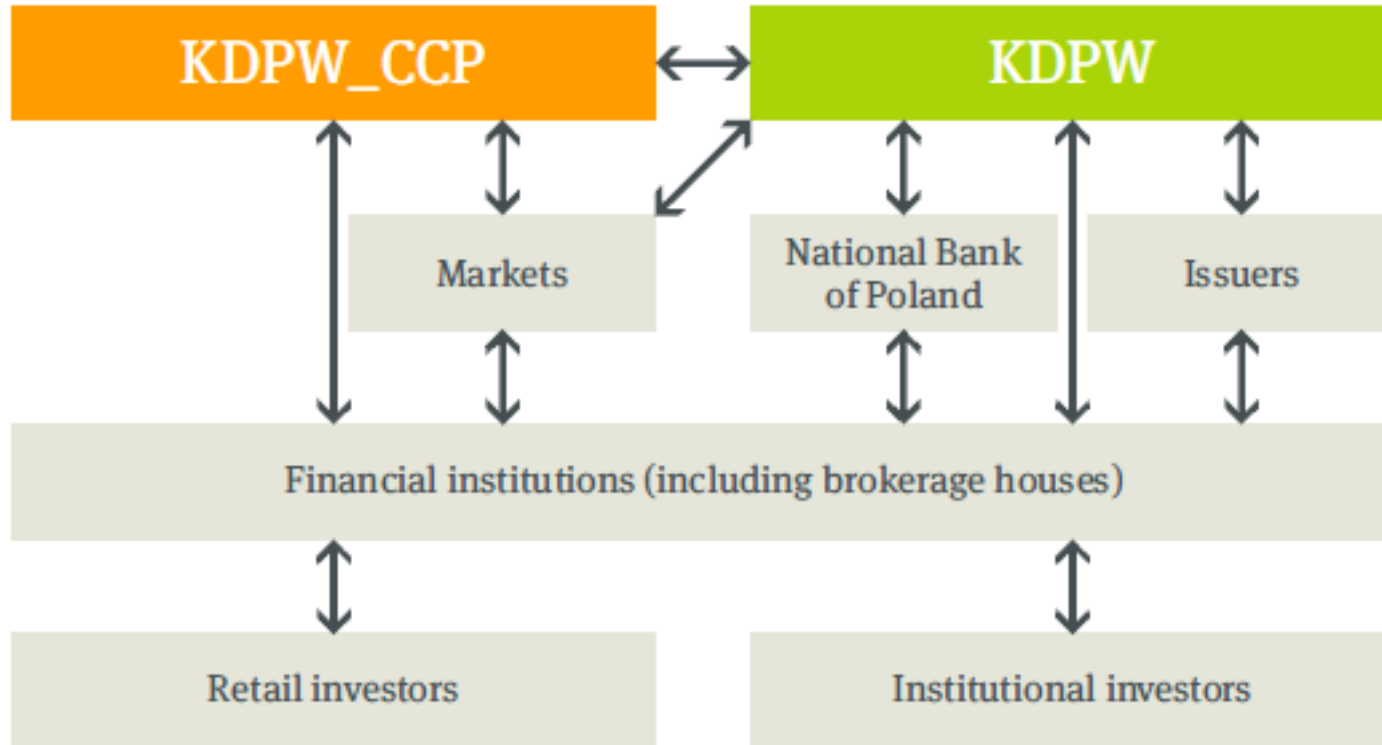


# KDPW and KDPW\_CCP: Ready for EMIR

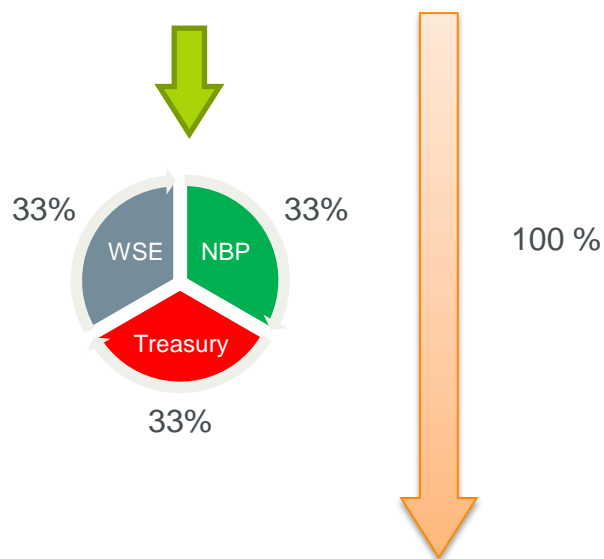
Iwona Sroka – President & CEO, KDPW and KDPW\_CCP

