

**REGULATIONS
OF THE GUARANTEE FUND
OF THE CLEARING AND SETTLEMENT
HOUSE**

Consolidated version adopted by Resolution No. 138/27/04/2019 adopted by the IRGiT Management Board on 30th of April 2019.

The Regulations come into force on the day of June the 3rd 2019.

SECTION I

GENERAL PROVISIONS

§ 1

1. These Regulations of the Guarantee Fund of the Clearing and Settlement House, hereinafter referred to as the "Regulations," defines the rules of establishment and the manner of use a fund that secures the proper discharge of liabilities arising from transactions (hereinafter referred to as "Guarantee fund," "Fund"), organized and operated by IRGiT SA (hereinafter referred to as "IRGiT") in accordance with Article 68d of the Act of 29 July 2005 on Trading in Financial Instruments (Journal of Laws of 2017, item 1768; as amended), (hereinafter referred to as the "Act").
2. The Fund serves for securing the proper discharge of the liabilities arising from the clearing, performed by the House, of transactions on derivative financial instruments, concluded in trading venues as defined in the Act.
3. Due to the applied order pre-validation model, the amount of payments to the Fund by House Members clearing transactions exclusively as regards Emission Allowances is established at the level of PLN 0 (zero Polish zloty).
4. Order pre-validation referred to in section 3 shall consist in verification of each purchase order in terms of financial coverage and in verification of each sale order in terms of quantity of held Emission Allowances. If the verification of a purchase order proves that the amount of required collateral is higher than the amount of the Transaction Limit or the verification of a sale order proves that the required quantity of Emission Allowances is higher than the balance of the held Emission Allowances, such orders shall not be executed.
5. Individual definitions used in the Regulations shall have meanings assigned to them in the Regulations of the Clearing and Settlement House operated by IRGiT (hereinafter referred to as "CSH Regulations").
6. The rules specified in the CSH Regulations shall apply to the establishment and calculation of the running of the time-limits specified in the Regulations.

§ 2

1. The Fund shall secure the clearing of transactions as regards derivative financial instruments, concluded in trading venues operated by the Polish Power Exchange (hereinafter referred to as "Financial Instruments").
2. The Fund shall be composed of payments from Clearing Members as regards the transactions referred to in section 1.
3. The Fund shall comprise the primary resource and the reserve resource of the Fund.

§ 3

1. The Fund's funds shall be used for:
 - 1) covering the liabilities in respect of the settlement of transactions covered by the Fund if the Clearing Member does not have funds for covering said liabilities, and all funds contributed to the clearing guarantee system operated by IRGiT by said Clearing Member have been used up during the settlement,
 - 2) satisfying a cash benefit receivable from a Clearing Member that fails to discharge its cash liabilities arising from a transaction covered by the Fund, the object of which is Financial Instruments,
 - 3) covering the costs of closing the positions that have been opened as a result of a transaction covered by the Fund, the object of which is Financial Instruments,
 - 4) in other cases specified in the Regulations or the CSH Regulations.
2. IRGiT shall carry out stress tests to monitor the possibility to discharge the liabilities arising from transactions covered by the Fund, the parties to clearing of which are Clearing Members. Detailed rules of stress tests are established by IRGiT Management Board.
3. Any matters concerning the rules of the use of the Fund that are not regulated in the Regulations shall be governed by the provisions of the CSH Regulations.
4. IRGiT shall establish, based on the average Fund value from the last four update periods, the minimum value of the total required payments to the Fund's primary resource. The minimum value shall be equal to a half of the average Fund value, rounded to PLN 10,000 (ten thousand Polish zloty).
5. The minimum value referred to in section 4 is subject to update on each first working day of a calendar month, prior to the update of payments from Clearing Members to the Fund's primary resource.

SECTION II

CONTRIBUTION, UPDATE AND ADJUSTMENT OF PAYMENTS TO THE FUND

§ 4

1. Payments from Clearing Members shall consist in contributing cash accepted by the House to the Fund in Polish zloty. Any matters concerning the contribution of cash to the Fund and the refund thereof that are not regulated in the Regulations shall be governed by the provisions of the CSH Regulations.
2. Contribution of a payment to the Fund shall take place by way of crediting a relevant bank

account, specified by IRGiT Management Board.

§ 5

1. The first payment to the Fund shall be contributed by the Clearing Member by the day on which the relevant governing body of the company running the trading venue makes a decision specifying the day of beginning of the activity of that member or of the entity which the Clearing Member will represent in the clearing system, as regards conclusion of transactions referred to in § 2 section 1, no later however than two days prior to the day of beginning of said activity indicated in said decision.
2. A member intending to acquire the Clearing Member status as regards transactions covered by the Fund, which are concluded by a different entity, in connection with a change of the member having such a status shall contribute the first payment to the Fund's primary resource two days prior to the day on which it intends to acquire the Clearing Member status in this regard at the latest.
3. The amount of the first payment shall be equal to three times the minimum payment set in accordance with § 7.

