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**Sent:** Wednesday, October 27, 2010 5:28 PM  
**To:** PosLimits <PosLimits@CFTC.gov>  
**Subject:** Comments on Position Limits

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OPEN LETTER TO THE CFTC

October 27, 2010

U.S. Commodity Futures Trading Commission

3 Lafayette Centre

1155 21st St. NW

Washington, DC 20581

Re: New CFTC Gold/Silver Regulatory Framework

Dear Commissioners --

I am writing this letter in the hopes that the scheduled hearings on COMEX metal concentration limits is the REAL DEAL and not some "horse and pony show" designed to pacify angry gold and silver investors without making real changes. The COMEX gold and silver markets have been manipulated for far too long so any attempt to place a Bandaid on the problem and kick it down the road will be received with scorn and ridicule by those of us who know the truth.

It has been clear to most of us gold and silver investors that the CFTC does not have the expertise in-house to understand how the COMEX manipulations are carried out. I suggest that you request the presence and testimony of Ted Butler and Bill Murphy at this hearing as they have been on the front lines of this battle for much longer than you have. Why the CFTC hasn't sought more of their input in the years before this historic meeting is beyond me but now is not the time to point fingers. Now is the time to bring in the experts.

With this letter I do not intend to comment on the topics of the upcoming hearing but rather I would like to recommend a way forward such that the CFTC can finally put some real oversight and regulation into the gold and silver markets. The following suggestions would help regain confidence in these markets as well as help END the current ongoing manipulation.

Goal: A fair and viable gold and silver market where no trader or group of traders can intentionally influence price.

CFTC Requirements:

1) End Excessive Concentration -- The CFTC hearings on March 25th is the first step in ending the concentrated manipulation of gold and

silver. The regulations that come from this hearing should be designed to both end the current manipulation and remove the potential for future manipulations using concentrated positions.

2) Require Public Position Disclosure -- Any company that cannot operate an honest gold/silver trading operation without a veil of secrecy should not be allowed to participate in the markets. All positions of large gold/silver trading companies should be made public to both instill confidence in the free market and expose foul play. The benefits of transparency far outweigh the argument that public disclosure would impair the proprietary trading ability of the participants.

3) Verify/Certify Physical Metal Backing -- The CFTC is blind to the physical markets and should NOT take any traders pledge as fact that they have metal to backup any large short position. The CFTC should actively verify and certify ALL metal that is pledged against COMEX contracts. This certification should include onsite physical audit of bars, drilling of a random sampling of bars, CFTC certification of purity and on going oversight of physical inventories.

4) Physical Reconciliation Audit -- The purity of physical gold and silver bars are being questioned like never before. There is very little trust that the metal is pure and has not been tainted by tungsten or lead. Unbelievably, large gold and silver bars are rarely drilled and tested for their purity or for tampering. The CFTC should spearhead a global "re-melt" program of the world's inventories and set up a certification process such that any tampering with the newly minted and certified bars can be effectively tracked back to the perpetrator.

5) Analyze Significant Price Action -- Both the gold and silver markets are highly volatile often moving in concert without any economic or supply/demand justification. These sudden drastic moves in metal prices should be analyzed to determine WHO started the move, WHAT trading actions did they take during the move, WHO benefitted from the move and was the move only temporary. An intentional operation to artificially affect the price of the metal is illegal under the Commodities Exchange Act and should not be tolerated.

6) Audit Past Manipulative Maneuvers -- The CFTC's hearings are focused on ending excessive concentration in the future but the crimes of the past should not go unpunished. There is a mountain of excellent evidence collected by gold and silver advocates that prove gold and silver have been illegally manipulated for many years. Just because the criminals got away with a crime when it was committed does not mean they should be allowed to walk and trade freely among us. The COMEX crimes of the past should be investigated and prosecuted.

7) Audit/Verify/Certify "Approved Warehouses" -- The COMEX approved warehouses are owned and controlled by most of the very same entities that are accused of rigging the gold and silver markets. The CFTC relies heavily on the warehouse data in determining the dynamics of the physical markets. The potential for deceptive practices, false reporting, metal alterations and flat out fraud are huge. The CFTC should monitor, verify and certify all metal stored in "Approved Warehouses" to ensure the market has access to correct information.

8) Audit/Verify/Certify Physical Metal Hedges -- Commercial hedging of mining production is the reason the futures and options markets exist. Without the need for mining companies to hedge the market price of their product the COMEX would have no reason to exist other than being a gambling establishment. If large mining companies, such as Barrick, wish to hedge their production the CFTC should investigate if the reserves in the ground are verifiable, economic and have little risk associated with extraction such as the potential for nationalization.

