

BM&F Markets Summary

Banco Bradesco is FCM's partner in Brazil for execution services on the BM&F markets and the carrying broker for clearing services. Under this arrangement, the client will receive FCM statements and reconcile with FCM as they do with other markets.

There are a number of unique elements to the futures brokerage business as organized by the BM&F and the regulatory authorities in Brazil. The topics of this presentation therefore include the concept of the Omnibus Passenger, the Taxation issues, the Margin/Collateral issues, the Commission Structure.

Omnibus Passenger

FCM will clear its customer activity for the BM&F markets on an omnibus basis with Bradesco. In doing so, however, it is a requirement of the Brazilian regulators CVM, for the clients or "passengers" of the omnibus account to be identified by name and address. Each client is given a 9 digit I.D. number which contains the identity of the representative (Bradesco), carrying broker (Omnibus Account) and ultimate client. The purpose for this is evidently for both regulatory oversight and for Brazilian tax authority review purposes.

Tax Regulations

FCM, in its role as carrying broker, will be registered as an exempt foreign investor (on capital gains). The client, as an omnibus passenger of FCM, is also an exempt foreign investor.

The taxation issues, therefore, can be summarized as follows:

- 1a. There is a 0.38% CPMF tax, charged for each foreign exchange transaction.
- 1b. Foreign exchange transactions to clear operations on equities or on stock market index are exempted of the 0.38% CPMF tax. However the funds that enter in the country this way cannot be invested in any thing but equity related markets. If this rule is broken the CPMF tax is charged retroactively. The money can remain in the country as cash without being subject to the CPMF.
- 2a. 15% income tax on profits is applicable for mutual fund and fixed income instruments. Note this tax does apply to fixed income instruments utilized for margin purposes.

- 2b. IOF tax apply on profits from mutual fund and fixed income instruments with disposal before 30 days (decreasing tariff from 1 until 30 days from 100% to 0%). Note this tax does apply to fixed income instruments utilized for margin purposes.
3. Income tax is exempt for foreign investors registered under the 2689 CMN resolution for futures and equity exchange transactions. The current tax rate for Brazilians and tax haven foreign investors is 20% on gains in futures operations; **and** 20% on interest income.

Tax Haven

Entities domiciled in tax havens, listed below, are obliged to pay the taxes as described in section 3 above:

Andorra	Dominica	Ilhas Montserrat
Anguilla	Emirados Arabes Unidos	Nauru
Antigua & Barbados	Gibraltar	Ilha Niue
Antilhas Holandesas	Granada	Sultanato de Oma
Aruba	Hong Kong	Panama
Comunidade das Bahamas	Lebuan	Federacao de Sao Cristovao e Nevis
Bahrein	Libano	Samoa Americana
Barbados	Liberia	Samoa Occidental
Belize	Liechtenstein	San Marino
Ilhas Bermudas	Luxembago	Sao Vicente e Granadinas
Campione D'Italia	Macau	Santa Lucia
Ilhas do Canal (Alderney, Guernsey, Jersey & Sark)	Ilha da Madeira	Seychelles
Ilhas Cayman	Maldivas	Tonga
Chipre	Malta	Ilhas Turks & Caicos
Cingapura	Ilha de Man	Vanuatu
Ilhas Cook	Ilhas Marshall	Ilhas Virgens Americanas
Republica da Costa Rica	Ilhas Mauricio	Ilhas Virgens Britanicas
Djibouti	Monaco	

Margin/Collateral

BM&F calculates the margin rates at the end of every trading section considering different risk scenarios for each contract and maturities. Changes in the expectations for volatility, the term to maturity, if the position is either long or short can make margin rates increase or reduce. BM&F calculates the total margin on per client bases considering its global position in future markets. This methodology can make margin for combined position being on average lower than it would be for a position in a single market. As of November 12th 2003 the basic margin rates per contract are as follows:

Contract	Maturity	Margin US\$
1 Day Interest Rate	OCT2004	1,200
1 Day Interest Rate	JAN2005	1,500
Dollar/Real Futures	DEC2003	5,200
Dollar/Real Futures	JAN2004	5,820
Bovespa Index	DEC2003	2,130

The BM&F and Bradesco have advised FCM that no interest is paid to the clearing broker for cash balances in reais. As with other exchanges, the BM&F does utilize the span methodology to calculate the margin requirements.

Following is a listing of acceptable margin collateral and the respective hair cuts:

Acceptable Collateral:

Security Type	Hair Cut
NBC-E or NTN-D 30-1440 days fix semiannual coupon dollar linked Brazilian t. notes.	0%
LTN 30-1440 days zero coupon fix rate Brazilian t. notes.	0%
LFT 60-1440 days zero coupon. 1 day int. rate (SELIC) linked Brazilian t. notes.	0%

It should be noted however, that the acceptable fixed income margin collateral as outlined above is itself subject to the income tax structure as outlined in item 2 above in the taxation section.

Foreign Exchange Risk/Carrying Broker Risk

The foreign exchange risk (USD/R\$) for the BM&F margin deposits is passed to the client as outlined in the FCM documentation. All funds maintained by FCM's clients in Brazil are kept in accounts at Banco Bradesco, which is also FCM representative in Brasil.

Fee and Tax Table

<u>BBV</u>	Pass Through Charges Debited to Client Account Monthly Basis					
	Assessed in R\$ but convertible to USD					
	Exchange/Enrollment Fee*	Registra- tion Fee	Represen- tation Fee	Custody Fee	CPMF Tax	CVM Surveillance Fee
R \$	0.20% X Ctr Val @ prior sttlmt X .015	0.20	.05%/360x Daily Acct Value	.10%/360 Daily Acct Value	.0038 per ccy conversion	0,1% on the portfolio value
Int. Rate	3.0% X (100,000 - Ctr Val @ prior sttlmt) X .010 **	0.06	.05%/360x Daily Acct Value	.10%/360 Daily Acct Value	.0038 per ccy conversion	0,1% on the portfolio value
Bovespa	0.25% X Ctr Val@ prior sttlmt X .0293	0.20	.05%/360x Daily Acct Value	.10%/360 Daily Acct Value	.0038 per ccy conversion	0,1% on the portfolio value

* Factors are lower for day trades

** 3.00% X difference betw. previous day's updated
settle. X 1.00% price (PU) and notional redemption
value, limited to the 4th month.