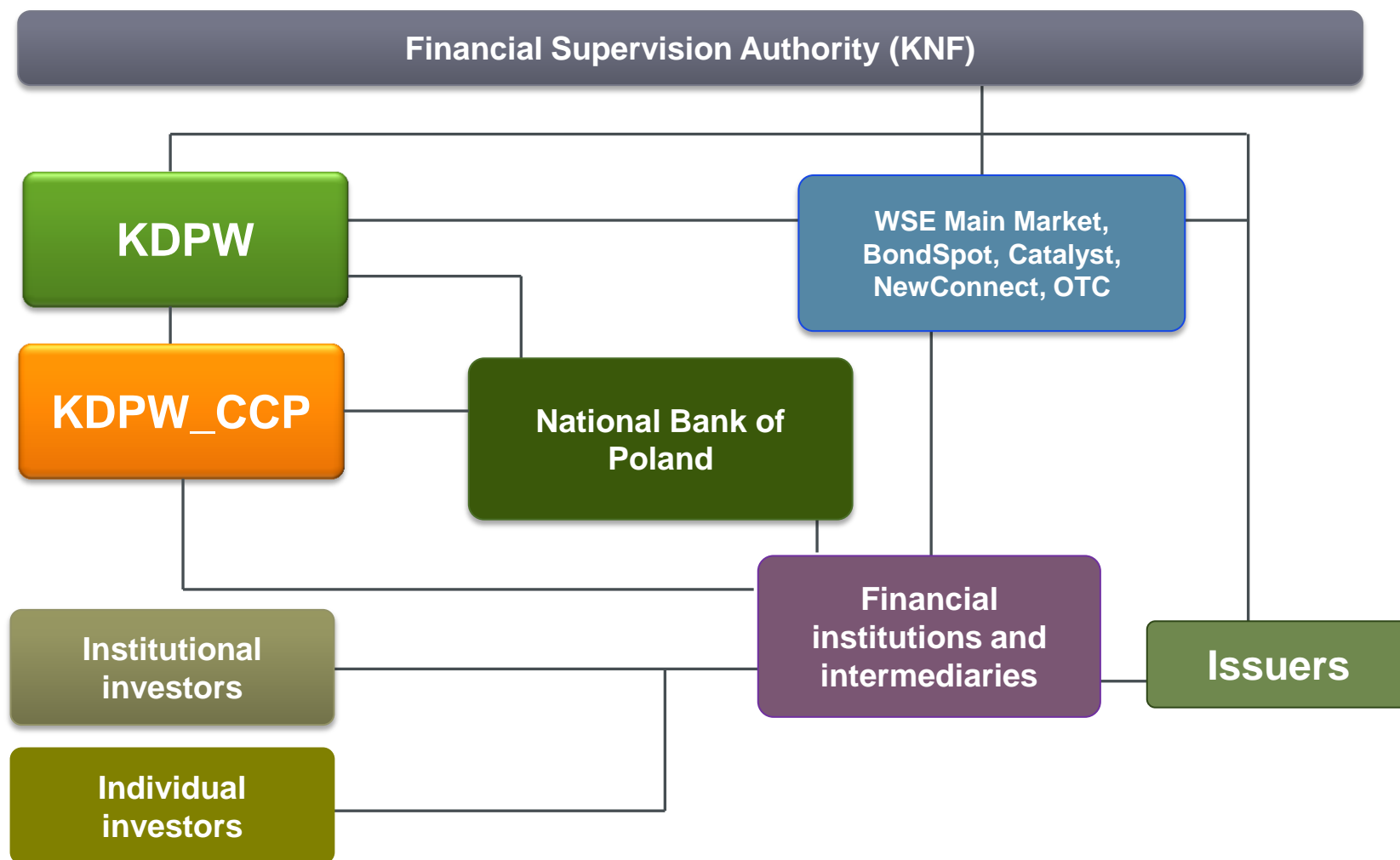


KDPW Group

State-of-the-art post-trade services for the financial market

Ph. D. Iwona Sroka – President & CEO of KDPW and KDPW_CCP

Bucharest, 26 May 2015



Value of turnover (in %)

