

The clearing system for the Gas Market in Poland – the proposal

07.02. 2012

Warszawa



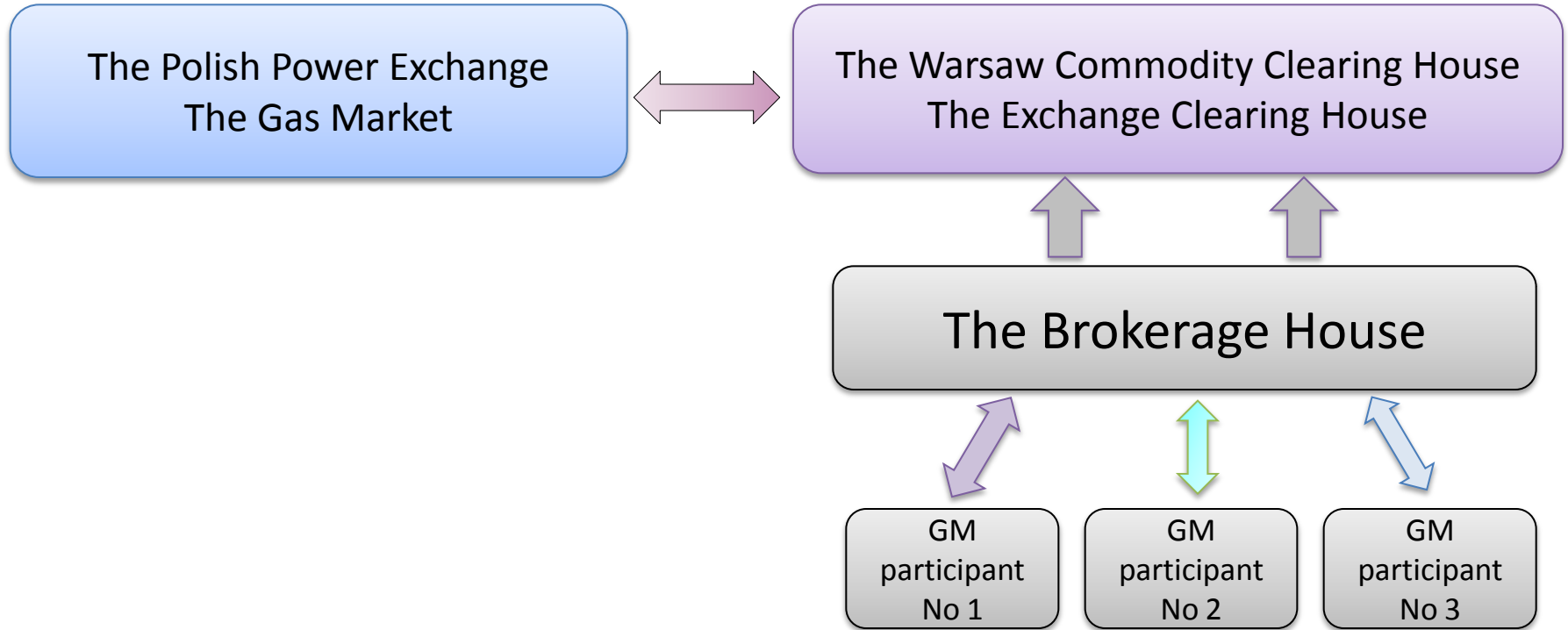
The Exchange Clearing House membership

The House's members may be exclusively:

- Partnerships running the Exchanges,
- Commodity brokerage houses,
- Brokerage houses,
- national financial establishments other than those mentioned in subparagraphs 1 - 3, including especially banks, if membership of them is aimed at cooperation with the House within the scope of clearing of the transactions entered into on the exchange commodity Markets,
- the power companies holding the Authority's permission for keeping accounts or records of the exchange commodities, mentioned in Article 50b paragraph 1 subparagraph 2 of the Commodity Exchange Act,
- foreign legal entities, mentioned in Article 50 paragraph 1 of the Commodity Exchange Act, running brokerage activities (in form of an affiliated branch) within the scope of trading in the exchange commodities on the territory of the Republic of Poland.

