For the solution of operational disputes in the Floor-Traded US Dollar Spot Market, the general rules governing the BM&F floor shall apply, at the discretion of the Trading Director.

7. Rejected Transactions

The buying and selling banks identified by the intermediaries may reject transactions that are not traded in accordance with their instructions. In such cases, the transactions confirmed by the other buyers and/or sellers shall be contracted, considering that the BM&F FX Clearinghouse always acts as the counterparty to all trades. Intermediaries whose transactions have been rejected by buyers and/or sellers must seek to settle the issue within the time frame set by the BM&F FX Clearinghouse, which shall monitor the entire process and notify the Trading Director, who shall provide assistance for the solution of the problem, if necessary.

Should a transaction be rejected by buyers and/or sellers, BM&F shall adopt the following procedures: The intermediary in charge of the transaction traded in the Floor-Traded US Dollar Spot Market and rejected by the identified buyer or seller may, within the time frame established by the BM&F FX Clearinghouse, identify a new buyer or seller, or as per Clearinghouse instructions submit a new offer to the Floor-Traded US Dollar Spot Market, in order to correct the rejected transaction.

The BM&F FX Clearinghouse shall wait a maximum of 10 (ten) minutes, counting from the time a transaction has been rejected, for its correction.

Normally, correction of a rejected transaction may be obtained through one of the following alternatives:

- (a) The intermediary contacts the buyer or the seller who rejected the transaction and settles the pending issue. In this case, the intermediary shall once again identify the buyer or the seller who rejected the transaction and await confirmation from the buyer or the seller;
- (b) The intermediary identifies a new buyer or seller, which may occur due to an operational error in the identification process. In this case, the intermediary shall await confirmation from the newly identified buyer or seller; or
- (c) The intermediary offsets the transaction in the Floor-Traded US Dollar Spot Market. This may happen as a result of an operational error which may have led to an undue transaction in the Floor-Traded US Dollar Spot Market. In this case, the intermediary shall contact the BM&F FX Clearinghouse and take the necessary measures for trade identification and confirmation.

The BM&F Foreign Exchange Clearinghouse, with the assistance of the BM&F Trading Director, shall monitor all the stages aimed at the solution of the problem, and should it deem necessary, under any circumstance whatsoever, including market risk, it shall take the necessary steps to settle the issue, which may involve the execution of an offsetting transaction in the Floor-Traded US Dollar Spot Market or the utilization of one of its correspondent banks in the Brazilian market. The costs incurred, if any, shall be transferred to the intermediary responsible for the problem. In the case of a positive result due to changes in the exchange rate, this positive result shall be added to the

Guarantor Fund, in a specific subaccount of the BM&F share, in order to allow for the analytical monitoring of the Guarantor Fund composition.

8. General Transaction Flows in the Floor-Traded US Dollar Spot Market

Transactions performed in the Floor-Traded US Dollar Spot Market follow a defined operational flow from order placement by the bank to formalization of the transaction contracting in the Central Bank of Brazil, in accordance with the specific situation. These operational procedures are detailed in this Operating Manual, as well as in the BM&F FX Clearinghouse Rulebook and Manuals. Twelve (12) operational flows are highlighted in this Operating Manual, as shown in Illustrations 2 to 13, in order to facilitate the participant's understanding of the Floor-Traded US Dollar Spot Market.

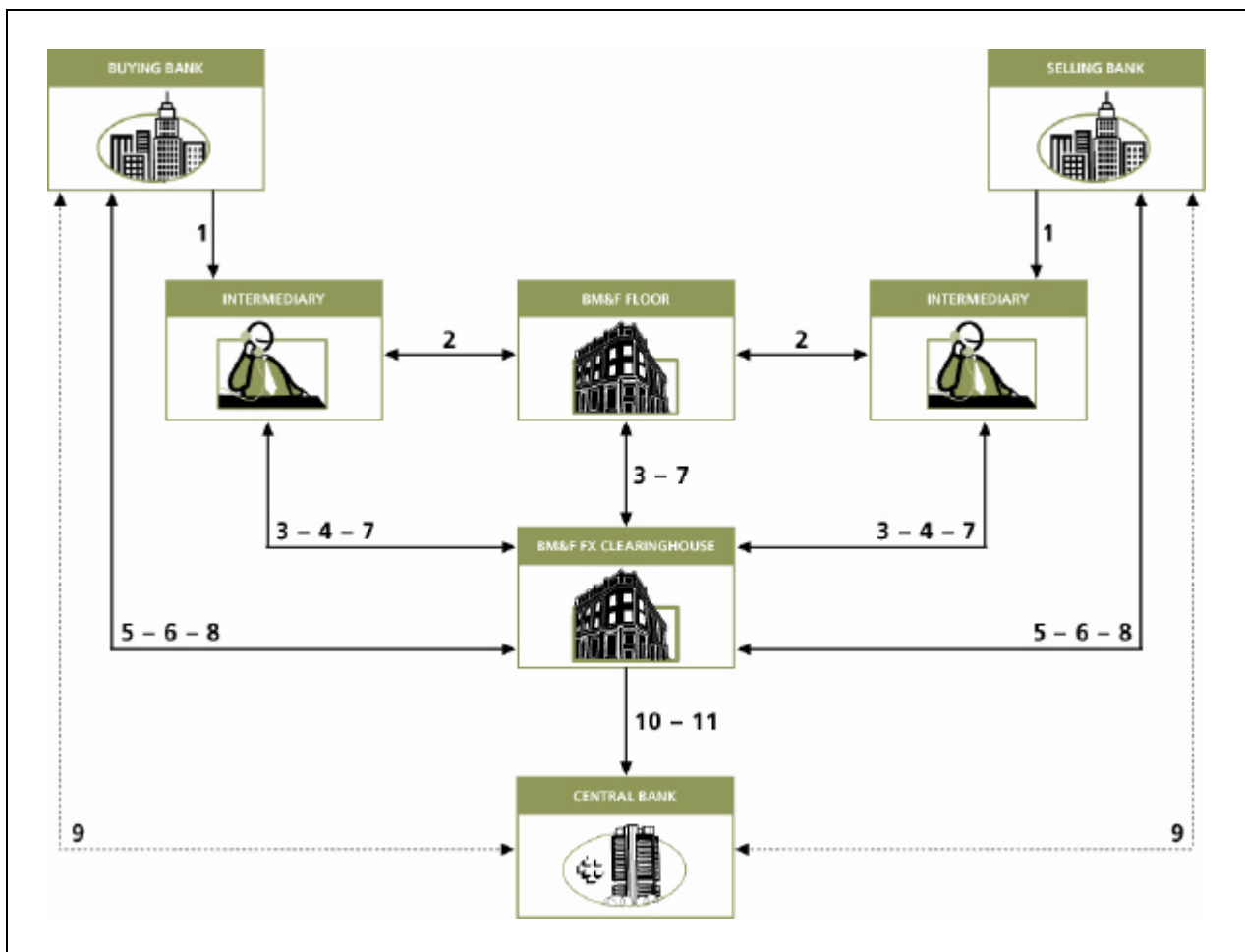


Illustration 2 – Transaction Confirmed by the Banks

The operational flow of a transaction confirmed by the banks has the design shown in Illustration 2, and is described as follows:

1. Buying and selling banks place trade orders with their intermediaries' desks by telephone;
2. Intermediaries' desk brokers transmit order to floor brokers by telephone;
3. Transaction performed in the Floor-Traded US Dollar Spot Market is registered in the open outcry system through an optical card reader, and sent to the FX Clearinghouse and to the intermediaries for buying and selling bank identification;
4. Intermediaries identify buying and selling banks;
5. FX Clearinghouse requests banks to confirm transaction (BMC0011);
6. Banks confirm transaction (BMC0012);
7. FX Clearinghouse informs trade confirmation to the floor and intermediaries;
8. FX Clearinghouse requests banks to register transaction with the Central Bank (BMC0010);
9. Banks register transaction with the Central Bank;
10. FX Clearinghouse captures transaction from the Central Bank; and
11. FX Clearinghouse confirms transaction to the Central Bank.

