July 20, 2012
039/2012-DP

# CIRCULAR LETTER

To: The BM&FBOVESPA (BVMF) Market Participants – BM&F and BOVESPA Segments

Re: **Professional Certification Program**.

The Professional Certification Program within the Operational Qualification Program (PQO) seeks to promote the continuous qualification of professionals linked to participants in the markets managed by BM&FBOVESPA in the following areas: Trading, Back Office, Compliance, Risk, Sales and Information Technology, thus raising quality in the intermediation sector.

We wish to highlight that over the past two years the Professional Certification Program has certified more than 4,500 professionals, which demonstrates the significance of its actions on the market.

With the objective of consolidating the norms and rules applicable to the professional certification process, as well as incorporating demands from the participants and updates to the program, BM&FBOVESPA has drawn up the Professional Certification Manual, attached to this Circular Letter, in which the following details are given, among others:

a) Criteria and clarifications about the professional certification process;
b) New certification recognized by BM&FBOVESPA, in order to increase the number of authorized certificates, such as the ANCORD Independent Investment Agent Certificate and the National Investment Professional Certificate (CNPI);
c) Broadening the process for the professional certification exam waiver in the Back Office, Compliance, Risk and Sales areas;
d) Rules relative to the process of renewing professional certification.

It needs to be clarified that the timeframes applicable to professional certification in the Trading, Back Office, Compliance, Risk and Sales areas

have not been changed and the participants must assure that all of their professionals are duly certified by **September 30, 2012**.

As regards certification in the Information Technology (IT) area, BM&FBOVESPA will offer professionals training and refresher courses. Participation in this training will be considered obligatory to be in accordance with the requirements of the Operational Qualification Program (PQO), substituting the need for a certification test. This change, in line with market demands, seeks to contribute towards the qualification of IT professionals and the enhancement of activities related to the systems managed by the Exchange.

Finally, we hereby inform you that as of **October 01, 2012**, BM&FBOVESPA will announce the definitions, procedures and content of the programs applicable to IT professionals. Therefore, the date of September 30, 2012 mentioned above does not apply in the case of these professionals.

The Professional Certification Manual comes into effect on the date of its publication and revokes Circular Letters 052/2010-DP and 024/2011-DP, as well as any other provisions that in any way contradict what is set out in the Manual or in this present Circular Letter.

Further information can be obtained from the Distributor Relations Department by telephone at (+55 11) 2565-7215, or from the Institute of Education by telephone at (+55 11) 2565-4746 or by email at certificacaopqoie@bvmf.com.br.

Cícero Augusto Vieira Neto
Acting Chief Executive Officer

Eduardo Refinetti Guardia
Chief Financial Officer

# PROFESSIONAL CERTIFICATION MANUAL

July 2012

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## INTRODUCTION

I. The purpose of this Professional Certification Manual, which is part of BM&FBOVESPA's Operational Qualification Program (PQO), is to describe the procedures required for the certification of professionals who have formal relationships with Participants in the markets managed by BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros.

II. As a continuous updating process for professionals who work in activities relating to the markets managed by BM&FBOVESPA, certification is designed to maintain high standards of operational quality in the intermediation sector.

III. The certification process is administered by the BM&FBOVESPA Institute of Education in accordance with the provisions of this Professional Certification Manual.

IV. Other information relating to certification and complementary to this Manual can be found on the website of the BM&FBOVESPA Institute of Education ("IE website"). See the end of this Manual for the website's address.

## DEFINITIONS

The following key terms have the meanings defined below whenever they are used in this Manual (all definitions apply to both the singular and plural form):

| | |
|---|---|
| BM&FBOVESPA | BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros |
| Participant Registration Center (PRC) | The unit of BM&FBOVESPA responsible for registering Participants |
| IE | BM&FBOVESPA Institute of Education |
| GHP | The Professional Certification Management System, which maintains records of certified professionals and enables Participants to control and monitor certifications |
| Manual | This Professional Certification Manual |
| Participant | Any institution accredited to operate in the markets managed by BM&FBOVESPA in accordance with the provisions of its access rules |
| PQO | Operational Qualification Program |
| Professional | An individual responsible for performing any of the activities described in this Manual, whether employed directly by a Participant or via outsourcing by another institution as a consequence of shared corporate structures |
| BM&FBOVESPA's Systems | Markets, environments, systems for trading, registration, clearing and settlement or any other system managed by BM&FBOVESPA |

# CHAPTER I
# PROFESSIONAL CERTIFICATION

1.1. Certification in the knowledge areas established by BM&FBOVESPA can be obtained by any Professional or other interested party, in accordance with the provisions of this Manual, regardless of whether or not the Professional is employed by a Participant.

1.2. The knowledge areas for which certification is available are as follows: Trading, Back Office, Compliance, Risk, Sales, and Information Technology.

1.3. The choice of knowledge area should be based on the activities performed by the Professional, as described in this Manual.

1.4. Participants alone are responsible for certifying and registering their Professionals with the GHP, and for updating Professionals' registration details therein.

1.4.1. Registration of Professionals with the GHP does not exempt Participants from having to obtain prior accreditation for Professionals when required by BM&FBOVESPA.

# CHAPTER II
# KNOWLEDGE AREAS

## SECTION I
## TRADING

2.1. Trading certification applies to Professionals who intermediate transactions executed using BM&FBOVESPA's Systems.

2.2. Some of the activities performed by these Professionals are as follows:

i) Receiving and retransmitting orders;

ii) Inserting bids, offers and orders and registering trades in BM&FBOVESPA's Systems;

iii) Providing guidance and advice on transactions performed using BM&FBOVESPA's Systems;

iv) Furnishing information to other departments of the Participant on trade registration, give-up requests and acceptance, and order specification;

v) Disseminating information on the rules and procedures established by BM&FBOVESPA and the legislation applicable to capital market operations.

2.3. Depending on their activities, Professionals may opt for concurrent certification in the BM&F and BOVESPA segments or for certification in one segment only.

2.3.1. Professionals certified in the BM&F and BOVESPA segments are automatically certified in Sales.

2.4. Professionals must obtain certification in Trading and take the training courses offered by the IE in order to obtain a password for access to BM&FBOVESPA's Trading Systems.

## SECTION II
## BACK OFFICE

2.5. Back Office certification applies to Professionals responsible for settlement, registration, collateral management, custody and customer registration activities relating to transactions performed using BM&FBOVESPA's Systems.

2.6. The main activities performed by these Professionals are as follows:

i) Pre-trading and post-trading activities such as:

a. Registering customers and updating their registration details;

b. Managing operations relating directly or indirectly to securities lending;

c. Analyzing reports that contain information on transactions performed, open interest, cash settlement and physical delivery, options exercise, fees charged by BM&FBOVESPA, brokerage commissions charged, and any other information relevant to the trade settlement process;
d. Sending, receiving and accepting give-up requests;
e. Allocating trades;
f. Registering gold transactions;
g. Activities specific to agribusiness securities trading, such as registration, acceptance and transfers of securities registered with BM&FBOVESPA's Systems, including the pledging of such securities as collateral, and/or analyzing reports and account statements that contain information on the custody and/or transfer of such securities;
h. Settling customer transactions with providers of the clearing and settlement services used by Participants and, where applicable, with BM&FBOVESPA's clearinghouses;
i. Transferring open interest, ownership of swap contracts and other transactions permitted by BM&FBOVESPA;
j. Transferring collateral;
k. Monitoring margin calls via BM&FBOVESPA's Systems, notifying customers of collateral requirements and performing the necessary procedures;
l. Managing the flow of assets posted as collateral;
m. Registering transactions performed in the over-the-counter (OTC) market;
n. Registering securities lending transactions (BTC).

ii) Custody activities, such as:
a. Specifying orders and authorizing asset reception and delivery;
b. Transferring assets in custody (free movement of payments), i.e. depositing, withdrawing and transferring assets and rights between custody accounts;
c. Monitoring asset deposits, withdrawals and transfers, and responding to account statement queries;
d. Analyzing reports and account statements containing information on gold custody and transactions;
e. Depositing and withdrawing gold on behalf of customers, including in custodian banks;
f. Transferring balances between accounts and posting gold as collateral.

2.7. Depending on their activities, Professionals may opt for concurrent certification in the BM&F and BOVESPA segments or for certification in one segment only.

## SECTION III
## COMPLIANCE

2.8. Compliance certification applies to Professionals responsible for the supervision of internal procedures and controls, for compliance with the laws, rules and regulations in force and applicable to the Participant, and for the Participant's internal controls and norms of conduct.

2.9. The main activities performed by these Professionals are as follows:

i) Assuring compliance with the rules and procedures established by BM&FBOVESPA and by the applicable legislation, and furnishing the clarifications requested by BM&FBOVESPA;

ii) Developing routines for the monitoring and control requirements established in the applicable laws, rules and regulations;

iii) Monitoring the risks associated with money laundering prevention;

iv) Monitoring the activities of related parties and those performed for the Participant's own account;

v) Monitoring operational risk by mapping internal controls, and planning and implementing operational risk control practices;

vi) Ensuring that customer registration procedures, know your customer and suitability procedures and money laundering policy, as well as any other procedures required for transactions performed in the markets managed by BM&FBOVESPA, are conducted in compliance with the applicable laws, rules and regulations;

vii) Providing BM&FBOVESPA with the information required for the identification and qualification of the Participant's customers by BM&FBOVESPA, and keeping such information up to date and compatible with the Participant's customer registration procedures;

viii) Assuring customer access to the Participant's norms of conduct and all other legal and regulatory norms applicable to the Participant.

## SECTION IV
## RISK

2.10. Risk certification applies to Professionals responsible for monitoring the risks associated with transactions performed in the markets managed by BM&FBOVESPA and/or using BM&FBOVESPA's Systems, and/or for identifying, quantifying and monitoring the risks associated with the Participant's positions and those of its customers.

2.11. The main activities performed by these Professionals are as follows:

i) Devising, developing, implementing and/or maintaining criteria, processes and procedures for the evaluation and control of transactions performed under their responsibility;

ii) Setting trading and risk exposure limits for each of their customers or for specific groups of customers;

iii) Controlling pre-trade risk and deploying tools for controlling the risks associated with customers authorized for direct market access (DMA);

iv) Monitoring the risks of Participants and their customers by mapping internal controls, and planning and implementing operational risk control practices;

v) Managing risks including intraday risk, and managing existing trading limits and open interest limits, among others;

vi) Monitoring customers' obligations with regard to settlement and margin calls;

vii) Identifying the procedures required by BM&FBOVESPA when customers' positions exceed trading limits;

viii) Monitoring regularization in the intraday risk management system after a trading limit is overrun;

ix) Verifying compliance with requirements to make new deposits in safeguard funds;

x) Monitoring and managing the risks to which the Participant is exposed in give-ups and risks associated with qualified investors and referrals of other Participants.

