

**GOLD ANTI-TRUST ACTION COMMITTEE INC.
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**Joseph M. Otting, Comptroller of the Currency
U.S. Treasury Department
400 7th Street, SW
Washington DC 20219**

Dear Comptroller Otting:

Please let us bring to your attention financial risks to major banks involving their possibly unreported exposure to derivatives in the monetary metals markets.

In recent months gold and silver future contracts issued by U.S. banks on the New York Commodities Exchange have been moved off-exchange for delivery through a mechanism known as "exchange for physical" (EFP) contracts. Until recently use of this mechanism was considered an emergency procedure when a seller did not have access to metal for delivery through Comex warehouses. Now the mechanism seems to be in use for a large share of front-month contracts for which delivery is sought.

Here is an example that is happening at the Comex in the front active month of April for gold and the inactive delivery month of April for silver.

In gold, there were 229,436 EFP contracts for 713.64 tonnes, an average of 10,925 contracts and 1,092,500 ounces per trading day.

In silver, there were 77,150 EFP contracts for 385,750,000 ounces, an average of 3,673 contracts and 18,369,000 ounces per trading day.

London Bullion Market Association rules suggest that these contracts may not be reported to regulators. The LBMA's bylaws say:

[MORE]

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Figures above exclude any contracts not subject to risk-based capital requirements, such as FX contracts with an original maturity of 14 days or less, futures contracts, written options, and basis swaps. Therefore, the total notional amount of derivatives by maturity will not add to the total derivatives figure in this table.

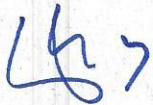
We are told that these EFP contracts are transferred from the Comex to London as what are called "serial forwards" and their duration is always less than 14 days, which exempts them from being reported.

It is our understanding that in each quarter your office prepares a report detailing risk undertaken by the banks under the comptroller's supervision.

These risks include derivatives undertaken by U.S. banks and other obligations that may cause a bank to fail. Our concern is that your office may not be aware of large unreported derivative exposure by banks.

Could you review this matter and let us know your conclusions?

Sincerely,



CHRIS POWELL
Secretary/Treasurer



HARVEY ORGAN
Consultant

CP/HO:oc