Warsaw, 14 June 2013

## Polish Financial Supervision Authority



# kdpw\_—



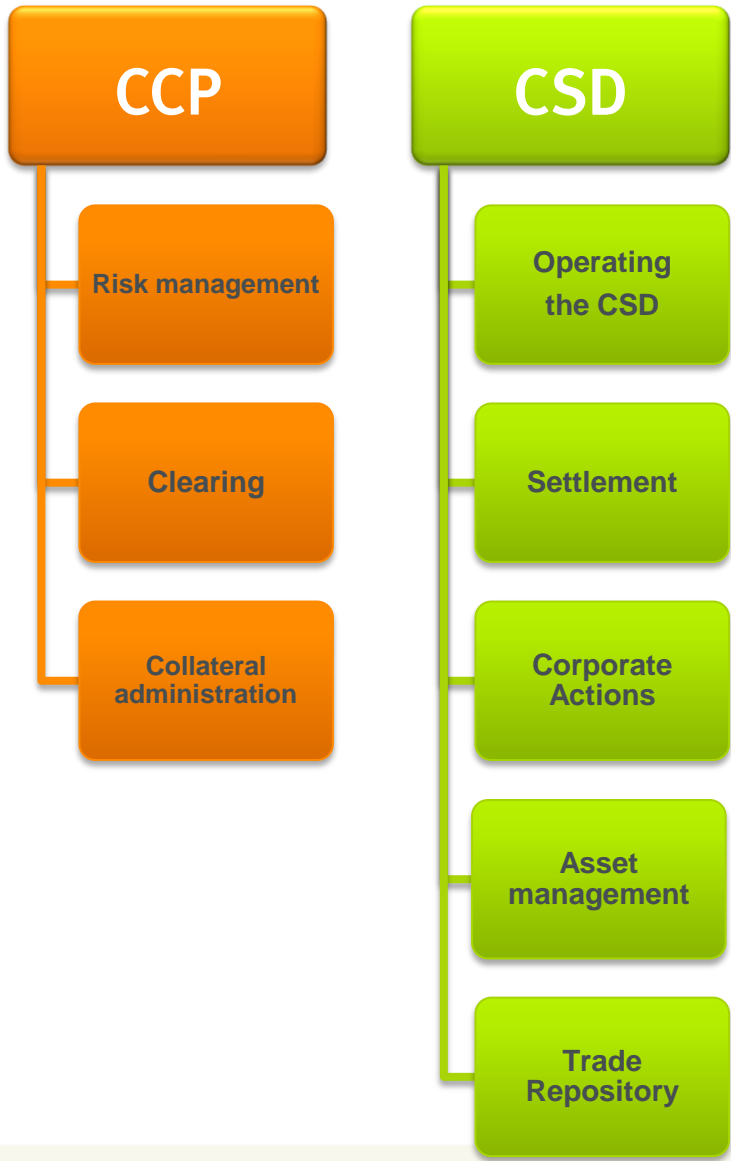
# kdpw\_— **CCP**

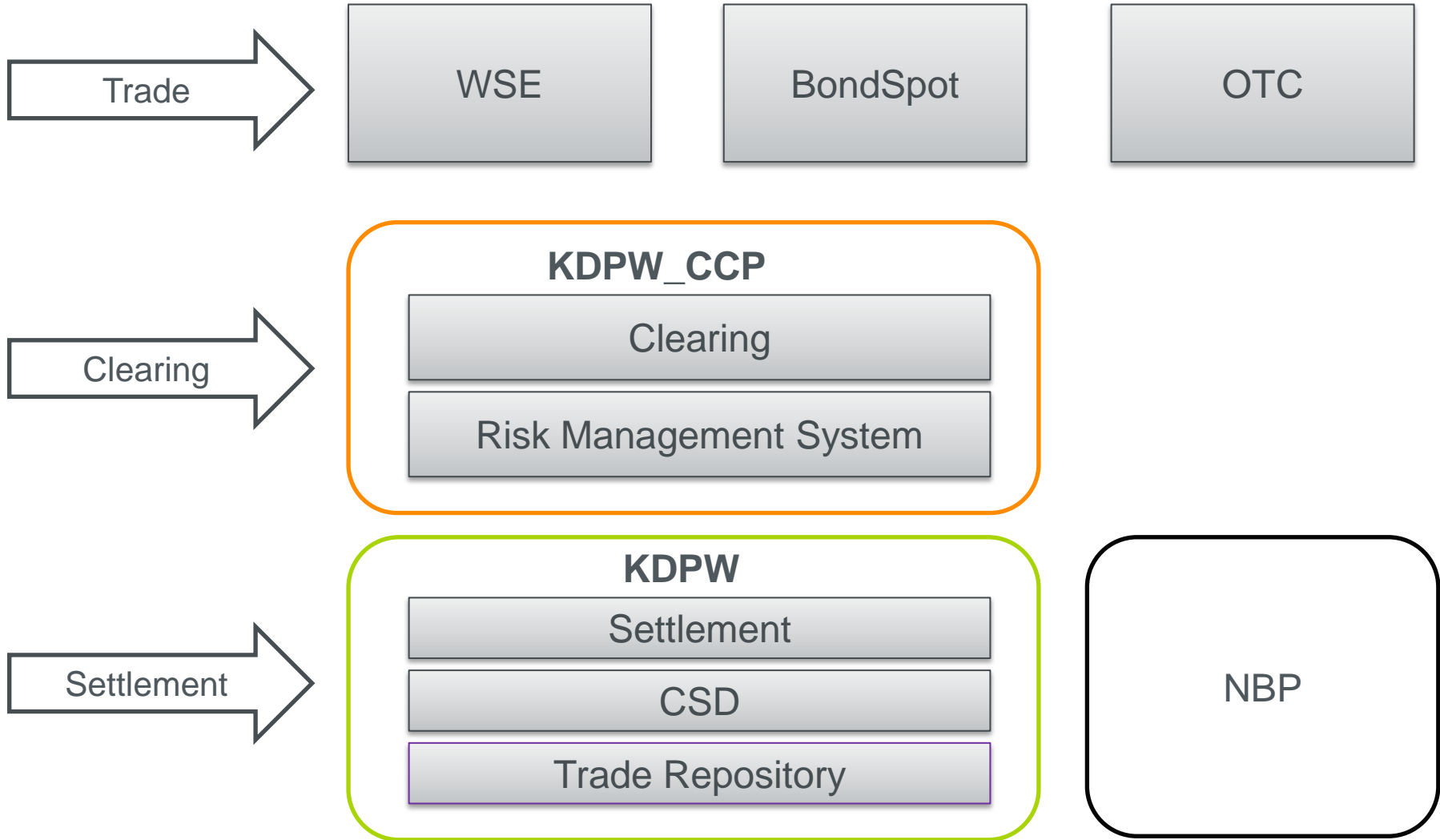
## History

- **1991 - 1994**  
Integral part of the Warsaw Stock Exchange
- **1994 – now**  
Independent institution, joint stock company
- **Current shareholders (since 1999)**

