

CENTRAL COUNTERPARTY RISK MANAGEMENT POLICY

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1 PURPOSE

This policy aims to identify and establish responsibilities and powers to be considered in the risk management process of the B3 S.A. – Brasil, Bolsa, Balcão clearinghouses (clearinghouses and B3, respectively), within the scope of the central counterparty function (central counterparty risk).

Details of the models, methodologies and criteria used in this central counterparty risk management process, both in the trading and post-trade environments, are set out in the clearinghouses' rules and manuals, submitted to the prior approval or acknowledgment by the Central Bank of Brazil (BCB) and the Brazilian Securities and Exchange Commission (CVM), as the case may be.

2 SCOPE

This policy applies to managers, employees, and interns at B3, and members of the Risk Analysis Advisory Committee, who perform tasks related to the clearinghouses' central counterparty activity.

3 REFERENCES

Listed below are the documents used as a reference for this policy, according to their respective versions in force on May 02, 2024.

- B3 Bylaws
- Internal Regulation of the Board of Directors of B3
- Internal Regulation of the Audit Committee
- Internal Regulation of the Financial and Risk Committee of B3
- Regulation of the Advisory Committees to the Executive Board
- Regulation of the Internal Audit
- B3 Access Rules

- B3 Access Manual
- B3 Clearinghouse Rules
- B3 Clearinghouse Risk Management Manual
- B3 Foreign Exchange Clearinghouse Rules
- B3 Foreign Exchange Clearinghouse Risk Management Manual
- Glossary
- B3 Corporate Risk Management Policy
- B3 Business Continuity and Crisis Management Policy
- B3's Recovery Plan
- Replenishment Plan of Safeguard Structures and Liquidity Mechanisms
- Brazilian Securities and Exchange Commission (CVM) Resolution 135 dated June 10, 2022
- National Monetary Council – Resolution 4,952 dated September 30, 2021
- Central Bank of Brazil - Resolution BCB 304 dated March 20, 2023
- Bank for International Settlements (BIS) and International Organization of Securities Commissions (IOSCO) – Principles for financial market infrastructures (PFMI)¹
- Bank for International Settlements (BIS) and International Organization of Securities Commissions (IOSCO) – Resilience of central counterparties (CCPs): Further guidance on the PFMI²

¹ Available at www.iosco.org/library/pubdocs/pdf/IOSCOPD377-PFMI.pdf

² Available at www.iosco.org/library/pubdocs/pdf/IOSCOPD568.pdf

- Bank for International Settlements (BIS) and International Organization of Securities Commissions (IOSCO) – Recovery of financial market infrastructures³

4 CONCEPTS

B3's rules, Corporate Risk Management Policy and Recovery Plan define the concepts and terms herein.

5 RESPONSIBILITIES AND POWERS

Central counterparty (CCP) risk management shall be structured based on BIS, IOSCO, BCB and CVM guidelines and on B3's rules to assure with a high degree of confidence that B3 will continue operating and meet its obligations as a CCP even in extreme but plausible market conditions⁴.

Central counterparty risk management is responsible for:

- Effectively measuring, monitoring, and managing the credit risk to which B3 is exposed in its role as central counterparty⁵.
- Covering B3's credit exposure with clients through (i) an effective and regularly reviewed⁶ risk-based margin system and (ii) acceptance as collateral of assets that are subject to haircuts and concentration limits that allow adequate management of the credit, liquidity and market risks that are inherent to these assets⁷.

³ Available at www.iosco.org/library/pubdocs/pdf/IOSCOPD455.pdf

⁴ PFMI, 3.0 – Principles for financial market infrastructures, Credit and liquidity risk management

⁵ PFMI, Principle 4 – Credit risk

⁶ PFMI, Principle 6 – Margin

⁷ PFMI, Principle 5 – Collateral

- Maintaining sufficient financial resources to cover fully, with a high level of confidence, the credit exposure to each participant under a wide range of potential stress scenarios⁸.
- Effectively measuring, monitoring, and managing liquidity risk and maintaining sufficient liquid assets in all the relevant currencies to effect settlement of payment obligations with a high degree of confidence in the due time and forms within a wide range of potential stress scenarios⁹.

