

KDPW_CCP's
New Services
Spring Implementation
Window

Meeting with Clearing Members
on 6 April 2022

Agenda

1. Implementation of tools supporting clearing of repos concluded on TBSP:
 - conditions of conclusion, clearing and settlement, post-clearing messages, reporting to the SFTR trade repository, clearing fees;
2. Modifications to securities auctions and buy-ins:
 - Buy-ins and auctions in the GUI application provided by KDPW_CCP, mandatory GUI application activity to meet the requirements for default test participation;
3. Amendments to declarations: Agreement concerning access to KDPW_CCP services via the GUI application;
4. Modifications to KDPW_CCP risk management:
 - add-ons for cash market transactions (including repos on TBSP) and derivatives market transactions.

KDPW_CCP clearing of repos concluded on TBSP

Conditions of conclusion, clearing and settlement,
alignment of messages, reporting to the SFTR trade
repository, clearing fees for repos.

Introduction from BondSpot



Conditions of clearing and settlement of repos

Instruments: PLN Treasury bonds, admitted by TBSP, no coupon payments

Settlement cycle of the opening leg: T+0, T+1, T+2

Settlement cycle of the closing leg : T+n, where n is greater by at least 1 than the settlement date of the opening leg but no greater than 365

Indication of the closing leg: YES

Settlement: gross, multi-batch (MB)

Post-clearing messages

colr.mrg.001.04 – margin payment details

colr.mrs.001.04 – transaction limit status report

- additional fields applicable only to repos:
 - WR (marking-to-market for repos, may be negative)
 - DZR (repo rate margin)

- aggregation of margin information at clearing account level:
 - margin requirement at clearing account level in the repo market
 - margin requirement at clearing account level in the cash market
 - margin requirement at clearing account level in the derivatives market

Reporting to the SFTR trade repository

- ✓ declaration **as per Template 23** – transactions cleared by KDPW_CCP concluded on TBSP
- ✓ 'trade by trade' reporting ('NEWT' – Transaction), **on T+1 as at T**
- ✓ daily adjustment of collateral posted with KDPW_CCP (MARGIN) and collateral valuation (COLU)
- ✓ only **the KDPW trade repository**
- ✓ re invoicing KDPW_TR fees **at no extra margin**

Implementation of tools supporting clearing of repos concluded on TBSP

Clearing fees

	Fee rate	WN PLN 100 mn
1-2D	0.000125%	PLN 125
3-4D	0.000150%	PLN 150
5-7D	0.000175%	PLN 175
(1W;2W]	0.000250%	PLN 250
(2W;1M]	0.000375%	PLN 375
(1M;3M]	0.0005%	PLN 500
(3M;6M]	0.001%	PLN 1,000
(6M;12M]	0.002%	PLN 2,000



- on the nominal amount of **the opening leg** of a repo

Modifications to securities auctions and buy-ins



Buy-ins and auctions in the GUI application provided by KDPW_CCP

- ✓ **extension period** - S+4 for auctions and S+7 for other securities;
- ✓ **buy-in procedure start date T** – first business day after the extension period;
- ✓ **delivery period** – number of business days on which the buy-in procedure is carried out (4 days for liquid equities, 7 days for other securities);
- ✓ **maximum deferral period** – number of business days for additional buy-in equal to delivery period deadlines (4 days for liquid equities, 7 days for other securities)

Buy-ins and auctions in the GUI application provided by KDPW_CCP



By 09:00 on day T, the Clearing Member causing the settlement fail is notified of the start of the buy-in procedure by message [secl.007.001.02](#)



Clearing Members submit offers via GUI from 09:00 to 14:00 (offers may be recalled)



KDPW_CCP stops the settlement of instructions affected by the fail (HOLD)



KDPW_CCP accepts Clearing Members' offers from 14:00 to 15:00



Notification of the end of the buy-in procedure and status of offers - message [secl.009.001.02](#)



Deferred end of the buy-in – Clearing Member's request - message [secl.008.001.02](#)

Buy-ins and auctions in the GUI application provided by KDPW_CCP

1. Settlement instructions for accepted offers of participants are sent to KDPW with settlement date T+0;
2. Instructions must be matched in KDPW with instructions issued by Clearing Members;
3. Buy-in is settled at the 3rd settlement session at 15:30;
4. Rejection of instructions put on hold in settlement (HOLD → CANCEL);

