

The Role of KDPW as CSD in the Polish Market

Polish National Depository for Securities (KDPW)

IX International AECSD Conference
Kyiv, 6 September 2012

- **Responsibilities:**
 - Central securities depository
 - Clearing house
 - Settlement
 - Custody
 - Risk management

- **Clients:**
 - Issuers (foreign & domestic)
 - Intermediaries (custodian banks & brokers)

- **KDPW participants – 71**
- **Issuers – 1045**
 - **981 domestic**
 - **64 foreign**
- **Deposited equities issues – 1055**
- **Deposited bond issues – 559**

- **Capitalisation of shares in KDPW – PLN 460 billion (EUR 110 billion)**
- **Capitalisation of bonds in KDPW – PLN 606 billion (EUR 145 billion)**

- **Value of all operations cleared and settled in 2011: PLN 11 trillion (EUR 2.6 trillion)**
- **Value of all operations cleared and settled in H1 2012: PLN 5.1 trillion (EUR 1.2 trillion)**

- **1991 - 1994**

An integral part of the Warsaw Stock Exchange

- **1994 - Present**

Independent joint - stock company

- **Current shareholders**

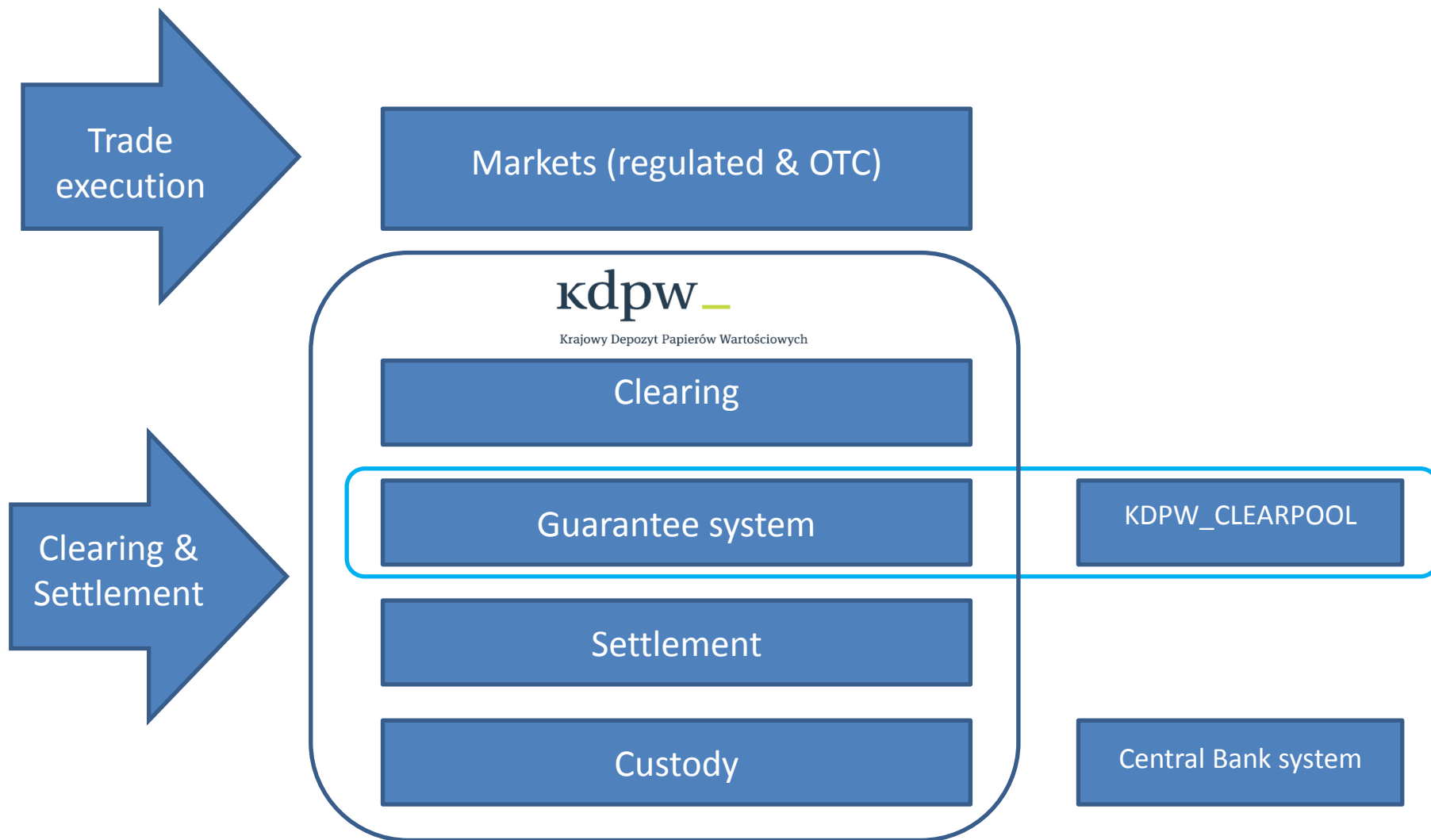
- **KDPW (CSD) - (since 1999)**

- **The State Treasury** - 1/3
- **The Warsaw Stock Exchange** - 1/3
- **The National Bank of Poland** - 1/3

