



Warsaw, 31 May 2010

## Changes to the Settlement Guarantee System Take Effect

PRESS RELEASE

**Changes to the guarantee system for the settlement of transactions concluded on the regulated market following the establishment of the company KDPW\_CLEARPOOL by the National Depository took effect on 31 May 2010. An agreement between KDPW SA and KDPW\_CLEARPOOL, whereby the National Depository may use the capital of the company KDPW\_CLEARPOOL if assets available in the guarantee system for the settlement of transactions on the regulated market are insufficient to clear a transaction, took effect on the same day.**

Following the changes, KDPW may use the assets of KDPW\_CLEARPOOL to clear a transaction if a KDPW clearing member is insolvent and other funds available in the following order have been exhausted:

- assets of the insolvent participant available in the system including the participant's receivables, maintenance margins (futures market), and contributions to the guarantee fund;
- basic contributions of other participants to the relevant part of the guarantee fund;
- additional contributions of clearing members to the relevant part of the guarantee fund – first tranche up to 50% of maximum additional contributions; each participant's maximum additional contributions are capped at 110% of the participant's basic contributions.

If these assets are insufficient to pay all clearing liabilities of an insolvent participant, **the remaining liabilities up to PLN 20 million will be paid from the assets of KDPW\_CLEARPOOL**. After that, the system will use the second tranche of additional contributions paid by clearing members to the relevant part of the fund up to 50% of maximum additional contributions and/or (depending on the decision of the KDPW Management Board) other assets available to the National Depository from KDPW\_CLEARPOOL.

An international rating agency has assessed positively the creation of KDPW\_CLEARPOOL and its impact on the overall operating risk of KDPW, in particular counterparty risk. *“According to our expectations, the separation of KDPW's assets to support the settlement guarantee system for the regulated market will already have a positive impact on the international perception of the Polish market. The establishment of the guarantor enshrined in the KDPW growth strategy has been noted and appreciated as a factor reducing settlement risk,”* said **KDPW CEO Iwona Sroka**.

The new solutions cap participants' additional contributions to the guarantee fund at 110% of their basic contributions. This will allow the participants to assess the risks of participation in the system, which was difficult as long as contributions were not capped.

The creation of the settlement guarantor is the first step in the spin-off of a CCP clearing house from KDPW's organisation. The new entity KDPW\_CLEARPOOL has been equipped with important features of the future CCP in compliance with the highest international standards:

- legal entity separate from KDPW (central depository);
- own capital which can be used to guarantee the settlement of transactions;
- capped additional contributions of market participants to the guarantee fund.

*“The implementation of a settlement risk management system based on SPAN methodology within KDPW’s new guarantee model will open the door to creation of a CCP clearing house – an entity liable to participants for the settlement of cleared transactions,”* said **KDPW CEO Iwona Sroka**. *“As an important part of the planned change, margins will be used as the main instrument to guarantee the settlement of transactions on the cash market, just like margins are now used on the futures market.”*

More information in English at [www.kdpw.pl/en/kdpw\\_clearpool](http://www.kdpw.pl/en/kdpw_clearpool).

\*\*\*\*\*