

# Regulatory trends in the Swiss-based commodity trading sector:

## A challenge for Geneva based lawyers

Friday, May 23 2014  
Hôtel Métropole Geneva

**GTSA**  Stéphane Graber  
Secretary General



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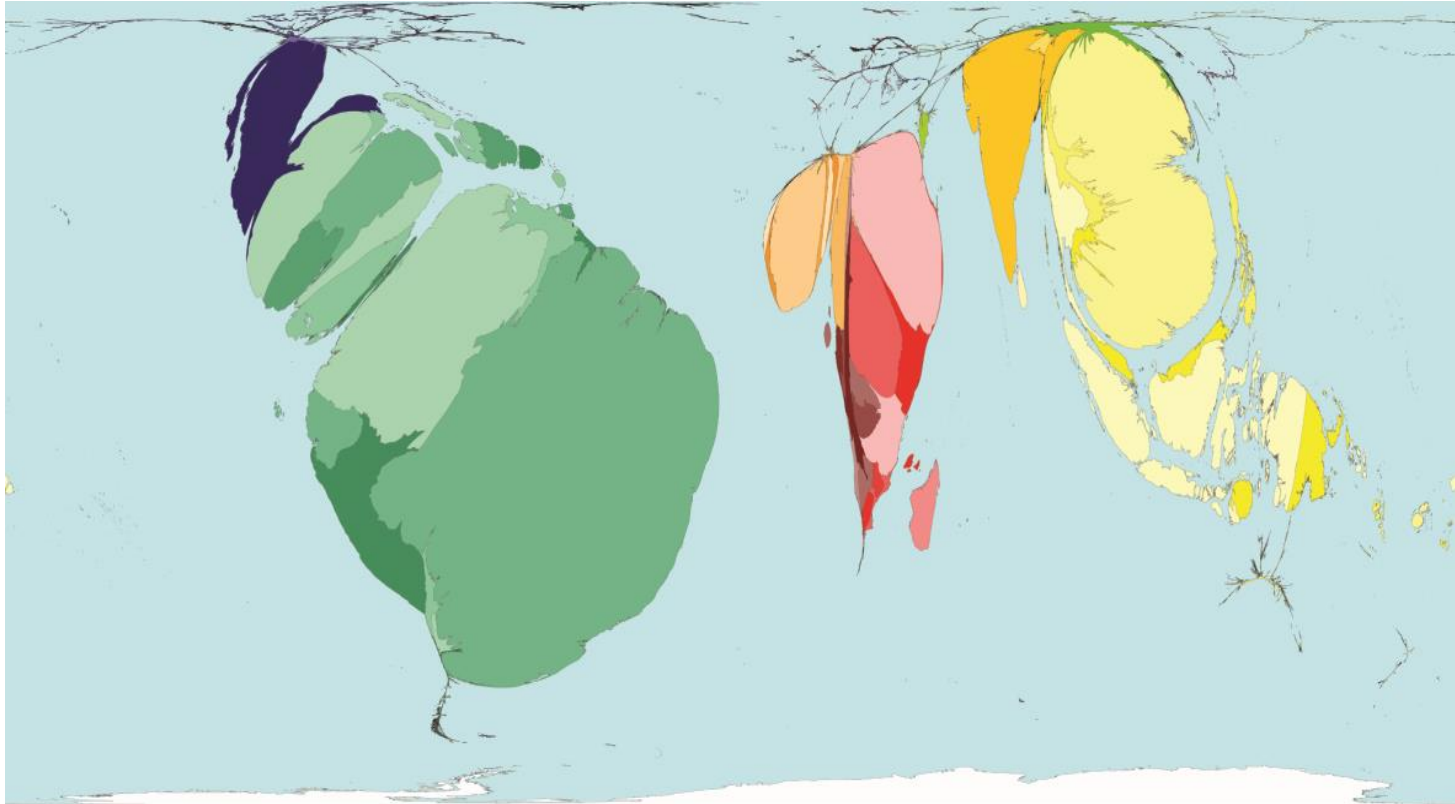
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# World Map



