

**INFORMATION ABOUT KDPW\_CCP S.A. INVESTMENT POLICY****INTRODUCTION**

1. KDPW\_CCP according to its investment policy accepted by means of a resolution of the KDPW\_CCP S.A. Management Board invests the following types of assets:
  - a. clearing fund,
  - b. initial margins,
  - c. initial deposits,
  - d. guarantee fund securing the WSE BondSpot alternative trading system,
  - e. on-demand lending guarantee fund,
  - f. OTC guarantee fund,
  - g. OTC margins,
  - h. KDPW\_CCP own resources.
  
2. The purpose of the Investment Policy is to define the investment rules which ensure high liquidity and the intention to protect the nominal value of assets managed by KDPW\_CCP (i.e., assets of the clearing guarantee system operated by KDPW\_CCP posted in cash and KDPW\_CCP own resources) and provide the possibility of generating investment income and mitigate potential losses resulting from investing activities by imposing applicable investment limits. In defining the rules, KDPW\_CCP takes into account the need of maintaining the adequate liquidity of assets. KDPW\_CCP investments must be safe, i.e., made in financial instruments and with counterparties of low market and credit risk, and properly diversified. This means that KDPW\_CCP makes investments based on the primary criterion of ensuring liquidity and the criterion of ensuring safety, and only then the criterion of generating investment income (with no requirement to do so).
  
3. Trades in investments made from the assets of KDPW\_CCP and cash deposited by clearing members may only be made with counterparties which fulfil the requirements set out in the resolution of the KDPW\_CCP S.A. Management Board concerning the rules of defining the list of counterparties of KDPW\_CCP on the financial market and have been entered into the list by resolution of the KDPW\_CCP S.A. Management Board.

**THE MAIN PRINCIPLES CONTAINED IN THE INVESTMENT POLICY OF KDPW\_CCP**

1. KDPW\_CCP keeps required own capital and assets deposited by members as cash or invests them only in highly liquid financial instruments of low market and credit risk, subject to the following:
  - a. KDPW\_CCP uses an internal credit risk assessment of counterparties and issuers,
  - b. KDPW\_CCP uses an internal assessment of market risk and liquidity risk of financial instruments,
  - c. For the purposes of this Investment Policy, highly liquid financial instruments with low market and credit risk are understood as financial instruments whose haircut calculated on the basis of the internal assessments referred to in points (a) and (b) does not exceed 8%.  
KDPW\_CCP publishes daily a table containing the list of financial instruments that have been assessed in accordance with points (a) and (b) and their haircuts (collateral table in accordance with the applicable Rules of Transaction Clearing).
2. KDPW\_CCP invests required own capital and assets posted by members according to the investment requirements set out in the 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 (hereinafter referred to as "EMIR") and in the Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties (hereinafter referred to as "ESMA RTS") Chapter XI (Articles 43-46) and Annex II.
3. KDPW\_CCP may keep or invest own capital and assets posted by members:
  - a. in accounts with the National Bank of Poland (NBP);
  - b. in accounts with Bank Gospodarstwa Krajowego (BGK) and with commercial banks;
  - c. in bills and bonds issued by the State Treasury or NBP;
  - d. in debt instruments guaranteed by the State Treasury or NBP issued by other entities;
  - e. in bonds issued by the European Investment Bank (EIB) or the European Bank for Reconstruction and Development (EBRD);
  - f. in debt Treasury securities denominated in EUR, issued by European Union Member States other than Poland;
  - g. in unsecured bank deposits;
  - h. in reverse repo/buy-sell-back transactions.
4. Investment activities must not generate fx risk. Investments are made in the same currencies in which collateral has been posted.
5. KDPW\_CCP may invest assets in instruments listed in points 3c-f, and provided that:
  - a. it has access to an active and liquid market in such instruments and information on such instruments, in particular prices and valuation, is available and regularly published;

