CME Group

Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

May 31, 2013

VIA E-MAIL

Ms. Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Rule 40.2(a) Certification. Notification of New Product Listing of 1,000-oz. Silver Futures Contract and Related NYMEX/COMEX Rule Amendments
NYMEX/COMEX Submission #13-175

Dear Ms. Jurgens:

New York Mercantile Exchange, Inc. ("NYMEX") and Commodity Exchange, Inc. ("COMEX") (collectively the "Exchanges") are notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that they are self-certifying the listing of 1,000-oz. Silver Futures contract (the "Contract") for trading on the COMEX trading floor and CME Globex and for submission for clearing through CME ClearPort beginning at 6:00 p.m. EST on Sunday, June 16, 2013, for trade date Monday, June 17, 2013.

COMEX is separately self-certifying block trading minimum thresholds for 1,000-oz. Silver Futures in CME/CBOT/NYMEX/COMEX Submission No. 13-197. Block transactions are governed by Rule 526.

The Contract specifications are as follows:

Rule Chapter Number and Contract Title	Chapter 121 1,000-oz. Silver Futures
Commodity Code	SIL
Contract Size	1,000 troy ounces
First Listed Month	September 2013
Listing Period	Trading is conducted for delivery during the current calendar month; the next two calendar months; any January, March, May, July, September and December falling within a 12-month period.
Termination of Trading	Trading shall cease on the third last business day of the contract month.
Minimum Price Fluctuation	Outright $0.01 per troy ounce Spread $0.005 per troy ounce Settlement $0.001 per troy ounce
First Listed Month	September 2013
Block Trade Minimum Threshold	125 contracts

Trading and Clearing Hours:

Open Outcry: Monday – Friday 8:25 a.m. – 1:25 p.m. (7:25 a.m. – 12:25 p.m. Chicago Time/CT).

CME Globex and CME ClearPort**:** Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).

Fee Schedule:

Exchange Fees					
	Member Day	**Member**	**Cross Division**	**Non-Member**	**IIP**
Pit	$0.20	$0.40	$0.60	$0.80	
Globex	$0.20	$0.40	$0.60	$0.80	$0.50
ClearPort		$0.40		$0.80	

Processing Fees		
Delivery Notice	$0.50	$0.50

Additional Fees and Surcharges	
EFS Surcharge	$2.50
Block Surcharge	$0.10
Facilitation Desk Fee	$0.20

The Exchanges are also notifying the CFTC that they are self-certifying the insertion of the terms and conditions for the Contract into the Position Limit, Position Accountability and Reportable Level Table located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new contract. The terms and conditions establish the all month/any one month accountability levels, expiration month position limit, reportable level and aggregation allocation for the Contract. In addition, the Exchanges are self-certifying the insertion of the non-reviewable ranges ("NRR") for the Contract into Rule 588.H. This rule amendment is provided in Appendix C.

Additionally, the Exchanges are notifying the CFTC that they are self-certifying amendment to NYMEX Rule 855 ("Offsetting Different Sized Futures Positions") in order to allow for a 5:1 offset of the Contract and the Silver Futures (chapter: 116; commodity code: SI) contract. The rule amendment is provided in Appendix D.

Exchange business staff responsible for the new products and the Exchange legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodities Exchange Act ("CEA" or "Act"). During the review, Exchange staff identified that the new product may have some bearing on the following Core Principles:

- Prevention of Market Disruption: Trading in this Contract will be subject to the NYMEX rules ("Rulebook") Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.

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- Contracts not Readily Subject to Manipulation: The new product is not readily subject to manipulation due to the deep liquidity and robustness in the underlying COMEX silver futures market which provides diverse participation and sufficient spot transactions.

- Compliance with Rules: Trading in the Contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this contract will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new product will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.

- Position Limitations or Accountability: The spot month speculative position limits for the Contract are set at less than the threshold of 25% of the deliverable supply in the underlying market.

- Availability of General Information: The Exchange will publish information on the Contract's specification on its website, together with daily trading volume, open interest and price information.

