

## Tradition OTF Position management controls

20 December 2017

MIC: TCDS  
Competent authority: Financial Conduct Authority

### 1. Powers that the trading venue has to monitor the open interest positions of persons.

The Rulebook gives the venue the power to monitor the open interests of persons. This includes analysing data held by the venue and, as necessary, requiring clients or participants of the venue to provide additional relevant information that may not be directly available to the venue e.g. whether trades or positions are for hedging or speculative purposes.

The relevant powers are outlined in section 408 (a) of the Tradition OTF Rulebook:

#### **408 Commodity Position Management and Reporting**

Tradition, as operator of the Tradition OTF, shall have the power to:

(a) monitor the open interests of Clients in respect of Commodity Derivatives (this includes analysing data held by the Tradition OTF and, as necessary, requiring Clients to provide additional relevant information that may not be directly available to Tradition (for example, whether Transactions or positions are for hedging or speculative purposes, or whether that Client is classified as a Non-Financial Entity)).

A team has been assigned to monitor open interest to ensure that there is consistent supervision across all trading hours for the associated products. This team will have the ability to monitor all trades completed in the relevant contracts in real-time.

2. Powers the trading venue has to access information, including all relevant documentation, from persons about the size and purpose of a position or exposure entered into, information about beneficial or underlying owners, any concert arrangements and any related assets or liabilities in the underlying market.

The Rulebook gives the venue the power to require clients or participants of the venue to provide access to information, including all relevant documentation, from persons about the size and purpose of a position or exposure entered into, information about beneficial or underlying owners, any concert arrangements, and any related assets or liabilities in the underlying market.

The relevant powers are outlined in section 408 (b) of the Tradition OTF Rulebook:

#### **408 Commodity Position Management and Reporting**

Tradition, as operator of the Tradition OTF, shall have the power to:

(b) require Clients to provide access to information, including all relevant documentation, about the size and purpose of a position or exposure entered into, information about beneficial or underlying owners, any concert arrangements, and any related assets or liabilities in the underlying market.

Requests for any such information shall be directed to the dedicated e-mail addresses provided by the client. Failure to provide any requested information may lead to the client being unable to undertake any further activities on the venue.

3. Powers the trading venue has to require reduction or termination of positions, 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.

The Rulebook gives the venue the power to 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.

The relevant powers are outlined in section 408 (c) of the Tradition OTF Rulebook:

#### **408 Commodity Position Management and Reporting**

Tradition, as operator of the Tradition OTF, shall have the power to:

(c) require a Client 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 Client does not comply.

A decision to use these powers will be subject to senior management approval and notified to the client.

4. Powers the trading venue has to require a person to provide liquidity 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, where appropriate.

The Rulebook gives the venue the power, where appropriate, to 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.

The relevant powers are outlined in section 408 (d) of the Tradition OTF Rulebook:

#### **408 Commodity Position Management and Reporting**

Tradition, as operator of the Tradition OTF, shall have the power to:

(d) where appropriate, require a Client 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.

A decision to use these powers will be subject to senior management approval and notified to the client.

5. Any other powers the trading venue has in relation to position management, if applicable

The venue may restrict or halt access to the venue if the client or participant does not comply with any obligations in relation to commodity position management or other requirements of the Tradition OTF Rulebook.

6. How position management controls apply to persons and take account of the nature and composition of market participants and the use they make of the contracts submitted to trading.

The commodity position management controls on the venue apply to all clients or participants, and through them to underlying clients of a client or participant of the venue, that trade in relevant commodity instruments covered by the commodity position rules. The commodity position management controls form part of the anti-market disruption controls on the venue. The open interest or positions of clients or participants of the venue are monitored. The monitoring by the venue may lead to requests for additional information about a position and / or notification to a client or participant of a relatively high position (which may take into account the hard limits set by the NCA). Ultimately the venue may use its powers to restrict further trading by a client or participant or to require a client or participant to provide liquidity to the market. The venue will use its position management controls in a transparent and non-discriminatory manner.