From: Rebecca Budhram
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Subject:

Dear Ladies and Gentlemen,

It is perplexing why the CME does not bring silver position limits into line with the other major metal contracts traded on the COMEX. In copper, the current accountability level is equal to 0.4% of world copper production. Why should silver's level be more than ten times greater than copper's? The COMEX gold contract has an accountability level of 6,000 contracts, or 600,000 ounces, based upon the 1000 troy ounce contract size. This represents 0.75% of world production of 80 million ounces. Why does silver have an accountability limit more than 5 times greater than gold in terms of world production?

Silver's accountability level compared to gold's is also four to five times larger than it should be in terms of volume, open interest and exchange inventories. On each and every measure, silver's accountability level is out of line. Why not simply impose a hard position limit of no more that 1% of the world annual production of any commodity of finite supply? Such a limit would be large enough to accommodate all but a handful of traders in every market. Importantly, such a level, evenly enforced, would make concentration and manipulation impossible.

As far as the matter of bona fide hedging exemptions to legitimate position limits, the granting of exemptions should be as fair and consistent as the setting of the amounts of limits. Any legitimate producer or consumer of any commodity of finite supply should be able to hedge its risk up to the amount of its own annual production or consumption. If a farmer grows, or a miner produces, more than 1% of world production, that entity can hedge up to the actual annual amount produced. If an entity owns the physical commodity and is at price risk with that holding, that entity should be allowed to hedge that actual inventory, even if it is more than 1% of world annual production. But close attention must be paid by regulators to ensure that such an entity is not gaming the market. Any thought that financial middlemen, such as large banks, should be included in the legitimate producer or consumer category must be resisted. Our futures markets were not created so that financial institutions could manipulate them. The whole trust of the Dodd-Frank financial reform law was to get the big banks to stop interfering in our markets.

The Commission has a unique opportunity to finally set position limits on all commodities of finite supply in a manner that is fair, simple and economically sound. A formula based upon a straight one percent or less of world production would accomplish just that.