- Daily Publication of Trading Information: Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.

- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the Clearing House of the Chicago Mercantile Exchange, Inc. which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.

  Execution of Transactions: The Contract will be listed for trading on CME Globex and the COMEX trading floor and may be submitted for clearing through the CME ClearPort platform. The CME Globex platform provides a transparent, open, and efficient mechanism to electronically execute trades on screen. In addition, the COMEX trading floor continues to be available as a trading venue and provide for competitive and open execution of transactions. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers.

- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.

- Protection of Market Participants: Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchanges' competitive trading venues and will be applicable to transactions in the Contract.

- Disciplinary Procedures: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in this contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in this product are identified.

- Dispute Resolution: Disputes with respect to trading in this contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all nonmembers to submit a claim for financial losses resulting from transactions on the Exchanges to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchanges require that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Rules 40.2, the Exchanges hereby certifies that the Contract complies with the Act, including regulations under the Act. No substantive opposing views to the listing of the Contract were expressed to the Exchanges. A description of the cash market and an analysis of deliverable supply for the Contract is provided in Appendix E.

The Exchanges certify that this submission has been concurrently posted on the Exchanges' website at http://www.cmegroup.com/market-regulation/rule-filings.html.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or christopher.bowen@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments:	Appendix A:	Rule Chapter
	Appendix B:	Chapter 5 Position Limit Table (under separate cover)
	Appendix C:	Rule 588.H – Non-reviewable Range Table
	Appendix D.	Rule 855 ("Offsetting Different Sized Futures Positions")
	Appendix E:	Cash Market Overview and Analysis of Deliverable Supply

APPENDIX A

Chapter 121
1,000-oz. Silver Futures

121100. SCOPE OF CHAPTER

This chapter is limited in application to 1,000-oz. Silver futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapters 7A and 7B shall be governed by the general rules of the Exchange.

The provision of these rules shall apply to all silver bought or sold for future delivery on the Exchange.

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate New York, Eastern Standard Time.

121101. CONTRACT SPECIFICATIONS

The contract unit shall be one thousand (1,000) troy ounces. Silver delivered under this contract shall meet all of the specifications in Exchange Chapters 7A and 7B and Chapter 112 (“Silver Futures”) as they apply to the Exchange’s 5,000 troy ounce Silver futures contract.

Deliveries under the contract are restricted to multiples of five (5) futures contracts on all days on which deliveries may take place with the exception of the last intent day. On the last intent day, there will be no restriction on the delivery quantity.

Upon delivery, the buyer’s clearing member receives and the seller’s clearing member delivers an Accumulated Certificate of Exchange (“ACE”), issued by the Clearing House. An ACE represents a 20% ownership in a 5,000 troy ounce Silver futures contract held in the form of a Warrant.

A clearing member may request the issuance of five (5) ACEs by electronically endorsing to the Clearing House a Warrant representing one (1) 5,000 troy ounce Silver futures contract.

ACEs may only be redeemed for a Warrant upon the accumulation of five (5) such ACEs. Upon presentation and endorsement to the Clearing House of five (5) ACEs, the owner will receive one (1) Warrant meeting the contract specifications in accordance with Rule 112101. Tolerance adjustments for troy ounces received vs. troy ounces represented by the ACEs will be made through the Clearing House. Storage charges are invoiced to the clearing member who owns the ACEs.

121102. TRADING SPECIFICATIONS

Trading in 1,000-oz. Silver futures is regularly conducted in the following months: (1) the current calendar month; (2) the next two calendar months; and (3) any January, March, May, July, September, and December falling within a 12-month period beginning with the current contract month.

121102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

121102.B. Trading Unit

The contract unit shall be one thousand (1,000) troy ounces.

121102.C. Price Increments

The minimum price fluctuation shall be one cent ($0.01) per troy ounce for outright transactions, one half of one cent ($0.005) per troy ounce for spread transactions, and one tenth of one cent ($0.001) per troy ounce for settlement. Prices shall be quoted in dollars and cents per troy ounce.

