International Conference Call
BM&FBovespa
2nd Quarter 2015 Earnings Results
August 14th, 2015

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

Mr. Daniel Sonder: Good morning everyone, thank you for joining the call and taking the time.

I'd like to welcome you to our quarterly earnings conference call to discuss the second quarter 2015 results. I'm here with the IR and Finance team, which I'd like to take a minute to thank for all the work in putting together the materials that you see in front of you.

We open our earnings presentation on slide three with an overview of what has happened in our operations, our financial results and our strategic projects during second quarter then we will go into the details in the following slides.

On the left side of this page you see the positive numbers in all of our main business lines and I'd like to highlight that double-digit growth in the derivative market and in other business lines not tied to volumes with the strong performance of both the securities lending business and the *Tesouro Direto* platform.

In the middle of the page you see that the solid operating performance resulted in almost 20% top line growth year-over-year mainly driven by revenues from the BMF segment and from other business lines.

As has happened in previous years, our adjusted expenses grew below inflation compared to the same period last year. As a result of the company's operating income increased 24.3% year-over-year underscoring once again the company's operational leverage.

Our adjusted net income grew by 17.2% while our adjusted earnings per share increased 19.8% reflecting the execution of our share buyback program.

On the right side of this page we show the consistency of our payout practice which reflects management, commitment through returning capital to our shareholders. We maintained a payout ratio of 80% combined with our share buyback program that reached 26.2 million shares from January to July 2015 or roughly 1.5% of the free float of the company.

Here I'd like to call your attention to the fact that the company opted for distributing its payout using interest on capital rather than dividends. This practice will generate text losses that can be offset in future periods against taxable earnings, which will be particularly valuable after 2018 for our company.

This should allow us from now on to better achieve our goals to a different combination of interest on capital, dividends and share purchases.

Rogério and I will be happy to go into more details on this during our Q&A section.

Regarding our strategic initiatives we had some important developments in the quarter. We remain on schedule with the equity's phase of our clearinghouses integration projects, we also moved forward in our iBalcão OTC initiatives by migrating some OTC derivatives contracts to a new sophisticated and more customer-friendly platform.

Additionally, a number of enhancements in our price and incentive policies are already implemented and we can see their impact in our results.

Lastly it's worth noting that we announced in the second quarter a program in the recognizing state-owned companies listed in our market that implement enhancements to the corporate governance practices.

And now Rogério will give us some more details on our operational performance.

Mr. Rogério Santana: Thank you Daniel, good morning everyone. I'd like to ask you to move to slide four where we highlight the resilience of the BM&FBovespa's business model.

Revenue diversification across markets and currencies coupled with initiatives to drive no volume related revenues underscored this aspect of our business. We see on the left side that the greatest contribution to revenue growth in this quarter came from the financial and commodities derivatives market within the BM&F segments where we have a long exposure to US dollar, as well as exposure to volatilities around interest rates and FX rate.

Another relevant contribution came from other business lines not related to volumes, which were impacted by the solid performance of some products coupled with some enhancements to our pricing and incentive policies, which were implemented recently.

On the right side the pie chart shows that the derivatives markets are the main sources of revenues for BM&FBovespa. If we sum up financial and commodity derivatives that represent 41.1% and derivatives on single stock and indices for another 3.5% we reach 44.6% of total revenues versus 34% of cash equities.

Moving to slide five you will find details on the performance of the financial and commodity derivatives markets. As mentioned before, the revenue growth in this segment was driven by a combination of: A 28.2% increase in the ADV, with 2.2% growth of the average revenue per contract – what we call RPC.

In the bar chart on the left side you see the relevance of both contracts priced in US dollars and contracts exposed to interest rates, and we are seeing high volatility related to these two underline factors, which has impacted the trade activity in a positive way.

We see that the main contributions to the revenue growth in this market has come from contracts priced in US dollar mainly FX contracts, interest rates in US dollar and commodity contracts from which the combined revenue grew 46% year-over-year.

