

CSDs: KDPW (Poland)

Date: 11 Nov 2009

SMI Markets: Poland

CMIRR Markets: Poland

Introduction of a Separate Central Counterparty

In a recent meeting between the central depository, KDPW, and the Warsaw Stock Exchange (WSE), future intentions have been announced, as follows:

- KDPW plan to utilise SPAN methodology for measurement of settlement risk. This methodology estimates the total risk exposure of all KDPW participants' open positions, rather than calculating risk related to the shareholders' positions in individual instruments;
- Creation of a new subsidiary called KDPW_CLEARINGPOOL which will eventually assume the role of central counterparty (CCP). It is expected that the subsidiary will be launched in early 2010, with CCP functionality being implemented towards the end of 2010;
- The WSE announced the establishment of a new securities lending platform. The options under discussion include:
 - WSE module for non-standardised loans concluded between selected institutional professionals (visible to each other);
 - WSE module for standardised, anonymous loans offered to all clients (where securities lending could be processed as any other kind of WSE transaction).

Further official details and implementation dates are expected in due course.

CSD Risk Impact

KDPW (Poland)

CSD Rating: A

CSD Flash Impact: Positive

Impacted Risk Type: Counterparty Risk

Current Rating = A

Flash Impact = Positive

Impacted Risk Type: Financial Risk

Current Rating = A

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A+

Flash Impact = On Watch

The new methodology proposed by KDPW could allow for more efficient management of collateral and liquidity, potentially having a 'Positive' impact on Liquidity Risk. However, participants may need to change or upgrade their IT systems, in which case, Operational Risk will remain 'On Watch' for further details.

The introduction of a CCP into the Polish market will centralise the counterparty risk removing inter-participant exposure, however, the financial implications of the CCP functioning as a subsidiary of KDPW may impact Financial Risk, which will therefore remain 'On Watch' until further developments have been announced.

Market Information Impact

Poland

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

Infrastructure Risk Ratings Impact

Poland

Market Rating: A

Market Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = A+

Flash Impact = Positive

Impacted Risk Type: Counterparty Risk

Current Rating = A

Flash Impact = Positive

Impacted Risk Type: Financial Risk

Current Rating = A

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A

Flash Impact = On Watch

The new methodology proposed by KDPW could allow for more efficient management of collateral and liquidity, potentially having a 'Positive' impact on Liquidity Risk. However, participants may need to change or upgrade their IT systems, in which case, Operational Risk will remain 'On Watch' for further details.

The introduction of a CCP into the Polish market will centralise the counterparty risk removing inter-participant exposure, however, the financial implications of the CCP functioning as a subsidiary of KDPW may impact Financial Risk, which will therefore remain 'On Watch' until further developments have been announced.

The WSE lending platform could encourage securities lending business in Poland, having a 'Positive' impact on Liquidity Risk.

For further information contact:

Ana Giraldo - Americas and Eurasia
Barry Morales - Asia Pacific
Jim Micklethwaite - Western Europe (incl. EU)
Guillaume Viteau - Africa, Middle East

Tel. +44 (0) 20 8600 2300 | Fax. +44 (0) 20 8741 7468
Email: cmiqueries@thomasmurray.com

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