

March 21, 2024
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CIRCULAR LETTER

Listed B3 Participants

Re.: **Liquidity Provider Pilot Program for the Cash Equities Market**

B3 hereby informs you that the end of the obligation of market makers accredited with the Liquidity Provider Pilot Program for the Cash Equities Market (Program), announced in Circular Letter 179/2023-PRE, dated October 31, 2023, will be put back to **June 30, 2024**.

Liquidity providers that are already accredited will be able to request de-accreditation from the program up until **March 26, 2024**, if they do not wish to perform activity during the extended period.

In the case of de-accreditation of market makers from this program, B3 will announce a new deadline for the submission of the necessary documentation for the accreditation of parties who wish to join the program, aiming to fill the slots left by the de-accredited market makers. Please note that for those who are newly accredited there will be no change to the obligation end date, which will remain at the now extended date of **June 30, 2024**.

The other characteristics of the program remain unchanged. The rules and procedures of the program are contained in the Annex hereto.

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This Circular Letter revokes and substitutes Circular Letter 179/2023-PRE, dated October 31, 2023.

Further information can be obtained from the Chief Product and Client Officer's team by email at incentivoliquidez@b3.com.br

Gilson Finkelsztain
Chief Executive Officer

José Ribeiro de Andrade
Chief Product and Client Officer

Annex to CIRCULAR LETTER 036/2024-PRE

Liquidity Provider Pilot Program Rules

1. Accreditation

All those who are accredited and meet all the prerequisites will be registered and will enjoy the fee benefits. There are no limits on the openings for this program.

Institutions that wish to take part in this program must request accreditation by sending a duly filled in Instrument of Accreditation to incentivoliquidez@b3.com.br, within the deadline defined in this Circular Letter, containing their personal details, designation of the assets in which they intend to trade, document (CPF individual taxpayer number, CNPJ corporate taxpayer number or CVM document) and accounts to be registered in the program.

The Instrument of Accreditation is available at www.b3.com.br/en_us/, Products and Services, Trading, Market maker, Programs - Listed, Pilot – Liquidity Provider.

1.1. Trading requirements

After it receives the Instrument of Accreditation, B3 will assess the investor interested in the program by two metrics, calculated at the level of the document (CPF or CNPJ or third block of the CVM code), in other words, considering all the accounts under the same name.

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To qualify for the program, the investor must meet the minimum requirements in both metrics. The values of the minimum requirements are set out in the “Trading Minimum Requirements” document, available at [www.b3.com.br/en_us/Products and Services, Trading, Market maker, Programs - Listed, Pilot – Liquidity Provider](http://www.b3.com.br/en_us/Products_and_Services,Trading,Market_maker,Programs-Listed,Pilot-LiquidityProvider).

ADTV %

The ADTV % requirement considers financial volume in the asset that the investor trades in the two months prior to requesting entrance to the program, divided by the total financial volume traded in the asset on both sides (buy and sell) in each month (from the first to the last business day). Both months must meet the minimum requirement:

$$\text{ADTV \%}_{\text{month}} = \frac{\text{Investor volume asset month}}{\text{Total volume asset month}}$$

Day trade %

The day trade % requirement considers the financial volume of the asset traded by the investor in the two months prior to requesting entrance to the program, considering only assets classified as day trade, divided by the total financial volume traded by the investor in the asset in each of the months (from the first to the last business day). Both months must meet the minimum requirement:

$$\text{Day trade \%}_{\text{month}} = \frac{\text{Day trade volume investor asset month}}{\text{Investor volume asset month}}$$

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After verifying compliance with the entrance minimum requirements, B3 will announce the institutions qualified for each asset in the program by email at incentivoliquidez@b3.com.br.

Assessment to join this program will be monthly. Requests submitted by the 15th of a determined month will be assessed by the end of that same month. Requests submitted after that date will be assessed at the end of the following month.

If approved, the investor will gain access to the benefits as of the first business day of the month following that of approval.

1.2. Trading and settlement account requirements

The accounts registered with the program must comply with the following trading and allocation rules for the assets in which they have been accredited.

- i.** all transactions in the accredited asset, via a registered account, must be allocated in this same account upon occurrence of the transaction, with no subsequent allocations or give-ups
- ii.** give-ups or reallocations will not be allowed from or to accounts registered in the program
- iii.** it is prohibited to use accounts that are already being used for the same asset in other market maker programs, including delta hedging accounts for options on single stocks or ETFs

Investors that are unable to meet these requirements due to trading issues of their own must not register for the program.

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If B3 identifies breaches of rules i, ii and iii above, it will charge the standard fee (with no reduction) on the month's entire volume and will deregister the investor's accounts in the program.

At least five days before the first business day of the transaction month in which the changes become valid, participants and investors must detail by email at incentivoliquidez@b3.com.br all changes to accounts in the program, encompassing inclusion, exclusion and modification of both the trading accounts and the settlement accounts, and await confirmation by B3 that the changes have been made.

