



keler



**CLIENT INFORMATION**  
**INTRODUCTION OF KELER LTD.'s**  
**REMIT REPORTING SERVICE**

2016



## REMIT REGULATION SHORT OVERVIEW

Following the financial crisis of 2008, the need to ensure increased market transparency have become of high importance and a tendency to reconsider the existing rules, regulations in a number of fields began to evolve. In addition to the capital market, new regulations were adopted to the energy market as well. The **Regulation on Wholesale Energy Market Integrity and Transparency** (REMIT, Regulation (EU) No 1227/2011 of the European Parliament and of the Council) entered into force on 28th December 2011.

The main objectives of REMIT are:

- to ensure market integrity through trade monitoring and access to fundamental data;
- to hinder market abuse, insider trading and market manipulation.

One of the most important requirements stipulated by REMIT is the **reporting obligation** defined by and detailed in the Implementing Acts - Regulation (EU) No 1348/2014 approved by the European Commission on 17th December 2014. In line with the rules on EU legislative procedure, the Implementing Acts entered into force on the 20th day after its publication in the Official Journal of the European Union, on 7th January 2015. The different REMIT provisions have been assigned different effective dates, certain elements such as the publication of insider information has been effective since the first date of introduction (2011).

The provisions of REMIT stipulate data reporting obligation for the market participants of wholesale energy market and appoints the **Agency for the Cooperation of Energy Regulators (ACER)** to cover the monitoring framework of the regulation. ACER takes on a central role on an EU level collecting and reviewing the trading data reported.

The regulation is available @ ACER's homepage: <https://www.acer-remit.eu/portal/public-documentation>.

### MARKET PARTICIPANTS SUBJECT TO THE REPORTING OBLIGATION

REMIT affects everyone who participates in, or whose conduct affects **wholesale energy markets within the European Union**. It makes no difference whether or not the person is resident within the EU. Market participants are obliged to report under REMIT if entering into transactions including orders to trade in one or more wholesale energy markets in the Union.

**Wholesale energy market** means any market within the EU where wholesale energy products are traded. **Wholesale energy product** covers the following contracts and derivatives, irrespective of the market and the method of how they are traded:

- ✓ contracts for the supply of electricity or natural gas where delivery is in the EU;
- ✓ derivatives relating to electricity or natural gas produced, transported, traded or delivered in the EU;
- ✓ contracts on the transportation of electricity or natural gas in the EU;

Contracts for the supply and distribution of electricity or natural gas to an end user are not considered wholesale energy products in general. However, in case the annual consumption capacity of electricity or natural gas contracted for the supply and distribution to a final customer reaches up to 600 GWh or more, then it will qualify as wholesale energy product with REMIT reporting obligation too.

Any person, including transmission system operators trading in one or more wholesale energy markets is considered a **market participant affected by REMIT**, such as:

- ✓ Electricity and natural gas users (with a minimum of 600 GWh annual consumption capacity);
- ✓ Electricity and natural gas producers (large or small power plants);
- ✓ Electricity and natural gas distributors;
- ✓ Operators of natural gas storage facilities;
- ✓ Electricity traders (universal service providers, electricity trading license holders, limited trading license holder) and natural gas traders.

## REGULATORS IN CHARGE AND ROLES DEFINED BY REMIT

The central role of data collection and validation on an EU level is assigned to **Agency for the Cooperation of Energy Regulators (ACER)**.

Precondition of reporting to ACER is to get registered at the competent **National Regulatory Authority (NRA)**. These NRAs shall form the basis of the **Centralized European Register for Market Participants (CEREMP)**, the centralized register operated by ACER.

The competent authority shall always be the national regulatory authority of the member state in which the market participant resides or have a registered address, or in case the company is non-resident in the EU, the state it is actively operating in shall be considered as such. In case a participant is trading in more than one EU state, it is sufficient for it to get registered only once, at one of the member states' NRA. It makes no difference whether or not the person is resident within the EU. All legal entities are required to register even if the parent company, a subsidiary or a joint undertaking had already registered.

Following the registration, a unique identifier, called **ACER code** shall be assigned to each market participant.

