ADVANTAGES OF NON-CCP CLEARING MODEL FOR DEVELOPING EXCHANGES

2nd Stakeholder Meeting – SEEGAS Platform

10th March 2021

Łukasz Goliszewski
Vice-President of the Management Board
Overview
IRGiT Offer
Why non-CCP?
IRGiT advantages
International cooperation
IRGiT Overview

Ownership Structure

IRGiT (based in Warsaw, Poland)
- Provides services in the territory of Poland
- Clearing is carried out in PLN

- Employees: 40
- Clearing Members: 61
- Entities cleared via Brokerage Houses: 215
- Clearing Banks: 10

IZBA ROZLICZENIOWA GIEŁD TOWAROWYCH S.A. | www.irgit.pl
<table>
<thead>
<tr>
<th>Products cleared by IRGiT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Electricity</strong></td>
</tr>
<tr>
<td><strong>Natural Gas</strong></td>
</tr>
<tr>
<td><strong>Property Rights</strong></td>
</tr>
<tr>
<td><strong>European Union Allowances</strong></td>
</tr>
<tr>
<td><strong>Agricultural and Food Commodities (Wheat, Rye, Corn)</strong></td>
</tr>
</tbody>
</table>

- **Forward**
- **Day-Ahead** (including PCR)
- **Intra-Day (SIDC)**
- **Forward**
- **Day-Ahead**
- **Intra-Day**
- **Spot**
- **Spot**
- **Spot**

IZBA ROZLICZENIOWA GIEŁD TOWAROWYCH S.A. | www.irgit.pl
Since 2017 IRGiT is expanding its activities internationally (SIDC&SDAC)

Since 2019 IRGiT is clearing SIDC market (24/7) transactions

IRGiT’s required collateral calculation model recognized by European CCPs
Why non-CCP?

→ MiFID II allowed OTF trade

→ Significant costs in CCP / MiFID II regime:

- **Capital Requirements**
- **Technical and Organizational Requirements**
- **Intraday Cash Collateral (Liquidity Requirements)**
- **Limited Forms of Collateral**
- **Rigid Regulations**

These factors drive up market participants’ cost of functioning in the CCP clearing model.
non-CCP advantages

**Reduced cost of collateral**

- Margin netting within delivery periods and between products
- Dedicated margin netting model for energy groups
- Wide range of non-cash collateral
  - BANK GUARANTEES
  - EUROPEAN EMISSION ALLOWANCES – EUA
  - PROPERTY RIGHTS UNDER CERTIFICATES OF ORIGIN – PMOZE_A

**Selected parameters**

- 100% set off within delivery periods
- Up to 100% reduction of collateral possible within energy groups
- Up to 100% reduction of initial margin value due to inter-product offset possible
- Up to 90% of the margin may be covered by bank guarantees
- Up to 65% of the margin may be covered by EUA and PMOZE_A

**Risk management**

- IRGiT developed an in-house risk management model which builds collateral specifics into concentration limits, haircut and liquidity requirements
- IRGiT model built on the basis of Principles for Financial Market Infrastructures [CPMI-IOSCO]
safety model

**CLEARING MEMBERSHIP CRITERIA**
- Thresholds
- Monitoring

**POSITION MONITORING**
- Initial Margin
- Variation Margin (MtM)
- Other (Delivery margin)

**MARGINS**

**DEFAULT FUND**
- Defaulting CM contributions
- Other CMs contributions

**Close co-operation of Clearing House and Members**

**Exposure in normal conditions**

**Exposure in stress conditions**
Key advantages

- Solutions tailored to market participant needs and expectations
- Lower membership costs arising from technical & operational requirements
- Lower collateral costs & wide range of eligible collateral
- Small entities may trade directly or through brokerage house
- Experience in creating solutions for developing markets
- Flexible & easily customizable model
International cooperation

ASSOCIATIONS

- EACH 2011
- AFM 2018
- CCP12 2021

EUROPEAN ELECTRICITY MARKET

- PCR 2017
- SiDC 2019

CONSULTANCY SERVICES

- GET Baltic 2019
Thank you!

2nd Stakeholder Meeting – SEEGAS Platform

Łukasz Goliszewski
Vice-President of the Management Board

10th March 2021