



KDPW |
CCP

KDPW_CCP
Annual
Report

2021

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1.

KEY INFORMATION ABOUT KDPW_CCP

1.1

Core business

The company KDPW_CCP S.A. (KDPW_CCP, clearing house KDPW_CCP) has its registered address in Warsaw at ul. Książęca 4. KDPW_CCP is a 100 percent subsidiary of Krajowy Depozyt Papierów Wartościowych S.A. (KDPW, The Central Securities Depository of Poland). KDPW and KDPW_CCP are members of the Krajowy Depozyt Papierów Wartościowych S.A. Group (KDPW Group), of which Krajowy Depozyt Papierów Wartościowych is the parent entity.

According to the applicable legislation and the KDPW_CCP Statute, the core business of the company in 2021 included:

- to clear transactions concluded in financial instruments;
- to operate a transaction clearing liquidity guarantee system;
- to promote information and perform educational activities concerning the capital market.

Furthermore, under the Statute, the Company may conduct activities involving :

- performance of functions of an exchange clearing house for transactions concluded on commodity markets;
- other forms of lending – cash loans outside of the banking system;
- other financial services not classified elsewhere, excluding insurance and pension funds – other financial intermediation related mainly to distribution of cash other than by lending, concluding hedging transactions.

1.

KEY INFORMATION ABOUT KDPW_CCP

1.2

Corporate
bodies

The Company's corporate bodies are the **General Meeting**, the **Supervisory Board**, and the **Management Board**.

General Meeting

In 2021, Krajowy Depozyt Papierów Wartościowych was the sole shareholder of the Company.

Supervisory Board

In 2021, the Supervisory Board of the fifth term of office was comprised of:

- **Dr Marek Dietl** (Chairperson),
- **Jacek Fotek** (Deputy Chairperson),
- **Paweł Kołkiewicz** (Independent Member),
- **Dr Mirosław Panek** (Independent Member),
- **Paweł Sobolewski**,
- **Dr Renata Wojciechowska** (Independent Member).

KEY INFORMATION ABOUT KDPW_CCP

Management Board

In 2021, the term of office the Management Board of KDPW_CCP expired. Until 28 July 2021, the Management Board of KDPW_CCP was comprised of:

- **Maciej Trybuchowski** (President),
- **Sławomir Panasiuk** (Vice-President),
- **Michał Stępniewski** (Vice-President),
- **Dr Piotr Jaworski** (Member).

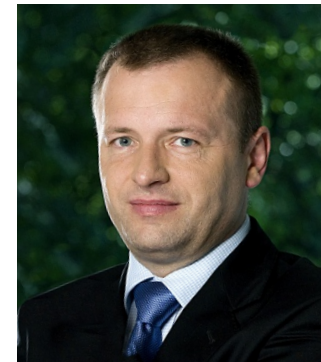
The following members were appointed to the Management Board of KDPW_CCP for the new term of office:

- **Maciej Trybuchowski** as President of the Management Board of KDPW_CCP (Resolution No. 44/527/21 of the Supervisory Board of KDPW_CCP S.A. dated 8 July 2021),
- **Sławomir Panasiuk** as Vice-President of the Management Board of KDPW_CCP (Resolution No. 45/528/21 of the Supervisory Board of KDPW_CCP S.A. dated 8 July 2021).



Maciej
Trybuchowski

—
President of the
Management Board



Sławomir
Panasiuk

—
Vice-President of the
Management Board

1.

KEY INFORMATION ABOUT KDPW_CCP

1.3

Legal basis of activity

KDPW_CCP operates in accordance with the authorisation to provide clearing services as a CCP issued under the decision of the Polish Financial Supervision Authority (KNF) of 8 April 2014. The authorisation was later extended under the decision of the Polish Financial Supervision Authority of 9 August 2016 and 31 October 2019.

The legal basis of the activity of KDPW_CCP in 2021 included:

1) national legislation:

- Act of 29 July 2005 on Trading in Financial Instruments (Journal of Laws of 2021, item 328, as amended, “Act on Trading in Financial Instruments”);
- Act of 29 July 2005 on Capital Market Supervision (Journal of Laws of 2020, item 1400, as amended “Act on Capital Market Supervision”);
- Act of 24 August 2001 on the finality of settlement in payment systems and securities settlement systems and on the terms of supervision over such systems (Journal of Laws of 2019, item 212, as amended, “Act on the finality of settlement”);
- Act of 2 April 2004 on Certain Financial Collateral (Journal of Laws of 2020, item 103, as amended, “Act on Certain Financial Collateral”);
- Act of 10 June 2016 on the Bank Guarantee Fund, the Deposit Guarantee Scheme, and Resolution (Journal of Laws of 2020, item 842, as amended, “Act on the Bank Guarantee Fund”);
- Act of 15 September 2000 – Commercial Companies Code (Journal of Laws of 2020, item 1526, as amended, “Commercial Companies Code”);

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KEY INFORMATION ABOUT KDPW_CCP

1.3

Legal basis
of activity

2) EU legislation:

- Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (EU Official Journal L 201 of 27.7.2012, p. 1, as amended, “EMIR”), and the regulatory technical standards issued under the Regulation;
- legal acts governing the financial market, including:
- Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2014 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (EU Official Journal L 176 of 27.6.2013, p. 1, as amended, “CRR”);
- Regulation of the European Parliament and of the Council (EU) No 236/2012 of 14 March 2012 on short selling and certain aspects of credit default swaps (EU Official Journal L 86 of 24.03.2012, p. 1, as amended, “Short Selling Regulation”);
- Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (EU Official Journal L 173 of 12.6.2014, p. 84, as amended, “MiFIR”), and the regulatory technical standards issued under the Regulation;
- Commission Regulation (EU) No 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community (EU Official Journal L 302 of 2010, p. 1, as amended);
- Regulation of the European Parliament and of the Council (EU) No 2015/2365 of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 (EU Official Journal L 337 of 2015, p. 1, as amended).

1.

KEY INFORMATION ABOUT KDPW_CCP

1.3

Legal basis of activity

KDPW_CCP carried out its operations in accordance with the following rules:

- Rules of Transaction Clearing (organised trading) and the following rules issued thereunder:
 - Detailed Rules of Transaction Clearing (organised trading);
 - Clearing Fund Rules;
 - GPW BondSpot ATS Guarantee Fund Rules;
- Rules of Transaction Clearing (non-organised trading) and the following rules issued thereunder:
 - Detailed Rules of the OTC Clearing System;
 - Rules of the OTC Guarantee Fund.

Under the authorisation issued by the Polish Financial Supervision Authority on 31 October 2019, KDPW_CCP published the Rules of Clearing and Settlement of EUA/EUAA Sale Transactions with a view to expected launch of such activities.

2.

KDPW_CCP OPERATIONS IN 2021

2.1

Transaction clearing – organised trading

In performing the clearing of transactions in organised trading, KDPW_CCP performs the following functions:

- operating a system of clearing and collateral accounts;
- registering transactions that are to be cleared and transfers of open positions following transactions executed in the derivatives market in the relevant clearing accounts;
- registering in clearing accounts positions arising from transactions that are to be cleared and operations related to such positions,
- calculating the amounts of cash and non-cash payments that parties to transaction clearing or KDPW_CCP are obliged to meet,
- sending to KDPW instructions to settle cleared transactions in securities,
- sending to the National Bank of Poland (NBP) instructions to execute cash payments arising from the clearing of transactions in derivatives;
- submitting derivatives transaction reports to the KDPW trade repository.

2.

KDPW_CCP OPERATIONS IN 2021

2.1

Transaction clearing – organised trading

In 2021, KDPW_CCP cleared transactions on GPW and BondSpot regulated markets and alternative trading systems covered by the clearing guarantee system based on a multi-tiered SPAN risk management system.

The table below presents the statistics of transactions cleared in 2020 and 2021:

MARKET	NUMBER OF TRANSACTIONS CLEARED IN 2021	NUMBER OF TRANSACTIONS CLEARED IN 2020	CHANGE (%)
Regulated cash market (GPW and BondSpot)	34,674,749	34,145,945	+1.55%
Alternative trading systems (GPW and BondSpot)	3,103,649	5,085,495	-38.97%
Derivatives market (GPW)	4,349,536	4,724,954	-7.95%
Total:	42,127,934	43,956,394	-4.16%

Turnover and consequently the number of transactions cleared by KDPW_CCP increased massively in 2020 due to the uncertainty and volatility caused by the COVID-19 pandemic on the Polish and global capital markets. The trend continued on the cash market in 2021 while the ATS and derivatives markets saw a reduction in the number of transactions.

The value of transactions in 2021 was as follows:

TRANSACTION VALUE	2021 (PLN'000)	2020 (PLN'000)	CHANGE (%)
Regulated cash market (GPW and BondSpot)	319,351,334	302,442,620	+5.59%
Alternative trading systems (GPW and BondSpot)	70,837,628	24,373,722	+190.63%
Derivatives market (GPW)	271,601,103	241,812,052	+12.32%
Total:	661,790,065	568,628,394	+16.38%

2.

KDPW_CCP OPERATIONS IN 2021

2.1

Transaction clearing – organised trading

In 2021, KDPW_CCP continued the clearing of Treasury bond transactions in the alternative trading system TBSP operated by BondSpot, which started in October 2020, impacting the value of transactions cleared in 2021.

The turnover volume in derivatives on GPW by class in 2021 was as follows (comparative data for 2020 included):

	TURNOVER VOLUME IN 2021	TURNOVER VOLUME IN 2020	CHANGE (%)
Futures:	11,707,149	11,115,358	+5.32%
index futures	5,456,107	6,206,525	-12.09%
single-stock futures	2,267,567	2,466,161	-8.05%
FX futures	3,983,475	2,442,672	+63.08%
Index options:	277,995	374,491	-25.77%
Total:	11,985,144	11,489,849	+4.31%

The 2021 summary shows a year-on-year increase in the number of FX futures transactions due to increased uncertainty in this market throughout the reporting period.

Interest in FX futures was supported throughout 2021 by promotional transaction and clearing fees offered jointly by GPW and KDPW_CCP including the High Volume Provider and High Volume Funds programmes in which more than a dozen GPW traders participate

2.

