December 03, 2009
077/2009-DP

CIRCULAR LETTER

To: The BM&FBOVESPA (BVMF) Market Participants

Re: **Launch of the Flexible Call and Put Options on iShares Ibovespa Index Fund (BOVA11) Contracts**.

We hereby inform you that, as of December 07, 2009, BM&FBOVESPA will authorize the Flexible Call and Put Options on iShares Ibovespa Index Fund (BOVA11) Contracts for trading. The main features of these contracts, in addition to those contained in their attached specifications, are listed below.

1. **Underlying Asset**
   BOVA11 shares, among the alternatives described in the Flexible Call and Put Options on Futures Contract Specifications.

2. **Traded Premium**
   In Brazilian Reals per share, subject to the limits established by BM&FBOVESPA.

3. **Contract Size**
   Each contract corresponds to the share value multiplied by the number of shares to be freely agreed upon between the parties, subject to the minimum trading lot of 100 shares.

4. **Underlying Asset Code**
   BOV.

5. **Ticker Symbol**
   FBC**:** Flexible Call Option on iShares Ibovespa Index Fund Contract;
   FBP**:** Flexible Put Option on iShares Ibovespa Index Fund Contract.

6. **Expiration Date**
As agreed upon by upon by the parties, subject the limits established by BM&FBOVESPA.

7. **Strike Price**
As agreed upon by the parties, expressed in Brazilian Reals per share, subject to the limits established by BM&FBOVESPA.

8. **Barrier Price Types**
As agreed upon by the parties, subject to the limits established by BM&FBOVESPA. With regard to the activation or deactivation of exercise rights and obligations, the barrier price types may be knock-in and knock-out.

9. **Cap and Floor Price Limits**
The parties may establish a price limit to an option exercise, which shall be the maximum underlying price allowed to exercise the call option and the minimum underlying price allowed to exercise the put option, subject to the limits established by BM&FBOVESPA.

10. **Early Settlement**
The minimum remaining balance of an early settlement is 100 shares.

11. **On an Exercise**
An American option may be exercised by its holder before the expiration date.
On the expiration date, the exercise shall be on the total contract or on the balance of the contract, whether the option be American or European, being contingent on (i) the strike price being below the contract’s settlement price in the case of a call option and above the contract’s settlement price in the case of a put option, (ii) the inexistence or non-activation of the knock-out price, and (iii) the inexistence or activation of the knock-in price.

12. **Collateral**
Margins shall be calculated pursuant to the methodology defined by BM&FBOVESPA and shall only be required for the contracts registered with the guarantee feature, in which case they shall always be met by the option writer (seller). The option holder (buyer) shall also pledge collateral, in an amount equivalent to the option premium, whenever the premium

cash settlement date is deferred, that is, whenever the contract establishes as the premium cash settlement date a date other than the first business day subsequent to the transaction date.

For the contracts registered without the guarantee feature, BM&FBOVESPA's responsibility shall be limited to contract registration, position monitoring, and cash settlement value reporting.

Therefore, BM&FBOVESPA is not liable for the settlement of such transactions.

13. Trade Registration Hours

Trades may be registered in the BM&FBOVESPA OTC Market Registration System in accordance with the time frames established by the Exchange.

14. Trading Costs

The following parameters must be observed to calculate the fees:

- Exchange fees:
  a) For the contracts registered with the guarantee feature: 0.04% of the base value of the Exchange fee established for the Ibovespa Futures Contract, calculated based on the number of shares per contract;
  b) For the contracts registered without the guarantee feature: 0.0002% of the transaction value.
- Registration fees: BRL0.10 per transaction, independent of the size of the traded lot.

Further information may be obtained from the Equity Product Office by telephone at (+55-11) 2565-7115 and 2565-7168.

Edemir Pinto
Chief Executive Officer

Amarílis Prado Sardenberg
Chief Clearinghouse, Depository and Risk Management Officer

Flexible Call Option on iShares Ibovespa Index Fund (BOVA11)
– Specifications –

1. **Definitions**

Contract (specifications):	The terms and rules under which the transactions shall be executed and settled.
iShares Ibovespa Index Fund (BOVA11):	An index fund that seeks to obtain investment returns that generally correspond to the performance of the BOVESPA Index before taxes and expenses in accordance with the alternatives described in Annex I of these specifications.
Traded contract:	The round lot (contract size) corresponds to one (1) BOVA11 share and the contracts shall be traded in accordance with the terms and rules defined in these specifications.
Purchase of a contract:	A transaction where the participant is the holder, that is, the participant has the right to buy the option's underlying asset at the strike price.
Sale of a contract:	A transaction where the participant is the writer, that is, if exercised by the holder the participant has the obligation to sell the option's underlying asset at the strike price.
Business day:	The day that is a trading day at BM&FBOVESPA.

