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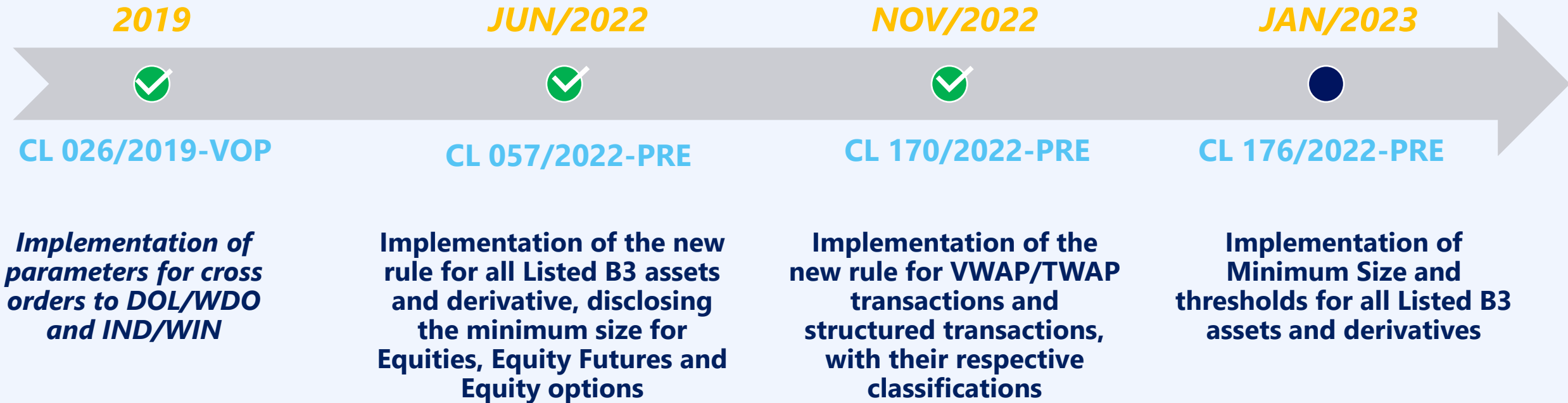
Cross Orders

B3



CROSS ORDERS

CONTEXT



CROSS ORDERS

CONTEXT

MINIMUM SIZE FOR CROSS ORDERS RULE AND THRESHOLDS

Circular Letter 057/2022-PRE and 176/2022-PRE

Validity of the rule from 06/01/2022

REGISTRATION RULE OF CROSS ORDERS

- For situations where the spread is greater than the tick size, cross orders can be registered at the best bid and the best ask if related to structured operations or intended to correct operational errors

MINIMUM SIZE

- Cross orders must respect a minimum size to be registered at the trading system.

THRESHOLDS

- Thresholds represent the maximum percentage of cross orders relating to total volume that, if exceeded, control measures will be taken.

MONITORING

- The monitoring procedures of cross orders use will be implemented in the first 3 months of adaptation of the market
- B3 will monitor market quality indicators and cross orders growth indicators.

***Rule implemented in CL 057/2022-PRE, later complemented by CL 176/2022-PRE**

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RULE PRIOR TO THE CL 057/2022-PRE and CL 176/2022-PRE

ABSENCE OF ORDERS IN THE BOOK

- Allowed if the tunnels of negotiation are respected. **Any size**

OPEN SPREAD

- Between the bid/ask, respecting the tick size. **Any size**

CLOSED SPREAD

- At the bid/ask, **Any size***

*Except for DOL/WDO and IND/WIN, due to the defined minimum size rule of the RLP order

Minimum size:

- DOL/IND: 100 contracts
- WDO/WIN: 500 contracts

CROSS ORDERS

RULE FOR REGISTRATION OF CROSS ORDERS

RULE UPDATE – AFTER CL 057/2022-PRE and CL 176/2022-PRE

ABSENCE OF ORDERS IN THE BOOK

- Allowed if the tunnels of negotiation are respected. **Any size**

OPEN SPREAD

- Between the bid/ask, respecting the tick size. **Any size**

- At the bid/ask, if related to a structured operation or intended to correct operational errors. **Any size**
- At the bid/ask, if related to VWAP and TWAP, **above minimal size**

