



## Market participants perspective of REMIT requirements

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# Statkraft at a glance



EUROPEAN  
FLEXIBLE  
GENERATION



MARKET  
OPERATIONS



INTERNATIONAL  
POWER



WIND POWER



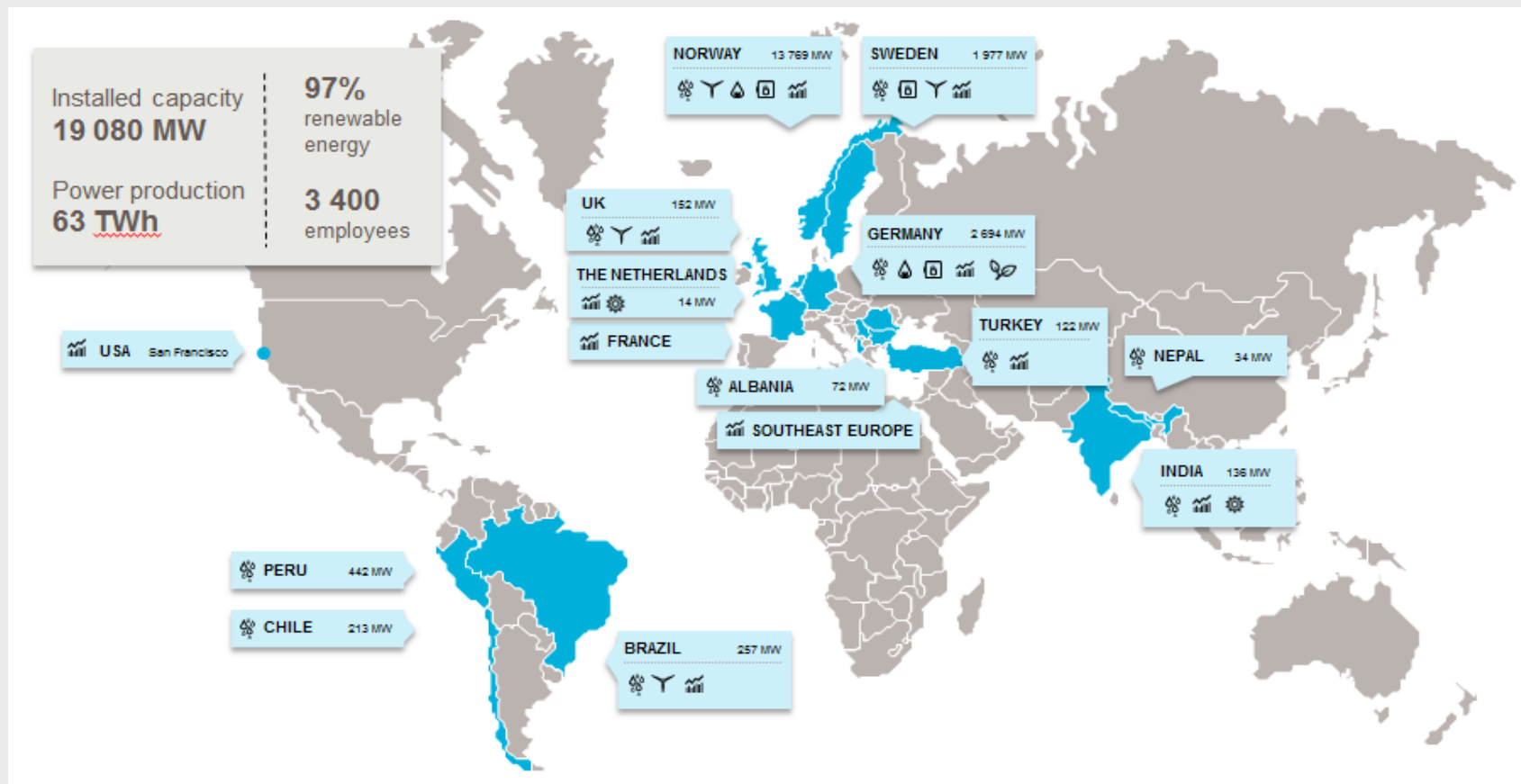
DISTRICT  
HEATING



NEW BUSINESS  
DEVELOPMENT  
NORWAY



# Statkraft at a glance



# Why REMIT?

## ***Statkraft was and is always in full support of REMIT***

- *We need a fair level playing field for trading activities!*
- *We need trust in the markets where we operate!*
- *REMIT provides the ground for expected market behaviors which secures investments in such markets!*
- *REMIT lays the ground for liquidity in trading activities which then benefit the market, the market participants and the end-consumers!*
- *Energy companies act across different markets and unified rules ease market access and allow unified activities in several markets*