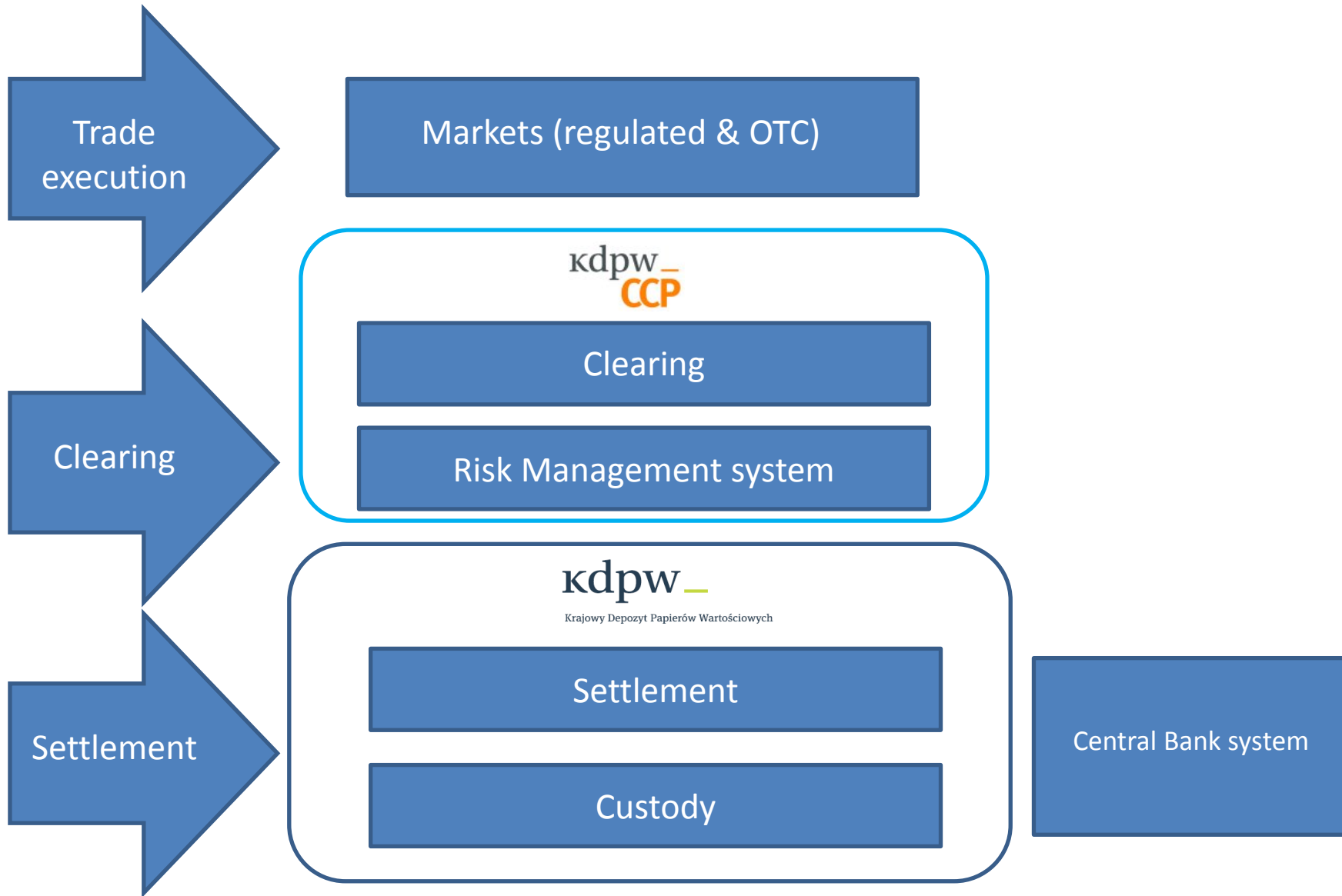
- **KDPW_CCP - (from 1 July 2011)**

- **KDPW** - 100%

Clearing & Settlement (until Q1 2011)



Clearing & Settlement (from July 2011)



KDPW (CSD)

- Safekeeping and custody of all securities admitted to trading following public issue
- Reconciliation and monitoring
- Asset management
- Settlement of transactions executed on:
 - Regulated and non-regulated markets
 - OTC
- Processing of corporate actions
- Assigning ISIN codes for Polish issues (National Numbering Agency)

KDPW_CCP

- Clearing of transactions executed on:
 - Regulated markets: Warsaw Stock Exchange, BondSpot
 - Non-regulated markets: New Connect, Treasury BondSpot-Poland, OTC
- Risk management –management of:
 - Clearing Guarantee Fund covering regulated markets & ATS
 - Margaining for cash and derivatives market
 - Collateralisation of security loans in automatic securities lending - borrowing system

