This document sets out the way in which the Commodity Derivatives Business of the Global Markets Division of BNP Paribas (the “CD Business”) undertakes its trading activity. The CD Business is active across a wide range of cash, physical, futures and other derivative products in crude, gas, refined products, bullion, and power markets. This document supplements any other disclosure or agreement that the CD Business may provide to or agree with its Clients and is subject to change.

Trading Capacity

The CD Business acts in a principal capacity when transacting with Clients, and as such:

- The CD Business acts on its own behalf as a counterparty entering into arm’s length transactions;
- The CD Business does not act as agent, fiduciary, financial advisor or in any similar capacity on behalf of a Client; and,
- The CD Business will take on one or more risks in connection with the transaction, including market and credit risk.

Market Making

The CD Business acts in a principal capacity when acting as a market maker. Market making involves a person or firm routinely standing ready to enter into transactions for their own account at prices determined by them. When a transaction takes place between the Client (or other Market Participant) and the CD business, this results in the instantaneous transfer of market risk between the parties. Market making activities may include:

- Making markets to Clients and other Market Participants by voice or through application programming interfaces (APIs), single and multi-dealer platforms and exchanges;
- Managing inventory; and
- Risk management.

Since the CD Business engages in many activities across different regions and business lines, actual or perceived conflicts of interest may arise. In conducting its market making activities, the CD Business may have an impact on the prices offered to Clients and the availability of liquidity at levels necessary to execute orders. In addition, as an active participant in commodity and commodity derivatives markets, there may be situations where routine hedging or trading activity undertaken by the CD Business may unintentionally impact the movement of the underlying reference price of a barrier option.

Mark up

The CD Business will provide an ‘all-in’ price or spread to Clients when acting in a principal capacity. Prices quoted by the CD Business should be considered indicative, and may be withdrawn at any time unless the Client has been informed that the price is firm. These prices or spreads may be inclusive of any mark-up, costs or fees associated with the transaction. Factors taken into account
may include the size and nature of the transaction, the execution method, the prevailing market 
liquidity and the counterparty resource usage (e.g. capital, funding and balance sheet).

**Order Management**

In addition to market making, the CD Business will also accept and manage Client orders. An Order 
is where a Client places a firm instruction to buy or sell a financial instrument or a commodity with 
specific details around size, price, quantity, level or direction (including at market) as well as any 
known timing constraints such that no further action is required to establish the Client’s obligation to 
execute that trade with BNPP.

**Order Prioritisation and Execution**

All orders are accepted and worked in the order in which they are received by an execution channel 
(i.e., voice or electronic). This means that two orders in the same direction and at the same level will 
be worked on a first come first served basis. This also means that an order received for voice 
extection may be executed after a similar order that was received via an electronic channel, even if 
the electronic order is received after the voice order due to the speed of straight through processing.

Whenever possible, the time-stamping of orders is applied when the order is accepted. However, 
consistent with market practice, orders that are amended or cancelled and resubmitted will be re- 
 prioritised at the time of the amendment or resubmission.

There are various factors that may affect how orders are executed, including, but not limited to:

- The prevailing market liquidity and market conditions; and
- Existing inventory when acting as principal; and
- Other Client orders.

As principal, the CD Business attempts to execute an order to make an appropriate return on the 
transaction if possible, taking into account the CD Business’s position, including its inventory strategy 
and overall risk strategy.

The fact that the level at which an order has been left has traded in the market is no guarantee that 
the order will have been filled. The CD Business will use its professional judgment based on available 
market information to determine whether an order has been executed. Clients may receive a partial fill 
of an order absent explicit instruction otherwise.

When the CD Business accepts that it will “work” an order for a Client, it will endeavour to achieve the 
outcome requested including any price, time and size parameters requested by the counterparty. 
Receipt of an instruction to work an order does not transfer risk from the Client to the CD Business 
until it confirms the transaction with the client.

**Market Data Determination**

The CD Business will endeavour to determine in good faith and in a commercially reasonable manner 
the highs and lows of traded products in accordance with prevailing market practice. For observable 
exchange traded markets, the CD Business will take into account the highs and lows of the exchange 
within that determination.

**Pre-Hedging and Risk Management**

Pre-hedging refers to the management of risks associated with one or more anticipated Client 
requests to trade, in order to benefit Clients in connection with such requests and any resulting
transactions. Clients will not, as a matter of routine, be provided with further notification of the CD Business’ intention to pre-hedge on a request by request basis. Any Client that does not wish for the CD Business to pre-hedge a specific request must notify their salesperson in writing.

Once an order has been received, the CD Business may manage its risk and any such hedging may be undertaken.

**Electronic Market Making and the Application of Last Look**

**Application of Last Look**

Generally on electronic platforms, the CD Business provides indicative price quotes, which invite requests to trade from Clients, and which may be withdrawn at any time.

Where pricing is provided on an indicative basis, the CD Business reserves the right to either accept or reject any trade request received from a Client based on an assessment of whether the Client’s trade request meets defined deal acceptance criteria. The deal acceptance process, also referred to as “the last look window”, involves credit, liquidity and malformed order checks as well as latency arbitrage protection. The latency arbitrage protection is introduced to prevent the acceptance of requests to trade that appear “on market” when initiated but are later found to have been “stale” or “off market” by the time prices have been updated. The expected or typical period of time for making the deal acceptance decision is up to 150 milliseconds. Where a Client trades via a third party venue, the CD Business also complies with the maximum permitted last look window if prescribed by such third party venue.

The CD Business does not pre-hedge in the last look window when market making and applies last look symmetrically, which means trades are rejected if the prevailing market has moved materially either in the Clients’ favour or against them.

**Pricing Continuity**

In periods of extreme market volatility and/or disruption, the CD Business has, on some occasions, seen delays to the acceptance and execution of trade requests, pricing, price streaming and/or market data dissemination. The CD Business is not obligated to provide pricing, price streaming or accept trade requests at all times and, in line with market practice, all electronic trading platforms used by the CD Business have position limits, volatility and other controls, that in each case may temporarily suspend execution, pricing and price streaming during these periods.

**Information Handling**

The CD Business has arrangements in place designed to protect and safeguard Client information in accordance with applicable local laws, rules and regulations. Client information will be handled with due care and diligence at all times.

Unless otherwise agreed, the CD Business may:

- Make appropriate use of the economic terms of Client information in order to implement and risk manage transactions, for example in sourcing liquidity in anticipation of counterparty needs, executing hedging or risk-mitigating transactions, and/or managing associated market risk. It will not disclose the Client name in these circumstances.
- Appropriately disseminate sufficiently aggregated and anonymised Client information, to contribute to the provision of market colour, including on the general state of market conditions and/or in forming a market view. Such information will be disseminated appropriately, and Client confidentiality will not be compromised.

In addition, as part of a regulated entity, the CD Business may also be required to disclose Client information to relevant regulators and/or other public authorities.