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**Sent:** Saturday, November 20, 2010 9:29 PM  
**To:** PosLimits <PosLimits@CFTC.gov>  
**Cc:** genvieve13@mac.com; cristobal.alvarado@mainegeneral.org  
**Subject:** Position limits in silver trading  
**Attach:** A Time to Act.doc; ATT00003..txt; A Crime Still in Progress.doc; ATT00004..txt

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Commissioners,

I would like to add my name to the list of concerned citizens who have written in support of establishing hard position limits in silver trading.

I will not burden the commissioners with yet another long explanation of why this should be done; MANY other citizens have done so in a manner far exceeding my own ability.

Simply put, I find the arguments put forth by silver analyst Ted Butler to be compelling:

<http://www.chrismartenson.com/blog/chris-interviews-ted-butler-end-silver-price-manipulation/48215>

## A Time to Act

The reaction to the CFTC meeting on March 25 continues to be great in precious metals circles. More commentary has been generated by this meeting than even I expected. The hearing brought to the forefront the most important issues in silver, namely, position limits, concentration and the allegations of manipulation on the short side. This is great news for silver and gold investors, as it promises to finally expose and remedy the 20-year downward manipulation in silver.

The hearing and the attendant commentary bring us to an important juncture - what to do now? To properly address this question it is important to understand what brought us this far. What precipitated the CFTC hearing was the simple fact that many hundreds of you wrote to the Commission over the past year or so about the specific issues discussed at the meeting. Without you writing to the Commission, there would have been no public meeting. Therefore, the answer to what to do now is obvious – you must write to them again. This time, the Commission is actively seeking your comments for inclusion in the public record.

I can't emphasize how important it is that you write to the CFTC. I will provide you with instructions for how to do so, and even a sample letter. First, I will remind you that our success wasn't just due to the fact that so many of you had written to the Commission. More importantly, you wrote to them about the substantive issues concerning position limits and concentration in COMEX silver and gold. These are the issues that the Commission has indicated it is interested in, and these are the issues we must stick to now. I promise you that if legitimate speculative position limits are established in COMEX silver futures and the big shorts are not allowed to circumvent those limits, the silver manipulation will be terminated.

It is important that you not wander too far afield in what you are asking the Commission to address, either because it is out of their jurisdiction or by making comments on unsubstantiated allegations. This will lessen the impact of what must be done. For example, many have recently written to me concerning allegations that there are 100 ounces of paper gold issued for every ounce of real gold that exists. The evidence indicates this is simply not true. There are many times more ounces of real gold than paper gold. The entire gold open interest at the COMEX, one of the largest markets

in the world (I think the largest), equals 50 million ounces, and that includes all sorts of spreads that overstate the total amount of this paper gold. There are 2 billion ounces of gold bullion in the world, perhaps 3 billion ounces (out of a total of 5 billion gold ounces in all forms), so there are 40 to 60 times more ounces of gold bullion than the gross open interest on the COMEX. It is true, however, that there are more paper ounces of silver in the world than silver bullion; but not by 100 times, maybe by 1 to 3 times. This includes pool accounts and silver bank certificates. No other commodity has paper obligations greater than what exists in the world. But neither would I raise this issue with the Commission in your comments at this time.

My advice is not to bring up unproven assertions and matters outside the Commission's jurisdiction. Stick to the bedrock issues that brought about the hearing in the first place; silver position limits, exemptions to those limits and concentration. Ask the Commission to do what is within their power to do. Keep it simple and direct. By all means be professional and courteous. You are asking the CFTC to do something that is vital for the markets and in the interest of the American public. But above everything else, write to them. Do not think for a moment that your voice will not be heard. Your voice has already been heard and acted on; it will be heard and acted on again, but only if you write to them. This is not

complaining; this is about doing something important. It will take a few moments, won't cost you anything, and promises to make a profound difference. How many better proposals have you been offered today?

The last time there was a public comment period, unfortunately, I gave you only one day's notice. Still, hundreds of you took the time to write and have your comments published on the public record. This time, you have until April 26. But please don't procrastinate; get your comments in now. You will make a difference.

