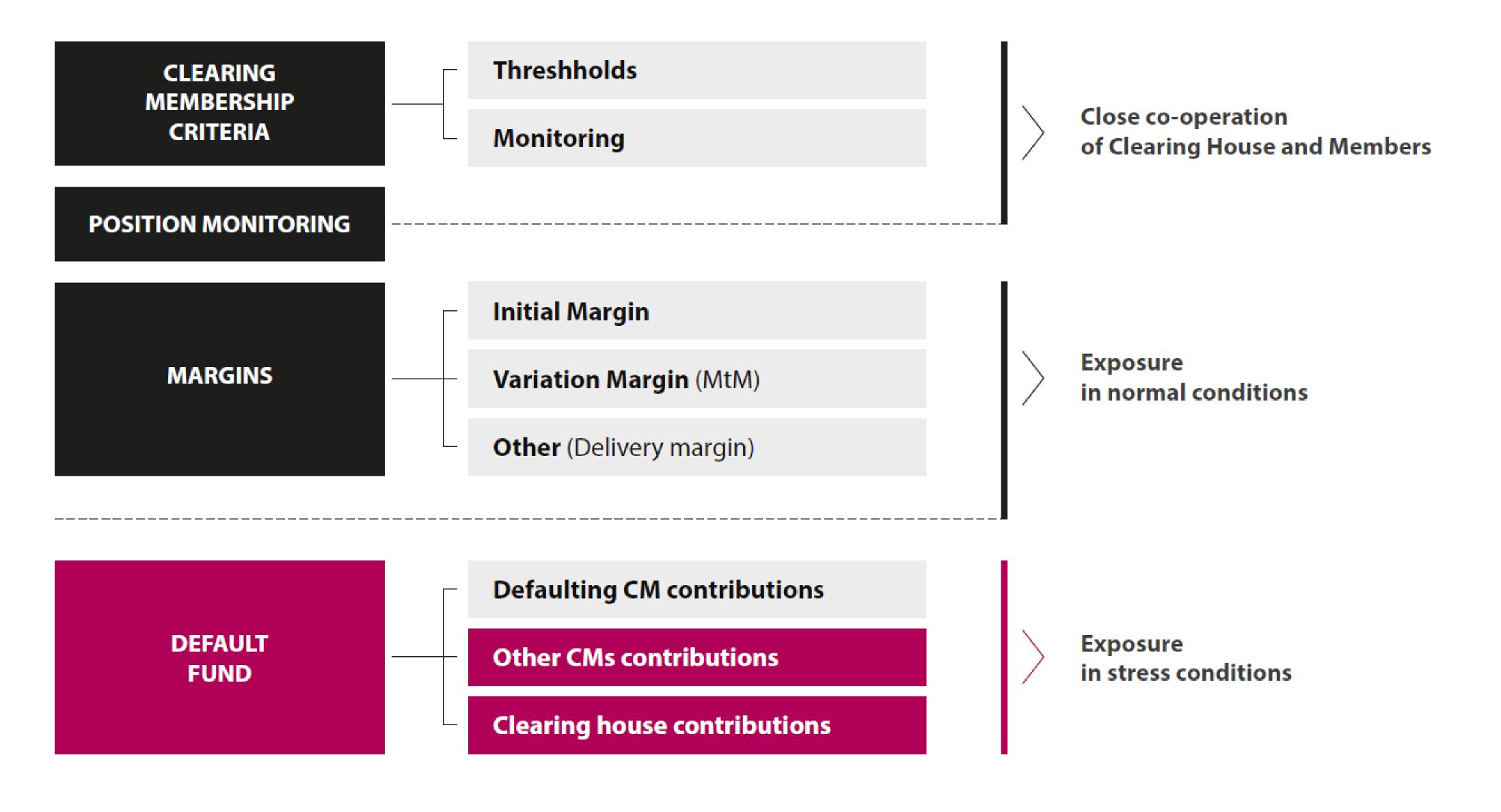


VOLATILITY FOOTPRINT EXTREME MARKET CONDITIONS IMPACT ON MARKET AND CLEARING HOUSE OPERATIONS Montel Market Insights Warsaw 2022