2. **Underlying asset**
The BOVA11 shares.

3. **Contract size**
Each contract corresponds to the share value multiplied by the number of shares to be freely agreed upon between the parties, in observance to the limits defined by BM&FBOVESPA.

4. **Expiration date**
To be freely agreed upon by the parties, in observance of the limits established by BM&FBOVESPA.

5. **Strike price**
As agreed upon by the parties, expressed in Brazilian Reals (BRL) per share, subject to the limits established by BM&FBOVESPA.

6. **Types of barrier prices**
With regard to the activation or cancellation of exercise rights and obligations:
(1) **Knock-in**: Should the underlying spot price, at any time during the life of an option, reach the barrier price agreed upon by the parties, the right to exercise the option by the buyer and the obligation to meet the exercise by the seller shall be activated. The option shall be further differentiated in accordance with the relationship between the underlying spot price and the barrier price on the day the option is written, as follows:
(1.1) **Up-and-in**: The spot price on the day the option is written is below the barrier price;
(1.2) **Down-and-in**: The spot price on the day the option is written is above the barrier price.
(2) **Knock-out**: Should the underlying spot price, at any time during the life of an option, reach the barrier price agreed upon by the parties, the option exercise rights and obligations shall be cancelled. The option shall be further differentiated in accordance with the relationship between the underlying spot price and the barrier price on the day the option is written, as follows:
(2.1) **Up-and-out**: The spot price on the day the option is written is below the barrier price;
(2.2) **Down-and-out**: The spot price on the day the option is written is above the barrier price.

7. **Price cap**
The parties may establish a price limit to an option exercise, which shall be the maximum underlying spot price.

8. **Trading parameters**

8.1 On the transaction

- **BOVA11 (BOV)**
  The price quotation chosen from among the alternatives described in Annex I of these specifications to settle the contract.
- **Contract size**
- **Traded premium**
  Expressed in Brazilian Reals (BRL) per share to two decimal places. Should the parties not report this price, the premium shall be considered to be zero.

- **Strike price**
  Expressed in Brazilian Reals (BRL) per share to two decimal places.
- **Expiration date**
- **Nature of a transaction**
  C = Long.
  V = Short.
- **Price cap (PB)**
  The maximum underlying spot price, expressed in Brazilian Reals (BRL) per share. Should the parties not report this price, the option shall have no price cap.
- **Barrier prices**
  IU = Knock-in (up-and-in).
  ID = Knock-in (down-and-in).
  OU = Knock-out (up-and-out).
  OD = Knock-out (down-and-out).
  From the list in item 6, the maximum of two types of barrier price combinations shall be permitted. However, combinations involving two knock-in or two knock-out barriers shall not be allowed. In addition, a knock-out barrier shall only be valid if the knock-in barrier has already been activated.
  Should the parties not report any of these prices, the option shall have no barrier price.
- **Premium cash settlement date**
  The parties may establish the premium cash settlement date on any business day between the first business day subsequent to the trade date and the first business day subsequent to the expiration date. Should the parties not report this date, the premium cash settlement date shall be the first business day subsequent to the trade date.
  Also, when the contracts are registered without the guarantee feature, the parties may establish the premium cash settlement date on the trade date itself.
- **Rebate**
  The establishment of a rebate shall be exclusively linked to the choice of knock-in and knock-out barrier prices. Its amount, which must be paid by the writer (option seller) to the holder (option buyer) and which may be expressed in Brazilian Reals (BRL) per share or as a percentage to be applied to the original premium, shall only be established by the parties on the trade date.
  When the contracts are registered with the guarantee feature, the rebate payment shall be made on the first business day subsequent to the option cancellation, or on the first business day subsequent to the expiration date if the option has not been activated.
  When the contracts are registered without the guarantee feature, the parties may establish the rebate payment on the following dates:
  (a) **For a knock-out option**: the option cancellation date or the subsequent business day;
  (b) **For a knock-in option**: the contract expiration date or the subsequent business day.
  Should the parties not report this amount, the option shall be considered without right to a rebate.
- **Transaction code**
- **Exercise type**
  For settlement purposes, the price to be used in the calculation of the exercise value (VL) may be chosen from among the following alternatives:

(a) Average price (M)
The arithmetic average of the value of BOVA11 calculated during the period defined in subitem "price calculation period for exercise purposes" by the following formula:

$$M = \frac{\sum_{k=1}^{n} BOV_{t-k}}{n}$$

Where:
M = the average BOVA11 value for the exercise value (VL) calculation purposes;
BOV = the BOVA11 price quotation chosen by the parties from among the alternatives described in Annex I;
n = the number of days considered in the calculation of the average index, which cannot exceed the period between the registration date and the exercise date.

