

ADVANTAGES OF NON-CCP CLEARING MODEL FOR DEVELOPING EXCHANGES

2nd Stakeholder Meeting – SEEGAS Platform

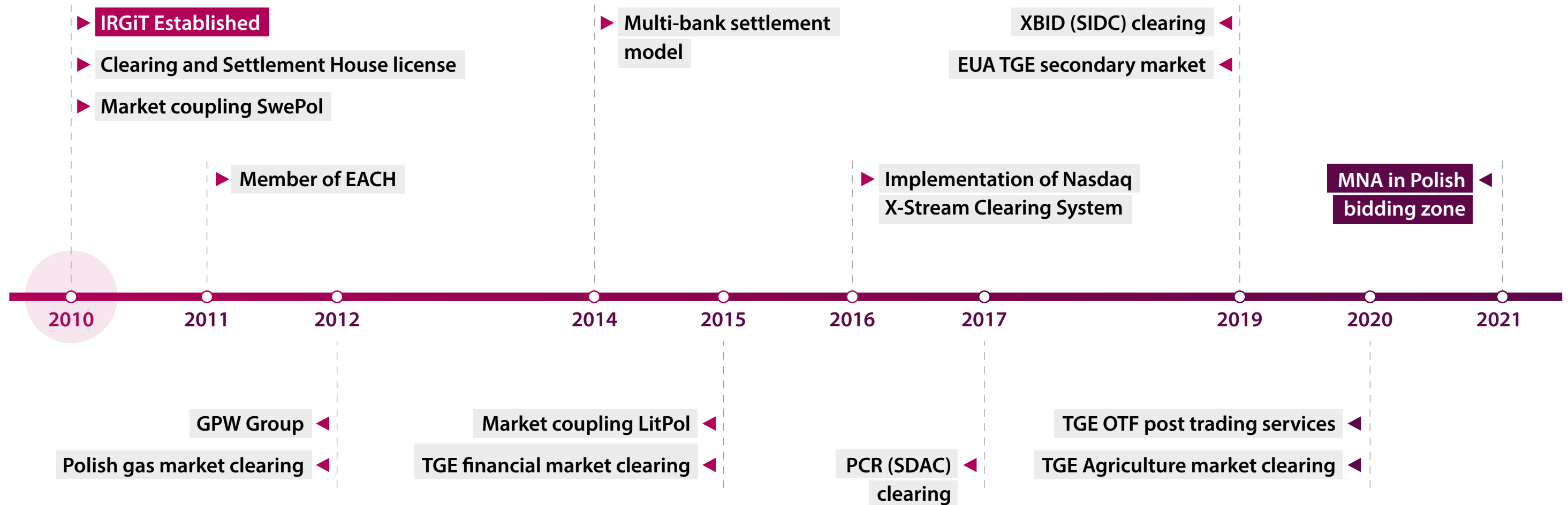
10th March 2021

Łukasz Goliszewski

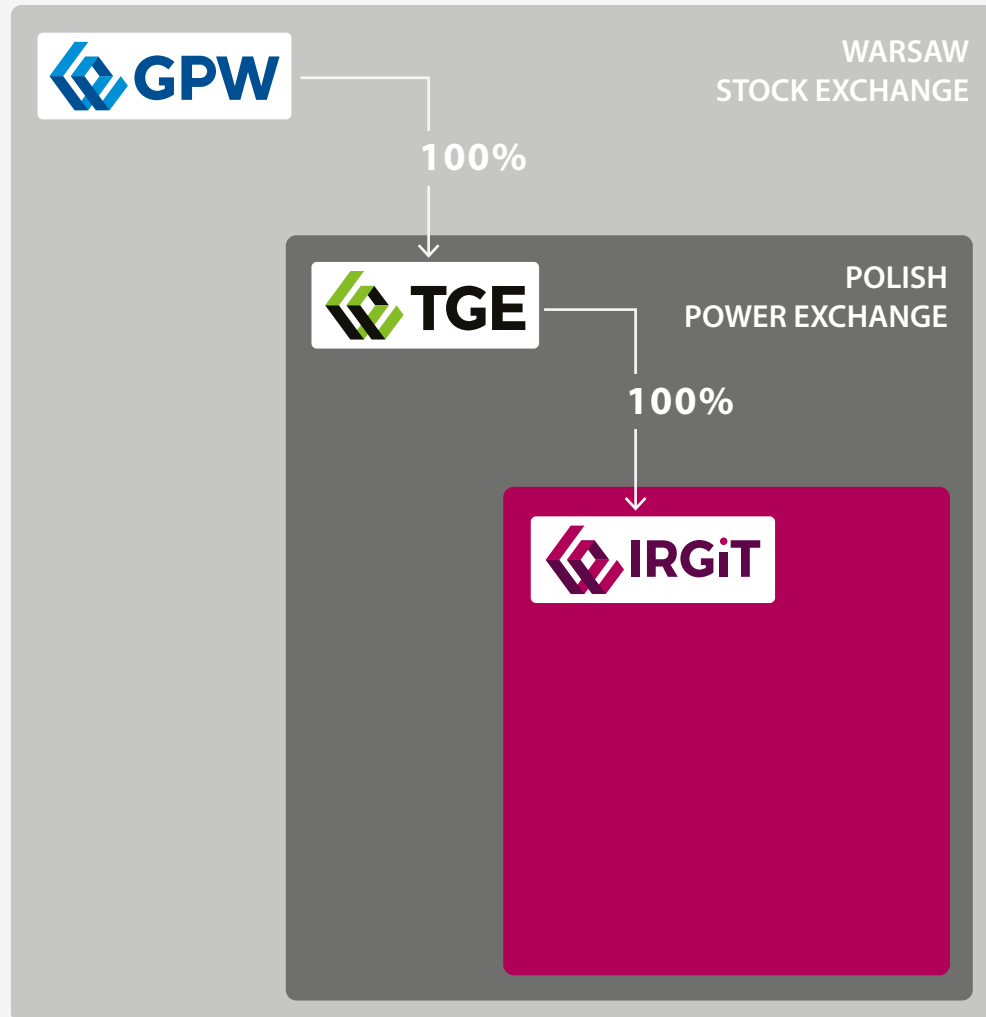
Vice-President of the Management Board