KDPW_CCP OPERATIONS IN 2021

2.2

Transaction clearing – OTC trade

In performing the clearing of transactions in OTC trading, KDPW_CCP performs the following functions:

- operating a system of clearing and collateral accounts;
- accepting for clearing transactions concluded or confirmed on relevant electronic platforms;
- registering in clearing accounts positions arising from transactions that are to be cleared and operations related to such positions,
- calculating the amounts of cash and non-cash payments that parties to transaction clearing or KDPW_CCP are obliged to meet,
- sending to KDPW instructions to settle cleared transactions in securities,
- sending to NBP instructions to execute cash payments arising from the clearing of transactions in derivatives;
- submitting derivatives transaction reports to the KDPW trade repository.

In 2021, KDPW_CCP's clearing system was ready to clear OTC transactions in the following PLN and EUR derivatives covered by the clearing guarantee system based on a multi-tiered VaR risk management system:

- Forward Rate Agreement (FRA);
- Interest Rate Swap (IRS);
- Overnight Index Swap (OIS);
- Basis Swap;
- REPO and sell/buy-back (in Polish Treasury bonds).

The number of transactions presented by domestic banks for clearing in KDPW_CCP increased year on year in 2021. The table below presents the number of OTC transactions cleared by KDPW_CCP in 2020 and 2021:

	NUMBER OF TRANSACTIONS IN 2021	NUMBER OF TRANSACTIONS IN 2020	CHANGE (%)
Number of cleared transactions	2,486	2,273	+9.37
Transactions by instrument:			
Number of FRAs	138	143	-3.50
Number of IRS and Basis Swaps	2,348	2,124	+10.55
Number of OIS	0	0	0

2.

KDPW_CCP OPERATIONS IN 2021

2.2

Transaction clearing – OTC trade

The value of OTC transactions accepted for clearing by KDPW_CCP in 2020 and 2021 was as follows:

	VALUE OF TRANSACTIONS IN 2021 (PLN'000)	VALUE OF TRANSACTIONS IN 2020 (PLN'000)	CHANGE (%)
Value of cleared transactions	272,500,727	271,023,458	+9.37
Transactions by instrument:			
Value of FRAs	36,606,000	35,742,000	-3.50
Value of IRS and Basis Swaps	235,894,727	235,056,733	+10.55
Value of OIS	0	0	0

KDPW_CCP received few trades in EUR for clearing in 2021. Overall, banks which are OTC clearing members presented three trades for clearing in KDPW_CCP in a total amount of EUR 26,031,211.42.

KDPW_CCP accepted four OTC trades in the client clearing service in a total amount of PLN 262,700,000.00 in 2021. By comparison, KDPW_CCP accepted 15 transactions in the client clearing service in a total amount of PLN 372,500,000.00 in 2020.

2.

KDPW_CCP OPERATIONS IN 2021

2.3

Transaction clearing liquidity guarantee system

In the transaction clearing liquidity guarantee system, KDPW_CCP performs the following functions:

- collecting and managing assets that form the clearing fund and the relevant guarantee fund;
- organising the automatic securities lending and borrowing system and the negotiated securities lending and borrowing system in co-operation with KDPW;
- collecting and managing assets that form margins.

The table below presents the amount of resources of the funds as at 31 December 2021.

FUND	NUMBER OF CLEARING MEMBERS, 2021 YE	NUMBER OF CLEARING MEMBERS, 2020 YE	VALUE OF CONTRIBUTIONS, 2021 YE (PLN'000)	VALUE OF CONTRIBUTIONS, 2020 YE (PLN'000)	CHANGE (%)
Clearing Fund (regulated market GPW and BondSpot)	26	26	391,756.14	412,428.33	-5.01
GPW BondSpot ATS Guarantee Fund	27	27	16,977.79	69,886.63	-75.71
On-demand Securities Lending Guarantee Fund	0	0	0.00	0.00	0.00
OTC Guarantee Fund	12	12	496,391.93	290,699.04	+70.76
Total:			905,125.86	773,014.00	+17.09

2.

KDPW_CCP OPERATIONS IN 2021

2.3

Transaction clearing liquidity guarantee system

The table below presents the value of margins deposited by clearing members as at 31 December 2020 and as at 31 December 2021. The increase/decrease is a reflection of the conditions on the capital market in 2021.

MARGIN	VALUE OF PARTICIPANTS' MARGINS, 2021 YE (PLN'000)	VALUE OF PARTICIPANTS' MARGINS, 2020 YE (PLN'000)	CHANGE (%)
Initial deposit	567,406.70	1,080,867.44	-47.50%
Initial margin	535,437.34	606,866.47	-11.77%
ATS initial deposit	107,525.89	0.00	n/a
ATS initial margin	23,472.15	0.00*	n/a
OTC initial deposit	87,916.21	87,067.63	+0.97%
OTC initial margin	411,679.28	338,384.88	+21.66%
Total:	1,733,437.57	2,113,186.42	-17.97%

**The ATS margin was part of the regulated market margin up to April 2021.
The margins were split when separate monitoring was implemented for ATS.*

3.

PARTICIPATION IN LEGISLATIVE INITIATIVES

3.1

National legislation – participation in legislative initiatives

In 2021, KDPW_CCP (within the KDPW Group) participated in a number of legislative initiatives relevant to the capital market in Poland including the work on:

- a draft Act amending certain acts in relation to ensuring the development of the financial market and the protection of investors in that market (including amendments to the Act on Trading in Financial Instruments);
- a draft Act amending the Act on the Bank Guarantee Fund;
- a draft amendment of the Regulation of the Minister of Finance of 30 May 2018 on the procedure and conditions for the conduct of investment firms, banks referred to in Article 70(2) of the Act on Trading in Financial Instruments, and custodian banks;
- a draft Regulation of the Minister of Finance amending the Regulation on fees to cover the costs of capital market supervision.

3.

PARTICIPATION
IN LEGISLATIVE
INITIATIVES

3.2

European legislation
– consultations
and opinions

To ensure KDPW_CCP's compliance and prepare for harmonisation, we analysed draft European legislation in 2021. KDPW_CCP participated in the drafting of European legislation governing the financial market, including as a participant in the issuance of opinions on draft legislation and a participant in consultations opened in the drafting process, in collaboration with industry organisations, the national administration and supervisory authorities. In particular, analyses were conducted on draft regulatory technical standards (RTS) and guidelines in connection with the published Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties and amending Regulations (EU) No 1095/2010, (EU) No 648/2012, (EU) No 600/2014, (EU) No 806/2014 and (EU) 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132 (OJ L 22, 22.1.2021, p. 1).

In addition, KDPW_CCP participated in the work on the following European regulations:

- proposed amendments to Articles 15 and 49 of EMIR;
- proposals for amendments to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MIFID II) and MIFIR;
- consultation on penalties under Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories, amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (OJ L 257, 28.8.2014, as amended, (CSDR), together with the regulatory technical standards issued under the Regulation;
- draft RTS on the methodology for calculation and maintenance of the additional amount of pre-funded dedicated own resources (second SITG);
- ESMA's draft guidance on CCP recovery plan indicators (Article 9 CCPRRR);
- ESMA's draft guidance on CCP recovery plan stress scenarios.

4.

PARTICIPATION IN THE WORK OF INTERNATIONAL ORGANISATIONS

Representatives of KDPW_CCP are actively involved in the activities of working groups established by international organisations and associations which consult and issue opinions on draft legislation, recommend modifications of market practice of clearing and risk management and develop standards proposed on European and global markets.

4.1 EACH (European Association of Central Counterparty Clearing Houses)

EACH is the European association of CCPs and supports co-operation and the exchange of information among clearing institutions.

In 2021, EACH monitored new initiatives, issued opinions on draft legislation and many consultation papers in the areas of clearing and risk management.

EACH drafted a position paper in 2021 on Climate Risk and CCP Risk Management which provided an overview of several aspects of climate risk that CCPs can consider as part of their risk management.

Work was carried out in relation with the consultation launched by the European Commission on the review of the CSDR (mainly settlement discipline, including issues related to the implementation of the CSDR provisions on, inter alia, buy-in operations and the charging and redistribution of fines).

A position paper was drafted on ESMA's consultation paper on clearing and trading obligations for derivatives in light of the benchmark reform.

Other work included an analysis of the provisions for Recovery and Resolution of CCPs Level 2, reporting under EMIR, as well as a review of the Financial Collateral Directive and the Settlement Finality Directive.

In connection with EACH's work on regulations, both at European and global level, in order to present the positions developed with regard to topics of current relevance to the capital market, EACH representatives met with representatives of the supervisory authorities of several Member States, including the Spanish, German, Austrian, Italian, and Dutch supervisors, as well as representatives of the European Commission, the European Central Bank (ECB), the European Systemic Risk Board (ESRB), and ESMA.

4.

PARTICIPATION
IN THE WORK OF
INTERNATIONAL
ORGANISATIONS

KDPW_CCP representatives participate in the work of EACH and its four committees:

The EACH Policy Committee is responsible for reviewing legal issues and standards of CCP clearing, CCP interoperability, as well as the exchange of information among CCPs. In 2021, the Committee focused on Recovery and Resolution of CCPs Level 2 including, inter alia, compensation for EACH members who may suffer losses, temporary restrictions in the event of a material event other than a default, valuation for the application of the NCWO (No-Credit_Worse-Off) principle and the draft regulation on digital operational resilience of the financial sector DORA (Digital Operational Resilience Act).

In addition, the EACH Policy Committee drafted a position paper for ESMA's report on Articles 15 and 49 of EMIR regarding the extension of the authorisation of CCPs, the conditions which require the validation of material changes to CCP models and parameters by the national competent authority and ESMA, and the procedure for consulting the college on meeting the required

conditions.

The EACH Risk Committee is responsible for the development of risk management systems and tools, including margins and clearing funds, participation requirements, default procedures, legal aspects of clearing by the central counterparty (risk management).

In 2021, the Committee focused on issuance of opinions on legal regulations and recommendations concerning risk management. The Committee drafted a position paper for the Basel Committee on Banking Supervision (BCBS) Committee on Payments and Market Infrastructures (CPMI) Consultation on the review of Margining practices, as well as the Bank of England's Supervisory Stress Testing of Central Counterparties consultation paper.

The Committee drafted the EACH note on CCPs resilience during COVID-19 based on research on the impact of stress observations on margins and pro-cyclicality and CCP

4.