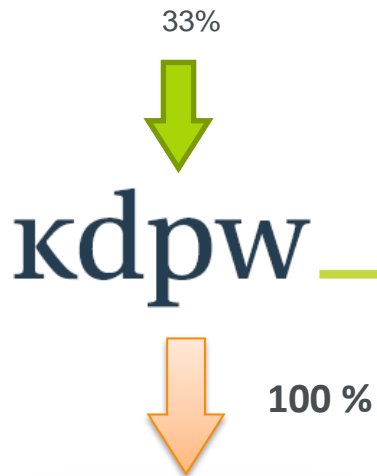
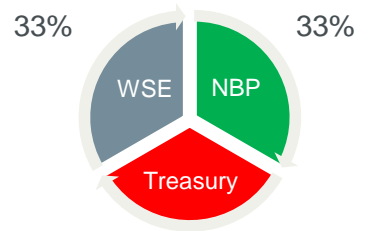
Market Operator	2013	2014
London Stock Exchange Group	20,56	20,74
BATS Chi-X Europe*	-	19,55
Euronext	15,21	14,62
Deutsche Börse	12,29	11,00
BME (Spanish Exchanges)	7,48	8,25
SIX Swiss Exchange	6,28	5,97
NASDAQ Nordics & Baltics	5,72	5,41
Borsa Istanbul	3,70	2,95
Oslo Børs	1,11	1,11
Warsaw Stock Exchange	0,64	0,49
Equiduct*	-	0,45
Athens Exchange	0,15	0,27
CEESEG - Vienna	0,23	0,15
Boerse Stuttgart	0,18	0,15
Irish Stock Exchange	0,13	0,14
CEESEG - Budapest	0,09	0,06
CEESEG - Prague	0,08	0,06
Bucharest Stock Exchange	0,01	0,01
CEESEG - Ljubljana	0,00	0,01
Bulgarian Stock Exchange	0,01	0,00
Luxembourg Stock Exchange	0,00	0,00
Malta Stock Exchange	0,00	0,00
Cyprus Stock Exchange	0,00	0,00
Bratislava Stock Exchange	0,00	0,00
Σ	70,17	91,38

Index futures markets in Europe

Exchange	No. of contracts 2013	No. of contracts 2014
EUREX	327 431 218	368 207 104
Euronext	82 669 104	46 788 940
NASDAQ OMX Nordic	30 898 516	32 947 880
Spanish Exchanges (BME)	7 565 969	9 990 916
Warsaw Stock Exchange	8 339 534	6 159 158
ATHEX Derivatives Market	2 324 227	4 134 012
Oslo Børs	3 505 681	3 408 114
Budapest Stock Exchange	402 264	330 239
Σ	436 136 513	471 966 363

KDPW forms a **Capital Group**, which consists of the **central securities depository (CSD)** and the **central counterparty clearing house – KDPW_CCP**, a subsidiary in which KDPW is the sole shareholder.

The KDPW Group not only provides the broadest range of financial market services in the CEE region, it also has **the necessary EU authorisation**, confirming that they meet international regulatory standards, which opens the door to provision of these services throughout the European Union. This significantly increases the reliability of the post-trade services offered by the KDPW Group and guarantees their high standard.



- Stable and credible shareholders
- Main objective: safety and stability of financial system
- Low risk profile - not-for-profit infrastructure institution
- Supervision by Polish FSA and ESMA, oversight by Polish Central Bank

- EU registration of KDPW Trade Repository – one of 4 first TRs registered in Europe
- LEI assigning (KDPW_LEI)
- Services for energy market (KDPW_GIR)
- Planned CSDR authorisation of KDPW

- EMIR authorisation of KDPW_CCP (3rd in Europe)
- KDPW_CCP own capital: EUR 54 M (PLN 228 M)
- Central counterparty functionality through novation
- Reporting to KDPW_TR (non mandatory)

