

Q4 2014 Earnings Call

Company Participants

- Daniel Sonder
- Eduardo Refinetti Guardia
- Luís Otávio Saliba Furtado
- Rogério de Araújo Santana

Other Participants

- Alexandre Spada
- Francisco Kops
- Gabriel Gusan
- Guido Valenzuela
- Juan Carlos Arandia
- Victor Schabbel

MANAGEMENT DISCUSSION SECTION

Operator

Good afternoon, ladies and gentlemen, and welcome to the audio conference call about the Earning Results of BM&FBOVESPA for the Fourth Quarter of 2014. 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. As a reminder, this conference is being recorded and broadcasted live via webcast. The replay would be available after the event is concluded.

I would now like to turn the conference over to Mr. Eduardo Guardia, Chief Product Officer; and Mr. Daniel Sonder, Chief Financial Officer and IR Officer of BM&FBOVESPA.

Eduardo Refinetti Guardia {BIO 2126991 <GO>}

Hello, everyone. This is Eduardo Guardia speaking. Welcome to BVMF fourth quarter earnings call. I have with me today, Daniel and Rogério. Before we begin, I would just like to make one comment. As you probably saw, yesterday, our Board of Directors appointed our CFO, Daniel Sonder as BVMF's new Investor Relations Officer. So after almost five years, working directly with you, I'm now handing over to Daniel.

You all know Daniel very well and I am sure you agree with me that he will do an outstanding job. The main reason for this change is that, I really need to focus on product

development and commercial initiatives, including relations with regulators and market participants which will require my full attention.

I'd like to thank you all very much for the constructive relationship we have had had, it's been a pleasure to work with you, and please feel free to contact me whenever necessary.

Now, I'd like to hand over to Daniel who will conduct this conference call.

Daniel Sonder {BIO 18250247 <GO>}

Thank you very much. Good afternoon, everyone. Eduardo, thank you so much for the very kind words. It's an honor for me to take over after you, you have set a great example and prepared a great team that will surely help me through this new responsibility.

I want to start the call with the presentation that you have in your hands. On page three, just giving you the highlights for the fourth quarter of 2014 and for the full year 2014, I will then hand over to Rogério for him to make a few comments and then I'll come back.

In the fourth quarter of 2014, our revenues grew by 13.4% in comparison with the same period last year. This was caused mainly by volume increases in both derivatives and equities, connected with the volatility around the elections. Our expenses grew significantly below inflation compared with the same period last year, even though we absorbed certain non-recurring expenses in this quarter.

Our accounting net income grew by 28.5%, while adjusted net income grew by 9%. It is important to note that our accounting net income includes equity income from our stake in CME. Also, we had this quarter an atypically high expense related to the taxes we pay when CME announces extraordinary dividends as it did recently.

Moving to the 2014 full year results. There are a few items that are worthy of note. Our revenues decreased by 5%. Although we saw volume increases in the second half of this year, this was not enough to compensate for the reductions we saw earlier in the year. In the adjusted expenses number, we were able to grow below average inflation for the third year in a row. Our accounting net earnings of R\$977 million were also negatively impacted in R\$63 million by our extraordinary payments in the third quarter of this year, connected to a tax relief program. This led to a 9.7% reduction in accounting net earnings.

During 2014, once again, we kept in place our practice of distributing most of our cash generation through dividends and share repurchase. We distributed dividends of 80% of accounting earnings and repurchased 4.8% of our company's shares. This adds up to over R\$1.7 billion. Yesterday, our board decided to cancel 85 million shares of the company.

2014 was an important year for our company in accomplishing some relevant assets of our strategic plan. In August, we launched the derivatives phase of our integrated clearing, and this was extremely successful. We also completed the physical construction of our

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new data center and we are now acquiring IT systems for this new facility, and beginning to move certain platforms during the course of this year.

In our fixed income registration business, we launched our services in March and a number of products during the year. We also implemented a number of changes to pricing and incentives in our products.