- 1** Overview
- 2** IRGiT Offer
- 3** Why non-CCP?
- 4** IRGiT advantages
- 5** International cooperation

10 YEARS OF EXPERIENCE

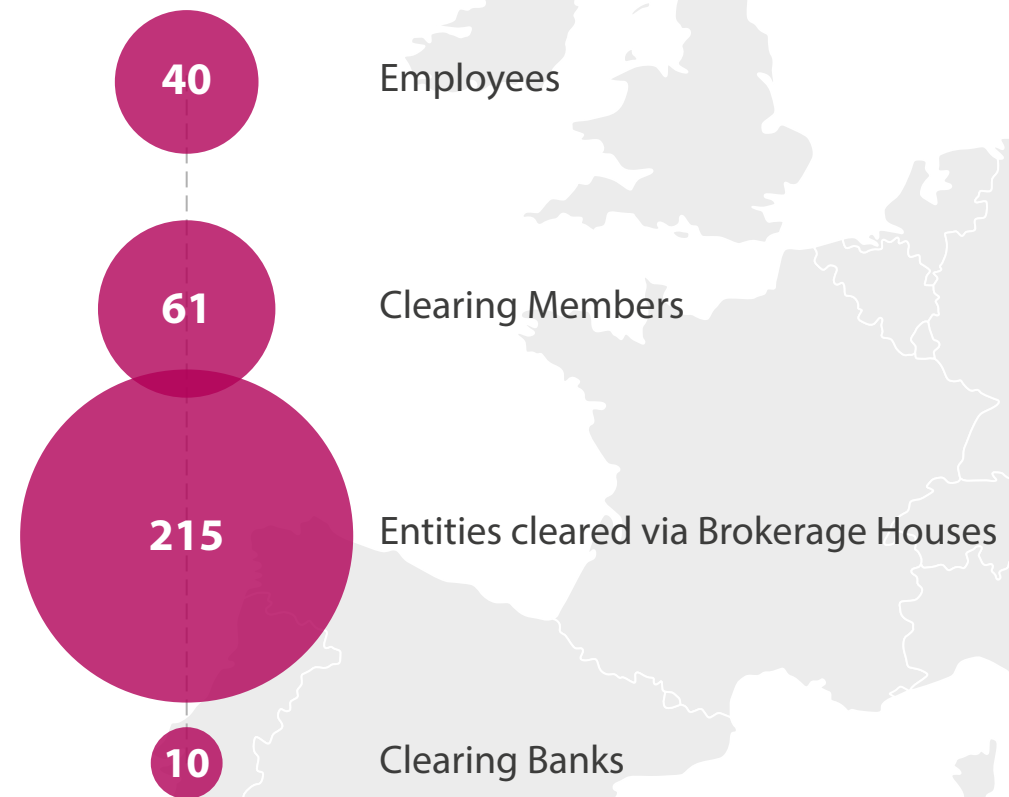


Ownership Structure



IRGiT (based in Warsaw, Poland)

