

**International Conference Call**  
**BM&FBOVESPA**  
**4<sup>th</sup> Quarter 2011 Earnings Results**  
**February 15, 2011**

**Operator:** Good morning ladies and gentlemen and welcome to the audio conference call about the Earnings Results of BM&FBOVESPA for 4Q11. Thank you for standing by. 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.

I would now like to turn the conference over to Mr. Eduardo Refinetti Guardia, CFO of BM&FBOVESPA. Sir you may now begin.

**Mr. Eduardo Refinetti Guardia:** Thank you. Hello everybody, welcome to BVMF's 4Q and earnings call. I have with me today Cícero Vieira, Luiz Furtado, Marcelo Maziero and Cláudio Jacob. Cláudio will walk you through 4Q results but before I hand over to him I would like to explain the one-off extraordinary transfer of R\$ 92 million to BSM and also make some comment about the revenue data versification.

As you know the BSM is an independent company wholly owned by BM&FBOVESPA responsible for monitoring the transactions and activities performed by market participants and custody agents. BSM is also responsible for managing the MRP, which is the investor compensation mechanism fund for the Bovespa segment which is a restricted fund used to reimburse investors in specific situations.

On December 13 our board of directors approved a R\$ 92 million contribution to BSM related to the transfer of the management of the guarantee fund of the BM&F segment and prior to the transfer to BSM the guarantee fund was recorded on BVMF's balance sheet as part of its restricted cash balance. In other words the resources we had transferred to BSM could only be used exclusively for the guarantee fund. This fund was created to compensate investors for losses arising from improper intermediary actions that may lead to complaints to the restricted funds as provided for in the Brazilian securities regulations.

The transfer of the fund will unify the management of resources related to the compensation and a guarantee mechanism under BSM. This will also enhance BSM's self-sufficiency and allow the expansion of its activities thereby bringing greater security and the benefits to the market.

It is important to emphasize that the only ongoing impact to BVMF will be a small loss of the financial income derived from the management of this fund. In other words, although the R\$ 92 million could only be used in the context of the guarantee fund the financial income was recorded as BVMF's financial income. After the transfer this financial revenue will belong to BSM. To reiterate, the

objective of this one off extraordinary transfer was to strengthen our self-regulatory role by improving BSM's ability to perform its role. This one-time transfer was recorded as an expense on our P&L distorting therefore the quarter's expenses and results. Considering this contribution the total expenses were up 54% in comparison with 4Q10 and up 29% year over year and that is why it is particularly important to look at the adjusted expenses that also excludes the non-cash events and the contribution to the MLP.

Adjusted expenses were R\$ 163 million in 4Q11 and increased an increase of 3.1% in comparison with 4Q10. Adjusted expenses for 2011 were R\$ 584.5 million within the company's guided budget of 580 to R\$ 590 million and 7.5% add up in comparison with 2010.

As far as revenue diversification's concern I would like to emphasize the positive performance of five products that are increasing significantly their participation in total revenue: first securities lending continue to grow very fast. The average financial value of open positions rose by 57% over 4Q10; ETF ADTV increased 107% year over year; the assets under custody with "Tesouro Direto" increased 62% in comparison with the same quarter of 2010; the average daily trading volume of stock index contracts grew 80% year over year; and the ADTV of options on OGX and Itaú increased 72% since we launched the marketmaker program in September 2007. The message here is quite clear: the combined revenue of these five products represented 10% of the total revenue in 4Q11.

Finally, before handing to Claudio yesterday the board approved a R\$ 227 million dividend payment and if we consider the R\$ 685 million already paid the 2011 payout is equivalent to 87% of Gaap net income. It is important to emphasize that the increase in the dividend payout ratio from to 87% of Gaap net income was to ensure that the one-time transfer to BSM would not affect the amount of dividends paid to our shareholders. In fact the 87 payout ratio in the year represents exactly the same amount we would have distributed if we had not transferred the R\$ 92 million to BSM and maintained that payout ratio.

Now I will hand over to Claudio toolkit through the quarter's results.

**Mr. Claudio Jacob:** Ok thank you Eduardo, hello everybody. Please let us go through the presentation to slide 3 where we can see the Bovespa segment highlights. These numbers that are broadly known by all of you guys we have some highlights here. Actually we had a weaker quarter that was mainly concentrated in November, volumes that were a result of the market capitalization of the listed companies' reduction that we can see at the bottom of the slide at the chart.