(b) Last price (U)
The BOVA11 price quotation chosen by the parties from among the alternatives described in Annex I.

- **Price calculation period for exercise purposes**
  This period refers to the number of observations of the underlying BOVA11, prior to an exercise, that shall be used in the calculation of the average value of BOVA11 to be utilized in the exercise, if the option has the exercise type defined as the average BOVA11 value.
  In order to determine the average BOVA11 value to be utilized in the exercise, a number of observations that implies the use of a price quotation observed on any day before the first business day preceding the registration date shall not be accepted.
  Should the parties choose the average BOVA11 value alternative and not report the number of observations to be used in its calculation, the maximum number of observations shall be considered in this calculation, in accordance with the alternative (T+0 or T–1) described in Annex I and chosen by the parties.
  BM&FBOVESPA may establish a maximum number of observations in the calculation of the average index.
- **Option style**

(a) American (A)
The exercise shall be requested by the option holder on any business day between the first business day subsequent to the trade date and the first business day preceding the expiration date. On the expiration date, the option shall be automatically exercised by BM&FBOVESPA should the conditions established in item 8.3 be met.

(b) European (E)
The option shall be automatically exercised on the expiration date should the conditions established in item 8.3 be met.

- **Guarantee feature**
  C = The settlement of the contract shall be guaranteed by the BM&FBOVESPA settlement system.
  S = The settlement of the contract shall not be guaranteed by the BM&FBOVESPA settlement system.

8.2 On an early settlement

- **Contract number**
- **Portion of the position (Qr) to be early settled**
  Expressed in number of shares. Should the parties not report the portion of the position to be early settled, the early settlement shall cover the total share balance.
- **Premium price for the early settlement**
  Expressed in Brazilian Reals (BRL) per share, in observance of the limits defined by BM&FBOVESPA.
- **Cash settlement date of the early settlement premium**
  The parties may establish the cash settlement date of the early settlement premium on the first business day subsequent to the settlement date. When the contracts are registered without the guarantee feature, the parties may establish the premium cash settlement date on the settlement date.

8.3 On an exercise

An American option may be exercised by its holder before the expiration date by reporting the following:
(a) The contract number to be exercised;
(b) The portion of the position (Qe) to be exercised, expressed in number of shares.
On the expiration date, the exercise shall be automatic on the total position or on its portion that was not early settled, whether the option be American or European.
The automatic exercise to be implemented by BM&FBOVESPA on the expiration date is contingent on the option strike price being below the settlement price and both the inexistence or non-activation of the knock-out barrier price and the inexistence or activation of the knock-in barrier price.

9. Settlement condition on exercise

An exercise shall be cash settled by crediting the settlement value to the holder and debiting it to the writer. The settlement value shall be calculated by the following formula:

$$VL = (P - PE) \times Qe$$

Where:
VL = the exercise cash settlement value, in Brazilian Reals (BRL);
P = the unit price for settlement, which shall be equal to the average BOVA11 price (M) or to the last price (U), in accordance with the variable alternative specified by the parties. For calculation purposes, P may be PB or BOV, whichever is the smaller, where:

PB = the price cap, as defined in item 8.1;
BOV = the BOVA11 price quotation underlying the option, as defined in item 8.1 and chosen from among the alternatives described in Annex I;
PE = the strike price;
Qe = the number of exercised contracts, which can either be the total position or its portion that was not early settled for the purpose of automatic exercise.

Cash settlement shall be made on the first business day subsequent to the day the exercise has been requested.

When the contracts are registered without the guarantee feature, the parties may establish the exercise cash settlement date on the exercise date itself, if this has been mutually agreed upon on the trade date.

The contracts that are not exercised by the expiration date shall be automatically cancelled by BM&FBOVESPA.

- **Special provisions**

  Early settlement requests, that is, exercises that are requested on any business day preceding the expiration date, shall not be implemented by BM&FBOVESPA should:

  the BOVA11 not be traded on the early exercise request date and the alternative chosen regarding the unit price for settlement on exercise be the T+0 price (corresponding to the contract's exercise date), as defined in Annex I; or

  the BOVA11 not be traded on the business day preceding the exercise request date and the alternative chosen regarding the unit price for settlement on exercise be the T-1 price (corresponding to the business day preceding the contract's exercise date), as defined in Annex I.

  In this case, BM&FBOVESPA may at its own discretion:

  (a) Postpone the contract settlement up until the BOVA11 is traded; or

  (b) Cash settle the contract by using an arbitrated price.

  In either case, BM&FBOVESPA may also index the settlement value by arbitrating an opportunity cost from the first business day subsequent to the expiration date to the effective cash settlement date.