Buy-ins and auctions in the GUI application provided by KDPW_CCP

- ✓ If the price of shares agreed in the buy-in is higher than the price in the instruction put on hold, KDPW_CCP debits the Clearing Member causing the settlement fail with the amount of the difference between the price of shares agreed in the buy-in and the price in the instruction put on hold (to cover the cost of the buy-in);
- ✓ The counterparty causing the settlement fail pays the cost of the buy-in procedure and fees charged within the delivery period as follows:
 - a) PLN 1000 – if the failed settlement amount is no more than PLN 5,000,000;
 - b) PLN 2500 – if the failed settlement amount is more than PLN 5,000,000;

Buy-in – cash compensation

- ✓ partial buy-in, no buy-in – attractive price – payment of compensation and rejection of all other settlement instructions by KDPW_CCP in KDPW :
 - a) settlement with payment – difference between the market value of the securities on the day preceding the compensation payment and the settlement amount in the non-settled settlement instruction **if the settlement amount is less than the market value;**
 - b) settlement without payment – difference between the market value of the securities on the day preceding the compensation payment and the market value of the securities on the transaction date **if the market value of the financial instruments on the transaction date is lower;**
- ✓ payment of compensation – no later than two business days after the buy-in is closed

Mandatory GUI application activity to meet the requirements for default test participation



Participants can access auctions via the KDPW Services Portal <https://online.kdpw.pl/> under KDPW_CCP Core Services



Repo buy-in and auction tests – Handbook at www.kdpwccp.pl, TSTB test environment, after the roll-out of the repo service – also TSTA



Test access by email at ccp@kdpw.pl



New *Agreement* and access applications for GUI

Amendments to declarations

Agreement concerning access to KDPW_CCP services via
the GUI application

Amendments to declarations: Agreement concerning access to KDPW_CCP services via the GUI application

New Agreement concerning access to KDPW_CCP services via the GUI application replaces previous terms and conditions; as a result, GUI will support:

- **online access to information and data** in the clearing systems (**passive access**), and
- **communication** between the Clearing Member and KDPW_CCP (**active access**) to the extent set out in KDPW_CCP regulations. At the current stage, the functionalities will include buy-ins and auctions. The processes will be handled exclusively in the online application.

Application users are persons authorised by Clearing Members for passive and active access (**new access request is required**) who hold an active account in the Services Portal.

Amendments to declarations: Agreement concerning access to KDPW_CCP services via the GUI application

Timing: as of 25 April 2022, GUI access only on the new terms

Existing users:


may continue with access provided that new access requests are delivered to KDPW CCP on or before 25 April 2022 signed by the Clearing Member's duly authorised representatives (no limitation),

Persons who fail to deliver new access requests on or before 25 April 2022 will no longer have GUI access.

New users:


must register after 11 April 2022 in the Services Portal (KDPW_CCP S.A. website, click Login) and go to the KDPW_CCP service. Once a new access request is generated, it should be signed by the Clearing Member's duly authorised representatives and delivered to KDPW_CCP. Access may be granted as of 25 April 2022.

For details on how to activate and use the GUI system, visit the KDPW_CCP S.A. website www.kdpwccp.pl under [GUI](#).

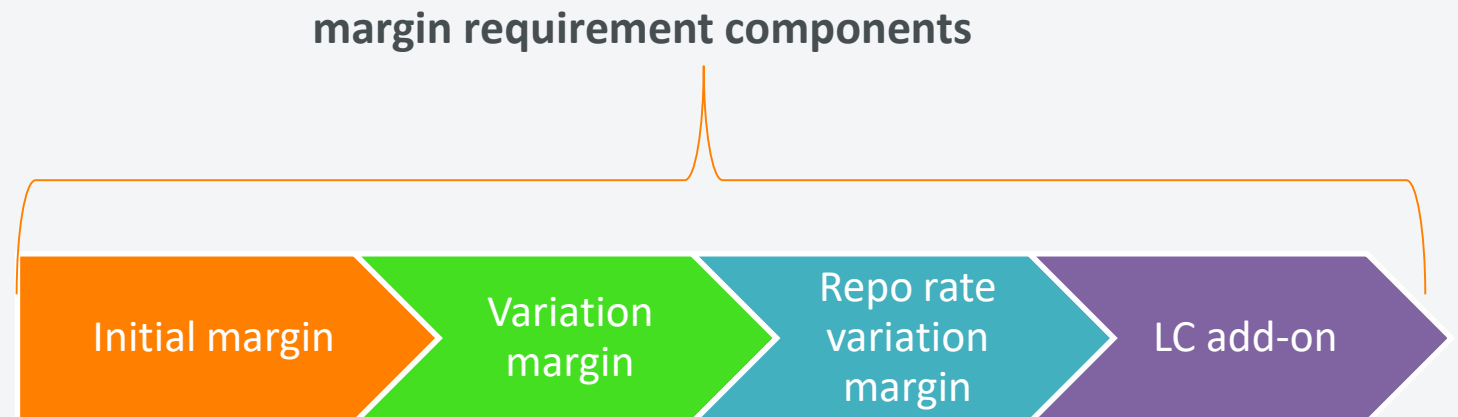
An aerial photograph of a cable-stayed bridge spanning a wide river. The bridge has several tall, grey pylons with numerous white cables supporting the deck. The sun is low on the horizon, creating a warm, golden glow over the scene. In the background, a city skyline is visible against the sky. The foreground shows dense green trees and a small inlet of water.