In the 2Q 15 contracts priced in US dollars generated around 52% of total revenues in the financial and commodity derivatives market. Revenues generated by interest rate in Reais contracts also grew by 21% in the period.

On slide six we have the performance of the equity markets. As we can see in the bar graph on the left the cash equities market drove the revenues up mainly reflecting higher market activities measured by the turnover velocity that reached 7.5% in 2Q 15 versus 66.6% in the first quarter of 2014.

The average market capitalization was flat over the same period. Trading and post-trading margins were flat in the year-over-year comparison reaching 5.3 basis points in 2Q 15.

Moving to slide seven we highlight the importance of the source of revenues that are not directly relate to volumes. One of the drivers of the company's strategy is to increase the revenues coming from this group of products and revenues.

We pursue this goal mainly by actively marketing these products and services as well as altering prices and incentives applied to them when we see opportunities.

At the bottom of the slide we highlight three products and services that are showing significant growth: The depository line grew more than 20% year-over-year reflecting the solid growth of *Tesouro Direto* platform, for which we have a very effective incentive program, we also had growth in the registration of agribusiness credit bills and finally price adjustments which were implemented in April 2015.

The security lending business – that is in the center of the slide – grew 27.9% versus the same quarter in the year earlier reflecting larger open interest and removal of the rebates static from January 2015.

It's also worth to highlight that one of our main priorities is to develop this business by attracting more lenders to the platform, specifically foreigners and local pension funds.

Finally, on the right on the bottom, we call attention to the market data business that grew more than 10% in the period mainly reflecting the Brazilian Real depreciation versus the US dollar. Since roughly 6% of the revenues of this business are prized in foreign currency.

Also a new pricing model was implemented for this market in July 2015 and it started to impact our revenues from the 2Q 15 on.

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

Mr. Sonder: Thank you. So moving to slide eight we show the expense breakdown for the quarter. Our adjusted expenses grew 5.3% year-over-year versus average inflation of 8.9% in the period.

Our adjusted personnel expenses, which exclude long-term incentive plans and personnel expenses capitalized towards projects, increased 4.1% and were impacted by the wage adjustments of around 7% under the annual collective bargaining agreement of August 2014.

The lower increase in personnel expenses compared to the wage adjustment is explained by the efforts made by us in managing the company’s headcount.

Our IT data processing expenses grew 11.6% reflecting higher maintenance expenses connected to the deployment of the first phase of the BM&FBovespa clearinghouse, which happened in August of 2014.

We have seen this in previous quarters as well and we should continue to see this line increase as new systems come online over the next 18 months.

Third-party services expenses increased 8.3 due to certain consulting services and legal fees. Other expenses although a small number showed a 58.5% increase impacted by higher energy costs and provision. It's worth mentioning that official energy average inflation grew 58.4% in the last 12 months to June 2015. Communication and marketing expenses fell year-over-year.

Finally, we are reaffirming our 2015 adjusted expenses guidance between 590 and R$650 million. This comes as a result of significant efforts made by the company since not only did we add new systems, but also we have had to absorb unexpectedly high inflation in wages, contracts and energy since the fourth quarter of 2014 when we prepared and release our budget and Opex guidance.

Moving to page 9 we always like to highlight our financial robustness. On the left we show the cash position, which is an important part of the business of being a credible counterparty in the financial business.

Total cash was R$4 billion at the end of the quarter. Total cash is composed by cash, collateral on behalf of third-parties and BVMF's own cash. On the left and blue side of the graph we can see the third-party cash, which amounted to 1.8 billion. On the right side, represented by the green bars, it's BVMF's cash composed of restricted and available cash amounting to R$2.3 billion.

Continuing with the company's practice of consistently returning capital to shareholders our Board yesterday again approved an 80% payout ratio representing R$254 million.

As mentioned in the first slide for this quarter we opted to pay interest on capital in order to expand our capacity to return capital to our shareholders in the long run by using tax loss carryforward later on.

