International Conference Call
BM&FBovespa
1st Quarter 2015 Earnings Results
May 15th, 2015

Operator: Good morning, ladies and gentlemen, and welcome to the audio conference call about the earnings results of BM&FBOVESPA for the first quarter of 2015.

At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session and instructions to participate will be given at that time. If you should require assistance during the call, please press the star key followed by zero (*0).

As a reminder, this conference is being recorded and broadcasted live via webcast. The replay will be available after the event is concluded.

I would now like to turn the conference over to Mr. Daniel Sonder, Chief Financial, Corporate and Investor Relations Officer of BM&FBOVESPA.

Mr. Daniel Sonder: Good morning everyone, thank you very much again for joining our conference call.

I just wanted to first extend a thanks to the IR and Finance teams which of course a key part of making all this possible, and also thank you the analysts on the line who have worked to help us communicate to the broader investor community our results.

I will now moving to page 3 of the material that you likely have in front of you, where we have the highlights for the first quarter of 2015. In the first quarter of 2015 our net revenues grew by 5.9% in comparison with the same period last year.

This was caused mainly by volume increases in revenues from derivatives and from other business lines, not connected to volumes.

As has happened over the previous years our adjusted expenses grew significantly below inflation compared with the same period last year. Another highlight this quarter was the 28.90 increase in the financial result mainly as a consequence of higher interest rates in Brazil.

Our adjusted net income grew by 4.2% while adjusted earnings per share increased 7.1%. The difference between these two growth rates reflects the execution of our share buyback program from January 2014 to March 2015.

On the right side of the slide you see the operational highlights for the quarter. In the BM&F segment I'd like to call your attention to the 13.7 increase in the rate per contract, one of the main factors that explain this jump is the RPC, is the FX depreciation.

Around 55% of the revenues from the segment are generated by contracts priced in US dollars. In the other business lines that are not connected to the volumes the main highlight was the performance of both securities lending and *Tesouro Direto*.

With respect to our strategic initiatives we have had some important accomplishments in the quarter; we moved forward in our OTC iBalcão initiatives by adding new features and products to our fixed income securities registration platform and announcing the migration of the OTC derivative contracts to a new sophisticated technological platform.

Also so the enhancements in our price incentive policies are already implemented and benefiting our results. Finally we announced an investment in *Bolsa de Comercio de Santiago* in line with our strategy of seeking expansion opportunities.

Now Rogerio will give you some more details in our operational performance.

Mr. Rogerio Santana: Thank you Daniel. Good morning everyone, I'd like to ask you to move to slide number four, where you will find some details on the BM&F segment performance.

As mentioned by Daniel in the previous slide, the revenues growth in this segment was driven by an increase in the revenue per contract that grew 13.7% compared to the previous years first quarters and offset the 3.1% deduction in the ADV in the same period.

One of the main factors that expand the RPC increase was the Brazilian Real depreciation against the US dollar since roughly 1/3 of our volume in this segment comes from contracts that are priced in US dollars, what represent approximately 55% of total of the revenues in this segment.

The Brazilian Real depreciation of 13.4% in this quarter brought positive impact on the RPC of FX, interest rates in US dollars, mini FX and some commodities contracts.

Two other positive factors also impacted the RPC: The first impact was the mix effect with changes in the way the different groups of contracts in the overall volume and also the breakdown between futures and options. Second, there was the removal of the 10% discount for clients that were trading though direct market access in this segment (or what we call DMA) that was implemented in January 15.

In the case of the EDV the main highlights were the 50.4% increase in the interest rates in US dollar contracts, mainly as a consequence of the volatility saw in the FX rate and the 7.5% growth in the mini contracts where we saw new clients increasing their trading activity.

Moving to slide number five we have the Bovespa segment performance. As we can see in the first chart in this 1Q15 ADTV reached R$6.65 billion; a 3% year over year increase, which was partially offset by 1.8% reduction in trading and post-trading margins, or 0.1 basis points.

The ADTV growth was driven by the increase in the turnover velocity to 71.8% in 1Q15 versus 69% in 1Q14 while the average market capitalization fell 1.4% to R$2.2 trillion.