Poland, 8th December 2022

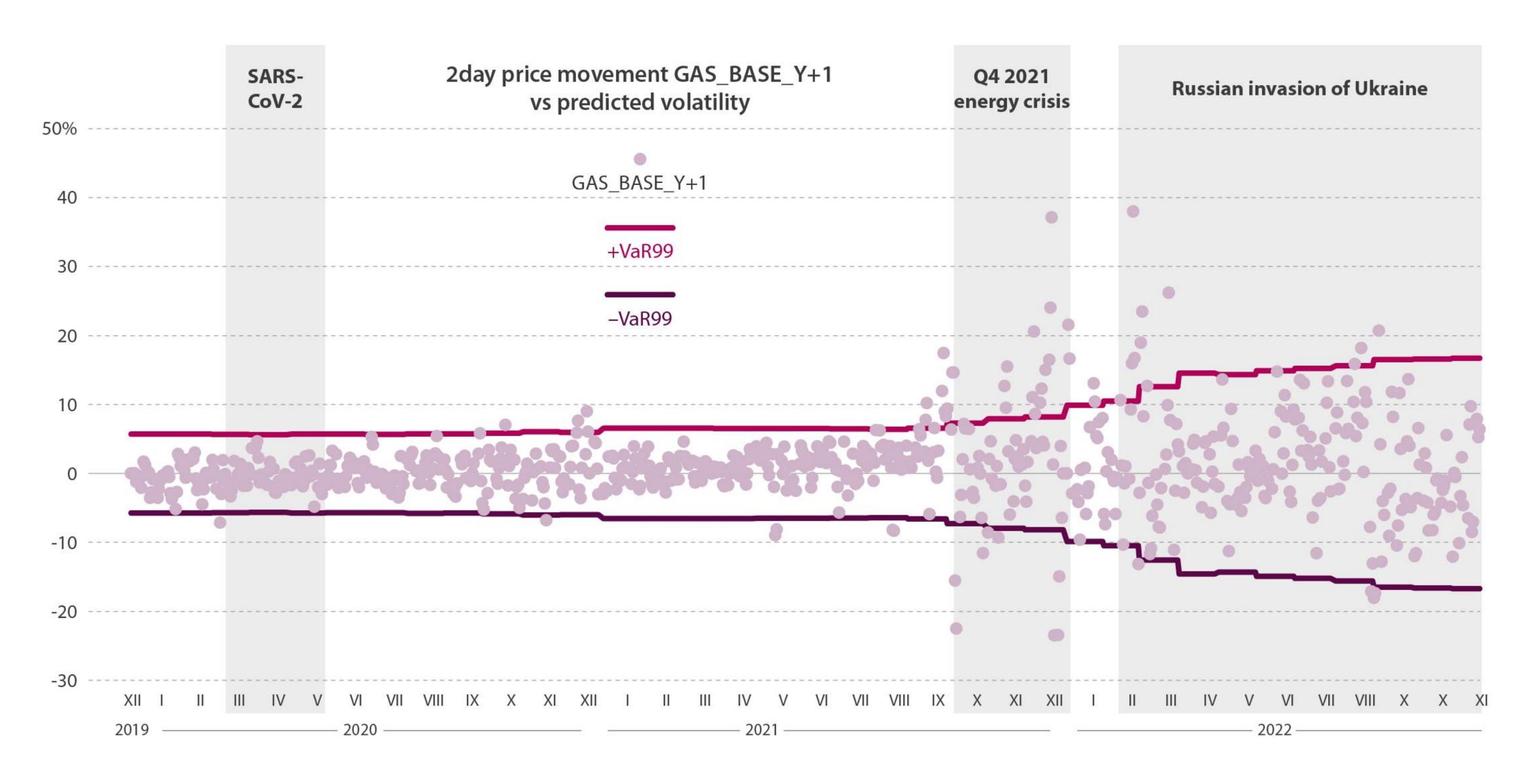
Clearing house lines of defence





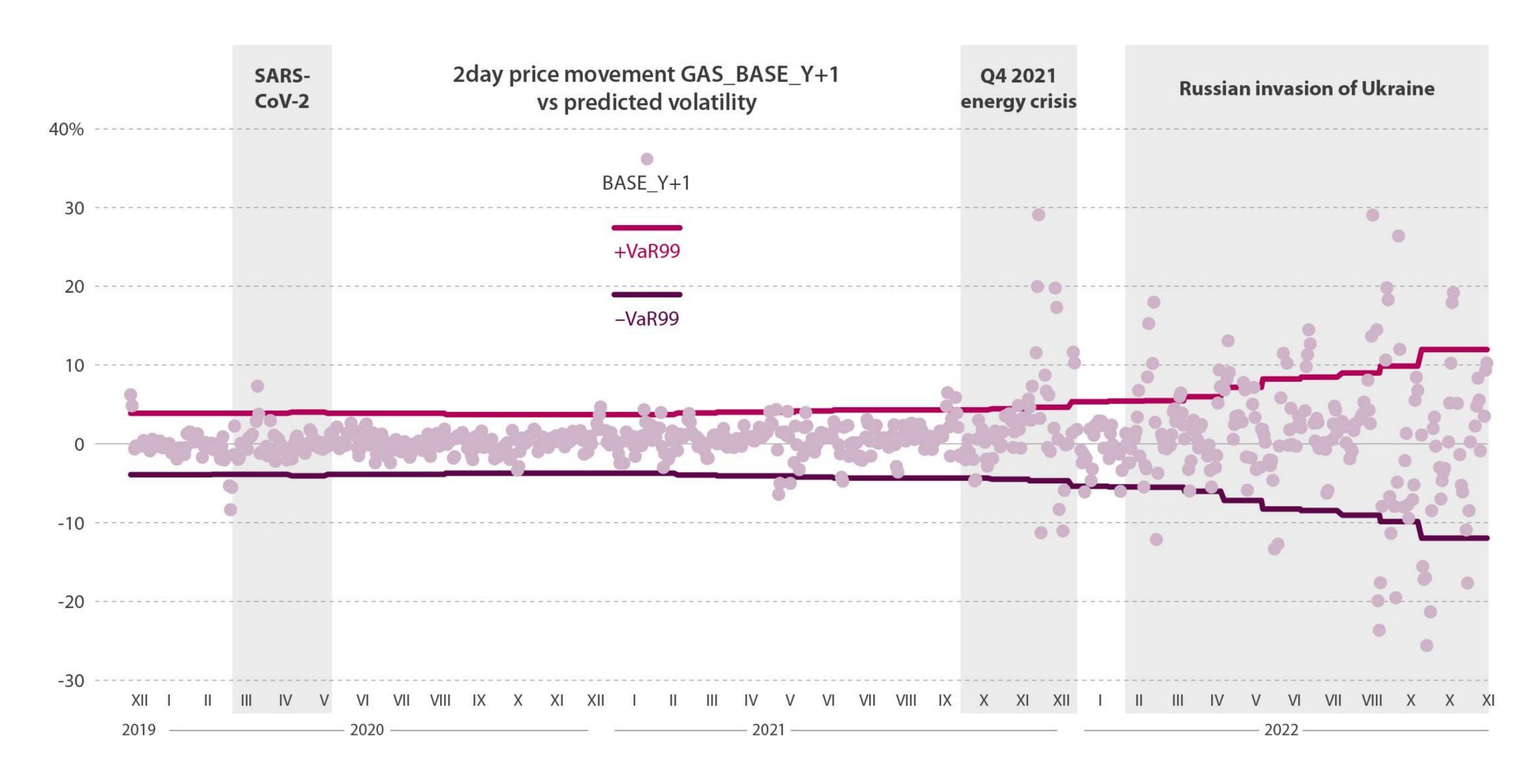
Is it still black swan season or is it already highly volatile market?





