

Warsaw, 13 February 2020

To: KDPW Participants

Dear Sir or Madam,

Following the decision of the Polish Financial Supervision Authority (KNF) of 26 September 2019 approving the Rules of Krajowy Depozyt Papierów Wartościowych adopted in Resolution No. 42/679/17 of the KDPW Supervisory Board of 26 September 2017 as amended under Resolution No. 27/727/18 of the KDPW Supervisory Board of 19 June 2018, Resolution No. 33/801/19 of the KDPW Supervisory Board of 22 May 2019, and Resolution No. 44/812/19 of the KDPW Supervisory Board of 2 August 2019, this is to announce that the Rules of Krajowy Depozyt Papierów Wartościowych (Polish language version) are now available on the KDPW website under the tab "[Regulacje](#)".

This is also to announce the publication on the KDPW website under the same tab of the following:

1/ the Detailed Rules of Operation of Krajowy Depozyt Papierów Wartościowych adopted in Resolution No. 655/17 of the KDPW Management Board of 28 September 2017, as amended in Resolution No. 348/19 of 28 June 2019, Resolution No. 626/19 of 14 August 2019, and Resolution No. 97/2020 of 13 February 2020;

2/ the Registration Procedures of Krajowy Depozyt Papierów Wartościowych adopted in Resolution No. 655/17 of the KDPW Management Board of 28 September 2017, as amended in Resolution No. 348/19 of 28 June 2019, Resolution No. 626/19 of 14 August 2019, and Resolution No. 97/2020 of 13 February 2020;

3/ Resolution No. 617/17 of the KDPW Management Board of 19 September 2017 concerning the execution of payments arising from the settlement of transactions and other operations performed by Krajowy Depozyt Papierów Wartościowych, and concerning clearing banks, and the amending Resolution No. 349/2019 of the KDPW Management Board of 28 June 2019.

All those regulations of Krajowy Depozyt Papierów Wartościowych will come into force on the date of KDPW's authorisation referred to in Article 16 of Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 ("CSDR"). Those regulations will replace their existing counterparts.

This is also to announce that the aforementioned new regulations of Krajowy Depozyt Papierów Wartościowych introduce no major modifications to the operations of KDPW. The modifications aligning KDPW's operations with the CSDR requirements were previously introduced to the existing counterparts of those regulations and have been maintained; furthermore, the new regulations of Krajowy Depozyt Papierów Wartościowych have been aligned with amendments of their existing counterparts introduced after their adoption.

The modifications applicable under the new regulations of Krajowy Depozyt Papierów Wartościowych mainly include the following:

- 1/ changes in terminology, necessary to align it with the CSDR terminology;
- 2/ limitation of the currencies of settlement of cash payments in KDPW (§ 81(3) of the new KDPW Rules) to PLN and EUR in accordance with the requirement under Article 40 and Article 54 CSDR to settle cash payments through accounts opened with a central bank of issue of the relevant currency where practical and available, or otherwise to settle cash payments through accounts opened with a credit institution authorised by the supervisory authority, which under such authorisation must meet additional precautionary, capital and reporting requirements;
- 3/ the addition of a provision of the KDPW Rules (§ 12) which prohibits the satisfaction of claims of KDPW against a direct participant, without such participant's consent, by using securities recorded in the participant's depository account, omnibus account or securities account, as required under Article 38(7) CSDR;
- 4/ reorganisation and expansion of the provisions of the KDPW Rules concerning the granting of access to KDPW services in order to clearly separate the regulations governing the conclusion of agreements concerning direct participation and the regulations governing the grant of participation with the participant status of issuer, and to align the terms and conditions of granting access to KDPW services with the CSDR requirements (in particular Article 33, Article 49, Article 52, and Article 53 CSDR and Article 69(2) and Article 89 RTS 2017/392 to the CSDR);
- 5/ addition, to the regulations governing securities records (§ 59 of the KDPW Rules), of provisions which define the conditions and frequency of reconciliation performed by KDPW in order to incorporate into the KDPW Rules the requirements under Article 37 and Article 48(6) CSDR and Article 59, Article 61, and Article 86(1) RTS 2017/392 to the CSDR;
- 6/ addition of provisions (§ 60 and § 61 of the KDPW Rules) concerning suspension of settlement by KDPW for securities marked with a given ISIN code if reconciliation identifies a shortage or surplus of securities recorded in registration accounts in KDPW and the shortage or surplus is not adjusted by the end of the next accounting day, as required under Article 62 and Article 86(2) RTS 2017/392 to the CSDR;
- 7/ modification of the time of entry of a settlement order into the depository system, replacing the time of delivery to KDPW according to the terms and conditions of agreements with direct participants concerning the presentation of declarations and transmission of documents in electronic format with the time of recording the order in the depository system, due to the requirement of electronic timestamping of each settlement order to mark its time of entry into the settlement system;
- 8/ elevation to the KDPW Rules of certain regulations previously included in the Detailed Rules of Operation of KDPW;
- 9/ clarification of provisions (§ 104 of the KDPW Rules) governing the course of action of KDPW in the event that legal measures are taken against a direct participant aiming at its liquidation, reorganisation or restructuring of its debt, resulting in suspension or limitation of the execution of settlement orders to which the participant is a party, in particular to determine the effect of such measures to settlement of transactions in the depository system with the participation of the affected participant;
- 10/ a broad definition of "transaction", in § 4 point 33 of the KDPW Rules, necessary to extend the scope of the regulations of Chapter IV of the KDPW Rules and Part Two of the Detailed Rules of Operation of KDPW ("Securities Settlement System") to settlement related to agreements which require the transfer of non-certificated securities and settlement related to "special operations" (e.g., portfolio transfer, securities blocked in favour of another participant, cross-border transfers, etc.), which were previously governed by separate KDPW regulations;

11/ addition of provisions governing the functioning of a User Committee (§ 156 - § 166 of the KDPW Rules), which KDPW is required to establish under Article 28 CSDR; considering that the powers and membership of the Advisory Group largely overlap with the required powers and membership of the User Committee, it is proposed that the User Committee be established within the Advisory Group in order to avoid establishing a separate body representing the interests of issuers and direct participants and consulted on the same matters which are now consulted with the Advisory Group;

12/ clarification of cases where participation may be suspended (§ 180 of the KDPW Rules) and addition of a separate chapter of the KDPW Rules governing the termination of participation agreements;

13/ modifications concerning the organisation of the provisions of the Detailed Rules of Operation of KDPW; in particular, Part Two “Securities Settlement System” now includes a new Section 1 “Settlement orders and conditions of their reconciliation”, which consolidates all existing but dispersed provisions concerning settlement orders, their reconciliation, enrichment, hold/release, and cancellation.

The new Registration Procedures of Krajowy Depozyt Papierów Wartościowych essentially replicate the previous wording.

We will notify you without delay of the date of KDPW’s authorisation under CSDR, which will be the effective date of all the new regulations of Krajowy Depozyt Papierów Wartościowych described above.

The English language version of the abovementioned Rules will soon also be available under the tab “Rules”.