The trading and the post-trading margins were negatively impacted by a mix effect. In the quarter we had lower participation of equity derivatives in the overall volumes hurting our margins since we charge higher than average fees for these contracts.

Another negative impact was in the higher volumes connected to the expiration of options on indices, as happened in the previous quarter. You can see more details on that on slide 14 in the appendix to this presentation.

Finally, the greater participation of day traders also had a negative impact on margins since we charge lower fees for this type of transactions.

The slide number six you can see our revenues breakdown. Particularly in this quarter the derivatives market gained more relevance in our total revenues. If we sum up the financial and commodity derivatives that represented 42% and the derivatives on single stock and indices adding another 3.3% we reach 45.9% of total revenues versus 33.9% of cash equities.

We also highlight in this slide two factors that had positively influenced our top line: The FX rate that impacted more than 25% of our total revenues and the recent announced enhancement in our price and the discount policies since some of these changes were implemented in 1Q15.

Now I will pass the word back to Daniel, who will drive you through our work expenses and other highlights.

Mr. Sonder: Thank you Rogerio. In the next slide, I mean slide seven now, we show the expense breakdown for the quarter. Our adjusted expenses grew by 1.6% quarter on quarter against average IPCA inflation of 8.1% in the period.

We had an extraordinary nonrecurring provision of 6.8 million in our personnel line and if we were to reduce debt provision, exclude debt provision from our total expenses our adjusted total expenses would have decreased quarter on quarter by 3.4%.

Adjusted personnel expenses, which exclude long-term incentive plans and personnel expenses capitalized towards projects, increased 6.9 and as I mentioned was impacted by the provision. Our data processing expenses grew by 5.4% reflecting higher maintenance expenses connected to the deployment of the first phase of the BM&F Bovespa clearing house, which happened in August of 2014.

Other expenses showed a 3.5 decrease even considering higher energy costs and provisions. Finally, we are reaffirming our 2015 adjusted expenses guidance between R$590 million and R$650 million and if we look at the center point of this range over adjusted expenses would be growing again at a pace of around 2% year-over-year.

In the next page we wanted to look at the long-term incentive plans based on the stock grants and the changes that has created in our accounts.

As we have discussed before, 2015 is the first year in which we will adopt a long-term incentive plan based on the stock grants instead of the stock options. This change has some impact in our income statement and this is what we will look through in this slide.

Until last year we were recognizing expenses connected only to the principal amount of stock options with no payroll taxes provisions or disbursements and these expenses were not deductible for tax purposes.

Now, with the adoption of the stock grant plan in addition to the principal amount connected to such stock grants we will also recognize 60.3 in payroll taxes over that amount leading to an increase in the total expenses connected to the incentive program.

On the other hand, however, the entire expense (meaning principal amount plus payroll taxes) becomes tax-deductible which offsets most of the potential impact on the net income. In the table on the right side you can see the 18.3 million impact on personnel expenses composed of 9.9 million in principal amount and 8.4 million in payroll taxes.

Since the 18.3 million expense is tax-deductible the net impact on 1Q15 was 12.1 million.

An important aspect on the accounting treatment of stock grant is the factor that the calculation of the 60.3% in payroll taxes is based on the share price on the date that the share is transferred to the beneficiary while the principal amount is calculated considering the share price on the grant date.

As a consequence, the market price of BVMF three, our share, brings volatility to the portion of personnel expenses connected to the payroll taxes on the stock grant.

So every quarter we will update the payroll tax figure to the most recent price available on the last day of the quarter.

Finally, in 1Q15 we also recognize a 25 million nonrecurring expense related to payroll taxes from the transition of the stock option to the stock grant; this is a one-off and this was announced in the notice to the market related on February 4 2015. This expense is also tax-deductible.

So I just wanted to take a moment to point that out and we will be happy to take questions on this during the Q&A. We want to make sure that this is on everybody's mind as we go forward because this is the new way we are going to account for such incentive plans.

On page 9 we would also like to point to another accounting change that will from now on impact our numbers. Law 12973 of 2014 has altered the accounting treatment of our investments in CME Group and it is important for the investors to really take note of this.

