International Conference Call
BM&FBovespa
Second Quarter 2016 Earnings Results
August 12th, 2016

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

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

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

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

Mr. Daniel Sonder: Good morning everybody. Thank you for joining the call. I'd like to welcome you to our quarterly earnings conference call to discuss the results of the 2nd quarter of 2016.

As always, thank you for your interest and for spending time looking at our results and listening to this discussion.

I am here with the team from the Investor Relations as well as the Finance team, which as always I'd like to thank so much for putting together the materials that we are going to use during this conference.

I'm also here with my colleagues at the Executive Board, Rodrigo Nardoni – Nardoni is joining the Executive Board as the new CIO in the company, as you might have read, our colleague Luis Furtado has announced his personal decision to leave the company at the 1st quarter of next year and Nardoni will be his replacement, Nardoni has been a professional with the BMF IT team for 14 years and it's obviously a very seasoned professional, which has participated in the technology overall which we have gone through over the past few years.

I'd like to, now, turn to presentation. If you move to slide 3, there is an overview of what happened in our operating and in our financial results during the 2nd quarter of the year, as well as some updates on our strategic initiatives.

We will go into more details in the following slides. On the left side of this page we see the operating highlights in both BMF and Bovespa segments. Average daily volume in BMF segment showed an increase of 4% while revenue per contract decline of 1.3%. Both were influenced by the growth in mini contract volumes.

In the Bovespa segment we see stability in both volume and fees in this quarter, as we'll see in slide 8 the increase in turnover velocity offset the lower average market cap, resulting in flat volumes.

Margins were 10 bps lower affected by higher participation of day trades in the average daily traded volume and higher volumes tied to the expiration of options on indices.

Additionally, the other business lines showed a very solid performance, especially in our market data and *Tesouro Direto* business.

In the middle of the page, we see how our revenues performed year-over-year. In addition to the operating highlights I just mentioned, volume-related revenues also benefited from the fact that in the 2nd quarter of 2016 we had 2 trading days more than in the 2nd quarter of 2015.

We maintained the diligence expense control during the quarter with adjusted expenses growing 3.5% compared to the same period of last year; well below average inflation, which was 8.8%.

During the 2nd quarter of 2016 we had several extraordinary items that impacted our bottom line. They were mainly related to the sale of our remaining 4% equity stake in CME Group in April and to the transaction with Cetip, which is still pending revelatory approvals.

These extraordinary items impacted our IFRS numbers and explain why we saw a net loss in our accounting net income.

Excluding these extraordinary items, our net income would have reached almost R$500 million, as you can see in the slide. I'll go through these extraordinary items in a moment.

Our Board approved the payment of R$215 million in interest on capital this quarter. This consideration represents 50% of the net income excluding impacts from the divestment from CME Group shares.

The 50% payout ratio is lower than what we had been practicing over the past few years, of at least 80%. As you know, the company's retaining cash in order to pay for the cash portion of the Cetip transaction once all approvals are obtained.

On the far right side of this slide 3 we present updates on some long-term strategic initiatives that aim at offering growth opportunities and value-creation for our company.

The main achievement of this quarter was the approval of the proposed business combination with Cetip by the vast majority of both BM&FBovespa and Cetip shareholders.

We are thankful to our shareholders and humbled by their support in the extraordinary shareholders' meeting, where we achieved a record quorum of 72%.

In the end of June another milestone was achieved with the filing at CADE (the Brazilian Antitrust Authority) of the transaction. After all regulatory approvals are obtained, we are committed to work hard and jointly to preserve and improve upon the operational excellence the client relationship and the innovation skills for each both companies are recognized.

To fund part of the transaction we sold in April the remaining equity stake we held in CME Group. The total gross proceeds from the 5% ownership sale including also the sale executed in September 2015 amounted to R$5.5 billion before tax, and we will retain this large cash balance until the financial settlement of the transaction with Cetip.

The 2nd phase of the new integrated BM&FBovespa clearing house is moving forward, as all of our other projects continue to move forward. In the 2nd quarter of 2016 we moved to the parallel production phase; the deployment is planned for the end of this year. This is a key project for BM&FBosvespa and for the market as a whole.

Lastly, during the quarter we increased our participation in *Bolsa de Comercio de Santiago* to 10.4% and also acquired stakes in Colombia and Mexico, 9.9% in *Bolsa de Valores de Colombia* and 4.1% in *Bolsa Mexicana de Valores*.