121102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels
The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.
A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.
Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.
121102.E. Termination of Trading
No trades in 1,000-oz. Silver futures deliverable in the current month shall be made after the third last business day of that month. Any contracts remaining open after the last trade date must be either:
(a) Settled by delivery which shall take place on any business day beginning on the first business day of the delivery month or any subsequent business day of the delivery month, but no later than the last business day of the delivery month.
(b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Rule 538. An EFRP is permitted in an expired futures contract until 12:00 p.m. on the business day following termination of trading in the expired futures contract. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract.
120102.F. Final Settlement
Each contract shall be valued as the contract unit multiplied by the settlement price of the corresponding Silver futures contract.

121103.-107. [RESERVED]

121108. VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any document or instrument delivered pursuant to these rules.

APPENDIX B

NYMEX Rulebook Chapter 5 Position Limit Table

(under separate cover)

APPENDIX C

Rule 588.H Globex Non-Reviewable Ranges

(**Bold/underline** Indicates Additions)

Contract	Non-Reviewable Range (NRR) in Globex format	NRR including Unit of Measure	NRR Ticks
1,000-oz Silver Futures	**30**	**$.30 per troy ounce**	**30**

APPENDIX D

(**<u>Bold/underline</u>** Indicates Additions)

Chapter 8
Clearing House and Performance Bonds

855. OFFSETTING DIFFERENT SIZED FUTURES POSITIONS

With the consent of the account controller, a clearing member may offset and liquidate long futures positions against short futures positions, or short futures positions against long futures positions, held in the same account in the following ratios:

E-mini Crude Oil (QM) to Crude Oil Financial (WS) 2:1

E-mini Natural Gas (QG) to Henry Hub Natural Gas Look-Alike Penultimate Financial (HP) 4:1

Henry Hub Natural Gas Look-Last Day Financial (NN) to Henry Hub Natural Gas Look-Alike Last Day Financial (HH) 4:1

Henry Hub Natural Gas Penultimate Financial (NP) to Henry Hub Natural Gas Look-Alike Penultimate Financial (HP) 4:1

E-mini RBOB Gasoline (QU) to RBOB Gasoline Financial (RT) 2:1 E-mini Heating Oil (QH) to Heating Oil Financial (BH) 2:1

E-micro Gold (MGC) to Gold (GC) 10:1

<u>1,000-oz. Silver (SIL) to Silver (SI) 5:1</u>

The clearing member shall notify the Clearing House of offsetting positions by submitting reports to the Clearing House in such form and manner as the Clearing House shall specify. The positions shall be offset at the previous day's settlement price.

The positions being offset shall be transferred to a Clearing House holding account. Long and short positions in the same contract and contract month held in the holding account shall be netted, thus reducing the number of open positions in such contract.

APPENDIX E

Cash Market Overview and Analysis of Deliverable Supply

1,000-oz. Silver Futures

The Commodity Exchange, Inc. ("COMEX" or "Exchange") has undertaken an analysis of deliverable supply for its Silver Futures contract in connection with efforts to ensure that the deliverable supply estimate reflects current market realities.

The Exchange has not revisited position limits in the Silver contract at least since 1983. Since then, key components of the deliverable supply for the Silver Futures contract have evolved. These include the stocks at the Exchange Licensed Depositories (“Depository” or “Depositories”). In accordance with Commission precedent, as reflected in the recently adopted CFTC rules for position limits on physical commodity derivatives, COMEX is submitting updated deliverable supply estimates for the Silver Futures contract.

I. Key Components of Supply

A. Production

Silver mine production represents an additional source of supply each year. Mine production was 775 million troy ounces in 2011[1] representative of 12,916 COMEX Silver Futures contract equivalents per month. Secondary production including recovery from various industrial uses was estimated to be 281.5 million troy ounces in 2011 or 4,692 COMEX Silver Futures contract equivalents per month.[2] Consequently, it can be readily observed that the proposed COMEX position limit is comparatively small compared to the overall global supply of Silver. The current COMEX Silver Futures spot month position limit of 1,500 contracts represents 8.5% of the worldwide silver supply.

