Company Participants

- Daniel Sonder
- Eduardo Refinetti Guardia
- Rogerio Santana

Other Participants

- Alexandre Spada
- Frederic de Mariz
- Jim Young
- Kenneth B. Worthington
- Rafael Frade

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, ladies and gentlemen. And welcome to the audio conference call about the earnings results of BM&FBovespa for the first quarter of 2014. As a reminder, this conference is being recorded and broadcasted live via webcast. The replay will be available after this event is concluded.

I would now like to turn the conference over to Mr. Eduardo Refinetti Guardia, Chief Product and IR Officer of BM&FBovespa. Please, sir, you may now begin.

Eduardo Refinetti Guardia {BIO 2126991 <GO>}

Thank you. Hello, everybody. Thank you for joining us today, and welcome to the BM&F First Quarter Earnings Call. I have with me Daniel Sonder, Claudio, and Rogerio Santana. Before we move to the quarter's highlights I would like to comment two important staff changes I have made at the senior management level.

First one is that I have invited Claudio, our former Investor Relations Officer, to move to the commercial area to become the Commercial and Marketing Development Officer. Claudio will continue reporting to me and in his new position he will be responsible for the relationship [Audio Dip] (01:46 - 02:02). Claudio has done an outstanding job as an IR Officer, and we are confident he is extremely qualified to perform his new position.

(02:13 - 02:30) To replace Claudio, we have invited Rogerio Santana. I'm sure you know Rogerio very well. He was our IR manager, and now we are very happy to welcome Rogerio as the new IR Officer, also reporting directly to me. I would like to thank both Claudio and Rogerio for the outstanding jobs they have done, and wish them good luck in their new positions.

Moving on to page three, I would like to walk through the quarter's highlights. I'll just give a few - make a few comments before Rogerio and Daniel Sonder walk us through numbers in more detail. But, concerning top line, as you know we didn't have a good performance in the first quarter. Top line was down 5.9% compared to the first quarter of 2013 and this is mainly due to the cash equities performance.

BOVESPA segment revenue was down 14.2% due to the reduction in the market capitalization and also a reduction in turnover, as Rogerio will explain to you soon. Concerning adjusted expenses, as you can see on page three, the first quarter compared to the first quarter of 2013, we had 10.1% growth.

I have two messages for you here. The first one is that although we had this 10% growth comparing to the first quarter 2013 we are absolutely and totally confident with the guidance we gave to you for the year and expenses are in line with this guidance. In other words, we are confident that we will have adjusted expenses within the range we have provided you with.

And the second message here is that I think it's worth reminding you that the first quarter 2013 was a typically low in terms of operational expenses. So, these are the reasons why - this is one of the reasons why we saw this 10% top line growth - OpEx growth in the first quarter this year.

The last comment on financial highlights is when we look to the adjusted net income. It was down 4.9% compared to the last year. But, when we look to the adjusted EPS, it was almost - practically flat compared to the last year. So this is, of course, reflecting the positive impact of the share buyback program that we have been implementing in our company.

Daniel will give you more detail on that later on, but I just want to emphasis this number on page three that since 2008 we have bought 12.4% of the outstanding shares through our buyback program. So this is a very meaningful and consistent share buyback program.

Concerning the market development highlights, I would like to mention the ETF of international index. We have launched the S&P 500 ETF late April. So this is our first international ETF. We see a lot of opportunities for launching new ETFs going forward, and this is an important step.

Second, concerning securities lending, you know we have been working hard to improve the securities lending business, and what we did during the first quarter was to - we started the disclosure of the daily prices to increase transparency and we believe this will help us attract new players. And this disclosure of the daily prices is particularly important for the pension fund. So to provide this type of transparency, in our view, will help us to bring more pension funds to the securities lending.

Last but not least, let me remind you that the new methodology of the IBOVESPA Index was fully implemented in the beginning of this month, in May. So this was an important project that we had started last year, and now starting in May, it becomes fully implemented.

So these were my initial remarks. Now I'd like to turn over to Rogerio.