# Why REMIT?

## *REMIT lead to a mentality change*

- *First, strong observations against REMIT as it did endanger existing trading behavior*
- *Trust in the market increased and new trading strategies evolved*
- *Different way of thinking amongst traders following REMIT*
  - Traders act more conscious with regard to potentially unethical trades
  - Traders act more secure with regard to expected trading behavior of other market participants

# ***REMIT in Norway***

## ***Norway is not part of the EU – only part of the EEA***

- *REMIT not directly applicable in Norway*
- *Market abuse rules indirectly applicable as they were part of the Market Conduct Rules of the exchange (Nord Pool)*

## ***Norway implemented its own REMIT law on 1 March 2018***

- *Market abuse rules implemented 1:1*
- *No REMIT reporting*
- *New regulator NVE announced to follow ACER guidance 1:1*
- *NVE has status of an observer at ACER*

***WHAT DOES REMIT MEAN FOR  
COMPANIES?***

***HOW TO COMPLY WITH REMIT AS  
A COMPANY?***

# *What does REMIT mean for market participants?*

## *REMIT provides only for the Do`s and Don`ts:*

- *Obligation to publish insider information*
  - *Prohibition of disclosure of insider information*
  - *Prohibition of insider trading*
  - *Prohibition of market manipulation*
- 
- *Obligation to report fundamental data and transactional data*



# *What does REMIT mean for market participants?*

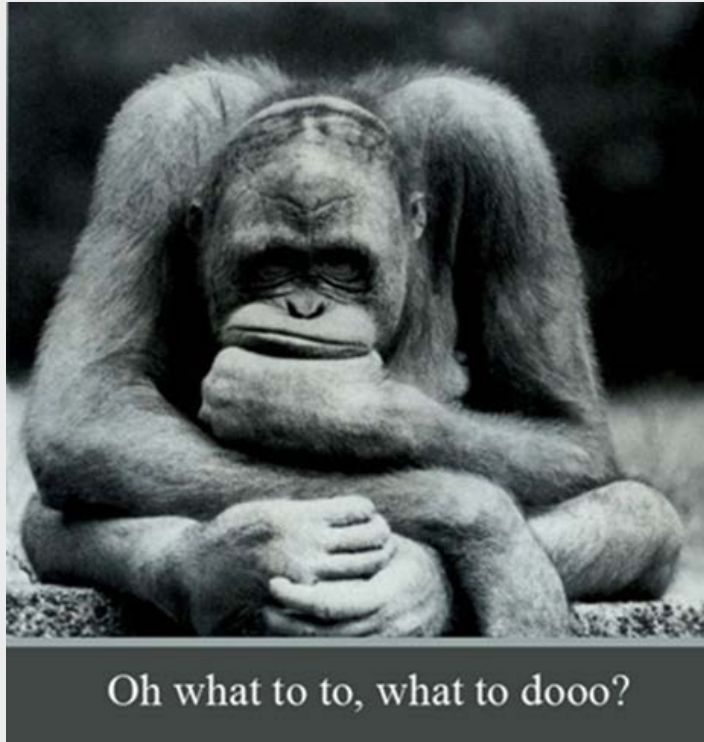
*REMIT is accompanied by additional local laws laying down sanctions:*

- In many countries up to 5 years imprisonment*
- (potential) sanctions have been the game changer*
- Management and traders took REMIT serious which lead to a change in behavior in markets*
- Most market participants implemented a compliance regime addressing market regulations such as REMIT*

# *How could a Compliance regime for market participants look like?*



*No statutory provisions on how an internal compliance regime could look like!*



# How could a Compliance regime for market participants look like?



## *4th ACER Guidance on the application of REMIT:*

### **Compliance culture:**

- *the creation of a corporate culture to comply with REMIT requirements*

### **Compliance objectives:**

- *the compliance with REMIT requirements, namely the registration, disclosure and reporting obligations and the market abuse prohibitions*

### **Compliance organisation:**

- *the definition of roles and responsibilities in the internal organisation (e.g. responsibilities for the REMIT requirements (centralised vs. decentralised), internal vs. external reporting lines, internal vs. external interfaces, provision of resources: human / technical (IT Systems) resources*

### **Compliance risks:**

- *the identification / assessment of concrete compliance risks*

### **Compliance programme:**

- *the identification of concrete actions to define compliant/non-compliant behaviour*

# How could a Compliance regime for market participants look like?



**Cont. 4<sup>th</sup> ACER Guidance:**

## **Communication:**

- *the communication of the rules and regulations to be observed:*
  - internal communication and training concept (raising the awareness of employees)
  - external communication and reporting to the Agency/NRAs
- *reporting processes:*
  - internal reports on compliance
  - reporting of infringements
  - status of current processes etc.