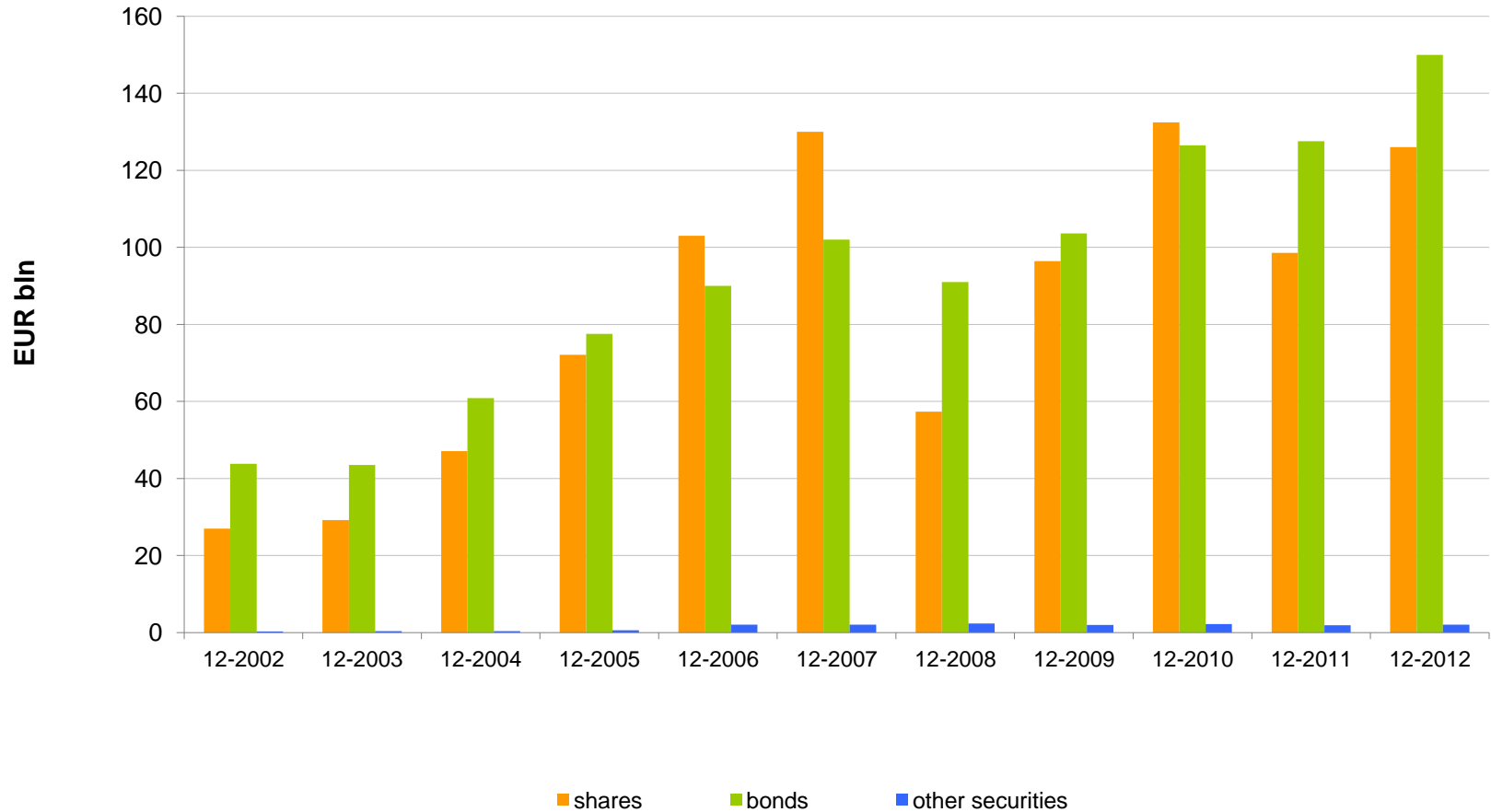
State Treasury	1/3 of shares
WSE	1/3 of shares
National Bank of Poland	1/3 of shares
- **KDPW\_CCP (July 2011)**  
KDPW 100% of shares.

