

MANAGEMENT REPORT

Dear Shareholders,

BM&FBOVESPA SA hereby submits for your review the Management Report related to the activities developed by the company during the first semester of 2008, including the independent auditors' review report. The quarterly financial statements were prepared in accordance with the Brazilian Securities and Exchange Commission (CVM) regulations.

On May 8, 2008, the BM&F S.A. and the common shares issued by Bovespa Holding S.A. were incorporated into BM&FBOVESPA S.A., which initiated the integration process between the two companies.

After the articles of incorporation were adopted on May 8, 2008, the Bovespa Holding S.A shares and the BM&F S.A shares continued to be traded separately under tickers BOVH3 and BMEF3, respectively. The BM&FBOVESPA S.A. shares will be traded after the exchange of the BOVH3's share by 1.42485643 BM&FBOVESPA's share and the BMEF3's share by one BM&FBOVESPA's share.

The following products and services are offered by the company:

- Derivatives based on financial instruments, foreign currencies, commodities and equities, involving both standardized and nonstandardized products, and traded on electronic and open outcry systems;
- Equities traded electronically through a proprietary network and the Internet;
- Spot US Dollar traded on electronic and open outcry systems;
- Government and company-issued fixed-income securities traded electronically;
- A clearing system which includes systemically important clearinghouses, namely the Derivatives Clearinghouse, the Equities Clearinghouse, the Foreign Exchange Clearinghouse and the Securities Clearinghouse;
- A Settlement Bank which acts in the trade settlement chain to mitigate the credit risk between market participants.

In addition, the company provides the financial community with registration services for carbon credit projects and clean development mechanisms, educational activities, cultural and social activities, and support to sports.

In light of macroeconomic dynamics and Latin American market growth, the new organization will be greatly enabled to operate and strengthen Brazil's position as a center of excellence for equities and derivatives trading in Latin America. In fact, by combining the experience and knowledge of the teams from Bovespa Holding S.A. and BM&F S.A., the new company will be able to count on resources and economies of scale to efficiently design and trade new products on the capital

markets, develop new data services, and provide a larger audience with integrated settlement solutions at an international level.

1. ECONOMIC OUTLOOK

The first semester of 2008 was marked by the continuation of the crisis derived from the US mortgage credit market, the rise in oil and commodity prices, the uncertainties related to the growth of the US economy, and the fears of resurgence of worldwide inflation.

Brazil was also affected by this scenario, particularly in respect to the increased levels of the expected inflation, which caused the Monetary Policy Committee to approve successive hikes in the primary interest rate, which reached the level of 12.25% per annum at the end of June 2008.

The BM&FBOVESPA S.A. trading volumes have also been affected by these uncertainties. In respect to derivatives trading, the average daily trading volume decreased by 1.7% for a number of reasons, such as the decision made by financial institutions to lower their degree of leverage and risk exposure, the reduction in the positions held by multi-market funds, and the decreased appetite for risk on the part of foreign investors, among others.

The stock market was also affected by the crisis and the rise in the interest rates which in general deepened investors' aversion to risk, causing a sharp fall in stock prices, which adversely impacted the financial trading volume and reduced the number of initial public offerings (IPO).

Nonetheless, the macroeconomic data available for the first half of 2008 has shown positive aspects, demonstrating that the Brazilian economy is less vulnerable today than it was in the past, as can be seen from the following highlights:

- The 5.84% GDP growth in 1Q2008 as compared to the same period in 2007 (source: Brazilian Institute of Geography and Statistics, or IBGE);
- The reduction in the average open unemployment rate for the major metropolitan regions in the last few months, dropped from 8.6% in March and 8.5% in April to 7.9% in May. It should be noted that in June 2007 this same rate stood at 9.7% (source: IBGE);
- The central government's primary results showed a surplus equal to 4.4% of GDP for the year by the end of June 2008, higher than the surplus registered in 2007, which was 3.5% of GDP (source: National Treasury Secretariat);
- The growth in credit transactions, which reached BRL763 billion (36.5% of GDP) in June 2008, which represented a 37% growth in monetary terms over June 2007, when it reached BRL557 billion, or 32% of GDP (source: Central Bank of Brazil, or BCB);

- The granting of the investment grade rating by the credit risk agencies Standard & Poor's in April and Fitch Ratings in May;
- The total amount of international reserves, which reached USD200.8 billion at the end of the semester (source: BCB);
- The 10.18% appreciation in the Brazilian Real against the US Dollar in the period, with the exchange rate declining from BRL1.77 to BRL1.59 per US dollar (source: BCB); and
- The direct foreign investments in Brazil which totaled nearly USD14 billion in the first half of 2008 (source: BCB).

2. HIGHLIGHTS OF THE SEMESTER

Integration Process

On March 26, 2008, BM&F S.A. and Bovespa Holding S.A. announced that a proposal would be submitted to their respective shareholders' meetings for the approval of their integration.

On May 8, 2008, the Shareholders' Extraordinary General Meeting approved their integration under the proposed terms. As a result the shareholders of BM&F S.A. and Bovespa Holding S.A. received common shares of the new company, BM&FBOVESPA S.A., in the proportion of 50% for each company. Additionally, as the number of shares issued by one company differed from the number of shares issued by the other company, each BM&F S.A. share was deemed equal to one BM&FBOVESPA S.A. and each Bovespa Holding S.A. share was deemed equal to 1.42485643 BM&FBOVESPA S.A. shares.

