BM&F BRASIL

Mini Live Cattle Futures Contract
– Specifications –

1. **Definitions**

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

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 Brazilian Reals per net arroba.

IBG_t: The Live Cattle Cash Price Index used by BM&F to settle the Real-Denominated Live Cattle Futures Contract corresponding to date *t* and expressed in Brazilian Reals per net arroba.

Settlement price index (PL): The average Live Cattle Cash Price Index used by BM&F to settle the Real-Denominated Live Cattle Futures Contract, calculated on the five business days preceding the last trading day.

Net arroba: The net weight of 15 net kilograms.

2. **Underlying commodity**

Live cattle finished-weight for slaughter.

Type: Male, castrated, well finished (convex carcass) in pasture or under confinement.

Weight: Ranging from the minimum of 450 to the maximum of 550 kilograms, verified on the scale at the delivery point.

Maximum age: 42 months.

3. **Price quotation**

Brazilian Reals per unit of 15 kilograms to two decimal places.

4. **Minimum price fluctuation**

R$0.01 (one cent of a Real) per net arroba.

5. **Maximum daily price fluctuation**

The same rules that apply to the Real-Denominated Live Cattle Futures Contract.
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 the market with a 30 minute-advance notice.

6. **Contract size**

33 net arrobas.

7. **Contract months**

All months, as authorized by BM&F.

8. **Number of authorized contract months**

The same number of contract months authorized for the Real-Denominated Live Cattle Futures Contract.

9. **Last trading day**

The last business day of the contract month.

10. **Business day**

For the purposes of this contract, a trading day at BM&F shall be considered a business day. However, for the purposes of the payment and receipt of amounts, as referred to in items 11, 12, 13, and 16, a day that is not a banking holiday in New York, USA, and is a trading day at BM&F shall be considered a business day.

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 settled based on that day's settlement price, established in accordance with BM&F rules and regulations, and cash settled on the following business day.
The variation margin shall be calculated by the following formulas:

(a) For the positions initiated on the day

$$AD_t = (PA_t - PO) \times 33 \times n$$

(b) For the positions initiated on the previous day

$$AD_t = (PA_t - PA_{t-1}) \times 33 \times n$$

Where:

AD = the variation margin value;
PA_t = the day's settlement price verified in the Real-Denominated Live Cattle Futures Contract for the same month;
PO = the trading price;
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 verified in the Real-Denominated Live Cattle Futures Contract for the same month.

The variation margin value, 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.

The variation margin for open positions shall be calculated up to the last trading day.

13. Settlement conditions on expiration

On the last trading day and after the last settlement price, open positions shall be exclusively 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 settlement price index.

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

$$VL = PL \times 33$$

Where

VL = the cash settlement value per contract;
PL = the settlement price index, as defined in item 1, corresponding to the last trading day of the Real-Denominated Live Cattle Futures Contract for the same month and calculated by the following formula:

$$PL = \frac{\sum_{t=0}^{4} IBG_{V-t}}{5}$$

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

- **Special provisions**

  Should for any reason it not be possible to calculate the settlement price index of the Real-Denominated Live Cattle Futures Contract on the last trading day, BM&F may at its own discretion:

  (a) Utilize the last settlement price available for the Real-Denominated Live Cattle Futures Contract corresponding to the same month; or

  (b) Utilize as settlement price an arbitrated price, should BM&F consider the last available settlement price improper to settle this contract.

14. Margin requirements

Margins 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

Cash and other assets, upon former approval by the Exchange.

16. Trading costs

A fixed value per contract, as established by BM&F.

Trading costs shall be due on the business day following the trading day.

Common Members shall pay no more than 75% of the trading costs.

17. Additional provisions for cash settlement

The following provisions shall apply to the payment and receipt of amounts resulting from day trades, variation margin, settlement by price index, margin deposits in cash, and trading costs:

(i) For nonresidents: The amounts shall be payable and receivable in United States Dollars in New York, USA, through the Settlement Bank appointed by BM&F. The conversion of the respective amounts, as the case may be, shall be made by the BM&F Exchange Rate Benchmark, as described in Annex III of Circular Letter 058/2002-DG, of April 19, 2002, according to the nature of each payment, as follows:

(a) Amounts resulting from day trades: the BM&F Exchange Rate Benchmark verified on the trading day;

(b) Amounts resulting from variation margin: the BM&F Exchange Rate Benchmark verified on the day to which the variation margin refers;

(c) Amount resulting from settlement by price index: the BM&F Exchange Rate Benchmark verified on the last trading day;

(d) Amount resulting from trading costs: the BM&F Exchange Rate Benchmark verified on the trading day.

(ii) For residents: The amounts shall be in Reals, in accordance with the regular procedures of the other BM&F contracts not authorized to be traded by foreign investors, in observance to the provisions of item 10.

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 situations not covered by this contract, 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.