PARTICIPATION IN THE WORK OF INTERNATIONAL ORGANISATIONS

actions taken during the ongoing pandemic

The EACH Legal Committee is mainly responsible for the exchange of views and opinions, and for legal aspects of clearing in the European context and beyond Europe, where necessary.

In 2021, the Committee focused among others on drafting EACH's position paper on the Financial Collateral Directive, the Settlement Finality Directive, as well as the draft European Data Governance Act (DGA), particularly with regard to the exclusion of financial institutions from the scope of application of the DGA provisions.

The EACH EMIR Trade Reporting (EACH TR) is a working group established for the purpose of clarifying reporting conditions, developing standards for reporting to trade repositories, and harmonising compliance activities for clearing houses, clearing participants, and their clients.

In 2021, the group focused on ESMA's report on technical standards for reporting, data quality, access to data and records maintained by Trade Repositories, the International Swaps and Derivatives Association's (ISDA) project on digital regulatory reporting, and a review of the proposed technical standards for the EMIR Refit on valuation calculation options to propose the CCP's preferred approach to ESMA.

4.

PARTICIPATION
IN THE WORK OF
INTERNATIONAL
ORGANISATIONS

4.2 CCP12 (The Global Association of Central Counterparties)

CCP12 is an international organisation with a membership encompassing clearing houses from all over the world aiming to exchange information and experience in the clearing of financial instruments.

In 2021, in an effort to promote best standards and practices in CCP operations, CCP12 developed the CCP12 Policy Perspective on the implementation timeline for the Basel III Standards, which suggested to local regulators the coordination of the timeline for the implementation of the Basel III standards and the use of transitional arrangements so that foreign CCPs could continue to be treated as qualified CCPs under local regulatory regimes.

A position paper was prepared for the Financial Stability Board (FSB) Regulatory and Supervisory Issues Relating to Outsourcing and Third-Party Relationships paper, as well as a response to HM Treasury's consultation paper on an extended resolution regime for UK central counterparties.

Work was carried out on ESMA's consultation papers CCP Recovery and Resolution and Clearing and derivative trading obligations in view of the benchmark transition. CCP12 positions were published for the Bank of England consultation papers on derivatives clearing obligations and CCP supervisory stress testing. In order to promote credibility and integrity in the market, CCP12 prepared a study on transparency perspectives which includes a description of practices and views adopted by CCPs from

around the world.

KDPW_CCP representatives participated in meetings of CCP12 and its Committees held as videocalls.

The CCP12 Risk Working Committee (RWC) is responsible for CCP risk management, in particular stress test programmes. In 2021, in cooperation with EACH, the Futures Industry Association (FIA) and ISDA, the group produced a paper on the CPMI-International Organisation of Securities Commissions (IOSCO) report on the use of auctions by CCPs in the event of member default to limit contagion and the consequences of default for other CCP members. Papers prepared by the Market Risk Advisory Committee (MRAC) were also reviewed, including Recommendations regarding CCP margin methodologies, MRAC Subcommittee on CCP Risk and Governance Workstream on Stress Testing and Liquidity and DCO capital and skin in the game. In order to improve transparency, the group led work to develop a standard of disclosures to be published by OTC market participants, clearing members and their clients: Market Participant PQD (MPQD) and CCP Supplementary Disclosures: CCP12 Supplementary PQD (SPQD) – voluntary disclosures for CCPs with subscription data provided at a higher frequency than the PQD. Discussions were held on the margining best practice report published by IOSCO, BCBS, CPMI.

4.

PARTICIPATION
IN THE WORK OF
INTERNATIONAL
ORGANISATIONS**The CCP12 Policy Working Committee (PWC)**

is responsible for discussions and drafting of CCP12's positions, and provides a platform of exchange of information on current issues relevant to CCPs, including CCP recovery and resolution. In 2021, the Committee focused among others on cooperation between the FSB and CPMI-IOSCO on CCP financial resources, documents and positions developed by international organisations, i.e., FSB, ISDA, FIA, the World Federation of Exchanges (WFE), DTCC on the impact of the COVID-19 pandemic on financial markets and CCP activities, the new rules for taking into account counterparty credit risk (SA-CCR) (Basel III reform) and discrepancies in the implementation of the Basel rules, ESMA's technical standards on NCWO and the second SITG.

Representatives of the group participated in studies conducted by IOSCO-CPMI-BCBS on margining and recovery. Work was carried out as part of the IOSCO consultation on the regulation and supervision of commodity derivatives markets and client clearing and porting

The CCP12 Operations Working Committee (OWC)

is responsible for current issues relevant to CCP operations and technologies, including CPMI-IOSCO/FSB technical standards regarding UTI, fintechs, cyber security. In 2021, the Committee focused on ESMA's Draft RTS on EMIR reporting quality, problems related to reporting intraday and eod events, a discussion of payment fails in the Federal Reserve System (FED), resulting in the establishment of a subgroup for those interested in receiving information on fails, and a discussion of the principles of outsourcing proposed by IOSCO in the document Principles on Outsourcing and the report prepared by IOSCO, BCBS and CPMI Review of Margining Practices. Work was underway on a Cyber Attack Template document in which attacks on IT infrastructure would be reported.

The CCP12 Public Quantitative Disclosure Working Committee (PQD WC)

is responsible for preparing quarterly reports which are a compilation of risk management data provided by central counterparties from around the world. In 2021, the group updated and published on CCP12's website the Internal PQD FAQ Guideline and quarterly news with an overview of the data published by CCPs. Work was underway on the conversion of PQD documents to JSON format, the central location of all PQD documents, changing the frequency of disclosure of specific data fields and the potential development of the PQD Online-Tool GUI application which would present data visualisations without access to the raw data.

5.

KEY AREAS OF
DEVELOPMENT
ACTIVITIES
IN 2021

5.1 Preparing KDPW_CCP for the provision of a conditional transaction clearing service in the ATS market segment for organised trading

In 2021, with a view to expanding the scope of services provided by KDPW_CCP, including following the directions of change set out in the Capital Market Development Strategy, KDPW_CCP conducted project work related to the launch of a new service: the clearing of conditional transactions (repo) concluded on the Treasury BondSpot Poland platform.

The main focus in 2021 was on tasks in the regulatory area and the area related to obtaining the relevant authorisations, including the Polish Financial Supervision Authority's decision extending the scope of KDPW_CCP's authorisation to provide clearing services.

Following the completion of work on the regulations: the Rules of Transaction Clearing (Organised Trading), the Detailed Rules of Transaction Clearing, the Repo Risk Hedging Methodology, the Procedure for the Acquisition of Securities, the Procedure for Action in the Event of KDPW_CCP Clearing Member Default, and the Risk Management Policy, all regulations/procedures were validated and then submitted to the Risk Committee for its opinion. Subsequently, in May 2021, the Supervisory Board of KDPW_CCP adopted resolutions amending the Rules of Transaction Clearing (Organised Trading), the Risk Management Policy, and the Clearing Fund Rules.

Annexes were signed to the agreement with BondSpot and KDPW regarding repo clearing and to the agreement with BondSpot and GPW regarding the ATS Guarantee Fund.

An application was submitted to the Polish Financial Supervision Authority on 21 May 2021 to extend the scope of the authorisation to provide clearing services as a CCP, granted on the basis of the decision of the Polish Financial Supervision Authority of 8 April 2014, to include the clearing of conditional repo transactions concluded in organised trading (regulated market and alternative trading systems). An exchange of letters with the Polish Financial Supervision Authority followed in the period May-September 2021 with regard to the submitted application, and the Polish Financial Supervision Authority declared the application of KDPW_CCP to be complete in accordance with Article 17(3) of EMIR on 30 September 2021.

As part of the authorisation procedure, a risk assessment of the CCP was conducted by the supervisory authority. In addition, KDPW_CCP provided answers to questions received from ESMA on 12 July 2021, 23 November 2021 and 11 January 2022.

5.

KEY AREAS OF DEVELOPMENT ACTIVITIES IN 2021

A meeting of the Supervisory College was held on 25 January 2022 concerning the extension of the authorisation to provide clearing services as a CCP to include the clearing of conditional repo transactions concluded in organised trading (regulated market and alternative trading systems), following which a decision by the Polish Financial Supervision Authority is expected. As part of the proceedings conducted by the Polish Financial Supervision Authority on the approval of amendments to the Rules of Transaction Clearing (Organised Trading), answers to the questions submitted by the supervisor were prepared and sent.

As a result of the proceedings, additional amendments to the Rules of Transaction Clearing (Organised Trading) and the Risk Management Policy were processed by the Supervisory Board. Subsequently, the Polish Financial Supervision Authority forwarded the draft amendments to the Rules to the President of the NBP for his opinion.

As part of the communication with clearing members, information was provided on 9 July 2021 about planned changes to system messages. A letter on implementations in the KDPW Group systems dated September 2021 announced the launch date of the new service: 25 April 2022.

A detailed presentation of the service was discussed at the annual meeting with participants on 8 November 2021. Another briefing for clients of the new service was organised with BondSpot on 10 December 2021. It discussed changes in the clearing of conditional trades concluded on TBSP, formal and legal changes on TBSP, the configuration of operating profiles and the technical requirements of the CCP, and the rules for testing. Subsequently, a material for participants describing the process of clearing and settlement of repo transactions sent from the TBSP market to KDPW_CCP was published on the KDPW_CCP website on 30 December 2021.

At the same time, project work was carried out in the area of system changes. A requirements specification was completed and programming work was divided into thematic blocks: clearing, settlement, risk management, margining and valuation, SFTR reporting. Work was carried out to shorten the processing of repos, support the handling of repo data messages, the processing of coupons and fees and the calculation of hypothetical capital for repos. On 22 November 2021, a test environment was made available to KDPW_CCP participants and testing began for clearing and risk management for repos as well as SFTR trade reporting.

5.

KEY AREAS OF DEVELOPMENT ACTIVITIES IN 2021

In addition, discussions were held and arrangements were made with BondSpot representatives regarding the work schedule, testing, joint transaction parameterisation and system configuration, as well as the planned solution for the transfer of transactions from TBSP to KDPW_CCP. The scope of changes to BondSpot regulations and the timetable for notification of the new service by BondSpot were also discussed.