Rogerio Santana {BIO 20317880 <GO>}

Thanks, Eduardo. Good morning, everyone. I would like to ask you to go to slide number four where you'll find some details on the BOVESPA segment performance. As you can see, ADTV fell 14.1% impacted by a weak market performance with the average market capitalization in first Q of 2014 decreasing 10.1% year-over-year, coupled with a slightly lower turnover velocity that is 69.3%, which also contributed to volumes reduction.

I would like to highlight that equities volumes in this segment were particularly weak in the beginning of the year until mid-March. Since then, volumes are much higher, and so far this year for (08:34) second Q 2014 is running above R$7.5 billion compared to R$6.5 billion in first Q.

Revenues were also negatively impacted by a 5.6% decrease in the average trading margin. This fall is explained mainly by three factors. First, a mix effect with high participation of cash markets for which we charge lower than average fees. Secondly, higher participation of investors that benefit from discounts by volumes, I mean day traders and HFCs. And finally the year-over-year comparison was impacted by change in the fee policies implemented in March – in April and December 2013.

Moving to slide number five, we will see information on volumes and prices that explain the 2.5% revenues growth in the BM&F segment. The main highlight here was the fact the volume decrease was offset by higher revenue per contract for RPC. The 6.6% reduction was mainly explained by the decrease in the ADV of interest rates in reais, which is the dominant contract in this segment. On the other hand, FX futures and interest rates in U.S. dollars showed significant growth of 7.9% and 46.3% respectively.

In the case of the RPC, that grew 8%. It was also affected by the mix effect, with low participation of interest rates in reais in the overall volumes and higher RPC from contracts priced in U.S. dollars. I mean FX futures and interest rates in U.S. dollars, which represented roughly 45% of revenues in this segment.

Turning the page to slide number six, I would like to emphasize how diversified are the company's revenues. Our fully vertically integrated and diversified business model provides us exposure to various markets like equities, interest rates and FX. The main contributor to revenues in this quarter was the derivatives markets, with interest rates in reais represents almost 20% of the overall revenues, and FX futures coupled with interest rates in U.S. dollars contracts, represented more than 18%.

Another highlight is that, reflecting the BOVESPA segment performance, the cash market trading represented only 5.5% of overall revenues, lower than the number we saw in the recent quarters that was above 6%.

Now, I will pass the word to our CFO, Daniel Sonder who is going to drive you through our expenses and other financial highlights.

Daniel Sonder {BIO 18250247 <GO>}

Good morning, everyone. Thank you for being on the call. I'd like you to move to page seven. I would just point out a few additional aspects. Again as Eduardo mentioned earlier, we executed our adjusted expenses for the first quarter absolutely in line with our budget for the year which is between R$595 million and R$615 million for 2014 in terms of adjusted expenses. This is of course the result of a significant and continuous effort by the company.

If you compare with our R$575 million of full-year adjusted expenses for 2013 with the middle of the range for this year – this implies a 5% growth year-on-year, which is below general inflation and significantly below services inflation which we mostly face. So the fact that we're executing within the adjusted expenses' budgets for the year is something that represents our continuous effort to keep costs under control.

In terms of the variation between first quarter this year and first quarter last year, as was mentioned, first quarter last year was a little bit atypical. We were transitioning to a new ERP system and we had also inflationary effects from one year to the next. So if you look at the sort of the breakdown of the adjusted expenses and look at the two largest items, if you take personnel, basically that reflects the annual wage increases that were implemented in August of 6.8% growth.

And in terms of IT expenses or data processing, I wanted to perhaps call attention to the fact that our R$28 million of expenses in this line for this quarter is exactly the same as the average number for the last year. So if you take total amount over the last year divided by four quarters, you get to

R$28 million. So, what you'd see is that this 20% increase is in fact something that derived from a first quarter that was below our norm.

If you move to the next page, which is page eight, I'll speak briefly about our capital and cash position. The Board decided yesterday to pay, as has been our policy, 80% of GAAP net income as dividends for this quarter. That is R$204.9 million, payment date May 30, 2014 based on the shareholders' position of May 16 (sic) [May 19] (14:15).