Finally, the role of the **Registered Reporting Mechanism (RRM)** has been introduced by REMIT which refers to the market participant, organised market place or third party, reporting directly to ACER who fulfilled all requirements to be admitted to report on behalf of other market participants. Power exchanges officially listed as Organised Market Places at ACER under REMIT have been obliged to register as RRM and report on behalf of their members as of 7th Oct 2015. Other third party institutions may offer REMIT reporting as part of their service range.

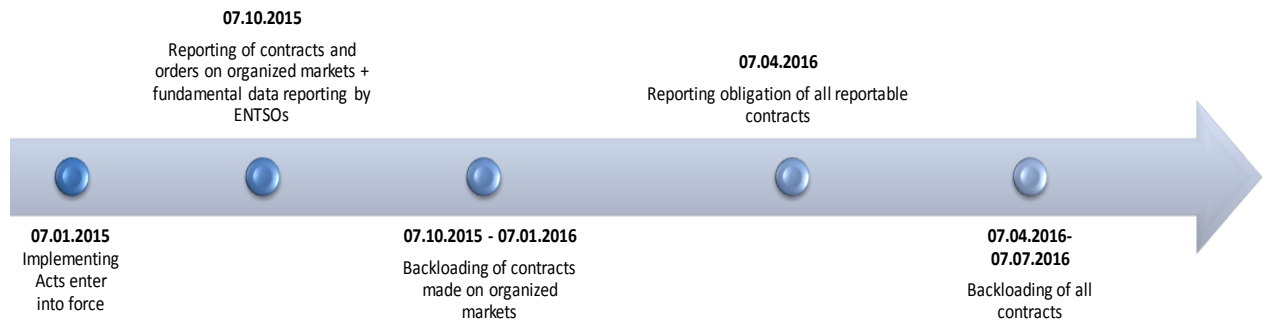
Market participants are **free to choose their reporting service provider** and in case a participant is already in contractual relationship with an RRM it is also free to change your provider anytime. If a market participant decides to change its selected RRM, Section 5 of the ACER (CEREMP) registration form should be updated to reflect this change.

## EFFECTIVE DATES STIPULATED BY REMIT

The obligation of data submission to the RRM for standardized contracts and orders concluded on Organized Market Places, has been effective from **7th October 2015**, while for OTC deals it becomes effective on **7th April 2016**.

Similarly to EMIR (*European Market Infrastructure Regulation*), REMIT also requires backloading: data must be submitted on trades already concluded but still valid on the effective date of the

reporting obligation within 3 month (till 7<sup>th</sup> January 2016 for standardized deals and till 7<sup>th</sup> July 2016 for OTC transactions).



## TYPES OF TRADES TO BE REPORTED

EMIR, the regulation applicable to capital markets, outlines the reporting of derivatives traded in all asset classes in the financial instruments listed in Annex I, Section C, paragraphs 4-10. of MiFID. This Annex incorporates energy market products with financial settlement as well. It is important to note that the transactions are required to be concluded in organized markets (or on MTF).

By contrast, REMIT's reporting obligation extends to any transaction effected on wholesale energy markets, including spot and futures deals. In addition to the reporting of transactions, orders issued on a power exchange or broker platform must be reported too.

In line with and in addition to the above, market players will be obliged to report all deals (spot or derivative) of natural gas and electricity wholesale energy products, such as:

- ✓ supply contracts and orders (e.g. intraday, within-day, day-ahead, two-days-ahead, week-end, after-day contracts);
- ✓ transportation contracts and orders;
- ✓ derivatives (options, futures, swap), deals and orders related to supply and transportation.

There are exceptions to the mandatory reporting obligation from the above; however, market participants might be required to submit data on any of them upon ACER's particular request. Exceptions are:

- ✓ intercompany trades concluded outside of Organized Market Places (OTC transactions);
- ✓ deals for the physical delivery of electricity produced by production units with a combined capacity equal to or less than 10 MW or natural gas produced by a single production facility with a production capacity equal to or less than 20 MW;
- ✓ contracts for balancing services in electricity and natural gas.

REMIT stipulates that standard deals (and/or orders issued on Organized Market Place) and lifecycle messages in relation to them are supposed to be reported not later than one business day following trade date (T+1 day). Non-standard deals and the connected lifecycle messages must be reported within a month from their conclusion (T+ 1 month).

It is important to highlight that any deal concluded in a product traded on at least one organized market (power exchange, broker platform) is considered standard, irrespective of the market the deal took place in. Consequently these transactions are supposed to be reported on T+1 day too.