Finally, our company in conjunction with the securities regulator and the government, announced measures to ease the listing of small and medium companies in the equity markets, including incentives for investors in these companies.

Rogério de Araújo Santana

Hello. Good afternoon, everyone. This is Rogério. Thank you, Daniel, and I'd like to ask you to move to the slide number four, where we'll find some details on the BM&F segment report.

As mentioned by Daniel in the previous slide, we saw some significant growth in the quarter over the first quarter 2014 compared to the previous year, where ADV grew by more than 14% and was partially offset by a 4.9% decrease in the average RPC for the segment (06:10). The ADV reached 2.6 million contracts, and the growth was mainly driven by the performance of mini contracts that doubled the volumes year-over-year and by volumes of interest rates in U.S. dollar and also equity base index, that grew around 50% each of that.

In the case of RPC decrease, it was mainly explained by the higher participation of mini contracts, since we charge for this group of contracts, a fee that's much smaller than the one we charge for the standard contracts; and also higher participation of high frequency traders in the overall volumes (06:54).

When we see the full year 2014 comparison with the previous year, we saw movements in the opposite direction with volumes growing more than 9% and RPC falling 5.3%. Sorry, just correcting, the volumes decreasing 9.3% and the RPC growing 5.3%.

Moving to the slide number five. We see the Bovespa segment performs where the 4Q 2014 ADTV grew more than 30% year-over-year, maybe due to election-connected volatility in October and in November last year. This market activity was reflective of (07:45) the turnover velocity numbers that reached 87.5% in the quarter, as you can see on the chart on the bottom right of the slide.

On the other hand, trading and post-trading margins fell 31 bps or 5.8% over 4Q 2013. This drop is explained by higher participation of HFT in the overall volumes, and mainly due to extraordinarily high volumes connected to the exercise of options on indices, since our fees does not apply to a significant portion of those volumes. We included a slide in the appendix of this presentation, slide number 14, explaining this dynamic and showing what would be the normalized ADTV and also the normalized margins, in the case, we disregard these volumes that are not charged.

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Comparing this full year 2014 with 2013, the ADTV was roughly flat since the strong 4Q 2014 performance was not enough to offset soft volumes in the first semester of the year, and margins fell 2.5% in the same comparison (09:06).

In the slide number six, the diversified revenue base provided by our business model becomes particularly relevant in a more challenging environment as we are seeing in 2015, and should help us to preserve our robust – the robustness of our financial profile. Some examples of these diversification are the more than 18% participation of revenues coming from FX and interest rates in U.S. dollar contracts that are directly connected to the currency and would be impacted directly by any variation on these rates; the more than 14% coming from interest rates in reais that could benefit from any additional volatility generated by the monetary policy adjustments that we are seeing in Brazil nowadays; and the 18.2% of revenue is coming from business lines that are not tied to volumes (10:12), and that should positively be impacted by the prices and discount adjustments and improvements that were announced over the last year and that are going to be implemented over 2015.

Now, I'll pass the word back to Daniel who will drive you through our expenses and other financial highlights.

Daniel Sonder {BIO 18250247 <GO>}

Thank you, Rogério. On page seven, we see our expense breakdown for the fourth quarter of 2014. In the quarter, our adjusted expenses grew by 3.8%. Our adjusted personnel expenses, which exclude long-term incentive plans and personnel expenses capitalized towards projects, decreased by 1.9%. Our IT expenses grew, but most of this growth was due to an extraordinary contractual payment linked to the PUMA Trading System done in the fourth quarter. Our expenses with third parties fell because in the fourth quarter of 2013, one year ago, they had been impacted by a one-off legal success fee.

We also had in the fourth quarter a R\$9.3 million expense for funding our self-regulatory organization BSM. This is a contribution we did not have in 2013. Lastly, we also had, during 2014, an expense linked to our discontinuing of our participation in BBM, an exchange for physical commodities of which we were a shareholder of. This is a charge of R\$7.8 million and is described in more details in our financial statements in discontinued operations.