The first impact is related with the treatment of dividends received from CME and withholding taxes on those indexes. The status on dividends received from CME will no longer be recognized as an expense for the company as it was before; the dividends received from CME will be added to the company's tax base copulation in the tax books only and the overseas withholding taxes on dividends will offset the increase in the company's tax pays in the tax book as well.

The second impact refers to the changes in equity and income of investees and income tax line. Equity and income of investees will be calculated now based on the CME's Group net income after taxes instead of earnings before taxes, and corporate taxes paid overseas by CME will no longer impact our equity income or income taxes.

I'll be happy to take questions on this is well over the Q&A period.

Moving forward to the financial highlights, we show our financial position on page 10. We always like to highlight our financial robustness, the chart on the left shows the cash in financial position, which is an important part of the business so as being a credible counterpart in the financial market.

Cash and financial investments reached 4.3 billion in the quarter including BVMF own cash as well as cash held on behalf of third-parties which deposit cash collateral with us.

Continuing with the company's practice of consistently returning capital to shareholders our Board, once again, approved for this quarter an 80% payout ratio in dividends representing R$223.6 million. We also repurchased 6.8 million shares, which represent R$63.7 million in share buyback.

The Capex executed for the quarter reached 42.4 million and for the year we expect to invest between R$200 and R$230 million Capex and in 2016 between 165 and 195.

On slide 11 we take a moment to look at the OTC iBalcão initiatives and the main develops made in that project. We are moving forward with improvements in the platform with a specialized team fully dedicated to this.

Today iBalcão delivered registration of a full range of derivative products with or without a CCP and also bank funding instruments. Our goal is to focus on operation efficiency, flexibility, competitive prices and low switching costs to meet our customers' needs.

We are extremely committed to growing in this area while we recognize the high quality of our competitors we feel very confident that we will gradually gain the trust and business of our clients and provide to our company an attractive new revenue line.

Moving to the last page, which is slide 10, on our strategic developments. Just some recent updates. To conclude, I want to emphasize that we maintained our focus on building a world-class IT and operations infrastructure and at the same time seeking to add revenues through the continuous development of products and markets.

We are working on the development of the second phase of our new integrated clearing house and all the effort and investments put in the Puma trading system are bearing fruit since we have witnessed an uninterrupted operation of the system of four 669 days.

Regarding product and market developments we are concentrating efforts in increasing liquidity for listed products. With these goals we recently announced the expansion of our market maker program in the derivatives market and we are working to attract new participants to our securities lending platform, mainly local pension funds and foreign investors.

We also announced yesterday changes to our inflation-linked future contracts that will be implemented in June in an effort to relaunch this product family in a way that more adequately meets the needs of market participants.

The company has also been making an effort to drive revenue growth by implementing adjustments or pricing and rebates. These have been gradually announced and put in place in the last few months.

Another important announcement made this week was a partnership with S&P Dow Jones indices to developed new equity and fixed income indices for the Brazilian market.

We are truly honored by having a partner of such a quality and reputation, and by having more indices we expect to expand our ability to create new listed products such as ATFs options in future contracts.

Last, but not least, with an equity investment of R$43.6 million we acquired 8.3 of *Bolsa de Comercio de Santiago;* in line with our strategy of seeking expansion opportunities connected to our core business and explore partnerships with other exchanges.

Thank you very much for your time and we are ready for some questions.

Q&A Session

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please, press the star key followed by the one key on your touchtone phone. If at any time you would like to remove yourself from the questioning queue press star two.

Our first question comes from Jorge Kuri, from Morgan Stanley.

Mr. Kuri: Hi, good morning everyone. I have two questions if I may. The first one is: Can you give us a guidance on how all of these changes on taxes will affect your effective tax rate?

Second question is about iBalcão: How is this product different or better relative to your main competitor? What benefits in terms of quality, service or pricing are you offering in order to win business here?

I'm sure that before you undertook this initiative you had in mind targets, market share that you wanted to achieve in order to make the investment profitable. If you can share with us what that target market share is that will be great. Thank you.

Mr. Sonder: Jorge, I'll have Eduardo Guardia, my colleague here to start with the second question and I'll go back to your first one, okay?

