

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

CONSOLIDATED PERFORMANCE FOR THE THIRD QUARTER OF 2008

BM&FBOVESPA offers a complete infrastructure of integrated systems and platforms for trading in equities, fixed-income securities, equity and financial derivatives, spot forex rates and commodities, as well as clearing and settlement of trades in stocks and other securities, in addition to providing a wide range of services, including listing of securities and sale of market data and information, a full service central securities depository, and software and stock index licensing. Moreover, the Company engages in providing institutions and brokerage firms with access rights to its trading and communication systems.

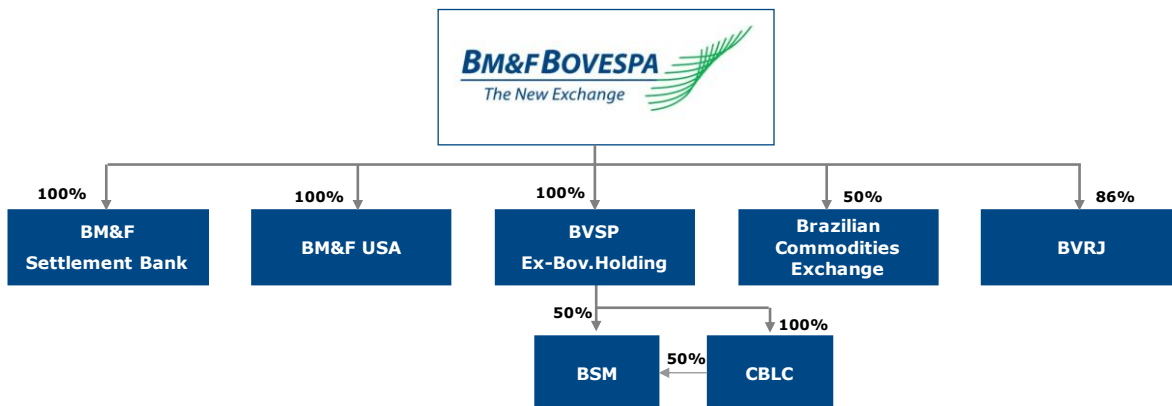
BM&FBOVESPA S.A. is the result of the integration of Bolsa de Mercadorias & Futuros - BM&F S.A. (BM&F) and Bovespa Holding S.A. (Bovespa), as confirmed in shareholders' meetings held on May 8, 2008. On August 12, 2008, the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM, completed its registration as a public company, and its shares trade under ticker symbol BVMF3 since August 20, 2008.

3Q08 Highlights

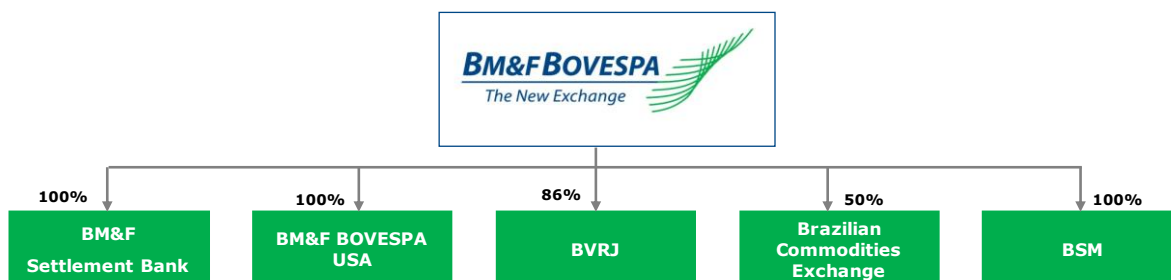
- ✓ **New organizational structure:** On August 29, 2008, we completed the plan of merger, which among other things included a revision of the organizational structure of the Company and resulted in a 20.9% reduction in personnel and third-party providers;
- ✓ **Inclusion in the Bovespa Index, or Ibovespa:** Since September the Company BVMF3 stocks have been included in the theoretical portfolio of most traded stocks comprising the Ibovespa, which is the primary stock index of the Brazilian market;
- ✓ **DMA and CME/Globex:** The two first stages of implementation of our new order routing system for products offered in the BM&F segment have been completed. Our Direct Market Access, or DMA mechanism, traditional model, began operating on August 29, whereas order routing through to the CME Globex platform of the Chicago Mercantile Exchange (CME) started on September 30;
- ✓ **Merger of BVSP:** On August 29, Bolsa de Valores de São Paulo S.A. – BVSP merged into Bovespa Holding S.A., then a privately-held corporation, which as the surviving company adopted the corporate name Bolsa de Valores de São Paulo S.A. – BVSP;