The central counterparty risk management structure encompasses the Board of Directors; Financial and Risk Committee; Chief Executive Officer; Executive Board; Central Counterparty Risk Internal Committee; Chief Operating Officer's team; Electronic Trading and CCP; CCP Risk Management Department; Settlement Department; Electronic Trading Department; Participant and Investor Registration; Governance, Integrated Management and Cybersecurity Executive Department; Audit Department; Crisis Working Group; and Risk Analysis Advisory Committee.

The responsibilities and powers of each body in the central counterparty risk management structure are set out below.

5.1 Board of Directors

- (a) Approves the rules regarding access by the holders of access authorization, regarding the functioning of the organized markets that B3 operates, regarding the clearinghouses, and regarding centrally cleared OTC transaction registration¹⁰.
- (b) Regularly monitors and assesses central counterparty risk management¹¹.

⁸ PFMI, Principle 4 – Credit risk

⁹ PFMI, Principle 7 – Liquidity risk

¹⁰ B3 Bylaws, Article 30 a, b, d, e

¹¹ B3 Bylaws, Article 29, u

- (c) Is ultimately responsible for identifying, clarifying and evaluating the choices and trade-offs present in central counterparty risk management, including the expected level of credit and liquidity risks mutualization¹².
- (d) Appoints the members of the Financial and Risk Committee, which is a permanent advisory body to the Board of Directors,¹³ who must have the appropriate combination of central counterparty skills, experience and knowledge¹⁴.
- (e) Defines the level of B3's central counterparty risk appetite¹⁵, based on an Executive Board proposal.
- (f) Implements the present policy, in accordance with the recommendation of the Executive Board and the competent committees described herein, as well as monitoring and assessing its execution¹⁶.
- (g) Reviews the present policy, in accordance with the Executive Board's recommendation, and the relevant central counterparty risk management procedures, at least annually or in case of breach of the minimum thresholds of the clearinghouses' safeguard resources to ensure effectiveness in identifying and taking prompt action if clearinghouses are not maintaining, or are at material risk of not maintaining, the required financial resources based on margin coverage and stress test results¹⁷.
- (h) Is ultimately responsible for determining, allocating, maintaining and periodically reviewing the value and characteristics of B3's own funds that comprise the clearinghouses' safeguard structures¹⁸.
- (i) Deliberates on the full or partial replenishment of the value of B3's own funds that comprise the clearinghouses' safeguard structures, if used, depending on the availability of B3's own funds¹⁹.

¹² Pursuant to the provisions of the Further Guidance, 2.2.6

¹³ B3 Bylaws, Article 52

¹⁴ Pursuant to the provisions of the PFMI, Principle 2 - Governance, 3.2.14

¹⁵ Corporate Risk Management Policy, 6.6

¹⁶ B3 Bylaws, Article 29, t and u

¹⁷ Pursuant to the provisions of the Further Guidance 2.2.10

¹⁸ B3 Bylaws, Article 30, k

¹⁹ Extension of the B3 Clearinghouse Rules, Article 113

- (j) Based on a proposal from the Executive Board, deliberates on the amounts of participants' contributions to the clearinghouses' settlement funds.
- (k) Is ultimately responsible for any material change to the clearinghouses' margin systems and stress test structure. Assesses the change and requests the Executive Board to provide clarifications about it and the need for its implementation, particularly if it results from expanding the central counterparty's risk profile²⁰.
- (l) Assures that any material changes to the clearinghouses' margin systems and stress tests structure are documented and communicated to the clearinghouses' participants and other stakeholders²¹.
- (m) Requests the Executive Board to analyze the impact of removing historical scenarios from the clearinghouses' margin systems and stress tests, if removal is proposed. It discusses this analysis with the Executive Board and is responsible for any decisions to remove historical scenarios²².
- (n) Approves the financial investment policy that the Executive Board proposes following a review and recommendation by the competent committees to guarantee that the financial investment of participants' cash collateral has credit, liquidity and market risks that are controlled and consistent with the obligations taken on by the CCP²³.
- (o) Assesses and limits, as far as possible and prudent, the destabilizing pro-cyclical changes to the collateral that the clearinghouses require²⁴.
- (p) Approves and reviews the process of assessment and restriction of procyclicality at least annually²⁵.
- (q) Guarantees that the Executive Board assesses the use of quantitative and qualitative criteria that help assess pro-cyclical effects²⁶.

