



BM&F BOVESPA

The New Exchange



On-Boarding Reference Guide

**Brazilian Mercantile and Futures Exchange Bovespa
(Bolsa de Mercadorias & Futuros)**

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8/17/11

Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade.

All references to options refer to options on futures.

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1. Introduction

This document provides product overview information and account registration guidelines for CME Group customers currently connected to CME Globex intending to trade Brazilian Mercantile and Futures Exchange/Sao Paulo Stock Exchange (BM&FBOVESPA) products on CME Globex.

1.1 System Architecture

BM&FBOVESPA products will be listed and traded similar to any CME Globex listed contracts, with the necessary changes indicated in this document. BM&FBOVESPA trades will not be part of standard CME Group Clearing.

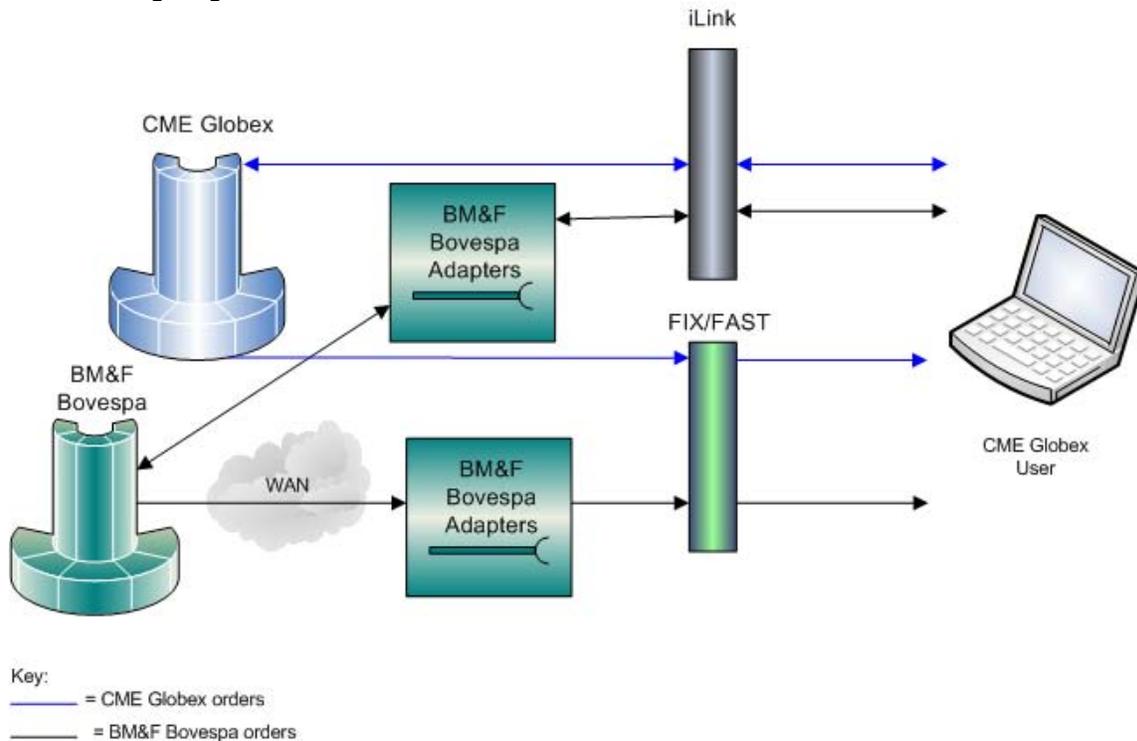
To make the order routing system viable, BM&FBOVESPA and CME Group established a high speed and high capacity international connection between their respective data processing centers. By means of this connection, the BM&FBOVESPA order book, market states, and all other market data will be transmitted in real time to CME Globex users. In addition, the buy and sell orders as well as order entry messages for BM&FBOVESPA contracts on the CME Globex platform will be automatically routed to the BM&FBOVESPA system for matching purposes.

Regardless of BM&FBOVESPA contracts being traded and/or routed by the CME Globex platform, they will be settled by the BM&F Derivatives Clearinghouse in a process identical to that which normally occurs. This process includes all items related to the settlement chain of responsibilities, since all clients who trade BM&FBOVESPA contracts on the CME Globex platform must be registered with a Brazilian brokerage house.

When a CME Group user sends an order for a BM&FBOVESPA product, the following series of events occurs:

1. CME Group distributes BM&FBOVESPA instrument definitions via market data channels.
2. A CME Globex user submits an order through CME Globex.
3. CME Globex/iLink translates and routes the incoming order for BM&FBOVESPA to the BM&FBOVESPA FIX gateway.
4. BM&FBOVESPA identifies the submitter and performs a pre-execution credit check based on parameters established by the BM&FBOVESPA broker prior to submitting the order to the trading host. This step applies only if the BM&FBOVESPA broker uses the BM&FBOVESPA credit check tool.
5. The BM&FBOVESPA trading host sends an order submission confirmation and any applicable match information back to CME Globex.
6. CME Globex/iLink translates and routes the order confirmation and applicable match information back to the customer.
7. All trades on BM&FBOVESPA products are cleared by the BM&FBOVESPA Derivatives Clearinghouse.