## SECTION V
## SALES

2.12. Sales certification applies to Professionals responsible for the distribution of products traded in the markets managed by BM&FBOVESPA and for customer prospecting.

2.13. The main activities performed by these Professionals are as follows:

i) Informing customers about procedures for registration and other activities required by the applicable laws, rules and regulations before they are authorized to trade using BM&FBOVESPA's System (relationships, contracts etc.);

ii) Providing customers with consistent information on the markets managed by BM&FBOVESPA and the products and services offered;

iii) Providing the Participant's customers with information on their transactions and accounts;

iv) Marketing;

v) Offering products and services that match each customer's investment profile;

vi) Acquiring and retaining customers.

## SECTION VI
## INFORMATION TECHNOLOGY

2.14. Professionals responsible for information technology must participate in specific IT training programs, as publicized from October 2012. Participation in these courses is mandatory for all Professionals seeking IT certification.

This change is made in response to market demand and seeks to assure the training of IT professionals and the enhancement of activities related to BM&FBOVESPA's Systems.

## SECTION VII
## CUSTOMER REGISTRATION

2.15. Professionals responsible solely for a Participant's customer registration procedures who choose not to obtain Back Office, Compliance or Sales certification must take the online customer registration training course offered by BM&FBOVESPA.

2.16. In order to obtain certification, Professionals must submit documentation to BM&FBOVESPA's Participant Registration Center proving that they have passed the online customer registration training course.

# CHAPTER III
# CERTIFICATION PROCESS

3.1. The purpose of certification is to attest the Professional's knowledge in the knowledge areas established in this Manual. Certification does not guarantee access to BM&FBOVESPA's Systems or any formal relationship with them.

3.2. Participants are responsible for ensuring that the certification controls for the Professionals are kept up to date and for presenting them whenever so required by BM&FBOVESPA and BSM.

3.2.1. Professionals whose certification has expired are considered disqualified to perform their activities by BM&FBOVESPA. If any such Professional has a formal relationship with a Participant, the Participant responsible is held liable.

## SECTION I
## EXAMINATIONS

3.3. Professionals must pass an examination set by the IE in order to obtain certification.

3.4. Any Professional who wishes to take an examination set by the IE must enroll for this purpose on the IE website and pay the requisite fee.

3.5. A specific multiple-choice examination is set for each knowledge area, comprising sixty (60) questions each with four possible answers, only one of which is correct.

3.5.1. Study guides available for download from the IE website contain the content covered by the examinations for certification in all knowledge areas, a section with topics and sample questions, and other information regarding certification.

3.6. Examinations are in electronic format when taken on the IE's premises, and at the IE's discretion may be offered in another format when taken elsewhere.

3.7. Candidates have three (3) hours to complete the examination, during which time they must not consult any material but may use an HP12C calculator.

3.8. The passing grade for all IE examinations is sixty per cent (60%). No challenges to examination questions or ex-post requests for grade adjustment will be accepted.

3.9. Examination results are published as follows:

i) For examinations in electronic format, notification of the candidate immediately on completion and posting to the GHP when candidates have a formal relationship with a Participant;

ii) For examinations in other formats, posting on the IE website up to ten (10) business days after completion.

3.10. Certificates are available for download from the IE website on the business day following publication of examination results.

## SECTION II
## EXAMINATION WAIVER

3.11. A Professional who has demonstrably worked as a senior executive in Back Office, Risk, Compliance, Trading or Sales activities for at least two years prior to August 2007 may request a waiver of the certification examination in the knowledge area concerned.

3.12. Certification obtained prior to 2010 by a Professional working in the BM&F segment will be deemed valid until it expires, after which the Professional concerned must take the requisite examination.

3.13. A Professional who is registered as active in the GHP and who by Sep. 30, 2011, submitted proof that he or she worked in Trading prior to December 2002 must take a specific refresher course for the knowledge area concerned by Sep. 30, 2012.

3.14. A Professional who is registered as active in the GHP and who by Sep. 30, 2012, submits proof that he or she worked in Back Office, Compliance, Risk or Sales prior to December 2002 must take a specific refresher course for the knowledge area concerned by Jun. 30, 2013.

3.15. During the above periods, Professionals who take refresher courses must submit documentation to the Participant Registration Center proving that they have worked in the areas concerned and requesting an examination waiver pursuant to the provisions of this Chapter.

3.16. Professionals who fail to request an examination waiver in time or have their request for an examination waiver denied must sit the examination.

3.17. Requests for examination waivers and supporting documentation with proof of eligibility must be emailed to cadastro@bvmf.com.br.

## SECTION III
## REFRESHER COURSES

3.18. Refresher courses are valid for three (3) years starting on the date on which the documentation with proof of eligibility for an examination waiver is submitted.

3.18.1. The above documentation must contain the following information to prove eligibility:
(i) Course;
(ii) Institution offering course;
(iii) Format (face to face, online, semi-online);
(iv) Attendance (85% required minimum);
(v) Course workload; and
(vi) Date of course completion.

3.19. Refresher courses must be organized in accordance with the required syllabus for each knowledge area and have their content approved by the IE in advance. The list of institutions that offer refresher courses is available on the IE website.

3.20. Each institution is responsible for setting examinations for its own refresher course(s).

## SECTION IV
## VALIDITY OF CERTIFICATION

3.21. Certification is valid for a period of three (3) years and is subject to verification and audit by BM&FBOVESPA.

3.22. Professionals must ensure that their certification is valid on pain of being deemed to exercise irregular activities by BM&FBOVESPA.

3.23. Professionals must begin the certification renewal process sixty (60) days before their existing certification expires.

3.23.1. Certification can be renewed for a period of five (5) years, starting on the date of expiration of the existing certification.

## SECTION V
## CERTIFICATIONS RECOGNIZED BY BM&FBOVESPA

3.24. Professionals who hold the certifications described below may request an examination waiver in the respective knowledge areas.

i) **Sales:** Certificado Nacional do Profissional de Investimento (CNPI)— National Investment Professional Certificate, for Professionals who prepare product sale instruments, investment recommendations and market analysis, provided the respective CNPI is currently valid pursuant to the eligibility criteria established by Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais (APIMEC), the National Association of Capital Markets Analysts & Investment Professionals.

ii) **Trading:** Certificado de Agente Autônomo de Investimento (Independent Investment Agent Certificate) from Associação Nacional das Corretoras e Distribuidoras de Títulos e Valores Mobiliários, Câmbio e Mercadorias (ANCORD), the National Association of Securities Brokers & Dealers, which must be currently valid and issued as of May 2012.

3.25. Waiver requests must be submitted to the Participant Registration Center and accompanied by supporting documentation with proof of eligibility.

## SECTION VI
## PROFESSIONAL DEVELOPMENT PROGRAM

3.26. The Professional Development Program enables Professionals to renew certification by taking training, refresher and/or specialization courses in the knowledge areas in which they are already certified.

3.27. Two (2) points are awarded for each hour of activity performed by a Participant in the Professional Development Program, except where otherwise specified by the IE.

3.28. Points may be awarded for undergraduate courses, graduate courses, free courses, lectures, workshops, conferences, certifications and other educational activities, provided the Professional submits proof of attendance or completion, as appropriate.

3.29. Professionals who request certification renewal must have accumulated six hundred (600) points in educational activities relating to the topics required for the knowledge area in question.

3.29.1. Only the following certifications are accepted for each of the knowledge areas listed:

| KNOWLEDGE AREA | CERTIFICATION |
|---|---|
| Risk | PRMIA; GARP FRM (Financial Risk |

| | |
|---|---|
| | Manager) |
| Sales | CPA-20 (ANBIMA) |
| Trading, BM&F and BOVESPA segments | CFA (Chartered Financial Analyst);<br>CFP (Certified Financial Planner) |

3.30. Professionals who wish to renew their certification through the Professional Development Program must submit the supporting documentation proving eligibility via email to the IE sixty (60) days before their existing certification expires.

3.31. The required supporting documentation with proof of eligibility consists of course completion certificates. Each certificate must specify the period during which the Professional took the course concerned, detail the course curriculum and state the number of study hours.

3.32. Only activities begun after expiration of the last certification and completed before the month that precedes expiration of the current certification are accepted.

# CHAPTER IV
# COMMITTEES

## SECTION I
## PROFESSIONAL CERTIFICATION COMMITTEE

4.1. The main purpose of the Professional Certification Committee is to examine and approve or deny requests for certification. Its members are the Chief Officers of the following Departments: Auditing & Corporate Risk, Operations, Distributor Relations, Risk Management, Registration & Settlement, and the Central Securities Depository.

## SECTION II
## ACADEMIC COMMITTEE

4.2. The main purpose of the Academic Committee is to issue technical and academic guidelines for the certification process. Thus it is responsible for:

(i) Defining the program content and knowledge to be assessed in certification examinations for each of the knowledge areas in which Professionals are certified;

(ii) Managing the examination question bank;

(iii) Examining course registration applications by education institutions and requests to authorize the inclusion of certificates issued by Brazilian and foreign organizations that interface with the intermediation community;

(iv) Assessing incidents and challenges to examinations and the certification validation process.

## FINAL PROVISIONS

I. This Manual may be amended at any time by BM&FBOVESPA, which shall issue a Circular Letter for this purpose.

II. All Professionals duly accredited by BM&FBOVESPA via inclusion in the GHP automatically adhere to this Manual.

III. This Manual enters into force on the date of its publication and supersedes all previous documents on the same subject, especially Circular Letters 052/2010-DP and 024/2011-DP.

## CONTACT

All communications mentioned in this Manual must be addressed to the following:

**Department of Distributor Relations**

Tel: +55 11 2565-4265

**Academic Committee**

comite_academico_pqo@bvmf.com.br

**Participant Registration Center**

cadastro@bvmf.com.br

**Institute of Education**

www.bmfbovespa.com.br/educacional

certificacaopqoie@bvmf.com.br

**BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros**

Gerência da Central de Cadastro (DO-GCA) – Registration Unit

Praça Antonio Prado, 48, 4° andar

01010-901 São Paulo, SP

May 2, 2007
038/2007-DG

# CIRCULAR LETTER

To the Clearing Members, Brokerage Houses, Direct Settlement Participants and Locals

Re.: **Certification of Professionals – Consolidation of Rules and Regulations**.

In January of 2005, BM&F launched the Program for Strengthening the Brokerage, which encompassed the requirement of certification of professionals by means of knowledge-based tests and minimum education qualification requirements. Afterwards, this certification program was incorporated into the Operational Qualification Program (PQO) and new rules were added to it.