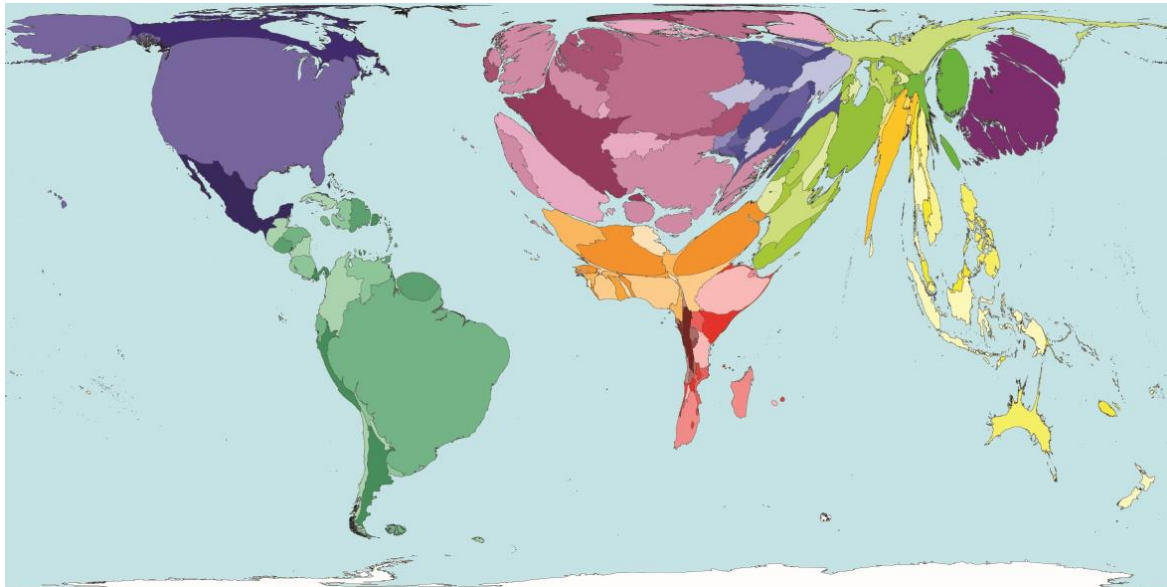
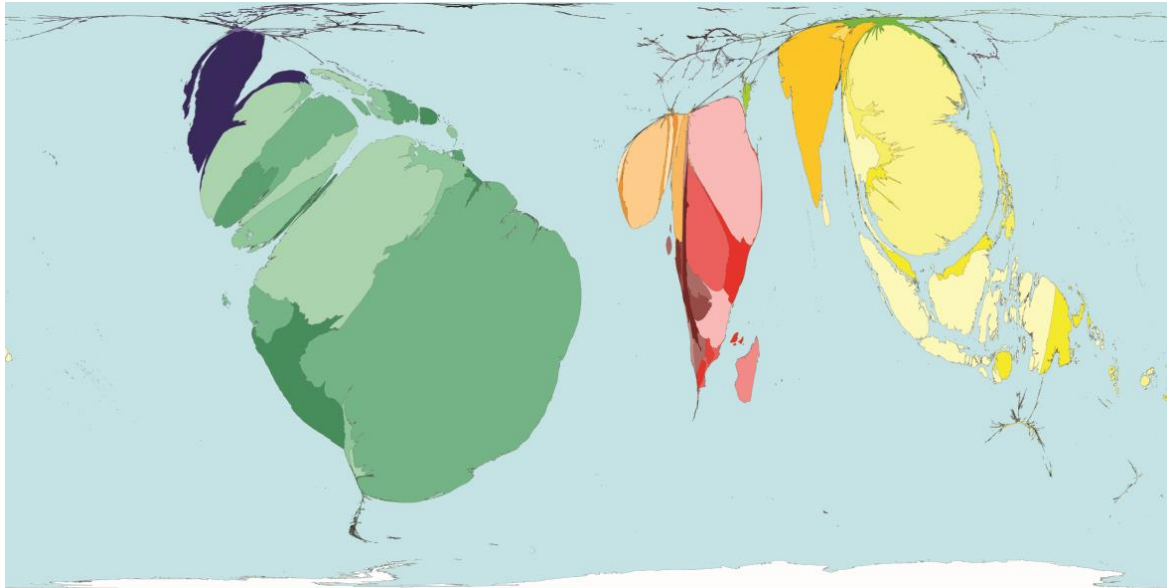
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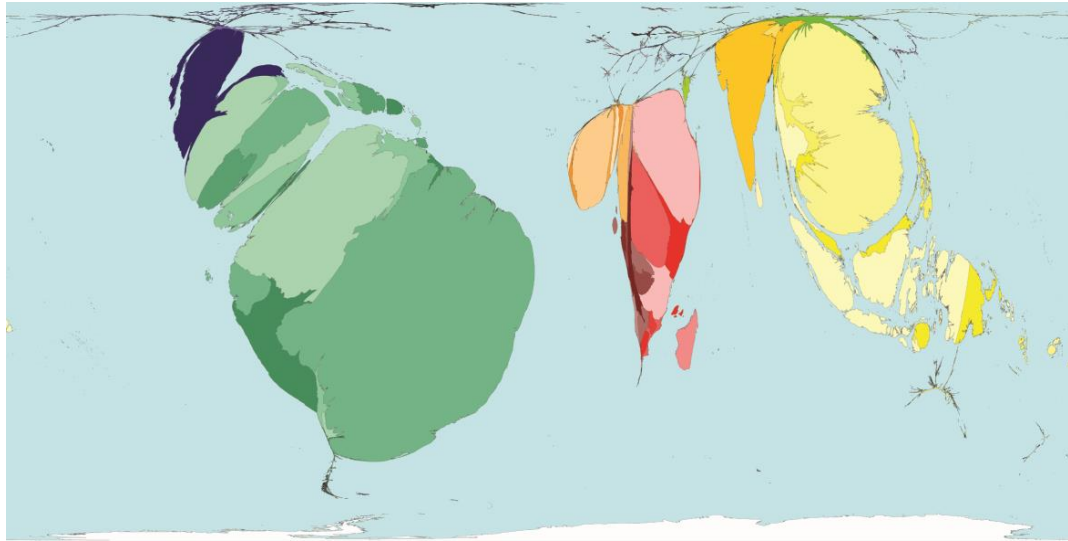


