



EMISSION ALLOWANCE MARKET DETAILED RULES OF TRADING AND SETTLEMENT

Definitions

- Exchange Member – an entity that has got the Exchange Member status and that has been admitted to act on the EAM by the Exchange Management Board,
- Delivery Day – a day on that the Emission Allowance purchased on the EAM on the Trading Day is registered in the recording account,
- Trading Day – a day on that EAM prices are fixed,
- exchange – the Exchange Commodity Market run in accordance with the Exchange Regulations by the Power Exchange Joint Stock Company,
- Exchange or POLPX – the Power Exchange Joint Stock Company,
- Clearing House – the Warsaw Commodity Clearing House Joint Stock Company that runs the clearing and settlement house performing the function of the exchange clearing house, in accordance with the Financial Instruments Trading Act,
- EAM price – an uniform price of one Emission Allowance, fixed on the EAM,
- NAEATS – the National Administrator of E mission Allowance Trade System – the entity responsible for keeping records of the Emission Allowances in the Republic of Poland, assigned for the minister responsible for environmental issues,
- NREA – the National Register of Emission Allowances – the system of recording of the Emission Allowances, run by the NAEATS in accordance with applicable regulations,
- Clearing Period – the period of years of 2005 – 2007 means the period between January the 1st 2005 and December the 31st 2007 mentioned in Article 11 paragraph 1 of the Directive No 2003/87/WE as well as the period of years of 2008 – 2012 as well as consecutive five-year periods means the period between January the 1st 2008 and December the 31st 2012 as well as consecutive five-year periods, mentioned in Article 11 paragraph 2 of the Directive No 2003/87 WE,
- Register of Emission Allowances – the system of recording of the Emission Allowances for countries encompassed by the EC Emission Allowance Trade System,
- private web site – a web site accessible only for given Exchange Member and for the Exchange,
- GM – the Gas Market run by the Exchange,
- IDM – the Intraday Market separated within the framework of the DAM&IDM and run by the Exchange,
- DAM – the Day-Ahead Market separated within the framework of DAM&IDM and run by the Exchange,
- DAM&IDM – the Day-Ahead Market and the Intraday Market run by the Exchange,
- PRM – the Property Rights Market run by the Exchange,
- CDM – the Commodity Derivatives Market run by the Exchange,
- EAM – the Emission Allowance Market run by the Exchange,
- the Regulations – the trading Regulations for the Exchange Commodity Market of the Power Exchange Joint Stock Company,
- the exchange IT system – a set of hardware and software components, and especially the specialized computer software, trading on the EAM is conducted by means of that,
- the Detailed Rules of Trading and Settlement – the present Emission Allowance Market Detailed Rules of Trading and Settlement,
- transaction – an Emission Allowance sale contract closed on the EAM by the Exchange Members,
- Emission Allowance – the exchange commodity being subject of the trading on the EAM,
- Transaction Fee – a commission due to the Exchange from the Exchange Member by the right of the transactions the Exchange Member has entered into, reckoned in accordance with the Exchange Regulations,

- order – an Emission Allowance purchase or sale offer submitted by the Exchange Member on EAM.

Part I. Trading rules

1. Introduction

The Emission Allowances are an exchange commodity.

The Exchange Management Board determines types of the Emission Allowances, which may be introduced into trading on the EAM.

The specification of the instrument for individual types of the Emission Allowances, which have been introduced into trading on the EAM, is determined in the contents of the Appendix to the present Detailed Rules of Trading and Settlement.

In the exchange trading the Emission Allowances have form of electronic records in the Exchange Member recording account.

The Emission Allowances trading takes place on the EAM during the session.

2. Organization of trading on the EAM market.

2.1. Quotations of the instrument till April the 30th of the first Clearing Year.

Till the day of April the 30th of given Clearing Period two instruments are quoted: one instrument with the date of last year of the preceding Clearing Period and the second – with the date of last year of current Clearing Period.

2.1.1. Object of the trading in the instruments with the date of the last year of the preceding Clearing Period is Emission Allowances allocated to the entity running given facility for each facility included in the system for the Clearing Period, in breakdown on years of that period, till the day of December the 31st of the last year of the Clearing Period they concern.

2.1.2. Object of the trading in the instruments with the date of the last year of the current Clearing Period is Emission Allowances allocated to the entity running given facility for each facility included in the system for the Clearing Period, in breakdown on years of that period, from the day of January the 1st of the first year of the Clearing Period they concern.

2.2. On the EAM transactions are entered into according to the terms determined in accordance with the instrument specification (Appendix No 1). The Trading Day is equal to the Delivery Day.