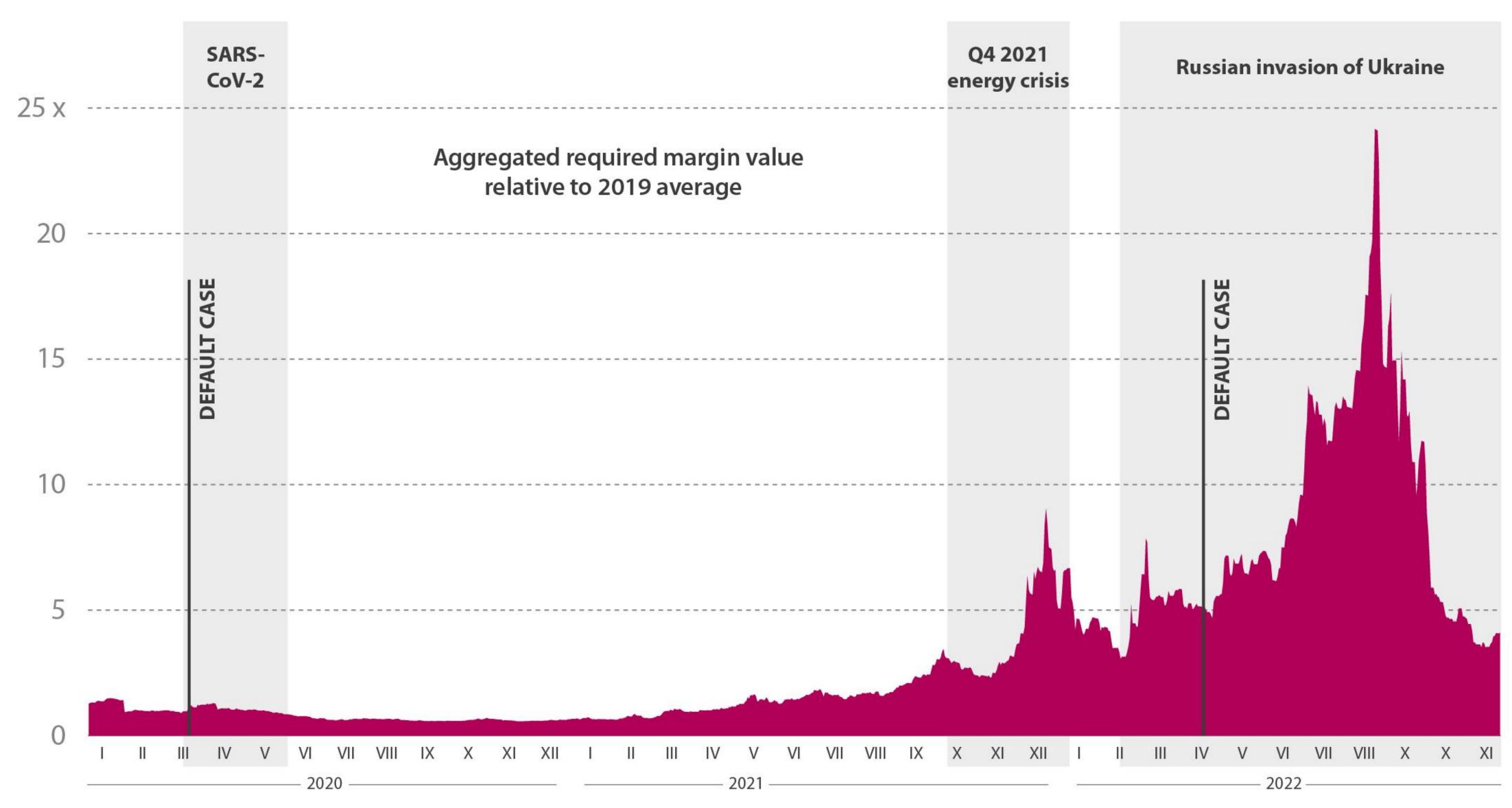
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