

SCP/ZW/8/2022
CCP/ZW/655/2022

Warsaw, 4 October 2022

To: KDPW Participants
KDPW_CCP Participants
EMIR TR Participants
SFTR TR Participants
ARM Participants
Interested Parties**Re.: Modifications to KDPW and KDPW_CCP IT systems scheduled in 2023**

Dear Sir or Madam,

According to our practice followed over the years in order to improve the efficiency of implementations and allow you to plan relevant modifications to IT systems well in advance, below please find information about our plans for 2023 related to modifications of KDPW and KDPW_CCP IT systems resulting from the development of our services and regulatory amendments. The information covers projects to be implemented in 2023 as well as projects at an advanced stage of implementation in 2023, which require modifications to your IT systems in the coming years.

To present the details of the 2023 plan, we are planning to host a meeting with representatives of participants' organisations, including the Board of Depositary Banks (RBD) and the Chamber of Brokerage Houses (IZD), representatives of vendors of your IT systems, as well as participants who are not members of such organisations. The online meeting will take place on **25 October at 10:00 a.m.** via MS Teams.

We will distribute invitations to the meeting in separate communications when we have the details of meeting participants. Please contact us at bozena.koziorynski@kdpw.pl in all organisational matters and to register for the event no later than 20 October 2022.

In accordance with the principles of implementing system changes within implementation windows, following an analysis of the scope and timetable of projects, we have scheduled two dates for **2023**:

- spring implementation window on: **6 - 7 May**,

- autumn implementation window on: **18 - 19 November**.

List of projects involving changes to KDPW and KDPW_CCP IT systems:

The list is subject to change in the case of changes in the external environment, in particular the regulatory environment, and new business needs:

SPRING IMPLEMENTATION WINDOW_6 - 7 May 2023

1. Implementation of handling of notification of payment limits in the settlement process in the form of xml messages

alignment of the IT systems of KDPW participants - mandatory for users of this functionality

With a view to streamlining the process of notifying payment limits, as defined in § 84 of the KDPW Rules, we are planning to implement a solution allowing such limits to be notified using dedicated xml messages. The new solution will replace the current form of “payment limits notifications” submitted in traditional form.

Materials: We will provide you with detailed materials, including message structures, regarding the proposed changes in connection with the implementation of the new functionalities **by the end of December 2022**.

Testing: We expect to make the test environment available and start testing with your participation **from the beginning of April 2023**.

Roll-out: The roll-out is planned for **6 - 7 May 2023**.

AUTUMN IMPLEMENTATION WINDOW_18 - 19 November 2023

2. Implementation of AMI-SeCo standards

alignment of the IT systems of KDPW participants - mandatory

KDPW is running a project to implement the AMI-SeCo standards for the processing of corporate actions as a part of harmonisation of collateral management in Europe (Single Collateral Management Rulebook for Europe - SCoRE). The project will further develop the existing software supporting information exchange, including electronic messages used to process corporate actions. Information exchange in those processes will rely on ISO 20022 messages in the version currently in force, which will be adapted to the AMI-SeCo standards. We are also expecting to modify the interface offered by KDPW for the processing of payments from securities (*Benefit payments application*).

Materials: we have provided you with detailed materials regarding the proposed modifications to KDPW’s IT systems related to alignment with the AMI-SeCo standards by letters dated 8 April 2022, No. BRB/ZW/7/2022 and of 3 June 2022, No. BRB/ZW/13/2022.

Testing: We expect to make the test environment available and start testing with your participation in a phased process, starting **in July 2023**.

Roll-out: The roll-out of the AMI-SeCo standards for collateral management (Corporate Actions standards) is scheduled on **18 - 19 November 2023**.

3. Implementation of changes to the functionalities of the settlement process

alignment of the IT systems of KDPW and KDPW_CCP participants - mandatory

With a view to supporting settlement processes, a project has been set up in the KDPW Group with the objective of improving the functionality of the settlement process. In particular, we are expecting to implement changes including the possibility of directing a part of a previously withheld order to settlement (partial release), changes in the handling of settlement instructions as agreed in S&R NMPG PL (rules for the use of flags for the direction of cash flows and the direction of flow of financial instruments), and the implementation of a hold-release mechanism for inter-system transfers to other CSDs. We also plan to assess the feasibility of implementing mechanisms for changing settlement systems (batch/RTGS) for matched orders.

With a view to adapting the system changes to the needs reported by market participants, we are planning to host meetings within the S&R NMPG PL working group in order to identify the expected scope of changes in the functionalities of the settlement process in cooperation with representatives of market participants, which should ultimately be implemented in `kdpw_stream`.