According to the project timetable, the launch of the service for clearing repo transactions concluded on the Treasury BondSpot Poland platform, including auctions for repos, is planned together with the implementation of add-ons (due to the systemic link of the functionalities) in the 2022 spring implementation window, i.e., on 23-24 April 2022.

5.

KEY AREAS OF DEVELOPMENT ACTIVITIES IN 2021

5.2 Extension of systemic processing of clearing and monitoring of transactions in alternative trading systems

On 17-18 April 2021, as part of the project on the extension of the systemic processing of clearing and monitoring of transactions concluded in alternative trading systems, tools were implemented supporting the separation of the resources of the clearing guarantee system dedicated to the clearing of transactions concluded in ATS as well as monitoring of the degree of utilisation of the transaction buffer in this area.

As part of the work preceding the implementation, project and programming work was carried out, including adjustments to the new communication in the area of margins enabling an effective response to changes in the value of collateral required by KDPW_CCP.

Information was provided to KDPW_CCP participants on planned changes to system messages for communicating margin requirements and related payments, as well as information on planned changes to the margining model in connection with the introduction of additional margins (add-ons).

Starting in November 2020, tests of the new monitoring for ATS were conducted with participants (complex tests with many processes).

The internal procedures and operational instructions of KDPW_CCP were amended accordingly. The implementation of the solution within the 2021 spring implementation window was confirmed in a letter to participants on 30 March 2021. The Management Board's resolution on the minimum initial margins dedicated to ATS clearing (PLN 100,000) was published on 6 April 2021.

5.

KEY AREAS OF
DEVELOPMENT
ACTIVITIES
IN 2021

5.3 Preparation of KDPW_CCP for the processing of settlement discipline requirements under CSDR

The functionalities supporting settlement processes envisaged in the first phase of the KDPW Group's alignment with the requirements of the CSDR and the technical standards for settlement discipline were implemented on 17-18 April 2021 including tolerance levels, cancellation of settlement instructions, partial settlement, as well as changes related to the processing of the field Place of clearing in settlement orders.

As part of the work related to the implementation of the second phase of the project, working group meetings were held on 26 March, 29 April, 17 June, 15 September and 16 December 2021 with market representatives (Chamber of Brokerage Houses, Council of Depository Banks, KDPW_CCP and KDPW) to discuss the scope of the settlement discipline adjustments and the issues/functionalities to be implemented in the second phase.

The September meeting highlighted discussions taking place at the European level concerning a potential delay of the entry into force of buy-in mechanisms (the formal date was set for 1 February 2022).

In addition, the scope of the changes and the deadline for the KDPW Group to comply with the CSDR settlement discipline requirements were discussed on 8 November 2021 and at a meeting on 15 December 2021 where the rules of conduct of CCPs in the case of buy-ins were presented to participants.

In parallel, project work was carried out in the area of system changes. Information on the changes, including a description of the process and the messages used, was distributed to KDPW_CCP participants on 9 July 2021, in particular with regard to the process of collecting and redistributing cash penalties for settlement fails as well as the processing of securities buy-ins and/or the payment of cash compensation in connection with the liquidation of unsettled positions.

Subsequently, in accordance with the timetable, testing with KDPW_CCP and KDPW participants commenced on 25 October 2021, and the buy-in functionality in the form of auctions, available on the online portal.kdpw.pl as part of the KDPW_CCP services, was made available in the test environment on 20 December 2021.

5.

KEY AREAS OF DEVELOPMENT ACTIVITIES IN 2021

Considering that KDPW_CCP will collect funds by debiting the bank account indicated by the participant maintained by the NBP in the SORBNET2 system for PLN or in the TARGET2 system for EUR, and then credit the charged amount to the accounts of participants entitled to receive benefits related to the handling of cash penalties, KDPW_CCP submitted to the NBP proposed amendments to the settlement day schedule in the payment system (Sorbn2 and Target2), introducing operations related to the penalty mechanism, which were accepted by the NBP on 8 November 2021.

Due to the recommendation issued by ESMA on 17 December 2021 to supervisors to refrain from enforcing compliance with the current CSDR requirements regarding the mandatory application of buy-in procedures until the new regulations enter into force, only changes concerning the collection and redistribution of cash penalties by KDPW_CCP on the basis of data from the KDPW were implemented in the KDPW_CCP systems on 1 February 2022, in the 2022 winter implementation window, together with the use of new codes dedicated to those operations in the payment systems.

5.

KEY AREAS OF DEVELOPMENT ACTIVITIES IN 2021

5.4 Alignment of KDPW_CCP regulations and procedures with the requirements of recovery and resolution for CCPs and for recovery and resolution for credit institutions and investment firms (BRRD)

KDPW_CCP continued in 2021 to align its regulations and procedures with the requirements of recovery and resolution for CCPs. Following the draft technical regulations and guidelines on CCP recovery plans published by ESMA in July 2021, work was undertaken to analyse the regulation on CCP recovery and resolution and to implement the provisions into the KDPW_CCP regulations. For the purpose of preparing a revised recovery plan, a matrix was prepared covering a list of stress scenarios to which individual risks and their sources were assigned where recovery tools could be triggered. Work was initiated on the drafting of a new version of the recovery plan adapted to the EU regulations.

Testing with participants began on 20 December 2021 for the first module supporting auctions for securities under the CSDR settlement discipline. In addition, materials were made available to clearing members on the KDPW_CCP website presenting the auction module supporting KDPW_CCP's securities buy-in bids.

It should be noted that the auction functionality on the portal online.kdpw.pl will be made available gradually in step with the implementation of related projects/areas: regulated market (buy-ins under CSDR settlement discipline), ATS (repos), OTC.

The new solution will ultimately also enable system-efficient and time-efficient closing of clearing positions of defaulting clearing members, as well as efficient clearing member default testing including an overview of financial consequences in various areas of activity.

5.

KEY AREAS OF
DEVELOPMENT
ACTIVITIES
IN 2021

5.5 Extension of KDPW_CCP services available to clearing members via GUI to include financial instrument auctions

A project was implemented in 2021 to develop a new functionality available on the portal online.kdpw.pl as part of the KDPW_CCP's services for clearing members supporting financial instrument auctions.

Given that KDPW_CCP operates three guarantee funds, the auction module is being developed simultaneously for three areas: regulated market, ATS, and OTC. It is expected that the auction module will present bids issued by KDPW_CCP, support acceptance of bids in whole or in part, provide access to auction results, and enable downloading/viewing of messages generated in the process.

Development work was carried out in 2021 on the core functionalities of the auction modules for the regulated market and ATS. Subsequently, the work focused on the development of a `kdpw_stream` component supporting buy-ins and defaults, the development of a new system for bidding, an internal interface handling trades, and an interface for participants.

Testing with participants began on 20 December 2021 for the first module supporting auctions for securities under the CSDR settlement discipline.

In addition, materials were made available to clearing members on the KDPW_CCP website presenting the auction module supporting KDPW_CCP's securities buy-in bids. It should be noted that the auction functionality on the portal online.kdpw.pl will be made available gradually in step with the implementation of related projects/areas: regulated market (buy-ins under CSDR settlement discipline), ATS (repos), OTC.

The new solution will ultimately also enable system-efficient and time-efficient closing of clearing positions of defaulting clearing members, as well as efficient clearing member default testing including an overview of financial consequences in various areas of activity.

5.

KEY AREAS OF
DEVELOPMENT
ACTIVITIES
IN 20215.6 Upgrading the clearing risk management system
in connection with the execution of validation orders

Project work continued in 2021 on the introduction of additional components of the risk management system. On the basis of recommendations issued by third-party institutions, confirmed by relevant analyses, recognising that the current margining model based on SPAN margins and marking-to-market does not address the requirement for managing wrong way risk and liquidity and concentration risk, a model for managing those risks was developed at KDPW_CCP whereby the currently required margins are to be increased with additional margins (add-ons).

The implementation of the new risk management model is subject to relevant authorisations required for the material change procedure under Article 49 of the amended EMIR.

With this in mind, the main focus in 2021 was on tasks in the regulatory area and the area related to obtaining the relevant authorisations.

Following a positive opinion of the Risk Committee and a presentation at the KDPW_CCP Supervisory Board meeting on 17 February 2021 of the implementation of the material changes to the margining models, applications for validation of the changes to the margining model were submitted to the Polish Financial Supervision Authority and ESMA on 2 March 2021 together with the risk procedures amended in this respect, the results of the analyses, the validation report and the draft amendments to the Rules of Transaction Clearing (Organised Trading) and the Detailed Rules of Transaction Clearing (Organised Trading).

On the same day, an application was submitted to the Polish Financial Supervision Authority for approval of the amendments to the Rules of Transaction Clearing (Organised Trading) under Resolutions No. 53/461/20 and 70/478/20 of the Supervisory Board of KDPW_CCP aiming to calculate wrong way risk and liquidity and concentration risk add-ons as part of the initial margin.

Subsequently, an exchange of letters was conducted with the Polish Financial Supervision Authority and ESMA from March to July 2021 with regard to the submitted proposals, and ESMA and the Polish Financial Supervision Authority declared KDPW_CCP's applications for validation of the changes to the margining models to be complete on 27 September 2021.

5.

KEY AREAS OF
DEVELOPMENT
ACTIVITIES
IN 2021

Regarding the draft amendments to the Rules of Transaction Clearing (Organised Trading), the Polish Financial Supervision Authority requested the President of the NBP for an opinion on KDPW_CCP's application for validation of the amendments on 22 September 2021, and the President of the NBP issued a positive opinion on 21 October 2021. The Supervisory College at its meeting on 25 January 2022 discussed the changes to the margining model in connection with the introduction of add-ons.

The Polish Financial Supervision Authority issued a positive decision on the validation of the material change, i.e., the introduction of add-ons, on 26 January 2022.

As regards system changes, acceptance testing of the modified functionalities of kdpw_stream continued to the extent of the calculation of fund contributions and the monitoring of transaction limits during trading sessions. Starting in May 2021, messages containing add-on calculations were made available to KDPW_CCP participants for testing. Subsequently, adjustments were made to the calculation of the spread margin which is a component of liquidity and concentration risk margins (LCRM), and software was developed to calculate liquidity and concentration risk margins for conditional repo transactions.

Due to the changes in the repo area, all elements of the software produced to date required re-testing.

