

[B]³

Ptax Contingency

Calculation Method, Procedures, and Critical Times



- **Context**

- The Central Bank does not release the Ptax (closing quotation and / or intraday quotation)
- B3 has derivative contracts accrued and settled using PTAX
- Lack of a calculation at the cut-off times makes it impossible to calculate settlement values
- B3 contracts provision: wait for PTAX disclosure or arbitrate a rate for the contract settlements

- **B3 can arbitrate PTAX using pre-established methodologies**

- 2 possible scenarios
 1. BCB collects the data but does not release the rate(s)
 2. The data was not collected at the normal times
- B3's contingency reference real/dollar rate will be released by 18:30
- If BCB does not disclose the closing quotation of PTAX by Clearing's end-of-day process starting time (slide 6 presents the time scenarios considered), B3's contingency rate will be used, informing the market of the contingency rate on that day

Scenario 1: BCB collects data but fails to release

- **B3 uses the same information collected by BCB to calculate the rates**
 - If the rates are not released by BCB by 17:00,
 - Dealers inform B3, by email, the same data sent to BCB for the windows not released
 - B3 assesses whether reported rates are consistent with what is observed in the futures market at collection times and can discard those submissions that, in its discretion, are deemed to be very divergent
 - If there are less than 7 valid submissions, The following fallback method will be used
 - Times where partial PTAX is not released: B3 excludes the two highest and two lowest valid rates to calculate the average
 - Using partial rates published by the BCB and rates calculated by B3, B3 calculates the contingency exchange rate to be used instead of the closing PTAX using the same methodology as the BCB
- Fallback method to calculate partial rate(s) if there is not 7 valid submissions
 - B3 uses the average price (weighted average) of trades from the first dollar futures contract at the minute and
 - second of collection
 - B3 uses the traded/estimated price of the "Dolar Casado" (dollar spread) structured product at the collection time
 - partial exchange rate defined as futures price – estimated "Dolar Casado" structured product (+/-) spread of 3 pips

Scenario 2: BCB fails to collect data

- **B3 uses information submitted by Dealers to calculate the rate**
 - If the BCB does not release the rates by 17:00,
 - Dealers inform B3, by email, of their rate in the 9th minute of the collection window
 - B3 assesses whether reported rates are consistent with what is observed in the futures market at collection times and can discard those submissions that, in its discretion, deems to be very divergent
 - If there are less than 7 valid submissions, The following fallback method will be used
 - Times where partial PTAX is not released, B3 excludes the two highest and two lowest valid rates to calculate the average
 - Using partial rates published by the BCB and rates calculated by B3, B3 calculates the contingency exchange rate to be used instead of the closing PTAX using the same methodology as the BCB
- Fallback method to calculate partial rate(s) if there is not 7 valid submissions
 - B3 uses the average price (weighted average) of trades from the first dollar futures contract at the minute and second of collection
 - B3 uses the traded/estimated price of the "Dolar Casado" structured product at the collection time
 - partial exchange rate defined as futures price – estimated "Dolar Casado" structured product (+/-) spread of 3 pips

Critical times to use B3's contingency rates



- **Critical Times**

- There is an impact on overnight processing times for B3 and participants (custodians, brokers, banks, etc)
- Possible times: 10:30 pm and 11:59 pm, depending on the scenario and day of the week (below)
 - Maintaining the opening of trading hours the following day
- Critical time scenarios
 - Last business day of the month: fixing of derivative contracts (listed and over-the-counter) traded at B3
 - Other days: futures contract prices traded through FRP0 and FRP1 and over-the-counter market settlements with CCP
 - Weekday
 - Weekend: longer time to complete night processes
 - Weekday: shorter processing time

Critical time scenarios and Impact on B3 information releases



Scenario	Time	Impact	Impact B3
Other days	21:30	Low	<ul style="list-style-type: none"> No delay in publishing BVBG086
Other days	22:30	Moderate	<ul style="list-style-type: none"> No delay in publishing BVBG086
Last day of the month, Friday	23:59	Moderate	<ul style="list-style-type: none"> Delay in publishing BVBG086 Impact on the late-night information disclosure release time to the market
Last day of the month, Monday to Thursday	23:59	High	<ul style="list-style-type: none"> Delay in publishing BVBG086 Delay in critical files and messages for participant trades Opening windows of the Over-the-Counter and Clearing capture systems impacted.