



International Precious Metals Institute

5101 North 12th Ave., Suite C
Pensacola, FL 32504 USA
Phone 850-476-1156
Fax 850-476-1548
E-mail: mail@ipmi.org

March 28, 2011

Sent by CFTC comments page:
<http://comments/cftc/gov>

David A. Stawick
Secretary of the Commission
Commodity Futures Trading Commission

Re: Position Limits for Derivatives
RIN 3038-AD15 and 3038-AD16

Dear Mr. Stawick:

The International Precious Metals Institute (IPMI) is an association of producers, refiners, users and other persons with a special interest in precious metals. We offer this comment in response to the Commission's notice of proposed rulemaking to establish position limits for precious metals derivatives, implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act.

While many of our members deal only in the production of physical precious metals, and not directly in derivatives, their businesses and commercial transactions in physical metals are sensitive at all stages to price concerns and volatility. And while these members will receive some measure of protection from the proposed exemption for *bona fide* hedging, they nevertheless also rely upon signals from the derivative markets, for which you propose position limits, to forecast needs, supplies and investments. Furthermore, manufacturing with precious metals is often financed through banks that specialize in precious metals, and that use derivatives to protect the positions that they have taken with their manufacturing customers. These very legitimate and very productive financial arrangements may not come within the definitions of *bona fide* hedging, may be restricted, and may become less efficient and more expensive.

We support the goal of transparency in commodity markets, which enhances the quality of signals to our members. We further support the goal of prevention of market manipulation. As users of precious metals we are particularly aware of the potential adverse consequences of manipulation – after all, the Hunt brothers were dealing in one of our metals.

However, we also see such market manipulation as rare, and see general speculation as informative, and not the underlying cause of excess volatility. We therefore see a need for a great degree of sensitivity on the part of the Commission to precious metals, and to the potential for unintended adverse impacts of the proposed rule.

We are particularly concerned with the possibility of fixed position limits applicable in the United States alone. Precious metals are very widely traded on a global basis, and indeed are sometimes a virtual global currency as well as a commodity, e.g., gold. We are interested in maintaining a level playing field worldwide in commodity markets, perhaps most importantly with markets based in the European Union, which is still in the course of study and analysis of this issue. We believe that the Commission will benefit from a global analysis, as well as from increased reporting of domestic transactions and positions that will be forthcoming under Dodd-Frank requirements, but has not yet begun. We therefore request the Commission to delay establishing position limits applicable to precious metal derivatives until such time as the impacts of those limits, both in the United States and in other countries, will be known.

Respectfully,

A handwritten signature in black ink, appearing to read 'Larry Manziek', with a long horizontal flourish extending to the right.

Larry Manziek Ph.D.
Executive Director
International Precious Metals Institute