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Additional Information

Level 1 Regulation
Markets in Financial Instruments Directive II (MiFID II) Directive 2014/65/EU- Secondary Markets

Topic
Position limits

Subject Matter
Hedge exemption

Question
Can a hedge exemption be netted against positions in derivatives which are not objectively measurable as reducing risks directly related to that person's commercial activity?

ESMA Answer

23-09-2022

Original language

[ESMA70-872942901-36 Commodity derivatives, Position limits, Q&A11]

No. Once an exemption has been granted and positions are approved as risk-reducing in accordance with Article 8 of RTS 21a, those positions fall outside the position limit regime. Otherwise, the benefit of a risk-reducing position would be double-counted, by first being excluded from the limit and then being used to offset a speculative exposure.