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Global recipe with a local flavour – financial system in Poland and its infrastructure

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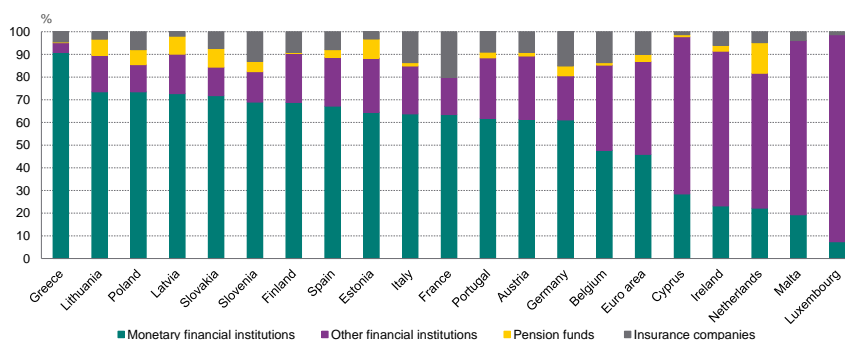
I. Financial system

Assets of the financial system as a percentage of GDP in selected CEE countries and in the euro area, 2013-2016 (%)

	2013	2014	2015	2016
Poland	125.9	121.4	122.8	126.3
Czech Republic	165.0	164.4	154.4	157.9
Hungary	132.9	133.3	127.0	127.2
Euro area	470.6	493.8	463.6	486.6

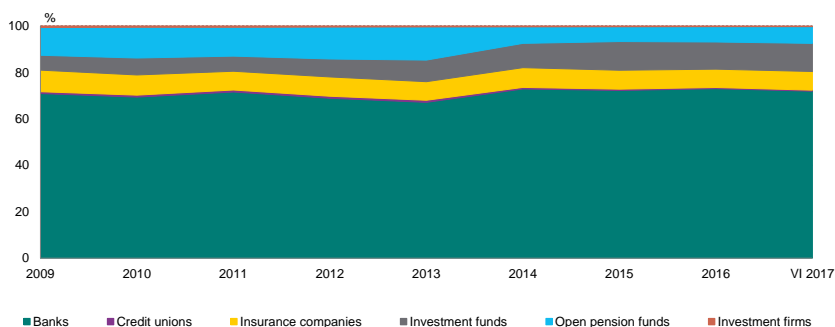
Notes: Data for the euro area refer to 17 countries in 2012-2013, 18 countries in 2014 and 19 countries in 2015-2016.
Sources: For the euro area – ECB Statistical Data Warehouse and Eurostat; for other countries – data are provided by national central banks and GUS.

Structure of financial system assets in selected EU Member States, 2016



Source: Report on financial structures, EBC, October 2017; NBP; UKNF; Analizy Online; KSKOK.

Asset structure of the Polish financial system, 2009-H12017



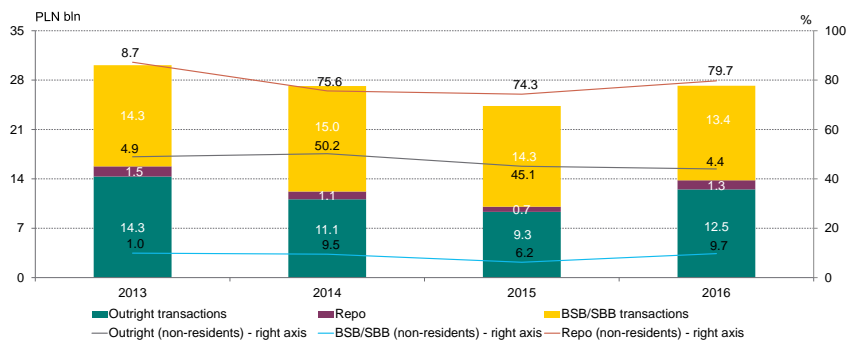
Source: NBP, UKNF, Anality Online and KSKOK.

Average daily net turnover in the global OTC market for PLN-denominated transactions in April 2016 (in USD million)

	Resident– resident	Resident– non-resident	Non-resident– non-resident	Total
FX transactions	2 180	3 266	31 968	37 414
o/w FX spot	1 055	675	9 029	10 759
o/w FX swap	660	2 428	16 638	19 726
Interest rate derivatives	258	1 223	4 048	5 529
o/w FRA	76	760	1596	2 432
o/w IRS	179	459	2396	3 035

Source: BIS Triennial Central Bank Survey of foreign exchange and OTC derivatives markets in 2016.

Average daily net turnover in the domestic Treasury bond market



Source: Ministry of Finance.

