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C.F.T.C.
 OFFICE OF THE SECRETARIAT

Gary Gensler, Chairman
 U.S. Commodity Futures Trading Commission
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2010 MAR 29 PM 12 04

Comments for the Commission for the Public Hearing on the Metals Markets, March 25, 2010

Mr Chairman and Commissioners of the CFTC,

I would like to thank you for allowing me to present to the Commission as to whether there is a need for position limits on the precious metals such as silver and gold.

The Bank Participation Report of August 2008, a report which the BIS uses to gauge risks to banks, revealed that one or two USA banks held a massive short position in silver of some 33,805 contracts or 169 million ozs of silver. In the July Bank Participation Report, these same two banks, held a short position of 6,199 contracts or 31 Million ozs. The increase in silver short was an astonishing 138 million ozs of silver.

Here is the information from the reports

07/01/08 CMX SILVER						
U.S.	2	22	0.0	6,199	4.8	130,495
NON U.S.	10	3,829	2.9	3,924	3.0	
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	12	3,851	3.0	10,123	7.8	

08/05/08 CMX SILVER						
U.S.	2	0	0.0	33,805	25.4	133,255
NON U.S.	11	8,287	6.2	5,791	4.3	
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	13	8,287	6.2	39,596	29.7	

Here is a link to the report:

<http://www.cftc.gov/marketreports/bankparticipation/index.htm>

All mining activity throughout the world produces 680 million oz annually. This increase in the silver short represents 20% of all mine production. With respect to the total short position of 169 million oz, this represents 25% of all annual mine production of silver. To my knowledge, this is the largest concentration of a short position in any commodity.

In gold, in the July Bank Participation Report, the summary revealed that 3 or less banks held a short position of 7,787 contracts of gold or 778,700 ozs.

However, in the August Bank Participation Report, there was a massive 11 fold increase in the short position by these same three or less banks with the short position rising to 86,398 contracts or 8.64 million oz from the July report of 778,700 ozs. The increase in the short position by these banks, as represented in the Bank Participation Report, totaled 7.81 million oz of gold. With world production of gold at 75 million oz, the increase represented approximately 11% of annual world production.

Here is the information from the reports

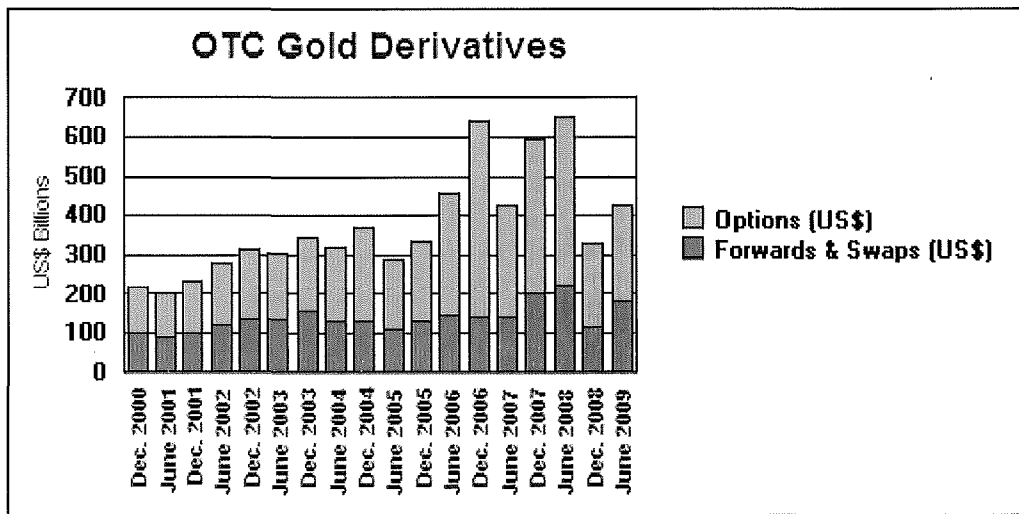
07/01/08 CMX GOLD						
U.S.	3	13,168	3.0	7,787	1.8	434,024
NON U.S.	23	21,036	4.8	65,588	15.1	
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	26	34,204	7.9	73,375	16.9	
08/05/08 CMX GOLD						
U.S.	3	4,170	1.0	86,398	21.2	408,430
NON U.S.	22	20,214	4.9	54,267	13.3	
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	25	24,384	6.0	140,665	34.4	

On Nov 12, 2009, the BIS released its regular semi-annual OTC report on precious metals derivatives of the major banks and financial dealers in the G10 and Switzerland ending June 30, 2009, covering the period Jan 1, 2009 through to June 30, 2009. The release of the BIS report comes right after the violent activity on the Comex from August through to Oct 2008. With respect to gold, the total notional amount of gold derivatives in the USA actually fell from 107 billion to 99 billion dollars. Yet JPMorgan's position remained relatively unchanged, falling from 82.5 billion dollars worth of gold to 81.2 billion dollars worth of gold. As far as risk, JPMorgan has almost 82% of the USA derivative risk!

