Gafta

Bank of England,
Fair and Effective Markets Review,
Threadneedle St,
London, EC2R 8AH

14th January 2015

Subject: Fair and Effective Markets Consultation 2014

Dear Sir or Madam,

We would like to thank the Bank of England for consulting with Gafta on its Fair and Effective Market Review.

Gafta is the international association representing the trade in agricultural commodities and general produce. Gafta represents over 1510 Members in 89 countries representing the physical buyers and sellers of agricultural commodities. Our mission is to promote international trade and to protect our members' interests worldwide.

The international sales of agricultural products and general produce are traditionally bought and sold under the terms and conditions of Gafta standard forms of contract. Over the last 135 years, Gafta has developed 80 standard forms of physical contract for the sale and purchase of these commodities with clauses covering matters such as:

- Quality, condition, warranties and guarantees
- Shipping documents and appropriations
- Payment terms
- Exceptional circumstances
- Insurance
- Default and damages
- Supporting rules for weighing, sampling, analysis methods and insurance

These terms are kept up to date by an international committee to ensure they reflect current trade practices for CIF, FOB and delivered/collected commercial transactions. Contract negotiations are direct between prospective buyers and sellers or through an intermediary of a broker. Many of these international forward, physical, contracts are often entered into 6-9-12 months ahead of harvest, shipment or delivery. The consultation questions how to establish better standards of market practice and role of codes of practice in reinforcing standards of conduct across markets. Gafta already has measures in place to self-police and takes this role very seriously. Gafta's internationally respected arbitration service provides parties who use our contracts with a system to resolve trade disputes in a fast and efficient manner. Gafta also has in place a Code of Conduct for members with specific detail on their commitment to ethical professional conduct. This is backed up with specific rules and code of conduct for arbitrators, mediators, analysts, superintendents. Complaint procedures are also in place.

Question 31 refers to professional qualifications for individuals - Gafta has a Continuous Professional Development programme in place and after completing all modules and exam, the individual receives a Trade Diploma. Gafta runs a Distance Learning Programme and holds training sessions across the global on a regular basis for traders to improve their knowledge of contracts, arbitration and best practices in the trade.

Gafta's would like to underline that any new recommendations for the financial markets which may come from this review does not inadvertently restrict trading on the physical market. In our view, with EU MIFID II and other financial legislation, much has already been done to respond to the different abuses referred to in this consultation by legislators across the globe. Gafta is of the view that sufficient legislation is currently underway to improve public confidence and above all current systems. Gafta members are not of the view that further steps need to be taken to help boost fairness and effectiveness in FICC markets.

The Grain and Feed Trade Association
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We thank you for consulting with Gafta and we look forward to reading the response.

Yours sincerely,

Jaine Chisholm-Caunt
Director General

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