Modifications to KDPW_CCP risk management

New margin components: repo margin, wrong-way risk margin (WWR), liquidity and concentration risk margin (LCR).

A solid orange rectangular bar located in the bottom right corner of the slide.

- Bond price risk
Initial margin and variation margin
- Repo rate risk
Repo rate variation margin
- Liquidity and concentration risk
Liquidity and concentration add-on



Repo margin: Example

ISIN	PL0000102646	PL0000112728
NAME	WS0922	PS0425
REPO DATE	0/7	0/7
VOLUME (#)	100,000	100,000
NOMINAL AMOUNT (N)	100,000,000.00	100,000,000.00
COUNTERPARTY	REPO	REPO
REPO RATE (RRm)	0.50%	0.50%
TRADE DATE	22.11.2021	22.11.2021
PRICE	102.88	92.38
INTEREST T+0	9.45	4.34
PURCHASE PRICE	1038.25	928.14
PURCHASE PRICE % (DPRm)	103.83%	92.81%
PURCHASE AMOUNT	103,825,000.00	92,814,000.00
MARGIN	PLN 247,508.72	PLN 1,541,999.57

TOTAL MARGIN: PLN 1,789,508.29

Repo margin: Example

Bond price margin (SPAN margin)

NAME	DURATION CLASS	MOD DURATION	SPAN MARGIN
WS0922	DRPPL1	0.811	278,357.00
PS0425	DRPPL2	3.255	840,420.00
			1,118,777.00

Repo marking-to-market

NAME	SIGN (sign)	t2-t (in days)	df (discounting factor)	BOND PRICE	BOND PRICE % (DP_MTM)	Market repo rate (RRt)	WR
WS0922	1	5	99.98%	1039.92	103.99%	1%	171,255.40
PS0425	1	5	99.98%	922.1	92.21%	1%	-600,148.41
							-428,893.01

Repo rate margin

NAME	p_rr	DZR
WS0922	0.73%	10,397.12
PS0425	0.73%	9,219.16
		19,616.28

Liquidity and concentration risk add-on (DLCR)

NAME	Average daily turnover (OS)	New liquidation period (LPN)	Bid-ask spread	DLCR
WS0922	149,490,976.98	2	0.25%	129,990.00
PS0425	203,426,945.82	2	0.20%	92,210.00
				222,200.00

Current margin requirement:

SPAN margin + MTM (cash transactions)

New margin requirement:

SPAN margin + MTM (cash + repo transactions)

+ WWR add-on

+ LCR add-on



add-ons

WWR add-on

It covers the risk of the **exposures** of the clearing member and its clients which are in **reverse correlation** to the member's **credit quality**.

As a result of that risk, in the case of the member's default, expected loss would exceed the amount covered by the margin securing price risk (SPAN margin).

e.g., long position in shares issued by *ABC* recorded for the clearing member *ABC*.

Positions which generate WWR:

- a/ positions in own shares and bonds of the clearing member of companies of its group;
- b/ positions in futures on own shares and bonds of the clearing member of companies of its group;
- c/ positions in options on own shares and bonds of the clearing member of companies of its group.

LCR add-on

It covers the risk arising from the size of the member's position in a financial instrument and KDPW_CCP's ability to close it out on the market depending on:

- **observed liquidity of the instrument**, expressed as average volume
- **observed BID-ASK price spread**.