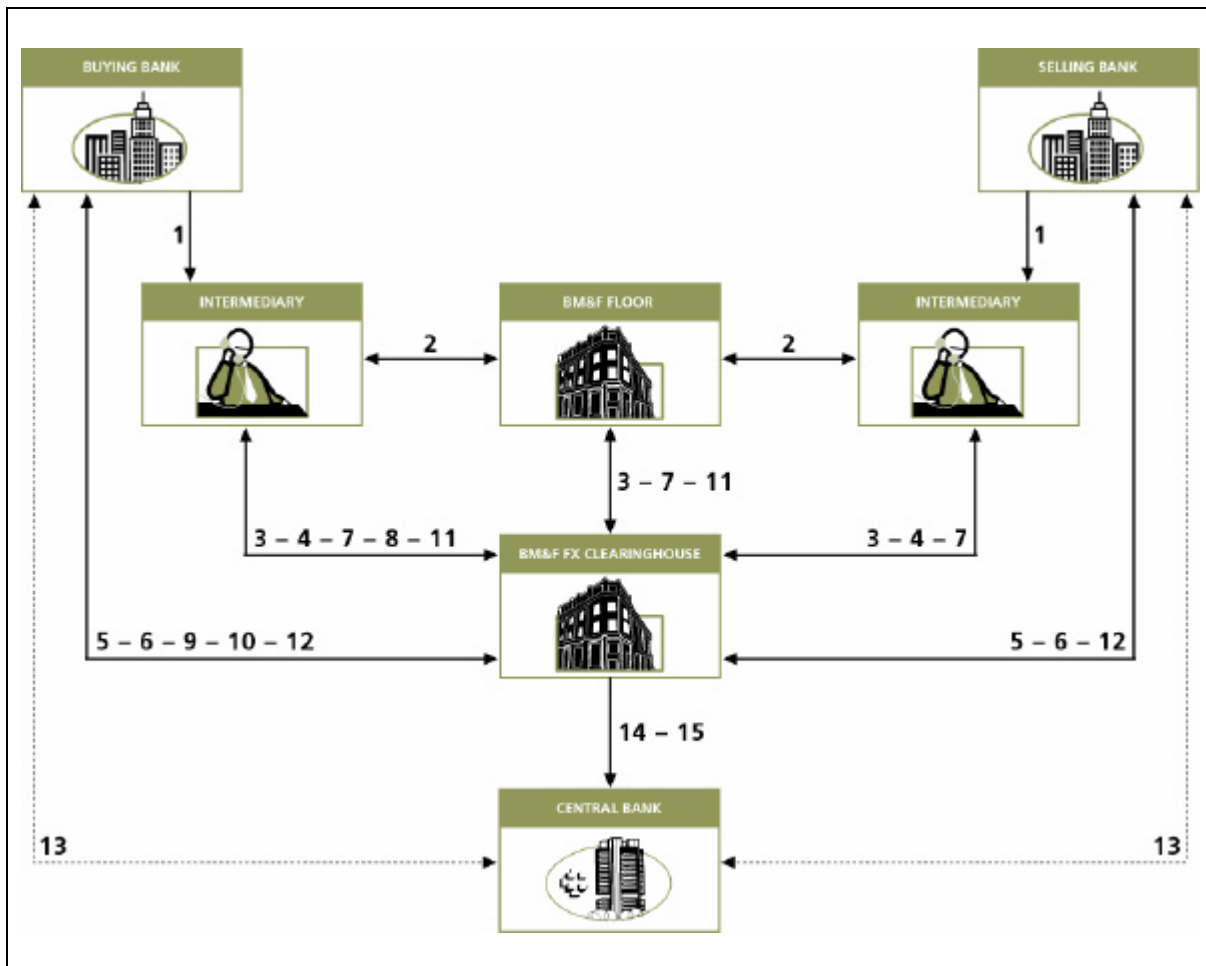


Illustration 3 – Transaction Rejected by a Bank – Solution by the Intermediary

The operational flow of a transaction rejected by a bank and solved by an intermediary has the design shown in Illustration 3, and is described as follows:

1. Buying and selling banks place trade orders with their intermediaries' desks by telephone;
2. Intermediaries' desk brokers transmit order to floor brokers by telephone;
3. Transaction performed in the Floor-Traded US Dollar Spot Market is registered in the open outcry system through an optical card reader, and sent to the FX Clearinghouse and to the intermediaries for buying and selling bank identification;
4. Intermediaries identify buying and selling banks;
5. FX Clearinghouse requests banks to confirm transaction (BMC0011);
6. Selling bank confirms transaction and buying bank rejects it (BMC0012);
7. FX Clearinghouse informs trade confirmation to the floor and to the buying bank's intermediary, and informs trade rejection to selling bank's intermediary;
8. Buying bank's intermediary solves the pending transaction by indicating another bank or the same bank again;
9. FX Clearinghouse requests buying bank to confirm transaction (BMC0011);
10. Buying bank confirms transaction (BMC0012);
11. FX Clearinghouse informs trade confirmation to the floor and to the buying bank's intermediary;
12. FX Clearinghouse requests banks to register transaction with the Central Bank (BMC0010);
13. Banks register transaction with the Central Bank;
14. FX Clearinghouse captures transaction from the Central Bank; and
15. FX Clearinghouse confirms transaction to the Central Bank.

The operational flow of a transaction rejected by a bank and solved by the Clearinghouse has the design shown in Illustrations 4 to 7. The stages in Illustration 4 are described as follows:

1. Buying and selling banks place trade orders with their intermediaries' desks by telephone;
2. Intermediaries' desk brokers transmit order to floor brokers by telephone;
3. Transaction performed in the Floor-Traded US Dollar Spot Market is registered in the open outcry system through an optical card reader, and sent to the FX Clearinghouse and to the intermediaries for buying and selling bank identification;
4. Intermediaries identify buying and selling banks;
5. FX Clearinghouse requests banks to confirm transaction (BMC0011);
6. Selling bank confirms transaction and buying bank rejects it (BMC0012);
7. FX Clearinghouse informs trade confirmation to the floor and to the buying bank's intermediary, and informs trade rejection to selling bank's intermediary;
8. Buying bank's intermediary solves the pending transaction by indicating another bank or the same bank again;
9. FX Clearinghouse requests buying bank to confirm transaction (BMC0011);
10. Buying bank rejects transaction (BMC0012); and
11. FX Clearinghouse informs trade rejection to the floor and buying bank's intermediary.