Also, in order to equalize the difference in the value of the two companies, Bovespa Holding S.A. shareholders received 0.1 redeemable preferred share for each Bovespa Holding S.A. share. The total redemption value of the preferred shares was BRL1.24 billion, which was paid on June 13, 2008.

The Boards of Directors of Bovespa Holding S.A. and BM&F S.A. constituted a transition committee which consisted of the Chairmen and Chief Executive Officers of each company. This committee was responsible for recommending the new Chairperson and Chief Executive Officer of BM&FBOVESPA S.A. within 60 days initiated on May 8.

On May 20, 2008, Messrs. Gilberto Mifano and Edemir Pinto were recommended as Chairmen and Chief Executive Officer of BM&FBOVESPA S.A., respectively. On June 18, 2008, the Board of Directors approved the company's executive officers and on July 2 a full organizational chart was published including the other BM&FBOVESPA S.A. officers.

The integration process promises substantial synergy gains, with cost reductions in 2008, in 2009 and in 2010.

CME Group Agreement

On February 26, 2008, BM&F SA shareholders gathered at an extraordinary meeting approved the agreement signed between BM&F SA and the CME Group,

which controls two of the major US derivatives exchanges: The Chicago Mercantile Exchange and the Chicago Board of Trade.

Under the agreement, BM&F S.A. and the CME Group will work together to develop the derivatives market and establish a partnership relation with the purpose of enhancing their respective services and products.

The highlights of the agreement are the order routing arrangement and the memorandum of understanding, whose purpose is to assess new business opportunities arising from their commercial relationship, which include the participation of BM&F S.A. the provision of off-shore collateral management services by the CME Group to BM&F S.A., as well as the development and trading of new products on their respective markets.

As a consequence, BM&F S.A. became the holder of a 2.18% stake in the CME Group, and the CME Group became the holder a 10% stake in BM&F S.A. As a result the capital stock of BM&F S.A. was increased to BRL1,010,785,800.00, divided into 1,010,785,800 common shares.

In addition, the composition of the BM&F S.A. Board of Directors was altered in accordance with provisions set forth by the *Novo Mercado* regulations and Instruction CVM No. 461, of October 23, 2007, in order to consist of 11 members, with the nomination and election of Messrs. Craig S. Donohue and Marcelo Fernandez Trindade.

Under the CME agreement, Mr. Donohue, who is the Chief Executive Officer of the CME Group, became a BM&F S.A. Director, and was subsequently given a seat on the BM&FBOVESPA S.A. Board of Directors.

3. SHAREHOLDER REMUNERATION

On March 25, 2008, the Bovespa Holding's Board of Directors decided to pay interest on shareholders' equity in the total amount of BRL20,539,417.12, equivalent to BRL0.020320247 per share, with an effective payment in the amount of BRL0.017272210 per share net of the 15% income tax rate withheld at source, except for legal entities that were exempt from said tax. It was further decided that the interest on shareholders' equity would be attributed to the mandatory dividends and that the corresponding payment would be based on the shareholders' position on March 28, 2008.

On March 28, 2008, the BM&F's Annual Shareholders' Meeting decided to declare the 2007 dividends in the total amount of BRL3,695,799.26, equivalent to BRL0.003656362 per share. The corresponding payment was based on the shareholders' position on that same date. Payment of this dividend as well as of interest on shareholders' equity was made on April 15, 2008.

4. MARKET DEVELOPMENT

New Electronic Trading Platform

In May of 2008, BM&FBOVESPA S.A successfully concluded the development of the new version of the electronic trading platform Global Trading System (GTS), thus accomplishing migration of the entire range of derivatives instruments to the new platform.

The new GTS was designed to be a robust and efficient system which could provide flexibility and a high connectivity level between the Exchange and its several participants, with the purpose of facilitating:

- The access of the various market participants to the electronic trading environment, in order to expand the power of distribution and the degree of capillarity for the products offered by BM&FBOVESPA S.A.; and
- The integration between the systems offered by the Exchange and brokerage houses and those offered by independent software vendors (ISVs) for electronic trading.

In view of these purposes, the new GTS was developed based on the FIX (Financial Information Exchange) Protocol, version 4.4. As an open communication protocol, FIX is currently the worldwide standard for electronic communication in the international financial markets, particularly in respect to the development of trading and order routing systems.

With the completion of this project, the Brazilian Exchange will be able to distribute all of its products abroad, and in a short period of time, through the world's largest trading network for derivatives trading. The Globex platform reaches more than 100,000 terminals located in over 80 countries, while the GTS reaches approximately 700 terminals.

Side-by-Side Trading

In continuation to the introduction of simultaneous trading for all its products on the floor and electronically, BM&FBOVESPA S.A. announced that the June and August 2008 maturities of the Ibovespa futures contract would be traded side-by-side as of April 17, 2008.

In like manner it announced for July 1, 2008, the introduction of side-by-side trading for the August and September 2008 maturities of the US Dollar futures.

With this implementation, three important company products trade side-by-side, as this trading mode was introduced for the Interbank Deposit (ID) futures contract in 2007.

