

THE BRAZILIAN MERCANTILE & FUTURES EXCHANGE



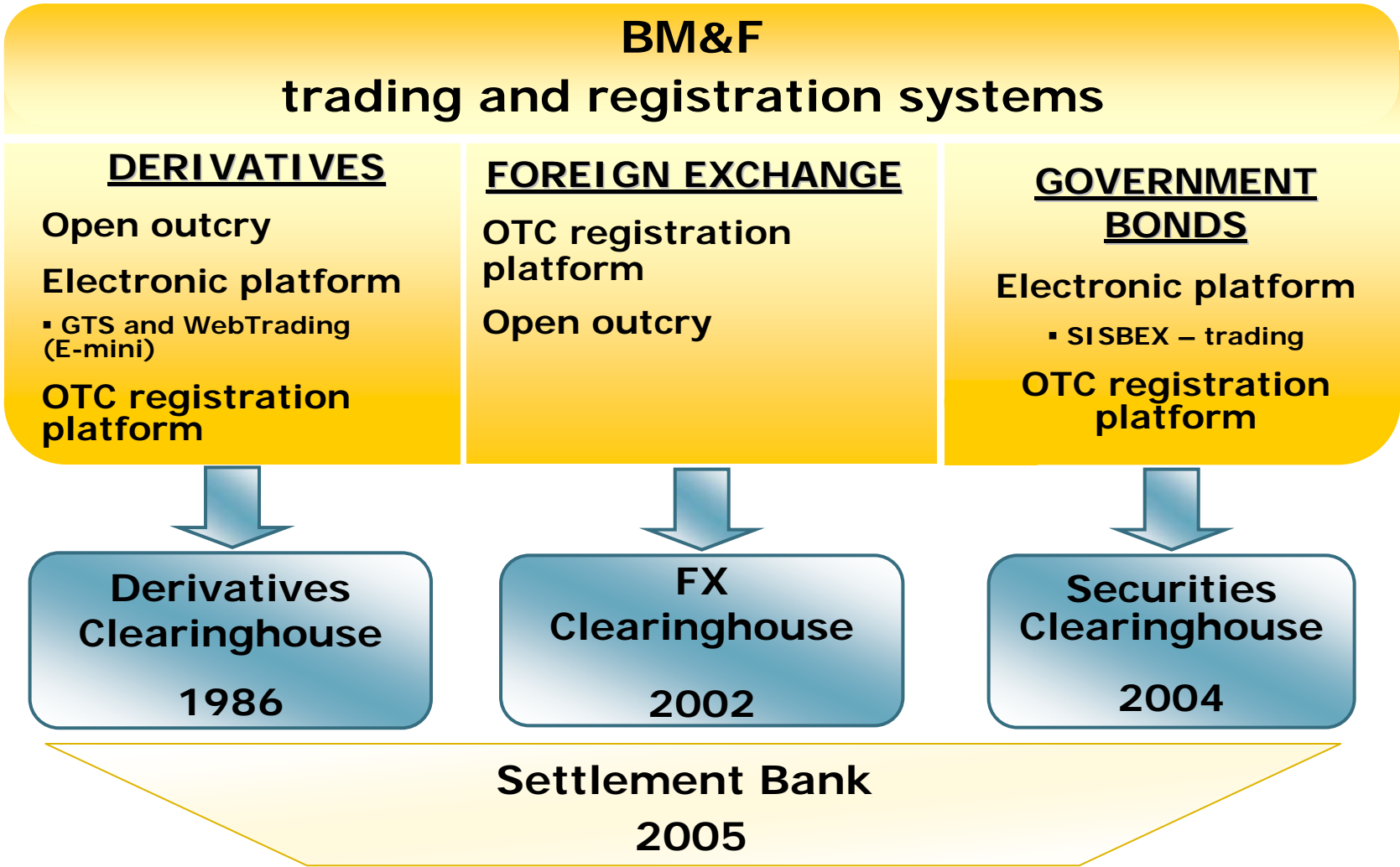


BM&F in a nutshell

- **World class derivatives exchange**
- **Private not-for-profit and self-regulatory association**
- **BM&F markets are supervised by the Brazilian Securities Commission (CVM)**
- **BM&F Clearinghouses are regulated by the Brazilian Central Bank (BCB)**



