



BM&FBOVESPA

The New Exchange



BM&FBOVESPA MARKET INFRASTRUCTURE: A VERTICALLY INTEGRATED MODEL

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Chile – Santiago
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1

BM&FBOVESPA INFRASTRUCTURE MODEL

2

BM&FBOVESPA DERIVATIVES INFRASTRUCTURE

3

AN INTEGRATED INFRASTRUCTURE FOR SECURITIES TRADING

TRADING PLATFORMS AND REGISTRATION SYSTEMS

Spot Markets

Derivatives Markets

CASH

FUTURES & OPTIONS

- Stocks
- Funds
- Corporate Bonds
- Government Bonds
- US Dollar
- Gold
- Commodities

- Equities
- Interest Rate
- Currencies
- Indices
- Metals
- Agricultural
- Commodities
- Energy

CLEARINGS AND CENTRAL SECURITIES DEPOSITORY

Securities Settlement Systems
Central Counterparty

SETTLEMENT BANK

Custody Services

Derivatives

Open outcry
Electronic trading
OTC registration

FX Cash Market

Open outcry
OTC registration

Stocks and Corporate Bonds

Electronic Trading
OTC Registration

Government Bonds

Electronic trading
OTC registration

**Derivatives
Clearinghouse**

FX Clearinghouse

CBLC

**Securities
Clearinghouse**



1

BM&FBOVESPA INFRASTRUCTURE MODEL

2

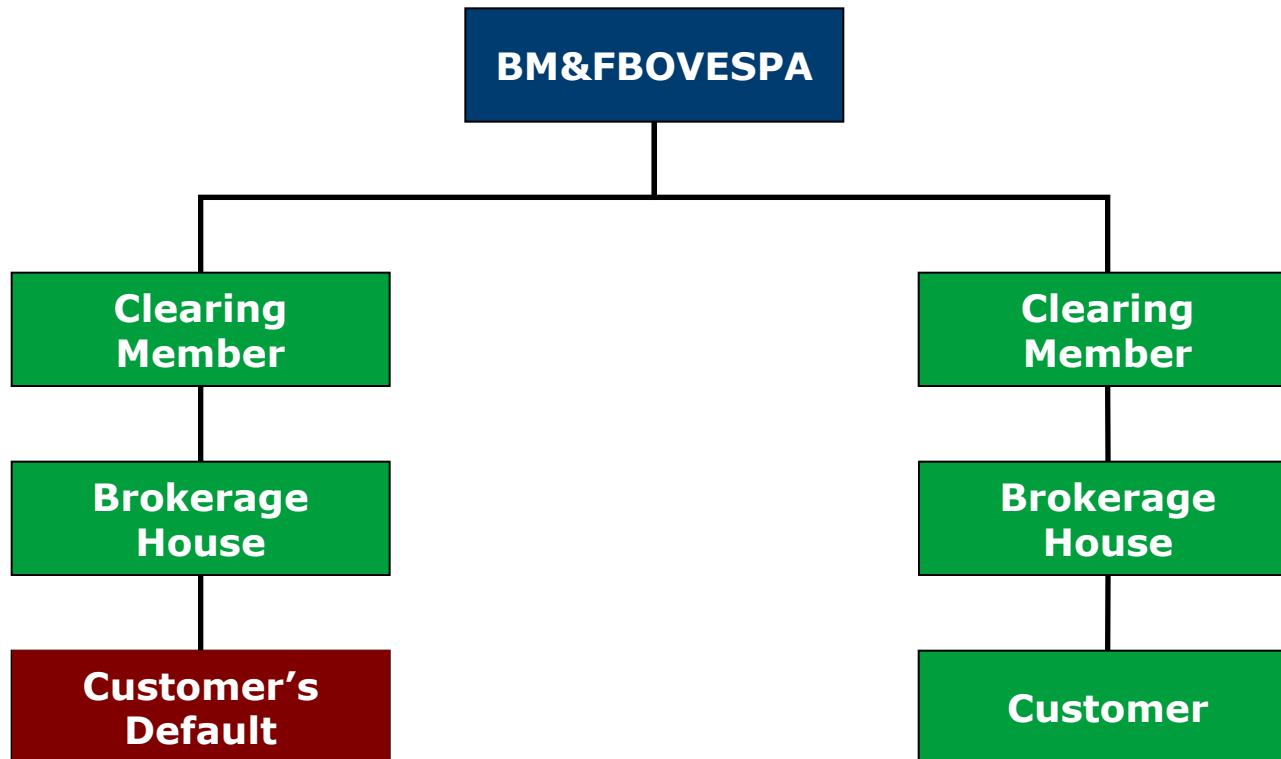
BM&FBOVESPA DERIVATIVES INFRASTRUCTURE

3

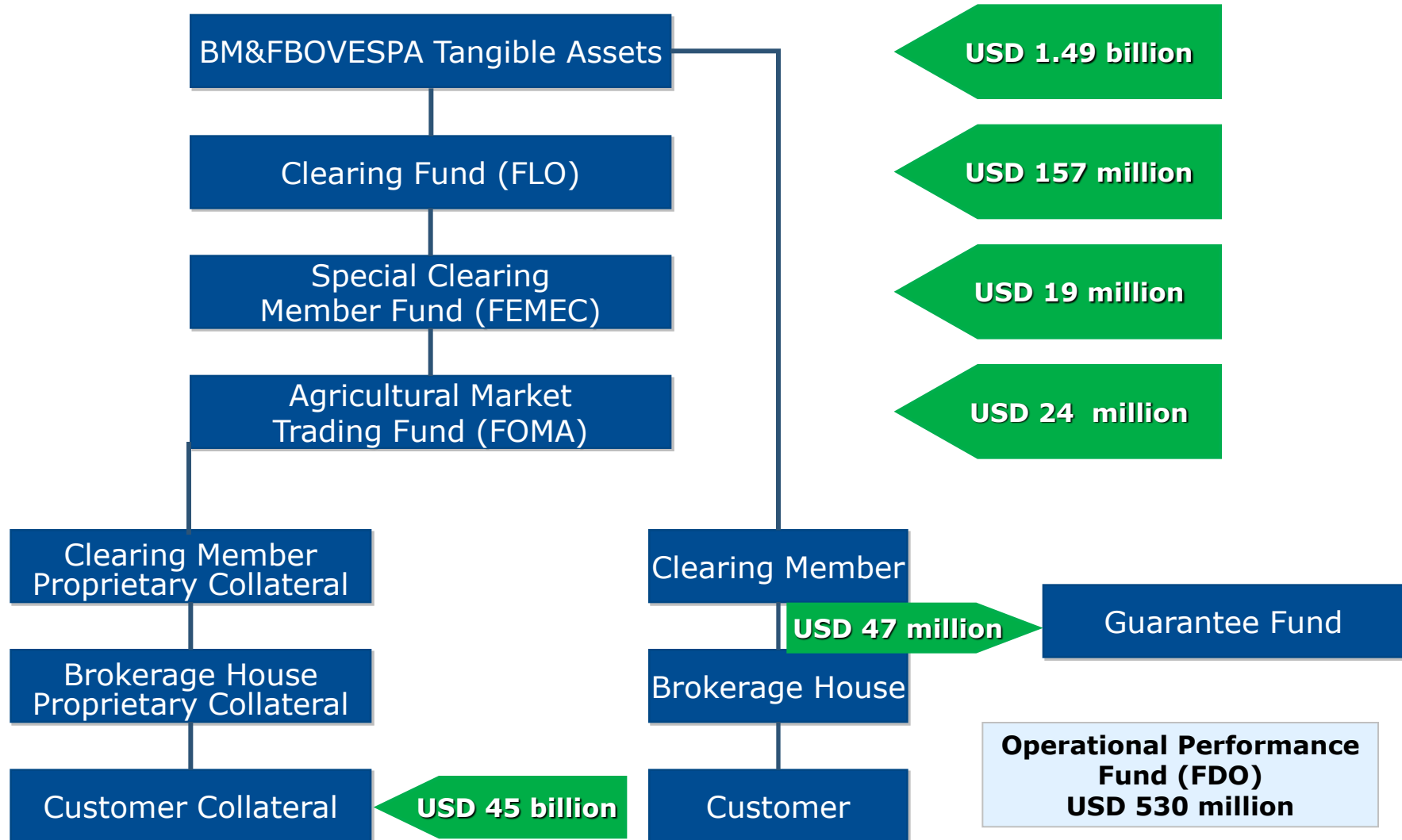
AN INTEGRATED INFRASTRUCTURE FOR SECURITIES TRADING

- ✓ Vertical line of protection: Customer, Broker and Clearing Member
- ✓ Margin requirements are based on the worst case scenario for the customers' net portfolio
- ✓ Margin reduction for diversified portfolios – offsetting opposite exposures to common risk factors
- ✓ Intraday risk is captured via the Intraday Risk Limit
- ✓ Stress testing based on conservative scenarios
- ✓ High degree of transparency to market participants and authorities – all risk models and stress scenarios are publicly available
- ✓ Credit risk mitigation through concentration limits, additional margin calls, and cumulative loss monitoring
- ✓ Liquidity risk mitigation through six different previously committed credit facilities and access to the Central Bank discount window through BM&F Settlement Bank

