

Amendments to IRGiT's regulations

Summary

Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House, "IRGiT") has amended the Detailed Clearing and Settlement Rules of the Exchange Clearing House ("Detailed Clearing and Settlement Rules") including:

- 1) adaptation of provisions governing the Non-Cash Collateral Register in connection with the coming into effect of the Act of 14 May 2020 amending certain acts with respect to protective measures related to the spread of SARS-CoV-2 virus,
- 2) introduction of the possibility to provide non-cash collateral in the form of bank guarantees with a payment term longer than previously accepted.

The amendments will come into effect on 1 June 2020.

Detailed description of the amendments

1. Adaptation of provisions governing the Non-Cash Collateral Register in connection with the coming into effect of the Act of 14 May 2020 amending certain acts with respect to protective measures related to the spread of SARS-CoV-2 virus

Given the coming into effect of the Act of 14 May 2020 amending certain acts with respect to protective measures related to the spread of SARS-CoV-2 virus ("Act"), which envisages significant departures from the risk management model applied by IRGiT in respect to the accepted collateral, IRGiT has adjusted provisions of the Detailed Clearing and Settlement Rules (in particular § 34 and § 34a) by adding the following to the catalog of accepted non-cash collateral:

- 1) statement of submitting to enforcement provided in the form of a notary deed following the procedure under Article 777 § 1 item 5 of the Act of 17 November 1964 – Code of Civil Procedure (Journal of Laws of 2018, item 1360, as amended), which according to the Act may only be contributed by entities having an appropriate credit rating issued by a rating agency,
- 2) surety agreements extended by parent entities in groups of companies having an appropriate credit rating issued by recognized rating agencies, which should be additionally secured by a bank guarantee acceptable to IRGiT or by a statement referred to in item 1) above.

At the same time, in order to ensure full implementation of the provisions of the Act, the provisions of § 35 and § 36 of Detailed Clearing and Settlement Rules pertaining to non-cash collateral concentration limits were modified by:

- a) introducing a limit for collateral provided in the form mentioned in item 1 and 2) above, at 50% of the required collateral margin level,

- b) abolishing concentration limits for non-cash collateral provided in the form of Property Rights from Certificates of Origin and CO₂ emission allowances for entities with an appropriate credit rating issued by recognized rating agencies (or for entities from groups of companies having such rating).

The introduced changes are temporary. In accordance with the Act, IRGiT will accept the above-mentioned non-monetary collateral only until 30 September 2020. Members of the Chamber deciding to provide such collateral should be aware of the need to supplement it in another form acceptable by IRGiT in order to cover the value of margins required after that date.

2. Introduction of the possibility to provide non-cash collateral in the form of bank guarantees with the maximum three day payment term

The new solutions offer the possibility of providing bank guarantees under which payment can be made within a period longer than previously accepted, but no longer than 3 days after the IRGiT submits a payment demand to the issuing bank.

In connection with the above, IRGiT will classify the guarantees provided into so-called "liquidity classes" based on the payment term criterion:

- a) first liquidity class consists of the previously-accepted bank guarantees with the maximum payment term of one day,
- b) second liquidity class consists of bank guarantees with a three day payment term.

In connection with the introduced functionality, § 32 sec. 1(e) and § 32 sec 3 of the Detailed Clearing and Settlement Rules have been amended.

Moreover, pursuant to § 35 sec. 3 of the Detailed Clearing and Settlement Rules, the bank guarantees classified in the second liquidity class may be provided to cover the required value of the collateral margin up to the maximum level of 70% only.

As part of the changes, new forms of bank guarantees consistent with the second liquidity class standards have been published on the Clearing House's website.

The current amendment, after the previous one, which allowed for the provision of bank guarantees issued by banks with no registered seat in Poland, is another element increasing efficiency and appeal of the collateral model used by IRGiT.

Should you have any questions, do not hesitate to contact us.

IRGiT Office	22 341 99 01
Clearing and Settlement Department	22 341 99 80
Risk Management Department	22 341 98 20