
Client clearing

Warsaw, 15.10.2019



Client clearing in KDPW_CCP – What new regulations are coming to the market?

01.

02.

How will the new regulations affect client clearing?

03.

Benefits of client clearing for participants

What new regulations are coming to the market?

➤ Dates of entry into force and Categories

➤ IRS EUR, GBP, JPY & USD

- Category 1: CMs of at least 1 authorised CCP: 21.06.2016
- Category 2: FCs and AIFs (which are NFCs) above 8 billion EUR: 21.12.2016
- **Category 3: FCs and AIFs (which are NFCs) below 8 billion EUR: contracts entered into or novated 4 months + 1 day following notification to ESMA and NCA (18.10.2019)**
- **Category 4: other NFCs: 21.12.2018**

➤ IRS PLN, NOK & SEK

- Category 1: CMs of at least 1 authorised CCP: 09.02.2017
- Category 2: FCs and AIFs (which are NFCs) above 8 billion EUR: 09.07.2017
- **Category 3: FCs and AIFs (which are NFCs) below 8 billion EUR: 4 months + 1 day following notification (18.10.2019)**
- **Category 4: other NFCs: 4 months + 1 day following notification (18.10.2019)**

How will the new regulations affect client clearing?

Type	Reference index	Transaction maturity		Notional value
		Cleared by KDPW_CCP	Subject to central clearing obligation	
IRS	WIBOR	1D – 20Y (WIBOR 3M, 6M) 1D – 3Y (WIBOR 1M)	28D – 10Y	Fixed or float
	EURIBOR	1D – 50Y	28D – 50Y	Fixed or float
FRA	WIBOR	1D – 2Y	3D – 2Y	Fixed
	EURIBOR	1D – 3Y	3D – 3Y	Fixed
OIS	POLONIA	1D – 1Y	-	Fixed
	EONIA (ESTR)	1D – 30Y	7D – 3Y	Fixed

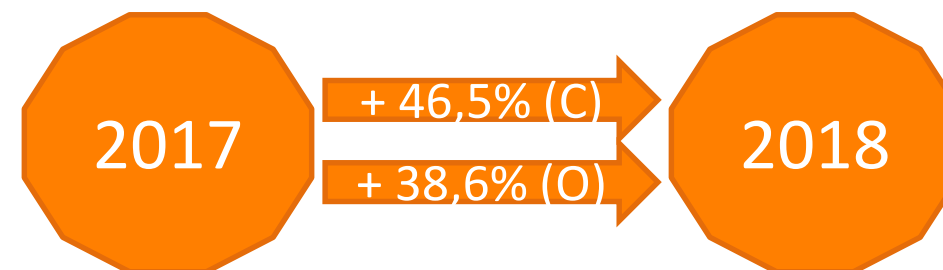
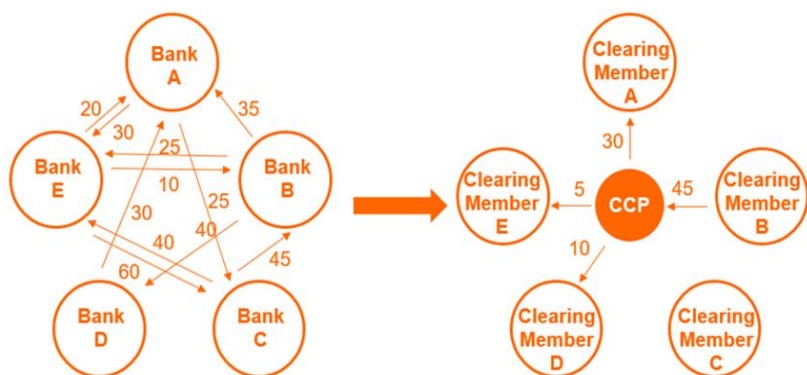
- 8 April 2014 – Polish Financial Supervision Authority (KNF) authorises KDPW_CCP **to offer services and operate in the EU** for the following classes of financial instruments:
 - PLN equity and debt securities (organised market)
 - PLN interest rate, currency, equity and debt derivatives (organised market)
 - PLN interest rate derivatives (OTC)
 - PLN repo and sell/buy-back (OTC)

- 9 August 2016 – KNF **extends the authorisation** to cover the following instruments:
 - EUR equity and debt securities (organised market)
 - PLN debt securities (OTC)
 - EUR interest rate derivatives (OTC)

Client clearing in KDPW_CCP

In the OTC_clearing service which addresses the clearing obligation under the European regulations, KDPW_CCP acting as a central counterparty (CCP) offers:

- Clearing of OTC derivatives and repos through novation
- Acts as an intermediary in the settlement resulting from the clearing process
- Risk management according to the best market practice, including mainly full compliance with EMIR
- Collateral management
- Reports cleared transactions to the trade repository (KDPW_TR) at no extra charge



Benefits of client clearing for participants of KDPW_CCP

- **Novation** – KDPW_CCP becomes counterparty of each transaction accepted for clearing – **systemic risk reduction**
- **Better terms & conditions of IRS transactions** – potentially lower **CVA**
- **Lower capital requirements** for transactions cleared in the CCP than for bilateral transactions -> in the case of transactions cleared by authorized CCPs, banks may adopt a **2% risk weight** for transaction exposure to CCP (qualifying CCP, CRR)
- KDPW_CCP sends transaction reports to the **trade repository (KDPW_TR)**, as an additional service for entities subject to the reporting obligation according to the applicable legal provisions, immediately upon the clearing of transactions -> **no extra charges -> lower operational risk**
- **Guaranteeing** the clearing of transactions – **PLN and EUR -> Optimization of transaction processes** -> Automatic netting of opposing transaction – **Optimization of clearing processes**
- **Default management**

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