- ✓ **Distributions:** Cash distributions of R\$ 292.2 million have been declared and paid on September 2, 2008, of which R\$149.2 million by way of interest on shareholders' equity and R\$143.0 million by way of dividends;
- ✓ **Share buyback:** On September 24 the Board of Directors approved a share buyback program encompassing up to 71.3 million shares representing 3.5% of the free float. By September 30, 2008, a total of 757,800 shares had been repurchased and by October 17, 2008, a total of 5.941.200 shares had been repurchased;
- ✓ **Pricing policy:** On August 25, the Company terminated the former pricing policy of 25% rebates to participants in derivatives markets that also held equity interest at least 10,000 BMEF3 shares. It also announced the new pricing policy that starting on November 17 will apply in connection with contracts transacted on derivatives markets. In addition, the Company announced changes in the fees charged on trades on cash and options markets in the Bovespa segment, which take effect in February 16, 2009.
- ✓ **Call notice:** The Board of Directors called an Extraordinary Shareholders' Meeting scheduled for November 28, 2008, for deliberations on the merger of Bovespa (currently named Bolsa de Valores de São Paulo S.A. – BVSP) and of Companhia Brasileira de Liquidação e Custódia – CBLC, the Brazilian Clearing and Depository Corporation, whose ultimate purpose is to streamline the corporate structure.

The chart below shows the Company's current organizational structure, following the merger of BVSP into Bovespa Holding on August 29, 2008, where the latter was the surviving company, having adopted the Bolsa de Valores de São Paulo S.A. – BVSP:



The chart below shows the organizational and corporate structures of BM&FBOVESPA following the proposed mergers of BVSP and CBLC, and assuming approval is obtained at the shareholders' meeting scheduled to be held on November 28, 2008:



CONSOLIDATED PERFORMANCE

The operating data discussed below refers to the results of operations in the BM&F segment and the Bovespa segment under our former corporate structure.

BM&F SEGMENT MARKETS

3Q08 compared to 2Q08

The average daily number of derivatives contracts traded and settled in our systems on derivatives markets in the BM&F segment, of 1.54 million in 3Q08, represented quarter on quarter decrease of 12.6%.

Beginning from August 29, 2008, following delivery of the first module for trading via the DMA mechanism, or Direct Market Access, the average daily number of derivatives contracts originating from this mechanism has been about 37 thousand, with approximately 1.5 thousand daily trades.

The table below sets forth the number of derivatives contracts traded and the daily average number of contracts traded in the third and second quarters of 2008 and in the third quarter of 2007.

DERIVATIVES CONTRACTS TRADED (In thousands)

Contracts	3Q08	Daily Average	2Q08	Daily Average	Variation % 3Q08/2Q08	3Q07	Daily Average	Variation % 3Q08/3Q07
BRL Interest rate	46,557	716	59,035	952	-24.8%	64,910	1,030	-30.5%
FX	37,054	570	34,961	564	1.1%	31,404	498	14.4%
Index-based	5,669	87	5,453	88	-0.8%	7,194	114	-23.6%
USD Interest rate	6,429	99	5,752	93	6.6%	5,646	90	10.4%
Commodities	1,082	17	1,021	16	1.0%	769	12	36.2%
Web Trading	2,718	42	2,342	38	10.7%	3,242	51	-18.8%

OTC market	811	12	880	14	-12.1%	755	12	4.2%
Total	100,320	1,543	109,444	1,765	-12.6%	113,920	1,807	-14.6%

The drop in number of contracts traded in 3Q08, as compared to the most recent quarter, was offset by growth of 15.7% in revenues from average fee charged per contract, primarily due to the termination of the 25% rebate we used to give, until August 25, 2008, to participants that previously held over 10,000 BMEF3 shares and, additionally, due to appreciation of the U.S. dollar against the Brazilian *real*, which in the first half of 2008 reached 20.25%. In a year over year comparison of the third quarter, average fee per contract in 3Q08 increased by 21.0%, whereas the number of contracts traded decreased by 14.6%.

Interest rate contracts

Trades in BRL interest rate contracts decreased by 24.8% from the previous quarter, however corresponding to a drop of just 6.0% in related revenues (from average fee per contract), due to increase in long-term trading in these contracts and also due to the termination of our previous 25%-rebate pricing policy. In contrast, trades in local USD interest rate contracts increased by 6.6% in 3Q08, primarily due to volatility of the BRL/USD exchange rate, which resulted in greater concentration on short-term trading and, thus, in a 9.2% drop in revenues from average fee charged per contract. These movements ultimately resulted in 1.5% growth of our total revenues from trading in these contracts.

FX contracts

The number of BRL/USD dollar contracts traded on our systems presented a 1.1% quarter on quarter increase, whereas the average fee per contract increased by 15.2%, resulting in revenue growth of 22.1%, to R\$76.2 million in 3Q08 from R\$62.4 million in 2Q08. In a year over year comparison of the third quarter, the number of U.S. dollar contracts traded and the average fee per contract increased by 14.4% and 6.2%, respectively, which resulted in quarterly revenue growth of 25.3%. In addition to having been influenced by the changing pricing policy, this growth is due to appreciation of the U.S. dollar against the Brazilian *real*.

Index-based contracts

Trading in index-based contracts, which includes futures contracts based on equity indices, in particular the Ibovespa (Bovespa Index), and on inflation indices, dropped by 8.8%, to R\$12.2 million from R\$13.4 million in the most recent quarter, following decline in the Bovespa Index in the period presented. In a year over year comparison of the third quarter, despite a 23.6% drop in the number of contracts traded, revenues from trading in these contracts climbed by 1.9%, influenced by a 29.3% rise in average fee per contract as a result of our changing pricing policy.

