



HOUSE OF COMMONS

LONDON SW1A 0AA

4th October 2022

Jean Contreant

RE: FOOD SPECULATION

Thank you for your recent correspondence in respect of your concerns regarding the *Financial Services and Markets Bill*, which makes important updates to the UK's financial services regulations. I have read your comments on this issue with interest.

The Government recognises effective commodities markets regulation as being central to ensuring economic stability - a lesson reinforced by both the food and financial crises in the 2000s. In response to G20 commitments, the EU implemented a regime that limits the amounts of commodity derivatives that market participants can hold, to ensure speculation does not lead to economic harm.

This specific issue concerns the 'MiFID II' reforms. The UK played a significant role in designing the MiFID II framework, and the Government believes that the resilience and effectiveness of the UK's capital markets has been significantly strengthened by the post-crisis reforms that it implemented. The Government supports the application of position limits to the most volatile commodities (including key energy and agricultural products).

Before Brexit, a large portion of the UK's financial services regulations were made by the EU, and were not tailored to the UK's needs. Now that the UK has left the EU, we can design our own regulations to fit our needs, which is what this Bill aims to do. This Bill, whilst characterised by its detractors as entailing harmful wanton deregulation, does nothing of the sort, and is instead a tailor-made framework to regulating commodities trading as we, rather than Brussels, consider appropriate.


Reforming our commodities trading regulations is a pressing matter to ensure a more commerce-friendly environment, as inherited EU regulation unnecessarily captured all exchange traded and economically equivalent over-the-counter commodity derivative contracts - including those with low volatility and risk. This undermines efficient pricing in many contracts, creating unnecessary burdens for firms.

To address this, the *Financial Services and Markets Bill* will ensure exchanges can once again set position limits, within an FCA framework. Exchanges are well placed to ensure that such position limits only apply to contracts that are subject to high volatility.

However, Ministers are clear that agricultural products and other key physically settled contracts, such as oil and gas, will remain subject to position limits. The FCA will also have powers to intervene to set position limits if need be, and as such, concerns about harmful deregulation to food and energy commodities trading are overblown. I will be sure to continue engaging with my colleagues on this important issue.



Once again, thank you for having taken the time to contact me and if I can ever be of any further assistance to you then please do not hesitate to contact me again.

With best wishes,


**TOM PURSGLOVE MP
MEMBER OF PARLIAMENT
CORBY & EAST NORTHAMPTONSHIRE**