



## **Food Platform – agricultural and food commodities exchange**

**Project Food Platform financed by National Center for Research and Development as a part of program „GOSPOSTRATEG“**

# **General information about the Food Platform**

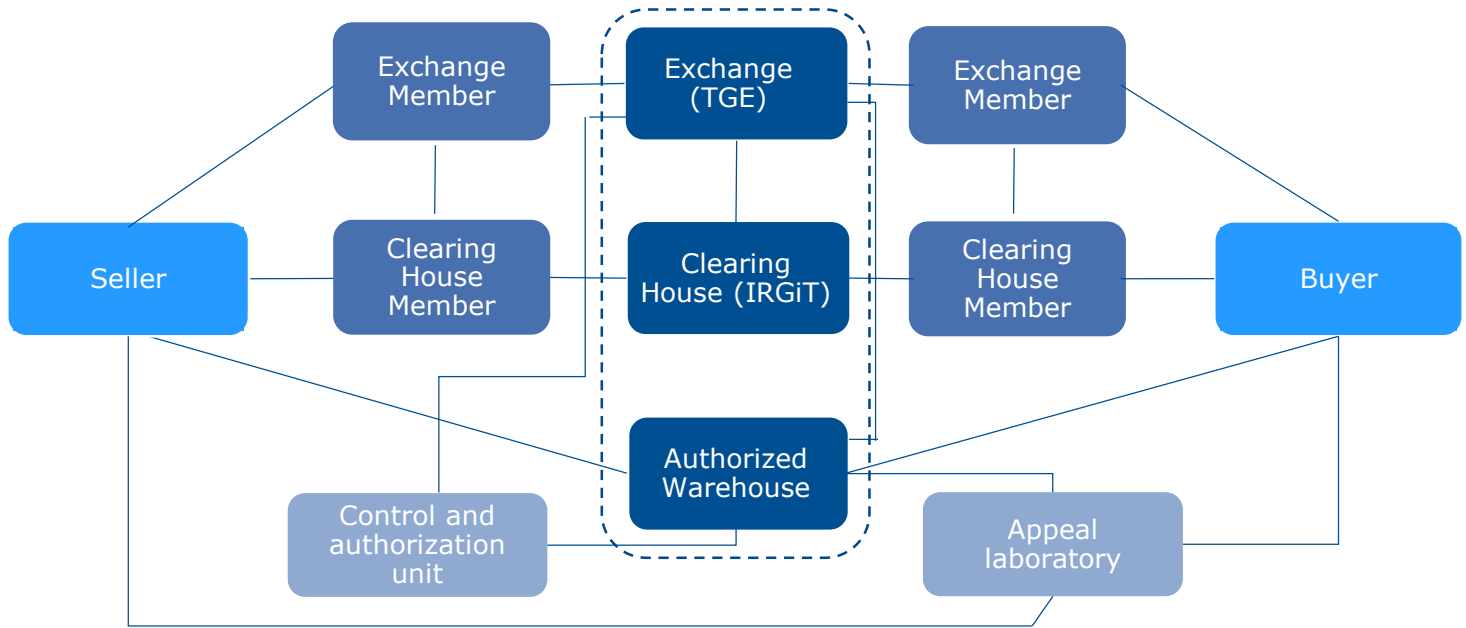
# Project - Food Platform

- ◆ **Ministry of Agriculture and Rural Development** initiative included in the Strategy of Responsible Development
- ◆ **Project run** by the National Support Centre for Agriculture and Institute of Agricultural and Food Biotechnology and Institute of Agricultural, and Food Economist
- ◆ **Financing** from National Centre for Research and Development - Gospostrateg program
- ◆ **Goal:** launching the Food Platform as an organized exchange market for agri-food products
- ◆ **Operator:** consortium of Giełda Papierów Wartościowych w Warszawie S.A. (GPW), Towarowa Giełda Energii S.A. (TGE) and Izba Rozliczeniowa Giełd Towarowych S.A. (IRGiT)