Commodity contracts

Revenues derived from trading in contracts based on commodities amounted to R\$4.1 million in 3Q08, representing growth of 3.8% as compared to 2Q08, and a 49.3% year over year growth for the quarter. The number of contracts traded

remained constant in 3Q08, having increased by 1.1% from the most recent quarter, and by 36.2% from the third quarter a year earlier.

OTC market

Trading in derivatives on our OTC market declined 12.1%, to 811,000 contracts from 880,000 contracts traded in 2Q08, whereas revenues remained stable, having presented quarter on quarter growth of 2.7%, to R\$2.1 million from R\$2.0 million previously.

The table below sets forth the average fee per contract charged in 3Q08, 2Q08 and 3Q07, respectively.

Contracts	AVERAGE FEE PER CONTRACT (R\$)			Variation	Variation
	3Q08	2Q08	3Q07	%	%
				3Q08/2Q08	3Q08/3Q07
BRL Interest rate	1.268	1.064	1.049	19.2%	20.9%
FX	2.057	1.785	1.937	15.2%	6.2%
Index-based	2.157	2.460	1.668	-12.3%	29.3%
USD Interest rate	0.960	1.057	0.891	-9.2%	7.7%
Commodities	3.814	3.891	3.590	-2.0%	6.2%
Web Trading	0.160	0.160	0.069	-0.2%	132.6%
OTC market	2.587	2.322	1.904	11.4%	35.9%
Total	1.598	1.381	1.320	15.7%	21.0%

The table below sets forth the number of contracts representing open interest positions as at the end of 3Q08, 2Q08 and 3Q07, respectively.

Contracts	OPEN INTEREST POSITIONS (In thousands)						Variation	Variation
	3Q08		2Q08		3Q07		%	%
							3Q08/2Q08	3Q08/3Q07
BRL Interest rate	11,309	57.2%	14,390	63.6%	11,626	63.5%	-21.4%	-2.7%
FX	3,595	18.2%	3,430	15.2%	2,211	12.1%	4.8%	62.6%
Index-based	289	1.5%	311	1.4%	318	1.7%	-6.9%	-9.2%
USD Interest rate	1,962	9.9%	1,912	8.5%	1,810	9.9%	2.6%	8.4%
Commodities	159	0.8%	179	0.8%	171	0.9%	-11.0%	-6.8%
Web Trading	16	0.1%	9	0.0%	27	0.1%	82.3%	-40.7%
OTC market	2,429	12.3%	2,392	10.6%	2,149	11.7%	1.5%	13.0%
Total	19,759	100.0%	22,623	100.0%	18,312	100.0%	-12.7%	7.9%

9M08 compared to 9M07

The average daily number of derivatives contracts traded on derivatives markets in the BM&F segment, of 1.69 million in 9M08, represented a 6.2% decrease, from 1.8 million in the same period in 2007.

The table below sets forth the number of derivatives contracts traded and the average daily number of contracts in the nine-month periods ended September 30, 2008 and 2007 (9M08 and 9M07).

DERIVATIVES CONTRACTS TRADED (In Thousands)

Contracts	9M08	Daily Average	9M07	Daily Average	Variation %
BRL Interest rate	161,471	863	196,064	1,054	-18.1%
FX	106,267	568	84,786	456	24.7%
Index-based	16,666	89	20,944	113	-20.9%
USD Interest rate	17,758	95	16,791	90	5.2%
Commodities	2,905	16	1,684	9	71.6%
Web Trading	7,498	40	11,969	64	-37.7%
OTC market	2,529	14	2,051	11	22.6%
Total	315,094	1,685	334,289	1,797	-6.2%

The drop in number of derivatives contracts traded, of 6.2% in 9M08, as compared to the same period one year earlier, was counterbalanced by growth in revenues from trading fees related to these contracts, primarily due to change in the range of products we offer. In addition, there has been growth in the number of contracts traded for which we charge higher average fee per contract, in particular U.S. dollar futures, which as a percentage of total revenues from trading represented 33.7% in 9M08, as compared to 25.4% in the same period a year earlier.

Interest rate contracts

Revenues from average fee per contract related to trades in BRL interest rate contracts increased by 11.3% in 9M08, thus partially offsetting a 18.1% drop in number of contracts traded, influenced primarily by concentration of trading in longer term contracts. In contrast, the number of USD interest rate contracts increased by 5.2% in 9M08, whereas revenues from trading increased by 11.0%, to R\$18.3 million from R\$16.5 million in the same period a year earlier.

FX contracts

The number of BRL/USD dollar contracts traded on our systems in 9M08 rose by 24.7% from the same period previously, and despite a 7.9% reduction in average fee per contract owing, among other things, to appreciation of the U.S. dollar against the Brazilian *real* for most of the period, our total revenues from trading in these contracts presented year-on growth of 15.4% in the nine-month period to September 2008, such that the reduction in average fee per contract was counterbalanced by the greater number of contracts traded.

