

**International Conference Call
BM&FBovespa
Third Quarter 2016 Earnings Results
November 14th, 2016**

Operator: Good afternoon, ladies and gentlemen, and welcome to the audio conference call about the earnings results of BM&FBOVESPA for the third quarter of 2016.

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: Hello, good afternoon. It's 1 PM in Brazil, good morning for those of you in the US.

I want to welcome everyone to our quarterly earnings conference call to discuss the 3rd quarter 2016 results. I am here with the finance and the investor relations team, who have once again worked very hard over the last few weeks to put together very good materials and I want take this opportunity to thank them.

And I'm also very happy to share with you that 2 weeks ago a new colleague joined the Executive Board of the company, the senior management team, this is Juca Andrade. Unfortunately, he had another commitment at the time of this call, he was available early on in the Portuguese call, but he will obviously be someone that is very key in our future, and he will be available to you as things go forward obviously through the IR team and so forth.

Juca comes from a 25-year very senior experience in the financial market, having worked most of his career for Citibank and Bank of America in fixed income, and current fees and in equity derivatives, he's very experienced, has a broad network of relationships in the Brazilian market, which will help us very much.

So, we are very confident that his skills will be extremely valuable for what we want to do in our clients and products areas and also, you know, very confident that it will be a nice cultural fit and that he will be an integral part of the senior decision-making group in this company.

So, without further... let me move into the presentation for the 3rd quarter. I want to take you through page 3 in the presentation, where we have an overview of what happened in our operating and financial results during the 3rd quarter of the year, as well as some updates on our strategic initiatives, then we are going through more details in the following slides.

On the left side of this page, we see the operating highlights in both BMF and Bovespa segments. In the BMF segment, the ADV (average daily volume of contracts, shrank 11.7% reaching 2.9 million contracts in 3Q16.

This decline was seen in most groups of contracts, especially interest rates in BRL. Additionally, the revenue per contract fell 12.9% negatively impacted by changes in the mix of contracts traded, as well as the Brazilian Real appreciation against the US dollar.

On the other hand, we saw recovery in volumes in the Bovespa market mainly driven by the increase in average market capitalization.

Additionally, the other business lines showed a solid performance, especially the *Tesouro Direto*, which positively impacted depository revenue line. In the middle of the page we see that our top line fell 6.3% mainly impacted by the weak performance in the BMF segment.

We maintained the diligent expense control during the quarter, adjusted expenses decreasing 5.5% compared to the same period of last year.

During the 3rd quarter 16 we had some extraordinary items related to 2 provisions on legal contingencies: One, regarding success fees provision, and the other related to the change in the chance of losing a dispute with the former brokerage house, as announced in the material fact of November 1. Those provisions have no cash impact at this point.

Additionally, we also had extraordinary expenses related to the proposed business combination with Cetip. These extraordinary items impacted our IFRS expenses and also the net income. Excluding these items, our operating income would have reached 351 million and the net income 453 million.

Our Board approved the payment of 147 million in interest on capital this quarter, which represents 50% of the 3Q IFRS net income. As you know, the company's retaining cash in order to pay for the cash portion of the Cetip transaction. So, the plan for this year is, 1st, to distribute a little over perhaps 50%, we are going to adjust that amount in the 4Q in order to use an old interest on capital that the regulation affords us.

For next year, the way we are thinking about payouts is that we will aim (assuming that our projections are correct in terms of the performance of the business) we would name at distributing about 80% of our net income and that is the number that would allow us to not only maintain a robust cash position in 2017, but also amortize and link all the payments related to the proposed combination with Cetip.

The form that we will do that in 2017 is similar to what we have done this year, which is to pay roughly 50% of accounting net income each quarter and then adjusted the end of the year to reach our target, and also to use interest on capital up to the amount permitted.

On the right side of the slide, on page 3, we present updates on some long-term strategic initiatives that aim at offering growth opportunities and value creation. On the proposed business combination with Cetip, currently we are waiting for regulatory approvals and working on the planning of the transaction. We hired third-party consultants to help us on that and to assure that the strategic and confirmation information of both companies are preserved, respecting the ground rules set by antitrust authorities.

Second page of the new integrated BM&FBovespa clearing house is moving forward. In August, we moved to parallel production phase, the deployment is planned for 1Q17. This is a key project for BM&FBosvespa and for the market as a whole.

Now, Rogério will give some more details about our operational performance. Before he starts, though, I would just like to give a brief disclaimer. As you might have read, on Friday night we released a relevant notice to the market mentioning the fact that our Board has approved a US\$3 billion local debenture issuance, whose use of proceeds will be for the cash portion of the business combination with Cetip.

