



# **ICE Trade Vault RRM Service**

## **White Paper**

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## Executive Summary

Intercontinental Exchange, Inc. (“ICE”) offers active participants in the European Union (“EU”) wholesale energy markets a Registered Reporting Mechanism (“RRM”) service that leverages a widely-accepted technology platform, applies an industry standard confirmation service, and relies on data delivery protocols that provide easy integration and workflow compatibility for a wide range of internal and third party systems. ICE Trade Vault’s RRM is a high performance, high-volume transaction recording and reporting service built on a responsive, scalable, and flexible architecture. ICE Trade Vault Europe is part of ICE’s global Trade Repository (“TR”) offering, which includes storage and retrieval features that meet applicable global regulations and supports the compliance efforts of market participants as they transition to new regulatory regimes.

Regulatory reporting is a fundamental component of various global regulatory initiatives to increase transparency in global markets. In Europe, the Regulation on Energy Market Integrity and Transparency (“REMIT”)<sup>1</sup> is aimed at preventing market abuse in EU wholesale energy markets and requires the reporting of all EU wholesale energy market transactions, including orders to trade, to the Agency for the Cooperation of Energy Regulators (“ACER”) via a RRM.

ICE Trade Vault’s RRM Service will deliver a comprehensive REMIT reporting solution to market participants. The RRM service is focused on easing its customers’ regulatory burden by leveraging existing architecture and trade workflows wherever possible to minimise customers’ cost of development and compliance. As such, it will accept data via ICE eConfirm, an electronic matching service used by more than 975 firms in the commodity and energy markets, and from ICE Futures Europe and ICE Endex exchanges.

ICE Trade Vault is uniquely qualified to provide RRM services due to its wealth of regulatory and EU wholesale energy experience as well as its proven ability to ensure efficient, effective and secure handling of regulatory information. The RRM service will have controls and multi-tiered rights of access functionality to ensure confidentiality of trade data and users. In addition, its support team is available on a 24/6 basis to provide a high-level of technical and operational support.

ICE Trade Vault Europe applied to ACER for RRM status on 8 January 2015 and fully expects to be registered and operational ahead of the initial reporting start date of 7 October 2015.

### Overview: Registered Reporting Mechanisms

REMIT is aimed at preventing market abuse in EU wholesale energy markets. Since its entry into force on 28 December 2011, prohibitions relating to trading on inside information, market abuse and market manipulation have applied. In addition, the obligation for market participants to publish inside information has existed.

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<sup>1</sup> Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency

REMIT's Implementing Acts<sup>2</sup> entered into force on 7 January 2015 and triggered obligations requiring the reporting of all EU wholesale energy market transactions, including orders to trade, to ACER via a RRM.

The fundamental purpose of RRM is to report transaction data directly to the ACER. RRM is required to register with ACER to verify that they are able to fulfill their core duties of (i) ensuring the security, confidentiality and completeness of information; (ii) enabling the identification and correction of errors in data reports; (iii) enabling the authentication of the source information; and, (iv) ensuring business continuity. As part of this registration process, RRM is also expected to establish an interface for information exchange directly with ACER.

REMIT's data collection implementation timelines require transactions executed at organised market places (for example, exchanges and brokers, "OMPs") to be reported to ACER from 7 October 2015, and transactions executed outside of OMPs to be reported to ACER from 7 April 2016. With these timelines in mind, ICE Trade Vault Europe applied to ACER for RRM status on 8 January 2015, the first possible date for RRM application<sup>3</sup>.

ICE Trade Vault's RRM service will leverage its existing, high-performance TR services to deliver a comprehensive REMIT reporting solution to market participants. The RRM service will complement ICE's existing global TR offering and allow customers to use ICE Trade Vault as a single solution to satisfy their global reporting obligations.

ICE Trade Vault is uniquely qualified to provide RRM services due to its wealth of regulatory and EU wholesale energy experience, its proven ability to ensure efficient, effective and secure handling of regulatory information and its consistently high-level of customer support. ICE Trade Vault prides itself on providing customers with an all-round regulatory reporting service, not just a technology system. It provides a regular and transparent dialogue with customers and works to ease the implementation of upcoming regulatory reporting demands, wherever possible.