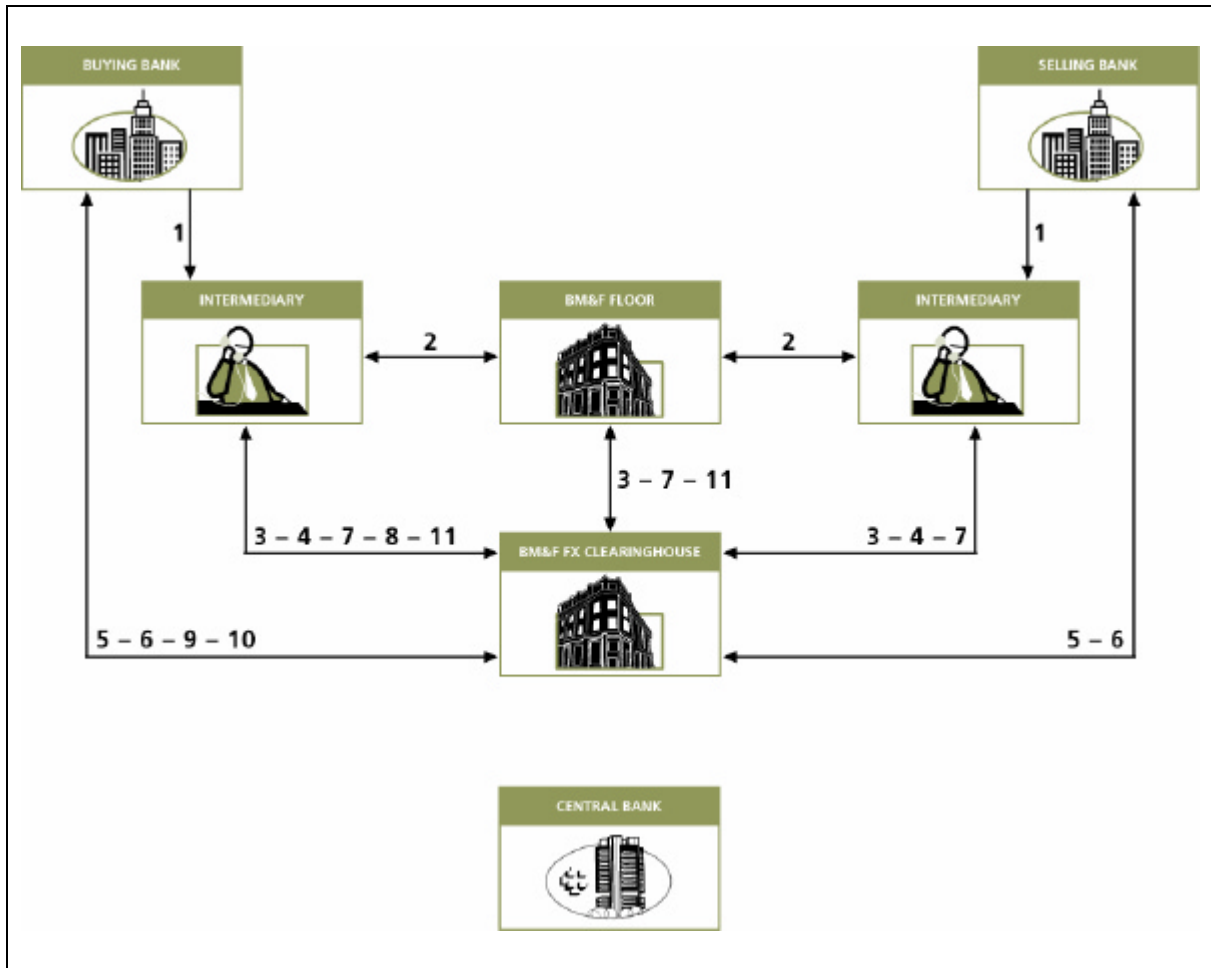


Illustration 4 – Transaction Rejected by a Bank – Solution by the FX Clearinghouse

The stages in Illustration 5 are described as follows:

1. FX Clearinghouse requests intermediary chosen at random to sell foreign currency;
2. Desk broker of intermediary chosen by BM&F transmits order to floor broker;
3. Bank requests another intermediary to buy foreign currency;
4. Desk broker of intermediary chosen by buying bank transmits order to floor broker;
5. Transaction performed in the Floor-Traded US Dollar Spot Market is registered in the open outcry system and sent to the FX Clearinghouse;
6. Transaction is sent to intermediaries for the indication of the banks;
7. Intermediary chosen by the buying bank indicates that same bank; intermediary chosen by FX Clearinghouse indicates the FX Clearinghouse, which in turn shall bind this transaction to the rejected transaction undergoing resolution;
8. Intermediary's buying bank resolves the pending transaction by indicating another bank or the same bank again;
9. FX Clearinghouse requests buying bank to confirm transaction (BMC0011);
10. Buying bank confirms transaction (BMC0012); and
11. FX Clearinghouse informs trade confirmation to the floor and to the intermediaries.

The registration with the Central Bank of a transaction whose rejection is resolved by the FX Clearinghouse may occur in two different ways. Should there be no exchange rate difference between the rejected transaction (Illustration 4) and the solution given by the FX Clearinghouse (Illustration 5), the transaction shall be registered by following the procedures in Illustration 6. Should there be an exchange rate difference between the rejected transaction and the solution given by the FX Clearinghouse (Illustration 5), the transaction shall be registered by following the procedures in Illustration 7.

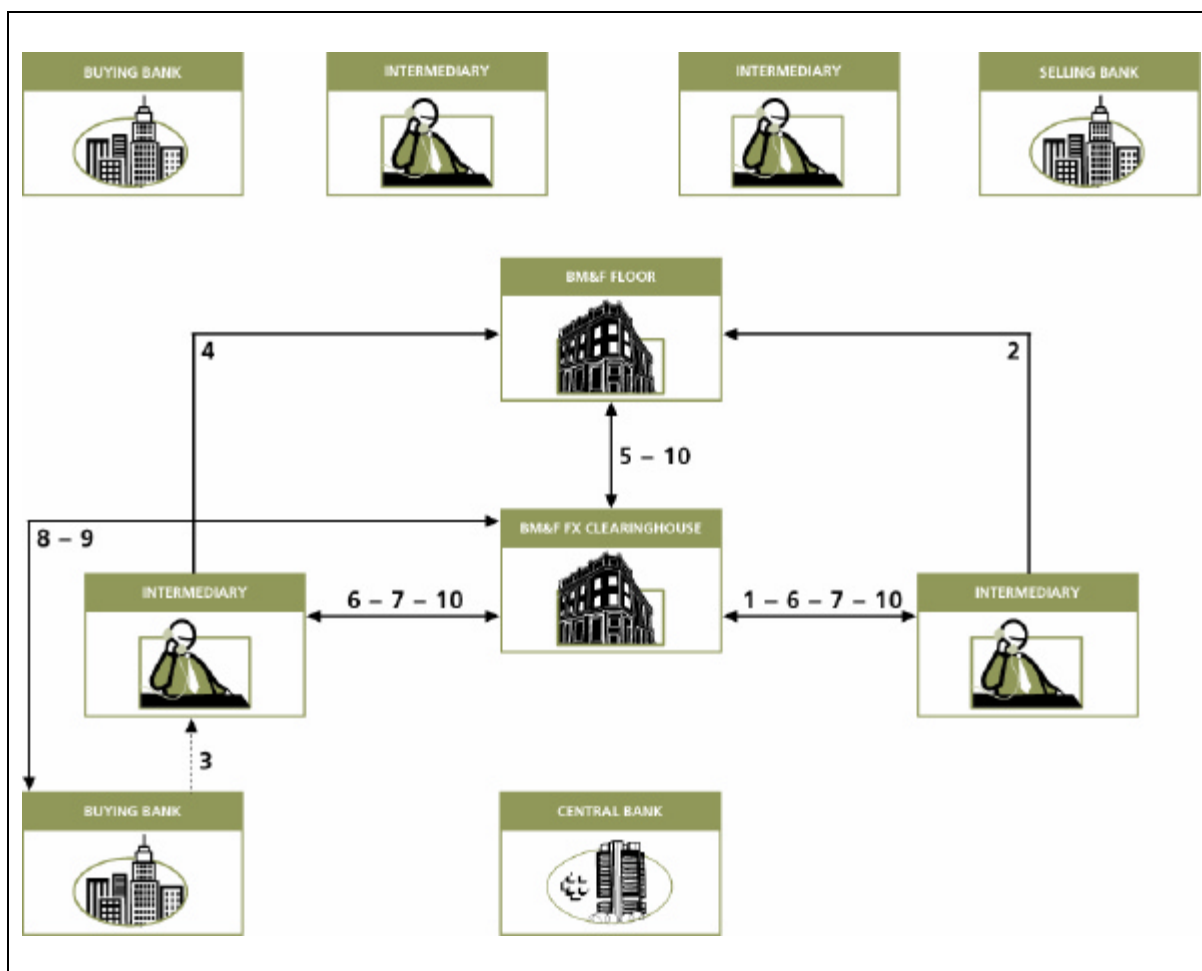


Illustration 5 – Transaction Rejected by a Bank – Solution by the FX Clearinghouse

The stages in Illustration 6 are described as follows:

1. FX Clearinghouse requests banks to register transaction with the Central Bank (BMC0010);
2. Banks register transaction with the Central Bank;
3. FX Clearinghouse captures transactions from the Central Bank; and
4. FX Clearinghouse confirms transaction to the Central Bank.