The purpose of this Circular Letter is to consolidate all the rules and regulations that currently apply to the Professional Certification Program, in order to update the rules and regulations related to the certification of professionals and replace the following documents: Annex II of Circular Letter 006/2005-DG, of January 18, 2005; External Communication 029/2005-DG, of March 8, 2005; Circular Letter 077/2005-DG, of July 8, 2005; External Communication 042/2006-DG, of April 25, 2006; External Communication 106/2006-DG, of November 16, 2006; and External Communication 007/2007-DG, of February 7, 2007.

**Members Subject to the Certification of Professionals**

- Commodities Brokerage Houses
- Clearing Members, including Direct Settlement Participants (PLDs)
- Locals

One of the focuses of the PQO is on customer services. Consequently, non-operating Members shall not be obliged to maintain a certified professional staff.

The PLDs shall obtain certification for the staff involved with settlement, back-office and compliance activities. Desk traders executing transactions through and for the proprietary accounts of Brokerage Houses shall not be subject to the certification requirements since, in this situation, they are acting on behalf of the Brokerage Houses and not of their customers.

Members that are affiliated to economic or financial conglomerates and share their professionals shall obtain certification for those professionals who exercise functions for which a certification is required.
Although Locals are not allowed to have customers, they shall be required to obtain the same certification that is required for Floor Traders and GTS Traders. Their floor runners shall also be required to have a valid certification.

**Functions subject to certification**

The professionals, Members' employees and service providers exercising the following functions shall submit to the certification requirements:

- Officer Responsible for BM&F Transactions;
- Officer and/or Person Responsible for Compliance;
- Manager Responsible for BM&F Transactions or equivalent;
- Desk Trader;
- Floor Trader;
- GTS Trader;
- Floor Runner;
- Back-office Manager or equivalent;
- Back-Office Employee.

The Exchange may include new functions for which a certification shall be required or may alter the current list of functions subject to certification. The list of functions shall be published by the BM&F Institute of Education through its website (http://educacional.bmf.com.br > Certificação > Funções Certificadas).
The purpose of the certification program is not to define the job function structure to be used by each Member. Thus, some of the aforementioned functions may be exercised by professionals with different job titles. The focus is on the activity performed by each professional. To this end, Annex I to this Circular Letter provides, for illustrative purposes only, a list of the activities related to each of the functions for which certification shall be required.

**Function Overlap**

A professional who obtains a certification in some of the functions may also exercise other functions pursuant to the table in Annex I. Thus, the certification is extended to certain overlapping functions.
In the event that the overlapping of functions is not permitted, the professional shall obtain a certification for each function he/she exercises. In some cases, the BM&F Institute of Education permits the certification for more than one function by means of a single test.

**Obtaining and Renewing Certifications**

New certifications shall be obtained and renewed by passing a certification course or test, held in the BM&F premises, as well as by submitting the documentation and minimum education qualification requirements, pursuant to Annex III.

The certification for some of the functions, such as Floor Runner, shall be obtained through a specific training course rather than a certification test.

All certifications shall be valid for a two-year period. Before they expire, the professionals shall take a new test for renewal purposes. The Exchange may, in special cases, adopt other types of tests and/or provide applicants with provisional certificates.

The certification tests are not necessarily related to the courses offered by the BM&F Institute of Education. In some cases, however, applicants who have passed those courses shall automatically be entitled to a two-year certification from the approval date, provided that all the documentation and education qualification requirements have been met. The courses that lead to the certification are listed in Annex IV.

The Exchange may announce the creation of new professional training courses by publishing through the BM&F Institute of Education's website (http://educacional.bmf.com.br).

To obtain certification as Floor Traders or GTS Traders, all Desk Traders shall attend and pass the respective training courses.

To obtain certification as GTS Traders, the Floor Traders registered until the month of October of 2005 shall attend and pass the electronic system training module. Applicants who have passed the course shall be entitled to a two-year certification for both functions, provided that all phases have been completed, including the attendance in the GTS training module and in the trading floor simulation modules.

Certifications are attributes possessed by professionals. Regardless of where a professional works, his/her certification shall remain valid until its expiration.

Professionals exercising a function without its corresponding certification shall be considered to be in irregular status, and their members shall be subject to the penalties defined in the BM&F Bylaws.

**Professional Certification Committee**

The functions of the Professional Certification Committee shall include: (i) the evaluation and review of requests for exemption from the certification test and/or the education qualification requirement; and (ii) the evaluation and review of the accreditation of Desk Traders.

The Committee is made up by the executive areas of Regulation and Risk, Audit and Compliance, Derivatives Clearinghouse, Trading, Investors Relation, and Business Development and Promotion Projects.
The Committee also acts as an advisor to the Chief Executive Officer in providing suggestions for the inclusion, exclusion and alteration of certified functions and in other matters related to certification.

**Exemption from the Education Qualification Requirement and/or the Certification Test**

The professionals with a proven experience of at least two years, ended March 18, 2005, as an Officer Responsible for BM&F Transactions, a Compliance Officer or a Manager Responsible for BM&F Transactions or equivalent, may be exempted from the certification test and/or the education qualification requirement. The related documentation, as well as the request of exemption from the certification test and/or education qualification requirement shall be submitted to the Professional Certification Committee for review.
All the professionals who exercised certain functions and were registered in the Professional Registration Management (GHP) system until March 18, 2005, as well as those partners with an equity interest of at least 10% in their respective Members shall be exempt from the minimum education qualification requirement, but shall pass the certification test, unless exempted in the manner defined in the preceding paragraph.
The exemption from the certification test, when granted, also includes the exemption from the test and education qualification requirement for the other functions which are overlapped by the certified function – pursuant to the table in Annex II – and, provided that, in the case of the functions of Manager Responsible for BM&F Transactions and GTS (Electronic Trading System) Trader the professional is registered on the date of the exemption is granted.
The granted exemptions shall be valid indefinitely.

**Registration**

All the professionals who exercise the certification functions in the BM&F markets shall be registered in the GHP system, regardless of whether or not their certification was obtained or is expired.
The Members shall be responsible for maintaining the registration of their professionals properly updated in the GHP system upon any change in staff, including admission, promotion, transfer, alteration of functions and termination.
Failure in registering professionals in the GHP system may result in penalties for their corresponding Members, pursuant to the provisions set forth in the BM&F Bylaws.

The registration in the GHP system shall not eliminate the obligation of the Members to provide the Exchange with updated registration information about their corresponding officers, proxies and partners, as well as about the accreditation/de-accreditation of professionals, such as Floor Traders, GTS Traders, Desk Traders and Floor Runners, in accordance with the registration and accreditation rules in force. In the same manner, the delivery of documents for the registration and accreditation of officers, proxies, partners and market professionals shall not eliminate the obligation of the Members to maintain the GHP system regularly updated.

**Tests**

All information related to tests, registration, results, study materials, syllabus, skill level, documents, course materials, frequently asked questions, references and materials available for download may be accessed through the BM&F Institute of Education' website (http://educacional.bmf.com.br > Certificação).

**Hiring of Professionals**

Upon hiring a professional with a valid certification, the Member shall simply register him/her in its GHP registration system.

Upon hiring a trainee or a professional with no prior certification or with an expired certification, the Member shall have, at most, six (6) months to obtain his/her corresponding certification, provided that:

- The professional meets the minimum education qualification requirement;
- A certification test is scheduled by the Member or by the professional in up to three months counted from the date of his/her hiring.

The documents listed in Annex III and the requests for exemption from the certification tests and/or the education qualification requirements shall be forwarded to the Registration Department and addressed to: Praça Antonio Prado, 48, 4th floor.

Further information may be obtained from the BM&F Institute of Education, by the telephones +55 11 3119-2342, 3119-2344 and 3119-2348 or by the e-mail cursos@bmf.com.br, as well as from the Registration Department, by the telephones +55 11 3119-2124 and 3119-2150 or by the e-mail cadastro@bmf.com.br.

Edemir Pinto
Chief Executive Officer

## Annex I to Circular Letter 038/2007-DG

## ACTIVITIES PERFORMED UNDER THE CERTIFIED FUNCTIONS

This annex provides, for illustrative purposes only, a list of some of the activities performed by persons who are responsible for the functions subject to certification. It is important to observe that the purpose of this list is to provide professionals with a better understanding of the activities performed under the functions subject to certification, rather than providing a comprehensive list of functions. This observation is also relevant because BM&F does not oblige the Brokerage firms to register their professionals under the same job titles as those described herein. The Brokerage firm has full autonomy to create its own organization chart. Thus, the following definition of functions seeks merely to determine which professionals and activities shall be subject to certification.

**1) Officer Responsible for BM&F Transactions**

Professionals performing this function are responsible for ensuring, by means of all the necessary administrative measures, that:

(i) the actions practiced by the Brokerage firm are in compliance with the documents, rules and regulations issued by BM&F, as well as with the legislation and regulations in force;

(ii) the communications, circular letters, rulebooks, rules and regulations issued by BM&F, including the BM&F Market Participants' Ethics Code, are properly delivered to the responsible areas in the Brokerage firm, and the provisions contained therein are observed and complied with;

(iii) the information requested by BM&F is provided within the established time frames and in the established manner;

(iv) any actions and/or practices considered irregular are properly communicated to BM&F within the shortest possible time;

(v) the employees performing activities that, directly or indirectly, involve BM&F or its markets have the necessary qualifications for the full exercise of their functions;

(vi) the information technology and telecommunications systems utilized by the Brokerage firm comply with the minimum standards established by BM&F and by sound market practices;

(vii) the critical systems and the confidential information maintained by the Brokerage firm are adequately protected by means of a system of passwords and specific access controls.

**2) Manager Responsible for BM&F Transactions**

The function of Manager Responsible for BM&F Transactions can be understood as an intermediate function between the functions of Officer Responsible for BM&F Transactions and Desk Trader. Therefore, the Manager Responsible for BM&F Transactions shall be responsible for assisting the Officer Responsible for BM&F Transactions to evaluate and control the established policies and ensuring, by means of all the necessary administrative measures, that:

**(i)** all the Desk Traders are aware, prior to the execution of transactions, of all the communications, circular letters, rulebooks, rules and regulations issued by BM&F,

including the BM&F Market Participants' Ethics Code, that the provisions contained therein are observed and complied with, and that, when applicable, this information is also provided to the customers;

**(ii)** the receipt and the execution of orders transmitted by customers are in compliance with the rules and regulations established by the Brazilian Securities and Exchange Commission (CVM) and by BM&F;

**(iii)** the transmission of orders sent by customers to Floor Traders are in compliance with the rules and regulations established by BM&F;

**(iv)** the insertion of bids-asks in the GTS electronic trading system is carried out in the manner defined by BM&F, specially in regard of the utilization of the security tools offered by the system;

**(v)** the customers receive the necessary support for the transactions in the WebTrading (WTr) system;

**(vi)** the time frames defined by BM&F for registration of transactions, receipt/acceptance of give-ups and specification of customers are complied with, thereby enhancing the delivery of trade-related information to the other support areas in the Brokerage firm;

**(vii)** the registration of transactions in the OTC market complies with the rules, regulations and time frames established by BM&F.

