



Press Release

London, Nice, Singapore, September 8, 2010

## **EDHEC Risk Institute Supports the Objective of Better Regulation of the Derivatives Markets for Commodities but Criticises the Motivation behind the French Position on the Subject**

In an open letter<sup>1</sup> to European Commissioner Michel Barnier, EDHEC Risk Institute supports the idea of better regulation of the derivatives markets for commodities requested by France in a recent report sent to the commissioner by the French Ministers of the Economy, Energy and Agriculture, and which serves as a basis for the French position ahead of its future presidency of the G20, but criticises the motivations behind the French request, which it considers cannot be a starting point for a credible European initiative.

According to EDHEC Risk Institute, the objectives of improved transparency and security of transactions carried out on the derivatives markets are praiseworthy and are in line with the consensual conclusions of the Pittsburgh summit, but it would be regrettable if the necessary support of all actors for strengthening the regulation of the international markets comes up against ideological presumptions and preconceptions that could ultimately lead to a genuine misunderstanding on both sides of the Channel or the Atlantic.

The assumption that underlies the French initiative, namely that derivative instruments are currently one of the causes of the high level of volatility in commodity prices, has absolutely not been demonstrated and is contradicted both by EDHEC Risk Institute's own work<sup>2</sup> and also by two recent empirical studies conducted by the two main international economic organisations with whose work the European Union is associated, namely the IMF and the OECD<sup>3</sup>.

This absence of a genuine and serious cause behind the request to regulate the derivatives market for commodities does not make the French position credible and in EDHEC's opinion cannot seriously lead to support from all the European countries and more globally, the countries concerned by the subject.

In these conditions, EDHEC Risk Institute thinks that the European Commission should not commit to regulatory initiatives that are as important for the structure of the financial markets without the facts and arguments being clearly and objectively established.

1. ERI/part/CE/10-1867, Nice, September 6, 2010, [Open Letter to European Commissioner Michel Barnier](#).

2. [Oil Prices: the True Role of Speculation](#), November 2008, and [Has There Been Excessive Speculation in the US Oil Futures Markets?](#), November 2009.

3. IMF, Global Financial Stability Report, October 2008 and OECD, Speculation and Financial Fund Activity: Draft Report, 24/04/2010.

**Contact:**

For further information on EDHEC Risk Institute, please contact **Séverine Anjubault**:

Tel.: +33 (0)4 93 18 78 63 – E-mail: [severine.anjubault@edhec-risk.com](mailto:severine.anjubault@edhec-risk.com)

## About EDHEC Risk Institute

EDHEC Risk Institute is part of EDHEC Business School, one of Europe's leading business schools and a member of the select group of academic institutions worldwide to have earned the triple crown of international accreditations (AACSB, EQUIS, Association of MBAs). Established in 2001, EDHEC Risk Institute has become the premier European centre for financial research and its applications to the industry. In partnership with large financial institutions, its team of 47 permanent professors, engineers and support staff implements six research programmes and ten research chairs focusing on asset allocation and risk management in the traditional and alternative investment universes. The results of the research programmes and chairs are disseminated through the three EDHEC Risk Institute locations in London, Nice and Singapore.

EDHEC Risk Institute validates the academic quality of its output through publications in leading scholarly journals, implements a multifaceted communications policy to inform investors and asset managers on state-of-the-art concepts and techniques, and forms business partnerships to launch innovative products. Its executive education arm helps professionals to upgrade their skills with advanced risk and investment management seminars and degree courses, including the EDHEC Risk Institute PhD in Finance and the EDHEC Risk Institute Executive MSc in Risk and Investment Management.

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