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2ND DISTRICT, WEST VIRGINIA

FINANCIAL SERVICES COMMITTEE  
SUBCOMMITTEE ON  
CAPITAL MARKETS AND  
GOVERNMENT SPONSORED ENTERPRISES  
SUBCOMMITTEE ON  
MONETARY POLICY AND TRADE

**Congress of the United States**  
**House of Representatives**  
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February 5, 2019

The Honorable J. Christopher Giancarlo  
Chairman  
U.S. Commodity Futures Trading Commission  
1155 21st Street NW  
Washington, D.C. 20581

Dear Chairman Giancarlo:

Late last year, the U.S. Justice Department obtained a guilty plea from a former commodities trader for JP Morgan Chase & Co. to charges of manipulating the gold and silver markets between 2009 and 2015, and its investigation into the actions of related parties is ongoing.

The period at issue substantially overlaps the time during which your commission was investigating complaints of manipulation of the silver market – 2008 to 2013. However, in 2013, the commission announced that it had closed its investigation without finding any wrongdoing.

Why did the commission fail to find the wrongdoing the Justice Department has confirmed and continues to investigate? Also, will the commission now be re-opening its investigation into silver market manipulation and opening an investigation into gold market manipulation? If not, why not?

Also, I read with interest the July 28 and September 21, 2018, letters sent to your commission by the Gold Anti-Trust Action Committee, and I reviewed the reply by the commission's legislative affairs director, N. Charles Thornton III.

I am disappointed that Mr. Thornton sent what appeared to be a form letter to brush off the serious questions GATA posed. Thornton did not seem to acknowledge the questions put to the commission, much less answer them.

I enclose copies of these letters for your review.

As we conduct our own research into the fairness and competitiveness of our country's markets (particularly with respect to monetary assets such as gold and silver), and because I believe the commission has a responsibility to address these questions conscientiously, I wish to reiterate and elaborate on them:

- 1) GATA asserts that recently on certain trading days in the New York futures markets there have been big discrepancies between the preliminary gold open interest and the

final open interest reported. Is this correct? If so, what explains it? Does it imply market manipulation?

2) GATA asserts that in recent months there has been a huge increase in the use of the "exchange for physicals" emergency mechanism of settling gold futures contracts in the New York market. Is this correct? If so, are these "exchange for physicals" settlements genuine, representing metal really changing hands between wholly independent parties, or are they mere accounting devices for concealing questionable and possibly manipulative trading between parties actually working together? What explains this development?

3) GATA asserts that huge amounts of gold futures are being traded daily in the New York market even as the exchange operator reports that little metal is registered as available for delivery. Is this correct? If so, is this trading genuine or just speculative or even manipulative of prices? Does the commission have an opinion on the great disproportion alleged between the number of futures contracts traded and the volume of metal available for delivery?

4) GATA asserts that in recent months there has been an extraordinarily close correlation between the gold price and the value of the Chinese yuan. Is this correct, and, if so, has the commission been aware of this correlation? If there has been such a correlation, does it suggest that certain entities are trading gold and the yuan to control their prices, undermining free markets? Has the commission investigated this?

5) GATA asked whether the commission's regulatory jurisdiction covers futures trading by the U.S. government and other governments – or by brokers acting for the U.S. government or for other governments trading with the U.S. government's approval. Please let me know whether the commission has such jurisdiction.

Please also let me know whether the commission is aware if the U.S. government and other governments are trading in U.S. futures markets directly or indirectly.

Thank you, and I look forward to your response.

Sincerely,



Alex X. Mooney  
Member of Congress

Enclosures



**U.S. Commodity Futures Trading Commission**  
Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581  
[www.cftc.gov](http://www.cftc.gov)

**N. Charles Thornton III**  
Director

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[cthornont@cftc.gov](mailto:cthornont@cftc.gov)

December 12, 2018

Mr. Chris Powell  
Secretary/Treasurer  
GOLD ANTI-TRUST ACTION COMMITTEE, INC.  
7 Villa Louisa Road,  
Manchester, Connecticut 06043-7541

Dear Mr. Powell,

Thank you for contacting our office regarding your concerns.