BM&F Business Model



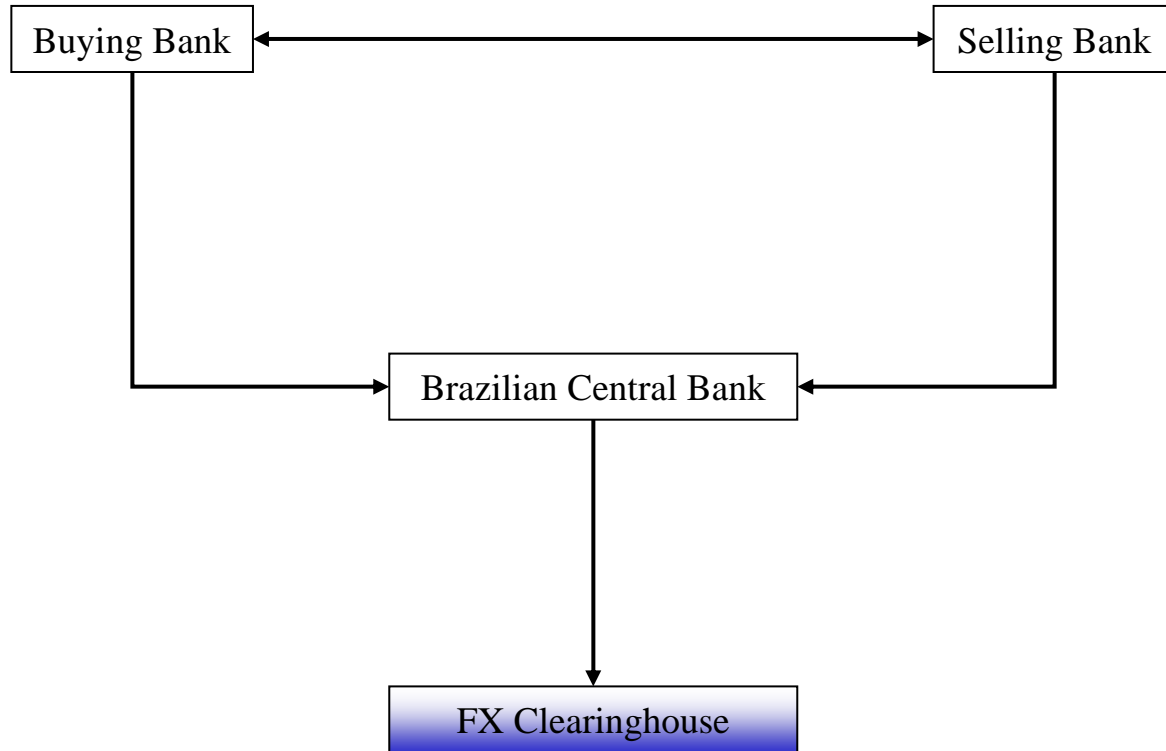


FX Clearinghouse

- ✓ **Clearing and settlement of interbank FX (BRL/USD) transactions (T+1 and T+2)**
- ✓ **CCP for interbank FX transactions:**
 - **Management of principal risk through PVP**
 - **Management of market risk through stress test scenarios**
 - **Management of liquidity risk through liquidity facilities and operational limits**
 - **Management of operational risk through systems contingencies and Operational Fund**
- ✓ **Deferred Net Settlement (DNS):**
 - **Reduction of risk exposures**
 - **Reduction of the total amount of funds transferred by market participants**
 - **Smaller number of payment orders – mitigation of the operational risk and reduction of operational costs**



