FUTURES CONTRACT ON THE AVERAGE RATE OF ONE-DAY REPURCHASE AGREEMENTS (OC1) BACKED BY FEDERAL SECURITIES

– Specifications –

1. Definitions

OC1 Futures Contract:	to be used as the shortened name for the purposes of this contract, with the full name being the Futures Contract on the Average Rate of One-Day Repurchase Agreements (OC1) Backed by Federal Securities.
Average Rate of One-Day Repurchase Agreements:	adjusted average daily financing rate calculated by the Special System for Settlement and Custody (SELIC) for federal securities. Daily financing is considered on transactions with federal securities in the SELIC custody system, registered and settled at SELIC and in systems operated by the clearinghouses, or at clearing and settlement services providers encompassed by Law 10.214/2001.
Unit Price (PU):	value, in points, corresponding to 100,000 discounted by the interest rate described in item 2.
Settlement price (PA):	the closing price, in PU points, calculated and/or arbitrated daily by BM&FBOVESPA, at its sole discretion, for each of the authorized contract months, for the purpose of updating the value of open positions and calculating the variation margin and for the settlement of day trades.

Reserve-day:	business day for the purposes of financial market transactions, as established by the National Monetary Council.
BM&FBOVESPA:	BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros.
BCB:	Central Bank of Brazil

2. Underlying asset

The effective interest rate until the contract's expiration date, defined for these purposes by the accumulation of the daily rates of repurchase agreements in the period as of and including the transaction's date up to and including the contract's expiration date.

3. Quotation

Effective annual interest rate, on a 252-business days' basis, to three decimal places.

4. Tick size

0.001 of an interest rate point from the 1st to the 3rd contract month; 0.005 of an interest rate point from the 4th to the 12th contract month; and 0.01 of an interest rate point for the other contract months.

5. Contract size

PU multiplied by the value in Brazilian Reals of each point, with BRL 1.00 being the value of each point.

6. Last trading day

The business day prior to the expiration date.

7. Expiration date

The first business day of the contract month.

8. Contract months

Every month.

9. Day trade

Day trading is allowed (buying and selling, on the same trading day of the same quantity of contracts in the same series), to be automatically settled, as long as it is executed in the name of the same customer via the same brokerage house under the responsibility of the same clearing member. The cash settlement of these transactions shall occur on the following business day, with the values calculated in accordance with item 10.2.

10. Daily settlement of accounts (variation margin)

For the purposes of calculating the value relative to the daily settlement of accounts of open interest positions, the following criteria shall be followed:

10.1 Offsetting positions

Buy and sell transactions, originally contracted in rates, will be transformed into sell and buy transactions, respectively, in PU:

10.2 Calculation of the variation margin

The outstanding positions at the end of every session, after being transformed into PU, will be adjusted based on the day's settlement price, established in accordance with BM&FBOVESPA's rules, with settlement in cash (payment of debits and receipt of gains) on the subsequent business day (T+1).

The variation margin will be calculated up to and including the expiration date, in accordance with the following formulae:

10.2.1 Settlement of positions executed on the day

$$\mathrm{AD}_t = (\mathrm{PA}_t - \mathrm{PO}) \times \mathrm{M} \times \mathrm{N}$$

10.2.2 Settlement of positions outstanding on the previous trading day

$$\mathrm{AD_t} = [\mathrm{PA_t} - (\mathrm{PA_{t-1}} \times \mathrm{FC_t})] \times \mathrm{M} \times \mathrm{N}$$

where:

$\mathrm{AD_t}$ = the daily settlement value in Brazilian Reals, corresponding to day “t”;

$\mathrm{PA_t}$ = the settlement price on day “t” for the respective contract month;

PO = price (PU) of the transaction, calculated in the following manner, after the transaction has been executed:

$$\mathrm{PO} = \frac{100{,}000}{\left(1 + \frac{\mathrm{i}}{100}\right)^{\frac{\mathrm{n}}{252}}}$$

where:

i = traded interest rates;

n = number of reserve days for the period as of and including the date of the transaction up to and excluding the contract’s expiration date.

M = the value in Brazilian Reals of each PU point, established by BM&FBOVESPA;

N = the number of contracts;

$\mathrm{PA_{t-1}}$ = the settlement price on day “t-1” for the respective contract month;

$\mathrm{FC_t}$ = the correction factor on day “t” defined by the following formula:

i. when there is a reserve day between the last trading session and the settlement day:

$$FC_t = \left(1 + \frac{OC1_{t-1}}{100}\right)^{\frac{1}{252}}$$

ii. when there is more than one reserve day between the last trading session and the settlement day:

$$FC_t = \prod_{j=1}^{n}\left(1 + \frac{OC1_{t-j}}{100}\right)^{\frac{1}{252}}$$

where:

$OC1_{t-1}$ = average repurchase agreements rate for the business day before that to which settlement refers, with up to six decimal places. If there is more than one OC1 rate published for the period between two consecutive trading sessions, this rate shall represent the accumulation of all the published rates.

On the contract's expiration date the settlement price shall be 100,000.

If, on a determined day, the published OC1 rate refers to a period (number of days) different to that considered in the correction of the settlement price, BM&FBOVESPA may arbitrate a rate at its discretion for that specific day.

The daily settlement value (AD_t), if positive, shall be credited to the buyer of the position in PU (original seller in rate) and debited from the seller of the position in PU (original buyer in rate). If the value is negative, it shall be debited from the buyer of the position in PU and credited to the seller of the position in PU. Cash settlement shall occur on the following business day.

11. Settlement conditions on expiration

On the expiration date, open positions after the final adjustment shall be cash settled by BM&FBOVESPA by means of the registration of an offsetting transaction (long or short) on the position, in the same number of contracts, by the PU quotation of 100,000 points.

The results of cash settlement will be handled on the first business day following the expiration date.

12. Special provisions

Should there be a delay, for any reason, to the disclosure or should there be the non-disclosure of the OC1 rate defined in item 1 for a day or more BM&FBOVESPA may, at its sole discretion:

a) postpone the contract settlement up until an official disclosure; or

b) close out open positions at the last settlement price; or

c) close out open positions at an arbitrated value, should it not consider the last settlement price to be representative.

In any case, BM&FBOVESPA may also index the settlement value by arbitrating an opportunity cost from the expiration date to the effective cash settlement date. Regardless of the situations described above, at any time BM&FBOVESPA may close out open positions by using an arbitrated value, should there be any event, at its discretion, hindering the price discovery process and/or the continuity of this

13. Further provisions

13.1 This contract shall be subject, where applicable, to the prevailing legislation and to BM&FBOVESPA rules, regulations and procedures, as defined in its Bylaws, Operating Rules and Circular Letters, as well as to the specific rules set forth by the Brazilian governmental authorities that may affect the terms stated herein.

13.2 Should there be situations not covered by this contract, as well as governmental measures and any other fact that affect the formation, calculation or disclosure of its variables, or even result in their discontinuity, BM&FBOVESPA may at its sole discretion take the measures it deems necessary for the contract's cash settlement or continuity on equivalent basis