

Poland

**STRUCTURAL CHANGES IN THE REGION
POLAND**

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STRUCTURAL CHANGES IN THE REGION - POLAND

TRADING

Warsaw Stock Exchange

- Rise in capitalisation, turnover and IPOs
- Dual listings
- Privatisation of WSE

OTC market

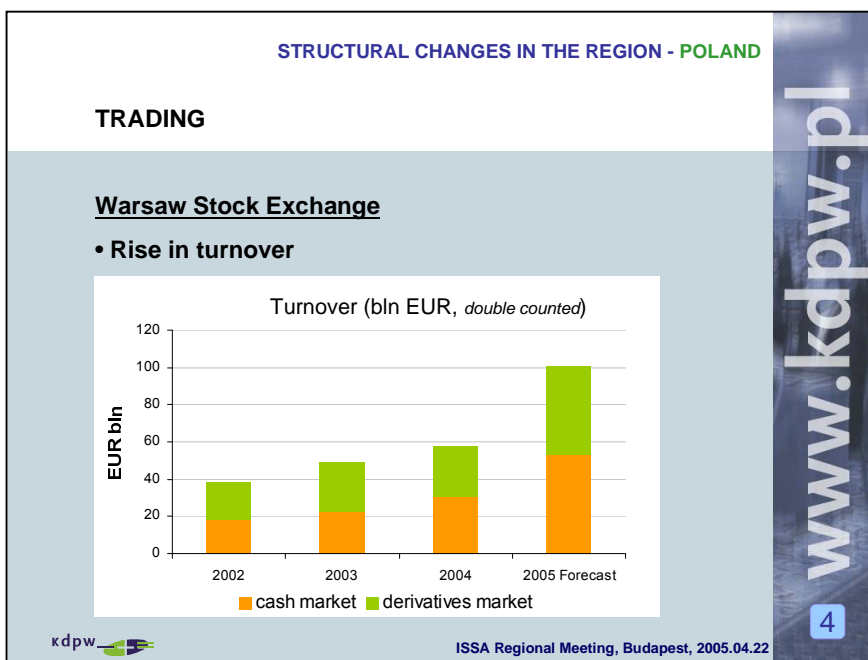
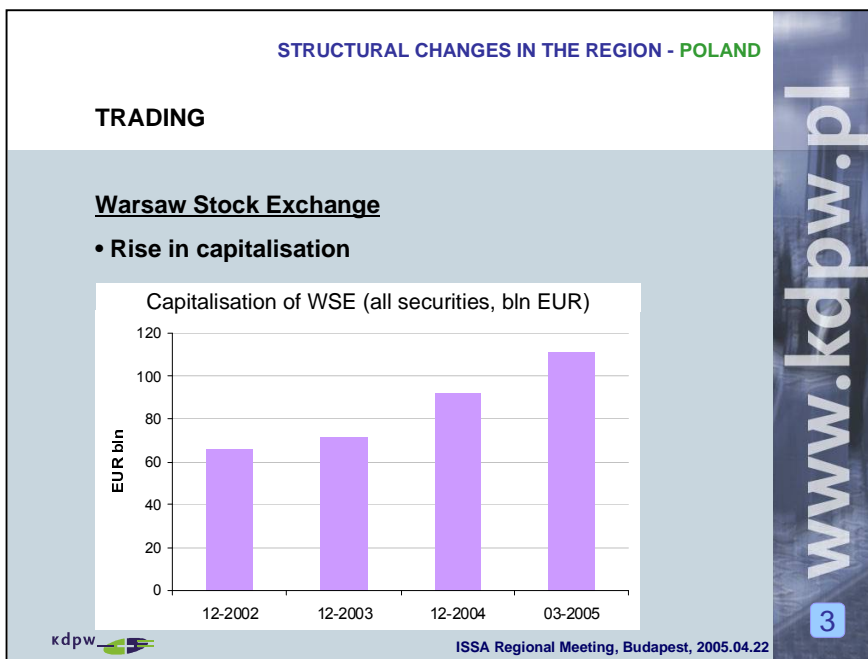
- MTS Poland