  Furthermore, should the negotiation of the BOVA11 be discontinued, BM&FBOVESPA shall terminate the negotiation of this contract and cash settle open positions by using an arbitrated value, at its own discretion. In this case, BM&FBOVESPA shall offer the parties a specified time frame during which they may voluntarily settle the contract between themselves, in accordance with item 10 concerning early settlement conditions.

  BM&FBOVESPA may still, at its own discretion, arbitrate a price to settle this contract if it considers that the published market price quotations are not representative of the actual market price due to the volume of executed transactions.

10. Early settlement conditions

Regardless of the option style (American or European), the parties may early settle their total position or a portion of it by registering an offsetting transaction: The holder resells it to the writer and the writer repurchases it from the holder.

The early settlement value of the transaction shall be debited to the original writer and credited to the original holder, and it shall be cash settled on the day established as the cash settlement date of the premium for the early settlement.

The cash settlement value shall be calculated by the following formula:

$$VLr = Qr \times Pr$$

Where:
VLr = the early cash settlement value, in Brazilian Reals (BRL);
Qr = the number of shares to be early settled, which is subject to the limit established by the parties for the total position or a portion of it;
Pr = the premium price for the early settlement, expressed in Brazilian Reals (BRL) per share, subject to the limits established by BM&FBOVESPA.

The contract settlement implies the automatic anticipation, for the first business day subsequent to the settlement date, of all premiums deferred to dates subsequent to the settlement date.

11. Collateral

Margins shall be calculated pursuant to the methodology defined by BM&FBOVESPA and shall only be required for the contracts registered with the guarantee feature, in which case they shall always be met by the option writer. The option holder shall also pledge collateral, in an amount equivalent to the option premium, whenever the premium

cash settlement date is deferred, that is, whenever the contract establishes as the premium cash settlement

date a date other than the first business day subsequent to the trade date.
For the contracts registered without the guarantee feature, BM&FBOVESPA's responsibility shall be limited to contract registration, position monitoring, and cash settlement value reporting. Therefore, BM&FBOVESPA is not liable for the settlement of such transactions.

12. **Assets eligible to meet margin requirements**
Those assets and securities accepted by the BM&FBOVESPA Derivatives Clearinghouse.

13. **Trading costs**
- **Commission**
To be freely agreed upon between Intermediary and client.
- **Fees**
Consist of the Exchange and Registration Fees, which are calculated as per BM&FBOVESPA methodology.
Trading costs shall be due on the first business day following the trade date.

14. **Further regulations**
This contract shall be subject to Annexes I and II and, where applicable, to the legislation in force and to BM&FBOVESPA rules, regulations and procedures, as defined in its Operating Rules and Circular Letters, as well as to 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 significantly affect the formation of the BOVA11 price, the suspension of its negotiation or even imply its discontinuity, BM&FBOVESPA may, at its own discretion, take the measures it deems necessary for the contract's cash settlement or continuity on an equivalent basis.
The amounts resulting from the premium cash settlement, the early settlement and the exercise shall also be subject to the following criteria:
(a) Contracts registered with the guarantee feature
The settlement value shall be included in both parties' financial reports issued by BM&FBOVESPA, and cash settled through its settlement system.
(b) Contracts registered without the guarantee feature
The settlement value shall be informed by BM&FBOVESPA, but shall not be included in the financial reports. The settlement value shall be cash settled directly between the parties.

Annex I
BOVA11 Price Quotation Alternatives to Be Traded in the Flexible Call Option on the iShares Ibovespa Index Fund Contract

1. **Definition**
   The iShares Ibovespa Index Fund shares are listed and traded in the spot market (BOVESPA segment) under ticker BOVA11.
   The iShares Ibovespa Index Fund seeks to obtain investment returns that generally correspond to the performance of the BOVESPA Index before taxes and expenses.
   The BOVESPA Index is a market index calculated by BM&BOVESPA, which measures the return of an investment in a theoretical portfolio composed of stocks issued by companies that account for over 80% (eighty per cent) of both the number of trades and the financial volume verified in the BM&FBOVESPA spot market (round lot).

2. **BOVA11 (BOV) price quotation alternatives**
   PM = The average BOVA11, calculated and published by BM&FBOVESPA at the end of the regular trading hours, which may be verified on T+0 (same day as the exercise date of the contract) or on T–1 (first business day preceding the exercise date).
   PF = The closing BOVA11, corresponding to the last price quotation (closing price), which may be verified on T+0 (same day as the exercise date) or on T–1 (first business day preceding the exercise date).

Annex II
Special Procedures for the Transfer of Positions and/or Compulsory Settlement of the Flexible Call Option on the iShares Ibovespa Index Fund Contract

Pursuant to the provisions set forth in BM&FBOVESPA rules and regulations, a Clearing Member is liable to the Exchange for all the transactions it has been designated to register, beginning with its indication as the Clearing Member up to and including the final settlement of the contract(s), as well as for the collateral required, pledged, or to be replaced. In like manner, the Intermediaries shall be liable to the Clearing Member for the trades they execute, beginning with their registration up to and including their final settlement.