The stages in Illustration 7 are described as follows:

1. FX Clearinghouse requests from the correspondent bank two foreign currency transactions, one of purchase and one of sale in the same conditions (exchange rate, foreign currency amount, and settlement date) as those of the transaction between the buying and selling banks;
2. FX Clearinghouse requests that the correspondent bank and buying and selling banks register these transactions with the Central Bank (BMC0010);
3. Banks register transactions with the Central Bank;
4. FX Clearinghouse captures transactions from the Central Bank; and
5. FX Clearinghouse confirms transactions to the Central Bank.

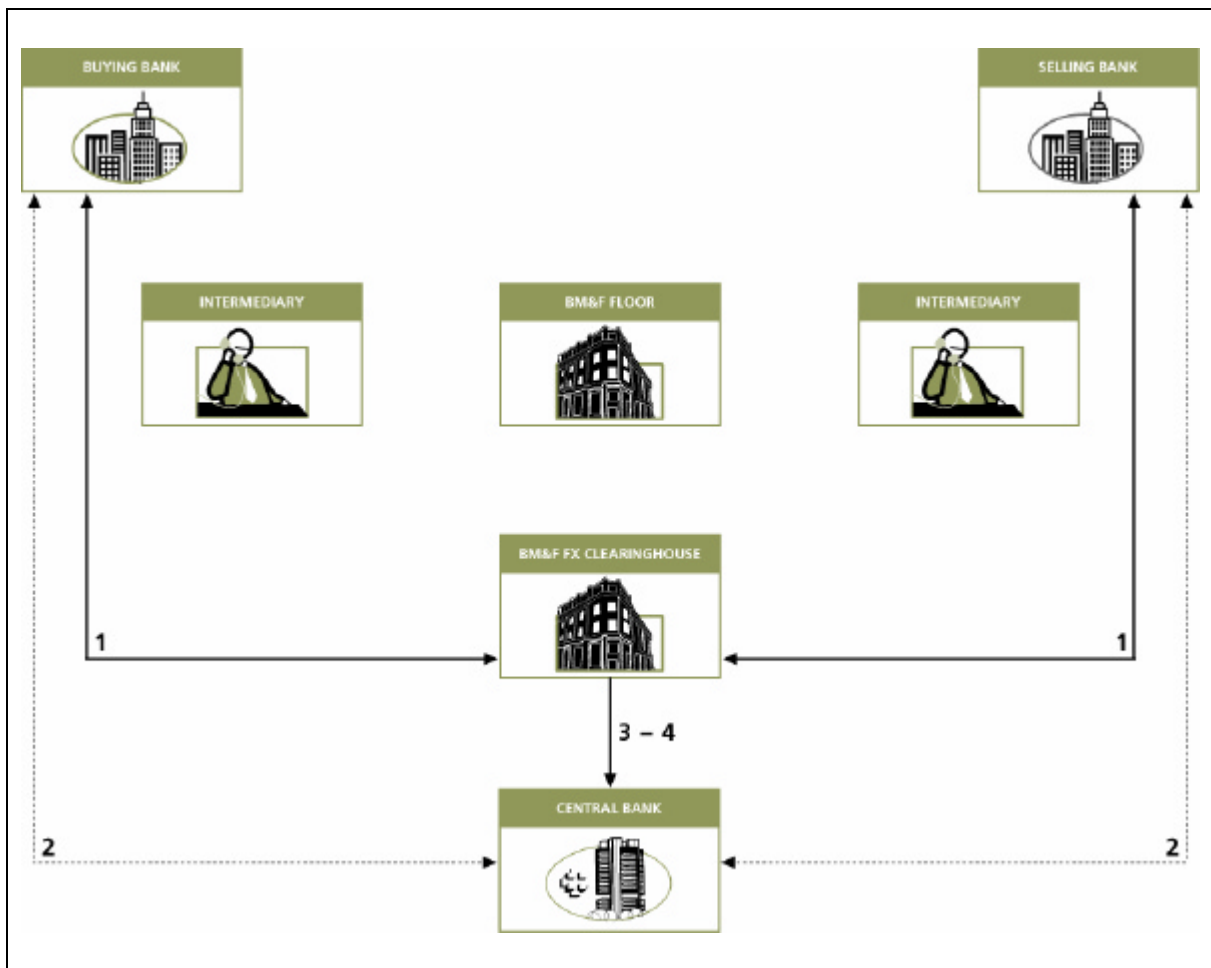


Illustration 6 – Transaction Rejected by a Bank – Solution by the FX Clearinghouse