²⁰ Pursuant to the provisions of the Further Guidance, 2.2.7

²¹ Pursuant to the provisions of the Further Guidance, 2.2.7

²² Pursuant to the provisions of the Further Guidance, 2.2.7

²³ Pursuant to the provisions of the PFMI, Principle 16 – Custody and investment risks

²⁴ Pursuant to the provisions of the Further Guidance, 2.2.13

²⁵ Pursuant to the provisions of the Further Guidance, 2.2.13

²⁶ Pursuant to the provisions of the Further Guidance, 2.2.14

- (r) Ensures that the Executive Board periodically assesses (i) how material changes to the clearinghouses' products, services, policies and practices and changes to market structure or conditions might affect B3's risk appetite and (ii) how these changes should be incorporated into central counterparty risk management practices, particularly in the senior executive responsible for it²⁷.
- (s) Is ultimately responsible for guaranteeing that the clearinghouses' margin and stress tests systems are validated at least annually and independently of their development, implementation and operation²⁸.
- (t) Approves B3's Recovery Plan and its annual reviews and nominating the senior executive responsible for it²⁹.
- (u) Approves the Business Continuity Plan ("PCN") and its reviews on an annual basis³⁰.
- (v) Ensures that B3 conducts periodical assessments of (i) the understanding of the participants with clearinghouses access authorization about the respective safeguard structures and (ii) their capacity to predict and manage potential changes related to collateral required in periods of market stress³¹.
- (w) Is ultimately responsible for establishing disclosure and feedback mechanisms that engage the clearinghouses' participants and other relevant stakeholders in the Board of Directors' decisions on central counterparty risk management, particularly regarding the margin system, stress testing methodology, composition of the clearinghouses' safeguard structures, and recovery plan³².

²⁷ Pursuant to the provisions of the Further Guidance, 2.2.4

²⁸ Pursuant to the provisions of the Further Guidance, 2.2.16

²⁹ B3's Recovery Plan, 2.6.1, 2.6.2 and 2.6.3

³⁰ Pursuant to the provisions of the PFMI, Principle 17, key consideration 2

³¹ Adaptation of the Further Guidance, 2.2.15 for participants that have access authorization

³² Pursuant to the provisions of the Further Guidance, 2.2.18

5.2 Financial and Risk Committee of the Board of Directors

- (a) Supports the Board of Directors in monitoring central counterparty risk management³³.
- (b) Assesses strategic guidelines for central counterparty risk management and submits them for approval of the Board of Directors³⁴.
- (c) Reports to the Board of Directors regarding the implementation, execution and update of this policy³⁵.
- (d) Reports to the Board of Directors regarding B3's level of central counterparty risk appetite proposed by the Executive Board.
- (e) Reports to the Board of Directors regarding results of the validation of the margin systems and stress tests of the clearinghouses³⁶ submitted by the Executive Board.
- (f) Reports to the Board of Directors regarding annual reviews of the B3's Recovery Plan, proposed by the Executive Board.
- (g) Every three months reviews the values of B3's own funds that are part of the clearinghouses' safeguards structures and submits, as the case may be, recommendations to change the values, for deliberation by the Board of Directors³⁷.
- (h) Periodically monitors compliance with the guidelines on collateral for clearinghouse participants constituted in the form of cash that are present in the financial investment policy, by B3 management.