Trading and Registration

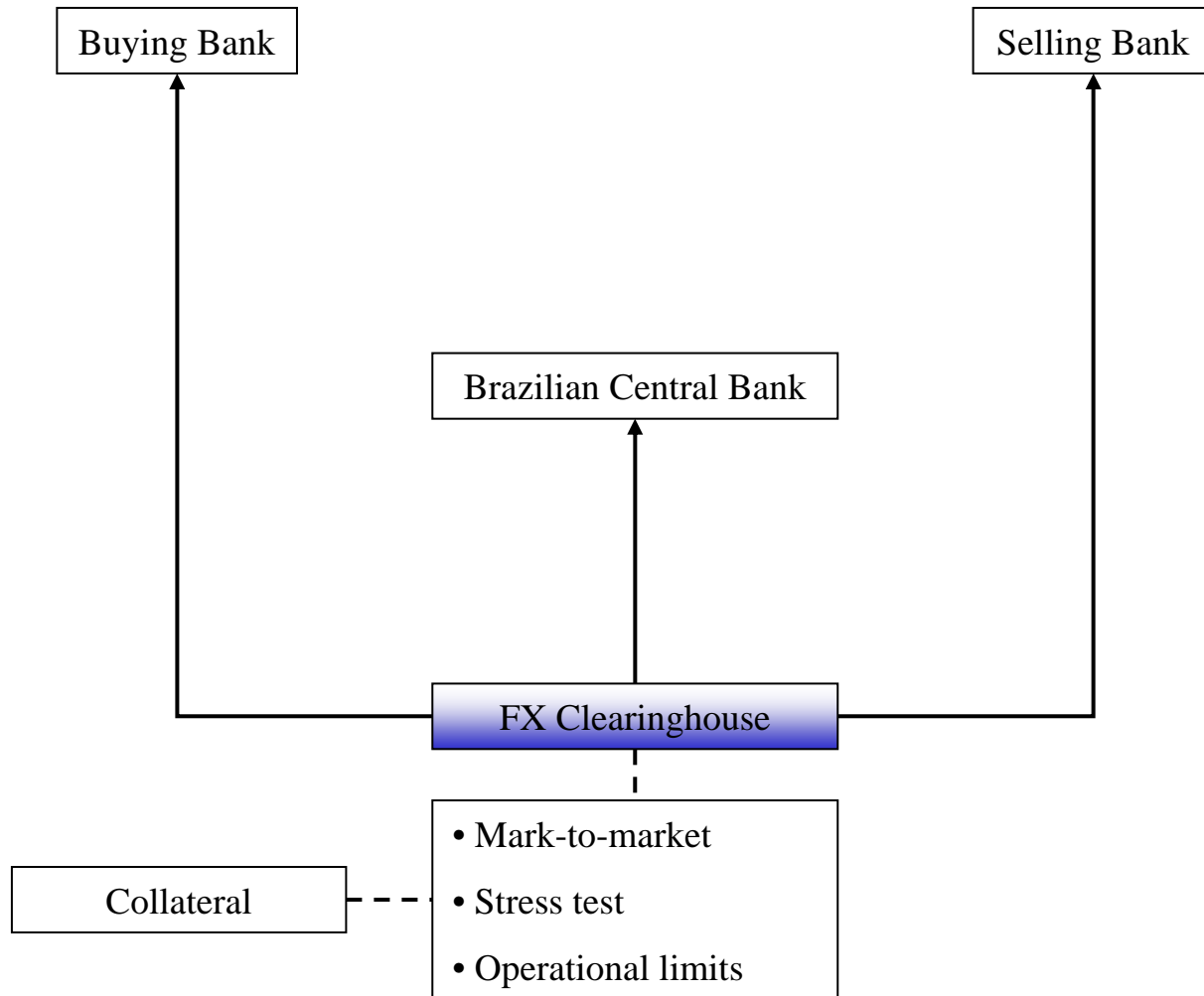