Just calling attention to the share buyback execution, in January we completed, as you probably know, the previous share buyback program, which was initiated in 2013 by buying 37 million shares of the company in January. We announced a new program of up to 100 million shares. We have been executing on that and as to April we have already executed 17.3 million share buybacks.

Just one number to keep in mind, if you add from - in the last 12 months from the end of the first quarter of last year until the end of the first quarter of this year, this company has distributed in dividends and buybacks over R$2.1 billion.

Our CapEx program, moving down the page on page eight, is again in line. We have executed about 25% of the total amount expected for the year and we reiterate our CapEx budget ranges for 2014 and 2015 as previously published.

In terms of our cash position I'm not going to get into the details of that on page eight. We continue to have a very robust financial position. And just to point out that you see a big jump in financial results mainly because our financial income for the quarter is of course derived by a higher interest rate. If you recall, around this time last year we had interest rates around 7%. We now have interest rates above (15:57) 10%. So that's what drove that growth.

I want to take two more minutes on page nine because that is where we show the breakdown of our cash and financial investments, which you can reconcile with our official financial statements. And as you know, we do carry on our balance sheet, some capital that is - actually belongs to market participants and collateral that is placed here under our trust and the remainder of course is the company's cash. However, comparing last quarter with this quarter, you see an increase in the rubric under clearinghouses' required safeguards. This is a new way to show the commitments that we have, with part of our cash to the clearinghouse.

There is now a concept of a qualified CCP, a qualified central counterparty, which is a very important under Basel III rules for banks. So we made an adjustment to the way that we segregate and name our cash so that we would fully comply with international rules of capital requirements for qualified CCPs.

This is an important business and strategic differentiation factor. If you are a qualified CCP under Basel III rules, which we are, then the capital charge for banks doing business here is 2%. If you are not a qualified CCP under Basel III then the capital charge is significantly higher multiples of that, something between 20% and 150% depending, which is not our case.

So we did make some adjustments to meet the 24, I think, requirements under BIS rules for you to be named a qualified CCP. And one of them is to formally state that a portion of our cash is actually available at a first - let's say a first commitment to the clearinghouse in case of a defaulting market participant.

So this is called the concept of the clearinghouse having skin in the game, and I can go into that in more details in the Q&A if you'd like. I just wanted to point out because from now on you'll probably see a larger number in this clearinghouses' required safeguards column.

So those are the key points. And I'll turn over to Eduardo to wrap up.

Eduardo Refinetti Guardia {BIO 2126991 <GO>}

Thank you, Daniel. If we move onto page 10, there are some last final comments I'd like to make. The first one is related to the OTC derivatives and the OTC products. My message here is that we had a good start with time deposits, real estate credit bills, and restricted notes. Just to remind you, we started to register this product in March, in the second week of March. Since then, we believe we have a good response from clients. We see that volume is growing.

Today it's still small, but we have R$8 billion for time deposit, R$8 million for LCI, the real estate credit deals. And I'd just remind you that we are the main – we have 65% market share in LCA, the agricultural credit bills. We have today around R$210 billion registered – of LCA registered with us. So that was a good start. And now we will work to expand the portfolio of products to offer to our clients and to make sure we will attract new clients to our OTC platform.

The second message is related to the clearinghouse integration. This is, by far, the most important project we have going on in our company. We just want to emphasize that the derivatives market clearinghouse is moving in accordance with the schedule and it should be deployed in June. So that's really a very important step for our company to the market, and we are, at this moment, working. The new clearinghouse is already operational.

The market is testing the new clearinghouse. So we are working with brokers (21:04), clients to test the system since last month. We still need, it's important to emphasize, the Central Bank authorization. Of course, the Central Bank is participating in all this process since the beginning but we still need the Central Bank authorization to go live in June in accordance with our schedule.

