December 05, 2024
171/2024-PRE

CIRCULAR LETTER

Listed B3 Participants

Re.:   **Suspension of Order Notification for the Midpoint Solution for Block Trading of Equities and Securities Representing Equities**

B3 hereby informs you that as of **December 9, 2024**, the notifications on B3's Market Data news channel designating an active or inactive order for **Midpoint Order Book** (Midpoint) solutions will be suspended. We have made this change to meet participants' demand for a dynamic that is more in line with the characteristics of this solution.

Please note that orders are still <u>not</u> announced to the market and that transactions <u>continue</u> to be announced in full and immediately.

We will continue to provide notifications on B3's Market Data news channel in the case of **Book of Block Trade** (BBT) orders and **Requests for Quotes** (RFQ).

Bearing these changes in mind, in Annexes I and II we have updated the information that was set out in Circular Letter 176/2023-PRE, dated October 31, 2023.

This Circular Letter revokes and fully substitutes Circular Letter 176/2023-PRE, dated October 31, 2023.

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Further information can be obtained from the Electronic Trading Department by telephone on +55 11 2565-5021/5022 or by email at tradingsupport@b3.com.br.

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Annex I to CIRCULAR LETTER 171/2024-PRE

Block Trading Solutions for Equities and Securities Representing Equities (Midpoint, BBT and RFQ)

Since **November 27, 2023**, B3 has provided the market with three solutions – Midpoint Order Book (Midpoint), Book of Block Trade (BBT) and Request for Quote (RFQ) - exclusively for exchange market block trading, separate from the central order book, in equities and in securities that represent equities.

- **Midpoint** is a type of order whereby the trade execution price is defined by the average between the best ask and the best bid in the central order book.

- **BBT** consists of a book in which the trade execution price may have a premium or discount in relation to the central order book.

- **RFQ** is a functionality through which participants can enter requests for quotes to the market and receive a response within a predefined time limit, after which trades are automatically executed. The trade execution price at RFQ may also have a premium or discount in relation to the central order book.

The characteristics of the block trading solutions and how they work are provided in detail in Annex II.

The list of assets accepted for block trading and the corresponding round lots for execution of the financial value (BRL) are available at www.b3.com.br/en_us/, Solutions, Block Trading Solutions.

This list follows Securities and Exchange Commission of Brazil (CVM) guidelines regarding tradable assets in block trading solutions and the respective round lots, which the regulator will publish periodically, taking into consideration the liquidity indictors for equities and for securities that represent equities.

The round lot for the execution of each asset is calculated daily, in accordance with the previous day's closing price. This information is provided via Market Data on channels already used for publishing the instruments' characteristics.

Trading in these solutions occurs in multiples of the round lots that are announced for each asset and through the new tickers detailed in Annex II. Orders are not displayed in Market Data, but executed trades have full and immediate post-trade transparency, in other words the transaction is disclosed as soon as it is executed, accompanied by information regarding instrument, price, volume, transaction side and intermediary.

Trades executed in block trading solutions are mandatorily captured, cleared and settled via the B3 Clearinghouse, with the transactions guaranteed by a central counterparty.

As foreseen in CVM Resolution 135/2022, block trades cannot be allocated to more than one investor, except in the case of the ownership transactions of investment funds and managed portfolios whose investment decisions are made by the same manager.

The B3 Clearinghouse monitors irregularities up until the close of the allocation time grid for the cash equities market and notifies the participants if regularization is necessary.

If there is no regularization up until the close of the allocation time grid, as set forth in the B3 Clearinghouse Operating Procedures Manual, the B3 Clearinghouse cancels the allocation of the full volume of the block trade, with the entire allocation remaining in the participant's error account. The same occurs in the case of give-ups: if an allocation irregularity is identified at the take-up participant, the give-up is rejected, with the allocation returning to the error account of the give-up participant. Compliance is assessed individually for each side of the transaction.

As these solutions are separate from the central order book, block trade execution statistics are published separately from trades executed in the central order book and are identified as belonging to the "block trade market" (market code 21 – BLOCK LOT), as announced in External Communication 016/2023-VNC, dated February 28, 2023. Furthermore, the block trade instruments are not considered in B3's existing indices and the volumes traded in these solutions do not impact the tradability index. In all the solutions, the closing price is a replica of the closing price of the underlying asset in the central order book.

Pursuant to the provisions of B3's Trading Procedures Manual, block trading must comply with the special trading procedures applicable to the company's share capital. In this way, if the volume to be transacted surpasses the parameters established in the manual, the order will be rejected in the block trading solutions and trading will be submitted to auction in the traded instrument in the central order book.

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The three solutions may be validated in the certification environment, as set forth in External Communications 118/2022-VNC, dated July 21, 2022, 122/2022-VNC, dated August 4, 2022 and 129/2022-VNC, dated August 30, 2022.

The block trade fee policy is available at www.b3.com.br/en_us/, Products and Services, Fee schedules, Listed equities and derivatives, Equities, Equities and Investment Funds, Block Trading Solutions, complementing the rules announced in External Communication 043/2023-VPC, dated September 5, 2023.