## UNIQUE IDENTIFIERS APPLIED IN REMIT REPORTS

Unique identifiers play a significant role in the REMIT reporting procedure: first of all they identify the counterparties of a deal, but they also serve as basis for linking transactions reported by the same counterparties.

The most important identifiers of the counterparties in a transaction are the **LEI** and the **ACER codes**.

The **Legal Entity Identifier** (LEI code) is a 20-character, alpha-numeric code. The LEI can be applied for via licensed LEI issuers, such as KELER. This is another supplementary service to the reporting delegation offered by KELER. For more information on LEI code application through KELER, please check out our website: [LEI code application](#).

The **ACER code** is assigned to a market participant once the registration in CEREMP's system is successfully completed. According to the provisions of REMIT, all market participants concluding deals subject to REMIT are required to register with ACER, regardless whether they already possess a LEI code or not. Hungarian market participants can register for CEREMP on the MEKH's website. CEREMP registration is free of charge.

In addition to the identification of counterparties, the comparability of reports submitted by the counterparties is of outstanding importance. The **Unique Trade Identifier (UTI)** has been created for this purpose and shall be a mandatory element of all reports to ACER. Counterparties shall have to liaise on the use of the UTI prior to entering into a trade and both of them shall quote the same identifiers in their reports.

Experience with EMIR reporting shows that quoting the proper, identical code is one of the greatest challenges for market participants.

In order to support market participants, ACER will provide guidance on how to apply the algorithm to create trade identifiers. Counterparties are required to report non-standard contracts within one month which should be sufficient time for the parties to define a code. In case of deals concluded on power exchanges and broker platforms the trade identifier assigned by the exchange could possibly serve as an identifier.

## INTRODUCTION OF KELER'S REMIT REPORTING SERVICE

### KELER AS AN RRM

According to the provisions of REMIT, market participants can fulfil their reporting obligation through an organized market place or a third party institution approved as an RRM.

In order to act as a reporting agent, KELER has initiated the formal procedure with ACER to become an RRM under REMIT, the status which will enable us to report directly to the Agency on behalf of our clients. KELER obtained a pre-RRM status in July 2015 and passed an extended testing phase till November 2015.

We obtained an RRM status on 12<sup>th</sup> November 2015 and as a third party RRM we're offering our reporting services to all market participants. Similar to our reporting service under EMIR, reports

both on standard energy market contracts (including orders) and non-standard energy market contracts can be submitted through KELER.

Paralell, our Trade Reporting system designed and used for EMIR reporting has been further upgraded to meet the needs of our clients with REMIT reporting obligation too.

We have gathered a wide range of information on the regulation and on the service on [our site dedicated to REMIT reporting \(https://english.remit.keler.hu/\)](https://english.remit.keler.hu/).

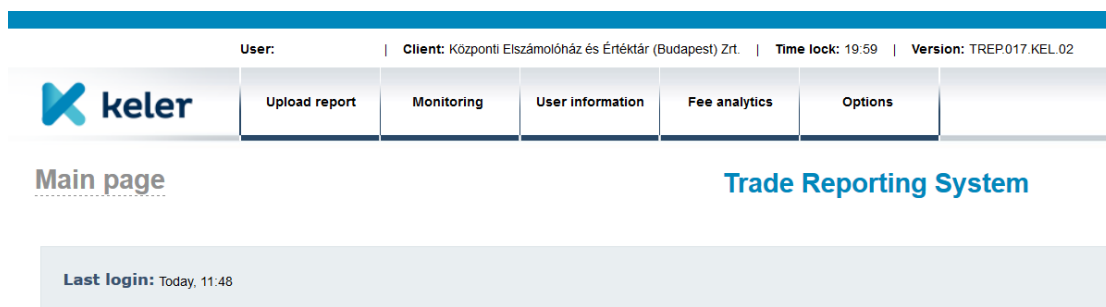
## KELER'S TRADE REPORTING SYSTEM

**KELER's Trade Reporting (TR) system** has been developed by KELER itself originally to manage all types of reports under EMIR.

The system is accessible via the Internet and complies, in all respects, with today's requirements to ensure the secure management of reported data. The independent audit of KELER's system is conducted annually.