§ 6

1. Payments to the Fund's primary resource are subject to update on each first working day of a calendar month. In cases that are justified by reasons of security of trading or clearing of transactions, IRGiT Management Board may by way of a resolution set additional update dates.
2. The update shall consist in IRGiT's setting the required amount of the payment to the Fund.
3. The payment update shall be performed in accordance with the rules specified in appendix 1 to the Regulations.

§ 7

The amount of payment to the Fund's primary resource for Clearing Members as regards transactions covered by the Fund shall not be lower than PLN 20,000 (minimum payment). IRGiT Management Board may by way of a resolution set a higher amount of the minimum payment. IRGiT Management Board shall inform IRGiT Supervisory Board about the content of the resolution adopted in this regard at the latter's next session.

§ 8

1. Payment adjustment shall take place by the Clearing Member's contributing a replenishment payment to the Fund's primary resource as regards transactions covered by

the Fund or by refunding a part of the payment contributed by the Clearing Member to the latter.

2. Payment adjustment shall take place based on documents containing the information referred to in section 3 issued by IRGiT and shared with Clearing Members.
3. On the update day by 11:00 pm IRGiT shall share information specifying the updated amount of their payments to the Fund's primary resource and the amount of their cash liabilities or receivables to be adjusted as part of the next payment adjustment with individual Clearing Members as regards transactions covered by the Fund.

§ 9

1. The Clearing Member shall make a replenishment payment by 4:30 pm on the second working day following the day on which it received the information referred to in § 8 section 3 indicating that it has a liability in this regard. IRGiT shall, on the next working day at the latest, make a refund of a part of the payment contributed by the Clearing Member if the submitted information indicates that the latter has a receivable in this regard. In cases that are justified by reasons of security of trading or clearing of transactions, IRGiT Management Board may by way of a resolution set the above time-limits separately for a given update.
2. Adjustment consisting in the refund of a part of the payment contributed by the Clearing Member to the latter shall be withheld if such a situation arises where members are obliged to contribute additional or replacement payments referred to in § 13 section 2 and 3 and in § 14 section 1-3.

SECTION III FUND'S RESERVE RESOURCE

§ 10

The Fund's reserve resource is composed of revenue from investment of cash contributed to the Fund.

§ 11

1. The share of the Clearing Member in the revenue from investment of the cash referred to in § 10 shall be proportionate to its Fund share.
2. The member's share in the cash referred to in § 13 section 5 shall be proportionate to its share in the primary resource.

§ 12

Shares in the Fund's reserve resource shall be disbursed to the Clearing Members on a quarterly basis during the adjustment performed in the first month of a new quarter, unless there is an obligation for the Clearing Members to contribute payments to the Fund. In this

case the shares of the Clearing Members in the reserve resource shall be applied towards payments to the Fund's primary resource.

SECTION IV
EXPENDITURE OF FUND'S FUNDS
REPLACEMENT AND ADDITIONAL PAYMENTS

§ 13

1. Expenditure of Fund's funds shall take place from the primary resource funds.
2. Subject to par. 4, Clearing Members from the payments of which the expenditure was performed shall promptly replace the used up part of the Fund. Replacement payments shall be contributed in relation to the value of payments from Clearing Members to the Fund's primary resource. The value of the share of the Clearing Member in the reserve resource shall be applied towards the replacement payment.
3. Replacement payments shall be contributed up to the amount of difference between the used up part of the Fund and the total value of the funds contributed in respect of payments to the Fund's primary resource by the Clearing Member, which contrary to the obligation did not have funds necessary for performance of transaction settlement.
4. The obligation to contribute replacement payments shall not apply to the Clearing Member referred to in section 3.
5. To the extent that the financing of the costs of closing the positions opened as a result of a transaction covered by the Fund was performed from the Fund's funds, the profits arising from the closing of these positions shall be cleared with the funds of this Fund.

§ 14

1. If, as a result of IRGiT's actions performed to lead to the discharge of a liability arising from clearing a transaction guaranteed by the Fund, the Fund's funds are not sufficient for covering the total loss sustained as a result of these actions, Clearing Members shall, as regards transactions covered by the Fund, contribute additional payments in relation to their hitherto payments to the Fund's primary resource arising from the last update performed.
2. Additional payments shall be contributed up to a total level that permits total coverage of losses sustained as a result of taking the actions referred to in section 1.
3. Additional payments shall be contributed exclusively in cash on a date specified by IRGiT being the working day following the day on which the request to contribute same was made at the earliest. IRGiT Management Board may decide by way of a resolution that additional payments shall be contributed in instalments at the amount specified in said resolution.

