

July 04, 2024
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CIRCULAR LETTER

Listed B3 Participants

Re.: **Launch of the Small Cap Index Futures Contract and Structured Transaction**

B3 hereby informs you that as of **August 05, 2024**, the Small Cap Index Futures Contract and Small Cap Index Futures Contract Rollover Structured Transaction will be available for trading.

The technical specifications of the contract and the rollover structured transaction are available in the Annexes of this Circular Letter.

The specifications and the trading times of the contracts will be available at www.b3.com.br/en_us/, Products and services, Trading, Equities, Small Cap Index.

The settlement calculation methodology will be available at www.b3.com.br/en_us/, Market data and indices, Data services, Market Data, Reports, Derivatives, Methodology, B3 Pricing Manual.

The fee policy for the contracts will be available at www.b3.com.br/en_us/, Products and services, Fee schedules, Listed equities and derivatives, Equities, Small Cap Index, Futures and Structured Operations.

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The minimum quantities for cross order registration will be available on the B3 website, at www.b3.com.br/en_us/, Solutions, Platforms, PUMA Trading System, Participants and Traders, Rules and trading parameters, Cross Orders.

Further information can be obtained from the Listed Products and Data Department by email at derivativosequities@b3.com.br or from the Trading Department by email at tradingsupport@b3.com.br and at trading@b3.com.br

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Chief Executive Officer

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Chief Product and Client Officer

Annex I to CIRCULAR LETTER 090/2024-PRE

SMALL CAP INDEX FUTURES CONTRACT

1. Contract information

Underlying	Standardized futures contract based on the Small Cap Index – SMLL B3 (Index).
Ticker	SML
Contract size	Value of the Small Cap Index Futures Contract multiplied by the value of a point expressed in Brazilian Reals (BRL), with each point equivalent to BRL 10.00 (ten Brazilian Reals).
Price quotation	Index points to two decimal places.
Tick size	0.10 of an Index point.
Expiration date	The Wednesday closest to the 15th calendar day of the contract month. If this is not a Trading Session Day, expiration will be in the immediately subsequent trading session, with due regard for the Special Conditions in clause 4 below.
Last trading day	The last trading day is the expiration date.
Contract months	Even months. B3 may, whenever market conditions thus require, authorize odd months to be traded.

For the purposes of this contract, (i) “Business Day” shall be considered the day for the purposes of transactions conducted in the national financial market, pursuant to Resolution 4880 of December 23, 2020, of the National Monetary

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Council, as amended from time to time; and (ii) "Trading Session Day", any of the days on which there is a trading session at B3.

2. Daily settlement

Outstanding positions at the end of each trading session will be marked-to-market according to that day's settlement price (PA), as determined by B3's rules, with cash settlement on the following Trading Session Day. The daily settlement will be calculated up to the expiration date in accordance with the following formulas:

a) Daily settlement of trades effected on the day

$$AD_t = (PA_t - PO) \times M \times N$$

b) Daily settlement for outstanding positions

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

AD_t = daily settlement value for date "t", in Brazilian Reals (BRL);

PA_t = settlement price for the contract month concerned on date "t", expressed in Index points on date "t" for the respective contract month;

PA_{t-1} = settlement price of the contract on date "t-1" for the respective contract month;

PO = trade price in points;

M = value of each Index point in Brazilian Reals, established by B3; and

N = number of contracts.

The daily settlement value (AD_t) calculated as described above shall, if positive, be credited to the buyer and debited from the seller. If negative, it shall be debited from the buyer and credited to the seller.

3. Settlement conditions on expiration

On the settlement date, B3 will cash settle the outstanding positions by means of the registration of an offsetting transaction (long or short) on the same number of contracts at the index settlement amount of SMLL B3.

The settlement value of each contract is calculated in accordance with the following formula:

$$VL = P \times M$$

VL = cash settlement value in Brazilian Reals (BRL) for each contract;

P = Index settlement price on contract expiration date;

M = value of each Index point in BRL, established by B3.

Cash settlement transfers will be executed on the business day following the expiration date.

The settlement Index will be the average quotation of the cash SMLL B3, calculated in accordance with the rules and regulations established by B3 in the B3 Futures Pricing Manual.