Safeguard structure for the derivatives market



Derivatives clearinghouse sound safeguards





1

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AN INTEGRATED INFRASTRUCTURE FOR SECURITIES TRADING

- ✓ Conception based on an integrated model
 - ✓ Central securities depository
 - ✓ Securities settlement system

 - ✓ Central depository
 - ✓ Clearing and settlement activities
 - ✓ Central counterparty function
- } **At the same structure**
- ✓ Fully integrated to the exchange

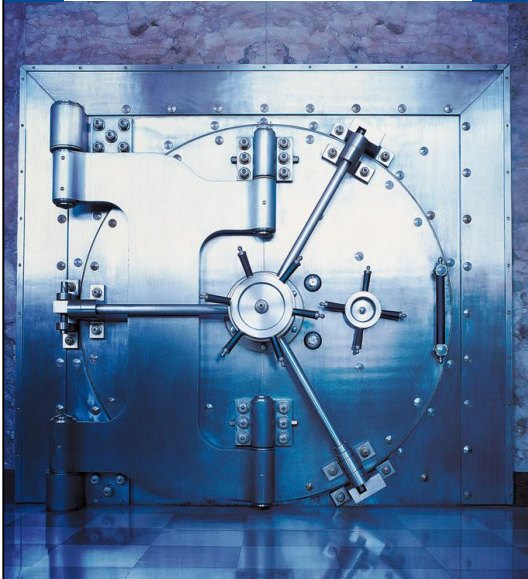
 - ✓ Trading activities directly link with the clearing and settlement system

 - ✓ Straight through processing



- ✓ Clearing and Depository Corporation for fixed income, equities and equity derivatives
- ✓ For-profit company owned by BM&F BOVESPA S.A.
- ✓ Self regulatory corporation under the supervision of the Brazilian Securities and Exchange Commission (CVM) and the Brazilian Central Bank.

