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**DETAILED TRADING AND CLEARING RULES FOR EMISSION
ALLOWANCE MARKET**

approved by virtue of the Management Board Resolution No **35/9/19** March 16, 2010, comes into force
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Terms and abbreviations used in the Trading Rules:

- Clearing Bank - the bank that under an agreement with the Exchange and agreements with individual Exchange Members, provides clearing services for transactions made in the EAM.
- Exchange Member - an entity that concluded the Membership Agreement with the Exchange and was admitted to the operations in the Emission Allowance Market by the Exchange Management Board.
- Delivery Day - day on which the Emission Allowance acquired in Emission Allowance Market on Trading Day will be registered on registration account.
- Trading Day - day on which rates in EAM are fixed
- Exchange - Towarowa Giełda Energii SA. (Polish Power Exchange S.A.)
- EAM rate - uniform price for one Emission Allowance, fixed in EAM
- KASHUE - The National Administration of the Emissions Trading Scheme - an entity responsible for keeping records of emission allowances in Poland, appointed by the minister competent for environment.
- NEAR - National Emission Allowance Register - recording system for emission allowances run by KASHUE under relevant legislation.
- The Settlement Period - the 2005-2007 period denotes a period from 1st January 2005 to 31st December 2007 referred to in Art. 11 par. 1 of the Directive 2003/87/EC and the 2008-2012 period and subsequent five-year periods denote a period from 1st January 2008 to 31st December 2012 and subsequent five-year periods referred to in Art. 11 par. 2 of the Directive 2003/87/EC
- Emission Allowance Register - record keeping system for emission allowances for the states covered by the EU Emission Trading Scheme,
- Private Web site - a Web site accessible for a certain Exchange Member and for the Exchange.
- Purchase account - an account opened for the Exchange Member by the Clearing Bank in order to clear transactions made in the PDM, FDM, IDM, DAM, PRM and EAM markets.
- Settlement Report - a report available from the Exchange IT system comprising the balance of net values of transactions made on the contract execution day
- BM - Balancing Market.
- PDM – Power Derivatives Market run by the Exchange.
- FDM – Financial Derivatives Market run by the Exchange
- DAM - Day-Ahead Market run by the Exchange.
- IDM – Intraday Market
- CM - Green Certificate Market run by the Exchange.
- EAM - Emission Allowance Market run by the Exchange.
- Rules and Regulations - Rules and Regulations of Towarowa Giełda Energii S.A.
- IT system of Exchange - complex of hardware and software including in particular specialised trading and clearing system used to handle and clear transactions in the Emission Allowance Market.
- Detailed Trading and Clearing Rules - these Detailed Trading and Clearing Rules for Emission Allowance Market.
- Transaction - a sales contract for Emission Allowances concluded between Exchange Members in the Emission Allowance Market.
- Accounting Week - the period covering Trading Days Monday (inclusive) through Sunday immediately following it (inclusive).

- Emission Allowance - exchange commodity traded in EAM
- Exchange Service - commission owed to the Exchange by the Exchange Member as a result of transactions made by such Exchange Member, accrued pursuant to the Rules and Regulations.
- Order - placed by the Exchange Member a purchase or sale bid for the EAM

Part I. Emission Allowance Market Rules

1. Introduction

Emission Allowances are exchange commodity.

The Exchange Management Board determines Emission Allowance types that may be traded in EAM.

The contract specification for individual types of Emission Allowances, admitted to trade In EAM, is defined in the appendix to the Detailed Trading and Clearing Rules.

The Emission Allowances are traded electronically and the entries are made in register account of the Exchange Member.

The Emission Allowances are traded in EAM during trading session.

2. Organisation of trading in EAM.

2.1. Contract quotation until 30th April of the first Settlement Period.

Until 30th April of the first year in a certain Settlement Period two instruments are quoted: with a date of the last year in the previous Settlement Period and with the date of the last year of the current Settlement Period.

2.1.1. The instruments with the date of the last year in the previous Settlement Period include Emission Allowances allocated to the operator for each installation covered by the System within the Settlement Period, with a breakdown into years within such Settlement Period, until 31st December of the last year in the Settlement period they refer to.