Under securities regulation in Brazil, CVM rule 400, we are now not permitted to discuss any of the details of the transaction beyond what has been publicly released, so I'm not going to reference that in my comments going forward, so that we make sure we stay within regulations and can move forward with this distribution of securities in a manner that is consistent with our timetable. Thank you.

Mr. Rogério: Thank you Daniel. Hello everyone. I would like to ask you to move to slide 4, where we see the breakdown of revenues of the company.

Different from what you see in the previous quarters, the chart on the left side shows that the financial and commodity derivatives market within BMF segment

hurt 3Q16 revenues with a combination of lower ADV and also lower RPC, as Daniel already mentioned.

On the other hand, the great contribution to revenues on the 3rd quarter 16 came from the Bovespa segment, resulting from a recovery in volumes, which was mainly concentrated in the end of the quarter, especially in the month of September, which was... and also we saw non-volumes related revenues growing, as it was the case in the previous quarters, and contributing to offset part of the weak performance we saw in derivatives markets.

Finally, 22% of the company's top line were US dollar-linked in the 3rd quarter 16; slightly lower than the 25% we saw in the previous quarters mainly as a consequence of depreciation of the Brazilian real against the US dollar in this period.

Moving to slide 5, you will find the details of the performance of the financial and commodity derivatives market. Here the decline in revenues the BMF segment was driven by an 11.7% decrease in total ADV coupled with the decrease of 12.9% in the revenue per contract in comparison with the 1st quarter of 2015.

As you can see in the chart on the right, the ADV was lower in most group of contracts, especially in the case of interest rates in reais contracts, which went down 32.7% in this period. On the other hand, mini contracts ADV increased more than 6% in comparison with 3rd quarter 2015.

The mini contracts have a RPC that is significantly lower than the average of other group of contracts. So, a high participation of [0:10:50 unintelligible] in the total ADV as a negative impact on the average RPC, as shown in the bottom right side of the slide.

Note that last year in 3rd quarter 15, the mini contracts represented 18% of total ADV and contributed for 2.9% of revenues in the BM&FBosvespa segment, while in the 3rd quarter 16 we see the representativeness of mini contracts increasing to 34% of total ADV, but the representativeness of the revenues created by this group of contracts was only 6.6% of the segment. This is the main reason for the 12.9% reduction in the RPC year-over-year.

Additionally, the Brazilian Real depreciation against the US dollar also had a negative impact since in 3rd quarter 16 51.9% of the revenues in the BM&FBosvespa segment were US dollar-linked.

In slide 6 we have the performance of the equities markets, where we saw 5.9% growth in the ADTV. This growth was mainly driven by the increase in the average

market capitalization that reached R\$2.4 trillion in the quarter; almost 10% increase versus 3rd quarter 2015.

On the other hand, the turnover velocity was slightly lower, reaching 69.4% versus 7.8% in the year before, partially offset in the market capitalization increase in this period.

It's worth to mention that the ADTV recovery was mainly concentrated in the end of the quarter, reflecting change the macro and political environment, as already mentioned. Trading and post-trading margins reached to 5.2 basis points in the 3rd quarter 2016; roughly flat in comparison with the same period the year ago.

Moving to slide 9, we highlight other sources of revenues that are not related to volumes. You may know that one of the drivers of the company's strategy is to increase the revenues coming from this group of products and services. This group of business line, as you can see in the grey piece of the pie chart, represented 22.4% of total revenues in 3rd quarter 2016 and in aggregate grew 3.5% year-over-year. This growth results from solid operating performance of some products and services, notably securities lending and *Tesouro Direto*. The last one is under the depository line.

The negative highlight here was the market data revenue line that fell 19.2% year-over-year impacted by reduction in the number of clients and the immigration of clients to cheaper market data packages, and also the appreciation of the Brazilian real against the US dollar since most of these revenues are priced in US dollars.

Now I will pass the word back to Daniel, who will detail our expenses and other financial highlights.

Mr. Sonder: Hi Rogerio, thank you very much. We move now to slide 8, where I wanted to go over the expense breakdown for the quarter. Our adjusted expenses decreased 5.5% year-over-year mainly driven by lower adjusted personnel expenses and other nonrecurring expenses that affected last year's results.

Our adjusted personnel expenses, which exclude long-term incentive plans, were 3.3% lower explained by higher capitalization of hours related to the development of the equities base of the BM&FBosvespa clearing house, which offset the salary increases given collective bargaining agreement from last year to this year.

The growth in data processing, our 2nd largest expense item, is explained by inflation adjustments to some IT maintenance contracts and the impact of the appreciation of the US dollar against to the Brazilian real between the end of 2014/beginning of 15 and end of 15/beginning of 16 given that a cash full hedge

was set up for a portion of these contracts, denominated in foreign currency in those months.