But some aspects are worth to mention like the maintenance of the high-frequency traders volumes in the overall market with the growth of foreign investors of around 10% that you can see going from R\$ 835 million/day to R\$ 916 million/day and the velocity, the turnover velocity that despite the reduction when we compare with

3Q's that went from 69 to 66% is maintained in a higher-level than the average of the year.

Another point is that the lower margin BPS that we can see at the top chart (right chart). It is the result of the high participation of high-frequency and the day trades, the overall markets. That is expected because we provide discounts into trading fee for this type of trade.

Please let's move to the next slide where we can see some highlights of the BM&F segment performance that was acquired here weaker than the previous one and mainly because of the week December when the volumes stayed at around 2 million contracts/day. On the other hand we see these volumes recently returning to more normal levels (to around 2.5, 2.6 million contracts per day in January and February). The point worth mentioning here is the high-frequency trading that is maintaining 7% participation - reminding that they are concentrating in FX and stock index futures.

We also can see the volumes of these stock index futures soaring in 3Q and even growing more in 4Q. It is important to mention that along with this growth the benefits are the side effects from its expiration day into even months. Just reminding you, in the last three expiration days (that was in December, October and August) the volumes of the cash market reached something like R\$ 20 billion to R\$ 25 billion that compares with the normal volumes in 2011 not R\$ 6.5 billion.

Let's go now to the page 5 where we can see the breakdown of our revenues after the fees rebalancing from trading and post-trading implemented in the end of August. Now we can clearly see the diverse education of our revenues where cash trading responds for 8% and cash post-trading for 27%.

At the following page, at page 6, we see that the revenue this quarter over quarter were almost flat. The highlight here was the impressive growth of our securities lending activity that showed another strong climb in revenues over 55%. We also had R\$ 22.6 million from some reversions of provisions and some gains obligations that are one-off for the quarter.

At the expense side we see that the adjusted numbers were within the range established other R\$ 580 to R\$ 590 and 4Q grew 3% compared to 4Q10.

Let us go to more details in expenses on the next page. Here we reinforce the strict control that we are doing in the cost side reaffirming the zero nominal growth in the budget for 2012. Some expenses lines are worth to give more color like personnel expenses that actually showed a reduction year over year when we compare actually 4Q11 and 4Q10 and that is because in 2010 last quarter we had a higher profit sharing that impacted this line. When we compare with 3Q, that growth comes mainly from the full impact of the annual bargain that was around 7%.

On the next page we have some more details about other lines. The concentration of some expenses in the last quarter as usually happens with data processing and third-party services. These are related to some more intense maintenance of the infrastructure network and some expenses related to the operation qualification program dedicated to the brokers.

We had as well some ride offs of investments and we already mentioned the extraordinary impact of transferring restricted funds to be managed by BSM. Actually these R\$ 92.3 million we adjusted when we see the adjusted expenses.

On the next page, page 9, we see clearly the impact of this transfer in the reduction of their restricted cash, specifically the green bar that shows a reduction from 468 million to 380 million. Other important points are the Capex that is reached 204 million - and that is within the 2011 budget - and just reaffirming 2012 the budget is between 230 and R\$ 260 million.

The other point here that is in the chart at the bottom at the right is the shareholders' return that reached R\$ 1.5 billion or around R\$ 0.79/stock. That considers the full 2011 - even the buybacks and even the recent announcements on the recommendation of R\$ 227 million in dividends to be approved in our next general meeting.

At the following page (page 10) we see the method and accounting that is the CME treatment. Actually our participation in CME (that is 5.1%). The point here is that we are booking our share in CME's net income and in the related taxes at the rate of 34%. So instead of just recording R\$ 156 for the year or R\$ 68 million for the quarter we are grossing up 62 million related to the taxes paid abroad and booking their respective 62 million in the taxes lines.

So it is neutralized. This is completely in accordance with the current accounting regulation and for adjusted net income purpose we are alienating the CME impact as we have done in the last quarters.