B. Depository Stocks

By the rules of the Exchange, each Depository is required to furnish to the Exchange the level of Exchange grade inventory on a daily basis. The level of Exchange silver inventories is made publically available daily on the Exchange website: (http://www.cmegroup.com/trading/metals/silver-depositories.html). Further, the rules of the Exchange require an independent inventory audit to be performed annually to provide a comprehensive reconciliation of stocks stored in Depositories with records maintained by both the Exchange and the Depository[3]. Registered stock is the material that meets the specifications of the Silver Futures contract for which a warrant has been issued. In addition to the registered

[1] CPM Group Silver Yearbook 2012

[2] CPM Group Silver Yearbook 2012

[3] The Exchange rules require an annual inventory audit in compliance with Exchange procedures to be performed at the Depository by an independent auditor and to prepare and submit to the Exchange an audit report certifying the records of the Depository which accurately reflect the Exchange’s records.

stocks, there is an eligible category of stocks which is the material that meets the specifications of the Silver Futures contract, but for which no warrant has been issued. The eligible stocks are readily available to be placed on warrant and readily available to deliver against Silver Futures contracts and, hence, are considered to be a component of deliverable supply.

II. Key Indicators of Supply

A. Cash Market Silver Trading

A cash and forward silver market has developed over-the-counter (OTC) in various global centers, but is centered in London. Stocks held in Depositories actually represent a small total of the cash market for Silver. The preeminent cash market is the London Bullion Market Association (LBMA), which was formed in 1987. As market activity in silver grew in the 1980's, an influx of global market participants were drawn to the London market creating the predominant center of OTC silver trading. The concept of "loco London" refers to the London bullion market as the global center for international silver trading. Members of the London bullion market trade with each other and with their clients on a principal-to-principal basis, unlike Exchange traded futures. Some OTC silver trading is cleared through the London bullion market clearing system. There are six member firms that offer clearing services to the LBMA. These firms comprise of an entity called the London Precious Metals Clearing Limited (LPMCL) and its members include Barclays Bank PLC, the Bank of Nova Scotia- Scotia Mocatta, Deutsche Bank AG – London Branch, HSBC Bank USA National Association – London Branch, JP Morgan Chase Bank, and UBS AG. The unit of delivery in the loco London silver market is a bar of .999 fineness with a weight close to 1,000 troy ounces and of London Good Delivery[4]. The LBMA is not an exchange and, therefore, is not required to report turnover volume. The only statistics reported on a regular basis are the surveys of the six clearing members of the LPMCL. In Table 1 below, the clearing statistics represent troy ounces transferred during the past five years. These volume statistics represent a small portion of the actual turnover volume in the loco London market.

Table 1: LBMA Clearing Statistics[5]

Year	LBMA Clearing Statistics in troy Ounces
2008	1,509,700,000
2009	1,167,800,000
2010	1,047,100,000
2011	2,084,600,000
2012	1,480,000,000

Source: London Bullion Market Association

[4] http://www.lbma.org.uk/pages/index.cfm?page_id=29&title=silver_list

[5] London Bullion Market Association (LBMA) http://www.lbma.org.uk/pages/index.cfm?page_id=50&title=clearing_-_statistical_table

Table 2: Silver Market Trading (millions of troy ounces)

Year	2006	2007	2008	2009	2010	2011
Annual Supply[6]	885.70	894.60	905.40	929.50	965.50	992.30
Exchange Traded Futures and Options[7]	52,458.40	58,725.80	69,661.20	60,462.10	92,894.90	137,905.10
LBMA Clearing Volume	36,784.70	28,951.30	31,517.80	24,454.40	22,515.20	43,498.10
Total	90,130.80	88,572.40	102,089.10	85,867.50	116,408.80	182,395.50

Source: CPM Group

B. Term Contracts

The Bank for International Settlements ("BIS") surveys banks on a bi-annual basis, the latest of which was completed in June 2012. The notional amount outstanding of the over-the-counter markets for Silver was estimated at $116 billion for the first half of 2012[8], as shown in Table 3 below.