During the development of the new solution, particular attention was paid to consultations of the new risk management model with market participants. As part of the arrangements among the Investment Firms Department of the Polish Financial Supervision Authority, the Chamber of Brokerage Houses and KDPW_CCP, a proposal was drafted to amend the provisions of Article 71 of the Regulation of the Minister of Finance of 30 May 2018 on the procedure and conditions for the conduct of investment firms, banks referred to in Article 70(2) of the Act on Trading in Financial Instruments, and custodian banks. The proposed amendments are intended to allow for add-ons required from clients to be posted using the investment firm's own funds (the regulation was adopted on 14 December 2021 and the date of entry into force was set for 28 February 2022).

Information on the planned implementation date for add-ons was communicated to KDPW_CCP participants in the September 2021 letter on modifications to the KDPW Group's IT systems planned for 2022, and the scope of the changes and the expected implementation timeline were discussed at the annual meeting with participants on 8 November 2021. The implementation of the add-ons is scheduled for the spring implementation window on 23-24 April 2022.

5.

KEY AREAS OF
DEVELOPMENT
ACTIVITIES
IN 2021

5.7 Alignment of the calculation of hypothetical capital with amendments of EU legislation

On 28 June 2021, the calculation of hypothetical capital in kdpw_stream was aligned with Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

As part of the system solutions, software was developed for determining hypothetical capital according to the revised methodology, new reports were defined with hypothetical capital information generated in kdpw_stream and presented in the internal GUI, and a new set of OTC positions was prepared.

KDPW_CCP clearing members were informed on 10 June 2021 of the change to the methodology for calculating hypothetical capital, which came into effect as at 30 June 2021, and they received hypothetical capital calculations as at 31 May 2021.

Following positive acceptance tests of the hypothetical capital calculations for the regulated market and OTC trade, the software which supports viewing, configuration and manual calculation of hypothetical capital was implemented in the production environment on 25 June 2021.

The Hypothetical Capital Calculation Procedure was adapted to the new European regulations. Following a positive opinion of the Risk Committee, it was approved by decision of the Management Board of KDPW_CCP and came into force on 28 June 2021.

5.

KEY AREAS OF DEVELOPMENT ACTIVITIES IN 2021

5.8 Extension of KDPW_CCP's KDPW_TR reporting service under the ESMA requirements

New trade reporting functionalities were implemented in the kdpw_stream system on 8 March 2021. The changes concerned the reporting of ETD and OTC derivative trades with financial instruments positions for entities obliged to report as part of the service offered by KDPW_CCP which reports details of derivative trades to the Transaction Repository operated by KDPW on request of clearing members, as well as the delegation of reporting to clearing members on behalf of clearing members' clients and entities entering into derivative transactions on behalf of their clients.

The implementation was combined with the introduction of a new validation table, which was published by ESMA on 10 September 2020 with an effective date of 8 March 2021.

The project and programming work preceding the implementation included the development of tools in kdpw_stream to enable the collection of ETD and OTC derivative trades for reporting to the trade repository; a trade-by-trade reporting and position-building module in kdpw_stream per counterparty pair and per derivative type; software to handle reconciliation reports; and software to migrate reports to the new reporting system and support communications with the Trade Repository.

Information was presented in February 2021 to ESMA and clearing members about the reporting solution and the retention of historical transactions. The changes were introduced following ESMA's guidance, within the scope governed by EMIR, on the reporting of ETD and OTC derivative trades with financial instrument positions for entities obliged to report.

5.

KEY AREAS OF
DEVELOPMENT
ACTIVITIES
IN 2021

5.9 Development of the kdpw_stream clearing system for OTC transactions

In 2021, as a part of the development of the kdpw_stream clearing system in areas necessary for comprehensive processing of the clearing and reporting of transactions in non-organised trading, project and programming work was carried out and participants were informed of the timetable and scope of system changes.

An updated requirements specification was communicated to KDPW_CCP participants on 9 July 2021 as necessary to develop communication with kdpw_stream in the areas of auctions, terminations, valuation and margin queries, predefined reports on transactions, payments and collateral, among others.

At the same time, project and programming work was carried out for the integration of OTC transaction clearing in kdpw_stream with the new and existing kdpw_stream modules, as well as software for handling trade and collateral porting at the level of kdpw_stream and trade compression at the level of the participant's clearing account (risk free netting). Work also began on integrating the clearing module with the risk management module, in particular using a calculator (estimating the risk of a trade and deciding whether to accept the trade for clearing), and work continued on the module for auctions.

The annual letter distributed to participants in September 2021 regarding implementations in the KDPW Group systems presented the date for the integration of clearing and risk management of OTC transactions into kdpw_stream on 22-23 October 2022. The annual meeting with participants on 8 November 2021 discussed the scope of the changes in detail.

It was confirmed that the development of the system for OTC transactions will introduce, among others, new solutions in the area of communication with participants using system messages in the FpML standard and system messages adapted to the implemented functionalities in line with observations concerning the effectiveness of the processes and participants' requests. In particular, messages to be changed include the messages for the payment of margins and other components of OTC clearing, the handling of on-demand reports, and the processing of auctions, termination and porting for OTC instruments.

5.

KEY AREAS OF
DEVELOPMENT
ACTIVITIES
IN 2021

5.10 Development of the OTC risk management system

In 2021, as a part of efforts to develop the OTC risk management system, project work was carried out in parallel to Project 4.1 in accordance with a shared work timetable for both projects.

In order to inform participants of the planned changes, an updated requirements specification was distributed on 9 July 2021 including changes to the processing of messages presenting payments of margins and other OTC clearing components (colr.mrg.003.03), messages related to the handling of on-demand reports (replacing Group Z messages), and changes to the processing of auctions. In addition, documentation of the changes was posted on the KDPW_CCP website, where rules and examples of how to fill in message structures were successively presented.

At the same time, project and programming work continued in the area of calculating clearing components, margins, contributions to the OTC guarantee fund, running test programme calculations (backtests, sensitivity tests), end-of-day processes and reporting to clearing members. Testing of the software functionalities continued.

Work was also completed on the requirements specification for the calculation of portfolio sensitivities, the determination of portfolio risk hedging transactions, the calculations and analysis of the concentration of positions, and the processing of defaults (preparation of calculation functions for auctions). In addition, the specification of requirements at the interface between transaction processing and risk management was refined (a description of the model for accepting transactions for clearing was developed taking into account the new process element of queuing and its consequences and the processing of transactions in packages for porting, what-ifs and auctions).

According to the timetable for Projects 4.1 and 4.2, the opening of the test environment and the start of participant testing are scheduled on 1 April 2022, the start of testing for OTC auctions is due on 1 July 2022, and the integration of clearing and risk management for OTC transactions into kdpw_stream will take place in the 2022 autumn implementation window on 22-23 October 2022.

The new system dedicated to the clearing of OTC derivatives will improve the quality of the clearing services (standardisation of messages, speed of operation, effective implementation of future changes) while enhancing the efficiency and flexibility of clearing service solutions.

6.

PROMOTIONAL AND INFORMATION ACTIVITIES

Information, promotional and educational activities in 2022 focused mainly on strengthening the position of KDPW_CCP as the key provider of clearing services for the regulated and OTC markets.

The clearing house was a partner of the Byki i Niedźwiedzie (Bulls and Bears) Gala organised by the editors of *Gazeta Giełdy i Inwestorów "Parkiet"*, where a representative of the Management Board took part in a debate dedicated to the "Financial Market of the Future".

In 2021, due to the ongoing pandemic, there were not many conferences and events in which representatives of KDPW_CCP used to regularly participate.

In 2021, KDPW_CCP's services were also promoted on the international market: an advertising campaign was carried out on the portal risk.net featuring a link to the KDPW_CCP website.

Information about the clearing house was also featured in a joint advertisement with KDPW placed in a commemorative album published on the occasion of ESMA's 10th anniversary.

Services offered by KDPW and KDPW_CCP were presented and advertised in partnership with organisers of conferences, seminars and other market events.

Information about the activity and services of KDPW_CCP was published on the KDPW_CCP website and in the KDPW Group social media channels.

7.

DEVELOPMENT PLANS FOR 2022

The format and scope of services provided by KDPW_CCP and its organisation and technical infrastructure will continue to develop in 2022 in line with the strategic objectives and goals defined in the KDPW Group's Strategy for 2020-2024 to the extent applicable to KDPW_CCP, including the implementation of projects defined in the KDPW_CCP Action Plan 2022.

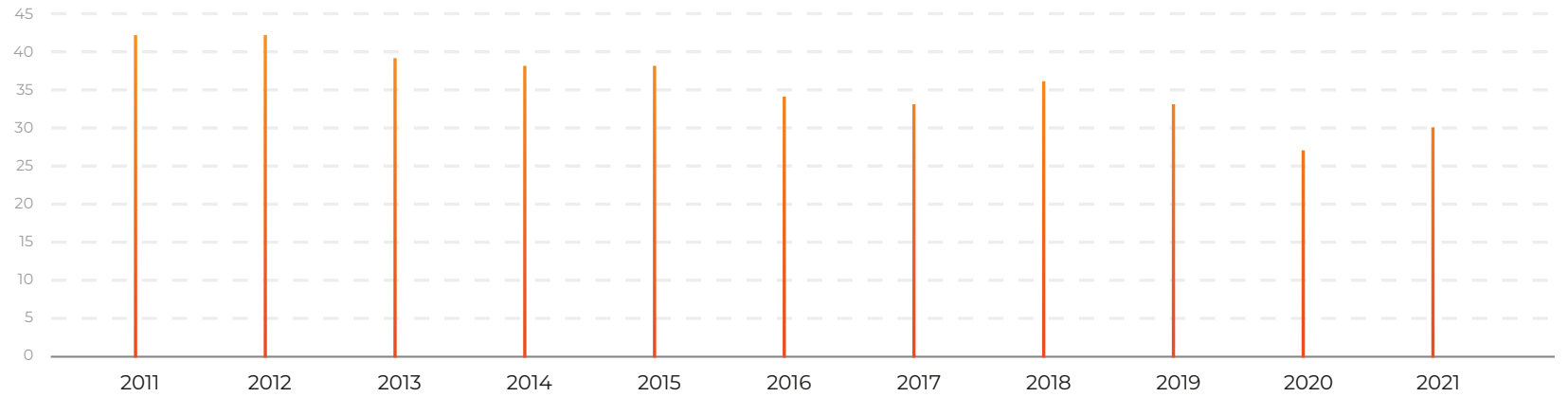
The priority projects defined in the Action Plan 2022 include:

- Preparation of KDPW_CCP for the clearing of conditional transactions in the ATS market segment of organised trading.
- Preparation of KDPW_CCP for compliance with the CSDR settlement discipline requirements.
- Alignment of the regulations and procedures of KDPW_CCP S.A. for the purpose of recovery and resolution for CCPs and recovery and resolution of credit institutions and investment firms (BRRD).
- Extension of the KDPW_CCP services available in the GUI for clearing participants to include financial instrument auctions.
- Development of the OTC clearing system.
- Development of the OTC risk management system.

