

05 March 2025

Circular on Markets in Financial Instruments Directive ('MiFID II') and Markets in Financial Instruments Regulation ('MiFIR')

Introduction

This Circular is being addressed to all market participants falling within scope of MiFID II and MiFIR, *inter alia* investment firms and credit institutions when providing investment services and/or performing investment activities and market operators including any trading venues they operate.

Overview

The Authority would like to inform market participants that the European Securities and Markets Authority ('ESMA') has, as of February 2025, published a series of updated Questions and Answers ([Q&As](#)¹) pertaining to **Open interest thresholds in energy derivatives.**

¹ For Q&As issued from 1 January 2024, please search in the ESMA Q&A IT-tool.

Updates to the Q&A document [Open interest thresholds in energy derivatives.](#)**Question**

How do open interest thresholds that are denominated in lots such as in Article 83(1)(b) of CDR 2017/565 (10,000 lots) and in Article 57(1) of MiFID II (300,000 lots) translate into underlying units of energy derivatives such as Megawatt Hour (MWh), million British Thermal Units (MMBTU), or Therms (therm)?

Answer

The conversion for the 10,000 lot threshold is exemplarily demonstrated below:

For gas and base load power, the monthly contracts representing 1 lot, are considered equivalent to 720MWh (1MW^[1] *24h*30days). Given that 1 MWh = 3.41^[2] MMBTU and 1 MMBTU = 10 therm, the following thresholds apply:

$$\mathbf{10,000\ lots = 10,000 * 720MWh = 7,200,000\ MWh}$$

$$\mathbf{10,000\ lots = 10,000 * 720MWh * 3.41\ MMBTU/MWh = 24,548,477\ MMBTU}$$

$$\mathbf{10,000\ lots = 10,000 * 720MWh * 3.41\ MMBTU/MWh * 10\ therm/MMBTU = 245,484,766\ therm}$$

For peak load power, the monthly contract representing 1 lot is considered equivalent to 264MWh (1MW*12h*22days) and consequently, the following threshold applies:

$$\mathbf{10,000\ lots = 10,000 * 264MWh = 2,640,000\ MWh}$$

This Q&A expands the scope of the existing Q&A on [Position limits - the definition of "a lot"](#) to also cover position reporting, without changing the approach.

Concerning gas derivatives denominated in units different from MWh, please also refer to the [Q&A on lot sizes and position limits](#).

[1] Sometimes the physical power of energy contracts is stated in daily terms, e.g. 1 MWh/d = 1/24 MW instead of 1 MW, however, this is less common.

[2] The calculations were performed using a conversion factor of 3.4095106405145.

Contacts

Any queries or requests for clarifications on the contents of this Circular should be addressed to the Authority via email on MarketInfrastructures@mfsa.mt.