# ESMA_QA_2952

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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 reporting

**Subject Matter**
Position Reporting

**Question**
Where a position holder trades only or partly for hedging purposes, are there circumstances where all positions can be reported as being for non-hedging purposes?

## ESMA Answer

08-10-2026

Original language

No. NFEs and financial entities should ensure that their position reports accurately describe the nature of their positions. This is necessary to ensure the reliability and accuracy of the position reports submitted to NCA and the published weekly position reports. Accordingly, position holders are expected to correctly flag positions as hedging (or other) in accordance with Article 7 of RTS 21 which sets out the conditions for determining whether a position qualifies as risk reducing in relation to an NFE’s commercial activities.

This is the case even when no position limit has been set for the commodity derivative contract traded. This is also the case when a position limit has been set but where the position holder did not apply for a position limit exemption under Article 8 of RTS 21a because he does not expect its aggregated positions from hedging and non-hedging activities to exceed the limit set by the relevant NCA for that commodity derivative contract. In both cases, the determining factor for flagging a position as hedging is whether it objectively reduces risks related to an NFE’s commercial activity, not the existence of a position limit or a position limit exemption.

If the position holder and the reporting entity (e.g. a broker) are not identical, the reporting entity should in turn accurately report the information provided by the position holder on the nature of its positions and whether they qualify as risk-reducing.

Where market participants rely on internal allocation methodologies, governance arrangements, or group hedging frameworks, they should ensure that these arrangements support accurate and consistent reporting outcomes.