



NARODOWY
BANK POLSKI

Principles for financial market infrastructures: Disclosure framework

SKARBNET4

NBP–bills and Treasury–bills Register

Compiled in:
Domestic Operations Department

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Introduction

In April 2012, the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) published *Principles for financial market infrastructures* (CPSS–IOSCO *Principles*).

The CPSS–IOSCO *Principles* are designed to ensure that the financial market infrastructures (FMI) supporting global financial markets are robust and well placed to withstand financial shocks. The overall objective is to ensure that FMI promote stability and efficiency in the financial system. The CPSS–IOSCO *Principles* were supplemented in December 2012 by the *Principles for financial market infrastructures: Disclosure framework*, to help authorities assess compliance with the *Principles*.

The *Disclosure framework* is structured in the form of a questionnaire intended to be completed by MFI.

Narodowy Bank Polski as the operator of securities settlement system has completed the *Disclosure framework*.

Principle 1: Legal basis

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions

SKARBNET4 is a system for the registration of Treasury bills and NBP bills. It is also a settlement system for these securities. SKARBNET4 is not a separate entity – it operates within the structure of Narodowy Bank Polski (NBP) – it is a unit of the Domestic Operations Department. SKARBNET4 has a well-founded and enforceable legal basis. The legal framework broadly covers areas in which SKARBNET4 operates and governs every aspect of the system activity. The legal framework includes:

1) General laws such as:

- The Act on Trading in Financial Instruments, which constitutes the legal basis for NBP acting as a depository and settlement institution for securities issued by the State Treasury and NBP,
- The Act on Settlement Finality in Payment and Securities Settlement Systems, which incorporated in the Polish legislation the regulations of Directive 98/26/EC of the European Parliament on settlement finality in payment and securities settlement systems. The Act introduces provisions to ensure the finality of settlements in payment and securities settlement systems. It provides that an instruction introduced into the system cannot be revoked from the moment that is defined in the regulations that describe the operational principles of the system.
- The Bankruptcy and Reconstruction Law, which maintains the principle of the availability of assets, despite the declaration of bankruptcy, for the purpose of using them for the settlement of a transaction, as well as excluding these assets from the bankruptcy estate.

2) NBP regulations that provide the legal basis for each material aspect of the SKARBNET4 activities:

- a) Resolution 7/2015 of the NBP Management Board of 12 March 2015 (By-Laws for SKARBNET4), which contains rules and procedures connected with:
- running by NBP of deposit accounts of Treasury bills and NBP bills in the SKARBNET4 for the system participants,
 - settlement of transactions on these securities, including the arrangements for DvP, settlement finality, and the determination of the moment at which transactions are irrevocable.
 - Resolution 7/2015 is available on NBP website.

b) Agreement on operating an account or a deposit account for Treasury bills and NBP bills and performing securities operations in the SKARBNET4 system, which defines responsibilities of NBP as the operator of the SKARBNET4 and also of the system participants. NBP has concluded this Agreement with each participant. Before coming into effect, the Agreement was assessed by the NBP Legal Department and accepted by the NBP Management Board. The Agreement sets out in a clear, simple and unambiguous manner all the rights and obligations of NBP and SKARBNET4 participants. It is understandable, consistent with the legal framework and provides a high degree of legal certainty.

Both documents – Resolution and Agreement - before their adoption by the NBP Management Board and entry into force had been discussed and evaluated by the system participants.

Principle 2: Governance

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

Because SKARBNET4 is part of one of the Departments in the structure of NBP, which is the central bank of the Republic of Poland, its activities are governed by the NBP Management Board.

