

**TRADITION FINANCIAL SERVICES ESPAÑA S.V., S.A.U.**

**THE TRADITION ESPAÑA  
ORGANISED TRADING FACILITY**

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**COMMODITY DERIVATIVES CIRCULAR**

**EFFECTIVE DATE: MARCH 2023**

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## **Introduction**

Effective Date: March 2023

This Circular is effective from the Effective Date until the date this Circular is amended or replaced by a subsequent version

This Circular defines the following information for the Commodity Derivatives Instruments made available for trading on Tradition España OTF:

1. Commodity Derivatives Instruments
2. Position Information
3. Position Control
4. Position Limits
5. Temporary Intraday Volatility Mechanism for Energy-Related Commodities Derivatives

### **1. Commodity Derivatives Instruments**

Within the Commodity Derivatives Segment, the Instruments covered by Tradition España OTF include the following:

<b>Underlying</b>	<b>Financial Instruments</b>
(a) Electricity	(i) Italy Fin Base (ii) Italy Fin Off Peak (iii) Italy Fin Peak (08-20) (iv) Italy Fin PZN BSLD (v) Serbia Baseload (vi) Serbia-HT (06-22) (vii) Serbia-Peaks (08-20) (viii) Spain Fin BSLD (ix) Spain Fin Off-Peak (00-08, 20-24) (x) Spain Fin Peaks (08-20) (xi) Swiss BSLD (xii) Swiss Peaks (xiii) Swiss Off-Peak (xiv) Turkey -(TRL)-BSLD-(TRT 00-24) (xv) Turkey-(TRL)-Domestic - Off-peak - (TRT 00-08, 20-24) (xvi) Turkey-(TRL)-Domestic-Peak-(TRT 08-20) (xvii) Germany Fin BSLD (xviii) Germany Fin Peak (xix) Austria Fin BSLD (xx) Austria Fin PEAK (xxi) France Fin BSLD (xxii) France Fin Peak (xxiii) Poland Fin BSLD (xxiv) Poland Fin Peak (xxv) Bulgaria Fin BSLD (xxvi) Bulgaria Fin Peak (xxvii) Romania Fin BSL (xxviii) Romania Fin Peak (xxix) Romania Fin Off-Peak (xxx) Netherlands Fin BSLD (xxxi) Netherlands Fin Peak (xxxii) Belgium Fin BSLD (xxxiii) Belgium Fin Peak

	(xxxiv) Greece Fin BSLD (xxxv) Greece Fin Off-Peaks (xxxvi) Greece Fin Peaks (xxxvii) Hungary Fin BSLD (xxxviii) Hungary Fin Peaks (08-20) (xxxix) Czech Republic Fin BSLD (xl) Czech Republic Fin Peak
(b) Gas:	(i) PSV Day Ahead Heren – FIN (ii) PSV DA Heren/TTF DA Heren – FIN (iii) TTF DA Heren - FIN
(c) Emissions:	(i) EU Allowances (ii) EU Allowances derivatives

## **2. Position Information**

In order for Tradition OTF to comply with the reporting and management obligations in relation to commodity derivatives positions imposed by Directive 2014/65/EU and the Delegated Regulation CDR (EU) 2021/527, the OTF Participants in this segment shall communicate to Tradition, on a daily basis, the details of their own positions held through the commodity derivatives contracts traded on the OTF, as well as those of their clients and of their clients thereof, down to the last client.

Pursuant to art. 58 of Directive 2014/65/EU, Tradition OTF shall provide to the CNMV a complete breakdown of the positions held by all persons, including the members or participants and the clients thereof, on the trading venue, at least on a daily basis. In addition to the above, Tradition OTF shall make public and submit to the CNMV, a report, on a weekly basis, when applicable under the terms and conditions pursuant to art. 58 of Directive 2014/65/EU and the Delegated Regulation CDR (EU) 2021/527, with the aggregate positions held by the different categories of persons in respect of the different commodity derivatives traded on the OTF.