# Agricultural and Food Commodities Market - RTRS

- ◆ The market launched on the TGE as part of the Food Platform project
- ◆ Segment of the Commodities Market at TGE - dedicated to trading in selected agricultural and food commodities, defined as to their kind and quality
- ◆ Only spot transactions with physical settlement
- ◆ Regulated by the Commodity Exchange Act
- ◆ Supervised by the Polish Financial Supervision Authority
- ◆ Compliant with standard exchange trading practices
  - ✓ Uniform participation conditions
  - ✓ Standardized goods
  - ✓ Standard terms and methods of concluding and settling transactions
  - ✓ Anonymity of trading

# Market structure and participants



# Roles of participants

- ◆ **Exchange - TGE:** organizes trading and operates the Authorized Warehouses System
- ◆ **Exchange Clearing House at IRGiT:** operates transaction security system and conducts clearing and financial settlement of transactions
- ◆ **Authorized Warehouses:** verify quality and provide storage of goods traded on the Exchange and carry out physical settlement of transactions
- ◆ **Brokerage houses:** provide market access to participants that are not members of Exchange or Exchange Clearing House
- ◆ **Appeal laboratories:** conduct appeal tests of goods at the request of trading participants
- ◆ **Control and authorization unit:** verifies the fulfillment of technical and organizational requirements by Authorized Warehouses

# Access to RTRS

## ◆ Exchange Members – direct access

- ✓ Professional market participants acting towards the Exchange as transaction counterparties
- ✓ Responsibility towards the Exchange for orders placed and transactions concluded, both for own account and for their clients' accounts
- ✓ Placing collateral and clearing transactions directly with the Exchange Clearing House (or through another House member)
- ✓ Required formal status of Exchange Member and admission to operation on RTRS

## ◆ Market participants without Exchange membership - indirect access

- ✓ Represented by brokerage houses in relations with the Exchange
- ✓ Placing orders and concluding transactions through brokerage houses
- ✓ Placing collateral and settling transactions with brokerage houses
- ✓ Required an exchange commodity account and an associated cash account with a selected brokerage house operating on RTRS

# Object of trading on RTRS – pilot phase

- ◆ Wheat harvested in the EU
- ◆ Meeting the quality standards set by the Exchange
- ◆ Storage in an Authorized Warehouse and registered in a registry provided by the Exchange (e-RTRS)
- ◆ Verified as to its quality and classified by the Authorized Warehouse

Quality parameter	Class A	Class B	Class C
Maximum humidity (PN-EN ISO 712)	14,5%	14,5%	14,5%
Maximum content of impurities (PN-EN 15587)	6%	6%	6%
Minimum density (PN-EN ISO 7971-3)	77kg/hl	76 kg/hl	72kg/hl
Minimum protein content (Nx5,7) of dry mass (PN-EN ISO 20483)	14% s.m.	12,5% s.m.	n.d.
Minimum Haugberg falling index (PN-EN ISO 3093)	250 s	220 s	n.d.



# **Trading rules in the single-price system**

# Single-price trading system

- ◆ Regular listing of standardized instruments
- ◆ **Single-price trading formula**
  - ✓ Single-price is determined separately for each listed instrument during each trading session
  - ✓ The single price applies to all transactions concluded in a given instrument
  - ✓ Exchange quotations carried out on the basis of net prices
- ◆ **Object of trading**
  - ✓ Wheat deposited in **Authorized Warehouses providing storage services**
  - ✓ Class B & C
- ◆ Goods introduced and stored in an Authorized Warehouse at the expense of the owner
- ◆ Quantity, quality and class of goods determined by the Authorized Warehouse and recorded in e-RTRS
- ◆ Goods belonging to a given class mixed and stored together, without separating batches coming from different owners

# Collateral requirements

## ◆ Collateral for buy orders

- ✓ Transaction deposit for the full gross value of the order: quantity x price limit + VAT
- ✓ Required on the day before the session

## ◆ Collateral for sell orders

- ✓ Goods deposited in an Authorized Warehouse and registered in e-RTRS
- ✓ At the latest on the day before the session
- ✓ Authorized Warehouse and class of goods must correspond to the specifications of a given instrument

## ◆ Orders without the required coverage are not accepted

# Settlement of concluded transactions

## ◆ Transfer of ownership of goods

- ✓ As of the moment of updating the holdings of goods on participants accounts in e-RTRS
- ✓ On the day of the session, according to the concluded transactions
- ✓ From the moment of entry in the e-RTRS, the buyer may dispose of the goods as the owner and is responsible for further costs of storing the goods in the Authorised Warehouse