ICE Trade Vault's REMIT Supplement to the ICE Trade Vault Europe Participant Agreement is available upon request and customers are encouraged to review this supplement as soon as possible to ensure the relevant documentation is in place prior to the reporting start date.

Market participants entering into REMIT reportable transactions are required to register with the relevant National Regulatory Authority ("NRA"). Customers are encouraged to complete this registration process as soon as possible, identifying ICE Trade Vault Europe (ACER code: B0000072S.UK) as their "delegated party" or RRM within section 5 of the registration process.

### **Key Data Sources**

ICE Trade Vault's RRM Service will ease customers' REMIT reporting by sourcing data directly from ICE's OMPs. ICE Futures Europe and ICE Endex both intend to use ICE Trade Vault Europe as their RRM and will establish a direct connection with ICE Trade Vault's RRM Service for the submission of all required EU wholesale energy market order and transaction data. This

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<sup>2</sup> Commission Implementing Regulation (EU) No 1348/2014 of 17 December 2014 on data reporting implementing

Article 8(2) and Article 8(6) of Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency

<sup>3</sup> REMIT registration is subject to review by the European Securities and Markets Authority

will allow ICE Trade Vault's RRM Service customers to leverage existing processes used in relation to other global reporting obligations to review and reconcile this REMIT data and to submit any required lifecycle or continuation data. We encourage Participants to submit REMIT order and trade data directly to ICE Trade Vault's RRM Service from all OMPs in order to compile and reconcile all REMIT data at one RRM to ease the burden of life cycle event reporting.

Participant will be able to fulfil their REMIT reporting obligations in relation to OMP transactions by using ICE's widely accepted ICE eConfirm front-end platform (via XML API, tab delimited file upload or manual GUI report entry) or by uploading ACER XML format files provided by their exchanges/brokers (OMPs) directly to ICE Trade Vault's RRM Service.

The use of ICE eConfirm as a front-end platform for REMIT reporting will allow existing ICE eConfirm participants to use their long-established connectivity solutions to submit trades executed on OMPs and bilateral transactions with as few modifications as possible. The acceptance of ACER XML format files will provide an alternative and efficient reporting methodology for customers wishing to report OMP orders and trades to ICE Trade Vault's RRM Service.

In summary, ICE Trade Vault Europe will accept data from the following sources:

- ICE Futures Europe and ICE Endex
- ICE eConfirm (using existing API, file upload or GUI inputs)
- ACER XML via API provided to customers by their brokers / exchanges

### **REMIT Reporting Obligations**

REMIT impacts all those who participant in, or whose conduct affects, wholesale energy markets in the EU. This includes energy trading companies, producers, wholesale customers, final customers (over certain thresholds), investment firms, system operators, exchanges and brokers. It's important to note that REMIT's obligations apply irrespective of the domicile or residency of an entity (that is, REMIT's obligations apply to non-EU/non-EEA entities transacting in EU wholesale energy markets).

#### ***What is reportable?***

- Trades and Orders: REMIT requires all EU wholesale energy market transactions, including orders to trade, to be reported. ACER's Trade Reporting User Manual ("TRUM") clarifies that all orders that are visible to market participants on organised markets are reportable but that voice orders, which do not appear on an electronic screen or other device used by the trading venue, are only reportable at the request of ACER.
- Lifecycle Events: Modifications of previously reported orders/trades, cancellations of wrongly submitted orders/trades and terminations of existing orders/trades are reportable to ACER. It is important to note that the reporting of lifecycle events under REMIT differs from the lifecycle events reported under other EU legislations (for example, the European Market Infrastructure Regulation or "EMIR"<sup>4</sup>). In fact, confirmation, compression, settlement (pre-

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<sup>4</sup> Regulation (EU) No 68/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories

settlement, excluding early termination, and/or post-settlement activities), notional increase/decrease (relative to commodity index transaction including derivatives), clearing and option exercise lifecycle events are not expected to be reported under REMIT as they are not activities related to the execution or modification entered into on a EU wholesale energy market.