Those rules and regulations are thoroughly applicable to the Flexible Call Option on a BOVA11 Contract registered with the guarantee feature. However, due to the fact that this contract has distinctive characteristics, BM&FBOVESPA, whenever it deems necessary, shall adopt specific procedures to solve matters concerning the position of a defaulting client or a client facing illiquidity or insolvency problems, or even extrajudicial liquidation, intervention, bankruptcy or composition with creditors, after the corresponding transaction has been confirmed by the Exchange.

In these cases, BM&FBOVESPA shall allow the positions initiated in the Flexible Call Option on a BOVA11 Contract registered with the guarantee feature to be transferred to a third party, even though, as a general rule, this contract is not subject to third-party transfer.

The client position that fits into the situation where the proper settlement of the contract has been hindered may, at the Exchange's discretion and among other measures, be treated as follows:

- The position may be transferred to the proprietary account of the Clearing Member;
- The position may be transferred to the proprietary account of the Intermediary;
- The position may be subject to an auction open to all Intermediaries;
- The position may be early settled at a price arbitrated by the Exchange;
- Depending on the case, the position may be subject to a special procedure, to be determined at the Exchange's discretion.

Under any of the procedures adopted to resolve the problem, should BM&FBOVESPA be obliged to foreclose the collateral of the contracting party that falls into any of the above-mentioned situations, it shall leave the collateral balance, if any, at the disposal of those entitled to it. Should there be an insufficiency of funds, BM&FBOVESPA shall debit the corresponding amount to the account of the Clearing Member, or to the account of the Intermediary should the Clearing Member default.

Note: These provisions shall not be applicable to the contracts registered by both parties without the guarantee feature.

Flexible Put Option on iShares Ibovespa Index Fund (BOVA11)
– Specifications –

1. **Definitions**

Contract (specifications):	The terms and rules under which the transactions shall be executed and settled.
iShares Ibovespa Index Fund (BOVA11):	An index fund that seeks to obtain investment returns that generally correspond to the performance of the BOVESPA Index before taxes and expenses in accordance with the alternatives described in Annex I of these specifications.
Traded contract:	The round lot (contract size) corresponds to one (1) BOVA11 share and the contracts shall be traded in accordance with the terms and rules defined in these specifications.
Purchase of a contract:	A transaction where the participant is the holder, that is, the participant has the right to buy the option's underlying asset at the strike price.
Sale of a contract:	A transaction where the participant is the writer, that is, if exercised by the holder the participant has the obligation to sell the option's underlying asset at the strike price.
Business day:	The day that is a trading day at BM&FBOVESPA.

2. **Underlying asset**
The BOVA11 shares.

3. **Contract size**
Each contract corresponds to the share value multiplied by the number of shares to be freely agreed upon between the parties, in observance to the limits defined by BM&FBOVESPA.

4. **Expiration date**
To be freely agreed upon by the parties, in observance of the limits established by BM&FBOVESPA.

5. **Strike price**
As agreed upon by the parties, expressed in Brazilian Reals (BRL) per share, subject to the limits established by BM&FBOVESPA.

6. **Types of barrier prices**
With regard to the activation or cancellation of exercise rights and obligations:
(1) **Knock-in**: Should the underlying spot price, at any time during the life of an option, reach the barrier price agreed upon by the parties, the right to exercise the option by the buyer and the obligation to meet the exercise by the seller shall be activated. The option shall be further differentiated in accordance with the relationship between the underlying spot price and the barrier price on the day the option is written, as follows:
(1.1) **Up-and-in**: The spot price on the day the option is written is below the barrier price;
(1.2) **Down-and-in**: The spot price on the day the option is written is above the barrier price.
(2) **Knock-out**: Should the underlying spot price, at any time during the life of an option, reach the barrier price agreed upon by the parties, the option exercise rights and obligations shall be cancelled. The option shall be further differentiated in accordance with the relationship between the underlying spot price and the barrier price on the day the option is written, as follows:
(2.1) **Up-and-out**: The spot price on the day the option is written is below the barrier price;
(2.2) **Down-and-out**: The spot price on the day the option is written is above the barrier price.

7. **Price floor**
The parties may establish a price limit to an option exercise, which shall be the minimum underlying spot price.

8. **Trading parameters**

8.1 On the transaction

- **BOVA11 (BOV)**
  The price quotation chosen from among the alternatives described in Annex I of these specifications to settle the contract.
- **Contract size**
- **Traded premium**
  Expressed in Brazilian Reals (BRL) per share to two decimal places. Should the parties not report this price, the premium shall be considered to be zero.
- **Strike price**
  Expressed in Brazilian Reals (BRL) per share, to two decimal places.