Compared to EMIR reporting no substantial change has been effected in KELER TR, the same functions shall be imported under the new REMIT menu. The greatest advantage for our existing clients is that they shall be able to report under EMIR and REMIT with a sole connection, in a customary environment. Individual users will be able to upload and manage the EMIR and/or REMIT reports based on rights requested and assigned to their profiles.

*KELER's TR's main page*



## TRANSACTIONS THAT CAN BE REPORTED THROUGH KELER RRM

As referred to above under section 'types of trades to be reported', while EMIR requires the market participants to report each standardized transaction, orders are not in the scope of it which is a considerable difference compared to REMIT. Accordingly, in order to avoid duplications, trades concluded on an organized market place subject to EMIR shall have to be reported in line with the provisions of EMIR, only once, while orders initiated on the same market shall also have to be reported, but separately, as per the requirements of REMIT.

Reporting under EMIR is a service KELER already offers to its clients. In case of trades subject to EMIR and cleared by KELER CCP Ltd., KELER CCP shall automatically continue reporting trades on behalf of its clients subscribed to this service.

As we have become an RRM under REMIT in 2015, thus we are extending our reporting services to REMIT data submission in addition to EMIR reporting. As an RRM, KELER offers its service to all market participants to submit reports on their own trades or a third party's trades, on standard and

non-standard contracts (including orders) as well. In addition to reporting new deals, lifecycle messages of earlier reported trades (*modification, termination before maturity, and cancellation in case of an erroneous report*) can be submitted also. KELER TR enables clients to upload in addition to daily power exchange or OTC trades, the so-called backloading trades too.

Data submission obligation on backloading trades requires both standard and non-standard transactions to be reported in case they had already been initiated by the time the reporting obligation entered into force. Market participants have 3 month to comply with this requirement calculated from the first effective date of the reporting obligation (till 7th January 2016 for standardized deals and till 7th July 2016 for OTC transactions).It's sufficient to report only those backloading trades which can still be extracted from the market participants' existing records.

The following trades can be reported through KELER:

	Data to be reported	Reporting party	Can be reported through KELER?	Start date of reporting obligation	Reporting deadline
<b>Transaction reporting</b>					
1	Contracts related to wholesale energy products concluded on organized market places	The market participant is required to report both contracts and orders, however, the trading venue is required to offer to take over the reporting obligation	Yes	07.10.2015	T+1 day
1/a	Fulfilled and cancelled orders				
2	Contracts related to wholesale energy products that are already reported under EMIR or other EU financial regulations	<b>Market participants are not required to send additional reports, the entities concerned (e.g. trade repositories) shall forward data to ACER</b>	Yes	07.10.2015	T+1 day
3	Contracts related to wholesale energy products concluded outside organized market places (OTC)*	The market participants themselves or third parties acting on their behalf are required to report supply contracts, transportation contracts and contracts on derivatives	Yes	07.04.2016	T+30 days

## THE REPORTING PROCEDURE

TR enables our clients to upload reports in XML format manually. Alternatively, via our so called web-service solution automatic upload is also an option.