Annex ll to CIRCULAR LETTER 171/2024-PRE

Characteristics and Functioning of the Block Trading Solutions for Equities and Securities Representing Equities

Summary table of the main characteristics of the block trading solutions

	Midpoint	**BBT**	**RFQ**
Trading period	Regular period – continuous trading	Regular period – continuous trading	Regular period – continuous trading
Ticker	Final M (Ex. XXXXX<u>M</u>)	Final Q (Ex. XXXXX<u>Q</u>)	Final R (Ex. XXXXX<u>R</u>)
Connectivity	Existing connection - PUMA	Existing connection - PUMA	New connection – Sistema RFQ
Order type	Midpoint order	Limit order, FAK, FOK	Request/response RFQ
Pre-trade	Orders not disclosed in Market Data.	Orders not disclosed in Market Data. Message sent in B3 news channel designating active order	Requests and responses not disclosed in Market Data. Message sent in B3 news channel designating request
Post-trade	Full and immediate disclosure of transaction at Market Data	Full and immediate disclosure of transaction at Market Data	Full and immediate disclosure of transaction at Market Data
Trade price	Midpoint of the central order book	Premium/discount allowed in relation to central order book	Premium/discount allowed in relation to central order book
Tunnels	There are no auction tunnels. Rejection tunnels and hard limits are the same as the	There are no auction tunnels. Hard limit tunnels are the same as the underlying asset in the central order book.	There are no auction tunnels. Hard limit tunnels are the same as the underlying asset in the central order book.

	underlying asset in the central order book.	Rejection tunnels may be different and allow a premium or discount in relation to the central order book.	Rejection tunnels may be different and allow a premium or discount in relation to the central order book.
Execution criterion	Price-time Priority	Price-time Priority	Price-time Priority
Drop Copy	Orders and trades	Orders and trades	Only trades
Market code	21 – BLOCK LOT	21 – BLOCK LOT	21 – BLOCK LOT

1) Midpoint Order Book

The Midpoint solution is a book in which Midpoint orders are entered at a price pre-determined by the investor and which obtains the execution price from the average from the best bid and the best ask in B3's central order book.

Characteristics

As set forth in B3's Trading Procedures Manual, below we set out the main characteristics of the **Midpoint Order Book**:

a) Midpoint is a book with multilateral order interaction.

b) The Midpoint order may exclusively aggress and be aggressed by orders of the same type (that is, only by other Midpoint orders, with no interaction with orders in the central book or with orders from other block trading solutions).

c) Midpoint trading occurs continuously in the regular trading session, in the period after the opening auction and before the closing auction in the central order book. There are no auctions in the Midpoint solution.

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d) Midpoint trading uses a new ticker with the "M" suffix, for example: XXXXX<u>M.</u>

e) When the user enters a Midpoint order it must designate the instrument (as specified in **item d**), quantity (in round lot multiples defined by the CVM and published on the B3 website), limit price and side of the transaction (buy or sell). You cannot designate a minimum quantity for execution in Midpoint orders.

f) Midpoint orders are not exhibited at Market Data. Information is published fully and immediately via Market Data only after trades are executed.

g) The other market participants are **not** notified about the existence or not of an active order in the Midpoint book.

h) The limit price of the Midpoint order is only used as a validity reference, as the transaction will always be executed at the Midpoint price in the central order book (that is, the average price between the best bid and best ask for the underlying asset in the central order book). If the limit price of the order is outside of the Midpoint price in the central order book the trade will not be executed and the order will remain in the Midpoint book.

i) Trade execution in the Midpoint solution considers the Price-time Priority execution criterion.

j) Execution will be divided equally between two transactions, at prices rounded up or down, if the Midpoint price in the central order book surpasses two decimal places.

k) The Midpoint order can only be registered as valid for the day.

l) The generation of Midpoint transactions will not occur while the underlying asset is under auction in the central order book or if there is no spread for the underlying asset in the central order book.

m) The orders and trades executed via Midpoint are available in the PUMA Drop Copy Service.

n) Cross order entry is not possible in the Midpoint solution.

o) Orders are subject to LiNe risk assessment.

Connectivity and access

The Listed B3 market participants will use the Midpoint solution via existing connections and accesses at the PUMA Trading System.

2) Book of Block Trade (BBT)

BBT is a solution aimed at continuous block trading with execution prices at a premium or discount in relation to the central order book.

Characteristics

As set forth in B3's Trading Procedures Manual, the main characteristics of the BBT are described below:

a) BBT is a book with multilateral order interaction.

b) The BBT solution's trading occurs continuously in the regular trading session, in the period after the opening auction and before the closing auction in the central order book.

c) BBT trading uses a ticker with the "Q" suffix, for example: XXXXXQ.

d) The user must enter a Limit, FAK or FOK order, mandatorily designating the instrument (as specified in **item c**), full quantity (in round lot multiples as defined by the CVM and published on the B3 website), limit price and side of the transaction. Designation of the minimum execution volume is only available for FAK and FOK orders.

e) BBT orders are not exhibited in Market Data. Information is published fully and immediately via Market Data after the trades are executed.

f) The other market participants are notified, upon publication of a message on the Market Data news channel of B3's trading platform, about the existence or not of an active order in the BBT book for each instrument. This notification is not published for every order that enters the book, but only upon the reception of the first order or when there is no other remaining in the book for a particular instrument.

g) The execution price of the trades in the BBT solution can occur with a premium or discount in relation to the central order book, complying with rejection tunnels defined by B3 that use the last traded price of the underlying asset in the central order book as a reference. The rejection tunnels of the BBT solution are available at www.b3.com.br/en_us/, Solutions, Block Trading Solutions, Book of Block Trade (BBT).

h) Trade execution in the BBT solution is executed considering the Price-Time Priority execution criterion.

