SYSTEM CHANGES RELATED TO THE IMPLEMENTATION OF THE T+1 SETTLEMENT CYCLE

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I Partial settlement

Partial settlement will become **mandatory/the default option**.

In the case of transactions for which partial settlement is used, the following rules will apply:

- Failure to complete the partial settlement consent field in the settlement instruction will be deemed to constitute CONSENT
- Only an explicit indication of NO CONSENT to partial settlement in the body of the settlement instruction will mean that partial settlement will not be carried out for such instruction
- It will be possible to submit technical instructions which modify the partial settlement consent flag in respect of previously submitted settlement orders

The current structure of the XML message relating to the entity account **will be retained;** consequently, version acmt.rqa.001.03 will apply.

The flag indicating consent or lack of consent for partial settlement will be retained in the entity account database; however, **for all entity accounts,** this flag will be set to "consent". This action will be carried out by KDPW on the T+1 implementation date, i.e. 11 October 2027.

From 11 October 2027, participants will not be able to change this value using system messages.

If an xml acmt.rqa.001.03 message relating to an entity account is submitted to KDPW, the value "NPART" in the field designated for "consent for partial settlement" will be treated as invalid. Such an application to open an entity account will be rejected.
For every new entity account opened by a participant, "consent" for partial settlement will be set for that account, regardless of whether such consent is given in the XML message relating to the opening of that account.

Expected start date for testing: April 2027

Roll-out date for the changes: 11 October 2027

II Allegement report

KDPW will introduce a mechanism to notify KDPW participants of settlement instructions submitted by a counterparty that are pending matching.

The information will be communicated via a new system message. The S&R NMPG PL Group has decided that the message to be implemented by KDPW will be a message compliant with the ISO 20022 standard: **sese.028.001.12**.

Consequently, there are no plans to develop a solution based on KDPW's proprietary XML messages.

The new message type will be available via the existing telecommunications channels used by KDPW. Receipt of this type of message will not require participants to declare communication using ISO 20022 messages.

Allegement messages will be preceded by a BAH (Business Application Header) version 2.0 (head.001.001.02), as used in Swift SR2026. Depending on the channel to which the message is sent, allegement messages together with the BAH header will be encapsulated within a KDPW system envelope or the envelope required by the Swift InterAct system.

Please be reminded that the core functionality of the allegement system will be made available in 2027, and it will enable the transmission of an allegement notification to the counterparty immediately upon KDPW's receipt of a settlement instruction that meets the required conditions. Any future expansion of the process, taking into account elements such as revoking an allegement notification (sese.029), responding to a received allegement notification (sese.040), or deliberate delays in the transmission of allegement notifications, is planned for potential implementation in subsequent years, following the development of solutions in consultation with the market within the framework of the S&R NMPG PL.

Key principles regarding the allegement report:

1. An allegement message will be generated and sent to the settlement agent/settlement party acting as the counterparty to the sender of the settlement instruction, with a status code indicating an instruction pending matching (code: NMAT/CMIS).
2. An allegement message will be generated in each of the same cases where a status message is generated for an instruction not yet matched with the status code: NMAT/CMIS.
3. During market consultations in the S&R NMPG PL, it has been agreed that the kdpw_stream system sese.sts XML messages will continue to be transmitted in accordance with the existing rules, while allegement messages would additionally be sent to the counterparty at the same time.
4. In the ISO 20022 data exchange channel, a rule consistent with SMPG market practice will be adopted, whereby allegement messages are sent alternately with the status message (the status message being sent to the sender and the allegement to the counterparty). This rule applies to the currently operational ISO 20022 settlement data exchange channel.
5. An allegement message will always be generated on the basis of the same data as the related status message.
6. An allegement message may be sent multiple times until the instructions are matched. One example of the need to resend the status and allegement message, in the absence of any change to the status code or reason for the instruction, is the modification of a settlement instruction via a technical instruction regarding Hold/Release or consent for partial settlement (RwC).
7. A participant may opt out of receiving allegement messages by means of the available processes for declaring acceptance of selected message types.
8. The only allegement message structure in KDPW will be: **sese.028.001.12,** compliant with ISO 20022 in the version compliant with Swift SR2026.

The allegement message schema (sese.028.001.12) is available on the MyStandards platform, in the collection accessible via the following link:

https://www2.swift.com/mystandards/#/mp/mx/_W4a6cJx8EfGWtbkYVBO5-Q/_5nPp8Jx8EfGWtbkYVBO5-Q!content

Furthermore, please be reminded that the KDPW Group has since 2017 made the documentation for ISO messages used to communicate with counterparties available on the MyStandards platform. Access to MyStandards is free of charge and does not require a SWIFT licence. The only requirement is prior registration on the platform.

Expected start date for testing: June 2027

Roll-out date for the changes: July 2027

III Introduction of the requirement to hold a BIC11 code

KDPW will introduce a formal requirement for each KDPW direct participant to hold and **specify a separate BIC11 code (registered in SWIFT databases)** for each KDPW direct participation code.

This means that a unique BIC11 code will be assigned to each existing institution code issued by the KDPW to a direct participant.

The existing four-character institution codes will continue to operate in parallel with the assigned BIC11 codes. There are no plans to introduce changes requiring the use of BIC11 codes in place of the participant code. In particular, this change will enable the widespread use of BIC11 codes in settlement processes (unambiguous identification of a KDPW participant using the BIC11 code). In particular, it will be possible to identify a counterparty in a settlement instruction using a BIC11 code instead of the four-character code assigned by KDPW.