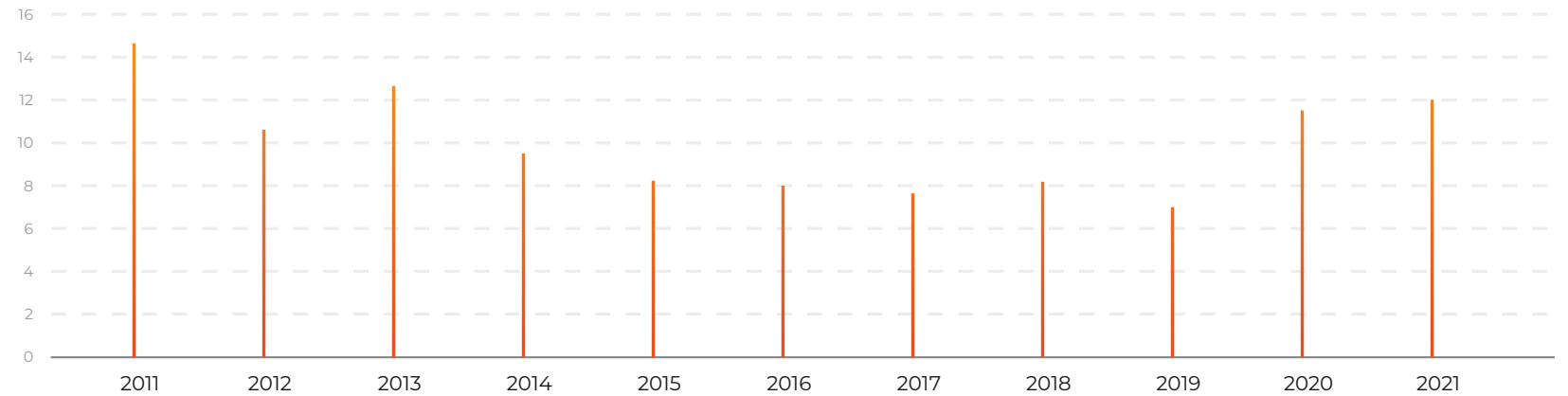
8.

KEY STATISTICS
OF KDPW_CCP
- ORGANISED
TRADING

Number of KDPW_CCP clearing members (regulated trade)



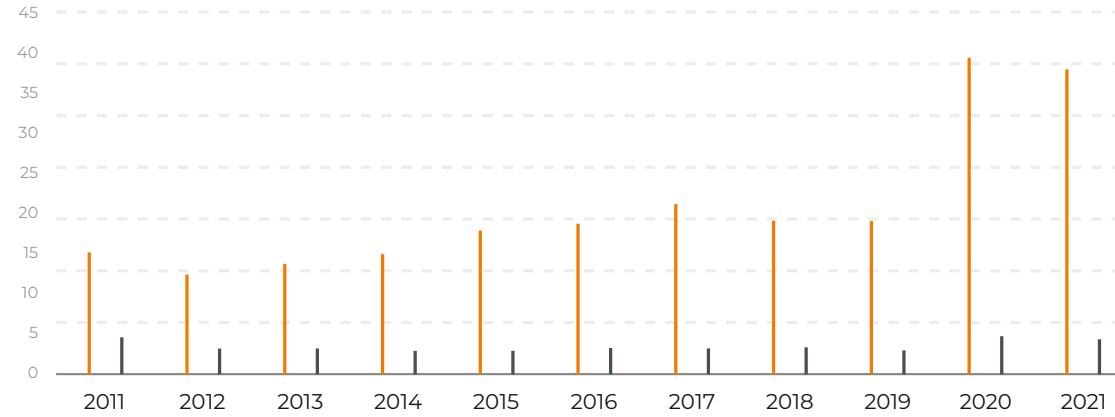
Volume of derivatives cleared on the derivatives market by KDPW_CCP (mn)



8.

KEY STATISTICS
OF KDPW_CCP
- ORGANISED
TRADING

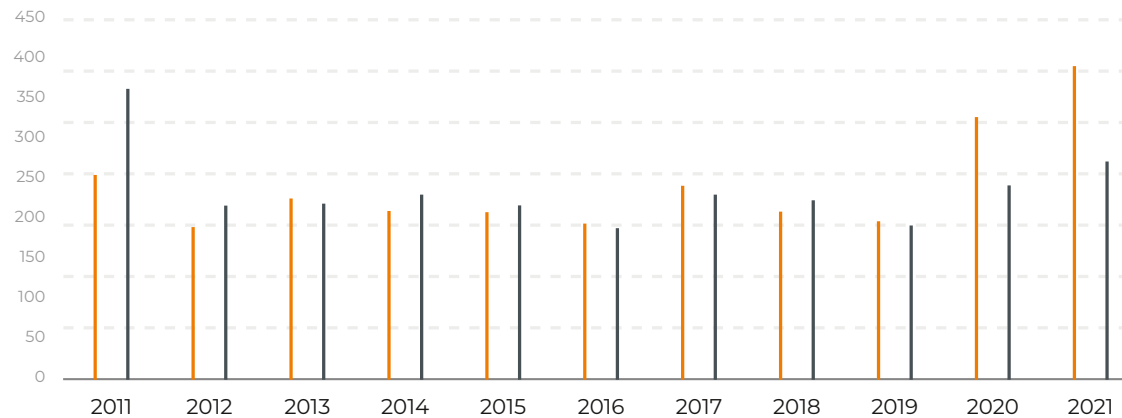
Number of guaranteed transactions cleared on the secondary market by KDPW_CCP* (mn)



— cash market
— derivatives market

*single-counted transactions

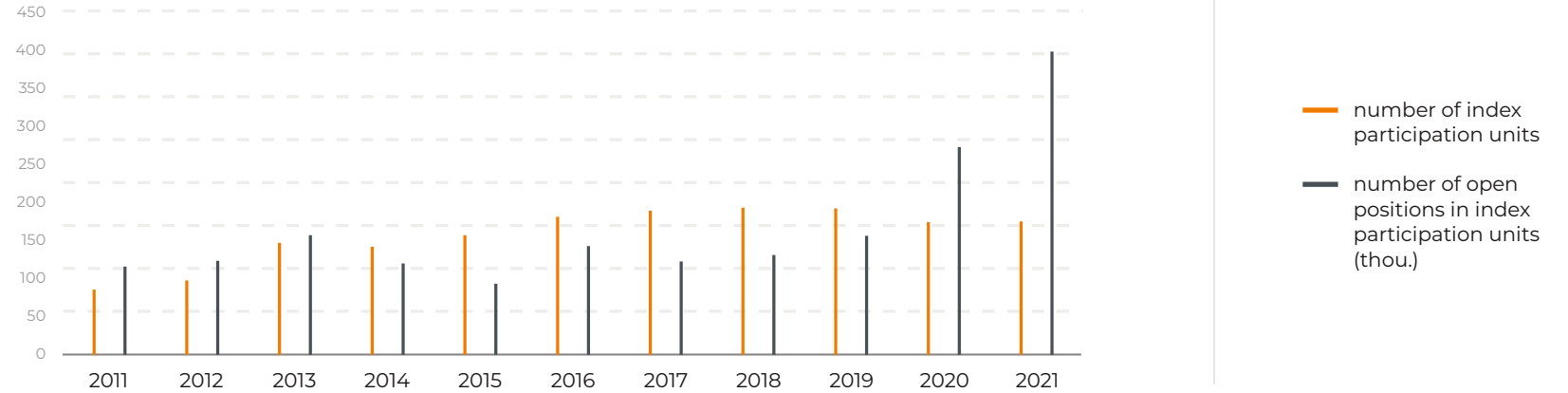
Value of guaranteed transactions cleared on the secondary market by KDPW_CCP* (PLN bn)



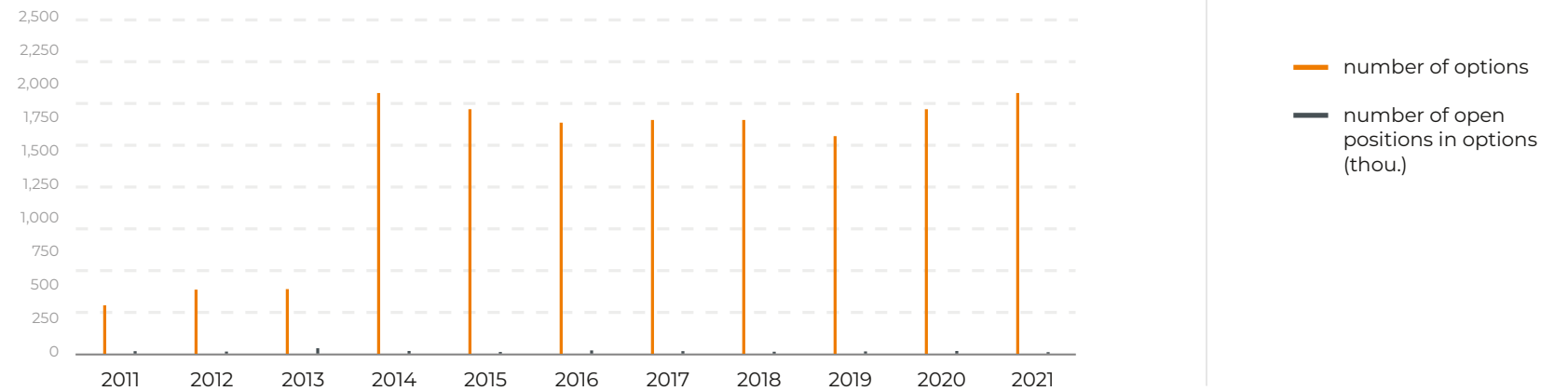
8.