According to the Act on Narodowy Bank Polski, NBP Management Board is composed of the President of the NBP, in his capacity as Chairperson, and six to eight other Board members, of which two are Vice Presidents of NBP. The members of the Board are appointed and dismissed by the President of the Republic of Poland, at the request of the President of NBP. All tasks and responsibilities of the Board are defined in the Act on NBP. The Board's responsibilities include among others:

- assessing the operation of the banking system;
- adopting the NBP plan of operations and financial plan;
- determining the kind of banking fees and commissions to be charged by NBP and specifying the rates applicable;
- establishing the organizational structure and division of responsibilities within NBP;
- adopting the annual report on the operations of NBP;
- drawing up the balance sheet and profit and loss account of NBP;

Governance arrangements that provide clear and direct separation of the responsibility and the accountability within the NBP's structure are contained in the Organizational By-Laws of NBP established by the NBP Board. The arrangements also determine management and organizational structure of the bank as well as competence of senior management in particular departments. In accordance with these rules, senior management of each organizational unit carries primary responsibility for the unit's activities and efficiency in implementing decisions taken by the Board.

One of the Board's responsibilities is adopting resolutions on matters not reserved for the exclusive authority of other bodies of NBP. By adopting Resolution 7/2015, the Board determined operational rules and all other procedures in the SKARBNET4 as well as established policies for the system.

The senior management of the Domestic Operations Department is responsible for the administration and functioning of SKARBNET4 in pursuance of Resolution 7/2015 and the Agreement. The NBP Board is also competent to charge fees to the participants of SKARBNET4 at a level sufficient to cover the operating costs of the implementation and functioning of this system.

NBP has taken a number of actions to manage and limit conflicts of interest. To avoid possible or perceived conflicts of interest, members of the NBP Management Board do not hold other positions nor engage in gainful or public activity other than academic work, teaching or writing. Procedures to identify, address and manage conflicts of interest within NBP are included in the document "Principles of ethics for NBP employees" issued by the President of NBP.

NBP is responsible for the oversight of the payment system according to its responsibilities included in the Act on NBP - organizing monetary clearing and acting towards the stability of the financial system. The oversight includes several financial market infrastructures which affect the functioning of the flow of money in the economy - among them securities settlement systems. For this reason, NBP performs both functions: of the operator of SKARBNET4 and the overseer of that system. To avoid conflicts of interest that may arise between those two functions, they are separated and carried out in two different organizational units (departments). Each of these departments reports to a different Board member.

Principle 3: Framework for the comprehensive management of risks.

An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.

Operational risk management principles are governed by Resolution 37/2015 of the NBP Management Board.

The risk management system in NBP consists of three levels:

First level -

- 1) risk management in each organizational unit in the Bank - all employees of the organizational unit are responsible for identifying risk and for the application of risk management principles in accordance with the manner of communicating risk information adopted in that unit, monitoring risk and its limiting at the employee's workstation.
- 2) risk managers play an important role - they support the director of the organizational unit in the performance of tasks related to operational risk;
- 3) senior management (directors) – they are responsible for risk management in their organizational units.

Second level -

- 1) the Controlling and Operational Risk Department, which provides a unified operational risk management principles, implementing tools to assess the level of risk (Key Risk Indicators (KRI), self-assessment, database on incidents connected with risk), monitors the risk identified by organizational units, analyses the risk scale in NBP and prepares reporting on operational risk for the Commission on Risk Management.
- 2) the Commission on Risk Management assesses the effectiveness of the operational risk management system, assesses the current level of operational risk, performs analysis of the causes of high or unacceptable level of the risk and recommends the NBP Management Board proposed solutions and developments in this area.

Third level -

The NBP Management Board receives reports on the level and profile of operational risk at NBP in order to effectively manage.

NBP identifies operational risk, which includes several subcategories:

- safety risk

- personnel risk
- legal risk
- technological risk

Operational risk management is closely linked to the management of other risks, since a significant part of the losses related to operational risk occurs at the interface between operational risk and credit risk, market risk and other banking risks.

