

August 29, 2024  
121/2024-PRE

## CIRCULAR LETTER

Listed B3 Participants

Re.: **Correction – Pilot Program for Cash Equities Market Makers**

B3 hereby informs you that, different to what we communicated in the Portuguese version of the Annex to Circular Letter 120/2024-PRE, dated August 27, 2024, the document that governs application of the Trading Messages Control Policy is Circular Letter 086/2023-PRE, dated May 30, 2023.

Therefore, this present Circular Letter revokes and fully substitutes Circular Letter 120/2024-PRE, dated August 27, 2024.

We reiterate that the Pilot Program for Cash Equities Market Makers will come into effect as of **October 1, 2024** and last for nine months.

The main purpose of this program is to increase the liquidity of the central order book through maker orders. Registered investors will have a fee structure that differentiates between transactions originating from maker and non-maker orders, in accordance with their participation in the financial volumes originating from maker orders.

The accreditation procedures, activity parameters, benefits and other information are contained in the Annex hereto.

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Further information can be obtained from the Chief Product and Client Officer's team by email at [formadordemercadob3@b3.com.br](mailto:formadordemercadob3@b3.com.br) or by telephone on +55 11 2565-5025.

Gilson Finkelsztain  
Chief Executive Officer

José Ribeiro de Andrade  
Chief Product and Client Officer

## **Annex to CIRCULAR LETTER 121/2024-PRE**

### **Rules for the Market Maker Pilot Program**

#### **1. Accreditation**

Institutions that wish to take part in this program must request accreditation by submitting a) a completed application form (“Expression of Interest”) containing their registration information; b) designation of the assets in which they intend to make market; and c) bids for the spread auctions and/or the number of shares to [incentivoliquidez@b3.com.br](mailto:incentivoliquidez@b3.com.br) by the deadline given in this Circular Letter.

A copy of the application 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, Pilot – Market Maker, Expression of Interest Model.

After it receives the application form, B3 will allocate the selected institutions for each of the designated assets in their respective expression of interest forms, in accordance with the number of openings offered, and will announce the institutions selected for each asset and for each activity level.

If there are more expression of interest forms than number of openings, there will be selection by two separate auctions. The process will occur as described below.

#### **2. Selection procedure**

There will be seven openings for each asset within the program, being:

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- four openings defined by equities volume auction – whereby B3 predefines the maximum spread and selects the investors that bid the highest for the volume of equities that they have committed to maintaining on screen. The highest ADTV among the parties interested in the asset will be used as a tiebreaker.
- three openings defined by spread auction – whereby B3 predefines the minimum quantity and selects the investors that bid for the lowest spread that they have committed to maintaining on screen. The highest ADTV among the parties interested in the asset will be used as a tiebreaker.

Those approved in any of the auctions will have spread and volume obligations.

If the institution opts to take part in both auctions, when it submits the expression of interest form it must include the order of preference between the spread auction or volume auction. If the investor has made bids that would grant it an opening at the two activity levels, the preference that the investor has designated will be used to determine at which of the levels it will operate.

Guidance on submitting the Instrument of Accreditation can be found in the “Procedures Guide for Accreditation of Market Makers” at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market maker, Accreditation.

If the selected institution has still not signed the Agreement of Accreditation for Market Maker Activity with B3, it must follow the procedures set out in items 4, 5 and 6 of the Accreditation Guide.

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A specific Instrument of Accreditation form is available at [www.b3.com.br/en\\_us/Products and Services, Trading, Market maker, Programs - Listed, Pilot – Market Maker, Instrument of Accreditation](http://www.b3.com.br/en_us/Products_and_Services,Trading,Market_maker,Programs-Listed,Pilot-Market_Maker,Instrument_of_Accreditation).

The accredited institutions will be announced as of the first day of activity in the program.

The market makers do not enjoy exclusive activity in the assets for which they are accredited. Therefore, the issuers of these assets may, at their sole discretion, contract a market maker.

The market makers do not have any obligation or link with the issuer of the assets in which they make market and are governed by the obligations foreseen in the rules and regulations of the Securities and Exchange Commission of Brazil (CVM) and of B3 regarding this activity.

B3 may at any time include new assets in this program and accept the accreditation of interested institutions. This is a pilot program that does not affect the other cash equities market maker programs.

B3 may at its sole discretion assess accreditation applications submitted after the deadlines given in this Circular Letter, provided the delay is duly justified.

