42 Financial Services

Organized Trading Facility

Intra-day Price Volatility Management Mechanism

Entry into force: 31st January 2023

42 Financial Services a.s., as the operator of an Organized Trading Facility (OTF) is required by the Council Regulation (EU) 2022/2576 of 19 December 2022 enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders, Article 15, **to set up and maintain a temporary mechanism to manage intra-day price volatility management to prevent excessive movements of prices within a trading day for energy-related commodity derivatives.**

Overview of the Intra-Day Price Volatility Management Mechanism

- The purpose of the intra-day volatility mechanism is to prevent episodes of exceptional volatility of the energy-related commodity derivative during the trading day.
- For each energy-related commodity derivative which is traded on the OTF, a calculation method is defined to determine upper and lower price boundaries.
- The resulting business consequences will be applied in the event that trading activity reaches the defined boundaries.

Regular evaluation intervals, Reference prices, and Price boundaries

- The trading day is divided into three regular time intervals, during which the price development for each energy derivative product is monitored.
- In the event that an order is placed outside of the price boundaries (specified below) for the given instrument during any given time interval, an exceptional time interval will be set. The exceptional time interval will come to a close at the time which the interrupted regular time interval would have ended.

- Each energy derivative product has its own reference price, which is the basis for the calculation of price boundaries applicable for that energy derivative product.
- The first reference price is the first price of execution from the start of the trading day.
- Subsequent reference prices are set by the latest market price determined at the regular time intervals. The opening reference price of the subsequent regular time interval is set to the latest market price from the previous interval.

- Price boundaries are expressed in the form of a percentage variation relative to the reference price. Price boundaries are symmetrical in terms of absolute variation in both directions.
- Separate price boundaries are set for each energy derivative. The method of calculation takes into account the specificities of each energy-related commodity derivative, the liquidity profile of the market for such derivative and its volatility profile.

- The final period of trading is defined such as to ensure that the implementation of these measures does not prevent the formation of reliable end-of-day closing prices.

Consequences of placing orders outside the price boundaries

- Orders which are placed outside of the limits of the price boundaries set for a specific regular time interval, whether in excess of an upper boundary or under a lower boundary, will not be accepted for trading.
- Any active order which falls outside of the price boundaries for the given instrument after re-evaluation of a new reference price, will be cancelled by the venue.