2.3. The EAM trading is carried out using only the exchange IT system. The quotations take place on Tuesdays and Thursdays (excluding statutory days off), at hours of 11:00 a.m. – 2:00 p.m., unless the Exchange Management Board decides otherwise. If Tuesday or Thursday is a statutory day off the quotations take place on the closest working day following that day. Information about change of the quotation day is published on the web site in 3-day advance.

2.4. The EAM quotation schedule.

The EAM quotations take place on Tuesdays and Thursdays according to the schedule presented below:

Time	Quotation phase
Till 6:30 p.m. 1 day before the Trading Day	Introducing of collaterals
Till 11:00 a.m. on the Trading Day	Introducing of number of Emission Allowances into the exchange IT system

From 11:0 a.m. on the Trading Day till 12:00 a.m. on the Trading Day	Phase before the fixed auction price system quotations on the EAM Acceptance of orders; orders may be cancelled and modified; the orders are validated as regards the collateral status as well as holding of the Emission Allowances being in possession. Purchase orders exceeding the collateral amount are cancelled. Sale orders exceeding number of the Emission Allowances being in possession are cancelled.
12:01 p.m. on the Trading Day	The fixed auction price system quotation phase on the EAM; fixing of the fixed auction price on the EAM Fixing of prices on the EAM and publishing of the results on the private web site.
From 12:01 p.m. on the Trading Day till 1:3 p.m. on the Trading Day	The continuous trading system quotation phase on the EAM Acceptance of orders; orders may be cancelled and modified; the orders are validated as regards the collateral status as well as holding of the Emission Allowances being in possession.
Till 3:00 p.m. on the Trading Day	Publishing of the quotation results on the public web site

3. The orders.

3.1. The Exchange Members place orders with reference to the Portfolios. In the Exchange IT system the Portfolio is defined as an account.

3.2. The Exchange Member is entitled to place more than one order with reference to given Portfolio.

3.3. Each Order of the Exchange Member being placed on EAM shall define in particular:

- a) designation (ID) of the exchange commodity of given type that is subject of the order,
- b) type of order (purchase / sale),
- c) the Portfolio the order is being placed with reference to that,
- d) number of the Emission Allowances being subject to given sale- or purchase order,
- e) price limit expressed in PLN/ton (1Mg) accurate to PLN 0.01 or an instruction to execute the order without price limit,
- f) the validity period,
- g) conditions for execution of the order (the order type), specified in item 3.4.
- h) designation (ID) of the Exchange Member issuing the order,
- i) date and hour of issuing of the order,
- j) the order No.

3.4. The orders being introduced into the fixed auction price quotation system and the continuous trading system should include the execution terms and validity periods. Depending on execution terms and deadlines there are following types of orders:

- a) The Rest of Day order – the order is valid on the day of transferring it on the exchange. It may be placed in any phase of the trading session. It may participate in continuous trading phase and in the fixed auction price phase. The part of the order that has not been executed during the fixed auction price phase is transferred to the continuous trading phase.
- b) The Good Until Expiry order – the order is valid until the end of instrument quotation. It may be placed in any phase of the trading session. It may participate in continuous trading phase and in the fixed auction price phase. The part of the order that has not been executed during the fixed auction price phase is transferred to the continuous trading phase. The non-executed part of the order is transferred to another trading session the instrument is quoted during that. The sale orders exceeding number of

- the Emission Allowances being in possession of given Exchange Member are cancelled.
- c) The Good Until Date order – the order is valid until the date specified in the phase of placing of the order. It may be placed during any phase of trading session. It may participate in continuous trading phase and in the fixed auction price phase. The part of the order that has not been executed during the fixed auction price phase is transferred to the continuous trading phase. The non-executed part of the order is transferred to another trading session the instrument is quoted during that. The order is quoted until the date when a set time limit expires. The sale orders exceeding number of the Emission Allowances being in possession of given Exchange Member are cancelled.
 - d) The Timed order – the order is valid on the day of placing it on the exchange until the date set in the phase of placing of the order. It may be placed during any phase of trading session. It may participate in continuous trading phase and in the fixed auction price phase. The part of the order that has not been executed during the fixed auction price phase is transferred to the continuous trading phase, provided that the order validity period is observed.
 - e) The Call Auction order – the order is valid on the day of placing of it on the exchange and it may participate only in the fixed auction price phase and only in one auction. The non- executed part of the order is cancelled.
 - f) The Fill and Kill order – the order participates only in the continuous trading phase. It is valid until the first transaction is entered into (or first transactions if the order is executed in a few transactions simultaneously). The non-executed part of the order is cancelled. This order may be executed partially, en block or may be not executed at all. The order may be placed without a price limit.
 - g) The Fill or Kill order – the order participates only in the continuous trading phase. It is valid until the first transaction is entered into (or first transactions if the order is executed in a few transactions simultaneously), while the order has to be executed en block or not to be executed at all. If the order layout does not allow execution of the order en block the order is cancelled.
- 3.5. The Fill and Kill and Fill or Kill orders are not included in the order table. Once such orders have been placed the transaction is entered into or the orders are deleted.
- 3.6. The order may comprise an additional activation condition - Stop Loss function. By means of Stop Loss function the condition concerning the Emission Allowance price level the order appears on the market at that is defined. The order is activated on the market when the set condition is fulfilled.
- 3.7. The orders may be placed on the market (market orders) or locally (local orders). The local orders are not quoted.
- 3.8. The local orders may be placed on the market through activation. The market order may become a local order through suspension. The orders may be activated and suspended when quotations are carried out on the EAM.
- 3.9. The orders may be placed on the market only during the quotation phase on the EAM. Outside the quotation phase on the EAM the Exchange Member is entitled to place a local order.
- 3.10. Only the local orders are not checked as regards the collaterals.
- 3.11. The Exchange Members are entitled to modify their own orders. The following items may be modified:
- a) offered number of the Emission Allowances,
 - b) the price limit.
- 3.12. The orders may be modified during the quotation phase on the EAM. If during the modification the volume is reduced the time for placing of the order is not altered. In the

