



Brazil Bond Exchange

Background

- **May 99** - BVRJ proposes development of electronic marketplace for GS
- **Nov 99** - Central Bank/Treasury Task Force recommends electronic trading system
- **Dec 99** - New Payments System is enacted
- **Early 2000** - Banks decide to adopt screen based trading system
- **Aug 2000** - BVRJ launches SISBEX

Project Corner-stones

- Adoption of CCP to clear, settle and guarantee trades
- BVRJ is advised by committee of banks
- Latin American developed trading platform
- Marketplace structured to support different segments

Market Structure

- 3-tier marketplace:
 - **Major Market:** open to all members
 - **Market Makers:** restricted to members committed to minimum trading volumes
 - **Specialists (broker sponsored):** open to members accredited by specialized brokers

Market Characteristics

- Order driven
- Firm bids and offers
- Best execution
- Auctions for out-of-price trades

Market Maker Requirements

- Minimum overall trading volumes
- Minimum trading volumes in Major Market
- Trading in minimum number of maturities

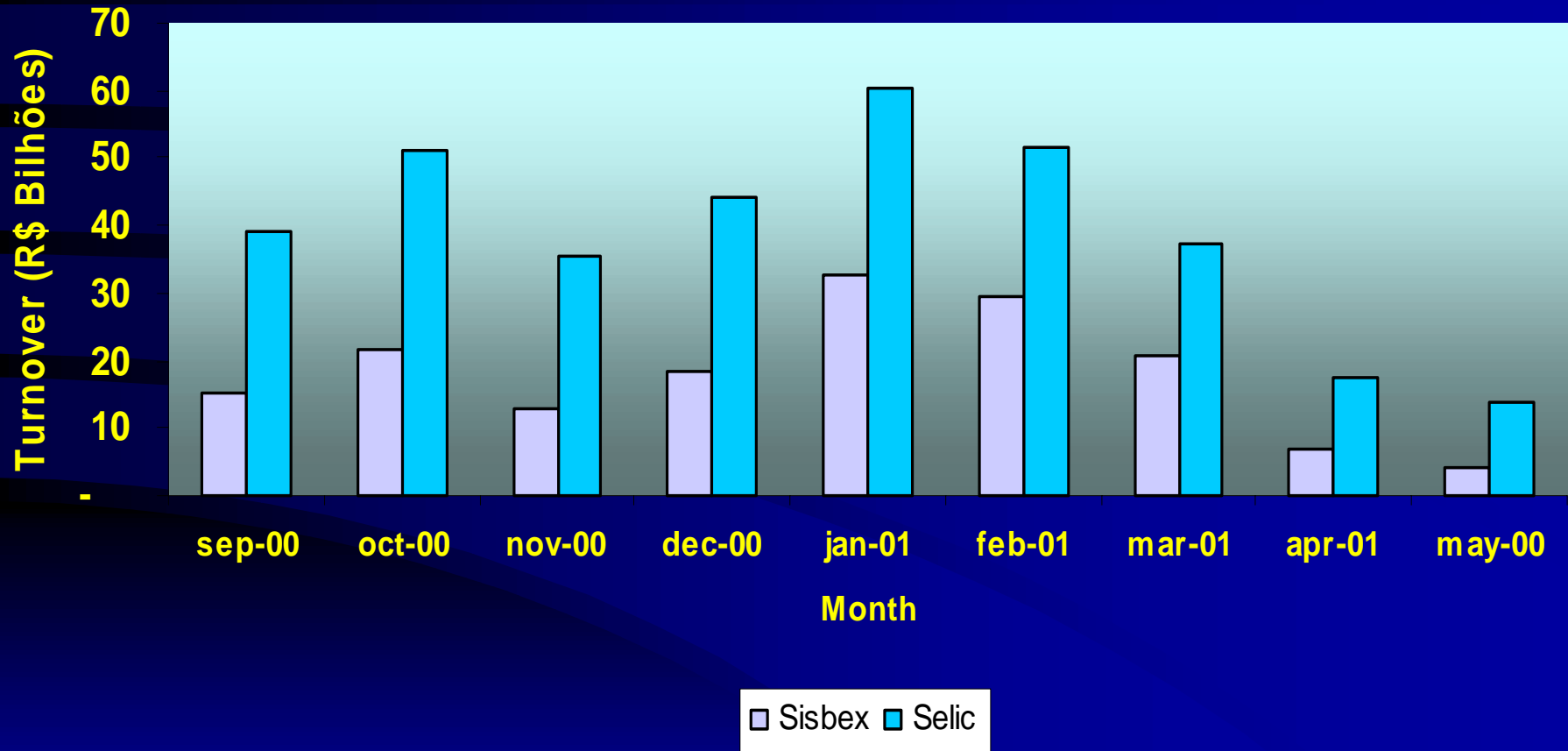
Traded Securities

- Fixed Rate Bills
- Floating Rate Bills
- Dollar Linked Notes
- Inflation Linked Notes