## **Monitoring improvements:**

- *internal controls, audits, etc.*
- *reporting lines for monitoring results*
- *documentation of processes and actions*

# How could a Compliance regime for market participants look like?

## *Cornerstones to an internal compliance regime:*

### *A - Definition of roles and responsibilities*

- Setting-up a compliance function

### *B - Identification of compliance risks*

- What is the risk exposure?

### *C - Risk mapping and prioritisation*

- What to focus on?

### *D - Response to compliance risks*

- Actions to mitigate the risks



# ***How could a Compliance regime look like?***

## ***A - Requirement for Compliance function***



### ***Compliance function needs to be independent***

- Absolut requirement is independence from operational business unit;
- Ideally independence from other controlling units (internal auditing, risk controlling)

### ***Compliance function needs to have direct reporting to management***

- Control is not effective if line-managers may intervene

### ***Compliance function needs to have sufficient knowledge of all business activities of the company***

- Early involvement in decision making process

### ***Compliance function must always be informed about market developments***

- Participation in associations, conferences working groups etc.

### ***Personnel qualification of the compliance function***

# *How could a Compliance regime look like?*

## *B - Identification of Compliance Risks*



### *Self-assessment of the company and its risk exposure by the compliance function*

- Defining the main sources for compliance risks within the company
- Defining the key stakeholder for such risks within the company
- Defining a questionnaire for key stakeholder

### *Interviews with the key stakeholder in the company*

- Ideally up-front: training of the key stakeholder to understand REMIT
- Acquire full description of the activities of the business unit
- Pre-structured questions, e.g. to identify the potential flow of inside information
- Open questions to receive additional concerns / suggestion

# How could a Compliance regime look like?

## C - Risk Mapping & Prioritisation



Likelihood of Non-compliance	High	3	6	9
	Medium	2	4	6
	Low	1	2	3
		Low	Consequence	High

### Likelihood

- 1 = Low
- 2 = Medium
- 3 = High

### Consequence

- 1 = Company Sanctions
- 2 = 1 + Reputational Risk
- 3 = 2 + Personal Sanctions or heightened reputational risk



# How could a Compliance Programme look like?

## C - Risk Mapping & Prioritisation



- **Clustering the company in business units**
- **Assessing the likelihood and consequences of REMIT breaches**
- **Determine risk areas**
  - Green: accept the risk**
  - Yellow: manage the risk**
  - Red: mitigate and reduce the risk**
- **Define which measures would reduce risk**

REMIT	Likelihood	Consequence	Risk
<b>Inadvertent Breach</b>	21	48	49
<b>Inside Information</b>	7	10	17
BO/MO/Other	1	3	3
Dispatch	2	2	4
PG	2	3	6
T&O	2	2	4
<b>Insider Trading</b>	4	10	8
BO/MO/Other	0	3	0
Dispatch	2	2	4
PG	0	3	0
T&O	2	2	4
<b>Market Manipulation</b>		10	14
BO/MO/Other	1	3	3
Dispatch	2	2	4
PG	1	3	3
T&O	2	2	4
<b>Publication</b>	4	10	10
BO/MO/Other	0	3	0
Dispatch	2	2	4
PG	2	3	6
T&O	0	2	0

