



# NATIONAL LEGISLATION AS A SUPPORTIVE FACTOR FOR CLEARING DEVELOPMENT – POLISH CASE STUDY

3rd Stakeholder Meeting – SEEGAS Platform

15th June 2021

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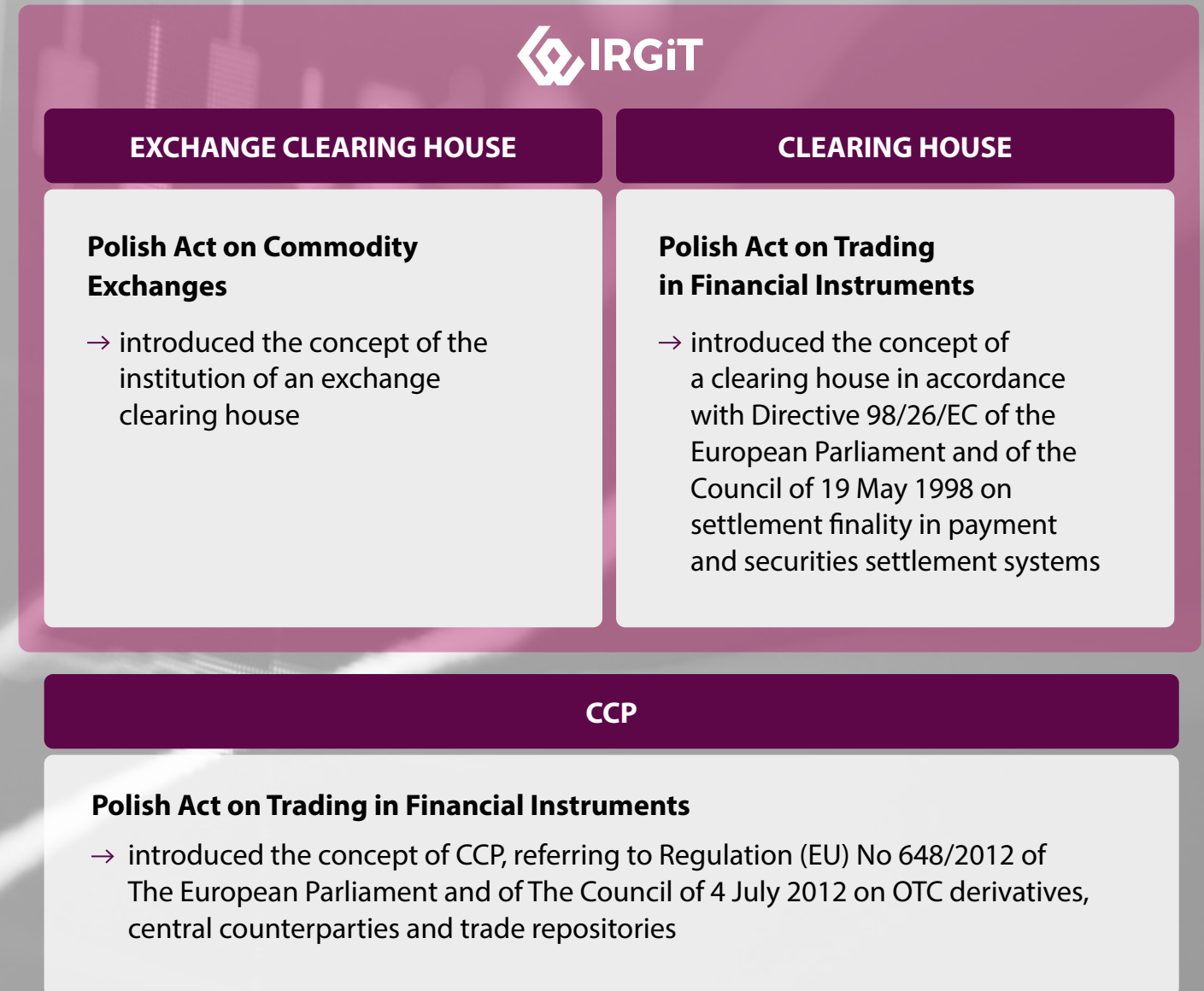
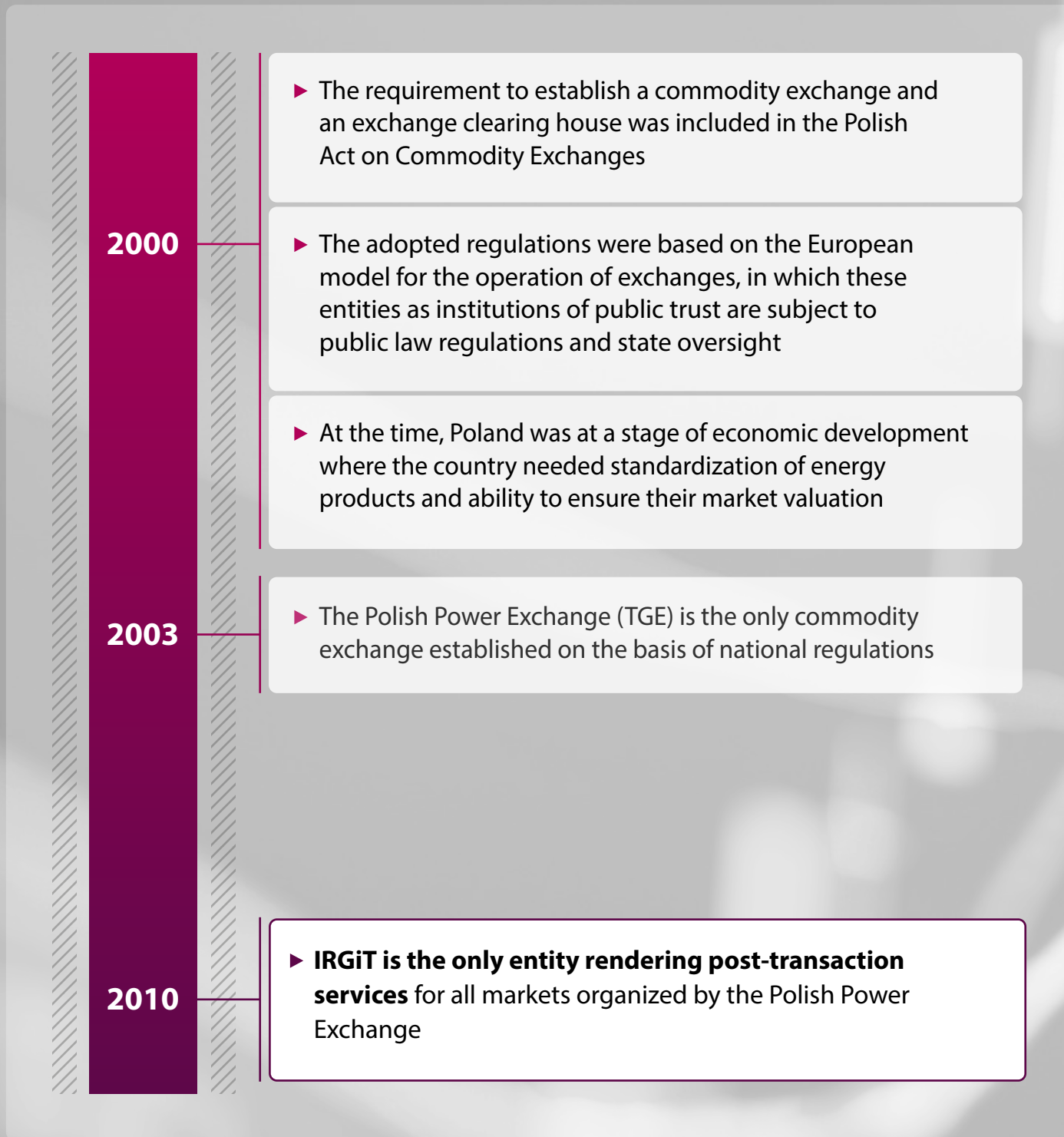
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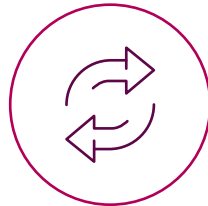