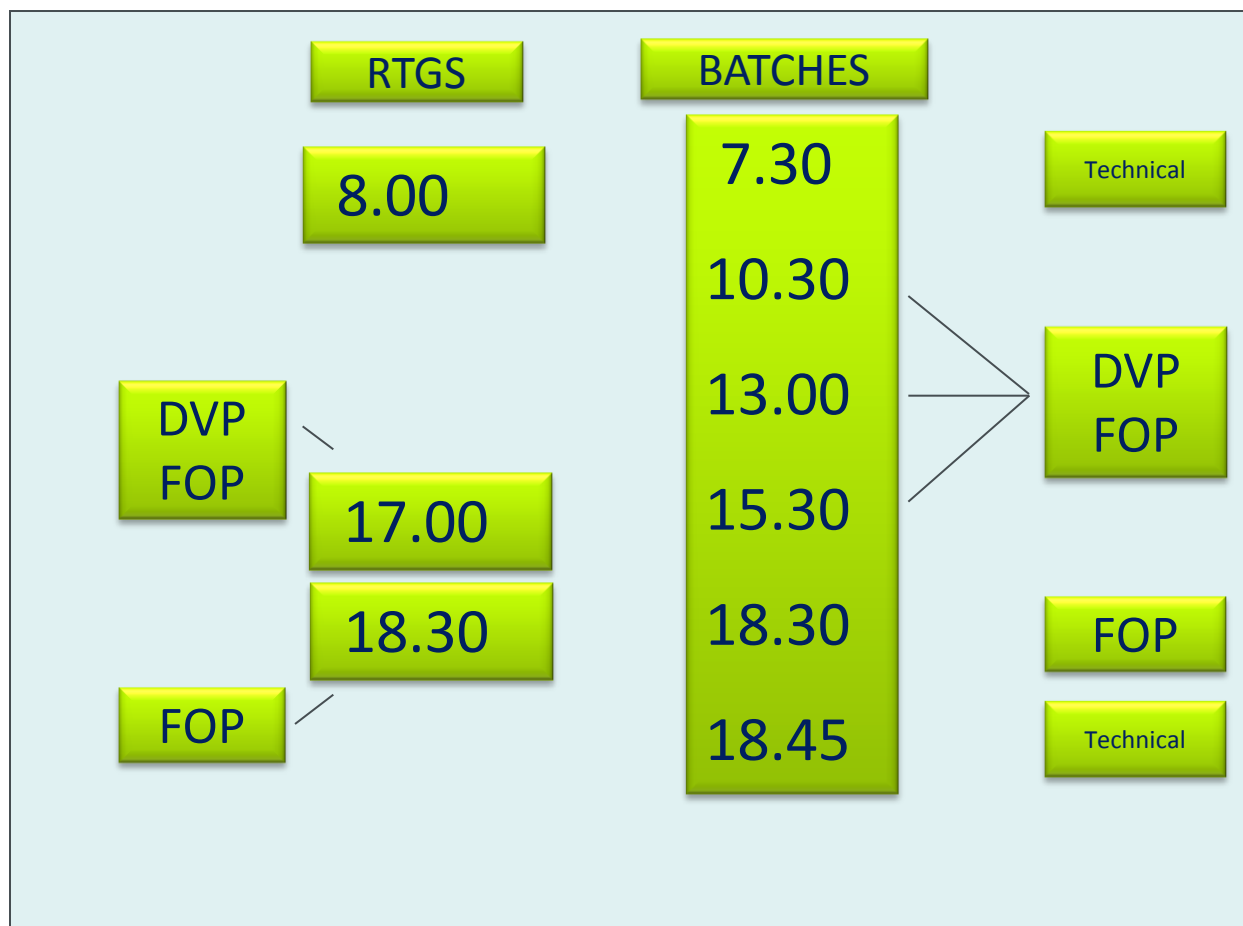
- **All securities admitted to trading in the regulated market must be registered in KDPW**
- **Currently, the following securities are recorded in the KDPW system:**
 - **Shares (foreign and domestic)**
 - **Bonds (Treasury, Central Bank, Corporate, Municipal, Convertible, EIB, with priorities rights, non-public bonds, mortgage bonds)**
 - **Exchange Traded Funds (ETFs)**
 - **Investment Fund Certificates**
 - **Warrants (WIG 20 index)**
 - **Derivatives**
 - **Futures Contracts (WIG20 index, currency, share)**
 - **Index Participation Units**
 - **Options (European style), (WIG20 index, share)**
- **Exception: Treasury bills - custody, clearing and settlement in the National Bank of Poland system**

The National Depository for Securities (KDPW)

Clearing & Settlement

- **All securities cleared and settled in KDPW are dematerialised**
- **All securities transfers are made by book-entry in KDPW depository, clearing & settlement system**
- **Transfers are made between KDPW participant depository accounts**
 - Mandatory asset segregation (own assets, client assets)
- **Change of ownership at the moment of book-entry on securities (investor) account**
- **Clearing & Settlement service for transactions from:**
 - WSE, BondSpot, New Connect (ATS), Treasury BondSpot Poland
- **DvP Settlement model:**
 - BIS model I, BIS model II
- **Settlement :**
 - T+2, T+3 - for regulated - market trades – SE, BondSpot
 - T+0 to T+n - for non-regulated market transactions – OTC
- **Two settlement channels:**
 - RTGS DVP 8.00-17.00, FOP 8.00-18.30
 - multiple batch system 7.30-18.45

- **Daily settlement schedule : multibatch and RTGS**
 - **6 settlement sessions a day with intra-day finality after each session**



- **Cash leg settlement**
 - **Central Bank Money:**
 - National Bank of Poland for PLN
 - TARGET 2 system for Euro
 - **Commercial Bank Money for other currencies**

- **Settlement liquidity facilities**
 - securities L&B automatic and on-request
 - repo
 - buy-in, sell-out
 - transactions from regulated market guaranteed by the Clearing Guarantee Fund, by the collateral system (for derivatives only) and KDPW_CCP
 - transactions from ATS (unregulated market) guaranteed by special ATS guarantee fund