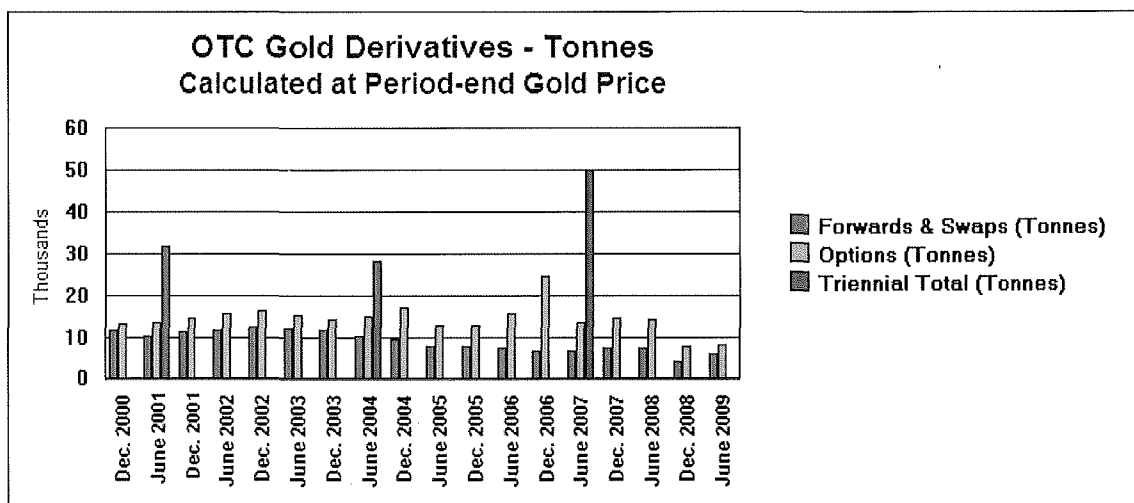
In the BIS report, with respect to gold, the total gold derivatives attributed to the banks rose from 332 billion dollars to 425 billion dollars which is made up of \$179 billion of forwards or swaps and \$246 billion of options.

In tonnage of gold, the increase in derivatives totaled 2,300 tonnes, wherein 1800 tonnes of gold increase came by way of forwards and swaps and 500 tonnes by way of options. Clearly, the derivatives substantially increased and thus exposing the banking sector to great risk.

The gold derivatives are illustrated by the following graphs:



and this graph:



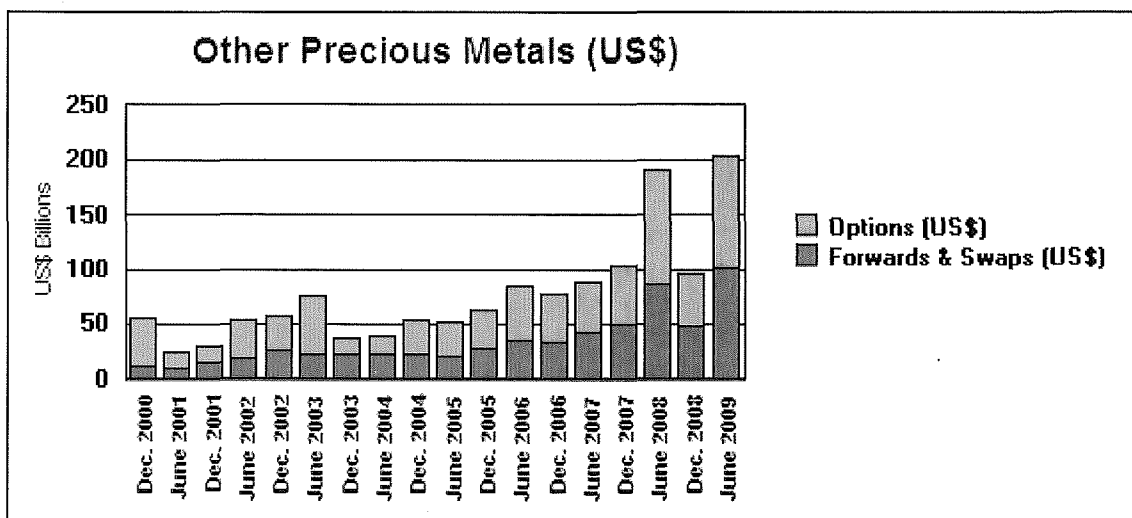
With respect to silver, the BIS calculated that the total derivatives have peaked at a new high of 203 billion US dollars.