We now move to slide 4. I want to give you some more details about the extraordinary items that impacted 2016. In the name of full transparency, as you like to do, to make sure that people, one, understand exactly the numbers of the quarter and, two, be able to model properly and project adequately what goes on from now on.

In terms of the extraordinary items, we summarize in this table the items that impacted our results in the quarter aiming to help analysts and investors in their analysis. For that reason, we showed the income statement lines impact and also the amount before and after taxes.

First, we had extraordinary stock grant expenses related to severance due to changes in the management that we already announced; second (and most relevant), reflecting the divestment from CME Group shares we saw several extraordinary accounting impacts in this quarter, most of them with no cash impact; third, 572 million before tax that comprise the recognition of an accounting loss related to the difference of CME share price and US dollar FX rate between September and April 2016, which amounts to 460 million with no cash impact;
and the payment of PIS and COFINS taxes levied on the capital gain generated in the transaction amounted to 112 million (this is the cash expense).

Also related to the divestment from CME Group shares, we paid IOF taxes of the 60 million on the proceeds from the sale, when we transform them from dollars into reais.

And last, we book in the quarter some expenses related to the proposed business combination with Cetip, which amounted to 47.8 million in the quarter. This expense is composed by transaction costs and expenses with the planning of the business combination.

We move now to slide 5, and I wanted to emphasize that we maintained our strict focus with respect to product and market development. We have concentrated our efforts in increasing liquidity for listed products by adding new market maker programs. We have now 35 active programs versus 19 at the end of the 2nd quarter last year.

We maintained our efforts to promote our securities lending platform to foreign investors. We see the development of the securities lending market as very important to having an increasingly sophisticated equity market in Brazil.

With regards to new products, we saw significant increase in average daily volume and open interest for the inflation-linked future contracts and we do believe that this performance is directly related to the introduction of market makers for this contract in May.

We also expanded the number of non-sponsored BDRs listed in our market. In July we admitted 16 new programs, increasing the portfolio to 122 BDRs.

Just recently, the regulatory and tax frameworks for the fixed income ETF has been completed. We have held discussions with market participants and are optimistic about the launching of this new product soon.

Now, Rogério will give you more details about our operational performance.

Mr. Rogério Santana: Thank you Daniel. Hello everyone. I would like to ask you to move to slide 6 of the presentation.

The chart on the left side of this slide shows that, as we've seen in the previous quarter, the greatest contribution to revenue growth came from financial and commodity derivatives to market within BMF segment, where we have a long exposure to US dollar, as well as exposure to volatility around interest rate and FX rate.

Also, the business line not related to volumes showed solid results in the quarter and contributed to revenue growth, mainly reflecting the performance of *Tesouro Direto* platform and market data revenues.

On the right side, the pie chart shows that the derivatives market continues to be the main sources of revenues for BM&FBosvespa. If we sum up financial and commodity derivatives that represented 41.8%, and the derivatives on single stocks and indices for another 3.8%, we reach 45.6% of total revenues.

Additionally, 25% of the company's topline were US-dollar-linked in the 2nd quarter 2016, showing the merits of our revenues diversification.

Moving to slide 7, you will find details on the performance of the financial and commodity derivatives market. The 5.5% revenue growth in the BM&FBovespa segment was driven by a 4% growth in the total ADV coupled with the increase in the number of trading days to 63 in the 2nd quarter 16 versus 61 in the 2nd quarter 15.

This quarter the main contribution to the volumes growth in this market came from mini contracts, which grew 86.7%. It is important to note that since these contracts have a RPC that is significantly lower than average, a high participation of them in the total volumes has a negative impact on the average RPC.

This is the main reason for the 1.3% reduction in the average RPC year-over-year, as you can see on the bottom of the slide. In the bar chart on the left side, you see the contracts' price in US dollar and contracts exposed to interest rates are the most relevant in this segment.

Finally, in the derivatives market more than 60% of revenue is linked to contracts priced in US dollars, showing our revenue diversification.

In slide 8 we have the performance of the equity market. Revenues in the equity business from Bovespa segment were stable in the 2nd quarter 16. Although the turnover velocity showed a significant increase in the period, reaching 79.7% versus 7.5% in the 2nd quarter 15, this growth in the market activity was only enough to offset the 10% reduction in the average market capitalization during the same period.