# Establishment of IRGiT from the regulatory perspective



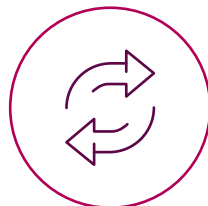
▶ The primary reason for the establishment of IRGiT was associated with the clearing of forward contracts. The law prohibited commodity exchanges from the conduct of such activities



▶ A commodity exchange may not be involved in the clearing of transactions on property rights and is required to ensure the clearing of such transactions by a commodity clearing house under the Act on Commodity Exchanges



▶ In 2010, IRGiT obtained a permit to operate a clearing house, a settlement house and the right to act as an exchange clearing house



▶ A joint-stock company licensed to operate a clearing house and a settlement house, following the prior notification to the PFSA, may act as an exchange clearing house within the meaning of the Act on Commodity Exchanges

▶ The legislature justified the establishment of an exchange clearing house with the “**specificity of futures transactions**”

▶ In practice, this obligation resulted in the coverage of **all transactions involving energy-based exchange commodities** by the operation of the exchange clearing house: both spot transactions and futures products

# Extent to which IRGiT's activity is governed by Polish law



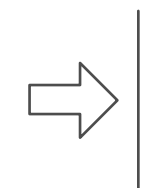
## KEY RIGHTS AND OBLIGATIONS OF AN EXCHANGE CLEARING HOUSE:



Prior to the commencement of operation – presentation of an analysis, in particular economic and financial, of the ability to conduct financial clearing of exchange transactions for a period of at least three years



Establishment of guarantees for the performance of obligations and the payment of receivables arising directly from cleared transactions

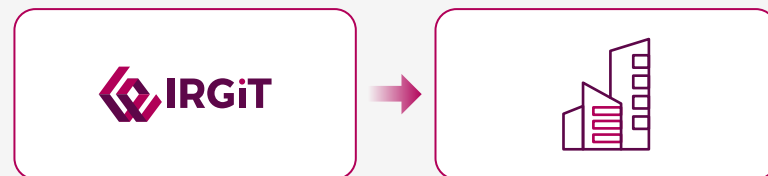


Limited extent of operations

# Who may become an IRGiT member

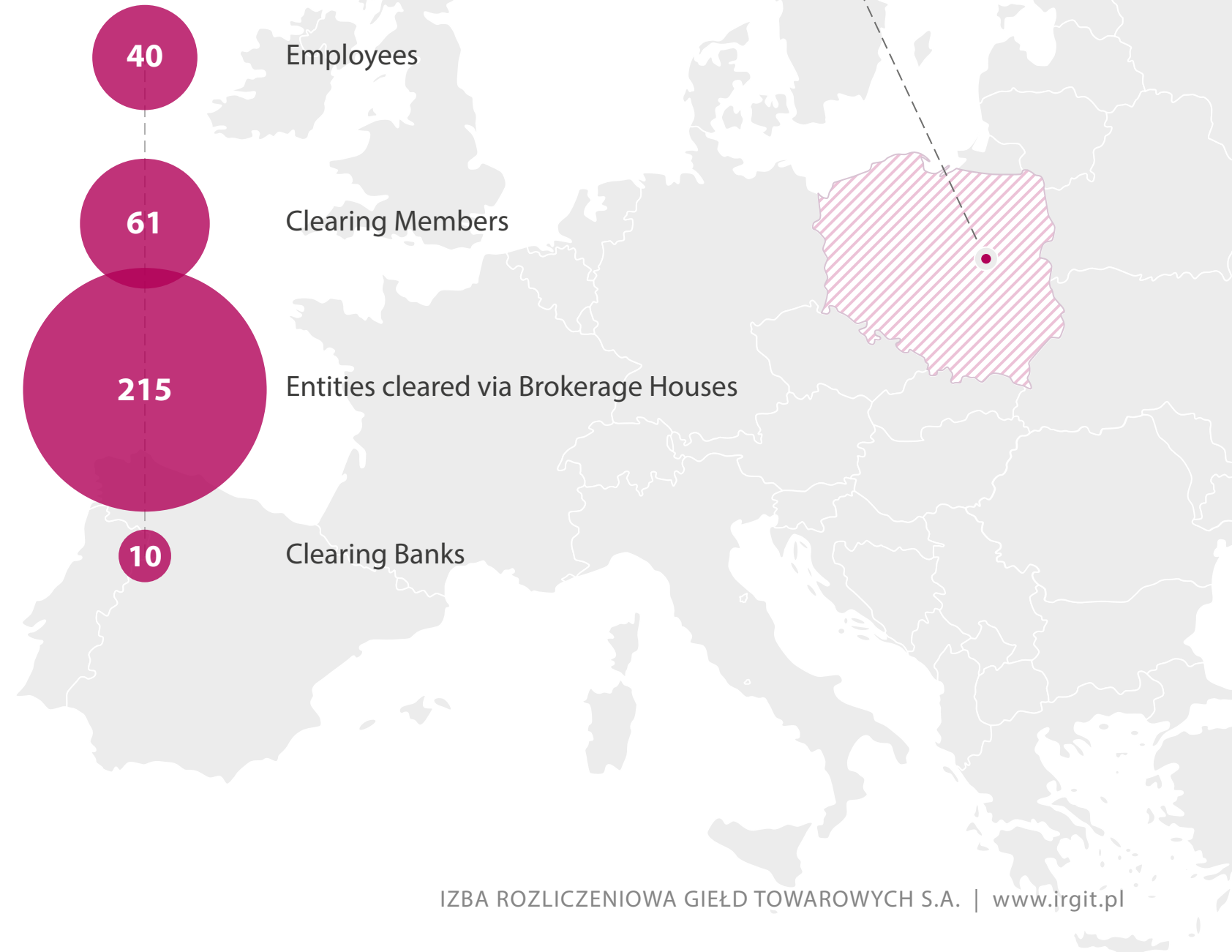
## IRGiT provides services to its members