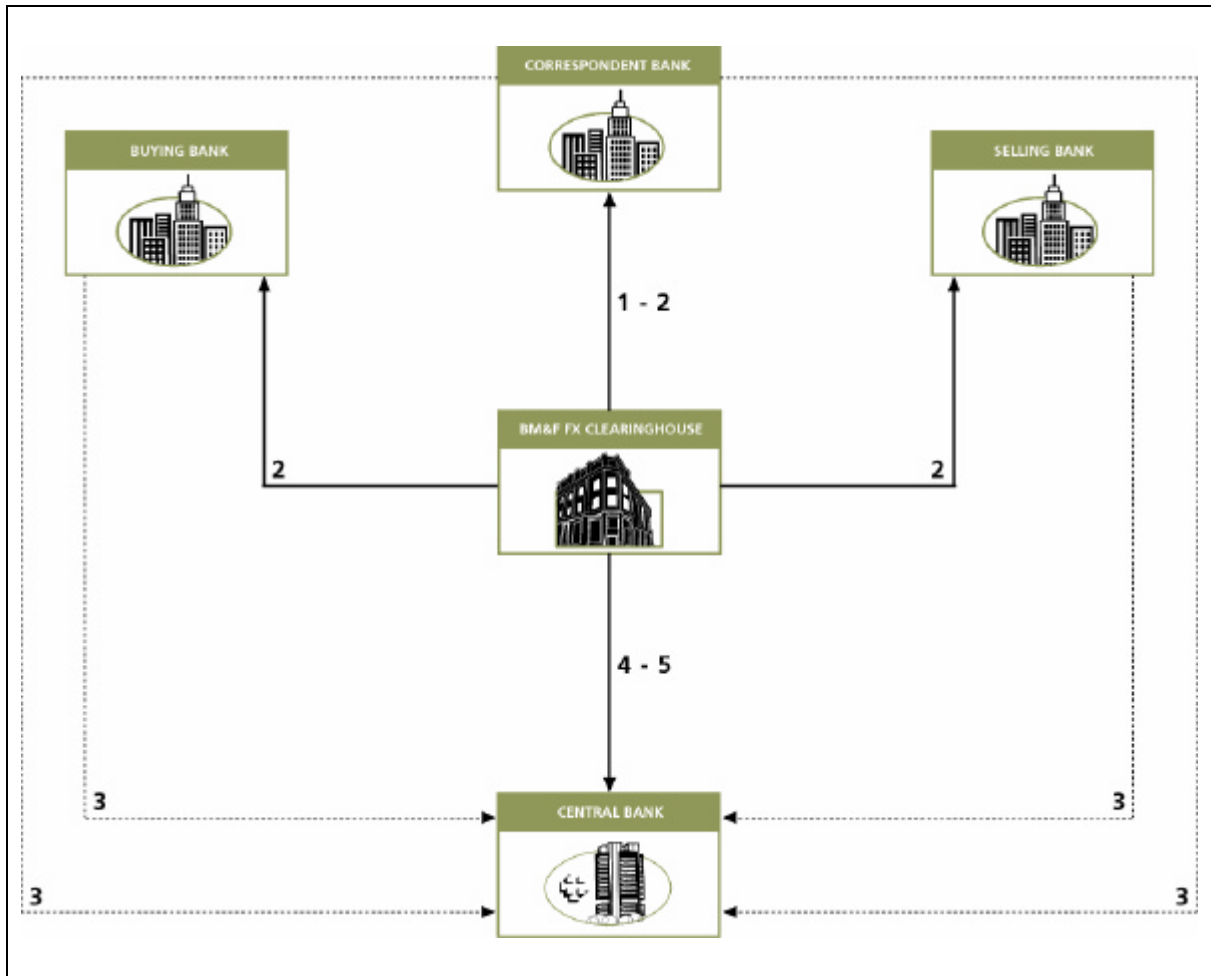


Illustration 7 – Transaction Rejected by a Bank – Solution by the FX Clearinghouse

The operational flow of a transaction rejected by the FX Clearinghouse has the design shown in Illustrations 8 to 13. The stages in Illustration 8 are described as follows:

1. Buying and selling banks place trade orders with their intermediaries' desks by telephone;
2. Intermediaries' desk brokers transmit order to floor brokers by telephone;
3. Transaction performed in the Floor-Traded US Dollar Spot Market is registered in the open outcry system through an optical card reader, and sent to the FX Clearinghouse and to the intermediaries for buying and selling bank identification;
4. Intermediaries identify buying and selling banks;
5. FX Clearinghouse analyzes banks' positions, accepts selling bank's transaction but rejects buying bank's transaction; requests selling bank to confirm transaction (BMC0011); and contacts buying bank to resolve the pending transaction (through the pledge of collateral);
6. Buying bank pledges collateral and confirms transaction; selling bank confirms transaction (BMC0012);
7. FX Clearinghouse informs trade confirmation to the floor and intermediaries;

8. FX Clearinghouse requests banks to register transaction with the Central Bank (BMC0010);
9. Banks register transaction with the Central Bank;
10. FX Clearinghouse captures transaction from the Central Bank; and
11. FX Clearinghouse confirms transaction to the Central Bank.

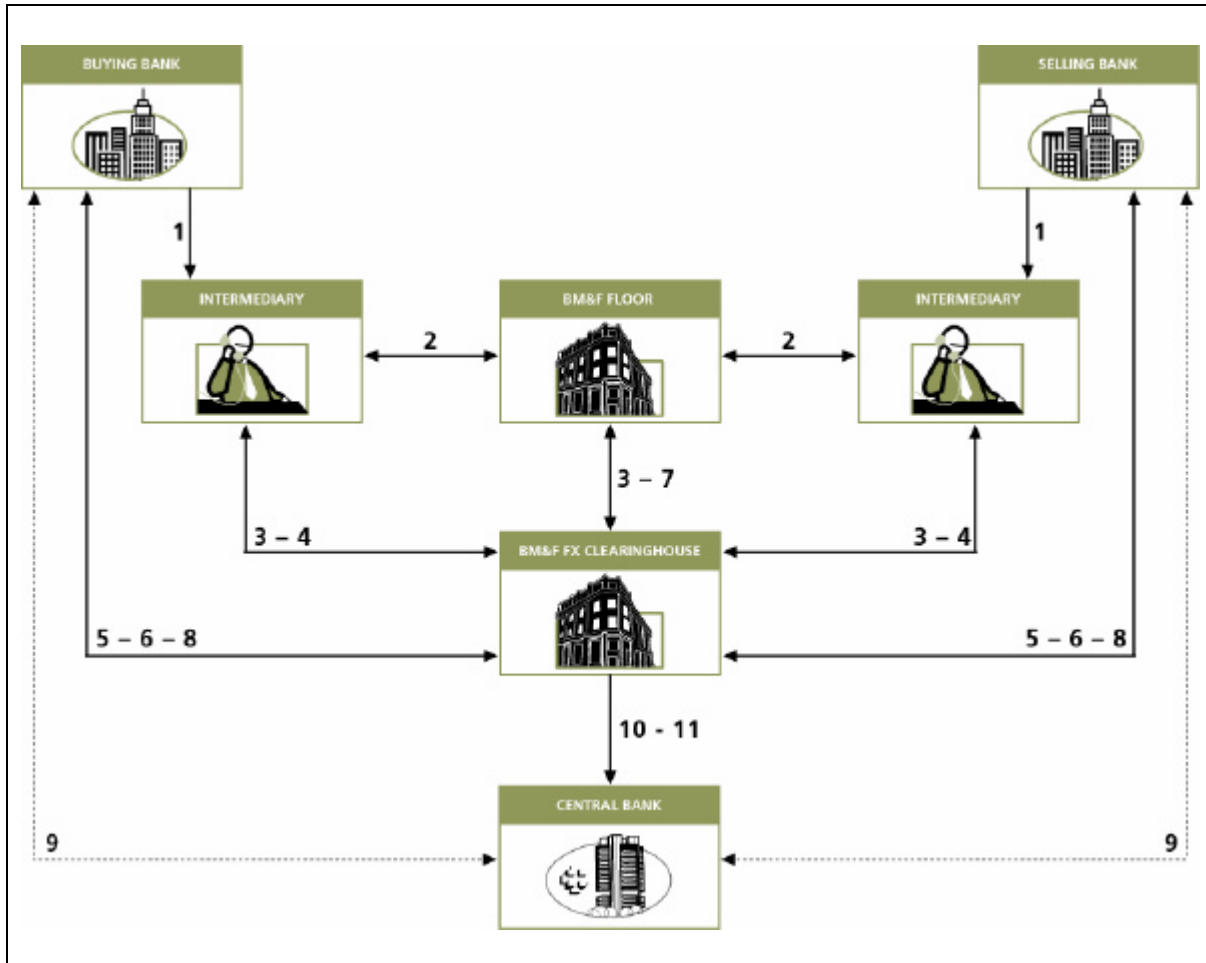


Illustration 8 – Transaction Not Accepted by the FX Clearinghouse

The stages in Illustration 9 are described as follows:

1. Buying and selling banks place trade orders with their intermediaries' desks by telephone;
2. Intermediaries' desk brokers transmit order to floor brokers by telephone;
3. Transaction performed in the Floor-Traded US Dollar Spot Market is registered in the open outcry system through an optical card reader, and sent to the FX Clearinghouse and to the intermediaries for buying and selling bank identification;
4. Intermediaries identify buying and selling banks;
5. FX Clearinghouse analyzes banks' positions, accepts selling bank's transaction but rejects buying bank's transaction; requests selling bank to confirm transaction

- (BMC0011); and contacts buying bank to resolve pending transaction (through the pledge of collateral);
6. Buying bank does not pledge collateral and rejects transaction; selling bank confirms transaction (BMC0012);
 7. FX Clearinghouse informs trade rejection to the floor and to the selling bank's intermediary, as well as the trade confirmation to the buying bank's intermediary;
 8. Buying bank's intermediary resolves the pending transaction by indicating another bank or the same bank again;
 9. Buying bank pledges collateral; FX Clearinghouse analyzes and accepts transaction and requests buying bank to confirm it (BMC0011);
 10. Buying bank confirms transaction (BMC0012);
 11. FX Clearinghouse informs trade confirmation to the floor and to the buying bank's intermediary;
 12. FX Clearinghouse requests banks to register transaction with the Central Bank (BMC0010);
 13. Banks register transaction with the Central Bank;
 14. FX Clearinghouse captures transaction from the Central Bank; and
 15. FX Clearinghouse confirms transaction to the Central Bank.