Operational risk management is a process that involves:

- 1) identification of operational risk - information about the incidents, self-assessment, KRI (Key Risk Indicators), the remedial action plan,
- 2) measuring the level of risk and its evaluation - measuring the size of the impact of an incident, measuring KRI values, assessing the level of operational risk as regards the risks identified in the framework of the current and annual self-assessment,
- 3) monitoring and mitigating operational risk – taking actions to limit the effects of the risk, and taking remedial measures to reduce exposure to risk in the future,
- 4) reporting - information about the level of risk,
- 5) accepting the level of operational risk.

One of the significant elements of risk framework is a Business Continuity Plan (BCP) which is created for all important business functions of NBP. The BCP takes into account identified possible scenarios that could hinder the bank's normal activities such as inaccessibility of the head office and unavailability of the IT infrastructure. The primary part of the BCP is an off-site operations facility. In case the head office is not available, the employees can be moved to a recovery site within two hours and continue work. The IT infrastructure consists of the main site and a fully redundant back-up computer centre with redundant network connections. The technical infrastructure of this back-up computer centre is identical with the main site. The two centres rely on totally independent facilities.

Since the BCP was initiated it has been continuously improved. Continuity plans for NBP are modelled on several disaster scenarios which are performed in Business Impact Analysis (BIA) by a special group of employees.

Because the SKARBNET4 is part of NBP and it is regarded as one of the most important systems ("critical"), it is included in the risk management system and the BCP created for the entire institution.

Principle 4: Credit risk

An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions.

SKARBNET4 is not a separate entity. It operates within the structure of NBP as a unit of the Domestic Operations Department. To control identified sources of credit risk, the following rules govern settlements in the SKARBNET4:

- DvP model 1 - gross settlement in money and in securities
- RTGS
- central bank money

The settlement process is conducted as follows: when settlement instructions for a transaction between participants are matched and when there is enough securities on the seller's deposit account, SKARBNET4 generates a payment instruction. The payment instruction is transferred on-line to the system of banks' current accounts which is operated by the Payment System Department of NBP. When there is enough money on the buyer's current account, it is debited and the seller's current account is credited. When the payment is executed, the securities are simultaneously registered on the buyer's deposit account in SKARBNET4. SKARBNET4 does not allow overdrafts or debit balances in securities accounts. SKARBNET4 is not a separate entity and it does not extend credit to its participants. SKARBNET4 participants are limited to registered banks having current

accounts with NBP. Potential shortages in the banking sector's liquidity may be covered by NBP – as the central bank - offering intraday credit facilities, collateralized by Treasury securities (bills and bonds), securities issued by NBP (bills and bonds), municipal bonds, mortgage bonds, EBI bonds, Guaranteed bonds (bonds warranted or guaranteed by the State Treasury issued by Bank Gospodarstwa Krajowego and Polski Fundusz Rozwoju). The above mentioned assets accepted as collateral are considered to have low credit, liquidity and market risk. The criteria for the selection of securities which may be used as collateral are determined by the NBP Management Board. In addition, appropriate haircuts are applied. The updated list of securities accepted by NBP as collateral for intraday credit with haircut levels are available on the NBP website.

Principle 5: Collateral

An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.

See Principle 4

Principle 6: Margin

A CCP should cover its credit exposures to its participants for all products through an effective margin system that is risk-based and regularly reviewed.

Not applicable.

Principle 7: Liquidity risk

An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multi-day settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.

See Principle 4.

Principle 8: Settlement finality

An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.

Procedures connected with the settlement of transactions on securities registered in SKARBNET4 are contained in Resolution 7/2015 of the NBP Management Board of 12 March 2015 (By-Laws for SKARBNET4). The following rules are used in the system SKARBNET4 for settlement:

- DvP model 1 - gross settlement in money and in securities
- RTGS
- central bank money

The By-Laws for SKARBNET4 clearly defines the moment at which settlement is final as well as the point after which settlement instructions may not be revoked by a participant.

Matching is required for all transactions settling in SKARBNET4 except for internal transfers between deposit accounts of the same participant. Matched settlement instructions are in principle binding on participants. They can only be cancelled upon approval of both parties in the transaction if the instruction for cancellation of the transaction is received by the system before the point of time after which settlement instructions may not be revoked by a participant. A non-matched settlement instruction can be cancelled unilaterally by a participant.