2.1.2. The instruments with the date of the last year in the current Settlement Period include Emission Allowances allocated to the operator for each installation covered by the System within the Settlement Period, with a breakdown into years within such Settlement Period, until 1st January of the first year in the Settlement Period.

2.2. Transactions in Emission Allowance Market are concluded under terms laid down in the Contract Specification (Appendix No 1). The Trading Day is also Delivery Day.

2.3. The EAM trading is run exclusively using Exchange IT system. The quotations are held on Tuesdays and Thursdays (excluding statutory public holidays) between 11:00 a.m. and 2:00 p.m., unless the Exchange Management Board has decided otherwise. If Tuesday or Thursday is a public holiday, then the emission allowances are quoted on the nearest consecutive working day. Information about the change of quotation day is provided at Exchange Web site three days in advance.

2.4. Quotation schedule in EAM.

The Emission Allowances are quoted on each Tuesday and Thursday in accordance with the schedule

presented below:

Time	Quotation Phase
By 6:30 p.m. 1 day prior to Trading Day	Inputting of collaterals
By 10:30 a.m. on Trading Day	Transfer of Emission Allowances. Exchange Members transfer Emission Allowances to their register subaccounts subordinated to the Emission Allowance account of the Exchange.
By 11:00 a.m. on Trading Day	Entering of actual number of Emission Allowances into Exchange IT system
From 11:00 a.m. on Trading Day to 12:00 on Trading Day	Prequotation phase using the single-price auction system in EAM Order acceptance; the orders may be deleted and modified. The orders are checked in terms of collateral status and status of Emission Allowances recorded in the register. Buy orders exceeding the value of collateral are deleted. Sale orders exceeding the number of Emission Allowances held are deleted.
12:01 p.m. on Trading Day	Quotation phase in the single-price auction system in EAM: fixing of a single price in EAM. The rates in the EAM are fixed and the quotation results are published at Private Web Site.
From 12:01 p.m. on Trading Day to 1:30 p.m. on Trading Day	Quotation phase in the continuous trading system in the EAM Order acceptance; orders may be deleted and modified; the orders are checked in terms of collateral status and status of Emission Allowances held.
Until 3:00 p.m. on Trading Day	Publication of quotation results on Public and Non-Public Web site
By 4:00 p.m. on Trading Day	Clearing of transactions concluded in Emission Allowance Market in volume and value terms
By 12:00 on first working day following the Trading Day	Acceptance of Emission Allowance transfer The Exchange accepts the transfer of Emission Allowances made from Exchange Member register account being a part of Exchange emission account to the account of this Exchange Member in the Emission Allowance Register.

3. Orders.

- 3.1. The Exchange Members place Orders with reference to the Portfolios. In the Exchange IT system each Portfolio is defined as an account.
- 3.2. The Exchange Member may place more than one Order with reference to a certain Portfolio.
- 3.3. Each Order of the Exchange Member placed in the Emission Allowance Market shall define in particular:

- a) type of order (buy / sell),
- b) Portfolio, the order placed refers to,
- c) number of Emission Allowances covered by a buy or sell order,
- d) price limit expressed in PLN/tonne (1 Mg) accurate to PLN 0.01 or an instruction to execute order without price limit,
- e) expiration date,
- f) Order execution terms (order type), referred to in Section 3.4.
- g) identification of the Exchange Member placing order,
- h) date and time of order placement,
- i) number of order.