KEY STATISTICS
OF KDPW_CCP
- ORGANISED
TRADING

Number of index participation units (ISIN codes) and number of open positions in index participation units (organised trading)



Number of options (ISIN codes) and number of open positions in options



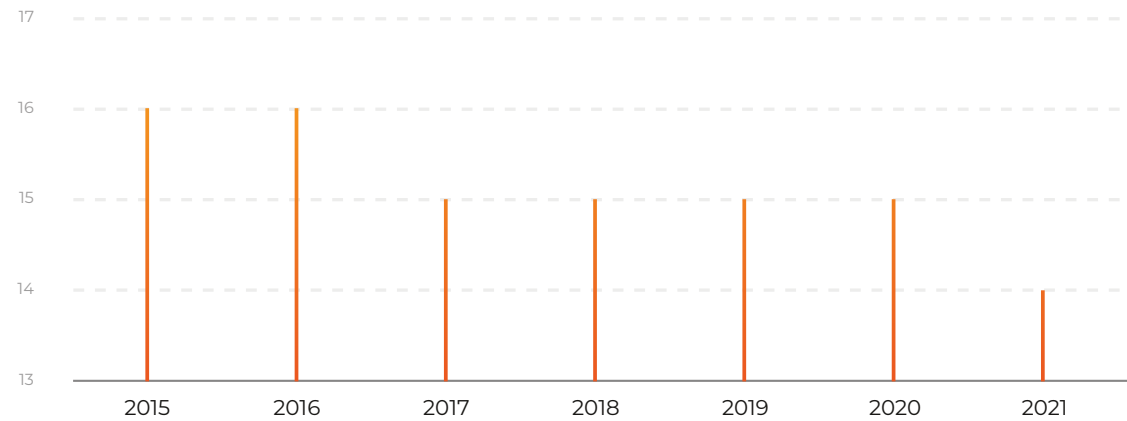
8.

KEY STATISTICS
OF KDPW_CCP

Number of index participation units (ISIN codes) and number of open positions in index participation units (organised trading)



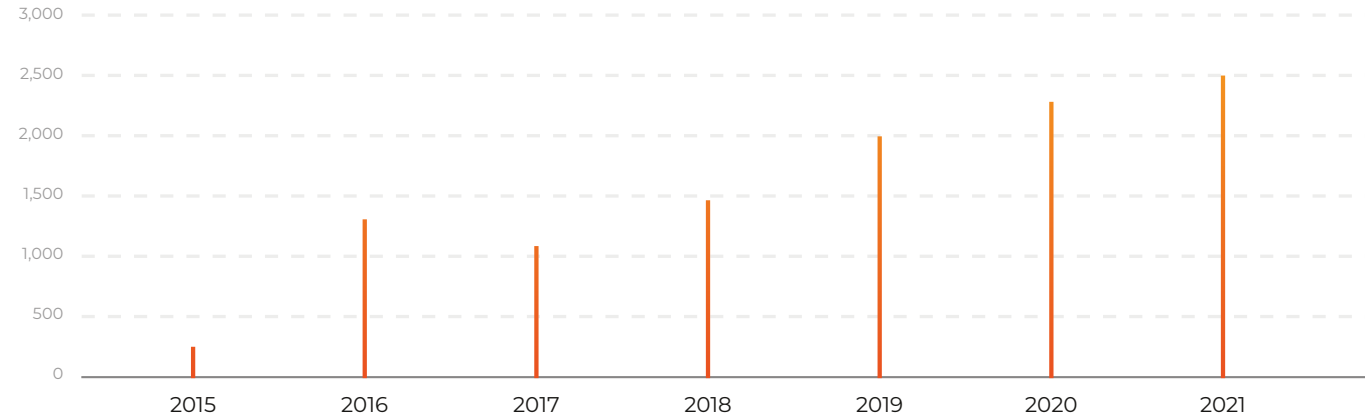
Number of clearing members (OTC trading)



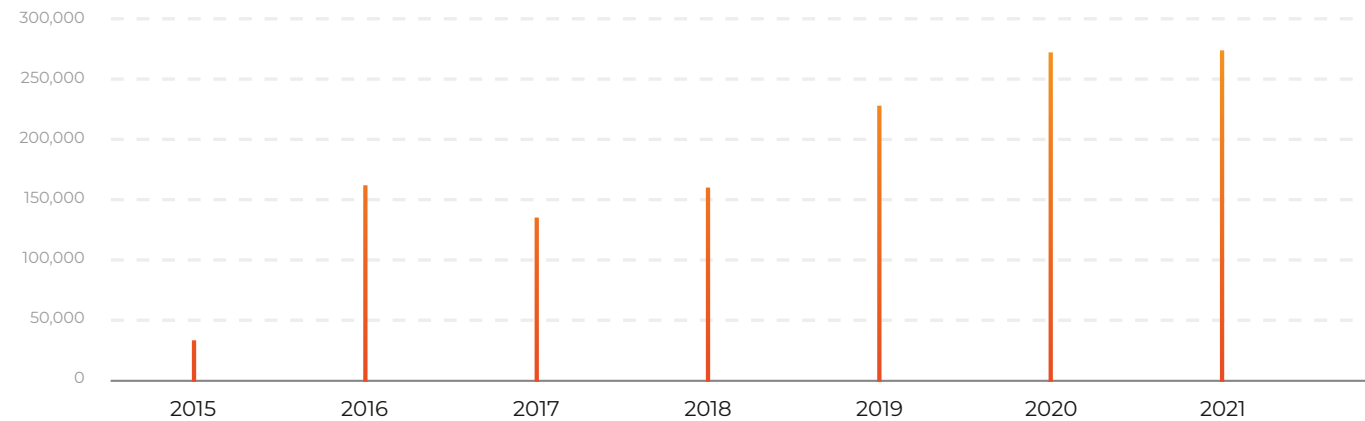
8.

KEY STATISTICS
OF KDPW_CCP
- OTC TRADE

Number of transactions accepted for clearing (OTC trading - derivatives)



Nominal value of transactions accepted for clearing (OTC trading - derivatives) (PLN mn)



9.

BALANCE
SHEET AS AT
31 DECEMBER
2021

ASSETS	AS AT 31.12.2021	AS AT 31.12.2020
NON-CURRENT ASSETS	138,017,480.42	124,405,472.24
Intangible assets	1,400,739.66	3,434,854.99
R&D expenses	0.00	0.00
Other intangible assets	1,400,739.66	3,434,854.99
Advances for intangible assets	0.00	0.00
Property, plant and equipment	16,446.03	142,374.91
property, plant and equipment in use	16,446.03	142,374.91
– land (including right to perpetual usufruct)	0.00	0.00
– buildings, premises, civil and water engineering structures	10,069.05	10,829.34
– technical equipment and machines	1,700.10	2,255.77
– vehicles	0.00	123,420.02
– other property, plant and equipment	4,676.88	5,869.78
Property, plant and equipment under construction	0.00	0.00

9.

BALANCE
SHEET AS AT
31 DECEMBER
2021

ASSETS	AS AT 31.12.2021	AS AT 31.12.2020
Non-current investments	134,398,878.00	119,854,607.50
Non-current financial assets	134,398,878.00	119,854,607.50
in related parties	0.00	0.00
- shares	0.00	0.00
- other non-current financial assets	0.00	0.00
in other entities	134,398,878.00	119,854,607.50
- shares	0.00	0.00
- other securities	134,398,878.00	119,854,607.50
Non-current prepayments	2,201,416.73	973,634.84
Deferred tax asset	2,201,416.73	737,971.16
Other prepayments	0.00	235,663.68

9.

BALANCE
SHEET AS AT
31 DECEMBER
2021

ASSETS	AS AT 31.12.2021	AS AT 31.12.2020
CURRENT ASSETS	122,989,253.79	138,425,118.83
Current receivables	34,614,133.31	77,703,953.46
Receivables from related parties	0.00	0.00
trade receivables, maturing:	0.00	0.00
- up to 12 months	0.00	0.00
other	0.00	0.00
Receivables from other entities	34,614,133.31	77,703,953.46
- trade receivables, maturing:	4,584,443.82	5,714,294.07
- up to 12 months	4,584,443.82	5,714,294.07
tax, subsidy, customs, social security, health insurance and other benefits	21,772.49	32,532.73
other	30,007,917.00	71,957,126.66

9.

BALANCE
SHEET AS AT
31 DECEMBER
2021

ASSETS	AS AT 31.12.2021	AS AT 31.12.2020
Current investments	87,764,816.28	60,030,424.88
current financial assets	87,764,816.28	60,030,424.88
in related parties	0.00	0.00
- other current financial assets	0.00	0.00
in other entities	39,812,124.90	8,350,320.00
- other securities	39,812,124.90	8,350,320.00
- other current financial assets	0.00	0.00
cash and other monetary assets	47,952,691.38	51,680,104.88
- cash in hand and at bank	47,952,691.38	51,680,104.88
- other cash	0.00	0.00
- other monetary assets	0.00	0.00
Current prepayments	610,304.20	690,740.49
OTHER ASSETS	2,562,823,713.86	2,508,954,926.68
TOTAL ASSETS	2,823,830,448.07	2,771,785,517.75

9.

BALANCE
SHEET AS AT
31 DECEMBER
2021

EQUITY AND LIABILITIES	AS AT 31.12.2021	AS AT 31.12.2020
EQUITY	251,580,392.10	247,169,490.12
Share capital	190,000,000.00	190,000,000.00
Supplementary capital	4,572,875.16	4,061,074.70
Revaluation reserve	-6,498,888.83	2,858,340.60
Other reserves	34,493,364.77	30,747,659.54
Reserve capital to cover losses caused by participant default under transactions accepted for clearing by the Company (dedicated resources) including:	15,104,909.59	13,104,909.59
Reserve capital - dedicated resources		
- part of dedicated resources proportionate to the size of the clearing fund	6,533,837.91	6,991,899.21
- part of dedicated resources proportionate to the size of ATS guarantee fund	283,449.44	1,184,788.33
- part of dedicated resources proportionate to the size of OTC guarantee fund	8,287,622.24	4,928,222.05
Previous years' profit (loss)	0.00	0.00
Net profit (loss)	13,908,131.41	6,397,505.69

9.

