



1 DAY
IN-HOUSE WORKSHOP

**Impact New Regulations on
Energy Commodity Trading**

A Practical View

By
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Be Prepared

You are facing a bunch of new regulations that will definitely change the way you are doing business today. You should take action now to be well prepared. This workshop will kick start your efforts.

In the aftermath of the financial crisis the G-20 Summit of 2009 agreed in Pittsburgh to “fix the broken regulatory system”, pointing to the need for “sweeping reforms to reduce the risk that financial excesses will again destabilize the global economy”. Such measures are currently implemented in the European Union through a diverse package of directives and regulations aiming to improve transparency and stability of financial markets, such as Mifid (Markets in financial instruments directive) and Emir (European market infrastructure regulation).

The relevant European financial regulation development for the wholesale energy markets is;

Directive/Regulation	What	Financial/ Energy	New / Revision	Planned date
REMIT	Market integrity and transparency	Energy	New	Late 2012
EMIR	Market Infrastructure legislation	Financial	New	Late 2012
MAD II	Market abuse	Financial	Revision	2013
MIFID II*	Regulation financial instruments	Financial	Revision	2013
CRD IV	Capital Requirement	Financial	-	-

Although the prime target group of this new regulation are the financial institutions, it will certainly also affect energy trading companies and large industrial companies.

The reality is that most energy firms are lagging in readiness to all the new relevant European financial regulations.

Part of the problem is that the European Commission is still spelling out the rules that companies must follow, and the industry is waiting for the EC to finally define the key terms and thresholds. Your main fear is that your company would be suddenly subjected to a host of registration rules, reporting and record-keeping requirements, and business conduct standards. But even if your company does not qualify you should prepare, as almost any energy entity using derivatives will face significant compliance requirements.



Solution

The solution to all this is not to rely on a 'wait and see' approach, but immediately increase your efforts. How your company is preparing for this new significant burden should be a topic high on the agenda of the board.

At the very least, you need to have some scenarios outlined, so that once things are finalised and codified, you and your people can move quickly and won't fall behind.

In this workshop I will take you through the latest standing of the regulation, discuss the impacts on the European energy markets as well as what this all means to your individual company. Of course I will provide you with strategies and scenarios to tackle these issues and use these into your favour.

Value to your company

- Get the latest insights about contents of the different regulations
- Understand the changes awaiting your organization
- Identify challenges to your trading and risk management process
- Know why collateral management will become an increasingly vital component of your daily business
- Learn about the latest ideas and thinking on central clearing and what you need to be wary of
- Develop scenarios to be ready once the regulation will become into force

Case Studies:

We will use cases throughout this course in various forms. The cases allow the practical application of participants' newly-acquired knowledge. Case studies also stimulate independent thinking and discussion among the participants.



The Program

New regulation and challenges for market integrity

- Rationale behind new regulation
- Financial vs. energy /commodities
- Market Integrity

REMIT (Regulation on Energy Market Integrity and Transparency)

- Impact and practical application
- Insider trading
- Market manipulation
- Transactional data reporting to ACER
- Implementing steps

New financial market legislation and its impact on energy trading

- **MAD** (Market Abuse Directive)
 - Prohibition of Insider Dealing and Market Manipulation
 - Coverage
 - Review
- **MiFID II** (Markets in Financial Instruments Directive)
 - Licensing (MiFID license)
 - Reporting obligation for financial products admitted to trading on regulated markets
 - Exemptions for specialist commodity trading firms?
 - Possible impact on energy markets and companies
 - Obligation for energy traders to obtain MiFID license
 - Obligation for energy traders to fulfil capital requirements of the Capital Requirements Directive (CRD)
 - Impact on
 - Trading and Hedging activities
 - Liquidity, volatility, competition, market efficiency
 - Riskiness



- **EMIR** (Regulation on OTC derivatives, central counterparties and trade repositories)
 - Reporting obligation to trade repositories
 - Mandatory clearing all standardized OTC derivatives
 - Clearing thresholds for non-financial counterparties

Mandatory Clearing ; Benefits & Risks

- How a Central Counter Party Model works
- Participants Clearing Process
- Which transactions can be traded and cleared through CCP
- Margining system
- Benefits of Netting
- Risks associated to Clearing
- Develop a clearing strategy

The increasing importance of Collateral management

- Liquidity
 - Post collateral on open positions
- Trade reconciliation process
 - Challenges energy commodities
 - Valuing physical assets
- Standardization trade data
 - Role EFET

How to prepare your company

- Impact assessment
 - Impact mandatory clearing
 - Impact reporting requirements
 - Impact Compliance issues
- Change Management
- Communication
- How IT could support you
- Possible scenarios



Profile Kasper Walet



Kasper Walet has 25 years of experience and extensive knowledge on a theoretical and practical level about all the aspects related to trading, derivatives and risk management in the commodity industry.

Kasper received a Masters degree in Law from the University of Utrecht in 1987. He started his career at the NLKKAS, the Clearing House of the Commodity Futures Exchange in Amsterdam. In 1992 Kasper was appointed as Member of the Management Board of the Agricultural Futures Exchange (ATA) in Amsterdam at the age of 31. While working for the Clearing House and exchange, Kasper became an expert in all the aspects of trading and risk management of commodities.

In 1997 he founded his own specialist-consulting firm that provides strategic advice about (energy) commodity trading and risk management.

Kasper has advised government agencies such as the European Commission, investment banks, major utilities and commodity trading companies and various exchanges in Europe, CEE countries, North America and Asia. Some of the issues he has advised on are the development and implementation of a Risk Management Framework, investment strategies, trading and hedging strategies, initiation of Power Exchanges (APX) and other trading platforms, the set-up of (OTC) Clearing facilities, and feasibility and market studies like for the LNG Market.

Kasper has given numerous seminars, workshops and (in-house) training sessions about both the physical and financial trading of commodity products. The courses have been given to companies all over the world, in countries like Japan, Singapore, Thailand, United Kingdom, Germany, Poland, Slovenia, Czech Republic, Malaysia, China, India, Belgium and the Netherlands.

Kasper has published several articles in specialist magazines such as *Commodities Now* and *Energy Risk* and he is the co-author of a book called *A Guide to Emissions Trading: Risk Management and Business Implications* published by Risk Books in 2004.