

ACER Transaction Records Consultation Comments

Bryok – July 2012

We come from the perspective of Market Monitoring & Surveillance (our area of expertise). Our comments are there to ensure that once a Surveillance Solution has been selected and implemented, it will have the right data available to ensure it can do its job as expected.

Question 1: *"Do you agree with the proposed definitions? If not, please indicate alternative proposals".*

Precision here matters since these are meant to define the transactions to be recorded.

1. *"Tradable Instrument" means an instrument for which a venue (including balancing market venues) has specified a description of limited characteristics of a contract so as to make the basic terms of the contract easily identifiable;*

In financial markets it is an *issuer* who specifies the instrument, and a market that accepts it for trading (the primary market), then one of more venues trade it (the secondary market). Is it really the venue that makes the specification in the energy market?

2. *"Order to trade" means an indication expressed by a counterparty to buy or sell a tradeable instrument (including auctions, continuous trading) ;*

*"Bid and offer" means **and (sic)** indication of a party's willingness to enter into a transaction (usually for a specified price and quantity), typically placed on an exchange or auction system;*

These two definitions seem the same, how about:

- "Order (to trade)" means an instruction placed with an energy market participant (by a third party) to buy or sell a tradeable instrument (on the third party's behalf). It may include instructions such as price (market, limit, pegged, etc), quantity (or value) and time.
- "Bid (offer)" means an indication made on venue by a market participant of its willingness to buy (sell) a tradeable instrument. It may specify price (market, limit, pegged, etc), quantity (or value), and time (eg ForK, GtC, etc)

"exchange" and "auction system" are presumably examples of "venues" or "balancing market venue", but none of these words are defined. Furthermore...

3. *"Organised market place" means any trading venue for wholesale energy products, including exchanges and broker platforms, the latter only if considered as MTF.*

"Organised market place" is the introduction of another term yet the ones used earlier are not defined, and now MTF is also introduced, both without definition.

4. *"Trade" means the process of execution between at least two counterparties against a contract with the intention that there is a possibility of a financial obligation being transferred from one counterparty to another;*

"Execution" means acting to conclude agreements to buy or sell one or more wholesale energy product(s);

These two definitions seem the same, how about:

- "Trade" means the matching by a venue of one or more pairs of bids and offers collectively satisfying the specifications indicated by the market participants and according to the matching rules of the venue
- "Execution" means the carrying out of an order by a market participant, e.g. by placing bids (or offers) which subsequently trade, or by fulfilling it from its own inventory

5. There is no definition of clearing or settlement, even though they are mentioned within the "post-trade stage" in section 2.

Question 3

a) Do you agree with the proposed way forward to collect orders to trade from organised market places, i.e. energy exchanges and broker platforms?

If the definition, above, is right, then an exchange does not know about an "order to trade", so it cannot report them, only the market participant can.

Conversely, a market participant does **not** know who is on the other side of a "trade" on a venue, so cannot report them, only the venue can.

b) Do you think that the proposed fields in Annex II.1 will be sufficient to capture the specificities of orders, in particular as regards orders for auctions?

- It would probably be better to have separate records for orders, bid/offer, trades, and execution.
- For instance, price appears only in one field, 27, and refers to "value of the contract", but there is no contract till there's a trade. An order may have some other price (e.g. limit, market, stop-loss, peg, mid-point).
- Orders, and bid/offers have "order type" (e.g. "fill or kill", "good till cancelled", etc. - we assume that's what field 23 is for, but it's not clear). If it's a "good till time" or "good till date" then the time/date is needed too.
- A bid/offer may only be partially filled by a set of trades - this needs to be indicated somehow (e.g. a quantity remaining field in the trade record from the venue).
- Fields 19, 33-35 - derivative underlying etc., seem a bit odd. This is instrument reference data, not transaction data.
- Similarly fields 15-18, - aren't they part of the contractual terms, not the transactions?