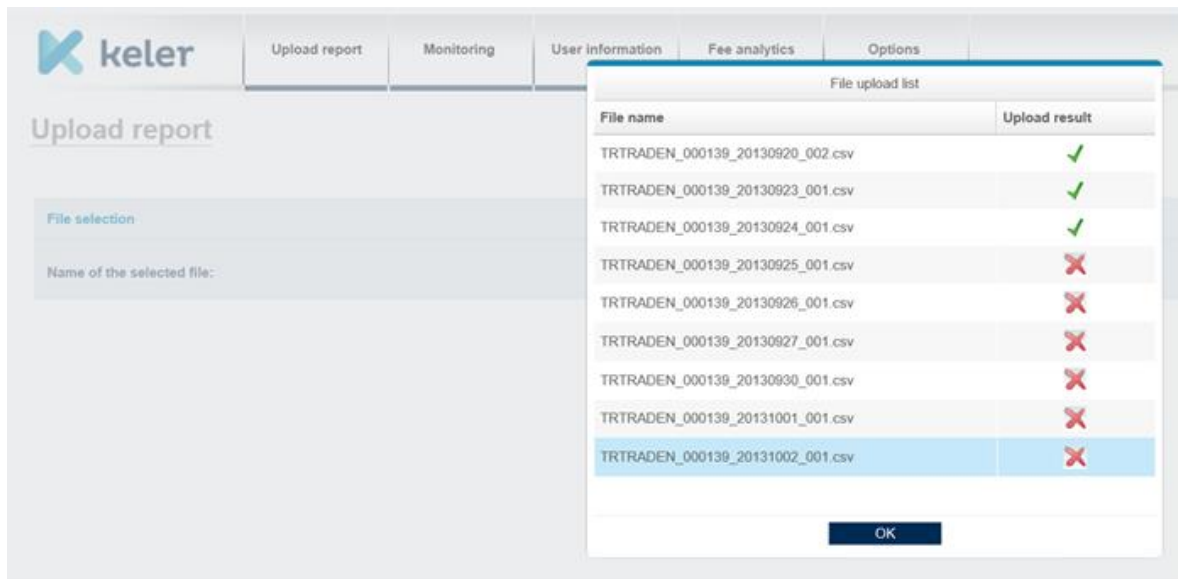
IT specifications and format files have been finalised during the testing phase of the RRM approval procedure performed with ACER. Samples are also available on our REMIT site: [Documents](#). Further details regarding the use of sample files, IT specifications or testing shall be provided upon request.

KELER retains the reports it receives for 10 years.

The KELER TR offers three options for reporting:

- ✓ **Manual upload:** The user shall be able to upload reports by choosing the 'upload report' item in the main menu after logging in. The user shall fill in the file provided in a given format by KELER. Several files can be selected and uploaded at the same time.

Screenshot on the upload function:



- ✓ **Automatic upload:** Automatic upload is also possible through our so called “web-service” solution. In this case KELER TR is directly linked to the client’s system which enables automatic report upload. This option is the most suitable to market participants with significant daily transaction volumes.
- ✓ **Upload directly on the interface:** REMIT reporting can be completed by entering trade details directly into KELER TR instead of uploading a previously completed file. In this case the report samples built into the system must to be completed.

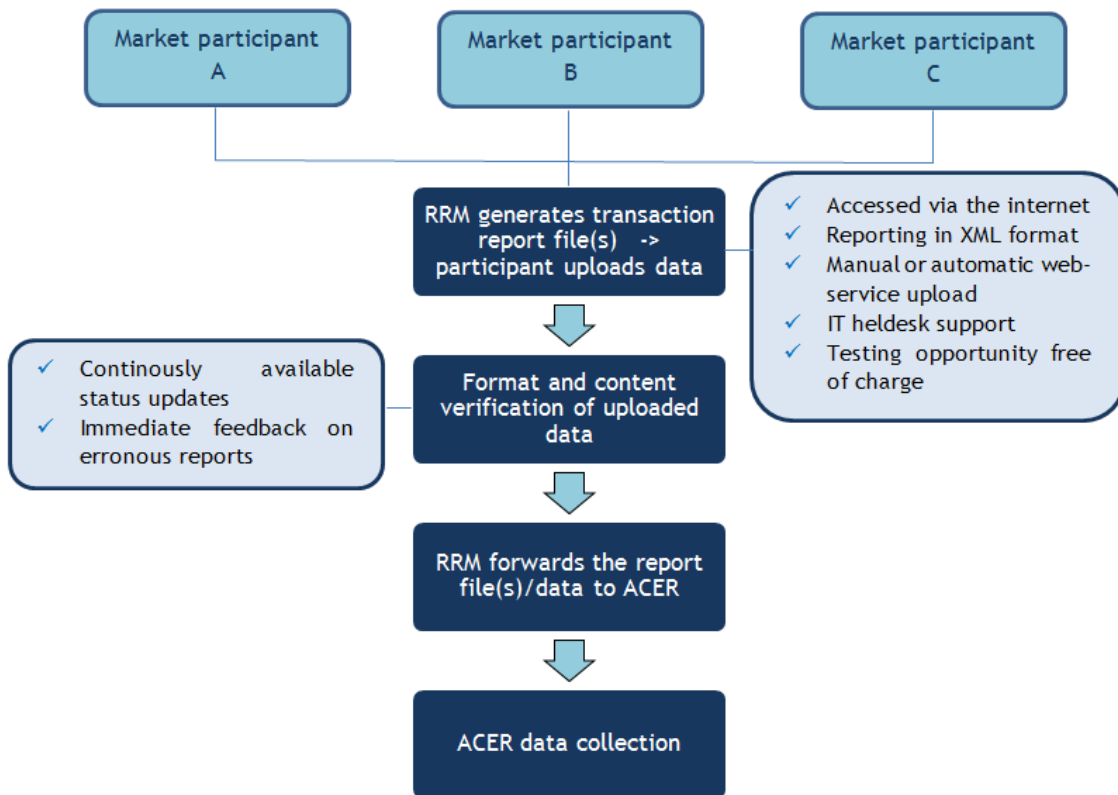
Clients with lower transaction volumes shall find this option convenient as it requires no file-based upload and there is no need to create an interface between TR and their own system. This shall be the most cost-effective and time-saving solution for them.