BALANCE
SHEET AS AT
31 DECEMBER
2021

EQUITY AND LIABILITIES	AS AT 31.12.2021	AS AT 31.12.2020
LIABILITIES AND PROVISIONS FOR LIABILITIES	9,426,342.11	15,661,100.95
Provisions for liabilities	3,188,203.47	6,476,276.19
Deferred tax liability	352,155.90	936,984.27
Provision for retirement and similar benefits	2,785,256.97	2,863,911.50
- non-current	1,470,638.00	1,586,450.00
- current	1,314,618.97	1,277,461.50
Other provisions	50,790.60	2,675,380.42
- current	50,790.60	2,675,380.42
Non-current liabilities	0.00	1,576,645.82
To related parties	0.00	1,576,645.82
other financial liabilities	0.00	1,576,645.82

9.

BALANCE
SHEET AS AT
31 DECEMBER
2021

EQUITY AND LIABILITIES	AS AT 31.12.2021	AS AT 31.12.2020
Current liabilities	6,238,138.64	7,608,178.94
To related parties	3,724,709.62	5,171,033.39
trade liabilities, maturing:	2,148,063.78	2,822,656.19
- up to 12 months	2,148,063.78	2,822,656.19
other financial liabilities	1,576,645.84	2,348,377.20
To other entities	1,905,475.61	1,909,154.53
trade liabilities, maturing:	56,525.52	194,186.41
- up to 12 months	56,525.52	194,186.41
tax, customs, insurance and other liabilities	1,826,042.33	1,707,451.32
payroll	0.00	0.00
other	22,907.76	7,516.80
Special funds	607,953.41	527,991.02
Accruals	0.00	0.00
OTHER LIABILITIES	2,562,823,713.86	2,508,954,926.68
TOTAL EQUITY AND LIABILITIES	2,823,830,448.07	2,771,785,517.75

10.

PROFIT AND
LOSS ACCOUNT
FOR THE PERIOD
01.01.2021-31.12.2021

	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
Net revenues from sales and equivalent, including revenues:	45,299,183.92	42,147,377.50
- from related parties	0.00	0.00
Net revenues from sales of products	45,299,183.92	42,147,377.50
Operating expenses	33,187,735.64	33,162,637.78
Amortisation and depreciation	2,118,736.20	2,395,892.89
Consumption of materials and energy	46,484.97	58,545.81
External services	20,732,887.16	20,525,315.56
Taxes and charges	2,252,626.53	2,152,198.34
Payroll	5,537,445.96	5,858,828.90
Social security and other benefits, including:	1,819,156.13	1,571,031.35
- pension benefits	703,110.88	702,140.71
Other costs by type	680,398.69	600,824.93
PROFIT ON SALES	12,111,448.28	8,984,739.72

10.

PROFIT AND
LOSS ACCOUNT
FOR THE PERIOD
01.01.2021-31.12.2021

PROFIT ON SALES

Other operating revenues

Gains on disposal of non-current non-financial assets

Other operating revenues

Other operating expenses

Other operating expenses

OPERATING PROFIT

01.01.2021
– 31.12.2021

01.01.2020
– 31.12.2020

12,111,448.28

8,984,739.72

59,907.62

45,806.28

26,237.55

3,439.00

33,670.07

42,367.28

32,245.34

302,195.00

32,245.34

302,195.00

12,139,110.56

8,728,351.00

10.

PROFIT AND
LOSS ACCOUNT
FOR THE PERIOD
01.01.2021-31.12.2021

	01.01.2021 – 31.12.2021	01.01.2020 – 31.12.2020
OPERATING PROFIT	12,139,110.56	8,728,351.00
Financial revenues	2,548,861.90	3,011,439.68
Interest, including:	2,376,068.08	3,011,401.43
- from related parties	0.00	0.00
Other	172,793.82	38.25
Financial expenses	151,663.33	429,383.64
Interest, including:	104,704.37	408,369.54
- to related parties	104,660.37	235,581.14
Other	46,958.96	21,014.10
GROSS PROFIT	14,536,309.13	11,310,407.04
Income tax	628,177.72	4,912,901.35
NET PROFIT	13,908,131.41	6,397,505.69



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*This document is a translation.
The Polish original should be referred to in matters of interpretation.*

Independent Auditor's Report to the General Meeting and Supervisory Board of KDPW_CCP S.A.

Report on the Audit of the Year-end Financial Statements

Opinion

We have audited the year-end financial statements of KDPW_CCP S.A. ("the Company"), which comprise introduction to the financial statements, the balance sheet prepared as at 31 December 2021, the profit and loss account, the statement of changes in equity and the statement of cash flows for the period from 1 January to 31 December 2021, as well as additional information and explanations ("the financial statements").

In our opinion, the accompanying financial statements:

- give a true and fair view of the Company's financial position as at 31 December 2021, as well as of its financial result and cash flows for the financial year then ended, in accordance with the applicable provisions of the Accounting Act of 29 September 1994 ("the Accounting Act" – 2021 Journal of Laws, item 217 with subsequent amendments) and the adopted accounting methods (policies);
- are consistent, in content and in form, with the applicable laws and regulations and with the Company's Statute;
- have been prepared on the basis of properly kept books of account in accordance with Chapter 2 of the Accounting Act.

Basis for Opinion

We conducted our audit in accordance with National Standards on Auditing in the wording of International Standards on Auditing adopted by resolution of the National Council of Certified Auditors ("NSA") and in compliance with the Act of 11 May 2017 on Certified Auditors, Audit Firms and on Public Oversight ("the Certified Auditors Act" – 2020 Journal of Laws, item

BDO spółka z ograniczoną odpowiedzialnością spółka komandytowa, Sąd Rejonowy dla m. st. Warszawy, XIII Wydział Gospodarczy, KRS: 0000729684, REGON: 141222257, NIP: 108-000-42-12. Wartość wkładu kapitałowego wynosi 10.037.500 zł. Biura BDO w Polsce: Katowice 40-007, ul. Uniwersytecka 13, tel.: +48 32 661 06 00, katowice@bdo.pl; Kraków 31-548, al. Pokoju 1, tel.: +48 12 378 69 00, krakow@bdo.pl; Poznań 60-650, ul. Piątkowska 165, tel.: +48 61 622 57 00, poznan@bdo.pl; Wrocław 53-332, ul. Powstańców Śląskich 7a, tel.: +48 71 734 28 00, wroclaw@bdo.pl

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1415). Our responsibilities under those standards are further described in the *Responsibilities of the Auditor for the Audit of the Financial Statements* section of this report.

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Standards of Independence) of the International Ethics Standards Board for Accountants ("IESBA Code") adopted by resolution of the National Council of Certified Auditors, as well as with other ethical requirements relevant to the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, the auditor in charge and the audit firm remained independent of the Company in accordance with the independence requirements laid down in the Certified Auditors Act.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Company's Management and Supervisory Board for the Financial Statements

The Company's Management is responsible for the preparation, based on properly kept books of account, of financial statements that give a true and fair view of the Company's financial position and financial result in accordance with the provisions of the Accounting Act, the adopted accounting methods (policies), the applicable binding regulations and the Company's Statute. The Company's Management is also responsible for such internal controls as it considers necessary to ensure that the financial statements are free from material misstatements resulting from fraud or error.

In preparing the financial statements the Company's Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, any matters related to going concern and using the going concern basis of accounting, except in situations where the Management intends to either liquidate the Company or discontinue its operations, or has no realistic alternative but to do so.

The Company's Management and members of its Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. Members of the Supervisory Board are responsible for overseeing the Company's financial reporting process.

Responsibilities of the Auditor for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with NSA will always detect an existing material misstatement. Misstatements can arise from fraud or error and are considered material if it could be reasonably expected that they, individually or in the aggregate, could influence the economic decisions of users made on the basis of these financial statements.

The scope of the audit does not include an assurance regarding the Company's future profitability, or regarding the Management's effectiveness in the handling of the Company's affairs now or in the future.

11. AUDITOR'S REPORT

11. AUDITOR'S REPORT



Throughout an audit in accordance with NSA, we exercise professional judgement and maintain professional skepticism, as well as:

- identify and assess the risks of a material misstatement of the financial statements resulting from fraud or error, design and perform audit procedures in response to such risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, forgery, deliberate omission, misrepresentation or override of internal controls;
- obtain an understanding of the internal controls relevant to the audit in order to plan our audit procedures, but not to express an opinion on the effectiveness of the Company's internal controls;
- evaluate the appropriateness of the accounting policies used and the reasonableness of the estimates and related disclosures made by the Company's Management;
- conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We provide the Supervisory Board with information about, among others, the planned scope and timing of the audit and significant audit findings, including any significant weaknesses of internal controls that we identify during our audit.

Other Information, Including Report on Activities

Other information comprises a report on the Company's activities for the financial year ended 31 December 2021 ("Report on Activities").

Responsibilities of the Company's Management and Supervisory Board

The Company's Management is responsible for the preparation of the Report on Activities in accordance with binding regulations.

The Company's Management and members of its Supervisory Board are required to ensure that the Report on Activities meets the requirements of the Accounting Act.



Responsibilities of the Auditor

Our opinion on the financial statements does not cover the Report on Activities. In connection with our audit of the financial statements, our responsibility is to read the Report on Activities and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we find a material misstatement of the Report on Activities, we are required to state this fact in our auditor's report. In accordance with the requirements of the Certified Auditors Act, it is also our responsibility to issue an opinion whether the Report on Activities has been prepared in accordance with binding regulations, and whether it is consistent with the information presented in the financial statements.

Opinion on the Report on Activities

Based on the work we have performed during the audit, in our opinion the Report on Activities:

- has been prepared in accordance with Article 49 of the Accounting Act;
- is consistent with the information presented in the financial statements.

Furthermore, based on our knowledge obtained during the audit about the Company and its environment we have identified no material misstatements in the Report on Activities.

The auditor in charge of the audit resulting in this independent auditor's report is Dr. Anna Bernaziuk.

BDO spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw

entered on the list of audit firms in number **3355**

on behalf of which the audit was performed by the auditor in charge

Signed with a qualified electronic signature

Dr. Anna Bernaziuk
Certified Auditor
Registration No. 173

Warsaw, 25 February 2022