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Chairman

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GRESHAM INVESTMENT MANAGEMENT LLC

March 31, 2010

Dr. Henry G. Jarecki
Chairman

Mr. Gary Gensler
Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

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Dear Chairman Gensler:

Thank you so much for letting me participate in the March 25th meeting. As you can tell, I find such discussions, and particularly the impromptu part, stimulating and challenging.

Just to clarify one matter: I do not object at all to regulation. I am as critical of much that happened in the last two years as I think you and the American public are, and I think Government has great opportunities to prevent it hereafter.* I was commenting on the idea that all that was needed was to set limits and that it wouldn't matter how high they were or even if they had any impact. That is what led to my comment about regulation for regulation's sake and to the overstated metaphor that it could lead to regulating when each trader should go for lunch.

The limits that you are exploring do not, so it seems to me, have the same "for its own sake" impact. I may not agree with you (and as you know I don't in some particulars) but I think that what you are suggesting certainly will prevent the very big boys from having very large positions.

I also think it is important for the Commission to be able to make distinctions between actions that could conceivably be harmful to an orderly market and those that could not. To that end, we would suggest that for those portions of a trading firm's business that meet certain qualifications, such firms be considered intermediaries and position limitations be placed on the final beneficiary.: The criteria that would define such business, and allow for positions to be disaggregated and counted at the end user are:

a. the intermediary must announce openly what mix of commodities a person will be buying when he invests, so that it is the customer, not the intermediary, who is making the decision;

b. the customer must give the intermediary 100% margin which is segregated at the intermediary's bank and/or clearing member, so that there is no risk of excessive speculation;

* My old friend and former regulator, Jim Stone, just wrote a piece in the Boston Globe about financial industry regulation. I share his views, especially about the central character of price opacity and excessive leverage.

c. all contracts must be exchange-traded and clearing-house cleared, so that there is transparency and safety;

d. the intermediary must make available to the CFTC the name and quantum of each market participant whose positions in total exceed a certain amount;

e. the set of positions must be truly diversified, so that there is no concentration in any commodity (we have as you know 31 commodities in our pool)

f. intermediaries granted this right must not make use of over-the-counter trades as coverage for their positions; and

g. the intermediaries must ensure that their clients be out of all spot positions an agreed length of time before the first delivery day.

I would be happy to visit with you to discuss the possibility of making a distinction for the portion of business of those enterprises which act solely in this fashion, as this should completely obviate the risks of opaqueness, concentration, and excessive leverage. I can understand not wanting to make exceptions or grant exemptions, but it should equally be unsatisfactory to throttle a business that has caused no harm and has no prospect of doing so. It is the business of the Commission to make distinctions and I was grateful to hear you say you shared that view and were not thinking of just having a blanket approach.

All the foregoing notwithstanding, I enjoyed the challenge of the meeting and of seeing you once again in command of it all.

All best wishes.

Sincerely yours,

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