In page eight, just gives you a long-term full year view of our adjusted expenses. These were R\$592 million in 2014, within the range of our restated guidance published earlier in the year. I think it is important to highlight our long-term track record of managing expenses in such a way that the growth is consistently below inflation. For 2015, our guidance is between R\$590 million and R\$615 million. And if we take the center point of this range, we would be growing again at around 2% for the year. Page nine gives some more details about it. And I'll skip it, and we have to take questions during our Q&A.

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Moving now to page 10, it gives a picture of our financial position, we always like to highlight our financial robustness, which is an important part of the business of being a credible counterparty in the financial market. In 2014, we repurchased 90 million shares, 37 million were linked to the 60 million share 2013 repurchase program which we ended in February, and 53 million shares were part of the 2014 program. The board recently reauthorized a repurchase program of up to 60 million shares for this year of 2015 and also canceled 85 million shares, which reduces our current share count to 1.815 billion shares.

In 2014, we executed CapEx of R\$240 million in line with the announced budget. For 2015, we expect to invest between R\$200 million and R\$230 million in CapEx. And then in 2016, between R\$165 million and R\$195 million.

Moving to page 11, we use this graph to give you the long-term view about how our company has been able to generate significant cash and distribute most of it back to investors, while at the same time executing a large number of relevant projects and maintaining financial robustness and flexibility. In the past six years, BM&FBOVESPA has distributed R\$5.5 billion in dividends and interest on capital, and R\$2.4 billion in repurchase for a total of close to R\$8 billion.

Finally, to conclude the presentation on page 12, I just wanted to go through some of the reasons why we consider that 2014 was a very significant year for our company in terms of achievements. We are building a world-class IT and operations infrastructure. In August 2014, we deployed the first phase of the derivatives clearing house - of the derivatives part of the new clearing house integrated and the new risk model CORE, which was extremely successful, both in terms of its implementation and the market impact of the renewed margin calculations.

In the fourth quarter of this year, we expect to conclude the IT development of the equities phase and then we will launch a process through which we will begin to test this platform with the market and with the regulators, seeking their adjustments and their approvals.

Also during this year, we reached a very high number of days for our trading system without any interruption, we feel very proud about this and it's definitely something that differentiates our exchange. The new data center, as I mentioned, was - the construction was concluded and now we're beginning to move into that new facility.

Finally on the right side of this page, I will not go through the entire list of products and market development priorities. But this is clearly the roadmap for the things that we are working on with our clients and with our internal IT and operations areas to deliver during the course of this year.

In sum, although low volumes hurt our top and bottom lines during 2014, we are confident that we are on the right track to continue to have an exchange that excels in its IT and operational systems and processes, as well as develop markets and products that will enhance revenues in future years. Thank you.

Q&A

Operator

Our first question comes from Mr. Victor Schabbel with Credit Suisse.

Q - Victor Schabbel {BIO 17149929 <GO>}

Hi, guys good afternoon. Thanks for taking the question. I would like just to follow up on the non-recurring nature of some of the expenses. The first one in regards BSM that we already saw in the past BM&FBOVESPA having to transfer some money. And now after a couple of years, we have you guys once again having to transfer some extra R\$9 million. So I would finally ask you about it, if we could see more going forward or if this is something that was needed specifically for this year.

And the second one is in regards to the PUMA Trading System, if this contract related expense of another R\$9 million could be seen in the following years as well, or if this one is really non-recurring as well? Thank you.

A - Daniel Sonder {BIO 18250247 <GO>}

Okay. Victor, thank you very much. I'll start with the second one. So when we bought the PUMA System, there was a very large contract in place with many sort of payments tied to it, some are fixed, some are variable. And this payment was a payment that we don't have to do in future years to continue to use the PUMA System, it's related to upgrade rights. So, it gives us the right to receive certain new features, and this payment was mandatory within the contract and we have in future years the option, depending on our needs, to use that or not.

So, we see as a - we wanted to highlight that because it did show a very large change in the IT expenses line. However, if we have that in future years, it will of course be part of our normal IT budget that will have to be sort of considered within the total IT spend of the company regarding other priorities. Okay. I hope this is clear.

