

FINANCIAL STATEMENTS 2016

Dear Shareholders,

BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros ("BM&FBOVESPA", "Exchange" or "Company") hereby submits for your consideration its Management Report for 2016.

HIGHLIGHTS OF THE YEAR

The year 2016 stands out as one of the most important in BM&FBOVESPA history since, in May, the company shareholders voted for the proposed business combination with Cetip. This transaction, which has also been approved by Cetip shareholders and is pending regulatory analysis¹, represents a major strategic advance. The expansion and diversification of the Company's product and services portfolio will create a world-class market infrastructure company, even more complete, capable of serving customers even more efficiently. While waiting for the regulators to close the analysis of the business combination, the Company has been working on preliminary planning of the integration, always complying with the limits established by the regulators. The funding required to conclude this transaction has already been obtained.

In the political and economic scenario that surrounds us, 2016 was marked significant changes in the political scenario and economic expectations, both abroad and in Brazil. Events such as the popular vote in favor of the United Kingdom's exit from the European Union, the recovery in prices for some commodities and, lastly, the elections in the United States of America prompted great volatility and increased uncertainty in global markets. In Brazil, the year began with very negative expectations regarding the country's level of economic activity and its fiscal imbalance. The severity of the crisis and the negative expectations for its deepening and duration were directly related to the political scenario in Brazil, which culminated in the impeachment of the president. Some of these negative expectations were confirmed and the economy has now its third year of recession. However, with the political transition and a new direction in the management of the economy, there was an improvement in the medium and long term scenario. A series of structural adjustment and reforms were announced to address the country's imbalances and restore confidence among businessmen, consumers and financial agents. As a result, there was a significant improvement in expectations about government's ability to tackle the fiscal deficit and approve the announced reforms, resume growth, and stabilize inflation at lower levels.

These improved expectations, despite the recession, directly impacted the performance of the equities market in the Bovespa segment, which presented higher turnover velocity and market capitalization. In the case of the derivatives market in the BM&F segment, higher volumes were neutralized by lower average prices charged by the Company, mainly due to a significant change in the mix of contracts traded, with a higher share of Mini contracts, which prices are below the average.

BM&FBOVESPA continued to focus on its main projects and significant progress was made towards the BM&FBOVESPA's new clearinghouse, which will integrate post-trading infrastructure, and the implementation of the CORE risk model for the equities market, which will have a transformational impact for the Company and the market. The second phase of this initiative covers the equities market and is due to be concluded in 2017. In addition, the Company continued investing to enhance its products and markets, in particular by developing inflation-indexed derivatives.

There was also progress on implementation of the Company's strategy for Latin America, with minority investments in Mexican Stock Exchange, Colombian Stock Exchange and the Lima Stock Exchange (this one in 2017), in addition to the increase in the equity investment in a higher share in the Santiago Stock Exchange. The purpose of these investments is to build long-term relationships with these exchanges in order to tap cooperation and development opportunities in the region's markets.

Whether in the context of the business combination with Cetip or of investments in projects, or further, in product, commercial and risk management initiatives, BM&FBOVESPA's strategy is to capture opportunities for growth, strengthen relationships with customers, regulators and market participants and contribute for developing the Brazilian market, aiming to generate increasingly more value for its shareholders in the long term.

¹ Pending regulatory analysis from the Brazilian Securities Commission (CVM), the Central Bank of Brazil (BACEN) and the Brazilian Antitrust Authority (CADE).

OPERATIONAL PERFORMANCE

Financial and Commodities Derivatives (“BM&F Segment”)

The average daily volume (ADV) on the financial and commodity derivatives market reached 3.2 million contracts in 2016, up by 12.4% over 2015, reflecting an 87.7% growth in the ADV for Mini contracts.

Mini contracts are composed substantially of Mini contracts of Stock Index (62.0%) and FX rate contracts (37.9%), which posted a 66.2% and 138.0% growth, respectively, over the previous year, reflecting an increased activity in this type of contract by individual and non-resident investors, especially those characterized as high frequency traders.

Average Daily Volume (thousands of contracts)

	2012	2013	2014	2015	2016	CAGR (2012-16)	Var. 2016/2015
Interest rates in BRL	1,925.7	1,856.7	1,417.4	1,458.4	1,447.7	-6.9%	-0.7%
FX rates	493.9	494.1	493.9	463.9	411.9	-4.4%	-11.2%
Stock indices	143.1	113.6	118.6	100.9	96.1	-9.5%	-4.7%
Interest rates in USD	149.8	155.9	219.6	289.2	253.1	14.0%	-12.5%
Commodities	11.2	9.2	10.2	7.6	7.4	-10.0%	-3.4%
SUBTOTAL	2,723.8	2,629.4	2,259.7	2,320.1	2,216.1	-5.0%	-4.5%
Mini contracts	165.7	208.2	310.6	520.3	976.5	55.8%	87.7%
TOTAL	2,889.5	2,837.7	2,570.4	2,840.4	3,192.5	2.5%	12.4%

Excluding the effect of Mini contracts on total ADV, the ADV would have reached 2.2 million contracts in 2016, a 4.5% drop over the previous year, reflecting lower ADV for all groups of contracts, but particularly, in FX rates and Interest rates in USD contracts.

Average Revenue per Contract (RPC) was down by 13.3% over 2015, mainly as a result of Mini contracts' higher share on the total ADV (from 18.3% in 2015 to 30.6% in 2016), since the average RPC of this contracts is substantially lower than the average of other contracts in the segment. In addition, there was an increase in the share of day trades and high frequency investors, for whom the prices charged are also lower, thus negatively impacting average RPC.