We also repurchased at 26.2 million shares from January to July 2015, which represents almost R$290 million invested in the share buyback program.

Moving to the financial results, the 20.4 increase in this item reflects the positive combination of higher average interest rates and higher cash balance in the second quarter of 2015 versus the second quarter of 2014.

Capex executed reached 76.6 million. For the year be expecting that between 200 and 230 million in Capex and then in 2016 between 165 and 195 million.

Moving to the next page, on slide 10, I want to emphasize that we have maintained our focus on building a world-class IT and operations infrastructure and at the same time seeking to add revenues through the continuous developments of products and markets.

So we are working on the development of the second phase of our new integrated clearinghouse and all the efforts and investments in terms of equipment and human know-how that we have put in the Puma trading system are bearing fruit since we have witnessed an uninterrupted operation of the system four 760 days.

Regarding product and market developments we are concentrating our efforts in increasing liquidity for listed products, with this goal 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 are working on our inflation-linked future contracts, which were relaunched in June 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 to our pricing and incentive policies. These have been gradually and consistently announced and put in place over the last few months.

Another important announcement made in this quarter was a corporate governance program for state-owned companies, which aims to ultimately strengthen investors' confidence in those companies.

Although this is a long-term effort, which may take some time to yield results and recognizing of course the corporate governance is not the only aspect in market valuation and investors' perception, it is relevant to note that an increase in the value of these companies and more listings of state-owned companies in our exchange could have a noticeable impact on the equity market revenues for us since these companies represent 16.6% of average market cap in our market in the last 12 months to July 2015.

Finally, in page 11 we have the recent performance and initiatives to develop selective products. Products and services highlighted on this slide are good examples of the deliberate efforts to drive revenue growth in diversification. For example, we launched new financial contracts in the BMF segment and expanded our ETFs portfolio and market makers program in the Bovespa segment.

In the case of *Tesouro Direto* important gains have been achieved by partnering closely with the brokers and adopting incentive programs to boost the numbers of investors and the amount of assets under custody.

I'd like now to conclude this part of the presentation and open for the Q&A session. I think you very much.

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 Mr. Alexandre Spada, Itaú BBA.

Mr. Spada: Hi gentlemen, good morning. My first question relates to the new payout policy. Just to see if I understand it right; is it reasonable to say that the net net implication from a cash flow generation perspective will in the end of the day be limited to the tax credits generated until 2017 while you still have goodwill to amortize?

I'm asking that because from 2018 onwards I believe the market already assumes that you will be taking the most of IOC payments any ways and the tax shield given by IOC. So question is: Can we assume, from a cash flow standpoint, that the benefit will only be concentrated in maybe 2018 and 19?

Mr. Sonder: Spada, thank you very much for your question and the short answer is: You are absolutely right.

And the longer answer maybe I'll take everyone to page 14 of the presentation, which is an appendix that we put together exactly to try to cover this point in more details expecting that it would.

So what you described is exactly the case; we already have a near-zero cash tax at this point, which should continue until the end of the amortization of our goodwill for tax purposes.

However, from 2018 onwards we do expect to detain cash taxes and that is when we will begin to benefit from the fact that over the next three years we plan to use the current interest on capital formula to deliver our payouts, our proceeds and therefore accumulate during this period tax loss carryforwards that we can use later on.

So from using slide 14 just to cover what's on that page and perhaps address other peoples' questions on the line you can see on the bottom of this graph that from a cash flow point of view there is no change in 15, 16, 17 and there is a benefit from 18 onwards because of the realization of the tax loss carryforward accumulates and then it also describes the impacts on the income tax line and the net income line, which you see in our accounting books.

Mr. Spada: Thank you. Just one quick follow-up. But you said from 2018 onwards, but again, that's limited to the amount of tax credits that you accumulate until 2017?

Mr. Sonder: Absolutely.

Mr. Spada: Okay. That's very clear. Thank you. I have another follow-up here, a quick one. How comfortable are you that those tax credits will not be challenged by the IRS in the future?

