

From: Juzenas, Eric <WJuzenas@CFTC.gov>
Sent: Wednesday, March 24, 2010 9:21 AM
To: Metals Meeting <MetalSmeeting@CFTC.gov>
Subject: FW: Proposed Position Limits on Speculative Metals Trades

From: Mark Lewon [mailto:mark@umw.com]
Sent: Tuesday, March 23, 2010 7:07 PM
To: Juzenas, Eric
Subject: Proposed Position Limits on Speculative Metals Trades

Mr. Juzenas-

I will be unable to attend the hearing on this matter in Washington, but would like to add my comments:

There is no sure way to determine who is a speculator and who has a legitimate reason to be trading metals futures. Many of the trading companies, such as Goldman Sachs, can make a legitimate argument when they say that they are buying metals futures as a hedge against something else that they have purchased in another department. There will be no way to reasonably suggest otherwise. But it cannot be emphasized enough that speculators provide liquidity to markets. If there were only companies involved in the production or consumption of metals engaged in the futures markets, the prices would not reflect what would be a "true" price anymore than the current metals prices reflect "truth." Rather than trying to find a difficult answer to this problem, the Federal Government should use the power it already has to order traders, companies and individuals using the various metals exchanges to immediately put up a higher "margin" percentage than is currently required. My suggestion would be somewhere in the 30-40% range, although that can be changed with circumstances, and irrespective of the nature of the trades being made. This would force anyone using metals exchanges to use less "leverage," and more of their own funds, thus reducing the potential for rampant speculation. The best part of this solution is that it is already enshrined in law-no further laws would be required. But most importantly, none of the bad, unintended consequences of a limit on speculative trades would be introduced with this kind of program. Furthermore, this should not be limited to metals. Energy markets and agricultural markets should be subject to the same rules. It makes enforcement so much easier. I would submit that a practical solution would also more closely fit the original guidelines given to the CFTC to assist the "efficiencies" in markets. Conversely, limiting speculative trades would decrease efficiencies in markets, and therefore go against the CFTC guidelines. Thank you,

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