

Warsaw, 27 December 2018

Towarowa Giełda Energii (TGE) set out to apply for a licence to operate an OTF

Press Release

- **On 20 December 2018, TGE submitted an application to the Polish Financial Supervision Authority for a permit to operate an organised trading facility.**
- **During the process of applying for a license, the rules of trading on the Exchange will not change.**

"The Exchange, similarly as the entire market, has to cope with changes in the regulatory environment at national and European level. I am glad that the adjustment of our activities takes place in cooperation with our Members and takes into account the implementation of the predefined business strategies. The launch of the OTF is the expression of the consensus we reached as well as a next step in the development of the Exchange and the entire market" – said Piotr Listwoń, Vice President of the Management Board for Operations.

The launch of the organised trading facility (OTF) results from the need to adapt the TGE's markets to the requirements of MiFID II which covers the entire European Union. In Poland, the Directive has been implemented into Polish law through an amendment to the Act on Trading in Financial Instruments, which entered into force on 21 April 2018.

In case of TGE, MiFID II affects the functioning of forward markets for electricity, gas, property rights, CO₂ emission allowances and the financial market. The EU regulation not affect the spot markets for electricity and natural gas operated by the Exchange.

In the course of consultations with market participants undertaken in 2017, a solution was worked out that least radically changes the organisation of trading. TGE members preferred to transform the Commodity Forward Instruments Market (CDM) into an OTF platform on which it will be possible to fulfil the exchange trading obligation for electricity and gas, and which will operate in accordance with the requirements of MiFID II. Transactions entered into on the OTF will be cleared by the Commodity Clearing House with the use of currently functioning and legally accepted forms of collaterals (bank guarantees), thanks to which the costs of operation of this market for the participants will not increase.

On 29 December 2017, TGE introduced the first element of the functioning of the organised trading facility, i.e. the discretion rule.

Upon the entry into force of the amendment to the Act on Trading in Financial Instruments, which took place in April 2018, according to the requirements set out in the law, TGE had 12 months to submit an appropriate application to the Polish Financial Supervision Authority and start the procedure with a view to obtaining a licence to operate the OTF.

On 20 December 2018, the Exchange submitted the documents required by applicable regulations to the Polish Financial Supervision Authority. For the duration of the OTF permitting procedure, the trading rules on the currently functioning Commodity Derivatives Market, which will ultimately be transformed into the OTF, after obtaining an appropriate licence from the PFSA, are not going to change.