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**Sent:** Saturday, October 9, 2010 4:29 PM  
**To:** Gensler, Gary <GGensler@CFTC.gov>  
**Cc:** Dunn, Michael <MDunn@CFTC.gov>; Chilton, Bart <BChilton@CFTC.gov>; Sommers, Jill <JSommers@CFTC.gov>; O'Malia, Scott <SO'Malia@CFTC.gov>; PosLimits <PosLimits@CFTC.gov>  
**Subject:** Proper Level Of Position Limits For Commodities

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Commodity Futures Trading Commission  
Three Lafayette Centre, 1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

Dear Chairman Gensler and Fellow Commissioners,

The new Financial Regulatory Reform law mandates that the Commission institute hard position limits in the derivatives trading of all commodities of finite supply; energies, metals and agricultural products. The Commission has sought input to help guide it in determining the proper levels of speculative position limits in these commodities. It is important that the formula for determining such levels be consistent, economically sound, fair, and readily understood by all market participants. These same principles must also be applied to the granting of exemptions to any limits for bona fide hedging purposes.

Request that the Commission adopt a hard position limit in the contract equivalent amount of no more than one percent of the world annual production of any commodity of finite supply. This 1% speculative position limit should apply to all related derivatives on an aggregate (across all markets) and on an all-months-combined basis. No single speculative trading entity should control on a net basis, long or short, a total derivatives position greater than one percent of the annual world production of any commodity. Such a limit will 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.

With regard to the matter of bona fide hedging exemptions to legitimate position limits, the granting of exemptions must 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 should be able to 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 able to hedge that actual inventory, even if it is more than 1% of world annual production. However, regulators must pay close attention 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 big financial institutions could manipulate them. The whole thrust of the Dodd-Frank financial reform law was to get big banks to stop interfering in our markets.

The Commission now has the 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 will accomplish that. If the Commission chooses not to adopt the straight one percent or less solution, the Commission should explain why not.

Sincerely,

John C. Petti