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



Products cleared by IRGiT



Electricity



Natural Gas



Property Rights



European Union Allowances



**Agricultural and Food Commodities
(Wheat, Rye, Corn)**

Forward

Forward

Forward

Day-Ahead (including PCR)

Day-Ahead

Spot

Spot

Spot

Intra-Day (SIDC)

Intra-Day



Experience

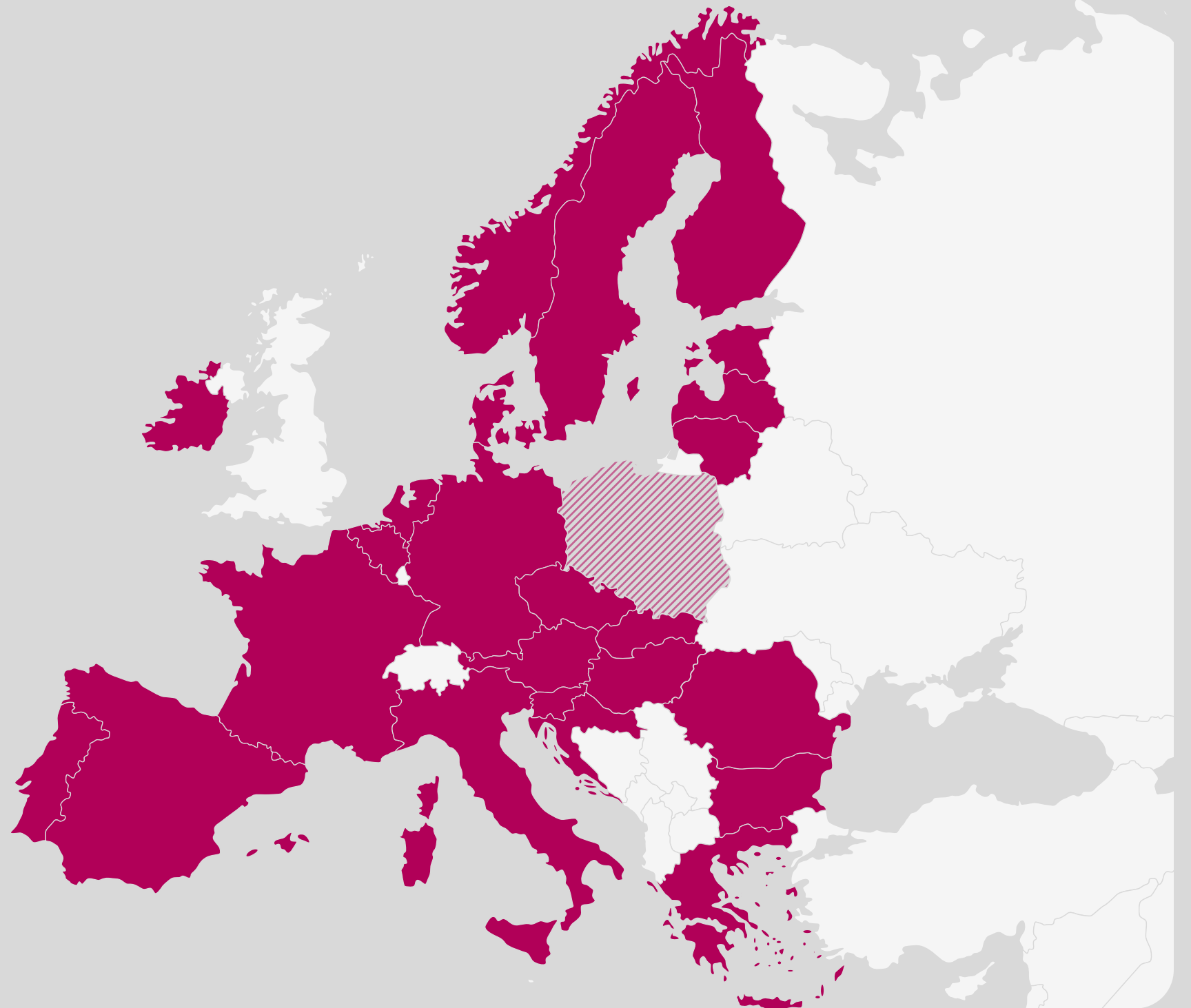
Since 2017 IRGiT is expanding its activities internationally (SIDC&SDAC)

