

From: John Coffey <jcoffey@arlux.com>
Sent: Sunday, April 11, 2010 1:35 PM
To: Metals Hearing <metalshearing@CFTC.gov>
Cc: John Coffey <jcoffey@interrupt9.com>
Subject: Position limits on Silver and Gold from John Coffey

Dear Sir;

Thank you for the opportunity to comment on the issue of position limits for precious metals.

I believe that the lack of effective position limits on silver particularly, has very serious national security implications. Due to the extremely low price of silver, world inventories of silver bullion have deteriorated to historic lows. Further, even by USGS estimates, there is only 10 years of silver known left underground for mining, given current annual demand. This metal is essential to over 2000 industries worldwide. A user shortage of this material is a very definite probability. The US Strategic reserve of this metal, is non-existent, having been exhausted in 2001. National security applications for this metal are enormous, particularly in hi-tech weaponry, computers, aerospace, etc. What happens when the current supply runs out? NOT in 10 years, that hasn't been mined yet, but current inventories to 2000 major industries worldwide? A user panic will ensue, with some companies grabbing the lion's share to build up inventories. Mines take 3-5 years to begin producing, leaving our nation vulnerable in the meantime. Such a panic rush today is a possibility, given that industries worldwide have yet to realize the severity of the issue. If they wake up to find that the steady supply of silver isn't there, they will rush to gather all the supplies they can. Currently there is less than 3 weeks inventory for total worldwide demand in the COMEX available for sale. Industry will likely demand a 1 year supply. That's 900,000,000 oz. The COMEX only has approximately 50,000,000 oz available. And that's just for industry. Investor demand will be ignited at the same time. The general public of all nations will be bidding the price up to get the real physical metal. What will be left for our national security may be precious little.

Please establish a speculative position limit in COMEX silver of no more than 1500 contracts. Please restrict any hedging exemptions from those limits to legitimate hedgers. Please stop the levels of concentration in COMEX silver futures that have been experienced over the past few years on the short side of the market.

Sincerely,

John Coffey

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