# Functionalities of KDPW\_CCP (CCP) / KDPW (CSD)

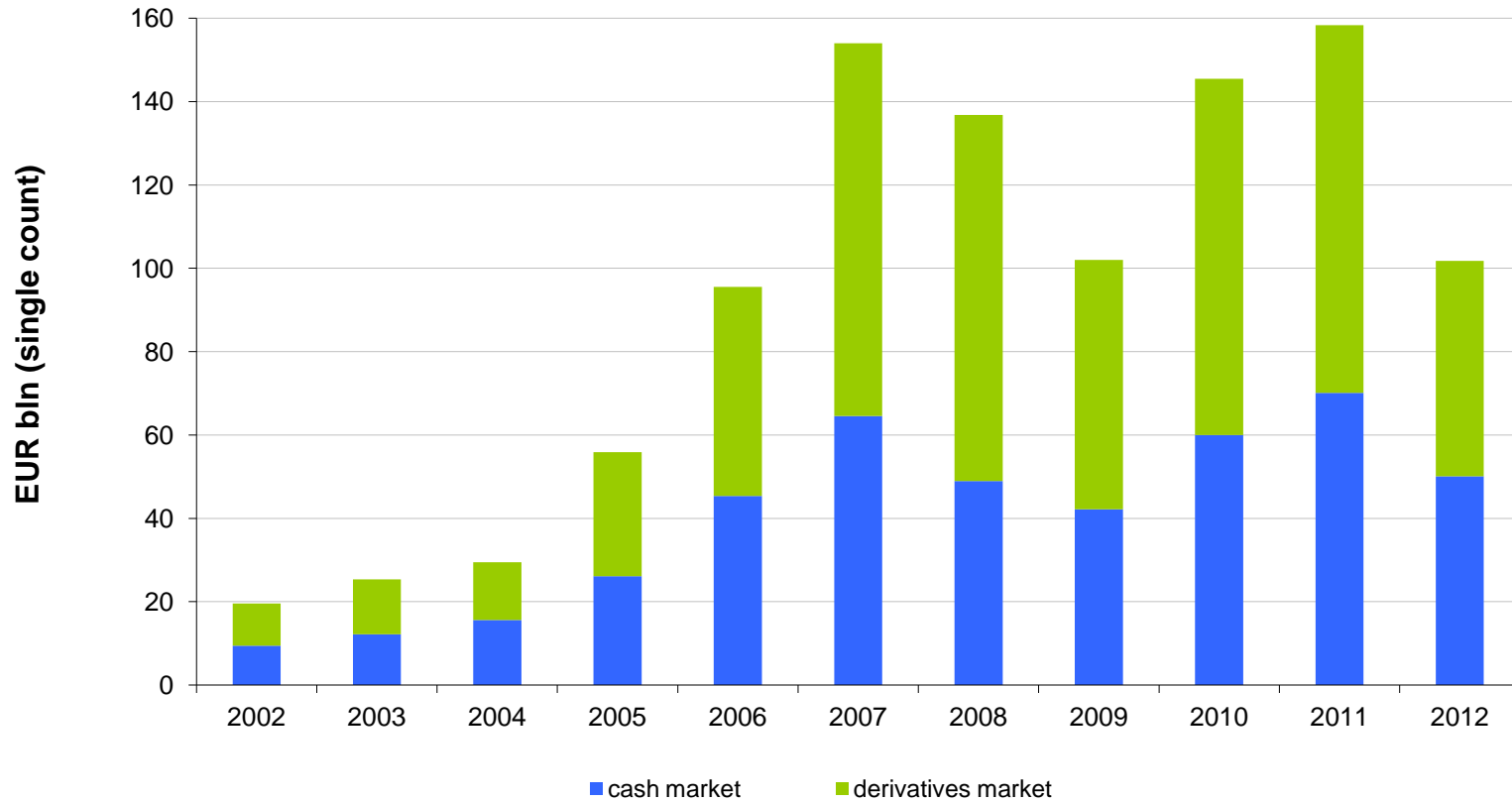




- KDPW participants – 67
  - Issuers – 1104 (of which 69 are foreign)
  - Deposited equities issues – 1088
  - Deposited bond issues – 680
- 
- Capitalisation of shares in KDPW – PLN 495 billion (EUR 119 billion)
  - Capitalisation of bonds in KDPW – PLN 646 billion (EUR 156 billion)
- 
- Value of all operations cleared and settled in 2012: PLN 11 trillion (EUR 2.6 trillion)



