

May 21, 2024  
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## CIRCULAR LETTER

Listed B3 Participants

Re.: **Accreditation Process for the Market Maker Program for Weekly Expiring Options on Single Stocks, Units and ETFs**

Up to twelve market makers will be accredited under this program.

The groups of assets that are eligible for the program are available in the document Rules for Activity by Market Makers in Weekly Options on Stocks and ETFs, available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market Maker, Programs - Listed, Options, Weekly Expiring Options on Single Stocks, Units and ETFs.

### **Selection procedure**

Institutions that wish to take part in the program must request accreditation by sending the completed Expression of Interest form designating the options in which they wish to make market, to [formadordemercadob3@b3.com.br](mailto:formadordemercadob3@b3.com.br) by the deadline defined 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, Programs - Listed, Options, Weekly Expiring Options on Single Stocks, Units and ETFs.

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After receiving the Expression of Interest form, B3 will accordingly allocate options to each of the selected institutions, respecting the number of openings offered. B3 will then announce the institutions selected for each option.

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 Annex I to this Circular Letter.

Having completed the selection process, B3 will announce individually the institutions selected for the program and the scores of all the institutions that participated in the process. The public announcement of all the accredited institutions will occur as of the first day of activity of the program.

### **Accreditation procedure**

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

Guidance on the procedure for submitting the Term of Accreditation can be found in the Procedures Guide 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, Accreditation.

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

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For accreditation in this program, a specific Term of Accreditation form is available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market Maker, Programs - Listed, Options, Weekly Expiring Options on Single Stocks, Units, and ETFs, Instrument of Accreditation.

### Timetable

Expression of Interest Filed	Selected market makers announced*	Term of Accreditation filed	Accounts registered	Activity starts	Obligation ends
By June 3, 2024	June 4, 2024	By June 17, 2024	By June 17, 2024	Jul. 1, 2024	Dec. 6, 2024

\*If there is selection as described in Annex I, the initial announcement on June 4, 2024 will only be made to the selected institutions. The public announcement will occur as of **July 1, 2024**.

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 equity options eligible for the program and the respective activity parameters can be found in the document Rules for Activity by Market Makers in Weekly Options on Stocks and ETFs, available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market Maker, Programs - Listed, Options, Weekly Expiring Options on Single Stocks, Units and ETFs.

Additionally, market makers are required to trade for at least ten minutes in the last thirty minutes of each trading session.

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For purposes of rollover of the option series with two mandatory contract months, market makers are required to register bids and asks in the first two contract months until the business day before the expiration date of the first contract month available for trading. As of the expiration date, the market makers are not obliged 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, Mandatory series, Options on Equities and Indexes.

### **Test period**

Market makers enjoy the benefits specified below without having to observe the activity parameters for up to ten business days after the start of their mandatory activity so that they can execute connectivity, session and order routing tests, as

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well as the necessary technological configurations. After the test period, B3 will monitor market makers' activities.

### **De-accreditation**

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

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 case of non-compliance with the parameters and/or obligations set forth herein, or in Circular Letter 084/2023-PRE, dated May 30, 2023, regarding the rules for monitoring market maker non-compliance, or in the Agreement of Accreditation for Market Maker Activity, in a way that is either unjustified or whereby B3 does not accept the justification given. The Agreement is available at [www.b3.com.br/en\\_us/](http://www.b3.com.br/en_us/), Products and Services, Trading, Market maker, Accreditation, Market Maker Agreement.

### **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

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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 the accredited weekly option series, 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%) of the quantity of options traded for all series of the underlying on the day it is calculated.

Market makers that exceed the above delta hedging limit on one or more days will have to pay the fees described in Annex II on the daily cash market excess volume.

Market makers will be responsible for paying the full amount of the exchange fees and settlement 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 for which they are accredited, regardless of the number of accounts they may use to perform their

market making activities. Compliance with this rule assures correct application of the benefits of this and other programs with which the participant is accredited.

The volume traded in accounts and the assets registered in the program, both for activity in the program and for hedging purposes, are not considered in the daily calculation of day trades for purposes of defining the day trade fee tier for the cash equity market, futures market or options market.

### **General provisions**

The flow of messages, trades and volumes generated by accredited institutions will be considered for the purposes of the Policy for the Control of Trading Messages, as set forth in Circular Letter 086/2023-PRE, dated May 30, 2023.

