



Regulatory & Compliance Guide

For CFF Participants

April 2026



Regulatory Framework Overview

Three EU regulations govern how physical participants interact with CFF

MiFID II (Markets in Financial Instruments Directive)

- Governs who can trade commodity derivatives and under what conditions
- Physical participants hedging their commercial exposure may qualify for the ancillary activity exemption

EMIR (European Market Infrastructure Regulation)

- Requires trade reporting for all derivatives transactions
- Centrally cleared trades (like CFF) have simplified reporting requirements

EU Benchmarks Regulation (BMR)

- The XSI®-C index is EU BMR compliant — ensuring it can legally underpin financial contracts
- No action required from participants — BMR compliance is the responsibility of the index administrator

Your clearing broker and legal counsel can confirm your specific obligations under each framework.



MiFID II Hedging Exemption

Physical participants can trade CFF without requiring a MiFID II investment firm licence

The Ancillary Activity Test

- Non-financial entities (shippers, forwarders, NVOCCs, carriers) whose derivatives activity is ancillary to their main business are exempt from MiFID II authorisation
- The test compares your derivatives notional to your overall commercial activity — most physical players easily qualify

Position Limits

- MiFID II imposes position limits on commodity derivatives to prevent market manipulation
- Bona fide hedgers can apply for a hedging exemption from position limits through their national regulator
- Euronext sets position limits for CFF and publishes them in the contract specifications

In practice, the hedging exemption means physical participants face minimal regulatory burden to begin trading CFF.



EMIR Reporting & Clearing

Simplified obligations for centrally cleared freight futures

Trade Reporting

- EMIR requires all derivatives trades to be reported to a registered Trade Repository
- For CFF, your clearing broker typically handles reporting on your behalf as part of their service
- Confirm with your broker whether reporting is delegated or if you need to report directly

Clearing Thresholds

- Non-financial counterparties (NFC) below EMIR clearing thresholds are exempt from mandatory clearing
- CFF is already centrally cleared via Euronext Clearing — so clearing is automatic regardless of threshold

Central Clearing Benefit

- Euronext Clearing (CCP) stands between buyer and seller — eliminating bilateral counterparty risk

Central clearing simplifies compliance and reduces risk — a key advantage of exchange-traded vs. OTC derivatives.



Hedge Accounting (IFRS 9)

Qualifying CFF hedges for favourable accounting treatment

Why Hedge Accounting Matters

- Without hedge accounting, daily futures P&L flows through the income statement — creating earnings volatility
- With hedge accounting, gains/losses on the hedge are matched to the hedged item — smoothing reported earnings

IFRS 9 Qualifying Criteria

- Formal designation: document the hedge relationship, risk management objective, and strategy
- Effectiveness testing: demonstrate that the hedge is expected to be highly effective (prospective and retrospective)
- Economic relationship: the CFF contract and your physical freight exposure must be economically related

CFF's alignment with the XSI®-C index — which tracks real freight rates — provides a strong basis for demonstrating hedge effectiveness under IFRS 9.



Your Compliance Checklist

Step-by-step readiness guide for physical participants entering the CFF market

Before Your First Trade

- Confirm MiFID II ancillary activity exemption status with your legal counsel
- Obtain board or risk committee approval for the hedging mandate and risk limits
- Document your hedging policy: authorised instruments, routes, volumes, and reporting
- Select and onboard with a clearing broker (KYC, trading agreements, margin account)

Ongoing Compliance

- Ensure EMIR trade reporting is handled (confirm delegation arrangement with broker)
- If applying hedge accounting: maintain formal documentation and effectiveness testing per IFRS 9
- Monitor position sizes against MiFID II position limits — apply for hedging exemption if needed
- Annual review: reassess ancillary activity status and hedging policy with legal and finance teams

Euronext and its broker network can connect you with specialist legal and compliance advisers for freight derivatives.



Internal Governance & Hedging Policy

The internal framework you need before placing your first CFF trade

Board / Risk Committee Mandate

- Formal approval to use listed freight derivatives for hedging purposes
- Define authorised instruments (CFF futures), maximum notional exposure, and approved routes

Hedging Policy Document

- Objective: hedge commercial freight exposure (not speculation)
- Scope: which routes, what % of volume, maximum tenor (e.g., 12 months forward)
- Authorisation: who can instruct trades, approval thresholds, segregation of duties
- Reporting: daily/weekly P&L, margin utilisation, hedge effectiveness, to management and board

A documented hedging policy is essential for regulatory compliance, hedge accounting, and audit readiness.



This publication is for information purposes only and is not a recommendation to engage in investment activities. This publication is provided “as is” without representation or warranty of any kind. Euronext will not be held liable for any loss or damages of any nature ensuing from using, trusting or acting on information provided. No information set out or referred to in this publication shall form the basis of any contract. The creation of rights and obligations in respect of financial products that are traded on the exchanges operated by Euronext’s subsidiaries shall depend solely on the applicable rules of the market operator. All proprietary rights and interest in or connected with this publication shall vest in Euronext. No part of it may be redistributed or reproduced in any form without the prior written permission of Euronext. Euronext refers to Euronext N.V. and its affiliates. Information regarding trademarks and intellectual property rights of Euronext is located at www.euronext.com/terms-use

© 2025, Euronext N.V. - All rights reserved.