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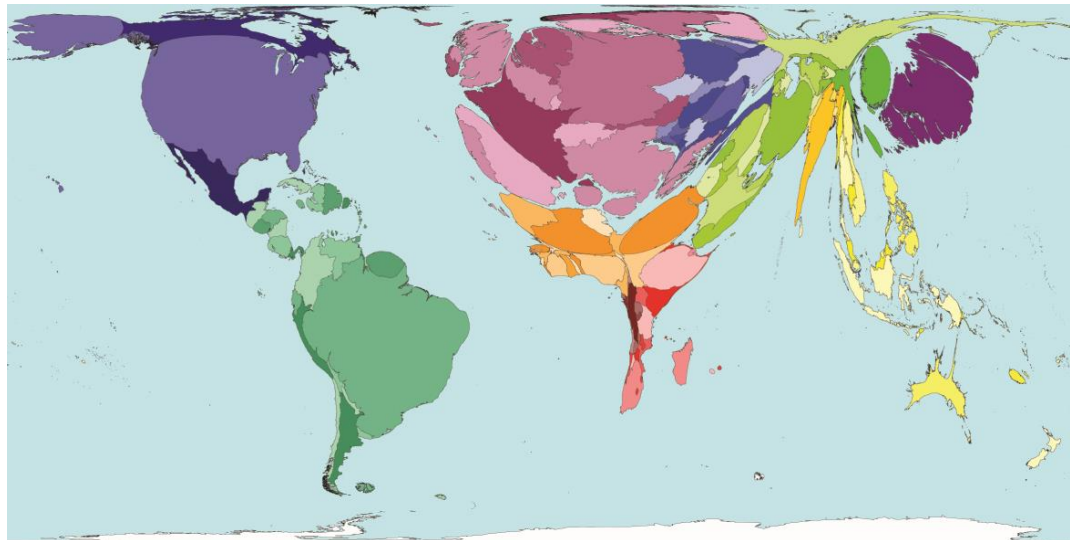
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## Worldwide coffee production



## Worldwide coffee consumption



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**Commodity trading bridge the gap between supply and demand**

