



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 in markets including, but not limited to, crude, gas, refined products, bullion, and power. 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.

The CD Business also trades to manage its own inventory, which may occur concurrently with trades with Clients. This inventory management can have an impact on the prices the CD Business offers Clients and the availability of liquidity.

Since the CD Business engages in many activities across different regions and business lines, actual or perceived conflicts of interest may arise. Where conflicts of interest have been identified, the CD Business will manage them in line with applied policies.

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.

Mark up

The CD Business will provide an ‘all-in’ price or spread to Clients when acting in a principal capacity. This price or spread may be inclusive of any mark-up, costs or fees associated with the transaction. Factors affecting the sales margin or “mark-up” include costs, resources, the size and nature of the transaction, and the counterparty. Any exceptions will be expressly agreed in writing with the Client.

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 the CD Business.

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 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.

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:

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

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.

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 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 it confirms the transaction with the Client.

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 their 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 either by traders or via automated strategies.



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.

The CD Business does not apply “last look” to executions effected by clients on its electronic trading platforms. Last look is a practice sometimes used in electronic trading activities whereby a market participant receiving a trade request has a final opportunity to accept or reject the request against its quoted price.

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.

Barrier Options

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.

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.

The CD Business may, unless otherwise agreed, 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 use the Client identity in these circumstances.

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

The CD Business may make use of 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.

