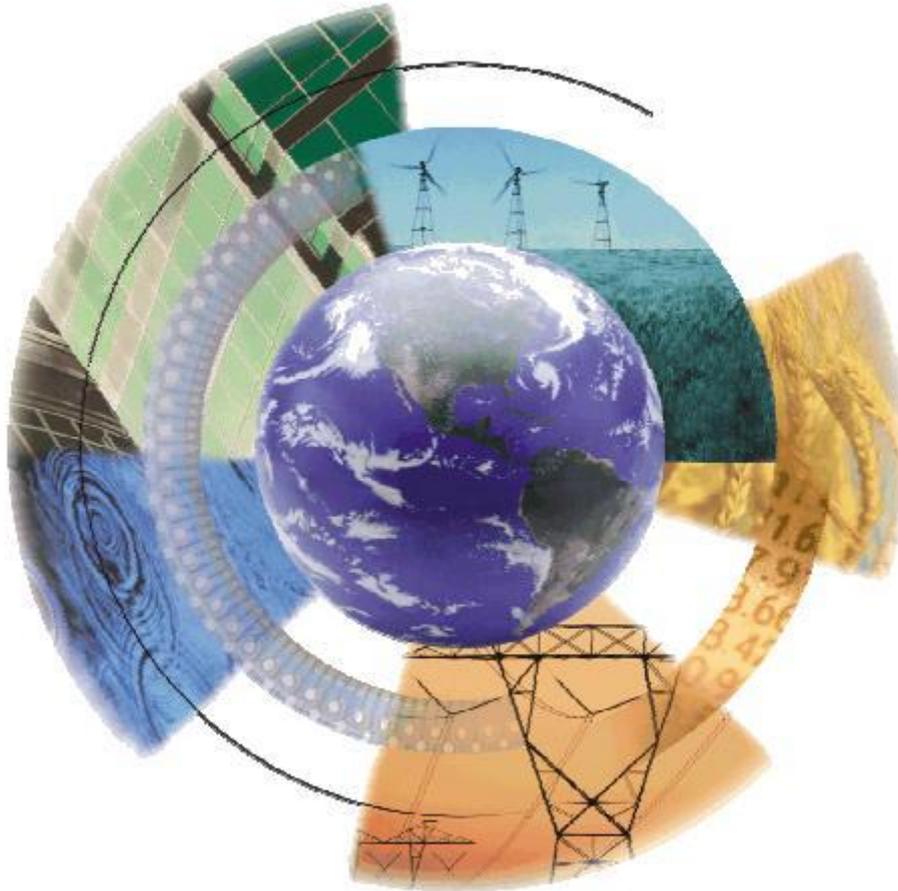**Commodity Markets Intelligence Series**

Practical Guide

Implications REMIT and MAR for the Front Office

May 2016

Introduction

On July 3, 2016 the Market Abuse Regulation (MAR) will enter into force. MAR deals similar as REMIT with market abuse of the EU power and gas markets. MAR is a regulation that is specifically targeting the financial industry, but will also include trading of financial instruments and spot contracts in the EU power and gas markets. Although most issues are already covered by REMIT, MAR will certainly impact your business as well. MAR will deal with certain spot contracts and besides it includes a requirement for "effective monitoring" that is more widely defined than under REMIT.

All this will make it even more urgent to ensure that your controls and surveillance for monitoring suspicious orders and transactions and identifying attempts by your traders to manipulate markets will be top notch. If not you run the risk that the regulator will raid your offices or even worse impose a fine of the same magnitude as Iberdrola recently got: € 25 million!

Talking about the regulator; you should make them your friend instead of your enemy. MAR will be supervised by the financial regulators as REMIT is supervised by the energy regulators. Most likely financial regulators will be much stricter as they have much more experience with monitoring market abuse. So the bottom line is that your traders, compliance function and the senior management will have to start thinking like a regulator.

That is a daunting task as it requires a different way of thinking by your people. What might help is creating awareness about recent market manipulation cases and how these could relate to the markets you trade. That is why we have incorporated several topical examples and real life cases of market abuse in the report, not only from the EU power and gas markets but also from the US and the financial industry. This will also benefit your surveillance systems as these should use both your firm's trading experience as well as the examples from the market.

An important element of your market abuse controls is to ensure that your Front Office people are well informed about the implications of REMIT and MAR on their daily activities, processes and trading strategies. Traders should clearly understand their responsibilities on use of inside and market sensitive information. For instance trading around infrastructure outages should be conducted with a pre-trade check to ensure it was appropriate to trade on the information received.

Take aways

After reading the report you will have a thorough understanding of at least the following:

- Scope REMIT and MAR for Front Office activities
- Potential suspicious orders and transactions
- Relevant Market Abuse terms
- Relation Compliance vs. Front Office
- Awareness of market abuse cases

Target Readers

- Front Office
- Compliance
- IT
- Risk Management
- Board Members and Senior Management
- Back Office

Contact details:

In case you have any question please do not hesitate to contact me:

Kasper Walet

Founder and CEO

Tel: +31205315644

Mob: +31653818191

Email: walet@maycroft.com

Your Governance and Risk Management Partner

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About the Author

Kasper Walet has over 25 years of experience and extensive knowledge on a practical and theoretical level about monitoring trading and market abuse in the energy commodity and the financial industry. Both from a supervisory role and in advisory to companies.

First Kasper was as a Board Member of the Amsterdam Commodity Exchange responsible for supervising the traders on the exchange and later as an advisor to energy trading companies and other institutions.

In the recent years Kasper has advised several energy companies about how to be prepared for REMIT and MAR and being compliant to these regulations. Including conducting in house workshops and support in the design of Compliance Frameworks, training programs, surveillance systems and Insider Trading Policies.

Besides Kasper has advised numerous energy companies, banks, trading houses and industrial companies about energy markets, trading strategies and risk management.

In this report he brings together all his expertise, including his experience with having to deal with the questions and issues the traders are struggling with regarding being REMIT/MAR compliant.

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Implications REMIT and MAR for the Front Office

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