The need to simplify and streamline reporting obligations under EMIR, MiFID II/MiFIR and REMIT

Europex response to Commission fitness check on supervisory reporting

Brussels, 14 March 2018 | Europex welcomes the opportunity to take part in the "fitness check on supervisory reporting" of the European Commission and to discuss the effectiveness and efficiency of existing EU-level supervisory reporting requirements.

1. **We deeply believe in the simplification and streamlining of regulatory reporting.** Electricity and gas derivative contracts are covered by reporting obligations stemming from four pieces of legislation: namely EMIR, MiFID II/MiFIR, REMIT and MAR. This constitutes a heavy reporting burden for energy exchanges and clearing houses as well as for market participants. Consequently, there is a need to streamline the requirements in order to **avoid double reporting** (see table below). For example, trades that have to be reported under REMIT or MiFID II/MiFIR should not need to be reported again, if they have already been reported under EMIR. At the moment, **Europex' member exchanges are delivering partially overlapping data in the context of EMIR, MiFID II/MiFIR and REMIT reporting**.

Table 1 Overlapping reporting requirements for Europex' member exchanges

	EMIR	REMIT	MiFID II/MIFIR	MAR
Orders	-	✓	-*	
Trades	✓	✓	✓	
Positions	✓	-	✓	
Exposures	✓	-	-	
Reference Data			✓	✓
Spot	-	✓	-	-
Derivatives	✓	✓	✓**	✓**
Power & Natural Gas	✓	✓	✓	
Other commodities	✓	-	✓	

*Only record-keeping and pre-trade transparency required | **for regulated markets only

2. Besides the overlapping data fields, we would like to highlight that a very significant part of the compliance costs is directly related to **the number of entities that should be receiving the reports**. In order to comply with the above-mentioned pieces of legislation, energy exchanges have to set up IT connections with numerous supervisory authorities such as ACER, ESMA, ElCom, Trade Repositories (TRs) and national competent authorities (NCAs). All four pieces of legislation establish different formats and require different interfaces with different IT environments. In addition, each receiver has different technical requirements and validation processes. Every system change on the side of the receiver puts a heavy burden on the reporter. Based on this, we call on the European Commission and all involved stakeholders to only introduce changes that will dramatically simplify reporting, as small changes often produce more cost than improvements. As a positive example for such a change, we would like to emphasise the automated ticket system introduced by ACER to facilitate REMIT reporting which is of great help and should be expanded to other reporting requirements as well.

3. Additionally, **the reporting obligations and the reporting framework are not consistent with the market functions and roles performed by the reporting entities**. The two most evident cases for this are positions under MiFID II/MiFIR and transactions under EMIR. In the first case, there is an obligation for trading venues to report positions under MiFID II/MiFIR (which are also reported under EMIR), whereas CCPs must report transactions (which are also reported under REMIT and MiFID II/MiFIR). In our opinion, each category of data should only be subject to one reporting duty and that duty should be assigned to the entity dealing with this information in its daily business: transactions by the trading venues and positions by the CCPs. This principle will significantly lower the administrative burden and avoid double reporting.

4. The **incorrect application of some key energy market concepts** to the financial regulation of electricity and gas derivative markets has raised severe difficulties and ambiguity in the implementation of the reporting processes (e.g. spot month/other months and lot size in MiFID II/MiFIR) that still remain. The specific characteristics of these underlyings should be carefully taken into account when designing market regulations, including reporting obligations.

5. An additional burden stems from **different data formats for identical data** that has to be reported to different receivers. If the obligation to send the data to different receivers cannot be eliminated entirely, one should at least define standardised formats for identical data. As a practical example: certain field names are identical in REMIT and EMIR but the format and details to be reported are not identical. This leads to the unique situation that the ‘delivery start time’ and the ‘delivery end time’ are to be reported in local time under REMIT and in UTC under EMIR. See Table 2 for examples of variation in reporting requirements for identical field names.

Table 2 Variation in reporting requirements for identical field names

	REMIT requirement	**EMIR requirement**
Load delivery Intervals	local time of the delivery point/area	UTC Time
Delivery start date and time	local time of the delivery point/area	UTC Time
Delivery end date and time	local time of the delivery point/area	UTC Time
Delivery point or zone	EIC Y Code or EIC Z code if applicable	EIC Y code is mandatory for all gas and power contracts, no possibility to report “Not applicable”
Interconnection Point	-	EIC Z code is mandatory for all gas and power contracts, no possibility to report “Not applicable”

6. Finally, with regard to **guidance to the implementation of reporting requirements**, we would like to emphasise the need for Q&As to be published sufficiently in advance of the implementation deadline. If there is a need for further harmonised rules, the rules need to be produced in a timely manner through a transparent legislative process.

About

Europex is a not-for-profit association of European energy exchanges with 27 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

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