

## Guidance Note

### Released:

07 June 2019

Version: 3

### Key concepts:

Concentration Risk in Client Accounts

### Related information:

FGL Operating Rules

3.3.11 and 3.7.2

FEX Guidance Note

*GN 7 – Beneficial Owner*

### Recommended Audience:

Compliance Managers

Settlement and Treasury Managers

### Previous Issues:

Nil

## GN 16 – Key Client Risk

### Introduction

A Trading Participant must ensure that no single Client represents such a proportion of the Trading Participant's Derivatives business that it may adversely affect the ability of the Trading Participant to comply with its obligations under the Operating Rules.

### Guidance

#### Expectation of the Exchange

FGL Operating Rules impose an obligation upon Trading Participants to maintain appropriate trading risk management processes and procedures. One specific risk that the Trading Participant is expected to manage is the commercial risk of having a concentration of total business within a single client.

The Exchange will, during its regular review of Trading Participants, seek confirmation of the maximum level of business any single client constitutes and will seek clarification of what processes or actions are in place within the Trading Participant to ensure that the financial risks for the Trading Participant relating to this client have been suitably addressed.

The Exchange is open to the view that such client concentration risks may be managed in a variety of ways and therefore does not prescribe a particular set of actions or mechanisms for Trading Participants.

#### Exceptions

Where a Trading Participant acts only on behalf of itself or a Related Entity the Exchange will not view this structure as one to which a Client concentration risk is applicable as the Trading Participant must already demonstrate its financial stability to the Exchange on an ongoing basis.

This document provides information only and may be subject to change without notice. No responsibility is accepted for any inaccuracies contained in the matters published. FEX Global Pty Limited (ACN 124 127 224) (FGL) and its related bodies corporate (FEX Group) make no representation or warranty with respect to the ongoing accuracy, reliability or completeness of this information. To the maximum extent permitted by law, FEX Group and its employees, officers and contractors shall not be held liable for any loss or damage arising in any way, including by way of negligence, in connection with this information.