



Press Release

London, Nice, Singapore, June 19, 2012

EDHEC-Risk Institute Warns against “Speculative” Regulatory Proposals for Commodities Markets in Europe

In a robust critique of a recent paper by the public interest group *Finance Watch* ([“Investing Not Betting: Making Financial Markets Serve Society,” April 2012](#)), EDHEC-Risk Institute has taken issue with a number of positions that this paper deems to be self-evident, e.g. that speculators must have a minority role in futures markets; that excessive speculation undermines the commodity price formation mechanism; and that there should be a linear relationship between a commodity’s supply-and-demand data and its price.

Drawing on the theoretical and empirical evidence in the academic literature, **the EDHEC-Risk Institute position paper**, entitled “Who Sank the Boat?” (in reference to the difficulty in apportioning causality for commodity price spikes), **shows that the above assertions are simply wrong.**

According to the author of the EDHEC-Risk paper, Hilary Till, “modern commodity futures markets are the result of 160 years of trial-and-error efforts. One result has been the creation of an effective price discovery process, which in turn assists in the coordination of individual efforts globally in dynamically matching current production decisions with future consumption needs in commodities.

“Before performing surgery on these institutions, we suggest that *Finance Watch*’s supporters tread carefully and **not adopt “speculative” regulatory proposals whose ultimate effects are unknown. We further recommend that European Union policymakers instead consider studying market practices globally and then adopt what is demonstrably best practice, rather than invent new untested regulations.**”

While agreeing that *Finance Watch*’s concern with food and oil price spikes is fully justified, EDHEC-Risk Institute is concerned that *Finance Watch*’s proposals in restricting speculation fall somewhere in the continuum of being a placebo to actually being harmful to the goals to which they aspire.

A copy of the position paper “Who Sank the Boat?” can be downloaded via the following link:

[EDHEC-Risk Institute Position Paper “Who Sank the Boat?”](#)



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About EDHEC-Risk Institute

Since 2001, EDHEC has been pursuing an ambitious policy in terms of international research. This policy, known as “Research for Business”, aims to make EDHEC an academic institution of reference for the industry in a small number of areas in which the school has reached critical mass in terms of expertise and research results. Among these areas, asset and risk management have occupied privileged positions, leading to the creation in 2001 of a major research facility: EDHEC-Risk Institute. This institute now boasts a team of 80 permanent professors, engineers and support staff, as well as 18 research associates from the financial industry and 6 affiliate professors.

EDHEC-Risk Institute is located at campuses in Singapore, which was established at the invitation of the Monetary Authority of Singapore (MAS), the City of London in the United Kingdom, and Nice, France. In addition, it has a research team located in the United States. The philosophy of the institute is to validate its work by publication in prestigious academic journals, but also to make it available to professionals and to participate in industry debate through its Position Papers, published studies and conferences. Each year, EDHEC-Risk organises two conferences for professionals in order to present the results of its research, one in London (EDHEC-Risk Days – Europe) and one in Singapore (EDHEC-Risk Days – Asia), attracting more than 2,000 professional delegates.

To ensure the distribution of its research to the industry, EDHEC-Risk also provides professionals with access to its website, www.edhec-risk.com, which is entirely devoted to international risk and asset management research. The website, which has more than 50,000 regular visitors, is aimed at professionals who wish to benefit from EDHEC-Risk’s analysis and expertise in the area of applied portfolio management research. Its monthly newsletter is distributed to more than 1,000,000 readers.

EDHEC-Risk Institute also has highly significant executive education activities for professionals. In partnership with CFA Institute, it has developed advanced seminars based on its research which are available to CFA charterholders and have been taking place since 2008 in New York, Singapore and London.

EDHEC-Risk Institute has an original PhD in Finance programme which, in addition to its highly selective residential track for young talents worldwide, has an executive track for high level professionals who already have masters degrees from prestigious universities and significant industry experience. Complementing the core faculty, this unique PhD in Finance programme has highly prestigious affiliate faculty from universities such as Princeton, Wharton, Oxford, Chicago and CalTech.