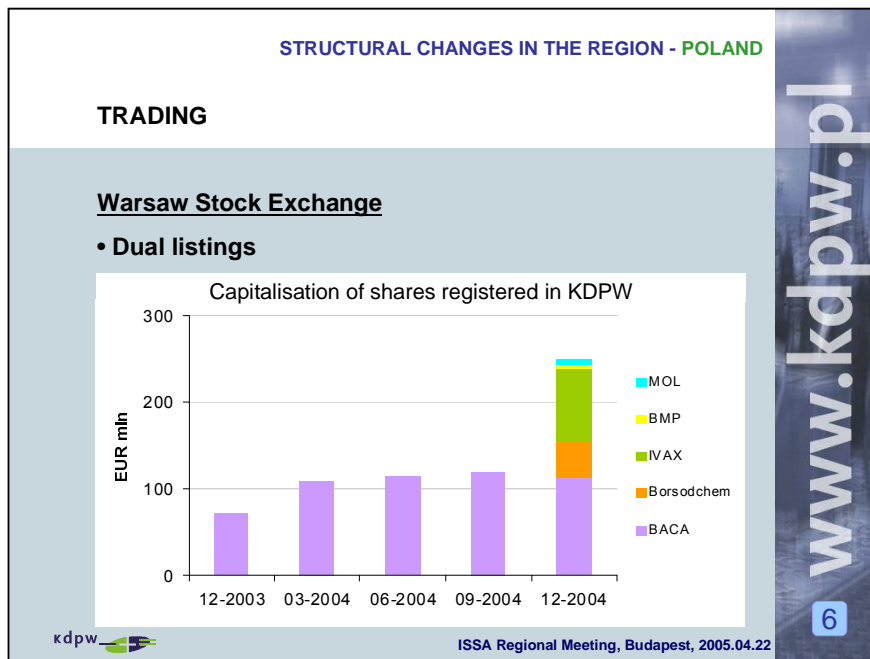
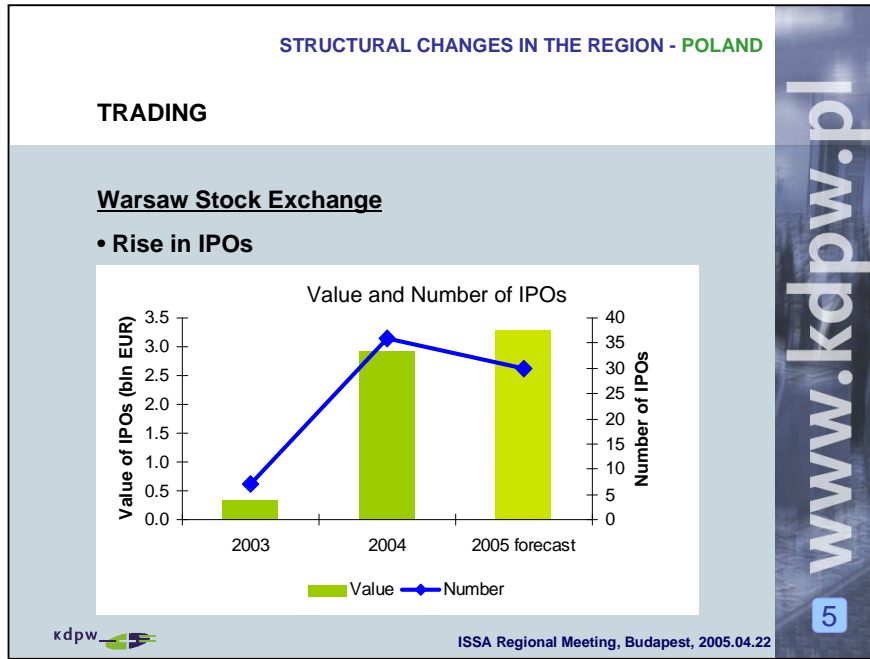
Foreign Participants: WSE and MTS Poland

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STRUCTURAL CHANGES IN THE REGION - POLAND

TRADING

Privatisation of Warsaw Stock Exchange

- March 29, 2005 –privatisation advisor appointed by the Polish Ministry of State Treasury (Consortium: McKinsey & Company, Centralny Dom Maklerski Pekao and Ernst & Young Audit)
- Privatisation process to be completed (planned) – end of 2005
- Current ownership structure:

Owner	Percentage
Polish State Treasury	98,8%
Banks, Brokers, Issuers	1,2%

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STRUCTURAL CHANGES IN THE REGION - POLAND

TRADING

MTS Poland

- Launched: November 25, 2004
- Securities traded: Treasury Bonds (24 series)
Treasury Bills (15 series)
- Average monthly turnover : ca. 5 bln EUR
- Transactions: spot transactions, repo, buy/sell-back

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STRUCTURAL CHANGES IN THE REGION - POLAND

TRADING

Foreign Participants in Polish markets

- WSE – 1 foreign remote member (not operating yet)
- MTS Poland – 3 foreign remote members (operating)

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STRUCTURAL CHANGES IN THE REGION - POLAND

CLEARING, SETTLEMENT & DEPOSITORY
– National Depository for Securities

- Foreign CSDs links
- Clearing and settlement of remote WSE / MTS Poland participants' transactions
- Improvements in Risk Management System
- Settlement in foreign currencies