4. Promptly upon contributing the additional payments referred to in section 1 IRGiT shall use said funds to lead to the discharge of a liability arising from the clearing of a transaction covered by the Fund.

SECTION V
EFFECTS OF CESSATION, CHANGE OR SUSPENSION OF
MEMBERSHIP, OR MEMBER ACQUISITION

§ 15

1. In the case of membership cessation or such limitation that involves the forfeiture of the Clearing Member status as regards transactions covered by the Fund, IRGiT shall refund to the Clearing Member the cash remaining from its payment to the Fund's primary resource, as well as the cash being an equivalent of its share in the Fund's reserve resource, according to the balance of said cash as at the disbursement day. The cash refunded to the Clearing Member may be reduced by funds necessary for performing the settlement of transactions concluded in connection with other transactions guaranteed by the Fund's funds, as regards which it had the Clearing Member status.
2. The refund shall be made upon the discharge of the Clearing Member's liabilities as regards transactions covered by the Fund for the clearing of which said entity was responsible.
3. The rule referred to in section 1 shall not apply where:
 - 1) the membership cessation takes place as a result of acquisition of a Clearing Member by another entity, which assumes all rights of the acquired member. In this case the funds contributed to the Fund by the acquired member and its share in the reserve resource shall be applied towards the acquiring member, or
 - 2) the membership limitation takes place as a result of acquisition of a Clearing Member by another entity, which assumes the rights of the acquired member to a specified extent, and the procedure specified in the second sentence of item 1 was applied to the payment from the acquired member to the primary resource and to its share in the reserve resource.
4. The refund of the cash referred to in section 1 shall be made within 7 days of the discharge of the liabilities referred to in section 2.

§ 16

The payment from a Clearing Member to the Fund's primary resource shall not be updated during the period of suspension of its membership as regards transactions covered by the Fund, but shall be subject to use and replacement under general rules up to the level of

payment on the day of membership suspension.

§ 17

If the Clearing Member status as regards transactions covered by the Fund is restored, after the suspension period, the required amount of payment of that member to the Fund's primary resource shall be set in accordance with § 5 section 3.

§ 18

If the Clearing Member is acquired by another entity to a given extent, the amount of payment to the Fund's primary resource, required from the acquiring entity, shall be set as an amount of the latest updated payment of the acquired member contributed to the extent covered by the acquisition, subject to § 19.

§ 19

1. The amount of payment to the Fund's primary resource, required from the acquiring entity being at the same time a Clearing Member making payments to the Fund, shall be set under general rules, but adopting the data concerning the acquired and acquiring members jointly as the basis, subject to section 2.
2. When setting the payment referred to in section 1, the data concerning the acquired member shall be taken into account only to the extent covered by the acquisition.

SECTION VI REPORTING

§ 20

IRGiT shall present quarterly and annual reports on its activity in the field of management of the Fund's funds to the Fund members.

Appendix 1 to the Regulations of the guarantee fund of the Clearing and Settlement House

Rules of setting the amount of payments to the Fund

The basis for determining the mass of the Fund and payments of members having the Clearing Member status shall be the value of uncovered exposure. Uncovered exposure shall be the difference between the value of the contributed collateral margins and the

value of potential losses sustained as a result of stress tests.

Uncovered exposure shall be calculated based on:

- 1) calculated value of requirements in respect of initial margins for Financial Instruments;
- 2) calculated value of requirements in respect of additional margins for Financial Instruments;
- 3) parameters specified by IRGiT.

Uncovered exposure of a Clearing Member shall be determined as a sum of uncovered exposures determined for a given Member in individual markets.

For the purposes of determining the amount of payments to the Fund, it is assumed that due to the applied model of order pre-validation referred to in § 1 section 4 of the Regulations the value of the uncovered exposure for spot contracts for Emission Allowances is 0.

The Fund amount (limited by the minimum level adopted by IRGiT) shall be determined by the maximum value of uncovered exposure arising from the default by the Clearing Member in relation to which the exposures are the highest or to the second and third largest Clearing Members if the sum of their exposures is higher. If thus calculated Fund value is lower than the minimum value referred to in § 3 section 4 of the Regulations, the amount of the Fund shall be defined accordingly by its minimum value. Debits in respect of payments shall be determined in proportion to the value of uncovered exposures of individual members.