3.4. The orders participating in the single price auction and in continuous trading shall comprise execution terms and expiration dates. There are the following order types depending on execution terms and execution date:

- a) Rest of Day – the order is valid on the day of transferring it to the Exchange. It may be placed in any phase of the trading session. It may participate in continuous trading and in the single-price auction. Non-executed portion of the order during the singleprice auction is transferred to the continuous trading phase
- b) Good Until Expiry – 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 and in the single-price auction. A non-executed portion of the order during the singleprice auction is transferred to the continuous trading phase. A non-executed portion of the order is transferred to another trading session when the instrument is quoted. The sell orders exceeding the number of Emission Allowances held are deleted.
- c) Good Until Date – the order is valid until the date set in the phase of order placement. It may be placed during any phase of trading session. It may participate in continuous trading and in the single price auction. A non-executed portion of the order during the single price auction is transferred to the continuous trading phase. A non-executed portion of the order is transferred to another trading session when the instrument is quoted. The order is quoted until the date when a time limit set has expired. The sell orders exceeding the number of Emission Allowances held are deleted.
- d) Timed order – the order is valid on the day of placing it at the Exchange until the date set in the phase of order placement. It may be placed during any phase of trading session. It may participate in continuous trading and in the single price auction. A non- executed portion of the order during the single-price auction is transferred to the continuous trading phase provided that the order expiration date is observed.
- e) Call Auction – the order is valid on the day of its placement at the Exchange and it may participate only in the single-price fixing phase and only in a single auction. The non-executed portion of the Order is deleted.
- f) Fill and Kill – the order participates in the continuous trading system. It is valid until the first transaction has been made (or first transactions if the order is executed under a few transactions simultaneously). The non-executed portion of the order is cancelled. The order may be executed fully, partially or may be not executed at all. This order may be placed without a price limit.
- g) Fill or Kill – the order participates only in the continuous trading system. It is valid until the first transaction has been made (or first transactions if the order is executed under a few transactions

simultaneously). The order has to be executed fully or not executed at all. If the order configuration does not allow to execute the order fully, then the order is cancelled.

- 3.5. The Fill and Kill and Fill or Kill orders are not specified in the order table. Once such orders have been placed the transaction is concluded or orders are deleted.
- 3.6. The order may comprise an additional activation condition - Stop Loss function. By means of Stop Loss function it is defined at which level of Emission Allowance rate the order will appear in the market. The order is activated in the market when the set condition has been met.
- 3.7. The orders may be placed in the market (market orders) or may be placed locally (local orders). The local orders are not quoted.
- 3.8. The local order may be placed in the market through activation. The market order may become a local order through suspension. Activation and suspension of orders may be performed during running quotations in EAM.
- 3.9. Orders may be placed in the market only during running quotations in EAM. Outside EAM quotation hours the Exchange Member may place only local orders.
- 3.10. Only local orders are not checked in terms of collaterals.
- 3.11. The Exchange Members may modify their own orders. The following items may be modified:
 - a) the offered number of Emission Allowances,
 - b) price limit.
- 3.12. The orders may be modified when EAM quotations are run. If during modifications the volume has been decreased, then the Order placement time is not affected. In other cases of modification (volume increase and price modification), the Order will be assigned new order placement time.
- 3.13. When quotations in EAM are suspended, the Orders may not be modified.
- 3.14. The orders may be cancelled when EAM quotations are run. The orders may be cancelled by the Exchange Member that placed the order, prior to the expiration date of the order. The orders that were matched during transactions made may not be cancelled.

4. Principles for rate fixing, Order execution and Transactions.

- 4.1. Principles of rate fixing, order execution and transactions in the single-price action system in the EAM.
 - 4.1.1. The single rate in the EAM is fixed with the application of the following principles:
 - a) maximisation of traded volume,
 - b) minimisation of the difference between accumulated volume of Emission Allowances in the sale and buy orders executable at a certain rate,
 - 4.1.2. The orders in the Emission Allowance Market in the single-price auction system are executed pursuant to the following principles:
 - a) Sell orders submitted with price limit below the rate of the Emission Allowances will be executed fully; no sell order with the price limit above the rate of the Emission Allowances will be executed,