- **Expiration date**
- **Nature of a transaction**
  C = Long.
  V = Short.
- **Price floor (PB)**
  The minimum underlying spot price, expressed in Brazilian Reals (BRL) per share. Should the parties not report this price, the option shall have no price floor.
- **Barrier prices**
  IU = Knock-in (up-and-in).
  ID = Knock-in (down-and-in).
  OU = Knock-out (up-and-out).
  OD = Knock-out (down-and-out).
  From the list in item 6, the maximum of two types of barrier price combinations shall be permitted. However, combinations involving two knock-in or two knock-out barriers shall not be allowed. In addition, a knock-out barrier shall only be valid if the knock-in barrier has already been activated.
  Should the parties not report any of these prices, the option shall have no barrier price.
- **Premium cash settlement date**
  The parties may establish the premium cash settlement date on any business day between the first business day subsequent to the trade date and the first business day subsequent to the expiration date. Should the parties not report this date, the premium cash settlement date shall be the first business day subsequent to the trade date.
  Also, when the contracts are registered without the guarantee feature, the parties may establish the premium cash settlement date on the trade date itself.
- **Rebate**
  The establishment of a rebate shall be exclusively linked to the choice of knock-in and knock-out barrier prices. Its amount, which must be paid by the writer (option seller) to the holder (option buyer) and which may be expressed in Brazilian Reals (BRL) per share or as a percentage to be applied to the original premium, shall only be established by the parties on the trade date.
  When the contracts are registered with the guarantee feature, the rebate payment shall be made on the first business day subsequent to the option cancellation, or on the first business day subsequent to the expiration date if the option has not been activated.
  When the contracts are registered without the guarantee feature, the parties may establish the rebate payment on the following dates:
  (a) **For a knock-out option**: the option cancellation date or the subsequent business day;
  (b) **For a knock-in option**: the contract expiration date or the subsequent business day.
  Should the parties not report this amount, the option shall be considered without right to a rebate.
- **Transaction code**
- **Exercise type**
  For settlement purposes, the price to be used in the calculation of the exercise value (VL) may be chosen from among the following alternatives:
  (a) **Average price (M)**
  The arithmetic average of the value of BOVA11 calculated during the period defined in subitem "price calculation period for exercise purposes" by the following formula:

$$M = \frac{\sum_{k=1}^{n} BOV_{t-k}}{n}$$

  Where:
  M = the average BOVA11 value for the exercise value (VL) calculation purposes;
  BOV = the BOVA11 price quotation chosen by the parties from among the alternatives described in Annex I;
  n = the number of days considered in the calculation of the average index, which cannot exceed the period between the registration date and the exercise date.
  (b) **Last price (U)**
  The BOVA11 price quotation chosen by the parties from among the alternatives described in Annex I.
- **Price calculation period for exercise purposes**
  This period refers to the number of observations of the underlying BOVA11, prior to an exercise, that shall be used in the calculation of the average value of BOVA11to be utilized in the exercise, if the option has the exercise type defined as the average BOVA11 value.

In order to determine the average BOVA11 to be utilized in the exercise, a number of observations that implies the use of a price quotation observed on any day before the first business day preceding the registration date shall not be accepted.
Should the parties choose the average BOVA11 alternative and not report the number of observations to be used in its calculation, the maximum number of observations shall be considered in this calculation, in accordance with the alternative (T+0 or T–1) described in Annex I and chosen by the parties.
BM&FBOVESPA may establish a maximum number of observations in the calculation of the average index.

- **Option style**
  (a) American (A)
  The exercise shall be requested by the option holder on any business day between the first business day subsequent to the trade date and the first business day preceding the expiration date. On the expiration date, the option shall be automatically exercised by BM&FBOVESPA should the conditions established in item 8.3 be met.
  (b) European (E)
  The option shall be automatically exercised on the expiration date should the conditions established in item 8.3 be met.
- **Guarantee feature**
  C = The settlement of the contract shall be guaranteed by the BM&FBOVESPA settlement system.
  S = The settlement of the contract shall not be guaranteed by the BM&FBOVESPA settlement system.

8.2 On an early settlement

- **Contract number**
- **Portion of the position (Qr) to be early settled**
  Expressed in number of shares. Should the parties not report the portion of the position to be early settled, the early settlement shall cover the total share balance.
- **Premium price for the early settlement**
  Expressed in Brazilian Reals (BRL) per share, in observance of the limits defined by BM&FBOVESPA.
- **Cash settlement date of the early settlement premium**
  The parties may establish the cash settlement date of the early settlement premium on the first business day subsequent to the settlement date. When the contracts are registered without the guarantee feature, the parties may establish the premium cash settlement date on the settlement date.

