ISDA, AFME, FIA Publish Position Paper on EC Market Correction Mechanism Proposal

LONDON, December 7, 2022 – The International Swaps and Derivatives Association, Inc. (ISDA), the Association for Financial Markets in Europe (AFME) and FIA have published a position paper on the European Commission’s (EC) market correction mechanism proposal for natural gas prices in the European Union. The proposed mechanism would set a price cap on the TTF front-month future contract price when certain conditions are met.

The associations urge the EC to avoid imposing any price cap on the wholesale gas market and instead focus effort on securing supply, reducing demand, supporting the liquidity needs of energy firms and accelerating the energy transition.

The paper highlights the detrimental implications the proposed mechanism would have on liquidity and risk management, and warns that it would introduce unacceptable levels of systemic and operational risk while not necessarily achieving the primary policy objective to reduce power and gas prices for consumers.

The paper also asserts that this measure could undermine trust in the European gas market, discouraging market participant activity.

Read the position paper here.

About ISDA
Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 79 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association’s website: www.isda.org. Follow us on Twitter, LinkedIn, Facebook and YouTube.
About AFME
AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia. AFME is listed on the EU Register of Interest Representatives, registration number 65110063986-76. Information about AFME and its activities is available on the Association's website: www.afme.eu.

About FIA
FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in Brussels, London, Singapore and Washington, D.C. Our membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from about 50 countries as well as technology vendors, law firms and other professional service providers. Our mission: To support open, transparent and competitive markets, protect and enhance the integrity of the financial system, and promote high standards of professional conduct. Information about FIA and its activities is available on the Association's website: www.fia.org.

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