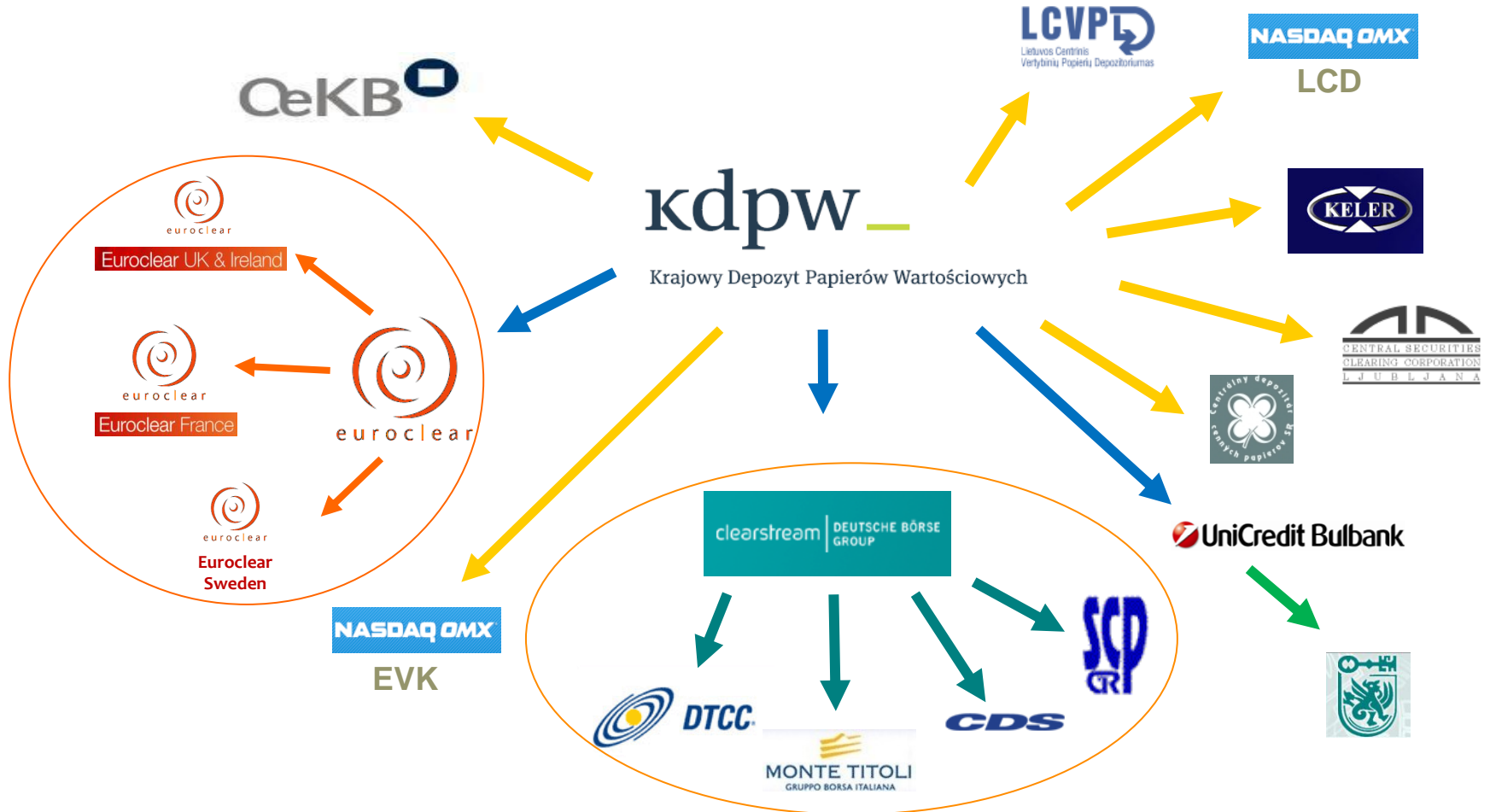
- **Agreement between Central Bank (CB) and KDPW**
- **Authorisation for KDPW to debit Payment Bank (PB) accounts**
- **Cash Settlement on PB accounts in CB**
- **Payment banks: banks having status of KDPW participant and holding cash account in CB PAYMENT SYSTEM**
- **Payment bank responsible for settlement of:**
 - **its own and its clients transactions**
 - **transactions executed by Clearing Members (CMs) which are not allowed to have a cash account in CB**
- **KDPW informs PB about net cash positions to be paid on S**
- **KDPW sends payment instructions to CB using CB interface**

The National Depository for Securities (KDPW)