**3)**

**4) Desk Trader– BM&F Transactions**

Professionals performing this function are required to have the skills and knowledge that are necessary for the full and regular exercise of the following activities, thereby enabling them to:

**(i)** receive the orders sent by customers, in compliance with the rules and regulations established by CVM and by BM&F;

**(ii)** forward the orders for insertion of bids-asks in the electronic system by the GTS Trader;

**(iii)** transmit the orders sent by customers to Desk Traders in compliance with the rules and regulations established by BM&F;

**(iv)** offer customers the necessary support for the execution of transactions in the WTr system;

**(v)** provide the other support areas in the Brokerage firm with prompt confirmations of executed transactions, in order to comply with the times frames established by BM&F for the registration of transactions, the designation of give-ups and the specification of customers;

**(vi)** provide customers with all the communications, circular letters, rulebooks and other rules and regulations issued by BM&F, including the BM&F Market Participants' Ethics Code, if applicable;

**(vii)** observe the rules and restrictions imposed by BM&F regarding the use of the exchange floor telephone system.

**5) Floor Trader**

Professionals performing this function are required to have the skills and knowledge that are necessary for the full and regular of the following activities, thereby enabling them to:

**(i)** execute the orders transmitted by the Brokerage firm and, if applicable, by the customer, always ensuring compliance with the rules and regulations established by BM&F and by CVM:

**(ii)** understand all the trade-related communications, circular letters, rulebooks and other rules and regulations issued by BM&F, including the BM&F Market Participants' Ethics Code;

**(iii)** provide PLD's customers with trade-related information, whenever applicable;

**(iv)** understand the rules and restrictions imposed by BM&F regarding the use of the exchange floor telephone system;

**(v)** act diligently in the treatment of trading disputes, pursuant to the provisions set forth in the BM&F rulebooks;

**(vi)** understand the criteria established by BM&F for filling in and safeguarding the "draft trading card";

**(vii)** register the trades in compliance with the rules and regulations established by BM&F;

**(viii)** understand the communications and circular letters issued by BM&F that deal with the rules, regulations and time frames for designation of give-ups and PLDs;

**(ix)** ensure that the activities of Floor Runners are performed in compliance with the rules, regulations and time frames established by BM&F.

**6) Floor Runner**

Professionals performing this function are required to fill in trading cards, which require them to understand:

**(i)** the communications and circular letters issued by BM&F that deal with tickers of securities admitted to trading;

**(ii)** all the communications, circular letters, rulebooks and other rules and regulations issued by BM&F that deal with the way trading cards are filled in and the time frames for registration of executed trades;

**(iii)** the rules, regulations and restrictions imposed by BM&F regarding the use of the exchange floor telephone system;

**(iv)** the criteria established by BM&F for filling in and safeguarding the "draft trading card";

**(v)** the communications and circular letters issued by BM&F that deal with rules, regulations and time frames for designation of give-ups and PLDs.

**7) GTS Trader**

Professionals performing this function are required to have the skills and knowledge that are necessary for the full and regular exercise of the activity of inserting bids-asks in the GTS electronic trading system, in the manner defined by BM&F, specially in relation to the use of the GTS security tools, thereby requiring them to be aware of:

**(i)** all the communications, circular letters, rulebooks and other rules and regulations issued by BM&F, including the BM&F Market Participants' Ethics Code, providing their customers with this information, whenever applicable;

**(ii)** the communications and circular letters issued by BM&F that deal with the rules, regulations and time frames for designation of give-ups and PLDs.

**8) Back-Office Manager (responsible for BM&F Transactions)**

Professionals performing this function are required to coordinate the following processes, as well as to take, directly or indirectly, all the measures that are necessary for their full and regular exercise:

**(i)** registration of customers and activities that may constitute pre-requisites for customers to begin trading in the BM&F markets;
**(ii)** designation and receipt/acceptance of give-ups;
**(iii)** specification of customers;
**(iv)** risk management, including intraday risk, risks related to the existing operational limits, risks related to open interest limits, among others;
**(v)** deposit and withdrawal of pledged collateral;
**(vi)** cash and physical settlement;
**(vii)** registration of OTC market transactions;
**(viii)** activities related to the System for Fungible Gold Custody and System for Agricultural Securities Custody (SCRA), both managed by BM&F.

**9) Back-Office Employee (responsible for BM&F Transactions)**
Professionals performing this function are required to have the skills and knowledge that are necessary for the full and regular exercise of the following activities:

a) Performance of Post-Trading and Settlement Activities
**(i)** transmission, receipt and approval of give-ups;
**(ii)** specification of customers;
**(iii)** conference and analysis of reports that involve information related to executed trades, open interest, cash and physical settlement, options exercise, fees charged by BM&F, brokerage fees and any other information that is relevant for the process of transaction settlement;
**(iv)** settlement of transactions involving the customers, the Clearing Members with whom the Brokerage firm maintains an agreement and, whenever applicable, the Derivatives Clearinghouse;
**(v)** transfer of outstanding positions, assignment of swap contracts and other transactions permitted by BM&F;
**(vi)** management of deposits and withdrawals of securities pledged as collateral;
**(vii)** registration of OTC market transactions.

b) Activities related to Fungible Gold Custody
**(i)** conference and analysis of reports and statements that include information about custody, inflows and outflows of gold deposited in BM&F;
**(ii)** deposits and withdrawals of gold on behalf of customers, including the activities involving custodian banks;
**(iii)** transfer of balances between accounts and designation of gold as collateral;
**(iv)** registration of OTC market gold transactions.

c) Activities related to Agribusiness Securities Custody
**(i)** conference and analysis of reports and statements that include information about custody, deposits and withdrawals of agribusiness securities (CPR, CDA-WA, CDCA, etc.) registered in the SRCA system;
**(ii)** registration and/or acceptance of securities in the SRCA system;

**(iii)** deposits and withdrawals of securities in the SRCA system, including their designation as collateral.

## Annex II to Circular Letter 038/2007-DG

## OVERLAPPING FUNCTIONS

| | Performed Function | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Officer Responsible for BM&F Transactions | Compliance Officer | Person Responsible for Compliance | Manager Responsible for BM&F Transactions | Desk Trader | Floor Trader | GTS Trader | Floor Runner | Back-Office Manager | Back-Office Employee |
| **Certified Funct** | | | | | | | | | | |
| Officer Responsible for BM&F Transactions | X | | | X | X | X[1] | X[1] | X | X | X |
| Compliance Officer | | X | X | | | | | | | |
| Person Responsible for Compliance | | | X | | | | | | | |
| Manager Responsible for BM&F Transactions | | | | X | | | | | | |
| Desk Trader | | | | | X | | | | | |
| Floor Trader | | | | | | X | | X | | |
| GTS Trader | | | | | | | X | X | | |
| | | | | | | | | | | |
| Floor | | | | | | | | X | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| i o n | **Runner** | | | | | | | | | | |
| | **Back-Office Manager** | | | | | | | | | X | X |
| | **Back-Office Employee** | | | | | | | | | | X |

[1] Must be previously registered for this function.

## Annex III to Circular Letter 038/2007-DG

## DOCUMENTATION AND ACADEMIC QUALIFICATION REQUIREMENTS

1. Xerox copy of an ID document with photo and Taxpayer ID Card (CPF).
2. Xerox copy of college, high school or junior high school diploma or any proof of the minimum education qualification required for the applied function, as defined by the table below:

| Function | Minimum Education Qualification |
|---|---|
| Officer Responsible for BM&F Transactions | College |
| Compliance Officer or Person Responsible for Compliance | College |
| Manager Responsible for BM&F Transactions or equivalent | College |
| Desk Trader | High school |
| Floor Trader | High school |
| GTS Trader | High school |
| Floor Runner | Junior high school |
| Back-Office Manager or equivalent | College |
| Back-Office Employee | High school |

## Annex IV to Circular Letter 038/2007-DG

## PROFESSIONAL CERTIFICATION COURSES

| Course | Certified Function |
|---|---|
| Floor Trader and GTS Trader (class room and online) | Floor Trader and GTS Trader |
| GTS Trader (classroom and online) | GTS Trader |
| Basic Back-Office Services | Back-Office Employee |
| Back Office Services for Officers and Managers | Back-Office Manager |
| Professional Training – Derivatives Distributors | Desk Trader |

BM&F BOVESPA
A Nova Bolsa

# *PQO*

## *Operational Qualification Program*

# Basic Guidelines

**OC 046/2010 – October 7, 2010**

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## 1. CLIENT CAPTURE AND RETENTION

1) A Participant must provide information about the risks related to the markets in which the Participant operates taking into account the client's capacity as a retail or professional investor.

2) A Participant must provide at least the following minimum information about its product offerings:
   - Product features;
   - Whether or not the client's net worth is protected;
   - Investment risks;
   - Investment recommended duration;
   - Expected performance or factors that could affect performance;
   - Information on the fee policy and other costs incurred by the client, including taxation;
   - Events entailing conflicts of interest.

3) A Participant must establish and keep updated records of the investment profile of its clients, according to previously defined and uniformly applied criteria, which at least take into account the clients' transactions, financial position, investment objectives, risk tolerance, investment knowledge and experience.

4) A Participant's offerings of products, services and investment recommendations must be consistent with the investment profile established for the client.

5) A Participant must continually evaluate the suitability of each particular client's investments vis-à-vis his/her investment profile.

6) A Participant must provide clients with frequent information about their investment profile, as established pursuant to criteria the Participant shall define.

7) A Participant's website must at least include a link for access to the websites of BM&FBOVESPA and BSM.

8) A Participant must meet the requirements established for transactions carried out on the World Wide Web, as prescribed by applicable regulation.

9) In its dealings with clients, a Participant must follow the Operating Rules and Standards. It is compulsory that the Operating Rules and Standards adopted by a Participant address procedures relating to:
   - Client registration;
   - Types of eligible orders;
   - Order entry windows;
   - Order transmission process, including acceptable instant messaging services;
   - Trading policy for related parties and proprietary portfolios;
   - Order validity period;
   - Order refusal and cancelation;
   - Order registration;

- Order execution (execution, confirmation, non-execution), including orders transmitted through the Home Broker system;
- Trade allocation;
- Trade settlement;
- Risk controls;
- Security Custody;
- Voice recording system.
- Manner for communicating clients about changes to the Operating Rules and Standards.

10) A Participant must maintain a relationship channel with clients for the receipt, registration and management of complaints, demands and questions, and must also keep records of action taken in response thereto.

