



## HUDEX Q&A

### Content

Market operation and market development questions:.....	1
Membership application and pricing questions.....	4
Compliance and reporting questions .....	6

---

### Market operation and market development questions:

- **Will HUDEX products be financial, physical or both?**

Please note that on HUDEX the power products will be pure financial products. The option to have physical delivery for these on HUPX is done through a separate physical product, and will be entered into HUPX trading system as a separate physical DA product daily. So the financial product will be closed as a financial product and in the same time we will automatically open a physical position for you on HUPX for the delivery.

- **Which MiFID II. instruments are tradeable?**

The same products as on the HUPX PhF Market:

four (4) front weeks, three (3) front months, four (4) front quarters and three (3) front years

- **When you trade, will it be default physical or default financial? Can you set the default?**

All trades will be financial as a default, unless you ask for physical delivery as a default on the application form.

- **Is there a possibility for physical delivery of trades set for 2018 on HUPX PhF? If so, with what conditions?**

All PhF open positions will be transferred to HUDEX. On HUDEX, there will be a possibility to request physical delivery, which will be delivered through HUPX DAM.

- **In case a member traded a year product with HUPX DAM delivery, does it have to be admitted on HUDEX FF (Financial Futures) as well? Or is it acceptable to be a member only on HUPX PhF and DAM?**

No. All PhF will be closed from 29th of December. PhF open positions will be transferred to HUDEX. On HUDEX, there will be a possibility to request physical delivery. January product will be still delivered in the HUPX PhF balancing circle and from February product onward both financial and physical delivery can be requested.

- **Will the HUPX DA and ID Markets stay the same?**

Those markets remain at HUPX and trading continues with no difference.

- **How to separate spec and hedge positions when requesting for physical delivery?**

Currently there is no option to separate spec and hedge positions at delivery, both can be requested to be physically delivered.

- **Will firms have the option to default all activity pre-execution to either hedge or spec?**

There will be a possibility to mark the intention of a trade or order (hedge or spec) in Joule. For direct Trayport users this could be configured by default.

- **Will firms have to set the hedge flag on the order as well?**

There will be a possibility to mark the intention of an order (hedge or spec) in Joule. For direct Trayport users this could be configured by default.

- **How will firms set the hedge/spec flag T+1? Will they receive a pre-populated ITS4 file?**

In Joule this can be set up after the trade has been concluded. For position limits this is under discussion with the Hungarian NRA.

- **How will you publish ISIN codes of contracts traded on HUDEX?**

This information will be available on our homepage, attached to the trading calendar. We plan to provide this information once a year for the entire year next year.

- **When will the changes be rolled out?**

This will be available in the production after the go-live on 03.01.2018. During the member test period (end of November 2017) these functions will be available in the test system.

- **What is the system impact?**

New fields will be available according to the Trayport specifications.

- **Will the deal capture API be updated to include the new flags?**

Yes, it will

- **Why do traders need to confirm position in the DAM trading system before gate closure for physical delivery?**

It is a final check on the DAM market for safety reasons.

- **Why HUDEX will not have weekly peak products?**

According to the previous trading activity on peak products, HUDEX decided not to provide weekly peak products from January 2018, however HUDEX will take into consideration to launch these products in the future.

- **Can the weekly products be delivered?**

Yes, there will be a separate delivery portfolio for weekly products on the HUPX DAM.

- **Will the balancing group of HUPX PhF cease?**

Yes, after January 2018.

- **As physical delivery will not be our default option, how can we let you know if we want to deliver certain trades?**

Physical delivery of the HUDEX trades will happen on HUPX DAM market. In the HUPX DAM trading system a new portfolio will be set up for you in which you will see your physical delivery request. This physical delivery will be optional, not a default. There will be a new web based tool provided for members, in which they can indicate if they would like to request physical delivery. During the trading period members can request physical delivery for their open position, not for trades. Physical delivery can happen up to the members open position. For your convenience there will be a member testing period at the end of November during which you can test the new tool.

- **Can a company default positions to considered all as hedge? If so, at what level? Will this be at ISIN/product code level or short code level?**

Yes, it will be done on company / portfolio level.

- **Can the weekly product be delivered?**

Yes, there will be a separate portfolio for the delivery of the HUDEX monthly and for the weekly products in the HUPX DAM trading system.