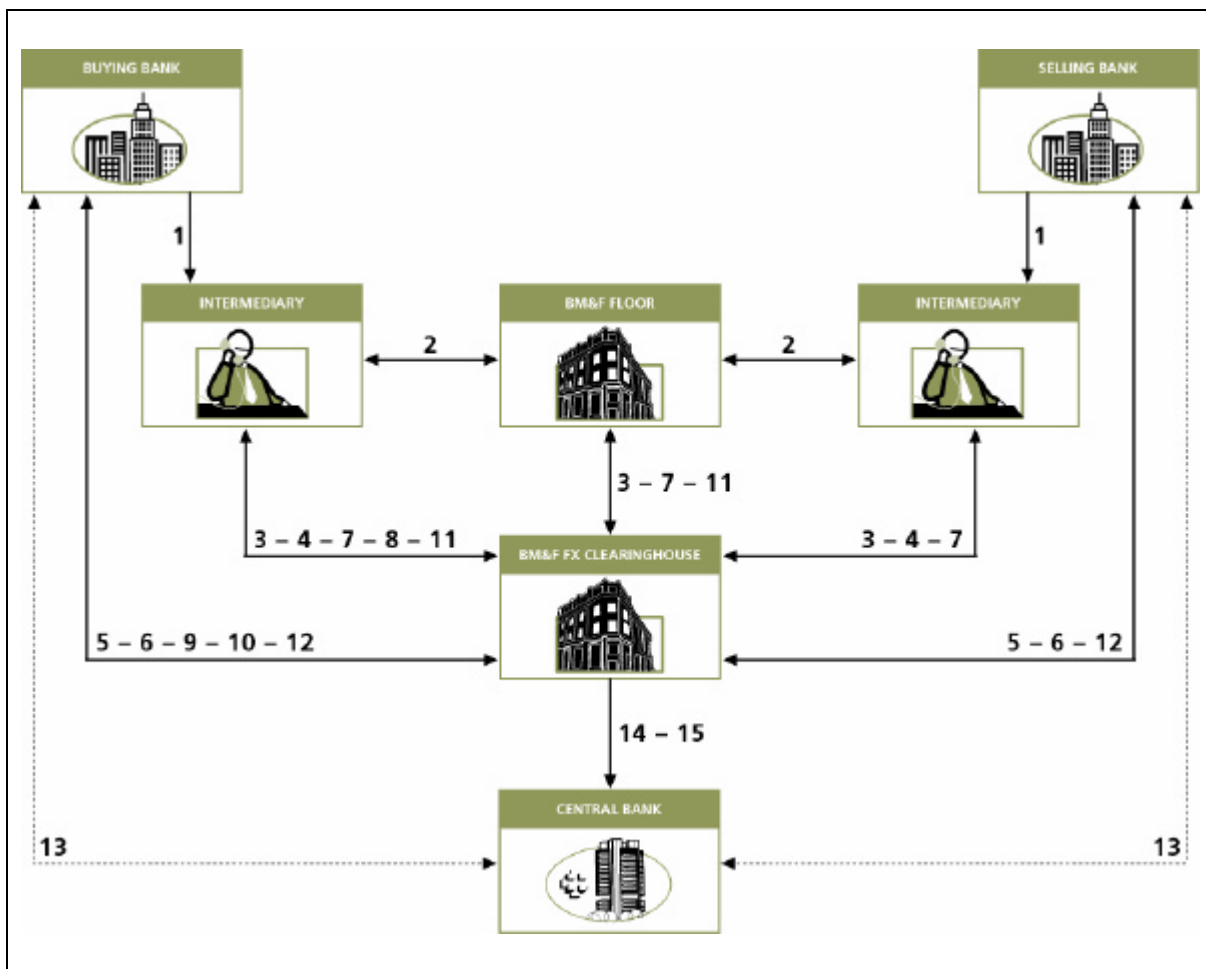


Illustration 9 – Transaction Not Accepted by the FX Clearinghouse

The stages in Illustration 10 are described as follows:

1. Buying and selling banks place trade orders with their intermediaries' desks by telephone;
2. Intermediaries' desk brokers transmit order to floor brokers by telephone;
3. Transaction performed in the Floor-Traded US Dollar Spot Market is registered in the open outcry system through an optical card reader, and sent to the FX Clearinghouse and to the intermediaries for buying and selling bank identification;
4. Intermediaries identify buying and selling banks;
5. FX Clearinghouse requests banks to confirm transaction (BMC0011);
6. Selling bank confirms transactions and buying bank rejects it (BMC0012);
7. FX Clearinghouse informs trade rejection to the floor and to the buying bank's intermediary, as well as the trade confirmation to the selling bank's intermediary;
8. Buying bank's intermediary resolves the pending transaction by indicating another bank or the same bank again;
9. Buying bank does not pledge collateral; FX Clearinghouse analyzes and does not accept transaction (BMC0011); and
10. FX Clearinghouse informs trade rejection to the floor and to the buying bank's intermediary;

