

## **1. Opening accounts in KDPW CCP used to register trades matched on the OTC confirmation platform MarkitWire**

The assignment of a Client Classification Number (NKK) and the opening of clearing accounts, in which trades matched on the confirmation platform MarkitWire are registered, are conditions necessary to operate in kdpw\_otc. Instructions for the assignment of an NKK and the opening of clearing accounts are sent to KDPW\_CCP only by clearing members (non-clearing members must request their clearing members to obtain an NKK and open clearing accounts). The schemas of all messages sent to KDPW\_CCP are available on the following websites:

[http://www.kdpwccp.pl/pl/Uczestnicy/Strony/Komunikaty\\_kdpw\\_stream.aspx](http://www.kdpwccp.pl/pl/Uczestnicy/Strony/Komunikaty_kdpw_stream.aspx)

[http://www.kdpwccp.pl/pl/kdpw\\_ccp/rozwoj/otc\\_clearing/Strony/komunikaty-xml.aspx](http://www.kdpwccp.pl/pl/kdpw_ccp/rozwoj/otc_clearing/Strony/komunikaty-xml.aspx)

Once the channel for the exchange of messages (SWI) with KDPW\_CCP has been opened, a client should in the first place obtain an NKK. If a client already has an assigned NKK, he should not obtain a new NKK. In order to create an NKK, send message acmt.rqc.001.02 – *NKK instruction* to KDPW\_CCP; the instruction details are presented in the following document:

<http://www.kdpwccp.pl/pl/Uczestnicy/Komunikaty%20udostepniane%20przez%20CCP/testowe%20komunikaty/pdf/acmt.rqc.001.02.pdf>

The structure of the message *NKK instruction* includes additional fields to be populated with the client details necessary to report trades to a trade repository (a requirement imposed by EMIR) as well as additional client identifiers, including LEI. In order to define an NKK and LEI, complete accordingly *NKK instruction* message fields 2.1 (“ClntId”), 2.7 (“LEI”).

Whenever opening a new clearing account, a client or non-clearing member is required to provide the clearing member with his NKK assigned by KDPW\_CCP.

The KDPW\_CCP account system differentiates between the following types of accounts for the OTC market: clearing account and collateral account. A clearing account is opened after a clearing member has sent message acmt.rqa.002.02 to KDPW\_CCP (a collateral account is opened automatically). The message should be prepared according to the following specification:

<http://www.kdpwccp.pl/pl/Uczestnicy/Komunikaty%20udostepniane%20przez%20CCP/testowe%20komunikaty/pdf/acmt.rqa.002.02.pdf>

The clearing member may define a clearing account identifier in field 3.3.4 – “AcclId” of message acmt.rqa.002.02 provided that the identifier is unique for the clearing member’s

accounts. The identifier designates the client's clearing account on MarkitWire confirmation platform the clearing account identifier should be put in field "Netting String".

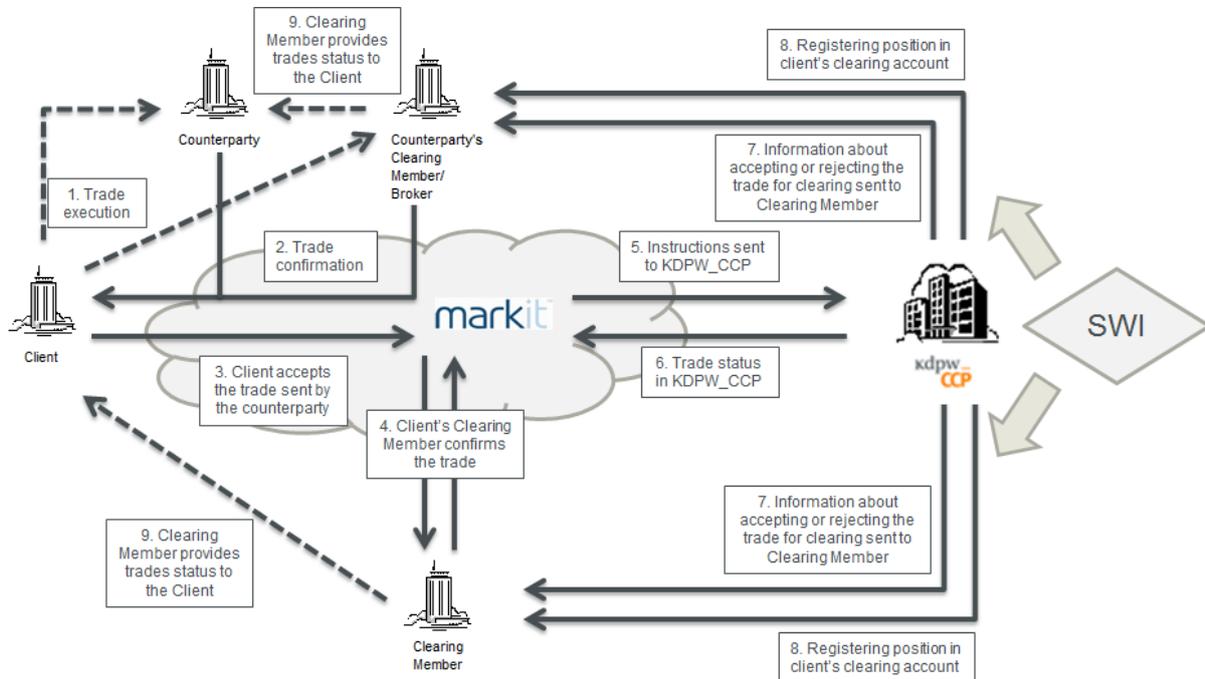
At this time, there is no functionality that would assign a default clearing member and clearing account.