- KDPW participants – 62
 - KDPW_CCP participants – regulated market – 38
 - KDPW_CCP participants – OTC market – 14
-
- Issuers – 1160 (of which 80 are foreign)
 - Deposited equities issues – 1147
 - Deposited bond issues – 1701
-
- Capitalisation of shares in KDPW – EUR 143 billion
 - Capitalisation of bonds in KDPW – EUR 151 billion

kdpw

Core Services

Securities settlement system

Regulated
market

Alternative Trading
System

OTC cash
market

Central Depository of Securities

Maintaining securities
accounts at the top-tier level

Initial recording of securities
in a book-entry system

Ancillary Services

Corporate Actions processing

Operational links to foreign CSDs

Commercial Services

Trade Repository

Numbering Agency (LEI, ISIN, CFI, FISN)

Commodities Clearing House (GIR KDPW)

Tri-Party Repo

CSD authorisation process planned for 2016

- Omnibus accounts for foreign investors
- Collective depository accounts at the CSD level, with option to segregate by investor/group of investors
- Hold/Release mechanism (optional)
- Cash settlement in central bank: money – PLN in Polish Central Bank (NBP), EUR in TARGET2
- Agent for Securities lending & borrowing - automatic and negotiated
- Settlement and collateral management for repo (Tri-party Repo Agent)
- Settlement and collateral management for tri-party repo service (Tri-party Repo agent) – guaranteed by KDPW_CCP or non-guaranteed
 - co-operation with Treasury BondSpot Poland
 - Opportunity to transform the sell-buy back market in Poland into tri-party repo
- Partial settlement
- Corporate Actions: information, distribution of proceedings, tax services
- Trade repository and LEI assigning local operating unit (LOU)
 - Dominant position and flexible services for Polish clients operating in the Polish market
 - Seeking status of Approved Reporting Mechanism (under MIFID II) – extension of reporting for cash market trades
 - Assigning LEI for entities trading in the cash market
- Change of market settlement cycle from T+3 to T+2 (in line with CSDR on 6.X.2014)

- **On 7 November 2013**, the KDPW Trade Repository was registered by the European Securities and Markets Authority (ESMA). The ESMA decision confirms that the KDPW Trade Repository fulfils all requirements applicable to trade repositories under EMIR.
- The KDPW Trade Repository (KDPW TR) was one of the first four trade repositories to be registered in the European Union.
- The KDPW_TR is authorised for the register of all classes of derivatives irrespective of the market on which a contract is made (regulated or OTC market)
- KDPW_TR was launched on **23 January 2014** and operates under the **Trade Repository Rules**.
- KDPW_TR is supervised by ESMA



- European registration of KDPW_TR
- The highest international standard services
- Independent position on the financial market
- Good financial condition in a stable macroeconomic environment
- Appropriate systemic solutions
- The support of qualified experts
- Friendly and secure web interface for customers
- International experience in issuance of ISIN (ISO 6166) and CFI (ISO 10962) under international standards
- Member of the Association of National Numbering Agencies (ANNA)
- Member of LEI PSPG (Private Sector Preparatory Group) pre-LOU working to develop best solutions for pre-LEI issuance processes



List of registered trade repositories

The trade repositories listed below have been registered by ESMA in accordance with Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (European Market Infrastructure Regulation).

The derivative asset classes which can be reported to each trade repository are also mentioned. The first registrations took effect on 14 November 2013, with the reporting obligation beginning on 12 February 2014, i.e. 90 working days after the official registration date.

The list is published by ESMA in accordance with Article 59(3) of EMIR and it is updated within five working days following the adoption of a registration decision.

Last update

28 November 2013

Trade Repository	Derivative asset class	Effective date
DTCC Derivatives Repository Ltd. (DDRL)	All asset classes	14 November 2013
Krajowy Depozyt Papierów Wartościowych S.A. (KDPW)	All asset classes	14 November 2013
Regis-TR S.A.	All asset classes	14 November 2013
UnaVista Limited	All asset classes	14 November 2013
CME Trade Repository Ltd. (CME TR)	All asset classes	5 December 2013
ICE Trade Vault Europe Ltd. (ICE TVEL)	Commodities, credit, equities, interest rates	5 December 2013