8.3 On an exercise

An American option may be exercised by its holder before the expiration date by reporting the following:
(a) The contract number to be exercised;
(b) The portion of the position (Qe) to be exercised, expressed in number of shares.
On the expiration date, the exercise shall be automatic on the total position or on its portion that was not early settled, whether the option be American or European.
The automatic exercise to be implemented by BM&FBOVESPA on the expiration date is contingent on the option strike price being above the settlement price and both the inexistence or non-activation of the knock-out barrier price and the inexistence or activation of the knock-in barrier price.

9. Settlement condition on exercise

An exercise shall be cash settled by crediting the settlement value to the holder and debiting it to the writer.
The settlement value shall be calculated by the following formula:

$$VL = (PE - P) \times Qe$$

Where:
VL = the exercise cash settlement value, in Brazilian Reals (BRL);
P = the unit price for settlement, which shall be equal to the average BOVA11 price (M) or to the last price (U), in accordance with the variable alternative specified by the parties. For calculation purposes, P may be PB or BOV, whichever is the greater, where:
PB = the price floor, as defined in item 8.1;
BOV = the BOVA11 price quotation underlying the option, as defined in item 8.1 and chosen from among the alternatives described in Annex I;
PE = the strike price;
Qe = the number of exercised contracts, which can either be the total position or its portion that was not early settled for the purpose of automatic exercise.

Cash settlement shall be made on the first business day subsequent to the day the exercise has been requested.
When the contracts are registered without the guarantee feature, the parties may establish the exercise cash

settlement date on the exercise date itself, if this has been mutually agreed upon on the trade date.
The contracts that are not exercised by the expiration date shall be automatically cancelled by BM&FBOVESPA.

- **Special provisions**
  Early settlement requests, that is, exercises that are requested on any business day preceding the expiration date, shall not be implemented by BM&FBOVESPA should:
  - the BOVA11 not be traded on the early exercise request date and the alternative chosen regarding the unit price for settlement on exercise be the T+0 price (corresponding to the contract's exercise date), as defined in Annex I; or
  - the BOVA11 not be traded on the business day preceding the exercise request date and the alternative chosen regarding the unit price for settlement on exercise be the T-1 price (corresponding to the business day preceding the contract's exercise date), as defined in Annex I.

  In this case, BM&FBOVESPA may at its own discretion:
  (a) Postpone the contract settlement up until the BOVA11 is traded; or
  (b) Cash settle the contract by using an arbitrated price.
  In either case, BM&FBOVESPA may also index the settlement value by arbitrating an opportunity cost from the first business day subsequent to the expiration date to the effective cash settlement date.
  Furthermore, should the negotiation of the BOVA11 be discontinued, BM&FBOVESPA shall terminate the negotiation of this contract and cash settle open positions by using an arbitrated value, at its own discretion. In this case, BM&FBOVESPA shall offer the parties a specified time frame during which they may voluntarily settle the contract between themselves, in accordance with item 10 concerning early settlement conditions.
  BM&FBOVESPA may still, at its own discretion, arbitrate a price to settle this contract if it considers that the published market price quotations are not representative of the actual market price due to the volume of executed transactions.

10. Early settlement conditions

Regardless of the option style (American or European), the parties may early settle their total position or a portion of it by registering an offsetting transaction: The holder resells it to the writer and the writer repurchases it from the holder.
The early settlement value of the transaction shall be debited to the original writer and credited to the original holder, and it shall be cash settled on the day established as the cash settlement date of the premium for the early settlement.
The cash settlement value shall be calculated by the following formula:

$$VLr = Qr \times Pr$$

Where:
VLr = the early cash settlement value, in Brazilian Reals (BRL);
Qr = the number of shares to be early settled, which is subject to the limit established by the parties for the total position or a portion of it;
Pr = the premium price for the early settlement, expressed in Brazilian Reals (BRL) per share, subject to the limits established by BM&FBOVESPA.
The contract settlement implies the automatic anticipation, for the first business day subsequent to the settlement date, of all premiums deferred to dates subsequent to the settlement date.

11. Collateral

Margins shall be calculated pursuant to the methodology defined by BM&FBOVESPA and shall only be required for the contracts registered with the guarantee feature, in which case they shall always be met by the option writer. The option holder shall also pledge collateral, in an amount equivalent to the option premium, whenever the premium cash settlement date is deferred, that is, whenever the contract establishes as the premium cash settlement date a date other than the first business day subsequent to the trade date.
For the contracts registered without the guarantee feature, BM&FBOVESPA's responsibility shall be limited to contract registration, position monitoring, and cash settlement value reporting. Therefore, BM&FBOVESPA is not liable for the settlement of such transactions.