CENTRAL
SECURITIES
DEPOSITORY



SECURITIES
SETTLEMENT
SYSTEM



CENTRAL
COUNTERPARTY





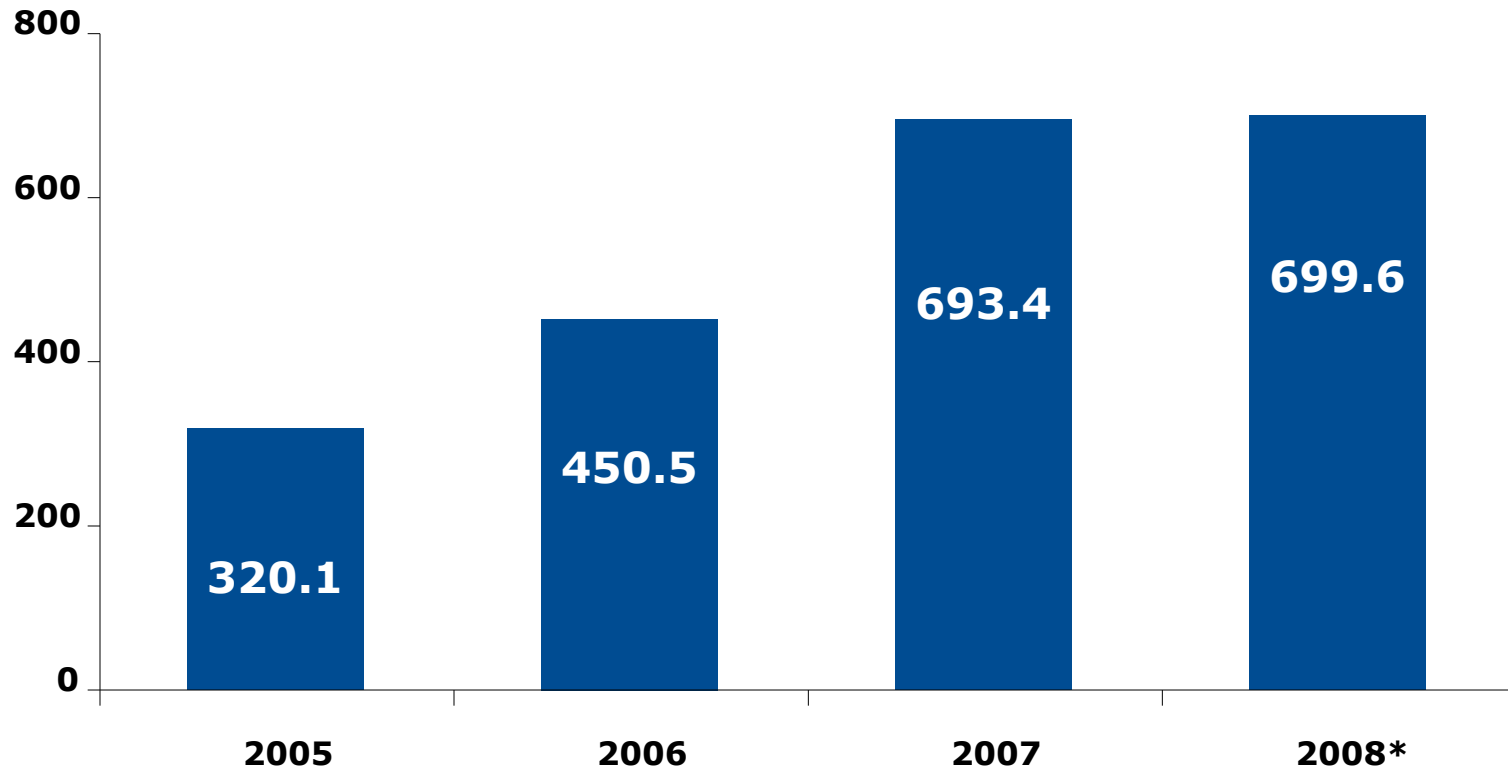
Depository services for securities

Depository services for equities, corporate bonds, REITs, asset-backed securities and other instruments

Main Features

- ✓ Full Dematerialization
- ✓ Fiduciary Ownership
- ✓ Account Segregation
- ✓ Daily Reconciliation
- ✓ Proxy Statements
- ✓ Corporate Actions

Securities Under CBLC's Depository Services - (USD billion)