- b) buy orders submitted with the price limit above the rate of Emission Allowances will be executed fully; no buy order submitted with the price limit below the rate of Emission Allowances will be executed,
 - c) buy and sell orders submitted with the price limit equal to the rate of Emission Allowances may be executed partially, fully or may be not executed at all.
- 4.1.3. The sequence of execution of orders submitted with the price limit equal to the rate of Emission Allowances is determined on the basis of time of acceptance of the order by the Exchange IT system.
- 4.1.4. The orders may be executed partially, with each partial transaction pertaining to, at least, 1 Emission Allowance.
- 4.1.5. If it is not possible to fix EAM rate unequivocally then it is fixed as follows:
- a) if there is more than one price meeting requirements referred to in Section 4.1.1. and when the difference between aggregate purchase volume and aggregate sale volume is zero, then 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, then the rate is determined randomly using these two prices,
 - b) if there is more than one price meeting requirements referred to in Section 4.1.1. and when the difference between aggregate purchase volume and aggregate sale volume has the same signs for each price, then such rate is fixed that is closer to the change of sign of the difference,
 - c) if there is more than one price meeting requirements referred to Section 4.1.1. and when the difference between aggregate purchase volume and aggregate sale volume has different signs for each price, then the rate is fixed randomly using the two prices: the highest price with the positive difference and the lowest price with negative difference.
- 4.2. Principles of rate fixing, order execution and transactions in the continuous trading system in the Emission Allowance Market.
- 4.2.1. The transactions in the continuous trading system are concluded at the rate equal to the price limit, which was specified in the order fed into the system earlier and waiting in the table of offers for execution pursuant to the following principles:
- a) in the first row the orders with the highest price limit will be executed for buy orders and with the lowest price limit for sell orders,
 - b) in the event of orders with equal price limits such orders will be executed according to order acceptance time (the order accepted earlier will be executed first).
- 4.2.2. The orders may be executed partially, however, each partial transaction has to apply to, at least, one Emission Allowance.
- 4.3. The EAM rate is fixed with accuracy to PLN 0.01. The volume is determined accurate to 1 (one) tonne (Mg).
- 4.4. In the Emission Allowance Market there are no limits for price fluctuations.

5. Rules for trading in Emission Allowances in EAM through entering into OTC transactions.

5.1. The rules for entering into off-session, OTC transactions:

- a) Orders for OTC transactions are entered exclusively using the Exchange IT system.
- b) Orders for OTC transactions may be entered into the System on trading day that falls due on Tuesdays and Thursdays and as long as the Exchange Management Board has decided otherwise. If the Trading Day is a public holiday, then the quotations are held on the nearest consecutive working day. Information about the change of Quotation Day is provided at Exchange Web site three days in advance.
- c) The OTC order is entered by the Seller of Emission Allowances. The Exchange validates only the entered and confirmed OTC transactions.
- d) The OTC transaction is closed if, at least, one Exchange Member has placed a sell order and a corresponding buy order comprising the same parameters including in particular price and electricity volume and the Exchange has confirmed closing of such transaction.

5.2 Time schedule for order placement and execution of OTC transactions.

Time	Quotation Phase
By 6:30 p.m. 1 day prior to Trading Day	Inputting of collaterals
Until 10:30 a.m. on Trading Day	Transfer of Emission Allowances The Exchange Members transfer Emission Allowances to the register account of the Exchange Member being a part of the Exchange account for emission allowances.
Until 11:00 a.m. on Trading Day	Entering of a number of Emission Allowances into Exchange IT system
From 12:01 a.m. on Trading Day to 2:00 p.m. on Trading Day	Phase preceding order acceptance Order placement and acceptance of OTC transactions; non-confirmed orders may be deleted and modified; orders are not checked in terms of collateral status and status of Emission Allowances held.
From 2:00 p.m. on Trading Day	Order acceptance phase Validation of entered and confirmed OTC transaction orders in terms of collateral status and status of Emission Allowances held. Order acceptance. The orders are deleted if: the Seller does not have appropriate number of Emission Allowances, the Buyer has not confirmed the order or does not have the required collateral.
Until 3:00 p.m. on Trading Day	Publication of quotation results on Public and Non-Public Web site
By 4:00 p.m. on Trading Day	Clearing of transactions concluded in Emission Allowance Market in volume and value terms

<p>By 12:00 on first working day following the Trading Day</p>	<p>Acceptance of Emission Allowance transfer</p> <p>The Exchange accepts the transfer of Emission Allowances made from Exchange Member register account being a part of Exchange emission account to the account of this Exchange Member in the Emission Allowance Register.</p>
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5.3. Rules of fixing OTC transaction price

The price of OTC transaction is fixed individually between transacting parties. The EAM price is fixed with an accuracy to PLN 0.01. The traded volume is fixed with an accuracy to 1 (one) tonne (Mg).

