



European Parliament

Re: food price speculation - EP must reject rules adopted by the Commission implementing the Markets in Financial Instruments Directive (MiFID II) to protect producers & consumers globally

Brussels, 7 February 2017

Dear Member of the European Parliament,

Food prices are a matter of concern for many Europeans. Around the world they are a matter of life and death to millions. High and volatile food prices have had a devastating impact in poor and food dependent countries, causing increased hunger, conflict and instability. The 2008 food price crisis pushed 100 million people into poverty; 44 million more people fell below the poverty line as a result of the 2010 food price spike according to World Bank estimates.

When the new Markets in Financial Instruments Directive (MiFID II) was adopted in 2014, leaders of the European Parliament rightly heralded the introduction of strict limits on speculating on food commodities as “[one of the greatest successes](#)” of the reform because it would “*put an end to scandalous purely speculative trading of derivatives linked to food commodities*”.

Our organisations call on you to make sure the European Parliament’s promise to end harmful food speculation will come true. On December 1, 2016 the European Commission [has adopted standards](#) for the application of position limits to commodity derivatives that risk turning limits on speculation mandated by MiFID II [meaningless](#). The Parliament must reject these standards and demand that the Commission adopts rules ensuring that national authorities will reign in excessive speculation, in line with the Parliament’s demands set out in its letter to the Commission of 27 November 2015. The most serious flaws that must be addressed by the Commission include:

- the baseline figure and maximum figure of the limits: these are so high limits would be ineffective; a slightly lower base line (20% instead of 25%) would only apply to a limited number of very liquid commodity derivatives linked *directly* to human consumption,
- a definition of economically equivalent OTC contracts (contracts traded ‘over the counter, i.e. outside of regulated platforms) that is so restrictive that limits will be easily circumvented.

Rejecting the standards now does not mean the entry into force of MiFID II must be further delayed. Revised standards can be issued by the Commission at short notice and endorsed by the Parliament and Member States well ahead of this summer, for application as of 3 January 2018 as planned.

The European Parliament must force the European Commission to empower national regulators to adequately limit speculation on financial derivatives that have a material impact on food prices. Your vote during next week’s plenary in support of a resolution rejecting the MiFID II regulatory technical standards for the application of position limits to commodity derivatives (RTS 21) is of paramount importance to ensure undistorted and predictable prices of essential commodities for producers and consumers in the European Union and globally.

Yours sincerely,

Natalia Alonso
Deputy Director of Advocacy & Campaigns
Oxfam International



Benoît Lallemand
Acting Secretary General
Finance Watch



For any information please contact:

Marc-Olivier Herman | Tel: [+32 \(0\)2 234 11 10](tel:+3222341110) | Email: marco.herman@oxfaminternational.org

On behalf of:

- Amigos de la Tierra
- Global Justice Now
- Finance & Trade Watch, Austria
- Finance Watch
- Financité
- Friends of the Earth Europe
- Oxfam International
- SOS Faim
- WEED – World Economy, Ecology & Development
- WeMove.EU