The increase in derivatives in silver alone totaled 2.8 billion oz.

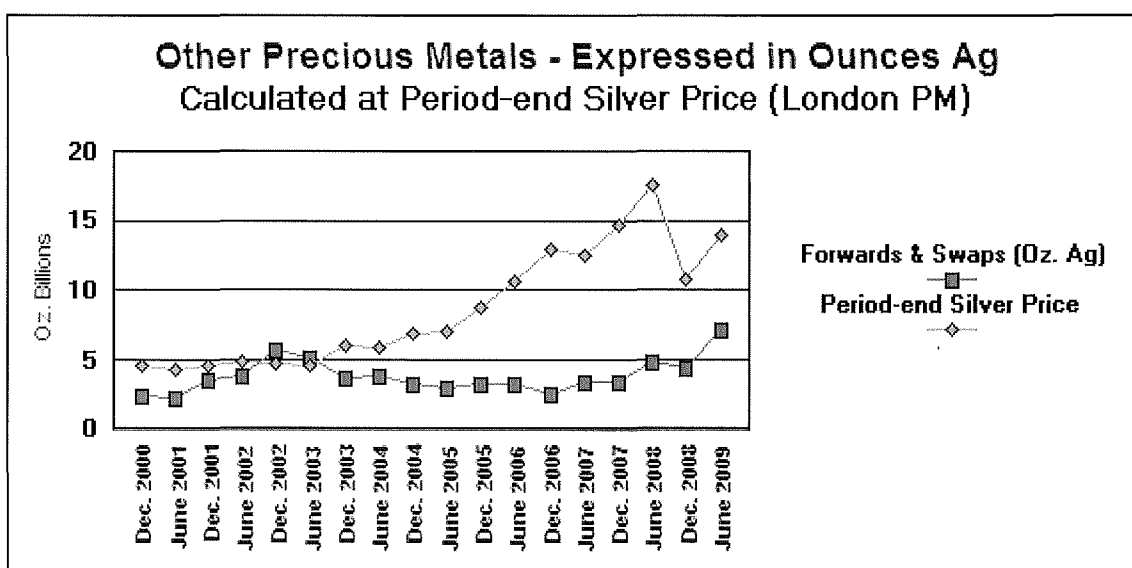
The total forwards in silver which generally is perceived as the total short, absent any better data, totaled 7.5 billion oz.

This increase alone represented 4 times the annual production of silver. The total short or forward position of silver, i.e. the 7.5 billion oz represented over 10 years of silver production.

This is demonstrated in the following graphs:



and in tonnage:



To my knowledge, this level of concentration has never happened in any commodity!
 It is important to realize that the BIS only records risk to its bankers.
 Thus if a bank is long in one jurisdiction and short in another, the BIS would cancel the two as there is no risk to the banks. However, despite the netting in gold and silver by the BIS, this central bank perceives considerable risk in the forwards on both silver and gold to the banks.
 In silver, Ted Butler has calculated that the total short position on the Comex silver futures equates to approximately 500 million oz of which JPMorgan accounts for 200 million of those oz. Clearly, this bank dominates the short position and because of their size, they totally dominate the silver market.
 We must ask ourselves this major question: why are these massive short positions in both gold and silver not manipulative? Even though the CFTC opened its 3rd investigation into silver, they have not as of yet, answered the simple question as to how these actions by these banks are not manipulative.

We must question the real legitimate business that these banks do by shorting silver and gold in such large quantities in a rather short period of time.

In the turmoil in August-Sept 2008 billions of dollars were lost by investors by the shorting action of the banks in question.

Most commodities on the Comex have position limits of approximately 1 to 2% of annual production. This has worked well over the years. In gold and certainly in silver, these limits have been exceeded and thus we are witnessing manipulation on a daily basis on a rather large scale.

I urge the commission to place position limits on the precious metals and these limits must be placed whether it is on the short side or the long side.

I propose that all players wishing to hedge must deposit 40% of the short position in bullion in the Comex warehouse and must sign an affidavit that the hedger has 100% of the title to the metal and undertakes to not encumber the title in any way while it serves as collateral to the short position. Furthermore, no derivative position should be eligible to serve as collateral for a hedge position.

I thank you for your kind attention.

Yours sincerely,

Harvey Organ