The introduction of this requirement does not result in any changes to the structure of XML messages; a dedicated field for the BIC code as an identifier for settlement parties is already available, e.g. in the fields: DeliveringPartiesAndAccount/DlvrgAgtDtls or ReceivingPartiesAndAccount/RcvgAgtDtls.

KDPW plans to draft a form for providing BIC11 codes for the individual codes of KDPW's direct participants. Please note that these codes will be required well in advance to allow for testing in the TST environment.

Expected start date for testing: June 2027

Roll-out date for the changes: 11 October 2027

IV Migration / update relating to settlement messages compliant with the ISO 20022 standard

KDPW will update the ISO 20022 messages in the area of settlement, which will be exchanged via the SWIFT network and via the MQ queues offered by KDPW.

KDPW will support the following ISO 20022 messages in accordance with SWIFT Standard Release 2026:

- sese.023.001.13 – Securities Settlement Transaction Instruction,
- sese.024.001.14 – Securities Settlement Transaction Status Advice,
- sese.025.001.13 – Securities Settlement Transaction Confirmation,
- semt.017.001.14 – Securities Transaction Posting Report,
- semt.002.001.12 - Securities Balance Custody Report,
- semt.013.001.07 - Intra Position Movement Instruction,
- sese.020.001.09 - Securities Transaction Cancellation Request,
- semt.021.001.09 - Securities Statement Query,
- sese.021.001.08 - Securities Transaction Status Query,
- sese.028.001.12 - Securities Settlement Transaction Allegement Notification,
- sese.030.001.10 - Securities Settlement Conditions Modification Request.

The exchange of ISO 20022 settlement messages will be available via three channels:
a/ A2A – using the existing MQ queues in the CSD service;
b/ A2A SWIFT – in closed user groups (CUGs);
c/ U2A – the option to send XML files containing settlement instructions and technical instructions via the "CSD Services – Direct Participant" application provided by KDPW.

Messages will be preceded by a BAH (Business Application Header) version 2.0 (head.001.001.02), as used in Swift SR2026.

The schemas for the above messages are available on the MyStandards platform, in the 'KDPW_Settlement_MX_SR2026' collection, accessible via the following link:

https://www2.swift.com/mystandards/#/group/KDPW_Group/CSD_of_Poland__KDPW__subgroup_

Expected start date for testing: July 2027

Roll-out date for the changes: September 2027

V Changes to proprietary XML messages

1. Changes relating to the future implementation of the partial release service – please be reminded that this service will be implemented in 2028.

1) Technical instruction **sese.tec** – addition of the **Qty** (Quantity of Financial Instrument) field used to provide the volume of assets released for settlement.
2) Status of the **sese.sts** settlement instruction – addition of the **PrtlyRlsdQty** (Partially Released Quantity) field used to provide settlement parties with information on the portion of assets being released.

Until the partial release functionality is introduced, the contents of the new fields will not be supported. If the **Qty** field is filled in by the sender of the sese.tec message, the message will not be rejected, but the value of the field will not be read or stored in the system.

2. Organisational changes to the structure of settlement messages

1) Removal of fields used to specify the two-character operation codes **KDPWSttlmTxTp**, market codes **KDPWPlcOfTrad** and trading modes **KDPWTradMode.** Currently, only the four-character equivalents of the above fields are supported.
2) Removal of fields specific to repo transactions by removing the section: **RpDtls.**
3) Removal of optional fields relating to market claims and transformations: **OptOutTrfCd**, **ExCumCd.**

The changes affect the message structures: **sese.ins and sese.sts**.

3. Extension of the cash account identifier length

The length of the **CshAcct** field will be extended from 28 to **34** characters.
The current length is sufficient for domestic accounts compliant with the NRB but does not comply with the maximum account identifier length set out in the IBAN standard (ISO 13616).
The changes affect the message structures: **sese.ins and sese.sts**.

4. Change related to the development of corporate event processing

An optional field, **SttlmTxCond**, will be added to the **sese.sts** message structure**.**
The rules for completing this field will be set out in a separate project dedicated to the alignment of the handling of securities splits and reverse splits with international standards.

5. The above changes will result in the following message version updates:

1) sese.tec.001.**02** –> sese.tec.001.**03**
2) sese.sts.001.**05** –> sese.sts.001.**06**
3) sese.ins.001.**03** -> sese.ins.001.**04**

Schemas of the above messages are available on the KDPW website at the following link:

https://www.kdpw.pl/en/changes-to-system-messages.html

Expected start date for testing: August 2027

Roll-out date for the changes: 11 October 2027

VI Modifications to the processing of corporate events

The alignments in the KDPW system will cover the following areas:

- changes to the rules for determining the ex-date,
- inclusion of information on key dates, in particular the last trading date, in notifications issued by KDPW.

These modifications do not alter the structure of the system messages used in the kdpw_stream system for processing of corporate events; however, the seev.031 message schema for SPLF and SPLR events will change through the addition of the LastTradingDt field, resulting from the parallel project "Splits and reverse-splits in accordance with international standards".

Notwithstanding the above, please note that, in the adaptation and development of services relating to corporate events, the **sese.sts** message (settlement instruction status) will be enriched to include information confirming the execution of a transformation (the data in the **SttlmTxCond** field).

This change is referred to above in the section "Changes to proprietary XML messages".

Please find attached detailed documentation describing the changes relating to the enrichment of information provided by KDPW in corporate events processing. Please note that, from our perspective, the use of such data by KDPW participants is optional; however, the use of the Last Trading Day as a key date in the validation of settlement instructions will be modified as a result of the parallel project "Splits and reverse-splits in accordance with international standards". Furthermore, please note a change in the methodology for determining the Market Deadline for BIDS and EXRI events.

Expected start date for testing: July 2027

Roll-out date for the changes: 11 October 2027