Metals Forwards and Flexible Options

On May 30, 2008, BM&FBOVESPA S.A. introduced forward and flexible call and put options based on the following metals:

- Aluminum;
- Lead;
- Copper;
- Tin;
- Nickel; and

- Zinc.

With these products BM&FBOVESPA S.A. intends to provide companies with modern and efficient hedging instruments, in order to reduce their costs in the domestic market and create a fair and transparent local benchmark, thereby enhancing competitiveness of the national companies and strengthening the Brazilian metal market.

Brazilian Sovereign Credit Default Swap Futures Contracts

On March 28, 2008, BM&FBOVESPA S.A. launched CDS futures contracts based on senior debt bonds issued by the Federative Republic of Brazil expiring in three, five and seven years for trading on the GTS system. The first authorized maturity is January 2009.

Inflation Hedge

On June 26, 2008, BM&FBOVESPA S.A. announced the creation of two new products to trade inflation which were introduced to the market during the seminar *Inflation Derivatives: Opportunities and Prospects*. On August 8, 2008, forward rate agreements based on the IPCA and the IGP-M indices were added to the inflation complex offered by the Exchange which included five other instruments: IGP-M and IPCA futures, IDxIPCA spread futures, IDxIGP-M spread futures and FRA.

The two new products represent structured transactions which will involve lower costs than the existing products. Among the advantages of trading the new products are increased transparency and the possibility of closing positions with any counterparty thereby creating liquidity.

5. OPERATING PERFORMANCE

These operational data refer to the former BM&F and former Bovespa Holding.

Average daily trading volume on the derivatives markets managed by the company (see table below) reached 1,760,468 contracts by June 30, 2008, 1.7% lower than the volume of contracts traded in the first half of 2007.

The trading volume in the first six months of the year amounted to 214.8 million contracts, 2.5% lower than the volume of contracts traded in same period of 2007, when it reached 220.4 million contracts.

The Interbank Deposit (ID) futures traded 98.0 million contracts, 19% less than in the first semester of 2007; the US Dollar futures traded 46.1 million contracts, 15% more than in 2007; and the Ibovespa futures traded 10.1 million contracts, 23% less than in 2007.

The Exchange's agricultural commodity derivatives markets—including futures, options and ex-pit transactions—involved 1.7 million contracts in comparison to the 862,403 in the first six months of 2007, marking a 92.7% growth in the period. In turn the OTC derivatives trading volume grew by 32.5%.

TRADING VOLUME (number of contracts)					
	1H2008	Daily Average	1H2007	Daily Average	Variation (%)
Gold	158,365	1,298	52,329	425	202.6%
Indices	10,997,097	90,140	13,750,869	111,796	-20.0%
Interest rates	126,111,665	1,033,702	142,233,222	1,156,368	-11.3%
Exchange rates	69,213,012	567,320	53,382,230	434,002	29.7%
Sovereign debt securities	132,868	1,089	65,204	530	103.8%
Agricultural commodities	1,661,467	13,599	862,403	7,011	92.7%
OTC markets	1,717,894	14,081	1,296,727	10,542	32.5%
Mini contracts (WTr system)	4,784,676	39,219	8,727,151	70,952	-45.2%
Total	214,777,044	1,760,468	220,370,135	1,791,627	-2.5%

The markets for equities and their derivatives—excluding Ibovespa futures—and for fixed-income securities (see table below) ended June 30, 2008, with a financial value of BRL758.5 billion and an average daily volume of BRL6.2 billion, including exchange-traded and OTC markets. These figures represent a 53.6% growth over the same period of 2007. The number of trades amounted to 26.6 million, a 70.3% growth in comparison with the first six months of 2007.

On June 30, 2008, the Ibovespa, our primary stock market index, reached the mark of 65,017 points, 19.5% higher than the previous mark of 54,392 points at the end of the first semester of 2007.

FINANCIAL VALUE TRADED (BRL million)					
	1H2008	Daily Average	1H2007	Daily Average	Variation (%)
Cash stock market	705,218	5,780	459,915	3,739	53.3
Forward stock market	28,419	233	15,157	123	87.5
Options market (equities/indices)	24,050	197	18,365	149	31.0
Fixed-income and other securities	863	7	428	3	101.6
Total	758,550	6,218	493,866	4,015	53.6

NUMBER OF TRADES (thousands)					
	1H2008	Daily Average	1H2007	Daily Average	Variation (%)
Cash stocks market	20,745.8	170.0	11,295.8	91.8	83.7
Forward stocks market	354.7	2.9	179.2	1.5	97.9
Options market (equities/indices)	5,507.0	45.1	4,146.5	33.7	32.8
Fixed-income and other securities	1,1	-	-	-	-
Total	26,608.6	218.1	15,622.0	127.0	70.3

As of June 30, 2008, 446 companies were listed on the stock exchange, representing a market capitalization of BRL2,405.7 billion, up 6.4% over the total number of listed companies and 22.1% over market capitalization as compared to June 30, 2007.

In the first half of 2008, four new companies started trading on the stock exchange, with total proceeds of BRL7.5 billion in comparison to BRL19 billion in the same semester of 2007. Additionally, the seven follow-on offerings conducted by issuers listed to trade securities on the stock exchange reached total proceeds of BRL7.3 billion, when compared to the five offerings of securities in the first semester of 2007, with total proceeds of BRL6.1 billion.

