

Amendments to IRGiT's regulations – amendment to the Detailed Clearing and Settlement Rules of the Exchange Clearing House

Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT") has amended the Detailed Clearing and Settlement Rules of the Exchange Clearing House ("DCSR ECH"), which resulted in particular from the planned coming into force of the temporary reverse VAT charge mechanism on the electricity and gas markets and the planned establishment of the National Energy Security Agency ("NABE").

Reverse VAT charge mechanism

In connection with the implementation of the reverse VAT charge mechanism scheduled for 1 April of this year, which according to the new provisions of the VAT Act of 11 March 2004 ("Act") will be in effect on the electricity and gas market until 28 February 2025, the following amendments in respect to the clearing guarantee system were introduced into DCSR ECH:

1. Delivery margin – when calculating the delivery margin for April 2023 (calculated on 30 March 2023) and for further months until and including February 2025, the VAT rate will not be taken into account (previous delivery margin amounts included the basic 23% VAT rate for domestic members).
2. Historic margin – from 1 April 2023 to 28 February 2025, when calculating the historic margin, the VAT rate will not be taken into account for transactions concluded from 2 March 2023 (previous historic margin amounts included the basic 23% VAT rate for domestic members).
3. Initial margins – the risk parameters for electricity and gas contract in effect from 1 April 2023 to 28 February 2025, used to calculate initial margins will be calculated without taking the VAT rate into account (previously they included the basic 23% VAT rate).
4. Variation margins – from 1 April 2023 to 28 February 2025, the amount of variation margins for forward electricity and gas contracts for all delivery periods will be calculated without consideration for the multiplier reflecting VAT.
5. Guarantee Fund – the values of relative and absolute uncovered risk used to calculate the updated contribution to the Guarantee Fund on 3 April 2023 and during further updates until 3 February 2025, will be calculated without taking the VAT rate into account.

If a Clearing House Member loses the VAT taxpayer status determined in accordance with Article 15 sec. 1 in conjunction with Article 96 sec. 4 of the Act, or if it loses the intermediary taxpayer status determined in accordance with Article 145a of the Act, the above collateral amount specified above will be calculated for that entity using the basic VAT rate.

At the same time, please be informed that when IRGiT implements the new version of the clearing system, collateral margin will be calculated without VAT only for those delivery periods that fall due during the effective period of the reverse charge mechanism, i.e. up to and including 28 February 2025.

Moreover, in order to ensure the safety of clearing and settlement, an obligation was introduced in § 4 of DCSR ECH for Clearing House Members to keep the status of a taxpayer registered as an active VAT taxpayer until the obligations arising under the Clearing House membership agreement are fulfilled.

Coverage of transactions in the Property Rights to Certificates of Origin Market with the Guarantee Fund

In order to optimize the risk management process associated with the capacity to contribute non-cash collateral as collateral for transactions in the Property Rights to Certificates of Origin Market, an amendment was made to § 37 of DCSR ECH, under which the Guarantee Fund will also cover transactions from that market.

In connection with the above, during the next update of the Guarantee Fund, IRGiT will calculate contributions to this fund also for the entities admitted into operation solely on the Property Rights to Certificates of Origin Market.

Changes in the methodology of calculating the sum total of the Guarantee Fund

In connection with the preparation for the establishment of NABE, the new version of DCSR ECH takes into account the change in the model for calculating the total amount of contributions to the Guarantee Fund, in order to limit the impact of this process on the amount of contributions paid by Clearing House Members to the fund.

An amendment was made to § 37 of DCSR ECH, under which a specific list of entities can be excluded from the total value of contributions to the Guarantee Fund; the list will be specified in a resolution adopted by the IRGiT Management Board published on IRGiT's website.

The above amendment is to fulfill the recommendation of the IRGiT Risk Committee of 21 December 2022.

Additionally, the new version of DCSR ECH contains provisions defining in detail the mechanism for setting clearing prices.

The above amendments will come into effect as of 1 April 2023.

You are welcome to contact us with any questions that you may have.

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