



# Fee structure Project

March 5th, 2013



**BM&F BOVESPA**

*A Nova Bolsa*

# AGENDA

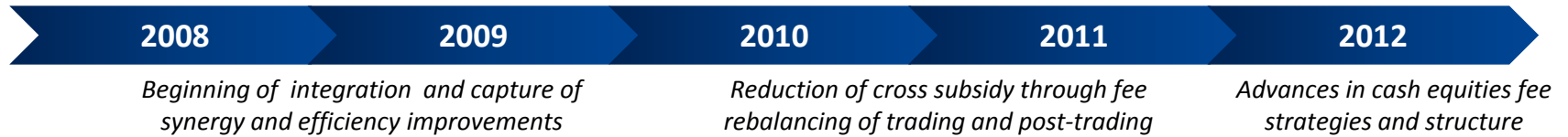
1. Project evolution and objectives
2. Decisions on changes in the cash equities market fees
  - 2.1. Reduction of trading fees
  - 2.2. Benefit to day traders
  - 2.3. Progressive trading fee reduction for cash equity market based on volumes growth
3. Implementation of the decisions
4. Next steps



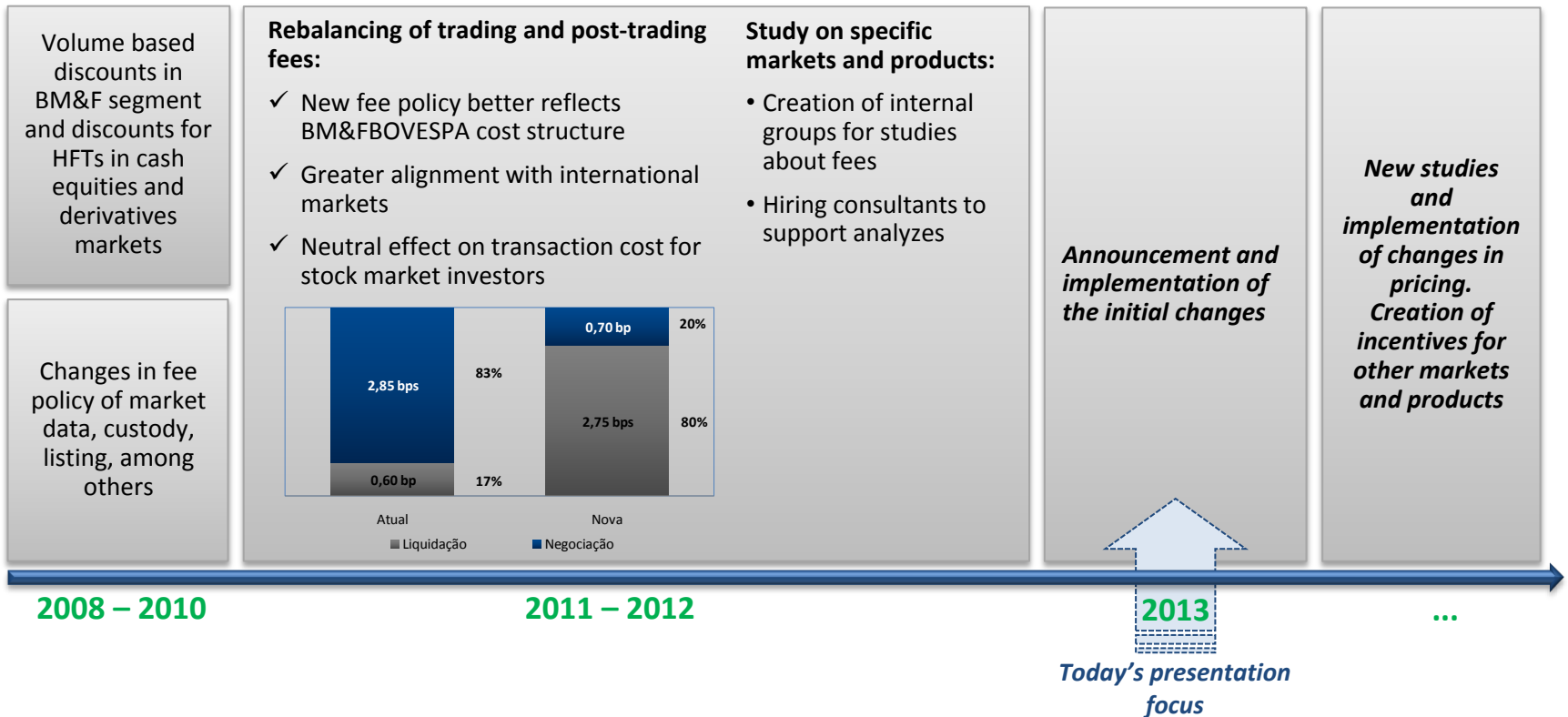
# 1. Improving the fee structure is one of the core initiatives of BM&FBOVESPA strategic planning

★ Merger 2008

First announcements and deliveries of the R\$ 1,2 billion investment plan (2010-2014)