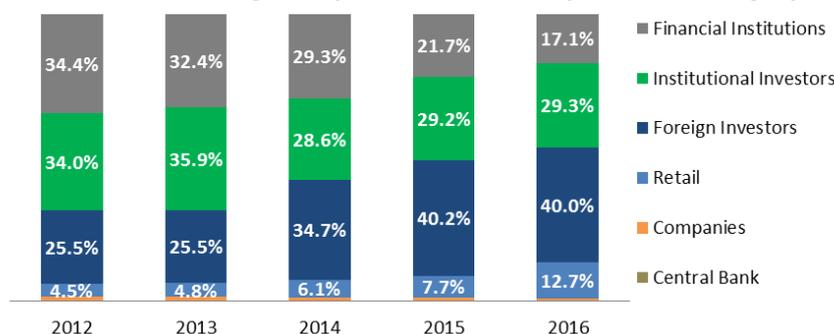
Average RPC (R\$)

	2012	2013	2014	2015	2016	Var. 2016/2015
Interest rates in BRL	1.004	1.046	1.120	1.150	1.161	1.0%
FX rates	2.205	2.535	2.669	3.671	3.846	4.8%
Stock indices	1.524	1.761	1.774	2.128	1.827	-14.1%
Interest rates in USD	1.015	1.231	1.294	1.840	1.794	-2.5%
Commodities	2.239	2.534	2.390	2.530	2.257	-10.8%
AVERAGE (Ex Minis)	1.253	1.373	1.515	1.787	1.765	-1.2%
Mini contracts	0.116	0.119	0.117	0.218	0.246	13.0%
OVERALL AVERAGE	1.189	1.281	1.346	1.500	1.300	-13.3%

Excluding the impact of Mini contracts, average RPC would have been 1.2% lower than in 2015, mainly as a result of: (i) lower RPC from stock index contracts due to more day trade transactions in this group; and (ii) lower RPC on Interest rate in USD contracts, due to the reduction in the average term of this contract.

With regard to the participation of different groups of investors in the financial and commodity derivatives markets, ADV by individual investors was up by 88.2% and their share of total ADV rose from 7.7% in 2015 to 12.7% in 2016. Most of this growth is related to Mini contracts, as mentioned above. Foreign and institutional investors, the most representative in this segment, increased the average volumes of contracts traded by 13.9% and 14.6%, respectively, in 2016, but their share of total volume traded remained practically unchanged in the period. On the other hand, the ADV of financial institutions fell by 9.8% and their share of the total was down from 21.7% to 17.1% in the period, reflecting the process of reducing risk exposure shown by some of these institutions over the last few years.

Distribution of Average Daily Volume Traded by Investor Category (%)



Equities and Equity Derivatives (“Bovespa Segment”)

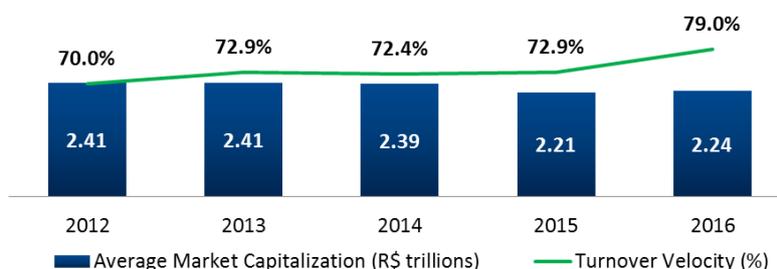
The average daily traded value (ADTV) in equities and equity derivatives (options and forward) reached R\$7.4 billion in 2016, up by 9.2% over the previous year, mainly due to an 8.6% growth in the cash market ADTV, which accounted for 95.9% of the total.

Average Daily Traded Volume (R\$ million)

Markets	2012	2013	2014	2015	2016	CAGR 2012-2016	Var. 2016/2015
Cash	6,861.3	7,094.5	6,975.8	6,552.1	7,115.4	0.9%	8.6%
Forward	103.4	91.5	82.4	66.5	64.8	-11.0%	-2.6%
Options	280.1	230.3	233.1	170.3	233.9	-4.4%	37.4%
Total	7,250.7	7,417.7	7,292.5	6,792.8	7,416.5	0.6%	9.2%

The increased ADTV in the cash market was mainly due to higher turnover velocity² which was up from 72.9% in 2015 to 79.0% in 2016, while average market capitalization³ totaled R\$2.24 trillion, up by 1.4% over the previous year. Although average market capitalization remained practically unchanged, there was a strong recovery in stock prices in the second half of the year, which is clearly seen in the comparison between figures for the end of both periods, when market capitalization reached R\$2.47 trillion in 2016 versus R\$1.91 trillion in 2015, up by 29.0%.

Average Market Capitalization (R\$ trillions) and Turnover Velocity (%)



Regarding the average market capitalization by sector, the financial sector once again accounted for the biggest share of the equities market, with 34.2% of the total. The main highlights were utilities and oil, gas and biofuels, which posted gains of 17.9% and 14.4%, respectively, over 2015.

² Turnover velocity is the result of dividing the volume traded in the cash market during the period by the average market capitalization for the same period.

³ Market capitalization is the product of multiplying the number of shares issued by listed companies by their respective market prices.

Average Market Capitalization by Sector (R\$ billion)