Based on the average market capitalization—or BRL2,391.9 billion as of June 30, 2008, over BRL1,703.6 billion as of June 30, 2007—the turnover velocities in the cash market were 60.2% and 53.8%, respectively.

The table below shows the number of listed companies, the corresponding market capitalization, and the correlation between market capitalization and GDP (taken as a measure of the degree to which the capital market influences the Brazilian economy) as of June 30, 2008 and 2007, respectively. This table also displays the number and total proceeds of IPOs and follow-on offerings of securities by issuers previously listed on the stock exchange.

	1H2008	1H2007	Variation (%)
Number of listed companies	446	419	6,4
Market capitalization (BRL billion) ¹	2.405,7	1.970,8	22,1
Trailing 12-month GDP (BRL billion) ²	2.683,8	2.453,5	9,7
Market capitalization/GDP	89,6%	80,3%	9,3
Number of IPOs (shares and Brazilian Depositary Receipts)	4	30	-86,7
Total proceeds from IPOs (BRL billion)	7,5	19,4	-61,3

Number of follow-on and other offerings by previously listed companies (shares and Brazilian depository receipts)	7	5	40,0
Total proceeds from follow-on and other offerings (BRL billion)	7,3	6,1	19,7

¹ As of June 30, 2008 and 2007.

² Current prices in the last 12 months, pursuant to IBGE's *Brazilian Quarterly Accounts System* and estimates for the 1H2008 based on BCB's *Focus Report*.

Foreign Investment

The positive inflow of foreign investment into the Brazilian stock market during the first semester of 2008 amounted to BRL5,286,493,369.30, which is the net balance between the IPO purchases made by foreign investors in the amount of BRL11,943,324,897.30 and the outflow of direct investments from the São Paulo Stock Exchange (BVSP) in the amount of BRL6,656,831,528.00.

Novo Mercado Segment

The *Novo Mercado* segment ended June 30, 2008, with 101 listed companies. By considering the special governance levels (Level 2 and Level 1), the total number reached 163 listed companies, or 57.8% of the total market value of the companies listed on the Exchange, accounting for 66.3% of the financial value and 71.9% of the number of trades.

It is important to highlight that the first half of 2008 was marked by the listing of the 100th company on the *Novo Mercado* segment. The 100th company, OGX, was also responsible for the largest IPO ever in the country, with total proceeds of BRL6.7 billion.

Home Broker

The financial value traded on the Home Broker system during the semester reached BRL166.6 billion, increasing 150.8% over the same period last year, when it totaled BRL66.4 billion. The number of trades grew by 107.7%, going from 7.7 million in the first six months of 2007 to almost 16 million in the first six months of 2008.

The average participation of the Home Broker system in BVSP's financial value reached 11.8%, in comparison with 7.8% in the first semester of 2007. The number of trades in this segment was responsible for a 30.5% share, compared with a 25.7% share in the same period of 2007.

Investor Accounts

The number of investor accounts at the end of June 2008 reached 539,756 accounts in comparison to 271,365 in June of 2007.

6. ECONOMIC AND FINANCIAL PERFORMANCE

Net Income

During the first semester of 2008, BM&FBOVESPA SA posted a net income of BRL356.8 million. It should be noted that nonrecurring expenses reached BRL89.8 million, relating mainly to the integration process between BM&F S.A. and Bovespa Holding S.A. and the advertisement campaigns for the seals of qualification under the Operational Qualification Program (PQO), BM&F S.A., New Exchange, and the investment grade rating.

During this period, in addition to the reduction in income tax and social contribution, amounting to BRL27.6 million, the expenses related to the proportional amortization of goodwill resulting from the incorporation of the Bovespa Holding S.A. shares, in the amount of BRL81.1 million, were also apportioned to income.

The operating margin was 55.3% and the EBITDA margin was 57.2%.

Revenues and Expenses

The consolidated gross revenue reached BRL921.2 million, a growth to which the trading and/or settlement systems contributed with BRL896.1 million. Other operating revenues, which included market data revenues, in the amount of BRL20.6 million, generated BRL25.1 million, or 3% of the total .

Revenues were subject to overall taxes of BRL94.3 million, or 11.4%.

The consolidated operating expenses totaled BRL369.7 million. Personnel and data processing expenses accounted respectively for BRL114.7 million and BRL77 million.

Nonoperating income

BM&FBOVESPA SA showed a positive consolidated nonoperating income of BRL10.8 million.

Assets

In the first semester of 2008, the BM&FBOVESPA S.A. total assets in the consolidated balance sheet reached BRL21,297.7 million, with 14.2% related to cash and financial investments. Permanent assets totaled BRL17,870.0 million, with BRL1,317.3 million in investments, BRL235.6 million in fixed assets, BRL16,303.8 million in intangible assets, and BRL13.2 million in deferred charges, all of which represented respectively 6.2%, 1.1%, 76.6% and 0.1% of the total.

By virtue of the 2.18% equity interest BM&FBOVESPA S.A. acquired in the CME Group, which was implemented through the merger of the Brazilian subsidiary of the CME Group, a goodwill of BRL1,175.1 million was generated, which was recorded by an entry in the investments account, against an opposite entry in the capital reserve account under shareholders' equity.

