

December 01, 2022  
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## CIRCULAR LETTER

**"Revoked by Circular Letter n° 176/2022-PRE, of 13 of December of 2022."**

Listed B3 Participants

Re.: **Rules for Registration of Cross Orders in the Equities and Derivatives Markets**

As per Circular Letter 057-2022-PRE, of **May 19, 2022**, during Phase 1 of the new rules for registration of cross orders for equities and derivatives, B3 sent participants daily reports on all cross orders that did not match any of the hypotheses for authorized cross orders under the new rules.

During this period, B3 contacted participants to find out more about the cross orders in question and garner information to assure optimal implementation of the Phase 2 monitoring procedure, particularly by completing the structured transaction identification logic.

As a result, as of publication of this Circular Letter, B3 will classify cross orders according to the criteria described below for the purposes of verifying compliance with the registration rules for cross orders.

- a)** All trades executed via cross orders with the same buyer (or buyer master account) or the same seller (or seller master account) for the same instrument and in the same trading sessions will be treated as orders generated by TWAP (Time Weighted Average Price) or VWAP (Volume Weighted Average Price)

algorithms if the sum of the individual quantities exceeds the minimum quantity parameter established by B3 and available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Solutions, PUMA Trading System, Rules and trading parameters, Cross orders, Minimum sizes for cross order registration and thresholds.

**b)** Orders relating to structured transactions are defined as orders entered in the same session and matching the following criteria:

- i.** Forward strategy: purchase (or sale) of a stock and forward sale (or forward purchase) of the same quantity of the same stock by the same final investor;
- ii.** Strategy involving stock/futures and options: stock or futures trade and at least one option series on the same stock or futures contract by the same final investor, whether or not the option is traded on the same quantity of shares or futures;
- iii.** Strategy involving options: trading of at least two option series on the same stock between the same final investors, whether or not the quantities of the different series are the same;
- iv.** Strategy involving stock and futures: purchase (or sale) of stock and sale (or purchase) of a futures contract on the same stock or on the IBOVESPA by the same final investor, whether or not the quantities of stock and futures are the same;
- v.** Strategy involving different futures contract months: trades of more than one futures contract month with the same underlying by the same final investor, whether or not the quantities for the different contract months are the same;

- vi.** Basket or portfolio rebalancing: trades in more than one instrument by the same investors, whether or not they are all sales or purchases and whether or not the quantities are all the same;
- vii.** Fund to fund: trades between different investment vehicles with the same asset manager, in the same manager-linked master account or between subaccounts of the same manager-linked master account. For the purposes of this rule, investment vehicles are investment funds, investment clubs, managed portfolios and other types of entity with or without legal personality with the same asset manager;
- viii.** Strategies involving one trade on a market operated by B3 and another on a physical or spot market outside B3.

To identify strategies involving more than one asset class, B3 will apply the above criteria at the investor level and analyze strategies with the same buyer and the same seller using more than one participant.

Participants will be responsible for justifying to B3 any cases of non-compliance identified in the report on cross orders sent by B3, containing only transactions identified by B3 in accordance with the above criteria and validated against the rules governing cross orders. B3 will analyze the justifications presented by participants and, if appropriate, apply the penalties established in its normative documents.

It should be noted that all transactions classified by B3 and replies sent by participants are shared with BSM for the purposes of supervision. Participants must therefore carefully keep on file the evidence that supports their

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justifications, including without limitation the strategies mentioned in item viii.

This evidence may be requisitioned by BSM.

B3 will not apply sanctions to structured transactions executed once the new rules on cross orders have taken effect in accordance with the parameters and definitions established in this Circular Letter.

Complete definitions of cross order types and of the sanctions and penalties applicable in cases of non-compliance with the rules on cross orders are available in B3's Trading Procedures Manual at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Regulation, Regulatory framework, Regulations and manuals, Trading.

All provisions of Circular Letter 057-2022-PRE, dated May 19, 2022, remain in force unless they are mentioned by this Circular Letter.

Further clarification can be obtained from Electronic Trading by calling +55 11 2565-5022 or by emailing [trading@b3.com.br](mailto:trading@b3.com.br).

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