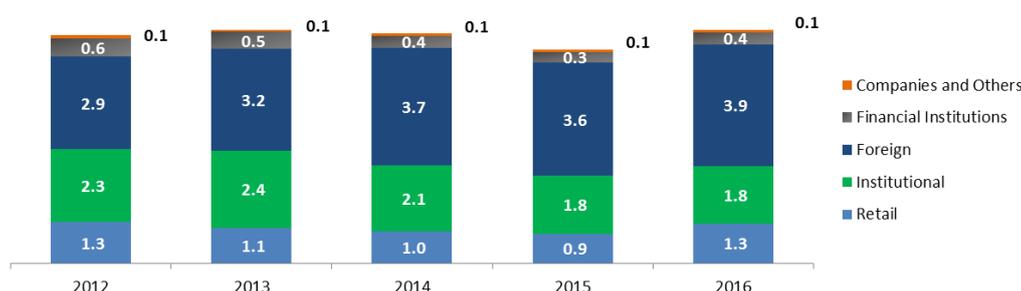
Industry Classification*	2015	Total Part. 2015	2016	Total Part. 2016	Var. 2016/2015
Financial	733.1	33.1%	767.4	34.2%	4.7%
Consumption	646.7	29.2%	586.3	26.1%	-9.3%
Utilities	194.6	8.8%	229.4	10.2%	17.9%
Oil, Gas and Biofuels	184.0	8.3%	210.4	9.4%	14.4%
Basic Materials	212.3	9.6%	203.6	9.1%	-4.1%
Capital Goods	111.8	5.0%	102.5	4.6%	-8.3%
Telecommunications	91.2	4.1%	89.9	4.0%	-1.5%
Others**	41.6	1.9%	52.9	2.4%	27.0%
Total	2,215.4		2,242.5		1.2%

* In 2016 there was reclassification of sectors

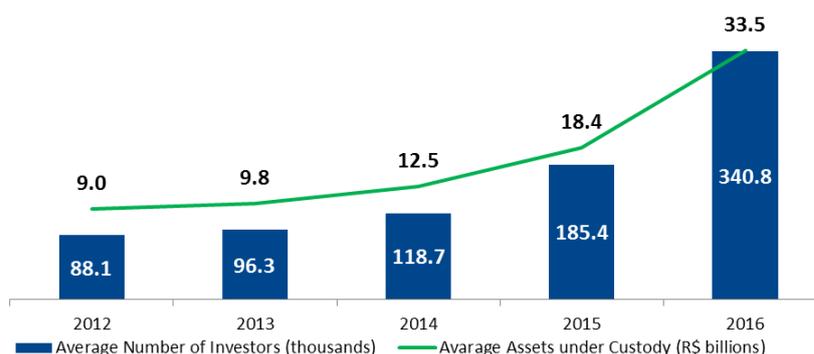
** Includes Capital Goods and Services and Information Technology

Trading and post-trading margins in this segment fell from 5.275 basis points in 2015 to 5.194 in 2016, down by 1.5% mainly as a result of a higher portion of ADTV related to expiration of options on indices, which are not charged trading and post-trading fees, and to a higher share of day trades, which are eligible for volume discounts.

With regard to the participation by groups of investors in the Bovespa segment, non-resident investors continued to lead with 52.1% of the total ADTV, followed by local institutional investors with 24.8%. Compared with 2015, the fastest growing groups were individual investors, whose ADTV was up by 34.9%, and non-resident investors, whose ADTV was up by 7.6%.

Distribution of Average Daily Traded Value by Group of Investors (R\$ billion)

Other business lines
Treasury Direct (Tesouro Direto)

Tesouro Direto continues its strong upward trend. The average assets under custody stock reached R\$33.5 billion in 2016, up by 82.2% over the previous year, while the average number of investors increased by 83.8%, from 185.4 thousand to 340.8 thousand in the same period. Designed in partnership with the Brazilian Treasury, *Tesouro Direto* continues to be promoted by BM&FBOVESPA, through incentive programs for the distribution channel and operational improvements.

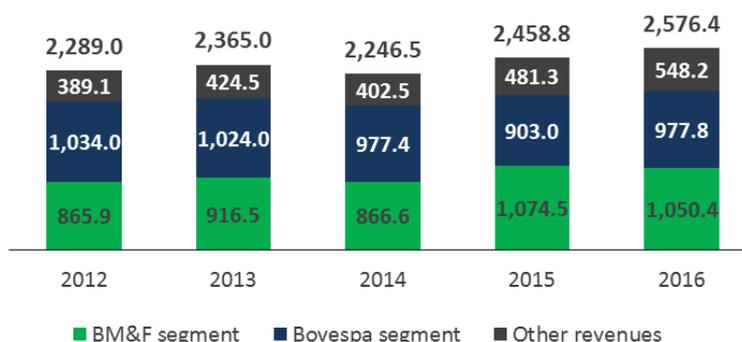
Treasury Direct platform


ECONOMIC AND FINANCIAL PERFORMANCE

Revenues

BM&FBOVESPA ended 2016 with total revenues (before deducting PIS / COFINS and ISS) of R\$2,576.4 million, an increase of 4.8% over 2015. These numbers reflect higher revenues for the Bovespa segment and other business lines not tied to volume.

Revenues (R\$ million)



Revenues from trading and post-trading in the BM&F and Bovespa segments together represented 77.2% of total revenues for the year, reaching R\$1,989.2 million, an increase of 2.8% year-over-year.

- **Revenues from trading, clearing and settlement - BM&F segment** reached R\$1,050.4 million (40.8% of the total), down by 2.2% over 2015, reflecting a 13.3% decline in average RPC, which was not fully offset by the 12.4% growth in the ADV in the period.
- **Revenues from trading, clearing and settlement - Bovespa segment** reached R\$977.8 million (38.0% of the total), an increase of 8.3% over the previous year. Trading and post-trading revenues totaled R\$959.2 million, an increase of 8.8% over 2015, reflecting a 9.2% increase in ADTV.
- **Other revenues:** revenues not tied to volume traded reached R\$548.2 million (21.3% of the total) in 2016, a 13.9% increase year-over-year. The main highlights were:
 - **Depository, custody and back-office:** totaled R\$177.7 million (6.9% of the total), up by 35.8% over 2015, as a result of an 89.3% increase in revenues from *Tesouro Direto*, which reached R\$65.6 million in the year, and inflation pass through of certain depository services prices as of January 2016.
 - **Banco BM&FBOVESPA:** revenues reached R\$39.8 million (1.5% of total), up by 13.2% over the previous year, mainly due to an increase in FX transactions by customers and income from the bank's financial investments.
 - **Others:** totaled R\$36.0 million (1.4% of total), up by 49.3% over 2015, as a result of a R\$16.9 million extraordinary reversal of provision⁴, with no cash impact, connected to changes in the Company's health care plan implemented in 2016, which impacted liabilities tied to rights granted to Company's employees who contributed to the health care plan of the Company between 2002 and 2009⁵.