CLOSED SPREAD

- At the bid/ask, **above a minimal size** (VWAP or TWAP from the same counterpart is consolidated)
- At bid/ask, if related to a structured operation or intended to correct operational errors. **Any size**

THRESHOLDS

- Definition of a maximum cross orders percentage limit in relation to the total market volume

INDICATORS AND PARAMETERS

- Monthly monitoring of indicators to evaluate the market quality

- If the thresholds are exceeded or there is a worsening in market quality indicators, measures of control will be implemented (e.g.: minimum size increase)

This rule will only apply to assets and derivatives who possess a defined minimum size for cross orders. Instruments who does not possess a defined minimum size will be rejected if registered at the bid/ask in the situation described above

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MINIMUM SIZE AND THRESHOLDS

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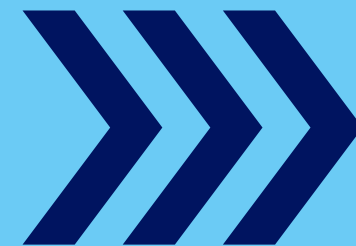
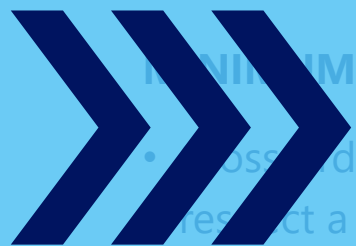
- Orders must respect a minimum size to be registered in the trading system

PRODUCTS	MINIMUM LOT	THRESHOLD
Equities	10,000	13% of the market and 25% of the asset
Equity Futures	10,000	10%
Equity Options	20,000	20%
U.S. Dollar Futures	100	25%
Ibovespa Futures	100	10%
Mini U.S. Dollar Futures	500	5%
Mini Ibovespa Futures	500	5%
BDR	10,000	30%
ETF BDR	10,000	20%
Fixed Income ETF	10,000	13%
Equity ETF	10,000	10%
FII/FIAGRO	10,000	10%
Structured Transaction – Forward Points on U.S. Dollar Futures (FRP)	1 round lot	50%
Live Cattle Futures	10	20%
One-Day Interbank Deposit Futures (DI Futures)	1 round lot	30%
Corn Futures	10	15%
S&P 500 Futures	20	10%
Micro S&P 500 Futures	400	15%
Options on Ibovespa Futures	200	Not applicable
Brazil Index 50 Futures (IBrX-50 Futures)	50	
DI-IPCA Futures (DAP)	300	
Ten-Year U.S. Treasury Note Futures (T10 Futures)	150	
U.S. Dollar Options	200	
Mini U.S. Dollar Options	1,000	

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MINIMUM
ORDER

PRODUCTS	MINIMUM LOT	THRESHOLD
Currency Futures – USD Pairs	500	Not applicable
CME Soybean Futures	1 round lot	
Nikkei Futures, DAX, Futures and Euro Stoxx 50 Futures		
Options on S&P500 Futures		
S&P Merval Futures, Hang Seng Index BVMF Futures, MICEX Index BVMF Futures		
4/5 Arabica Coffee Futures		
Hydrous Ethanol Futures		
4/5 Arabica Coffee Options		
Options on Cash-Settled Live Cattle Futures		
Options on Cash-Settled Corn Futures		
Options on Cash-Settled Hydrous Ethanol Futures		
IDI Options		
Options on DI Futures		
Copom Options		
Currency Futures – BRL Pairs		
Forward Rate Agreement on DI x U.S. Dollar Spread (FRC)		
Options on CME Soybean Futures		
Live Cattle, 4/5 Arabica Coffee, U.S. Dollar, Hydrous Ethanol, Ibovespa, Micro S&P 500, Cash-Settled Corn, Mini U.S. Dollar, Mini Ibovespa, S&P 500 and CME Soybean Futures Rollover		
FOB Santos Soybean Futures (SOY)		
Gold Futures and Options on Gold Futures (OZ1)		