Assessment of the trading and performance requirements will occur at different levels:

- a)** assessment of the trading requirements as set forth in item 1.1. will occur at the document level (CPF, CNPJ or third block of the CVM code)
- b)** performance assessment, as set forth in item 2.4. will occur at the level of the registered accounts

The flow of messages that liquidity providers generate will be considered as per the Policy for the Control of Trading Messages, as set forth in Circular Letter 086/2023-DP, dated May 30, 2023.

Trading volume in the assets and accounts that have liquidity provider registration will be considered as usual for the daily day trade volume calculation used to define the fee tier for day trades in the cash equities market, as set forth at www.b3.com.br/en_us/, Products and Services, Fee schedules, Listed equities and derivatives, Equities, Equities and Investment Funds, Spot.

2. Program rules

The institutions accredited for the Liquidity Provider Pilot program will have the right to an additional reduction to the exchange fees and other fees on buy and sell transactions for the registered assets in accordance with the performance assessment.

2.1. Activity parameters

The liquidity providers will not have minimum activity parameters during the program. The benefits will be applied only in accordance with the participant's performance.

2.2. Volume definitions

The following parameters are defined to calculate the performance metric of the exchange fees and other fees:

- **total volume of the asset:** financial volume traded by the market in the respective asset, considering the two sides (buy and sell)
- **taker volume:** financial volume traded by the investor originating from its aggressive orders, also known as market orders
- **non-maker volume:** financial volume traded by the investor generated from taker orders (taker volume) originating from the closing auction and/or via cross trades
- **maker volume:** financial volume traded by the investor in the respective asset, minus the non-maker volume

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The abovementioned volumes (except the total volume of the asset) only consider the registered accounts that the investor reports.

Please note that the option exercise volumes will **not** be considered for calculating the full volume or the investor's volume, that is, they do not affect the performance metric.

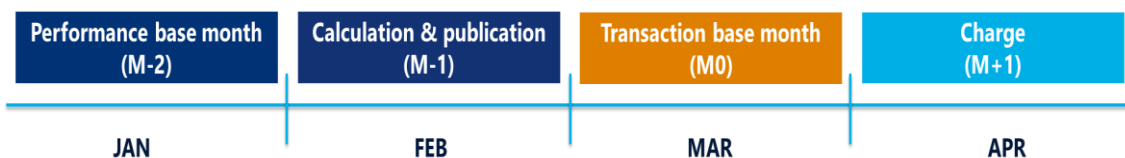
2.3. Timetable for calculation and charges

As this is a specific incentive program, for liquidity providers, we will not charge fees daily in the settlement window (T+2). We will charge investors fees by the tenth business day of the month following that of the transaction (M+1).

Fee calculation will consider the following timetable:

- **M0:** month of the transaction with the assets, to which the fee will be applied
- **M-1:** month prior to the transaction, in which the fees will be calculated and disclosed
- **M-2:** two months prior to the transaction whose volumes will be used to assess the performance
- **M+1:** month in which the fees will be charged

An example considering M0 as March:



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- January's volume will be used to assess the performance
- fees will be calculated and disclosed in percentages in February
- the fee percentages disclosed in February will be applied to the volume traded in March to obtain the values of the fees in Brazilian Reals
- the fee values in Brazilian Reals will be charged up until the tenth business day of April

B3 will announce fee charge values in Brazilian Reals to all participants via the email addresses given in the Instrument of Accreditation as well as by SLF charge file. Each participant (carrying broker) will be responsible for including these fees in all the systems in its chain, so that its calculation will be in line with that of B3.

2.4. Trading and settlement fee calculation

The trading and settlement fee value will be calculated according to the definitions of items 2.4.1 and 2.4.2, based on the trading volume two months before application (M-2).

The price tables are available at www.b3.com.br/en_us/, Products and Services, Fee schedules, Listed equities and derivatives, Equities, Equities and Investment Funds, Spot.

2.4.1. Non-maker volume

- **Fee on non-day trade volume** will be that defined by the price table according to the type of investor

- **Fee on day trade volume:** the value of the day trade price table will apply. Position in the price tier will be based on the average daily trading volume (ADTV) of the month M-2, and not on the daily volume:

$$ADTV\ DT = \frac{\text{Total investor day trade volume } M - 2}{N^{\circ} \text{ of sessions } M - 2}$$

2.4.2. Maker volume

- **Fee on non-day trade volume** will be that defined by the price table according to the type of investor
- **Fee on day trade volume:** the value of the day trade price table will be applied. Position in the price tier will be based on the average daily trading volume (ADTV) of the month, and not on the daily volume:

$$ADTV\ DT = \frac{\text{Total investor day trade volume } M - 2}{N^{\circ} \text{ of sessions } M - 2}$$

Furthermore, the day trade maker volume will have a reduction based on the performance metric of each asset in accordance with its contribution to trading volume, in cases where it provided liquidity to the screen (share maker %):

$$\text{Share maker } \% = \frac{\text{Investor maker asset volume } M - 2}{\text{Total asset volume } M - 2}$$

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This is a regression table and will be structured as follows.