## ◆ Financial settlement

- ✓ Debiting the buyer's account and crediting the seller's account with the gross amount of the transaction (quantity of goods x transaction price + VAT)
- ✓ Unconditional, on the first business day after the transaction is effected, irrespective of settlement in the goods
- ✓ Documented by sales invoices

## ◆ Collecting goods from the Authorised Warehouse

- ✓ On the basis of an agreed schedule and collection document from the e-RTRS
- ✓ Warehouse must enable collection of the goods by the 21st day after the session

# **Trading rules in the auction system**

# Auction system

- ◆ Ad hoc grain sales auctions conducted by the Exchange at the seller's request
- ◆ The seller **must be an SMA Participant not providing storage services**
- ◆ Object of the auction:
  - ✓ Wheat of class A, B or C
  - ✓ Deposited in the Authorized Warehouse of the seller
  - ✓ Verified and recorded in e-RTRS by the Authorised Magazine
- ◆ Minimum quantity offered: 250 tonnes of wheat of the same class (in multiples of 25 tonnes)
- ◆ Auction open to all potential buyers operating on RTRS

# Collateral requirements

## ◆ Collateral for buy orders

- ✓ Transaction deposit for full gross value of the order: quantity x price limit + VAT
- ✓ Required on the day before the auction

## ◆ Collateral for the sell order (of the offeror)

- ✓ Goods deposited in the seller's Authorised Warehouse and recorded in e-RTRS
- ✓ Security deposit in the amount determined by the Clearing House, paid by the seller at least two working days before the auction

## ◆ Buy orders without required coverage are not accepted

## ◆ Failure to pay the security deposit by the seller will result in cancellation of the auction

# Settlement of concluded transactions

## ◆ Transfer of ownership of goods

- ✓ As of the moment of updating the holdings of goods on participants' accounts in e-RTRS
- ✓ On the day of the auction, according to the transactions concluded
- ✓ From the moment of entry in the e-RTRS, the buyer may dispose of the goods as the owner and is responsible for the costs of storing the goods in the Warehouse in excess of than 21 days

## ◆ Financial settlement

- ✓ Collection of payment in the gross amount (quantity of goods x transaction price + VAT) from the buyer's account on the first working day after the auction
- ✓ If there are no recognised reservations of the buyer to settlement in the goods by the 18th day after the auction - transfer of the payment to the account of the seller and return of the security deposit on the 21st day after the auction
- ✓ Otherwise, the payment is returned to the buyer's account and the security deposit is handed over to the buyer

## ◆ Collecting goods from the Authorized Warehouse

- ✓ On the basis of an agreed schedule and collection document from the e-RTRS
- ✓ Warehouse must enable collection of the goods by the 21st day after the auction



# **Authorized Warehouses System (SMA)**

# Authorized Warehouses System

- ◆ A network of warehouses organized and supervised by the Exchange for the purpose of trading in agri-food commodities with physical delivery
- ◆ Composed of grain warehouses independent of the Exchange
- ◆ Voluntary participation on terms and conditions specified by the Exchange in the Rules of the Authorized Warehouses System
- ◆ **Participation options:**
  - ✓ Participant providing storage services - provision of storage capacity to other market participants against payment
  - ✓ Participant not providing storage services - authorization of its own warehouse for the purpose of introducing only own goods to exchange trading in the auction system

# **Exchange and Exchange Clearing House Membership**

# Exchange membership

- ◆ Right to enter into transactions directly on the Exchange
- ◆ Possibility to act on your own account or that of your customers
- ◆ Full responsibility towards the Exchange for its own and clients' orders and transactions
- ◆ Granted by the Exchange Management Board on request from an entity meeting the conditions of the Trading Rules of the Commodity
- ◆ Eligible entities:
  - ✓ Brokerage houses and commodity brokerage houses
  - ✓ Foreign legal persons conducting brokerage activities in the field of trading in exchange commodities on the territory of Poland in the form of a branch
  - ✓ Non-commodity brokerage houses trading companies conducting brokerage activities in the field of trading in exchange commodities
  - ✓ Agricultural producer groups

