
UK watchdog opposes tight commodity limits

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Reuters reported that UK's financial watchdog looks likely to resist moves towards tighter regulation on commodity markets if a meeting it held with oil industry representatives is any guide.

As per report, the UK Financial Services Authority held a private meeting on August 5th with around 30 oil industry participants in London to discuss market transparency and regulation.

The London meeting coincided with hearings in Washington by the US regulator, the Commodity Futures Trading Commission which are likely to result in tighter rules on derivatives and new limits on trading positions in US markets.

The UK regulator issued no statement after the 3 hour meeting and company officials attending the discussions declined immediate comment. But a senior industry source who was represented at the gathering said that the meeting had been almost uniformly opposed to any new trading limits.

The industry source said that "The conclusion of the FSA remains the same they are not convinced speculation has been a major influence in the long term trend in commodity prices. The problem has been supply and demand. They are not convinced tightening position limits or removing hedging exemptions is really the way forward."

The CFTC has been holding its hearings in response to public concern that the increasing number of financial investors in commodity markets contributed to the spike in oil prices towards USD 150 per barrel. The specter of tighter position limits has led some investment funds in the US to argue there is a risk of creating excessive volatility in commodity markets by reducing the number of participants.

Sources said that it was a view shared broadly by most of those at Wednesday's meeting in London with the FSA and by the UK regulator itself.

Report said that British financial exchanges are largely self regulating with guidance and oversight offered by the FSA, rather than a rules based system.

Both the Intercontinental Exchange and the London Metal Exchange, 2 of the world's largest commodity exchanges have said that they have no plans to change the way they regulate large positions on their UK-based markets. But both the FSA and the oil trading community believe they need to be seen to be responding to the CFTC and its concerns.

Britain's opposition Conservative Party, which opinion polls suggest will win national elections due in less than a year has promised to abolish the FSA and hand over its powers to the Bank of England to create a powerful super regulator.

(Sourced from Reuters)

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