Materials: We will provide you with details of the planned changes to the functionalities of the settlement process and publish them on the website **in April 2023**.

Testing: We expect to make the test environment available and start testing with your participation **from September 2023**.

Roll-out: The roll-out of the changes to the settlement process functionalities is scheduled on **18 - 19 November 2023**.

OTHER MAJOR PROJECTS TO BE IMPLEMENTED IN 2022 - 2024

(outside the planned implementation windows) that may affect your IT systems:

4. Launch of `kdpw_stream` clearing system for OTC transactions

alignment of the IT systems of KDPW_CCP participants (OTC trading) - mandatory

The KDPW Group is finalising a project to develop in-house a system dedicated to OTC derivatives clearing (integrated with `kdpw_stream`) which will improve the quality of the clearing services (standardisation of messages, speed of operation, GUI, effective implementation of future modifications) and the efficiency and flexibility of clearing solutions.

Materials: A comprehensive catalogue of system messages (description of processes and structures, many examples of FpML and XML messages) have been provided to you in information materials (letter CCP/ZW/242/2022 of 31 March 2022).

Testing: As of May 2022, we have provided a test environment and started testing the new solution with KDPW_CCP participants (OTC trading). In addition, since June 2022, we have provided new

functionalities to support OTC testing in the TSTB test environment via the GUI. In September 2022, the last of the OTC system modules, the auction module, was made available in the test environment.

Roll-out: The `kdpw_stream` clearing system for OTC transactions will be launched on **17 - 18 December 2022**, rather than 22 - 23 October 2022 as originally planned.

5. Launch of the multi-factor authentication system (MFA)

to cover all services offered on online.kdpw.pl

In order to enhance the security of the services which the KDPW Group companies offer to their clients via the Services Portal online.kdpw.pl, we are running a project to implement multi-factor authentication (MFA). At this time, access to the applications requires authentication using a password, which is a knowledge attribute. To increase the level of trust, a second authentication factor will be added, which will be based on a possession attribute. As a result, during the authentication process, the user will have to prove that he or she has access to a trusted and assigned device.

A trusted device can be:

- A mobile application (KDPW Group Authenticator) installed on an Android or iOS mobile device.
- A trusted web browser, used on a computer with a specific network and IP address, which the user authenticates as trusted when logging in (after confirmation using the mobile app).

The list of devices assigned to an access account and defined as trusted can be managed at the account management level, using the dedicated page <https://identity.kdpw.pl>. As part of this service, it will be possible to remove devices from the trusted list and verify all authentication operations performed with a given device. Access to this resource will also require the use of multi-factor authentication.

Materials: Detailed materials, including instructions on the use of the *KDPW Group Authenticator* application, have been made available on the KDPW website at: <http://www.kdpw.pl/pl/MFA/Strony/default.aspx>.

Testing: The requirement for multi-factor authentication in the test environment was introduced in May 2022 together with the *KDPW Group Authenticator* mobile app and the function of managing authentication devices. Multi-factor authentication was launched in the educational environment on 12 September 2022.

Roll-out: The requirement for a second authentication factor in all applications on the KDPW Group Services Portal will be rolled out in the production environment on **5 November 2022**.

6. Adaptation of the KDPW Group to the Target Services system

In connection with the adaptation of the KDPW Group to the Target Services system, modifications have been made to KDPW's IT systems to meet the requirements of the new Target Services system following the consolidation of the Target2 system and the Target2-Securities system. At this time, KDPW and KDPW_CCP, like all Target 2 system participant, are finalising preparations for migration to the new EUR settlement platform: Target Services.

Tests: Since March 2022, we have conducted intensive tests with your participation to verify the settlement process in EUR in KDPW and KDPW_CCP.

Roll-out: On **21 November 2022**, the pan-European EUR interbank settlement system Target2 operated by the Eurosystem will be replaced by the T2 service, which will become a part of the Target Services package.

7. Launch of the new KDPW and KDPW_CCP websites

The KDPW Group is working to develop new websites for KDPW and KDPW_CCP, which will ultimately be integrated with the Services Portal online.kdpw.pl and the Data Portal data.kdpw.pl. We expect to change the information architecture of the new websites but we will continue to provide you online with system descriptions, including documentation of our own system messages (xml) and a list of ISO messages used with a link to the relevant section on the MyStandards portal.

Please note that the documentation of the ISO15022 and ISO20022 messages used for communication with you in the areas of Corporate Actions, Settlement and Reconciliation, and Clearing has been made available by the KDPW Group on the *MyStandards platform* since March 2017 and that basic access to the *MyStandards platform* is free of charge and only requires standard registration typical of online services (the system is available at: <http://mystandards.swift.com/>). The KDPW Group's homepage on the MyStandards platform can be found at: https://www2.swift.com/mystandards/#/group/KDPW_Group.