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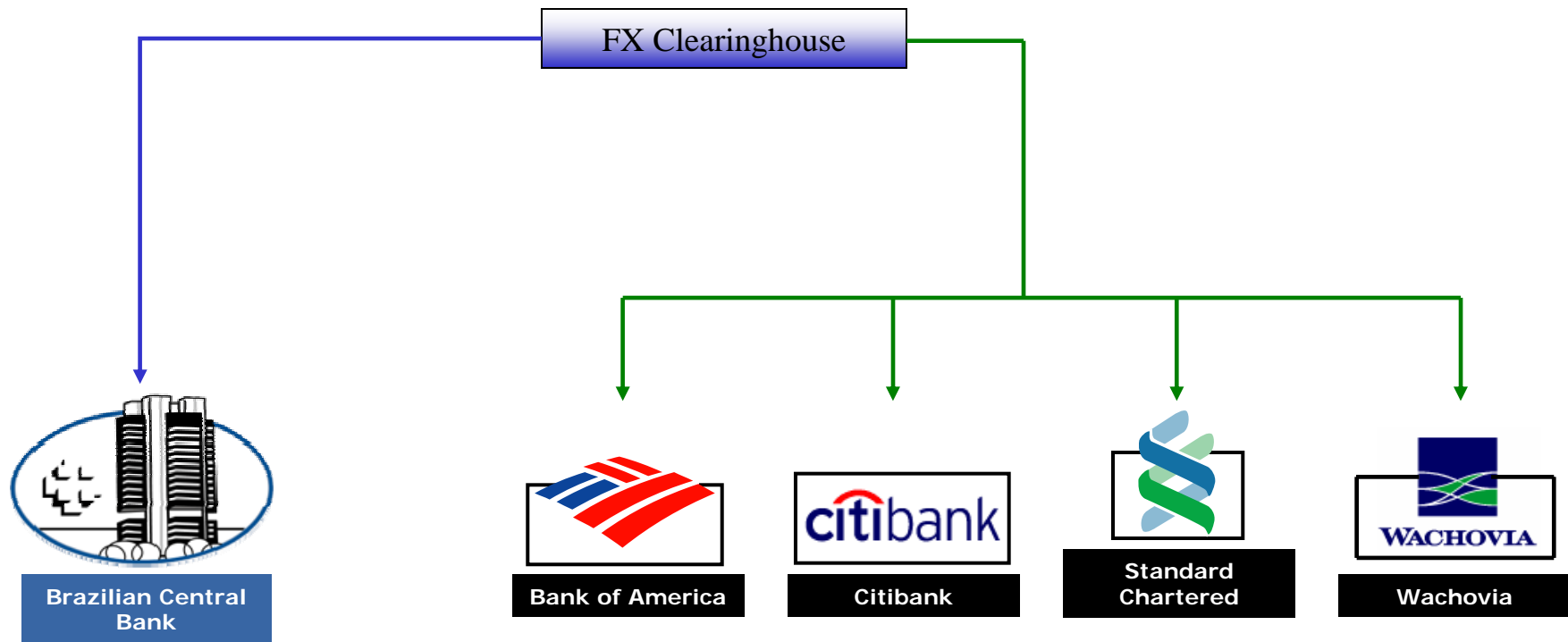