Going to the next page I would want to reinforce the growth of the company and our markets. In the last years and despite the impact from the international crisis and the micro-prudential movements that dominated the behavior of the market participants we showed, as we can see at the top chart, on almost 21% growth in EPS.

In the following slides (page 12) we see the growth of volumes of our equity markets in the last eight years - that has been 27% - and the BM&F segment that is the derivatives has been around 19%. That shows the growth appeal of this market. In February is showing strong volume as well, so far we have reached around R\$ 8.5 billion per day just this month.

So going to the next pages (pages 13 and 14) we can see some important aspects of our diversification strategy that Eduardo has mentioned in the beginning of the

presentation. We believe the potential are not only extending volumes of the main products, increasing the number of investors and listed companies; but in broadening the sophistication of the Brazilian market - and this has been confirmed as the numbers here show. We are seeing EPS volumes growing and treasure direct showing great numbers.

At page 14 we see securities lending climbing more than 50% per year in the last decade and some initial results of our marketmaker program for options on single stocks (these numbers show only OGX and Itaú 4 stock) and we have more stocks to be granted with marketmakers.

Another important point here is the open interest of Ibovespa Futures growth, which gives us a sense of the potential volumes not just in futures contracts but in cash as well.

And just to reemphasize here the next page, page 15, here we have the numbers of 4Q revenues of all these products that as Eduardo mentioned in the beginning amounts to around R\$ 53 million in revenues in 4Q that response for a little bit more than 10% of our revenues.

Now I will return to work to Eduardo.

**Mr. Guardia:** thank you Claudio. If we move to page 16 our last message is to emphasize our continued focus on implementing our strategic growth plan. Our goals are to consistently grow revenues and net income; strengthen our competitive position; investing in both products and partnerships; and deliver consistently improving financials were the focus on cost control; discipline and capital allocation and strategically returning cash to maximize shareholders' values.

Now we would like to open the call up for your questions. Thank 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 touch-tone 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 from Itaú BBA.

**Mr. Alexandre Spada:** Hi gentlemen good afternoon. My question is regarding the change in your pricing policy for both cash equities and derivatives. It has been mentioned by Mr. Edemir Pinto a couple of months ago that there were some internal discussions about implementing a new pricing policy for large volume brokers. How has that involved since then and could you provide us for color on that.

What seems important to say is that you all know we took an important step to eliminate the subsidies, the cross subsidies between trading and post-trading and good looks to pricing policy is something that we will continue to look over time. So this is something that we will be always comparing ourselves to other exchanges looking to our fees in cash equities and derivatives and making sure we can improve and be more efficient in our fee structure.

But at the moment there is not anything new that I can give to you.

Mr. Spada: Ok thank you and if you allow me a follow-up can you provide us some color on a project of cross listing between you guys and CME? How has that involved and when are we going to finally see this happening?

**Mr. Marcelo Maziero:** Alexandre, Marcelo Maziero. We are still working on the papers. There is some matter on the contracts between us and CME. There is some SMP also to discuss. We hope... but I cannot say any specific thing; but we expect that we will finish this as soon as possible - probably this month yet - but it is hard to believe and to affirm because we have lawyers looking on these papers yet and so the expectation yet I cannot say or write date.

We have had the approval from CVM already so it is just a matter of having this deal signed and then we go to the market, everything is ready to go. It is a matter of papers.

**Mr. Spada:** Ok thank you guys.

**Operator:** Excuse me our next question comes from Mr. Ken Worthington from J.P. Morgan.

**Mr. Ken Worthington:** Hi good morning. I would like first to talk about the macro environment. To what extent have you seen any impact from the... macro prudential measures and has the benefit weighed out or do think there is still more to come from the recently or previously announced roll back to some of the measures?

**Mr. XXX:** You mean the recent plan or the removal of IOF prices?

**Mr. Worthington:** The removal, yes, the removal.

**Mr. XXX:** Yes, the 2% removal. Actually in terms of arbitrage between locals and ADRs there is another IOF that is to be removed (1.5% to the creation of ADRs from underlying stocks) so that is impeding arbitrage between locals and ADRs like we had before October 2009. That amounts to around 5% to 7% of our volumes.