Table 3: Global OTC Silver Market[9]

Period	Notional Value (in billions)
H2 2009	94
H1 2010	112
H2 2010	108
H1 2011	127
H2 2011	115
H1 2012	116

Source: Bank for International Settlements

[6] Annual Supply - includes total annual mine supply, net exports from transitional economies (Vietnam, North Korea, Russia, Uzbekistan, Kazakhstan, Armenia, Kyrgyzstan, Georgia, Tajikistan, and Cuba) and secondary supply (all scrap refined from old jewelry and spent industrial products)

[7] Exchange Traded Futures and Options – includes silver futures and options (if applicable) volume traded on the following Exchanges: CME Group, Tokyo Commodity Exchange, NYSE Liffe, and Multi Commodity Exchange

[8] The BIS has a total precious metals estimate excluding-gold of $133 billion notional amounts outstanding. The Exchange believes this is primarily silver, but recognizes platinum and palladium would also be included. The Exchange estimates that silver represents about 87% of the notional amounts outstanding for precious metals (excluding gold).

[9] Bank for International Settlements (http://www.bis.org/publ/otc_hy1112.pdf)

The BIS category for the notional amounts outstanding for precious metals excludes gold, but it does not break down the individual statistics for silver, platinum, and palladium. The Exchange extrapolated the notional value for silver, platinum, and palladium futures and options using the open interest and prices for the end of 2012 Q2 to estimate the silver share of the BIS total amounts outstanding for precious metals (excluding gold). The Exchange estimates that silver represents approximately 87% of the notional amounts outstanding for precious metals (excluding gold).

This would be about 725,000 COMEX Silver Futures contract equivalents. This was generally unchanged from the second half of 2011. These contracts range from physically delivered forward contracts to financial swaps, and physical and financial options.

III. The Deliverable Supply Estimate Underlying the Existing Position Limit and Market Changes

A. Past Position Limit Approval and Deliverable Supply Estimate

The spot month position limit for Silver is currently set at 1,500 contracts and has been in effect since 1983. The average inventory levels of Silver stored in Exchange Licensed Depositories during 1983 was 21,770 contract equivalents. The position limit of 1,500 contracts represented 7% of the deliverable supply.

B. Market Changes since 2001

There have been many changes in the silver market since the last estimate of deliverable supply prior to 1983. More recently, just since 2001, the financial and money markets have undergone transformative changes. The world economy has become increasingly focused on hedging financial calamity as well as depreciating currencies. This has led to an increase in investment demand in silver as well as an increase in overall fabrication demand, mostly due to growth in the electronics sector. The combination of the significant gap in time since the last estimate as well as the significant market changes, which have occurred since 2001, call for updating the deliverable supply analysis.

IV. Updated Deliverable Supply Estimate and Supporting Data

The Exchange believes that reliable and conservative estimates for the deliverable supply come from existing inventories in its Exchange Licensed Depositories ("Depository") for Exchange delivery.

In estimating deliverable supply for Silver Futures, we relied on long-standing precedent, which provides that the key component in estimating deliverable supply is the portion of typical depository stocks that could reasonably be considered to be reliably available for delivery. Most recently, the Commission stated in its final position limit rulemaking that:

In general, the term "deliverable supply" means the quantity of the commodity meeting a derivative contract's delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract's delivery points during the specified delivery period, barring abnormal movement in interstate commerce.[10]
Accordingly, there are two categories of stocks COMEX considered in updating the existing deliverable supply estimates underlying the Silver Futures contract.

A. Approved Depositories

To determine inventory estimates, COMEX reviewed information provided by the Depositories. For Silver, the Depositories include Brinks, HSBC Bank, JP Morgan, Delaware Depository Service Company, CNT Depository, and Scotia Mocatta. These Depositories update their stocks daily. Included in the estimates are both Registered and Eligible stock levels.