Screenshot on the interface upload:



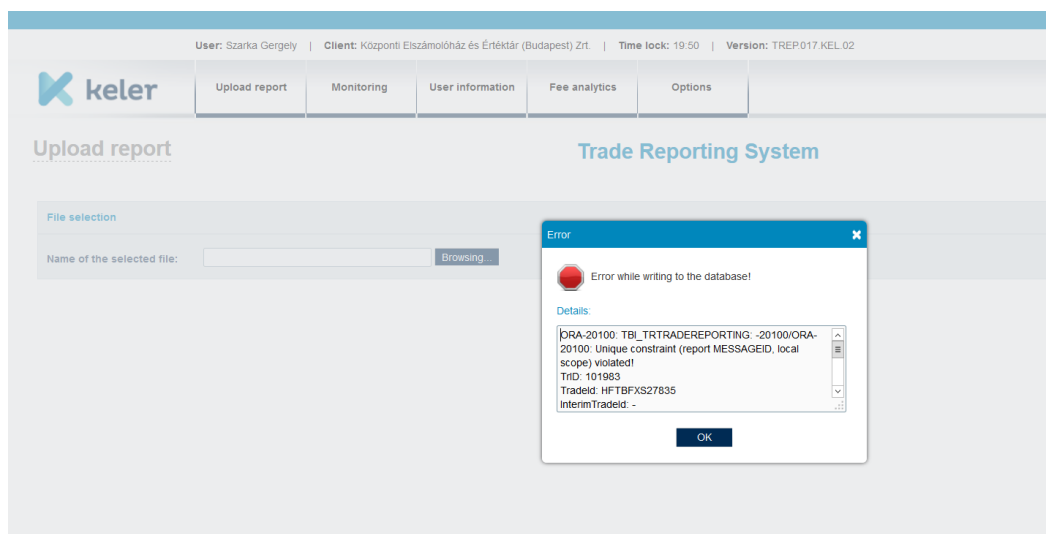


Summary on the different steps of the reporting procedure:



Once uploaded, our system **verifies the report** both in terms of format and content. If data is erroneous or incomplete, KELER informs the reporting entity accordingly, thus only correct reports are forwarded to ACER. On any erroneous report the user receives an error message on the screen that describes the error.

Screenshot on erroneous message upload



Data validation is performed right away on a submitted report so a user does not have to check back multiple times to make sure the report has been forwarded. Correct reports are forwarded to ACER right away which is confirmed by the system in a relevant message.

Clients can continuously monitor the status of the report from its submission until receipt by ACER.

KELER TR is available on business days from 8:30 until 18:00 to ensure sufficient time for our clients to meet their reporting obligation on time. Our helpdesk is also available during the same period.

## USER RIGHTS' ASSIGNMENT

Clients can choose from two basic types of user rights to be assigned to them in KELER TR. The same user rights are applicable to the testing of the TR environment.

A user with **data manager** rights shall be entitled to upload reports, monitor the reporting related processes, download feedbacks and statuses. He can access the so called 'communication monitoring function' in order to track messages exchanged with KELER. This user will also be able to amend user data appearing in the system. In case the client wishes to register a separate technical user for the web-service solution (detailed above), data manager role will have to be applied.

Users with **administrator** rights can view the various monitoring interfaces but they will not be entitled to upload reports.

The number of users registered by one client is unlimited and in the same time one user can be assigned to several partners. The system has a so-called 'log' function to enable continuous monitoring of user logins and uploaded files.