Index-based contracts

Revenues from trading in index-based increased by 19.4% in 9M08, to R\$37.5 million from R\$31.4 million in 9M07, which counterbalanced a 20.9% year-on decrease in number of contracts traded. This growth in revenues is due primarily to increase in revenues from the average fee per contract we charge on these contracts, of 50.0% over the previous period, which correlates mainly with a 22.39% appreciation in the Bovespa Index average and also with our changing pricing policy until August 25th.

Commodity contracts

Revenues derived from trading in contracts based on commodities amounted to R\$10.7 million in 9M08, a 91.3% growth as compared to 9M07, correlated primarily with a 71.6% increase in the number of contracts traded and a 10.9% increase in the average fee per contract.

OTC market

Trading in derivatives on our OTC market presented rose by 25.9%, with 2.5 million contracts traded in 9M08, as compared to 2.0 million in the same period in 2007.

The table below sets forth the average fee per contract charged in the nine months to September 2008 and 2007, respectively.

AVERAGE FEE PER CONTRACT (R\$)			
Contracts	9M08	9M07	Variation - %
BRL Interest rate	1.136	1.021	11.3%
FX	1.901	2.065	-7.9%
Index-based	2.248	1.498	50.0%
USD Interest rate	1.029	0.980	4.9%
Commodities	3.695	3.332	10.9%
Web Trading	0.158	0.049	221.5%
OTC market	2.320	2.271	2.1%
Total	1.457	1.298	12.2%

BOVESPA SEGMENT MARKETS

3Q08 compared to 2Q08

Total financial value traded in equities, equity derivatives (except stock index futures) and fixed income securities on exchange and OTC markets in 3Q08 amounted to R\$346.2 billion, averaging daily value traded of R\$5,326 million, in either case representing a 9.9% decrease from value traded in the same period one year earlier, whereas the number of trades in 3Q08 reached 16.0 million, representing a 58.4% growth over the same the quarter in 2007, when it had reached 10.1 million.

In a quarter on quarter comparison, financial value traded decreased by 20.0%, to R\$346.2 billion from R\$404.1 billion previously, whereas average daily value traded fell to R\$5.3 billion from R\$6.5 billion. In contrast, the daily number of trades increased by 11.9%, from 230 thousand to 254 thousand a quarter on.

In the third quarter of 2008, one follow-on offering of listed securities represented total proceeds of R\$18 billion. Whereas in the same quarter one year earlier there were three follow-on offerings representing total proceeds of R\$2.8 billion. In addition, while initial public offerings carried out in the third quarter of 2007 represented total proceeds of R\$13.9 billion, there were no IPOs in the same quarter one year over, and just one IPO in 2Q08.

Average market capitalization in 3Q08 was R\$1,994.5 billion, as compared to R\$2,124.4 billion in 3Q07, whereas turnover velocity in the cash market was 62.0% and 51.5%, respectively. Increase in turnover velocity was influenced by the high number of trades on the stock exchange, which presented year over year growth by 58.3%, to 254 thousand average daily trades in 3Q08 from 160 thousand average daily trades in 3Q07.

FINANCIAL TRADED VALUE (In millions of R\$)

	3Q08	Daily Average	2Q08	Daily Average	Variation % 3Q08/2Q08	3Q07	Daily Average	Variation % 3Q08/3Q07
Stock and derivatives	345,902	5,322	403,948	6,516	-20.1%	314,737	4,996	9.9%
Cash market	323,084	4,971	375,187	6,052	-20.0%	292,509	4,643	10.5%
Derivatives	22,818	351	28,762	464	-20.7%	22,228	353	2.7%
Forward market	11,339	174	14,138	236	-22.5%	9,929	158	14.2%
Options market (stocks / indices)	11,479	177	14,622	228	-18.8%	12,299	195	-6.7%
Fixed income and other securities	274	4	205	3	33.9%	188	3	45.6%
Total	346,176	5,326	404,154	6,519	-20.0%	314,925	4,999	9.9%

NUMBER OF TRADES (In thousands)

	3Q08	Daily Average	2Q08	Daily Average	Variation % 3Q08/2Q08	3Q07	Daily Average	Variation % 3Q08/3Q07
Stock and derivatives	15,995	246	14,288	230	11.9%	10,105	160	58.3%
Cash market	12,618	194	11,055	178	14.1%	7,531	120	67.6%
Derivatives	3,377	52	3,232	52	4.4%	2,575	41	31.1%
Forward market	143	2	189	3	-24.6%	114	2	25.3%
Options market (stocks / indices)	3,234	50	3,043	49	6.3%	2,461	39	31.4%
Fixed income and other securities	1	8	1	0	0.0%	1	0	0.0%
Total	15,996	254	14,289	230	11.9%	10,107	160	58.3%

9M08 compared to 9M07

In a year over year comparison of the nine-month period ended in September 30, total financial value traded in equities, equity derivatives and fixed income securities on exchange and OTC markets in 9M08 rose by 36.6%, averaging daily value traded of R\$5.9 billion, from R\$4.3 billion in the earlier period, whereas the average daily number of trades increased by 65.6%, to 227.8 thousand from 138.3 thousand previously.