- **The yearly product will cascade. How will the delivery take place with a yearly product? Can the customer send the delivery request of a yearly product ahead for the whole year?**

You can ask at the application form for default physical delivery and then everything will be delivered. If not, then on the webform you can indicate physical delivery for your open position, you can tick the box for every month for the year ahead. You ask physical delivery by month for a whole year ahead, but you can indicate it at the time of the trade, or even before. However please note that you can only deliver in case you have enough open positions. Please note that all physical delivery positions will have to be confirmed also in the DAM trading system a day before delivery till 11AM, the gate closure time.

- **How will you publish delta equivalent values (relevant for options)?**

The contracts at HUDEX are going to be futures contracts, only optional delivery through HUPX DAM will be offered for power contracts. But besides this fact the contracts themselves will not be considered as options.

## Membership application and pricing questions

- **Do you require a certified translation and/or apostilled extract? (Company Registration Extract)**

Yes, we do require apostilled Company Registration Extract issued no later, than 30 days before the first trading day. We accept English or Hungarian version, certified translation is not needed.

- **Do you have a timeframe as to how long individual stages of acquiring the HUDEX membership might take?**

If the company is already a member on HUPX or CEEGEX PhF and if all documents submitted properly, then we make sure that the company will be admitted in December. If the company is not a member yet, then the process takes about 2-3 weeks, depending on the clearing banks.

- **If a company is currently a member of HUPX and has an RRM Agreement with HUPX, will the current RRM Agreement be valid for HUDEX or do we have to conclude a new/additional RRM agreement?**

We have to sign a new agreement for HUDEX.

- **Is there an exact date until registration on HUDEX is free of charge for HUPX members?**

There is no deadline yet.

- **We are asked in some forms to indicate our “Member ID” but I am not able to identify it. Could you please assist?**

This is the ECC code. You can request that from ECC or from HUPX.

- **Our HUDEX traders will be the same as the current HUPX traders, do you need a trader registration form?**

Yes please.

- **What other trading fees will arise in addition to the 9k EUR annual fee?**

There will be no additional fixed fees, the transaction fee will be 0 Euros for initiator and 2,5 Eurocent for aggressor. For physical delivery of HUDEX positions, the transaction fee will be 2 Eurocent on HUPX DA.

- **We expect that the same traders will be trading on HUDEX as those who are currently authorized to trade on HUPX PhF. Given that HUPX already has the required information (passport copy, trader license), is it required to send them again?**

No need to send them again.

- **On HUPX PhF, the accounts are not nominative, i.e. we currently have two read-write accounts used by the authorized traders interchangeably. Could you confirm that this same approach will be used on HUDEX? Or will the trader accounts be nominative, i.e. if we wish for all three traders to be able to trade, 3 read-write accounts are required?**

No, this approach will be changed. The accounts have to be assigned to traders, according to the rules of MiFID II. Each trader should have their own account.

- **Does HUDEX already obtain the full licence of regulated market? We assume that submission of HUDEX membership application can be done only after HUDEX has got such licence.**

No, you can submit your application now and it will be valid after the market has been launched.

- **In the trader registration form, national ID means CONCAT//National ID/passport No. based on trader nationality?**

It is required to give number of ID or passport. There is no need for CONCAT at this stage.

- **Do you require us to send hardcopies (or notarized copies) of each document of the supporting documents in your admission checklist via mail or scans of the original documents would be sufficient?**

We need the originals of every document, except from Trader Certificate. We do require apostilled Company Registration Extract issued no later than 30 days before the first trading day.

- **Will the gas segment of HUDEX be available for traders on the power segment and the other way around?**

On the HUDEX platform the registered power trader will have a read-only right also to the HUDEX gas segment.

- **Will be the users and login details stay the same as on the HUPX PhF market?**

No, there will be new users and passwords sent out.

- **What is the fee for two new portfolios in the HUPX DAM trading system?**

The HUPX DAM Delivery Portfolios will be free of charge, the fee of a further HUDEX User will be 4200 €. Further HUDEX portfolio is free of charge too.

## Compliance and reporting questions

- **How to avoid double reporting (EMIR vs. REMIT)?**

Our aim is to avoid double reporting; however, it is still under discussion with HEA how to conduct it.