But on the other hand we see you ride in December and maintenance in January we gained some shares... some share actually from ADR trading right after

because some investors started to change their behavior in terms of trading, instead of ADRs trading internally here, domestically, and others that were playing swaps overseas and the next steps they are doing in terms of trading we have heard that some are reconsidering to trading internally here.

So it is not that clear - and the volumes in February are probably showing this - but we are, yes, seen these movements. So it is benefiting us.

**Mr. Guardia:** And just one more comment - this is Eduardo - on the IOF on ADR creation that we are already discussing this issue with the revenue service in Brazil. We had a meeting scheduled for next week or two weeks from now, I am not sure. So this is something that we are in contact with the revenue service and we expect that we will have the removal of these IOS and ADRs soon. So this is our expectation today.

**Mr. Worthington:** Ok great and then just two more: one I think there is an update on the BDR program. I think the pension funds might want to make some changes to the mandates to be able to participate here. So to what extent does that happen? And do you expect that that drives some additional volume?

And then you can give some additional flavor on the OTC trading platform. Where are you focused there? Are you trying to partner up with some of the other financial service companies in Brazil and to what extent does this initiative overlap with some of CETIP's businesses? Thank you.

**Mr. XXX:** Right, Marcelo will answer that. On the BDR two parts here: we have been working on the movement of having these pension funds allowed to buy BDRs, this is something that is necessary. But at the same time there is a process to make them enter this kind of assets because when we think about the pension funds would think... we always think about PREVI and the big ones; but there is a whole world of pension funds that even do that by local stocks.

So we have been working with asset managers and some brokers in order to kind of teach these pension funds to use these instruments to diversify investments. So this is a long-term investment and not something that we are likely to see this year any material movement on this market - at least this is our expectation.

On the OTC platform you mentioned what is really... well, besides go into this market - OTC is a market that in Brazil is still to be developed, this is one of the reasons - and the other is doing so we are going to complement our services to the clients of the banks and asset managers - and this is valuable to the companies to be near these clients and our playing on this field is we are ready to offer higher quality to the clients with lower price because we have the whole structure on the DVMF Bovespa to support this new platform.

What we already have we signed an agreement with Calypso (which is a provider of IT for this specific market); we are already working on the system; we are

building or rebuilding these processes, this internal process; we are allocating people to dedicate their time to this specific line of business because it is very different from the exchange.

And we expect that by the end of this year we start to offer at least the vanilla one to the market. But we are already talking to the clients to do some minor movements this first semester on the old (inaudible 28:41) but it is just the beginning of conversations to bring some of the deals to BVMF.

**Mr. Worthington:** Ok thanks for much.

**Operator:** Excuse me. Our next question comes from Mr. Henrique Caldeira from Barclays Bank.

**Mr. Henrique Caldeira:** Hi to everyone, thanks for the opportunity. My first question relates to the high-frequency segment. Can you just give some words on where we stand now on this stage of growth of this segment? We had a nice pickup to 10% of trade of Bovespa on 4Q, maybe on 1Q it is not really fair to compare in relative terms given that the volumes are increasing this percentage is likely to decrease.

But maybe if you focus on 4Q and this nice pickup can you describe are you still seeing an increased number of participants coming to Brazil, interest on new co-ocations, interest in new connections or this number of participants has stabilized and now we are seeing an increased usage of these users? Thank you.

**Mr. Cicero Vieira:** We continue to see a growth in the number of high-frequency trading firms that come to Brazil. As you know we have many brokers that use custody services from BVMF Bank 2689 accounts and we see those high-frequency traders opening new accounts almost every month. We think that there is a very big potential especially in the cash equity and cash equity derivatives, space for development in high-frequency trading. We still have some people and some high-frequency traders that complain about the fees that the charge if there is a very high number of messages that are sent I high-frequency traders.

With the implementation of the equities module of PUMA in the second half of 2012 we will be able to completely remove the fee that charges on an excessive number of messages and that is also going to help to boost high-frequency trading volumes especially with cash market and cash market derivatives.

**Mr. Caldeira:** Thank you Cícero and just as a follow-up considering the implementation of this new module on the equities platform how do you see the business going maybe for word the next 12 months? I know these are maybe hard questions; but how do you see high-frequency going for the next 12 months? Maybe you will reach 20%? Is that still a fair assumption or do you think there is plenty of room to grow even more?

