

Warsaw, 9 April 2014

## **EU Authorisation of KDPW\_CCP Clearing House.**

### **Third Clearing House in Europe!**

**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.

**It should be noted that the Polish clearing house is the third clearing house to be authorised in all EU!** The first was Nasdaq OMX Clearing AB (18 March 2014) and the second was European Central Counterparty N.V. (1 April 2014).

*"The positive opinion of the College and eventually the relevant decision of the Polish Financial Supervision Authority allow KDPW\_CCP to operate as an authorised CCP across the European Union including the addition of the interbank OTC derivatives market to the authorised scope of the clearing house's services,"* said **Iwona Sroka**, CEO and President of KDPW\_CCP.

#### **KDPW\_CCP authorisation timeline**

**28 June 2013**

- Filing the application for the authorisation of the clearing house under EMIR with the Polish Financial Supervision Authority.

**4 November 2013**

- PFSA confirms that KDPW\_CCP's application is complete.

**28 March 2014**

- Meeting of the Authorisation College and assessment of KDPW\_CCP (including KDPW\_CCP management presentation and Q&A)

**8 April 2014**

- PFSA authorises KDPW\_CCP

Along with the authorisation application, the clearing house has filed the list of OTC instruments to be cleared, which are derivatives cleared in PLN (FX swaps, FRAs, single-currency interest rate swaps based on foreign interest rate indices (IRS) and cross-currency interest rate swaps (CIRS)).

*"The obligation of clearing interbank market derivatives in authorised clearing houses is most likely to take effect at the beginning of 2015. Banks trading in OTC instruments denominated in the Polish zloty already have the opportunity to clear their transactions in an authorised clearing house. We expect the service to bring many benefits to the Polish financial market: it will release credit limits imposed by banks on their counterparties, reduce capital requirements for exposures to counterparty risk, improve the liquidity of the interbank market and mitigate operational risk," said CEO Sroka.*

#### **KDPW\_CCP authorisation: benefits for the market**

Investment firms and banks present on the Polish market may use the **services of the local clearing infrastructure specialised in those instruments which are most in demand among participants: derivatives denominated in PLN**. This means that investment firms and banks will be in a position to clear their transactions concluded in Poland in a local clearing house.

The introduction of **clearing novation into the Polish legal system allows the clearing house KDPW\_CCP to take over the rights and obligations of the original counterparties**, which additionally strengthens confidence in the market and safety in the event of counterparty default.

The authorisation confirms KDPW\_CCP's compliance with EMIR including its **operation as a central counterparty clearing house**.

Banks may apply **lower capital requirements to transactions cleared in an authorised clearing house** (under the Capital Requirements Directive CRDIV and the Capital Requirements Regulation CRR). Clearing of OTC trades in a clearing house mitigates the risk and, consequently, banks apply lower collateral limits as compared to bilateral transactions.

The advantages of KDPW\_CCP over foreign clearing houses include **local market participants and the currency PLN**. These are important incentives for global financial institutions investing in instruments denominated in PLN to use the services of KDPW\_CCP.

Compared to foreign clearing houses, KDPW\_CCP offers **requirements and conditions for participants that are adequate to the size of the local market** while ensuring the appropriate safety of clearing and quality of service in line with the international standards.

The clearing house KDPW\_CCP offers **access to clearing in the Polish zloty in central bank money** owing to its relations with the National Bank of Poland.

An important feature of KDPW\_CCP is that **collateral can be posted in the clearing guarantee system in Polish Treasury bonds and Treasury bills, shares participating in the WIG20 index and in cash in PLN**, which is particularly useful for institutions present on the Polish market.

The European Union has for years pursued a policy of unification of financial market regulations and has developed Directives and Regulations which define the structure of the EU's financial market. These include EMIR: *Regulation of the European Parliament and of the Council (EU) No 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories*, which defines among others the conditions to be fulfilled by CCP clearing houses.

EMIR also requires companies to comply with the **obligation of reporting details of derivative contracts concluded both on the regulated market and in OTC trade to special entities**: trade repositories. The obligation start date is 12 February 2014. Trades can only be reported to institutions with fulfil the requirements laid down in EMIR, as confirmed by registration of the trade repository with ESMA (European Securities and Markets Authority). **KDPW has launched the trade repository service and ESMA registered the Trade Repository on 7 November 2013** as one of the first four trade repositories in Europe and the first and only one operating in the region of Central and Eastern Europe.

For more information see the file "KDPW\_CCP"

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