³³ Internal Regulation of B3's Risk and Financial Committee, Article 9, e

³⁴ B3 Clearinghouse Rules, Article 86, sole paragraph

³⁵ Internal Regulation of B3's Risk and Financial Committee B3, Article 9, e

5.3 Audit Committee

- (a) Assesses the effectiveness and sufficiency of B3's risk management system³⁸, including central counterparty risk.
- (b) Assesses B3 Executive Board's compliance with recommendations regarding counterparty risk management, made via internal and independent audit, and communicating to the Board of Directors any conflicts between the internal audit, independent audit and/or the B3 Executive Board³⁹.
- (c) Assesses monitors and recommends to management the correction or improvement of internal policies⁴⁰, including this policy.

5.4 Executive Board

- (a) Proposes B3's central counterparty risk appetite⁴¹ to the Board of Directors for deliberation.
- (b) Proposes this policy to the Board of Directors for approval⁴².
- (c) Reviews this policy annually and proposes to the Board of Directors the changes that it deems necessary for approval.
- (d) Constitutes the Central Counterparty Risk Internal Committee, an advisory body to the Executive Board⁴³.

³⁶ Pursuant to the provisions in Further Guidance, 2.2.17.

³⁷ B3 Clearinghouse Risk Management Manual, 1.3.1

³⁸ Audit Committee Regulation, Article 11, t; and Internal Audit Regulation, Section 6.

³⁹ Audit Committee Internal Regulation, Article 11 o

⁴⁰ Audit Committee Internal Regulation, Article 11 q

⁴¹ Corporate Risk Management Policy, 6.6

⁴² B3 Bylaws, Article 37, i.

⁴³ Regulation of the Advisory Committees to the Executive Board, Articles 1 and 2.

- (e) Ensures that B3's own funds earmarked for B3's clearinghouses risk are (i) segregated from other B3 funds and available to cover losses arising exclusively from the default of clearing members, being forbidden the use for covering any other type of loss, and (ii) take the form of federal government bonds that the clearinghouses accept as collateral, or shares of investment funds that invest exclusively in the federal government bonds that the clearinghouses accept as collateral.
- (f) Presents to the Board of Directors the validation results of clearinghouses' margin systems and stress tests⁴⁴.
- (g) Approves operating rules for the clearinghouses, including their operating procedures manuals and risk management manuals⁴⁵, authorizing the contracting and/or renewal of liquidity assistance facilities and asset monetization mechanisms⁴⁶.
- (h) After analyzing the recommendations of the Central Counterparty Risk Internal Committee⁴⁷, deliberates on acceptance as collateral of assets other than to those provided for in the B3 Clearinghouse risk management manual and on changing the acceptance limits for assets other than to those provided for in the manual.
- (i) Determines the adoption of special settlement and risk management procedures by the clearinghouses, pursuant to their rules, giving prior notice of it to BCM and CVM⁴⁸.
- (j) Deliberates on the use, in the event of definitive insufficiency of resources for the fulfillment of the clearinghouses' cash settlement obligations, of B3's own funds comprising the clearinghouses' safeguard structures, as well as on the use of loss mutualization mechanisms.

⁴⁴ Pursuant to the provisions of the Further Guidance, 2.2.17

⁴⁵ B3 Bylaws, Article 37, h

⁴⁶ B3 Clearinghouse Rules, Article 86, III

⁴⁷ B3 Clearinghouse Rules, Article 163.

⁴⁸ B3 Clearinghouse Rules, Article 162, paragraph 2 and B3 Foreign Exchange Clearinghouse Rulebook, Article 49, paragraph 1.

