

Romanian Commodity Exchange (BRM) wants to launch derivative contracts on the natural gas market and to become a financial counterparty in all transactions but the Financial Supervisory Authority (ASF) has not yet issued the necessary approval.

The statement from the ASF said that it is not the competent authority for the supervision of transactions on centralized commodity markets, having no competences regarding the centralized gas markets and products traded on these platforms and has not expressed its agreement to launch trading on these platforms of derived products having as supporting asset natural gas.

The Romanian Commodity Exchange submitted to ASF, in its capacity as a financial investment services company, a request for approval of an Organized Trading System (SOT), this request being still under the authority's analysis, without being issued until at present, any individual act approving the establishment and operation of an organized trading system (SOT) administered by BRM.

Last week, BRM announced that it will launch derivative contract for natural gas for the first time in Romania on 16 November 2020. This event continues the effort of recent years of the BRM and Romanian producers and suppliers to build together a strong, modern and efficient natural gas market, able to finally offer the country the position and status it deserves in the region. The current natural gas market is very young, but its development has been impetuous. In just a few years, BRM has managed to make available to participants mechanisms, tools and products developed for physical trading, able to provide a high degree of efficiency and synchronization with the operation of similar markets in European Union. Despite the legislative flaws that disrupted the domain and the state monopolistic tendencies of the authorities, in periods when they did not intervene in the market through unjustified taxes, traded volumes were high and prices followed a consumer-friendly dynamic. However, the introduction and operationalization of derivative contracts is proof of maturity and dedication. Derivative contracts, which are essentially standardized forward contracts, are highly complex. Their main characteristics refer to fungibility, liquidity, flexibility of entry and exit from positions, maximum degree of security of solvency by involving a central counterparty in post-trading.