Trading and post-trading margins reached 5.208 basis points in the 2nd quarter 16 versus 5.309 basis points in the 2nd quarter 15. This 1.9% or 0.1 basis point reduction in margin is explained by the combination of 2 factors: Higher participation of day traders in the overall volume since its fees are lower than average; and higher volumes connected to this ratio of options on equity basis indices, to which trading and post-trading fees do not apply in most of these volumes.

Moving to slide 9, we highlight other sources of revenues that are not related to volumes. You may know that one of the drivers of the company's strategy is to increase the revenue coming from this group of products and services.

We pursue this goal mainly by actively marketing these products and services, as well as revisiting commercial policies that apply to them.

This growth of business line, as you can see in the great piece of the pie chart, represented 21.4% of total revenues in the 2nd quarter 16. In aggregates grew 8.1% year-over-year.

This growth results from solid operating performance of some products, as I mentioned before, notably market data and *Tesouro Direto,* which is under the depository line combined with changes to the commercial policies of some products and services.

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

Mr. Sonder: Thank you Rogério. In the next slide, page 10, we show the expense breakdown for the quarter. Our adjusted expenses increased 3.5% year-over-year mainly driven by higher adjusted personnel and data processing expenses.

Our adjusted personnel expenses, which exclude long-term incentive plans, was 4.5 higher compared to 2nd quarter 2015 due primarily to the annual salary adjustment of approximately 9% applied in August 15.

The growth in data processing, our 2nd largest expense line, is explained by the exchange rate and inflation adjustments to some IT maintenance contracts.

IFRS expenses in 2016 2nd quarter grew 36% year-over-year, as you see in the bottom of the page, impacted by extraordinary expenses connected to: One, the proposed business combination with Cetip amounting to 47.8 million; and higher stock grant expenses, which were impacted by the increase in the amount of provisions for payroll taxes, reflecting higher BM&FBovespa stock price, and by extraordinary severance costs.

The expenses with the transaction with Cetip and the impact from severance on the stock grant expenses are nonrecurring, as explained before.

Moving now to page 11, we see the financial highlights. We always like to underscore our financial robustness with a solid cash position, which is an important part of the business of being a credible counterparty in the financial market.

Total cash amounted to 10.5 billion at the end of the quarter, composed by BM&FBovespa's own cash and third-party cash, mainly related to the collateral credit by clients.

On the left side and blue part of the graph, we can see that the third-party cash, which amounted to 2.2 billion mainly composed by market participants' cash collateral of 1.6 billion.

It's important to highlight that the company earns interest on most of this cash balance.

On the right side, represented by the green bar, you find BM&FBovespa's own cash composed of restricted and unrestricted cash, which totaled 8.2 billion in the 2nd quarter of 2016.

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

Excluding this cash position, that is necessary to run the business, we have somewhat under 6 billion in available cash including the proceeds from the divestments from CME Group shares.

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

We move now to slide 12 and I will ask Rogério to go into some more details on what happened to our financial results.

Mr. Santana: In this slide we highlight the extraordinary items that impacted the financial results we see in the green box in the slide, on the left side.

The extraordinary items from the selling of 4% of CME shares include: R$406.5 million related to changes to the CME stock price and to the exchange rate of Brazilian reais versus US dollar with no cash impact; also, it includes the payment of PIS COFINS on capital gains of R$112.3 million; and, finally, it includes IOF on capital gains of the R$16.4 million.

Excluding this extraordinary impact, we reach a recurring financial result of R$107.9 million in the quarter. This amount includes the financial revenues from interest on proceeds coming from the divestment from CME Group shares.

Considering we intend to retain these proceeds until the settlement date of the proposed business combination with Cetip, it will positively impact financial results in the quarters to come.

On the other hand, the financial expenses now impacted by the cost of the hedge of the principal amount of the 2020-notes, which totaled R$58.5 million in the quarter, the costs of this hedge is 79.1% of the CDI with approximately R$2.2 billion.

The coupon upon the 2020-notes also affects the financial expense, as it has been the case since we shielded this notes in 2010. I call your attention to the fact that the coupon is not hedged at this point. The interest owned, which is approximately US$40 million per year, from 6.5% effective interest rate on the amount of US$612 million, notional per value of the bonds, is still exposed to changes in the BRL versus US dollar exchange rate.