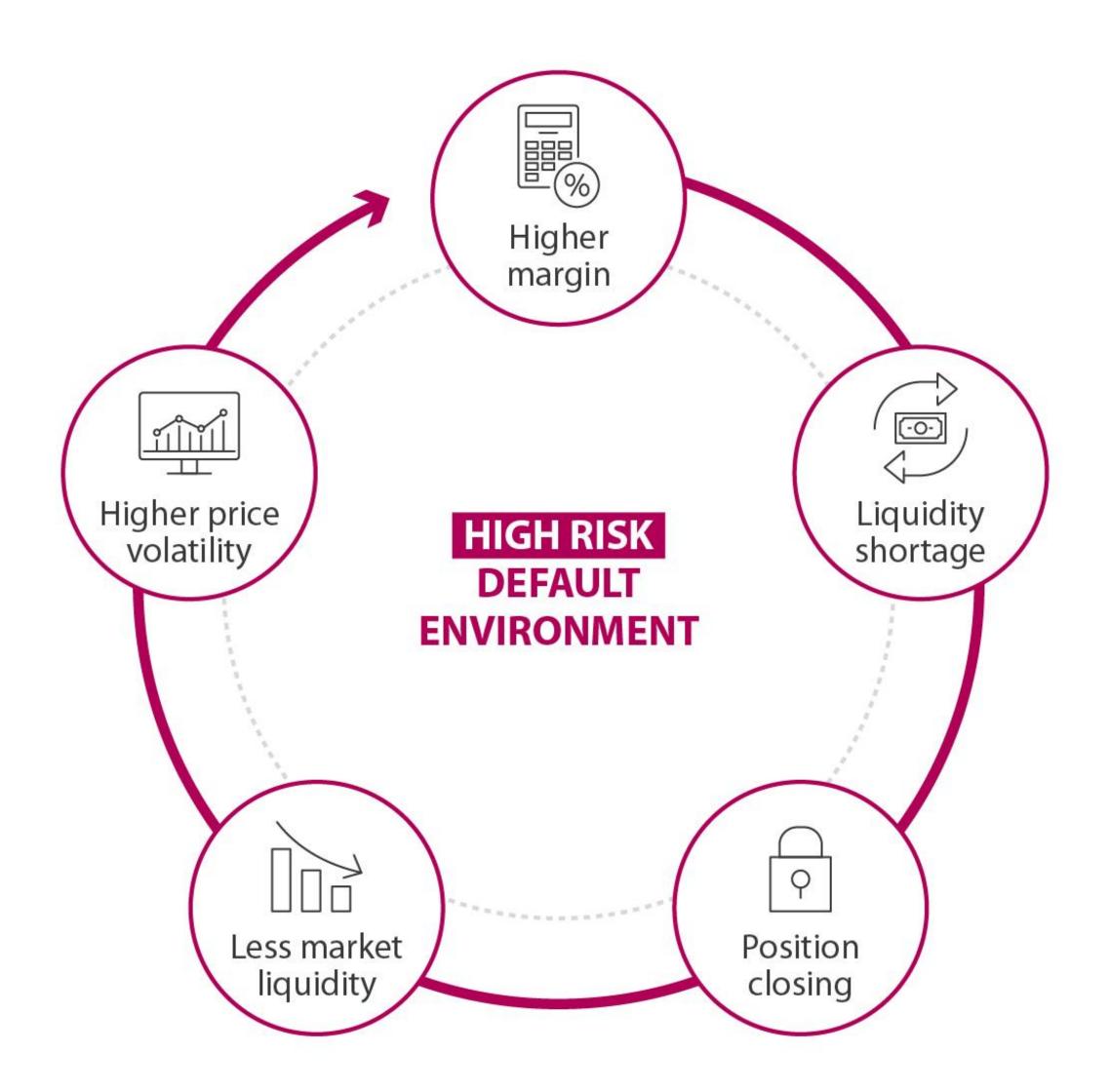