- b. such instruments are kept:
    - with a securities settlement system operator;
    - with a central bank;
    - with credit institutions which comply with prudential rules laid down in Directive 2013/36/EU or with third country credit institutions which are subject to prudential rules considered by the competent authorities to be at least as stringent as those laid down in the Directive, while at the same time protection of and quick access to such instruments are ensured while the institution's risk of default and risk of insolvency are limited;
  - c. such instruments may be quickly liquidated at a mitigated risk of devaluation;
  - d. trades must not be speculative thus generating additional risks.
6. KDPW\_CCP may invest own funds and assets posted by members in instruments referred to in point 3f provided that they fulfil the requirements for assets accepted as collateral posted with KDPW\_CCP under the applicable procedures.
7. KDPW\_CCP must not invest own resources or assets posted as collateral in its own securities or securities of its associates (holding entity and subsidiary).
8. Investments are subject to daily valuation as follows:
- a. securities are measured at market value based on prices referred to in the appendices to the Rules of Transaction Clearing (organised and non-organised trading);
  - b. unsecured bank deposits and reverse repo/buy-sell-back transactions are measured at amortised cost taking into account the effective interest rate (IRR).
9. KDPW\_CCP monitors compliance with investment limits on an on-going basis and generates daily reports (end-of-day asset investment balance).
10. Any investment decision of KDPW\_CCP takes into account the aggregate credit risk exposure to each counterparty and ensures that such exposure remains within the acceptable limits.
11. Keeping assets in accounts with the National Bank of Poland is subject to no limits.
12. Investing assets, referred to the Main Principles in point 3, in bonds issued by the State Treasury, the National Bank of Poland or European Union Member States other than Poland, is subject to the following investment limits:
- a. maximum modified duration for any single bond series may not be more than 6;
  - b. maximum exposure is:
    - i. 40% of assets of the given kind (as defined in point 1 of the Introduction);
    - ii. 10% in any single series in relation to total assets.

13. Safe-keeping and investing assets referred to the Main Principles in point 3 (b), (d), (e), (g) and (h) is subject to the following investment limits:
- a. maximum exposure to investments in debt instruments guaranteed by the State Treasury or the National Bank of Poland and issued by other entities, referred to the Main Principles in point 3 (d), is:
    - i. 20% of assets of the given kind (as defined in point 1 of the Introduction) managed by KDPW\_CCP S.A. in instruments issued by any single issuer;
    - ii. 10% in any single instrument series in relation to total assets;
  - b. maximum exposure to investments in bonds issued by EIB and EBRD, referred to the Main Principles in point 3 (e), is:
    - i. 10% of assets of the given kind (as defined in point 1 of the Introduction) managed by KDPW\_CCP S.A.;
    - ii. 10% in any single instrument series in relation to total assets;
  - c. counterparty concentration limit – maximum exposure to assets of any single counterparty is 25% of the total value of assets of the given kind (as defined in point 1 of the Introduction). The limit applies to the total value of assets of the given kind exceeding PLN 100 million. The calculation of exposure to any single counterparty includes assets in safe-keeping referred to the Main Principles in point 3 (b) and investment trades referred to the Main Principles in point 3 (g) – (h);
  - d. financial instruments securing transactions referred to the Main Principles in point 3 (h) may only be highly liquid financial instruments of low market and credit risk, referred to the Main Principles, which meet the conditions set out in the Main Principles in point 1 (a) – (c) and which have consequently been entered into the list of financial instruments referred to the Main Principles in point 1;
  - e. maximum exposure to any single bond series which secures transactions referred to in point 3 (h) is 20%.
14. The average maturity of a portfolio of debt instruments in aggregate, in which required KDPW\_CCP own capital and assets posted by members are invested, must be no more than 2 years. Instruments subject to reverse repo/buy-sell-back transactions are not included in the calculation of this limit.
15. No less than 95% of cash assets which represent KDPW\_CCP required own capital and assets posted by members, calculated as a moving average of the last calendar month (i.e., the last 30 calendar days), should be invested under arrangements ensuring that such cash assets are secured with highly liquid instruments which fulfil the requirements set out in ESMA RTS Annex II except for the requirement of point 1(c) of Annex II. The foregoing means that no less than 95% of cash assets should be:
- a. deposited at a central bank;

- b. invested in debt instruments referred to the Main Principles in point 3 (c) – (f);
  - c. invested in reverse repo/buy-sell back transactions.
16. The KDPW\_CCP Management Board may also, if necessary and for safety reasons, impose restrictions or limits other than those set out in this Policy, and waive certain limits for a definite period, not exceeding 3 months, or impose limits in a lower amount. The Polish Financial Supervision Authority will be informed of any such case.
17. The Clearing Department Director, The Risk Management Department Director, Chief Risk Officer and the KDPW\_CCP Management Board must be notified immediately of any investment limit exceedance.
18. In the event of a limit exceedance, the following measures must be taken:
- a. no further investments may be opened with the counterparty or in the instrument affected by the limit exceedance;
  - b. an analysis must be performed, including especially an assessment of risks generated by the counterparty or financial instrument;
  - c. investment positions causing the limit exceedance must be closed out.
- Such measures are taken with a view to mitigating the potential financial loss on trades.
19. In the event of any significant change affecting the risks to which KDPW\_CCP is exposed, including especially a change in counterparty credit risk or a change of conditions on the financial market, the KDPW\_CCP investment policy is reviewed and decisions are made to amend it where required in order to mitigate excessive risk.
20. The KDPW\_CCP Management Board may decide to stop investing in instruments referred to the Main Principles in point 3 (b) – (h) for a definite period if the safety of the clearing system so requires.