## **2.1. Trading and settlement account requirements**

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

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- i. all transactions executed in the accredited asset, via a registered account, must be allocated in this same account when the transaction occurs, 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 in use with the same asset in other market maker programs, including delta hedging accounts for options on single stocks (weekly and regular), ETFs and equity futures.

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

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.

Participants and investors must inform B3 of any changes to the accounts that are part of the program, by email at [incentivoliquidez@b3.com.br](mailto:incentivoliquidez@b3.com.br) at least five days in advance of the first business day of the transaction month in which the changes will become valid. The information in question encompasses inclusion, exclusion and modification both of the trading accounts and of the settlement accounts and necessitates awaiting B3's confirmation that the changes have been made. The changes will be made in the calculation systems only as of the first business day of every month. Investor compliance with this timeframe will assure that the calculation and charge occur correctly.

### 3. Program rules

#### 3.1. Activity parameters

Market makers accredited for this program must enter bids and asks in accordance with the trading parameters defined by B3.

The respective activity parameters can be found in the document “Market Maker Program Rules”, available at [www.b3.com.br/en\\_us](http://www.b3.com.br/en_us), Products and Services, Trading, Market maker, Program - Listed, Pilot – Market Maker.

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 well as the necessary technological configurations. The market makers that require this period must inform B3 of the accounts for market making activities at least ten business days before the program starts. During the test period, B3 will monitor market makers’ activities, and any noncompliance will be discounted.

The parameters set out in the above document do not apply to market makers contracted by the issuers of the assets in which they make market, which will follow the parameters determined in their respective service provision agreements.

#### 3.2. Benefits

The institutions accredited for activity in the Market Maker Pilot program will have the right to the following benefits in the equities for which they are accredited:

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- differentiated structure for exchange fees and settlement fees on buy and sell transactions in equities, with differentiation between transactions resulting from maker and non-maker orders in accordance with the performance assessment described in item 3.5
- the message flows, trades and volume generated by the market makers will be considered for the purposes of the Trading Message Control Policy, as per Circular Letter 086/2023-PRE, dated May 30, 2023

Please note that the trading volume in accounts and assets registered in the Market Maker Pilot program will **not** be considered for calculation of the daily day trade volume for purposes of defining the fee tier for cash equities market day trades.

### 3.3. Volume definitions

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

- **taker volume:** financial volume traded by the investor originating from its aggressing orders
- **non-maker volume:** financial volume traded by the investor generated from taker orders (taker volume) originating at 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 above volumes (except the total volume of the asset) only consider the registered accounts that the investor reports.

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

### **3.4. Performance assessment and charge**

The fees charged in the Market Maker Pilot Program are charged in advance and defined by the registered investor's performance as a market maker in the asset during the cycle's calculation window.

Fees will not be charged daily in the settlement window (T+2). Investors will be charged fees by the seventh business day of the month following that of the transaction.

#### **3.4.1. Performance assessment cycle and application of the fees**

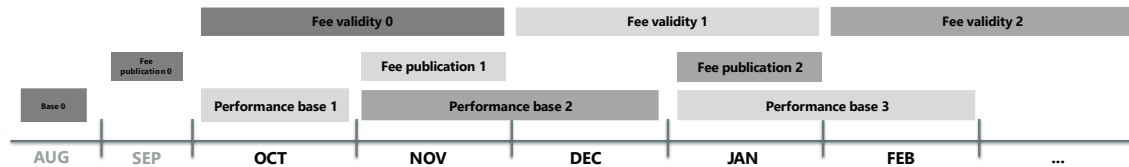
When joining the Market Maker Pilot Program, the investor will have access to the benefits through fee reductions in accordance with the "Fee Structure" document available at [www.b3.com.br/en\\_us/](http://www.b3.com.br/en_us/), Products and Services, Trading, Market maker, Programs - Listed, Pilot – Market Maker, during the prevailing application cycle.

The first calculations of the program will solely take into consideration one month, comprising the fee transition period, with the objective of allowing the participants to acquire a performance history. After the transition period, the performance calculations will occur every two months, taking into consideration

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the volumes of the two months prior to the calculation month, to determine the fee for the following two months.

Below is a summarized timetable of the first months of the program.



- i. In the first two months, October and November, the fee will only consider one month (August). The fees are published after the selection of the investor for the program, in September.
- ii. In the following two months, December and January, the fee is based on the performance of only one month (October). The fee structure and performance are published in November.
- iii. For the other months, the fee remains valid for two months, but based on the average performance of the previous two months. Following the timetable, we have the fee structure for February and March, based on the average performance of November and December, published in January.