Mr. Sonder: I'd like to conclude the presentation on page 13, where I just wanted to highlight the strong cash flow generation of the company in the quarter before paying interest on capital or dividends or repurchased, we generated almost R$445 million in cash, which is stable year-over-year.

And even considering the cash tax payment of 128 million in the quarter, the company maintained its capacity to generate cash; one of the main strengths of our business model.

I'd like to conclude the presentation now and open for Q&A.

Q&A Session

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

Our 1st question comes from Mr. Marcelo Cintra, with Goldman Sachs.

Mr. Cintra: Hi, good morning everyone, thank you for taking my question. I have 2 questions, actually. The 1st one is related to the one-off expenses related to this M&A with Cetip.

I just wanted to hear from you if we should expect any more costs and expenses on this front given that we are still waiting for the regulatory approvals and you are still waiting for CADE approvals.

And then I'll follow-up… and ow much would be this additional expenses?

And then I'll follow-up with a 2nd question.

Mr. Sonder: Thank you Cintra. We, yes, expect to see some additional expenses. We broke down in a footnote the fact that some of these expenses we saw in this quarter related to what we call "the transaction execution" itself, so essentially paying for advisors and lawyers and so forth.

And another part is related to some consulting work that has to do with the integration that we need to plan for.

So, in the 1st category we do not expect to see any significant number, although there are some fees that are still pending payment to the closing of the transaction, but they are not very significant.

With respect to the expenses linked to work that is actually in the planning of the integration, that's where we are going to see some additional fees because we just started doing that.

We are not guiding specifically for those expenses, you know, they are reasonable consulting fees according to market prices, and we are very comfortable that they are not going to significantly impact our results in any materially different extent than what you have perhaps seen in this quarter.

Mr. Cintra: Okay, and just a quick follow-up here. You will break down the expenses in the following quarters and also show them as no recurring, right?

Mr. Sonder: Absolutely. Yes, what we want to do is to continue to have the consistency of measuring our ongoing business related or expenses related to running the company on a comparable basis, and this is obviously good for, you know, how we communicate to the market, but also good for our own internal management processes.

So we will separate those out.

Mr. Cintra: Okay, perfect, thank you.

And my 2nd question is more related to the buyback program. Given that you are still increasing your cash position in order to fund the acquisition of Cetip, is it fair to assume that we should not expect any buybacks until this closing of the transaction?

And I just would like to also understand if you're forbidden by regulators or not to buy back shares before the closing?

Mr. Sonder: Yeah, so the answer is: We do not plan to have any buybacks until we conclude the transaction.

As you know, the buyback program has been for several years a way to add to our distribution over and above dividends and IOC because the company generated more cash, earnings than accounting earnings.

In this situation now we are actually distributing below what we could potentially do in order to retain some cash.

So the answer is: We don't intend to buyback.

And, you know, with regards to 2nd question, the company, as always (and that is in respect of whether there is the transaction or there is no transaction), if the company is in possession of material nonpublic information we would be obviously restricted from buybacks.

But it doesn't really apply because we are not going to do it for financial reasons.

Mr. Cintra: Okay, that's perfect, thank you.

Operator: The next question comes from Gustavo Schroden, with Bank of America Merrill Lynch.

Mr. Schroden: Hi, good morning everybody. Thanks for the opportunity. My question is related to CARF ruling because last week was published in the official diary that CARF is expected to rule on the Brazilian tax authorities, tax assessments of BVMF by August 17, and if I'm not wrong this specific rule should be related to 2008 and 2009 years, and according to our estimates this could reach R$1.4 billion of fines, right.

So my question is: Could you confirm this news, if you are expecting this rule for the next week and also provided us an update in terms of figures that you've been asked by the tax authorities, including all the assessments that you already have been noticed?

And how the company could play in case of a negative decision from the ruling? Thank you.

Mr. Sonder: Good. Thank you Gustavo; give me an opportunity to, you know, say once again what our position on this is, but it really has not changed.

So, number one, yes, there is a scheduled hearing on August 17 on this matter. As in previous situations, we cannot predict whether there will be a decision on that date or not. These hearings have several technical nuances that I'm not going to engage in, but which could (and have in the past) presented a definitive decision to be made in any one particular meeting.

So the schedule of the meetings and the cases that will be heard are public in the CARF website, so you will be able to continue to follow this and we will communicate with the market through the proper channels only if there is a final decision.