5.4 Procedure for making prices public

Information about traded volume, prices and values of concluded off-session transactions are made available to the Exchange Members that are parties to the transactions on a Private Web Site of the IT system, determined by the Exchange.

6. Exchange indices.

6.1. The Exchange makes public information about EAM quotations, including prices, traded volume and values of CO2PL index.

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

where:

i - number of spot transactions in EAM on trading day,

P_i - rate fixed for i^{th} transaction,

V_i - traded volume for i^{th} transaction,

V - total traded volume under spot transactions on trading day.

For quotations in the continuous trading system the Exchange will make public: minimum price, maximum price, and total traded volume and number of transactions as well as the last best buy and sell offer.

For OTC transactions the Exchange will make public: minimum price, maximum price, total traded volume and number of transactions.

Part II. Principles of transaction execution

7. Each Exchange Member shall have an Emission Allowance account in the Emission Allowance Register.

7.1. The Exchange Member shall advise the Exchange the number of its Emission Allowance

account in the Emission Allowance Register.

- 7.2. In the event of modification of Emission Allowance account, referred to in item 6, the Exchange Member shall provide the Exchange with current data.
8. The Exchange has Emission Allowance Account with the National Emission Allowance Register.
9. Each Exchange Member has its registration account under the Emission Allowance Account of the Exchange in the National Emission Allowance Register.
- 9.1. The Exchange Member is provided access to its registration account under the Emission Allowance Account of the Exchange in the National Emission Allowance Register with the right to view data and draw up transfer order in the National Administrator of the Emissions Trading Scheme (KASHUE).
10. The Exchange Member that intends to sell Emission Allowances at the exchange has to make prior transfer of Emission Allowances from its own Emission Allowance Account in the Emission Allowance Register to the registration account in the Emission Allowance account of the Exchange.
11. The sell order may include exclusively the Emission Allowances that have been transferred to the registration accounts in the Emission Allowance account of the Exchange in the National Emission Allowance Register.
12. The Exchange records changes in the number of Emission Allowances held pursuant to the Transactions concluded and entered into registration accounts of Exchange Members in the Emission Allowance of the Exchange TGE.
13. The Emission Allowances are transferred from the registration account of the Exchange Member in the Emission Allowance Account of the Exchange to the account of such Exchange Member in the Emission Allowance Register, pursuant to the written request by means of fax mail for affecting such transfer (Appendix No 2).
- 13.1. The instruction to transfer Emission Allowances from the registration account to the Emission Allowance Account in the Emission Allowance Register is issued by the Exchange Member. The Exchange checks the instruction and accepts transfer of Emission Allowance.
- 13.2. The transfer is not executed when the volume put at the disposal exceeds the number of Emission Allowances stored in the registration account of the Exchange Member in the Emission Allowance Account of the Exchange.
- 13.3. The transfer of Emission Allowance is accepted by 12:00 on the first working day following the Trading Day.
- 13.4. On the first working day following the Trading Day, the Exchange notifies the National Administrator of the Emissions Trading Scheme (KASHUE) about the transactions entered on such day, on behalf of the transacting parties.
- 13.4.1 The transactions will be notified to KASHUE by means of a registered mail.
- 13.4.2 The notification will include in particular:
 - name of company that entered into transaction;
 - type of transaction (buy /sell)
 - transaction date;
 - transaction volume