The following diagram illustrates the order flow:



1.2 Market Access and Account Registration

Non-Brazil domiciled CME Group customers wishing to trade BM&FBOVESPA products must have all of the appropriate agreements and accounts established to be authorized to trade. Customers must comply with the registration procedures for non-resident investors set forth by the Brazilian Monetary Council (CMN) Resolutions 2689 and/or 2687 and must meet the registration requirements established by the Brazilian Securities and Exchange Commission (CVM).

1.2.1. 2689 Account Registration

2689 account registration allows access of non-resident investors to the Brazilian market for securities transactions (fixed income, equities, derivatives ...etc). The registration procedures involved for non-resident investors choosing to register under Resolution 2689 include:

- Choosing a local legal representative and custodian.
- Registering of accounts per CMN resolutions.
- Entering into an intermediation agreement with a BM&FBOVESPA brokerage house.

The process for investors who choose to register under Resolution 2689 is as follows:

1. Choose a legal representative in Brazil. Several organizations, including Banco BM&F, act as legal representatives for non-resident investors, also providing account registration, local settlement, local custody, and reconciliation services.
2. Choose a BM&FBOVESPA broker. To trade BM&FBOVESPA products, you must open an account with a BM&FBOVESPA broker who is responsible for the settlement of all transactions with a BM&FBOVESPA clearing member and BM&FBOVESPA Derivatives Clearinghouse. A list of BM&FBOVESPA brokers is available on the [BM&FBOVESPA website](#).

3. For non-resident investor account registration established in Resolution 2689, be aware of the following:
 - The Brazilian law allows utilization of an omnibus account composed of a holder and one or more “passengers”.
 - Initial registration of an omnibus account may take a few weeks; however, the addition of new passengers may be done in 24 hours and is a quick, efficient alternative to accessing local markets.
4. Begin trading BM&FBOVESPA products on CME Globex.

1.2.2. 2687 Account Registration

2687 account registration allows access of nonresident investors to the Brazilian exchange-traded agricultural derivatives markets. Under this account type, non-resident investors entering local markets need only to open an account with a BM&F brokerage house to meet the established registration requirements. In this case, unlike CMN Resolution 2689, there is no requirement to register an account with CVM or to contact a local representative.

The process for investors who choose to register under Resolution 2687 is as follows:

1. Choose a BM&FBOVESPA broker. To trade BM&FBOVESPA products, you must open an account with a BM&FBOVESPA broker who is responsible for the settlement of all transactions with a BM&FBOVESPA clearing member and BM&FBOVESPA Derivatives Clearinghouse. A list of BM&FBOVESPA brokers is available on the [BM&FBOVESPA website](#).
2. For non-resident investor account registration established in CMN Resolution 2687, be aware of the following:
 - Settlement of trades can be done directly in US Dollars through a BM&F account at Citibank, New York branch.
 - Pledging of collateral can also be done in US Dollars or US government bonds through a BM&F custody account at Citibank, New York branch.
3. Begin trading BM&FBOVESPA products on CME Globex.

1.2.3. Account Mapping

After the investor completes the 2687 and/or 2689 account registration, BM&FBOVESPA needs to correctly identify orders routed through CME Globex. The Brazilian broker who is responsible for a foreign client must link, in the BM&FBOVESPA participant registration system, the client’s CME Globex account code to its account number in the BM&F Derivatives Clearinghouse. Once this link is established, BM&FBOVESPA will be able to automatically identify the holders of orders that are routed through CME Globex, as well as the brokerage house responsible for the orders.

1.3 Client System Impacts

Customers developing applications to trade BM&FBOVESPA products on the CME Globex platform must be aware of the functional impacts. For more information about this functionality, refer to [2. Products and Product-Specific Functionality](#).

BM&FBOVESPA has different messaging rules than CME Group, so the presence of undefined tags in New Order, Cancel, or Cancel/Replace messages may result in a message reject from the BM&FBOVESPA trading host.

New CME Group customers who would like to trade BM&FBOVESPA products must ensure system compliance for:

- Connectivity
- CME iLink certification
- CME MDP FIX/FAST certification
- BM&FBOVESPA test suites

Contact your Globex Account Manager (GAM) representative for assistance in ensuring system compliance. Refer to [3. Testing and Certification](#) for more information about the testing and certification process.

2. Products and Product-Specific Functionality

This section provides an overview of BM&FBOVESPA futures and options products and product-specific functionality that will not be available on CME Globex. BM&FBOVESPA products are **NOT** eligible for the following functions:

- Cancel on Disconnect (COD)
- Mass Quotes
- User Defined Spreads (UDS)
- Request for Cross (RFC)
- Request for Quote (RFQ)
- Privately Negotiated Trades (PNT)
- Spreads (prelisted multi-leg strategies) – for any listed contract that represents multiple instruments, instrument details will not be disseminated.
- Implied Trading
- Good Till Date (GTD) orders
- Good Till Cancel (GTC) orders

BM&FBOVESPA trades are not included in CME Group fees and will not be in CME Group Front End Clearing.