Roll-out: The new KDPW and KDPW_CCP websites are expected to be rolled out as of **1 January 2023**.

8. Modernisation of the handling of A2A access certificates

In view of rising threats to IT system security combined with an increase in the number of services offered by the KDPW Group via electronic access channels, we have decided to set up a project in the KDPW Group to modify the use of electronic certificates in A2A communications. With the changes, we will move away from personal certificates and standardise their construction (in particular, by introducing uniform cryptographic algorithms) and the way they are used in all services of the KDPW Group. The process of applying for a certificate will be executed via the Services Portal online.kdpw.pl based on a private key generated directly by the applicant.

Roll-out: The changes in the handling of access certificates in A2A communications is expected to be rolled out in two steps: Phase I – upgrade for EMIR TR, SFTR TR and ARM services is planned for **April 2023**; Phase II – upgrade for KDPW and KDPW_CCP services - for **April 2024**.

9. Adaptation of KDPW Group systems to the new trading system WATS

alignment of the IT systems of KDPW and KDPW_CCP participants - mandatory

Considering the impact of changes related to the implementation of GPW's new trading system on systems, applications and IT infrastructure, the KDPW Group is running a project to adapt the KDPW Group's systems (mainly [kdpw_stream](#)) to the new trading system WATS. The schedule of project work on the part of the KDPW Group is dependent on the WATS project schedule.

At this stage of the project, we have identified the need to update the ISO20022 messages in the area of Securities Clearing (secl) by adding the standard KDPW communication envelope used for other message groups, updating them to the current version 03, and possibly extending or adapting the information content to WATS requirements.

Should further adaptation needs arise, we will inform you through separate communications.

Materials: We will provide you with detailed materials regarding changes to the ISO20022 messages in the area of Securities Clearing (secl) **in February 2023**.

Testing: We plan to connect the KDPW Group's systems to GPW's eUAT test environment **in late March/early April 2023** and to GPW's prePROD environment **at the end of June 2023**.

We will make new versions of the ISO20022 messages in the area of Securities Clearing (secl) available in the test environment from **July 2023**.

Roll-out: The new versions of the messages (secl) will be rolled out together with the roll-out of the new system WATS, i.e., in **Q2 2024**.

10. Adaptation of the EMIR Trade Repository system to changes resulting from EMIR REFIT and data reporting to KDPW TR by KDPW_CCP

alignment of the IT systems of EMIR Trade Repository participants - mandatory

The KDPW Group is running a project aimed at adapting the EMIR Trade Repository system to changes resulting from the EMIR REFIT. In order to enable EMIR TR participants to meet their reporting obligations and supervisors to have effective uninterrupted access to KDPW_TR data, the project will implement new xml message schemas in the ISO 20022 standard, implement new formal and content checks, change the structure of databases and data migration, increase the efficiency of the system, change the handling of processes, adjust reports for supervisors, and modify the EMIR TR participant/user interface.

Materials: We will provide you with detailed materials regarding the changes to the EMIR Trade Repository system **in April 2023**. However, given the complexity of the changes resulting from the EMIR REFIT, we will host a workshop on the planned changes on 15 November 2022 (we will communicate details of the workshop in separate communications).

Testing: We expect to make the test environment available and start testing with EMIR TR participants **from November 2023**.

Roll-out: The changes adapting the EMIR Trade Repository system and KDPW_CCP to the changes resulting from EMIR REFIT are scheduled for roll-out in **April 2024**.

11. Preparation of WIRON OIS clearing service and conversion of WIBOR legacy portfolio

In connection with the ongoing benchmark reform, which is expected among others to introduce a new interest rate benchmark WIRON replacing WIBOR, with input data consisting of information representing ON (overnight) transactions, a project has been launched at KDPW_CCP to adapt the systems, processes, procedures and regulations for clearing and risk management to handle the new benchmark and convert the transaction portfolio into new instruments.

Testing: We expect to test the new solution **from January 2024**.

Roll-out: The roll-out (OIS) is scheduled for **Q2 2024** and the portfolio conversion for **Q4 2024**.

Yours sincerely,

Slawomir Panasiuk
Vice-President of the Management Board

C/C:

National Bank of Poland (NBP)

Warsaw Stock Exchange (GPW)

BondSpot S.A.

Chamber of Brokerage Houses (IDM)

Board of Depositary Banks at the Polish Bank Association (RBD ZBP)

Office of the Polish Financial Supervision Authority (UKNF)