## 2. CLIENT REGISTRATION

11) A Participant must make available to clients, and upon request deliver copies of the Market Participant Code of Ethics and the Operating Rules and Standards established by BM&FBOVESPA prior to beginning the service provision. .

12) The Operating Rules and Standards must be an integral part of the Intermediation Agreement and of the Custody Services Agreement.

13) Every amendment to the Operating Rules and Standards must be promptly and formally communicated to all the Participant's active clients.

14) A Participant must register all clients and keep updated registration information, in accordance with applicable legislation and regulations.

15) The client registration information must be made available to the departments of the Participant that need such information in order to operate, which shall be done in strict accordance with the Participant's function segregation model.

16) The client registration record must contain all data, information and statements required by applicable regulation.

17) The client registration record must also include a statement, duly signed and dated by the client or by his/her legal representative, to the effect that the registration information and the client's statements required by applicable regulation are true and accurate.

18) A client's representation must be supported by valid documentation.

19) A client registration record must include a statement by the Participant responsible for the account, to the effect that the truthfulness and the accuracy of the information provided have been verified.

20) Where a client is a non-resident investor, the registration record must include a valid intermediation services contract or equivalent agreement.

21) The agreement between a Participant and its client must provide information on the policy and criteria for brokerage fees, custody fees, and other additional expenses.

22) A Participant must keep its clients continually abreast of the policy and criteria applicable to the charge of fees.

23) A Participant that performs trading activities for proprietary portfolios must obtain formal consent from the client for the execution of orders to which it may be the client's counterparty.

24) A client registration record must contain a statement by the client electing the acceptable order transmission mechanisms.

25) Pursuant to applicable legislation and regulation, the registration information of any client must include valid support documentation.

26) A Participant may not accept or execute orders from investors not previously registered. However, in the case of institutional investors or financial institutions, a leniency period extending twenty (20) days after the date of the first order shall apply relative to the absence of a signature in the registration records.

27) A Participant shall only alter the address noted in a client registration record unless upon receiving express written instructions from the client to do so, which instructions must include documented proof of the new address.

28) Client information provided to BM&FBOVESPA is required to allow for proper validation and identification by the Exchange. It must also be kept current and consistent with the registration record on file.

29) A Participant must have in place mechanisms to ensure that buy or sell orders and asset transfer instructions transmitted by a client's representative acting under a power of attorney are accepted only if the representative has been previously named and identified in the relevant client registration record, which must also include a copy of the power of attorney granting such representative specific representation powers.

30) A Participant must keep the client registration records on file for a minimum of five (5) years after an account closure or after completion of the last transaction carried out on behalf of the relevant client, provided such period shall extend indefinitely in the event an investigation is initiated by the CVM and formally communicated to the Participant.

31) Give-up and three-party contracts must include the rules established by BM&FBOVESPA concerning the matter.

32) A Participant must keep current its own registration information filed with BM&FBOVESPA. The registration record must include, among other things, identification of the market relations officer and officer in charge of custody activities, of the officers appointed to the executive board, of the legal counsels and the corporate documents of the Participant.

33) Participants that store client registration information in electronic format must ensure such information is consistent with the client's actual registration documentation.

34) Financial intermediation agreements executed with clients that trade using a DMA (Direct Market Access) model must include the provisions specifically required under BM&FBOVESPA regulations.

35) The client registration records kept by a Custodian Agent must in each case include a valid custody services agreement.

36) Custody services agreements must at least include the provisions specifically required under the operational regulation of the CBLC.

37) Where a Custodian Agent keeps simplified client registration records for non-resident investors, such Custodian Agent must first have entered into an agreement with the relevant global custodian (or bus account holder), which least includes the provisions specifically required under the operational regulation issued by CBLC.

38) Where a Participant keeps simplified client registration records for non-resident investors, such Participant must first have entered into an agreement with the relevant foreign financial intermediary, which at least includes the provisions specifically required under local applicable regulations.

## 3. ORDER EXECUTION

39) The order registration record must include the following minimum information:
- Client code or identification name;
- Date and time of the order entry;
- Order validity period;
- The sequential and chronological numbers of the order;
- Description of the securities being ordered , including ticker code, quantity and price;
- Identification of orders placed by related party investors or a proprietary portfolio;
- Transaction nature (a buy or sell, the relevant market, i.e.; cash, forward, options, futures, swap or fixed-income markets; a give-up or a trade for direct settlement by a Direct Settlement Participant (PLD);
- Order type (managed order, matched order, discretionary order, limit order, market order, real-time order, round-turn order and stop order);
- Identification of the order issuer;
- Identification of the transaction number at BM&FBOVESPA;
- Identification of the electronic trader (alpha code) and desk trader (name);
- Indication of the order status (executed, unexecuted, cancelled).

40) Orders must be received by a qualified professional trader linked to the relevant Participant, and observe the criteria set forth in the Operating Rules and Standards, as well as the criteria defined by the ordering client in his/her registration record.

41) A Participant must ensure securities intermediation activities are performed only by persons that are members of the securities intermediation system, or by qualified employees or contractually retained providers duly licensed by the CVM.

42) A Participant's trading desk must be physically segregated from the trading desks of any other institutions belonging to the same economic group or financial conglomerate, except where the Participant trades only for the account of these institutions.

43) Access to the trading desk is privileged and must be controlled.

44) A Participant must report and make available to clients, on a monthly basis, a list of every transaction where the counterparty is a related party of the Participant. The term related parties used herein with the meaning defined by applicable regulation.

45) A Participant must highlight in its website, and update on a monthly basis, the following information:

(i) the relationship between the number of trades carried out on behalf of related persons and the overall number of trades carried out by the Participant, on a by-market basis;

(ii) the relationship between the number of trades carried out on behalf of related personsexcept the proprietary portfolio, and the overall number of trades carried out by the Participant, on a by-market basis;

(iii) the relationship between the number of trades carried out for the proprietary portfolio and the overall number of trades carried out by the Participant, on a by-market basis;

(iv) the relationship between the number of trades carried out on behalf of related persons where the counterparty is a client and the overall number of trades carried out by the Participant on behalf of related persons.

The term 'related parties' is used herein with the meaning defined by applicable regulation.

46) In no event may clients be granted access to the trading desk environment.

47) A Participant must segregate activities entailing management of securities portfolios, including those of investment clubs, from any order execution activity.

48) A Participant must keep records of any trades assigned to the broker error account, and detail the nature of the error.

49) The execution of proprietary portfolio or related party orders must conform with the order specification provided by the principal, and may not be amended.

50) Trade reversals entered in the broker error account must follow the execution priority criteria defined in the Operating Rules and Standards.

51) Proprietary portfolio trades executed in error may not be assigned to the broker error account.

52) Error trades attributable to operating error must be entered in the broker error account irrespective of a positive or negative outcome.

53) Where a Participant or related party thereof acts as counterparty to a trade executed for the account of a client of said Participant, the trade confirmation slip must include notice of such particularity.

54) A Participant must define and monitor the level of authority delegated to traders in its service.

55) A Participant must adopt electronic registration and order control systems.

56) A Participant must adopt control mechanisms which, in the case of competing orders, ensure priority is given to the orders placed by unrelated party investors over those of proprietary portfolios or related parties.

57) A Participant must record intelligibly any oral orders received over the phone or similar other devices, as well as any written orders transmitted through the instant messaging system. Orders delivered in person should be put in writing.

58) A Participant must log and keep integral records of all orders from clients for a minimum period of five (5) years. The call logs must include records of the following information: date, start and end time or duration of each call, phone extension number, originating user and destination user.

59) Brokerage houses and related parties are not permitted to act as counterparties in trades carried out on behalf of stock mutual funds, investment clubs, foreign capital investment companies or investment funds, foreign currency conversion funds and local securities portfolios maintained in Brazil by any of the entities referred to in article 2 of Decree-Law No. 2.285/86.

60) A Participant acting as securities portfolio manager may not act directly or indirectly as principal in any transaction having the proprietary portfolio as counterparty.

61) A Participant must manage order routing through automated connections in accordance with applicable regulations.

62) Where permitted, a give-up execution process must be supported by a valid contract (a three-party or brokerage contract).

63) A Participant must keep records of all position transfer requests from clients.

64) Persons related to a Participant may only deal in securities as principal, directly or indirectly, by engaging the related Participant to act as intermediary to the trade.

## 4. TRADE SETTLEMENT

65) A Participant must provide its clients with daily updated information both on portfolio positions and trades executed on their orders. This information must include detailed information at least on the following:
- Asset specifications;
- Type of transaction (cash, forward, options, futures or other);
- Quantity;
- Price;
- Trading date;
- Brokerage fees, commissions and other charges;
- Withholding income tax amount;
- Custodial positions (free securities, collaterals and locked-in securities);
- Current account bank statement, including for the margin account, showing every credit and debit entered into the account.

66) A Participant must keep records of every movement in the client's non-checking account.

67) A Participant must not carry out transactions that in any way entail the granting of loans, financing or advances to clients.

68) A Participant must operate client margin accounts and manage margin loans in accordance with applicable regulations.

69) A Participant must furnish clients with daily margin account statements reporting the entries recorded in the account, which should at least cover the following information:

- Margin account balance;
- Assets pledged as collateral;
- Fees and charges debited to the account.

70) A Participant must keep a client's cash account and securities custody account fully segregated from its own accounts.

## 5. SECURITIES CUSTODY

71) A Participant engaging in custody activities must perform daily reconciliations between the balance of custody accounts it manages and the balance registered at the Central Securities Depository of BM&FBOVESPA, taking appropriate action if discrepancies are identified.

72) A Custodian Agent must have a proprietary or outsourced custody control system with which to control balances and movement of securities held under custody..

73) The movement of securities held under custody by a Custodian Agent must be effected solely on the basis of formal instructions provided by the client, except for securities moved in connection with a trade order, where the Custodian Agent and the Participant broker are one and the same legal person.

74) Any balance sitting in custody accounts under the care of the Custodian Agent must reflect the relevant positions existing at the depository facility.

75) Calls to and from any phone extension existing in departments charged with providing custody services must be recorded.

76) On receiving trade orders from clients, a Participant not holding permit for access to the BM&FBOVESPA trading systems must record in an intelligible manner all oral orders transmitted over the phone or similar other device as well as all written orders transmitted directly or through representatives via instant messaging systems. Orders given in person must be put in writing.

77) A Participant must log and keep integral records for all orders from clients for a minimum period of five (5) years. The call logs must include records of the following information: date, start and end time or duration of each call, phone extension number, originating user and destination user.

78) A Custodian Agent must keep securities held under custody deposited in individual custody accounts under the name of the investing client.

79) A Custodian Agent must provide account statements to custody account holders:
- Whenever so requested;
- At the end of each month in which the account presents movements;
- At least once a year, in the absence of any movement or request.

80) The procedures adopted by Custodian Agents must conform to the operating routine descriptive document related to custody activities.