Markit BIC codes are used to identify clients on the MarkitWire confirmation platform.

When defining an NKK, the "individual" option can be selected, which means that KDPW\_CCP can clearly distinguish the assets and positions held for the account of a clearing member from the assets and positions held for clients of the clearing member ("omnibus client segregation", Article 39.2) and distinguish the assets and positions held for the account of a client from the assets and positions held for other clients ("individual client segregation", Article 39.3).

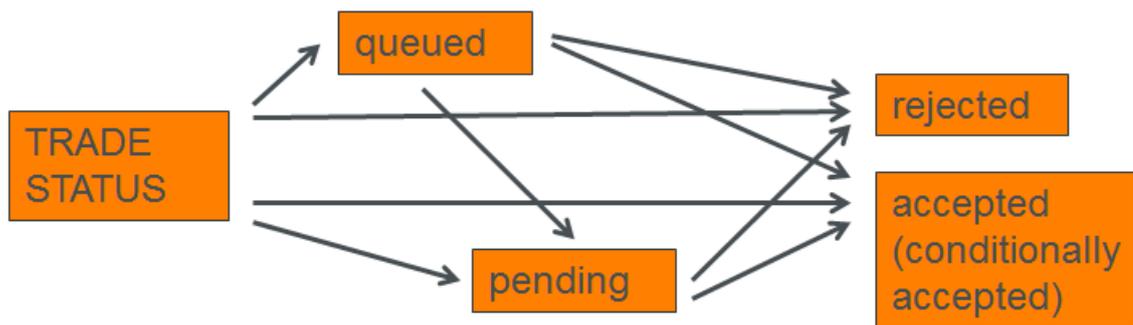
## 2. Clearing client trades matched on MarkitWire

The process of matching trades on MarkitWire and clearing trades in KDPW\_CCP is presented in the figure below:



Description of the first phase characteristic for MarkitWire:

1. Client contacts the counterparty or Broker and makes the trade.
2. Counterparty or Broker confirms the trade by sending relevant messages over MarkitWire to Client. Counterparty or Broker populates messages with trade parameters, defines Client, specifies KDPW\_CCP as the clearing house, and provides his clearing account identifier.
3. Client provides his clearing account identifier and accepts the trade sent by the counterparty .
4. Client's Clearing Member receives the trade and confirms it on the platform.
5. Once the trade is confirmed on MarkitWire, instructions are sent to KDPW\_CCP.
6. The current trade status in KDPW\_CCP is available on MarkitWire. In case of status change (status subject to change: "pending" and "queued"), it is communicated via SWI (point 2). Status may change as shown in the figure below:



In case of errors or inconsistencies, the trade is rejected (status “rejected”). Status “accepted” is assigned where an instruction is sent during a clearing session (from 9 a.m. to 5 p.m.) and accepted for clearing without reservations. If the amount of debits arising from the acceptance of a trade for clearing exceeds Clearing Member’s collateral limit but the credit limit allows for the trade to be accepted, it is assigned status “conditionally accepted.” In that case, KDPW\_CCP calls Clearing Member to eliminate the exceedance within 30 minutes. Status “pending” is assigned where the acceptance of a trade for clearing would cause the credit limit to be exceeded. In that case, KDPW\_CCP calls Clearing Member to eliminate the exceedance within 10 minutes. Where an instruction is sent before or after a session, it is queued and assigned status “queued.” In that case, as soon as the next clearing session opens, the trade status is changed to “accepted,” “conditionally accepted,” “pending,” or “rejected.” Members may block the acceptance of trades from clients if the trades would cause an exposure limit to be exceeded. This is done with message U.1. This requires the limit to be set and the flag to indicate that the set limit is mandatory. If a client exceeds the limit, his trade is assigned status “pending.”

7. KDPW\_CCP sends information about each trade status accepted to kdpw\_otc system via the communication channel SWI.
8. If a trade is accepted for clearing, KDPW\_CCP registers positions in the clearing accounts specified in the instruction.
9. Client may check the current trade status directly on the platform. Clearing Member communicates status change to Client over own channels.
10. In addition to clearing reports, Clearing Members may receive additional reports free of charge directly from KDPW\_CCP. Reports may be customised, i.e. individually extended and parameterised. Reports are based on guidelines defined by Clearing Member (unlike Members, Clients may only receive information from their Clearing Members). Reports may include among others the following:
  - trade status,

- limits,
- mark-to-market of trades and positions.

11. Additional services offered to Clearing Members include: termination on demand and “what-if” request. Termination on demand is a tool which allows Clearing Members to close out positions (Clearing Member position, Client position,) through an auction. Termination may be requested on Client’s request, due to a shortage of balance necessary to reduce the utilisation of a collateral/credit limit, due to Client’s failure to deposit required margins, etc. Furthermore, the auction mechanism ensures the best price within the shortest possible time.
12. The “what-if” request allows Clearing Members to enquire about the hypothetical margin that would be required if KDPW\_CCP accepted one or more trades specified in the request for clearing. The functionality ensures effective monitoring of future required margins and supports liquidity and risk management.