FINANCIAL TRADED VALUE (In millions of R\$)

	9M08	Daily Average	9M07	Daily Average	Variation (%)
Stock and equity derivatives	1,103,589	5,902	808,174	4,345	36.6%
Cash market	1,028,302	5,499	752,424	4,045	36.7%
Derivatives	75,287	403	55,750	300	35.0%
Forward market	39,758	213	25,086	135	58.5%
Options market (stocks / indices)	35,529	190	30,664	165	15.9%
Fixed income and other spot securities	1,138	6	617	3	84.5%
Total	1,104,727	5,908	808,791	4,348	36.6%

NÚMERO OF TRADES (In thousands)

	9M08	Daily Average	9M07	Daily Average	Variation (%)
Stock and equity derivatives	42,602	227	25,728	138	65.6%
Cash market	33,364	178	18,827	101	77.2%
Derivatives	9,238	49	6,901	37	33.9%
Forward market	497	3	293	2	69.6%
Options market (stocks / indices)	8,741	47	6,608	36	32.3%
Fixed income and other spot securities	2	0	1	0	100.0%
Total	42,604	227	25,729	138	65.6%

As of September 30, 2008, 443 companies were listed to trade securities on the stock exchange, representing market capitalization of R\$1,787.7 billion, a 2.0% increase in number of listings, from 434 previously, and a decline of 21.1% in market capitalization, from R\$2,266.7 billion, in the nine months to September 2007. As of June 30, 2008, the Bovespa segment had registered 446 listings.

Average market capitalization was R\$2,253.8 billion, as compared to R\$1,846.1 billion in the nine months to September in 9M07, whereas turnover velocity in the cash market increased to 60.9% from 53.7% previously. In the second quarter of 2008, average market capitalization was R\$2,450.0 billion, whereas turnover velocity in the cash market was 61.5%.

As of September 30, 2008, the Bovespa Index, or Ibovespa, the primary stock market index, had dropped to 49,541 points, representing year over year decrease of 18.1%, from 60,465 points as of September 30, 2007.

Balance of foreign investments

The flow of foreign investments directed to the Brazilian stock market in the nine months to September 2008 netted R\$1.4 billion, as a result of foreign investments in stock offerings totaling R\$19.8 billion and negative balance of R\$18.3 billion from direct trading on equities markets in the Bovespa segment. The negative net balance from foreign trading in the third quarter of 2008 was R\$11.7 billion.

Novo Mercado

As of September 30, 2008, the three special Bovespa listing segments that adopt higher corporate governance practices, i.e., the *Novo Mercado*, and the Level 1 and Level 2 segments, comprised a total of 163 listed companies, which represented 59.1% of the São Paulo stock exchange market capitalization, 69.5% of the total financial value traded in the Bovespa segment, and 74.1% of the number of trades on the cash market. There have been no significant changes from the second to the third quarters of 2008.

Home Broker

Total financial value traded on the Bovespa Home Broker system in 3Q08 amounted to R\$77.6 billion, as compared to R\$50.1 billion in the same quarter a

year earlier, representing year over year growth of 54.8% for the quarter, whereas the number of trades increased by 40.7%, to 8.1 million from 5.5 million in the same quarters, respectively.

Moreover, trading on the Home Broker system accounted on average for 11.1% of the total value traded and 24.74% of the number of trades on the São Paulo stock exchange in 3Q08, as compared to 8.78% and 28.15% in 3Q07, respectively.

Active custody accounts

The number of active custody accounts as at the end of September 2008 had increased by 82.7%, to 550.5 thousand, as compared to 301.3 thousand at the end of September 2007, whereas having increased by 2.0% in a comparison of the number of active custody accounts as at the end of June 2008.

Margin deposits and collateral for transactions

Trades carried out on markets managed by BM&F BOVESPA are secured by margins deposits in cash, securities and bonds, and other collateral, including sureties. Margin deposits and collateral for transactions as at September 30 and June 30, 2008, amounted to R\$119,996 million and R\$120,591 million, respectively.

DISCUSSION AND ANALYSIS OF THE MAIN LINE ITEMS IN STATEMENTS OF INCOME

Three-month and Nine-month periods to September 30, 2008

	CONSOLIDATED 3Q08	CONSOLIDATED 9M08
	<i>In thousands of Brazilian reais (R\$ 000)</i>	<i>In thousands of Brazilian reais (R\$ 000)</i>
Gross Operating Revenues	450,833	1,372,067
Revenues from trading and/or settlement systems - BM&F segment	170,386	486,645
Derivatives	463,302	162,226
Foreign exchange	14,926	5,526
Securities	269	80
Brazilian Commodities Exchange	5,857	1,752
BM&F Settlement Bank	2,291	802
Revenues from trading and/or settlement systems - Bovespa segment	264,601	844,457
Transaction revenues - trading fees	511,391	158,587
Transaction revenues – clearing and settlement fees	213,713	66,704
Securities lending fees	42,115	12,368
Annual listing fees	21,776	7,496