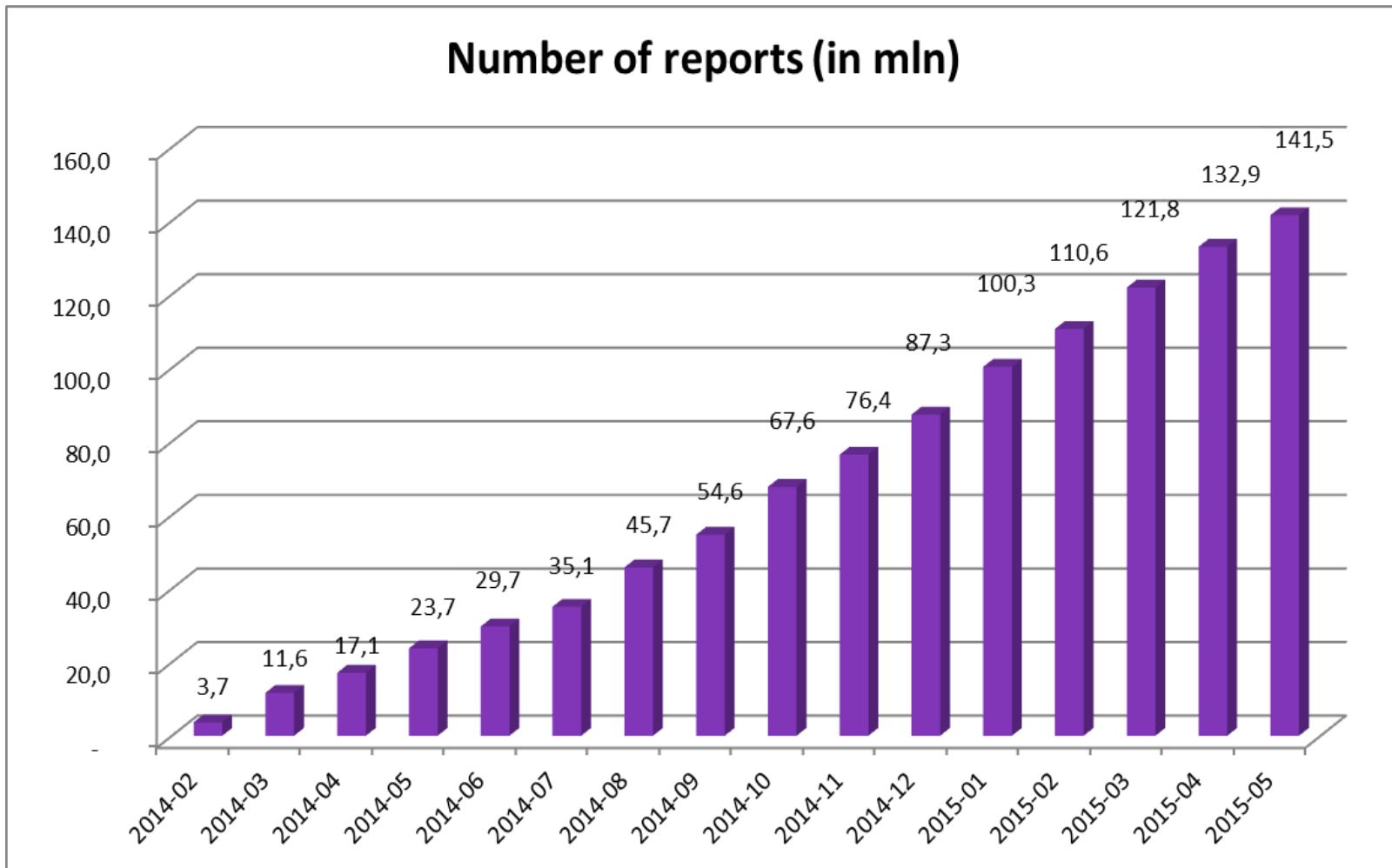
Number of all KDPW_TR participants – 210

- General reporting participant (GUR) – 14
- Ordinary reporting participant (ZUR) – 56
- Indirect repository participant (PUR) – 140

