

# Circular C-GEN-10/2023

Recovery Plan procedures



**BME CLEARING**

## **General Circular**

**Effective Date: 5 December 2023**

**Replaces: -**

**It describes the procedures to be followed in relation to the activation of the recovery plan.**

This Circular is issued pursuant to the provisions of Chapter 12 '*Recovery Measures of BME CLEARING*' of the BME CLEARING Rule Book, implementing article 56 on procedures relating to the activation of the recovery plan.

### **1. OVERVIEW**

Complying with the provisions of Regulation (EU) 2021/23 on recovery and resolution of Central Clearing Counterparties, BME CLEARING has a recovery plan that establishes the measures to be undertaken in the event of Defaults or in the event of Non-Defaults or a combination of both.

The recovery plan provides the measures to fully and effectively address all the risks of BME CLEARING, as well as a framework of indicators based on BME CLEARING's risk profile, that determines the circumstances under which the measures set out in the recovery plan will be adopted. The indicators may be qualitative or quantitative, relate to the financial soundness and operational viability of the CCP and should allow for the early adoption of recovery measures, so that there is sufficient time for the implementation of the plan.

Pursuant to Article 9 of Regulation (EU) 2021/23 on recovery and resolution of Central Counterparties and with the aim of achieving the recovery objectives, this Circular describes the procedures that BME CLEARING will apply when:

- It intends to adopt the measures envisaged in the recovery plan even if the values of the indicators set out in the recovery plan itself have not been reached;
- even if the values of the indicators have been reached, BME CLEARING will not implement the measures foreseen in the recovery plan.

### **2. MONITORING OF RECOVERY INDICATORS AND EARLY WARNING LIMITS**

The department of BME CLEARING designated for this purpose shall monitor the recovery indicators established in the recovery plan, including the monitoring of the early warning limits provided for under these recovery indicators.

### 3. ACTIVATION OF RECOVERY INDICATORS

When the department of BME CLEARING designated to monitor the indicators communicates the activation of the recovery indicators, both in Default and Non-Default scenarios, the following management procedure is implemented, in accordance with the provisions of the BME CLEARING recovery plan:

- Establishment of the Recovery Committee of BME CLEARING.
- Analysis of the recovery indicators and other relevant circumstances, and assessment of the nature and magnitude of the difficulties identified.
- Proposal of the Recovery Committee on:
  - the activation of the recovery plan or,
  - where appropriate, the adoption of the specific risk monitoring and management measures to be adopted to restore the financial and operational soundness of BME CLEARING, without activation of the recovery plan.
- Adoption of the corresponding decision by the Chief Executive Officer of BME CLEARING, at the proposal of the Recovery Committee.
- Notification to the Comisión Nacional del Mercado de Valores (CNMV) of:
  - The activation of the recovery plan or,
  - The risk monitoring and management measures to be adopted, without activation of the recovery plan.

### 4. ACTIVATION OF THE RECOVERY PLAN WITHOUT ACTIVATION OF THE RECOVERY INDICATORS.

When the department of BME CLEARING designated to monitor the indicators considers that, even where the recovery indicators provided for in the recovery plan have not been activated, in view of the severity of the concurrent circumstances, including the assessment of the early warning limits of such indicators, it would be necessary to activate the recovery plan. After notification of this situation, the management procedure provided in section 3 of this Circular shall be implemented in accordance with the provisions of the BME CLEARING recovery plan.

The activation of the recovery plan shall be decided when deemed necessary to achieve the objectives of restoring the financial and operational soundness and robustness of the CCP.

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