**Mr. Vieira:** Ok. Before that that is me briefly explain the development of the equities module. Furtado is also here with me and if he can complement necessary. I do not know if you know but we finalized the development of the equities module last week and now we are starting the internal tasks cycle and also external tasks cycle with market participants.

That is a process that takes time because it has to be carefully managed so that when we migrate to the new platform we do not cause any type of market disruption and that is why although the development has been completed the final deployment in production environment is expected only for 4Q12.

That said we continue to have the same view that we have always expressed to investors and shareholders: we do not think that the percentage participation of high-frequency traders is going to reach the levels that are seen in the US or in Europe. We do not expect high-frequency traders trading to dominate cash trading Brazil and to reach 60% or 70% as you may see the US especially depending on how you define high-frequency trading.

And that is essentially because the US market is highly fragmented, which leads to more arbitrage opportunities across different trading venues in such arbitrage opportunities they are exploited by high-frequency traders. With only one center-limit order book in Brazil (which is the matching engine run by BVMF) we see less space for the development of high-frequency trading when compared to what is seen in the US.

That is what we think that it could reach something like 20% of overall trading volume, which is roughly 2x what we are seeing today.

**Mr. Caldeira:** Very helpful, thank you. My last question relates to capital return. As we approach the end of the current program of the buybacks what is your expectations from here considering the current environment volumes, if we stay where we are? Is this in line with your budget to maintain the program or you might also consider that the shares have already had a nice run and this may also be part of your decisions?

**Mr. Guardia:** Ok Henrique good question. As I always said we have to look to the share buyback program and our dividend payouts ratio together. Actually we want to use both as a strategy to maximize return to our shareholders. The message that we want to make very clear is that we will not keep cash in our company it is not necessary.

And the level of cash we want to have in our company depends on one hand on the size of the transactions, on the size of the transactions that to have growing through in our four clearinghouses - and by the way if you look to the total amount of collateral posted in the clearing house as of December 2010 compared to December 2011 there was an increase of almost 25% or 30%.

So what I am trying to say is that the level of cash we need depends on the amount of transactions that they have a clearinghouse and also in all reviews about volatility for the needs that we have to have cash. Having said that I want to say is that we will discuss the renewal are not of the share buyback program in June once we finish the program that is being implemented at the moment, and what the board will take into consideration will be this: is the amount of cash we want to keep and what I can assure you is that we will continue to have the high payout ratio that have been preserving over the last two or three years. So that is what I can tell you for the moment.

**Mr. Caldeira:** That is great, thank you.

**Operator:** Excuse me. Our next question comes from Mr. Mario Pierry from Deutsche Bank.

Mr. Mario Pierry: Hi everybody. Let me ask you two questions as well, the first one I think is a simpler, easier question and it is with regard to that the capital market activity. With some meaningful slowdown in the number of IPOs in Brazil over the second half of 2011; how are you seen the pipeline for 2012?

And then the second question is a little bit more sensitive I guess. We have heard direct edge and other potential entrants expressing interest in coming to Brazil - but of course this would depend whether or not they will get access to your clearinghouse. Can you just give us like an overall view of how do you think this competitive environment in Brazil is going to all over the next few years and if you do think it is realistic that we are going to see a new entrant operation in Brazil next year? Thank you.

**Mr. Guardia:** Mario thank you for the two questions. The first one in terms of the IPO pipeline once we always say, what you have been saying since last year is that we believe that or something like 40, 45 companies that are ready to go public in Brazil; but of course this will depend on market conditions. We are just saying that they are ready to go public; that there is demand for IPO; that that are 40 or 45 companies ready to go - but I will not dare to say whether they will go now when not because this will depend on market conditions.

So the answer is yes, there are companies ready to go; but if this is going to happen or not will depend on market conditions. This is our expectation for this year. We believe, we hope we will have a better year in 2012 and therefore we will seek conditions to see these companies going public - but that is what I can tell you.

With respect to the competitive landscape, the competition, good discussion about using are not our clearinghouses is something that we are very clear: we have a strong investment program going on. We are changing the trading platform; we have already delivered for derivatives and Cícero has just told you that this system

for cash equities is ready and we start to tasks the new trading platforms, so this is very important.