Tiers	Share maker %		% Reduction to the day trade maker fee
	From	To	
1	D ₁	U ₁	X ₁ %
2	D ₂	U ₂	X ₂ %
...
n-1	D _{n-1}	U _{n-1}	X _{n-1} %
n	D _n	U _n	X _n %

The table with the performance tiers and fees is available in the “Fee Structure” document available at www.b3.com.br/en_us/, Products and Services, Trading, Market maker, Programs - Listed, Pilot – Liquidity Provider.

The values in the tables will be reviewed every three months with any changes, or not, to the tiers and percentage reductions being at B3’s sole discretion on these occasions.

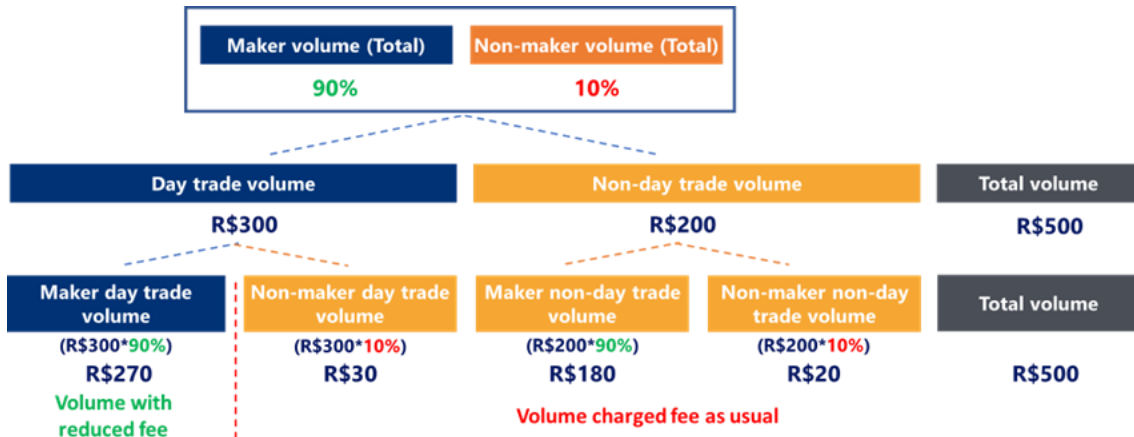
2.5. Segregation of volumes

The financial volume traded in M0 will be distributed as follows:

- the maker volume percentage will be calculated (day trade or not) in relation to the investor’s total financial volume
- this proportion will be used both in the day trade volume and in the non-day trade volume to calculate the maker and non-maker financial volume
- the fee applied to each of the four components of the volume will be that calculated in item 2.4, respectively

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Example. In the illustration below, the BRL 500 traded financial volume, of which BRL 300 is day trade and BRL 200 is non-day trade, with 90% maker, will be distributed as follows:



2.6. Fee calculation in Brazilian Reals

The value that each investor will be charged M+1 on the M0 traded volume is calculated as follows:

Total value charged =

$$\begin{aligned} \text{Value charged}_a &= \text{Monthly fee}_a \times [(1 - \% \text{ Redução}) \times \text{Traded volume}_a] \\ + \text{Value charged}_b &= \text{Monthly fee}_b \times \text{Traded volume}_b \\ + \text{Value charged}_c &= \text{Monthly fee}_c \times \text{Traded volume}_c \\ + \text{Value charged}_d &= \text{Monthly fee}_d \times \text{Traded volume}_d \end{aligned}$$

Where:

Monthly fee

= fee calculated in accordance with item Erro! Fonte de referência não encontrada.

Traded volume

= financial volume traded in accordance with item Erro! Fonte de referência não encontrada.

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% Reduction

= reduction calculated in accordance with item Erro! Fonte de referência não encontrada.

a = index that denotes values considered maker day trade

b = index that denotes values considered non – maker day trade

c = index that denotes values considered maker non – day trade

d = index that denotes values considered non – maker non – day trade

2.7. Fee transition period

To build a performance history in the investor's first two months in the program, the fee reduction percentages will be fixed. The values are available in the "Fee Structure" document available at www.b3.com.br/en_us/, Products and Services, Trading, Market maker, Programs - Listed, Pilot – Liquidity Provider.

As of the third month the benefit will be applied in accordance with the model described in the item.

2.8. Eligible assets

The list of assets eligible for the program is available in the "Trading Minimum Requirements" document at www.b3.com.br/en_us/, Products and Services, Trading, Market maker, Programs Listed, Pilot – Liquidity Provider.

3. De-accreditation

The liquidity providers may have their accreditation in this program cancelled if they remain for more than two months in the first performance assessment tier, described in item 2.4.2.

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If they are de-accredited, voluntarily or by B3, investors will be unable to execute new accreditation except in the case of program renewal.

B3 will announce de-accreditations to the participants by its usual means of communication.

4. Deadlines

Instrument of accreditation filed	Selected participants announced	Accounts registered	Activity starts	Obligation ends
By Oct. 28, 2022	Nov. 1, 2022	Nov. 14, 2022	Nov. 16, 2022	Jun. 31, 2024

New accreditations will have deadlines for filing documentation, and an activity start date, announced to the interested participants by B3.

The end of the obligation will be the same for the new accreditations and for the previously accredited investors.