Part III. Principles of transaction clearing

14. General provisions.

- 14.1. A prerequisite to place orders in the Emission Allowance Market is to have an opened purchase account, referred to in Section 14.3, by the Exchange Member.
- 14.2. The Exchange Member has a clearing account in the exchange system which is used to clear transactions made in the PDM, FDM, DAM, IDM, PRM and EAM markets.
- 14.3. The Exchange Member holds a purchase account at the Clearing Bank for clearing transactions made in the PDM, FDM, DAM, IDM, PRM and EAM markets.
- 14.4. In the process of day-to-day settlements the transactions made in PDM, FDM, CM, IDM, DAM and EAM are offset during the clearing process.
- 14.5. The financial flows after closing of the Accounting Week result from the clearing of receivables and liabilities balances for PDM, FDM, PRM, IDM, DAM and EAM.
- 14.6. The EAM settlements with all Exchange Members that entered into transactions in EAM are made by the Exchange through the agency of the Clearing Bank.
- 14.7. For the purposes of clearing transactions entered in the PDM, FDM, IDM, DAM and PRM the clearing rules set forth in the Exchange regulations concerned with the settlements in these markets are applied.

15. Day-to-day settlement of accounts

- 15.1. Information about traded volume, rates and values of transactions made in the EAM run by the Exchange is available to the Exchange Member at the Private Web Site.
- 15.2. On each Trading Day, once the transactions made by a certain Exchange Member have been registered on its account, the Exchange carries out day-to-day settlements of session and OTC transactions made in EAM. For the Exchange Members that entered into the transactions in the PDM, FDM, IDM, DAM and CM on a certain day such transactions are recorded in the Exchange system.
- 15.3. On each trading day prior to the commencement of EAM trading session, the number of Emission Allowances held is updated at the registration account of the Exchange Member in the Exchange IT system.
- 15.4. On each trading day, once trading session has been closed, the number of Emission Allowances held at the registration accounts of Exchange Members subordinated to the Emission Allowance Account of the Exchange in the National Emission Allowance Register based on such transactions.
- 15.5. The Exchange informs the Clearing Bank about the settlement balances of a certain Exchange Member in relation to its transactions. The settlement balance is defined as the value of purchase transactions less the value of sale transactions plus the value of VAT tax and the value of exchange service including VAT tax.
- 15.6. Based on the information received from the Exchange, for the entities that have outstanding liabilities, the Clearing Bank sets up collateral for clearing future liabilities by blocking an appropriate amount of funds gathered at the purchase account of a certain Exchange Member until the financial settlement date.

16. Financial clearing

- 16.1. The financial settlements are run on a weekly basis (based on Accounting Week) including:
 - All balances of financial settlements for open positions being in the rating period during the particular week on the FDM market,
 - All balances of financial settlements for open positions being in execution, during a particular week on the FDM market,
 - All transactions which delivery date become due in the particular Accounting Week on the PDM, FDM, DAM,PRM, EAM and IDM markets.
- 16.2. The payments are made on Wednesdays (payment date for the Exchange Member having outstanding liabilities vis-à-vis the Exchange) and on Thursdays (payment date for Exchange payments) once the Accounting Week is over. If one of these days is a public holiday, the settlement is shifted accordingly. Subject to a month notice the Exchange advises the Exchange Members about payment dates and dates of issuing proper VAT invoices that are specified in the payment schedule available at the Exchange's Web site.
- 16.3. The settlements are made pursuant to the Settlement Report specifying for the Exchange Member the net value of transactions made to which VAT tax and gross value of exchange service fee are added.
- 16.4. The financial settlement is made using the balance of payables and receivables of the Exchange Member on the grounds of gross amounts increased or decreased respectively by the gross value of accrued exchange service.
- 16.5. The financial settlement is made using the total balance of payables and receivables jointly in PDM, DAM, IDM, PRM and EAM.
- 16.6. The cumulative balance of liabilities and receivables in PDM, IDM, DAM, PRM and EAM can be determined based on data stored in the Exchange IT system.

