From: Stephen Kovaka <stevek@dewater.com>
Sent: Thursday, March 25, 2010 9:19 AM
To: Metals Hearing <metalshearing@CFTC.gov>
Cc: j@silverstockreport.com
Subject: COMEX Precious Metals Position Limits

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Commodity Futures Trading Commission,
Three Lafayette Center, 1155 21st Street, N.W.,
Washington, DC, 20581,

Attn: Office of the Secretariat, re: COMEX Metals Position Limits

Dear CFTC Commissioners:

I am hopeful that you will at last deal frankly with the festering issue of precious metals short position limits. However, the length of the current ongoing investigation, with no action outcome, makes me wonder if the purpose is not really to obfuscate and delay the issue. I hope not.

Many of us are concerned that the COMEX precious metals futures markets are being used as little more than a thinly disguised price control mechanism, merely advertised as a market. The structure may be that of a market, with buyers and sellers, but when a few banks are allowed to carry huge, permanent, unlimited and undeliverable short positions, whereas long positions are strictly limited and deliveries are hampered and discouraged, the net result is price capping.

Why would the COMEX be used to cap prices of precious metals? The most obvious answer is PROFIT, in that the short interests represent such a market concentration that they can repeatedly harvest windfall profits by engineering sharp selloffs, and thereby controlling the prices of gold and silver. But the deeper and more serious answer is that suppressing the prices of gold and silver damages their value as alternative investments to stocks and bonds. This in turn allows the Fed to keep interest rates low, which artificially supports the stock markets and reduces the carrying cost of federal debt. Were the prices of gold and silver allowed to rise without hinderance, the viability of T-Bills at current micro-interest rates would be compromised. Investors might decide that it was better to buy gold and silver than to lend to the government at negative real interest rates.

I hate to say this, but I fear that the CFTC is going down the same road as did the SEC with the Bernard Madoff Ponzi scheme. Harry Markopolos demonstrated in his new book that the SEC stubbornly refused to do anything to bring the Madoff fraud to an end, as year after year the losses to investors mounted into the tens of billions of dollars. The SEC was repeatedly put on notice by Markopolos and others, and even "investigated" Madoff - to no effect. Madoff we too respected, too mainstream, too big, to be seriously suspected of wrongdoing. Only when the scheme blew up due to its sheer size and adverse market action was it finally acknowledged. And even then, the SEC's first priority was to try to pretend that they knew nothing about it and had never been warned. As a result, the reputation and credibility of the SEC was severely damaged. Please be warned by this shameful spectacle.

The CFTC has been warned for many years about the issue of market concentration and manipulation in the COMEX precious metals contracts. You have initiated several investigation in the past which did nothing more than whitewash and excuse the current egregious state of affairs. You have failed to attend to the suggestions of such well-known market experts and commentators as Ted Butler. This may be your last chance to act before the markets themselves reveal the ongoing fraud in the COMEX precious metals markets, just as happened in the Madoff fraud.

I urge you to act to limit short positions in the COMEX silver and gold “markets”, and begin to unwind the outrageous, market controlling short positions of JPMorgan Chase Bank and HSBC Bank before the market does it for you in one grand explosion.

Most Sincerely,

Stephen Kovaka, CPA
CFO, PHOENIX Process Equipment Co.