fictitious example

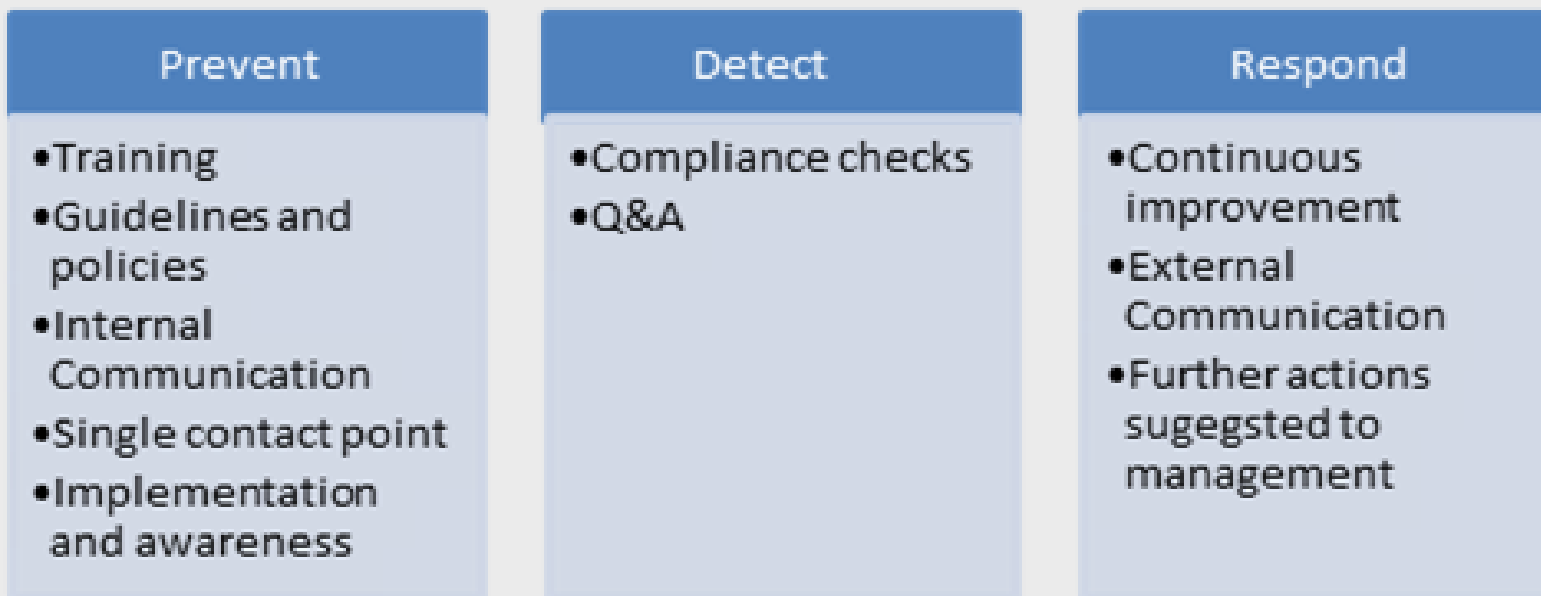
# How could a Compliance regime look like?

## D - Response to Compliance risks



*Definition of an action plan to address the identified and prioritised risks*

*Three main pillars of areas to act:*



# ***How can we prevent REMIT breaches? Training of Employees***



## ***Clustering of employees in risk-groups***

Group 1: traders, dispatchers, originators, managers

Group 2: power plant personnel

Group 3: back office, middle office etc.

## ***Chosing the right training***

Group 1: external professional training

Group 2: internal training with focus on inside information

Group 3: internal training

## ***Regular update trainings to keep awareness high***

Recommended for Group 1 and 2: at least once per year in-class training

In addition and for Group 3: also possible via web-based trainings

## ***Ad-hoc trainings and dilemma discussions in case of new developments***



# How can we prevent REMIT breaches?

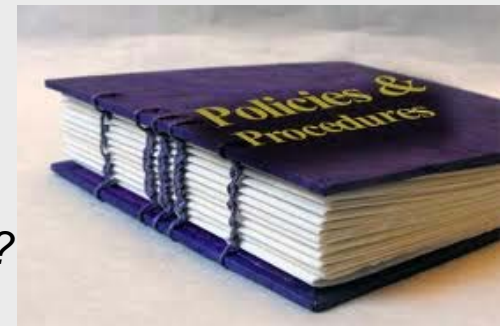
## Policies and Procedures

### Examples for policies and procedures:

- *Procedures to control the flow of inside information*
- *Company definition of inside information and market manipulation*
- *How to act when you're in an inside information?*
- *Stop-trading policy*
- *How, who and where to publish inside information?*

### Communication means for business purposes

- *Which means of communication may be used?*
- *Are these communication means recorded and data retained?*



# How could a Compliance regime for market participants look like?



***Excellent overview can be found in the REMIT Best Practice Report:***

- <https://www.nordpoolgroup.com/globalassets/download-center/remit/remit-best-practice.pdf>
- Drafted by Nordpool together with 9 Scandinavian energy companies
- Toolbox of several (potential) measures that market participants can use to comply with REMIT
- Depending on specific circumstances of each market participants (No “one size fits all”)

*Thank you!*