<b>A</b>	> Companies operating the Commodity Exchange Market
<b>B</b>	> Commodity brokerage houses
<b>C</b>	> Brokerage houses
<b>D</b>	> Domestic financial institutions other than those enumerated in items (a)-(c), in particular banks if their membership is aimed at cooperating the Clearing House in the clearing of Transactions executed on Commodity Exchange Markets
<b>E</b>	> Foreign legal person conducting brokerage activities in the field of trading in exchange commodities in a country being a member of the European Union
<b>F</b>	> Power companies
<b>G</b>	> Companies running an exchange clearing house with their registered office in a member state of the European Union, the Swiss Confederation or in a member state of the European Free Trade Agreement (EFTA)



## IRGiT (based in Warsaw, Poland)

- > Provides services in the territory of Poland
- > Clearing is carried out in PLN



# Key differences between an exchange clearing house and a CCP

1

- ▶ The guaranteeing operations may not be implemented by IRGiT's acquisition of the rights and obligations of a party to the transaction, i.e. the execution of clearing operations as a CCP (without the use of the institution of novation)

2

- ▶ This is associated with the non-application of exceptions to the rules arising from the bankruptcy law (e.g. exclusion of the insolvency administrator's right to withdraw from clearing obligations) to transactions cleared by IRGiT

# Practical solutions adopted by the exchange clearing house



Important partner for all participants in exchange trading operations



Standardized principles governing the granting of a member status



Opened access to foreign exchange clearing houses






Openness to supervision of clearing operations by an FSA of another EU country



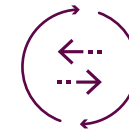
Limited risk on the part of the exchange clearing house in the transaction clearing process

# Benefits for the market from IRGiT's operation

IRGiT has established a clearing guarantee system covering:

	Transaction margins (delivery margin, historical margin, transaction limit)
	Margins for forward contracts
	Guarantee fund

# IRGiT's experience from the last 10 years



Creating trading venues and regulations only in the area of existing clearing solution, considering EU regulations



Creating trading venues intended to have high liquidity and significant market share



Open consultation with market participants considering their situation when deciding to establish an OTF and non-CCP clearing



Constant dialogue with the national supervision with dedicated official

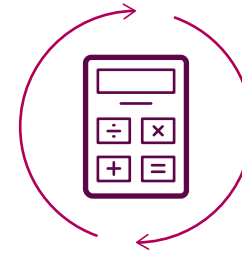
## IRGiT covers the transactions of all TGE markets:

- Commodity exchange
- Organized Trading Facility (OTF)
- Regulated market

▶ The advantage of IRGiT is the **coverage of markets created in accordance with MIFiD II and national regulations**



→ **Well-prepared regulations** support the development of exchanges and clearing houses



- It is worth considering the implementation of **local solutions in countries involved in the SEEGAS initiative** which will allow clearing markets in various possibilities
- ▶ By the **exchanges** themselves
  - ▶ By the **clearing houses**
  - ▶ By **CCP's**
- This will enable the selection of **the most optimal solutions for individual markets**



→ Common **standard of legislation** will support the creation of the common regional market





# Thank you!

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