- **Supply contracts:** REMIT requires the reporting of electricity and natural gas support contracts where delivery is in the EU. This includes: intraday or within-day, day-ahead, two-days-ahead, weekend, after-day and other contracts for the supply of electricity or natural gas with a delivery period longer than two days where delivery is in the EU. It also includes contracts for the supply of electricity or natural gas to a single consumption unit with a technical capability to consume 600 GWh/year or more.
- **Transportation contracts:** Contracts relating to the transportation of electricity and natural gas in the EU are reportable. This includes: (i) contracts relating to the transportation of electricity or natural gas in the EU between two or more locations or bidding zones concluded as a result of a primary explicit capacity allocation by or on behalf of the TSO, specifying physical or financial capacity rights or obligations; and, (ii) contracts relating to the transportation of electricity or natural gas in the EU between two or more locations or bidding zones concluded between market participants on secondary markets, specifying physical or financial capacity rights or obligations, including resale and transfer of such contracts.
- **Derivatives:** REMIT requires the reporting of derivatives of energy supply and transportation contracts. This includes options, futures, swaps and any other derivative contracts relating to electricity or natural gas produced, traded or delivered in the Union, or relating to the transportation of electricity or natural gas in the EU.
- **Contracts reportable on request:** Intra-group transactions, contracts for physical delivery of electricity or natural gas from small capacity production facilities (capacity of equal to, or less than, 10 MW of electricity or 20 MW of natural gas) and contracts for balancing services are reportable upon request. ACER has published a no-action letter on its portal which grants no-action relief with respect to these contracts until 31 December 2016<sup>5</sup>. However, if these contracts are concluded at an OMP, then they are reportable even in the absence of a request from ACER.
- **Back loading:** Details of EU wholesale energy contracts that were concluded before the date on which the reporting obligation becomes applicable and remain outstanding on that date are required to be reported within 90 days after the reporting obligation becomes applicable for those contracts. This means that customers must complete back loading for trades executed at OMPs by 5 January 2016 and for trades executed outside of OMPs by 6 July 2016. ACER's TRUM clarifies that back loading is only required to include data that can be extracted from market participants' existing records but shall at least include data required to be retained in line with existing record keeping obligations<sup>6</sup>.

<sup>5</sup> <https://www.acer-remit.eu/portal/public-documentation>

<sup>6</sup> Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC (OJ L 211,

### ***Who has an obligation to report?***

REMIT's reporting obligations cover market participants, third parties acting on behalf of the market participant, trade reporting systems, OMPs, trade matching systems or other persons professionally arranging transactions, trade repositories, competent authorities which have received the information in accordance with Article 25(3) of the Markets in Financial Instruments Directive ("MiFID")<sup>7</sup> and the European Securities and Markets Authority ("ESMA") when it has received the information in accordance with EMIR.

- Wholesale energy products concluded at an OMP: Market participants are required to report details of wholesale energy products executed at OMPs, including matched and unmatched orders, to ACER through the OMP concerned, or through trade matching systems of trade reporting systems. The OMP shall, at the request of the market participant, offer a data reporting agreement<sup>8</sup>.

ICE Futures Europe and ICE Endex will establish a direct connection with ICE Trade Vault Europe for the submission of all required EU wholesale energy market order and transaction data.

It's important to note that trade lifecycle events agreed bilaterally between counterparties, without involving an OMP, are required to be reported by market participants. ICE Trade Vault Europe will allow market participants to update such lifecycle events on trades reported by OMPs by utilising existing functionality within the ICE eConfirm front-end. Customers must also update fields not reported by OMPs such as beneficiary information on orders and trades, where this information is unknown to OMPs.

As an alternative to OMPs reporting on behalf of customers, customers will also be able to fulfil their REMIT reporting obligations in relation to OMP transactions by uploading ACER XML format files provided by their exchanges/brokers directly to ICE Trade Vault's RRM service.

