

Spin-off of KDPW_CCP: KDPW Strategy Consistently Pursued

PRESS RELEASE

The National Depository has transferred to KDPW_CCP all functions related to the clearing of transactions executed on the regulated market and in the alternative trading system and the operation of the clearing guarantee system as of 1 July 2011. KDPW remains responsible for transaction settlement and central securities depository functions. The process implements world-class standards at KDPW and enhances the competitiveness of the Polish capital market. The spin-off of the clearing house from KDPW's structure derives from the National Depository Strategy 2010-2013 adopted in late 2009 and consistently pursued among others to develop a new business model of KDPW.

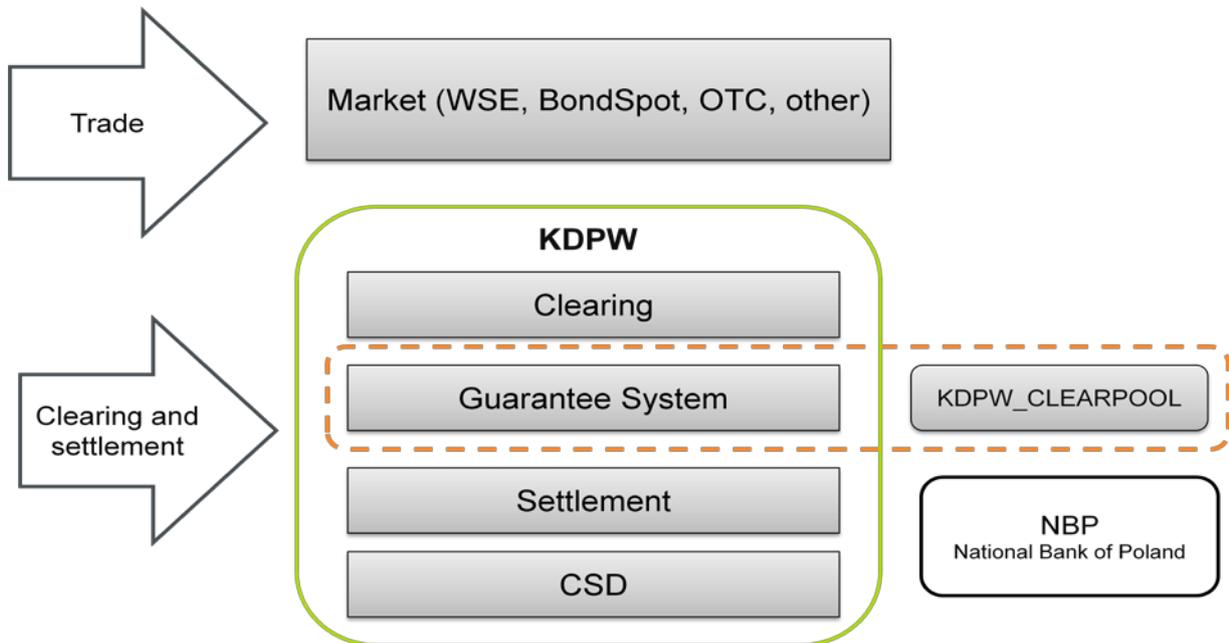
The establishment of KDPW_CCP is one of the key projects crucial to the development of the Polish market under the KDPW Strategy 2010-2013. The first steps towards establishing a CCP clearing house was the creation of the Clearing Guarantor KDPW_CLEARPOOL in May 2010. The company was set up to guarantee the clearing liquidity system with its own capital of EUR 15 million (PLN 60 million). The capital could be used in extreme cases after the main resources of the KDPW guarantee system have been exhausted.

