

# Energy Markets meet Financial Markets

## Supervisory approach by the AFM

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## **In this presentation:**

**Brief introduction Netherlands Authority for the Financial Markets (AFM)**

**Similarities between the Dutch and Turkish energy infrastructure**

**Developing a market place for the exchange of energy related financial instruments**

**Setting up an (energy derivatives) exchange**

Applicable laws and regulations

Concept - basic principles

**Approach taken by the AFM**

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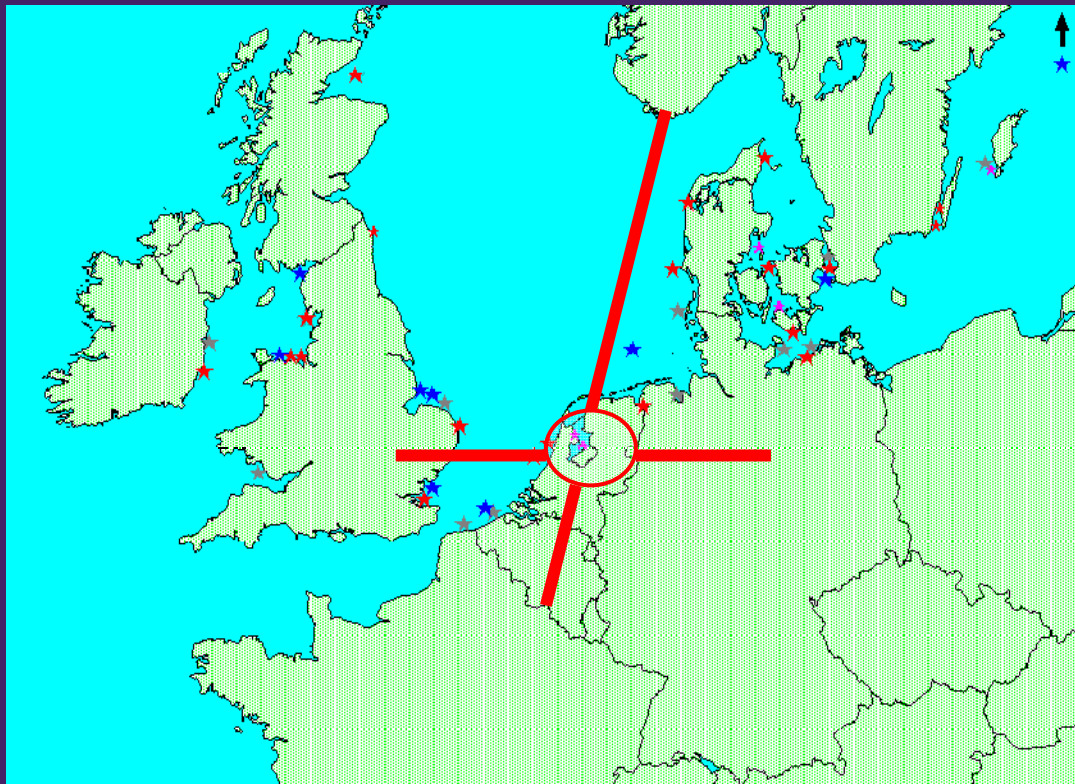
**The AFM is the supervisory authority for the financial markets in The Netherlands**

**Comparable with the Capital Markets Board of Turkey**

**The AFM supervises ENDEX European Energy Derivatives Exchange which facilitates trading in Dutch, Belgium and UK power futures as well as Dutch natural gas futures**

**In addition, the AFM is in close contact with potential operators of a carbon futures exchange**

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- Regional Hub for natural gas (gas roundabout)
- Groningen Gas Field
- Storage capacity for gas (terminals and depleted gas fields)
- Windfarms on North Sea
- Cross-border trade capacity (electricity)

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## Developing a marketplace

Turkey has the ambition:

- to position itself as a significant energy transit state
- to increase production

Alongside the physical transfer of goods it makes sense to facilitate the economic transfer of goods

Hence, there is room for an exchange facilitating the trade in:

- spot contracts (for fine tuning daily portfolio)
- future contracts (for risk management purposes)

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## **Setting up an exchange**

**Applicable laws and regulation:**

**Markets in Financial Instruments Directive (MiFID)**

**CMB's By-laws about the establishment and working principles of derivatives exchanges**

**According to MiFID:**

**Spot contracts do not fall within the scope of MiFID**

**Future contracts fall within the scope of MiFID**

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## Setting up an exchange

According to MiFID the market operator is required to be in control of:

- Fit and properness of daily management
- Organizational Risk
  - Conflicts of interest
  - Operational and legal risk
  - Outsourcing
- System Risk
  - Business continuity
- Clearing & Settlement Risk
  - CPSS-IOSCO *Recommendations for CCPs*
- Financial Risk
- Fair Trading Rules
- Member Access & Product Access
- Market Integrity

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## Approach taken by the AFM

### Motto:

‘Welcome to the financial marketplace. Please note the rules of the financial marketplace apply’

- **Risk based approach:**
  - Traded volumes
  - Type of products
  - Type of market participants
- **Learning curve**
  - Both for the regulator as well for the operator of the exchange
  - Monitoring of markets by the exchange itself
- **Dialogue with**
  - Energy producers
  - Dutch Office of Energy Regulation

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