## **3. Position Control**

Pursuant to art. 57 of Directive 2014/65/EU and the Delegated Regulation CDR (EU) 2022/1299, Tradition OTF shall apply effective position management controls to prevent and address disorderly trading, support orderly pricing and settlement conditions and ensure the efficiency of markets.

These position management controls include powers for Tradition OTF to:

- (a) Monitor the open interest positions of persons;
- (b) Obtain 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, including, where appropriate, positions held in commodity derivatives that are based on the same underlying and that share the same characteristics on other trading venues and in economically equivalent OTC contracts through members and participants;

(c) Request a person to terminate or reduce a position, on a temporary or permanent basis, and to unilaterally take action to ensure the termination or reduction of the position where the person does not comply with such request; and

(d) Require a person to provide, on a temporary basis, liquidity back into the market at an agreed price and volume with the express intent of mitigating the effects of a large or dominant position.

#### **4. Position Limits**

Tradition OTF shall monitor the net position held by the Participants in each of the instruments in scope<sup>1</sup> pursuant to arts. 57 and 58 of Directive 2014/65/EU traded on the OTF. In order to determine these positions, Tradition shall follow the criteria set out in Commission Delegated Regulation (EU) 2022/1302<sup>2</sup>, which replaces CDR (EU) 2017/591.

Tradition, in application of the capacity granted by the Participants by means of their Application Forms and taking into account the limits on derivative positions established by Tradition OTF, may require the decrease or termination of such positions.

#### **5. Temporary Intraday Volatility Mechanism for Energy-Related Commodities Derivatives**

In accordance with Council Regulation (EU) 2022/2576 of 19 December 2022, Tradition España OTF establishes, for each of the financial commodities traded on it, an intraday volatility management mechanism based on upper and lower price limits ("Price Rejection Thresholds") which define the prices above and below which orders cannot be entered ("intraday volatility management mechanism"). In addition, the trading venue shall ensure that the application of such measures does not prevent the formation of reliable end-of-day prices.

Through Price Rejection Thresholds, we can account for volatility and prevent values being entered which are outside of existing parameters set by Tradition España OTF (such pricing levels shall be made available on the website <https://traditionespana.com>). The trading session shall be divided into three periods:

1. 8:00h – 12:00h: The initial reference price is based on the Previous Close from the previous day in the continuous market model used by the Tradition España OTF.
2. 12:00h – 15:00h: The reference price based off the last market price from the previous trading period observed by Tradition Financial Services España SV SAU or the last market price from the previous trading day if none has been provided.
3. 15:00h – 18:00h: The reference price based off the last market price from the previous trading period observed by Tradition Financial Services España SV SAU or the last market price from the previous trading day if none has been provided.

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<sup>1</sup> Agricultural commodity derivatives and critical or significant commodity derivatives that are traded on trading venues and economically equivalent OTC contracts. Commodity derivatives shall be considered to be critical or significant where the sum of all net positions of end position holders constitutes the size of their open interest and is at a minimum of 300 000 lots on average over a one-year period.

<sup>2</sup> RTS 21-a: Regulatory Technical Standards for Recovery Package for Commodity Derivatives Position Limits.

For all periods, it is not possible for Market Participants to enter values that are outside of the Price Rejection Thresholds.

Besides these “Price Rejection Thresholds”, during the trading day, market participants will have a live “Price Warning Threshold” that will adapt throughout the trading period (such pricing levels shall be made available on the website <https://traditionespana.com>). Market Participants will receive an additional warning message if they attempt to insert a price which is greater/lower than or equal to 5% away from the current market best price on our venue. The Market Participant still has the ability to enter an order at the level after acknowledging the warning message.

Volatility is managed within the financial products on Tradition España OTF by introducing volatility messaging and active validity levels for pricing on any given day and throughout the trading period.

All volatility ranges and Price Warning Thresholds are subject to review by Tradition Financial Services España SV SAU, and publish accordingly on the website <https://traditionespana.com>