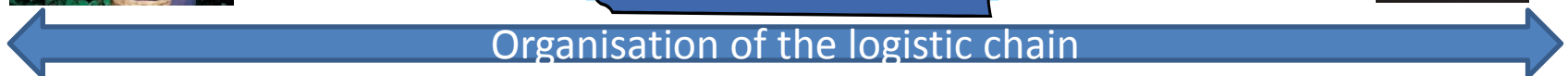
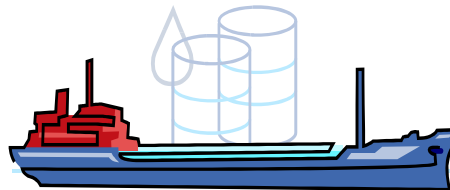


# Commodity Trading: an organising role in the value chain

## Commodity trading is about

- addressing the quantity and quality requests of long terms relationship buyers
- buying at the highest price to producers and selling at the lowest price to buyers by optimising the logistic chain
- managing price risks related to physical trade (i.e. volatility, exchanges)
- managing operational risks (climate, counterparty, quality, legal, piracy, unstable environment)

 **An economic key role based on a set of competencies, which adding value lies in Switzerland**



**Seller**

**Commodity merchants**

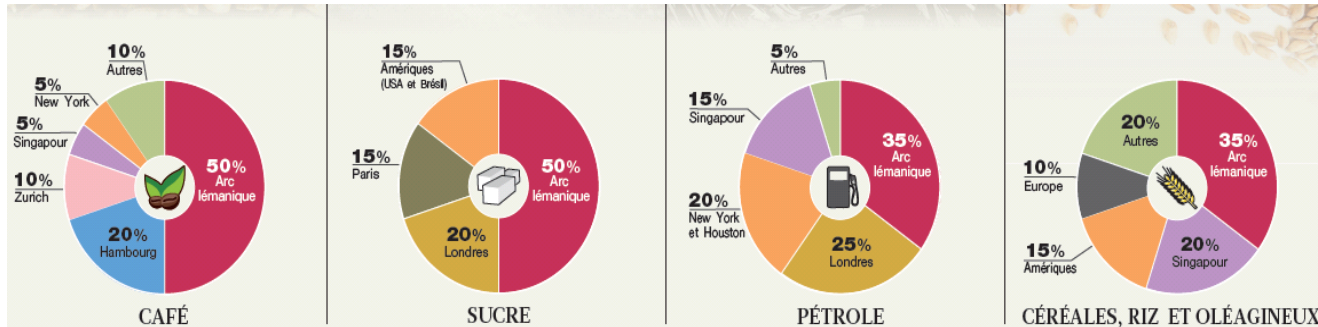
**Buyer**

(Access to market, transport, storage, processing, risk management, etc.)

 **The characteristics of commodity trading and different risks associated must be considered in the regulatory approach**

# Commodity Trading in Switzerland

**A centre of expertise in physical trading developed over decades**



- 22% worldwide Commodity Shipping movements (container, dry, liquid)
- A leader worldwide in Commodity Trade Finance & Inspection and Certification

**➔ A competitive advantage lying in the huge density of expertise along the entire supply chain**

**A sector of great economic importance for Switzerland**

- 500 companies
- 200 shipping companies
- + of 10'000 direct employments
- + of 27'000 generated employments
- High value added jobs
- 3.5% of Swiss GDP





# Is this the true reflection of reality?

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«La Confédération ne peut pas demeurer un trou noir réglementaire.»

Marc Guéniat, *Le Temps*, 11 juin 2013

«Laxisme de la Confédération:  
Le secteur du négoce n'est  
pas réglementé.»  
Marc Roche, *Le Monde*, 24-25 November 2013



“Swiss Reject Tougher Regulation of Commodity Trading”

Bloomberg, 27 March 2013



Commodity trading is perceived as unregulated because it is not subject to a unique regulatory authority...