- **So far EEX reports all our trades and orders under REMIT, can HUDEX do the same?**

REMIT reporting automatically will be included for HUDEX members into their membership fees. However if the member chooses to report through another RRM than HUPX, then the data can be downloaded too with a different agreement type.

- **Do the EMIR reporting services by ECC and KELER cover all the required reporting?**

ECC and KELER cover all the required reporting under EMIR. Please contact them for details.

- **If HUDEX lists only financial futures, what is the relevance of REMIT here?**

As our understanding, we have to report the details of each transaction on HUDEX under REMIT and under MIFID II. The REMIT terminology use wholesale energy product ( (b) derivatives relating to electricity or natural gas produced, traded or delivered in the Union) and MIFID II terminology use financial instruments, in the case of HUDEX our products will be financial instruments and wholesale energy products as well.

- **Would you have a guide for position reporting, describing the procedures regarding e.g. the file submission process, the format of the position file, deadlines and validations, reconciliation, etc.?**

It is under discussion with the MNB (Hungarian National Bank).

- **What reporting will need to be done? Remit or Emir?**

REMIT reporting automatically will be included for HUDEX members into their membership fees.

However if the member chooses to report through another RRM than HUPX, then the data can be downloaded too with a different agreement type.

### EMIR reporting:

Under the EU Regulation No. 648/2012 Art. 9 Counterparties and Central Counterparties (CCPs) shall ensure that the following details are reported to a trade repository:

- any derivative contract they have concluded
- any modification or termination of the contract.

The details shall be reported no later than on the working day following the conclusion, modification or termination of the contract. A counterparty or a CCP which is subject to the reporting obligation may delegate the reporting of the details of the derivative contract. ECC and KELER can provide reporting service:

- Members will be able to directly access their reported data via a new web-based solution and download the data from an ftp server.
- Price: 300 EUR/Months – Electricity, ~250 EUR/Months - Gas
- The enhanced service is associated with a new EMIR Data Services Agreement. - Electricity
- For further information, please contact: - [compliance-services@eex.com](mailto:compliance-services@eex.com) – Electricity

- [tradereporting@keler.hu](mailto:tradereporting@keler.hu) – Natural gas

- **Is REMIT applicable to HUDEX products as financial instruments?**

REMIT applies to all wholesale energy products and according to Art. 2 (4) b) this encompasses also the derivatives relating to electricity or natural gas produced, traded or delivered in the Union.

- **Why HUDEX will do REMIT reporting? Is this obligatory considering that HUDEX products will be financial instruments under financial regulation?**

According to Art. 1. (2) of REMIT *“This Regulation applies to trading in wholesale energy products. Articles 3 and 5 of this Regulation (prohibition of insider trading and prohibition of market manipulation) shall not apply to wholesale energy products which are financial instruments and to which Article 9 of Directive 2003/6/EC applies”.*

This means that except Art. 3 and 5 all other rules of REMIT including the data reporting prescriptions shall apply to also those wholesale energy products, which are financial instruments.

- **If HUDEX members do the EMIR reporting and HUDEX is doing MiFIR reporting why is necessary to report under REMIT? EMIR and MiFIR reports do not replace REMIT reports?**

EMIR and MiFIR reports only partially replace REMIT reports.

*“According to REMIT recital (19) “Where a market participant or a third party acting on its behalf, a trade reporting system, an organised market, a trade-matching system, or other person professionally arranging transactions has fulfilled its reporting obligations to a competent authority in accordance with Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments or applicable Union legislation on derivative transactions, central counterparties and trade repositories, its reporting obligation should be considered fulfilled also under this Regulation, but only to the extent that all the information required under this Regulation has been reported”.”*

- **Why HUDEX does not report only the data, which are not reported under EMIR and MiFIR?**

EMIR reporting obligation lies on market participants and central counter parties and not on trading venues. In order to find out which data was not reported by market participants under EMIR we would need to collect such data from market participants, match with existing reports and adapt the existing reporting system.

Due to the time constraint, uncertainty and costs inherent in such a procedure HUDEX will chose the possibility in Article 8 (3) of REMIT and in the related implementing acts and will provide ACER with records of wholesale energy transactions.

- **Does the REMIT reporting method chosen by HUDEX causes extra costs for market participants?**

The REMIT reporting was free of charge on HUPX PhF markets and it will be free of charge also on HUDEX, as well. Market participants only need to sign a REMIT data report agreement with HUDEX.