- Wholesale energy products reported in accordance with EMIR or other EU markets legislations: Where an entity has reported details of transaction in accordance with EMIR, MiFID or the Markets in Financial Instruments Regulation ("MiFIR")<sup>9</sup>, their obligations in relation to reporting under REMIT shall be considered fulfilled. It's important to note that this financial legislation does not prescribe the reporting of orders to trade and so these are required to be reported in accordance with REMIT.

As a registered TR under EMIR, ICE Trade Vault Europe will provide ACER with access to data reported under EMIR that also falls into the scope of REMIT. ICE Trade Vault Europe's Chief Compliance Officer will oversee this provision of access to ensure ACER is only provided with data that they have jurisdiction over.

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14.8.2009, p. 55) and Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC

<sup>7</sup> Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on market in financial instruments

<sup>8</sup> Note: Any assistance that OMPs provide with respect to the back loading requirement is entirely at the discretion of the OMP

<sup>9</sup> Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012



### ***When do reports need to be submitted?***

- **Standard contracts:** Details of standard contracts are required to be submitted as soon as possible but no later than on the working day following the conclusion of a contract or the placement of an order. Any modification or termination of the contract or order should also be reported as soon as possible but no later than the working day following the modification or termination.
- **Non-standard contracts:** Details of non-standard contracts, including any modification or termination of the contract are required to be reported no later than one month following the conclusion, modification or termination of the contract.
- **Transportation contracts - primary allocations:** Required to be submitted no later than the working day following the availability of the allocation results.

### **ICE Trade Vault Europe RRM Capabilities**

- **REMIT experience:** ICE Trade Vault has been actively involved with REMIT regulation since the first draft of REMIT's Implementing Acts was published in 2013, sharing the benefit of its experience in global regulatory reporting and EU wholesale energy markets with the European Commission, ACER and several NRAs, with the primary aim of making reporting as efficient as possible for its customers.
- **Limited system development:** ICE has an unparalleled record of integrating trade capture systems, both vendor and proprietary, to enable submission and download of trade data. As described above, customers will be able to interface with ICE eConfirm via XML API or file upload to submit data to the RRM and will be able to upload ACER XML files provided by their brokers or exchanges. Upon enrollment, Participants will have access to data mapping tools, a test environment, complete technical requirements and a dedicated customer support team to assist with their integration.
- **Proper Governance:** ICE Trade Vault has fully documented governance principles, codes of conduct, audit methodologies, and is subject to ICE's thorough internal and external audit regime.
- **Autonomous Compliance Program:** ICE Trade Vault has a designated Chief Compliance Officer with extensive experience of global regulatory reporting and liaising with global regulators.
- **Operational Reliability:** ICE Trade Vault maintains strict operational risk and business continuity/disaster recovery policies to ensure safeguarded and continual operations. It leverages ICE technological expertise, high-performance and secure architecture and is subject
- **Confidential & Information Security:** ICE Trade Vault has a proven ability to ensure efficient, effective and secure handling of regulatory information. It offers robust company set-up and user authorisation functionality via its administrator component. In addition, ICE Trade Vault is subject to certain confidentiality obligations pursuant to the terms of the ICE Trade Vault Europe Participant Agreement and applicable law. Access to ICE Trade Vault will be strictly limited to users with valid credentials in line with its information security policy covering systems security and data protection.



- **Dedicated Customer Support:** ICE Trade Vault prides itself on providing customers with a “white-glove”, all-round regulatory reporting service, not just a technology system. This means providing a regular and transparent dialogue with customers and working to implement regulatory developments in a way that minimises customer impact, wherever possible. Its dedicated customer support team is available on a 24/6 basis to provide a high-level of technical and operational support.

