July 3, 2007
052/2007-DG

BM&F CIRCULAR LETTER

To**:** Clearing Members, Brokerage Houses and Locals

Re.: **Financial and Agricultural Futures Contracts – Position Limits**.

We hereby inform you that, as of July 10, 2007, BM&F will adopt new parameters for the calculation of the position limits which are applicable to the futures contracts held by customers or groups of customers acting in concert.

In essence, the purpose of these new parameters is to better adjust the position limits utilized by BM&F to the market risk and liquidity level of the several traded contracts, as well as to the duration differences existing between the various months of the ID futures contract.

It is important to note that, as per the criteria adopted by BM&F, all limits are defined as the **maximum** between (i) a certain percentage of the total number of contracts outstanding in the market and (ii) a fixed number of contracts. With this measure, it is ensured that whenever a significant growth is verified in a certain contract's total open interest, the limits applicable to this contract will be automatically expanded.

BM&F will establish a position limit for each futures contract maturity. For the ID futures in particular, the position limit will be defined as corresponding to a theoretical contract expiring in 252 business days. The position limits applicable to the other ID futures months will be calculated as a function of the ratio between the duration of the contract expiring in one year and the duration of the other month in question.

More details of the new position limit calculation and the parameters that will be in effect as of July 10, 2007, are shown below.

Limits Applicable to the Futures Contracts
In order to define the position limits that will apply to each futures contract maturity, the following variables are used:

$Q(t)$ = the total open interest in month t of the futures contract;
$Q_i(t)$ = the total open interest in month t of the futures contract registered on behalf of participant i;
$p(t)$ = the percentage, established by BM&F, corresponding to month t of the futures contract;
$L(t)$ = the limit number of contracts, established by BM&F, corresponding to month t of the futures contract.

The position limit applicable to month t of the futures contract is given by:

$$limit(t) = \max [p(t) \times Q(t); L(t)]$$

Thus, participant i will be in compliance with the limit if:

$$Q_i(t) \leq \max[p(t) \times Q(t); L(t)]$$

Tables 1, 2 and 3 display the parameters p(t) and L(t) that will prevail for the several BM&F futures contracts as of July 10, 2007.

Table 1 – Parameters Used in the Determination of the Position Limits that Apply to the Financial Futures Contracts

Futures Contract	Maturity	Individual Limit per Maturity	
		p(t)	L(t)
US Dollar	All months	20%	10,000
ID x U.S. Dollar spread, SCC	All months	20%	10,000
Bovespa Index	All months	20%	10,000
IBrX-50 Index	All months	20%	5,000
Gold	All months	20%	3,000
Euro	All months	20%	3,000
Global Bonds	All months	20%	3,000
A-Bond	All months	20%	3,000
US T-Note	All months	20%	3,000
IPCA index (IAP)	All months	20%	5,000
IGP-M index (IGM)	All months	20%	5,000
ID x IPCA spread	All months	20%	10,000
ID x IGP-M spread	All months	20%	10,000

Table 2 – Parameters Used in the Determination of the Position Limits that Apply to the ID Futures Contract

Business Days to Maturity	Individual Limit per Maturity	
	p(t)	L(t)
Up to 63	20%	162,000
From 64 to 84	20%	123,000
From 85 to 105	20%	99,000
From 106 to 126	20%	83,000
From 127 to 189	20%	57,000
From 190 to 252	20%	44,000
From 253 to 378	20%	30,000
From 379 to 504	20%	24,000
From 505 to 630	20%	20,000
From 631 to 756	20%	18,000
From 757 to 1,008	20%	15,000
From 1,009 to 1,260	20%	13,000

From 1,261 to 1,512	20%	12,000
From 1,513 to 1,764	20%	11,000
From 1,765 to 2,016	20%	11,000
From 2,017 to 2,268	20%	11,000
From 2,269 to 2,520	20%	11,000
Over 2,521	20%	10,000

Table 3 – Parameters Used in the Determination of the Position Limits that Apply to the Agricultural Futures Contracts

Futures Contract	Maturity (*)	Individual Limit per Maturity	
		p(t)	L(t)
Arabica coffee	All months	25%	1,100
Robusta-conillon coffee	All months	25%	500
Live cattle	All months	25%	1,000
Feeder cattle	All months	25%	900
Soybean	All months	25%	1,800
Corn	All months	25%	1,400
Alcohol	All months	25%	800
Ethanol	All months	25%	800
Sugar	All months	25%	1,800
Cotton	All months	25%	500

(*) The percentage p(t) is reduced from 25% to 20% when the contract is physically delivered and is 10 business days or less from the first day of the delivery period.

In addition to the limits defined in Tables 1, 2 and 3, BM&F may establish limits for **the sum of a participant's total positions in the same futures contract**, regardless of their maturity dates. In this situation, and in the particular case of the contracts based on interest rates, the number of contracts corresponding to the different months might be weighted by their corresponding durations.

The following aspects are also noteworthy:

(a) At any time and whenever it deems necessary, BM&F may alter the position limits for one or more participants either on an individual basis or for the market as a whole, also in consideration of the nature of risk of the set of transactions in the participant's portfolio;

(b) Whenever the established limits are violated, BM&F may, at its sole discretion, determine that the number of positions be reduced or require the pledge of additional collateral. In the latter case, additional collateral may be calculated as a proportion of the limit violation or in accordance with another criterion established by BM&F;

(c) The member Brokerage House may, at its own discretion, establish position limits for its customers which are lower than the ones defined by BM&F;

(d) In order to control the position limits, BM&F may consider the overall positions of each customer or group of customers acting in concert, regardless of the Brokerage House

and Clearing Member that are responsible for them. In this case, BM&F may contact all of the Brokerage Houses where the customer holds positions;

(e) Whenever an open interest reduction occurs, BM&F may, at its own discretion, allow the holders who are not responsible for the fact that their positions have fallen outside the limits to maintain those positions at their current levels. In a similar manner, BM&F may allow the holders whose positions comply with the limit established for a certain maturity to roll those positions over to another maturity, even if they remain temporarily outside the limit of the new maturity by virtue of an open interest reduction.

Further information may be obtained from the Derivatives Clearinghouse (Cícero and Daniel Granja) and the Risk Management Systems area (Luis Antonio and Alan).

Edemir Pinto
Chief Executive Officer