We are working on the clearinghouses integration. We everyone knows that we are working on that. This is one of the most important projects not only for BVMF but for the Brazilian market as a whole because we are confident that once we integrate the four clearinghouses and we developed the new risk module we will have a much more efficient clearinghouse and we will be able to provide much more capital efficiency to our clients and to the benefits of the market participants as a whole. And we also be adding a new data center, which is also important to remember and to emphasize.

So having said that what we are seeing at the moment is that even if you wanted to we would not be able to offer to clearinghouse to anyone. It is actually we are at the moment changing our clearinghouses, integrating the four clearinghouses and so it is not a reasonable to expect that we will stop what we are doing to connect another exchange or anything like that.

So our priority - and I am sure regulators who agree with us that this is a priority - is to work on clearinghouses integration; to improve market efficiency; to work in the self-regulatory issues as they did recently with ESM, it is also very important. So that is our focus at the moment. So if competitors depend on us to get access to a clearinghouse to get access to the Brazilian market what we can say is that at the moment, while we are working on all this we will not be able to provide any service.

Cícero wants to make a comment on this.

**Mr. Vieira:** Just when I add and emphasize that the connecting a new exchange to a CCP is not like connecting a new clearing member or like connecting a new brokerage house. It has deep implications in terms of how you manage pre-trade risk checks; it has deep implications in terms of how you allocate your processing capacity;ç it has deep implications on how the two trading systems - the incumbent and the new trading systems - are going to interface with each other and to communicate so that you can apply the same options roads, the same price variation limits and so on and so forth. So it is important to emphasize that this is a project which is time consuming and which would require investment and also human resources.

So as Eduardo said it would make absolutely no sense in terms of capital efficiency that is going to be generated for the market by the integration of our four CCPs, it would make absolutely no sense to stop the project or to somehow interrupt what could have been doing including with international IT vendors and start developing an integration process with another exchange.

The integration of our four CCPs is also extremely important in terms of mitigation of systemic risk because the new CCP is going to be extremely fast and is going to be processed in real time, which means that we will be able to calculate risk in real-

time for all customer portfolios. If you consider the growth in high frequency trading activity worldwide and also in Brazil being able to calculate risk in real-time is very important for systemic risk mitigation and we think, as I said, it would make no sense to interrupt at this point this project to make what is necessary to connect to another exchange.

That said we want to analyze and we want to be open to that discussion once we finalize the integration of the four CCPs and also the deployment of the PUMA Trading System.

**Mr. Pierry:** Just a quick question than because it was not very clear: when do you expect for you to complete the integration of your four clearinghouses?

**Mr. Vieira:** Good question. So by the end of 2012 we will finalize the IT development; beginning of 2013 we are going to start internal and external testing of the new system; certification; homologation; user acceptance testing and also brokers will come back to the new CCP infrastructure and they will help us to test.

In the second half of 2013 we will migrate the derivatives clearinghouse and in 2014 we will migrate the cash equity clearinghouse. So that is 2014 when we are going to have that to CCPs completely integrated.

**Mr. Pierry:** Great, very clear, thank you very much.

**Operator:** Excuse me. Our next question comes from Mr. Paulo Ribeiro from HSBC.

**Mr. Paulo Ribeiro:** Good afternoon everybody. I have a couple of questions, the first one is in taxes. This quarter of course was distorted by the CME allocation here; but even if I adjust for that and I take the one-off I come with a very high tax rate of 36%, the reported basis was 49 and that is clearly very high compared to 3Q or 4Q, which is typically lower.

So can you give us an idea what you thing going forward for 2012 in particular in the tax?

And the second question would be in the latency. How do you compare yourself with, for instance, Direct Edge or is it even fair to try to compare given the difference in systems or I guess another way to put it is if they were to come into Brazil with what they have here and plug into the system given that they have regulatory and other... the issues they would have to address but that slow down? Would that add latency to their US-based rates? Thank you.

**Mr. XXX:** Hi Paulo. Regarding the taxes actually have this distortion that comes from this kind of adaptation to the CME numbers in terms of recognizing their taxation as well. But if we adapt the number our (inaudible 46:39) would be R\$

1.21 million instead of 1.84 and our income before taxes would be 310, something like that and so we are talking about 30%, 30 something percent, ok?

