ESMA explains classification of third-country counterparties in weekly position reports

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The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has today released an Opinion on the classification of third-country counterparties. This clarifies how third-country financial entities should be classified in the weekly positions reports on commodity derivatives and emission allowances derivatives under MiFID II.

The Opinion states that for the purpose of the weekly position reports, third-country financial entities should be classified as they would be classified if they were established in the EU. Its aim is to improve the quality and consistency of these reports.

Weekly position reports provide transparency to market participants on the number of position holders, and the size of their positions, in certain commodity derivatives and emission allowances derivatives, with a breakdown per category of counterparties. Those reports are published every week by trading venues, as well as in a centralised manner by ESMA.

Today's Opinion is a follow-up to ESMA's report on the EU carbon market published in March 2022. In the report, we identified an issue related to the inconsistent classification of third-country financial counterparties in the published weekly reports and committed to follow-up on the matter.

Next steps

The national competent authorities should ensure that trading venues reflect the amended classification in the weekly reports at the latest 3 months after the publication of the Opinion.

Further information:

Dan Nacu-Manole

Communications Officer

✆ +33 (0)1 58 36

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