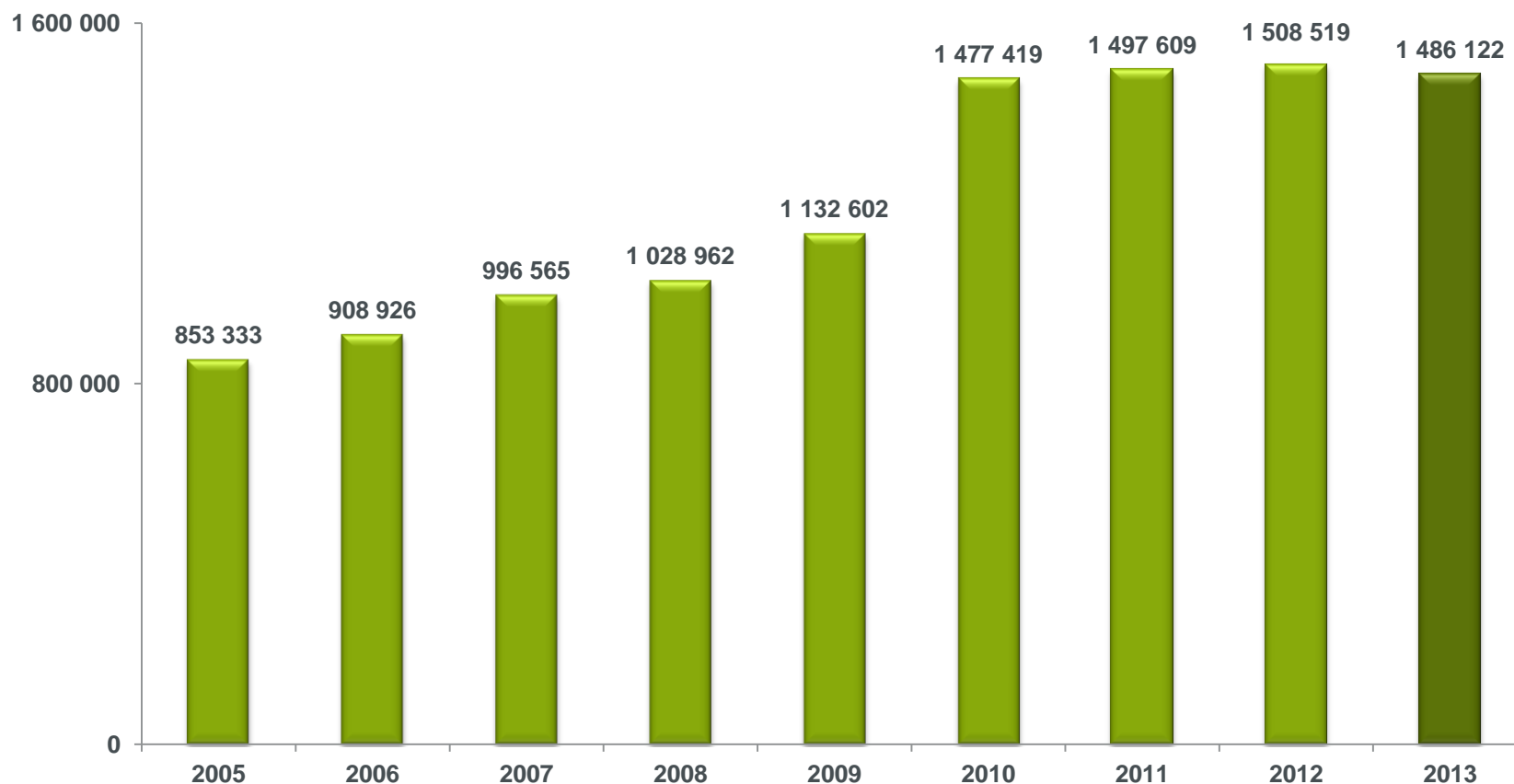
**Capitalisation of shares, bonds and other securities registered in KDPW  
(bln EUR)**



Regulated market cash and derivatives turnover  
(bln EUR)



# Number of Securities Accounts



Source: KDPW, based on information reported by Participants.  
Year-end data for 2005-2012; end of April data for 2013.

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Trade  
Repository

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- Article 9: Reporting obligation
- Article 55: Registration of Trade Repository by ESMA

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**CCP**



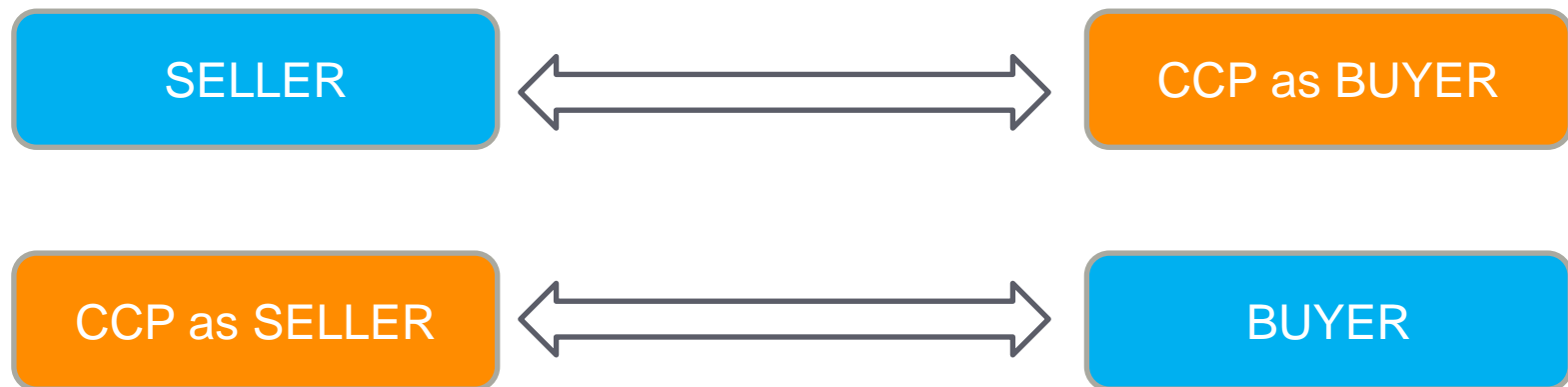
- Article 4: Clearing obligation of OTC derivatives
- Article 14: Authorisation of KDPW\_CCP

