



To: **Mr Markus Ferber**, Member of the European Parliament, Rapporteur for the review of MiFID/MiFIR
Mr Rimantas Šadžius, Minister for Finance of the Republic of Lithuania

Cc: **Mr Michel Barnier**, European Commissioner for Internal Market and Services
Shadow Rapporteurs for the review of MiFID/MiFIR
Members of the EU Council Working Party on Financial Services

Natalia Alonso
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Re: Triologue on Markets in Financial Instruments (MiFID/MiFIR) – effective position limits to prevent excessive speculation with commodities

Brussels, 2 July 2013

Dear Mr Ferber, Dear Minister Šadžius,

In the coming weeks you will be negotiating a joint position on the review of the Markets in Financial Instruments Directive and Regulation (MiFID/MiFIR) in an inter-institutional triologue. We believe that getting these rules right is essential in order to effectively limit harmful speculation while restoring the price discovery and hedging functions of markets.

High and volatile food prices have had a devastating impact in poor and food import dependent countries, causing increased hunger, conflict and instability. Farmers in the EU and elsewhere are also affected, as high volatility undermines their ability to plan production and investment in agriculture. This price turbulence has several causes, among them the neglect of smallholder farmers, the consequences of climate change, energy prices and damaging biofuels policies. But increasingly strong evidence supports the existence of a link between financial speculation –on commodity markets and greater food price volatility, and in some cases, higher food

prices.¹ Better regulation of commodity markets is an important element of the global struggle to eradicate hunger.

We therefore welcome the emerging consensus between the Commission, the Parliament and the Council on the introduction of limits for speculative positions on commodity derivative markets. But we are deeply concerned that the proposed rules contain major loopholes which undermine the effectiveness of these limits.

Among other issues, it is crucial that position limits are set at the European level, that they equally address all contracts and include the over-the-counter trade with commodity derivatives. Please find attached an overview providing more detailed information.

The trialogue offers an opportunity to address these concerns, and adequate time must be dedicated to this part of the legislation. If they are not addressed, the European Union risks once again allowing its regulatory authorities to fall behind the dynamics of the market, without the means for early recognition of problems or to prevent excessive commodity speculation.

We remain at your disposal to answer any questions that you may have and to meet you or your advisors as needed.

Sincerely,



Natalia Alonso
Head of EU Advocacy Office
Oxfam International

On behalf of

***Friends of the Earth Europe, Oxfam, SOMO – Center for Research on
Multilateral Corporations, WEED – World Ecology, Economy & Development,
World Development Movement***

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¹ For an overview of studies and reports see, Markus Henn (*WEED*) (2013), 'Evidence on the Negative Impact of Commodity Speculation by Academics, Analysts and Public Institutions': http://www2.weed-online.org/uploads/evidence_on_impact_of_commodity_speculation.pdf