81) The custody department activities must be physically segregated from the facilities for asset management activities and the trading desks.

## 6. RISK MANAGEMENT

82) A Participant must maintain procedures to establish risk exposure and assign operating limits for each client, doing so pursuant to objective standards.

83) A Participant must monitor, throughout the day, the operating limits assigned to clients that undergo intraday risk management processes.

84) A Participant must establish proprietary mechanisms to manage its own exposure to intraday risk vis-à-vis client dealings. Intraday risk management should cover open positions and client daily movements across capital markets (therefore including, but not limited to, markets operated by BM&FBOVESPA).

85) A Participant must retain at least one risk management specialist certified by BM&FBOVESPA.

86) A Participant must monitor and manage exposure to risks until such time as a transfer of brokerage obligations is accepted by another Participant (give-up arrangements, qualified investors and PLD assignment).

87) A Participant must advise clients of the procedures adopted by BM&FBOVESPA in the event their positions breach previously assigned operating limits.

88) A Participant must advise clients of, and monitor, their financial commitments with a view to ensuring transactions are settled and margin calls are met in a timely manner.

89) Where a Participant exceeds its designated operating limit in the intraday risk management system, such Participant must go back to operating within that limit before the period established by BM&FBOVESPA expires.

90) A Participant must advise clients about the procedures, movement windows and limits that must be observed for a transfer of securities to cover margin calls.

91) A Participant is required to implement, and monitor, the minimum risk parameters established by BM&FBOVESPA for the operation of pre-trade risk management tools designed to manage risk exposure inherent in trades ordered by investors using a DMA (Direct Market Access) model.

## 7. INTEGRITY STANDARDS

92) A Participant must adopt controls to assess the financial capacity and trading characteristics of its clients.

93) A Participant must keep on file for the period established by applicable regulation the records and documentation evidencing the receipt and transmission of orders.

94) All personnel employed or retained by a Participant are required to adhere to the Market Participants Code of Ethics established by BM&FBOVESPA.

95) A Participant must meet the minimum financial and net worth requirements established by BM&FBOVESPA.

96) A Participant must adopt internal controls that meet the requirements of CMN Resolution 2554.

97) A Participant must appoint at least one professional certified by BM&FBOVESPA in charge of compliance affairs..

98) A Participant's internal controls officer must issue half-yearly assessment reports covering at least the topics set forth below, whereas giving regard to the standards provided in these Basic Guidelines of the Operational Qualification Program. The assessment reports must be sent to the Investor Relations Officer and the Audit Officer of BM&FBOVESPA:
   - Evaluation of controls for the following processes: order execution, client registration records, risk management, custody and settlement;
   - Compliance monitoring concerning processes for implementation of the Operating Rules and Standards and, in particular, compliance by related parties and proprietary portfolios;
   - Evaluation of the effectiveness of the function segregation model adopted by the Participant for avoidance of conflicts of interest;
   - Effectiveness of corrective measures and action plans aimed to mitigate identified risks;
   - Performance by outsourced professionals, including those that work from separate premises, based on the internal control standards adopted by the Participant;
   - Monitoring of the existence and validity of the certification of professionals that operate in BM&FBOVESPA markets, and their registration with BM&FBOVESPA;
   - Monitoring of investment suitability vis-à-vis client investment profiles, based on the rules and standards adopted by the Participant;
   - Prevention and detection of money laundering activities;
   - Information security: privilege of access and password management (networks systems, data bases, and electronic relationship channel), identification of systems for which no audit trail is available;
   - Business continuity plan: monitoring and evaluation of updates and test results vis-à-vis proposed objectives;

- Registration of unavailability incidents related to the systems, networks and communication channels (including voice recording and instant messaging).

99) The functions of investor relations officer and compliance officer may not be accumulated by a single person.

100) A single person may not accumulate duties as chief operating officer and compliance officer.

101) A Participant must adopt prompt corrective measures, as necessary to address instances of compliance failure and/or warning signs detected during audits.

102) A Participant must adopt effective mechanisms to ensure that client information under its care is kept confidential.

103) A Participant must adopt control mechanisms, which are to be kept under the responsibility of senior management, for the identification, assessment, mitigation and monitoring of risks related to money laundering activities, including:
   - Client identification and registration records (assuring the truthfulness of registration information);
   - Risks related to origin and allocation of funds (within the scope of the client's relationship with the Participant, includes ensuring the assets and investment funds originate from, and are ultimately allocated to the client's accounts);
   - Consistency of a client's transactions with his/her net worth and financial capacity, as measured pursuant to the standards defined in the internal controls adopted by the Participant.

104) A Participant must maintain continuing training courses for employees, which focus on disseminating procedures and practices for the control and prevention of money laundering activities.

## 8. HUMAN RESOURCES STANDARDS

105) A Participant must meet the requirements set by BM&FBOVESPA for certification of professionals that perform activities within the scope of BM&FBOVESPA markets.

106) Professionals (including independent providers) hired or engaged to work as traders for a Participant must be duly licensed by BM&FBOVESPA before performing intermediation activities for the Participant.

107) In performing financial intermediation activities, an independent investment agent is required to refrain from engaging in activities banned by applicable regulations.

108) In a partnership of independent investment agents, individual members not qualifying as independent investment agents shall be banned from holding ownership interest in excess of 2% and, in addition, may not hold positions as senior manager, director or officer, nor in any way participate in activities constituting the core business of the company.

109) Commissions due in consideration for services provided by independent investment agents must be paid directly to the individual or company contractually retained by the Participant.

110) An independent investment agent, whether acting independently as an individual or as a partner in a legal person, is required to perform agency activities based on an exclusive arrangement tying him/her to a single Participant, and is therefore prohibited from having similar concomitant arrangements with any other Participant.

111) An independent investment agent must have been licensed by BM&FBOVESPA to engage in this activity and, as the case may be, obtained certification and enrolled in the Professional Qualification Management System – GHP prior to performing agency activities for a Participant.

112) A Participant must keep current any information entered in the Professional Qualification Management System – GHP established by BM&FBOVESPA.

113) Where an independent investment agent applies for a license transfer in order to work for another Participant, a compulsory 60-day waiting period shall be observed between the termination of one contract and the effectiveness of the other. However, the former principal may waive the waiting period by issuing a letter of recommendation. In any event, BM&FBOVESPA must approve the license transfer.

114) An independent investment agent retained by a Participant shall be subject to the internal control policies adopted by the latter, which in turn shall be liable for the actions of the agent while working in such capacity.

## 9. INFORMATION TECHNOLOGY STANDARDS

### Information Security

115) A Participant must establish and disseminate among the personnel, the Information Security Policy approved by senior management, which at least defines the following guidelines:
- Confidentiality and integrity of information;
- Accountability for password usage;
- E-mail and Internet usage policy;
- Software usage policy;
- Granting and management of privilege of access to systems, databases and computer networks; and
- Physical security of the operating and processing environments.

116) A Participant must maintain the security of its network, files, databases, systems and information traffic, in order to guarantee the confidentiality and integrity of client information under its care.

117) The passwords for access to networks and internal systems must obey the following minimum standards:
- Minimum size code: six (6) characters;
- Maximum expiration time: forty-five (45) days;
- Maximum wrong attempts before blocking: three (3);
- Blocking time: unblocking by the administrator;
- Minimum password history: set to six (6);
- Complexity verification: activated;
- Password storage encryption.

118) The electronic order entry and trading systems, risk management, custody and margin account systems, client registration system, as well as the pre-trade risk management system must allow for sufficient audit trails to ensure suitable traceability of events, including as to:
- User identification log;
- Event time and date;
- Event identification (entry, changes, exclusion inputs).

As for the internal network system, audit trails must include the access logs (user, date and time).
The audit trail retention period must extend for at least five (5) years.

119) The electronic relationship channel a Participant is required to establish for communication with clients, questions and answers and market access must meet at least the following criteria:
- The website must adopt digital certification issued by a certificate authority licensed by ICP Brasil (the Brazilian public key infrastructure authority) or the equivalent.
- Traffic of the following information must be encrypted by using at least a 128-bit encryption algorithm:

- User authentication data (login and password);
- Registration data;
- Data regarding transactions between Participant and Client (orders and funds transfers);
- Client position data.

- Electronic access must use strong authentication (two-factor authentication), such as:
  - User and password authentication + Questions & Answers (Q&A);
  - User and password authentication + encrypted token;
  - User and password authentication + one-time password cards (token cards).
- The user account must be blocked after three wrong authentication attempts.
- A blocked password can only be unblocked upon the Participant's personal verification of the user identity (confirmation of personal data, registration information and/or transaction information).
- User passwords must have minimum of six characters.
- Two simultaneous authentication attempts by the same user must not be allowed (*a user cannot open more than one session at any given time*).
- Passwords must be stored in encrypted format.

120) Participants that offer electronic relationship channel to service clients or give them market access (through a website or DMA (Direct Market Access) model) must provide clients with information and guidance on information security practices when using computational resources.

121) Access to a Participant's own or outsourced systems, databases and network and to those of BM&FBOVESPA must follow the security traits set forth below:

- A single individual user;
- Password protection;
- Access granting conforming to the function segregation model for avoidance of conflicts of interest;
- Approval by the information owner;
- Granting restricted to professionals contractually bound to the Participant.

A Participant must manage access (privilege granting, alteration, exclusion) to ensure the abovementioned features are sustained.

122) A Participant must use network security monitoring tools to prevent undue access to computers and technology resources of the internal network.

123) The data processing center (DPC) must be located in a segregated environment, fitted with access controls, temperature and humidity controls, and fire prevention and firefighting equipment, in addition to an alternative power source, which in the case of power shortages should at least permit completing any ongoing operational data processing and all customary backup routines.

## Business Continuity

124) Electronic brokerage firms which manage online systems designed for receipt of buy-side and sell-side orders for securities through the World Wide Web, must establish contingency plans for their systems with the purpose of preserving the prompt investor services in case of online services halting.

125) A Participant must develop, implement and test a business continuity plan whose minimum continuity goals should include:

A) Regarding settlement vis-à-vis BM&FBOVESPA, mechanisms to ensure:

- Daily settlement vis-à-vis BM&FBOVESPA;
- Collateral pledges;
- Fulfillment of margin calls;
- Receipt and payment of settlement amounts;
- Receipt and delivery of securities; and
- Securities movement authorizations.

B) Regarding settlement with clients, mechanisms to ensure:

- Communications with clients, BM&FBOVESPA, Brokerage Houses, Custodian Agents, Clearing Agents/Members, and Settlement Banks;
- Monitoring of funds inflows and outflows.

C) Regarding position updates, mechanisms to ensure:

- Clients to enter close-out orders;
- For transactions with a T+0 settlement cycle:
  - Confirming the orders;
  - Specifying the orders;
  - Arranging for a give-up or reallocation.

