

CSDs: KDPW (Poland)

Date: 18 Nov 2008

SMI Markets: Poland

CMIRR Markets: Poland

Depository and Settlement System Improvements at KDPW - Update

In a recent conference, KDPW, the Polish Central Securities Depository (CSD), confirmed that its new IT system will go live on 28 March 2009. Furthermore, KDPW has informed that additional developments will be carried out in order to constantly improve the IT system once it has been made operational in March 2009. These additional developments will focus on:

- Settlement enhancements: introduction of a new securities borrowing and lending (SBL) facility, provision for partial settlements and introduction of an overnight settlement batch;
- Settlement risk management: full implementation of a SPAN model;
- Corporate actions servicing: servicing general meetings and the implementation of a comprehensive issuer services model;
- Communication: introduction of full SWIFT messaging (staged development).

KDPW has also met with custodians' representatives to discuss the enhancements of the new IT system. Following this meeting, several points have been agreed upon:

- Reporting: KDPW approved the custodians' proposal that the status of transactions for banks acting as payment agents for local brokers would not be reported to custodians. KDPW is to test these changes soon;
- Matching: KDPW approved the custodians' proposal to simplify the rules in cases where a participant is on both sides of the settlement;
- Pre-matching: KDPW and its participants are to create a working group to prepare standards regarding pre-matching. This is expected to be set up after the launch of the new IT system;
- Liquidation of batch session at 5.00pm: custodians are to discuss the proposal by KDPW to dispense with the 5.00pm batch session based on the fact that RTGS would instead be used for all types of settlement transactions.

CSD Risk Impact

KDPW (Poland)

Impacted Risk Type: Liquidity Risk

Current Rating = AA

Flash Impact = On Watch

Impacted Risk Type: Counterparty Risk

Current Rating = A

Flash Impact = On Watch

Impacted Risk Type: Financial Risk

Current Rating = A

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A+

Flash Impact = On Watch

Impacted Risk Type: Asset Servicing Risk

Current Rating = A

Flash Impact = On Watch

The implementation of a new IT system is a positive development although with all new IT projects there will be a period during the implementation when there is a higher potential for problems to occur and processing to be impacted. Accordingly Operation Risk is set as 'On Watch'.

The additional enhancements to be undertaken by KDPW will generally have a positive impact on a number of risk categories if the enhancements are implemented. The implementation of a new SBL facility and partial settlement may help reduce the settlement fails, having a positive impact on Liquidity Risk, while the full implementation of a SPAN model will improve the management of risk exposure to a participant's default, having a positive impact on Counterparty Risk. Moreover, the implementation of a comprehensive issuer services model and introduction of full SWIFT messaging will have a positive impact on asset servicing risk. Due to a lack of details and uncertainty over the implementation date of these developments, the above mentioned risks have been placed "On Watch". In addition, these developments will entail further costs which are to be supported by KDPW; hence the financial risk is put "On Watch".

Market Information Impact

Poland

This information affects the data contained in the Settlement, Stock Lending and Repos and Corporate Actions sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Poland

Market Rating: A

Market Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = A+

Flash Impact = On Watch

Impacted Risk Type: Counterparty Risk

Current Rating = A

Flash Impact = On Watch

Impacted Risk Type: Financial Risk

Current Rating = A

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A

Flash Impact = On Watch

Impacted Risk Type: Asset Servicing Risk

Current Rating = A-

Flash Impact = On Watch

The implementation of a new IT system at KDPW is a positive development although with all new IT projects there will be a period during the implementation when there is a higher potential for problems to occur and processing to be impacted. Accordingly Operation Risk is set as 'On Watch'.

The additional enhancements to be undertaken by KDPW will generally have a positive impact on a number of risk categories if the enhancements are implemented. The implementation of a new SBL facility and partial settlement may help reduce the settlement fails, having a positive impact on Liquidity Risk, while the full implementation of a SPAN model will improve the management of risk exposure to a participant's default, having a positive impact on Counterparty Risk. Moreover, the implementation of a comprehensive issuer services model and introduction of full SWIFT messaging will have a positive impact on asset servicing risk. Due to a lack of details and uncertainty over the implementation date of these developments, the above mentioned risks have been placed "On Watch". In addition, these developments will entail further costs which are to be supported by KDPW; hence the financial risk is put "On Watch".

Related Flash: [Depository and Settlement System Improvements at KDPW - Update, 05/06/2008 \(click to view\)](#)

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