Depository, custodian and back-office services	45,206	15,868
Participant access fees	10,256	3,578
Other operating revenues	40,965	15,846
Deductions from revenues	(46,158)	(140,492)
Net operating revenues	404,675	1,231,575
Operating expenses	(189,642)	(559,298)
Operating income	215,033	672,277
Amortization of goodwill	(121,658)	(202,763)
Interest income, net	67,956	222,992
Non-operating income	4,080	14,922
Income before income and social contribution taxes	165,411	707,428
Income and social contribution taxes	35,193	(176,261)
Minority interest	(354)	(961)
Net income for the period	200,970	530,206

Net income

Net income for the third quarter of 2008 was R\$200.9 million. Net income for the period has been influenced by non-recurring expenses of the order of R\$48.3 million correlated primarily with the integration process of BM&F and Bovespa, where R\$42.9 million relate to expenses with personnel and related charges.

Additionally, in the three months to September 2008 we recognized expenses from the proportional goodwill derived from the merger of shares of Bovespa Holding S.A. (currently named Bolsa de Valores de São Paulo S.A. – BVSP) in the amount of R\$121.7 million. In the nine months to September 30, 2008, expenses from amortization of goodwill amounted to R\$202.8 million.

Accumulating net income for the nine-month period ended September 20, 2008, was R\$530.2 million, whereas net margin on operating revenues was 43.1%. As a percentage, expenses with the integration process for the same period, of R\$117.3 million, represented 9.5% of net operating revenues.

Moreover, as a result of recognition of goodwill and of income offset against tax loss carry forward recorded by the former Bovespa Holding upon merging with BVSP, we registered deferred taxes in the amounts of R\$60 million and R\$26 million, respectively, which reduced the actual tax rate to 25%, taking into consideration the nine month period ended on September 30, 2008.

The operating margin reached 52.42% in 3Q08, whereas the EBITDA margin for the same period was 54.40%.

Revenues and Expenses

Consolidated gross operating revenues for the nine months to September 2008 amounted to R\$1,372.1 million, with the aggregate of revenues from trading and/or settlement systems amounting to R\$1,331.1 million. Other operating revenues for the period represented 3.3% of net operating revenues, or R\$41.0 million, wherein the main line item was R\$32.2 million in revenues from sale of market data to vendors.

Moreover, taxes levied on consolidated gross operating revenues in the nine months to September 2008 totaled R\$140.5 million, or 11.4% of the consolidated gross operating revenues. After these taxes, consolidated operating expenses for the nine months to September 2008 amounted to R\$559.3 million, wherein personnel and related expenses represent R\$170.0 million and expenses with information technology data processing and telecom systems represent R\$114.0 million.

In an action to implement one of the objectives of integrating the activities of BM&F and Bovespa, the Company adopted a program to maximize synergies and efficiencies, while reducing operating expenses, including by eliminating activities that are common to both companies and duplicate work.

Whilst there are ongoing renegotiations of agreements with third-party providers, the principal actions taken towards implementing the integration objectives resulted in reduction in number of employees. During the third quarter of 2008, announced terminations encompassed 395 employees, of whom 371 had already been terminated by September 30, 2008. We should note however that the effects of terminations implemented by the end of the quarter will be reflected and influence our results of operations for the fourth quarter.

Additionally, certain factors contributed to relative dilution of the effects of this reduction in personnel, as follows: (i) 43 former providers were hired as employees in July 2008; and (ii) compliance with the yearly collective bargaining agreement negotiated between the trade and workers' unions of which the Company and its employees are members resulted in an 8% increase in our payroll, which also impacted the provision for labor liabilities, such as vacation and Christmas bonuses, as accruing through September 30, 2008.

Non-operating income

Consolidated non-operating income, of R\$4.1 million in 3Q08 and R\$14.9 million in the nine-month period through September 2008, consists primarily of revenues derived from equity interest held in other companies, revenues from leased properties, income from sale of assets, and reversal of certain contingent liabilities previously provisioned.

SUBSIDIARIES AND AFFILIATES

Bolsa de Valores do Rio de Janeiro (BVRJ)

BVRJ is a private not-for-profit organization, whose principal operations currently consist of managing and operating the electronic system for trading of government securities named SISBEX. BM&F S.A., BVRJ and the State Government of Rio de Janeiro previously executed a Memorandum of Understanding, which contemplates studies and plans to strengthen the financial sector in the State. The parties plan to execute an agreement to consolidate work already developed, outline the structure for an Exporter Service Center and establish guidelines for joint development of environmental projects.

Bolsa Brasileira de Mercadorias (BBM)

BBM is the Brazilian Commodities Exchange. In order to promote growth of trading in agribusiness securities, BM&FBOVESPA S.A. consistently invests to implement technological and operating improvements in the Agricultural Securities' Custody Registration System (*Sistema de Registro de Custódia de Títulos do Agronegócio*), or SRCA, operated by the Commodities Exchange.

