



Michel Barnier
European Commissioner for Internal Market and Services
BERL 10/034
B - 1049 Brussels
Belgium / Belgien

Weltwirtschaft, Ökologie
& Entwicklung – WEED

Eldenaer Str. 60, 10247 Berlin
Tel. 0049-(0)30-27582-249
markus.henn@weed-online.org

1 July 2011

MiFID review – provisions to tackle excessive speculation in food commodity derivatives

Dear Commissioner Barnier,

We are writing to express our concern that in the review of the Markets in Financial Instruments Directive (MiFID), the issue of excessive speculation in food commodity derivatives will not be sufficiently addressed, leaving a major threat to global food price stability and food security unchecked.

The MiFID review public consultation paper contained promising ideas on commodity derivatives markets, and especially on tackling excessive financial speculation through various means. We urge the Commission to incorporate the following features in its MiFID review proposal:

1. The definition of **excessive speculation**, along the lines of the existing legislation in the US, and of supervisory powers to eliminate, diminish or prevent it, based on the precautionary principle.
2. The application of legally binding **ex-ante position limits** imposed on those counter parties engaged in financial speculation rather than the application of managed position limits. Currently, none of these limits exist or are insufficient on European exchanges. The MiFID review should introduce limits for individual financial counter parties, which apply to all delivery months across all markets as well as limits for the total share of financial speculation, which should be set in relation to the number of hedging activities.
3. The price distorting effect of **passive speculation** by pension funds, commodity index funds and exchange traded funds (the so-called “massive passives”), should be addressed by limits or even a ban on passive speculation as envisaged in the consultation paper.
4. **Public weekly reporting** in a meaningful aggregate manner of all commodity derivatives trading in an equal way as is done by the CFTC so that comparisons are possible.
5. Financial speculation by multinational **commodity trading firms** has to be addressed. In the US, these firms will have to apply as swap dealers at least for parts of their business. Financial speculative activities which go beyond objectively measurable

hedging of commercial activities should be strictly regulated by MiFID, including a revision of the exemptions for commodity firms as intended in the consultation paper.

We are convinced you share our concern about the need to address the threat excessive food commodity speculation as well as excessive volatility poses to food security globally.

Yours sincerely,

*Markus Henn, Financial Markets Officer,
World Economy, Ecology & Development (WEED), Germany*

*Myriam Vander Stichele, Senior Researcher,
Centre for Research on Multinational Corporations (SOMO), Netherlands*

*Natalia Alonso, Head of EU Office,
Oxfam International*

*Deborah Doane, Director,
World Development Movement, United Kingdom*

*Magda Stoczkiewicz, Director,
Friends of the Earth Europe*

*Antonio Tricarico, Coordinator,
Campagna per la Riforma della Banca Mondiale (CRBM), Italy*

*Arnaud Zacharie, Secretary General,
Centre national de coopération au développement (CNCD) – 11.11.11, Belgium*

*Gabriella Zanzanaini, Director of European Affairs,
Food & Water Europe*

*Christine Fouarge, Policy Officer,
Africa Europe Faith & Justice Network*

*Laust Leth Gregersen, Head of Secretariat,
Concord Denmark*

*Alexandra Strickner, Board Member,
Attac Austria*

*Gildas Jossec, Finance and Development Officer,
Association internationale des techniciens, experts et chercheurs (AITEC), France*

*Steve Suppan, Senior Policy Analyst,
Institute for Agriculture and Trade Policy (IATP), United States*

*Jutta Sundermann, Board Member,
Attac Germany*

Copies of this letter go to MEP Markus Ferber (MiFID rapporteur); Hugo Bassi (Head of Unit G – Securities Markets, DG Markt), and to Emil Paulis (Director of Directorate G, DG Markt)