

Warsaw, 19 December 2018

TGE introduces a Liquidity Improvement Programme based on a new market-making model

Press Release

- **As of 1 February 2019, Towarowa Giełda Energii (TGE) will launch a comprehensive Liquidity Improvement Programme. The programme will primarily be based on a new market-making model, which is addressed to those trading participants who are planning to cooperate with TGE and take on the role of a market maker.**
- **The new market-making model assumes the introduction of additional mechanisms to protect Exchange Members acting as market makers on TGE against market risks (including the “Fast Market” mechanism), and encourages effective market-making by participating in a monthly competition for the best market maker (the “Best Market Maker” programme).**
- **The introduction of the Liquidity Improvement Programme is the result of many months of discussions with market participants, as well as arrangements made with entities interested in performing the function of a market maker on TGE.**

“The new market-making model is the foundation of the Liquidity Improvement Programme. Arrangements with parties interested in taking on the market maker’s role were worked out during a number of constructive meetings. During our discussions, we focused not only on proposing an attractive commercial offer for market makers but, above all, on creating mechanisms mitigating their market risks resulting from the market-making role performed at the Exchange. A market maker can also take advantage of a static and dynamic spread mechanism curtailing excessive daily volatility of transaction prices as well as the availability of a larger number of days off from market-making. It seems that the intended goal has been jointly achieved and is an expression of the consensus reached on fundamental issues” – said Piotr Listwoń, Vice President of the Management Board for Operations.

Since the beginning of its existence, TGE has been taking initiatives aimed at raising the standards of trading safety and, thanks to consultations with the Exchange Members, it offers solutions that improve the efficiency of its markets. The new liquidity improvement programme, consisting of multiple elements such as the “New market-making model” comprising the “Fast Market” mechanism and the “Best Market Maker” programme but also

a pilot programme called "Maker-Taker", is the TGE's response to the current situation on the Commodity Forward Instruments Market and the need to increase the liquidity of instruments offered by the Exchange. Individual elements of the Liquidity Improvement Programme have been the subject of many months of discussions with market participants and entities supervising TGE's activity. The new market-making model will go live on 1 February 2019.

"The new market-making model proposed by TGE will bring measurable benefits for market participants in the form of market risk optimisation, flexibility of the offer, as it will be aligned with the activity of market makers, and the possibility of taking advantage of competitive discounts" – says Leszek Prachniak, Head of Exchange Operations Office.

The liquidity improvement programme has three components:

A new model of market-making agreements

Upon the launch of the new contract model, TGE's offering in respect of market-making will be public, also in terms of all detailed parameters of market products, including maximum spreads and the level of transaction fee discounts. Each Member will sign a market-making agreement with respect to a given product under the same conditions. Depending on the impact on trading, the entity acting as a market maker will receive a discount on transaction fees for products subject to market-making in the amount of 50%, 75%, and in the case of closing an open position in a given month, even up to 97.5%, which with the current fee of 0.04 PLN/MWh means a reduction to 0.001 PLN/MWh.

"Fast Market" mechanism

The "Fast Market" mechanism is a solution provided for under agreements with market makers. It is characterized by the possibility of extending the maximum spreads of all market makers operating on a given instrument for the period until the end of a given session, provided that there has been a significant price volatility. In such a situation, the maximum spread of the market maker will be doubled, allowing the entity to perform its function without incurring excessive market risk. However, this solution does not release the market maker from the obligation to maintain active buy and sell orders for a given instrument.

"Best Market Maker" programme

The "Best Market Maker" programme aims to encourage market participants to increase their market-making activity. Its basic assumption is to keep, for each calendar month, a ranking of the best market makers in the field of forward contracts for electricity and gas. The programme envisages that best performance will be rewarded with a reduction of transaction fees up to PLN 20,000 per month. The programme is operated in combination with the fee discounts applicable in respect of the performance of the market maker's role.