

**From:** Tom Zeinz <tzeinz1@sbcglobal.net>  
**Sent:** Friday, April 9, 2010 3:51 PM  
**To:** Metals Hearing <metalshearing@CFTC.gov>  
**Subject:** Metals Position Limits  
**Attach:** CFTC Metals Position Limits letter 4-09-10.doc

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April 10, 2010

Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street NW  
Washington, DC 20581

RE: Metals Position Limits & Hedging Exemptions

Dear Sir/Madam;

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

As an individual investor, I am of the considered opinion that "hard" speculative position limits in COMEX gold and silver of no more than 6000 gold contracts and 1500 silver contracts, futures and options (all months) combined, are entirely appropriate and should be imposed.

More importantly, hedging exemptions from those limits should be strictly limited to legitimate producers, industrial consumers and those who have verifiable inventories of actual, deliverable metal. Anything else should be deemed speculation. I find the entire notion of certain traders claiming "hedging" exemptions in order to use exchange traded futures contracts to offset OTC cash settled derivatives positions highly objectionable. This is a clear subversion of what the hedging exemptions were originally intended for in that such activity is wholly speculative in nature (no one "forced" them to enter into derivatives positions, they "chose" to do so themselves). It also creates an excessive leverage situation which will greatly compound the ill effects of any possible futures delivery defaults should the latter ever occur. And "cash settlement" of commodities futures contracts should never be considered as an option. People who buy commodities futures and elect to take delivery want the commodity, not cash. Also, contrary to certain testimony offered at the March 25 open meeting on this subject, I find it exceedingly difficult to believe commercial traders cannot segregate the respective hedging and speculative aspects of their trading. I perceive any such claims as pure smokescreen. They can and should be required to separate such positions and report them accordingly.

Further, to the extent any trader claims an exemption for the purpose of hedging a bona fide physical inventory, they should also be required to demonstrate that the said inventory they are hedging is distinctly separate and apart from any inventories of like metals they are holding on behalf of clients under custodial or certificate arrangements, unless the individual client(s) themselves have specifically authorized their respective holdings to be hedged on their own behalf.

Another matter is that the March 25 meeting testimony offering how gold and silver prices are set in London (the "London Fix") as evidence that COMEX doesn't "set prices" is thin at best. Again, I find it most difficult to believe that trading on the COMEX doesn't figure into setting the London price, especially when it was quite clear that one or more of the participants in the group that fixes London prices are likely also among the 4 or 8 largest commercial traders in the same commodities on the COMEX.

Finally, with respect to the notion that "hard" position limits and detailed vetting of hedging exemptions, in the absence of additional statutory authority to regulate OTC markets and/or coordinated international efforts, may force trading to "less transparent" venues, I say "hogwash!" One: Where are they going to go? And, two: If so, then "good riddance!" If the CFTC doesn't take the lead in this matter, who will? And forcing the COMEX to clean up their act could very well result in increased trading volume there in that more traders are likely to be attracted to markets they know are fair and honest

The investing public is depending on you, the CFTC, to stop the levels of concentration in COMEX gold and silver futures that have been experienced over the past few years on the short side of the market.

Sincerely,

Thomas Zeinz  
Individual Investor  
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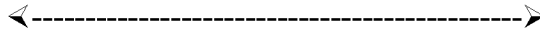
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