

August 20, 2009 – Walking the Walk

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Here is a regulatory development update. Yesterday, the Commodity Futures Trading Commission issued a statement that it was pulling the exemption from position limits from two entities trading wheat, corn and soybean futures. The exemptions were previously granted back in 2006, via "no-action" letters.

<http://www.cftc.gov/newsroom/generalpressreleases/2009/pr5695-09.html>

One of the entities denied a continuing exemption was DB Commodity Services LLC, the trading arm for the Deutsche Bank-sponsored DBA agricultural commodity ETF. The fund will now have to reduce its positions in those markets to no more than the Federally-mandated maximum speculative position limits. Thus, the CFTC appears on its way to fulfilling what it had said it was going to do in official statements and during the recent public hearings on position limits. Talking the talk has now become walking the walk.

Bravo to Chairman Gary Gensler, who had this to say in the announcement:

"I believe that position limits should be consistently applied and vigorously enforced," CFTC Chairman Gary Gensler said. "Position limits promote market integrity by guarding against concentrated positions."

I believe Chairman Gensler "gets it" when it comes to this issue. I believe he will do what he says he will do about position limits. If he will take on Deutsche Bank, a financial powerhouse and no pushover, I believe he will let no one stand above the law. All that remains to be seen is if he will apply the principles he articulates to the short side of the silver market. I hope and believe that he will.

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