Second, with respect to the amount, the amount is stated in our financial statements under note 14, and as of June 30 it totals R$1.137 billion, which includes all fines and interest up to that date that's regarding the 1st case, that is the one that is more advanced in terms of the stages of the appeal process in the CARF and, therefore, will be heard on August 17 state, which I just mentioned.

With respect to accounting treatment, this is considered as an unlikely loss, and therefore, we do not have any provisions for this. And according to our legal advisors and our discussions with our accounting… sorry, audit committee, even if there is a negative decision at the CARF level at some point and we do not feel that we would need to change the provisioning policy on this, our conviction is very, very strong and backed up by our legal tax advisors, as well as independent tax advisors that have to review this periodically that, you know, our case is a very good case and that eventually we will prevail even if we have to go to the judiciary. And because of that, there is no provision required.

Obviously, I'll make the caveat, as I always do, that obviously if there is a change in some precedent in some other type of news that comes from outside of our case that is material and significant and that affects our lawyers' views on the success of our appeal, we could potentially change our mind. But that's not the base case scenario at this point.

And finally, with regards to strategy, here again we do feel that we have a very strong case for the appeal for the revenue services charges against us are weak and, therefore, we hope to be successful at this higher level of the CARF.

However, if we are not, if we fail to obtain, you know, the suspension of the tax assessment, the cancellation of the tax assessment, we will go to court and that would start obviously after this CARF procedure at the higher court.

Finally, if we are successful in our appeal at the CARF, the government (meaning the revenue service) cannot take us to court. We can take them to court, but they can't take us to court.

Is that clear?

Mr. Cintra: Yes, perfect, very clear Daniel, thanks for your answer.

Operator: The next question comes from Gabriel Gusan, Bradesco.

Mr. Gusan: Hi, good morning everyone. You showed a 41 million charge in the stock grant line this quarter and you broke down in 19 million of principal and 32 million of labor charges, and you mentioned that both BVMF stock price increase and some contract terminations were the reasons for that increase, so increasing from 25 level in the previous quarter.

My question is: Is it possible to break it down the effect for each of those 2 points for the termination charges and the stock price increase?

And my 2nd question is: The new stock price level changes your expectation for a recurring expense going forward, what would that level be; 20, 25, 30 million per quarter keeping all the variables constant? Thank you.

Mr. Santana: Hi Gabriel, it's Rogério. I'll start with the 1st question regarding the impacts on the personnel line. Personnel expense line comes from stock grant expense, as you mentioned, and as we put in the documents, we had extraordinary item related to severance that totaled R$17.6 million including the principal amount and also the payroll tax on that.

If we breakdown this 17.6, we have 6.9 in principle and 10.6 in the payroll. So addressing your question, the R$22.5 million in payroll tax provision out of this number 10.6 is related to extraordinary items, so it would be roughly R$11.9 million in a recurring base, and, yes, it is directly impacted by BM&FBosvespa stock performance in the quarter.

And remember that we needed to make provisions on these expected payroll taxes that is going to pay at the moment retransfer the shares to the beneficiaries, and every time the share price moves we need to market to market these provisions, that's why this number in the 2nd quarter the recurring number is much higher than the number we saw in the 1st quarter, because you have this share price movement between March 31 and June.

And also we need to update the number that was booked in the 1st quarter and it also impacts the 2nd quarter.

Is that clear?

Mr. Gusan: Yes. Sorry [0:36:23 inaudible]. If you don't have a change in level from the closing of the 2nd quarter, the closing of the 3rd quarter, then you should expect that level to drop because you don't have to markup the venture, is that it?

Mr. Santana: It makes sense, exactly.

Mr. Gusan: Okay, I got it. Thank you.

Mr. Santana: And you are going to provision only the 3rd quarter number.

Mr. Gusan: Okay, start perfect. Thank you very much.

Mr. Santana: And the other way around; if the share price goes down, we write-off, kind of write-off the provisions that we made before.

Mr. Gusan: Perfect, thanks.

Operator: Next question Gustavo Lobo, JP Morgan.

Mr. Lobo: Hi good morning everyone. I have 2 questions as well. First is a follow-up on the Cetip deal. Just do you have an expectation of timing for the conclusion of the deal? Could you remind us each of the next steps so the deal is concluded and the order of it?

