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Dodd-Frank rules outlaw retail gold, silver trading?

Forex.com has reportedly warned clients they will no longer be allowed to trade over-the-counter precious metals, including gold and silver under Dodd-Frank regulations taking effect next month.

The e-mail was reported by [ZeroHedge](#) over the weekend and picked up by [LeapRate.com](#).

“As a result of the Dodd-Frank Act enacted by US Congress, a new regulation prohibiting US residents from trading over the counter precious metals, including gold and silver, will go into effect on Friday, July 15, 2011,” Forex.com wrote to clients.

LeapRate notes that:

The Forex.com message apparently stems from Forex.com’s interpretation of some of the Dodd-Frank rules which prohibit “...a transaction in any commodity with a person that is not an eligible contract participant or an eligible commercial entity, on a leveraged or margined basis.”

Nevertheless, some observers contend that there is nothing in Dodd-Frank – or in Commodity Futures Trading Commission rules under consideration — that prohibits retail investors from investing in gold or silver.

“It’s a bit of an overreaction on Forex.com’s part,” said Terry Hanlon President of Dillon Gage Metals in Dallas Texas, a brokerage firm that specializes in metals.

Tom Winmill, President and Portfolio Manager of the Midas funds MIDSX, points out that Dodd-Frank provides an exemption for retail transactions in gold or silver if it is delivered within 28 days.

“Dodd-Frank intended to give the CFTC more authority to regulate futures transactions, so if it doesn’t look like a futures transaction – in other words, if it is delivered within 28 days – the CFTC would let it go,” Winmill said.

Dillon’s Hanlon said Dodd-Frank regulations seek to impose new restrictions on leveraged gold and silver transactions as well as derivatives trades that fund managers typically make.

“The investor that wants to buy gold will not be affected by this at all,” he said.

The CFTC didn't return calls seeking comment.

(Editor's note: This post has been updated with reaction to the Forex.com move. Ron Orol contributed to this piece.)

-Tom Bemis