17. Settlement time schedule

- 17.1. Weekly financial settlements are run in compliance with the following time schedule:
 - a) Monday
 - i) the Exchange issues VAT invoices for exchange service;
 - ii) the Exchange issues VAT invoices for the Exchange Members that purchased Emission Allowances during a certain Accounting Week and the VAT invoices are issued for the Exchange by the Exchange Members that sold Emission Allowances during a certain Accounting Week;
 - b) Wednesday – by 1:00 p.m. each Exchange Member whose clearing account balance showed payables pays the required funds into its own purchase account held by the Clearing Bank. The payment date shall be understood as the date on which the funds should be sitting at the purchase account of the Exchange Member. After 1:00 p.m., based on the instructions of the Exchange, the above accounts are debited with appropriate figures stemming from settlement process, whereas the Exchange account is credited accordingly. If a certain Exchange Member has failed to make payment the Clearing Bank uses the funds gathered so far and blocked on its account that represent a collateral for transactions made;
 - c) Thursday – the Exchange transfers the due payments to the purchase account of the Exchange Member – settlement balance showing receivables;

17.2. If any of the days of the settlement cycle is a public holiday the settlement is postponed automatically to the nearest consecutive working day. Exact settlement dates are specified in the payment schedule set forth in Section 16.2.

18. Collateralization of transaction settlement.

- 18.1. The Exchange sets up and manages a collateral system for exchange transactions based on the funds accumulated on the Purchase Accounts of the Exchange Members, kept by the Clearing Bank, the proceeds from the sale transactions and funds blocked as a result of entering into buy transactions.
- 18.2. Each Exchange Member has an account in the exchange system reflecting the current status of its collaterals for its transactions.
- 18.3. The current status of collaterals determines the maximum volume of Emission Allowance buy orders that a certain Exchange Member may place.
- 18.4. The Exchange will not execute buy orders of the Exchange Member if the validation process has shown that the amount of established collateral is lower than the required amount of collateral.
- 18.5. Each day after closing quotations the balance of registration account is updated based on the concluded transactions.
- 18.6. On each working day by 6:30 p.m. the balance of registration account is updated based on the transactions made in the Purchase Account of a certain Exchange Member, kept by the Clearing Bank. Information about transactions made in the Purchase Account is forwarded to the Exchange by the Clearing Bank.
- 18.7. The collaterals are updated pursuant to the following principles:
 - a) the purchase of Emission Allowances reduces the value of collaterals, since the gross value of purchase transaction and due gross value of exchange fee are deducted, save Section 18.8.;
 - b) the sale of Emission Allowances increases the value of collaterals by the gross value of sale transaction adjusted with the due amount of gross exchange fee, save Section 18.8.;
 - c) the payment into the Purchase Account, kept by the Clearing Bank, increases the value of collateral at the registration account;
 - d) a withdrawal from the Purchase Account, kept by the Clearing Bank, reduces the value of collateral at the registration account;
 - e) purchase transactions in the DAM, IDM and PRM reduce the amount of collateral by the gross value of such transactions and due gross exchange service fee;
 - f) sale transactions in the DAM, IDM and PRM increase the amount of collateral by the gross value of such transactions, adjusted with the due gross exchange service fee;
 - g) the value of deposits under transactions made in the PDM is reduced by the value of collaterals in compliance with relevant trading rules for electricity futures;
 - h) the value of sell transaction in PDM at contract maturity date increases the value of collateral by adding a gross portion of this transaction at maturity;
 - i) the value of buy transaction in PDM at the contract maturity date reduces the value of collateral by deducting a gross portion of this transaction at maturity;