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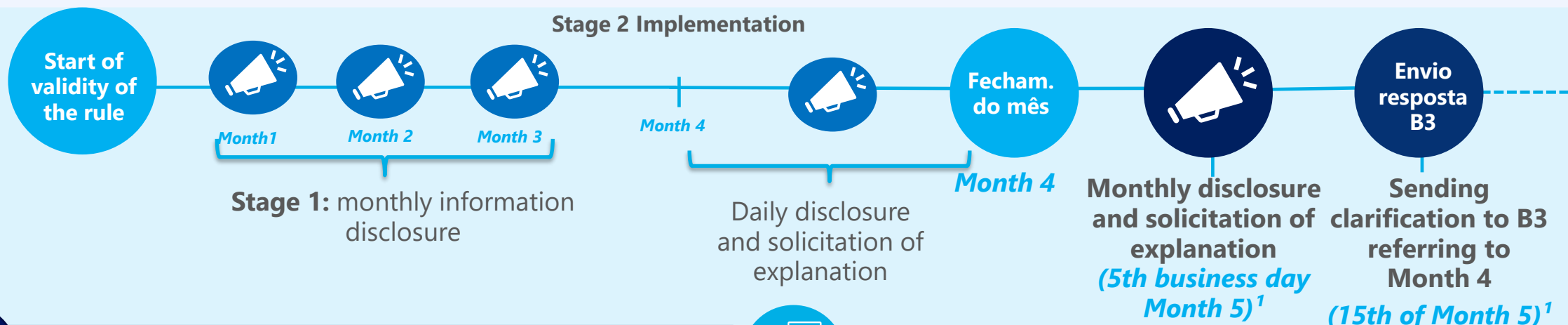
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CROSS ORDERS

MONTHLY MONITORING OF CROSS ORDERS USE – STRUCTURED OPERATIONS

Implementation schedule



Stage 1: 3 months adaptation

Objective: programming our system to identify structured operations in order to decrease false positives and to have the lowest number of inquiries to intermediaries

- Sending until D+5 the cross orders executed at D0;
- Cross orders will be excluded if: registered in the error account, registered between the bid/ask, and those with a quantity above the minimum size;
- Conversations with the market will take place in order to model the identification of cross orders relating to TWAP/VWAP and structured operations.



Stage 2: B3 faster monitoring and acting towards the intermediaries

- Sending until D+5 of cross orders executed at D0 that B3 did not frame in any predicted situation of the rule;
- At the end of the month, B3 will send a consolidated file of all not framed cross orders negotiations ;
- Participants will have until the fifteenth day of subsequent month to provide clarification about not framed operations;
- B3 will evaluate the case and may apply sanctions.

CROSS ORDERS

MARKET QUALITY INDICATORS MONITORING

MONITORING AND CONTROL MEASURES

- B3 will monitor the indicators on a monthly basis in order to evaluate possible impacts in the central book.
- Indicators 1 to 4 will be disclosed on B3 website*
- The other indicators (5 to 11) will be disclosed individually to each participant to ensure the confidentiality of sensitive information.
- If thresholds are surpassed and/or there is a worsening on market quality indicators, control measures will be implemented, like the increase of the minimum size of cross orders.

INDICATORS

1. Variations in the cost of asset liquidity;
2. Average spread;
3. Average depth (considering top-of-book orders and top three price tiers);
4. Average daily trading value (ADTV);
5. Number and financial volume of orders relating to VWAP/TWAP strategies;
6. Number of orders, number of contracts traded and financial volume of orders placed to correct operational errors;
7. Number of orders, number of contracts traded and financial volume of o
8. Profiles of cross order counterparties (e.g. institutional clients and individual investors);
9. Percentage of cross orders executed at top of book;
10. Migration of investors using or not using cross orders;
11. Cross orders per participant (percentage).

*Link: https://www.b3.com.br/en_us/solutions/platforms/puma-trading-system/for-members-and-traders/rules-and-trading-parameters/cross-orders/.

CROSS ORDERS

MONITORING OF THE INCREASE OF CROSS ORDERS

MONITORING OF THE GROWTH OF CROSS ORDERS

- B3 will monitor cross order volumes per participant, and whenever the percentage of trades deriving from a participant's cross orders rises more than 5% compared with the moving monthly average for the previous 24 months, it will analyze counterparty concentration, own portfolio trading, use of transitory accounts in the participant's name followed by allocation to several investors who do not comply with the minimum size for cross orders defined by B3, and the systematization and recurrence of such trades.
- B3 will require the participant to explain any anomalies and, if it concludes that cross orders have been misused, may take the measures it deems necessary, including a warning, determination of a minimum quantity between the best bid and ask for the participant, a fine, and suspension of trading in cross orders, in accordance with B3's normative documents.