Mr. Guardia: Hello Jorge, hello everyone. So let me start with the second question. First Jorge we will not give guidance on expected revenue or market share with iBalcão; we never give guidance to any product so we will continue to do the same with relation to iBalcão.

You know it's not easy to give this type of guidance although I can assure you that we have internally objectives and these objectives are part of our internal targets for the year, for myself and for colleagues.

Going to your first question about the iBalcão, I thing that we have to split this business into parts to give you a better answer. When we talk about derivatives, OTC derivatives I think we have very important competitive advantages particularly when we talk about OTC derivatives with CCP; now that we have the integrated clearing house this is the biggest competitive advantage we have.

So if you have registered OTC derivatives with us investors can match their positions with listed products. So this is a huge differential that we will have related to our competitors even if they have the CCP in the future. We know that they don't have a CCP as of today.

Related to the derivatives without CCP, what we're doing, as Daniel said, we are migrating our OTC products with and without CCP to a new platform, which is much more modern and much more flexible, and I think this is also an important aspect to highlight.

I have to admit and I have to say that we don't have yet all the products we need when we talk about OTC derivatives, so we are working on that as well to make sure that as soon as possible we will have all the products that are necessary to offer to our clients to be really competitive on the OTC derivatives space.

So that's related to the OTC. When we go to securities registration then of course it is much more difficult to differentiate the service. So what we are trying to do is: First, reduce the migration because what we are trying to do is to have some type of tailor-made solution for the most important clients to make sure that the migration process is as easy as possible, and we have already had a very successful experience with one big client, we are working with others and we are also offering a fee structure that I think it's much more simple not only cheaper, but it's much more easier to understand and to predict, which is very important when you talk about securities registration.

Now the Central Bank requires all the time deposit above R$5.000 to have the identification of the final beneficial owner, we already have this feature in our platform even for smaller amounts; so all the registration in our platform have already the identification of the final beneficial owner.

On the securities registration we are also trying to differentiate ourselves offering products that I think will be much more difficult for our competitors to offer, and one good example of that is the structured notes with physical delivery.

So this is one of the products that we released this quarter and I think will be one interesting product that will attract the major players to our platform. To have access to structured notes with physical delivery, they will have to be registered with us, once they are registered with us using our platform they can test all the other products – and now I'm talking about the structured notes.

So that's what we're trying to do. We are trying to leverage on the competitive advantages that we have at BM&F Bovespa and also by making sure that our clients understand that we have a dedicated team not only the product team, but IT team, operation team that are working together to provide a good service to clients. So this is one other differential that we can offer.

We have a very good quality service when we talk about listed products and we are definitely working hard to replicate the same quality to our OTC products. So that's what we're trying to do.

As Daniel said, it's not easy, but we are moving in accordance with our expectations and we are pretty confident that we will over time show very important results to our shareholders.

Mr. Sonder: Okay, just going back to your first question on effective tax rate, so the change in CME accounting treatment has no material effect because basically we were showing gross retained earnings and then we were deducting the tax from our tax line and now we are just going to show net retained earnings in the retained earnings lines, after taxes.

So there is no significant change in that. Another change that you should take note, however, is the fact that the principal amount of our stock grant program expense is now tax deductible, so not only… and that's a different basis than we used to have in the past; in the past we had an expense in our line which was stock options, which was not tax-deductible, and now we have a stock grant, which is tax deductible plus, of course, the payroll taxes which is also tax-deductible.

So that produces a little bit our tax base, it's not a big number and we can get into more details off-line and remember both of these are non-cash because we still have the goodwill amortization.

Mr. Kuri: Thanks for the detailed explanation. I'm sorry to go back to the issue of effective tax rate, so the effective tax rate in the first quarter was 31%. This is sort like a big change for what you have had in previous years, which was around 35.

Should we think about 31 as the new level or would you mind giving us a better guidance given all of these moving parts that are affecting your effective tax rate?

Mr. Santana: Hi Jorge, this is Rogerio. In this quarter we also had these nonrecurring expenses that are connected to stock options that is R$25 million from the transmission we announced in early February this year.

So answering your question: We should have an effective tax rate that, as Daniel said, most of this is not cash, but should be slightly above 31%.

This 1Q it was lower than it should be in the recurring level.