- j) the proceeds from the supplementary deposits for the contracts entered into on PDM do not increase the value of collaterals;
 - k) Conclusion of a transaction on the FDM market during the rating period causes, reduction of the amount of security deposit by an amount being the value of the initial deposit and due exchange service, with reservation for point 18.8.;
 - l) On the day following the day of execution of the term contract on the FDM market, the value of security deposit for the particular Exchange Members is increased by the calculated amount of initial deposit, with reservation for point 18.8.;
 - m) Current settlements of the open FDM market positions do increase or decrease the amount of the security deposit by the amount being the balance of settlements related to equalization of all open positions of a given Exchange Member to the market;
 - n) the value of collaterals is reduced by subtracting the value of receivables of a certain Exchange Member that accrued in the passing Accounting Week.
- 18.8. The collateral is updated to account for the value of gross exchange service fee once the trading session has been cleared.
- 18.9. The Exchange validates the buy orders of the Exchange Member in terms of their compliance with the collateralisation requirements using the following procedure:
- a) in the single-price auction system, during the validation process the amount of required collateral for the buy orders placed for the nearest exchange session is compared against the level of collateral established. The amount of required collateral is the product of offered price plus VAT tax and the number of Emission Allowances specified in the order. If the required collateral is higher than the collateral established the buy order of the Exchange Order for the nearest session is recorded as void and cancelled.
 - b) in the continuous trading system each buy order is placed in the period or which was transferred from the single-price auction quotation phase, is compared on current basis in terms of the required collateral amount with the established collateral amount. The amount of required collateral is the product of offered price plus VAT tax and the number of Emission Allowances specified in the order. The orders for which the required collateral is higher than the collateral established are recorded as void and cancelled.
 - c) for OTC transactions the amount of collateral required is compared with the amount of collateral established. The amount of collateral required is the gross value of OTC transaction. The orders with the value of collateral required higher than the value of collateral established are deleted.
- 18.10. For session and OTC transactions the Exchange validates the sell order of the Exchange Member in terms of its compliance with the volume of Emission Allowances specified in the order with the volume of Emission Allowances held by him. The Exchange does not execute the sell orders of the Exchange Member if the validation of his order shows that the volume of Emission Allowances held by him is smaller than the total number of Emission Allowances specified in the order.

19. Clearing Bank.

- 19.1. The function of Clearing Bank that settles transactions concluded in the Emission Allowance Market is performed by Bank Ochrony Środowiska S.A. (BOŚ S.A.).
- 19.2. In order to secure safe and efficient settlements of exchange transactions, the Exchange acts jointly with Bank Ochrony Środowiska S.A., defining by virtue of agreement the detailed rules of settlements of exchange transactions.

- 19.3. Each Exchange Member shall open a Purchase Account with the Clearing Bank. The account is used to establish a collateral for purchase transactions and for financial clearing of transactions concluded in the PDM, FDM, IDM, DAM, PRM and EAM.
- 19.4. The Exchange Member is obliged to extend to the Clearing Bank an authorisation for transferring funds from Exchange Member's purchase account into the clearing account run by the Exchange at the level indicated by the Exchange in the transfer order.
- 19.5. The collateral may consist of cash payments into the Exchange Member's Purchase Account. Other types of collateral may be subject of agreement between the Clearing Bank and the Exchange Member.

Appendix No 1: Specification of contract for Emission Allowances.

Code	CO2-YYYY – where YYYY denotes the last year within the Settlement Period referred to in Art. 11 par. 1 or par. 2 of the Directive 2003/87/EC
Subject of trade	Emission Allowance understood as the right to emit into the atmosphere at a certain point in time one megagramme (1Mg) of carbon dioxide (CO ₂) or the quantity of another greenhouse gas being an equivalent of 1 Mg of carbon dioxide, calculated using warming co-efficients, which is sellable, transferable or redeemable under the principles laid down in the Act on Trade in Greenhouse Gaseous and Other Substance Emissions of December 22, 2004.
Nominal value	1 Emission Allowance corresponds to one tonne (1 Mg) of carbon dioxide (CO ₂) or quantity of another greenhouse gas being an equivalent of 1 tonne (Mg) of carbon dioxide.
Rate	Expressed as 1 PLN/tonne accurate to PLN 0.01.
Value	Product of the Rate and Nominal Value
Quotation date	From 1 st January of the first year in the Settlement Period to 30 th April of the first year of consecutive Settlement Period.
Quotation unit	1 tonne (Mg)
Settlement mode	Change of the ownership status of Emission Allowances at the registration subaccount of the Exchange account in the National Emission Allowance Register.

Appendix No 2. Specimen request for affecting transfer of Emission Allowance

(place. Date of completing request)

Request for Affecting Emission Allowance Transfer

Name of Exchange Member Address of Exchange Member On (specify date) make a transfer of Emission Allowances in the quantity of (specify number) to the account (account No of the entity in the Emission Allowance Register).

(stamp and signature of the person authorised to represent the Exchange Member)