Marketing and other expenses grew 64% and 21% respectively driven by 2 nonrecurring expenses in 2015 at 3rd quarter: One related to the organization of the financial markets conference, and the other related to the write-off of 6.4 million.

We move to slide 9, where we try to zoom in the extraordinary items. We summarized in the table the nonrecurring items that impacted our results this quarter aiming to help analysts and investors in their analysis. For that reason, we show the amount before and after taxes.

First, we had extraordinary provision of 183.9 million related to the change in the prospects of defeat of a legal contingency related to the Spreads Corretora case, which is now assessed as a probable loss.

This decision follows the opinion of our legal advisors after a decision of the Lower Court was upheld on appeal. This lawsuit concerns the cancellation of exchange membership.

The 2nd extraordinary item refers to the provision on success fees to legal advisors in the amount of 47.4 million. From three quarter 16 onwards, we started to make provisions for lawsuits where we think that the prospects of defeat are assessed as possible or remote. Therefore, we do not provision the amount of the lawsuit itself, but rather provision the success fees only.

And last, we booked in this quarter some expenses related to the proposed business combination with Cetip, which amounted to 7.2 million in three quarter 16. This expense is composed by transaction costs and expenses with the planning of the business integration.

We move to slide 10 to talk about the financial highlights. Financial results reached 221.5 million; an increase of 157.5 compared to 3rd quarter 2015. On the blue bars of the chart, we show the financial revenue totaling 325 million, which includes the interest on proceeds coming from the divestment from CME Group shares.

Considering we intend to retain those proceeds until the settlement of the proposed business combination with Cetip, it will positively impact financial results until that transaction is concluded.

On the other hand, the financial expenses (red bars) were impacted by the cost of the hedge of the principal amount of the 2020 bonds, which totaled 62 million in the quarter. The cost of this hedge is 79% of CDI on approximately R\$2.2 billion.

Additionally, in September 16 the company set up hedge on the coupons of the 2020 bonds in the cost of this hedge is met amounted to R\$2.8 million in the 3rd quarter 2016.

The coupon on the 2020 bonds also affects the financial expenses, as it was the case before since we issued the note in 2010. In 3rd quarter this expense reached R\$33 million.

Moving on to slide number 11, we always like to highlight our financial robustness, which is with a solid cash position, which is an important attribute of the business of being a credible counterparty in the financial market.

Total cash amounted to 10.7 billion at the end of the quarter, composed by BM&FBovespa on cash, as well is third-party cash, mainly related to collateral [0:19:18 unintelligible] by clients.

On the left side, where the blue bars are, we see that third-party cash amounted to R\$2.2 billion mainly composed by market participants' cash collateral of R\$1.7 billion.

It is important to highlight that although the company does not own this money because we have a liability of the same amount, it does earn interest on most of this cash balance.

On the right side, represented by the green bar, you find BM&FBovespa own cash composed of restricted and unrestricted cash amounting to R\$8.5 billion in 3rd quarter 2016.

BM&FBovespa own cash includes the necessary cash to run the day-by-day activities of the company that totals between 2 and 2.5 billion. This amount includes approximately 1.1 billion in clearing houses required safeguards. The remaining balance supports our activities, as a central counterparty and general corporate needs.

Excluding this cash position that is necessary to run the business, we have approximately 6 billion in available cash including the 5.5 billion in gross proceeds from the divestment from CME Group shares.

As mentioned before, we are retaining this significant additional cash to fund the proposed transaction with Cetip.

Slide 12 we show the company's cash flow generation before and interest on capital for other distributions. The cash generator in three quarter reached almost

567 million; an increase of 37% year-over-year. The net cash from operating activities was positively impacted by the higher financial revenue coming from a higher cash position.

On the right side of this slide, we show the captured synergy for the 3rd quarter 16, which is made up of 41 million for Capex, 215 million for IOC distribution related to the 2nd quarter, and cash retention of 300 million.

The company maintains a large capacity to generate cash; one of the main strengths of our business model.

Finally, we move to page 13 and we show the timeline for the business combination with Cetip. Currently, as mentioned, we are waiting for the revelatory approvals for this transaction. The regular deadline to have CADE's approval, which corresponds to 240 days, is February 23.

As you already know, during the 3rd quarter CADE declared the transaction act of the combination... sorry, the concentration act as complex. This was a procedure act and it was expected in a merger of this size. It simply allows CADE to continue in its diligence in a way that we already anticipated and have discussed with our legal advisors and the market.

Although this gives CADE the possibility to extended the deadline from February all the way up to May, this has not been the case in most cases that we follow, so we expect that CADE will maintain the regular 240-days table for the transaction.

