From: Paul M. Brown
Sent: Thursday, March 29, 2012 4:43 PM
To: Stawick, David
Subject: Speculative Oil and Gas Futures Trading

Dear Mr. Chairman: I have rarely had the inclination or interest to write any government agency to voice my complaint and concerns over its policies or actions, and I do not want to appear presumptuous. However, it is clear to me the CFTC is seriously dropping the ball by not curbing the grotesquely excessive speculation in oil and gas futures. Trading in that market appears to have been hijacked by the usual suspects, i.e., so-called "Investment Banks", trading desks at hedge funds, and assorted other commodity traders, none of whom add 5 cents of value to the US economy or any other world economy as far as I know. I have seen published reports that as much as 70% of the futures market is controlled by the speculators, probably sitting behind their little computer screens and, using perhaps as much as 100% leverage, roiling the oil and gas markets and causing wild gyrations in the price of crude and natural gas futures. Their actions, as is universally accepted, are a serious threat to the economic recovery and have been the basic reason for $4.00 gas, causing conceded financial harm to millions of our citizens and thousands of businesses.

The futures markets were originally intended in large measure for those businesses with legitimate hedging needs, such as actual oil and gas producers, fuel oil wholesalers and distributors, transportation companies, utilities, etc. That market has been hijacked by speculators as you well know. Something has to be done immediately, not next year, not after more useless hearings, and not after mote endless comments and lobbying. The speculators are clearly of no use or value to our economy, business or the public. The CFTC should take immediate steps to stop speculation in this market. Even the Chairman of Exxon Mobil has suggested as much.

I suggest the following. While the position limits proposed by the CFTC may work to some extent (assuming they are ever put into practice), what in my view would be far more effective would be to change the margin requirements for the speculators (who never deal in physicals). Whereas today a futures contract can be purchased for only 5% cash or less (probably even that borrowed by the speculators) ,if the margins required for speculators to buy contracts were not 5% or less but in fact 50% (just as if you or I wanted to trade marginable stock on margin under the old Reg's T and U), an easy assumption to make is that most of the speculation would be stopped immediately. Without the leverage, the speculators would find their ability to jerk the market around would be ended and the futures market could once again, as I believe it used to be a long time ago, be left primarily to those with legitimate hedging needs. I would also suggest the CFTC seek legislation to prohibit brokerages and national banks from lending any money to hedge funds, investment banks and other professional traders for the purpose (purpose loans) of engaging in speculative activities in the oil and gas futures markets.
There would be zero downside to ending the bulk of this devastating casino-like activity. The expected strident claims from the speculators that a change in the margin requirements will cause a loss of liquidity on these markets are preposterous and patently inaccurate. No rational person needs that kind of "liquidity". Perhaps several hundreds of oil and gas traders might have to find

something else to do, hardly a great loss for our nation. I certainly urge the CFTC to act in this emergency. Thank you for your consideration.

Paul Brown