

# Submission by Cumulus Asset Management on the Consultation paper titled – Code Review Programme 2015

6 August 2015

Cumulus just wishes to comment on the topic titled: **Amending the definition of "contract for differences"**.

Our view is that obligations to report trades to the Authority should be restricted to entities where the Authority has concern excessive market power in the physical market may be used to distort prices. Placing reporting requirements on financial participants trading on a transparent exchange is an unnecessary regulatory burden which discourages participation in the market.

We believe the requirements should only apply to physical market participants who trade over a threshold volume through the spot market.

There appears to be 2 main uses of the hedge disclosure data:

1. Make sure FPVV and OTC deals are not happening at levels inconsistent with the ASX.
2. Attribute volume in the hedge market to participants so an assessment on whether the mix of participants trading represents a healthy hedge market.

If thresholds are selected so the largest 6 vertically integrated utilities are submitting the Authority can monitor 1 effectively.

The ASX data is all public information. So as long as the largest 6 utilities are reporting to the Authority this can be subtracted from the total ASX volumes to monitor 2 (assuming volume which isn't the largest 6 utilities is a good measure of financial and consumer participation).

Financial services firms are ultra sensitive to compliance matters. It is not a trivial matter to develop a new reporting and compliance process for these organisations. We believe the hedge disclosure obligations contribute to financial firms deciding that entering the NZ power is too difficult and not worth the effort.

It is worth noting that typical power trading teams consist of 1-3 traders, so all obligations imposed on these firms have a disproportionate drain on their available resources compared to large utilities.

We also believe the Authority should remove the obligation to register as a participant if you are only trading financial products.

We suggest these changes as sensible steps to remove red tape and encourage more financial participation in New Zealand's hedge market.

Any questions regarding this submission should be directed to:

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