Expenses

Expenses totaled R\$1,226.2 million in 2016, a 44.1% increase over the previous year, mainly due to: (i) extraordinary expenses, with no cash impact, related to R\$231.3 million in provisions for legal contingencies; (ii) expenses related to the proposed business combination with Cetip amounting to R\$65.6 million; and (iii) R\$51.5 million in non-recurring

⁴ According to CPC 00, in case of reversal of provision this must be booked as revenue in future periods.

⁵ According to Law nº 9.656/98 and understandings brought by the Resolution No. 279 of the ANS (National Health Agency) of November 2011, it is provided to the employee which contributes with any amount of money to the health plan of the Company, the right to maintain their status as beneficiary in the event of being fired or retired, as long as the employee assumes the entire cost of his plan. Potential liabilities that referred to the provision are related to the difference, over time, of the average cost of the health plan negotiated by the Company and the estimated regular cost, which the beneficiaries would bear if they don't stand the condition of beneficiaries (indirect subsidy). In 4Q12, BM&FBOVESPA accrued R\$27.5 million connected to this potential liability.

expenses related to stock grants. Excluding these non-recurring items, total expenses would have reached R\$877.8 million, an increase of 3.2% over 2015.

Expenses (R\$ million)



- **Personnel and payroll-related charges:** totaled R\$505.1 million in 2016, an increase of 14.0% over 2015. This increase is a result of the 8.6% adjustment under the annual collective bargaining agreements of Aug'16, and higher stock grants expenses. Excluding the impact related to stock grant expenses, personnel and payroll-related charges would have totaled R\$359.9 million, which would represent a rise of 4.6%.

Expenses related to the stock grant plan⁶ reached R\$145.2 million in 2016, 46.7% higher over the previous year. Of this total, recurring expenses amounted R\$93.7 million and include R\$48.9 million in principal and R\$43.0 million in provisions for payroll charges to be paid upon the delivery of the shares to the beneficiaries, which was impacted by a higher price of the BM&FBOVESPA shares. Extraordinary expenses - principal and charges - totaled R\$51.5 million and consisted of: (i) R\$25.0 million related to severance expenses; and (ii) provision of R\$26.5 million due to the adequacy of the accrual methodology applied to expenses related to stock grant programs, which were granted but not transferred yet, in accordance with Company's stock grant plan.

- **Data processing:** totaled R\$144.6 million, an increase of 18.5% over the previous year, mainly due to: (i) IT maintenance contracts adjustments; and (ii) the impact of the appreciation of the US Dollar against the Brazilian Real between Jan'15 and Dec'15, given that a cash flow hedge⁷ was set up for a portion of the contracts denominated in foreign currency with competence in 2015 and 2016, respectively.
- **Depreciation and amortization:** totaled R\$98.3 million in 2016, down by 11.3% over 2015 due to (i) conclusion of depreciation and amortization for equipment and systems; and (ii) longer useful life periods used when calculating depreciation and amortization for certain equipment items and systems.
- **Transaction with Cetip:** totaled R\$65.6 million in 2016 composed by extraordinary expenses connected to the proposed business combination with Cetip, R\$50.3 million in transaction costs⁸ and R\$15.3 million in expenses related to planning of the business integration⁹ that will take place after regulatory analysis.
- **Others:** totaled R\$316.5 million, a 274.8% increase over the previous year, including: (i) an extraordinary provision in the amount of R\$183.9 million related to a lawsuit for which the chances of loss were changed from possible to probable; (ii) R\$47.4 million in provisions for success fees to legal advisors, that, as from 3Q16, was made for cases in which the chances of loss are rated possible or remote, as from 3Q16, was made for legal proceedings classified as possible or remote loss chances, since in the case of success of these cases the Company must pay the success fee contracted; and (iii) R\$18.0 million to transferred to our self-regulatory entity in 4Q16, with the purpose of financing the activities of this institution.

⁶ In 2015, the Company introduced the stock grant plan as its long-term incentives.

⁷ The Company designated part of its cash in foreign currency to cover the impact of exchange rate variations affecting firm commitments in foreign currency with suppliers or service providers. Commitments due to be paid in 2015 were hedged, particularly in January 2015, while payments due to be settled in 2016 were mostly hedged in December 2015. Therefore, expenses related to these commitments and recognized in 2015 were based on the exchange rate as of January 2015, while those recognized in 2016 were based on the exchange rate as of December 2015, being impacted by the depreciation of the Brazilian Real against the US Dollar from January 2015 to December 2015. See the financial statements, note 4.d - Cash Flow Hedge.

⁸ Includes expenses incurred for publications, auditors, appraisers, attorneys and other professionals engaged as advisors for the business combination with Cetip.

⁹ Includes expenses incurred for consultants engaged to assist the planning for integration of operations with CETIP, which is currently pending regulatory analysis.

Indebtedness

The Company's gross debt at the end of 2016 was R\$5,463.6 million (including principal and accrued interest), of which 91.8% was long-term and 8.2% short-term.

In Dec'16, BM&FBOVESPA increased its level of indebtedness by issuing debentures and obtaining a foreign currency loan to meet the financial obligations arising from the business combination with Cetip. Details of the Company's indebtedness are shown below:

Debenture issue

First issue of simple, non-convertible debentures in the amount of R\$3.0 billion settled on December 15, 2016. This issue is for a term of three years¹⁰ with payment of 50% at the end of year 2 and 50% at the end of year 3 at an interest rate corresponding to 104.25% of the DI rate. Interest will be paid on semi-annually basis, on June 1 and December 1 each year.