Mr. Kuri: Thank you.

Operator: Our next question comes from Francisco Kops, with Safra.

Mr. Kops: Hello everyone. Two questions as well. First regarding expenses. You guys presented adjusted expenses growing just 1.6, which is well below inflation, and if we annualize this growth we should go to the lower part of your guidance.

My question is: Is there anything we can assume as nonrecurring here? And I saw that basically marketing and communication expenses dropped year-over-year. Do you think you should be able to keep like that? I mean, this should be recurring? And then I do my second question.

Mr. Sonder: Sure, thank you Kops. I think that the nonrecurring item in our adjusted expenses is R$6.8 million provision regarding labor expenses or personnel expenses in this quarter. We should not expect to see that in the future again.

And we are maintaining our guidance at this point in the cycle; we are making efforts to manage expenses in the best way possible and, again, under an inflationary scenario. So the fact that you note that discretionary expenses are the ones that are showing the largest contraction is, I think, a result of those efforts.

Mr. Kops: Okay, that makes sense. And my second question is a little bit more generic. It's more about focus and management time. We saw that in 2014 the clearing house integration project took a lot of your efforts in terms of time and focus.

What we should think about 2015? Do you think it will be the same? I mean, the clearing house is still the main project? How we should think… even the iBalcão or even the new movement you guys are doing to expansion into Latin America, you guys just acquired some minority share in the Chile stock exchange.

So how we can think about management time and focus in 2015 compared to 2014?

Mr. Sonder: Sure. Thank you and I'll have my friend Eduardo Guardia and Luis Furtado, our head of IT, who is also here with me, help me in the answer, but before I give them the mic I think it's very important that every time we speak about updates to our strategic developments we really speak about two pillars: One is building a world-class IT and operations infrastructure, so building the systems, revamping all of our facilities and IT infrastructure operation to be able to support larger growth, but not doing only that.

And the second leg of our strategic focus and initiative in management time and priority is obviously on developing product, markets and seeking to diversify our revenues and these have equally importance in our strategic thinking as well as management dedication.

So now have my colleagues get into a little bit more details of what we're doing on both fronts.

Mr. Guardia: With respect to Latin America I don't think it will have any meaningful impact on the management focus because we have one International Director that is really dedicated to this issue, which is Marcio Veronese, among other things that Marcio is responsible for.

Of course I do have to dedicate part of my time to this the strategy, but that is something that we will have two banks working with us, helping us to find opportunities in Latin America, so that's not something that I would say it's time-consuming or that will affect our allocation time during 2015.

Going forward, I would like to spend more time discussing opportunities in Latin America – that's something that we will start to do once we make this acquisition and now I'll start to do that with Chile.

Now I'll pass to Luis to talk about the clearing house integration.

Mr. Furtado: Okay, just a few remarks on management attention regarding the big projects we've been handling over the last few years that is going to take us until 2016 to get them completed.

Right now the major effort on the clearing consolidation is what we call "the building of the version 2", which is getting the new clearing house ready for the equities migration and it does take some effort and some management attention.

Next year is going to be the migration so it will take not only effort from us, but also from the participants and that potentially can take some additional focus from management, but I think it's important to emphasize that in 2013, for instance, we were tackling all the big projects together; we were tackling Puma, we were tackling the new data center, we were tackling the new clearing house as well as the iBalcão.

So we can say that the bulk of the big transformation is over, and therefore we can concentrate on new opportunities, as Eduardo mentioned, and also we have now a much more experienced organization in how to handle these big projects.

The fact that we have successfully migrated Puma phase 1, Puma phase 2, clearing house consolidation phase 1, all the deliverables on the iBalcão and data center makes us much stronger at this point to handle this last phase of the clearing consolidation project.

Mr. Kops: Well guys, thank you. Thank you so much I think that's clear.

It is just because I know that some projects, like the iBalcão, they have developed really fast in 2015 compared to the past and even in the expansion to the Latin America happens in 2015, so I was just trying to figure out if it's really… you guys really have right now some time that you didn't have in the past or not, it is just something that you guys maybe learned how to measure time better or to another stage of the clearing house integration.

But I think I got the answer. Thank you.