Mr. Sonder: Very comfortable.

Mr. Spada: Okay, very clear, thanks.

Operator: Our next question comes from Fred Mariz, with UBS.

Mr. Mariz: Thank you. Good morning everyone. Just a follow-up on Spada's question. Can you try to put a number on this effective tax rates for 18 and 19? You know, if the loan doesn't change, if we don't have any of these changes on the IOC, what do you think would be the tax benefit for 18 in 19?

In other words, if the tax rate is 34% where do you think it could be; in the mid-20s, around 30%? I don't know if you can try to give us a sense of this.

This is the first question. The second question is more of a general on the international a strategy.

Can you share with us your thoughts on your ventures, you know, your relationship with CME in terms of products, in terms of equity stake, but also how you're looking at the other Latin American countries or generally speaking if you are looking at any other opportunities outside of Brazil? Thank you.

Mr. Sonder: Thank you for your question. We do not have a guidance for our effective tax rate afterwards, and I will explain why: The use of the tax loss carryforward that we will accumulate over the next three years, the rate of use of that will depend on our earnings before taxes for the future because the rule in

Brazil is that you can only use a certain percentage of your established balance of tax losses to compensate a certain percentage of your EBT going forward.

So we don't know how that's going to work out, but it is of course a benefit vis-à-vis the effective tax rate using interest on capital only. So using interest on capital plus of this benefit that we will carry from previous period, okay?

Regarding the investment strategy in the region, there haven't been any major changes to the statements that we have publicly made before. We continue to see that the region is a natural area for our expansion and that those markets offer some opportunities, but as you have probably realized we're been quite diligent and selective in looking at the opportunities, we don't have any wish to rush order to make investments that we don't believe would over the long term add value to our company.

So we have made up to this point the investment in *Bolsa de Comercio de Santiago*, but we are having conversations with other players that have not yet materialized into any concrete transaction.

And finally, regarding the relationship and the stake in CME, we continue to benefit from that relationship as you know, it has been so for many years and we truly believe that you will continue to be so, and we do feel that the benefits from that relationship are indeed tied to a cross ownership of one company into the other, so we expect to continue with that cross ownership of one company to the other.

However, it is something that we observe that the size of this investment has arrived at or achieved in our total market capital and therefore this is something that we have and continue to discuss periodically at our board level.

Mr. Mariz: That's great Sonder, thank you that's very clear. Just on CME, just to give us more granularities not to concern about the state itself, but can you give us a few examples of what other products or what other technology transfer you could benefit on going forward?

Mr. Sonder: Yes, I have actually Luiz Furtado here with me that perhaps can help me a little bit with this, but of course they are one of the leading technology developers and companies in our space and we do have one of our core engines here based on something that they developed in the past.

So I will stop here so that I don't get in trouble in a leave it with Furtado to continue.

Mr. Luiz Furtado: Yes, good morning. So we do have the technology agreement in place with CME and that means that we can explore whatever new technologies they are working on, and some of the exciting technology they are working on right now include, for instance, the use of FPGA, which is a technology where you exploit the hardware of a certain server in order to extract better performance from that hardware, I mean, you doesn't have the need to have an operational system to use the particular hardware.

So they have some resource in that in order to speed up the gateways of a trading platform.

So this is just one example where they invest heavily in R&D and we can benefit from that because of the technology agreement we have in place with them.

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

Mr. Furtado: Thank you.

Operator: Our next question comes from Marcelo Cintra, with Goldman Sachs.

Mr. Cintra: Hi, good morning gentlemen, thank you for taking my question. I have two questions. The first one is related to your expenses.

We noted that during the first half of the year total expenses they are running slightly – at least in my calculations – below the lower end of your guidance even considering a stronger second half for this line.

So I would just like to hear from you guys if you remain comfortable or if there was any one-off during this quarter which reduced a little bit your expenses?

And also related to the headcount management, if you can provide us more or less if there was a headcount reduction and the number of employees. And then I'll follow-up with my second question. Thank you.