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STRUCTURAL CHANGES IN THE REGION - POLAND

CLEARING, SETTLEMENT & DEPOSITORY
– National Depository for Securities

Foreign CSDs links

- Opened when needed (all links operational)
- Links facilitating double listings (5 foreign companies on WSE)
- Based on the exchange of SWIFT ISO 15022 Messages
- Facilitated by multi-batch settlement day with intra-day finality

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STRUCTURAL CHANGES IN THE REGION - POLAND

CLEARING, SETTLEMENT & DEPOSITORY
– National Depository for Securities

Clearing of transactions concluded by WSE remote members

Messages 1- 8 proprietary format

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STRUCTURAL CHANGES IN THE REGION - POLAND

CLEARING, SETTLEMENT & DEPOSITORY
– National Depository for Securities

Clearing of transactions concluded by MTS Poland remote members (tri-party matching)

The diagram illustrates the tri-party matching process between two Foreign Bank Members of MTS Poland and Settlement Agents. The process follows these steps:

1. Order: Sent from the Foreign Bank Member of MTS Poland to MTS Poland.
2. Trade Confirmation: Sent from MTS Poland to the Foreign Bank Member of MTS Poland.
3. SWIFT Message: Sent from MTS Poland to the Settlement Agent.
4. Settlement Instruction: Sent from MTS Poland to the Settlement Agent.
5. Awaiting transactions report: Sent from the Settlement Agent to MTS Poland.
6. Settlement instruction: Sent from MTS Poland to the Settlement Agent.
7. Statement of account: Sent from MTS Poland to the Settlement Agent.

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STRUCTURAL CHANGES IN THE REGION - POLAND

CLEARING, SETTLEMENT & DEPOSITORY
– National Depository for Securities

Latest changes in Risk Management System

- Treasury Bills accepted as collateral – operational link with RPW (Depository for Treasury Bills kept by the National Bank of Poland)
- Changes in Settlement Guarantee Fund (SGF)
 - ? securities accepted as contribution to SGF
 - ! level of minimum contribution lowered
 - ! amendments to SGF contributions' calculation algorithm – to reflect more appropriately the risk generated by clearing member in the level of their contribution

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CLEARING, SETTLEMENT & DEPOSITORY
– National Depository for Securities

Planned changes in Risk Management System

- Planned extension of the Chicago Mercantile Exchange SPAN® methodology within the Derivatives Market and into the Cash Market clearing
- Software: SPAN Risk Manager Clearing

	Now	Under construction
Cash market	> Guarantee Fund	> Liquidation Margin > Mark-to-Market > Guarantee Fund
Derivatives market	> Initial Margin > Scanning Risk Margin > Mark-to-Market > Physical Delivery Margin > Guarantee Fund	> Initial Margin > Scanning Risk Margin > Mark-to-Market > Calendar Spread Margin > Physical Delivery Margin > Short option minimum charge > Less: Credit on spread between classes of assets > Guarantee Fund

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CLEARING, SETTLEMENT & DEPOSITORY
– National Depository for Securities

Settlement in foreign currencies

- KDPW clearing and settlement system – multicurrency capabilities
- Interface to a commercial bank for settlements in currencies other than EUR
- Interface to central bank – the National Bank of Poland (SORBNET-EURO System) for settlements in EUR
 - NBP – the only Member of TARGET of the CBs of the 10 New EU Member States

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STRUCTURAL CHANGES IN THE REGION - POLAND

CLEARING, SETTLEMENT & DEPOSITORY - CHALLENGES
– National Depository for Securities

- Achieving interoperability with leading European Clearing & Settlement institutions
 - Harmonisation of law and market practices
- Prices based on real costs of different services
- Quality improvements and extension of services offered:
 - Automation progress
 - New structure of depository accounts - customisation of services to address individual business needs of market participants
 - Different communication channels:
 - proprietary standard
 - ISO 15022 compliant messages
 - Limited banking services facilitating C&S operations (cross-border DVP settlements)
 - Transformation of the current CCP model

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STRUCTURAL CHANGES IN THE REGION - POLAND


CLEARING, SETTLEMENT & DEPOSITORY - CHANGES + CHALLENGES
– National Depository for Securities

Privatisation of KDPW

- Current ownership structure: 1/3 State Treasury, 1/3 National Bank of Poland and 1/3 Warsaw Stock Exchange – rarely used in the EU25:
- ! EU25 Clearing Houses: only 3 entities with state ownership and 4 with central bank ownership
- ! EU25 Settlement Institutions: only 5 entities with state ownership and 4 with central bank ownership

- Main ownership structures considered
 - User-owned, user governed
 - Stakeholders-owned

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