Going forward you have always some impacts of deferred liabilities of the tax shield and as well the fiscal credits and fiscal debt that we have when we use interest on capital or other benefits. So specifically this quarter that was a weaker quarter than the previous one the tax shield is the same because it is linear when you use it along the year and you have actually kind of creation of tax credits in the deferred liability line.

In the coming quarters the idea is reused the tax shield. Let us suppose we are going to keep our move up the amount and the gap between the earnings before taxes and the tax shield is going to be filled up with interest on capital. That is how we manage here the fiscal book.

Just to clarify these numbers that are under taxation, even the current one that you see here (R\$ 45 million) the disbursement is less than 1 million and the rest is tax treatment and accounting treatments as well.

**Mr. Ribeiro:** Ok great thanks.

**Mr. Vieira:** Regarding your question about the matching engine and trading technology, as you may know we substituted and we finalized the substitution of GTS in October 2011 and we are going to finalize the substitution of Mega Bolsa in 4Q12.

**Mr. Ribeiro:** I was thinking of PUMA already. How you compare PUMA and not the old one.

**Mr. Vieira:** The new system PUMA. The round trip time of Mega Bolsa and also GTS they were quite similar (around 15... 10 to 15 ms with a standard deviation of RTT, which is quite high for international standards). In October 2011 with the migration to PUMA we decreased the RTT, the latency from 15 ms to something around 1 ms with very low standard deviation and the equity's module to be deployed by the end of this year it is going to have a latency that is substantially below 1 ms. So roughly speaking it is going to be comparable to international standards.

That said it is also important to have in mind that it is a multi-asset class trading system and so it is going to have ultralow latency; it is going to have high throughput; and perhaps as important traders will be able to trade futures, options and futures, equities and also equity options in the same trading environment and that is going to improve arbitrage conditions because you are going to have essentially almost all types of assets being traded in the same IT environment - and that is for sure is an advantage of the system.

Now I think Furtado has also some comment.

**Mr. Furtado:** Some addition to what Cícero has just commented. By the implementation of PUMA we reduce latency to around 1 ms with a standard deviation about 300  $\mu$ s (which is much, much better than the old platforms) and to still have some gains of performance in the new platform. We expect by the end of the year to be under 1 ms, into the microsecond range.

It is also important to point out that this item is not a single dimension (inaudible 51:27) because it also is factoring the functionality that is required by the Brazilian market. So just to give you an elaboration on that we could not simply adapt what CME uses or install what CME uses directly to the Brazilian market. We had to develop over a year of adaptations to comply with our rules; to comply with our... for instance sophisticated auction rules that CME does not use, and back for sure adds functionality to the system and that also has implications on latency.

So we understand that we have a very fast platform which is fully compliant with the Brazilian rules and the Brazilian market.

**Mr. Ribeiro:** Perfect, very clear, thanks.

**Operator:** Excuse me. Our next question comes from Mr. Bernardo Mariano from Equity Research Desk.

**Mr. Bernardo Mariano:** Hi Cícero, hi Claudio, hi Eduardo. My question is regarding the OTC market. You guys for many, many years said that you are not planning to... you would not concentrate on the OTC market because it was such a small market for you compare to your own exchange market and that any 10% increase that you could get from the own exchange market was much more significant than the OTC and so you do not want to put any resources on the OTC market.

And now suddenly basically you divided the market into own exchange and OTC between you and CETIP. Now suddenly you guys put as a priority to basically deploy Calypso technology to answer the OTC market and you are very aggressively talking about entering the OTC market.

So my point is what has changed that now makes it so attractive and also from the point of view of duopoly playing where you were very rationale in terms of entering into competition with a potential competitor and now you suddenly become irrational.

So I would like to understand what has changed that made you guys look the OTC market in such an aggressive way.

**Mr. Guardia:** Ok Bernardo, this is Eduardo speaking. I think that the first point to emphasize is that we have been doing a lot of things on the exchange market in Brazil and it takes time to mature all the investment projects, to capture all the

opportunities we see in Brazil. So I think since the merger in 2008 BM&FBOVESPA has focused on the exchange traded products and there we still see a lot of opportunities, a lot of things to do in our core business - but we do see opportunities in the OTC market as well and so we understood that now we had done a lot to improve in terms of IT investments, developing new products in the exchange rate environment and so now we believe it is time to start looking to the OTC market as well.