Procedures that facilitate the settlement of transactions on the intended settlement day are introduced in SKARBNET4. These procedures are established according to the provisions of Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 and according to the provisions of other Delegated Regulations (2018/1229, 2017/389) in terms of settlement discipline.

Principle 9: Money settlements

An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimize and strictly control the credit and liquidity risk arising from the use of commercial bank money.

See principle 4 and 8.

Principle 10: Physical deliveries

An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.

Not applicable. All securities registered in SKARBNET4 are in dematerialized form.

Principle 11: Central securities depositories

A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimize and manage the risks associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilized or dematerialized form for their transfer by book entry.

Procedures connected with running by NBP deposit accounts of Treasury bills and NBP bills in SKARBNET4 for its participants are contained in Resolution 7/2015 of the NBP Management Board of 12 March 2015 (By-Laws for SKARBNET4).

Rights and obligations of NBP and system participants arising from running accounts in SKARBNET4 are specified in the *Agreement on operating an account or a deposit account for Treasury bills and NBP bills and performing securities operations in the SKARBNET4 system*.

All securities registered in SKARBNET4 are in dematerialized form.

SKARBNET4 ensures segregation of securities on a participant level by the use of different securities accounts. The SKARBNET4 participant has got:

- deposit account where the participant's own securities are registered,
- deposit sub-account where securities of participant's clients are registered and also registered in an omnibus accounts.

On the participant's deposit sub-account and on participant's demand are operated entity accounts. It gives the participant the possibility to register securities of particular clients by defining in the SKARBNET4 individual name of the entity account.

As the SKARBNET4 operator, NBP is obliged to supervise the consistency between the size of an issue and the number of outstanding securities. SKARBNET4 has appropriate rules, procedures, and controls to safeguard the rights of securities issuers and holders, prevent unauthorized creation or deletion of securities. The system records the issuance of securities, verifies the initial issuance of securities and ensures that newly issued securities are duly delivered on a participant's account. To safeguard the integrity of the securities issues, NBP provides daily reconciliation of the totals of securities issues in the system for each issuer (Ministry of Finance and NBP) and ensures that the total number of securities recorded on the global issue account for a particular issue is

equal to the amount of securities of that issue held on participants' accounts and sub-accounts. As the issuer, the Ministry of Finance also has some tools (reports) in SKARBNET4 to verify that the securities in circulation in the system correspond to the volume issued into the system.

All securities transfers are processed as debits and credits on the respective participants' deposit accounts or sub-accounts. The system constantly checks if the number of securities issued (registered on the global issue account) is equal to the number of securities registered on the deposit accounts and sub-accounts. SKARBNET4 participants are obliged by the Agreement to ensure that the number of securities registered on the clients' accounts in their own registration system is equal to the number of securities on the relevant sub-account in SKARBNET4. According to the Agreement, NBP reserves the right to make periodic on-site inspections at the premises of a participant to verify that the number of securities resulting from the participant's own registration system matches the states of securities registered on accounts and sub-accounts in SKARBNET4.

SKARBNET4 does not allow overdrafts or debit balances in securities accounts.

SKARBNET4 has sufficient safety procedures to eliminate fraud or human negligence. The system requires all the input to be validated by a second person and requires a system access control (a 4-eyes principle, logins, passwords). Monitoring of the system's access and the associated authorization is carried by means of a user ID and the accompanying password. The user profile determines the functions to which the user has access. SKARBNET4 allows its participant to check the status of the settlement and immediately receive settlement confirmation from NBP. Participant can also see its account balance in real time. The system is subject to internal and external control. Controllers from the Internal Audit Department of NBP carry out internal audits. External audits are performed by the Polish Supreme Audit Office. The scope of audits includes checking whether SKARBNET4 operates in accordance with the internal and external rules, procedures and regulations and whether the internal procedures are correct and up to date.