Investors that express an interest after the program has started may join it only during the pre-determined entry windows.

The detailed timetable of the charge, calculation and windows for joining the program are available in the “Calculation Timetable” document available at [www.b3.com.br/en\\_us/](http://www.b3.com.br/en_us/), Products and Services, Trading, Market maker, Programs - Listed, Pilot – Market Maker.

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B3 will announce the amount to be charged in Brazilian Reals to each individual participant via the email addresses given in the Instrument of Accreditation and via the SLF charge file. Participants must include email addresses of investors and carrying brokers in the Instrument of Accreditation to assure the integrity of the flow of information.

Each of the participants (carrying broker) will be responsible for including these fees in all systems in their chain, so that their calculation is in line with that of B3.

If the client has more than one participant in the accounts registered in the program, the information on the charges shall be sent to all of the participants listed in the accreditation.

### 3.5. Trading and settlement fee calculation

The fee schedule, comprised of exchange fees and settlement fees and differentiated between maker and non-maker orders, is based on the maker average daily trading volume performance table. The higher the maker ADTV reached by the market maker in the asset, the lower the fee that the investor pays.

The maker ADTV will be calculated in accordance with the following formula:

$$\text{Average maker ADTV} = \frac{\text{Investor maker volume asset}_{\text{month 1}} + \text{Investor maker volume asset}_{\text{month 2}}}{\text{Number of trading sessions}_{\text{month 1}} + \text{Number of trading sessions}_{\text{month 2}}}$$

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

Tiers	Maker ADTV		Investor's fee	
	From	To	Non-maker	Maker
1	D <sub>1</sub>	U <sub>1</sub>	Y <sub>1</sub>	X <sub>1</sub>

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2	D <sub>2</sub>	U <sub>2</sub>	Y <sub>2</sub>	X <sub>2</sub>
3	D <sub>3</sub>	U <sub>3</sub>	Y <sub>3</sub>	X <sub>3</sub>

The table with the performance tiers and fees is available in the “Fee Structure” document available at [www.b3.com.br/en\\_us/](http://www.b3.com.br/en_us/), Products and Services, Trading, Market maker, Programs - Listed, Pilot – Market Maker.

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

The fee calculation rules and the maker and non-maker categories may be segmented into day trade and non-day trade fees. Investors with a day trade average (DT %) in the asset that is the same as or higher than the minimum requirement are subject to the rule defined in 3.5.1, while investors with a percentage below the minimum requirement in the asset are subject to rule 3.5.2. The DT % of the investor in the asset will be calculated in accordance with the following formula:

$$\% \text{ DT} = \frac{\text{Day trade volume}_{\text{month 1}} + \text{Day trade volume}_{\text{month 2}}}{\text{Total volume}_{\text{month 1}} + \text{Total volume}_{\text{month 2}}}$$

The assessment period of the DT % is the same as the performance assessment period described in 3.4.1.

The minimum DT % is available in the “Fee Structure” document available at [www.b3.com.br/en\\_us/](http://www.b3.com.br/en_us/), Products and Services, Trading, Market maker, Programs - Listed, Pilot – Market Maker.

### 3.5.1. Calculation rules for investors that reach the day trade required minimum

The investor's maker and non-maker financial volume will be calculated when it reaches the day trade required minimum for the asset.

The fee applied to each of the components will be defined by the respective table for the asset and maker ADTV of the investor in the asset, as described in 3.5.

In this case, for accounts registered in the program, there is no fee differentiation between day trade and non-day trade volumes.

The value that each investor is to be charged is calculated as follows:

Total value charged = Value charged<sub>a</sub> + Value charged<sub>b</sub>

Value charged<sub>a</sub> = Monthly fee × Traded volume<sub>a</sub>

Value charged<sub>b</sub> = Monthly fee<sub>b</sub> × Traded volume<sub>b</sub>

Where:

**Monthly fee** = fee defined in accordance with item 3.5;

**Traded volume** = traded financial volume;

**a** = index that denotes volumes considered to be maker;

**b** = index that denotes values considered to be non – maker.

### 3.5.2. Calculation rules for investors that do not reach the day trade required minimum

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In the case of investors that do not reach the day trade required minimum in the asset, the financial volume will be segmented into four components: day trade maker volume, non-day trade maker volume, non-maker day trade volume and non-maker non-day trade volume.

