



BNP Paribas Global Markets: Commodity Derivatives Trading Practices

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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 including but not limited to crude oil, gas, refined products, base metals, bullion, power and environmental 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;
- Hedging to manage positions accumulated as a result of engaging in market making activity.

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. This “all-in” prices or spreads may be inclusive of any mark-up, costs or fees associated with the transaction. These associated costs will

take into account factors which 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.

All precious metals fixing orders are managed by the CD Business and are subject to a pre-disclosed fee. While executing fixing orders, the CD Business may need to hedge any risk by executing trades before, during, and after the fixing window.

Order Prioritisation and Execution

With the exception of precious metals fixing orders that may be aggregated, 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 execution 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; 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 a limit for a limit order has been reached. 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 the transaction execution is confirmed with the Client. For the avoidance of doubt, in all circumstances, the CD Business always trades in a principal capacity

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

When a client indicates an interest in a potential transaction or provides the CD Business with a request to enter into a transaction, the CD Business may engage in pre-hedging and hedging activities (where permitted by relevant rules and regulations) in order to facilitate the client's request. 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

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", is comprised of validity checks (credit, liquidity, malformed order) followed by a price check. No additional hold time is applied. The response time may also be influenced by operational or technical factors such as network or systems processing latencies.

The CD Business does not pre-hedge in the last look window 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.

Information Handling

The CD Business has arrangements in place designed to protect and safeguard confidential information in accordance with applicable local laws, rules and regulations. Confidential 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.

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

