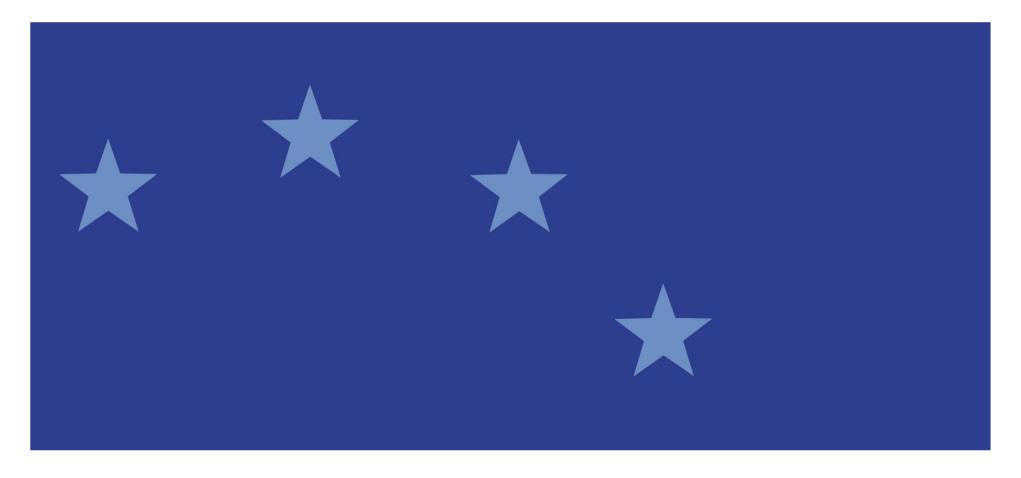


## EU Financial Regulation on Commodity Derivatives - the Role of ESMA

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# Three main pieces of financial regulation in the pipeline affecting commodity derivatives

## 1) EMIR

- Level 1 text finalised
- Process of drafting implementing measures in full flow

## 2) MAR/MAD

- Commission proposals published in October 2011
- Negotiations in Council and EP on-going

# 3) MiFID/MiFIR

- Commission proposals published in October 2011
- Negotiations in Council and EP on-going



## EMIR: Main Obligations and Role of ESMA

## 1) OTC Derivatives

- Clearing obligation potentially applying to commodity derivatives
- Risk mitigation techniques for non-cleared trades including commodity derivatives

# 2) Trade Repositories

Reporting of all derivatives, including commodity derivatives

#### What does ESMA do?

- Consultation paper on technical standards should be published end of June
- Open hearing in mid-July
- End of consultation first week of August
- ESMA to deliver standards by end of September



#### MAR: Main Provisions and Role of ESMA

# 1) Prohibition of market manipulation

- Scope encompasses spot commodity contracts having an effect on price or value of a financial instrument
- Scope encompasses financial instruments having an effect on price or value of a spot commodity contract

## 2) Prohibition of insider trading

 Update of notion of inside information in relation to commodity derivatives

#### What does ESMA do?

- ESMA has to draft technical standards and expects to be asked to deliver technical advice to the Commission on other issues
- ESMA has established Task Force dealing with specific commodity derivatives related topics



# MiFID/MiFIR: Main Provisions and Role of ESMA

# 1) Scope

Overhaul of the MiFID exemptions regime (impact on CRD application)

## 2) Position limits

Application to commodity derivatives trading for specific purposes

# 3) Position reporting

 To the public by category of traders and to supervisors as a complete breakdown

# 4) Position management

 Ability for supervisor to manage the position of a particular person or a class of persons entering into commodity derivatives

# 5) Pre- and post-trade transparency

Affecting commodity along with other derivatives



# MiFID/MiFIR: Main Provisions and Role of ESMA

# 6) Trading obligation

- In compliance with G20 commitments mechanisms for trading sufficiently liquid derivatives on organised venues

#### What does ESMA do?

- ESMA has to draft technical standards and expects to be asked to deliver technical advice to the Commission on a wide and long list of issues in the MiFID Level 2 process
- ESMA has established a Commodity Derivatives Task Force looking specifically at the above-mentioned issues also with a view to developments in the US. This Task Force is advised by a group of experts with a wide variety of expertise in commodity derivatives markets.
- ESMA is going to start preparatory work on MiFID II in a timely fashion.