Principle 12: Exchange-of-value settlement systems

If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.

Not applicable.

Principle 13: Participant-default rules and procedures

An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.

To minimize the possibility and influence of a participant default on other participants and SKARBNET4, a number of actions is taken.

- 1) The settlement process is managed according to the principles:
 - DvP model 1 - gross settlement in money and in securities,
 - RTGS,
 - central bank money.
- 2) Participants who are parties to a transaction are informed about the status of a settlement instruction immediately, in real time, and so they are able to take quickly appropriate action to prevent default.
- 3) Potential shortages in the banking sector's liquidity may be covered by NBP offering Lombard and intraday credit facilities (see Principle 4).
- 4) SKARBNET4 allows for T-Bills lending activities to be conducted by all participants. Lending procedures are described in the By-Laws for SKARBNET4 (available on the NBP website).
- 5) In the event of bankruptcy or insolvency, in line with the act on Finality in Payment Systems and Securities Settlement Systems, an instruction introduced into the system cannot be revoked from the moment that is defined in the regulations that describe the operational principles of the system. Also Articles 66 and 80 of the Polish Bankruptcy and Reconstruction Law maintain the principle of the availability of assets - despite the declaration of bankruptcy - for the purpose of using them for transaction settlement, as well as exempting these assets from the bankruptcy estate.

The By-Laws for SKARBNET4 clearly defines the moment at which settlement is final as well as the moment after which settlement instructions may not be revoked by a participant. They can only be cancelled upon approval by both parties to the transaction, provided the instruction to cancel the transaction is received by the system before the moment after which settlement instructions may not be revoked by a participant.

- 6) NBP may terminate the *Agreement on operating an account or a deposit account for Treasury bills and NBP bills and performing securities operations in the SKARBNET4 system* (revocation

of participant status), when a participant does not meet the requirements which are defined in the SKARBNET4 rules. Revocation of participant status does not affect the duties of the participant arising from any operations carried out up to the day of the loss of that status.

Principle 14: Segregation and portability

A CCP should have rules and procedures that enable the segregation and portability of positions of a participant's customers and the collateral provided to the CCP with respect to those positions.

Not applicable.

Principle 15: General business risk

An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialize. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

Since SKARBNET4 is part of a Central Bank, it cannot go bankrupt. SKARBNET4 is regarded as one of the most important ("critical") systems in NBP, so it is included in the risk management system and Business Continuity Plan created for the entire institution. See Principle 3 and 4.

Principle 16: Custody and investment risks

An FMI should safeguard its own and its participants' assets and minimize the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.

Not applicable. SKARBNET4 is part of a Central Bank and has no own assets.

Principle 17: Operational risk

An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.

SKARBNET4 is regarded as one of the most important ("critical") systems in NBP, so it is included in the risk management system and Business Continuity Plan created for the entire institution. See Principle 3 and 4.

Principle 18: Access and participation requirements

An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.

The criteria for the participation in SKABNET4 and other procedures connected with the running by NBP of Treasury bills and NBP bills deposit accounts in SKARBNET4 for its participants, are specified in Resolution 7/2015 of the NBP Management Board of March 12, 2015 – The By-Laws for SKARBNET4 (available on NBP website). According to this regulation, deposit accounts in SKARBNET4 can be held by an entity that maintains an account in zloty in SORBNET2 (Polish RTGS system operated by NBP). Each participant signs a standard participation agreement - *Agreement on operating an account or a deposit account for Treasury bills and NBP bills and performing securities operations in the SKARBNET4 system*. The rules and regulations which are applicable in the SKARBNET4 are the same for all participants and are binding for all the parties participating in the system. Participants are subject to a review and approval process, both prior to admission and after admission, to ensure compliance with eligibility requirements. New participants are also subject to compliance testing on operational and technical issues (IT and telecommunication systems). The content, conditions and data for these tests are agreed in advance with the participant. NBP, which is managing SKARBNET4, supervises direct participants' activities to see whether they are compliant with the procedures contained in the By-Laws for SKARBNET4. The supervisory division in the NBP Domestic Operations Department controls the activities of the participants to confirm their compliance with the SKARBNET4 rules. The compliance with the rules and regulations in force is controlled by NBP via on-site inspections. A participant may decide to close its depository account at SKARBNET4 for any reason or at any moment the participant deems appropriate, with a one-month prior notice of his intent to terminate his participation in the SKARBNET4. In such a case he has to transfer all the securities to another participant's account. NBP may terminate a participation agreement (revocation of participant status) when a participant does not meet the requirements defined in the SKARBNET4 rules. Revocation of participant status does not affect the duties of the participant arising from any operations carried out up to the day of the loss of that status.

