

Circular C-GEN-09/2023

Tear-up price

BME CLEARING

General Circular

Effective Date: 5 December 2023

Replaces: -

Calculation of the Price for the close-out of Positions and cash settlement (*Tear-up in recovery*), pursuant to the provisions of the Chapter "*Specific rules for the recovery and resolution of BME CLEARING*" of the General Conditions of each Segment.

1. DETERMINATION OF THE TEAR-UP PRICE IN RECOVERY

Pursuant to the provisions of the General Conditions of each Segment under section "*Specific rules for the recovery and resolution of BME CLEARING*", in the event of Default of a Clearing Member, where the corresponding Default management measures have been adopted, would it not be possible to otherwise close the Positions of the Defaulting Clearing Member, including hedging positions for default management, if any, and in the judgment of BME CLEARING were it not possible to return to the matching of the positions registered in its Central Register, BME CLEARING may adopt, as a recovery measure, the closing-out of Positions and cash settlement (*Tear-up in recovery*).

By virtue of this Circular, BME CLEARING determines that the price for closing positions and cash settlement (*Tear-Up in recovery*) will be the price applicable on the trading platforms or trading venues with which, for each Segment, BME CLEARING has reached the corresponding agreement to act as Central Counterparty of such contracts and as defined in the corresponding *Daily Settlement Price* Circular of each Segment.

If BME CLEARING does not receive a Daily Settlement Price for a specific instrument from trading platforms or trading venues, the Tear-up price shall be determined in accordance with the following order of priority:

- Quotes for the specific instrument from the liquidity provider on trading venues or trading platforms determined by Circular, provided that these quotes represent fair market prices at the time of pricing.
- The bid that was partially satisfied in the last auction conducted for the specific instrument under Default management, provided that it represents a fair market price at the time of pricing the Tear-Up.
- End-of-day Daily Settlement Price of similar financial instruments referenced, where applicable, to the same type of index or asset (including indices on digital assets and digital assets), with similar characteristics which are also cleared in other CCPs.
- Average price of the bid-ask spreads of similar financial instruments referenced, where applicable, to the same type of index or asset (including indices on digital assets and digital assets), with similar characteristics that are economically equivalent and are traded on a trading platform or trading venue that are not cleared by BME CLEARING.

- Theoretical price of the instrument to reflect the fair market price: mathematically determined value as determined by the pricing model for the specific instrument with inferred market parameters.
- Last available Daily Settlement Price: as a last resource, the most recent Daily Settlement Price determined by BME CLEARING will be used, in accordance with the established Circulars.

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