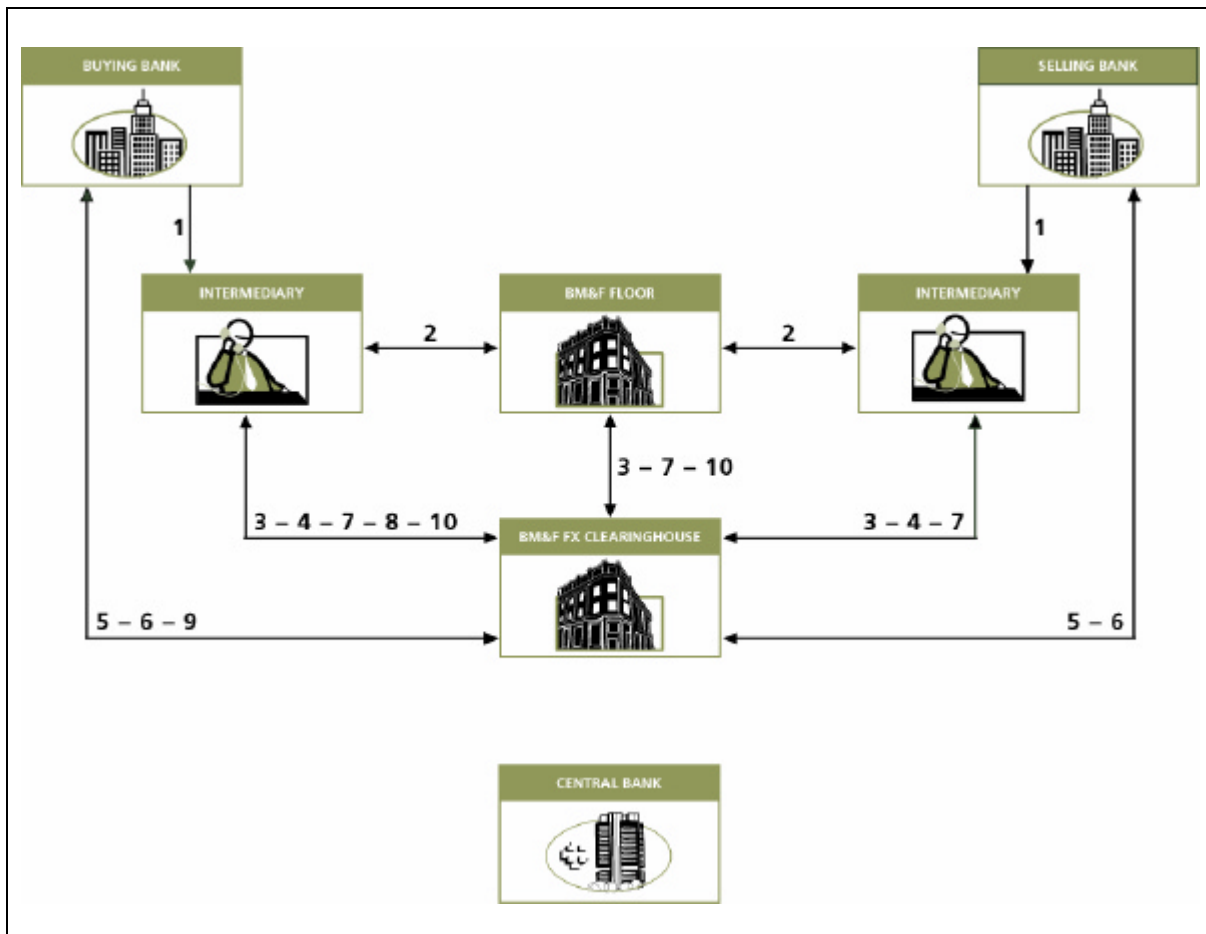


Illustration 10 – Transaction Not Accepted by the FX Clearinghouse

The stages in Illustration 11 are described as follows:

1. FX Clearinghouse requests an intermediary chosen at random to sell foreign currency;
2. Desk broker of intermediary chosen by BM&F transmits order to floor broker;
3. Bank requests another intermediary to buy foreign currency;
4. Desk broker of intermediary chosen by buying bank transmits order to floor broker;
5. Transaction performed in the Floor-Traded US Dollar Spot Market is registered in the open outcry system and sent to the FX Clearinghouse;
6. Transaction is sent to intermediaries for bank indication;
7. Intermediary chosen by buying bank indicates that same bank; intermediary chosen by FX Clearinghouse indicates the FX Clearinghouse, which in turn shall bind this transaction to the rejected transaction undergoing resolution;
8. Intermediary's buying bank resolves the pending transaction by indicating another bank or the same bank again;
9. FX Clearinghouse requests buying bank to confirm transaction (BMC0011);
10. Buying bank confirms transaction (BMC0012); and
11. FX Clearinghouse informs trade confirmation to the floor and intermediaries.

The registration with the Central Bank of a transaction not accepted by the FX Clearinghouse and resolved by the FX Clearinghouse or by the intermediary may occur in two different ways. Should there be no exchange rate difference between the rejected transaction (Illustration 10) and the solution given by the FX Clearinghouse (Illustration 11), the transaction shall be registered by following the procedures in Illustration 12. Should there be an exchange rate difference between the rejected transaction and the solution given by the Clearinghouse (Illustration 11), the transaction shall be registered by following the procedures in Illustration 13.

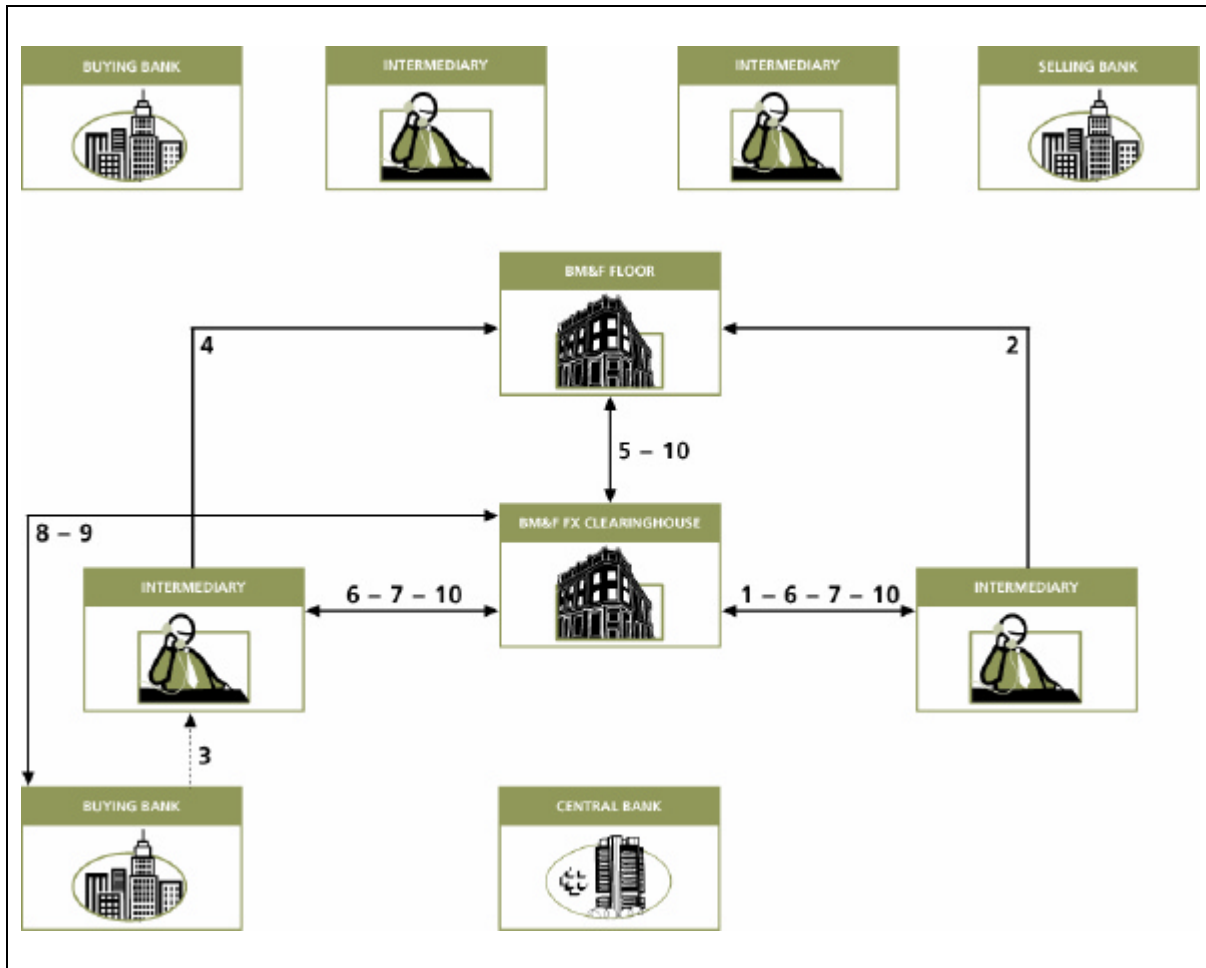


Illustration 11 – Transaction Not Accepted by the FX Clearinghouse

The stages of the operational flow in Illustration 12 are described as follows:

1. FX Clearinghouse requests banks to register transaction with the Central Bank (BMC0010);
2. Banks register transaction with the Central Bank;
3. FX Clearinghouse captures transactions from the Central Bank; and
4. FX Clearinghouse confirms transaction to the Central Bank.

