

Regulatory developments affecting the energy markets

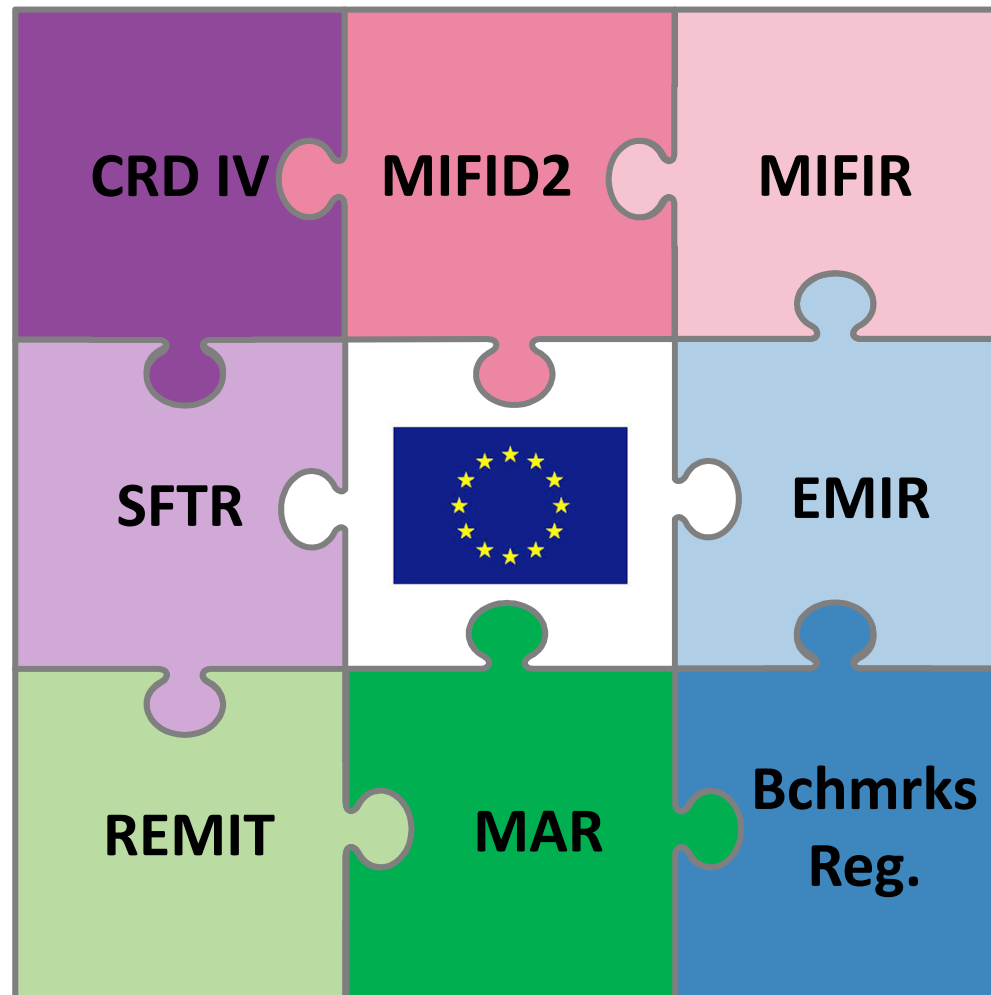
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Themes

- Where we are
- What do regulators expect to change
- What industry interactions make a difference
- And to a discussion...
- Chatham House Rule, so gloves are off

