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044/2008-DP

## **CIRCULAR LETTER**

To: The Clearing Members and Brokerage Houses

Re.: **GTS Trading Limit Control Tool – GTSLiNe.**

In continuation to the process of enhancing the electronic trading platform Global Trading System (GTS), BM&FBOVESPA has developed the GTSLiNe application, which allows the brokerage house to establish quantitative trading limits for customers trading via DMA, pursuant to Circular Letter 021/2008-DP, of July 8, 2008. The GTSLiNe basically allows the brokerage house to define the following types of limit per customer:

- (i) Maximum size for bids and offers, in number of contracts, per instrument (contract and maturity/series);
- (ii) Maximum long and short positions, in number of contracts, per instrument on a given trade date; and
- (iii) Maximum long and short positions, in number of contracts, on a given trade date, considering all the maturities for the same futures contract or all the series for the same options contract.

The limits defined in the GTSLiNe are assessed before the orders transmitted to the GTS are accepted, and any order that results in a violation of one or more established limits are rejected. These limits are also subject to the maximum values defined by BM&FBOVESPA.

Initially, the GTSLiNe will be available for brokerage houses only to attribute quantitative limits to the foreign investors that route orders to the GTS via the CME Group Globex. At a later stage, the GTSLiNe will also be utilized to attribute pre-trading risk limits to the customers that route orders to the GTS via the brokerage house technological infrastructure (Model 1 – Traditional DMA). Notwithstanding the gradual implementation of the aforementioned tool, it should be noted that the brokerage houses that adopt DMA models are already fully responsible for monitoring the risk of the customers under their responsibility, and must take all the necessary measures to ensure such monitoring.

### **GTSLiNe Access and Utilization**

The brokerage houses that wish to utilize the GTSLiNe must request from the BM&FBOVESPA Participant Registration Center an access authorization by submitting a term of adhesion and responsibility for the GTSLiNe system, which is available at

[www.bmf.com.br](http://www.bmf.com.br) / *Participantes / Documentação Cadastral*, in the kit named “*Acesso à Negociação Eletrônica*”.

The GTSLiNe will be available to be accessed through the BM&FBOVESPA Extranet (<http://extranet.bmf.com.br>) as of September 11, 2008. The access will be granted, through the Access Control system, to the brokerage house master user, who will be responsible for granting access to the GTSLiNe functionalities for the end users within the brokerage house. The codes for the functionalities associated to the GTSLiNe are “BT.A.111”, “BT.A.112”, “BT.A.113”, “BT.A.114” and “BT.A.115”.

The registration of quantitative limits may be made by uploading a file in FIXML format, for a group of customers, or directly through the GTSLiNe screen, customer by customer.

The GTSLiNe user manual, which is available at [www.bmf.com.br/novogts](http://www.bmf.com.br/novogts), under section “GTSLiNe”, describes how the system works, the procedures for limit registration and other operational aspects. The layout specification for the file in FIXML format utilized to upload the quantitative limits is also available under the same section.

### **GTSLiNe Limitations**

As previously explained the GTSLiNe is an application that manages the control of quantitative limits before the orders sent by the brokerage house customers are accepted by the GTS and included in the order book. The GTSLiNe is not a full risk system and does not eliminate the need for the brokerage houses to adopt criteria, models and procedures for the analysis and the continual follow-up of the credit risk of their customers, as well as for the analysis and the continual follow-up of the risk of the transactions carried out by those customers.

### **BM&FBOVESPA Brokerage Houses’ Responsibility**

Independently of whether the GTSLiNe or other pre-trading risk control tools adopted by the brokerage houses are adequately working, the brokerage houses must permanently monitor the activities and exposure of their customers, and take all the relevant measures, including those related to a lack of compliance by those customers. To this end, the brokerage houses must also ensure that their customers are aware of the need to comply with the limits, terms and conditions related to their activities, as well as of the consequences resulting from a failure to comply with them. The Exchange will offer the GTSLiNe system as it is to the brokerage houses that wish to utilize it and the brokerage houses will have the responsibility for its use and properly function.

Further information may be obtained through the following e-mail: [normas@bmf.com.br](mailto:normas@bmf.com.br).

Edemir Pinto  
Chief Executive Officer

Cícero Augusto Vieira Neto  
Chief Operating Officer