Note: BM&FBOVESPA's current model supports the receipt of give-ups, allowing for an automatic give-up when the trade is closed, but the executing broker at BM&FBOVESPA must pre-configure this in the Account Mapping system.

For further information on these functionalities, refer to the applicable section of the [iLink SDK](#) or [Market Data Format FIX/FAST SDK](#).

Customers can trade BM&FBOVESPA products during BM&FBOVESPA [trading hours](#), including the 4:00-4:30pm maintenance period.

2.1 BM&FBOVESPA Futures and Options Products

Refer to the BM&FBOVESPA [Agricultural Commodities](#) or [Financial Contracts](#) site for information about specific BM&FBOVESPA products, such as gold, indices, interest rates, exchange rates, sovereign debt instruments, swaps, flexible options, and agricultural commodities. Also view [Authorized Months and Series](#).

3. Testing and Certification

Please ensure that your ISV or proprietary front-end trading system is certified to iLink, MDP FIX/FAST, and complete BM&FBOVESPA specific tests before trading BM&FBOVESPA products. BM&FBOVESPA is available for testing and certification in the New Release environment. Proprietary front-end trading systems or ISVs not already connected to the New Release environment will require a new iLink ID to connect as described below. You must complete mandatory tests for both a longer group code and the initial security definition that may contain fields without values.

You must contact your Globex Account Manager (GAM) representative to obtain AutoCert/AutoCert+ login IDs and passwords:

312.634.8700 (Chicago)
00-44-20-7796-7100 (London)
00-852-3101-7696 (Asia)

To access the list of trading hours for BM&FBOVESPA products in the certification environment, please contact the Customer Support for Electronic Trading (CSET) group at CSET@cmegroup.com.

To facilitate the process of connecting third-party trading applications to the CME Globex platform, CME Group provides customers with dedicated testing and certification environments. The environments are consigned to the development needs of CME Globex electronic trading customers.

The New Release environment reflects the next functional release to support customer development and certification efforts for new functionality. New functionality will normally be released in the New Release environment 6 to 8 weeks prior to the production launch. Customers use the New Release environment for:

- Development testing on new CME Globex functionality
- Certification testing on new CME Globex functionality
- Performance testing in future production state.

The Certification environment mirrors the CME Globex production environment, including functionality and messaging. Customers use the Certification environment for:

- Development testing on current production CME Globex functionality
- Certification testing on current production CME Globex functionality
- Performance testing in production state.

Both environments are similar in size and scale to the CME Globex production environment, support straight-through processing from CME Globex to Clearing, and are connected to clearing test environments so customers can test front-end and back-end systems simultaneously.

Certifying to iLink involves testing in the AutoCert application. For complete instructions on this process, refer to <http://www.cmegroup.com/globex/files/SDKiLinkAutoCertGuide.pdf>.

Certifying to MDP FIX/FAST involves testing in the AutoCert+ application. For complete instructions on this process, refer to section 1.6 of the Certification Overview document: <http://www.cmegroup.com/globex/files/CertificationOverview.pdf>.

All proprietary front-end trading systems must pass specific tests for BM&FBOVESPA Certification, which are available on Autocert+ as well. Refer to the AutoCert+ Access guide for more information:

<http://www.cmegroup.com/globex/files/AutoCertPlusAccessGuide.pdf>

AutoCert+ [online help](#) is also available.

Complete information about certification and testing on CME Globex is available online at <http://www.cmegroup.com/cert>. The complete testing and certification documentation set can be found at <http://www.cmegroup.com/globexsdk>.

Customer Support for Electronic Trading (CSET)

Customers developing CME Globex order entry and market data applications receive development support from the CSET group.

CSET is available 24 hours a day Monday through Friday at 312-930-2322 or CSET@cmegroup.com.

4. Supported CME Globex User Interface Applications

The FirmSoft application is available from CME Group for customers with specific business needs. FirmSoft is a browser-based order management tool that provides real-time visibility into working and filled orders, across multiple firm IDs, in the CME Globex Order Management database. For complete details regarding the FirmSoft tool please see <http://www.cmegroup.com/firmssoft>.

5. BM&FBOVESPA Resources

Daylight Savings Time (DST), alteration of trading hours, and holidays may affect products traded at BM&FBOVESPA. The Globex Control Center (GCC) will notify customers of any changes in the regular trading schedule and times.

Please note BM&FBOVESPA [holidays](#) and CME Group [holidays](#).

BM&FBOVESPA and CME Group are located in different time zones. When trading BM&FBOVESPA products, realize that the time difference between Sao Paulo and Chicago can be anywhere from 2 hours to 4 hours, depending on each country's daylight savings time schedule.

6. Revision History

Version	Date	Author	Description
1.0	8/28/09	NU	Initial release of document.
1.1	8/18/11	NU	Updated hyperlinks and added disclaimer page.