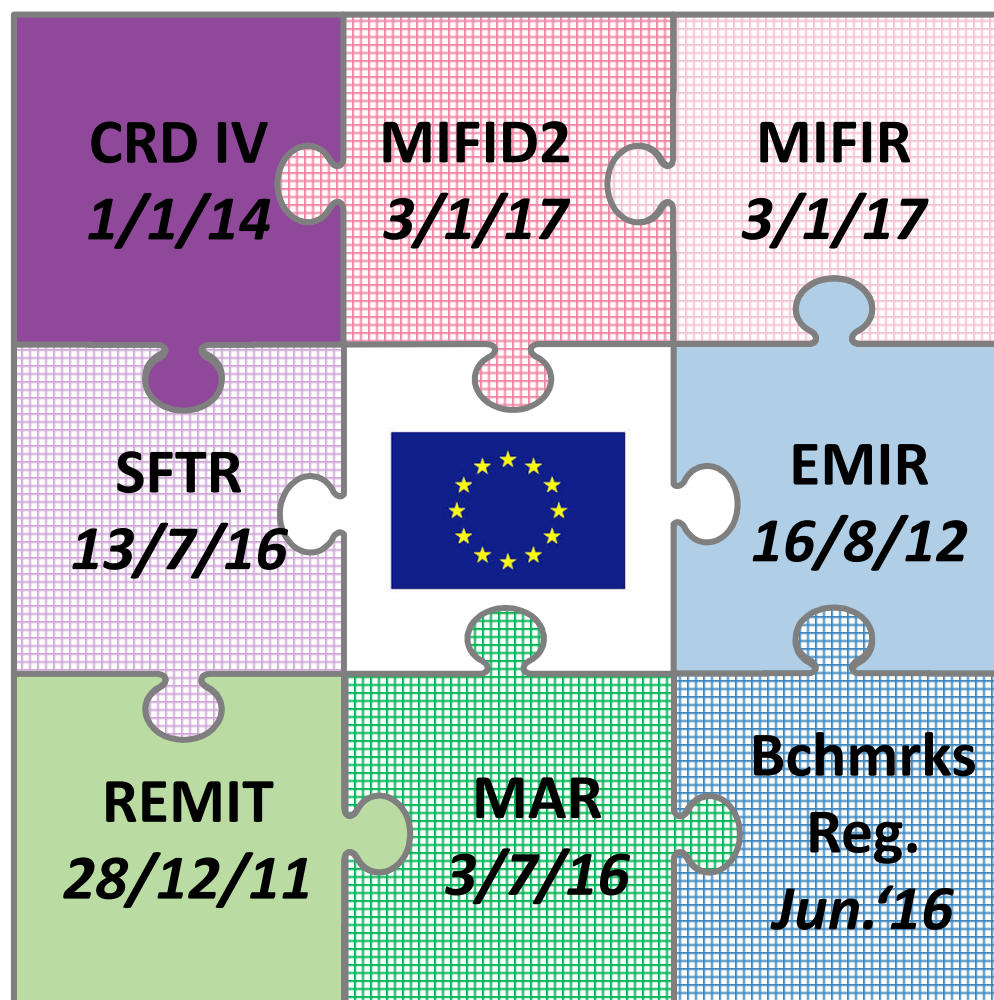
The big picture



The process

- **EU Directive**
 - *Generally framework legislation transposed into national law*
- **EU Regulation**
 - *Technical requirements directly applicable*
 - **Level 2**
 - *Implementing measures from ESA advice or drafts*
 - **Level 3**
 - *Guidelines/Q&A from ESAs assist implementation*
- **National rules**
 - *To implement and fill gaps not directly applicable*

So where are we?



Note:

These are **effective** dates, and not necessarily the date that the legislation passed into EU law

There are also numerous transitional arrangements and phased implementations

Big picture trends (I)

- From OTC to exchange traded activity
 - EMIR, MIFID2, standardisation, clearing
- New types and styles of trading venue
 - OTFs, Open Access, Trading Obligations
- Increased transparency
 - trade reporting of physical markets, commodity ETD reporting, collateral reporting
- Increased Market Abuse regime
 - underlying physical or spot market affecting a financial instrument

Big picture trends (II)

- Commodities derivative definition as financial instrument drawn widely
 - MIFID2 impact on other legislation
- Broad scope of instruments captured by legislation
 - Benchmarks, Position Limits, SFTR
- Ancillary activity test for major participants in commodity markets tightened
 - MIFID2 impact on other legislation

Industry engagement

- Recognise the physical sector has been identified as interacting with the financial world
- Distinguish between systemic risk issues and conduct concerns
- Help in determining solutions, not denying change
- Educate between physical market activities and financial activities
- **“Regulation that is appropriate for the activities”**

Conclusions

- EU legislation intends to give a comprehensive framework covering the financial and physical worlds
- Legislative tool aims to be most appropriate for the issue and desired outcome
- Workstream has pursued G20/FSB commitments alongside other initiatives
- Role and competencies of the ESAs has become established
- A significant volume of work from the overall programme for regulators and industry