The third message is related to the shareholders' meeting. We will have an extraordinary shareholder meeting this month on May 13 and the idea is to discuss our proposal to change the share-based remuneration from a stock option plan to a stock award plan. We have discussed this with a lot of shareholders and we believe this new remuneration policy better align the interests of shareholders and the top management of our company. So this is the discussion we will have next week with shareholders.

The fourth message is related to the goodwill amortization. This is always a key issue to discuss. And what I want to emphasis to you is that, as you know we did the CARF. CARF is, as we call it in Brazil, the Administrative Tax Appeal Board. They rejected our appeal in December. Only in March we were aware about this sentence. The sentence was release in the second half of March with the Tax Appeal Board decision. But I want to say that we were not yet formally informed about the sentence. So in order to be able to appeal we first have to formally receive the sentence. And we haven't received it yet. So, we – first, the Revenue Service has to – although it was released, it was not formally delivered to us.

So once we received the sentence, then we'll be able to appeal and we will appeal and we have already discussed it with our lawyers and we will appeal to the Tax Appeal Board. And my message to you is that we continue to be completely confident that we have a strong case, that we have the right and that we will overcome this discussion with the Revenue Service and we will be able to continue to use the tax with a goodwill amortization, the tax benefit. As I said before, we don't expect to have this discussion – a result of this discussion in the short term. We believe it's going to take 1.5 years or two years until we have a final decision on this case. So that's how we see it today.

Last, but not least, our goal, as I said, we didn't have a good performance in terms of volumes in the first quarter of this year, when we look to the results of April and May, I think it's important to notice that we are beginning to see an increase in volumes, particularly in the cash equity segment. In April, ADTV was R$7.5 billion. In May we are now around R$8 billion. So that's a positive number to emphasize, that the volumes – not only volume but also the number of trades is increasing in April and May. So this will help us to have a better second quarter.

So these were our initial remarks. Now I'd like to open up the call for your questions. Thank you very much.

Q&A

Operator

Thank you. Our first question comes from Mr. Ken Worthington from JPMorgan.

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

Maybe you should dial again...

Operator

Excuse me, Mr. Worthington, your line is open.

Q - Kenneth B. Worthington {BIO 3303320 <GO>}

Hi. Can you hear me?

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

Yes, Ken. We are having some problems with the connection. But go ahead.

Q - Kenneth B. Worthington {BIO 3303320 <GO>}

Okay. In terms of the clearinghouse and the consolidation, is that expected to alter the level of restricted cash that you're required to hold under the Basel III rules, or does it – or, I guess, and does it impact the cash collateral that you receive? I assume you're moving to more portfolio margining, so maybe more efficiency of the customer cash. So, I was wondering if it impacted either side, the restricted cash or the collateral.

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

Ken, that's a very good question. So the clearinghouse integration and the new risk model should not affect the restricted cash. The idea is to provide more capital efficiency to the market. In other words, we'll be able to reduce the collateral requirement. But this should not affect our restricted cash.

So that's something that will not affect our cash position or should not – the only impact is on the collateral requirement. As our CEO, Edemir, said, we – based on the numbers we have today, we expect to have a reduction. And I'm just talking about the derivatives clearinghouse. Once the new derivatives clearinghouse is up and running, we should expect to see a reduction of around R$20 billion in collateral requirements out of R$120 billion. But no, it will not affect the restricted cash.

Q - Kenneth B. Worthington {BIO 3303320 <GO>}

Okay, great. And then, in terms of data revenue, a trend we're seeing in other exchanges globally is tactics being used by exchanges to better collect and drive more data revenue through either data audits, to make sure people are paying for it, or the elimination of fee waivers. Do you think BM&F or BVMF has the opportunity to either generate more revenue from data through these type of tactics, or are there additional products that you would consider developing to try to further boost the data revenue?

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

Absolutely, Ken. Again, thank you for your question. This is a very good one. We are working on that and we think there are opportunities for us to charge more for what we already offer and we have some discussions about that going on. And we also believe there are opportunities for new products related to data licensing and data in general.