Operator: Our next question comes from Alexander Spada, Itaú BBA.

Mr. Spada: Hi, hello, good morning everyone. Two questions for my side. First one is: Can you provide an update of the developments of assessment of infraction that you received earlier this year on the goodwill amortized in 2010 and 11? When do you expect the first judgment to take place?

And all so can you with us what are the latest news on the other dispute regarding goodwill amortization? And then I'll come back with a second subject. Thank you.

Mr. Sonder: Okay Spada, thank you so much. We filed about 10 days ago our rebuttal to the assessment that we received from the revenue service regarding the 2010 and 11, this was done at the first level of appeal, which is the sort of a regional chapter of the revenue service, we did I think a very thorough work with our lawyers to, you know, challenge all the points that were brought against us and, again, we feel good that the allegations about improper use of the tax benefit deferred by the law are very inconsistent.

So unfortunately we don't have a calendar for that, a timetable, so we don't know when we are going to receive news from, again, this first level of administrative dispute.

On the previous case, the 2008 and 2009 period, as you know, we unfortunately were not successful in our challenge that we made to the first level chamber of the CARF, of the appeals board, and therefore we are now reviewing that case we'll likely appeal to the superior board of the appeals board, and that should take place in the near term.

Unfortunately, as you're probably following, the deliberations in the appeals board of the revenue service are currently not moving at regular speed due to some restructuring that the ministry of finance is working under in that body. So, again, I'm not able regrettably to give you any more clarity about the timetables on this.

Mr. Spada: Okay, just to make sure; your appeal will happen soon, but you're not sure about when that will be discussed at the board?

Mr. Santana: Corrected. Thank you.

Mr. Guardia: Alexandre, last time when we received the tax claim in 2010 it took one year to get the result of this discussion at the regional office of the revenue service.

So it really takes time.

Mr. Spada: Okay, thanks Guardia, thanks Sonder.

Second question. You executed a relatively small portion of the current share buyback program in the first quarter of 2015 (6.8 million shares if I am not wrong) and the stock is now more expensive than it was earlier in the year.

So the question is: Can we expect the current share buyback program to be fully executed in 2015 or would it be more reasonable to expect it to slow down at this point if the stock remains above the R$12,00 per share level?

Mr. Sonder: Okay, so the way that we think about the stock repurchase program is as a byproduct of our desire to deliver, you know, back to shareholders the cash that we generated in the company over the course of the year, right.

So what we try to indicate by the size is with some room for exceeding expectations without any firm commitment a very sort of broad interval of where we think, you know, again… a lot of flexibility on both sides we would need to have the share program approved at the beginning of the year to be able to execute on the strategy that I just laid out, which is to, in addition to dividends return, essentially most of the cash generated by company to you.

Having said that, what we do in the 1Q is that we have to be a little bit more conservative on cash retention because in the month of April and then again in the month of May we have large dividend payments, cash payments.

So we have to look at the cash generated in the company, which is pretty much even during the year in a normal year or, you know, spread out evenly during the different quarters and use less of that cash in the first quarter because we have large payments coming due in April and May.

So that is essentially the reason why we repurchased less or a smaller fraction of the repurchase program during the first quarter and, you know, I don't think that should be an indication of how much or little we will execute over the course of the year.

Mr. Spada: Okay, so net-net the idea is to return to shareholders most of the cash flow generated in the year through this combination and that could mean that this buyback could accelerate going forward?

Mr. Sonder: Look, that is what the company has done in previous years and it has in this first quarter that was our recommendation to our board.

They have obviously the flexibility of every quarter reviewing that position and perhaps directing us to distribute more dividends or retain more cash in the company.

But if you look back at the previous years successive boards have followed successive recommendations from management exactly in the direction that you have just stated.

Mr. Spada: Okay, that's very clear. Thank you.

Operator: Our next question comes from Gustavo Lobo, with BTG Pactual all.

Mr. Lobo: Hi everyone. I have a couple of questions both related to FX. First I'd like to understand the exposure that you have in terms of adjusted operating expenses to FX because looking at your figure for the 1Q you are growing adjusted operating expenses exactly what the midpoint of your budget implies for the full year 2015.

