

February 23, 2011 – Speak Up and Be Heard

### **Speak Up and Be Heard**

On several occasions over the past couple of years, thousands of you have taken the time to write to The Commodity Futures Trading Commission (CFTC) concerning the issue of position limits in COMEX silver. Now the CFTC has solicited your opinion again for what will be the last time. The current open comment period, through March 28, is the culmination of all the public hearings and commentary over the past two years. Your comments on silver position limits make a difference. Private legal counsel and even sources within the Commission have assured me that there can be serious consequences for the CFTC should they ignore the will of the public, when that public opinion is reasonable.

The silver market has been manipulated by a concentrated short position. You can't have a manipulation without a concentrated position. The only effective way to prevent concentration is by enacting legitimate speculative position limits. The key is to set the speculative position limits at the right level; not too high, so that speculators control the market, not too low as to restrict trading liquidity.

The proposed position limit for silver comes out way too high, over 5,000 contracts. It's too high because it gives speculators too much dominance over real world producers and consumers. 5,000 contracts is the equivalent of 25 million ounces of silver. There are only three mining companies in the world who produce more than 25 million ounces of silver a year. In addition, there are only a handful of silver consumers in the world who consume more than 25 million ounces a year. There are hundreds of important miners and consumers who produce or consume less than 25 million ounces of silver a year. Therefore, it makes no sense to empower any speculator who comes along with the ability to hold, long or short, more than the amounts most of the important world producers and consumers make or use in a year.

The proper level for position limits in silver is about 1500 contracts or 7.5 million ounces. That amount is still larger than what the vast majority of the world's silver producers and consumers make or use in a year. If you agree, please make your opinion known to the Commission. It's crucial that you do.

Here's my letter. Use any part of it or just the last sentence on a copy/paste basis if you wish.

Dear Chairman Gensler and fellow Commissioners:

I urge you to approve the staff's proposal on position limits, including limiting exemptions to bona fide hedgers. I would ask you, however, to readjust the proposed formula in silver. The current formula would result in a position limit of over 5,000 contracts for any single speculator, on an all-months-combined basis. 5,000 contracts is the equivalent of 25 million ounces of silver. This is too high of a threshold in light of the realities of the world silver market.

There are only three mining companies in the world who produce more than 25 million ounces of silver per year and only a similar number of industrial consumers using more than that amount. Any speculator holding an amount of silver derivatives greater than what 99% of the world's silver producers and consumers make or use in a year would have inordinate pricing power. The purpose of speculative position limits is to prevent such a circumstance.

Please institute a 1500 contract (7.5 million ounce) position limit for silver.

Respectfully submitted,

Ted Butler

The instructions for submitting a comment can be found here

<http://comments.cftc.gov/PublicComments/CommentForm.aspx?id=965> All that is required is your first and last name and email address (repeated) and to use the validation code before submitting your comment. Your email address will not be published, but you will receive a confirmation that your comment was recorded. If you have difficulty entering your comment electronically, you can mail it in, but I just did it and I'm not a computer maven.

Please remember that your comments and name will be published for the record. Accordingly, please be professional and limit your comments to position limits, the issue at hand. Also, please comment only once, but be sure to comment. It is important that the Commission knows your opinion on this matter. You can view the public comments on position limits here

<http://comments.cftc.gov/PublicComments/CommentList.aspx?id=965>

Ted Butler

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