Positions which generate LCR:

- large positions of clearing members in less liquid instruments which show:
 - lower trading volumes, and
 - higher BID-ASK price spreads.
- ✓ The smaller the trading volume in relation to the position, the longer the potential liquidation period and the higher the DCLR securing the price risk;
- ✓ The bigger the price spread, the higher the DCLR;

Warszawa, dnia 14 grudnia 2021 r.

Poz. 2307

**ROZPORZĄDZENIE
MINISTRA FINANSÓW¹⁾**

z dnia 7 grudnia 2021 r.

zmieniające rozporządzenie w sprawie trybu i warunków postępowania firm inwestycyjnych, banków, o których mowa w art. 70 ust. 2 ustawy o obrocie instrumentami finansowymi, oraz banków powierniczych²⁾

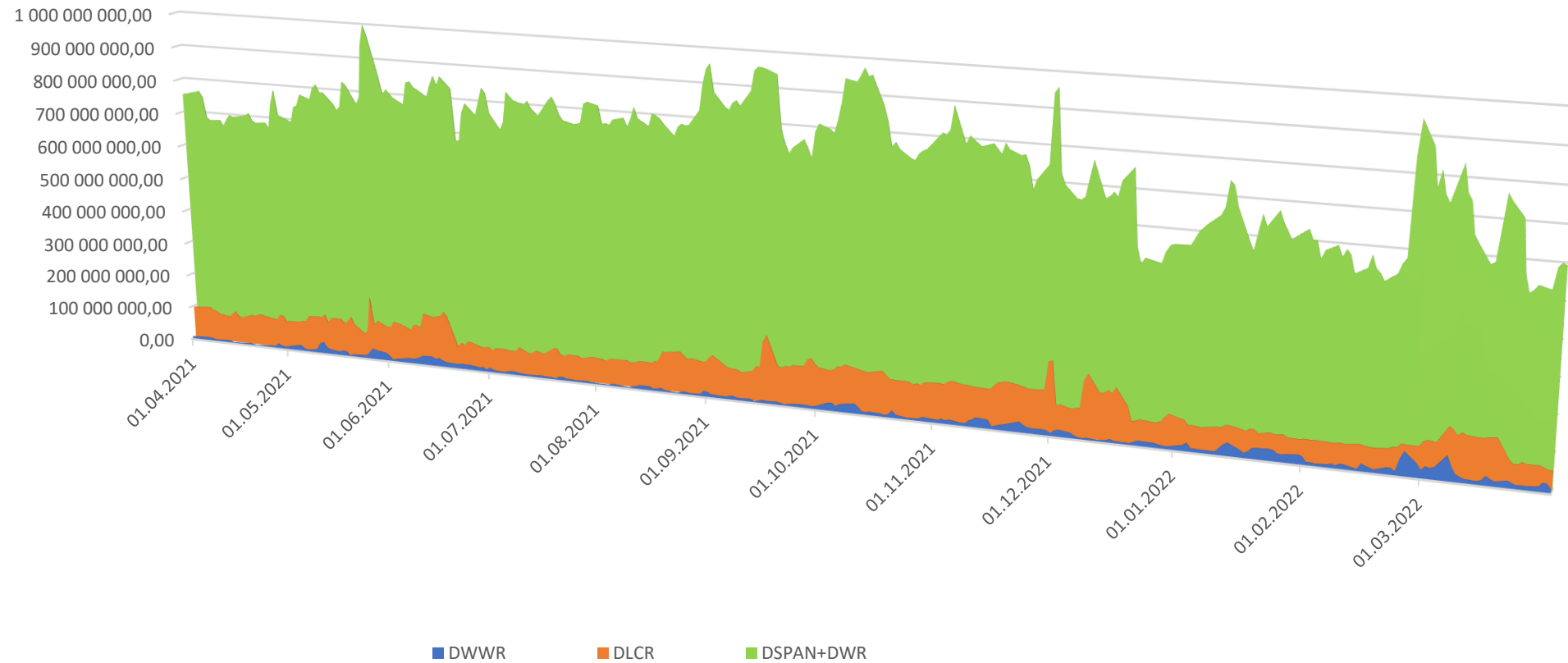
6) w § 71 dodaje się ust. 5 w brzmieniu:

„5. Firma inwestycyjna może ze środków własnych, na zasadach określonych w umowie z klientem, który zawarł transakcję terminową, ustanowić zabezpieczenie transakcji klienta wymagane przez właściwą izbę rozliczeniową lub uzupełnić to zabezpieczenie w części, w której wysokość zabezpieczenia wynika z zawarcia transakcji za pośrednictwem tej firmy inwestycyjnej.”