## Monitoring and Operating Technology and IT Infrastructure Resources

126) A Participant must monitor the electronic trading systems offered to clients to ensure availability pursuant to metrics established in applicable regulations, as well as authentication security, and confidentiality and integrity of information.

127) A Participant must adopt data and voice backup processes and routines, as necessary to ensure business continuity, compliance with applicable laws and regulations, and information availability. These processes and routines must be documented, operated by fully cognizant personnel charged with defining standards and parameters at least for the following:

- Persons in charge;
- Scope;
- Frequency;
- Methods (tools);
- Monitoring;
- Testing (frequency, scope, outcomes);
- Storage facility (access logs, environmental controls);
- Media transportation controls;
- Media retention periods;
- Media inventory.

128) A Participant must monitor the execution of backup routines; including registration processes and error solutions, in addition to testing information integrity and recovery from backup files.

129) Backup files intended for recovery of transaction information must be sent at least on a daily basis for storage at an external contingency site, fitted with access controls, temperature and humidity controls, and fire prevention and firefighting equipment. The retention period for backup files shall be as established by applicable regulations.

130) A Participant must use controls to ensure the integrity of orders transmitted through instant messaging systems. Access history information must be securely stored under restricted logical access for at least five years, and identified by date, time and user of origin and destination.

131) A Participant must perform preventive monitoring of the capacity, performance and availability of network systems and electronic communication channels, of computer systems, servers and databases, in order to ensure business continuity and good order.

132) A Participant must operate an incident management center designed to address incidents involving information technology and telecommunications resources, log them and facilitate the response to internal and external demands.

**Change Management**

133) A Participant must adopt controls to manage software changes, hardware replacement and changes to the technology infrastructure, including impact analysis, execution plans, test plans, departmental approval processes preceding implementation and production, return-to-operations plans (RTO) and traceability documentation.

134) A Participant must adopt controls for software development, maintenance and acquisition, including use of segregated development and production environments, proper methodologies, tests in segregated environment, user approval processes and traceability documentation.

135) A Participant must perform regular maintenance work and implement periodic technical and security updates in order to keep its systems, information technology and telecommunications structures operating properly so as to the business requirements.

**Support to the Infrastructure**

136) A Participant must take appropriate action to have the telephone recording system periodically maintained and continually monitored in order to ensure high recording quality and preserve the integrity of such records, continuing equipment operation and prevent editing or insertions.

137) A Participant must include service level agreements within the terms of contracts entered into with IT providers, and monitor service level, with the aim of securing timely support and problem solving under conditions and within deadlines that ensure availability of services and fulfillment of commitment to clients. Service level agreements should include objective measurement parameters, fee collection criteria and confidentiality of information standards, in addition to adherence to the regulatory framework applicable to the provision of the following IT services:

- Telecommunications;
- Help desk;
- System development and maintenance;
- Information safeguarding, whether using physical or electronic media.

138) A Participant must homologate or, as the case may be, license and keep inventories of all software and telecommunications and information technology equipment used in the business..

139) A Participant must have up-to-date antivirus software installed in all its servers and workstations.

140) A Participant must appoint at least one professional certified by BM&FBOVESPA in charge of information technology affairs.

## GLOSSARY OF TERMS

**Impact analysis** – Evaluation of impacts that implementing or changing an application system may have on the overall operations of existing application systems.

**BSM (*BM&FBOVESPA Supervisão de Mercados*)** – BSM is a functional entity and self-regulatory organization that operates by delegation of the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM, to exercise self-regulatory activities in regulated securities markets and perform oversight of market activities, market participants and BM&FBOVESPA pursuant to CVM Instruction 461. In performing its oversight and regulatory roles, BSM manages and operates multiple mechanisms, including the Investor Compensation Mechanism *(Mecanismo de Ressarcimento de Prejuizos)*, or MRP.

**Relationship channels** – Institutional communication channels which a Participant offers clients to provide customer services, call center and communication by e-mail and the Internet, among other things.

**Electronic relationship channel** – A website Participants offer to clients for questions and answers and for client access to the market.

**Retail clients** – Investing individuals and non-financial institutions.

**Professional clients** – Institutional clients, financial institutions or individuals with direct access to the trading systems of BM&FBOVESPA.

**Complexity** – Passwords which are composed of a combination of variable characters (letters, numerals, symbols).

**Encryption** – Encoding techniques used to convert a password plain text into a ciphered text which only the issuer and the receiver can decipher.

**DMA (Direct Market Access)** – An market access model whereby a broker offers investing clients direct access to the Exchange order book through special technology solutions, giving them the ability to: (i) follow the order book for an electronic trading system in real-time; and (ii) enter electronic buy or sell orders, which are filtered for conformity to trading limits and other parameters defined by the broker and/or the Exchange, and automatically dispatched to the order book.

**Recommended investment duration** – A Participant's recommendation regarding the period for which an investment should be held taking into account the particular investment profile of a client and the features of the product being offered.

**Alternative power source** – An off-grid source of electricity that permits keeping electricity-powered equipment operating, which typically includes no-breaks and electricity generators.

**Professional Qualification Management System** (*Gerenciador de Habilitação de Profissionais*), or **GHP** – A registration system for professionals that work for a Participant to perform activities that require certification by BM&FBOVESPA.

**Minimum password history** – A configuration to prevent repeat passwords from being used to access the system and the network.

**ICP Brasil** is the local acronym for PKI – Public Key Infrastructure, the equivalent of PKI Brazil; a set of techniques, practices, policies, and procedures needed to support a cryptography system based on digital certification.

**Marketing material** – Written material designed for the dissemination of a broker's institutional communication with clients, which includes websites, leaflets and other mass promotional material.

**Function segregation model** – A set of standards defining functions that if accumulated by a single person are likely to engender conflicts of interest, such as order execution, authorization/approval, control and trading account.

**Investment profile** – Client classification based on a set of data and traits comprising net worth and financial position, investment objectives, risk tolerance, the client's investment knowledge and experience, trading habits and portfolio concentration, among other things, which is designed to define the suitability of products and services.

**Business continuity plan** – A plan established by a Participant which defines strategies and actions to recover operations from business interruptions triggered by disruptive events.

**Operating Rules and Standards** – A descriptive document of a Participant's operating model, which must be formally forwarded to the Audit Office of BM&FBOVESPA (including any amendments thereto) and presented to clients before the actual provision of services.

**Trade Give-up** – The 'transfer' of a trade between Participants. A give-up is a procedure whereby a Participant (the "executing broker") places a trade on behalf of another Participant (the "prime broker") to whom the trade is then passed on (i.e, *given up*) for clearing and settlement. The prime broker is required to confirm or reject the give-up within the timeframe and conditions established by BM&FBOVESPA. A trade give-up may be performed only where a specific (*give-up* or *three-party*) agreement is in place binding the relevant Participants.

**Financial and net worth requirements** – Requirements for application and maintenance of participants' access to BM&FBOVESPA markets, according to access category. These requirements include, among other things, meeting certain financial metrics for proprietary working capital, net equity and custody limits.

**Electronic trading system** – Trading systems provided by the participant to its clients through Internet tools.

## FORM FBOT—EXHIBIT B

**Request:** Attach the following, separately labeling each description:

(1) A description of the categories of membership and participation in the foreign board of trade and the access and trading privileges provided by the foreign board of trade. The description should include any restrictions applicable to members and other participants to which the foreign board of trade intends to grant direct access to its trading system.

(2) A description of all requirements for each category of membership and participation on the trading system and the manner in which members and other participants are required to demonstrate their compliance with these requirements. The description should include, but not be limited to, the following:

(i) Professional Qualification. A description of the specific professional requirements, qualifications, and/or competencies required of members or other participants and/or their staff and a description of the process by which the foreign board of trade confirms compliance with such requirements.

(ii) Authorization, Licensure and Registration. A description of any regulatory and self-regulatory authorization, licensure or registration requirements that the foreign board of trade imposes upon, or enforces against, its members and other participants including, but not limited to any authorization, licensure or registration requirements imposed by the regulatory regime/authority in the home country jurisdiction(s) of the foreign board of trade. Please also include a description of the process by which the foreign board of trade confirms compliance with such requirements.

(iii) Financial Integrity. A description of the following:

(A) The financial resource requirements, standards, guides or thresholds required of members and other participants.

(B) The manner in which the foreign board of trade evaluates the financial resources/holdings of its members or participants.

(C) The process by which applicants demonstrate compliance with financial requirements for membership or participation including, as applicable:

(i) Working capital and collateral requirements, and

(ii) Risk management mechanisms for members allowing customers to place orders.

(iv) Fit and Proper Standards. A description of how the foreign board of trade ensures that potential members/other participants meet fit and proper standards.

**Response:**

Pages 11 – 17 of BVMF's 2008 No-Action Request contains descriptions of the categories of membership and participation in the foreign board of trade, the access and trading authorizations provided by the foreign board of trade, all requirements for each category of membership and participation on the trading system, and the manner in which members and other participants are required to demonstrate their compliance with these requirements. These descriptions are reproduced below for the Staff's convenience.

*Categories of Membership and Participation*

In order to ensure fair and efficient financial futures transactions on its market, as well as to ensure the financial integrity of its market, only those entities with access authorization may trade directly on the BVMF exchange. As a result of demutualization, the former BVMF memberships were converted into shares and access rights. As with other demutualized exchanges, access rights—the right to trade on the exchange—are now separate from ownership interests in the exchange. BVMF has two types of access rights, Trading Rights (DNs) and Settlement Rights (DLs).[1] BVMF requires that its access rights holders be fit and meet financial soundness requirements. These requirements are discussed in greater detail below. In order to become a BVMF access rights holder, an applicant must file an application with the exchange and demonstrate its compliance with the applicable minimum requirements. Individuals or entities that do not hold access rights may trade or settle on the BVMF market only through an entity having Trading Rights or Settlement Rights, respectively. As discussed in greater detail below, in order to act as an agent for a customer, the Trading Rights Holder must be a licensed broker. BVMF designates such entities as "Commodities Brokerage Houses."

*Requirements for Membership and Participation*

Trading Rights

Trading Rights are divided into full and restricted rights. Full DN rights permit the holder to execute transactions in any BVMF exchange-traded product and to register OTC trades in the BVMF systems.[2] Trading Rights may also be restricted to categories of products as specifically authorized by BVMF. For example, access may be restricted to derivatives on interest rates, foreign exchange, equity indexes, grains, livestock, coffee, energy, and metals.[3]

Full and restricted Trading Rights may be held by either individuals or entities. Individuals must be Brazilian and 21 years of age. Legal entities that are Trading Rights holders must be incorporated in Brazil and duly authorized under CVM Instruction No. 402-04 (January 27, 2004) (Attachment A-5-3) as eligible to trade for their own accounts and to intermediate for the accounts of customers.