So this is something that we are looking very – with a lot of attention on what other exchanges does and we definitely believe there are opportunities for us on this front and we expect to be able to give you – I don't have a – we'll be able to give you more detail on that soon. So this is definitely something we are working on.

Q - Kenneth B. Worthington {BIO 3303320 <GO>}

Thank you very much.

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

Thanks, Ken.

Operator

Excuse me. Our next question comes from Mr. Frederic de Mariz from UBS.

Q - Frederic de Mariz {BIO 15383052 <GO>}

Good morning, everyone. Thank you for the opportunity. I have a couple of questions. The first one has to do with capital markets and the second one has to do with the brokerage, the interim addition market in Brazil. On the capital markets, we are seeing that there is a very small activity in Brazil right now. We're even seeing some companies delisting. And I wanted to hear from you what you are seeing in particular in terms of potential fiscal incentives or anything we could be hoping for in terms of capital markets' activity.

The second question has to do with the so-called PN/PNP model in Brazil, which is separating between the larger brokers, which would have access to your platform, and the smaller brokers, which would simply route the orders to the larger guys. And I wanted to hear from you how we should think about this change, both on the positive and on the negative side. Thank you.

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

Okay. Thanks for the questions, both are very good. With respect to capital markets, yeah it's true that this year we saw some companies delisting. When we look to the number of delistings this year, it's not different from what we had seen in the previous years. The point is that, this has been a weak year in terms of new IPOs. So the problem is not with the leasing, but with the lack of new IPOs. This year and the last year was another weak year in terms of IPOs. So my view on that, Frederic is that it's clearly related to the macro environment we have in Brazil and the moment we are living in.

We still have some concerns about the macro performance (31:33) and we have a lot expectations related to the elections that we will have in the second half of this year. So that is clearly affecting volumes and activity in capital markets as a whole. We saw, as I said, some recover in April and May, but we don't see yet any movement in the IPO front or any relevant movement in the IPO front, because I think with the uncertainties we still have, it's much more difficult to see a consistent and a relevant IPO flow at least before elections. So I think elections will affect and continue to affect volumes and the market expectations.

So that's – but that's in my view we are confident when we look to Brazil, when we look to the number of listed companies, when – about the opportunities we have. So, that's something that –

it's going to happen, I don't know if it's this year or when, but it doesn't make sense for me to have only 400 listed companies in Brazil. So that's something - but it's difficult to say if we're going to have an exciting 2014 in terms of IPOs. I don't expect to see a lot of movement before elections. So this is my comments on capital markets.

So going to the PN/PNP, this is a very important project for us. We still need, it's important to emphasize, authorization from - to get authorization from CDM (33:28), but the idea is to make it possible for small brokers to consolidate and to order and to route orders through large brokers. So, this is important for the market.

We have in Brazil today approximately 80 brokerage houses. Out of this 80 brokerage houses we know that at least half of them or 40 are not making any money at all. As a matter of fact, they are losing money. So it makes sense to see - it's reasonable to expect - let me put it this way, it's reasonable to expect that we'll have some type of consolidation going forward.

We have already observed some consolidation process in the industry, but we believe we will see more going forward. And this model that we are discussing with regulators and with the markets, it will help brokerage house - will make it easier, let me put it this way, will make it easier for brokerage house to consolidate if they wish to do so.

So that's - honestly, I don't see a downside here. I think it's good for the market. We have discussed this a lot with the brokerage houses in Brazil, with regulators and the feedback we got from them - from both is positive. So, I honestly don't see a downside in this project.

Q - Frederic de Mariz {BIO 15383052 <GO>}

Great. I appreciate your thoughts. And you don't think that would change the volumes on BOVESPA up or down. You don't think that would impact your activity, your business?

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

I don't think this will have an impact on volumes in the short term, but what's important for us is to strengthen the brokerage house. So if it helps to have a healthy or more - a better brokerage house industry, so that's what is important for us.

Q - Frederic de Mariz {BIO 15383052 <GO>}

That's great. Thank you very much.

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

Thank you.