Cross Border Settlement

Links with foreign CSDs

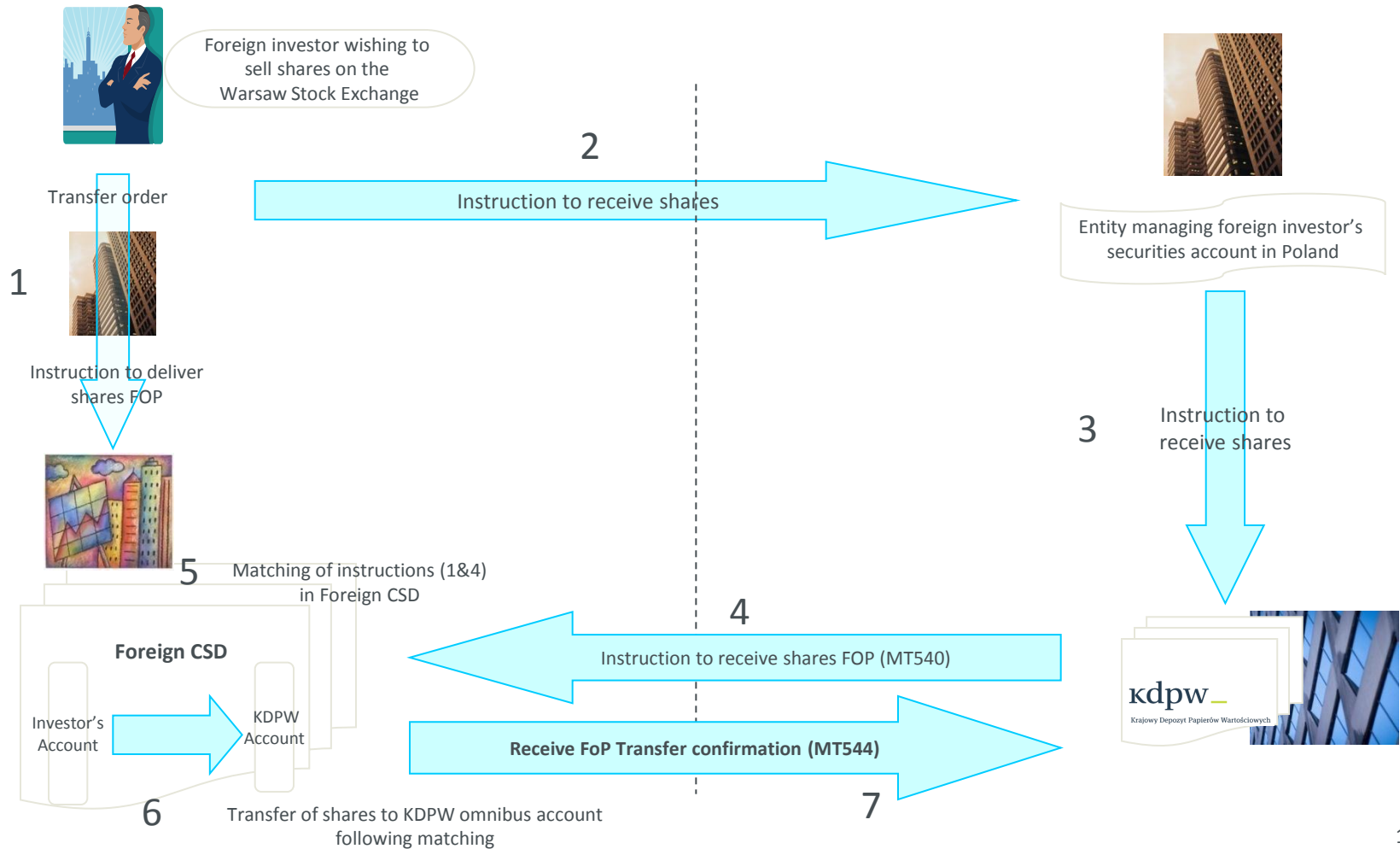
Links created with foreign CSDs (FOP links) in connection with the dual listing of shares on the WSE. Currently there are 8 direct links and 9 indirect links into 20 foreign markets



- Transfer executed between investor's account in one country and the *same* investor's securities account in the second country *before* trading can take place – there is *no change of ownership*,
- Shares need to be registered on KDPW account in foreign intermediary to be traded on the WSE,
- Transfers are free of payment (FOP),
- Foreign shares quoted on WSE in PLN,
- Clearing and settlement in KDPW in PLN,
- Dividends paid to Polish shareholders in foreign currency or PLN following f/x conversion,
- Transfer based on SWIFT (ISO 15022 messaging standards),
- The transfer may be settled intra-day (RTGS in KDPW).

Free of Payment cross-border links between KDPW and foreign CSD – Share transfer

Transfer of shares prior to a Warsaw Stock Exchange transaction executed between a Polish and foreign investor using a FOP link



National Depository for Securities (KDPW)

Strategy 2010 - 2013

KDPW_CCP

2012

- Introduction of novation (CCP authorisation)
- Introduction of anonymous securities lending (together with KDPW)
- Harmonisation of kdpw_stream with the new WSE trading system (UTP)
- Development of CCP OTC derivative services

2013

- Introduction of securities netting in cash market clearing
- Compliance with EMIR regulations

KDPW (CSD)