**How to start?**

# How to become a trading participant on RTRS?

**If you are not an Exchange Member, you can join RTRS only through a brokerage house - according to the path below**

Choose a brokerage house

The list of houses operating on RTRS is available on [www.tge.pl](http://www.tge.pl)



Open an account with a brokerage house

Conclude a contract for a commodity and related cash account



Obtain the e-RTRS code

You will receive it through a brokerage house



Obtain access the e-RTRS application

You will receive it along with the code - you will need it to operate on RTRS



Place orders and enter into transactions

Using the tools provided to you by your brokerage house

# Single-price system - how to buy grain?

The list of listed instruments and the trading schedule are available on the website [www.tge.pl](http://www.tge.pl)

Make a transaction deposit

It must be made before the session and cover the gross value of the buy order



Submit a sell order for the session

Indicate the right instrument, quantity and price limit (net)



Wait for the session result

Once the single price is fixed, you will find out whether your order has been filled



Wait for transaction settlement

If the order has been filled, the goods will be registered on your e-RTS account and the amount of payment (gross) taken from the cash account

# Single-price system - how to collect the purchased grain?

**The Authorized Warehouse storing the grain is responsible for its release**

Set up a pickup schedule with the Authorized Warehouse

The warehouse should allow you to collect the goods within 21 days of the transaction



Download collection document from e-RTRS

You will present the document specifying the class and quantity of the item for pickup in the Warehouse



Go to the Authorized Warehouse to collect the goods

Provide means of transport according to the agreed pickup schedule



Check the received goods

You can request that the quality of the received goods be tested in the Warehouse laboratory



In case of problems with collection, please inform the Exchange

You can do it directly through the e-RTRS application



# Auction - how to buy grain?

**Information about planned auctions is published on the TGE website and in the e-RTRS application**

Make a transaction deposit

It must be made before the auction and cover the gross value of the purchase order



Place a buy order for the auction

One order covers 25 tones and must specify the purchase price (net)



Wait for the auction to be resolved

After resolution of the auction you will find out if your order has been completed



Wait for transaction settlement

If the order has been filled, the goods will be registered on your e-RTRS account and the amount of payment (gross) taken from your cash account

# Auction - how to collect purchased grain?

**The Authorized Warehouse of the seller is responsible for the release of grain**

Set up a pickup schedule with the Authorized Warehouse

The warehouse should allow you to collect the goods within 21 days of the transaction



Download collection document from e-RTRS

You will present the document specifying the class and quantity of the item for pickup in the Warehouse



Go to the Authorized Warehouse to collect the goods

Provide means of transport according to the agreed pickup schedule



Check the received goods

You can request that the quality of the received goods be tested in the Warehouse laboratory



**If you have any problems with collection, raise objections to the Exchange**

You can do it within 18 days. If the seller does not comply with the terms of the transaction you will be able to withdraw from it

## Where to obtain more information

- ◆ The Exchange – [www.tge.pl/rtrs](http://www.tge.pl/rtrs)
- ◆ The Clearing House – [www.irgit.pl/rynek-towarowy](http://www.irgit.pl/rynek-towarowy)
- ◆ Brokerage houses providing access to RTRS
  - ✓ Dom Maklerski Banku Ochrony Środowiska S.A. – [www.bossa.pl](http://www.bossa.pl)
  - ✓ Noble Securities S.A. – [www.noblesecurities.pl](http://www.noblesecurities.pl)
  - ✓ PGE Dom Maklerski S.A. – [www.dmpge.pl](http://www.dmpge.pl)

## **Legal disclaimer**

This presentation is for information purposes only and does not constitute legal or financial advice or an offer to conclude any transaction or contract. The basic source of information on instruments and rules of trading on the Agricultural and Food Market and membership on the Exchange Commodity Market of TGE S.A., the Exchange Clearing House and the Authorized Warehouse System are regulations available on the websites of TGE S.A. and IRGiT S.A. TGE S.A., IRGiT S.A. or GPW S.A. makes no warranty or warranty regarding this material and is not responsible for any damages resulting from the use of the information contained herein.

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