In order to maintain their access rights, DN holders must meet minimum professional standards with respect to their supervisory and compliance personnel[4] and desk, floor and electronic traders, and others.[5] Such personnel must demonstrate their competence through a testing program administered by BVMF, and though meeting minimum required documentation and educational standards. BVMF as part of this program issues professional certifications to persons found to be professionally qualified. The certification is valid for a period of two years. New

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[1] *See* BVMF Circular Letter 039/2012 (July 20, 2012) establishing the rules and procedures for granting access authorization to trading and settlement systems of BVMF (included as Attachment B-1).

[2] MDDA at 2.

[3] *Id.* at 3. Restricted access rights are also available for OTC derivatives, Brazilian Federal Government Bonds, and spot foreign currencies.

[4] *Id.* These positions are denominated in the MDDA as "Officer responsible for BM&F transactions," "Officer and/or person responsible for the compliance area" and "Manager of BM&F Transactions or equivalent."

[5] BVMF Circular Letter 039/2012-DP established these professional certification requirements.

Trading Rights Holders must meet these minimum professional standard requirements within six months.

In addition to professional standards, DN holders must meet minimum technology qualifications, including providing for business continuity planning, testing and redundancy of the IT systems, and the provision of adequate technical security.[6] Finally, DN holders must meet requirements with respect to reporting of information and its storage.

In addition, Trading Rights holders must meet minimum financial requirements. All DN holders are required to enter into a formal agreement with a Settlement Rights Holder (DLs) to guarantee their executed trades. In addition, DN holders in their own right are required to have substantial financial resources. Commodities Brokerage Houses are required to maintain a minimum proprietary working capital. Full DN holders must maintain working capital of R$3.75 million and restricted DN rights holders must maintain R$3 million with respect to trading rights in interest rates, currency exchange rates and equity derivatives and R$l million with respect to trading in other types of derivatives. And, as discussed in greater detail below, Commodity Brokerage Houses and Locals must also pledge a significant amount of collateral to the Operational Performance Fund ("FDO").[7] In furtherance of their prudentiality requirements, DN holders are required to provide risk management limits with respect to the size of orders which may be entered by their customers in connection with trading on the Puma System. These limits, as discussed in greater detail *infra*, reside on the Puma System and act as a credit filter or screen applicable to any non-DN trader with direct access to the trading system that the DN holder guarantees.

Full and restricted Trading Rights Holders are not limited with respect to the number of Puma System trading terminals that they employ. However, BVMF may impose a policy regarding the ratio of bids and asks entered into the trading system and the number of executed trades by such Trading Rights Holders. Beginning in 2005, BVMF launched a voluntary program to strengthen brokerages by establishing higher standards under which brokerages could be certified by BVMF of meeting enhanced standards of excellent service within a particular business segment. A full service brokerage could be certified as excelling in all business segments, including the trade execution, carrying broker, agricultural, retail and web-based broker business segments. Others that specialize in one of the above segments, could be so certified. As of July 31, 2012, BVMF has granted a total of 99 seals.

In addition to the above BVMF requirements, CVM Instruction 402-04 requires Commodity Brokerage Houses to be registered with the CVM.[10] Registration as a Commodity Brokerage House requires that the broker be incorporated as a joint-stock company or limited company and

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[6] The minimum technical requirements are included in the MDDA as Annex II.

[7] *See Id.* at 7. The FDO is a safeguard structure created for the Derivatives Clearinghouse after the demutualization of BVMF. Commodities Brokerage Houses with full Trading Rights must deposit R$6 million and Locals with full Trading Rights must deposit R$I.6 million. Commodities Brokerage Houses and Locals with restricted Trading Rights are required to post lesser amounts of collateral, but not less than R$3 million and R$I million, respectively.

[10] *See* CVM Instruction No. 402-04, Article 2.

admitted as a Trading Rights or Settlement Rights Holder of the Exchange. It also requires that the company appoint a qualified managing partner.[11]

Commodity Brokerage Houses are required by CVM Instruction 402-04 to make good and actual settlement of transactions, to make bona fide deliveries of legitimate securities, to provide for legitimate transactions under their power of attorney appointment from clients and to operate generally with high ethical standards. Commodity Brokerage Houses must maintain the confidentiality of client information, releasing such information only as authorized or pursuant to law or regulation.[12] Commodity Brokerage Houses are required to inform CVM of any violation of the law or regulations by the broker's clients or of a client default.[13]

Under CVM Instruction 402-04, brokerages are required to meet the minimum financial requirements established by the exchange. They must be audited by an independent auditor twice yearly. They must also prepare and publicly disclose on their websites monthly trial balances of their financial statements. Commodity Brokerage Houses are prohibited from funding, making loans, or advancing payments to clients.[14]

Commodity Brokerage Houses, when filing for registration with the CVM, must provide documentation with respect to their Managing Partners or officers. This includes making required representations that the individual manager or officer is not subject to a disqualification from occupying a position in a financial institutions which depends upon authorization by the CVM, the Central Bank of Brazil or other regulatory authorities, that the individual has not been convicted of any crimes, that the individual has not been the manager of an enterprise subject to control and surveillance by CVM or the Central Bank of Brazil or subject to reorganization in bankruptcy, or the subject of an adverse judgment for breach of the rules of the CVM, Central Bank of Brazil or other regulatory authorities.[15] The CVM must approve all new managing partners, officers and directors prior to their investiture.[16]

Settlement Rights

Settlement Rights granted by BVMF enable the holders to use the clearing and settlement systems managed by the Exchange, permitting for the clearance and settlement of transactions by the Derivatives Clearinghouse.[17] As with Trading Rights which included various categories of access rights, Settlement Rights are divided into various categories. These include:

- Type 1 DL, which are permitted to settle only their proprietary trades and those of affiliates;

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11 *Id.*
12 *Id.* at Article 5.
13 *Id.* at Article 5, Paragraph 1.
14 *Id.* at Article 6.
15 *Id.* at Schedule 1.
16 *Id.* at Article 15.
17 As discussed *infra* there are in addition, clearinghouses for Foreign Exchange and Securities transactions. Those clearinghouse are not relevant to this application.

- Type 2 DL, which may settle the same transactions as the Type 1 DL and transactions of customers of Commodity Brokerage Houses that are under a common corporate ownership with the DL holder; and
- Type 3 DL, which may settle the same transactions as the Type 2 DL, the transactions performed by customers of Commodity Brokerage Houses that are not under common ownership with the DL holder and Locals.[18]

The requirements for holding Settlement Rights vary depending upon whether the entity is a Type 1, Type 2 or Type 3 DL. All Settlement Rights Holders must be Brazilian legal entities with their headquarters or offices in São Paulo. In addition, DL holders must be financial institutions whose operations are authorized by the Central Bank of Brazil.

As is the case with DN holders, DL holders must also meet minimum professional standards with respect to their supervisory and compliance personnel[19] and with respect to their back office managers and employees.[20] Such personnel must demonstrate their competence through a testing program administered by BVMF, and though meeting minimum required documentation and educational standards. BVMF as part of this program issues professional certifications to persons found to be professionally qualified. The certification is valid for a period of two years and new DL holders must meet these minimum professional standard requirements within six months.

Pursuant to the Rules and Operations Manual of the Derivatives Clearing House,[21] DL holders are responsible for the positions which they carry, including settlement of such positions. As a consequence, they must meet high proprietary working capital requirements and must pledge significant collateral to the FDO. Specifically, Type 1, 2 and 3 Settlement Rights Holders must maintain working capital of R$6, 7 and 8 million, respectively and must contribute R$5.5, 6.5 and 7.5 million respectively, to the FDO.[22] In addition, as a consequence of their status as Settlement Rights Holders, they must contribute to the Clearing House's clearing fund in the amount of R$2, 3 and 4 million, respectively.[24]

DL holders are also required to implement risk management systems and procedures that are appropriate to the nature, volume and complexity of the positions that they carry.[26] DL holders are also required to have an account with the Central Bank of Brazil or have a correspondent relationship with such an institution.[27]

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18 *See* MDDA at 12.

19 *See ld.* at 16.

20 *See* BVMF Circular Letter 038/2007-DG (May 2, 2007) [Do we need to add this as an attachment?] which establishes these professional certification requirements.

21 *See* Derivatives Clearinghouse Rulebook (Attachment SA-5-3) and Operating Procedure Manual (Attachment SA-5-2).

22 BVMF Circular Letter 078/2008-DP, Attachment IV, Chapter II, Section II, items 3.6.1.1 and 3.6.1.2 (November 4, 2008).

24 *Id*. at Attachment IV, Chapter II, Section II, item 6.6.1.3.

26 *See* MDDA at 14.

27 *Id.*

As with DN holders, DL holders must meet technical requirements, including those of the CVM and the Central Bank of Brazil. These requirements are specified in the MDDA and Annex II thereto.

A list of current Settlement Rights Holders of the Derivatives Clearing House is included as Attachment B-1- [ ].

Direct Market Access Through Globex

In addition to the BVMF Access Rights Holders discussed above, BVMF and CME have entered into an Order Routing Agreement under which CME Globex terminal users may directly access BVMF's Puma System through their Globex terminal connection. In the first instance, entities with a Globex terminal will have satisfied CME access rules with respect to Globex. Entities with access to a Globex terminal will also be required to satisfy BVMF policies and procedures for granting permission to Globex terminal users to access BVMF's Puma System via their Globex terminals. This includes the requirement that all such market users have their direct market access rights guaranteed by a BVMF Settlement Rights Holder. Thus, all positions that are entered into the BVMF trading system through a Globex terminal will be required to be cleared by a BVMF Settlement Rights Holder (clearing member). In addition, each Globex user will receive authorization for the direct market access from a local Commodity Brokerage House (a DN holder). The BVMF clearing member, through the clearing relationship with the DN holder, and as a requirement for and, as a condition of the DN holder's permitting direct access to the BVMF trading system of the Globex user, is required to:

- guarantee and assume all financial responsibility for all activity related to BVMF markets conducted through each Globex user's (Authorized Customer) direct market access connection;
- assist in a timely manner BVMF in any investigation into potential violations of BVMF Rules, the Commodity Exchange Act ("CEA"), or the terms and conditions set forth in the requested no-action relief, including, but not limited to, requiring the Authorized Customer to answer questions from BVMF, and/or appear in connections with the investigation; and
- suspend or terminate the Authorized Customer's access if BVMF determines that the actions of the Authorized Customer threatens the integrity or liquidity of any contract, violates any BVMF Rule, or if the Authorized Customer fails to cooperate in an investigation.

Orders for execution on the BVMF market by Globex terminal users that have not satisfied BVMF's access requirements will be rejected by the trading engine.