B3 may extend the length of the program at its sole discretion. If the end of the obligation is put back, B3 will publish a Circular Letter with information about the extended period, any changes to the activity parameters and other necessary provisions. It will be up to the market maker to remain active up until the end of the new deadline or to end accreditation on the current obligation end date that is foreseen herein.

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

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Further information can be obtained from the Electronic Trading Department by calling +55 11 2565 5025 or emailing [formadordemercadob3@b3.com.br](mailto:formadordemercadob3@b3.com.br)

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## **Annex I to CIRCULAR LETTER 074/2024-PRE**

### **Selection Process for the Market Maker Program in Weekly-Expiring 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 method**

The twelve openings available for accreditation of market makers under this program will be divided into two selection methods:

- Five openings reserved for the primary allocation
- Seven openings reserved for the secondary allocations

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

If there are no market makers accredited to the previous program or in a position to launch a new security for this program, the primary allocation opening will be offered to secondary allocation candidates.

## 2.1. Primary allocation

To be eligible for primary allocations, institutions:

- Must have been accredited for the security under the previous market maker program until the end of obligations; and
- Must have expressed an interest in the securities present in the program.

Selection for the primary allocations will be based on the variables shown below, with their respective weightings:

- **Maker ADV:** share of contracts traded in the option by all interested institutions in the six months prior to the start of the selection process, considering only trades executed via maker orders (50%);
- **Performance:** performance in terms of market maker activity for the security under the previous program and considering activity since the start of the program (50%).

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

For a preselected institution to be eligible for accreditation to the program, its offer in the spread auction must respect the program spread defined in the secondary allocation auction. If the offer made in the auction exceeds the program spread, the institution must advise B3 whether it agrees to operate with the program spread. If it does not, the opening will automatically be offered for secondary allocation, and the institution will compete with the other institutions.

## 2.2. Secondary allocations

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:

- **Spread auction:** each institution bids a spread that must be equal to or better than the maximum spread determined by the rules of the program (33%);
- **Total securities:** the number of options for which the institution wishes to be accredited under this program (22%). Each option is weighted differently in accordance with the Expression of Interest, available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market maker, Programs - Listed, Options, Weekly Expiring Options on Single Stocks, Units, and ETFs;
- **ADV:** share of contracts traded in the option by all interested institutions in the six months prior to the start of the selection process, considering trades executed via maker orders (weighted 2 in the score) and taker orders (weighted 1) (33%); and
- **Performance:** performance in terms of market maker activity for the security under the previous program and considering activity since the start of the program (12%).

The institutions with the highest scores will be selected.

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The quantities and spread for market makers in the program will be subject to the lowest quantity and the highest spread offered by the institutions selected and will be updated when the selected market makers are announced.

Institutions must state their proposed spread in the Expression of Interest, based on the reference parameters defined by B3 in the Rules for Activity by Market Makers in Weekly Options on Stocks and ETFs, available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market Maker, Programs - Listed, Options, Weekly Expiring Options on Single Stocks, Units and ETFs.

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

## **Annex II to CIRCULAR LETTER 074/2024-PRE**

### **Fee structure for the day trade excess volume and non-day trade excess volume in excess equity options**

### **Segregation of the assets' financial volume for hedging between day trade and non-day trade volume**

Calculation of the excess day trade volume and excess non-day trade volume of the underlying, in the designated account, is defined daily as follows:

$$\text{Excess day trade volume} = 2 \times \text{Minimum (PV, SV)}$$

$$\text{Excess non-day trade volume} = (\text{PV} + \text{SV}) - \text{Excess day trade volume}$$

Where:

- PV = excess purchase volume in the underlying
- SV = excess sales volume in the underlying

#### **1. Application of trading and settlement fees for excess volume**

The trading and settlement fees for the cash market are applied daily for excess day trade and non-day trade volume.

Exchange fees and other fees on the excess volume are accumulated and charged in the month following that of trading.

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None of the volume (whether exempted or subjected to a fee as excess) of the asset in the account registered in this program is considered in the ADTV composition, which daily defines the trading and settlement fees for day trade volumes.

Fee benefits of other B3 programs are not applicable on the excess volumes in the accounts registered in this program.