Trading and Registration



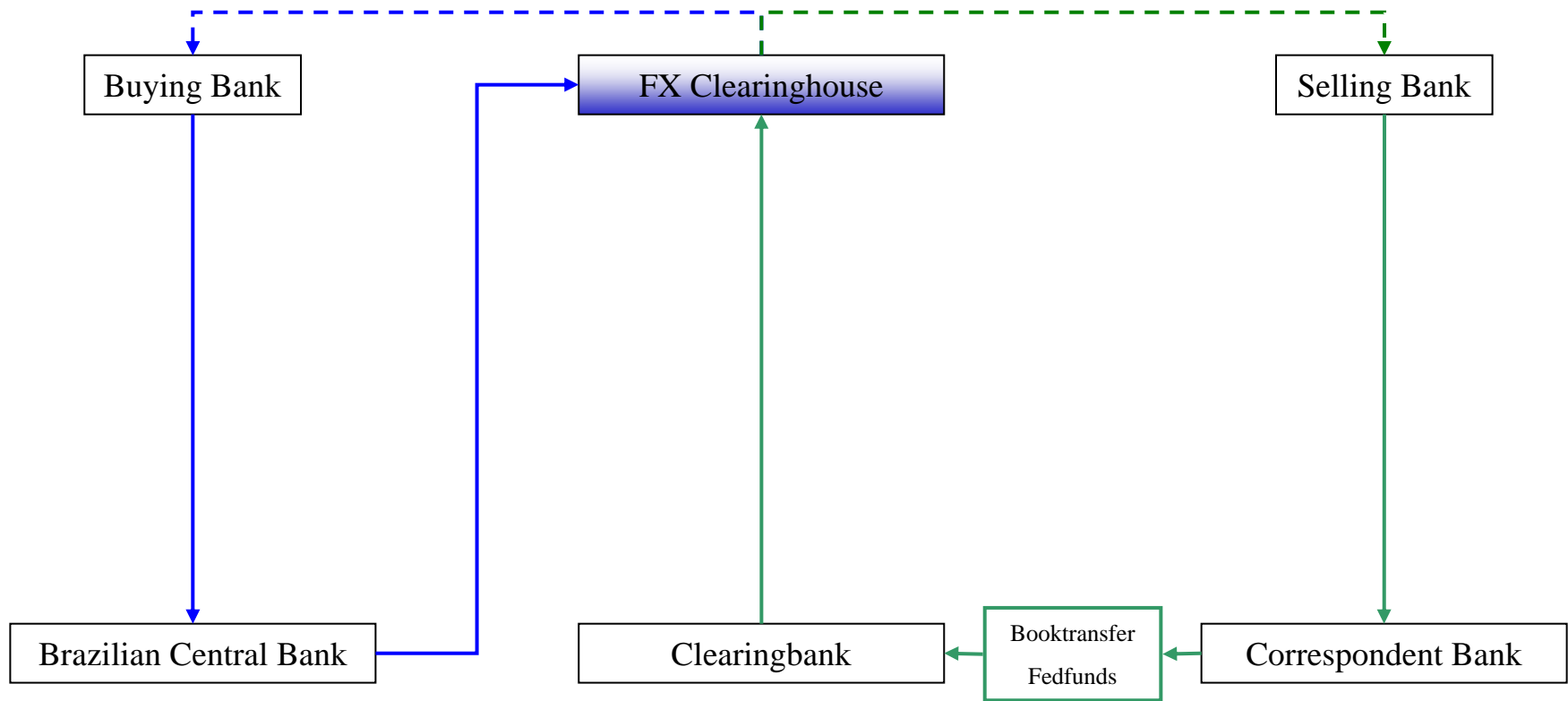


Payment and Settlement





Payment and Settlement

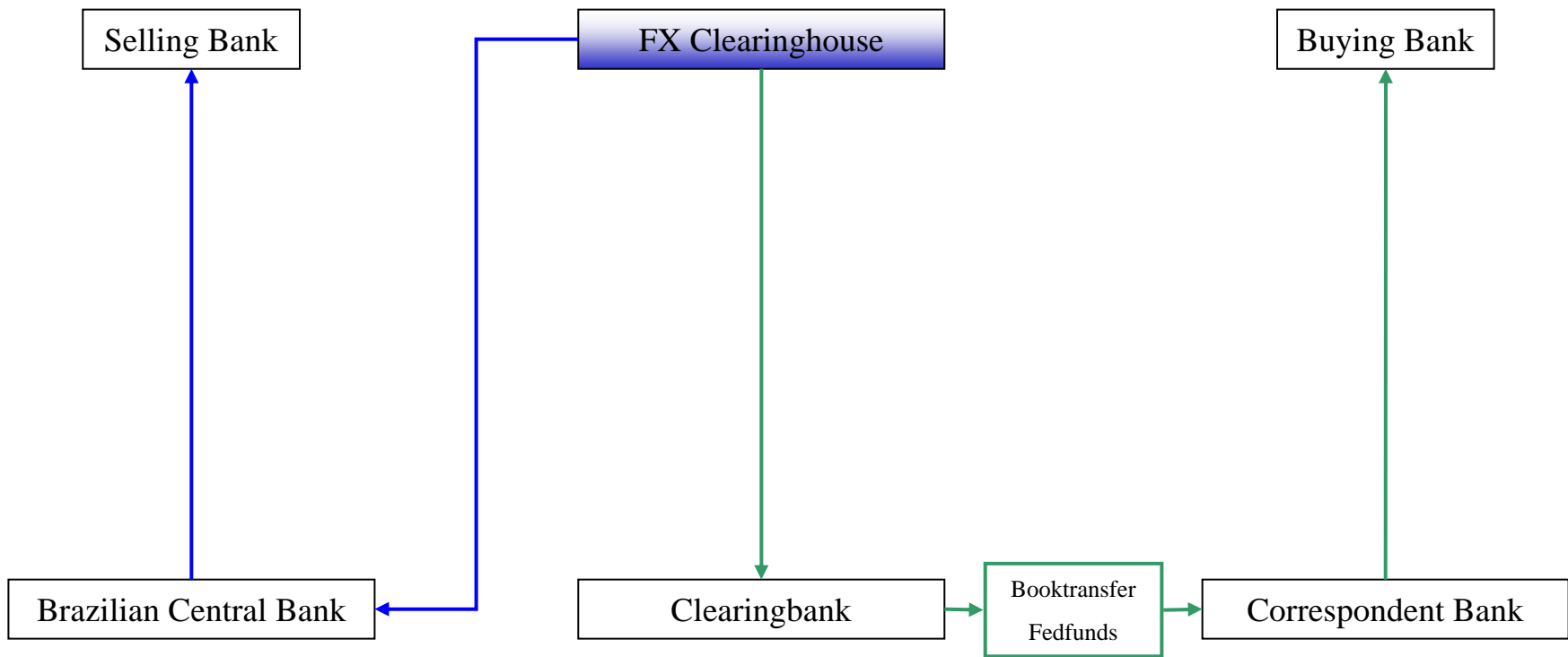


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Payment and Settlement

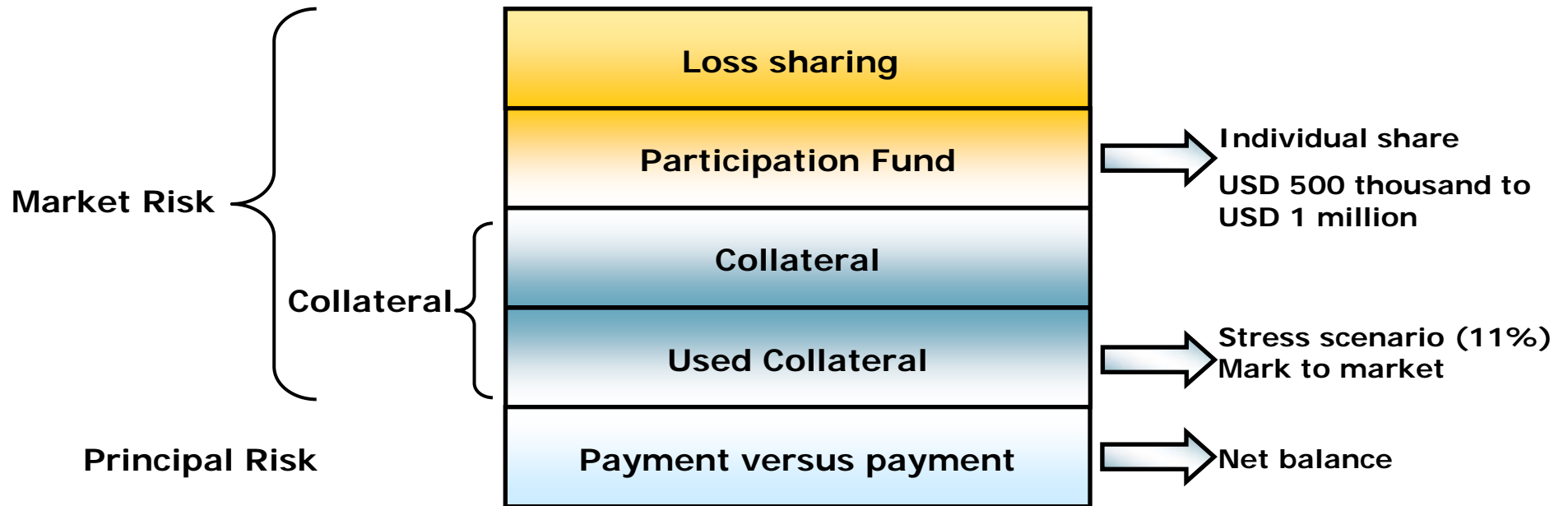


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Safeguard Structure



Liquidity Risk

Operational limits (Net balance)

Liquidity facility (USD 850 million)

Operational Risk

Technology and Systems / Contingencies

Operational Fund (USD 25 million)



Legal Support

Law No. 10214, of March 27, 2001

Provides for the activities of clearinghouses and clearing service providers within the scope of the Brazilian Payment System

Law No. 4595, of December 31, 1964

Provides for the monetary policy and the monetary, banking, and credit institutions; creates the National Monetary Council (CMN) and the Central Bank of Brazil (BACEN)

Resolution No. 2882, of August 30, 2001

Provides for the Brazilian Payment System and the clearinghouses and clearing service providers

Circular No. 3057, of August 31, 2001

Approves the regulation that governs the functioning of the systems operated by clearinghouses and clearing service providers



Legal Support

Bylaws

Authorizes BM&F to register, clear, and settle by physical delivery and cash settlement the trades executed in its auction systems and/or registered in any of its trading or registration systems by means of an in-house department or an organization constituted for that purpose (article 2, item I)

Rulebook

Approved by the Central Bank of Brazil, the FX Clearinghouse Rulebook governs the registration, clearing, and settlement of foreign currency purchase and sale through the Clearinghouse systems.