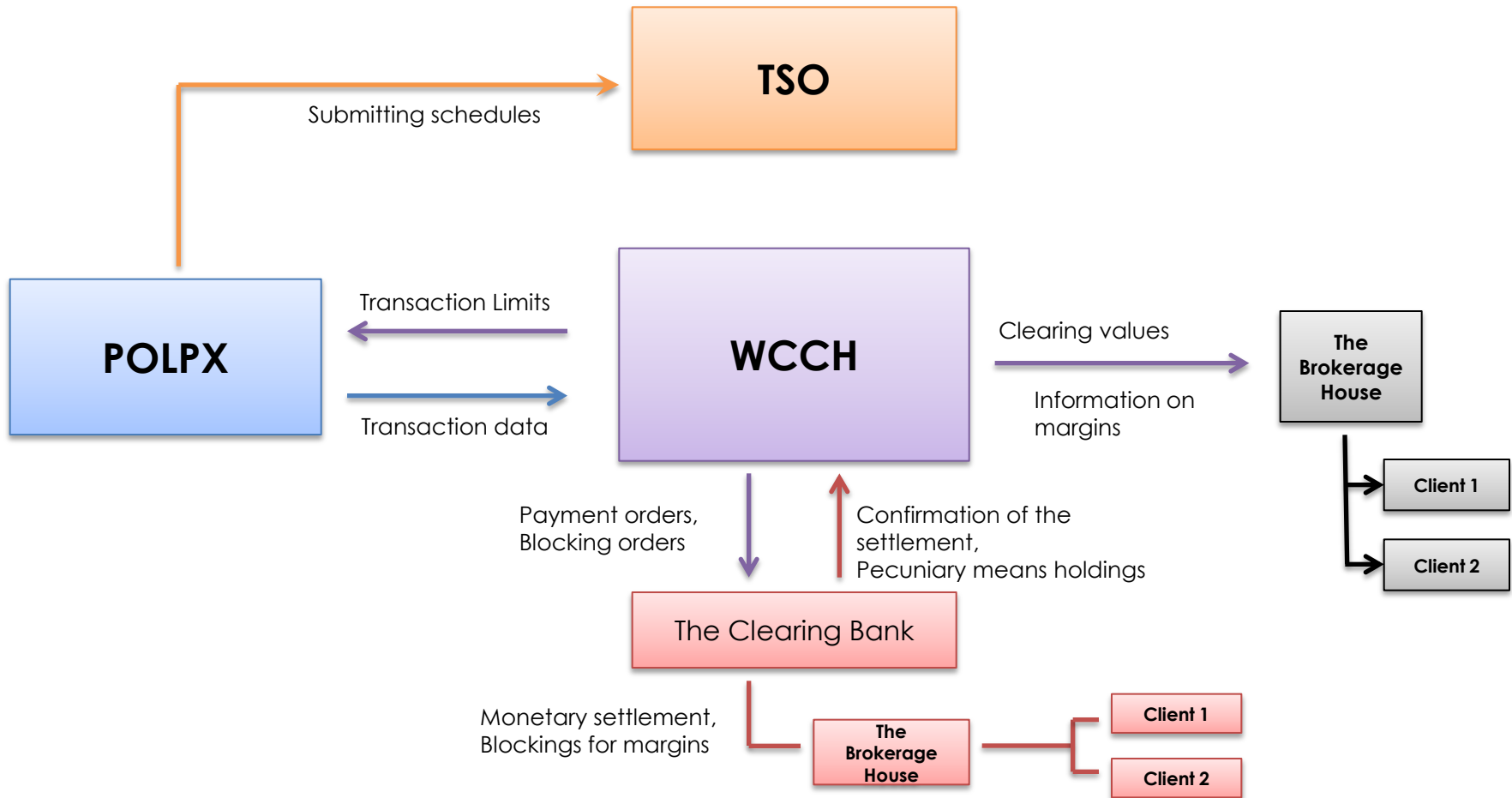
The Gas Market – The Exchange Clearing House's Membership

The diagram has been based on the legal regulations being currently in force



The Gas Market (GM) participants use services of the WCCH through the agency of the Brokerage House

The Gas Market – the general operation diagram



The Gas Market - collateralization

The clearing collateralization system for the Gas Market of POLPX:

- ≡ transaction margins,
- ≡ collateral margins,
- ≡ the Guarantee Fund,
- ≡ the transaction limit monitoring system.