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i) If the prices of a buy order and of a sell order in the BBT solution intersect, but are different in themselves, the trade will be executed considering the price of the first of the two orders by their time of arrival, as is the case in the central order book.

j) Orders and transactions executed via BBT will be available in the PUMA Drop Copy Service.

k) Cross order entry is not possible in the BBT solution.

l) Orders are subject to LiNe risk assessment.

Connectivity and access

The Listed B3 market participants may use the BBT solution via existing connections and accesses at the PUMA Trading System.

3) Request for Quote (RFQ)

The RFQ solution allows the entry of requests for buy and sell quotes in a determined asset, to enable greater efficiency in block price formation.

In this solution, the participant can enter a request for quote to the market, and other participants can enter responses that will only interact with this request, in other words, the responses to the request do not interact with each other, only with the request for quote.

As of the market participants' entry of requests for quotes, notification will be sent on the availability of the request at the B3 news channel, informing only its availability for a determined asset. The other market participants will be able to

send price responses to the requests within a time limit and, if the responses are within the price limit determined by the requestor, the requests and responses are automatically matched in the RFQ system and the transactions are executed in the B3 trading system.

Characteristics

As set forth in B3's Trading Procedures Manual, below we provide the main characteristics of RFQ.

a) The entry of requests and responses in the RFQ solution occurs continuously during the regular trading session, in the period after the opening auction and before the closing auction of the central order book. There are no auctions in the RFQ solution.

b) Trading in the RFQ solution uses a ticker with the "R" suffix for example XXXXXR.

c) When the user enters a request for quote it must mandatorily fill in the instrument (as specified in **item b**), total quantity (in round lot multiples as defined by the CVM and published on the B3 website), limit price, side of the transaction (buy or sell) and request time, respecting the maximum and minimum limits defined by B3 and published at www.b3.com.br/en_us/, Solutions, Block Trading Solutions, Request for Quote (RFQ). The user may optionally disclose the minimum quantity for execution, also in multiples of the round lot defined by the CVM.

d) The request's limit price can be informed in absolute value (BRL) or as percentage (%) of premium/discount in relation to the central order book at the price of the last trade in the underlying asset in the B3 central order book.

e) The other market participants are notified by a message published at the Market Data news channel of the B3 trading platform, about the request for quote, with the instrument, the request time and the unique identifier mandatorily being disclosed in this communication. The requestor can choose to disclose other information such as the side of the transaction, price and quantity at its sole discretion.

f) Participants can submit responses to the request for quote within the request time limit, informing mandatorily the unique request identifier, the instrument, the price, the quantity (in multiples of the round lot defined by the CVM and published on B3's website), and the side of the transaction.

g) The requests are definite and can be changed or cancelled. The change of the requests is allowed at any moment before the end of the request time limit – if the change occurs at a time inferior to the minimum defined by B3 (as specified in item c), the request will have a new time limit equivalent to the minimum time. There will be a maximum number of changes of requests allowed by B3, which will be disclosed at www.b3.com.br/en_us/, Solutions, Block Trading Solutions, Request for Quote (RFQ). The cancellation of requests is allowed at any moment before the end of the request time limit.

h) The responses sent to a request for quote are not disclosed to the market, neither to the requestor nor the respondents.

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i) The matching of requests and the respective responses, after the end of the request time limit, occurs automatically in the RFQ system, considering the Price-time Priority execution criterion, and the trades are executed at the B3 trading platform.

j) The execution price of the trades in the RFQ solution may occur with a premium and discount in relation to the central order book, complying with the rejection tunnels defined by B3 that use the last traded price of the underlying asset in the central order book as a reference. The rejection tunnels and hard limits of the RFQ solution are available at www.b3.com.br/en_us/, Solutions, Block Trading Solutions, Request for Quote (RFQ).

k) Only trades executed via RFQ will be available in the Drop Copy Service of PUMA and the RFQ system

l) It is not possible to enter cross orders in the RFQ system

m) The requests and respective responses are not assessed by LiNe. Before execution of the trade at the B3 trading platform, however, LiNe will analyze the risk of the transaction, and if there is an insufficient amount in balance the trade will be rejected

Connectivity and access

Listed B3 market participants may use the RFQ solution by contracting new trading sessions to access the RFQ system.

Further information about this contracting is available from the Commercial Policy for Connectivity Services at www.b3.com.br/en_us/, Solutions, Connectivity, FIX Connectivity.

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