

Jan. 10, 2010 - A Milestone Meeting

A Milestone Meeting<?xml:namespace prefix = o ns =  
"urn:schemas-microsoft-com:office:office" />

As I indicated in my recent interview on King World News, a very important open hearing has been scheduled by the CFTC for Thursday, Jan. 14, 2010 at 1:00 PM. The holding of an open Commission deliberation and possible vote on a specific issue is a very rare event, one that I don't recall occurring before (although the Financial Times wrote that the last such event was held in 2004). The issue to be considered is that of proposed hard position limits in energy futures and legitimate hedge exemptions to those limits. The public has been invited to observe the proceedings, with the particulars found here - <http://www.cftc.gov/newsroom/generalpressreleases/2010/pr5771-10.html>

I plan on observing the meeting and urge you to do the same. If you can't watch or listen live, I'm sure the CFTC will record the meeting for later review. I'm confident that I will have plenty to comment on after the meeting, so it should be instructive for you to first observe the meeting for yourself, to make sure, at a minimum, that my comments aren't off-base. I don't want to create false hopes, but my expectation is that this will be an historic hearing.

While I will have plenty to say after the meeting, let me set the stage for why this meeting is so important and then speculate a bit for what this may mean

Jan. 10, 2010 - A Milestone Meeting

for commodity regulation in general and for silver in particular. Make no mistake, even if the word "silver" is never uttered in this meeting, I am certain that the eventual impact it will have on silver will be nothing short of profound. Only the timing is in question. More on that in a bit.

This open-to-the-public meeting of the full Commission is both the culmination and potential starting point of a determined effort by Chairman Gary Gensler to fulfill the commodity regulatory reform objectives of the Obama administration.

I confess to growing impatient recently with the pace of position limit reform. My impatience was never about the caliber and sincerity of Chairman Gensler as a regulator, but strictly whether any one man could measure up to the extreme nature of the entrenched silver manipulation. I still feel that way, namely, if Gensler can't do it, no one can (except the market itself). The great thing about the historic open meeting this week is that we should learn more than ever about where Chairman Gensler and the other Commissioners stand on this issue.

This week's meeting represents an important milestone in a process that began on July 7, 2009, when Chairman Gensler first announced his intention to have the agency review the matter of position limits in the energy markets.

<http://www.cftc.gov/ucm/groups/public/@newsroom/documents/speechandtesti>

Jan. 10, 2010 - A Milestone Meeting

[mony/genslerstatement070709\\_b.pdf](#) A series of three public hearings soon followed, conducted by the Commission in which testimony was heard from a wide spectrum of industry participants. The Commission's request for public comment on the hearings led to an outpouring of public reaction (90% of which specifically referenced position limits in silver and gold, although neither commodity was mentioned during the hearings). Numerous follow up speeches and statements from Chairman Gensler and other commissioners have led to Thursday's meeting.

Let me be clear □ this meeting is a very big deal. I believe we will all learn a great deal from the meeting. It should show and record just where each commissioner stands on the matter of position limits, in principle and in terms of what the specific limits should be. It's important that each commissioner stand up and be counted, either yea or nay. There will be a public comment period after the hearing so that you may weigh in with your feelings. Get prepared to do so. I wish I could press a button and put this process on fast-forward, but no such button exists.

For me, the issue of position limits and concentration in COMEX silver has been a twenty year campaign. I have raised and re-raised this issue with the CFTC and the exchanges continuously, always to be rebuffed. Yet I knew it went to the heart of commodity regulation, concentration and manipulation. I knew then and I know now that the manipulation in silver would end the moment

Jan. 10, 2010 - A Milestone Meeting

legitimate position limits in silver, as well as the elimination of phony exemptions to those limits, were enacted. I don't delude myself into thinking that the current CFTC initiative and possible resolution of the issue of energy position limits had anything to do with me or with silver. But I do know that I have repeatedly demonstrated that COMEX silver stands out as the only one where current position limits are out of line with all other commodities and need to be drastically reduced. I have shown where the phony exemptions to the current limits in COMEX silver are absurd, with one US bank holding 40% of the market short.

Even though the historic meeting this week is about energy position limits, no meaningful reform on position limits can occur without addressing COMEX silver at some point. It's just a matter of time before legitimate position limits are enacted in silver, as well as the elimination of phony exemptions to those limits. If the hearing this week does manage to propose specific energy limits and avoids addressing silver, then we will have hard position limits on energies and agricultural, but not on metals. At that point, I'd like to hear the explanation for why no metal position limits. Presumably, if the Commission does propose specific energy limits, as appears likely, they will also explain the formula they used to arrive at those limits. Whatever that formula may be, when applied to silver, it will show the COMEX silver position limit needs to be drastically reduced.

Jan. 10, 2010 - A Milestone Meeting

While we should all have plenty to say to the regulators in the public comment period following Thursday's meeting, I would suggest there is also something to say before the meeting. Ask the commissioners to be sure to consider and publicly comment on position limits in silver. It's time for this issue to be dragged out into full view. Tell them that the position limits in COMEX silver should be reduced to 1500 contracts or ask them to publicly explain why that shouldn't be the limit. Tell them that you find it outrageous that JPMorgan is allowed to be short 40% of the COMEX silver market and 30% of world production and ask them to end JPM's concentration and dominance.

Many of you have sent me copies of email correspondence you have had with Commissioner Bart Chilton. To his great credit, Commissioner Chilton strives to respond to all who write to him. He has indicated that he believes there should be hard position limits in the metals. Please write to him again and ask him to raise the issue of position limits in COMEX silver at the hearing. Ask him to be courageous and raise this issue publicly, not just in private emails. If the other commissioners are against position limits in metals, that should be revealed for the public interest. Ask all the commissioners, including Chairman Gensler, to fully air the matter of position limits in COMEX silver at this hearing. But please ask in a non-threatening manner. I know the silver manipulation is a crime in progress and, as such, should make you angry. But this is too important of an issue to be less than professional. We just need to get the debate open and allow the matter to be resolved on the merits. Once again, here are the

Jan. 10, 2010 - A Milestone Meeting

appropriate email addresses;

[ggensler@cftc.gov](mailto:ggensler@cftc.gov) Gary Gensler, Chairman

[mdunn@cftc.gov](mailto:mdunn@cftc.gov) Michael Dunn Commissioner

[jsommers@cftc.gov](mailto:jsommers@cftc.gov) Jill Sommers Commissioner

[bchilton@cftc.gov](mailto:bchilton@cftc.gov) Bart Chilton Commissioner

[somalia@cftc.gov](mailto:somalia@cftc.gov) Scott O'Malia Commissioner

[dberkovitz@cftc.gov](mailto:dberkovitz@cftc.gov) Dan Berkovitz General Counsel

Ted Butler

Jan. 10, 2010