

**From:** David Clark [dclark@wmba.org.uk]  
**Sent:** 01 August 2008 14:01  
**To:** Commodities  
**Cc:** Michelle Caulfield  
**Subject:** WMBA/LEBA reply to CESR/CEBS Commodity CP

**Follow Up Flag:** Follow up

**Flag Status:** Orange

**To:** CESR and CEBS

**From:** Wholesale Markets Brokers Association (WMBA) and London Energy Brokers Association (LEBA)

**Re:** May 15 Consultation Paper on Commodity Derivatives and Exotic Derivatives

- WMBA and LEBA members are limited activity firms that act as intermediaries in wholesale market products that include some of the products defined in the CP. The replies (below) to the questions in the paper should be seen in the context of member firms acting as 'name give up' brokers in the relevant OTC products, and not as own account traders. Please see [www.wmbs.org.uk](http://www.wmbs.org.uk) and [www.leba.org.uk](http://www.leba.org.uk). For this reason many of the questions are not relevant to firms activities although they are to most of their clients, and some answers take into account industry views and experience.
- For member firms, risks attached to commodity and exotic derivatives are the same as those for other wholesale financial market products. There are no special credit or market risk features that apply, and member firms are exposed mainly to the operational risks of acting as an intermediaries.
- In general, member firms agree with the conclusions drawn in the paper and do not feel that any major changes should be initiated. They believe that existing exemptions should be incorporated into legislation and they, and most of their clients, believe that there should be a bespoke regime for wholesale financial market products.

Replies. (Questions not answered are considered to be not applicable to member firms for their day by day activities. They consider their clients would offer answers of more value to the paper based on their acting as principles).

1. None. There is no IDB data.

2. Yes, as far as members can tell. They deal with eligible and professional counterparties and do no retail business.

5. No.

6. None.

7. Members do not have such data.

11. None.

13. No. WMBA is in discussion with the FSA in respect of client classification for some banking counterparties.

14. None.

17. As intermediaries, members are not trading and therefore regulatory arbitrage is outside their reach of activities.

19. See 13. Member firms have issues relating to the way in which some wholesale market clients wish to be classified.

21 b) members clients should not be limited by legislation to access to liquidity provided by MTFs.

22. No.

23. Yes. It should be noted that different definitions of what commodity trading means exists among members clients. Member firms are global in nature and operate around the world.

24. Exemptions can lead to distortions. In general members agree with the conclusions in 243-5. Commodity markets are becoming larger, more liquid and subject to structuring many types of OTC products and financial instruments. The capital treatment should take account of this.

29. In general, yes.

David W.Clark,

Chairman WMBA and LEBA