9) Remove ETF Physical Substitution -- Recently the COMEX began allowing shares of the ETF's SLV and GLD to be substituted for physical metal delivery. This is a flat out scam of epic proportions! There are more holes and loopholes in the prospectus of these two entities than any other investment vehicle in the world. ETF shares ARE NOT physical metal. JP Morgan, for example, is the custodian for the silver in SLV but does not own title to that silver nor do they have any right to justify their gigantic COMEX short using that physical silver. By not speaking up at this obvious attempt to distort the physical supply of metal the CFTC is exposing itself as either the most incompetent regulator in the world or the most corrupt.

10) Investigate Collusion between Large Traders -- Collusion is often difficult to prove but it is not impossible. The CFTC should fully investigate emails, phone records, meetings and motives when collusion is suspected on suspicious large price moves. The CFTC "Enforcement Division" should have expanded powers to investigate anyone who wishes to trade gold and silver on the COMEX.

11) Compare Volatility to Supply/Demand Dynamics -- Gold and silver has the highest price volatility of any commodity traded on the COMEX and yet they both have one of the most stable supply/demand dynamics. Gold and silver mine production and consumption/investment demand is very consistent year-over-year changing very gradually yet the prices are whipsawed in huge swings. This disconnect should be a glaring red light screaming... "MANIPULATION!"

12) Employ Experts to Regulate Gold/Silver Markets -- When I call the CFTC to complain about gold or silver manipulation I get an "economist" who reads from a script off his computer screen which denies any manipulation. I ask "who is in charge of overseeing the gold market?" he says "we all oversee all the markets". I find it truly amazing that the CFTC does NOT have a dedicated specialist for silver or gold. What kind of oversight or regulation is possible without the most basic understanding of the commodity you are overseeing?! The CFTC should hire experts to concentrate on understanding all aspects of the gold and silver markets.

13) Engage Outside Expert Consultants -- As far as I know the CFTC has NEVER hired an outside expert on the gold or silver markets even though there are many who are willing to assist them for FREE! Not only does this raise suspicion about their competence but it begs the question of WHY NOT? I'd like to suggest that the CFTC create a "Panel of Outside Expert Consultants" to assist them in understanding the gold and silver markets.

14) Control Gold/Silver Derivatives -- The most insane part of this whole debacle is the outsized gold and silver derivative complex that dominates the trading activity of a very small physical market. The

CFTC should get to the bottom of the gold and silver derivatives held at JP Morgan and HSBC as well as other banks to determine if these derivatives were constructed to manipulate/control markets or is there a legitimate economic reason for them. Understanding the entire metal complex will assist them in understanding the COMEX gold and silver markets.

15) Ban High Volume Computer Trading -- High speed computer trading makes a mockery of the entire free market concept. Allowing individual firms or a small collection of firms to make millions of trades back and forth every second has done more to distort the price of commodities than any other pricing dynamic. Bernie Madoff's firm specialized in trades like these and there are other firm still in operation rigging the markets today.

16) Daily Volume Limits and Public Disclosure -- Although position limits are important in order to stop market manipulation, limits on daily trade volumes and public disclosure of participant trades is also vital in making sure no manipulation is taking place. A company that buys and sells tens of thousands of contracts each day but settles out near even won't stand out as having a manipulative concentration but is clearly manipulating the price. Transparency is key to a free and open market and should trump the desire to hide proprietary trading positions.

17) CFTC Employment Restrictions -- The revolving door between US Regulators and the Wall Street firms they are supposed to regulate is one of the most egregious travesties of justice ever perpetrated on the investing public. The CFTC Commissioners and legal staff are clearly as guilty as senior members of the SEC. CFTC employees should not be able to work for or be associated with any company or commodity they regulate for at least 10 years before and after their employment at the CFTC. Without this separation the urge to favor past or future employers is too strong. CFTC employees should be rewarded for enforcing the laws... not bending them.

There are many more initiatives that should be implemented at the CFTC but this would be a good start. We are at that critical point in our financial markets and how we deal with regulation and oversight that will determine our future. Do we want the dark and murky world of gold and silver trading to continue in its present form or do we want to come out of the shadows and fight for our right to trade in a market free of manipulation.

I have been fighting this battle for over 10 years and for the first time I feel like the CFTC is trying to do the right thing. I guarantee you that if you implement the above changes you will succeed in fostering a market free of manipulation.

Please understand. The knowledge of gold and silver market manipulation is no longer a secret and the truth is spreading fast. Over 3,000 people have already taken my "Gold Manipulation Quiz" and I invite you to learn what they did:

<http://www.roadtoroota.com/public/197.cfm>

My friends, you are on the front lines of this battle... I trust you have

the courage and ability to execute this most important responsibility  
for the good of our nation.

Sincerely,

Bix Weir

Author of The Road to Roota Letters

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