



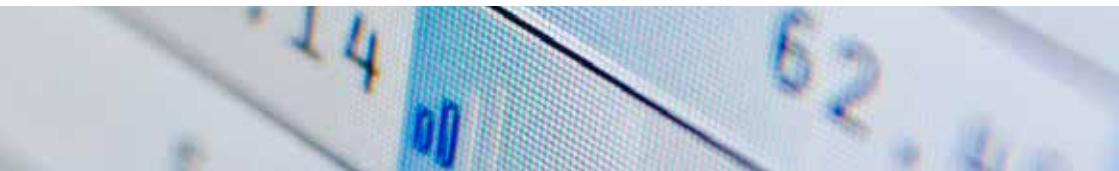
# Change of Settlement Cycle from T+3 to T+2

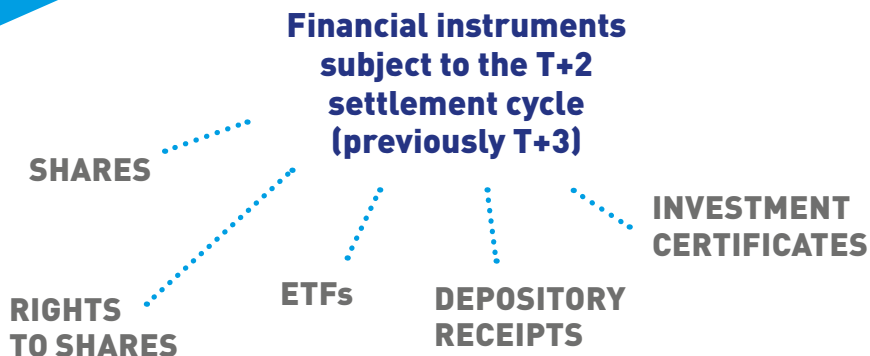
## The Central Securities Depository of Poland (KDPW) changes the settlement cycle from T+3 to T+2 as of 6 October 2014.

The change of the settlement cycle harmonises the Polish market with the standards under implementation in the European Union and follows from the harmonisation of the KDPW rules to the CSDR (*Regulation of the European Parliament and of the Council on improving securities settlement in the European Union and on central securities depositories*) which become effective to that extent on 1 January 2015,

According to the European Central Securities Depositories Association (ECS-DA), of which KDPW is an active member, **most European central securities depositories have decided to migrate from the T+3 to the T+2 settlement cycle** on the same day: 6 October 2014. These include among others the United Kingdom, Italy, France, the Netherlands, Sweden, Switzerland, Denmark, Hungary. On the other hand, Germany, Bulgaria and Slovenia have historically used the T+2 cycle.

The new rules will apply to transactions concluded on the exchange regulated market and in the alternative trading system (ATS) secured with the clearing guarantee system.





**The shorter settlement cycle will have a positive impact both on individual investors and professional market participants.**

#### Change of the settlement cycle

Transaction date	Settlement date	Settlement cycle
2 October (Thursday)	7 October (Tuesday)	T+3
<b>3 October (Friday)</b>	<b>8 October (Wednesday)</b>	<b>T+3</b>
<b>6 October (Monday)</b>	<b>8 October (Wednesday)</b>	<b>T+2</b>
7 October (Tuesday)	9 October (Thursday)	T+2



## T+2 CYCLE: CHANGES TO INVESTORS AND KDPW PARTICIPANTS

The shorter settlement cycle will have a positive impact on KDPW and KDPW\_CCP participants as well as investors. For investors, transactions will be closed within a shorter period of time: **investors will receive securities (buyers) and cash (sellers) sooner**. The new settlement cycle will also have an **impact on processes of the exercise of rights attached to securities**, which will be transferred 1 day earlier than before. The same concerns the **purchase/sale of shares on the last settlement days of the year where such operation affects tax returns**.

For dual-listed companies, a settlement cycle on the Polish market which is identical as that used in most European markets will have a positive impact on the **record dates of payments from securities**, in particular dividends. Thanks to the synchronised settlement cycle, securities will be marked as "ex-date" on the same day on the Polish market and on foreign trading platforms. Consistent information is crucial to the perception of the Polish market by investors present on more than one market, especially involved in arbitrage in such stocks.

For KDPW and KDPW\_CCP participants, the change implies **a shorter period of maintaining margins for clearing positions**.

The change of the settlement cycle to T+2 will impact the exercise of investor rights arising from shares and other instruments covered by the T+3 cycle and held in securities accounts including dividend payment, participation in general meetings, redemption of investment certificates.

## **EXAMPLE 1.**

# **DIVIDEND PAYMENT**

### **Cycle T+3**

If company X sets the dividend record date on 23 May (Friday), the investor will have the dividend right if he or she buys shares of company X no later than 20 May (Tuesday).

### **Cycle T+2**

If company X sets the dividend record date on 23 May (Friday), the investor will have the dividend right if he or she buys shares of company X no later than 21 May (Wednesday).

## **EXAMPLE 2.**

# **PARTICIPATION IN THE GENERAL MEETING**

### **Cycle T+3**

If company X sets the general meeting date on 24 April (Thursday), the investor will have the right to participate in the general meeting if he or she holds shares of company X in the securities account on 8 April (Tuesday) – record date.\* The investor must buy shares on the stock exchange no later than 3 April (Thursday).



## Cycle T+2

If company X sets the general meeting date on 24 April (Thursday), the investor will have the right to participate in the general meeting if he or she holds shares of company X in the securities account on 8 April (Tuesday) – record date.\* The investor must buy shares on the stock exchange no later than 4 April (Friday).

\*record date – date of identifying the persons eligible to participate in the general meeting on the basis of holding balances 16 calendar days before the date of the general meeting.



From the perspective of building international competitiveness, KDPW is starting to prepare for European authorisation as a central securities depository (CSD) under the Central Securities Depository Regulation (CSDR). European authorisation will confirm KDPW's compliance with the highest EU standards applicable to CSD infrastructure. The clearing house KDPW\_CCP has completed a similar authorisation process under EMIR.