And what should be the recurring level of payout ratio going forward once the deal is concluded? And then I have a 2nd quick question afterwards. Thank you.

Mr. Sonder: Great. Gustavo thanks for your question. So in terms of timeline, we filed our official papers with the CADE on June 28, according to their status they have 8 months to make a decision with a possible extension for another 3 months. So that would be either February or may.

We are obviously working to have a decision by February at the latest, but it is obviously under our discretion.

There are no clear intermediate sort of go posts, clear steps in the transaction that I can detail. I think that CADE is a very transparent agency and if you take the time to go into the website you will see that they have already started collecting feedback from market participants and putting together the materials that they would need to thoroughly review our case.

With respect to the 2 other regulators, we are ready working with them, they don't have such a clear timetable, but we do not expect that they will be taking longer than the CADE. Neither Central Bank nor CVM.

So I think that's reasonable to assume under the information that we have now that the last dates are these that I mentioned when I spoke about CADE.

So that is that on the transaction. Pardon me, what was your 2nd question?

Mr. Lobo: Just…

Mr. Sonder: Oh, payout, payout!

Mr. Lobo: Yep!

Mr. Sonder: My bad, my bad! Payout. So in terms of payout, this year we are, you know, again, being conservative here and accumulating a little bit, retaining a little bit of cash for the possibility of, you know, the approval perhaps happening this year although we don't think that's the most likely scenario given the timetable that I just gave. So we have announced 50% payout.

Although we've been reviewing this every time at the Board levels and we have to take into consideration obviously the tax consequences of paying more or less interest on capital as we approach the end of the year, and you know how this works for most companies.

For the following years, you know, our estimates show that we think we can amortize the debt that we will be adding onto our books related to the Cetip deal and in the timetable that we think is reasonable, and we have given this sort of macro guidance of trying to reach one-time Ebitda by the end of 2019, you know, 3 years into the deal, and we think we can do that by using our cash to amortize debts and, yet, pay something around 80% of accounting net income as dividends.

Again, you know, we do not consider this as a formal dividend policy or dividend guidance, this is taking, as a decision point to the Board, every single quarter, but, you know, that's roughly where we think that under reasonable circumstances we could be.

But obviously the nature of how the business is performing our other circumstances may pay outer debt.

Mr. Lobo: Thank you. That's very clear. A quick question if I may. Regarding your regional integration, what exactly is the strategy there? Should we see more acquisition of stakes in the near future? What do you intend to get from this relationship with the other players?

If you could comment a little bit about that.

Mr. Sonder: Absolutely. I will talk about that, and don't take me wrong, but I don't like to use of the "regional integration" expression for 2 reasons: One, we are not seeking to integrate those companies or buy control of them, that's not part of the strategy; and, second, the strategy is different for each country, so there is no macro strategy that we can apply to every single market, and we are approaching it in a very, let's say, customized way in the discussions with each one of the exchanges.

Having said that, the general view of our company is that there is an opportunity for us to play a role in developing these markets, each one individually, helping the companies, the local exchanges to perhaps improve their ability together with the stakeholders in each market of attracting more listings and more trading, as well as, perhaps in some cases, develop a derivative market.

And in parallel, you know, maybe increase some of the links between one or more of these markets and our own market, both for investors as well as for issuers.

So we think that, again, this is something that is a long-term view of an opportunity that it is not here immediately, but we think we can work.

Again, it's a direct approach, a different approach to each one of these companies, we are acquiring these investments, we seek to have Board seats in the next opportunities that Board seats open up in each case, and then we will develop with them plans for each one of these markets.

Some things will work in one place and will not work in another, and some things will work in another market and we will take it one by one.

And I think this is a sound, well-run companies that perform their role, generate cash, payout dividends. So from a financial exposure position, we do not consider that this is an enormous risk for all companies and it does present the upside that I just mentioned.

We are taking it very, I think, cautiously and pragmatically.

Mr. Lobo: Great, thank you very much.

Operator: The next question comes from Carlos Gomes, with HSBC.

Mr. Gomes: Hello, good morning. Two questions. The 1st one: Can you give us an update as to the expected accounting and fiscal treatment of the goodwill generated in the transaction when it closes?

And 2nd: Would you expect that the new combined entity would launch a new stock grant program for the coming years? Thank you.