Second, with respect to BSM, we did make a transfer to them in 2013. We did not make a transfer to them - sorry, in 2012, I mean, we did; in 2013, we did not, and this year, once again, we made a financial transfer for them to continue to exert their function. This is a regulatory mandate that we have to have a self regulatory organization, which of course has increased its scope and role as the market has become more complex.

Again, it's something that we wanted to highlight because it is a large number and it impacted our fourth quarter expenses, and we may have to do certain of these transfers again in the future. But as is the case with the previous comment, it will have to be accommodated within our total expenses of the company which again, we're signaling that will at least for the next year not grow above inflation.

Q - Victor Schabbel {BIO 17149929 <GO>}

And just a follow-up here, Daniel.

A - Daniel Sonder {BIO 18250247 <GO>}

Sure.

Q - Victor Schabbel {BIO 17149929 <GO>}

Thanks for the answers. In regard to these updates related to the PUMA Trading System, this amount of R\$9 million refers only to the stake of, let's say, CME has because you guys developed the platform together with them? Or - just to understand, because since you guys developed the system, and now you are paying for some updates just for us to have more visibility about how it works.

A - Daniel Sonder {BIO 18250247 <GO>}

Yes, Victor, I'll have Luís Furtado answer this. Okay?

Q - Victor Schabbel {BIO 17149929 <GO>}

Okay.

A - Luís Otávio Saliba Furtado

Sure. Hey, Victor, yes, these are optional upgrade rights. But you're right. I mean we co-developed the PUMA Trading System with CME. It was a joint development, and we are developing or enhancing the system by our own means. So we don't have any dependence on CME in order to keep evolving PUMA. In fact, we have already introduced new features by ourselves like the short-term volatility bands. Therefore, we don't depend on these upgrade rights. It's an option. And it could be good because it would grant us access to new things that CME is developing. The new pieces of quote (21:35). But again, we don't depend on them to keep evolving PUMA by ourselves.

Q - Victor Schabbel {BIO 17149929 <GO>}

Okay, great Furtado. Thanks.

A - Luís Otávio Saliba Furtado

Sure.

Operator

Our next question comes from Alexandre Spada with Itaú BBA.

Q - Alexandre Spada {BIO 16687974 <GO>}

Hello, good afternoon all. Thanks for taking my questions. I have two of them. First one, over the last years, Bovespa has been distributing most of its cash flow generation through a combination of a high payout ratio and the execution of share buyback programs, as shown in the slide number 11 of your presentation.

I understand that those decisions must be discussed and approved by the board each year. But do you think that we can assume that the odds of maintaining this type of policy are high over the next years, given that the exchange will continue to generate much more cash than net income?

A - Daniel Sonder {BIO 18250247 <GO>}

Spada, thank you for the question. Your absolutely right, that this is a decision that the board needs to take. They review this periodically. We go through a process of essentially discussing the liquidity position that the company would like to have at a particular point in time, any projects that lie ahead of us and any sort of other needs that the company might want to have regarding its use of cash. We don't expect, let's say, from the management's point of view, to see any dramatic short-term changes in either the requirements that we have for keeping liquidity at hand, or any major new expensive project in the pipeline that we haven't discussed with you.

So given that, it will be basically up to the board to guide us in any different direction. But I think that the policy has been, as I mentioned in the presentation, quite successful in terms of achieving three objectives at the same time in order of - in no particular order of importance, which is maintain our financial robustness, which is something we would never like to compromise; second, have all the resources necessary for us to invest in the things that are important; and third, not holding excess cash beyond what would be necessary and thus, distributing it back to the shareholders and keeping our relationship in that sense.

Q - Alexandre Spada {BIO 16687974 <GO>}

Okay. That's very clear. Thank you. Second one is what would be the implications of a possible water and eventually electricity rationing or blackouts in São Paulo for Bovespa?