§ 2. Rozporządzenie wchodzi w życie z dniem 28 lutego 2022 r.

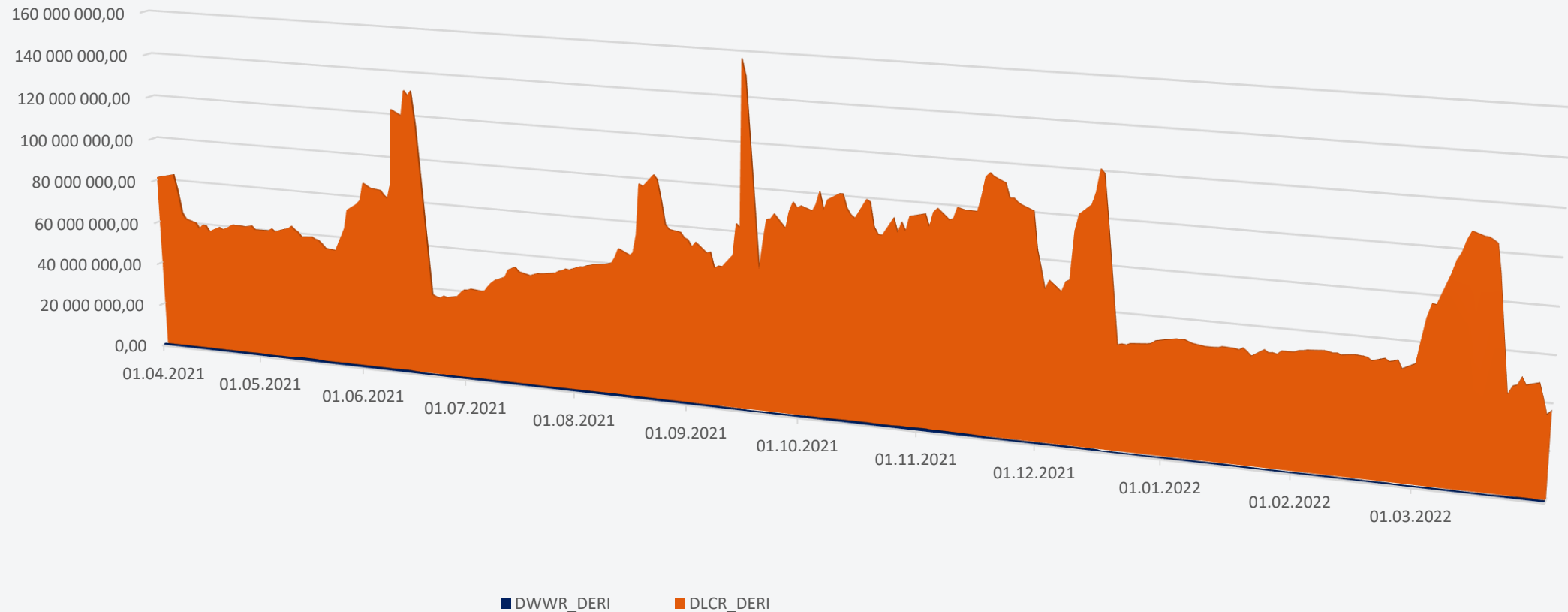
Add-ons: Numbers

SPAN margin vs. add-on



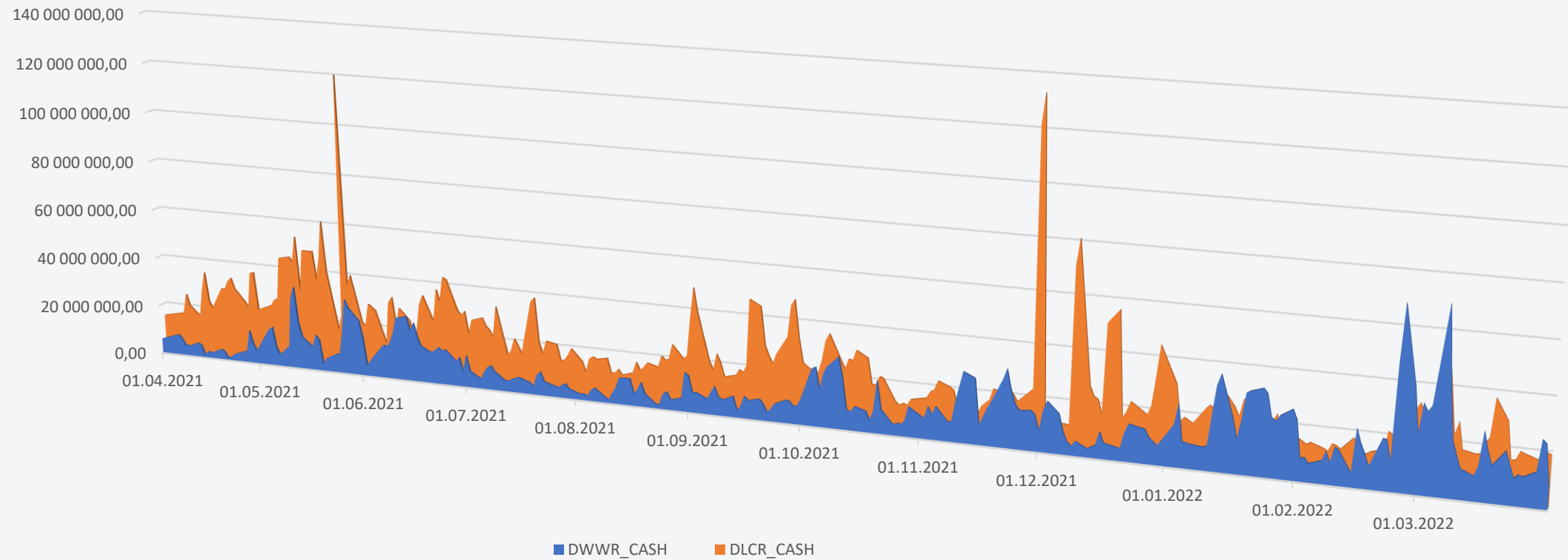
Add-ons: Numbers

LCR add-on vs. WWR add-on on the derivatives market



Add-ons: Numbers

LCR add-on vs. WWR add-on on the cash market



corl.mrg.001.04 - margins at market level (regulated market or ATS), clearing member level, individual account (NKK) level, and clearing account level, broken down by cash market and derivatives market and broken down by risk (SPAN[®] margin, marking to market, WWR add-on, LCR add-on);

colr.mrs.001.04 - current utilisation of a clearing member's transaction limit and the margin requirement by market (regulated market and ATS), clearing member, and account. The margin requirement per account will present all margin components including WWR and LCR add-ons;

colr.adn.001.01 - parameters used by KDPW_CCP to calculate add-ons; the message supports A2A solutions which determine margins in relation to client positions.

<http://www.kdpwccp.pl/pl/Uczestnicy/Strony/add-on.aspx>

www.kdpwccp.pl/en/Members/Pages/add_on.aspx

Message name	Message description	Pdf	Xsd	Example
colr.adn.001.01	Parameters set by KDPW_CCP to calculate add-ons			

