



A PURPOSE OF THE QUESTIONNAIRE

The European Commission's Directorate-General for Climate Action has commissioned to Europe Economics a preliminary market consultation in accordance with Article 166(1) of the Financial Regulation¹ for the preparation of the procurement of the third common auction platform to be appointed under Article 26(1) of the Auctioning Regulation².

The operators of the following trading venues, who may potentially be eligible to operate the third common auction platform, are encouraged to fill in and submit the questionnaire:

- Trading venues authorised to operate as regulated market in accordance with Title III of MiFID II³ which trade in emission allowances and their derivatives, defined as financial instruments following MiFID II Annex I, section C, points 4 and 11;
- Trading venues authorised to operate as regulated market in accordance with Title III of MiFID II that are wholesale energy market as per the definition of Article 2(6) of REMIT.

The operators are invited to fill in and submit a separate questionnaire for each regulated market they operate. If the answers are provided by a parent company that operates more than one regulated market, a separate questionnaire for each regulated market should be filled in and submitted.

European Commission's Directorate-General for Climate Action and Europe Economics will treat the information provided by the operators in the questionnaire as confidential. This information will not be taken into account in the evaluation of the offers submitted by the operators in the procurement procedure of the third common auction platform.

The filled in questionnaires should be submitted to the following e-mail address: andrew.lilico@europe-economics.com preferably by 6 December 2019.

¹ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

² Commission Regulation (EU) No 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community (OJ L 302, 18.11.2010, p. 1).

³ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).



B. THE NATURE AND SCALE OF YOUR BUSINESS

This section comprises questions designed to verify the identity of the regulated market and the nature and scale of its business.

Q1	Please state the name of the regulated market in respect of which this questionnaire is being completed, along with any parent group.
	Name of regulated market:
	Name of the operator of the regulated market:
	Name of parent group (if applies):

Q2	Please confirm which of the following applies to the regulated market — Please tick all that apply
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**** If you are answering in respect of a parent company that operates more than one regulated market, please complete a separate questionnaire for each regulated market.**

	Tick if applies
This trading venue is authorised to operate as a regulated market in accordance with Title III of MiFID II	
This trading venue has established a secondary market in emissions allowances or emissions allowance derivatives defined as financial instruments (in accordance with MiFID II Annex I, section C, points 4 and 11)	
This trading venue is a wholesale energy market as per the definition of Article 2(6) of REMIT ⁴	

Q3	The public law of which EU or EFTA state (home Member States) governs the trading conducted at the regulated market? (Tick those that apply)		
	Austria		Lithuania
	Belgium		Luxembourg
	Bulgaria		Malta
	Croatia		Netherlands
	Cyprus		Poland
	Czech Republic		Portugal
	Denmark		Romania
	Estonia		Slovakia
	Finland		Slovenia
	France		Spain
	Germany		Sweden
	Greece		United Kingdom
	Hungary		Iceland

⁴ Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (OJ L 326, 8.12.2011, p. 1).



Q3	The public law of which EU or EFTA state (home Member States) governs the trading conducted at the regulated market? (Tick those that apply)		
Ireland	<input type="checkbox"/>	Liechtenstein	<input type="checkbox"/>
Italy	<input type="checkbox"/>	Norway	<input type="checkbox"/>
Latvia	<input type="checkbox"/>	Switzerland	<input type="checkbox"/>

Q4 Which is/are the competent authority(ies) for the regulated market

Name of the competent authority			
Country:			

Q5 Please provide the financial turnover and net assets (in € millions) of the operator of the regulated market for the years 2016-2018

	2016	2017	2018
Turnover (€ millions)			
Net assets (€ millions)			

Q5a If this regulated market has established a secondary market in emissions allowances or emissions allowance derivatives defined as financial instruments, please provide the monthly volume of allowances and allowances derivatives traded over the period April to September 2019

Month	Apr-2019	May-2019	Jun-2019	Jul-2019	Aug-2019	Sep-2019
Aggregate volume of allowances traded (€ millions)						
Aggregate volume of allowances derivatives traded (€ millions, Notional Value)						

Q5b If feasible please provide a very rough estimate of the expected annual running cost for hosting auctions on this regulated market in accordance with the Auctioning Regulation⁵.

€ _____ millions

⁵ The functions of the auction platform are established in Article 27 of the Auctioning Regulation. For further details please see section D of the questionnaire.



Q5c	If this regulated market has not established a secondary market in emissions allowances or emissions allowance derivatives defined as financial instruments, please provide an estimate of the time it would take to establish such a market, were you to decide to do so.	_____ months
Q5d	If this regulated market has not established a secondary market in emissions allowances or emissions allowance derivatives defined as financial instruments, if feasible please provide a very rough estimate of the cost of setting up such a market, were you to decide to do so.	€ _____ millions
Q5e	If this regulated market has not established a secondary market in emissions allowances or emissions allowance derivatives defined as financial instruments, please briefly describe any challenges you foresee in achieving reasonable liquidity in such a market, were you to establish one.	