Liabilities

In the total liabilities account, 7.1% were represented by current liabilities, which amounted to BRL1,517.4 million. This value basically referred to cash collateral

posted by customers (BRL536.1 million), to provision for taxes and contributions payable (BRL188.4 million) and to the cash borrowed from banks (BRL502.7 million).

Long-term liabilities, which basically referred to provisions for contingencies, totaled BRL111.8 million, or 0.5% of the total liabilities. From the total provisions for contingencies, the amount of BRL70.8 million referred to provisions for the Rio de Janeiro Exchange (BVRJ) contingencies.

Shareholders' Equity

On June 30, 2008, shareholders' equity totaled BRL19.654.6 million. This amount included the capital of BRL2,537.0 million (11.9%), the capital reserve of BRL16,351.0 million (76.8%), the revaluation reserve of BRL24.4 million (0.1%), the bylaws reserves of BRL401.4 million (1.9%), the legal reserve of BRL3.5 million (0.01%) and the profit of BRL 308.7 million (1.5%).

7. SUBSIDIARIES

Rio de Janeiro Stock Exchange

Concerning the memorandum of understanding signed among BM&F S.A., BVRJ and the Rio de Janeiro State Government, aiming at suggesting alternatives for the strengthening of Rio's financial sector, a definitive agreement is scheduled to be implemented, thus consolidating all the work previously done. In addition to the structure of the Exporters Call Center, it will include the development of a set of environmental projects.

Brazilian Commodities Exchange

In order to increase the volume of transactions with agribusiness securities at the Brazilian Commodities Exchange, BM&FBOVESPA S.A. consistently invests in the Registration System for Agribusiness Securities Custody (SRCA), by means of enhancements and operational improvements.

In turn, the Brazilian Commodities Exchange takes many actions to increase the volume of SRCA transactions, both in the primary and secondary markets, and it has stimulated participation of companies and financial institutions in trades structured with agribusiness securities, such as Rural Product Note (CPR), Agribusiness Credit Rights Certificate (CDCA) and Agribusiness Letter of Credit (LCA). The increase in the market for these securities favors the growth in the agricultural derivatives trading volume for BM&FBOVESPA S.A.

Settlement Bank

With the purpose of responding to the needs of its clients and to the specific requirements of its markets, BM&FBOVESPA S.A. provides the holders of access rights and its Clearinghouses, through its wholly-owned subsidiary *Banco BM&F de Serviços de Liquidação e Custódia S.A.*, with a centralized custody service for the assets pledged as collateral for transactions.

BM&F USA Inc.

BM&F USA Inc., a wholly-owned subsidiary located in the city of New York (USA), also with a representative office in Shanghai (China), represents BM&FBOVESPA S.A. abroad through relationships with other exchanges and regulatory agents, and assists in the procurement of new clients.

Bovespa Holding

The main activity of Bovespa Holding S.A. is to invest in companies operating in trading, settlement, custody and trading supervision activities, or other services related to securities, instruments, assets, contracts and rights traded on the financial and capital markets, through its majority interest in the voting capital of its subsidiaries São Paulo Stock Exchange (BVSP) and the Brazilian Clearing and Depository Corporation (CBLC).

BVSP

BVSP's main activity is to maintain the appropriate infrastructure and systems as well as the material, administrative and technical means required for buying and selling securities on free and open markets, which are specifically organized and supervised.

CBLC

The main activities of CBLC are to register, control, clear and guarantee, through clearing agents, transactions carried out on BVSP's spot, forward and options markets. These activities also extend to other markets and stock exchanges, and similar transactions involving company-issued fixed-income and floating-rate securities, and include the provision of securities depository services.

8. CORPORATE GOVERNANCE PRACTICES

Corporate governance is the system through which companies are managed and monitored, involving the relationship with shareholders, board of directors, officers, independent auditors, and the supervisory board. The basic principles underlying corporate governance practices are: (i) Transparency; (ii) fairness; (iii) accountability; and (iv) corporate responsibility.

The Brazilian Institute of Corporate Governance (IBGC) *Code of Best Practice of Corporate Governance* aims to provide guidelines for all types of companies with the purpose of: (i) Increasing company value; (ii) improving corporate

performance; (iii) facilitating access to capital at lower costs; and (iv) contributing to the long term survival of the company.

Among the corporate governance practices recommended by IBGC and those required by the *Novo Mercado* Listing Rules, BM&FBOVESPA S.A. has adopted the following:

- Issue only common shares;
- Retain independent auditors to review the company's balance sheets and financial statements. These auditors cannot provide the company with any other services, thus ensuring their total independence;
- Clearly define in the Bylaws (i) how the Shareholders' General Meeting should be called; (ii) the powers and duties of the Board of Directors and the Executive Board; and (iii) how to elect and remove the members of the Board of Directors and Executive Board;
- Include a provision in the Bylaws whereby any disputes between shareholders and the company will be settled by arbitration;
- Constitute a Board of Directors with a majority of independent members (with no connections with the company and its controlling shareholder): and
- Include a provision in the Bylaws whereby directors will not have access to information and voting rights related to issues that may present a conflict of interest with those of the company.