## Price monitoring e Fee structure improvements: continuous process at BVMF



# 1. Main initiatives to be implemented in the cash equities market:

## Initiatives

### **2.1. Reduction of 28.5% of the trading fee, in the cash equities market**

- *Elimination of cross-subsidies*
- *Sharing of gains of scale*

### **2.2. Benefit to day traders**

- *Incentives for volumes growth*

### **2.3. Progressive trading fee reduction for cash equity market based on volumes growth**

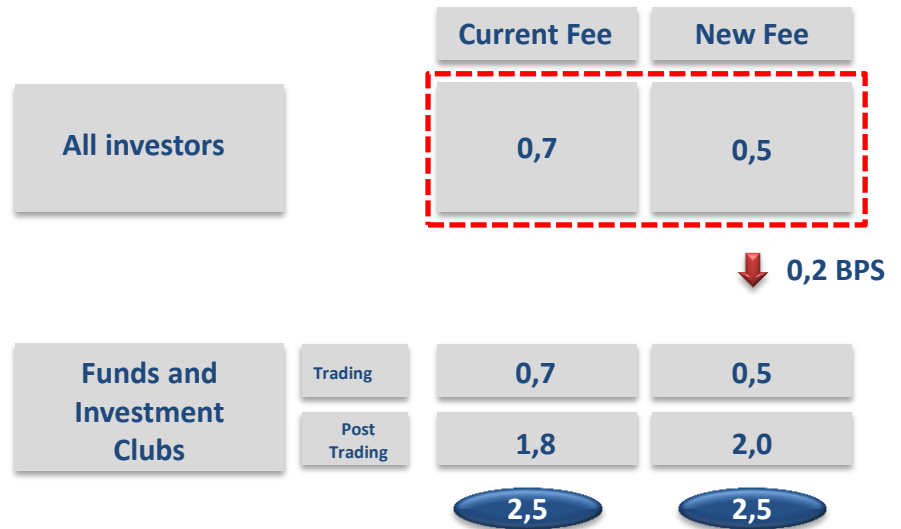
- *Sharing future gains of scale*

# 2.1. Reduction of the trading fees of cash equities market

## Objectives

- Elimination of Cross subsidies
- Reduction of 28.5% of trading fees
- Benefit: retail, foreign investors and financial institutions

## Mechanism



- Transactions matched during auction procedures (opening and closing calls) and Takeover Bids (OPAs) will continue with the trading fee of 0.7bps. However, due to the necessity of adaptation in the systems of the Exchange, Brokers and IT Providers, this transactions will be charged 0.5bps, from April 1<sup>st</sup>, 2013 to December 2<sup>nd</sup>, 2013.

## 2.2. Benefit to day traders

### Objetives

- Expand volume incentives mechanism to other investors
- Improve our fee model to meet different investor's demands
- Reduce overall average fee, privileging investors that are price-sensitive, linking reduced fees to higher volumes
- Expand to day trade segment the benefit of a volume based fee reduction
- Benefit: all type of investors, except for HFTs that were in the first layer of volumes

### Mechanism

#### Current Situation:

Actual model includes only investors classified as HFTs by an internal committee

#### New Structure:

Expand the discount policy of HFTs to all day trade transactions

## 2.3. Progressive trading fee reduction for cash equity market based on volumes growth

### Objectives

- Show clearly the BVMF commitment with its customers through sharing economies of scale, in the cash equities market
- Strengthen our competitive position in the cash equities trading market
- Create a simple mechanism that enables the sharing of future economies of scale without compromising the current margins

### Mechanism

- Definition of a progressive ADTV based discount policy for cash equities market (1)
- Discount to all customers, including HFT and day traders (2)

ADTV (R\$ billions)	Trading Fee(Bps)			Average
	Current	Discount	New	On top
0 to 9	0,70	-28,5%	0,50	0,500
9 to 11	0,70	-42,8%	0,40	0,482
11 to 13	0,70	-57,1%	0,30	0,454
Above 13	0,70	-71,4%	0,20	....

(1) The daily volume used to calculate the monthly ADTV considers the operations of the cash equity market, including the exercise of options on equities.

(2) Discount does not apply to auctions (opening and closing) and Takeover Bids (OPAs).

### 3. Implementation

Initiatives	Schedule
2.1. Reduction of trading fess	<ul style="list-style-type: none"><li>• Implementation of interim discount from April 1<sup>st</sup> 2013 to Dec 2<sup>nd</sup> 2013</li><li>• As of Dec 2<sup>nd</sup> 2013, the new Fee policy will be in place</li></ul>
2.2. Benefit to day traders	<ul style="list-style-type: none"><li>• As of Dec 2<sup>nd</sup> 2013</li></ul>
2.3. Progressive trading fee reduction for cash equity market based on volumes growth	<ul style="list-style-type: none"><li>• As of Dec 2<sup>nd</sup> 2013</li></ul>



## 4. Next steps

- Review of the fees of equity derivatives
- Revision of the fee structure of future contracts of interest rate, FX and agribusiness
- Incentives for volume growth
  - Distribution channel
  - Market maker

***Up to Dec 31<sup>st</sup>, 2013 new measures should be released!***

**Thank you!**



**BM&F BOVESPA**

*A Nova Bolsa*