

Chapter 31

Commission Delegated Regulation (EU) 2017/591

Article 7 Positions qualifying as reducing
risks directly related to commercial
activities(Article 57(1) of Directive 2014/65/
EU)

(1) A position held by a non-financial entity in commodity derivatives traded on trading venues or in economically equivalent OTC contracts pursuant to Article 6 qualifies as reducing risks directly relating to the commercial activities of that non-financial entity where by itself, or in combination with other derivatives in accordance with paragraph 2 ("position in a portfolio of commodity derivatives"), the position meets one of the following criteria:

(a) it reduces the risks arising from the potential change in the value of assets, services, inputs, products, commodities or liabilities that the non-financial entity or its group owns, produces, manufactures, processes, provides, purchases, merchandises, leases, sells, or incurs or reasonably anticipates owning, producing, manufacturing, processing, providing, purchasing, merchandising, leasing, selling or incurring in the normal course of its business;

(b) it qualifies as a hedging contract pursuant to UK-adopted IFRS.

(2) For the purposes of paragraph 1, a qualifying risk-reducing position taken on its own or in combination with other derivatives is one for which the non-financial entity or the person holding the position on behalf of that entity:

(a) describes the following in its internal policies:

(i) the types of commodity derivative contracts included in the portfolios used to reduce risks directly relating to commercial activity and their eligibility criteria;

(ii) the link between the portfolio and the risks that the portfolio is mitigating;

(iii) the measures adopted to ensure that the positions concerning those contracts serve no other purpose than covering risks directly related to the commercial activities of the non-financial entity, and that any position serving a different purpose can be clearly identified;

(b) is able to provide a sufficiently disaggregated view of the portfolios in terms of class of commodity derivative, underlying commodity, time horizon and any other relevant factors.