B. Depository Stocks

In performing our analysis of deliverable supply based on the total silver inventory held in the Depositories, we first reviewed the Depository data to determine monthly averages from daily Depository reports in the last five years. The figures in Table 4 below represent monthly average inventory levels itemized by Registered and Eligible categories. In the evaluation of the silver inventory levels, the material represented by the number of paper warrants still outstanding as of January 2013 by the Depositories was 1,236 COMEX Silver Futures contract equivalents. As described in more detail later, since this material is not deliverable in its current form and has remained in its current form for the past three years, it has been excluded from the Eligible and Total levels in Table 4 and, subsequently, from the deliverable supply.

Table 4: Monthly Average Stock Levels in Depositories (COMEX Silver Futures contract equivalents)

Month	Average of Registered	Average of Eligible	Average of Total
Jan-08	17,522	9,013	26,539
Feb-08	17,568	9,305	26,847
Mar-08	17,759	9,293	27,052
Apr-08	18,177	8,962	27,132
May-08	17,971	8,832	26,802
Jun-08	16,654	10,337	26,991

[10] Position Limits for Futures and Swaps, Unofficial Notice of Final Rulemaking, p. 28 (publication in Federal Register forthcoming).

Jul-08	16,767	10,630	27,397
Aug-08	17,156	9,664	26,816
Sep-08	17,377	8,957	26,334
Oct-08	16,759	8,777	25,543
Nov-08	16,217	8,515	24,732
Dec-08	14,623	9,762	24,385
Jan-09	13,057	10,933	23,991
Feb-09	13,652	9,879	23,706
Mar-09	13,895	9,948	23,830
Apr-09	12,726	9,432	22,226
May-09	12,715	9,921	22,634
Jun-09	12,698	9,987	22,717
Jul-09	12,560	9,917	22,469
Aug-09	12,460	9,896	22,358
Sep-09	11,892	10,403	22,198
Oct-09	11,266	10,775	22,031
Nov-09	10,522	10,952	21,474
Dec-09	10,765	10,337	21,136
Jan-10	10,155	11,150	21,302
Feb-10	9,465	11,366	20,808
Mar-10	10,722	11,089	21,719
Apr-10	10,167	11,791	21,969
May-10	10,411	11,868	22,279
Jun-10	10,339	11,881	22,251
Jul-10	10,580	10,698	21,216
Aug-10	10,237	10,755	20,988
Sep-10	10,710	10,407	21,108
Oct-10	10,432	10,788	21,213
Nov-10	9,993	10,518	20,535
Dec-10	9,423	10,568	20,029
Jan-11	8,951	10,862	19,811
Feb-11	8,507	10,934	19,423
Mar-11	8,279	11,271	19,545
Apr-11	7,733	11,777	19,530
May-11	6,475	12,676	19,165
Jun-11	5,654	13,187	18,862
Jul-11	5,466	13,700	19,166
Aug-11	5,985	13,968	19,945
Sep-11	6,318	13,508	19,825
Oct-11	6,254	13,872	20,126
Nov-11	6,483	13,901	20,384
Dec-11	6,817	14,455	21,259
Jan-12	7,255	16,989	24,244

Feb-12	7,059	18,026	25,085
Mar-12	7,003	18,784	25,787
Apr-12	6,080	21,086	27,165
May-12	7,145	20,359	27,504
Jun-12	7,182	20,930	28,112
Jul-12	7,912	19,874	27,786
Aug-12	7,260	19,759	27,019
Sep-12	7,917	19,434	27,351
Oct-12	7,691	19,982	27,673
Nov-12	7,168	20,417	27,585
Dec-12	8,300	20,235	28,535
Avg. 5 yrs.	10,771	12,622	23,394
Avg. 3 yrs.	8,154	14,524	22,675