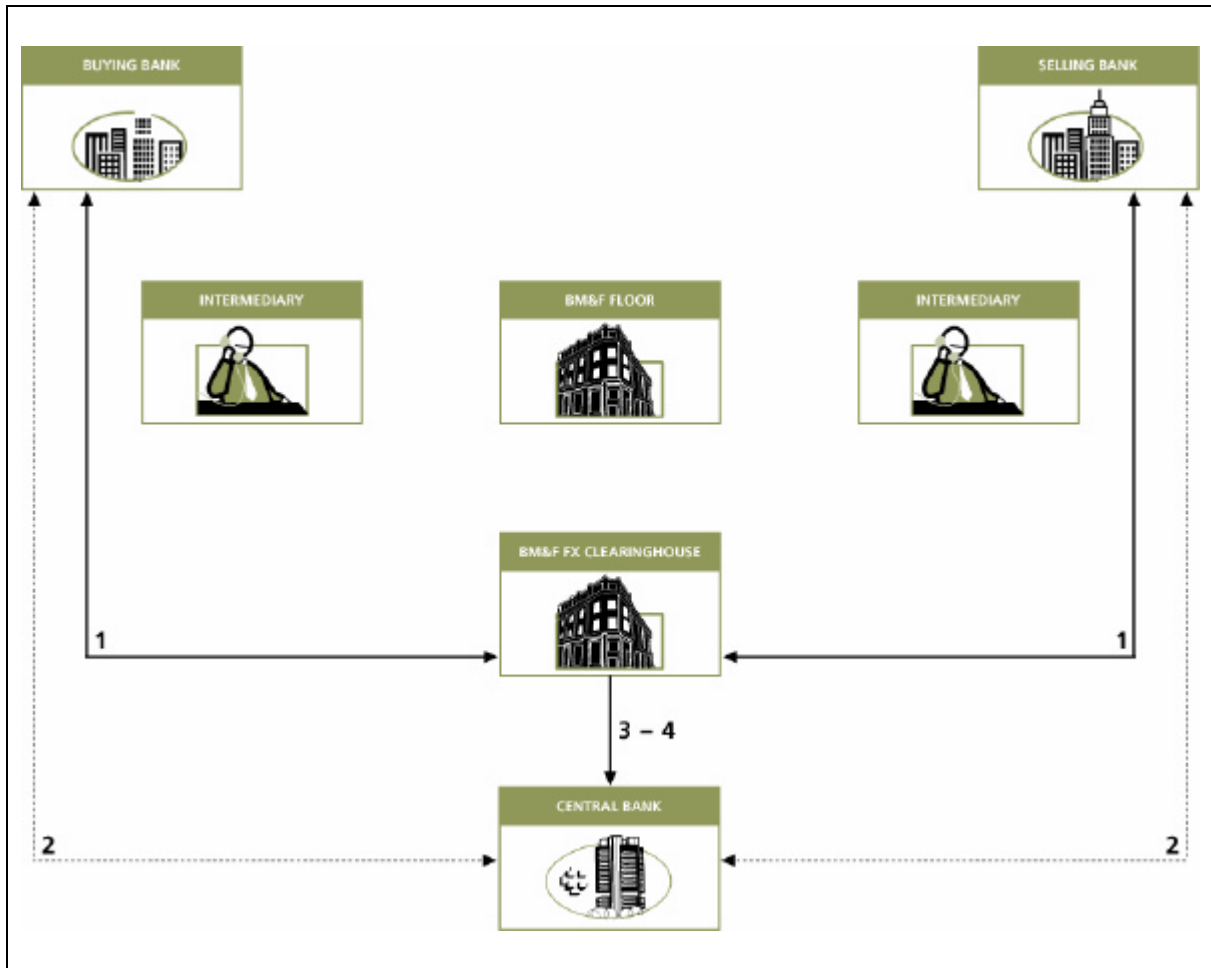


Illustration 12 – Transaction Not Accepted by the FX Clearinghouse

The stages of the operational flow in Illustration 13 are described as follows:

1. FX Clearinghouse requests from the correspondent bank two foreign currency transactions, one of purchase and one of sale in the same conditions (exchange rate, foreign currency amount, and settlement date) as those of the transaction between the buying and selling banks;
2. FX Clearinghouse requests that the correspondent bank and the buying and selling banks register these transactions with the Central Bank (BMC0010);
3. Banks register transactions with the Central Bank;
4. FX Clearinghouse captures transactions from the Central Bank; and
5. FX Clearinghouse confirms transactions to the Central Bank.

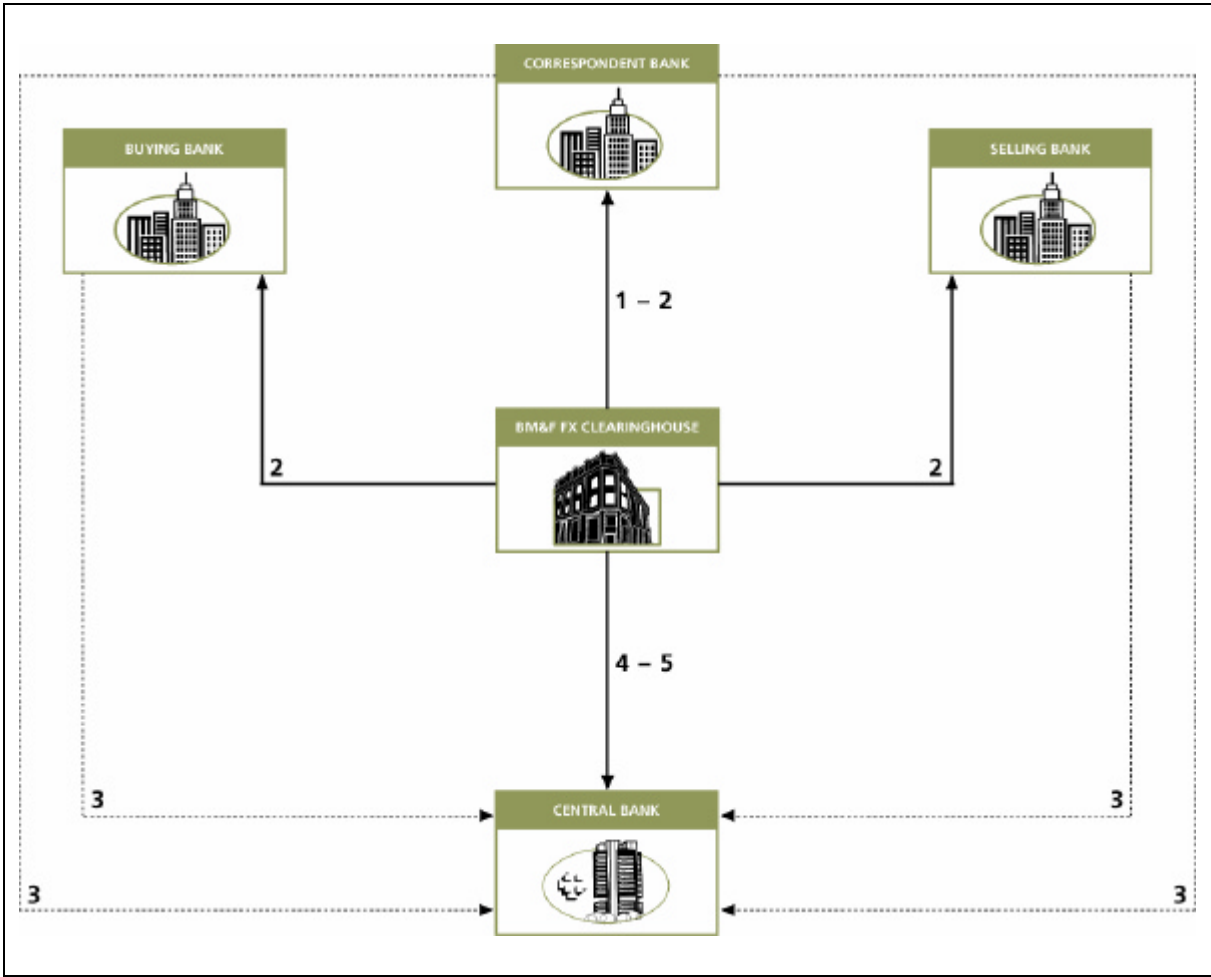


Illustration 13 – Transaction Not Accepted by the FX Clearinghouse