After the approval of the transaction, Cetip shares will be converted into BM&FBosvespa shares within 5 days, that is also the time when we need to have cash at hand to make the capital increase in the intermediary company that will be used for the transaction, and thereafter in 35 further days at the maximum we will make a payment to Cetip's formers shareholders.

So, this is... these are my opening remarks, and I'd like to answer this part of the presentation now and open for Q&A.

Q&A Session

Operator: Ladies and gentlemen, we will now begin the question and answer session for investors and analysts. If you have a question, please press the star key followed by the one key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue you may press star 2.

As a reminder, if you would like to pose a question, please, press star one.

Once again, if you would like to pose a question, please, press star one.

Our 1st question was sent through the Internet, through our live webcast, from Mr. Ian Simons, with Charlotte Magnate.

"Reported net income has been reduced this year, by some non-cash one-off. Will dividends be paid as a percentage of this lower number or will you adjust for these events?"

Mr. Sonder: Hi Ian, thank you very much for your question. We are not adjusting for the nonrecurring items, we are, however, adjusting for the loss in the investment of the CME and some other related impacts, so we are paying 50% out of accounting net income this year excluding the loss which we saw in the 2nd quarter, which was related to CME.

So, that's where the 50% come from. If you want, you know, I will be happy to get the IR team to get in touch with you and explain that further. Thank you.

Operator: Our next question comes from Henrique Navarro, with Santander.

Mr. Navarro: Hi everyone, hi, thank you for taking my question. My question is regarding the amount of cash that you always describe as "needed to run the business".

This has been described as being between 2 billion and 2.5 billion. I'm doing my math here in order to see how much you would need for... for pay for the Cetip merge and you just need a 3billion debentures in order to fund for that.

And what I want to say is that, in my accounts, there is a very good amount of cash available. So, maybe these 2 billion/2.5 billion is a bit exaggerate. So, I would like to know from you what's the... let's say, the minimum required amount of cash needed to run the business, and if we consider these 3 billion-debenture, how much in excess over the required amount to pay for Cetip you will end up after this debenture is fully placed? Thank you.

Mr. Sonder: Thank you Navarro, this is a good question. So, the way we have been managing BM&FBosvespa alone is to always have a cash balance between 2 and 2.5. If you look historically, before we sold the 1st trench of CME back in the 3rd quarter of 2015 that's roughly where we have been for a few quarters.

So, that number is that. When we, you know, join forces with Cetip we are going to be a slightly bigger company with more operating expenses and so forth, so you

know, we feel that probably a number between 2.5 and 3 would be the most likely number for us to have instead of that.

In addition, you know, we need to... we are sort of preparing to access the market and in that exercise we took into concentration a few aspects, which will be coming our way in the next few months. First, is the combination itself, so it is still unclear what exactly the date would be because that depends on regulatory approvals, but also once we have the approvals, there are certain restrictions as to when and how we can access the cash, that is in Cetip before we fully integrate the 2 companies. So, you know, we are taking certain precautions for that so that we know we have cash at hand in our company to make all the payments necessary.

The other issue that is important to note, and which you might have been overlooked, is the following: We hedged over a period of one year the bond that we issued, and that is in our financial statements. We basically locked in the BRL amount of debt exposure, but because the BRL amount of the debt is going down because of the reais appreciation versus the dollar, we owe some money in the derivative leg of that transaction.

So, as a total, the amount that we basically owe between derivatives and debt hasn't changed, but there is a different composition between what we owe and the debt and what we owe in the derivative, and most importantly perhaps, there is a cash flow timing difference because that because we hedged for one year, so coming April of 2017 we will have to settle the derivative part of this, although we owe less reais in the debt we will have to pay the derivatives counterparties for this transaction.

I'm just reading out the numbers for September 30, 2016, which was released on Friday, it is R\$334 million as of September 30. So, that obviously puts an additional strength on our cash, which we are prudently provisioning for and funding ourselves for.

Mr. Navarro: Okay, understood. And just one more question, on the 3rd Q we had this one-off items, we more or less knew before hand because you either have talked about that with investors or published a material fact and etc. So, my question is: For the 4Q is there going to be any one-offs or can we expect a clean result?

Mr. Sonder: Navarro, sorry to correct you, but we don't discuss one-off items with any particular investor in bilateral meetings. We just released the public notice, a *Fato Relevante*, regarding the provision of R\$184 million regarding the lawsuit. We didn't do it in the past, we are not going to do this in the future to discuss one-off items.

Mr. Navarro: Okay, thank you.

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, thanks again for dialing in. We appreciate your time, we appreciate you following our company, and doing the work we hope that the materials we provided are a help to you. And please get in touch with our IR team any time you need. Thanks, everybody.

Operator: That does conclude the BM&FBovespa audio conference for today. Thank you very much for your participation, have a good afternoon and thank you for using Chorus Call.