12. Assets eligible to meet margin requirements

Those assets and securities accepted by the BM&FBOVESPA Derivatives Clearinghouse.

13. Trading costs

- **Commission**
  To be freely agreed upon between Intermediary and client.

- **Fees**
  Consist of the Exchange and Registration Fees, which are calculated as per BM&FBOVESPA methodology. Trading costs shall be due on the first business day following the trade date.

14. **Further regulations**
    This contract shall be subject to Annexes I and II and, where applicable, to the legislation in force and to BM&FBOVESPA rules, regulations and procedures, as defined in its Operating Rules and Circular Letters, as well as to 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 significantly affect the formation of the BOVA11 price, the suspension of its negotiation or even imply its discontinuity, BM&FBOVESPA may, at its own discretion, take the measures it deems necessary for the contract's cash settlement or continuity on an equivalent basis.
    The amounts resulting from the premium cash settlement, the early settlement and the exercise shall also be subject to the following criteria:
    (a) Contracts registered with the guarantee feature
    The settlement value shall be included in both parties' financial reports issued by BM&FBOVESPA, and cash settled through its settlement system.
    (b) Contracts registered without the guarantee feature
    The settlement value shall be informed by BM&FBOVESPA, but shall not be included in the financial reports. The settlement value shall be cash settled directly between the parties.

Annex I
BOVA11 Price Quotation Alternatives to Be Traded in the Flexible Put Option on the iShares Ibovespa Index Fund Contract

1. **Definition**
   The iShares Ibovespa Index Fund shares are listed and traded in the spot market (BOVESPA segment) under ticker BOVA11.
   O iShares Ibovespa Index Fund seeks to obtain investment returns that generally correspond to the performance of the BOVESPA Index before taxes and expenses.
   The BOVESPA Index is a market index calculated by BM&BOVESPA that measures the return of an investment in a theoretical portfolio composed of stocks issued by companies that account for over 80% (eighty per cent) of both the number of trades and the financial volume verified in the BM&FBOVESPA spot market (round lot).

2. **BOVA11 (BOV) price quotation alternatives**
   PM = The average BOVA11 price, calculated and published by BM&FBOVESPA at the end of the regular trading hours, which may be verified on T+0 (same day as the exercise date of the contract) or on T–1 (first business day preceding the exercise date).
   PF = The closing BOVA11, corresponding to the last price quotation (closing price), which may be verified on T+0 (same day as the exercise date) or on T–1 (first business day preceding the exercise date).

Annex II
Special Procedures for the Transfer of Positions and/or Compulsory Settlement of the Flexible Put Option on the iShares Ibovespa Index Fund Contract

Pursuant to the provisions set forth in BM&FBOVESPA rules and regulations, a Clearing Member is liable to the Exchange for all the transactions it has been designated to register, beginning with its indication as the Clearing Member up to and including the final settlement of the contract(s), as well as for the collateral required, pledged, or to be replaced. In like manner, Intermediaries shall be liable to the Clearing Member for the trades they execute, beginning with their registration up to and including their final settlement.

Those rules and regulations are thoroughly applicable to the Flexible Put Option on a BOVA11 Contract registered with the guarantee feature. However, due to the fact that this contract has distinctive characteristics, BM&FBOVESPA, whenever it deems necessary, shall adopt specific procedures to solve matters concerning the position of a defaulting client or a client facing illiquidity or insolvency problems, or even extrajudicial liquidation, intervention, bankruptcy or composition with creditors, after the corresponding transaction has been confirmed by the Exchange.

In these cases, BM&FBOVESPA shall allow the positions initiated in the Flexible Call Option on BOVA11 Contract registered with the guarantee feature to be transferred to a third party, even though, as a general rule, this contract is not subject to third-party transfer.

The client position that fits into the situation where the proper settlement of the contract has been hindered may, at the Exchange's discretion and among other measures, be treated as follows:

- The position may be transferred to the proprietary account of the Clearing Member;
- The position may be transferred to the proprietary account of the Intermediary;
- The position may be subject to an auction open to all Intermediaries;
- The position may be early settled at a price arbitrated by the Exchange;
- Depending on the case, the position may be subject to a special procedure, to be determined at the Exchange's discretion.

Under any of the procedures adopted to resolve the problem, should BM&FBOVESPA be obliged to foreclose the collateral of the contracting party that falls into any of the above-mentioned situations, it shall leave the collateral balance, if any, at the disposal of those entitled to it. Should there be an insufficiency of funds, BM&FBOVESPA shall debit the corresponding amount to the account of the Clearing Member, or to the account of the Intermediary should the Clearing Member default.

Note: These provisions shall not be applicable to the contracts registered by both parties without the guarantee feature.