The volumes will be calculated as follows:

- calculation of the maker financial volume percentage (Maker %) in relation to the investor's total financial volume;
- application of the Maker % to the day trade financial volume to discover the maker day trade and non-maker day trade financial volumes;
- application of the Maker % to the non-day trade financial volume to discover the respective maker non-day trade and non-maker non-day trade financial volumes

The fee applied to the day trade components will be that defined by the respective table of the asset and the average maker ADTV of the investor in the asset, as described in 3.5.

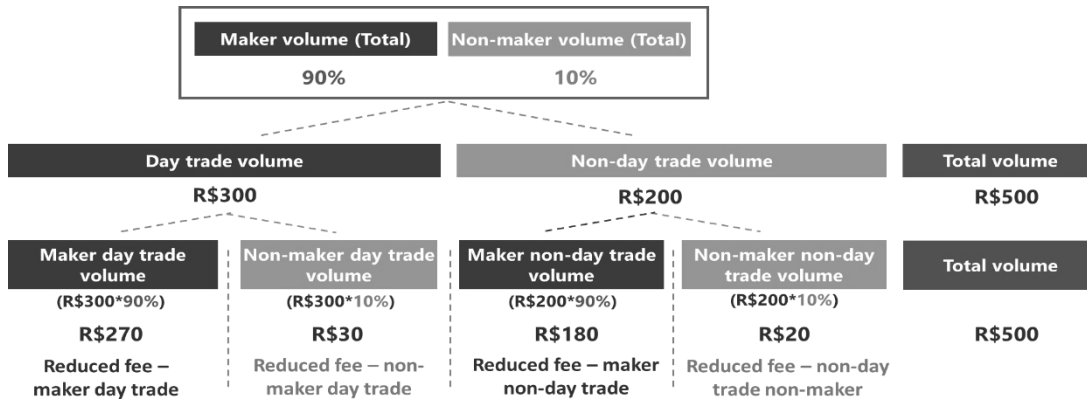
The fee applied to the non-day trade components will be double that of the day trade fees, in other words:

$$\text{Non – day trade maker fee} = 2 \times \text{maker day trade fee}$$

$$\text{Non – day trade non – maker fee} = 2 \times \text{non – maker day trade fee}$$

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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, would be distributed as follows:



The value that each investor will be charged is calculated as follows:

Total value charged =

$$\begin{aligned}
 &+ \text{Value charged}_a = \text{Monthly fee}_a \times \text{Traded volume}_a \\
 &+ \text{Value charged}_b = \text{Monthly fee}_b \times \text{Traded volume}_b \\
 &+ \text{Value charged}_c = \text{Monthly fee}_c \times \text{Traded volume}_c \\
 &+ \text{Value charged}_d = \text{Monthly fee}_d \times \text{Traded volume}_d
 \end{aligned}$$

Where:

**Monthly fee** = fee calculated in accordance with item 3.5

**Traded volume** = traded financial volume

**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

### 3.6. Eligible assets

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The list of assets eligible for the program, and the respective activity parameters, is available in the document “Market Maker Program Rules” at [www.b3.com.br/en\\_us/](http://www.b3.com.br/en_us/), Products and Services, Trading, Market maker, Program Listed, Pilot – Market Maker.

#### **4. 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, as long as it informs B3 at least seven days before it begins activity.

If a market maker withdraws after this period, it must comply with the thirty-day notice period without fail so that its de-accreditation can be communicated to the market.

#### **5. De-accreditation**

In the event of de-accreditation of market makers from this program, B3 may select other institutions that have expressed an interest in activity in the securities concerned to replace the de-accredited market maker, following the selection criteria described in item 1. B3 will always inform participants of the accreditation and de-accreditation of market makers via its usual communication channels.

##### **5.1. Maximum number of parameter breaches**

Any market maker’s accreditation to this program may be cancelled in the event of breaches of the activity parameters and/or of the obligations set forth in this Circular Letter and in Circular Letter 084/2023-PRE, dated May 30, 2023, regarding



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the rules for monitoring market maker noncompliance, and in the Agreement of Accreditation for Market Maker Activity, in a way that is unjustified or if the justification is not accepted by B3. The agreement of accreditation 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.

## 5.2. Performance

The market maker's accreditation in this program may be cancelled if for more than four months they perform only in the first tier of the table of item 3.5.

## 6. Timeframes

Expression of interest filed	Selected market makers announced	Instrument of Accreditation filed	Accounts registered	Activity starts	Obligation ends
By Sep. 11, 2024	Sep. 16, 2024	By Sep. 23, 2024	Sep. 27, 2024	Oct. 01, 2024	Jun. 30, 2025