# A sector already well regulated

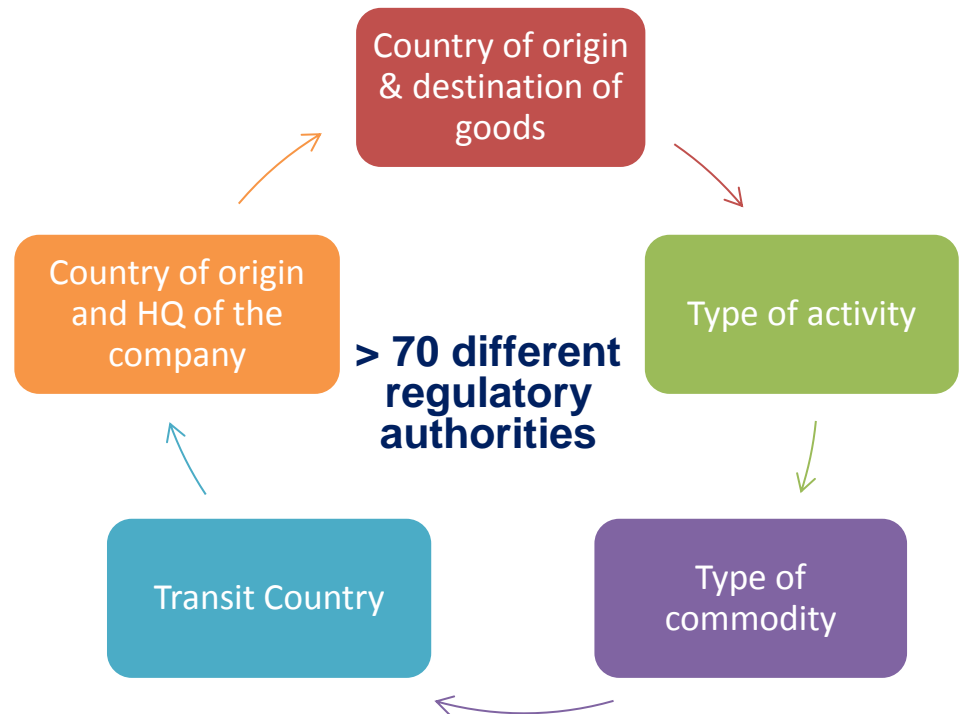
Commodity value chain involves a large variety of actors and different activities



**it cannot be considered at an aggregate level when discussing market functioning and regulation**

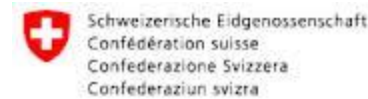
Commodity trading companies are subject to numerous law and regulation across the globe

- Physical Market Regulations
- Market Conduct Rules
- Exchange Rules
- Anti Corruption Laws
- Anti Money Laundering Laws



**Commodity trading evolves in increasingly globalised and complex environment with multiple layers of regulation**

# Current Swiss regulatory initiatives



## Soft law:

- Multi-stakeholder Dialog on UN guiding principles on business and human rights (“Ruggie-Principles”)
- Multi-stakeholder Dialog on commodity trading (“CSR”)

## Hard law

- Basel III
- FMIA
- CTR III
- Young Socialists’ Initiative on Speculation on food prices
- REACH
- REMIT



**GTSA is the main body for the profession in the discussions with the Swiss authorities, regulators and other stakeholders**

# Current challenges for the industry

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- **Adapting to evolving market demands through diversification of supply sources («optionality» vs «vertical integration»)**
  - ✓ Commodity merchants needs to be more flexible and secure quick access of requested standard and quality
  - ✓ Investments in strategic assets (i.e. ports) to increase infrastructure efficiency and delivery
  - ✓ Investments in production or storage to insure flexibility of resources access
- **Developing settlements that are adapted to the commodity trading activity and applied internationally and multilaterally to all actors involved in the market**
  - ✓ The implementation costs of new procedures imposed to the industry, the potential impact of certain directives on market liquidity and the risks to sink companies under paperwork need to be ascertained and lowered
- **Answering the call for more transparency by developing voluntary standards through a multi-stakeholders approach**
  - ✓ Needs to adapt to evolving ethical requirements of stakeholders
  - ✓ Experience shows that the right approach lies not necessarily on more regulations
- **Preserving attractive business conditions in Switzerland for the industry**

# GTSA at a glance:

**Created in 2006, GTSA is the main professional commodity trading, shipping and financing association in Switzerland to represent the industry**

**+80** Members and institutional partners in the whole of Switzerland

**+60** Commodity trading and shipping companies representing the large majority of the sector in Switzerland (SME and Major Players)

**10** Main banks active in CTF

**2** Inspection companies

**+** Associate and Institutional members

**GTSA is a unique platform of exchange and works for the commodity traders, shippers and financiers**



# Thank you for your attention

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# Questions & Answers

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