Loan

A loan in the amount of US\$125.0 million was agreed on December 15, 2016 at an interest rate of 2.57% p.a. to be paid on a monthly basis due on January 2, 2018. A cash flow hedge was set up between the loan and revenues denominated in US Dollar, while tying monthly amortizations with most of the receivables linked to derivatives contracts denominated in US Dollar (FX rates and Interest rates in USD contracts). Thus, for the dollar amount protected by the hedge instrument, any gains or losses related to exchange rate variations will be recognized in shareholders' equity, and therefore no longer have a direct impact on the Company's quarterly results in both operating income and financial expenses. The impact will affect the income statements only when the loan matures. This hedge is expected to reduce change in revenues from derivatives reported as a result of exchange rate variations.

2020 Notes

Senior Unsecured Notes issued abroad in Jul'10 for the amount of US\$612.0 million, maturing in Jul'20 with semi-annually 5.5% coupons in July and January each year. In Mar'16, the Company entered into swap transactions for the principal amount of the 2020 Notes and has since then held a short position at the local interest rate, at an effective cost of 79.1% of the CDI rate applied to the balance in Brazilian *Real* on the hedge date (R\$2,210 million). Additionally, in Sep'16, the Company entered into non-deliverable forwards (NDFs) to hedge certain coupons from FX variations.

Financial result

Financial result totaled R\$152.0 million in 2016 and was mainly impacted by the recognition of the divestment in CME Group shares, its debenture issued and the loan, as shown below:

Financial income: totaled R\$1,167.3 million in the year, an increase of 56.5% over 2015, mainly due to high average cash in the period, which included: (i) R\$5,487.7 million in proceeds from the sale of CME Group shares in Sep'15 and Apr'16; and (ii) the proceeds from its R\$3.0 billion debenture issuance and US\$125 million loan contracted in Dec'16.

Financial expenses: totaled R\$442.5 million in 2016, up by 86.8% over the previous year, mainly due to: (i) R\$189.8 million related to the hedge against FX variation on the 2020 Notes¹¹; (ii) R\$17.6 million connected to interest on the debentures issued in Dec'16; (iii) R\$16.4 million related to IOF tax on repatriation of proceeds from the sale of CME Group shares; and (iv) R\$20.6 million expenses regarding the stand-by facilities amounting to R\$2.7 billion, which were not drawn, in connection with the transaction with Cetip .

Divestment from CME Group shares: totaled a non-recurring loss of R\$572.8 million in 2016, of which: i) R\$460.5 million, with no cash impact, reflecting changes in the CME Group share price and the Brazilian Real vs US Dollar exchange rate from Sep'15 to the date of total divestment from CME Group shares; and (ii) R\$112.3 million, with cash impact, related to PIS and COFINS levied on the capital gain generated on the sale of 4% of the CME Group shares.

¹⁰ If the business combination with Cetip is not approved by regulators, there will be early redemption of all debentures.

¹¹ In Mar'16, the Company entered into a swap transaction for its foreign currency debt principal and took a short position in local interest rates. In Sep'16, non-deliverable forwards (NDFs) were contracted to hedge exchange rate variation affecting interest charges due on foreign currency debt at half-year intervals. See financial statements, note 4.d - Fair Value Hedge and Cash Flow Hedge.

Income tax and social contribution

Income tax and social contribution amounted to R\$199.5 million (positive) and was mainly impacted by:

- (i) a reversal of the provision for taxes payable in the amount of R\$477.0 million¹² (positive), resulting from the adjustment in the acquisition cost for the calculation of taxable capital gain on the sale of CME Group shares, held in Sep'15 and Apr'16, which resulted in a reversal of part of the accrued provisions;
- (ii) tax benefit amounting to R\$306.0 million as result of the distribution of R\$900.0 million in interest on capital in the year; and
- (iii) R\$144.7 million reversal of tax assets related to accumulated taxes paid abroad, as a result of the sale of CME Group shares, since this tax asset can only be offset against gains obtained abroad.

Cash taxes totaled R\$21.5 million in 2016, of which R\$7.3 million were taxes paid by BM&FBOVESPA Settlement Bank. The items that impacted the cash taxes were:

- (i) R\$439.3 million on capital gains taxes on the sale of the CME Group shares, including the above mentioned calculation base adjustment;
- (ii) change in the tax regime for exchange variations recognized in the Company's balance sheet from cash to accrual basis, which reduced tax due by R\$337.6 million; and
- (iii) tax benefit of R\$541.2 million resulting from goodwill amortization.

Net Income

Net income (attributable to shareholders) reached R\$1,446.3 million, down by 34.3% over 2015. Excluding extraordinary items, notably the reversal of a provision for tax payable relating to the divestment on CME Group shares in 2016, net income would have been R\$1,814.9 million¹³, a 7.1% increase over the previous year.

MAIN ITEMS OF THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2016

Assets, Liabilities and Shareholders' Equity Accounts

BM&FBOVESPA's equity position remained solid at the end of 2016, with total assets of R\$31,155.9 million and shareholders' equity of R\$19,076.4 million, up by 18.4% and 3.9%, respectively, over 2015. As mentioned above, in Dec'16, the Company raised funds to meet financial obligations arising from the business combination with Cetip through R\$3.0 billion debenture issuance and a US\$125.0 million loan, both of which impacted the balance sheet.

The main changes in assets, in comparison with 2015, involved cash and cash equivalents and financial investments (current and non-current), which totaled R\$14,847.6 million, an increase of 47.7% over 2015, due to the funding raised in Dec'16 and a higher retention of the Company's cash generation to meet the financial obligations arising from the business combination with Cetip.