### **Conclusion**

Given the critical importance of complying with global regulatory requirements, ICE Trade Vault’s RRM service will meet the REMIT reporting requirements of participants in the EU wholesale energy markets. ICE Trade Vault benefits from ICE’s successful record of working with customers to develop innovative trading platforms, data-reporting tools, and risk management services. ICE is undertaking a significant development effort to ensure ICE Trade Vault’s RRM Service provides a simple and cost-effective REMIT reporting solution for its customers, one that is dynamic and adaptable as regulatory rules evolve.

## Annex 1: Definitions<sup>10</sup>

**Agency for the Cooperation of Energy Regulators (“ACER”)** - ACER is the EU Agency responsible for implementing the REMIT regulations. It was officially launched in March 2011 to complement and coordinate the work of national energy regulators at an EU level, and to work towards the completion of the single EU energy market for electricity and natural gas.

**European Market Infrastructure Regulation (“EMIR”)** – Regulation (EU) 648/2012 of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories.

**European Union (“EU”)** - a politico-economic association of 28 member states that are located primarily in Europe.

**Market participant** - any person, including transmission system operators, who enters into transactions, including the placing of orders to trade, in one or more wholesale energy markets (that is, any market within the EU on which wholesale energy products are traded). Note that when a legal person only enters into transactions on derivatives traded outside the EU that are for financial settlement, even though they are related to EU electricity or gas, that legal person is not considered a REMIT market participant.

**Markets in Financial Instruments Directive (“MiFID”)** - Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on market in financial instruments.

**Markets in Financial Instruments Regulation (“MiFIR”)** - Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012.

**National Regulatory Authority (“NRA”)** - the single national regulatory authority designated by each EU member state in accordance with Article 35(1) of Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 or Article 39(1) of Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009. For example, the Office of Gas and Electricity Markets (“Ofgem”) is the designated NRA for Great Britain.

**Non-standard contract** - a contract concerning any wholesale energy product that is not a standard contract.

**Organised market place (“OMP”)** - (a) a multilateral system, which brings together or facilitates the bringing together of multiple third party buying and selling interests in wholesale energy products in a way that results in a contract, or (b) any other system or facility in which multiple third-party buying and selling interests in wholesale energy products are able to interact in a way that results in a contract. Examples include electricity and gas exchanges and brokers.

**Registered Reporting Mechanism (“RRM”)** - a legal person that is registered with ACER to report trade and / or fundamental data directly to ACER under REMIT.

**Regulation on Energy Market Integrity and Transparency (“REMIT”)** - Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency.

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<sup>10</sup> These definitions are intended to provide context for entities preparing themselves for the new REMIT reporting requirements. However, firms should rely on the advice provided by their legal counsel.

**REMIT's Implementing Acts** - Commission Implementing Regulation (EU) No 1348/2014 of 17 December 2014 on data reporting implementing Article 8(2) and Article 8(6) of Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency.

**Standard contract** - a contract concerning a wholesale energy product admitted to trading at an organised market place, irrespective of whether or not the transaction actually takes place on that market place.

**Trade Reporting User Manual ("TRUM")** - the user manual made available by ACER to explain the details of the REMIT reportable information pursuant to Article 5(2) of REMIT's Implementing Acts.

**Trade Repository ("TR")** - a legal person that is registered with ESMA to centrally collect and maintain the records of derivatives under EMIR.

**Transmission System Operator ("TSO")** - a natural or legal person responsible for operating, ensuring the maintenance of and, if necessary, developing the transmission system in a given area and, where applicable, its interconnections with other systems, and for ensuring the long-term ability of the system to meet reasonable demands for the transport / transmission of natural gas or electricity.

**Wholesale energy market** - any market within the EU on which wholesale energy products are traded.

**Wholesale energy products** - contracts for the supply of electricity or natural gas where delivery is in the EU, derivatives relating to electricity or natural gas produced, traded or delivered in the EU, contracts relating to the transportation of electricity or natural gas in the EU and derivatives relating to the transportation of electricity or natural gas in the EU. Contracts for the supply and distribution of electricity or natural gas to final customers with a consumption capacity of greater than 600 GWh per year are also treated as wholesale energy products for the purposes of REMIT.