The BM&FBOVESPA S.A. Bylaws also stipulates the constitution of a corporate governance committee consisting of the Chairperson of the Board, the Chief executive Officer, and two additional directors and two external members. Among the powers and duties of this committee are: (i) Promote and control the adoption of good corporate governance practices; (ii) Preserve ethical and democratic values, diligently providing the markets managed by the company and its controlled companies with transparency, visibility and access; and (iii) review and recommend strategies which preserve or add value to the company's institutional image.

9. HUMAN CAPITAL

On April 24, 2008, the adaptation of the BM&F S.A. human resources (HR) policy was concluded based on the management by competency system. This system will allow the company to assess the skills of its employees and the employees to gain a clear perspective of their possibilities in the company.

This policy also introduces a defined position and salary structure, establishing 26 salary levels and a new nomenclature for the company positions. In addition, it also introduces an employee manual that consolidates all the information related to organizational chart, benefit packages, code of conduct, information security policy and internal rules.

At the end of June of 2008, BM&FBOVESPA S.A. and its subsidiaries employed 1,372 professionals, of which 565 were allocated to BM&FBOVESPA S.A. and 807 to Bovespa Holding S.A. (692 to BVSP and 115 to CBLC). This total does not include the 37 professionals which were allocated to Bovespa Market Supervision (BSM).

Compensation Policy

BM&FBOVESPA S.A. seeks to properly pay its professionals for their skills and responsibilities through the adoption of a compensation policy which is aligned with the job market and monitored by salary surveys conducted with the support of specialized consulting companies.

Healthcare

BM&FBOVESPA S.A. provides its employees with health and dental care, life insurance and a private pension fund. Furthermore, it maintains an occupational health and medical control program, which includes annual campaigns for glaucoma prevention, flu vaccination and the prevention and/or control of cholesterol, high blood pressure, obesity, diabetes and others. The company also conducts the event "Quality of Life Week," which consists of a series of lectures where specialists provide a general view of how to improve the quality of day-to-day life. In the first semester of 2008, a total of 7,199 ambulatory services were provided and 1,222 employees attended the company's healthcare events.

Private Pension Fund

The MERCAPREV private pension fund is a defined contribution plan that is sponsored by the following market institutions: ADEVAL, ANCOR, BM&FBOVESPA S.A., Bovespa Holding S.A., CBLC, the brokerage firms Theca, Souza Barros and Talarico, and by the SINDIVAL workers' union. The contributions made by BM&FBOVESPA S.A. to the MERCAPREV fund reached BRL1.3 million during the first half of 2008. The contributions made by Bovespa Holding S.A. and CBLC reached BRL0.7 million in the same period.

Intern Program

BM&FBOVESPA S.A. maintains a regular program which allows student interns an opportunity to experience day-to-day market activities and to gain knowledge of the Exchange products, for which they receive additional university course credits. In the first semester of 2008, 69 student interns were enrolled in the program, in addition to another 201 student interns (monthly average) involved in the activities of its member brokerage houses.

Training and Education

The total training investment reached BRL318,300, a growth of 37.8% over the first semester of 2007, when the total training investment amounted to BRL231,000.

BVSP and CBLC maintain regular training and recycling programs for the brokerage house professionals involved in capital market activities with the

purpose of maintaining the good qualification level reached by the Brazilian capital market.

The BM&FBOVESPA S.A. education incentive program, which provides financial assistance to help employees fund their professional and academic development, includes 40 undergraduate students and 19 post-graduate students. In addition, it also offers English and Spanish language classes to 209 employees.

10. RISK MANAGEMENT

Due to the fact that the operational integration between the two companies is still underway, it is important to consider the risk management systems designed for the markets managed by the former BM&F S.A. and for those managed by the Bovespa Holding S.A. subsidiaries, CBLC and BVSP.

(a) Risk Management – Derivatives, Foreign Exchange and Securities (Government Bonds)

BM&FBOVESPA S.A. manages three BM&F S.A. clearinghouses that are considered systematically important by the Central Bank of Brazil—the Derivatives, Foreign Exchange and Securities Clearinghouses. Through these Clearinghouses, the company acts as a central counterparty, or CCP, for the derivatives market (futures, forwards, options and swaps), the foreign exchange market (spot US dollar) and the federal government bond market (spot and forward transactions, repos and securities loans).

The Exchange's performance as a CCP exposes it to the credit risks of the participants that use to its settlement systems. If a participant fails to make the payments due, or the delivery of the assets, securities and/or commodities due, it is incumbent upon the Exchange to resort to its safeguard mechanisms, in order to ensure the proper settlement of the transactions in the established time frame and manner. In the event of a failure or insufficiency of the safeguard mechanisms of its Clearinghouses, the Exchange may have to use its own equity as a last resort to ensure the proper settlement of trades.

The three Clearinghouses are not directly exposed to market risks, as they do not hold net long or net short positions in the various contracts traded. However, the increase in price volatility could affect the magnitude of amounts to be settled by the various market participants, and could also heighten the probability of default by these participants.

In order to mitigate the assumed risks, each Clearinghouse has its own risk management system and safeguard structure. The safeguard structure of a Clearinghouse represents the set of resources and mechanisms that it can utilize to cover losses related to the settlement failure of one or more participants. These systems and structures are described in detail in the regulations and manuals of each Clearinghouse, and are tested and ratified by the Central Bank of Brazil.