Current liabilities totaled R\$3,657.8 million, 74.4% higher over Dec'15, and accounted for 11.7% of total liabilities and shareholders' equity. The most significant changes are: (i) financial instruments used to hedge the principal of the 2020 Notes at the end of Mar'16, which totaled R\$406.0 million (zero in Dec'15), which were affected by the appreciation of the Brazilian Real against the US Dollar; (ii) loan totaling R\$373.9 million (zero in Dec'15) consisting of a 1-year loan in US Dollar obtained in Dec'16; and (iv) dividends and interest on equity payable in the amount of R\$318.8 million referring to interest on capital paid out on January 12, 2017. In addition, the outstanding balance of cash collateral deposited by market participants and recorded in the line collateral received in transactions reached R\$1,653.8 million (R\$1,338.0 million in 2015).

Non-current liabilities totaled R\$8,421.7 million, up by 43.7% over 2015, and accounted for 27.0% of total liabilities and shareholders' equity. The most significant changes were: (i) addition of a debentures line, which amounted to R\$2,991.8 million; (ii) reduction in the debt issued abroad line to R\$1,987.7 million (R\$2,384.1 million in Dec'15), which

¹² Considering the divestment in the CME Group during 2016, BM&FBOVESPA reviewed the tax treatment of the capital gain from the sale of such shares. The portion of the exchange variations accumulated in the period in which this investment was calculated by the equity method at acquisition cost was incorporated on the calculation of the capital gain. This revision led to the reversal of part of the tax provision previously made. See financial statements, note 4.c.

¹³ Net income for 2016 excludes extraordinary impacts related to the sale of shares in the CME Group (R\$136.4 million, after tax), the transaction with Cetip (R\$43.3 million after tax), extraordinary stock grant expenses (R\$35.2 million after tax) and extraordinary expenses relating to provisions for contingencies and success fees (R\$155.0 million after tax). Net income for 2015 excludes extraordinary impacts related to impairment expenses (R\$1,097.4 million after tax), discontinuing of the equity method (R\$1,130.4 million after tax) and sale of the CME Group (R\$474.2 million after tax).

was affected by the appreciation of the Brazilian Real against the US Dollar (the counterpart of this variation is in the financial instruments line); (iii) reduction in the deferred income tax and social contribution line, consisting mainly of deferred tax arising from goodwill amortization, to R\$2,976.1 million (R\$3,272.3 million in Dec'15), due to a write-off of R\$920.9 million in deferred tax related to the sale of CME Group shares recognized in Sep'15; and (iv) an increase in the provision for risks arising from changes in the chances of loss in legal proceedings to 'probable' and provisioning for success fees for cases in which the chances of loss were classified as possible or remote.

Shareholders' equity at the end of Dec'16 stood at R\$19,076.4 million, which represented 61.2% of total liabilities and shareholders' equity, and consisted mainly of R\$14,327.5 million capital reserve and R\$2,540.2 million share capital.

OTHER FINANCIAL INFORMATION

Investments

In 2016, investments amounted to R\$223.7 million, of which R\$210.3 million was in technology and infrastructure, in particular for BM&FBOVESPA's new clearinghouse. Total investments were within the R\$200 – R\$230 million budget planned for 2016, as announced in Dec'15.

Budget for adjusted expenses and investments in 2017

In Dec'16, the Company announced its budget for adjusted operating expenses and investments planned for 2017 as follows: (i) adjusted operating expenses budget guidance within R\$675- R\$705 million¹⁴; and (ii) investments budget guidance within R\$165 – R\$195 million.

The budget for expenses and investments in 2017 will be reviewed in the event of completion of the business combination with Cetip S.A. – Mercados Organizados.

Distribution of earnings

The Board of Directors declared a payment of R\$900.0 million in interest on capital in 2016.

OTHER HIGHLIGHTS

Market and Technological Developments

Business combination between BM&FBOVESPA and Cetip: negotiations around the business combination started at the end of 2015 and was completed in 2016. On April 8, 2016, the Board of Directors of both companies submitted a proposal for the business combination to their shareholders, who approved the deal on May 20, 2016. The transaction is currently awaiting regulatory analysis from the Brazilian Securities Commission (CVM), the Central Bank of Brazil (BACEN) and the Brazilian Antitrust Authority (CADE). Both companies have made efforts to plan for integration while complying with the restrictions stipulated by antitrust regulations. Task forces have been set up to ensure that the integrated operations continue to deliver operational and technological excellence in services provided for the market and regulators, while enhancing services for infrastructure users, in addition to capture potential synergies. In addition, to meet the transaction's financial requirements, BM&FBOVESPA raised approximately R\$3.4 billion in Dec'16, and this amount, together with the proceeds from the divestment in the CME Group, will finance the cash portion to be paid to Cetip shareholders on the business combination process.

BM&FBOVESPA Clearinghouse (post-trading integration): 2016 saw major progress made on the second phase of BM&FBOVESPA's new Integrated Clearinghouse, which will migrate equity and corporate fixed-income markets to a new infrastructure integrating these markets with financial, commodities, and OTC derivatives markets. Integrate tests, which started in 4Q15, were concluded during the year, followed by a parallel production process which replicates in the BM&FBOVESPA Clearinghouse's environment all the post-trading activities occurring in the production environment. Since Jul'16, 12 parallel production cycles have been conducted and will continue in 2017.

¹⁴ Expenses adjusted for: (i) depreciation and amortization; (ii) stock grant plan - principal and charges - and stock options plan; (iii) cost of operating and planning the business combination with Cetip, which is still pending regulatory analysis; and (iv) provisions, transfer of fines and incentive programs for market participants.

BM&FBOVESPA expects that its systems and processes, along with those of its market participants, will reach the required readiness and stability by mid-2017, when this phase of the integration process will be closed.