A - Daniel Sonder {BIO 18250247 <GO>}

That's a good question. We have set up a permanent sort of internal crisis management team, I would call, that is meeting regularly, daily in fact to set out strategies that we might use in either or both of these cases. We are working on making provisions, particularly for water rationing, which we are doing both in our facilities here and also using third parties to ensure that we are ready for even very drastic scenarios and to continue to run our operations adequately. I think we are very on top of this issue. I don't think it's the case that we discuss the details of our strategy, but it's something that's very much on top of our minds these days.

Q - Alexandre Spada {BIO 16687974 <GO>}

So you don't expect any interruption in your services in those cases?

A - Daniel Sonder {BIO 18250247 <GO>}

No, we don't. And in the case of energy, of course, those are even more sort of ready, we have generators, we have a number of contingency mechanisms here to ensure that that will remain live.

Q - Alexandre Spada {BIO 16687974 <GO>}

Okay. Great. Thank you.

Operator

Our next question comes from Francisco Kops with Banco Safra.

Q - Francisco Kops {BIO 17215088 <GO>}

Well, good afternoon, everyone. Two questions as well. One regarding the ETF - the fixed income ETF. I mean if you guys can give us some update on that project. I personally think it's a very interesting one. Not just for the product itself, but also because this might help even competition with Cetip with regards to custody of the inventories (26:22). And then later I do my second question. Thank you.

A - Eduardo Refinetti Guardia {BIO 2126991 <GO>}

Yeah, Francisco, its Eduardo speaking. Let me answer the first question. Regarding the fixed income ETF, we also like the product very much. Where are we now today? We are waiting for the National Treasury because the National Treasury will be responsible for selecting the manager of this new ETF.

So, I had a discussion with Paulo Valle, the Treasurer, last week. And he said that he probably should release or start the process of selecting this manager next month. So, if it really happens, then we will probably have the product I would say in the third quarter of this year. So, that's my expectation as of today.

Q - Francisco Kops {BIO 17215088 <GO>}

Okay. Thank you, Guardia. My second question is regarding personnel expenses. As far as I understand, you guys this Q, are accounting (27:27) part of it. Actually, you guys are capitalizing part of it, this Q. (27:35) And how we should see personnel expenses for 2015 or even 2016, and if you guys will continue to - I imagine that the capitalization should decrease especially the clear integration project will comes to an end. So how that will be developing in your view?

A - Daniel Sonder {BIO 18250247 <GO>}

Yes, Kops, I think you're probably right. We capitalize personnel expenses because of significant number of our people here spend their time building projects, meaning platform systems and things that we are treating as we should accounting-wise as capital investments. So the number of hours that these people spend doing this are again, properly and based on the accounting rules are capitalized within those projects and deducted from the expense line of personnel.

As our project pipeline finishes, which should happen over the next 24 months, so at least the main project, I would tend to agree with you that you should see a reduction in the capitalization of certain of our personnel expenses, which would have from an income statement point of view, the effect of essentially increasing our personnel expense, all else

constant. What of course our job is to evaluate, as we have done over the last few years, what's the right staffing level for each period that the company is going through and discussing whether after the conclusion of these main projects, what is the appropriate expense for the company to have.

Q - Francisco Kops {BIO 17215088 <GO>}

First (29:39), thanks, Daniel.

Operator

Our next question comes from Gabriel Gusan with Bradesco.

Q - Gabriel Gusan {BIO 16184494 <GO>}

Hi. I have one question about the strategy around the fixed income registration platform. I know you guys are testing some new features, but my question is more around the next steps. What will bring additional clients once these implementations are done? And if you expect to lower prices, or what's been the main strategy on that? Thank you.

A - Eduardo Refinetti Guardia {BIO 2126991 <GO>}

Okay. It's Eduardo again, let me answer this. We don't have plans to change our fee structure. So, we - this is - we have already released our fee structure, so we are not planning to change anything. As we said, we are about to launch new products and new functionality in the existing products. These - I'm particularly talking about the financial views (30:40) and new functionalities for timely deposit (30:43). We're also launching the structured notes with physical delivery. These will be available for our clients as of February 18, and we think with these products, we will improve our ability to compete for the fixed income registration market.