Fig. 1. Market infrastructure before the establishment of KDPW_CLEARPOOL



Source: KDPW study

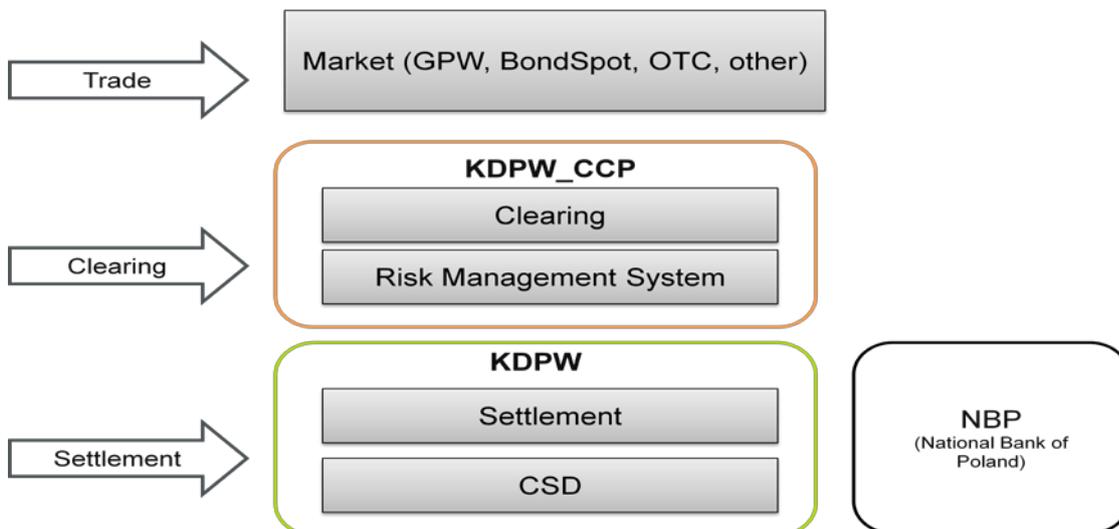
Fig. 2. Market infrastructure after establishment of the guarantor KDPW_CLEARPOOL



Source: KDPW study

The next step implemented according to the Strategy and in communication with capital market representatives is the establishment of a clearing house based on the central counterparty (CCP) model broadly used around the world. The company is 100 percent owned by the National Depository for Securities and in addition to capital owns a state-of-the-art risk management system, which significantly improves the safety of clearing transactions on the Polish capital market.

Fig. 3. Market infrastructure after the spin-off of KDPW_CCP clearing house



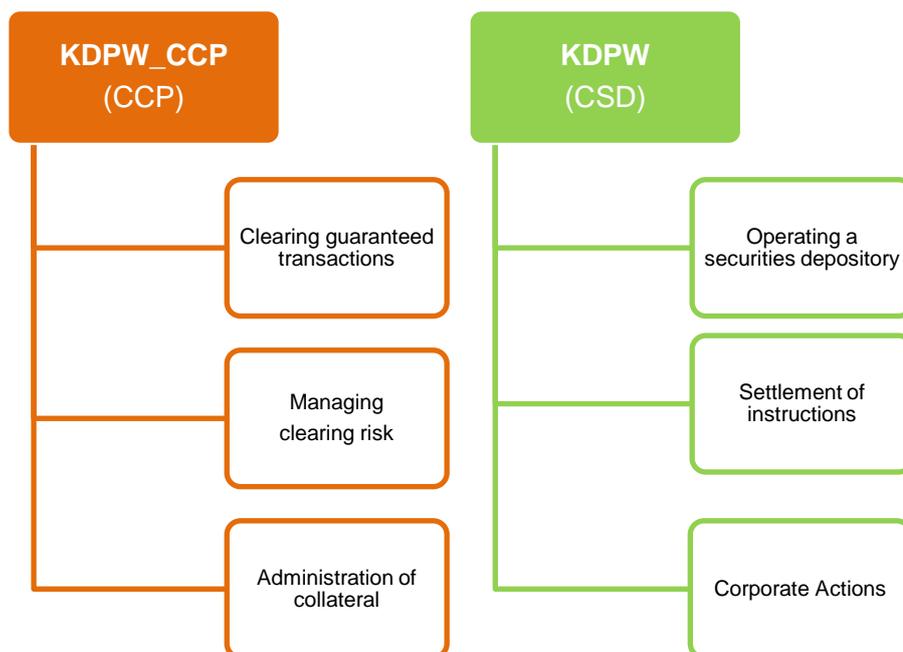
Source: KDPW study

The spin-off of the KDPW_CCP clearing house will make the Polish capital market more attractive and improve its perception by foreign financial institutions. According to standards used on well-developed financial markets around the world, a CCP clearing house should have an adequate **capital** and a recognised **risk management system**. KDPW_CCP has all these assets: its capital amounts to **EUR 25 million (PLN 100 million)** and it uses the internationally recognised SPAN® risk management methodology. This makes the market more attractive and strengthens market participants' safety.

CCP and CSD: A clearing house and a central securities depository

Depository and settlement functions (CSD: central securities depository, settlement of incoming instructions) and clearing functions (CCP: clearing and guaranteeing the clearing of transactions) generate different risks. A clear division of these functions between two separate legal entities reduces business risks and harmonises the Polish market infrastructure with world-class standards. KDPW will be the CSD handling settlements while KDPW_CCP will clear transactions.

Fig. 4. Division of functions and responsibilities between KDPW and KDPW_CCP



Source: KDPW study
