



G20 and EU regulation on food price volatility, speculation and derivatives

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21 June 2011, Brussels

Agricultural Market Volatility Seminar



G20 Finance ministers communiqué, 14/15 April 2011:

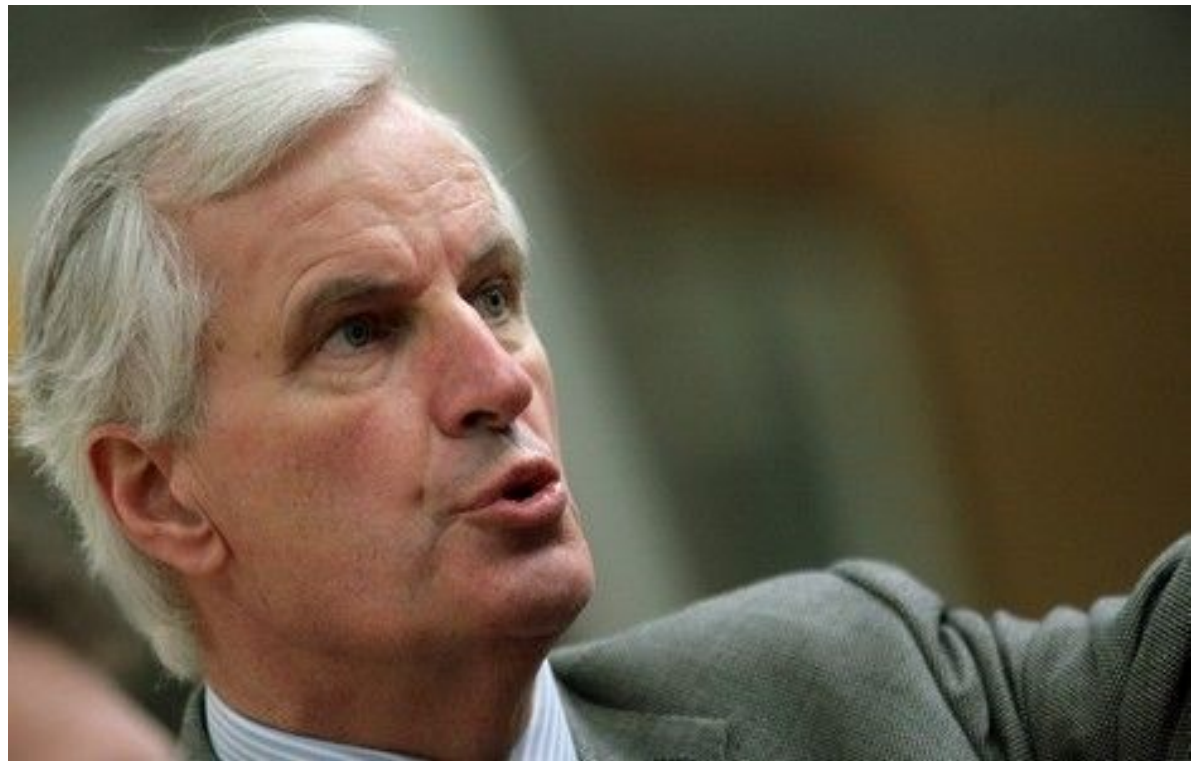
- **“need for participants on commodity derivatives markets to be subject to appropriate regulation and supervision”**
- **“enhanced transparency in both cash and derivatives markets”**
- **“IOSCO to finalize, by September, its recommendations on regulation and supervision in this area especially to address market abuses and manipulation, such as through formalized position management powers including the authority to set ex-ante position limits where appropriate, among other powers of interventions”**

G20 working groups and meetings

- **Finance ministers:** deal with core issues of commodity derivatives regulation; study group (chair: Japan)
- **Economy ministers:** meeting in May in Argentina, in order to address commodity price volatility
- **Agriculture ministers:** deal with food price volatility and agriculture in general, France/Russia announced working groups; meeting on 22-23 June 2011 in Paris
- **Development:** six reports, one on “Price Volatility in Food and Agricultural Markets: Policy Responses” released in June 2011
- **Energy:** with sub-group on energy price volatility, focusing on oil, gas and coal price volatility (chair: France)
- **Derivatives:** mainly OTC, by Financial Stability Board with IOSCO (chair: UK/US), report in April 2011 on derivatives and ETF

EU – Piecemeal regulation

- **Regulation in different directives and regulations: financial markets, market abuse, supervision, derivatives, funds, capital requirements, raw materials**
- **Internal Market Commissioner Barnier condemned food speculation, so did French President Sarkozy; letter to Barnier by three French Ministers in August 2010**



EU – OTC derivatives regulation

Commission proposal, 15 September 2010:

- Central Counterparty (CCP) Clearing for eligible derivatives
- bottom-up + top-down approach for clearing eligibility
- bilateral trades: requirements (margin, collateral)
- trade repositories: publish aggregate position information
- thresholds for non-financial CCPs: information, clearing
- ESMA as supervision body, lots of details to clarify

Council: basically follows proposal, OTC restriction questioned

Parliament: ECON committee adopts report on 24 May: basically follows proposal, public reporting added, OTC restriction mainly kept; no triilogue intended; plenary vote 5 July

EU – Markets in Financial Instruments Directive

- **Revision intended, proposal announced for September 2011**
- **Consultation Paper, December 2010:**
 - Investor protection: more information requirements
 - Automated trading: requirements on position taking e.a.
 - Transparency (also dark pools/orders, ETFs): data published
 - Reporting to authorities
 - Commodities: transparency, position limits, narrowed exemption for commodity firms
 - Supervisory reinforcements: bans and limits
 - Coordination among national regulators, ESMA at center

EU – Market Abuse Directive

- Revision intended, proposal was announced for spring 2011 but nothing released yet
- **Consultation Paper, July 2010:**
 - Transparency, supervisory oversight, safety
 - Increase market integrity and investor protection
 - Enforcement against market abuse
 - More harmonised EU standards
 - Coordination among national regulators, ESMA at center

EU – Funds and Capital Requirements directives

- **UCITS (Undertakings for Collective Investments in Transferable Securities):**
 - Prohibits direct investments in commodities
 - Indirect investment possible („UCITS hedge funds“)
- **AIFM (Alternative Investment Funds Directive, pending):**
 - Council: Inform about derivative leverage
 - EP: open and visible trading of derivatives
- **CRD (Capital Requirements Directive, revision III/IV):**
 - Compliance for commodity traders

Thank you for your attention!



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This presentation is part of the project „Towards a Global Finance System at the Service of Sustainable Development“, co-funded by the European Union. The views expressed herein are under no circumstances to be seen as the EU's views but are under the responsibility of WEED only.