other cases of modification (increasing of the volume and the price change) a new time of placing is assigned to given order.

- 3.13. In the case when quotations in given instruments have been suspended the orders must not be modified.
- 3.14. The orders may be cancelled during quotation phase on the EAM. The order may be cancelled by the Exchange Member, that has placed that order, before the order validity period expires. The orders being grounds to the transactions, which have been entered into, must not be cancelled.
4. Price fixing principles, order execution and transactions.
 - 4.1. The principles of price fixing and execution of the orders in the fixed auction price system on the EAM.
 - 4.1.1. The fixed auction price on the EAM is fixed with using in turn the following principles:
 - a) maximization of the trading volume,
 - b) minimization of the difference between aggregated volume of Emission Allowances in purchase orders and in sale orders executable at a specified price.
 - 4.1.2. The orders placed on the EAM in the fixed auction price system are executed in accordance with the following principles:
 - a) the sale orders placed with the price limit below the price of Emission Allowances shall be executed en block. No sale order placed with the price limit above the price of Emission Allowances shall be executed,
 - b) the purchase orders placed with the price limit above the price of Emission Allowances shall be executed en block. No sale order placed with the price limit below the price of Emission Allowances shall be executed,
 - c) purchase and sale orders placed with a price limit equal to price of Emission Allowances may be executed partially, en block or may be not executed at all.
 - 4.1.3. The sequence of execution of the orders placed with a price limit equal to the price of Emission Allowances is determined by the time of receiving of the orders in the exchange IT system.
 - 4.1.4. The orders may be executed partially, while each partial transaction shall concern at least 1(one) Emission Allowance.
 - 4.1.5. In case when there is no possibility for univocal fixing of the EAM price, the price shall be determined in the following manner:
 - a) if there is more than one price meeting requirements mentioned in item 4.1.1. and when the difference between aggregate purchase volume and aggregate sale volume is equal to zero, the average price between extreme prices meeting the requirement referred to in subitem b) is determined. Then from amongst permissible prices the price closer to the average price is fixed. If there are two such prices, the price is determined randomly from amongst those two prices,
 - b) if there is more than one price meeting requirements mentioned in item 4.1.1. and when the difference between aggregate purchase volume and aggregate sale volume has the same signs for each price, such price is fixed that is closer to the change of sign of the difference,
 - c) if there is more than one price meeting requirements mentioned in item 4.1.1. and when the difference between aggregate purchase volume and aggregate sale volume has different signs for each price, the price is fixed randomly from amongst two prices: the highest price with the positive difference and the lowest price with negative difference.
 - 4.2. The principles of price fixing, execution of the orders and transactions in continuous trading system on the EAM.