The declaration for the distribution of additional messages from KDPW_CCP (form 12) has been changed, if the message colr.adn.001.01 is necessary for the calculation of additional deposits, the above declaration should be resubmitted to KDPW_CCP.

Changes to the current messages

Message name	Message description	Pdf	Xsd	Example
colr.mrg.001.04	margin payments; core message for organised trading participants;			
colr.mrs.001.04	message used to present the degree of utilisation of transaction limits; message sent to clearing members;			

DECLARATION CONCERNING DISTRIBUTION OF ADDITIONAL MESSAGES BY KDPW_CCP

(Sndr="0010", organised trading)

Participant's Individual ID:

Message name:

- sese.sts.005.01** – Trade Clearing Instruction Status¹:
 YES NO
Selection criteria
 - Market code: XG ,
 - Trading mode: PG , ZG ,
 - Clearing instruction status: PACK , PEND , PENF , NMAT , MACH , STLD , CAND
- colr.sm2.001.01** - distribution of projected/generated benefits at the level of collateral accounts (PB) defined in kdpw_stream with the precision of NKK
 YES NO
- semt.smh.001.01** – Holding Balances²:
 YES NO
- secl.XXX.XXX.XX**³ – set of ISO20022 Clearing messages:
 YES NO
- colr.adn.001.01** – Add-on Parameters
 YES NO

Add-ons: Roll-out



Thank you

ccp@kdpw.pl