- (k) Declares clearing members as defaulters on the recommendation of the Central Counterparty Risk Internal Committee, pursuant to the provisions of B3's rules.
- (l) Immediately informs BCB when a clearing member is declared as defaulter⁴⁹.
- (m) Approves B3's Recovery Plan and submitting it for the approval of the Board of Directors⁵⁰.
- (n) Analyzes and validates reviews of B3's Recovery Plan and submitting them for approval by the Board of Directors⁵¹.
- (o) Deliberates on triggering the recovery tools established in B3's Recovery Plan, when required by the prevailing regulations⁵².
- (p) Based on the reports prepared by the CCP Risk Management Department, regularly reviews the decisions of the Central Counterparty Risk Internal Committee.
- (q) Invites representatives from market institutions to be members of the Risk Analysis Advisory Committee.
- (r) Submits for Board of Directors' assessment and approval the values of B3 and participants' contributions to clearinghouses' settlement funds, as well as the values of B3's other own funds that comprise the clearinghouses' safeguard structures⁵³.
- (s) Deliberates on the Central Counterparty Risk Internal Committee's recommendations⁵⁴ regarding envelope scenarios (maximum and minimum plausible variations of risk factor returns) used for margin calculation related to spot U.S. Dollar, fixed interest rates in Brazilian Reals, fixed interest rates in U.S. Dollar (U.S. Dollar spread) and spot Ibovespa risk factors⁵⁵.

⁴⁹ Rules Annex to BCB Resolution 304, Article 110, I.

⁵⁰ B3's Recovery Plan, item 2.8.1

⁵¹ B3's Recovery Plan, item 2.8.2

⁵² B3's Recovery Plan, item 2.8.3

⁵³ B3 Foreign Exchange Clearinghouse Rules, Article 35, paragraphs 3 and 4

⁵⁴ B3 Clearinghouse Rules, Article 85, III

⁵⁵ B3 Bylaws, Article 37, j

- (t) Delegates the Executive Board responsibilities and powers described in section 5.5 of this policy to the Central Counterparty Risk Internal Committee, being able to revoke these delegations at any time⁵⁶.

5.5 Central Counterparty Risk Internal Committee

The Central Counterparty Risk Internal Committee supports the Executive Board in managing central counterparty risk, making recommendations to the Executive Board, or deliberating, when such power is delegated to it⁵⁷, on pertinent subjects.

The Central Counterparty Risk Internal Committee, pursuant to Executive Board delegation and in compliance with the provisions of the applicable Bylaws, rules, manuals, policies and deliberations of the Executive Board and of the Board of Directors, is responsible for:

- (a) Periodically defining and reviewing criteria, operating limits, margin parameters and other parameters used in central counterparty risk management⁵⁸, with the period considered for the generation of historical scenarios being reviewed at least annually.
- (b) Periodically monitoring and assessing, based on reports submitted by the CCP Risk Management Department, the counterparty risk represented by the participants of the clearinghouses, including assessment of open interest positions, of financial exposure to risk factors, of the quality of deposited collateral and of the degree of leverage⁵⁹.
- (c) Assessing the macroeconomic scenario and its effects, in terms of risk, on the markets that B3 operates⁶⁰, deliberating on or proposing the measures it deems relevant.

⁵⁶ B3 Bylaws, Article 39

⁵⁷ B3 Bylaws, Article 39

⁵⁸ B3 Bylaws, Article 37, j

⁵⁹ Regulation of the Advisory Committees to the Executive Board, Annex IV – On the Central Counterparty Risk Committee, Article 4 c

⁶⁰ Regulation of the Advisory Committees to the Executive Board, Annex IV – On the committee's assignments and responsibilities, Article 4 d

- (d) Based on reports prepared by the CCP Risk Management Department, monitoring the position limits and compliance with them by the participants and, when necessary, determining the applicable compliance measures.
- (e) Based on reports prepared by the CCP Risk Management Department, monitoring the pre-trading risk limits registered in the pre-trading risk system (LiNe) and, when necessary, determining the applicable compliance or collateral strengthening measures.
- (f) Based on reports prepared by Participant and Investor Registration, monitoring compliance with access requirements applicable to participants, recommending or determining, as the case may be, the appropriate measures.
- (g) Defining methodologies and parameters for daily price fluctuation limits on futures contracts, circuit breaker, and trading tunnels in B3's electronic trading environment.
- (h) Deliberating on situations involving the pricing of assets and/or contracts traded or settled in the B3 environment that are not provided by the existing rules or manuals.
- (i) Deliberating on the granting, maintenance, suspension and cancellation, as the case may be, of access authorization to participate in the clearinghouses.
- (j) Determining the requirement of additional collateral from the participants when it understands that such requirement is necessary for adequate mitigation of the credit risk of the central counterparty ⁶¹.
- (k) Deliberating on requests to waive compliance with access requirements⁶².