- Supervisors – 11, between them ESMA

The number of different counterparties
concerned in reports: **9 117**

The number of reports received by KDPW_TR between February 2014 and 18 May 2015



kdpw
CCP

Clearing of trades

Regulated market

ATS

OTC
derivatives

OTC
REPO

Clearing risk management

SPAN

VaR

Collateral management

PLN

T-bonds

T-bills

WIG20
shares

Bank
guarantees

Supplementary Services

Derivatives trade reporting to KDPW_TR

Authorised in April 2014

- **Central counterparty functionality through novation**
- **Netting in cash (obligatory) and securities (optional)**
 - More attractive clearing solution for foreign investors (prop-shops, HFT) and day traders
- **Segregation of accounts (individual and aggregated accounts)**
- **Clearing of OTC derivatives:**
 - Currently: PLN (FRA, IRS, OIS, Basis Swap, REPO)
 - Planned: EUR (FRA, IRS, OIS, Basis Swap, FX instruments)
- **OTC clearing based on MarkitWire and SWIFT Accord instructions**
- **Guarantee system for negotiated securities lending transactions**
 - Currently limited to clearing liquidity system; following introduction of lending platform by WSE will enable negotiated lending to be used for short-selling
 - Removing barriers for banks after introduction of single license
- **Margins calculated on intra-day and daily basis**
- **STP with WSE trading system (UTP - NYSE Euronext)**
- **Default waterfall and procedures compliant with EMIR**
- **KDPW_CCP own capital: PLN 228 million (EUR 54 million)**

kdpw
CCP

CASH MARKET

Regulated

- Warsaw Stock Exchange (WSE)
- BondSpot

shares, bonds, subscription rights, allotment certificates, investment & structured certificates, index participation units, mortgage bonds, warrants, ETFs

ATS

- NewConnect
- Catalyst
- BondSpot

shares, allotment certificates, bonds, mortgage bonds

OTC

- Matching Engine for REPO

T-bonds

DERIVATIVES MARKET

Regulated

- Warsaw Stock Exchange (WSE)

futures contracts, options, index participation units

OTC

- OTC (MarkitWire, SWIFTAccord)

Forward Rate Agreements, Interest Rate Swaps, Overnight Index Swaps, Basis Swaps

The Polish Financial Supervision Authority (KNF) has authorised the clearing house KDPW_CCP on 8 April 2014, confirming that it fulfils all requirements for such institutions under the EU Regulation EMIR.

According to EMIR, all clearing houses active in the European Union were required to file an authorisation application with the national supervision authority by 15 September 2013.

22 clearing houses in the EU have filed the necessary documents. As confirmation of a clearing house's compliance with the requirements, the national supervision authority authorises the clearing house on recommendation of an international College comprised among others of representatives of the central bank and selected members of supervisory authorities of other EU member states and the European supervisor ESMA.