Market Risk

Considering the importance of the Exchange's equity as a last resource available in the safeguard structure of its Clearinghouses, its investment policy is for low risk cash alternatives, normally federal government bonds, including exposure through open-ended funds.

Hence, in general, the Exchange has most of its investments in conservative investment funds, with portfolios backed by federal government bonds that were indexed to the Selic/CDI rate.

Risk Committee

The risk management policy adopted by the Clearinghouses is established by the Risk Committee, which consists of 11 Exchange officers, including the Chief Executive Officer.

The main duties of the Committee are (i) the evaluation of the macroeconomic and political environment and of its impacts on the markets managed by the company; (ii) the determination of the models utilized for calculation of collateral and for control of the intraday risk of the transactions performed; (iii) the definition of parameters utilized by these models, especially the stress scenarios referring to each type of risk factor; (iv) the assets accepted as collateral, their form of valuation, maximum limits of use and applicable haircut factors; and (v) other studies and analyses.

In view of the amounts involved, the collateral pledged by the participants that perform transactions represents the major component of the Clearinghouse safeguard structures.

For most of the contracts, the amount required as collateral is calculated so as to cover the market risk of the transaction, i.e. its price volatility, during the time frame of two days, which is the maximum time expected for the settlement of the positions of a defaulting participant.

The models utilized in margin requirement calculation are based on stress testing, a methodology that seeks to gauge market risk considering not only the recent price volatility, but also the possibility of unexpected events that could modify the historical patterns of prices and of the market in general.

The main parameters utilized by the margin calculation models are the stress scenarios defined by the Risk Committee for the risk factors that affect the prices of the traded contracts.

(b) Risk Management – Equities and Fixed-Income Securities

Risk management is an activity performed primarily within the scope of the activities performed by CBLC, and secondarily within the scope the activities performed by BVSP. Several risk management systems and procedures have been adopted to identify, gauge and cover or transfer risks—particularly credit, liquidity, operational, legal and market risks.

CBLC acts as a CCP for all clearing agents. On acting as a CCP for buyers and sellers, thus absorbing their risks between a trade matching and its settlement, CBLC activities are to calculate, curb and mitigate risks that are intrinsic to its role, which is to guarantee the settlement of all transactions.

Minimum Requirements Applicable to Clearing Agents

The first layer of protection adopted by CBLC translates into several requirements applicable to the clearing agents for which it acts as a CCP. Clearing agents are required to enter into specific agreements with the CBLC and to provide evidence of their operating and financial capacity to undertake their duties as clearing agents.

Collateralization

In order to trade on the markets to which CBLC provides settlement services (securities, equity derivatives, and company-issued fixed-income securities), clearing agents are first required to pledge collateral at amounts that correlate with the risks arising from their transactions.

Risk Management Systems

CBLC adopts two different risk management systems, which complete one another, to gauge the risks related to market transactions. For the regular settlement cycle of equities, fixed-income securities and derivatives, risk information is provided by the RiskWatch system, acquired from the Canadian company Algorithmics. For open positions on the derivatives markets and on the securities lending service, the same function is performed by the CM-TIMS, acquired from the Chicago Options Clearing Corporation (OCC).

Operating Limits

Participants can only trade within predefined operating limits, which are subject to real time monitoring. The prices of the assets pledged as collateral are marked to the market on a daily basis. CBLC is guaranteed priority in collateral execution by law.

Settlement Fund

As a third layer of protection, clearing agents are required to make contributions to a mutualized settlement fund maintained by CBLC. The amount of the contributions a clearing agent is required to make to the Settlement Fund is calculated by RiskWatch based on assessment of risk exposure obtained by stress testing the entire portfolio of the relevant clearing agent, both for the regular settlement cycle and open positions on the derivatives market, at a 99% confidence level.

11. MARKET SUPERVISION AND SELF-REGULATION

The Bovespa Market Supervision (BSM) was created in order to segregate the self-regulatory activities from the commercial performance of the former São Paulo Stock Exchange and CBLC after their demutualization. The segregation of these structures had the purpose to increase the efficiency of market surveillance and regulation, thereby ensuring market credibility and operation and avoiding conflicts of interest.

Bovespa Market Supervision

BSM is a not-for-profit association in which BVSP and CBLC hold equal membership interests, and it is responsible for supervising, monitoring and auditing the activities of the market participants authorized to trade on the derivatives and securities markets and to operate at CBLC. BSM is also responsible for inspecting compliance with the rules and regulations that apply to the transactions executed on the trading, settlement and custody systems, and with the obligations of issuers of securities listed on the BVSP markets.

BSM is managed by its own Board of Directors which consists of three members, with a fixed term of office of three years, of whom two are independent directors. In addition to supervising market activities, BSM may also, whenever deemed necessary, apply penalties to participants, agents, BVSP, CBLC and their respective employees and representatives. BSM also has the following powers and duties:

- Supervise fully the trading of the Bovespa Holding S.A. shares at BVSP, in order to guarantee its compliance with the requirements prescribed in the rules applicable to the other issuers; and
- Manage the Investor Compensation Mechanism (MRP) subject to the rules established by CVM and by BSM itself. The sole purpose of the MRP is to ensure investors of the refund, within the limit defined by CVM, for any losses arising from the activities of market intermediaries' or custodians' managers, employees and representatives of in securities transactions.