Mr. Sonder: Thank you Cintra. Regarding sort of the running rate, we typically have in the second half of the year a slightly higher expense than we have in the first half; that has been the case for several years and it has particularly to do with the fact that our collective bargaining kicks in starting in August, so that already impacts this year, of course.

As you're probably following, we have pretty high inflation number coming our way, so we reiterate the guidance that we have provided and I really don't want to give you any indication that we are going to be significant to below that.

Regarding personnel management, of course, we are, as you can see both from a financial and sort of cash generation point of view we are doing quite well and also on the execution of our projects we are continuing to drive the timetables of the execution of the key projects without any changes.

What we are trying to do on a regular basis make sure that the teams are sized properly and that perhaps activities that in the past during years where the market was more ebullient we would engage in, we sort of tried to adjust to the current environment.

So there is no huge change in staffing level at this point, what we are doing is really trimming on a day-to-day basis as any diligent management team would do.

Mr. Cintra: Okay, that's perfect, thank you. And my second question I'd just like to hear from you a little bit about the iBalcão platform, mainly in terms of the new products and developments.

And the reason I'm asking that is in order to have a better understanding of the market share evolution because in the end when we look at the numbers the market share remains, let's say, at least a little bit lower then maybe initially expected by us the market share gains.

So how should we see the evolution of these products going forward and maybe how long should it take until it rumps up and it starts to grow a little bit faster? Thanks.

Mr. Sonder: Right, good. I think an important qualification is due here because when we speak about iBalcão, OTC in general, there are two families of products, right. One of them is what you refer to, which is securities registration, so registration of bank cities and bank bonds and all the other typically financial institution related funding instruments.

On that front we recall that we got ready with the full family of products late last year, beginning of this year, and this is when we really turned on the heat on the commercial effort. This is something that is not an off-the-shelf product that you immediately sell because it's a long duration persuasion process and sale process in the large financial organizations in Brazil, which are few and very relevant.

So it goes through several layers of decision-makers and business areas, operations and IT and we have dedicated teams under the leadership of colleague Guardia that are following up on these financial institutions to try to persuade them to try our services and, of course, we are talking about an infrastructure service that has been provided by a single player in the market for several decades.

So we remain absolutely confident that our strategy is a winning strategy, we have the time and the focus to eventually collect the results from our investments in that and we have the team in place with the proper incentives to really push hard to get those clients on board.

But I'm not on a position here to promise you any timeline or any hard market share aims or goals that we have established, although we do have those internally.

On the second front, in OTC I think it's important to mention is the derivatives; it's not securities registration, but rather OTC derivatives and that's where we are also making significant strives and we have put a lot of new products into a more sophisticated platform, this is where we have a distinct competitive advantage in OTC because we have the CCP and where cross margining is possible and where all the operational and capital efficiencies of our company come into play, of a sort of one-stop-shop.

So this is something that is very relevant for us, we are making not only technology and customer service improvements, but also adjusting prices whenever possible to really have the rewards that we believe our technology and operations and services merit.

Mr. Cintra: Okay, that's perfect Sonder. Thank you for the clarifications.

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

Mr. Lobo: Hi everyone, have a couple of questions as well. Starting with your budget, you probably saw budget for operating expenses and Capex in the beginning of December last year and at that time the dollar was at 2.5 Reais and consensus for inflation in 2015 was at roughly 6%. Now we have consensus inflation at 9%, dollar at 3.5 and your guidance for 2015 and Capex and Opex in 2016 is still maintained.

Is this due to conservativeness of yourselves as everyone has limited visibility on everything that is going on or you are just cutting costs and cutting projects so that the total amount spent is roughly at the same level that you were forecasting in the end of last year?

I'm just wondering is this efficiency, better efficiency that you are delivering now or is there something else going on for maintaining both ranges? Thanks.

Mr. Sonder: Thank you. I think that the third question is basically, you know, our best view at this point, it is due to conservative effort on our part.

