

## Chapter 2

# Recognition requirements

**2.7A Position management and position reporting in relation to commodity derivatives**

**2.7A.1 UK**

**Paragraph 7BA – Position management**

- (1) A [UK RIE] operating a trading venue which trades commodity derivatives must apply position management controls on that venue, which must at least enable the [UK RIE] to -
  - (a) monitor the open interest positions of persons;
  - (b) access information, including all relevant documentation, from persons about-
    - (i) the size and purpose of a position or exposure entered into;
    - (ii) any beneficial or underlying owners;
    - (iii) any concert arrangements; and
    - (iv) any related assets or liabilities in the underlying market;
  - (c) require a person to terminate or reduce a position on a temporary or permanent basis as the specific case may require and to unilaterally take appropriate action to ensure the termination or reduction if the person does not comply; and
  - (d) where appropriate, require a person to provide liquidity back into the market at an agreed price and volume on a temporary basis with the express intent of mitigating the effects of a large or dominant position.
- (2) The position management controls must take account of the nature and composition of market participants and of the use they make of the contracts submitted to trading and must-
  - (a) be transparent;
  - (b) be non-discriminatory; and
  - (c) specify how they apply to persons.
- (3) A [UK RIE] must inform the FCA of the details of the position management controls in relation to each trading venue it operates.

**Paragraph 7BB – Position reporting**

- (1) This paragraph applies to a [UK RIE] operating a trading venue which trades commodity derivatives, emission allowances, or emission allowance derivatives.
- (2) The [UK RIE] must -

- (a) where it meets the minimum threshold, as specified in article 83 (position reporting) of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive, make public a weekly report with the aggregate positions held by the different categories of persons for the different commodity derivatives, emission allowances, or emission allowance derivatives traded on the trading venue specifying -
  - (i) the number of long and short positions by such categories;
  - (ii) changes of those positions since the previous report;
  - (iii) the percentage of the total open interest represented by each category; and
  - (iv) the number of persons holding a position in each category; and
- (b) provide the FCA with a complete breakdown of the positions held by all persons, including the members and participants and their clients, on the trading venue on a daily basis, or more frequently if that is required by the FCA.
- (3) For the weekly report mentioned in sub-paragraph (2)(a) the [UK RIE] must -
  - (a) categorise persons in accordance with the classifications required under sub-paragraph (4); and
  - (b) differentiate between positions identified as -
    - (i) positions which in an objectively measurable way reduce risks directly relating to commercial activities; or
    - (ii) other positions.
- (4) The [UK RIE] must classify persons holding positions in commodity derivatives, emission allowances, or emission allowance derivatives according to the nature of their main business, taking account of any applicable authorisation or registration, as -
  - (a) an investment firm or qualifying credit institution;
  - (b) an investment fund, either as an undertaking for collective investment in transferrable securities within the meaning of section 236A of the Act, an AIF or an AIFM within the meaning of regulations 3 and 4 respectively of the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773);
  - (c) another financial institution, including an insurance undertaking within the meaning of section 417 of the Act, a reinsurance undertaking within the meaning of section 417 of the Act, and an occupational pension scheme within the meaning of section 1(1) of the Pension Schemes Act 1993;
  - (d) a commercial undertaking; or

(e) in the case of emission allowances, or emission allowance derivatives, an operator with compliance obligations under Directive 2003/87/EC of the European Parliament and the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community.

[Note: 1993 c.48. Section 1 was amended by section 239 of the Pension Schemes Act 2004 (c. 35) and S.I. 2007/3014.]

(5) The [UK RIE] must communicate the weekly report mentioned in sub-paragraph (2)(a) to the FCA.

### 2.7A.2

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The *recognition requirements* in respect of position management and position reporting set out in ■ REC 2.7A.1UK apply to a UK RIE operating a *trading venue*. An *investment firm* operating a *trading venue* which trades:

- (1) *commodity derivatives* must apply position management controls on that venue in accordance with ■ MAR 10.3.
- (2) *commodity derivatives* or *emission allowances* must provide position reports in accordance with ■ MAR 10.4.