KDPW_CCP was the third authorised CCP in EU

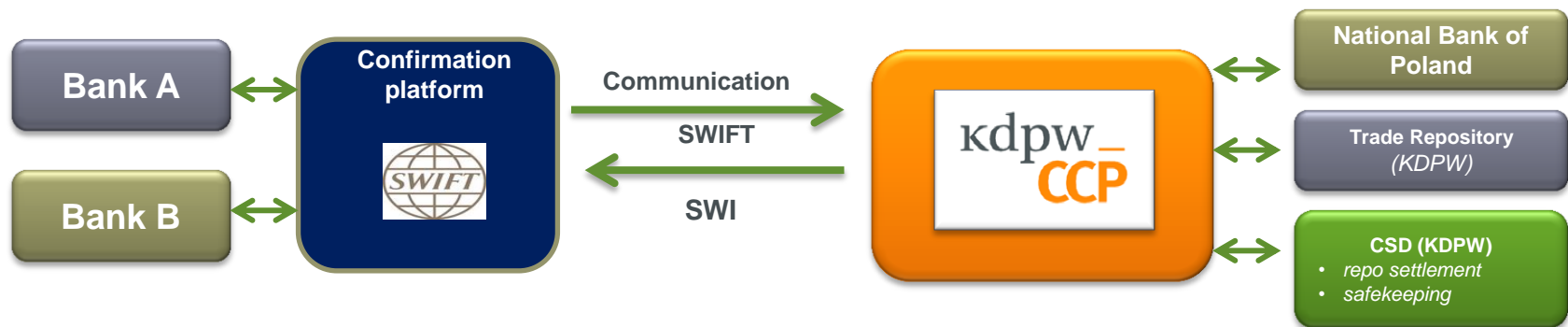
No.	CCP	Country	Date
1	Nasdaq OMX Clearing AB	Sweden	18.03.2014
2	European Central Counterparty N.V.	Netherlands	1.04.2014
3	KDPW_CCP	Poland	8.04.2014
4	Eurex Clearing AG	Germany	10.04.2014
5	Cassa di Compensazione e Garanzia S.p.A.	Italy	20.05.2014
6	LCH.Clearnet SA	France	22.05.2014
7	European Commodity Clearing	Germany	11.06.2014
8	LCH.Clearnet Ltd	United Kingdom	12.06.2014
9	Keler CCP	Hungary	4.07.2014
10	CME Clearing Europe Ltd	United Kingdom	4.08.2014
11	CCP Austria	Austria	14.08.2014
12	LME Clear Ltd	United Kingdom	3.09.2014
13	BME Clearing	Spain	16.09.2014
14	OMIClear - C.C., S.A.	Portugal	31.10.2014
15	Holland Clearing House B.V.	Netherlands	12.12.2014
16	Athens Exchange Clearing House (Athex Clear)	Greece	22.01.2015

- In addition to compliance with its reporting obligations as a CCP, KDPW_CCP has developed the **service of reporting derivative contracts to the Trade Repository operated by KDPW (KDPW_TR) on request of Clearing Members.**
- Reporting can be delegated both by Clearing Members and through them by their Clients and entities concluding derivative transactions on request of their Clients (Brokers).
- KDPW_TR is approved to **register all derivative contracts classes**, both from the regulated and OTC market.

KDPW_CCP operates an OTC derivatives trade clearing system including a clearing liquidity guarantee system.

