One Lie After Another<?xml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />

Sometimes, you can overlook something that is right in front of you. That just happened with me. I'm talking about something I should have seen before now in silver and gold.

A year and a half ago, the Commodity Futures Trading Commission (CFTC) published a 16 page public report denying there was any manipulation in the silver market, due to concentration by large short traders on the COMEX. The report, issued on May 13, 2008, by the agency's Division of Market Oversight (DMO) went into painstaking detail about how the short concentration in silver was no big deal. Certainly, the title, “Report on Large Short Trader Activity in the Silver Futures Market” is very straight forward. Here's the report – http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/silverfuturesmarketreport0508.pdf

While the report didn't refer to me by name (except in the footnotes), it was an obvious attempt at refuting the allegations that I have raised about the silver manipulation. I knew, at the time, that the DMO's report was bogus and said as much in an interview. I also wrote to the Inspector General of the CFTC, asking him to review the process of the investigation. But it came down to their word versus mine.

http://www.investmentrarities.com/ted_butler_comentary/05-20-08.html

However, subsequent events have come to prove that the DMO was either intentionally lying in their report, or is incompetent. Subsequent data from the CFTC itself, in the form of the Bank Participation Reports from August 2008 onward, plus correspondence to lawmakers from the CFTC, confirm that JPMorgan's takeover of Bear Stearns in March of 2008, resulted in JPMorgan assuming and maintaining Bear Stearns' massive concentrated short position in COMEX silver and gold futures contracts.

Had Bear Stearns been forced to buy back and cover its manipulative silver and gold short positions in March of 2008, as should have occurred in a true free market, gold and silver prices would have soared from the then-record high price levels. Instead, JPMorgan assumed those short positions, most likely with the encouragement or direction of the US Government, and succeeded in manipulating silver prices lower by 50% several months later. Since then, JPMorgan has increased its short position and has single-handedly kept the silver manipulation in force.

The timeline of the DMO's report proves either malfeasance or that they intentionally misled the public. The takeover by JPMorgan of Bear Stearns took place almost two months before the DMO's report on May 13, 2008. The Division of Market Oversight knew, or should have known, about the transfer of the largest concentrated short position in the history of the market. That's what the DMO does it monitors big traders closely. Yet they reported publicly, in a report on large short trader activity, not one word about the unusual transfer of the largest short position in the market. This transfer was more important to the market than any other factor. Yet, it was omitted by the DMO in its report. A lie by omission is still a lie. The DMO report was 16 pages of lies, camouflaging a whopper of a lie by omission. The clear intent of the report was to convey that there was no problem in the silver market, when subsequent facts prove that there was a very big problem. There still is a big problem.

Either the DMO intentionally misled the public or they are incompetent. For starters, why did they allow Bear Stearns to hold such a large and manipulative short position in the first place? I am disgusted with this agency, as I'm sure many of you are as well. I have been extremely complimentary towards the new chairman, Gary Gensler, and have held high hope that he could accomplish meaningful reform. I know that the majority of you have disagreed with me on this. I will point out that he was not at the Commission when JPMorgan took over Bear Stearns or when the DMO's report was published. But he is there now and he needs to step up to the plate on this issue.

What is happening in silver is a crime. It was a crime back in 2008 and it is still a crime today. This new timeline should prove to any skeptic of the silver manipulation just how crooked the market is and, at best, how incompetent is the CFTC. We've been waiting for almost a year and a half for the CFTC to come up with a valid-sounding answer as to how can one or two US banks be short 40% of the COMEX and 30% of world mine production and that not constitute manipulation. No answer is in sight, just an unnecessary investigation that continues to waste tax-payer funds. I wonder how long we will have to wait for them to explain why their report of May 13, 2008 wasn't a flat-out lie.

I am enclosing a letter I sent Friday to the CFTC's Inspector General. At the very least, I want it to be on the record. If you are as troubled as I am about what appears to be an intentional lie by the Division of Market Oversight, you may wish to convey that to CFTC officials and your elected representatives. A list of pertinent email addresses follows the letter.

December 18, 2009

Dear Inspector General Lavik;

I've written to you on several occasions, including on May 19, 2008, alleging that your agency had conducted a fraudulent investigation into a manipulation of the COMEX silver market. Your Division of Market Oversight (DMO) had issued a detailed public report, dated May 13, 2008, denying that any manipulation existed in the silver market. However, new evidence refutes the DMO report.

This evidence proves the report in 2008 was deeply flawed and perhaps was even intentionally designed to mislead the public. Subsequent data from the Commission, including correspondence to several lawmakers, indicate that a concentrated short position in COMEX silver (and gold) futures, first made visible in the August 2008 Bank Participation Report, came into existence as a result of a takeover by a major US bank of an investment bank. During that time, the only such merger fitting that description was the takeover of Bear Stearns by JPMorgan Chase. Simply put, JPMorgan took over the Bear Stearns' concentrated short position in COMEX silver (and gold) futures. Additionally, derivatives reports from the US Treasury Department's Office of the Comptroller of the Currency confirm that JPMorgan Chase took over Bear Stearns' large and concentrated OTC silver and gold derivatives positions as well.

The takeover of Bear Stearns by JPMorgan took place in March 2008 or almost two months prior to the May 13, 2008 public release of the DMO's report on large short trader activity in the silver market. It is incomprehensible how the DMO failed to mention the transfer of the largest silver short position on the COMEX in its report on large short trader activity. A reasonable person could only conclude that the DMO acted to intentionally deceive the public or acted with malfeasance in not being aware of basic facts.

The public has been misled by the DMO's report. In light of JPMorgan's inheritance of the concentrated short positions of Bear Stearns and the failure of the DMO to acknowledge this in their public report of 2008, I ask you to investigate these circumstances and report on your findings. I plan to post this letter on my website.

Very truly yours,

Ted Butler

alavik@cftc.gov A. Roy Lavik, Inspector General

ggensler@cftc.gov Gary Gensler, Chairman

mdunn@cftc.gov Michael Dunn Commissioner

jsommers@cftc.gov Jill Sommers Commissioner

bchilton@cftc.gov Bart Chilton Commissioner

somalia@cftc.gov Scott O'Malia Commissioner dberkovitz@cftc.gov Dan Berkovitz General Counsel

rshilts@cftc.gov Richard Shilts Acting Director DMO

(Note to subscribers due to the importance of this regulatory matter, I will make this available in the public domain in a day or so)

Ted Butler

Dec. 20, 2009