Achievements

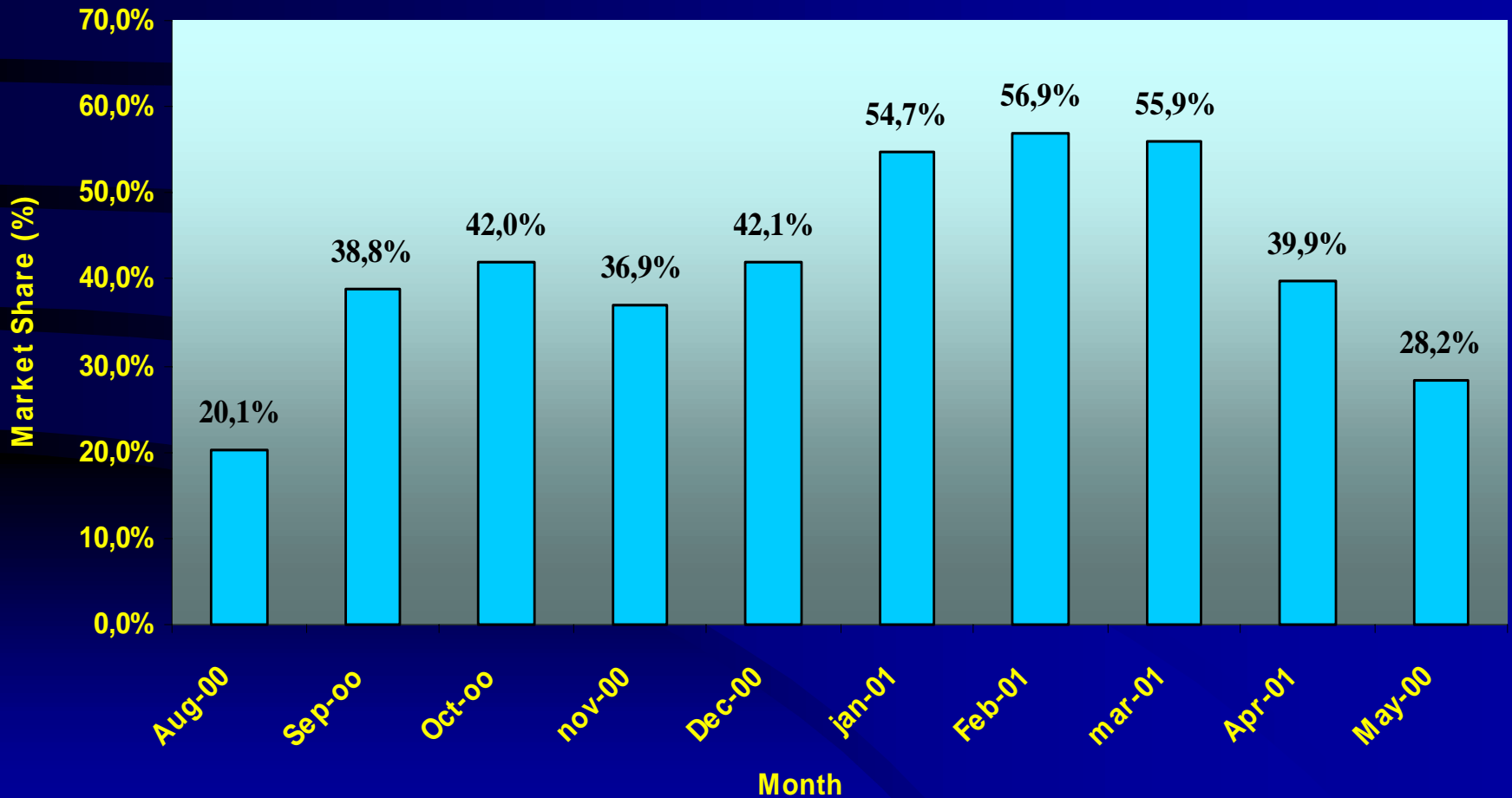
- US\$ 85 billion traded, with average daily turnover of \$ 500 million and peaks of nearly \$1.5 billion.
- Most banks have already adhered and many are in process of joining the system
- In many institutions, OTC telephone trading is being avoided