Through the SRCA we offer custody services of rural product notes, or CPR, agricultural certificates of deposit, or CDA, agribusiness warrants, or WA, agribusiness letters of credit, or LCA, agribusiness credit rights certificates, or CDCA, agribusiness receivables certificates, or CRA, and other securities. Agribusiness securities registered in the SRCA system may trade via the Brazilian Commodities Exchange system. Thus, in addition to investing to expand the volume of business in the SRCA, BBM implements actions oriented towards encouraging participants, the market and financial institutions to structure financing transactions based on these agribusiness securities, which will then trade on primary or secondary markets. Moreover, expansion in these markets tends to favor growth in trading of agribusiness futures listed on BM&F BOVESPA markets.

BM&F Bovespa Settlement Bank

Under the name Banco BM&FBOVESPA de Serviços de Liquidação e Custódia S.A., this wholly-owned subsidiary operates to simplify clearing and settlement activities concerning transactions registered or traded on markets in the BM&F segment, and serves an important function to mitigate credit risks, while providing operational support to our clearinghouses and their participants, including clearing agents, in particular in view of the specificities of our markets. By focusing on providing specialized custody and settlement services to our different markets, the BM&F Settlement Bank has developed automated and simplified processes to eliminate certain operational risks while also reducing transaction costs incurred by participants. The custody and settlement services offered by the BM&F Settlement Bank continue to develop and experience attractive growth rates. The growth strategy adopted by the BM&F Settlement Bank is an essential element of our vertically integrated business model.

BM&F USA Inc.

BM&F U.S.A. is a wholly owned subsidiary and our representative office located in New York City, NY, USA, in addition to managing our representative office in Shanghai, China. It offers support and infrastructure for commodity brokers to operate and serve their foreign-based customers. Our New York office manages relationships with other international regulatory authorities, foreign governments and international exchanges, as well as other strategic and administrative functions, including dissemination of information about our markets to international investors.

Bolsa de Valores de São Paulo S.A. - BVSP

Formerly named Bovespa Holding, its primary corporate purpose is to provide a complete infrastructure of integrated fully electronic systems and trading platforms for trading in equities and equity derivatives on cash, options and forward markets, as well as to provide the necessary material, administrative and technical means to ensure access to organized, strong, fair, free and open markets for trading of securities. A shareholders' meeting has been called for November 28, 2008, to deliberate on the proposed merger of BVSP with BM&FBOVESPA.

Brazilian Clearing and Depository Corporation - CBLC

The primary corporate purpose of CBLC includes performing activities as clearinghouse for trades in equities, equity derivatives, and fixed-income securities of private issuers, closed on cash, options and forward equities markets, including activities as central counterparty, or CCP, as well as activities as central securities depository. A shareholders' meeting has been called for November 28, 2008, to deliberate on a proposed merger of CBLC with BM&FBOVESPA.

Financial derivatives

Financial derivatives are represented by exchange-traded derivatives based on interest rates, or ID (interbank deposit) futures contracts, and are shown at their market value. These contracts generally make up portfolios of exclusive funds with consolidated investments, and are used to hedge cash positions, because the maturity dates of these contracts are the same as those of the underlying fixed-rate treasury bills, or LTNs, portfolio profitability will correlate with variation in interbank deposit certificates, or CDIs. They are also used to hedge lending and funding transactions and to hedge government-issued securities transactions, or used for arbitrage purposes and to leverage positions. ID futures contract permits trading on the Brazilian fixed interest rate for different maturities and is an important element of the Brazilian financial system. The par value of ID futures contracts as of September 30, 2008, amounted to R\$40,994 thousand, as compared to R\$93,152 thousand as of June 30, 2008.

**DISCUSSION AND ANALYSIS OF THE MAIN LINE ITEMS
OF THE CONSOLIDATED BALANCE SHEETS
as of September 30, 2008 and June 30, 2008**

In thousands of Brazilian reais (R\$ 000)