2012

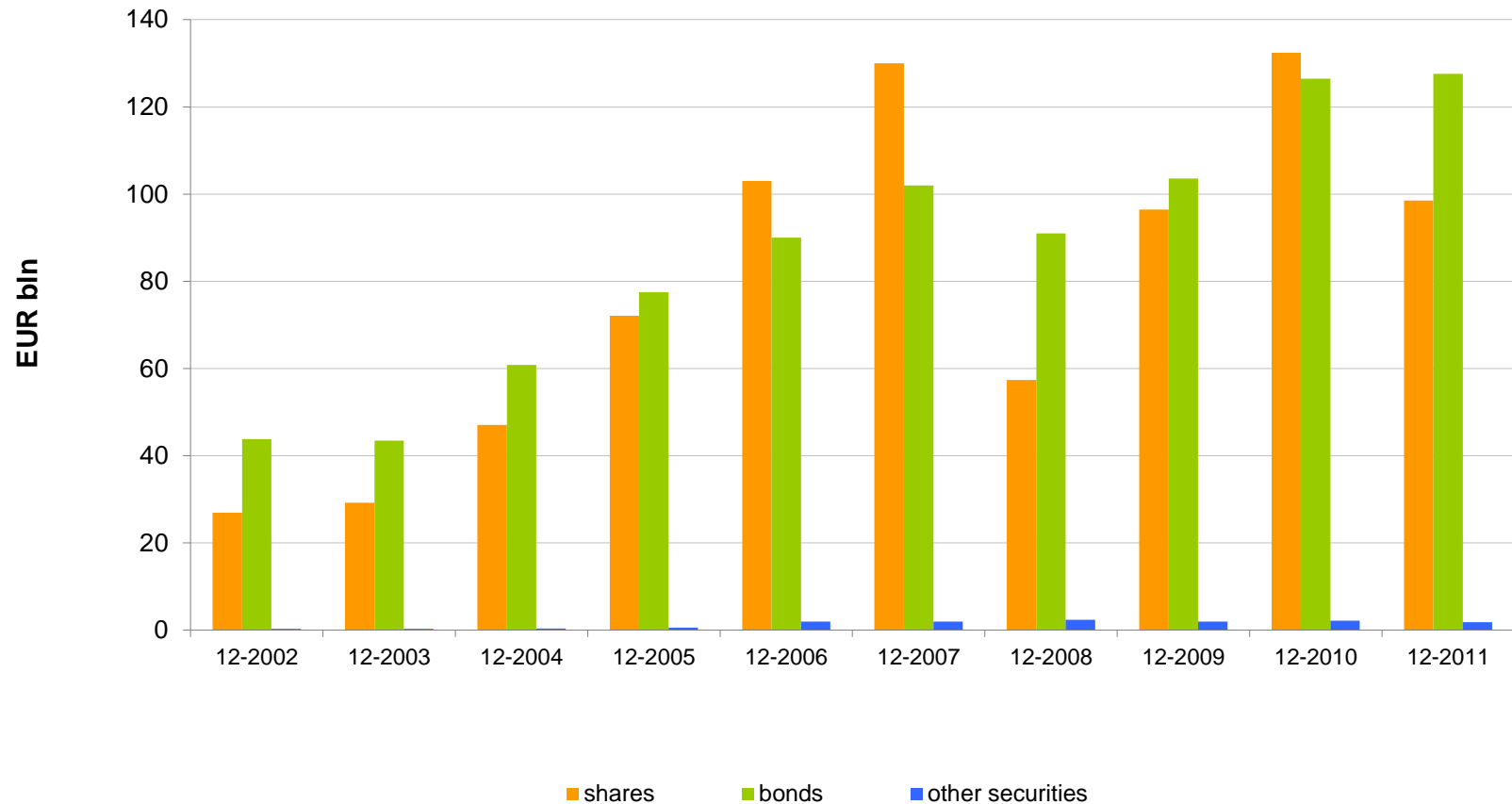
- Omnibus accounts at KDPW level for foreign CSDs and foreign financial intermediaries
- Trade repository
- Introduction of anonymous securities lending (together with KDPW_CCP)

2013

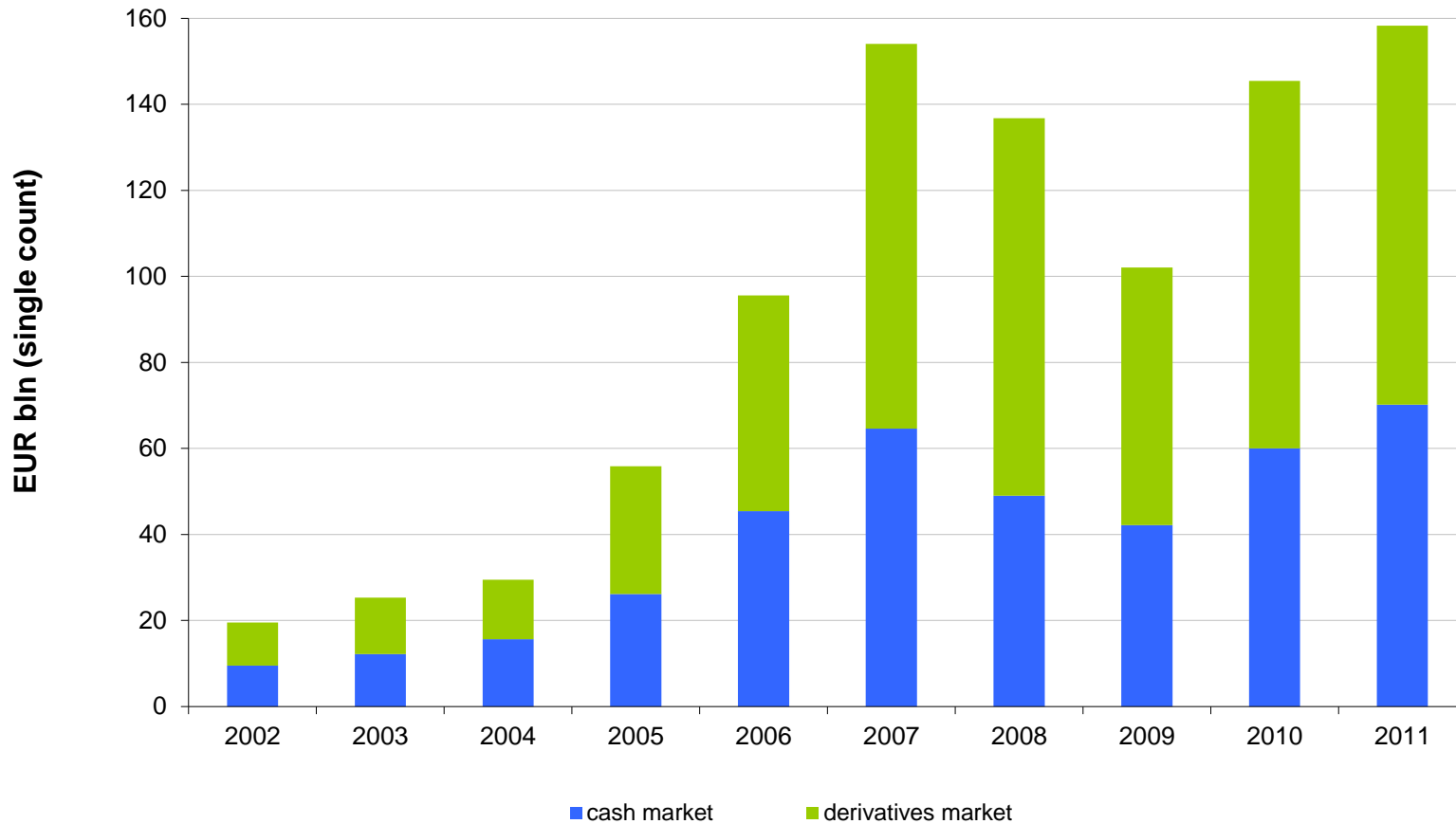
- Introduction of partial automatic settlement
- Standardisation of corporate actions processing based on ISO 20022
- Introduction of a collateral management service for repo transactions