The mission of the Commodity Futures Trading Commission (CFTC) is to foster open, transparent, competitive, and financially sound derivatives markets. By working to avoid systemic risk, the Commission aims to protect market users and their funds, consumers, and the public from fraud, manipulation, and abusive practices related to derivatives and other products that are subject to the Commodity Exchange Act (CEA.)

The Commission's Surveillance Branch regularly evaluates and reviews trading activity in the precious metals market as part of its mission to identify situations that may pose a threat to market integrity. The CFTC's market surveillance staff reviews the trading activities of both large volume traders and large position traders for their activities in futures, swaps, options as part of their evaluation for potential market problems. Where appropriate, surveillance staff communicates any findings or recommendations for further consideration and action to the Division of Enforcement.

In addition, the CFTC's Whistleblower Program provides monetary incentives to individuals who report possible violations of the Commodity Exchange Act that lead to a successful enforcement action, as well as, privacy, confidentiality, and anti-retaliation protections for whistleblowers that share information with or assist the CFTC.

Again, thank you again for your inquiry.

Sincerely,

**GOLD ANTI-TRUST ACTION COMMITTEE INC.**  
**7 Villa Louisa Road, Manchester, Connecticut 06043-7541 U.S.A.**

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September 21, 2018

**J. Christopher Giancarlo, Chairman**  
**U.S. Commodity Futures Trading Commission**  
**3 Lafayette Centre**  
**1155 21st Street, NW**  
**Washington, D.C. 20581**

**Dear Chairman Giancarlo:**

Does the Commodity Futures Trading Commission have jurisdiction over manipulation of a commodities market undertaken by the U.S. government itself, directly or through intermediaries, or is such manipulation authorized by U.S. law?

Thanks for your attention.

Sincerely,



**CHRIS POWELL**  
**Secretary/Treasurer**

**GOLD ANTI-TRUST ACTION COMMITTEE INC.  
7 Villa Louisa Road, Manchester, Connecticut 06043-7541 U.S.A.**

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July 30, 2018

**J. Christopher Giancarlo, Chairman  
Brian Quintenz, Commissioner  
Rostin Behnam, Commissioner  
U.S. Commodity Futures Trading Commission  
3 Lafayette Centre  
1155 21st Street, NW  
Washington, D.C. 20581**

**Dear Chairman Giancarlo and Commissioners Quintenz and Behnam:**

We would like to bring to attention four issues that need to be addressed in gold and silver futures trading.

1. For the second straight month, there has been a huge discrepancy between the preliminary gold open interest and the final number recorded on particular trading days.

Let us examine the one that just happened: July 26.

There was a preliminary Comex gold open interest gain of 3,349 contracts to 503,493. But there was a final Comex gold open interest loss of 14,443 contracts to 485,701 -- a discrepancy of 27,792 contracts.

The open interest here is already 24 hours old. Our understanding is that these contracts are canceled for nonpayment. It would be almost impossible for such a large number of voided contracts not to have influenced the price of gold, especially when there was a raid on the Comex by the banks.

2. The huge issuance of "exchange for physical" settlements.

**[MORE]**

For quite some time we have been told by a CFTC official, Deputy Enforcement Director Matthew Hunter, that this was quite legal as these settlements were deliverable. But in our last email exchange with Hunter he wrote that these EFPs were not deliverable. The CFTC really should provide a thorough accounting of EFPs and explain how they settle contracts.

3. The gold Comex shows a huge open interest of 43,000 contracts remaining with one day before first notice day. So there likely will be a huge amount of gold contracts standing for deliver for the August contract month -- probably 31 to 62 tonnes -- with only 7.8 tonnes of registered gold at the Comex and with no gold having entered the Comex for some time. How could the banks throughout the last month have depressed the price of gold amid such huge physical demand and a tiny registered gold inventory available to settle?

4. For the past month there has been a direct correlation between the value of the Chinese yuan and the price of gold. That is, the higher the yuan, the higher the price of gold and especially vice-versa.

The value of the Chinese yuan is essentially controlled by China's central bank.

The Comex is generally considered the primary authority in pricing gold.

