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Proposal: 1479 (RIN 7100-AE10) Regulation: Physical Commodities-FHCs (ANPR)

Subject: Physical Commodities-FHCs

Comments:

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Proposal:Complementary Activities, Merchant Banking Activities, and Other Activities of Financial Holding Companies related to Physical Commodities [R-1479]
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The Board of the Federal Reserve should take immediate steps to disallow US banks and bank holding companies from both physical and derivative commodities trading for a reason not mentioned to date, namely, to eliminate market manipulation. This is the most serious market crime of all.

Manipulation necessarily involves a dominant market share that is used to control price movements. Government data clearly indicate that one US bank, JPMorgan Chase, holds and has held such extremely large market shares in gold and silver derivatives so as to constitute market corners.

The quarterly derivatives report from the Office of the Comptroller of the Currency indicates that JPMorgan controls 60% of all US bank derivatives holdings in gold and other precious metals. Such large market shares constitute market corners by definition. JPMorgan's market share in gold and other precious metals derivatives is double the bank's market share in all other derivatives. There is no legitimate economic purpose for one bank to hold such a disproportionate market shares in gold and other precious metals OTC derivatives. http ://www. occ.gov/topics/capital-markets/financial-markets/trading/derivatives/derivatives-quarterly-report.html

Since acquiring Bear Stearns in early 2008, JPMorgan has also come to dominate and control listed trading in COMEX gold and silver futures contracts, in addition to the bank's OTC market dominance. Data from the Commodity Futures Trading Commission (CFTC), in the form of its Commitments of Traders and Bank Participation Reports, show that JPMorgan regularly holds market shares in COMEX gold and silver futures well above previous market shares that were deemed to have been manipulative by the Commission. Examples include the market shares held by the Hunt Brothers in the 1980 silver manipulation and by Sumitomo in the copper manipulation of 1995, which JPMorgan has regularly exceeded in COMEX gold and silver.

The CFTC has, effectively, proposed position limits in regulated physical commodities futures of no more than three to five percent of total open interest by any one speculator, yet JPMorgan holds and has held market shares many times the proposed limits. It is no wonder JPMorgan is one of the few entities fighting the proposed position limits.

CFTC data have indicated that in late 2012, JPMorgan held short market corners in COMEX gold and silver futures of 20% and 35% of net total open interest respectively and manipulated prices lower during 2013 making profits of upwards of $3 billion. In addition to cutting its silver market corner in half, JPMorgan went on the establish a long market corner in COMEX gold futures of more than 20% of total net open interest. It is not possible that such market shares are not manipulative to the prices of gold and silver.

In addition to having manipulated the price of gold and silver, damaging the interests of producers, consumers and investors in precious metals worldwide, the extraordinarily large market shares of JPMorgan in listed and over the counter derivatives in gold and silver raise extreme risks to the financial system. Concentrated market shares are invitations for systemic risk and JPMorgan's concentrated market shares in gold and silver place our financial system in grave danger.
JPMorgan has no legitimate purpose for holding market corners in gold and silver other than to control price. The Federal Reserve would serve the best interests of market participants and society by demanding that JPMorgan no longer trade in gold and silver derivatives and physicals.

Respectfully submitted,
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