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COMMENT
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From: Dwight Sutton <dsutton2@woh.rr.com>
Sent: Monday, April 12, 2010 12:32 AM
To: Metals Hearing <metalshearing@CFTC.gov>
Subject: Limits on "hedging" in precious metals futures trading

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Dear Commissioners:

As a minor silver investor, I watched your recent hearing on position limits in future metals trading with great interest. Thank you for including panelists from many different sides of the metals market.

The panelists in favor of limits on the precious metal shorts were armed with names and numbers. In contrast the defenders of the large shorts could only say that they thought that the banks were long in the London exchange and that the resulting liquidity was good for the market. Such vague statements were hardly reassuring.

One of the panelists wanted to divide the metals into industrial and those that were a "store of value" (formerly monetary). He put silver in the latter category, but silver's industrial use has grown considerably in recent years, even as the supply has waned. There is a real danger that business demand could squeeze the shorts. If they could not produce the physical silver, a buying panic might ensue.

Hedging has traditionally been used to protect the interests of producers in periods of oversupply. Hedging silver contracts has had little justification in recent years when the supply of silver is down and the price is up.

I believe, as one panelist proposed, that the limit, for both short and long traders, should not exceed 25% of the total open interest.This is a higher limit than other markets permit, but should be sufficient to prevent manipulation. If an exemption to the limit is granted to a short, than 40% of the metal backing their contracts should be deposited in a COMEX warehouse.

Respectfully yours,
Dwight Sutton