

# When is trading just ancillary?

July 2017

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# Laying the groundwork before we start counting

Asset Class
Metals
Oil
Coal
Gas
Power
Agri
Other
EUA

## Group



Persons not authorised



Persons ancillary exemption



Persons authorised

## Privileged Transactions



Intra-group



Risk Reducing



Liquidity Provision



# Step One, calculate the market share of your own trading activity in the market

## All group trading activity

- Privileged Transactions
- Authorised Persons



= Total (Gross Notional)

All Market Trading Activity (Gross Notional)

Asset Class	Market Share
Metals	? %
Oil	? %
Coal	? %
Gas	? %
Power	? %
Agri	? %
Other	? %
EUA	? %

## Step Two, conduct the first main business test...

### All your trading activity

- Privileged Transactions



= Your trading less Privileged (Gross Notional)

### All group trading activity

- Person authorised



= Total (Gross Notional)

=

0 ... 10%

A

10% ... 50%

B

50% ... 100%

C



# ... and the second main business test, to determine your benchmark

## Your trading less Privileged



Net per underlying x 15% x Price  
 + Gross of Net per underlying & type x 3% x Price  
 = Total

## Capital employed



- Short term debt  
 = Total

=

0 ... 10%

1

10% ... ∞

2



# Finally, compare your market shares against the correct benchmark

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Asset Class	You
Metals	?
Oil	?
Coal	?
Gas	?
Power	?
Agri	?
Other	?
EUA	?



A	or 1	B	C
4		2	0.8
3		1.5	0.6
10		5	2
3		1.5	0.6
6		6	1.2
4		2	0.8
15		7.5	3
20		10	4



# And while this all sounds easy, the issue is incompatibility in timing

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