The Gas Market – the transaction margin

- The transaction margin is a collateral lodged by a Member of the House, allowing it to enter into transactions on the markets being cleared by the House,
- Pursuant to the Regulations of the Exchange Clearing House, the WCCH Management Board establishes the transaction margin minimum value for individual markets being cleared by the House,
- For given Member of the House the transaction margin value is equal to a sum of monetary- and non-monetary resources lodged by the House Member for transaction margins, decreased by the balance of liabilities by the right of clearings of the transactions and liabilities by the right of the collateral margins.
- There is a possibility of recognizing non-monetary collaterals on account of the daily transaction limit (in such case the non-monetary resources may compose 50% of the limit).



The Gas Market – collateral margins

- The collateral margin value is reckoned for each client of the brokerage house, assuming the highest statistically possible loss of the positions taken during the consecutive session,
- In order to determine value of the collateral margins (the initial-and the variation margins) the positions taken by given Member of the House are allocated to two baskets created according to the delivery periods, taking compensation of the positions within the framework of the delivery periods into consideration.
- The margins may be covered by non-monetary collaterals (they may compose from 80% to 90% of the collateral margins).



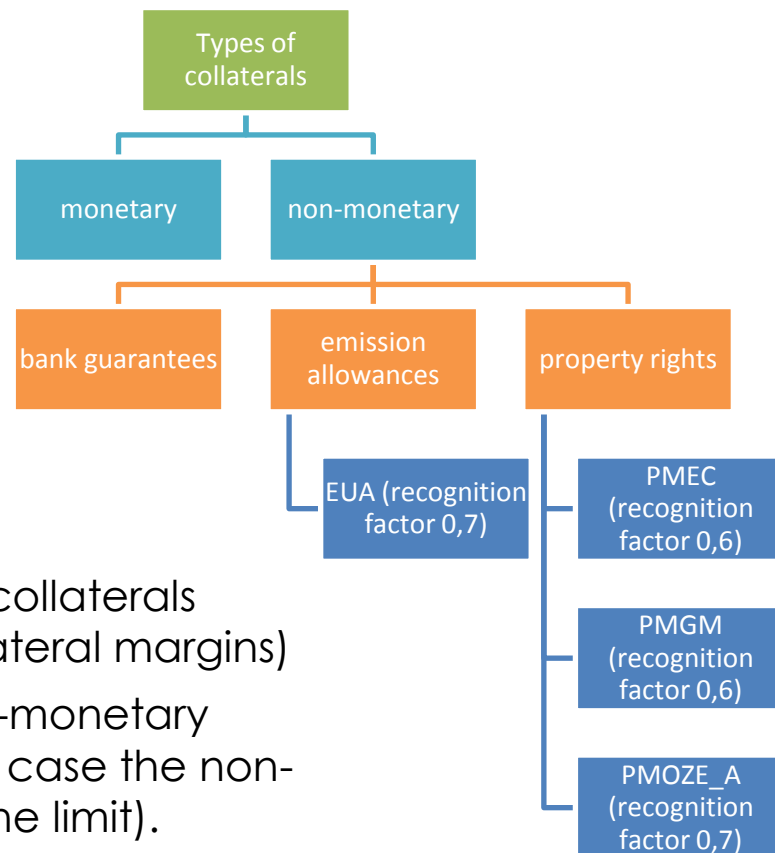
The Gas Market – the Guarantee Fund

- It is a tool for limitation of insolvency risk as well as liquidity risk,
- It enables covering of liabilities of a Member of the House in case of so-called Default,
- The liquidity risk is limited by establishing of such coefficients of payments made into the Guarantee Fund, which enable covering current liabilities of two Members of the House having in their possession the highest number of positions opened in forward contracts.