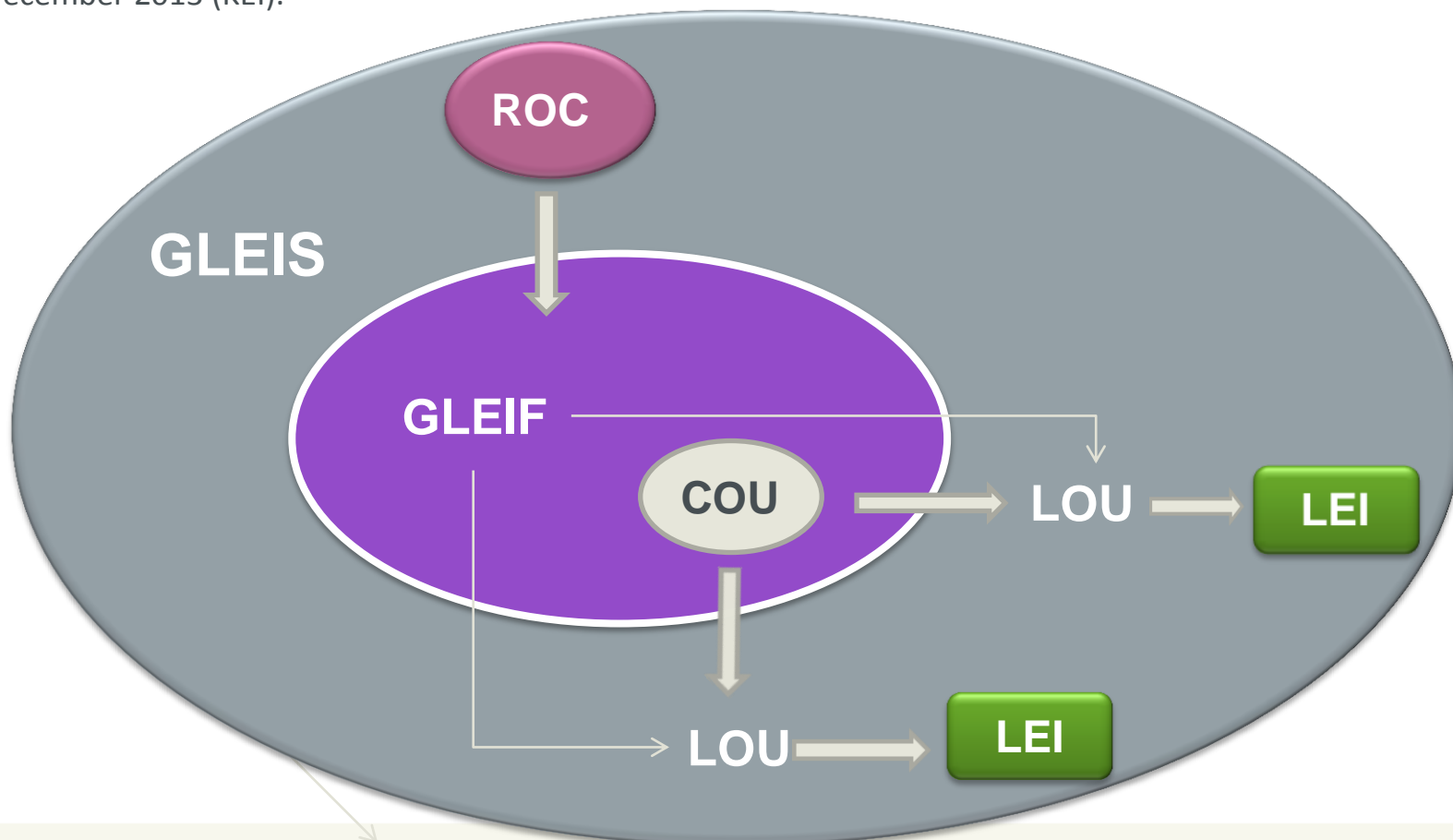
Main functionalities of the OTC trade clearing system:

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



KDPW – global pre-LOU numbering agency

Under a decision of the Regulatory Oversight Committee (ROC) which supervises the global LEI system, KDPW was granted pre-LOU status on 27 December 2013. As a result, codes assigned by KDPW for reporting to trade repositories become pre-LEIs. This includes codes assigned by KDPW prior to 27 December 2013 (KEI).



- Under EMIR, all legal persons trading in derivatives are required to report details of contracts to trade repositories.
- To enable the identification of counterparties to trades in derivatives, trade beneficiaries, central counterparties, clearing members and brokers, they must have a unique code: **LEI**.
- **Until the final formation of the GLEI system (including the establishment of COU; international work is in on-going), LEIs are used as pre-LEIs.**
- Under ESMA guidelines (Q&A, 22.10.2013, ESMA/2013/1527), pre-LEI is the only identifier to be used by counterparties.

The Central Securities Depository of Poland (KDPW) is the only institution in Poland and one of few institutions in Europe to offer such a broad range of numbering services for financial market entities and instruments.

KDPW assigns:

ISIN i CFI

FISN

LEI

Since 1994 KDPW is the member of The Association of National Numbering Agencies (ANNA), and since 1996 plays the role of the national numbering agency.

The KDPW Group conducts its business operations on the basis of the Development Strategy for 2014-2016, reflecting international trends in financial markets. The strategy defines a diverse business model for the KDPW Group, while leveraging the specific strengths and potential of the Polish financial market.

Key Strategic Projects of the KDPW Group:

- **KDPW_CCP**
 - Integration of transaction clearing from diverse financial markets in Poland: regulated, interbank and commodity
 - OTC multicurrency instruments
 - Extending eligible collateral

- **KDPW**
 - Strengthening the position of the Trade Repository
 - Further development of securities lending and Tri-Party Repo services
 - Creation of securities central valuation service
 - Introducing ISO20022 messaging with participants

 - Enhanced operational co-operation with other markets in the area of clearing and settlement

www.kdpw.eu
www.kdpwccp.eu