

The trader and the futures markets: a two-way relationship

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The futures markets serve traders as a means of hedging their risks, but traders also influence those markets. Their positions, their information on physical flows and their storage capacity give them a knowledge of the markets that few financial players possess. This asymmetry of information has prompted debate on the role of traders in price formation and on the risks of manipulation.

The market authorities have strengthened the surveillance of positions and practices on the commodity markets, particularly after the crisis of 2008 and the surges in agricultural prices of 2007–2008 and 2010–2011, which had been attributed, in part, to financial speculation.¹ Traders who use the futures markets to hedge physical positions are generally treated differently from purely financial speculators, but they are subject to reporting obligations and position limits.

In Switzerland, the Financial Market Infrastructure Act regulates derivatives, including commodity derivatives, with reporting, clearing and risk-mitigation obligations, accompanied by exemptions for non-financial counterparties whose positions remain below certain thresholds.² Geneva traders must also comply with the rules of the foreign markets on which they operate.

The question of speculation in foodstuffs remains a sensitive one. A Swiss popular initiative seeking to ban speculation in foodstuffs was rejected in 2016.³ The debate nonetheless led traders to explain their role more fully and to distinguish the hedging of risks, which is necessary to their business, from financial bets on prices.

1 Notes

1. Federal Register, 14 January 2021, “Position Limits for Derivatives” (86 FR 3236): final CFTC rule implementing the 2010 Dodd-Frank Act amendments to the Commodity Exchange Act, federal position limits for derivatives linked to 25 agricultural, energy and metal commodities, in force from 15 March 2021, with an exemption for bona fide hedging transactions; ESMA, Interactive Single Rulebook, Art. 57 MiFID II: position limits set by the competent authorities for agricultural commodity derivatives and for critical or significant derivatives (open interest of at least 300,000 lots on average over one year), hedging positions of non-financial entities being excluded. ↩
2. Federal Act of 19 June 2015 on Financial Market Infrastructures (Financial Market Infrastructure Act, FMIA; LIMF; SR 958.1), in force since January 2016: Art. 93 (financial and non-financial counterparties with their seat in Switzerland), Art. 97 (clearing obligation), Art. 98–99 (small counterparties), Art. 104 (reporting obligation), Art. 107 (risk-mitigation obligation); Pictet, “Loi sur l’infrastructure des marchés financiers (LIMF)”, information note: thresholds for small non-financial counterparties of CHF 1.1 billion for credit and equity derivatives and CHF 3.3 billion for interest-rate, currency and commodity derivatives, exemption from the exchange of collateral and from portfolio reconciliation; Pierre-Olivier Etique, “Projet de loi sur les infrastructures des marchés financiers (LIMF) : nouvelles règles dans le négoce des produits dérivés”, CDBF, 25 November 2014. ↩
3. Popular initiative “Pas de spéculation sur les denrées alimentaires” [No speculation in foodstuffs], rejected on 28 February 2016 by roughly 59.9 per cent of voters, the Federal Council and Parliament having recommended its rejection; Federal Chancellery, “Initiative ‘Pas de spéculation sur les denrées alimentaires’”, admin.ch (accessed September 2026). ↩

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