Ten-Year U.S. Treasury Note Futures Contract
– Specifications –

1. **Definitions**

Contract (specifications):	The terms and rules under which the transactions shall be executed and settled.
T-Note:	The United States of America Treasury Note bearing a 6% per annum coupon with semiannual compounding.
Unit price (PU):	The U.S. Dollar amount for each one-hundred U.S. Dollars (US$100.00) of face value of the underlying asset. The PU shall be expressed by a whole number carried to the third decimal place.
Settlement price (PA):	The closing price, for the purpose of updating the value of open positions and calculating the variation margin and the settlement value of day trades, calculated and/or arbitrated daily by BM&F, at its own discretion, for each authorized contract month, and expressed in a U.S. Dollar amount composed of a whole number carried to the fourth decimal place.
BM&F reference price:	United States sovereign debt bond price, as described in Attachment I to Circular Letter 058/2002-DG, of April 19, 2002, and corresponding to the theoretical price of a Ten-Year U.S. Treasury Note.
PTAX rate:	The exchange rate of Brazilian Reals (R$) per U.S. Dollar for cash delivery, traded in the foreign exchange market, pursuant to the provisions of Resolution No. 3265/2005 of the National Monetary Council (CMN), calculated and published by the Central Bank of Brazil (BACEN) through SISBACEN, transaction PTAX800, option “5,” closing offered quotation, for settlement in two days, utilizing the maximum of six decimal places, also published by BACEN with the denomination “closing PTAX,” pursuant to Communication 10742, of February 17, 2003.

2. **Underlying asset**
   The U.S. Treasury Note for redemption in ten years, counted as from the futures contract expiration, bearing a 6% per annum coupon with semiannual compounding.

3. **Price quotation**
   Expressed in unit price, as defined in item 1.

4. **Minimum price fluctuation**
   0.001 of a unit price point.

5. **Maximum daily price fluctuation**
   As established by BM&F.
   The price fluctuation limit for the first month shall be suspended on the last three days of trading.
   The Exchange may alter the price fluctuation limit applicable to any contract month at any time, even during a trading session, by communicating this to the market with a 30 minute-advance notice.

6. **Contract size**
   One hundred thousand U.S. Dollars (US$100,000.00) of face value.

7. **Contract months**
   All months.

8. **Number of authorized contract months**
   As authorized by BM&F.

9. **Expiration date and settlement date**
   The first business day (trading day) of the contract month.

10. **Last trading day**
    The first business day (trading day) preceding the expiration date. Should this day be a holiday in New York, the last trading day shall be the business day preceding that holiday. On that day, trading shall be allowed up to 10:45 a.m., New York time.

11. **Day trading**
    Buying and selling on the same trading session the same number of contracts for the same month shall be offset provided these transactions are executed on behalf of the same customer through the same Brokerage House and registered by the same Clearing member, or performed by the same Local and registered by the same Clearing Member. These transactions shall be cash settled on the following business day, and their amounts shall be calculated in accordance with item 12(a).

12. Daily settlement of accounts (variation margin)

The positions outstanding at the end of each session shall be marked-to-market according to that day's settlement price, as determined by BM&F rules and regulations. The corresponding amount shall be cash settled on the following business day.

The variation margin shall be calculated up to the expiration date by the following formulas:

(a) For the positions initiated on the day

$$AD_t = (PA_t - PO) \times 1{,}000 \times TC_t \times N$$

(b) For the positions initiated on the previous day

$$AD_t = (PA_t - PA_{t-1}) \times 1{,}000 \times TC_t \times N$$

Where:

AD_t = the variation margin value corresponding to date "t";
PA_t = the settlement price of date "t" for the corresponding contract month;
PO = the trading price in unit price;
TC_t = the PTAX rate corresponding to date "t";
N = the number of contracts;
PA_{t-1} = the settlement price of date "t–1" for the corresponding contract month.

The variation margin value (AD_t), calculated as shown above, if positive, shall be credited to the buyer and debited to the seller. Should the calculation above present a negative value, it shall be debited to the buyer and credited to the seller.

13. Settlement conditions on expiration

On the expiration date and after the last settlement price, open positions shall be cash settled by BM&F by means of the registration of an offsetting transaction (long or short) on the same number of contracts at the BM&F reference price, defined in item 1 and corresponding to the last trading day.

Cash shall be converted into Brazilian Reals by the PTAX rate defined in item 1 and corresponding to the last trading day, and settled on the same day as the expiration date.

- **Special provisions**

  If for any reason it is not possible to calculate the BM&F reference price, defined in item 1, BM&F may at its own discretion:

  (a) Arbitrate a price to mark the contract to market or settle it; or

  (b) Cash settle the outstanding positions at the last available settlement price.

  In either case, the settlement value may be indexed by an opportunity cost arbitrated by BM&F from the date when the reference rate became inexistent to the effective cash settlement date.

  Furthermore, should BM&F, at its own discretion, consider that the calculation of the BM&F reference price, defined in item 1, cannot be made accurately or in the case of situations that hinder the free functioning of the market, it shall terminate the negotiation of this contract and cash settle open positions at the last available settlement price or at an arbitrated value, should it consider that the last available settlement price is not representative for this purpose.

  Also, should the Central Bank of Brazil not disclose the PTAX rate corresponding to the calculation date of the variation margin value or the settlement value, BM&F may at its own discretion:

  (a) Postpone the contract settlement up until an official disclosure by the Central Bank; or

  (b) Cash settle the contract at an arbitrated value.

  In either case, the settlement value may also be indexed by an opportunity cost arbitrated by BM&F from the business day subsequent to the expiration date to the effective cash settlement date.

  Should the Central Bank rectify the PTAX rate after the cash settlement value is transferred, BM&F may also, at its own discretion, rectify the corresponding information and calculate any possible differences between the financial flows resulting from this rectification.

14. Hedgers

Financial institutions and institutional investors.

15. Margin requirements

Collateral shall be required from all customers holding open positions. Margin values shall be updated daily by the Exchange, in accordance with the margin calculation criteria for futures contracts.

16. Assets eligible to meet margin requirements

Cash, gold and, upon former approval by the Exchange, federal government bonds, private securities, letters of credit, shares of stocks, and equity fund units.

17. Trading costs

- **Fees**

  Consist of the Exchange, Registration and Permanence Fees, which are calculated as per BM&F methodology.

Trading costs shall be due on the first business day following the trade date, except for the Permanence Fee, which shall be due on the day defined by BM&F.
Common Members and institutional investors shall pay no more than 75% of the trading costs.

18. Further regulations

This contract shall be subject, where applicable, to the legislation in force and to BM&F rules, regulations, and procedures, as defined in its Bylaws, Operating Rules, and Circular Letters, as well as to the specific rules set forth by the Brazilian governmental authorities that may affect the terms stated herein.
Should there be any situations not covered by this contract, as well as governmental measures or any other facts that affect the formation, calculation or publication of its variables, or even imply their discontinuity, BM&F may, at its own discretion, take the measures it deems necessary for the contract's cash settlement or continuity on an equivalent basis.