Here is recent commentary by monetary metals market analyst Craig Hemke on the recent perfect correlation between the yuan and gold:

<https://www.sprottmoney.com/Blog/potential-impacts-of-the-yuan-gold-peg-craig-hemke-24-072018.html>

\* \* \*

Hemke writes:

“Though the People’s Bank of China has long maintained a ‘peg’ in the relative valuation of the yuan versus the dollar, the past 90 days have seen a steady devaluation of this peg to the tune of nearly 8 percent. See this chart:

**[MORE]**

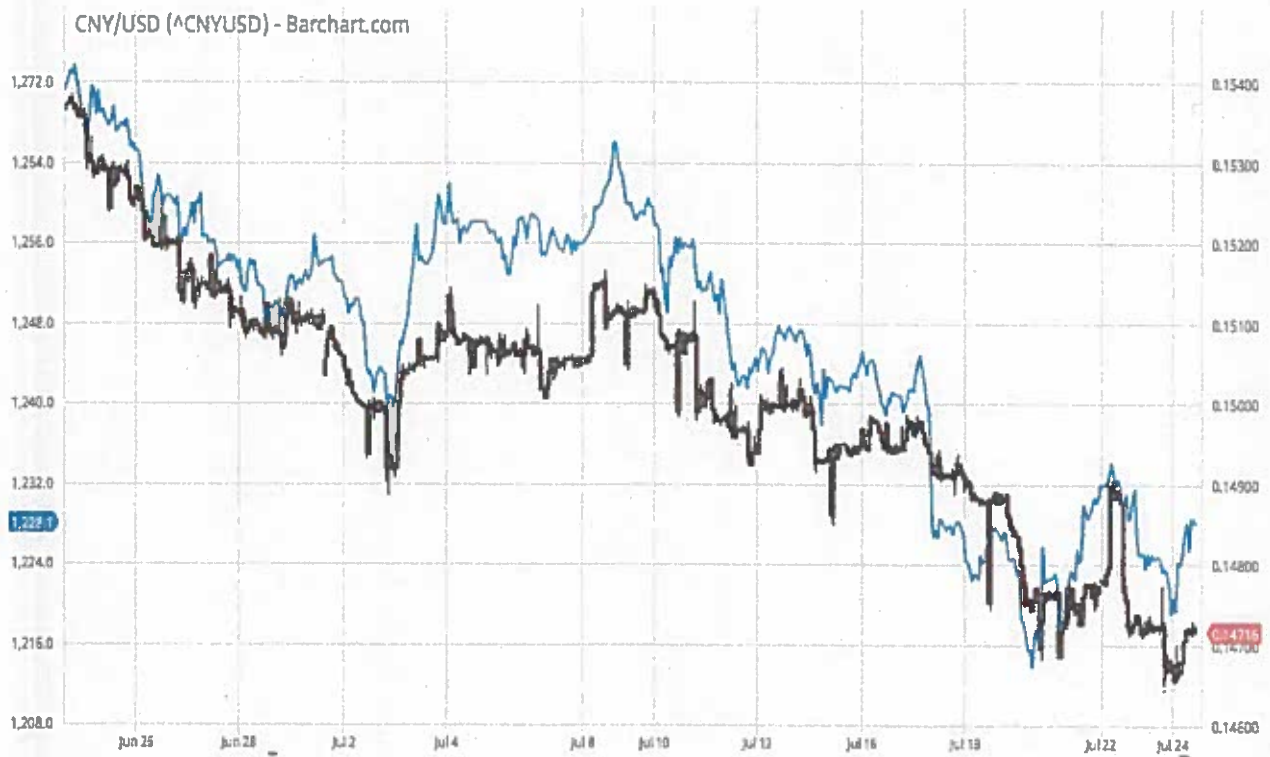


“Over the period in this chart the price of Comex gold has fallen by more than 10 percent:



[MORE]