Development of products and services: during 2016, BM&FBOVESPA continued to improve the products offered to the market. The Company engaged market makers for Inflation Spread Future contract, in addition to focusing on enhancing and publicizing this product. For Exchange Traded Funds (ETFs), the Company changed the incentive policy to exempt market makers from fees on hedge transactions; a new ETF referenced in the Bovespa Index (BOVV11) was listed, thus increasing to 15 the number of ETFs available for trade. The average daily trading volume for this product was up by 33% over 2015, totaling R\$188.6 million. The Company increased the number of market makers from 27 at the end of 2015 to 55 at the end of 2016 for options on stocks, ETFs, indices and financial, commodity and derivatives. Lastly, the Company's liens and encumbrances service was launched at the beginning of 2016 and by the end of the year reached R\$6.7 billion assets used as collateral. This service, which enables registration of liens and encumbrances on assets underlying bilateral collateral, was previously provided exclusively by notary offices, but is now offered by central depositories, thus ensuring more speed at lower costs for the market.

Creation of the IT Committee and Election of its Members: BM&FBOVESPA's board of directors set up an IT Committee to advise it on IT related issues such as analyzing and monitoring new technologies that may pose opportunities or impacts for the Company's business, while monitoring indicators that reflect clients' perception of the IT services offered by it. The IT Committee consists of 6 external members and 2 members of the Board of Directors and will operate for two years as of Dec'16. The board of directors may extend this term for successive periods of 2 years.

Evolution of the special listing segments: in Mar'16, BM&FBOVESPA initiated discussions on improving the Special Listing Segments regulations by means of a detailed analysis of corporate governance best practices adopted in more than 20 jurisdictions. It also held a public consultation that had a wide engagement of investors, listed companies and market entities. After consolidating the results, BM&FBOVESPA proposed new regulations for the Novo Mercado and Level 2 and held a public hearing with all market participants, which was concluded in Sep'16. Based on the answers received and on interactions at the public hearing, BM&FBOVESPA prepared new versions of the Novo Mercado and Level 2 regulations, holding another public hearing in Nov'16 to discuss the new proposal. This stage was concluded in Jan'17 and the Company is now consolidating the comments received to prepare a new version of Novo Mercado and Level 2 regulations and then hold a restricted hearing in Mar'17. At this stage, only Novo Mercado and Level 2 listed companies will take part, with a specific period to resolve on the proposed changes.

Investments in Latin American Exchanges: in 2016 BM&FBOVESPA acquired 4.1% and 9.9% of the Mexican and Colombian stock exchanges, respectively, while increasing its stake in the Santiago stock exchange to approximately 10.4% for a total investment of R\$232 million. This initiative is part of the Company's strategic project of investing in minority interests in Latin American stock exchanges in order to tap opportunities for cooperation and development of products and services. Additionally, in Jan'17, BM&FBOVESPA acquired 8.59% of the Lima stock exchange's common shares (equivalent to 8.19% of its total share capital) for the equivalent of R\$49 million, in addition to appointing a member for its board of directors.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

BM&FBOVESPA aims to maintain the excellence of its corporate governance practices, ensuring alignment of interests between the Company and its management, shareholders, market participants and other stakeholders.

The importance of good governance practices for the long-term success of BM&FBOVESPA is underlined by its widespread capital structure, with no controlling shareholder or controlling shareholder group, as well as its institutional responsibility to develop the markets it manages.

Among the key highlights of the Company's governance structure are its listing on *Novo Mercado*, having a Board of Directors consisting mostly of independent members, in accordance with CVM Instruction 461/07, and the existence of 7 committees advising the board, in particular the Audit Committee and the Risk and Finance committees.

In 2016, for the seventh time, BM&FBOVESPA was awarded the Transparency Award by Anefac (the National Association of Finance, Management and Accounting Executives).

Internal Audit

The mission of BM&FBOVESPA's Internal Audit is to give the Board of Directors, the Audit Committee and the Executive Board an independent, impartial and timely assessments of the efficacy of risk management and governance processes, as well as of the adequacy of internal controls and compliance with rules and regulations relating to the operations of the Company and its subsidiaries.

Aligned with the best international practices and BM&FBOVESPA's strong risk management culture, in 2015 the Company was granted the Internal Audit Quality certification, which recognizes corporations that adopt the best practices and international standards for internal audit advocated by the Institute of Internal Auditors (IIA).

Internal Controls, Compliance and Corporate Risk

To manage its risks and controls, BM&FBOVESPA uses the four lines of defense model. Under this model, the first line, which is primarily responsible for risk mitigation and internal controls procedures, is the business area itself. The second line of defense includes risk management, internal controls and compliance functions and is operated by the department of Internal Controls, Compliance and Corporate Risk, which provide support for business units and assist Management's decision making. The third line refers to the internal audit, and acts independently of the internal controls environment. Finally, the fourth line of defense comprises revision of the financial statements by an independent external audit and the regulatory oversight of the Central Bank of Brazil (BACEN) and the Brazilian Securities Commission (CVM).

The department of Internal Controls, Compliance and Corporate Risk reports directly to the CEO and provides information to assist the work of the Board of Directors' Audit Committee and Risk and Finance Committee. Its key responsibilities are:

- Corporate Processes and Risks: to set up a comprehensive structure to implement and support the continuous development of the organization's processes on a standardized basis; to provide mechanisms to manage the portfolio of processes, to carry out constant maintenance and enhancement; and to identify, assess, address, monitor and report corporate risks and propose measures to reduce them;
- Internal controls: to assess and monitor the Company's control environment on a regular basis;
- Compliance: to assist in fulfilling, complying with and applying internal and external regulations governing the Company's activities;
- Business Continuity: to identify and assess the legal and regulatory requirements for business continuity, and the internal and external threats that may jeopardize the Company's operations. To set up a crisis management and response structure, with training programs, testing and analyses to ensure that continuity plans are in place and operating properly;
- Financial risk and modeling: to validate the parameters and methods designed by the operating areas for handling central counterparty and financial risks, as well as assessing the impact of possible political, social and economic scenarios on the Company's operating income;
- Information security: to plan and structure strategies and actions to be taken in order to prevent the loss of and protect the Company's assets (people, processes and technology).

