



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Sir George Howarth MP
House of Commons
London
SW1A 0AA

11 November 2022

Dear Sir George,

Thank you for your email of 22 September to the former Chancellor of the Exchequer, the Rt Hon Kwasi Kwarteng MP, enclosing correspondence from your constituent, [redacted] about the Financial Services and Markets Bill. I am replying as the Minister responsible for this policy area.

I would like to offer my apologies regarding the delay in responding.

[redacted] rightly highlights that, following the financial and food crises in the 2000s, the G20 committed to ensuring that commodity derivatives markets operated in an orderly manner. These were legislated for as part of the EU's second Markets in Financial Instruments Directive regime and include specific restrictions on the number of positions that a person or firm could hold in a given commodity derivative, to ensure that speculation does not lead to economic harm.

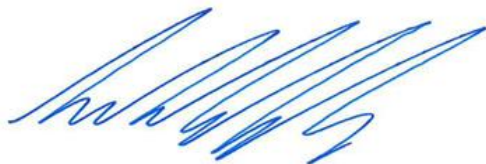
The Government believes that effective commodities markets regulation is a key part of ensuring economic stability and remains committed to the G20's recommendations. However, the regime that we have inherited from the EU is overly complicated, needlessly burdensome and poorly designed. In particular, the application of position limits to all exchange traded and economically equivalent over-the-counter commodity derivative contracts, including those that have low levels of volatility, unnecessarily undermines efficient pricing in many such contracts. It also creates burdens for firms. It is therefore right that we take the opportunity to improve the regime now that we have left the EU.

I would like to however reassure you and your constituents that the Government does not intend to simply do away with the position limits regime. Instead, the measure in the Bill allows us to address the issues outlined above, and as part of that to delegate the setting of position limits to exchanges. Exchanges are well placed to ensure that such controls only apply to commodities that are subject to high volatility. Under this new regime, agricultural products and other key physically settled contracts such as oil and gas will remain subject to position limits. Furthermore, the Financial Conduct Authority will continue to oversee the framework, giving discretion to trading venues to determine which contracts require position limits, while also being able to intervene directly if necessary.

I hope that this will address your constituents' concerns. Please pass on my thanks to them for taking the trouble to make me aware of these concerns.

Please pass on my thanks to _____ for taking the trouble to make me aware of these concerns.

Kind regards,

A handwritten signature in blue ink, appearing to read 'Andrew Griffith', written in a cursive style.

ANDREW GRIFFITH MP