

July 05, 2022  
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## CIRCULAR LETTER

Listed B3 Participants

Re.: **Accreditation Process for the Market Maker Program for Stocks, BDRs, ETFs and Investment Funds**

B3 hereby informs you of the end of the program that was announced in Circular Letter 056/2021-PRE, dated May 29, 2021, and extended in Circular Letter 061/2022-PRE, dated May 31, 2022.

The procedures for accreditation under the new Market Maker Program in Stocks, BDRs, ETFs and Investment Funds (program) are described below.

### **Selection procedure**

Institutions wishing to participate in this program must request accreditation by filing the Expression of Interest form. The form must be completed by entering the institution's corporate details and the assets for which it wishes to act as market maker, and must be emailed to [formadordemercadob3@b3.com.br](mailto:formadordemercadob3@b3.com.br) by the deadline stipulated in this Circular Letter.

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, Stocks, BDRs, ETFs and Investment Funds.

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After receiving the Expression of Interest forms, B3 will allocate the institutions selected to each of the assets designated in their respective Expression of Interest forms, considering the number of openings offered, and will then announce the institutions selected for each asset.

If the number of Expressions of Interest exceeds the number of openings, B3 will select the market makers by means of the procedure described in the Annex to this Circular Letter.

B3 will notify the institutions selected for each asset in the program. The names of the accredited institutions will be publicly announced on the first day of their activity under the program.

### **Accreditation procedure**

The selected institutions must formalize accreditation for the assets concerned by signing the Instrument of Accreditation by the deadline stipulated in this Circular Letter.

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

Institutions that have not yet signed the Market Maker Agreement with B3 must follow the procedures outlined in chapters 4, 5 and 6 of the Procedures Guide

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A specific Instrument of Accreditation for this Program is available at [www.b3.com.br/en\\_us/](http://www.b3.com.br/en_us/), Products and Services, Trading, Market maker, Join in, Stocks, BDRs, ETFs and Investment Funds.

### **Eligible assets and activity parameters**

Market makers must enter bids and asks in accordance with the activity parameters defined by B3.

The list of assets eligible for the program and their respective activity parameters can be found in the document Rules for Market Maker Program in Stocks, BDRs, ETFs and Investment Funds, at [www.b3.com.br/en\\_us/](http://www.b3.com.br/en_us/), Products and Services, Trading, Market maker, Join in, Stocks, BDRs, ETFs and Investment Funds.

The parameters in this document do not apply to market makers hired by asset issuers. Such market makers must comply with the parameters defined in their respective service agreements.

If an institution is interested in a stock that is not among the assets eligible for the program, and which has an average daily trading volume under BRL 250 million in the 12 months prior to the announcement of the program, the institution may request consultation with B3 on the viability of including the intended stock among the program's eligible assets. In this case, B3 will analyze the request and may at its sole discretion include the stock among the program's eligible assets, providing openings for market makers in the stock outside the accreditation period.

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

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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.

### **Timetable**

<b>Expression of Interest filed</b>	<b>Selected market makers announced</b>	<b>Accreditation Instrument filed</b>	<b>Account registration</b>	<b>Activity starts</b>	<b>Obligation ends</b>
By July 22, 2022	August 2, 2022	By August 10, 2022	August 10, 2022	September 5, 2022	September 1, 2023

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

### **Parameters and activity**

B3 may assess each market maker's performance six months after the start of its activity under this program, comparing the volume traded by it in each asset for which it is accredited with the total volume of the same asset traded during its activity period

If a market maker's share of the total volume of the asset traded during the period is less than five per cent (5%), B3 may replace it with another institution that has expressed interest in the asset concerned.

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### **Test period**

Market makers may enjoy the benefits specified below without having to observe the required activity parameters for up to ten (10) business days after the start of their mandatory activity so that they can perform connectivity, trading session and order routing tests, as well as the necessary technological configurations. Market makers that need this period must notify B3 of their activity accounts at least thirteen (13) business days before the start of their activity under the program. After this test period, market makers' activities will be monitored by B3.

### **Disaccreditation**

In the event of disaccreditation of market makers accredited to the program, B3 may select other institutions that have expressed interest in the assets concerned to replace the disaccredited institutions. The institutions selected will be those ranked highest in the second analysis for secondary allocation described in the Annex to this Circular Letter, where applicable.

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

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

Accreditation to the program may be cancelled in the event of more than twelve (12) unjustified breaches of the parameters and/or obligations set forth herein and in the Market Maker Agreement and Instrument of Accreditation, or if the justification is not accepted by B3. The Agreement is available at [http://www.b3.com.br/en\\_us/](http://www.b3.com.br/en_us/), Products and Services, Trading, Market maker, Join in, Contracts.

### **Minimum activity period**

If a market maker withdraws from the accreditation process without having begun its activities under the program, it will be exempted from meeting the minimum activity period of thirty (30) days required by Circular Letter 109/2015-DP, dated October 8, 2015, provided it notifies B3 at least seven (7) days before its activity is due to begin. If withdrawal occurs after this, the market maker must comply with the 30-day notice rule without fail so that its Disaccreditation can be communicated to the market, unless other institutions are interested in accreditation under the program.