So, that's the - we will continue to work with clients to offer our services. And for this year, another important comment is that we also want to complete our platform for OTC derivatives. So, we are right now working on the migration of the existing NDF products with and without CCP to the new platform.

For the second quarter this year, we are planning to migrate the swaps that we have to-date to the new platform. And for the third quarter and fourth quarter, we will - in the third quarter, we want to migrate the new platform, the flexible options. And the last quarter, we are planning to launch the swaps - the cash flow swaps and the flexible options for single spot. So this is basically the roadmap of product development for not only securities registration but also for OTC derivatives, with and without CCP, is our priority (32:06) for this OTC initiative this year.

Q - Gabriel Gusan {BIO 16184494 <GO>}

Got you. Thank you.

Operator

Our next question comes from Guido Valenzuela with ERDesk.

Q - Guido Valenzuela

Yes. Hello. Good afternoon. During 4Q, your financial line (32:33) income implicit rate was flat from the third Q, even though the SELIC was higher. I was wondering if you can give us some color on what we can expect the financial income to grow in 2015, given an even higher SELIC rate?

A - Daniel Sonder {BIO 18250247 <GO>}

Yes. Guido, thank you. I will check on the information you gave. I think we don't expect our cash balance to change significantly and we should expect, all else constant, that the same cash balance invested at a higher SELIC rate should give us a slightly higher financial - gross financial income. I don't know if you look at financial expense because that, of course, includes some FX impact on our dollar-denominated bonds, but I would definitely check on the information. But going forward, we don't plan to change our financial policy, which is essentially to invest all of our cash in SELIC-linked instruments.

Q - Guido Valenzuela

Okay. What one more question, if I may. Final taxes were up from R\$60 million in 2013 to R\$100 million. Is there a reason why no interest on equity capital was paid, what are you planning for 2015? Thank you.

A - Daniel Sonder {BIO 18250247 <GO>}

Sure. Our taxes this year were higher essentially because we took advantage of a tax relief program by the government. That is essentially the reason why our current taxes grew. And we will continue to do as we have done in the past, which is to manage dividends and interest on capital in order to make the optimal decision from a tax point of view. This year, we didn't find that opportunity but as we have done in the previous years, if it is the case, we will use interest on capital in lieu of dividends.

Q - Guido Valenzuela

Okay. Thank you.

Operator

Our next question comes from the Internet. Sorry to answer this again but could you repeat when do you expect to have the OTC derivatives platform ready?

A - Eduardo Refinetti Guardia {BIO 2126991 <GO>}

We already have the OTC derivatives platform. So what we are doing now is to migrate to the new one. So again, for NDFs in the first quarter, in other words next month, for swaps in the second quarter of this year, and the new products that we want to launch only probably in the third quarter and fourth quarter of 2015. And for securities registration, we

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already have the platform and the products that we need to launch will be available for our clients after February 18.

Operator

Our next question also comes from the Internet from Mr. Leandro Roza (36:28).

Good afternoon. Is there any project to bring back the retail investor in Brazil to stock market?

A - Eduardo Refinetti Guardia {BIO 2126991 <GO>}

Look, we are working in some products that we believe are very efficient and good for retail investors. I'm particularly talking about the Treasury Direct, which is an alternative to buy Treasury bonds through the Internet using the brokerage houses. This is important because it's a way to attract retail investors to the brokers community. In order to buy this product, you have to have a broker, and this is a way to attract clients to our platform.

Of course, we know the challenges that we have for Brazil this year. We know about the recent performance of the Ibovespa and this does not help us to attract new investors at this time. So, what we will continue to do is to offer more fixed income products to retail investors. We will continue to work on incentive programs for brokers to attract new retail investors. This is something that we have done last year. But honestly, and of course, we have to take into consideration, this is an area we have today, which is not, to say the least, the best one to attract more retail investors. So, I really believe that we will start to see more retail investments once we have a change in the economic scenario.

