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CESR / CEBS

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Subject: Consultation paper on CESR's / CEBS's technical advice to the European Commission on the review of the commodities business

Dear Sirs

Markit appreciates the opportunity to comment on the CEBS/CESR Consultation Paper on the review of the commodities business. Whilst we are not in a position to provide any direct response to the questions you raised in the 'Consultation Paper on the review of commodities business' we are of the view that, particularly from a transparency perspective, it might be helpful for you to receive more information about the range of active OTC Commodity Derivatives products and their liquidity, as well as the depth and breadth of coverage of pricing services offered in this sector.

Within the scope of our Totem price verification service, we currently receive contributions from 38 market makers for OTC derivatives on 349 commodities every month. For these we collect and clean prices, in order to build highly granular long dated forward curves and option volatility surfaces which are then published back to the market makers and used to mark positions. Also, the price information that we generate, is used to provide post trade valuations on commodity derivative positions to buy side clients.

Additionally, a daily Commodity Derivatives pricing service, whose results will be available to everyone who subscribes, is scheduled to be launched in early 2009. The daily service will cover predominantly vanilla products in the OTC Commodity Derivatives area, including 140 Forward curves (40 of those European underlyings), and at the money volatility for roughly 40 underlyings. The service will focus on Energy initially, but will be broadened over time to also include OTC Derivatives on Soft Commodities and Metals.

Finally, based on the contributions currently received, we create a so called 'Liquidity Report' for OTC Commodity Derivatives at month end. The report lists the products that are priced, with the number of accepted contributors attached to the products as well as to the different points of the curve. The Liquidity Report, which we are willing to share with you, provides market participants with a good idea of liquidity across the sector. Although it is not a definitive breakdown of the

number of players in each product, the depth of contributions shown represents a valid reflection of the ability of a market maker to carry out a transaction for a given product/maturity, ie its liquidity. The great majority of market participants whose balance sheets allow them to to transact for long dated forwards are represented in this survey.

We hope that this information is of value for you. Please don't hesitate to contact us if you require additional information or if you want to discuss topics such as coverage, liquidity, and data availability in more detail.

Kind Regards



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