Source: CME Group

V. Paper Warrant Conversion to Electronic Delivery System

Beginning in August 2008, COMEX began a conversion from paper warrants as a title of ownership to silver stored in Depositories to an electronic format. As part of this process, all holders of paper warrants were required to return the warrants to the Depository for conversion into electronic format in order to be deliverable against the Exchange's Silver Futures contract. While the paper warrants would still be recognized as a title of ownership of the silver, they would no longer be acceptable for delivery, unless converted to electronic form. Any metal still held in the form of paper warrants is to be reported to the Exchange as Eligible Stocks on the daily stock report required by each Depository to the Exchange. In January 2013, the Exchange asked the Depositories to provide its record of the current number of paper warrants that are still in existence and have not been converted to electronic format. Table 5 below shows a breakdown by each Exchange Licensed Depository as of January 18, 2013 of its outstanding paper warrants and total electronic warrants. As indicated, the paper warrants represent 13.30% of total warrants held by the Depositories. As compared to the total inventory level that includes both Registered and Eligible stocks, the paper warrants represent 4.35% of the silver stock level.

Table 5: Paper Warrants and Electronic Warrants in Exchange Licensed Depositories

Depository	Number of Paper Warrants	Number of Electronic Warrants	Total Warrants	Paper Warrants as a % of Total Warrants	Paper Warrants as a % of Total Inventory
Scotia Mocatta	234	1,108	1,342	17.43%	4.13%
Delaware Depository Service Company	87	512	599	14.52%	1.71%
Brinks	78	3,183	3,261	2.39%	1.52%
HSBC	837	884	1,721	48.63%	12.60%
JP Morgan Chase[11]	n/a	1,860	1,860	n/a	n/a
CNT Depository[12]	n/a	510	510	n/a	n/a
Total	1,236	8,057	9,293	13.30%	4.35%

Source: CME Group

Silver backing outstanding paper warrants meets all contract specifications and thus is reported in the Eligible Stocks category. That being said and with an eye towards being conservative, we have determined that these warrants may not necessarily be intended for Exchange delivery as there has been no conversion of the warrants for more than three years since the transition to the electronic system and that the paper warrants are not deliverable in their current form. The paper warrants, though representing only 4.35% of the total silver inventory level, have been excluded from the deliverable supply analysis in order to best represent the material that the Exchange considers readily available for delivery against the Exchange's Silver futures contract.

VI. Updated Deliverable Supply Estimate

Based on the above analysis, the Exchange estimates the deliverable supply for the Silver Futures contract to be 22,675 silver contract equivalents based on the average total inventory supply in the Depositories in the last three years. Using the average silver inventory level in the last three years as the basis for deliverable supply, the current spot month position limit of 1,500 contracts represents 6.6% of the deliverable supply. Analysis of deliverable supply will be conducted by the Exchange's Research Department on an annual basis for both global production and supply as well as the cash market for silver. The Exchange will also review the deliverable supply based on Exchange inventory levels on a semi-annual basis.

[11] JP Morgan Chase Bank was approved as an Exchange Licensed Depository in March 2011 and only holds warrants in electronic format.

[12] CNT Depository was approved as an Exchange Licensed Depository in September 2012 and only holds warrants in electronic format.

Contract Name	Rule Chapter	Commodity Code	Contract Size	Contract Units	Type	Settlement	Group
1,000-oz. Silver Futures	**121**	**SIL**	**1,000**	**Troy ounces**	**Futures**	**Physically Settled Futures**	**Metals**

Spot-Month								
Spot-Month Aggregate Into Futures Equivalent Leg (2)	Spot-Month Aggregate Into Ratio Leg (1)	Spot-Month Aggregate Into Ratio Leg (2)	Spot-Month Accountability Level	Initial Spot-Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)	Initial Spot-Month Limit Effective Date	Spot-Month Limit (In Contract Units) Leg (1) / Leg (2)	Single Month Aggregate Into Futures Equivalent Leg (1)	Single Month Aggregate Into Futures Equivalent Leg (2)
	5 SIL : 1 SI			**1,500**	**For SI: close of**	**7,500,000**	**SI**	

All Month Limit (In Net Futures Equivalents) Leg (1) / Leg (2)