

## The Warsaw Stock Exchange

The Warsaw Stock Exchange (WSE) operates based on the *Act on Trading in Financial Instruments* of July 29, 2005 under the supervision of the Polish Securities and Exchange Commission (the *Act on Capital Market Supervision* of July 29, 2005).

Capital market traditions in Poland go back to 1817, when the Warsaw Mercantile Exchange was established. The Warsaw Stock Exchange opened in its present form on April 16, 1991, operating an electronic trading system from the very start.

The WSE is a joint-stock company created by the State Treasury. Its share capital amounts to PLN 41,972,000 split into 59,960 registered shares each of face value PLN 700. At the end of 2005, the WSE had 38 shareholders, including brokerage houses, banks, a listed company and the State Treasury, which owns 98.81% of the shares.

The task of the WSE is to organise trading in financial instruments.

The Exchange provides a concentration of buy and sell offers in one place and at one time, which allows prices to be determined and transactions to be concluded.

The trading system used on the WSE is order-driven, which means that prices of financial instruments are determined based on buy and sell orders. In order to allow the price for a given instrument to be set, a list of buy and sell orders is prepared. The matching of these orders is performed according to strictly defined rules, and the execution of transactions takes place during trading sessions.

To improve the liquidity of listed securities, brokerage houses may perform the function

of market maker (animator), whereby (based on a relevant agreement with the Exchange) they place buy and sell orders in the order book.

Trading sessions at the Exchange take place from Monday to Friday and last from 9.00 a.m. until 4.35 p.m.

The Exchange core strategic objectives are incorporated in its mission, vision and strategic operational goals.

### Mission of the WSE

- To provide a transparent, effective and liquid market that concentrates trading in Polish financial instruments;
- To provide the highest quality of service to Polish market participants ;
- To provide a capital allocation and Polish economy financing mechanism;
- To foster capital markets development in Poland.

### The WSE's Vision

- To achieve a 50% market capitalisation/ GDP ratio;
- To maintain the leading position on the domestic capital market;
- To become the largest exchange in the region and an important hub in the network of European exchanges.

### The strategic operational goals of the Exchange address the following areas:

**Financial perspective** – creating value for shareholders

- To provide stable and profitable development of the company and its capital group;



- To stabilize sales revenues in the long-term;
- To reduce costs per transaction.

**Customer perspective** (*issuers, investors and intermediaries*)

- To attract new customers (including small and medium-sized Polish enterprises and foreign clients);
- To increase client satisfaction;
- To retain existing clients.

**Market development perspective**

- To increase the knowledge of present and future capital market participants;
- To foster improvement in regulations determining the conditions for entities operating in the Polish capital market;
- To influence development of the capital market infrastructure;
- To increase clients confidence in the exchange.

**Internal processes perspective**

- To maintain operational reliability;
- To increase commercial effectiveness (the ability to obtain new clients);
- To optimize strategic management processes in the company.

**Organisational development and learning perspective**

- To increase staff skills, especially in winning new clients;
- To raise staff motivation, and ensure recruitment and stability of key personnel;
- To upgrade IT technology in line with the changing environment.

The above strategic business goals are pursued by the Exchange in its day-to-day operations, as well as special projects.

At present the Exchange is running the following projects aimed at fostering the market development:

- Performance of tasks under the Capital Market Development Strategy – Agenda Warsaw City 2010;
- Work on creation of the Warsaw City Foundation to foster the development and promotion of Warsaw as a financial centre;
- Development, promotion and fostering the implementation of listed companies corporate governance principles;
- Participation in the Forum for the Development of the Polish Capital Market (*Porozumienie na rzecz rozwoju polskiego rynku kapitałowego*), a discussion platform for Polish capital market community.

Achieving strategic business goals of the WSE shall be fostered by cooperation with the Ministry of the Treasury in determining a proper strategic ownership option and international positioning of the Exchange.

## Exchange markets

Trading takes place on two markets:

- Main (official quotations) market;
- Parallel market.

Within the **main market**, a so-called Plus segment has been created. It covers stocks of the largest and most liquid companies who accept higher investor relations and corporate governance standards.

Within the **parallel market** the so-called Prim segment has been established. The requirements for the Prim segment include higher issuer-investor communication standards, as well as the obligation to publish a wider range of financial data.

More information can be found in the chapter 'Issuers'.