Operating Manual

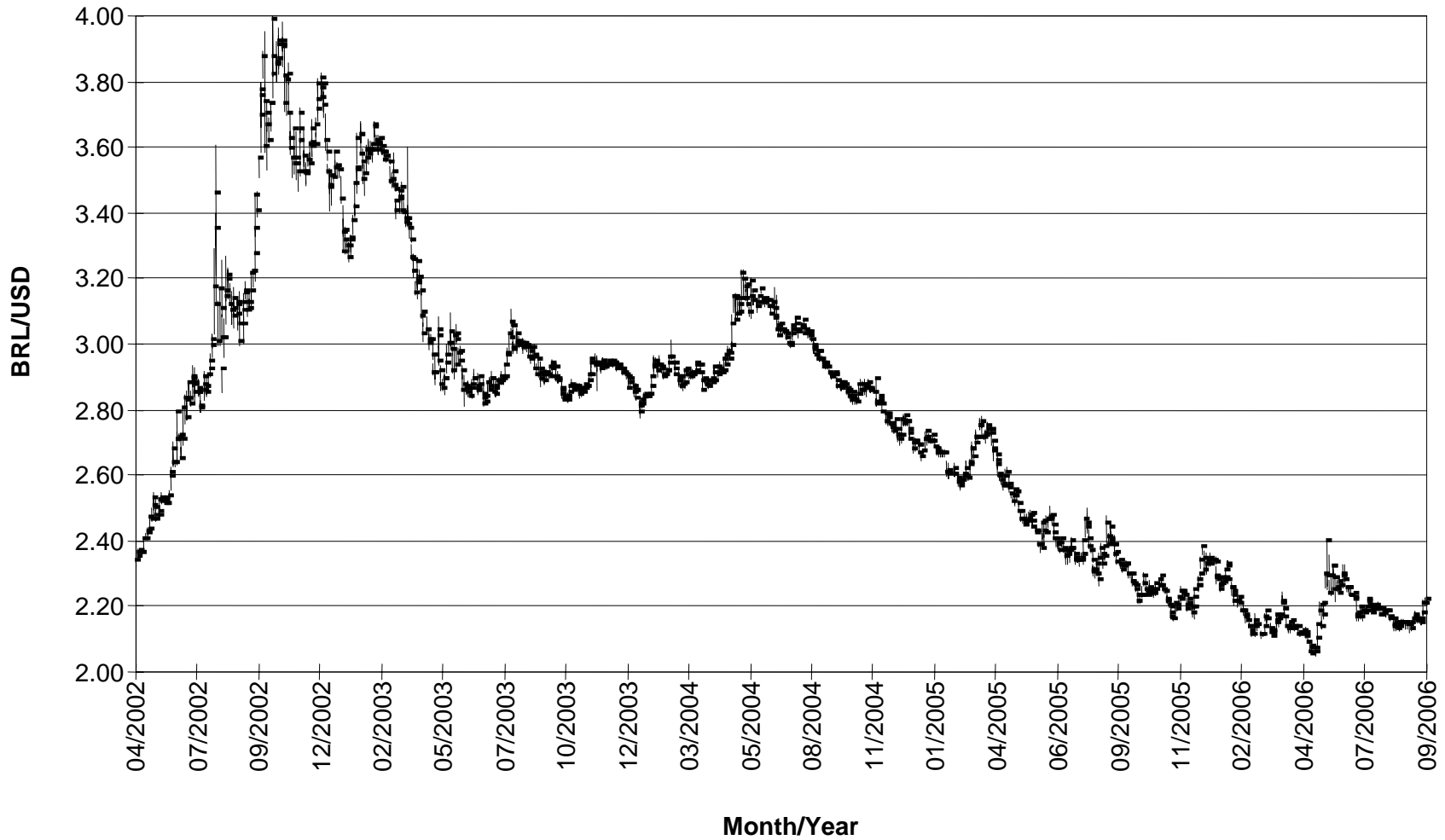
Approved by Central Bank of Brazil, the FX Clearinghouse Operating Manual lists each and every step in the registration, clearing, and settlement of foreign currency purchase and sale through the Clearinghouse systems.

Risk Management Manual

Approved by Central Bank of Brazil, the FX Clearinghouse Risk Management Manual lists each and every step involved in the risk management of foreign currency purchase and sale through the Clearinghouse systems.