ASSETS	September 30, 2008		June 30, 2008	
		<u>Vertical analysis</u> %		<u>Vertical analysis</u> %
Current assets	2,408,035	11.6%	3,093,670	14.5%
Cash and cash equivalents	67,939	0.3%	12,760	0.1%
Short-term investments in securities	1,987,290	9.6%	2,787,505	13.1%
Recoverable and prepaid taxes	90,928	0.4%	86,843	0.4%
Deferred income and social contribution taxes	89,755	0.4%	6,908	0.0%
Trade accounts receivable, net	149,286	0.7%	175,757	0.8%
Other receivables, net	13,157	0.1%	10,577	0.0%
Prepaid expenses	9,680	0.0%	13,320	0.1%
Long-term receivables	585,471	2.8%	306,485	1.4%
Financial investments	483,587	2.3%	210,604	1.0%
Other receivables, net	13,839	0.1%	15,167	0.1%
Judicial deposits	87,837	0.4%	80,435	0.4%
Prepaid expenses	208	0.0%	279	0.0%
Permanent assets	17,759,920	85.6%	17,870,003	84.0%
Investments	1,317,372	6.3%	1,317,347	6.2%
Property and equipment	242,406	1.2%	235,600	1.1%
Intangible assets [Goodwill]	16,182,148	78.0%	16,303,807	76.7%
Deferred charges	17,994	0.1%	13,249	0.1%
TOTAL ASSETS	20,753,426	100.0%	21,270,158	100.0%
LIABILITIES				
Current liabilities	1,110,351	5.4%	1,517,449	7.1%
Margin deposits and collateral for transactions	573,722	2.8%	536,068	2.5%
Earnings on securities under custody	34,743	0.2%	36,379	0.2%
Suppliers and accounts payable	15,650	0.1%	18,102	0.1%
Taxes and contributions payable	27,506	0.1%	23,811	0.1%
Income and social contribution taxes	96,237	0.5%	164,630	0.8%
Payroll and related liabilities	41,118	0.2%	42,247	0.2%
Redemption of preferred shares payable	6,269	0.0%	27,232	0.1%
Loans payable	148,240	0.7%	502,732	2.4%
Other accounts payable	159,286	0.8%	151,381	0.7%
Deferred revenues	7,580	0.0%	14,867	0.1%
Long-term liabilities	95,923	0.5%	111,776	0.5%
Provisions for contingencies	95,544	0.5%	111,406	0.5%
Other accounts payable	379	0.0%	370	0.0%
Minority interest in subsidiaries	15,272	0.1%	14,918	0.1%
Shareholders' equity	19,531,880	94.1%	19,626,015	92.3%
Capital stock	2,540,239	12.2%	2,537,023	11.9%

Capital reserve	16,350,975	78.8%	16,350,975	76.9%
Revaluation reserves	24,324	0.1%	24,421	0.1%
Bylaws reserve	401,447	1.9%	401,447	1.9%
Legal reserve	3,453	0.0%	3,453	0.0%
Net income for the period	217,444	1.1%	308,696	1.5%
Treasury stock	(6,002)	0.0%	-	0.0%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	20,753,426	100.0%	21,270,158	100.0%
Number of shares	2,044,014,295		2,040,797,995	
Shareholders' equity value per share - R\$	9.56		9.62	

Assets

As at the end of September 30, 2008, total consolidated assets amounted to R\$20,753.4 million, of which 12.2% represented by cash and cash equivalents, and short-term investments in securities. Permanent assets amounted to R\$17,759.9 million, divided into investments amounting to R\$1,317.4 million, property and equipment totaling R\$242.4 million, intangible assets worth R\$16,182.1 million and deferred charges amounting to R\$18.0 million, which as a percentage represent 6.3%, 1.2%, 78.0% and 0.1% of total permanent assets, respectively. Changes in the intangible assets line item between June 30, 2008 and September 30, 2008, reflect the proportional recognition of goodwill derived from the merger of shares of Bovespa Holding S.A. (currently named Bolsa de Valores de São Paulo S.A. – BVSP) in the amount of R\$ 202.8 million.

Total financial investments registered under current assets and long-term receivables, thus comprising short-term investments in securities and financial investments net of margin deposits and collateral for transactions, fell to R\$1,897.2 million as at September 30, 2008, from R\$2,462.0 million as at June 30, 2008, primarily due to a decrease in loans payable to R\$148.2 million from R\$502.7 million as at the same dates, respectively, and due to payment of R\$292.2 million in cash distributions of dividends and interest on shareholders' equity made to shareholders on September 2, 2008.

Liabilities

As of September 30, 2008, current liabilities amounting to R\$1,110.4 million represented 5.4% of total consolidated liabilities, and consisted primarily of margin deposits and collateral for transactions by customers in the amount of R\$573.7 million, as well as of the provision for taxes contributions and income and social contribution taxes payable, in the amount of R\$123.7 million, and loans payable amounting to R\$148.2 million. As of June 30, 2008, loans payable amounted to R\$502.7 million. A renewed portion of the loan, which earns interest at the CDI interest rate plus a spread of 1.36% per annum, matures on October 24, 2008. By the end of 2008 this loan will have been fully repaid.

As of September 30, 2008, long-term liabilities amounting to R\$95.9 million represented 0.5% of total consolidated liabilities, and consisted primarily of provisions for contingencies.

Shareholders' equity

Shareholders' equity as of September 30, 2008, amounted to R\$19,531.9 million, and consisted of capital stock R\$2,540.2 million (12,2%), capital reserve of R\$16,351.0 million (78,8%), revaluation reserve of R\$24.3 million (0,1%), bylaws reserve of R\$401.4 million (1,9%), legal reserve of R\$3.5 million (0,0%) and net income for the period of R\$217.4 million (1,1%). As a percentage, capital stock represented 12,2%, capital reserve 78.8%, revaluation reserve 0.1%, bylaws reserve 1.9%, legal reserve 0.0% and net income for the period 1.1% of shareholders' equity.

We should note that, pursuant to our recently approved buyback policy, by September 30, 2008 we had repurchased 757,800 shares, corresponding to R\$6.0 million and registered as a reduction from shareholders' equity. The buyback program approved by the Board of Directors on September 24, 2008, set the buyback cap at a maximum of 71,266,281 shares, which will be kept a treasury stock for subsequent cancellation.