## TESTING OF KELER TR

All potential and existing clients shall be able to test the TR system environment free of charge. Scheduled test periods shall be announced till the beginning of OTC reporting obligation, 7<sup>th</sup> April 2016.

You can sign up for a test by downloading and submitting a test application form (no contractual relationship required).

Please find the application from @: <https://english.remit.keler.hu/Documents/>

## APPLICABLE FEES

We shall apply flat, monthly membership fees - dependant solely on the type of membership you require.

- ✓ **General membership** is for those who intend to delegate reporting both on their own and on their counterparties' behalf. The monthly fee for this membership is HUF 80 000 + VAT.
- ✓ **Individual membership** enables clients to delegate reporting on their own behalf only - for HUF 40 000 + VAT.
- ✓ Finally, for those who only wishes to monitor the trades reported on their behalf a so-called **indirect membership** is offered for a monthly fee of HUF 10 000 + VAT.

The applied fees are not affected by the type of the product traded, the type of the deal or by the number of trades reported. No further fees or charges shall be applied by KELER. The monthly membership fees include: the reporting of electricity or natural gas transactions, the reporting of lifecycle messages, continuous access to the live and test versions of the KELER TR system, ongoing status monitoring of uploaded reports, preferred filtering options, downloads into excel spreadsheets.

*The above fee and conditions are for information purposes only, in terms of applied fees KELER Group's official Fee schedule published on our website ([www.keler.hu](http://www.keler.hu)) shall prevail.*

## CONTRACTING

The reporting service is available upon fulfilment of the following conditions and steps:

- ✓ The participant need to be registered at the competent NRA which means it possesses an **ACER code**.
- ✓ Both our existing and potetial clients need to conclude the **CONTRACT ON FORWARDING DATA DETERMINED BY ARTICLE 8 OF REMIT TO THE ENERGY MARKET AGENCY**.  
<https://english.remit.keler.hu/Documents/>
- ✓ Those who are not in any type of contractual relationship with KELER yet, shall submit - in addition to the duly signed contract - an **exerpt from the company registry** (not older than 30 days) and the **signature specimen** of the signatories authorized to sign the contract (and other official documents) on behalf of the client. Both should be officially translated to English and duly legalized (apostilled or notarized based the rules applicable to your country).

Duly signed, original copies (2) of the the contract and the above listed supplementary documents need to be submitted to the following address of KELER Zrt. to our *Central Client Services Department: KELER Zrt., H-1074 Budapest, Rákóczi út 70-72.*

No contractual relationship is required to use our test enviroment, it's available free of charge upon submission of the applicable form. Mobile number is necessary to be provided, log-in data is being forwarded in a text message. Paralell, certifications are

REMIT enables market participants to choose a reporting service provider in line with their own preferences. In case a participant is already in contractual relationship with an RRM he is also free to change his provider anytime. If a market participant decides to change its selected RRM, Section 5 of the ACER (CEREMP) registration form should be updated to reflect this change.

## WHY CHOOSE US?

- ✓ It is **cost efficient** as only one, monthly membership fee shall be applied by KELER, irrespective of the reported volumes or the type of deal;
- ✓ The web-based interface guarantees an easy and fast connection;
- ✓ KELER TR complies with the latest security requirements thus ensuring that data remain confidential;
- ✓ KELER TR allows market participants to **delegate the reporting of both their own trades and their counterparties' trades** to KELER;
- ✓ With an indirect membership those who delegated their reporting to a third party who subscribed to KELER's service shall be able to monitor the progress of the reporting activity taking place on their behalf;

- ✓ Various filtering criteria can be set for the reports uploaded and the results can be downloaded into excel spreadsheets;
- ✓ Reports can be uploaded **directly through the interface or through a web-service** option that enables automated reporting;
- ✓ The KELER TR system is available on business days from 8:30 until 18:00;
- ✓ During the above operating hours, our help-desk's assistance is continuously available to support market players in meeting their reporting obligations;
- ✓ KELER offers an **ongoing testing opportunity** to clients in addition to the live system;
- ✓ KELER continuously monitors changes related to reporting obligations and informs its clients accordingly.

## CONTACTS

Should you have any further questions on our reporting service under REMIT, please contact the following KELER Group colleagues:

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