I agree with you that it is still a smaller market but we do see potential in the OTC market in Brazil and so that is why we understand it is now time to start to be able to fully capture these opportunities in the future. So that is it: our focus before was in our core business, we are still absolutely with the focus on our core business; but we understood that now that you have made a lot of progress in our core business we are able to work on the OTC market at the same time.

I do not know if Mazziro has anything to add?

**Mr. Mazziro:** Yes. The clients are anxious to do so. We are responding to a demand from the market. I can say this because I was one of the clients... at that time I came to the exchange... because this is very complimentary to the offer... and there was one last point I would make and it is the business is still small in Brazil there is a high growth market yet. So considering that it has everything to do with the business of the exchange is to... to offer to something that the clients are imagining is a high growth opportunity and so so this lines of. That is the reason why we decided to go.

And the offer of these services to the market. We are just trying to improve dramatically the quality to the market but this is something they are willing and so it is part of the...

**Mr. XXX:** But my point is since it is such a small market is said and we all agree on that and you have even come to a big percentage of that market, it is not going to make any difference...

**Mr. Guardia:** Bernardo we see it as an opportunity. As I said you have to have priorities and each time you have a different priority. It was not our priority in the past and now it became one of our priorities. I described in the beginning of this call several products that are still small - but they are growing very fast. So that is what we want to do: we want to diversify our revenue base. I think it is in the best interest of our company and our shareholders to diversify their revenue base and if we see potential in one market we have to prepare ourselves to be well-positioned in this market. So that is exactly what we are doing and as I set priorities may change over time.

**Mr. XXX:** I do not know Bernardo I saw one analysis you made this week. We are not just talking about derivatives; we are talking about corporate fixed income also. So this market is not that small and when we see what is going on in the market

this year we already see this. The real estate market is always one where we see... being launched in the local market. So that is something that we consider that our high potential for the short-term.

**Operator:** Excuse me gentlemen we lost connection with Mr. Bernardo Mariano. Our next question comes from Mr. Justin Schack, Rosenblatt Securities.

**Mr. Justin Schack:** Hi guys thanks for taking my question. I just want to maybe ask about the competition, if it has surfaced a couple of times already in a slightly different way. One of the options that a competitor might pursue is to rather than plugging it to your post-trade services try to overtake and this has been done elsewhere.

I understand Brazil is a much different overtaking because the regulations on tracking everything to the beneficial order level are in place there. But a comment on how big of an exercise that is in terms of time and money?

**Mr. Vieira:** Ok Justin this is Cícero. Of course it is substantially more difficult to replicate the vertical structure then to deploy a matching engine. Many competitors that we are seeing in the Brazilian market they are among the vertical exchanges and so they do not have the CCP and the CSD technologies.

If you consider that BVMF is highly vertical meaning that it is not only the CCP function, it is not only the settlement function but also the CSD, the Central Securities Depository and on top of that the back-office system that is used by more than 99%, 95% to 99% of brokers, SINACOR. As you know SINACOR integrates to our CCP and settlements in CSD infrastructure making the model very vertical.

So it is a big effort. It is not impossible; if you have the human resources; if you have money and time and a good IT... perhaps a good IT vendor to help you it is not impossible - but to the best of my understanding it would not take less than two years and on top of that there is a very rigorous central bank testing process because any CCP in Brazil which provides multilateral netting is considered by the regulation by definition systemically important and that is why it would fall under central bank regulation and not only CVM regulation.

Sold a short answer for your question would be two to three or four years to develop a CCP, not less than that.

**Mr. Schack:** Great thanks Cícero.

**Operator:** Excuse me. Ladies and gentlemen as a reminder if you would like to pose a question please press star one.

Excuse me. Since there are no further questions I would like to pass the word to Mr. Eduardi Refinetti Guardia to proceed with his closing statements. Please sir go ahead.

**Mr. Guardia:** Thank you. Well, I just want to thank you again for joining us this call. As I always say if you have any other doubts do not hesitate to contact me or Claudio. We will be glad to keep in touch. Thank you very much, bye-bye.

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

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