Seven-Year Brazilian Sovereign Credit Default Swap Futures Contract – Specifications –

1. Definitions

Contract (specifications):	The terms and rules under which the transactions shall be executed and settled.
Sovereign CDS:	A sovereign credit default swap based on senior debt bonds issued by the Federative Republic of Brazil.
TP:	The fixed rate expressed in basis points, where each basis point is equivalent to a linear rate at 0.01% per annum based on a 360-day year (calendar days/ 360).
Present fixed rate value (VP):	The present value, on the expiration date of the futures contract, of the fixed rate payments to be made by the buyer to the seller in respect of the protection fee, expressed in United States Dollars. In order to calculate this value, it should be considered that the fixed rate amounts are to be paid in semiannual and successive payments, as defined in item 12. Each payment shall correspond to the period from the effective date to the expiration date of the credit default swap and shall be calculated based on the fixed rate related to the contracted protection value. In order to calculate the daily present value (VP) for the expiration date of the futures contract, the fixed rate payments shall be discounted by the LIBOR rate corresponding to the period to which they apply.
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 US Dollars.
IMM Dates Convention:	The expiration dates, as adopted by the international credit derivatives market, corresponding to the 20th day of each month of March, June, September and December or, when the 20th is not a business day, the first business day subsequent to it.
BM&F reference price:	The theoretical price of a Brazilian sovereign CDS, whose term is referred to in this contract, expressed in United State Dollars, effective as of the expiration date of the futures contract and with semiannual payments related to the protection fee, whose termination/maturity dates follow the IMM Dates convention. The BM&F reference price is calculated by the Exchange and used in the settlement of the contract on the expiration date, as defined in item 13. In order to calculate the BM&F reference price, the following conditions shall be considered: (a) the expiration date of the credit default swap underlying the futures contract occurs on the first date that is equal or subsequent to the date obtained by applying the term of the credit default swap to the expiration date of the futures contract, when the credit swap becomes effective, provided that the expiration date follows the IMM Dates convention; and (b) the scheduled semiannual payment dates shall be determined retroactively, from the expiration date of the credit default swap, so that the last payment shall be made on the same date as the expiration date of the credit default swap and the first payment shall be that which completes the total number of payments, as defined in item 12. Thus, the first payment may refer to a period superior or inferior to six months.
PTAX rate:	The exchange rate of Brazilian Reals (BRL) per US 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.
LIBOR rate:	The interbank interest rate adopted by the international market. For tenors of up to one year, the LIBOR rate published by the British Bankers' Association (BBA) shall be utilized. For tenors above one year, the interest rates adopted by

	the international swaps market shall be utilized, as calculated by the BM&F. For intermediate tenors, the applicable interest rate shall be calculated based on the interpolation criteria suggested by BBA.
Business day:	Any day that is a trading day at BM&F.

2. Underlying asset

Sovereign credit default swap based on senior debt bonds issued by the Federative Republic of Brazil, with a term of seven years and scheduled semiannual fixed rate payments effective as of the expiration date of the futures contract.

3. Price quotation

The fixed rate (TP) expressed in basis points, where each basis point is equivalent to a linear rate at 0.01% per annum based on a 360-day year, as defined in item 1.

4. Minimum price fluctuation

0.001 basis 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 US Dollars (USD100,000.00) of floating rate payment calculation amount.

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 of the contract month.

10. Last trading day

The first business 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 business day 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 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 and including the last trading day by the following formulas:

(a) For the positions initiated on the day

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

(b) For the positions outstanding on the previous day

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

Where:

AD_t = the variation margin value, in Brazilian Reals, corresponding to date "t";

PA_t = the settlement price of date "t" for the corresponding contract month, which shall be the VP calculated from the settlement TP related to date "t" for the corresponding contract month. VP shall be calculated as follows:

$$VP = \sum_{j=1}^{6} \left(\frac{TP}{10,000} \times \frac{CD_j}{360} \times 100,000 \times \frac{1}{1 + \frac{L_j}{100} \times \frac{cd_j}{360}} \times P_j \right)$$

Where:

VP = the present value of the fixed amount;
TP = the fixed rate in basis points, as defined in item 1;
CD_j = the number of calendar days from and including the j-th fixed rate payment date to and excluding the immediately preceding fixed rate payment date. For the first fixed rate payment date, this period corresponds to the number of calendar days from and including the contract expiration date to and including the first CDS fixed rate payment date;
Lj = the LIBOR rate for the period from and including the contract expiration date to and excluding the j-th fixed rate payment date;
cd_j = the number of calendar days for the period from and including the contract expiration date to and excluding the j-th fixed rate payment date;
P_j = the probability that a default shall not occur by the j-th fixed rate payment date, calculated by BM&F;

PO = the traded price, which shall be the VP calculated from the trade quotation as a fixed rate;
TC_t = the PTAX rate corresponding to date "t";
N = the number of contracts;
PA_{t-1} = the settlement price of the previous business day 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.

The amounts 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 and corresponding to the last trading day, BM&F may at its own discretion:

(a) Arbitrate a price to settle the contract; 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 expiration date 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 first day preceding the expiration date, 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 first business day subsequent to the expiration date to the effective cash settlement date.

Finally, BM&F may also, at its own discretion, determine that positions are to be mandatorily closed out should a credit event, as defined by the International Swaps and Derivatives Association (ISDA), occur regarding the Federative Republic of Brazil.

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

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

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.

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.