Exchange rate as of June 30th, 2008

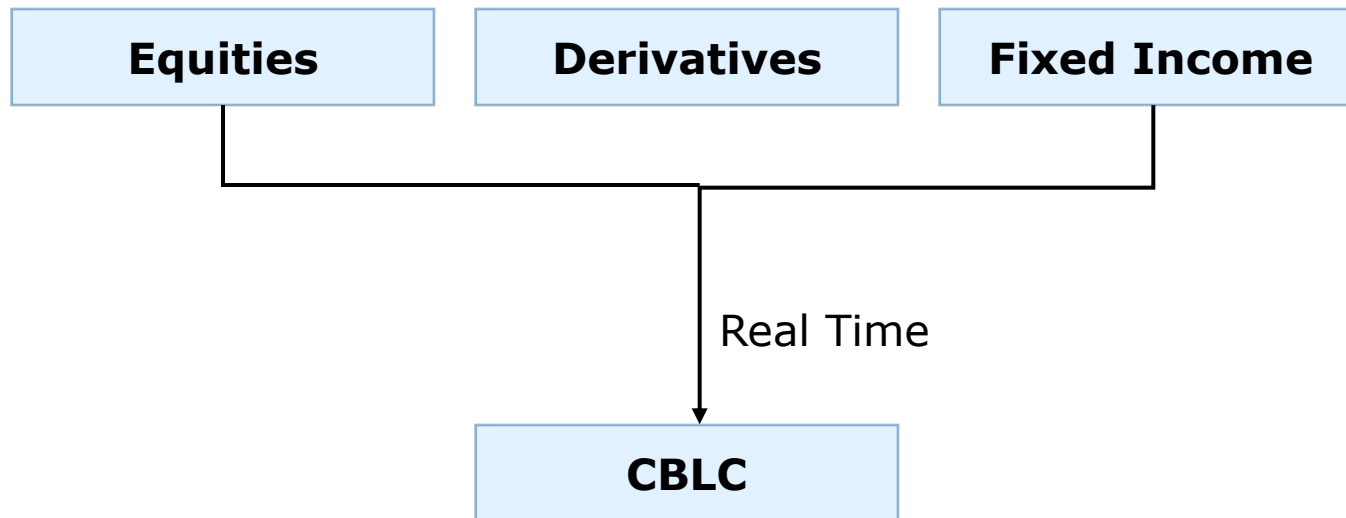
* June 2008



**Clearance & Settlement services
for securities**

STP – Straight Through Processing

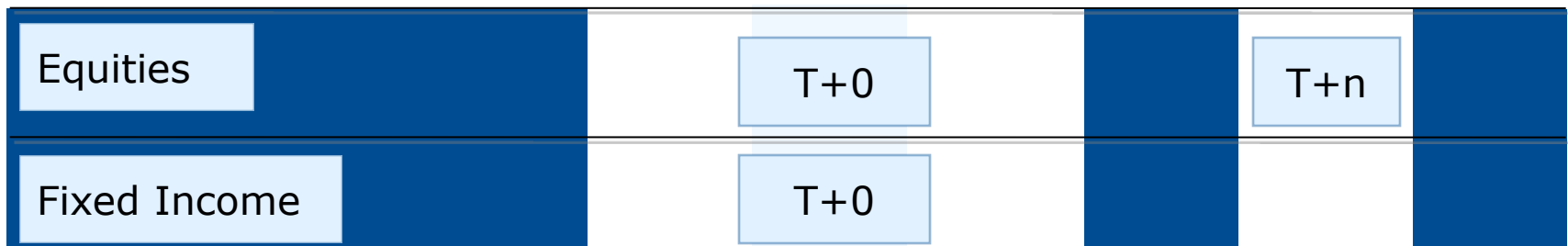
Depository Services for equities, corporate bonds, REITs, asset-backed securities and other instruments



GROSS SETTLEMENT

- ✓ Public offerings, initial public offerings, privatizations, special services and fixed income instruments
- ✓ SFI-DVP Model 1 (BIS)

SETTLEMENT CYCLE



NET SETTLEMENT

- ✓ Multilateral netting across different markets and instruments (equities, derivatives and fixed income instruments)
- ✓ SFI-DVP Model 3 (BIS)