Central Counterparty Risk - Risk Management

Collateral for transactions in markets managed by BM&FBOVESPA consists of margin deposits in cash, government bonds, corporate debt securities, bank letters of guarantee, and stocks. As of December 31, 2016, the volume of collateral deposited by participants totaled R\$266.6 billion and was 12.7% lower than the total deposited at the end of 2015.

The volume of collateral deposited increased in the equities and corporate debt securities clearinghouses as a result of greater average market capitalization in the Bovespa segment. However, there was a reduction in the amount of collateral deposited in the derivatives clearinghouse, reflecting lower volumes of outstanding contracts for Interest rates in USD, FX rates and Stock indices.

Collateral Deposited

Clearinghouses	December 31, 2015	December 31, 2016	Variation
	In R\$ millions	In R\$ millions	
Equities, corporate debt securities	69,484.6	90,393.0	30.1%
Derivatives	226,577.6	169,705.2	-25.1%
Forex	8,819.8	6,354.5	-28.0%
Bonds	280.2	100.2	-64.2%
Total	305,162.3	266,552.9	-12.7%

HUMAN RESOURCES

BM&FBOVESPA has increased its efforts and initiatives to manage organizational climate and provide qualification for its staff and leaders.

The Value Opinion survey conducted in partnership with Great Place to Work® in 2015 identified 97 priorities for the company to work on, which led to an action plan for each business unit. Preparation of the action plans involved more than 400 people and as of Dec'16 more than 160 initiatives were under implementation.

The Leaders' Journey program, which is a tool to train managers in the key Company's process to develop its employees involved several initiatives, including motivational lectures and workshops on qualification and development. A total of approximately 200 managers attended the program in the course of the year.

The Company had 1,338 employees at the end of 2016.

SUSTAINABILITY AND SOCIAL INVESTMENT

One of the highlights of the year was the United Nation's recognition of BM&FBOVESPA as one of the world's ten "2016 Local SDG Pioneers". On the climate change agenda, the CDP - Driving Sustainable Economies elected BM&FBOVESPA as one of the 16 Brazilian companies using best practices in terms of responsible management for climate change.

The second edition of the *Guia de Sustentabilidade Novo Valor – Como começar, quem envolver e o que priorizar* (the New Value Sustainability Guide – how to begin, who to involve and what to prioritize) was published with the inclusion of Environmental, Social and Governance (ESG) indicators aligned with international guidelines. The guide was also adapted for privately-held companies to advise them on how to adopt this agenda.

Also in 2016, the Social and Environmental Stock Exchange (BVSA) was chosen as a Bloomberg Tradebook partner for Charity Day Brazil 2016, which raised funds for company-supported social causes around the world. Since it was started in 2003, BVSA has raised over R\$17.2 million for 158 projects in every region of Brazil.

SELF-REGULATION

As part of a cooperation agreement signed with the CVM to monitor information disclosed by companies listed on BM&FBOVESPA, more than 22 thousand were examined and almost 2 thousand notifications of failure to comply with current regulations were sent.

To control and monitor its processes and the information required from issuers, the Company started using new technology to enable information received from issuers to be automatically forwarded to the market, thus leading to productivity gains and greater agility for the disclosure of this information.

In August 2015, current regulations for listing of issuers and admission of securities for trading, became fully effective. This regulation changed BM&FBOVESPA's scope of enforcement regarding information disclosure obligations applicable to listed issuers. More than 650 notices were sent and over 600 sanctions applied in 2016.

Additionally, BM&FBOVESPA Supervisão de Mercado (BSM) supervises and inspects participants in the markets managed by BM&FBOVESPA.

EXTERNAL AUDIT

The Company and its subsidiaries engaged the services of Ernst&Young Auditores Independentes for their financial statements.

The Company's policy for engaging external audit services is based on internationally accepted principles, which preserve the independence of work of this nature and include the following practices: (i) the auditor may not perform executive or management functions in the Company or its subsidiaries; (ii) the auditor may not perform operational activities in the Company or its subsidiaries that might compromise the efficacy of the audit work; and (iii) the auditor must remain impartial, avoiding any conflicts of interest or loss of independence, and must be objective in his opinions and pronouncements on the financial statements.

In 2016, in the context of the BM&FBOVESPA and Cetip business combination, which is being analyzed by regulatory agencies, the independent auditors provided services unrelated to their external audit engagement that exceeded 5% of total fees paid for external audit services.

Reasonable assurance services were provided, including the issuance of a report on the pro forma financial information of BM&FBOVESPA for the year ended December 31, 2015 (CVM Rule nº 565) and audit of the financial statements at December 31, 2015 of Companhia São José Holding (formerly Netanya Empreendimentos e Participações S.A.). Both services were engaged on April 11, 2016, amounting to R\$85 thousand (7.1% in relation to the external audit contract).

The Company's policy for engaging services unrelated to external audit that are provided by its independent auditors is based on applicable regulations and internationally accepted principles that ensure the auditors' independence.

Independent Auditors' Justification– Ernst&Young Auditores Independentes

The services provided that are not related to external audit does not affect the independence or objectivity in the conduction of the examinations and revisions made by the external audit. The policy for acting with the Company on providing professional services not related to external audit is based on principles that preserve the independence of Independent Auditors, which were observed in the provision of services mentioned above.

MANAGEMENT'S REPRESENTATION

In compliance with CVM Instruction 480, the Management declares that they have discussed, reviewed and agreed to the financial statements for the fiscal year ended December 31, 2016 and the opinions expressed in the independent auditors' report.

ADDITIONAL INFORMATION

The focus of this Management Report has been BM&FBOVESPA's performance and key developments in the year 2016. For further details about the Company and its market, please see the Reference Form available on BM&FBOVESPA's Investor Relations website (<http://ri.bmfbovespa.com.br>) or the CVM's website (www.cvm.gov.br).

ACKNOWLEDGMENTS

Finally, we would like to thank our employees for their efforts during the year, as well as our suppliers, shareholders, financial institutions, customers and other stakeholders for their support in 2016.
