Reporting experience in the EU

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Regulatory Oversight – The Issue

- Cleared vs OTC markets
- EU energy markets have ‘a foot in both camps’
- Regulated Markets (exchanges) provide regulatory transparency for derivative trading
- OTC markets represent more of a challenge
- Financial crisis of 2008 lead to:
  - Trade repositories
  - Regulatory reporting of derivative

Regulatory reporting brings regulatory transparency and oversight to cleared and OTC trading
Regulatory Oversight - Development

- **MiFID**: Listed Derivative Contracts
  - Regulated Market (RG)
  - Multilateral Trading Facility (MTF)
- **EMIR**: Reporting of derivatives
  - OTC Brokers’ discretion, not MTFs
- **REMIT**: Energy specific market abuse
  - Organised Market Places (OMPs)
  - Orders & Trades
  - Dual reporting exemption
- **MiFID 2**: Definition of Derivative
  - Organised Trading Facility (OTF)
  - REMIT Carve Out
Decentralised Nature of OTC Markets
EU Regulatory Reporting – Oversight of Fragmented Markets
Collecting Every Order, Trade & Event

- **EMIR**
  - Trades, not orders
  - Derivatives traded by organisations headquartered within the EU
  - Including OTC physically settled derivatives executed on an OTF
  - Excluding the REMIT carve out

- **REMIT carve out**
  - Wholesale OTC physically settled energy* OTF derivatives (non-speculatory)

- **REMIT**
  - Orders and Trades
  - Standard and non-standard
  - Cleared and OTC for products delivered or notionally delivered into the EU

*Electricity & Natural Gas
EFET IT and Electronic Data Exchange Standards

- **EFET** provide a range of standardisation services across legal agreements, standard contracts, payment and netting and IT and electronic data exchange
- **IT and electronic data exchange, have and continue to transform the industry**
  - **eCM** – **electronic Confirmation Matching**, key risk control in terms of ensuring trade record matches the counterparty, eliminates the manual confirmation process, transformed the industry
  - **eRR** – **electronic Regulatory Reporting**, facilitates compliance with mandatory EU regulatory and transparency obligations across REMIT, EMIR, MiFID 2 and EICom
  - **eSM** – **electronic Settlement Matching**, for over a third of the traded OTC volume live in 2020, broad adoption in 2021, automatic reconciliation of invoice and netting documents, settlement automation enables a move to daily settlement in the OTC market.

*Used in conjunction, the EFET processes put OTC and exchange trading on a par for risk and transparency with each other*
Current State of Regulatory Reporting

**EU Level Reporting**

- EMIR – February 2014
- REMIT Phase 1 – October 2015
- REMIT Phase 2 – April 2016
- MiFID 2 – January 2018

**Member State Level Reporting**

EFET eRR
What are the Future Trends in Regulatory Reporting?

- **EU level regulatory reporting is standardised and automated**
- **EU member state reporting will never be standardised or automated**
- **Outsourcing compliance monitoring and even tasks:**
  - Reduces costs & personnel
  - Reduces barriers for entry into new markets
  - Mitigates regulatory risk
Q&A?