

## Chapter 27

# Commodities exchange

## 1. General

The legal framework enacted for commodities exchange, in line with the specific transposed European regulations, reveals several resemblances with the legislation in the field of securities, regulated markets and financial investment services.

## 2. Main Regulations

- Law No. 357/2005 regarding commodities exchanges, amended to date (“Law No. 357/2005”);
- Law No. 297/2004 on the capital market, amended to date (“Law No. 297/2004”).

Since certain aspects related to commodities exchanges are also regulated under Law No. 297/2004 (e.g. the traders and certain financial instruments subject to transactions on commodities exchanges) the regulatory authority of the capital market – The National Securities Commission (NSC) – is, to a certain extent, involved in the enforcement process of Law No. 357/2005.

## 3. Main features of a commodities exchange

Commodity exchanges are organized as joint-stock companies and operate under supervision of the Romanian Chamber of Commerce and Industry. The commodities exchanges purpose is to manage public interest markets, enabling their members and clients to perform commodities markets’ operations, ranging from transactions with certain goods and warrants to sale and purchase of commercial receivables.

Based on Law No. 357/2005, commodities exchanges enjoy a self-regulatory power, which issues internal regulations on what concerns the managed markets, the activities performed by their clients and members as well as to their own enforcement means. The managing board of the Romanian Chamber of Commerce and Industry must review the draft regulations before such being adopted.

The share capital for a commodity exchange must represent the equivalent in RON of 1,000,000 Euros and must be subscribed and paid at the time of incorporation. Shareholders can be only legal entities.

The board of directors of a commodity exchange has broad powers, *inter alia*, consisting in:

- (i) drafting the internal regulations and submitting thereof to the general shareholders meeting for approval;
- (ii) approving the fees payable to the exchange for all registered offers and transactions;
- (iii) supervising the conduct of the exchange members;

- (iv) suspending the transaction rights of the exchange members;
- (v) suspending or excluding brokers from performing the transactions.

#### **4. Brokers and brokerage companies**

Brokers are individuals, professionally certified by the board of directors of the commodity exchange and employed by a brokerage company.

Brokerage companies, acting through their brokers, are negotiating offers, performing transactions, concluding contracts being liable for transmitting all the information regarding the commodities delivery and price payment.

#### **5. Commodity exchange transactions**

With a view to achieve their main goal, the commodities exchanges develop spot markets and derivatives markets, wherein the following commodities are traded:

- (i) tangible replaceable goods, such as: cereals, oil, metals, standardized services and other similar goods, approved by the board of directors of the commodities exchange;
- (ii) derivatives, having goods as support assets, representative titles, financial assets and any other support assets approved by CNVM;
- (iii) commercial receivables.

##### **5.1. Spot markets**

Spot markets are exclusively developed by the commodity exchanges.

The types of contracts traded on such markets are spot contracts and forward contracts with standardized clauses, the only negotiable element of these types of contracts being the price.

##### **5.2. Derivatives markets**

Derivatives markets are specialized markets, operated by a commodities exchange, wherein derivatives are negotiated and traded in an organized and regulated manner.

The following items are deemed as derivatives: future contracts, option contracts, other similar instruments qualified as such by CNVM, whose support assets include goods, representative titles or financial assets.