SETTLEMENT CYCLE

Equities - Cash					T+3	
Equities - Derivatives			T+1			
Fixed Income		T+0	T+1			



Central counterparty and risk management



Central counterparty and risk management services for securities

Equities

Derivatives*

Fixed Income

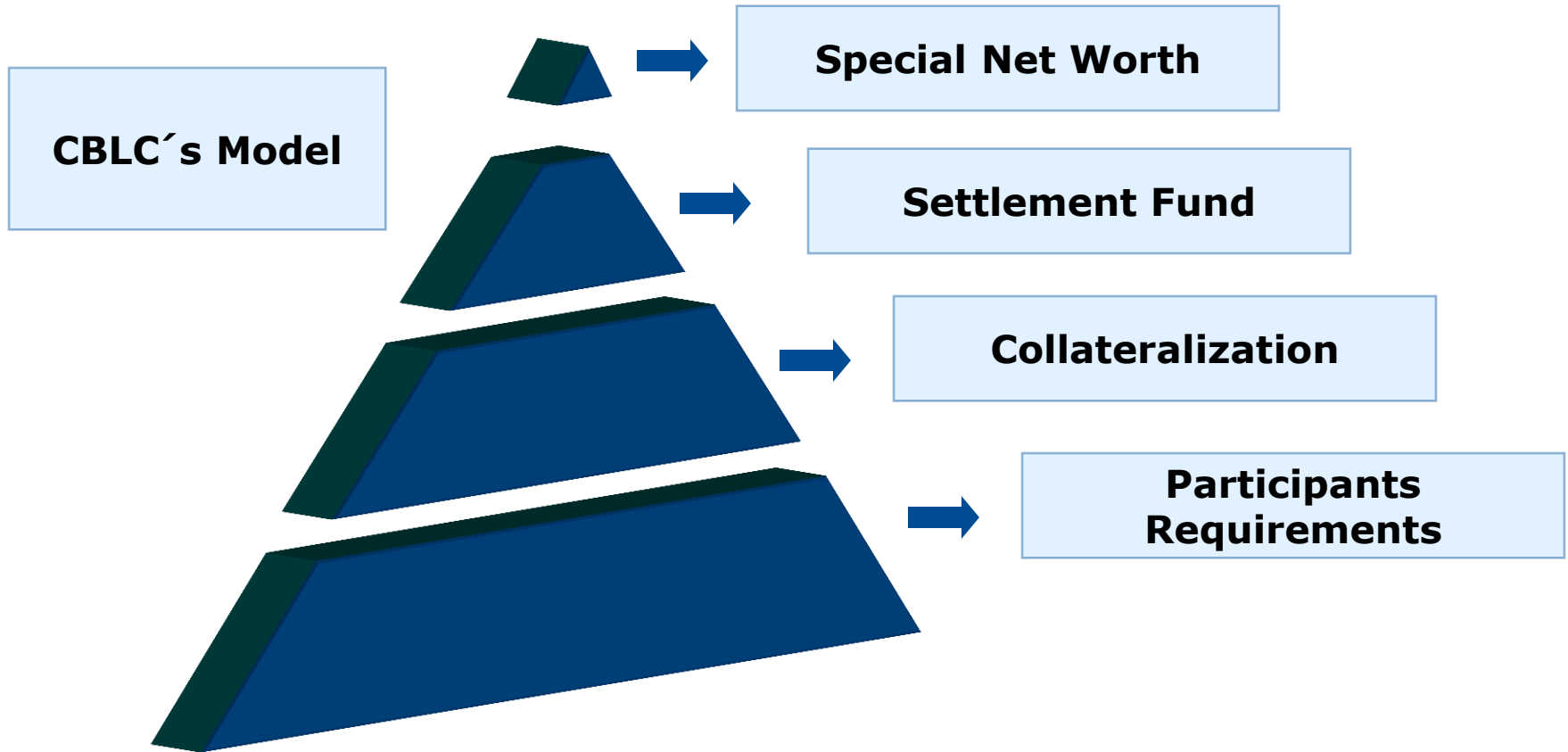
Securities Lending

- ✓ Trading information is captured on a real-time basis and in a STP fashion
- ✓ All trades are previously collateralized



**CBLC's Risk Management,
Clearing and Depository Services**

*** Options on stocks**



Hybrid model: Collateralization and Settlement Fund

DEALING WITH FAILURES

DELIVERY

- ✓ 1st: Securities Lending
- ✓ 2nd: Buy-in Procedures

PAYMENT

- ✓ 1st: Collaterals posted by the defaulter
- ✓ 2nd: Settlement Fund
 - ✓ Defaulters' contribution
 - ✓ Survivors' contribution
- ✓ 3rd: Special Net Worth

RISK ANALYSIS

- ✓ Back-tests
- ✓ The risk is analyzed by CBLC's Board every month
- ✓ The participants have full access to the
 - ✓ criteria
 - ✓ methodology
 - ✓ risks incurred by CBLC
- ✓ The participants also have the same tools and systems CBLC applies to calculate its own risk

...providing creative and safe solutions to the financial market.

RATING

Very Low Risk by



THOMAS MURRAY

Maximum Rate by



Item "Transaction costs and settlement efficiency"

CPSS-IOSCO -2001

G-30 - 2003

CPSS-IOSCO - CCP -2004

Fair Access Conditions

Transparency

Sound Legal Basis

Segregation of Accounts

Delivey vs. Payment

Same Day Finality in Central Bank

Securities Lending

CCP – Risk Management

Collateralization and Settlem. Fund

Contingency Plan and Backup Site

- ✓ High level of Straight Through Processing (STP)
- ✓ Synergies
- ✓ Reaching all post-trade services
- ✓ Dealing with failures
- ✓ Investors services
- ✓ Facilitate the clearing services
- ✓ Information pool



BM&F BOVESPA

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www.bmfbovespa.com.br