Impact of SARS-CoV-2 vs Russian invasion of Ukraine





Liquidity – Volatility spiral





Steps taken by european decision-makers





SARS-CoV-2

- → globaly applied financial aid packages
- minor energy companies targeted solutions



Russian invasion of Ukraine

- → Extreme market movements turned into unprecendent liquidity squeeze (estimated aggregate value of 1 to 1,5 tn Euro)
- → Big names in big troubles:
 - Uniper, Centrica bank loans
 - ČEZ credit agreement with the government
 - Axpo, Fortum receiving government financial guarantees
 - German Federal Government credit lines (KfW) for energy companies
- → EFET position on need of liquidity support for energy markets
- → EACH papers and position letters
- → Joint paper on extending eligible non-cash collateral (EFET, EACH, Europex, Eurelectic, Eurogas):
 - EUA
 - Bank guarantees

Polish approach to minimise liquidity shocks



NOW



IRGIT standard solutions such as Bank guarantees as well as EUA and PMOZE_A as a soft landing in first phase of liquidity shock



Polish legislation – governement level act changes reflected in IRGiT rulebook

O September

amendments to the Polish law due to SARS-CoV-2:

- intruduction of new collateral type:
 corporate guarantees and statement of
 submitting to enforcement following
 the procedure under Article 777 § 1 item
 5 of the Act of 17 November 1964 −
 Code of Civil Procedure

 → available for companies with
- investment credit ratings
- → margin coverage up to 50%