On the Opex side I'll just mention a few things. One is that we use cash flow hedge accounting for our very small – but yet existent – dollar expenses, so what we do is that we actually quote on quote mark some dollars at the beginning of the period that we are going to use to pay for those expenses later on and therefore from a reporting standpoint that we are hedged on the dollar movement for most of our Opex during the year.

On the inflation front what we have essentially done is to really work internally on efficiencies and trying to use our discretionary expenses of budget in a very conservative way making tough choices of course, but to try to counter the additional inflation that came our way. So it's a combination of things.

On the Capex front we also moved most of our Capex hardware purchases, which were dollar denominated, to the first part of the year and we did that deliberately through a sort of task force at the beginning of the year with a purchasing IT and other people to try to get over that risk of dollar depreciation during the year and we were rather successful there.

So we continue… and most of our other Capex, which is not equipment related, has to do with human capital, programmers and software developers and so on, which are Reais base.

So these two things have led us to reaffirm the current guidance.

Mr. Lobo: Okay, great, thanks. And my second question is regarding your tax litigation on the goodwill amortization. If you could just give us a recap on how are the processes evolving and what should be the next steps, when should we hear more things about this?

Mr. Sonder: Yes, there is really no update on this, so I'll just restate what I have said previously.

So the first litigation linked to the 2008 and 2009 period we are taking it to the second level of the board of appeal (of CARF) at the admin level, we were unfortunately unsuccessful at the first level so now we are taking it to the second level. We don't have a date for when that will be heard.

And the second tax litigation regarding the same subject, the goodwill amortization, which refers to the 2010 and 2011 period, we were assessed early this year and we challenged it at the regional tax authority level, what is called the *Delegacia Regional*, the TRJ, and we haven't heard back from them yet.

So this is the status of those two, which is the same as previously mentioned to you.

Mr. Lobo: Okay, thanks a lot.

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

Mr. Nishio: Hi, good morning. Thank you for taking my question. I have two questions. The first relates to the IOC.

I'm reaching R$86 million for next quarter on tax benefits, so I just wanted to confirm that number.

And if we can assume that quarter as an illustration I think we can assume a total tax benefit of R$806 million in 2017; is that a number that we can work with? And just to confirm, in addition to the IOC tax thereafter from 2018? That's the first question, thank you.

Mr. Sonder: Okay, I think that the best way of thinking about this – and I don't know how you arrived at your numbers, but I'll assume that the calculations are similar – but I think that the best way to think of that is to look at the actual amount of interest on capital that we distributed, that we will distribute and now in September related to the second quarter and take a tax benefit of 34% of that, so that is the reduction that you will see in the 3Q.

And then, from then on, this process will repeat itself. So depending on earnings the next quarter we will make decisions regarding the distribution in the next quarter and if we were to choose again to use interest on capital, which is a reasonable assumption, then it would be a 34% of that in the following quarter.

Mr. Santana: This is Rogerio, I want and some words on what Daniel said. Always we need to take into consideration the limits that the law sets for all single company in Brazil regarding the tax benefit that you can take every time you approve interest on capital.

Basically you are talking about shareholders equity times long-term interest rate in Brazil – that we call TJLP – or 50% of the EBT after the payment of social contribution; that is our case considering that social contribution as 9% is the same thing of saying that our limit would be 45.5% of our EBT.

This are the two limits that we need to respect and we need to take the lower one and this should be the strategy going forward, and as a consequence we would take the amount of interest on capital we should pay going forward and the benefits that we will accumulate it's going to be 34% of this number.

Mr. Nishio: Right, thank you. My second question relates to the integration of clearings. If you can give us an update on where you are and if you are on schedule?

And also you were doing a very good job on cutting costs, right, on managing costs. I'm just wondering if after the integration you still have the space to optimize your costs after. Thank you.

Mr. Sonder: Sure, I think that's a continuous effort by the company, I think this is our job to be vigilant on that, we will always invest in the things that we think make sense including adding people if we find that that's a proper allocation of investors' money, but at this point and for the past few years we have been able to adjust some of our expenses without at all hurting our business, which is the merit of the entire your organization here.