Operator

Our next question comes from Mr. Rafael Frade from Bradesco.

Q - Rafael Frade {BIO 16621076 <GO>}

Hi. Good morning, everyone. I would like to congratulate Claudio and Rogerio about the promotions. I have two questions. First, if Eduardo could give us an update on the time schedule for the clearing integration. It's very clear, the next phase for this integration of the derivatives clearing, but if you could also provide an update for the next stage.

And a second question would be regarding slide nine, where you show your cash position. And we can see that market participants' cash collateral has been growing significantly in the last quarters, but it seems that you have not been able to benefit from financial revenues from that. So, I would like to understand, if this position that we saw here, how much of this really is the average position during the quarter, to give us an idea of how this could evolve and impact your financial results.

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

Okay. So, I will answer the first question. Then I'll let the second one to Daniel to answer. With respect to clearinghouse schedule, as I said, the derivatives clearinghouse, according to the schedule we have today and this is something we agreed with regulators and market participants, we are expecting to have the new derivatives clearinghouse up and running in June, the beginning of June.

Concerning equities, which was your question, we believe this is some - considering that we have derivatives up and running in June then we are expecting to have the cash equities clearinghouse in the second half of 2015. So that's - I don't have a specific date as I have for derivatives, which is June 9, but for equities it's reasonable to expect that it's going to take around a year after we migrate derivatives. So we are talking about the second half of 2015.

A - Daniel Sonder {BIO 18250247 <GO>}

Hi. This is Daniel. Regarding the cash position and the market participant cash collateral, that's - as you properly stated, something that we do not directly manage. This is collateral that - cash collateral in cash that market participants deposit given their obligations with the business that they do here. So yes, we did see in the last two quarters some activities, some deposits that were done into our accounts to match the requirements for margins. And - but we did not see an increase in financial revenue for two reasons.

One is that these deposits they may stay for very limited periods of time. So sometimes they're covering a transaction that is just for a couple of days, and sometimes it happens that on the day that we actually close the books there is an additional cash amount deposited that will be removed just a few days later.

The second is that a significant portion of those moneys that are deposited into our accounts are actually done in dollars outside. So also the financial income on that on that is not CDI. It would be sort of the LIBOR spread for a few days. So, that's the reason why you would see the cash collateral increase, but not a direct impact on our financial income.

Q - Rafael Frade {BIO 16621076 <GO>}

Okay, thank you (40:03). Just a follow up on this, so would it be maybe a fair assumption here to assume 100% - that your financial result is 100% of CDI and this would be - so, this would be - based on that, we would find the average cash for this particular part of your cash.?

A - Daniel Sonder {BIO 18250247 <GO>}

I think that's a good way of looking at that.

Okay. Okay, thank you.

Operator

Excuse me. Our next question comes from Mr. Alex Spada from Itaú BBA.

Q - Alexandre Spada {BIO 16687974 <GO>}

Hi, gentlemen. Good morning. My question is a follow up on Guardia's comments on the clearinghouse integration. As you said today, we can expect margin requirements from participants to be reduced by about maybe R$20 billion out of R$120 billion after the clearinghouses are integrated. So, my question is, do you have any internal studies that you could share with us on the possible benefit to equities' and derivatives' volumes after the integration is concluded??

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

Alexandre, first, just to be more specific on that. The R$20 billion is only related to the derivatives clearinghouse. So the benefits to the market, when we migrate the cash equities clearinghouse, should be higher than, bigger than that. So the R$20 billion is what we expect to see in terms of collateral requirements a reduction when we migrate the derivatives clearinghouse next month, in June. So I was just talking about derivatives. Honestly, we do have some studies. But as you can imagine we will have to consider a lot of assumptions to come up with some numbers. I don't have the numbers here with me.

What I can tell you is that the impact of this collateral requirement reduction is not the same to all the clients. So if you consider, for example, a big bank, they probably will not increase volumes because we have reduced collateral requirements, but an asset management company will. So that's what we try to do. We try to look to the different type of clients, try to figure out their elasticity to this collateral requirements reduction, and then make some assumptions to calculate the impact on revenues and volumes.