Monthly Turnovers



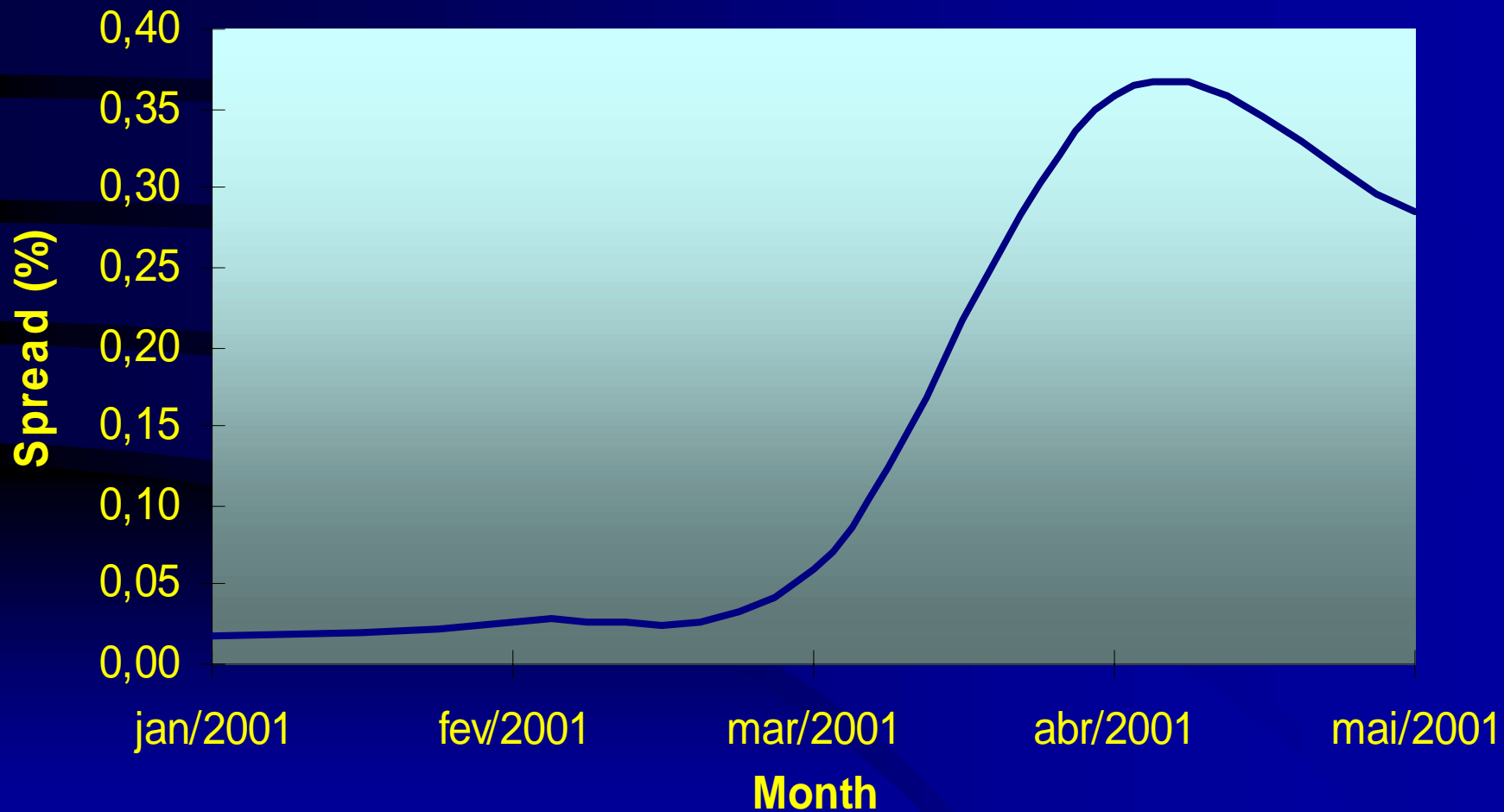
Market Share

(Fixed Rate Instruments)



Average Bid-Ask Spreads

Fixed Rate benchmarks (%)



Benefits

- Transparency – real time bids and offers
- Improved Price Formation – Best execution in order driven market
- Standardization – standard contracts, with precise terms and conditions
- Risk control – pre-assigned trading limits
- Straight-Through-Processing

What's Next...

- FX – a strong demand by the banks
- Guaranteed Settlement, reducing risk, enabling more market participants and improving liquidity
- Derivatives – repos and options
- Securities lending to facilitate short selling
- Sales to households via Internet



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