

Ibovespa Futures Contract – Specifications –

1. Definitions

Contract (specifications): The terms and rules under which the transactions shall be executed and settled.

Ibovespa: The São Paulo Stock Exchange index called Bovespa Index, or Ibovespa.

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, daily calculated and/or arbitrated by BM&F, at its own discretion, for each contract month and expressed in index points.

Settlement Ibovespa (P): The average quotation of the cash Ibovespa, calculated in accordance with the rules and regulations established by the São Paulo Stock Exchange (BOVESPA) during the period it specifies, to be used in the calculation of the settlement value of the Ibovespa Futures Contract.

Business day: The day that is a trading day at BM&F.

2. Underlying asset

The Ibovespa.

3. Price quotation

Index points times the Brazilian Real (R\$) value of each point, as established by BM&F.

4. Minimum price fluctuation

Five index points.

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

The Ibovespa futures times the Brazilian Real value of each point, as established by BM&F.

7. Contract months

All months, as authorized by BM&F.

8. Number of authorized contract months

Even-numbered months. At its own discretion, BM&F may, whenever market conditions thus require, authorize odd-numbered months to be traded.

9. Last trading day

The Wednesday closest to the 15th calendar day of the contract month. Should this day be a holiday or a nontrading day at BM&F, the last trading day shall be on the following business day.

10. 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 11(a).

11. 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

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

(b) For the positions outstanding on the previous day

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

Where:

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

PA_t = the settlement price, in index points, for the corresponding contract month on date "t";

PO = the traded price, in index points;

- M = the Brazilian Real value of each index point, as established by BM&F;
N = the number of contracts;
 PA_{t-1} = the previous day's settlement price, in index points, 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.

12. Settlement conditions on expiration

On the last trading day and after the last settlement price, open positions shall be cash settled by BM&F through the registration of an offsetting transaction (long or short) on the same number of contracts at the settlement Ibovespa published by the São Paulo Stock Exchange.

The cash settlement value per contract shall be calculated in accordance with the following formula:

$$VL = P \times M$$

Where

- VL = the cash settlement value per contract, in Brazilian Reals;
P = the settlement Ibovespa corresponding to the contract settlement date;
M = the Brazilian Real value of each index point, as established by BM&F.

Cash settlement shall be made on the first business day following the last trading day.

• Special provisions

Should for any reason the São Paulo Stock Exchange delay or not publish the settlement Ibovespa, as defined in item 1, corresponding to the last trading day, BM&F may at its own discretion:

- Postpone the contract settlement up until an official publication by BOVESPA; or
- Cash settle the outstanding positions at the last available settlement price; or
- Utilize an arbitrated price to calculate the settlement value should it consider that the last available settlement price is not representative for this purpose.

In any of the above cases, BM&F may also index the settlement value by arbitrating an opportunity cost from the last trading day to the effective cash settlement date.

Regardless of the situations described above, BM&F may, at its own discretion, cash settle open positions based on an arbitrated price at any time, should an event occurs that hinders the price formation or continuity of the contract.

13. Hedgers

Pension funds, insurance companies, mutual equity funds, equity pools, investment funds and other institutional investors.

14. 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.

15. Assets eligible to meet margin requirements

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

16. 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.

17. 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 variable, or even imply its 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.

18. Note

Due to the fact that the São Paulo Stock Exchange updates the theoretical portfolio of the Ibovespa every four months, there may be changes in its composition during the life of a futures contract.