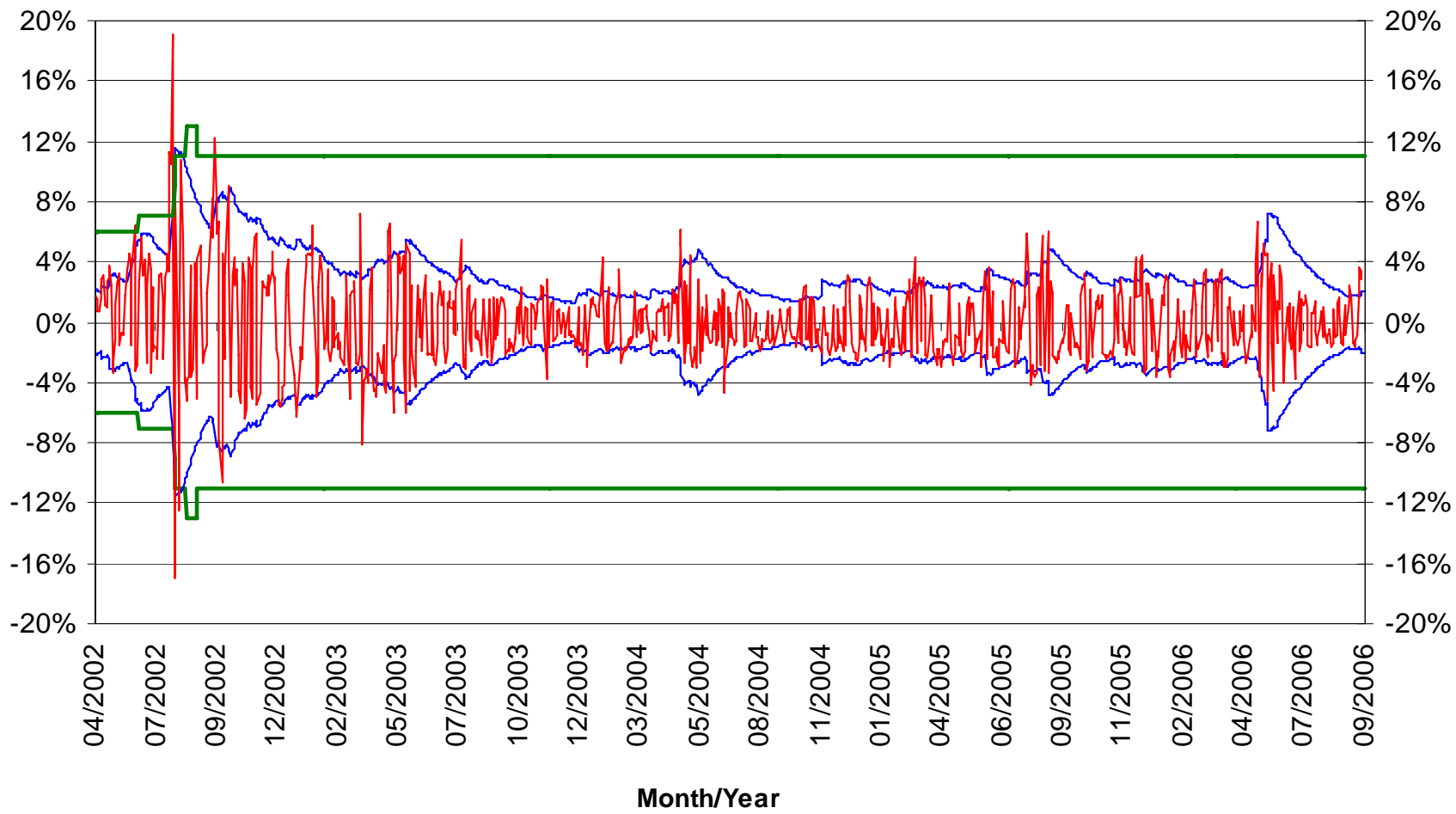


BRL/USD FX rate





Stress test scenario (T+2)





Highlights

- ✓ 70 participating banks
- ✓ 95% of the Brazilian interbank FX market is settled through the FX Clearinghouse

Transactions	401,633	
	USD	BRL
Gross contracted amount	2,407,280,106,615.54	6,294,269,850,870.84
Settlement by funds transfer	352,984,020,669.54	924,340,193,998.88
Settlement on a netting basis	2,054,296,085,946.00	5,369,929,656,871.96
Funds transfer reduction	85.34%	85.31%

04/22/2002 – 09/22/2006



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