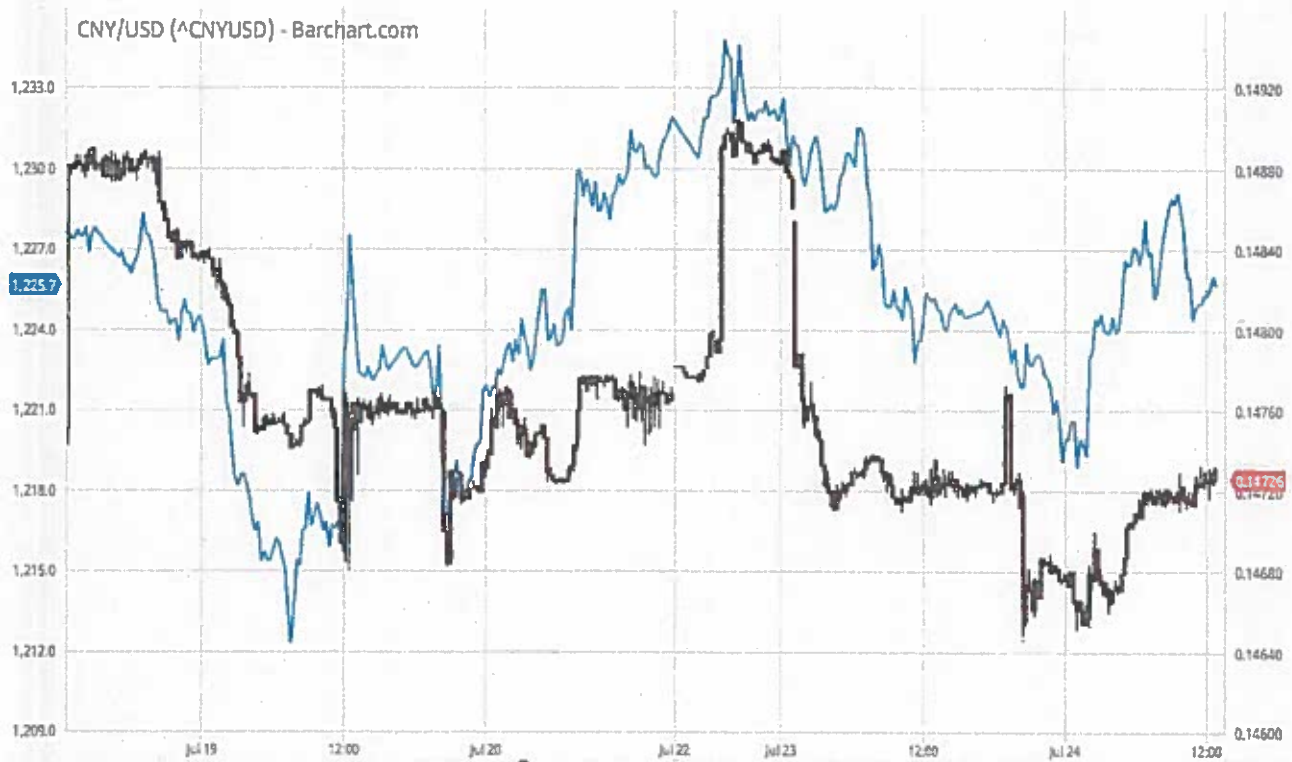
“To make this correlation clearer, let’s plot the two prices together. This correlation has become extraordinarily tight over the past month, as you can see below where the CNY/USD exchange rate is displayed in candlesticks and Comex gold is a blue line:



[MORE]



“And when you draw it down to just the past five days, the two prices react to each other almost simultaneously:



“This is not a correlation searching for a cause, nor is it a simple act of ‘traders’ reacting to a falling yuan by selling digital gold. No, in a market the size of global gold, this immediate correlation can be accomplished only through massive interventions, the size and scope of which are possible only at the state/sovereign level. And which state/sovereign would have a direct interest in linking the dollar price of gold to the yuan? China, of course.”

\* \* \*

[MORE]

July 30, 2018

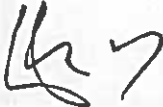
So how does the CFTC allow a foreign government or entity to control the price of this important commodity and currency by trading in U.S. markets?

Or is market manipulation by a foreign power happening with the authorization of the U.S. government?

Sincerely,



**HARVEY B. ORGAN**  
Consultant



**CHRIS POWELL**  
Secretary/Treasurer  
CPowell@GATA.org