2020 O—— December

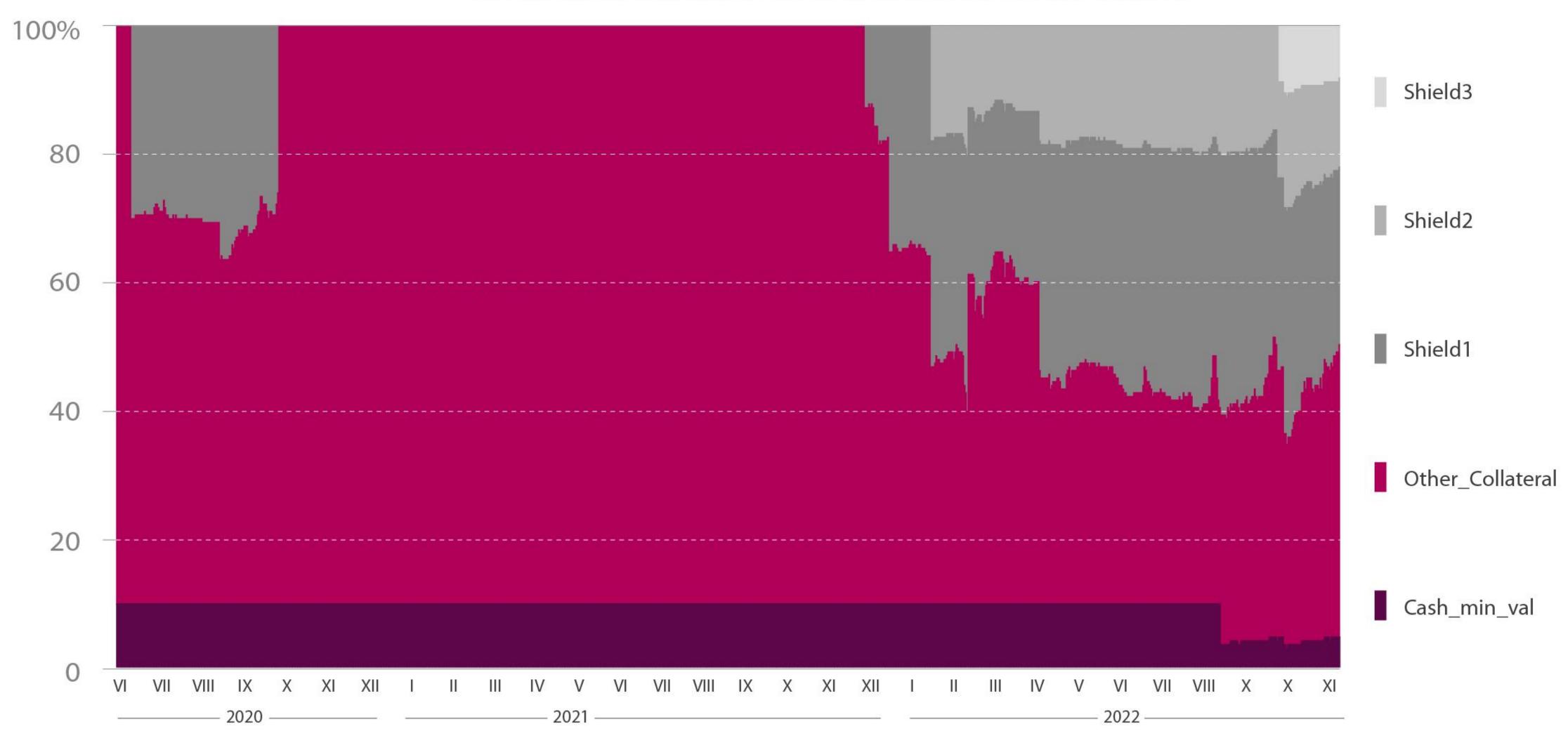
amendments the Polish law due to energy crisis and Russian invasion of Ukraine

- re-introduction of solutions applied before as a reactin to energy crisis in Q4 2021 (Shield 1)
- → January 2021 (Shield 2):
 - scope extension also for companies obliged for trading
 - margin coverage increased up to 75%
- → September 2022:
 - amendment to the algorithms of other non-cash collateral recognition as a collateral
 - extention till end of 2026
- → October 2022 (Shield 3):
 - margin coverage increased up to 90%

Polish approach to minimise liquidity shocks



COLLATERAL OPTIMIZATION POTENTIAL IN IRGIT DUE TO LAW CHANGES

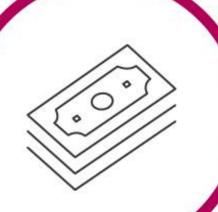


Future developments



MARGIN MODEL OPTIMIZATION

- → interperiod margin offset in addition to interproduct margin offsets (BASE/PEAK/OFFPEAK)
- → reduction of initial margin for companies having opposite positions in different delivery periods



OPTIMIZATION OF NON-CASH COLLATERAL MARGIN LEVEL CONCENTRATION THRESHOLDS

- → based on historical VaR in-house built model
- → reduction of liquidity stress for market participants

ANALYSIS OF NEW COLLATERAL FORMS

- → interperiod margin offset in addition to interproduct margin offsets (BASE/PEAK/OFFPEAK)
- → reduction of initial margin for companies having opposite positions in different delivery periods





THANK YOU!

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