The Gas Market – types of non-monetary collaterals

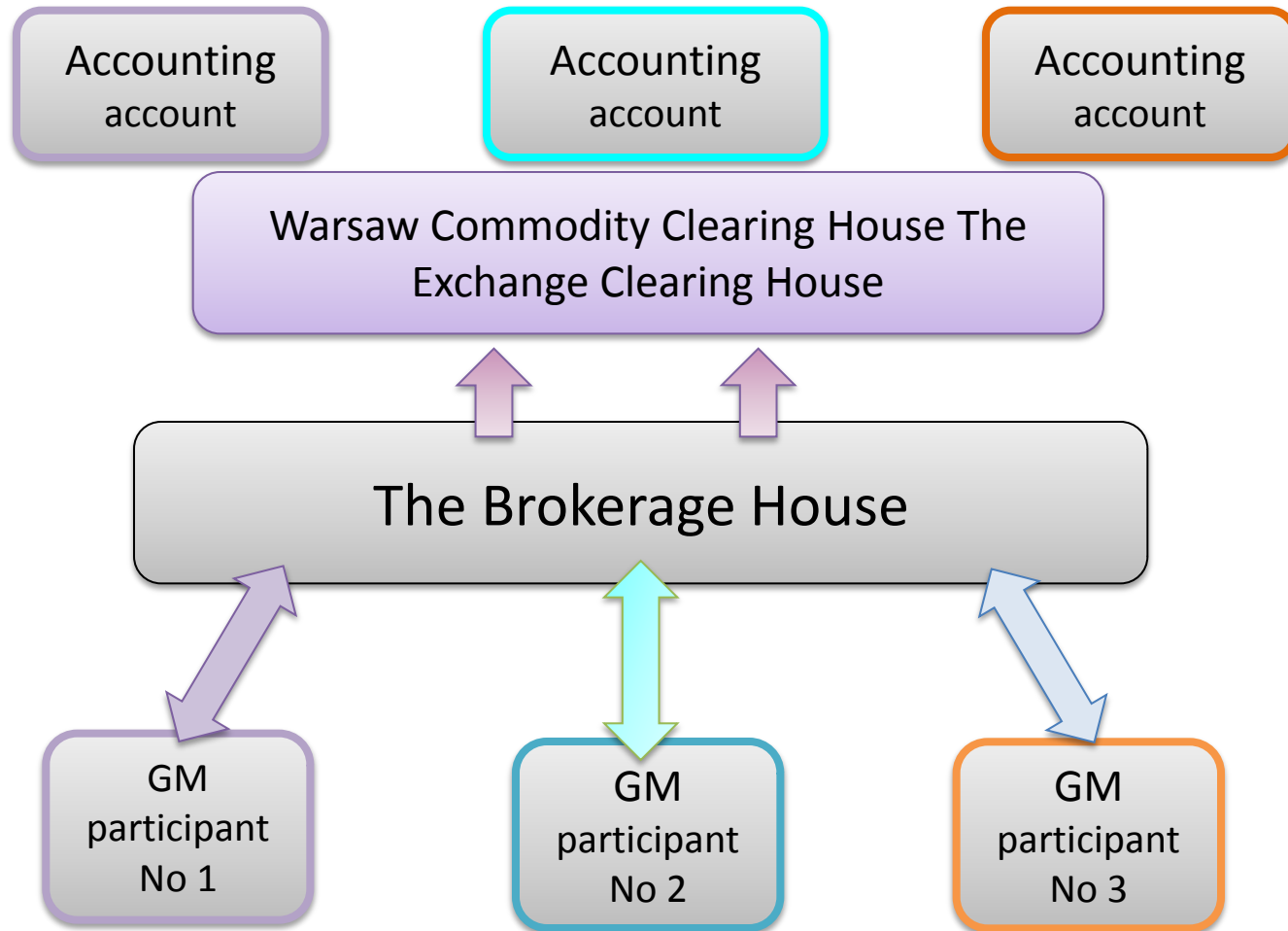
The chart below presents types of non-monetary collaterals along with the recognition factors:



Non-monetary collaterals:

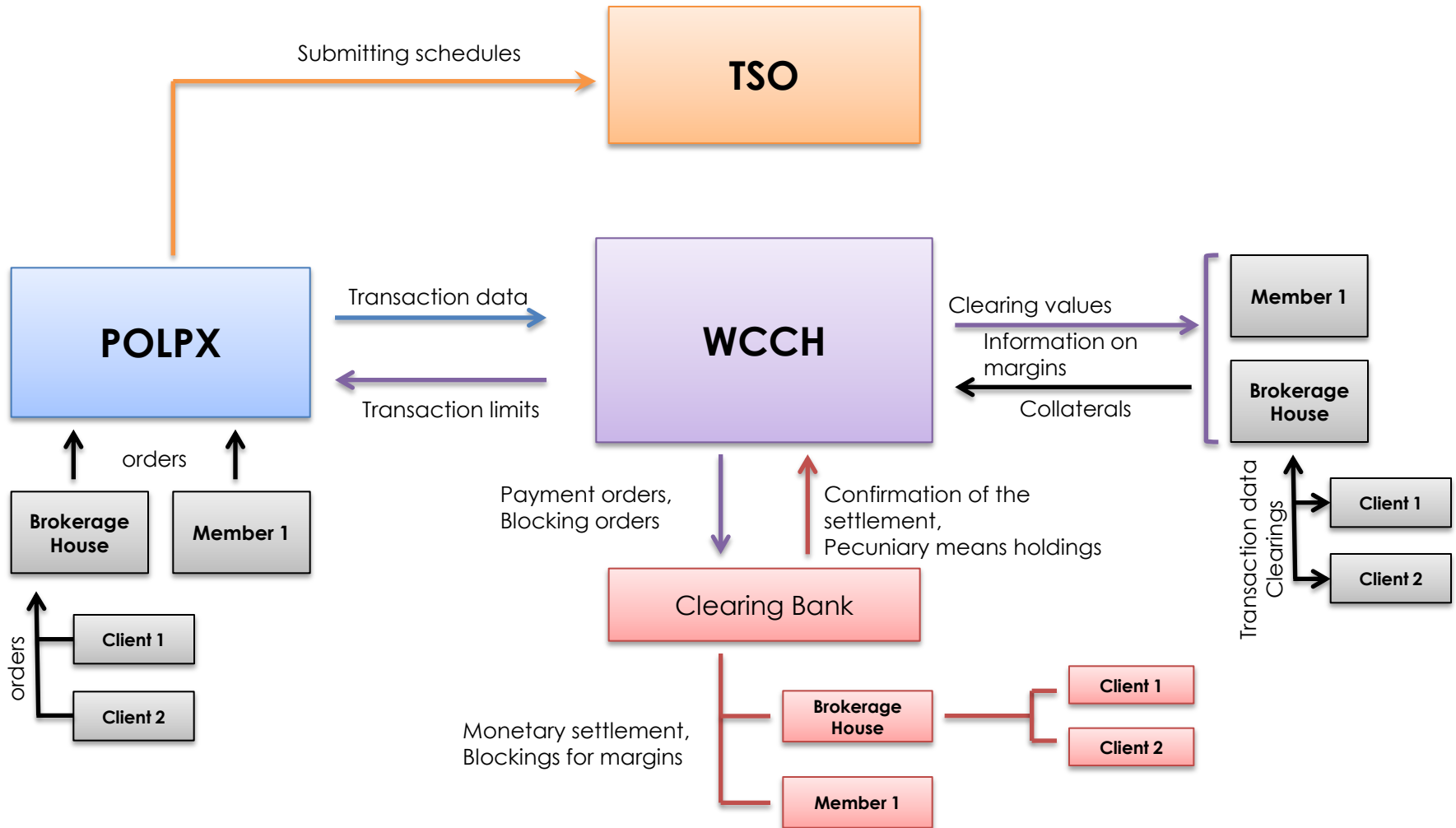
- ≡ margins may be covered by non-monetary collaterals (they may compose from 80% to 90% of collateral margins)
- ≡ there is a possibility of recognition of the non-monetary margins as the daily transaction limit (in such case the non-monetary collaterals may compose 50% of the limit).

The Gas Market – full segregation of brokerage houses' clients



WCCH keeps separate accounting accounts for the Gas Market's participants – Brokerage Houses' clients

The Gas Market – the target model



Thanks for your attention

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