Operator

Our next question comes from Juan Carlos Arandia with Citibank.

Q - Juan Carlos Arandia {BIO 16860498 <GO>}

Good afternoon, gentlemen. We're seeing some news headlines here saying that BVMF is contemplating on acquiring some minority stakes in other exchanges in the region. Can you comment on this and what will be the strategy or rationale behind this potential acquisition?

A - Eduardo Refinetti Guardia {BIO 2126991 <GO>}

Yeah. Sure. First, I think what's behind this strategy is that we really believe that we will see a process of financial integration in Latin America. So, that's something that we should expect to see over time. I'm not talking about this year or maybe not next year, but when we look to the medium to long term perspective, I think it's reasonable to expect a higher financial integration in Latin America.

So, we believe that it makes a lot of sense for us to be present in Latin America to be closer to investors in Latin America, closer to the companies that are issuers - are issuing

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today not in Latin America, but in the U.S. or in Europe. So we want to be closer to the investors and companies in Latin America.

So we have had discussions with some exchanges in Latin America, we are considering the opportunity of buying, acquiring minority stakes in some of these exchanges. There are some discussions going on, I cannot give you and I will not give you any guidance on that. It depends on a lot of things we have to take into consideration. But what we would like to have is to strengthen the relationship with the exchange, if possible, to have a minority stake that would give us the rights to have a position at the board of some of these exchanges, because we think that these would help us to speed up these Latin America integration process.

So we could, in the future, think about cross listing, offering our products to investors in Latin America and vice versa. So that's the strategy, please don't expect this to show strong results in the short term, it's more a medium to long term strategy that we believe that makes a lot of sense.

Q - Juan Carlos Arandia {BIO 16860498 <GO>}

Great. Thanks (40:43).

Operator

Our next question comes from our webcast.

Is there any update regarding the tax dispute with the authorities?

A - Daniel Sonder {BIO 18250247 <GO>}

No. The situation is the same as it has been reported by us. So no update on that.

Operator

Our next question comes from Francisco Kops with Banco Safra.

Q - Francisco Kops {BIO 17215088 <GO>}

Well, thanks for taking one more question from my part. My question is about your CME investments. I mean CME market cap in U.S. dollars it's already representing more than 25% of BM&FBOVESPA market cap in reais. So that's very significant at least in my view, and how you guys are seeing this investment going forward.

And I know we already discussed about that in the past, but how you guys are seeing these investments right now with the U.S. dollar in the way it is and maybe, if it's not strategic anymore maybe can consider a sale of some - a part of this and how you guys are seeing that investment going forward? Thank you.

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A - Daniel Sonder {BIO 18250247 <GO>}

Good. Thanks for the question, Kops. The sale of our stake is not something that we are considering at this point. We are happy with the way that the share has performed and that the company has performed indeed, and we're also happy with the fruits that we have seen from the relationship, both in terms of IT development and the strategic dialogue with CME. Also, just to remind you that a relevant part of this investment is in some way tied to our long-term debt in dollars as well. So that is something that you have to consider as you think about that.

Q - Francisco Kops {BIO 17215088 <GO>}

Okay. And there are any initiatives with CME on the operational side that can be helpful in the future?

A - Daniel Sonder {BIO 18250247 <GO>}

Look, CME is one of the largest exchanges in the globe and, of course, perhaps one of the leaders in futures market and commodities market, which is something that is a relevant part of our business. So although there's no concrete immediate pipeline that I could mention to you. We are part of their board. We have regular senior meetings with them on different subjects. And we hope that we can continue to profit from the relationship.

Q - Francisco Kops {BIO 17215088 <GO>}

Thanks, Daniel.

Operator

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

A - Daniel Sonder {BIO 18250247 <GO>}

Once again, thank you very much for taking the time to join into our conference call. Our IR team is available to clarify any questions. And once again, Eduardo, thank you so much for leading this effort through almost five years. And I hope I can do half as good as the job as you have done.

Operator

This concludes 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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