Operational capacity

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

Know-how

IRGiT's required collateral calculation model recognized by european CCPs



→ 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**







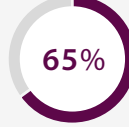
**RIGID
REGULATIONS**

▶ These factors **drive up market participants' cost** of functioning in the CCP clearing model

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

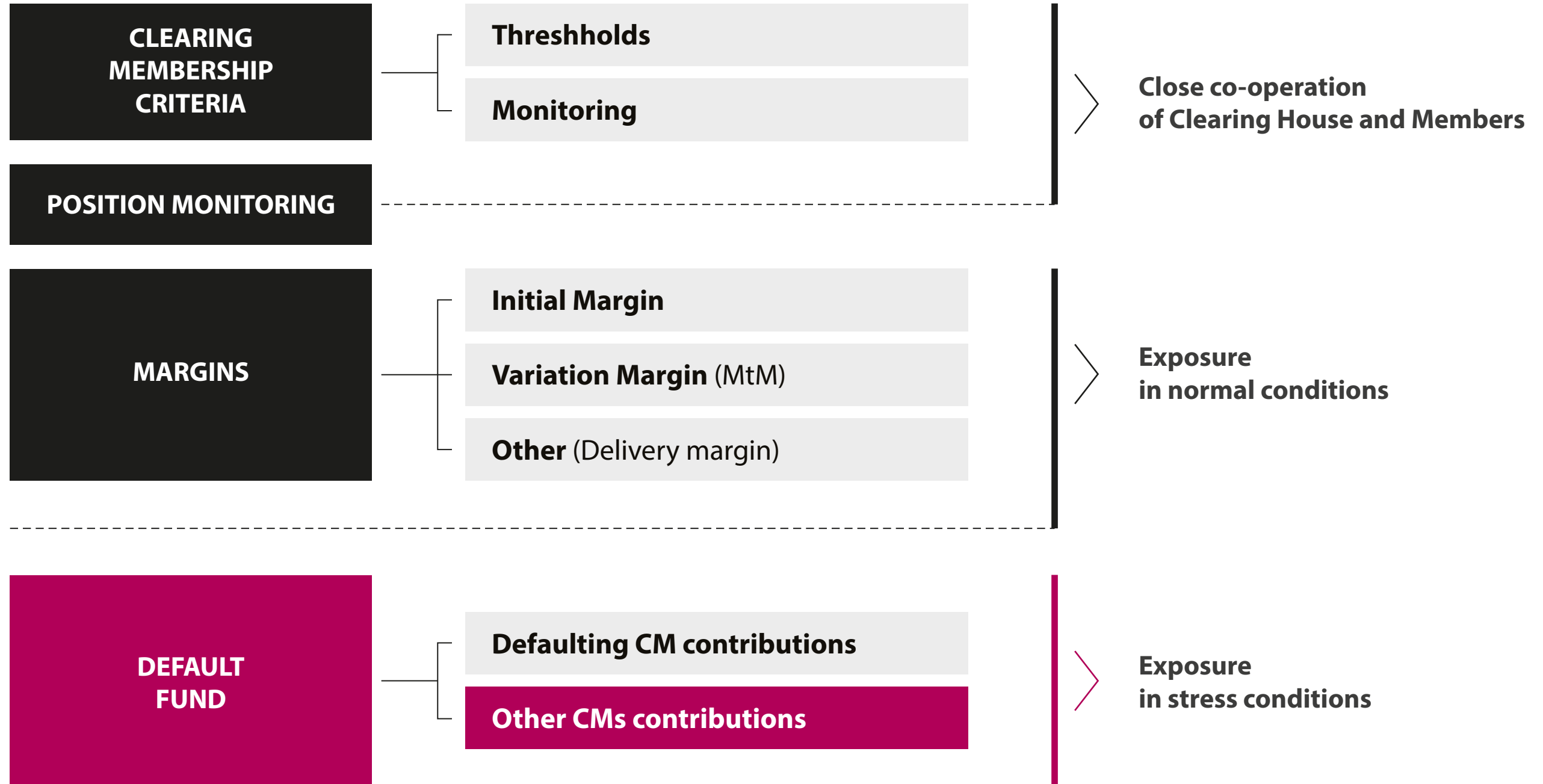
Selected parameters

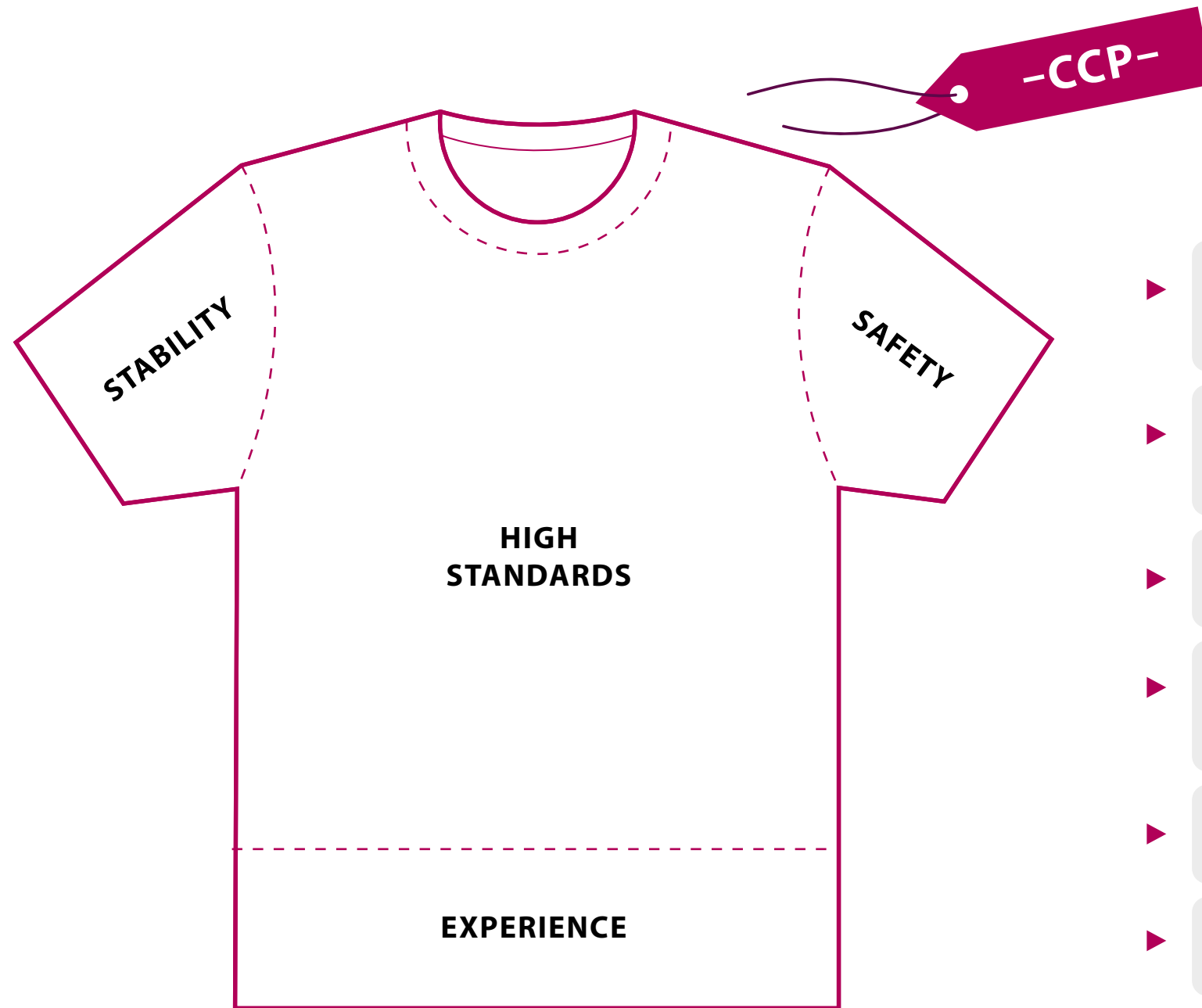
-  → 100% set off within delivery periods
-  → Up to 100% reduction of collateral possible within energy groups
-  → Up to 100% reduction of initial margin value due to inter-product offset possible
-  → Up to 90% of the margin may be covered by bank guarantees
-  → Up to 65% of the margin may be covered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







- ▶ 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

ASSOCIATIONS

2011



2018



2021



EUROPEAN ELECTRICITY MARKET

2017



2019



CONSULTANCY SERVICES

2019





Thank you!

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