⁶¹ B3 Clearinghouse Rules, Article 106, II.

⁶² Access Rules, Article 11, paragraph 7 and Access Manual, Sections 2.1.6, 2.2.6, 2.3.5, 2.4.5, 2.5.6, and 2.6.4,

- (l) Recommending to the Executive Board, for deliberation, the envelope scenarios (maximum and minimum plausible variations of returns) for spot U.S. Dollar, fixed interest rates in Brazilian Reals, U.S. Dollar spread and spot Ibovespa risk factors used by the clearinghouses' margin⁶³ and stress tests systems.
- (m) Defining the rules and scope of authority for reversing margin calls and for releasing required margin.
- (n) Analyzing and proposing suggestions to the CCP Risk Management Department to enhance central counterparty risk management systems⁶⁴.
- (o) Considering the regulatory bodies' recommendations and queries regarding B3, when in areas pertinent to the committee⁶⁵.
- (p) Discussing suggestions of the Financial and Risk Committee and the Risk Analysis Advisory Committee, when in areas pertinent to the committee, and their impacts on central counterparty risk management⁶⁶.
- (q) Submitting this policy and its annual reviews to the Executive Board for approval.
- (r) Approving the Replenishment Plan of Safeguard Structures and Liquidity Mechanisms and its annual reviews.

⁶³ B3 Clearinghouse Rules, Article 93.

⁶⁴ Regulation of the Advisory Committees to the Executive Board, Annex VI - On the committee's assignments and responsibilities, Article 4, n

⁶⁵ Regulation of the Advisory Committees to the Executive Board, Annex VI - On the committee's assignments and responsibilities, Article 4, o

⁶⁶ Regulation of the Advisory Committees to the Executive Board, Annex VI - On the committee's assignments and responsibilities, Article 5, c and d

5.6 Chief Operating Officer – Electronic Trading and CCP

- (a) Is responsible for implementing and conducting central counterparty risk management activities, in accordance with its rules and the decisions of the Board of Directors, Executive Board and Central Counterparty Risk Internal Committee⁶⁷.
- (b) Coordinates the preparation and review of B3's Recovery Plan, ensuring the plan's integration with B3's business and governance processes⁶⁸.
- (c) Informs the Board of Directors, Executive Board, and Financial and Risk Committee about failures to comply with the prevailing policies and rules, as well as when the B3 Recovery Plan's triggers have been or are about to be reached⁶⁹.

5.7 CCP Risk Management Department

- (a) Implements and conducts central counterparty risk management activities, in accordance with its rules and the decisions of the Board of Directors, Executive Board, Central Counterparty Risk Internal Committee⁷⁰ and Chief Operating Officer. – Electronic Trading and CCP.
- (b) Performs periodical analysis and preparing full and relevant risk reports to assist the decision making of the governance bodies for central counterparty risk management.
- (c) Coordinates and acts as secretary to the Central Counterparty Risk Internal Committee.
- (d) Submits this policy and its annual reviews for approval of the Central Counterparty Risk Internal Committee.