## Listed financial instruments

The following securities are traded on the WSE: equities, bonds, subscription rights, allotment certificates (PDA), investment certificates, as well as derivative instruments in the form of futures contracts, options and index participation units.

## Securities

### Equities

Equities are quoted in a continuous trading system or in a single-price system with two auctions daily. Additionally, for large blocks of securities, so-called block trades outside the order book are possible.

For companies, which operate in the innovative technologies sector, the WSE has created a separate segment – SiTech (Segment for Innovative Technologies).

This segment includes companies operating in the following sectors:

- IT;
- Telecommunications;
- Electronic media;
- Biotechnology.

Companies included in the SiTech segment are given additional presentation in quotation tables and have a separate index, the TechWIG, which also serves as an underlying instrument for futures contracts. All SiTech companies are traded in the continuous trading system.

**Subscription rights** are the rights of shareholders in listed companies to purchase new shares in a given company. Subscription rights are quoted in the same trading system as the shares of the company in question.

**Allotment certificates (PDA)** are financial instruments, which enable those taking up newly issued shares to sell those shares before they are introduced to trading on the

Exchange. Allotment certificates are quoted in the same trading system as that in which the shares are already traded or are to be traded.

**Bonds** – the majority of bonds listed on the Exchange are Treasury bonds. Corporate bonds are also traded on the Exchange, including those issued by foreign entities. All bonds are traded in the continuous trading system.

**Investment certificates** – securities issued by closed-end investment funds.

**Priority rights (subscription warrants)** – securities giving their owners priority in purchasing shares of a given company at a predetermined price.

## Derivatives

All derivative instruments are traded in the continuous trading system.

At the end of 2005, the following types of derivatives were available for trading:

- Futures contracts based on the WIG20, MIDWIG and TechWIG indices, on T-bonds, on stocks of the largest companies and on the USD and EURO exchange rates;
- European-style options based on the WIG20 index and individual stocks;
- Index participation units based on the WIG20 index.

## Supervision

The tasks of the WSE include supervision of listed companies' compliance with disclosure requirements and ensuring that market participants have equal access to information published by issuers. The Exchange also supervises members' compliance with Exchange rules.



## Market data

Market information is distributed mainly through electronic channels. Information is made available through commercial and public services. Distributors who have signed a relevant agreement with the Exchange are provided with market information in real time via satellite. This information is subsequently made available to other groups of clients, including individual investors or financial institutions.

Apart from commercial services, which are available through data vendors, brokerage houses, Internet portals or mobile phone operators, investors can also make use of market information provided free of charge by the Exchange via Polish public teletext and the WSE web site. However, public services offer limited data and provide information only after some delay.

The WSE also publishes *Cedula*, an official daily electronic bulletin featuring quotations, market indicators and decisions made by the Exchange authorities. Additional information concerning Exchange data can be found in the chapter 'Market Information' and at [www.wse.com.pl](http://www.wse.com.pl) under *Market Data*.

## Promotion and education

The Exchange participates in conferences and seminars on capital markets and supports such initiatives financially or by making its premises available free of charge. In 1995, the Exchange established a Polish Capital Investment Forum called *Your Money*, a fair organised in Warsaw every October. A new WSE initiative addressed to individual investors is the Shareholders Forum. The event, in which 38 companies and 900 investors from all over Poland participated, was held for the first time on November 25, 2005.

In addition, the Exchange prepares educational publications and runs programmes

promoting knowledge of capital markets. Since 1999, an educational programme called the *Exchange School*, organised and financed by the Exchange, has been conducted in numerous Polish cities. Over the years more than 7.5 thousand people participated in these courses.

## The Foundation for Capital Market Education (Fundacja Edukacji Rynku Kapitałowego: FERK)

The Exchange has established a Foundation for Capital Market Education, whose aim is to disseminate and popularise knowledge of capital markets, with particular emphasis on the stock market. The Foundation's activities are directed mainly towards the younger generation. The Foundation offers practical experience through various games and competitions, which help to understand the way the stock market operates. The most popular annual competition for secondary schools is the Internet Stock Market Game run by the Foundation in cooperation with the Chancellery of the President of the Republic of Poland. Hundreds of teams from all over Poland participate in the game each year. More information on the Foundation is available in Polish at [www.ferk.pl](http://www.ferk.pl).