10-005
COMMENT
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From: secretary <secretary@CFTC.gov>
Sent: Wednesday, April 7, 2010 11:16 AM
To: Metals Hearing <metalshearing@CFTC.gov>
Subject: FW: Silver Position Limits and Hedging Exemptions

From: Victor Menashe [mailto:victor@menashehome.net]
Sent: Wednesday, April 07, 2010 10:52 AM
To: secretary
Cc: Chilton, Bart
Subject: Silver Position Limits and Hedging Exemptions

April 7, 2010

Dear Commissioners and Chairman Gensler:

Thank you for the opportunity to comment on the issue of position limits for precious metals. I am also grateful to you for holding public hearings about the issue on March 25, 2010. I was able to watch the hearings live on the internet broadcast and appreciated that the key questions about problems in the precious metal futures market were openly addressed and not obscured.

I am a member of the public who believes that reform is urgently needed. Not only because I am an investor in the metals, but more importantly because current market policies are damaging to our national security. This is especially true regarding silver. Silver is essential to many electronic and medical uses that are crucial for national defense. If pricing is distorted because the market is manipulated, then production and consumption of silver will also be perverted.

Historically, artificially low prices over many decades have caused the large US government owned inventory of silver that existed after WWII to be squandered. The US government has no more silver, and defense contractors must now obtain it from a global market that has only a comparatively small stockpile. Further, tight supplies and production capacities are largely controlled by government entities who are potentially hostile to the United States. It is not difficult to imagine a foreign policy scenario where the ability to secure silver could become a limiting factor in America's defense.

While watching the hearings, it was apparent to me that the precious metals market establishment has positioned itself against position limit reforms. Their position appears to prefer trade volume over market integrity. The only argument presented by them was that trade would migrate to other markets that are beyond the jurisdiction of the CFTC. In support of their argument they claimed the COMEX was not the dominant market or price setter for metals on the world stage.

That is a false claim. Even a market novice can notice that the COMEX sets prices for precious metal world wide. Nothing of pricing significance happens while the COMEX is closed. So, if the COMEX is the lynch pin of global pricing, where would the few large traders affected by position limits migrate to? If indeed, a few large traders are manipulating the short side of the market, they would not be able to drag their opposite long side trader victims with them to other market venues. Therefore, they would be unable to move, and also continue to profit from their control of the market.

Contrary to the argument of the exchange executives, ridding the market of manipulative forces would encourage participation by honest speculators and hedgers, thereby increasing trade volume. As a matter of principle, who in good conscience would want to accommodate manipulative traders anyway, no matter how large their commission volume is?

As a member of the investing public, and as an American concerned with the future of our country for our children's sake, I urge you, the CFTC, to enact the following urgently needed reforms. 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. And, please ignore self serving predictions of disaster by the existing precious metals establishment who oppose these fair market required reforms.

Sincerely,

Victor Menashe, Los Lunas, New Mexico

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