

From: efrpco@srt.com
Sent: Sunday, April 4, 2010 7:50 AM
To: Metals Hearing <metalshearing@CFTC.gov>
Subject: metals position limits

Timothy Effertz
11600 20th Ave. S.E.
Minot, ND 58701

Commodity Futures Trading Commission (CTFC)
RE: Meeting on March 26, 2010 metals position limits
April 4, 2010.

Members of the Commission:

I wrote you dated April 1, 2010, and I submitted a copy to an intelligent reader who encouraged me to resubmit a summary letter. I will title the subject:

COMMODITIES BACKED CURRENCY through (metals position limits)

FACTS (FROM MY PERSPECTIVE):

1. CTFC is presently failing in its assigned MISSION because it allows fraud by speculators to prevent finding an honest price set by real parties interested in physical commodities, and results in a pyramid scheme.
2. **If** CTFC would force the derivative market out of the exchange by eliminating bidders who do not take or deliver physical commodities, those bidders are likely to bid in foreign derivative markets.
3. **If** CTFC would eliminate the price influence of speculative bidders who would not make delivery or take delivery, a fair price for each exchange commodity would be established.
4. Conversely and more important (than item directly above), **the value of our US Dollar would be established in terms of physical commodities** giving the dollar actual backing by real and easily measured commodities. (Contemplate a true commodity index value, which is also the dollar index value in commodities.)
5. **If** the CTFC let the speculators invest in foreign markets if they wish, and allowed the true price of commodities and dollars to be established, Physical commodities would be held in the US, and the fake paper derivative commodities would go abroad.
6. Per item immediately above, The US would automatically replace the silver and gold that has been sold to foreign countries and no longer backs the dollar, by having a commodity related dollar price established by the Commodity Futures Market based upon an assortment of real physical worldwide commodities.
7. Should the CTFC want to retain the derivative exchange market, it could be separated from the physical exchange, and it might force the speculators to closely follow the real physical market price, which would be good for all honest participants who realize that they are really just trading a promise to deliver dollars not commodities like silver or corn at some later date. Those activities are those of a casino.

Remember that the people voted for change in the demeanor of government when we changed presidents. I encourage his newly appointed members of the Commission to step up and take their

MISSION seriously, and to consider using its powers to eliminate the fraud causing the pyramid derivative markets. Doing so in a careful way would do for the United States what the FED has failed to do, namely **support our currency with something with real value**, to limit hidden inflation or deflation. It would not require the commodities to be stored in Fort Knox, or to be guarded, except that the CTFC would have to keep out the speculators while establishing a true price between mainly interested parties who deal physical commodities, but still **allow access by small holders and buyers** in order to avoid collusion between the big players. Just think what it would do for the price of oil and the result in our economy!

Appropriate action by the CTFC could be the **most effective and least costly** method to stabilize the world economy. The CTFC could go so far as to include bidding in any foreign currency, thereby establishing a fair price for every currency included. The currency indexes are presently filled with speculators who never let the true price of each currency to be established. By evaluating each currency, through establishing its value in real commodities, the true as well as comparative **values of each currency would be transparently established**.

I suggest that the CTFC require either actual delivery or actual receipt of commodities in a majority of trades. There are other measures that could work, but we should not need to establish a “commodities trading police” if the **rules are** appropriately written so they are **self-enforced, to publicly record delivery and receipts within 30 days** in order to have the privilege to participate in the market ever again. The market must be transparent, at least to the Commission, in order to honestly function.

Banks and speculators who profit by the pyramid and derivative schemes and who charge for currency swaps will scorn this “commodity supported currency scheme”. The FED will cry foul as it loses its power. The Treasury will be elated. The United States citizens will in general be elated to see one arm of the government actually function for the good of all of the people. China and India might continue to hold dollars rather than buy our physical metals; which will crash the USDollar if no changes are made by CTFC. The Chinese currency would be forced to adjust against commodities instead of follow dollars, improving our trade balance.

The true physical prices on the Exchange could be the rock that ties the world economy together **without establishing a world government and a world currency**. The exchange would detect worthless currency immediately and shut out the players who cannot timely deliver. It will be really hard on the bankers who caused the present moderate dip in the economy with derivative house loan funds. I would be able to say to myself that my social security disability payment is “x” bushels of Hard Amber Durum, “y” barrels of crude oil, “z” ounces of silver, or “Q” pounds of sugar. What a fine way to measure true inflation!

Thank you for doing your fiduciary duty.

Tim