## Harmonisation of KDPW and KDPW\_CCP with EMIR requirements:

- Harmonisation with the definition of CCP: **Novation**
- Harmonisation with the **capital requirement**
- New **order of using the resources of the clearing guarantee system**
- New service: **OTC clearing**
- **Authorisation** of a CCP
- Creation of **Trade Repository service**
- **Application for registration** of Trade Repository with the European Securities and Markets Authority (2 May 2013)

Amended provisions of the Act on Trading in Financial Instruments effective as of 4 August 2012 introduced **novation** to the Polish legal system.

Through novation, the clearing house becomes a central counterparty: a buyer to each seller and a seller to each buyer, taking over the mutual rights and obligations of the original trading parties.



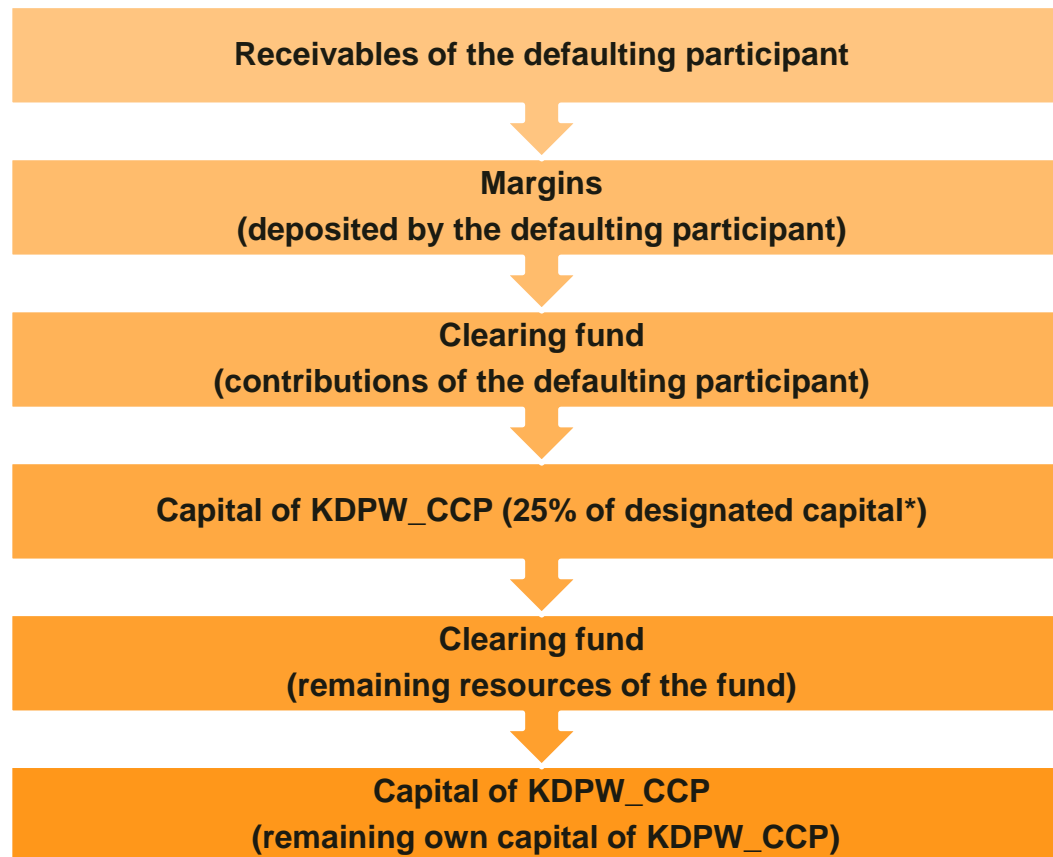
**Increase of the share capital** of KDPW\_CCP in view of the implementation of clearing of OTC trade to **PLN 209,5 million (ca. EUR 50 million)**.