⁶⁷ B3 Clearinghouse Rules, Article 86, III

⁶⁸ B3's Recovery Plan, 2.9.1 and 2.9.2

⁶⁹ B3's Recovery Plan, 2.9.3

⁷⁰ Reconfiguration of the B3 Clearinghouse Rules, Article 85, III

- (e) Proposes, in the access rules, for approval of the Executive Board economic and financial requirements and collateral posting requirements applicable to those with access authorization, reviewing them at least annually.
- (f) Prepares and reviews the risk management manual and the rules of each clearinghouse, at least annually.
- (g) Alongside the Electronic Trading Department, proposes to the Central Counterparty Risk Internal Committee for deliberation on the methodologies and parameters for futures contract price fluctuation limits, circuit breaker, and trading tunnels, reviewing them at least annually.
- (h) Proposes to the Central Counterparty Risk Internal Committee for deliberation on the rules, limits, mechanisms, methodologies and corresponding parameters for central counterparty risk control and mitigation, reviewing them at annually.
- (i) Proposes position and collateral pricing methodologies to the Central Counterparty Risk Internal Committee for deliberation and reviews them at least annually.
- (j) Proposes to the Central Counterparty Risk Internal Committee for deliberation on the Replenishment Plan of Safeguard Structures and Liquidity Mechanism and its annual reviews.
- (k) Implements and manages the clearinghouses' risks, collateral and pricing systems.
- (l) Monitors the pre-trade, post-trade, intraday and end of day risks of the clearinghouses' participants.
- (m) Monitors open positions at the clearinghouses, including their adequacy to limits related to central counterparty risk management.
- (n) Requires participants to comply with the applicable limits and submitting to the Central Counterparty Risk Internal Committee their requests for non-compliance.

- (o) Deliberates, alongside the Settlement Department, on triggering liquidity mechanisms in the case of a payment failure by a clearing member.
- (p) Implements the portfolio closeout strategy in the event of default by a clearing member, including opening new positions to protect selected positions, liquidating open positions, and executing collateral.
- (q) In case of definitive insufficiency of resources for the fulfillment of the clearinghouses' cash settlement obligations in the event of default by a clearing member, submits for deliberation of the Executive Board the use of B3's own resources and the loss sharing mechanisms among participants that comprise the clearinghouses' safeguard structures.
- (r) Implements the use of B3's own resources and loss sharing mechanisms among participants that make up the clearinghouses' safeguard structures in the event of default by a clearing member.
- (s) Implements the replenishment of the components of the clearinghouses' safeguard structures and liquidity mechanisms, if they have been used, as per the Replenishment Plan of Safeguard Structures and Liquidity Mechanisms.
- (t) Coordinates the process of changing access and clearinghouse rules and submission of those changes to the regulators.
- (u) Coordinates the execution of clearing member default procedures test at least annually, or whenever there are materially significant changes to the rules and procedures related to default management⁷¹.
- (v) Prepares B3's Recovery Plan⁷² with the support of the Governance, Integrated Management and Cybersecurity Executive Department.

⁷¹ Rule Annex to BCB Resolution 304, Article 124, sole paragraph, II.

⁷² B3's Recovery Plan, 2.9.1.

- (w) With the other departments, organizes and conducts the periodical review process for B3's Recovery Plan and taking on the responsibilities related to this plan in the absence of the Chief Operating Officer – Electronic Trading and CCP⁷³.
- (x) Coordinates and acts as secretary to the Risk Analysis Advisory Committee.
- (y) Immediately inform the Chief Operating Officer – Electronic Trading and CCP about the occurrence of non-compliance with the prevailing policies and rules and when B3 Recovery Plan's triggers have been or are about to be reached, regarding the management of central counterparty risk.

5.8 Settlement Department

- (a) Declares clearing members as operational defaulters, as set forth in the clearinghouses' rules, and immediately informing the regulators⁷⁴.
- (b) Restricts the delivery of assets in the case of payment failure by a clearing member or in accordance with the procedures defined in the manual.
- (c) Executes procedures to transfer the positions of non-defaulting participants under the responsibility of defaulting participants.

5.9 Electronic Trading Department

- (a) Proposes trading tunnel methodologies and parameters to the Central Counterparty Risk Internal Committee for deliberation and reviews them at least annually.

5.10 Participant and Investor Registration

- (a) Monitors clearinghouses participants' compliance with the access requirements.

⁷³ B3's Recovery Plan, 2.9.2 and 2.9.3.