National Depository for Securities (KDPW)

A Few Statistics

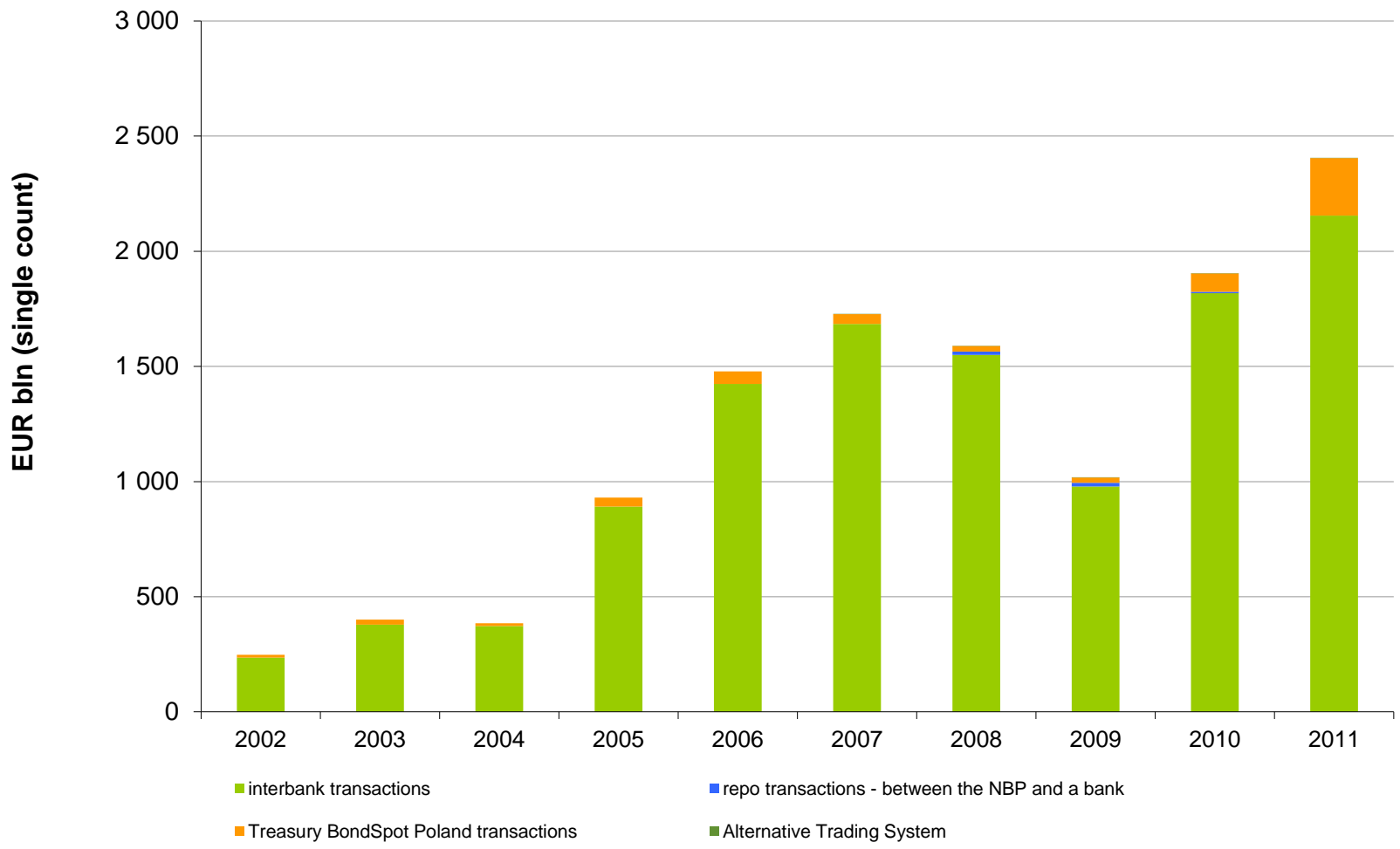


Capitalisation of shares, bonds and other securities registered in KDPW (bln EUR)