Principle 19: Tiered participation arrangements

An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.

Not applicable.

Principle 20: FMI links

An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.

SKARBNET4 has established a link with SORBNET2, which is the Polish RTGS system operated by NBP. The only risk identified in relation with this link is technological risk, which is managed in the risk management system in NBP. SKARBNET4 has no links with other FMIs.

Principle 21: Efficiency and effectiveness

An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.

SKARBNET4 is operated by NBP. As it functions within the structure of the central bank, it is managed in accordance with the regulations in force at NBP (Resolution 7/2015 of the NBP Management Board of 12 March 2015 – The By-Laws for SKARBNET4, available on the NBP website).

NBP constantly co-operates with the system participants in adapting the depository-settlement system rules to the needs of the capital market. Any likely changes to the SKARBNET4 rules put forward by NBP undergo the process of consultations. NBP has established User Committee for registration system for Treasury bills and NBP bills operated in SKARBNET4. The governance arrangements and operational procedures of User Committee contain Resolution 8/2018 of the NBP Management Board of 15 March 2018. User Committee can advise NBP on key arrangements that impact on participants and on service level.

The SKARBNET4 rules and the procedures binding in SKARBNET4 are an integral part of the agreement between NBP and SKARBNET4 participants and are binding for both parties of that agreement: NBP as well as all the SKARBNET4 participants.

NBP, which is managing SKARBNET4, supervises direct participants' activities to see whether they are compliant with the appropriate securities registration procedures. The compliance with the rules and regulations currently in force is controlled by NBP via on-site controls at participants' premises.

NBP manages SKARBNET4 on a non-profit basis, only on a cost-recovery basis. NBP charges the participants of SKARBNET4 fees sufficient to cover the system operating costs, calculated on a full cost basis. Its pricing levels are determined by balancing its revenues against its operational costs.

NBP is responsible for the management of the operational issues in SKARBNET4. The system has sufficient capacity to handle peak volumes – the normal activity could be multiplied without having any impact on the performance of the system. In case of large fluctuations, it will be identified whether volatility is caused by technical or operational issues (e.g. a substantial increase in transactions). Effective capacity is carefully analyzed taking into account implementation of new services, software, etc.

Principle 22: Communication procedures and standards

An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

SKARBNET4 uses international standard ISO6166. SKARBNET4 has developed application allowing participants to check their deposit account positions, the status and content of settlement instructions in real time, balances and movements of securities resulting from settlement transactions, basic information on participants and securities. Participants may also submit settlement instructions for the secondary market of Treasury bills and NBP bills to the SKARBNET4 in xml files compliant with the ISO20022 format. The Internet based access to the system is ruled by an electronic certificate.

Principle 23: Disclosure of rules, key procedures, and market data

An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.

Rules and procedures connected with running by NBP deposit accounts and settlement process in SKARBNET4 are specified in Resolution 7/2015 of the NBP Management Board (By-Laws for SKARBNET4), available on the NBP website. NBP constantly co-operates with SKARBNET4 participants in adapting the depository-settlement system rules to the needs of the capital market. Any likely changes to the SKARBNET4 rules put forward by NBP undergo the process of consultations.

Principle 24: Disclosure of market data by trade repositories

A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.

Not applicable.

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