II. Financial market infrastructure

Domestic market infrastructure for trading in financial instruments

1. Payment systems

- large-value payment systems (SORBNET2, TARGET2-NBP)
- retail payment systems (Elixir, Euro Elixir, Express Elixir, BlueCash, BLIK)

2. Trading venues for financial instruments

- Warsaw Stock Exchange (WSE) Main Market
- NewConnect
- Treasury BondSpot Poland
- Catalyst

3. Post-trade infrastructure for financial instruments

- securities clearing system (operated by KDPW_CCP)
 - securities settlement system (operated by KDPW)
 - trade repository (operated by KDPW_TR)
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Large-value payment systems

▪ SORBNET2

- RTGS system operated by NBP for transactions in PLN
- compliant with CPMI-IOSCO Principles for Financial Market Infrastructures standards for payment systems
- communication provided by SWIFT

Since April 2012, NBP has been collecting via SORBNET2, and storing in a separate repository, detailed data on all transactions concluded in the domestic unsecured interbank deposit market. The collected data include information on: counterparties, volume, maturity and interest rate.

▪ TARGET2-NBP

- Polish component of TARGET2 (RTGS for transactions in EUR)
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Retail payment systems

- **Elixir**
 - clearing of retail credit and debit payment orders in PLN
 - 95% of retail payment orders processed in the system
 - **Euro Elixir**
 - clearing of retail cross-border and domestic payment orders in EUR
 - **Express Elixir**
 - instant retail payments system for PLN
 - NBP as a participant
 - **BlueCash**
 - instant retail payments system in PLN
 - **BLIK**
 - mobile payments system for PLN
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Trading venues for financial instruments

- Treasury BondSpot Poland (TBSP) – wholesale market for:
 - sovereign debt instruments (T-bonds and T-bills)
 - Catalyst – regulated market and multilateral trading facility for:
 - debt instruments (T-bonds, municipal bonds, corporate bonds, covered bonds, bank bonds)
 - Warsaw Stock Exchange (WSE) Main Market – regulated market for:
 - equities (shares, allotment certificates, subscription rights, investment certificates, ETFs)
 - derivatives (equity index futures, single stock futures, foreign exchange futures, interest-rate futures, T-bonds futures and equity index options)
 - structured products (mainly based on equity or commodity prices)
 - NewConnect – multilateral trading facility for:
 - equities (shares, allotment certificates, subscription rights) issued by small companies
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Post-trade infrastructure for financial instruments

- **KDPW_CCP:**
 - third CCP in EU authorised under EMIR, authorisation for clearing in PLN (April 2014)
 - extension of authorisation under EMIR, mainly for transactions in EUR (August 2016)
 - the broadest range of financial instruments cleared in the CEE region
 - provides clearing of transactions concluded on the markets organised by the WSE and OTC, including, among others:
 - capital market instruments (e.g. shares, Treasury bonds, municipal bonds, corporate bonds, allotment certificates, subscription rights, covered bonds, warrants)
 - exchange-traded derivatives (futures, options, index participation units)
 - OTC derivatives (FRA, IRS, OIS, basis swaps)
 - repo transactions
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Post-trade infrastructure for financial instruments

- **KDPW:**
 - central securities depository
 - securities settlement system
 - links to foreign CSDs
 - ancillary services, incl.: services for issuers, numbering agency (LEI), securities lending system, tri-party repo agent
 - in the process of authorisation in line with CSDR requirements
 - **KDPW_TR:**
 - trade repository operated by KDPW
 - registered by ESMA under EMIR as one of the first four TRs in the EU
 - collects and maintains the records of all derivative asset classes
 - the only trade repository in the CEE region
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Conclusions:

- Although Poland individually is not a member of the G20, both its trading and post-trading infrastructure adheres to the global standards included in CPMI-IOSCO recommendations. Compliance with international standards for FMIs can be confirmed by the European authorisations granted to KDPW_CCP and KDPW_TR, as well as the results of SORBNET2 assessment.
 - The domestic financial market infrastructure is fully prepared to serve the needs of market participants. It also caters to the needs of public authorities, including the central bank (as exhibited by the unsecured interbank deposit market monitoring tool).
 - The operation of the KDPW group contributes to financial stability, as domestic market participants are able to comply with the requirements of, among others, EMIR and MiFID II/MiFIR using only local financial market infrastructure.
 - Local financial institutions have access to practically the same range of services as the one available in larger and more developed markets.
 - This creates favourable conditions for future growth and development of the local financial market – the necessary infrastructure is already in place.
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We protect the value of money