Here's the sample letter, followed by the mailing instructions, both email, postal and fax. Feel free to copy it as is, or customize it as you see fit.

Dear Sir;

Thank for the opportunity to comment on the issue of position limits for precious metals. Please establish a speculative position limit in COMEX silver of no more than 1500 contracts. Please restrict any hedging exemptions from those limits to legitimate hedgers. Please stop the levels of concentration in COMEX silver futures that have been experienced over the past few years on the short side of the market.

Sincerely,

Email – ***secretary@cftc.gov***

Postal – Secretary of the Commission

Commodity Futures Trading Commission

Three Lafayette Centre

1155 21<sup>st</sup> Street NW

Washington, DC 20581

Fax - 202-418-5521

Ted Butler

April 7, 2010

(Note to subscribers – I do plan to put this article in the public domain to encourage all to write to the CFTC).

*posted: 2/15/2010*

## A Crime Still in Progress

As I indicted in this week's audio interview on King World News and lately in written missives to subscribers, there has been great improvement in the COMEX market structure, as reflected in the Commitment of Traders Report (COT). The commercials have been buying aggressively all the contracts they have been able to trick the technical funds into selling on the three-week engineered price slam.

Silver investors should be encouraged with the commercials' manipulated move to the downside, as much price risk has been removed and bargains galore have been created, albeit accompanied with much pain and fear of additional artificially-induced price declines. Further, if the concentrated shorts don't increase their short positions on the next rally, that rally could finally prove to be the big one. This is something I have tried to strongly convey, although ultimate price bottoms and potential price explosions can only be known for certain with the benefit of hindsight. Of course, one can't profit from hindsight, only foresight.

I'd like to highlight again why this silver manipulation is so straight-forward. I know that subscribers are primarily interested in investment returns. I try to cater to that interest. But using true analysis to understand the real situation in silver for investment purposes does not preclude understanding the regulatory implications as well. Much of what makes silver a great investment is that it is illegally manipulated to the downside. In fact, a decided majority of those subscribers who write to me do participate in trying to end the manipulation or encourage me to continue to do so. This is multi-tasking at its finest; taking advantage of the depressed price of silver and simultaneously attempting to end the forces which are artificially depressing it.

In just the last three weeks, the commercials have purchased on a net basis, the futures contract equivalent of 120 million silver ounces and 6 million gold ounces. These are truly outstanding amounts, and a remarkable accomplishment by a handful of traders. Too bad it was also highly illegal and involved market manipulation, the number one crime under commodity law. I can assure you that 120 million ounces of real silver were not sold in the past three weeks, just paper silver on the COMEX. In fact, I don't think any physical silver was sold net. On the wholesale front, the combined silver



ETFs added metal in this period. On the retail front, the US Mint has sold record amounts of Silver Eagles and still can't satisfy total demand. Premiums on all forms of retail silver have risen sharply and delays are becoming evident again. If there is evidence of real silver selling, I haven't seen it.

Clearly, the only reason for the recent sharp price decline was manipulative dealings by the commercials on the COMEX. This is proven by the dramatic changes in the COT. The paper tail has wagged the real market dog, once again, contrary to every intent of commodity futures law.

The total commercial net short position in COMEX silver futures has declined sharply over the past three weeks, which includes important short covering by the very largest silver shorts, said by me to be led by JPMorgan. However, the true concentrated short position of JPMorgan and the other three traders making up the four largest short traders has increased dramatically in percentage terms, relative to the rest of those traders in the commercial category. For the most recent COT, for positions as of February 9, the total commercial net short position was 37,800 futures contracts, down 24,000 over the past three weeks. Yet the net short position of the 4 largest shorts (all of them

commercials) was 50,758 contracts, or 134% of the total commercial net short position. It is very rare for so few commercial traders to be short more than all the commercial traders' total position in any other commodity market, although it does happen quite often in silver.

Let me explain how 4 commercial traders can be net short more than the entire commercial net short position in silver. It's because fewer and fewer other commercials care to participate on the short side of silver (I assume given the real facts emerging about this market). Because fewer commercials are interested in shorting silver at current depressed prices, a larger percentage of the short contracts must be held by the largest commercials. It has gotten so extreme and ridiculous in silver, that if these four largest traders weren't short the amounts they hold, there would be no net commercial short position in silver at all. Please think about that for a moment. Four traders against the world.

