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COMMENT
CL-06283

From: emerlis@cox.net
Sent: Tuesday, April 13, 2010 10:24 AM
To: secretary <secretary@CFTC.gov>
Subject: Proposed Speculative Position Limits on Energy

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April 13, 2010

David Stawick
Secretary, Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Mr. Stawick:

I am writing in support of the CFTC's Proposed Federal Speculative Position Limits designed to reestablish speculative position limits on major energy commodities. This rule will provide stability to the marketplace and help prevent future price bubbles.

In recent years the oil market has been completely detached from supply and demand fundamentals. While there are invariably price swings due to anticipated economic and geo-political activity, e.g. potential recession or recovery, hostilities in oil-producing areas, hurricanes, etc. the disconnect between supply and demand in recent suggests that some other variable is at work. The evidence is that the variable influencing the energy market has been the substantial increase in financial players engaging energy commodities trading.

That is understandable as low margin requirements for financial participants in the commodities market enables these participants to take risks without meaningful penalties for failure. Between the low margin requirements and the lack of position limits, institutional investors, soverign wealth funds, and index speculators have been able to undermine the meaningful functioning and utility of the commodities markets for price discovery and hedging risk.

The CFTC needs to move expeditiously to approve a strong rule to protect all Americans. As it is, the only Americans who are currently protected are those who gamble with our collective future. Wall Street's speculative trading in oil not only hurts the economy, but hurts every American who pays excessive prices at the pump, for groceries, home heating oil and everything related to transportation.

Our tax dollars were used to bail out large Wall Street firms when they were on the brink of bankruptcy. It is these same institutions that pushed the price of gasoline well past $4 per gallon in 2008 by gambling on oil. Two years have elapsed and they are still at it; profiting at every American's expense.

Position limits existed in energy markets until 2001 and currently apply to agricultural commodities. CFTC should use its existing experience to regulate position limits of speculators and prevent excessive concentration in the energy markets, while ensuring that exemptions to these limits be afforded to real physical players such as fuel cooperatives and wholesalers, refiners, utilities, truckers and airlines.

Moreover, we cannot afford to have exemptions that enable banks and billionaire investors exploit exemptions from position limits by acquiring oil related "fronts" such as service stations or other low cost enterprises that appear to have a physical requriement for oil and products. That was done by oil traders in the 1970's during price controls, resulting in so-called "daisy chains" that traded oil repeatedly, increasing the price with each trade as permitted by Federal regulations.

Energy consumers desperately need stability in the marketplace. I encourage the CFTC to adopt the Proposed Federal Speculative Position Limits before volatile fuel prices further harm the country's already weakened economy.

Sincerely,

Edward Merlis
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