But there was a huge BRL depreciation in the meantime that shouldn't persist for the following quarters. So if you don't have that same negative impact from FX in your operating expenses you could actually deliver a figure below what your budget implies.

And my second question is also related to FX. Your budget for Capex and Opex wasn't viewed in December when the dollar was at 2.7 or something like that.

There was a depreciation in the meantime so how comfortable you are with your budget and should we see a potential revision upwards of that or you were adjusting somewhere else so that the range will remain the same or are you hedging in any way?

So if you could just talk a little bit about that.

Mr. Sonder: Great Lobo, thank you for the question. And I think at your last sentence you kind of wrapped it all up, but let me state it very clearly.

So regarding guidance, at this point we don't think it's necessary to revise either the Opex guidance or the Capex guidance for the year. One of the reasons for that is that we have applied for the past two years hedging for expenses using dollars that we generate in our business.

So what we do is at the beginning of the year award as close as we can possibly execute that and very near to the time that we release the budget we use dollars to effectively hedge out the exposure to FX that we can firmly confirm to our auditors that we know will take place during the year.

So all the contractual obligations that we can credibly foresee for the future of the year we can basically assign a particular dollar amount that we already hold to that obligation and, therefore, as an expense item in our income statement FX variations will not impact of those obligations.

So we do that not to all of our expenses because, just to give you a very simple example, a travel expense in November I don't nor for sure that I will execute that in January so I cannot from the accounting point of view I cannot use dollars that I own in January to hedge for a travel expense that is budgeted for November because I'm not certain about that.

But for a lot of our contracts with suppliers of either in the technology line or in the Capex line or some other obligations we can effectively do that, which has been to our benefit this year, and actually we intend to do this every year because we don't want to take a view on whether dollar is going to go from a budget standpoint; what we want to do is, I think, to be able to release a budget at a certain point in the year, which is late in the year, and then know that there will be as little variation as possible in that budget throughout the following fiscal period.

So that's what we do. There is, however, the remaining small exposed position due to things that we are not for sure, but not enough to lead us to have to revise our budget right now, and the reason for that is that we have made efforts to make savings in other items so that we can absorb the unhedged portion of our Opex budget.

Is that clear?

Mr. Lobo: Perfect, it's very clear. Thank you.

Operator: Excuse me, as a reminder if you would like to make a question please press start one.

Our next question comes from Domingos Falavigna, with JP Morgan.

Mr. Falavigna: Hi good morning all, Guardia, Sonder and team. Thank you for taking the call. Actually, a couple of questions too. The first one is again I guess regarding the CME stake.

My understanding is that board members wanting a roadshow just ahead of the elections and most of the feedback of investors we got back were that it seems most are in favor of a total or at least partial divestment from CME and I still don't see that going forward.

I'm just wondering why hasn't this? And you should do find a reason… I understand the 2% is necessary for the board sitting in the CME, but why the decision to keep the full 5%?

Mr. Sonder: Okay Domingos, thank you for the question. I think that the position of the company has not changed since we met with investors.

It is a very strategic relationship for us with innumerous benefits. The most concrete one that was accomplished was of course the revamp of our trading system, but it is indeed something that has value to us the strategic discussions that we can have about products, about opportunities that we look together, about know-how and best practices of being associated with the largest exchange or one of the largest exchange groups in the world.

So we see that as something very important and we see that the relationship does become much tighter and important because of the cross share ownership in the company of each company in each other.

Having said that of course it is the duty of the board to frequently review that situation in light of either strategic or economic, financial changes in the landscape and in light of the contractual obligations, which do not include among them which is properly stated, the obligation to keep 5%.

So we continue to review that situation at this point. Obviously there has not been any change in our decision or in our views. So they remain the same as they were when we were having these discussions with some of you and with investors.

Mr. Falavigna: Perfect. Very clear. My second question actually touches iBalcão, but it's a more actually insight from you guys that I would like to have.

On paper it does look like iBalcão it's a very compelling initiative, I mean, Basel in (0:49:02 unintelligible), you have advantages in net exposure from the banking side, your pricing seems… it's a bit hard to compare, but seems in some cases a bit cheaper. Yet, when we look at the market share of most of the products most would consider the initiative so far to have been unsuccessful.