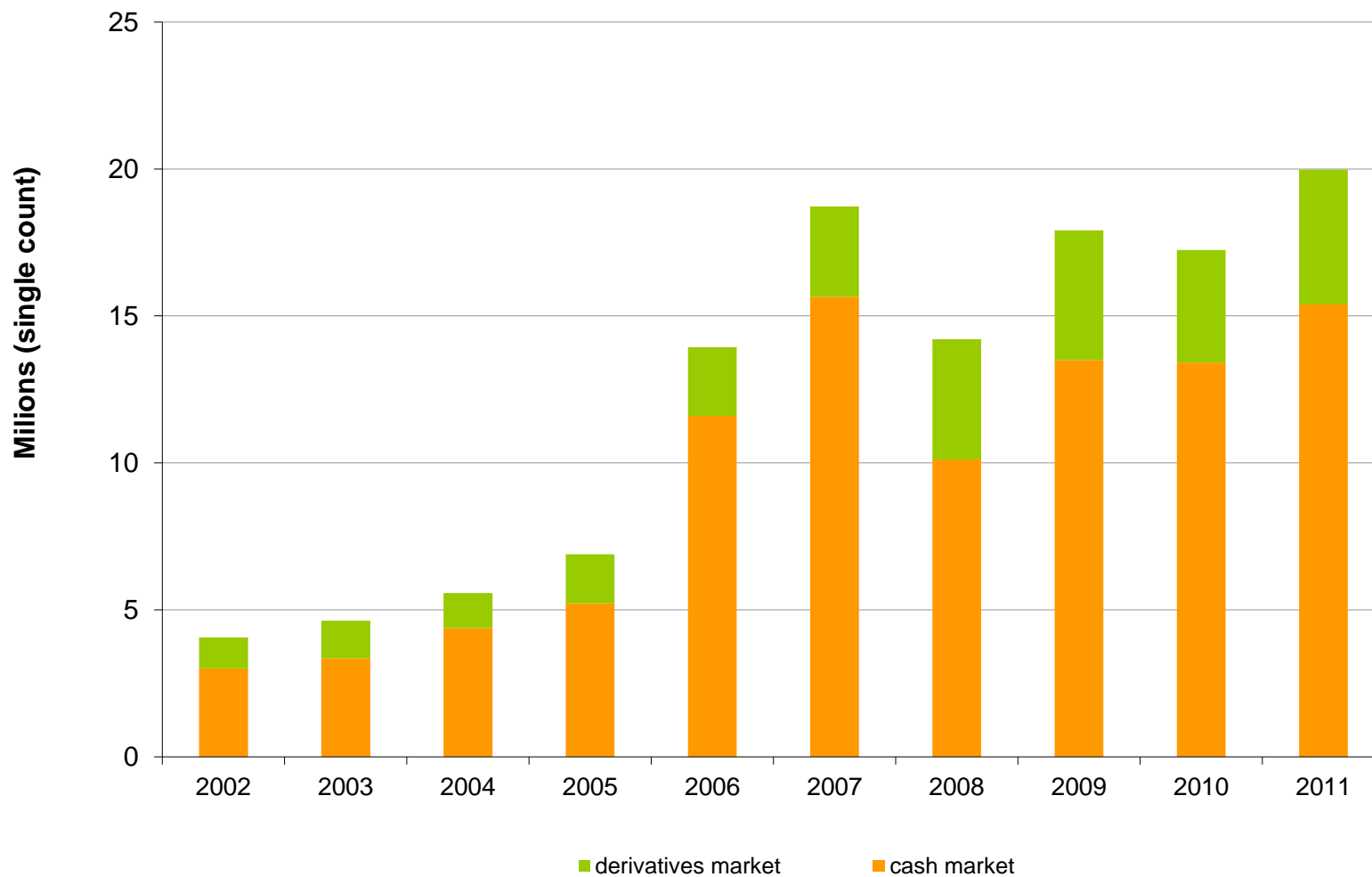


**Regulated market cash and derivatives turnover
(bln EUR)**

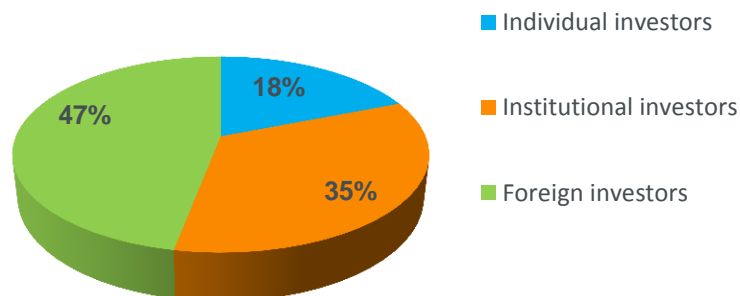
OTC trades turnover



Number of transactions settled

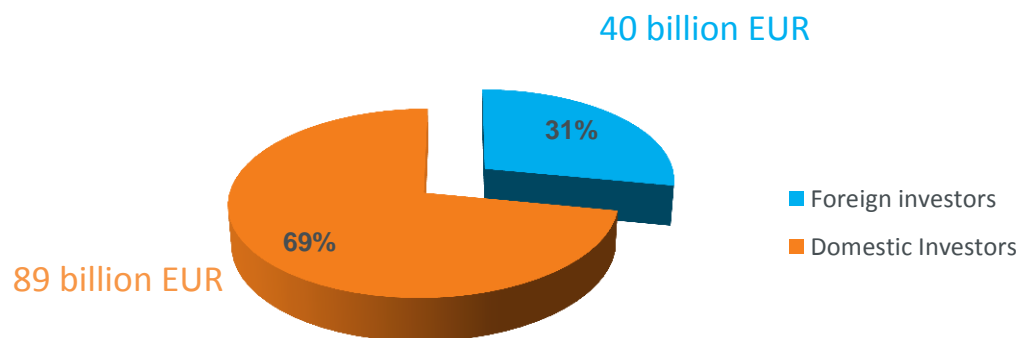


Foreign investors in Polish market (share of cash market turnover) – Stock Exchange (2011)



Source: Warsaw Stock Exchange

Foreign investors in Polish market (ownership) – Treasury bonds (January 2012)



Source: Polish Ministry of Finance

www.kdpw.pl

www.kdpwccp.pl