12. EXTERNAL AUDIT

Under the terms of CVM Instruction 381, of January 14, 2003, the company and its subsidiaries have retained *PricewaterhouseCoopers* to provide the auditing of its financial statements.

The policy that governs the engagement of external audit services by the company and its subsidiaries is based on internationally accepted accounting principles which preserve the service independence and include the following practices: (i) The auditors cannot hold executive and managerial functions at the company and its subsidiaries; (ii) the auditors cannot perform operating activities at the company and its subsidiaries that could compromise the auditing function; and (III) the auditors must be impartial, in order to avoid conflicts of interest and the loss of independence, and objectivity in their opinions and reports about the financial statements and the quality of internal controls.

13. SOCIAL PROJECTS

Institute of Education

The mission of the Institute of Education (IE) is to provide the company with standards of excellence in the dissemination of the derivatives market culture, organizing courses with various levels of depth and scope, in addition to training professionals to trade on the different Exchange markets.

In this sense, the Institute of Education is responsible for training and developing market professionals, clients and regulators, providing them with a full range of programs from introductory to advanced levels, and capacitating participants to trade in a safer environment with renewed expertise.

The IE also manages the professional accreditation process for all the intermediaries who trade on the Exchange.

The Institute of Education also provides professional training to all levels of financial market participants, from students to professionals seeking to further their specialization. Courses are divided into five categories:

- Introductory programs: Development and application of the basic concepts related to the derivatives markets;
- Professional programs: Amplification of the basic notions with increased conceptual rigor and an overview of the main derivatives strategies;
- Specialization programs: In-depth knowledge about specific topics;
- Training programs: Professional capacitation in the Exchange systems and operating practices;
- MBA programs: There are two postgraduate courses: *MBA in Derivatives* and *MBA in Pricing and Risk*.

Courses are organized in three modalities: Presential, online and a mixture of the two.

BM&FBOVESPA Athletics Club

The BM&FBOVESPA Athletics Club currently consists of 91 athletes for the different track-and-field sports (sprints, middle and long distance races, jumping events and throwing events), 11 coaches, three technical assistants, two doctors, one nutritionist, five physiotherapists and one masseur. Some of the country's top athletes belong to the Club, such as Marilson Gomes dos Santos, Fabiana Murer, Maurren Maggi, Vanderlei Cordeiro de Lima, Keila Costa. Among the Club's priorities are the continual inclusion and development of promising young Brazilian athletics.

Support for track-and-field was initiated in 1988, when BM&F decided to sponsor this sport through the *Olympic Gold Award*, which was created to honor and encourage Brazilian medal winners in the Olympic Games through the presentation of gold bars. The Exchange has already awarded 55.75kg in gold.

With a desire to participate more actively in the development of athletes, the company decided to create the Athletics Club in 2002. Track-and-field was chosen because it is a sports modality which represents an opportunity of social and economic development for many underprivileged youngsters. It also remains the area of sports which receives the least amount of support from the Brazilian private and public sectors. Two time Olympic medal winner Adhemar Ferreira da

Silva was invited to become the Club's patron, a position he held until his death. The Club's current patron is Joaquim Cruz, also an Olympic medalist. The Athletics Club team is seven-time champion of the *Brazil Trophy* (from 2002 to 2008).

In order to be able to compete with the world's best athletes, the BM&FBOVESPA Athletics Club team members receive a monthly allowance defined by the Special Club Committee, transportation and a complete uniform. Some of them are also granted room and board. The Athletics Club athletes also participate in clinics and enhancement programs both in Brazil and abroad, under the guidance of some of the best coaches in the country.

In order to maintain this structure the BM&FBOVESPA Athletics Club also relies on the support of team sponsors, which include the Municipal government of São Caetano do Sul, Nike, which supplies all of the team uniforms and athletic footwear, and the Pão de Açúcar Group.

Corporate Social Responsibility

Corporate Social Responsibility (SCR) is a management model focused on corporate sustainability. For this purpose, it encompasses the relationship of an organization with its shareholders as well as with the public at large, such as employees, society, clients, the government and suppliers.

Sustainability is based on the triple bottom line concept, which seeks to achieve a balance between economic, social and environmental results. The more advanced SCR concept also includes corporate governance.

Therefore, Corporate Social Responsibility relates to the manner in which companies do business, that is: The criteria they apply to the decision making process, the values that define their priorities, and their relationship to all the different groups with which they interact.

SCR also encourages educational and cultural projects, which improve human development and intellectual knowledge.

In addition to sponsoring its own cultural activities, BM&FBOVESPA S.A. also supports a number of projects developed by social organizations in this area.

14. OMBUDSMAN

The popularization of the stock market in Brazil, volume growth and use of new technologies have naturally contributed to the increase of questions investors have about the trading, custody and settlement process of the transactions performed at the Exchange.

If these questions are not properly addressed, they may generate conflicts with market intermediaries. These conflicts may range from any failure and/or irregularity in an order execution or settlement to an investor's simple misinformation about the important aspects that are involved in a trade.

For these reasons, the Market Ombudsman service was implemented in 2001. This service is at the disposal of investors in order to attend to their consultations and complaints regarding the trading, custody and settlement process of the transactions carried out at the Exchange.

During the first semester of 2008, the Exchange Ombudsman received 1,966 inquiries, up 74% from the same period of 2007.