As I've said, we don't have numbers here with me. We do expect to see a positive impact on volumes. But I'm not honestly comfortable to give you a number right now. We think it's something that we can, after we launch the clearinghouse see the – how it works and maybe come up with some numbers later on, but not at this moment.

Q - Alexandre Spada {BIO 16687974 <GO>}

Okay. But can you at least say if that will be a significant improvement in volumes, let's say 10%, 20%, 30%, or if that could be less than that? Just I mean very ballpark number.

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

Alexandre, to be very honest with you I don't like to be – to give any type of guidance when I'm not 100% sure about what I'm saying. As I said, in my numbers, we have to make a lot of assumptions. This is not an easy calculation. So honestly rather not give you a number now, if it's 10%, 20% or 30% because as you can imagine, it's not an easy calculation. So it's yes, we expect to see an impact. But I'd rather not give you a number right now.

Q - Alexandre Spada {BIO 16687974 <GO>}

I totally understand. Thank you anyway.

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

You're welcome.

Operator

Our next question comes from Mr. Jim Young from West Family Investors.

Q - Jim Young {BIO 21773125 <GO>}

Hi. You'd mentioned the impact in our business on Basel III. Could you talk about any upcoming changes in the regulatory structure in Brazil that will impact your business this year or in the future years?

A - Daniel Sonder {BIO 18250247 <GO>}

Thank you for the question. In terms of the Brazilian markets, we are recognized by the Central Bank as the key clearinghouse and sort of up to the level that the local banks require to have the best capital treatment possible. What we did in terms of adjusting some of our rules and setting aside some additional cash in the cases of defaults, which I described earlier, was essentially meant to meet international bank's requirements for qualified CCP because in Brazil we were already recognized as such.

So in terms of Basel III now, we feel quite comfortable that we meet both Brazilian and international requirements for – which allows our counterparts, the banks, to have the best capital treatment when they do business here.

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

And, Jim, just to complete what Daniel has said, we are not aware and we don't know any ongoing discussion about the change in the regulation in Brazil that could affect our business. The only discussion that we know that is going on is a discussion conducted by CVM, the Securities & Exchange Commission in Brazil that started last year about best execution, consolidated tape and self-regulation..

So these are the only regulatory discussions that we know that are going on that may have or can have some impact on our business. So these are, these thee issues that I mentioned to you best execution, consolidated tape and self-regulation are necessarily, I think that maybe there are others, but these are necessary conditions to discuss, necessary discussions, pardon me, to discuss the fragmentation of the Brazilian market, the cash equities market. So these are the only discussions going on that I am aware.

Q - Jim Young {BIO 21773125 <GO>}

Okay. Thank you. And the second question is could you just remind us what percentage of the cash equities trades takes place on the BOVESPA? And similarly, what percentage of the derivatives trades in Brazil take place on the BM&F? And are there any other changes in the competitive environment and landscape that you anticipate in 2014 or beyond?

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

Jim, if I understood your question, the 100% of the trades are in Brazil. We are – here at BM&FBovespa. So we are the only exchange in Brazil. What we have is the ADR of Brazilian companies, we have approximately 35 companies with the ADR program. That represents from 40% to 50% of the Brazilian volume traded in the U.S., but the 100% of the volumes is at BM&FBovespa.

Q - Jim Young {BIO 21773125 <GO>}

Thank you.

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

You're welcome.

Operator

Excuse me. This conclude today's question-and-answer session. I would like to invite Mr. Eduardo Refinetti Guardia to proceed with his closing statements. Please, sir, go ahead.

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

Thank you. I just want to thank you again for joining us in this conference. If you have any doubts, please do not hesitate to contact me, Rogerio or Daniel Sonder. Thank you very much for joining us today. Good bye.

Operator

That does conclude the BM&FBovespa Audio Conference Call today. Thank you very much for your participation. Have a good day and thank you for using Chorus Call.