So my question is: To what you attribute the fact that BM&F is still struggling getting at least a 10% market share or 20% market share in most of the iBalcão's product?

Mr. Guardia: Domingos, it's Eduardo speaking. First, I would not agree with you when you say it's not a successful a strategy because we are is still implementing the strategy and it takes time and we, as I said, clearly we don't have yet all the products we need and we want to have to be more competitive.

We have this year made some important steps in relation to securities registration with the new products, now we have (and we are working) work with banks to try to bring them to our platform.

So we never said this would happen in the short term; it requires a lot of hard work and we are still working on that.

If you look at this year derivatives with OTC derivatives with CCP we had a very important increase in volumes, we had a good performance, I said and I still believe that there will be over time more demand for OTC derivatives with CCP because of all the restrictions coming from Basel III and probably we will start to save is soon.

So, we will continue to work hard on that, we know that we still have to deliver products that we don't have today, we are working on that, we will work on that, so I cannot agree with you when you say it is not successful because we are is still implementing and this takes time.

So we will continue to work hard on that.

Mr. Falavigna: Okay, understood. So you believe that basically our market share it's a result of the short amount of payment that the deposite has been available?

Mr. Guardia: I think so, I think that when you look at securities registration we released important products that we needed to release in February this year – talking about financial bills, OTC, time deposit with new functionalities, the COE with physical delivery.

So it takes some time. When you go to a bank to show your new platform for them to adjust their system to start operating with you and it's very difficult to do that when you go to the bank and you don't have all the products they need, so that's where we worked last year on the securities registration platform.

This year we are working now on the migration of the OTC products, the OTC derivatives, and as I said in the beginning there are other important projects like the swap with cash flow, flexible options with and without CCP that we still have to deliver.

So that's what we're doing now. So when I look to the target, to the objectives that we have internally I think that we are moving in the right direction.

Mr. Falavigna: Perfect. Very clear. Just one last question. BM&F seems to have been very good at keeping cost growth in the last two or three years from low single digits to even sometimes below nominal growth, so basically decreasing even in some years.

We just saw the *Mega Bolsa*, I think just got an announcement *Mega Bolsa* was turned off this month. Can we expect some kind of headcount relief or cost decrease now with the result of *Mega Bolsa* being turned off? How can we think about that?

Mr. Santana: Okay, just a clarification on this; it was not *Mega Bolsa* the trading platform; that was discontinued in 2013 when we migrated the last phase of Puma.

It was *Estação Mega Bolsa*, which is a trading screen that we provide; it's been replaced by *Estação Puma*, it is just a (0:53:27 unintelligible) for the traders.

Mr. Falavigna: So no macro savings there?

Mr. Santana: No, some savings we discontinued several services as a result of that, but not really material.

Mr. Falavigna: Understood. Thank you.

Operator: Our next question comes from Eduardo Nishio, with Brasil Plural.

Mr. Nishio: Thank you, thank you for taking my question. I have just one question on the clearing house process. Typically systems development tends to delay and we are approaching the middle of the year.

So my question is: How confident you are that the IT development of the equity phase will terminate on 4Q15?

And if you can give us a little bit more color on where you are and what the process that need to be finished to meet that schedule? Thank you.

Mr. Santana: I'd say at this point that we are pretty confident that we will make the year-end regarding development. In fact, the actual target is to start what we called certification with market participants by the end of the year.

Right now we are on track, but just to give you some more information on that, I mean, this second phase of the clearing consolidation is comprised of 19 projects and 12 fronts of work.

We are touching 101 different systems, so it's a rather complex initiative, but regarding the execution of our plan we are on track at this point.

Mr. Nishio: All right, thank you so much.

Operator: This concludes today's question-and-answer session. I'd like to invite Mr. Daniel Sonder to proceed with his closing statements.

Mr. Sonder: Everyone, thank you very much we appreciate your time, your attention and your investment in our company as well. So we remain here, the entire Finance and the IR teams available if you have further questions for us.

Operator: This concludes BM&FBovespa audio conference for today. Thank you very much for your participation and have a good afternoon and thank you for using Chorus Call.