⁷⁴ Rule Annex to BCB Resolution 304, Article 110, I.

5.11 Governance, Integrated Management and Cybersecurity Executive Department

- (a) Validates margin systems and clearinghouses' stress tests at least annually, and the position limits system at least twice a year, independently of their development, implementation and operation⁷⁵.
- (b) Supports the CCP Risk Management Department in elaborating B3's Recovery Plan, and designing, coordinating and documenting the plan's tests and mock exercises⁷⁶.
- (c) Supporting the Chief Operating Officer – Electronic Trading and CCP in identification of and compliance with B3 rules and the external regulations regarding central counterparty risk management.

5.12 Audit Department

- (a) Regularly supports the Board of Directors and Executive Board in overseeing the risk management policies, procedures, systems, and controls, by assessing their management processes, their compliance with the control mechanisms via independent audit and encouraging compliance with market best practice⁷⁷.
- (b) Independently supervises and audits processes, controls and compliance with B3 rules and external regulations and reporting the results to the Audit Committee.
- (c) Monitors the tests for B3's Recovery Plan, preparing and issuing reports on executed tests and reviewing the plan periodically as a department independent to the areas responsible for preparing it⁷⁸.

⁷⁵ Pursuant to the provisions in Further Guidance, 2.2.16

⁷⁶ B3's Recovery Plan, 2.11.1 and 2.11.2

⁷⁷ PFMI, Principle 2 - Governance, 3.2.17 and Principle 3 – Framework for the comprehensive management of risks, 3.3.9

⁷⁸ B3's Recovery Plan, 2.12.1 and 2.12.2

5.13 Crisis Working Group

- (a) Triggers B3's Recovery Plan by adopting recovery strategies, deliberating on or proposing to the Executive Board or Board of Directors, as appropriate, the use of recovery tools and establishing communications related to the plan⁷⁹.

5.14 Risk Analysis Advisory Committee

- (a) Periodically assesses and submits suggestions about the risk models and parameters used by B3⁸⁰.

6 FINAL PROVISIONS

The above applies to all B3 with immediate effect as of publication.

⁷⁹ B3's Recovery Plan, 2.14.1 to 2.14.6

⁸⁰ B3 Clearinghouse Rules, Article 86, sole paragraph

7 CHANGE LOG

Validity: As of September 27, 2024.

5th Draft: 09,27,2024.

Areas responsible for this document:

Responsibility	Area
Drafting	Systemic Risk Management

Responsibility	Area
Review	CCP Risk Management Department Audit Department Governance, Integrated Management and Cybersecurity Executive Department Legal Executive Department Settlement Department Electronic Trading Department Central Counterparty Risk Committee Corporate Governance and Nomination Committee
Approval	Board of Directors
Acknowledgement	Executive Board Financial and Risk Committee of the Board of Directors Audit Committee

CENTRAL COUNTERPARTY RISK MANAGEMENT POLICY

Updates

Version	Changed item	Reason	Reference month
1	Original version	-	March 2021
2	5. Responsibilities and Powers 5.4(e) and 5.5(a)	Compliance with Central Bank of Brazil requirement, as per the 2020 annual inspection report	May 2021
3	3. References 5. Responsibilities and Powers 5.1(f), (j), (m), (t); 5.2(e); 5.3(a) 5.5(b), (c), (m), (n), (o); 5.6; 5.7(a), (c), (q), (p). (t), (v); 5.8(a), (p), (v); 5.11(c); 5.12(a) and (b)	Annual Review 2022	December 2022
4	1. Objective 3. References 5. Responsibilities and Powers 5.1(d), (g), (p); 5.4(a); 5.5 (i) (i), (s); 5.6 (d), (f), (i), (i), (k), (l), (m); 5.8 (p), (q) (s) e (w).	Annual Review 2023	August 2023
5	3. References 5. Responsibilities and Powers 5.1 (a); 5.3 (a); 5.5 (i) e (r); 5.7 (j), (s) e (v); 5.11 (a); 5.13	Annual Review 2024	September 2024