Mr. Sonder: Yes. Thank you Carlos for your question. So regarding the accounting treatment of the goodwill generated in the transaction, we are still generating… we are still working on the details of how that would be precisely done.

So I will be able, further down the line when we are nearing the consolidation itself, to give you a lawful information for something that is obviously critical item.

But let me give you the general guidelines. The general guidelines is that obviously goodwill is calculated as the difference between the price paid and the book value of the company. There are some items which are not available for tax deduction and the net of this difference minus the items that are not tax-deductible become a tax-deductible item.

However, they are divided into 2 lines, accounting books: One is called the line of adjustment to existing asset values and, therefore, this will increase the book value of certain assets of the company and will be seen in future years as an increase in amortization.

So you will see the full amount of that increase in amortization in our income statement, and that will create (that is a non-cash expense obviously) and that will create a tax benefit of this trajectory tax rate of 34% over that number.

There is another portion which will go straight into the tax line, which is the goodwill portion and that will, again, be treated as we have treated the Bovespa goodwill, which is, you know, you basically calculate the tax benefit in the tax book and then you bring it back into your income statement as a deduction to your cash taxes and then you book a deferred tax liability, and that's also 34%.

So, again, the tax benefit for the company, you know, is 34% of the tax-deductible portion of the total amount, but it shows up in 2 different lines.

The 2nd question with regards to stock grant, I think the answer is: Yes, we will continue to have stock grant as a relevant part of our compensation package for the key people in the combined company.

I think this is something that has worked quite well here as a mechanism of attracting and motivating and retaining a talent, and the same way in Cetip.

So I do expect that we will have this instrument going forward. We will obviously have to merge these programs as we move forward, so that as many other things will have a one program for the entire firm.

Mr. Gomes: And the current program upon completion of the transaction, all the grants would [0:49:55 unintelligible] at the same time or will be extended in the... [0:49:58 unintelligible – voice overlapping] …?

Mr. Sonder: No, not for BM&FBosvespa.

Mr. Gomes: Okay. And then also on the goodwill, can you give us a rough idea about the proportion, how much will be goodwill and how much will be amortized, or you don't know yet?

Mr. Sonder: Look, it's hard to know for sure. We did an initial study, which is part of the documents of the transactions with all the caveats that are due, where KPMG, again, in an initial study allocated about 60% to intangibles, which tend to get amortized, and about 40% to goodwill.

Mr. Gomes: And the change with the stock price?

Mr. Sonder: If it changes with the stock price? Well, I mentioned a proportion, so, you know, if the value paid is greater you might see a change there in the number.

Mr. Gomes: Thank you very much.

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

Our next question comes from Frederico De Mariz, with UBS.

Mr. De Mariz: Good morning everyone, thank you for the opportunity. I just have a quick follow-up on the question on the CARF, the tax administrative court.

You mentioned you were not planning to provide for the case, you haven't made any provision so far. Could it be possible that in the case of a negative decision by CARF, by the tax court, you may have to do a judicial deposit or get a guarantee maybe from a bank? Could there be some kind of cash impacts or some kind of PNL impact? Thank you.

Mr. Sonder: Thank you for the question Frederic. You are correct, I should've mentioned that.

Although we don't plan to do any accounting provisions, even in the case that we were to be unsuccessful at the CARF, the fact that we take this to court might require a judicial deposit, which is basically posting a bond to continue the discussion in the judiciary, and we would likely do so using a letter of credit or some equivalent instrument, so without using the cash reserves of the company. And this might hit our financial expense line to the cost of debt.

Mr. De Mariz: And typically, from your experience, would that be for the full amount, the 1.137 billion or typically they would require a deposit, maybe just for a portion of this?

Mr. Sonder: It would be the full amount plus some fee courts. So it might be upwards than that.

Mr. De Mariz: Okay, it sounds good. And you have a guidance or an estimate for what that could represent, or is it too early to say? We should wait for next Wednesday?

Mr. Sonder: It's too early to say. We will give proper disclosure if that were to be the case. And, again, it might be next Thursday.

Mr. De Mariz: Sure, sure. That sounds good, thank you Sonder.

Mr. Sonder: All right. Thank you.

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

Mr. Sonder: Well, once again everybody, thank you so much for joining. We really appreciate your time and our team is here available with additional information should you have any follow-ups on what we discussed here.

So, thanks so much. Bye-bye.

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