C CLEARING AND SETTLEMENT AND FEES

Q6	What kind of clearing and/or settlement models does this regulated market offer?					
	Clearing and/or settlement models					
	In-house clearing	Central counterparty clearing	Direct clearing ⁶	Sponsored clearing	Central securities depository for settlement	Other (please describe):
Yes/No						
Brief general description						
SFD ⁷ protection Yes/No						
Does the model allow handling of payments and distribution of the proceeds to the auctioneers? ⁸ Yes/No						
Does the model allow delivering the allowances to the						

⁶ A direct clearing member is a clearing member that clears its own trades..

⁷ Settlement Finality Directive 98/26/EC.

⁸ This is one of the functions of the clearing and/or settlement system connected to the common auction platform: The handling of payments made by successful bidders or their successors in title and distribution of the proceeds of the auctions to the sellers. For further details please see section D of the questionnaire.



Q6	What kind of clearing and/or settlement models does this regulated market offer?					
	Clearing and/or settlement models					
	In-house clearing	Central counterparty clearing	Direct clearing ⁶	Sponsored clearing	Central securities depository for settlement	Other (please describe):
successful bidders? ⁹ Yes/No						
Does the model allow managing collateral? ¹⁰ Yes/No						

Q7	Does this regulated market currently offer any solutions to provide access to SME to the regulated market and/or to its clearing and/or settlement system?	Yes / No (delete as applicable)
Q7a	If your answer to Q7 was Yes, please briefly describe these solutions.	

⁹ This is one of the functions of the clearing and/or settlement system connected to the common auction platform: Delivering the traded financial instruments to successful bidders or their successors in title. For further details please see section D of the questionnaire.

¹⁰ This is one of the functions of the clearing and/or settlement system connected to the common auction platform: Managing collateral including any margining, provided by the sellers or bidders. For further details please see section D of the questionnaire.



Q7b	If your answer to Q7 was Yes, are these alternative solutions subject to Settlement Finality Directive ¹¹ protection (or protection equivalent to those provided under the SFD)?	Yes / No (delete as applicable). If No, please describe major difference in protections offered.
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Q8a	If auctions are hosted on this regulated market, please describe the fee structure used for such auctions. (Please identify all that apply, and/or describe the fee structure used more generally in the box provided)
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<i>Fees charged to...</i>			
	Tick if applies		
Those selling in an auction, as a flat percentage of the value of products auctioned		Please specify indicative or typical percentage	
Those selling in an auction, as a percentage of the value of products auctioned, with a higher percentage applying to the first €X-worth and a lower percentage thereafter		Please describe the structure in more detail:	
Those selling in an auction, according to some other metric (eg a flat fee)		Please specify this alternative metric and its level	
All bidders (successful or otherwise) that are members of the trading platform, as a flat fee for membership		Please specify indicative or typical annual fee	
All bidders (successful or otherwise) that are not members of the trading platform, for participation in a specific auction		Please specify indicative or typical fee for non-members to participate in a specific auction	
All bidders (successful or otherwise), according to some other metric		Please specify this alternative metric and its level	

¹¹ Settlement finality Directive 98/26/EC.



Q8a	If auctions are hosted on this regulated market, please describe the fee structure used for such auctions. (Please identify all that apply, and/or describe the fee structure used more generally in the box provided)		
Successful bidders only, as a fee per number of units acquired (eg number of allowances)		Please specify unit (eg number of allowances) and cost per unit Unit: Cost per unit (€):	
Successful bidders only, as a flat percentage of the value of their winning bid		Please specify indicative or typical percentage	
Successful bidders only, as a percentage of the value of products auctioned, with a higher percentage applying to the first €X-worth and a lower percentage thereafter		Please describe the structure in more detail:	
Successful bidders only, according to some other metric		Please specify this alternative metric	
Other, please describe:			



Q8b	<p>Please describe the fee structures used by the regulated market for any non-auction trading. Examples might include fees for primary issuance; fees related to secondary trading (including fees for ancillary services); "participation" fees (i.e. standing fees to enable participation in the primary or secondary market not related to actual transactions taking place).</p> <p>Please identify all that apply and describe the fee structure used more generally in the box provided.</p>
Activity to which fees relate (eg secondary trading; trading of derivatives)	Description of fee structure



Q8c	If this regulated market's current fee structure is one in which those selling pay fees, what difficulties, if any, would it create if the market were to host an auction in which all fees were paid by bidders (and none by those selling)?
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D SUMMARY OF THE AUCTION PLATFORM'S FUNCTIONS

The functions of the auction platform are set out in the Auctioning Regulation¹². The main functions, in particular relating to clearing and settlement, are summarised below:

Functions of the auction platform (Article 27)

The auction platform must provide the following services to the Member States, as more particularly delineated in the contract appointing it:

- (a) providing access to the auctions, including the provision and maintenance of the necessary internet-based electronic interfaces and website;
- (b) conducting the auctions;
- (c) managing the auction calendar;
- (d) announcing and notifying the results of an auction;
- (e) providing, or ensuring the provision of, the requisite clearing system or settlement system needed for:
 - i. the handling of payments made by successful bidders or their successors in title and distribution of the proceeds of the auctions to the auctioneer, pursuant to Articles 44 and 45;
 - ii. delivering the auctioned allowances to successful bidders or their successors in title, pursuant to Articles 46, 47 and 48;
 - iii. managing collateral including any margining, provided by the auctioneer or bidders, pursuant to Articles 49 and 50;
 - iv. providing the auction monitor with any information relating to the conduct of the auctions, required for the carrying out of the auction monitor's functions, pursuant to Article 53;
- (f) providing the Commission with any information relating to the conduct of the auctions pursuant to Article 53;
- (g) surveying the auctions, notifying suspicions of money laundering, terrorist financing, criminal activity or market abuse, administering any required remedial measures or sanctions including the provision of an extra-judicial dispute resolution mechanism;
- (h) reporting, pursuant to Article 36.

Payment and transfer of the auction proceeds (Article 44)

An auction platform including the clearing system(s) or settlement system(s) connected to it must transfer the payments made by the bidders or any successors in title arising from the auctioning of allowances to the auctioneers that auctioned the allowances in question.

Payments to the auctioneers must be made in euros or in the currency of the appointing Member State where that Member State is not member of the euro-zone, at the option of the Member State concerned, regardless of what currency payments are made by the bidders, provided that

¹² This section refers to the functions of the auction platform established in Auctioning Regulation, as amended by the Commission Delegated Regulation (EU) 2019/1868 of 28 August 2019, recently published in the [Official Journal of the European Union](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2019:289:FULL&from=EN). (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2019:289:FULL&from=EN>). This delegated regulation will enter into force on 28 November 2019.



the clearing system or settlement system concerned is capable of handling the national currency in question.

The exchange rate will be the rate published on a recognised financial newswire service specified in the contract appointing the auction platform concerned, immediately following the close of the bidding window.

Consequences of late or non-payment (Article 45)

A successful bidder, or its successors in title, will only be delivered allowances if the entire sum due is paid to the auctioneer. A bidder in default of payment may be charged either or both of the following:

- (a) interest for each day beginning with the date on which payment was due and ending on the date on which payment is made at an interest rate set out in the contract appointing the auction platform concerned, calculated on a daily basis;
- (b) a penalty, which will accrue to the auctioneer less any costs deducted by the clearing system or settlement system.

Where a successful bidder is in default of payment one of the following will occur:

- (a) the central counterparty will interpose to take delivery of the allowances and effect payment of the sum due to the auctioneer;
- (b) the settlement agent will apply collateral taken from the bidder to effect payment of the sum due to the auctioneer.

In the event of a failure of settlement, the allowances will be auctioned at the next two auctions scheduled on the auction platform concerned.

Transfer of the auctioned allowances (Article 46)

Allowances auctioned by any auction platform will be transferred by the Union registry prior to the opening of a bidding window, into a nominated holding account, to be held in escrow by the clearing system or settlement system acting as custodian, until delivery of the allowances to successful bidders or their successors in title.

Delivering the auctioned allowances (Articles 47 and 48)

The clearing system or settlement system must allocate each allowance auctioned by a Member State to a successful bidder, until the total volume allocated matches the volume of allowances notified to the bidder. A bidder may be allocated allowances from more than one Member State auctioning in the same auction if necessary to make up the volume of allowances notified to the bidder.

Upon payment of the sum due, each successful bidder or its successors in title will be delivered the allowances allocated to that bidder, as soon as practicable and in any event no later than the deadline for their delivery, by transferring the allowances from a nominated holding account held in escrow by the clearing system or settlement system acting as custodian, in whole or in part into one or more nominated holding accounts held by the successful bidder or by its successors in title, or into a nominated holding account held in escrow by a clearing system or settlement system acting as custodian for the successful bidder or its successors in title.



Where the clearing system or settlement system fails to deliver the whole or part of the auctioned allowances due to circumstances outside its control, the clearing system or settlement system must deliver the allowances at the earliest opportunity and the successful bidders or their successors in title must accept delivery at that later date.

This remedy will be the sole remedy to which a successful bidder or its successors in title will be entitled to in case of any failure to deliver auctioned allowances, due to circumstances outside the control of the clearing system or settlement system concerned.

Management of collateral (Articles 49 and 50)

Prior to the opening of the bidding window for the auction, bidders or any intermediaries acting on their behalf, will be required to give collateral.

If so requested, any unused collateral posted by an unsuccessful bidder, together with any interest accrued on cash collateral, must be released, as soon as practicable after the close of the bidding window. Equally, if so requested, any collateral posted by a successful bidder that has not been used for settlement, together with any interest accrued on cash collateral, must be released, as soon as practicable after settlement.

However, prior to the opening of the bidding window for the auction, the auctioneer will only be required to give allowances as collateral to be held in escrow by the clearing system or settlement system acting as custodian, pending their delivery. Where any allowances given as collateral are not used, the clearing system or settlement system may retain them, at the option of the auctioning Member State, in a nominated holding account held in escrow by the clearing system or settlement system acting as custodian, pending their delivery.