

**From:** FijiGamma@aol.com  
**Sent:** Sunday, April 25, 2010 11:32 PM  
**To:** Metals Hearing <metalshearing@CFTC.gov>  
**Subject:** Silver Position Limits

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Dear Sir;

Please enact and enforce position limits on gold and silver, particularly with respect to silver. I have been a commodity trader since 1997, I have served on the board of directors of the Minneapolis Grain Exchange as well as participated in many committees at the exchange.

In Minneapolis we had a major spike in the price of spring wheat in 2008, I am sure you are familiar. The price was lead by the physical market and the physical market is the primary market as spring wheat is somewhat of a specialty crop with prices for varying protein levels, but at the end of the day delivery can be taken at the MGEX. During the price spike the delivery mechanism continued to function. Through ongoing communication between the FCMs and exchange I believe the spring wheat price spike was a victory for the integrity of our futures markets as the price spike was real and the system of margin and pay collect continued to function and the delivery mechanism remained in tact.

I am worried at the concentration levels of major players in COMEX silver and if there is a possibility for a breakdown in the delivery mechanism of the COMEX. If certain players are able to have large positions, but there is mostly a large group of smaller participants on the long side I have to wonder if the exchange is not risking the integrity of its delivery functions and thus the integrity of its futures contract. There are periods in the history of many commodities that the futures market becomes the "physical market of last resort" where in periods of shortages a commercial or end user can use the futures as a method to obtain the physical commodity when it is in short supply.

If for some reason there were an explosion in the price of silver or a shortage because of an earthquake in a producing region(s) or some other "third standard deviation" occurrence would the COMEX be able to keep its delivery mechanism functioning? Especially if there is a large short position held by a small group of market participants, would that threaten the contract because of a potential break down in the delivery capabilities of just a few firms?

Futures markets have been in the US since the inception of the CBOT in 1848. Very little has changed when compared to other industries since then. Sure, most trading is now electronic and we have computers to perform "batch and settle" functions, but at the end of the day the futures contract derives its legitimacy from the convergence in the physical and futures market. I know there are other commodities that have convergence issues, but from my knowledge the CFTC is looking into convergence in those products as well, for example Chicago Wheat.

I know that silver does not pose the same logistics for delivery as wheat, but it does not mean that we, and by we I mean the futures community, should overlook potential problems areas. I would rather see preemptive measures taken than having a contract lose participants to another exchange over a question of deliver ability.

I understand that I am but one opinion and that there are many smart people looking into this at the CFTC. Perhaps I am worrying about a non-issue, but I would like to thank you for giving me an opportunity to voice my opinion and concern no matter which way the CFTC decides on this issue. I love the futures business, I am proud of the history of integrity of the futures business and being able to participate in an open discussion with the CFTC on an issue such as this proves is something I am truly proud of.

I thank you very much for your time and regardless of how the CFTC proceeds in this matter I thank you very much for the opportunity to have my thoughts heard.

Very sincerely and respectfully,

Cliff Larson III