### **Benefits**

Institutions accredited to act as market makers in the stocks eligible for the program will enjoy the following benefits relating to the stocks for which they are accredited:

- A reduction of seventy-five per cent (75%) in fees on purchases and sales of stocks with an average daily trading volume between BRL 250 million and BRL 500 million in the year preceding the program's inception
- A reduction of one hundred per cent (100%) in fees on purchases and sales for stocks with an average daily trading volume under BRL 250 million in the year preceding the program's inception

Institutions accredited to act as market makers in ETFs eligible for the program will be entitled to the benefits described in the Fee Policy published in Circular Letter 184/2020-PRE, dated December 22, 2020 and amended in Circular Letter 002/2022-VPC, dated January 4, 2022.

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Institutions accredited to act as market makers in BDRs and Investment Funds will be entitled to exemption from fees on purchases and sales of the BDRs and Investment Funds for which they are accredited.

Message flows, trades and volume generated by market makers will not be considered for the purposes of the Trading Message Control Policy, as per Circular Letter 039/2013-DP, dated May 27, 2013, and Circular Letter 050/2013-DP, dated July 30, 2013

### **General provisions**

Market makers do not have exclusivity in the assets for which they are accredited, and asset issuers may therefore engage market makers of their own at their sole discretion.

Market makers have no obligations or formal ties to the issuers of the assets for which they are accredited and are accountable only for the obligations established in the rules and regulations issued by the Securities and Exchange Commission of Brazil (CVM) and B3 to govern this activity.

B3 may at any time include new assets in this program and accept the accreditation of interested institutions.

Any issues regarding this accreditation process and program not explicitly addressed here will be resolved by B3.

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Further clarification can be obtained from the Chief Product and Client Officer's team by calling +55 11 2565-4616/4042 or emailing [formadordemercadob3@b3.com.br](mailto:formadordemercadob3@b3.com.br)

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## **Annex I to CIRCULAR LETTER 079/2022-PRE**

### **Selection Process for the Market Maker Program for Stocks, BDRs, ETFs and Investment Funds**

#### **1. Eligibility**

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

#### **2. Selection model**

The places available for the accreditation of market makers in each asset are divided into two selection methods:

- Primary allocation
- Secondary allocations.

For assets with five available openings, two openings will be reserved for the primary allocation and the rest for the secondary allocation. For assets with three available openings, one opening will be reserved for the primary allocation and the rest for the secondary allocation

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If the opening reserved for primary allocation is not filled, it will be offered for secondary allocations in order to maximize the number of market makers accredited under this program.

## 2.1 Primary allocation

To be eligible for the primary allocation, institutions must:

1. have been accredited for the asset under the previous market maker program
2. express an interest in the asset enrolled in the program

Selection for the primary allocation will be based on the following variables and percentage weightings:

- **ADTV Maker and Taker:** average daily trading volume in the asset in the last three months, considering only trades resulting from maker orders, with a weighting of two. The scoring will be calculated proportionately based on the highest ADTV Maker and Taker metric (50%).
- **Performance:** performance in trading the asset during the previous market maker program, considering the performance from July 2021 to the last available month (50%).

B3 will inform the institution preselected for primary allocation after the deadline for filing the Expression of Interest form.

If no market makers were accredited for the asset under the previous program, and when a new asset is included in the program, the opening reserved for

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primary allocation will be made available for secondary allocations in the second analysis ranking.

The preselected institution will qualify for accreditation only if its spread and quantity auction offers match the program spread and quantity defined in the secondary allocation auction. If the participant's offers made in auction do not meet the program's spread and quantity, the institution must advise B3 whether it agrees to the spread and quantity defined in the auction. If it does not, the opening will be automatically made available for secondary allocations in the second analysis ranking and the institution will compete with the others in the secondary allocation.

## 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 the institutions with the highest scores will be selected for accreditation.

Calculation of each institution's score will be based on the following variables and percentage weightings:

- **Quantity auction:** each institution offers at least the minimum quantity determined by the program rules, with points awarded for the five best offers for each option, as below:
  - Best: five points
  - Second best: four points
  - Third best: three points

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- Fourth best: two points
  - Fifth best: one point
  - Sixth best onwards: unscored
- **Spread auction:** each institution bids the maximum spread or better as determined by the program rules, with points awarded for the five best bids for each option, as below:
    - Best: ten points
    - Second best: eight points
    - Third best: six points
    - Fourth best: four points
    - Fifth best: two points
    - Sixth best onwards: unscored

The institutions are selected in accordance with the scoring system. The highest ADTV among the parties interested in the asset will be used as tiebreaker.

Market maker spreads and quantity under the program must match the highest spread bid and the lowest quantity offered by the institutions selected in the secondary allocation and will be updated as part of the announcement of the names of the market makers selected.

Institutions must specify their spread and quantity offers in the Expression of Interest form, based on the reference parameters defined by B3 in the document

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Rules for Market Maker Program in Stocks, BDRs, ETFs and Investment Funds available at [http://www.b3.com.br/en\\_us/](http://www.b3.com.br/en_us/), Products and Services, Trading, Market maker, Join in, Cash Market (Stocks, BDRs, ETFs and Investment Funds).

All submitted offers will be strictly confidential.