Now let me go one step further. We only get Bank Participation Report data once a month. The last report covered data as of February 2 and the next report will cover data as of March 1, which will be released in a couple of weeks, on March 5. I study these numbers

very closely and I'm not interested in misstating the data. My only interest is presenting something truthfully and objectively. I'm not interested in making up stories that will embarrass me. Adjusting and calculating what the Bank Participation Report would reflect if there was one matching the newest COT, as of Feb. 9, JPMorgan would be holding around 32,000 contracts net short (down from 37,000 on Feb 2). Even though JPMorgan was able to manipulate prices down and greatly reduce its short position, that short position at 32,000 contracts, represents 85% of the entire commercial short position of 37,800 in COMEX silver.

Even if you reject my calculations for this week, the actual data from the COT and Bank Participation Reports which coincided on Feb 2, show that JPMorgan held 79% of the total commercial short position (37,000 contracts held by one or two US Banks versus a total commercial short of 46,600 contracts on that date). This is a level of concentration unprecedented in any other major commodity market. Even if the CFTC were to rebut me by saying there were two US banks holding 85% of the entire net commercial short position in COMEX silver and not one, so what? Instead of there being just one big crook in COMEX silver, there would be two crooks. What difference would that make? It's not just four traders against the world; it's one or two traders. The only question is whether JPMorgan is

acting alone, or with a partner in this crime.

The issue here is concentration, just as it has always been. Concentration means manipulation, whether that concentration is intentional or not, as some on the Commission like to argue. Legitimate position limits prevent concentration and manipulation; that is the sole purpose of position limits. That's why we need legitimate position limits in COMEX silver. Hopefully, Chairman Gensler will lead the way.

Once again, the data from the CFTC documents an unprecedented and highly unusual concentration on the short side of COMEX silver. The COT statistics and price action indicate a cause and effect that cannot be denied. Prices only decline sharply when the commercials decide they want to buy. It is the Commission's own data that proves a silver manipulation. That ordinary citizens have to press the Commission to enforce the law is just not right. That which is not right is wrong. The Commission should end this obvious wrong or explain, in convincing terms, why one or two US banks are allowed to hold a short position equal to 25% of world mine production and 85% of the entire COMEX commercial short position. We don't need another silver investigation. We don't need a "we're working on it." We need decisive action

or a clear explanation from the CFTC.

Ted Butler

February 15, 2010

Perhaps the MOST compelling argument in the interview linked above is Mr. Butler's analogy to the Hunt brothers' situation. Simply put, the Hunt brothers were manipulating the silver market by holding a concentrated long position. Even a casual observer of markets can understand the concept of monopoly when one or a few entities hold a significant proportion of a commodity to the long side and use this to artificially inflate prices.

What is somewhat counter-intuitive is that a concentration on the short side is equally manipulative, except in that it artificially suppresses prices. Sophisticated traders can utilize this manipulation to make tremendous amounts of money at the expense of ordinary investors.

The government's OWN DATA corroborates Mr. Butler's allegations that an extreme concentration to the short side exists in silver.

Especially in light of recent price actions, it would appear that his allegations of a "crime in progress" are correct. True and fair markets should discover prices, not set them.

I fully support his proposal of establishing a 1500 contract hard position limit in silver trading. This limit would put silver in line with all other commodities.

Frankly, the length of time it has taken to set this policy is becoming unacceptable. Setting appropriate position limits was MANDATED by Congress in the recent Financial Regulation Reform legislation; the deadline is fast approaching.

The longer the CFTC takes to accomplish this, the less confidence citizens have in the validity of the CFTC, and in government as a whole.

If the CFTC does NOT change position limits in silver to a level of 1500 contracts, at the very least, it is obligated to put forth a complete and transparent explanation as to why this will not be done.

Concerned citizens have contacted the CFTC in LARGE numbers. It is time for the CFTC to take action, or be considered complicit in the crime.

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