When we complete this major project of integration of the clearinghouses I think it's reasonable to expect that we would look at our staffing levels and continue to pursue opportunities for improvements in our teams.

We are simplifying certain processes, but we are also going to be doing much more, right. The clearinghouse has a number of new features and capabilities that the previous systems did not.

So if in one hand we are sort of getting rid of multiple legacy systems that run in parallel we are also when we do something new adding a number of functionalities and responsibilities to that.

So it's a very long way to answer your question, but I guess my point is: expense management is something that is externally dear to us, externally grand in our organization and in the thinking process of every decision that we made.

And I think it's incumbent upon us to really look at the 2017 and beyond period and really not leave any opportunities on the table.

Mr. Nishio: Thank you. And on schedule as you reported you expect to finish the system building up end of this year?

Mr. Furtado: Yes, this is Louis Eduardo, yes, we are on scheduled, we are targeting for the end of this year and then we will start the testing process with the participants.

First it's what we call a certification phase and then we go into production parallel.

Also in order to go live we need to get the approval from the regulator, so if everything goes according to plan during the test phase and the regulators' approval we should be going live at the end of next year.

Mr. Nishio: Perfect, thank you so much.

Mr. Furtado: Thank you.

Operator: Our next question was sent through the Internet from our webcast and it was sent from Lynn Klaase, from Old Mutual.

“What will be effective tax rate be once you take advantage of tax saving on interest on capital?

Second question: Will the change in pricing of products increase or decrease revenue from pricing?"

Mr. Sonder: Okay, thank you for the question Lynn. I think the first question regarding the effective tax rate I think we addressed before and I think that – just to make it clear – by just using interest on capital 2018 and beyond we would probably be looking at tax rate at around 25% and by adding to that for a few years – as properly highlighted in the first question on the Q&A period – by adding to that in the first few years the additional tax credits that we carry forward that would reduce a few points further depending on how much EBT we have over there was periods. I don't want to give any clear number here.

And the second question regarding pricing changes we are implementing a number of pricing changes since about second half of last year and most of them are in the direction of adding to our revenues immediately by changing prices upwards in products that we feel are relatively insensitive to prices.

There are in fact also some price changes in other direction, they are of course more rare and we will only do that if we feel that there is price sensitivity on volumes. That's what I meant to say. So whenever we feel that there is an opportunity for the market to increase trading volumes in a product that is perhaps mispriced compared to alternatives or to international competitors.

Operator: Ladies and gentlemen, as a reminder, if you would like to pose a question, please, press start one.

This concludes today's question-and-answer session. I'd like to invite Mr. Daniel Sonder to proceed with his closing statements. Please, go ahead Sir.

Mr. Sonder: Okay. Just before we close I just wanted to take a minute.

If you look at page 13 of the presentation, because there were so many questions on the effective tax rate and so on, which obviously is relevant, there is one more thing that you should take note of as you look at our numbers and your models, which of course you diligently do, which is the factor that now under the new accounting treatment for our investment in CME we are now subjected to the fact that CME pays dividends on an irregular schedule and amounts during the year.

And now the dividends that we receive and taxes on those dividends impact directly our tax line.

It used to be the case before that it impacted our expense line, as you might recall, which made everybody's life pretty difficult, but now it impacts our tax line and therefore if we receive – and we hope we do – large dividends from CME that will on a quarterly basis now impact our effective tax line as reported.

So I just wanted to call your attention for that because perhaps not in the next quarter, which is the third, but more likely than not in the 4Q you will see a much higher effective tax rate reported by us, which is just a result of something that has happened in the last few years, which is an extraordinary dividend by CME, but now under a new reporting methodology.

So with that I'd like to again thank you for the time, thank you for all your very good questions and, please, do call us if you have further clarifications, we want to make ourselves available to answer any questions that you might have afterwards.

Thank you very much.

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.