- 4.2.1. In the continuous trading system the transactions are entered into at the price equal to the price limit that was specified in the order introduced earlier, waiting in the order table for execution, in accordance with to the following principles:
- a) in the first row the orders with the highest price limit in case of purchase orders, and with the lowest price limit in case of the sale orders shall be executed,
 - b) in case of orders with equal price limits they shall be executed according to the time of the order acceptance (the orders accepted earlier shall be executed in the first row).
- 4.2.2. The orders may be executed partially, while each partial transaction shall concern at least 1 (one) Emission Allowance.
- 4.3. The EAM price is fixed with accuracy to PLN 0.01. The volume is determined with accuracy to 1 (one) ton (Mg).
- 4.4. On the EAM there are no limitations of price fluctuations.
5. Rules of Emission Allowance trading on the EAM through entering into OTC deals.
- 5.1. The rules for entering into the OTC deals:
- a) Orders concerning the OTC deals are introduced only with use of the exchange IT system.
 - b) The OTC deals orders may be introduced on the Trading Day that falls on Tuesday and Thursday, unless the Exchange Management Board decides otherwise. If the Trading Day is a statutory day off the quotations take place on the closest working day following that day. Information about change of the quotation day is published on the web site in 3-day advance.
 - c) The order concerning the OTC deal is introduced by the party selling the Emission Allowances. The Exchange verifies only the OTC deals, which have been introduced and confirmed.
 - d) The OTC deal is entered into if at least one Exchange Member places a sale order and corresponding purchase order, which include the same parameters, and particularly the price and the quantity, and the POLPX confirms entering into such transaction.
- 5.2. The schedule for placing of the orders and execution of the OTC deals.

Time	Quotation phase
Till 6:30 p.m. 1 day before the Trading Day	Introducing of collaterals
Till 11:00 a.m. on the Trading Day	Introducing of number of Emission Allowances into the exchange IT system
From 12:01 p.m. on the Trading Day till 2:00 p.m. on the Trading Day	Phase before acceptance of the orders Placing of the orders and confirming of the OTC deals; the orders, which have not been confirmed may be cancelled and modified; the orders are not verified as regards the collateral status as well as holding of the Emission Allowances being in possession.

From 2:00 p.m. on the Trading Day	Orders acceptance phase Verification of the placed and confirmed orders concerning the OTC deals as regards the collaterals status as well as holding of the Emission Allowances being in possession. Acceptance of the orders. The orders are cancelled if: the seller has not got sufficient number of the Emission Allowances or has not got appropriate collateral amount.
Till 3:00 p.m. on the Trading Day	Publishing of the quotation results on the private- and public web site

5.3. The principles of fixing of the OTC deal price

The OTC deal price is fixed separately between the deal parties. The EAM price is fixed with accuracy of 0.01 PLN. The volume is determined with accuracy of 1 (one) ton (1 MG).

5.4. Mode and time of publishing of the prices

Information pieces concerning the volume, the prices as well as the values of the OTC deals entered into are made accessible to the Exchange Member on the private web site of the exchange IT system, specified by the Exchange.

6. The exchange indices.

6.1. The Exchange makes public information about EAM quotations with a breakdown into prices, traded volume and values of the Emission Allowance Market CO2PL index

$$CO2PL = \sum P_i \times \left(\frac{V_i}{V} \right),$$

where :

- i – number of transactions on EAM on the Trading Day,
- P_i – the price fixed for the ith transaction,
- V_i – trading volume of the ith transaction,
- V – total trading volume for the deals entered into on given Trading Day.

In case of the continuous trading system quotations the POLPX shall make public the following items: minimum price, maximum price as well as total volume and number of transactions as well as the most favorable purchase- and sale transaction.

In case of the OTC deals the POLPX shall make public the following prices: minimum price, maximum price as well as total volume and number of the deals.

Part III. Rules of clearing.

Execution as well as clearing of the transactions entered into on the Emission Allowance Market is executed according to the rules determined by the Clearing House in “The Detailed Rules for Clearings on the Markets Being Run by the POLPX”.

Appendix No : Specification of the Emission Allowance instrument.

ID	CO2-RRRR – where: RRRR means the last year of the Clearing Period mentioned in Article 11 paragraph 1 or paragraph 2 of the Directive No 2003/87/WE
Object of the trading	Emission allowance understood as an allowance to introduce into air, during specified period, one megagram (1 Mg) of the carbon dioxide (CO ₂) or other greenhouse gas composing equivalent of 1 Mg of the carbon dioxide, calculated with use of warming coefficients that may be sold, transferred or redeemed according to the rules specified in the Act dated on the day of December the 22 nd 2004 concerning trading in allowances of emission of greenhouse gases and other substances introduced into air.
Nominal value	1 Emission Allowance corresponds to one ton (1 Mg) of the carbon dioxide (CO ₂) or an amount of another greenhouse gas composing the equivalent of 1 ton (1 Mg) of the carbon dioxide
Price	Expressed in 1 PLN/ton with accuracy of PLN 0.01.
Value	The product of the Price and the Nominal Value
Quotation date	From January the 1 st of the first year of the Clearing Period till April the 30 th of the first year of the next Clearing Period
Quotation unit	1 ton (Mg)
Clearing method	Change of the holding of the Emission Allowances in the recording account kept in the National Register of Emission Allowances.