**Minimum capital requirement:** at least EUR 7.5 million (under Article 16 of EMIR).

According to the EBA technical standards, the capital of a CCP should be at least equal to the sum of:

- gross operational expenses during an appropriate time span for restructuring;
- the capital necessary to cover operational risk;
- the capital necessary to cover credit, counterparty credit and market risks of non-clearing activities;
- the capital necessary to cover legal risk and business risk.

## Order of Using the Resources of the Clearing Guarantee System



## Why KDPW\_CCP?

- Access to the Polish capital market
- Liquidity in PLN in central bank (NBP) money
- Option of contributing collateral in Polish Treasuries, WIG20 stocks and PLN
- Stability of the Polish banking sector
- Reduced risk of cash, derivatives and OTC trade
- Effective trade guarantee and clearing system
- Settlement in central bank money
- Application of high standards of risk management
- Standard default procedures

KDPW\_CCP operates an OTC derivatives trade clearing system including a clearing liquidity guarantee system.

Main functionalities of the OTC trade clearing system:

- clearing of trade accepted to the OTC clearing system and intermediation in settlement arising from clearing
- management of clearing risk
- administration of collateral
- function of central counterparty (CCP) through novation
- reporting to a trade repository (service offered by KDPW)



## List of OTC instruments cleared in KDPW\_CCP:

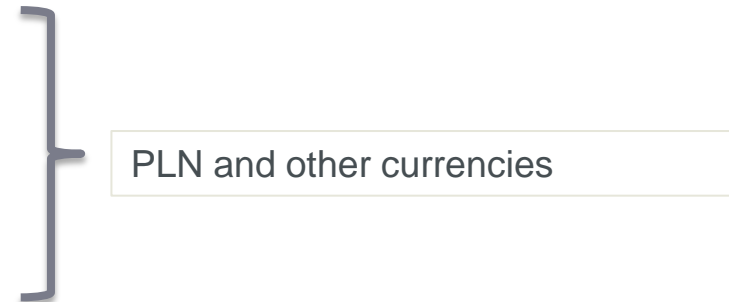
### Phase 1 – December 2012:

- Forward Rate Agreements
- Interest Rate Swaps
- Overnight Index Swap
- Basis Swaps
- REPO



### Phase 2 – January 2014:

- FX swaps
- FX options
- Interest rate options
- Currency Interest Rate Swaps (CIRS)



## Filing an application for authorisation under EMIR by PFSA (Q2 2013)

The scope of harmonisation includes among others:

- **organisational requirements** – including appointment of a Risk Committee, an Audit Committee and a Remuneration Committee, harmonisation of corporate boards and positions;
- **operational rules** – including harmonisation of agreements between KDPW\_CCP S.A. and KDPW S.A., investment policies, audit policies, data archivisation policies;
- **precautionary requirements** – including the default procedure, the list of instruments acceptable as collateral, guarantee funds, liquidity risk controlling measures.

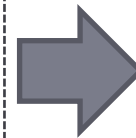
- A trade repository is a **set of information** which fulfils the requirements of the Regulation of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories.
- The KDPW Trade Repository became operational on **2 November 2012**.
- It operates under the **Trade Repository Rules**.
- On 2 May 2013, KDPW filed an application for registration of a trade repository with the European Securities and Markets Authority for purposes related to the reporting of details of concluded derivative contracts in accordance with the obligation imposed by the provisions of the EU Regulation EMIR.



- **OTC clearing**
- Harmonisation of KDPW Group's IT systems with **UTP** (WSE system)
- Development of a risk management system based on **SPAN** methodology
- Introduction of **novation**
- Introduction of **securities netting** in cash market clearing
- Implementation by KDPW Group of a **system of loans initiated** by participants
- Launch of a **confirmation platform** for matching of repo and buy/sell-back trades

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- **Trade Repository** service
- Harmonisation of the KDPW system with cash settlement on **SORBNET2**
- Standardisation of corporate actions processing under **ISO20022**
- **Introduction of omnibus securities accounts**
- Development of KDPW services for **repo trades** (including **tri-party repo** agent)
- Development of **DvP operational links** with foreign CSDs
- Harmonisation with the requirements of **CSDR**



Building **top-quality post-trade infrastructure** for the regulated market



Polish market **competitive with developed markets**

[www.kdpw.eu](http://www.kdpw.eu)  
[www.kdpwccp.eu](http://www.kdpwccp.eu)