4. Special conditions

a) Extraordinary Holiday

Extraordinary Holiday is defined as a holiday not foreseen in the national, state, or local calendar and which is therefore not reflected in the calendar published by B3, but which is established by competent authorities and does not permit the occurrence of a Trading Session at B3.

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For purposes of calculation of the settlement price if an Extraordinary Holiday arises during the term of the contract on a day previously considered a Business Day, the settlement price will be calculated on the Trading Session Day following the Extraordinary Holiday, pursuant to clause 1.

When the Expiration Date of the contract is an Extraordinary Holiday, the contract Expiration Date and reference for calculation of the settlement value will be put back and will correspond to the first Trading Session Day following the Extraordinary Holiday as described in clause 1.

b) Other unforeseen situations

In situations not foreseen in this instrument, including, without limitation, those arising from acts emanating from government entities, regulators or other competent authorities as well as any other actions that directly or indirectly impact formation, calculation, representativity, publication, availability or continuity of the underlying asset or any of the variables of this contract, B3 will take the measures that it deems necessary, at its sole discretion, aiming for the settlement, continuity or extension of the contract on equivalent terms, based on its rules.

5. Applicable Law

This instrument is governed by and construed in accordance with the laws in force in the Federative Republic of Brazil.

6. Application of B3 standards and regulations

All standards, regulations, rules, and procedures published by B3 shall apply to this instrument.

Annex II to CIRCULAR LETTER 090/2024-PRE

STRUCTURED TRANSACTION - SMALL CAP INDEX FUTURES CONTRACT ROLLOVER

B3 has created the Structured Small Cap Index Futures Contract Rollover Transaction, ticker SM1, also known as a calendar spread. This transaction does not represent a new contract, but only a mechanism that allows for the simultaneous trading of two contract months.

For trading purposes, the SM1 transactions are subject to all the rules contained in B3's Trading Rulebook.

The B3 system will automatically transform the SM1 transactions into two other transactions: a transaction in the Small Cap Index Futures Contract for the first contract month (short leg) on the opposite side; and another transaction for the second contract month (long leg) on the same side as that of the SM1. Thus, the SM1 structured transaction will show no open interest at the end of the day and the trades will be distributed among the respective contract months of the Small Cap Index Futures Contract.

Considering that there will be no open interest in SM1, all the cash amounts resulting from the SM1 rollover structured transaction will be calculated and settled in accordance with the procedures established for the Small Cap Index Futures Contract.

Margin requirements will be calculated based on the methodology set out in the B3 Clearinghouse Risk Management Manual.

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Regarding the price fluctuation limit, no rollover transaction will be accepted where the price attributed to the first contract month (short leg), plus the number of index points traded in the SM1, exceeds the price fluctuation limit for the second month (long leg).

The other characteristics of this rollover structured transaction are described below.

Structured Transaction - Small Cap Index Futures Contract Rollover

- **Underlying:** Standard Small Cap Index Futures Contract.
- **Ticker:** SM1.
- **Size:** B3 Small Cap Index Futures Contract multiplied by BRL 10.00.
- **Price quotation:** index points, to two decimal places.
- **Tick size:** 0.01 of an index point.
- **Round lot:** One contract.
- **Side of transaction:** buy and sell.
- **Maturities:** even months.

Automatic transaction to be registered in the Small Cap Index Futures Contract (short leg)

- **Maturity:** The first contract month of the SM1 transaction. It may be any contract month, as long as it precedes the long leg of the rollover transaction.
- **Side of transaction (buy/sell):** The opposite side as that of the SM1 transaction.
- **Price quotation:** The price for the last executed trade for the first contract month (short leg) at the time the transaction is registered.
- **Number of contracts:** The same as that traded in the SM1 transaction.

Automatic transaction to be registered in the Small Cap Index Futures Contract (long leg)

- **Maturity:** The second contract month (long leg) of the SM1 transaction. It may be any contract month subsequent to the first month of the rollover transaction.
- **Side of transaction (buy/sell):** The same side as that of the SM1 transaction.
- **Price quotation:** The price for the first contract month (short leg) plus the number of index points traded in the SM1.
- **Number of contracts:** The same as that traded in the SM1 transaction.

The transaction's costs will be charged at the legs generated by the structured transaction in accordance with the prevailing fee structure.