January 5, 2022 – What A Difference 18 Months Make

I continue to be astonished by the massive increase in the OTC precious metals derivatives position of Bank of America as reported in the quarterly derivatives reports from the Office of the Comptroller of the Currency, part of the US Treasury Dept. Specifically, I am referring to changes in the OCC report published from the first quarter of 2020 (March 31) to the newest report covering positions as of the end of the third quarter of 2021 (Sep 30) â?? a period of one and a half years (18 months).

First, in order to make sure that there wasnâ??t some overriding increase in Bank of Americaâ??s total overall OTC derivatives position, mostly involving credit and interest rate derivatives, that would help explain why the precious metals category increased so much, I re-checked with that in mind. But BofAâ??s total overall derivatives position fell a few percentage points over this 18-month period. Despite the slight overall decline in its total derivatives holdings, BofAâ??s precious metals derivatives component (ex-gold) increased more than a stunning 100 times, from $173 million to $18.266 billion. In percentage terms, thatâ??s a 10,000% increase, so outside the normal bounds to be stunning. Over this same 18-month period, the precious metals derivatives holdings of JPMorgan decreased by $1.76 billion to $27.37 billion â?? despite an increase in the price of silver of $8 or 56% over this time.

The stark increase in the precious metals derivatives holdings of Bank of America, particularly when measured against the overall decline in its total derivatives holdings and the decline in the precious metalsâ?? derivatives holdings of JPMorgan, raises the question of why such a massive increase? It also raises related questions around bank supervision, both on the part of the OCC and related regulatory agencies (the SEC and CFTC) and internal supervision by the CEO and board of directors of Bank of America.

Based upon my previous and long-running analysis and speculation over this critical 18 month period which included observing many hundreds of millions of ounces of physical silver being both deposited into the worldâ??s leading silver ETFs, led by SLV, as well as hundreds of millions of ounces redeemed and converted from shares to unreported metal holdings, I had speculated and reasoned, starting in early to mid-2020, that the only way these hundreds of millions of ounces of physical silver could come to be deposited in SLV and the worldâ??s silver ETFs was if the worldâ??s largest owner of physical silver, JPMorgan and affiliates, were leasing the metal to others.

Of course, I couldnâ??t know who was on the borrowing side of the lease transactions as these are among the opaquest (least-transparent) of all transactions. That changed in April of 2021, when the OCC derivatives report (for positions as of Dec 31, 2020) indicated that Bank of Americaâ??s precious metals derivatives holdings surged by the equivalent of 300 million silver ounces. The newest report, for positions held as of Sep 30, 2021, put the amount of silver ounces borrowed and sold short by BofA at 800 million oz.

This is an amount of silver so stupendously large so as to be shocking and, understandably, almost beyond belief. It is why I have suggested that perhaps I am mistaken in my analysis and to that end I have encouraged those who hold accounts at Bank of America or at Merrill Lynch (owned by BofA) to enquire about this matter and to feel free to send anything Iâ??ve written on this matter. I have had no feedback on any of this as yet, but please remember, the process is quite new and it has only been a week and a half since I first uncovered the data in the new OCC report and began writing about it.

Additionally, I have reached out to CFTC and CME Group (by continuing to send them all my articles) and have separately contacted the SEC and, this week, the OCC. I have heard nothing back, except from the OCC. I placed a couple of calls to the OCC on Monday, leaving voice mail messages, explaining that I was looking to speak with the appropriate official knowledgeable in this area. Fortunately, one of the calls was returned and while the official did explain that he was not the subject matter expert in this field, once I explained the particulars, he said he would shortly get back to me by email â?? which he did. Thereâ??s no need to include his identity, as he was clearly just transmitting information given to him and hereâ??s his response â??

Hello Ted. Iâ??m following up on our call.

Below is the information OCC is able to provide.

The information you are referencing in your research report is from Table 21: Notional Amounts of Derivative Contracts by Contract Type and Maturity (Precious Metals). The data in Table 21 is reported by banks on their (publicly available) quarterly Call Reports. Specifically, the information you are referencing is reported on Call Report Schedule RC-R, Part II (Notional principal amounts of over-the-counter derivative contracts and centrally cleared derivative contracts). Iâ??ve attached Bank of Americaâ??s 9/30/2021 and 12/31/2020 Call Reports. The data on precious metals that you are referencing can be found on page 72, line items 2.f and 3.f.

For further reference, here are the instructions for this Call Report line item: 2.f and 3.f Precious metals (except gold): Report the remaining maturities of other precious metals contracts that are subject to the regulatory capital rules. Report all silver, platinum, and palladium contracts.

We hope this is of use.

Sincerely,

(He did include attachments which consisted of the roughly hundred-page Call Reports provided to the OCC by Bank of America and were part of the public record and which were the basis for the OCCâ??s derivatives report). I responded with this â??

Thanks so much for the prompt reply.

Unfortunately, this data was already known and clear to me. What I am asking about is that Bank of America increased its precious metals derivatives position from $173 million (notional amount) from the first quarter (March 31, 2020) to $18.266 billion at the end of the quarter just reported (Sep 30, 2021) – an increase of more than 100 TIMES or 10,000%. All while BofA’s total derivatives position decreased by a couple of percentÂ over this same 18-month period.

If the OCC was the Norad incoming missile defense system, this would be the equivalent of DEFCON 1 – indicating something was seriously amiss.

How can I get greater clarity on this issue

Here's a recent article I've written on this –

https://silverseek.com/article/more-serious-i-thought

Thanks and please advise

Ted Butler

Shortly thereafter, I received this â??

Hello Ted.

We do not have any additional comment beyond what was previously provided.

Sincerely,

Thatâ??s where the communication with the OCC ended. I never expected it to engage in any conversation that would involve non-public information. My only mission and concern were in making sure the OCC knew the meaning of what it had published and I was offering it a chance to correct any misinterpretation of the data on my part. The issue was and is the stupendously large increase in the precious metalsâ?? derivatives position of BofA over the 18-month period.

Let me speculate a bit here. I donâ??t think anyone at the OCC had any inkling of the large increase in BofAâ??s precious metals derivatives position or what it might portend and I think my contacting it was the first time it occurred to the OCC that something was amiss. The OCC was just transmitting what Bank of America was providing to the OCC on its Call Reports, without any real analysis or thought process, despite the 10,000% increase in 18 months. And while this might be considered a bit of a stretch by some, I donâ??t think even Bank of America was fully aware of the actual nature of its very large increase in its precious metalsâ?? derivatives position.

Speculating further, I believe that both the OCC and Bank of America should now be aware of this situation – the OCC by me contacting it and BofA by the OCC bringing it to the bankâ??s attention (and perhaps by customer inquiries. God help us all if both are still clueless at this point). Therefore, I would expect either a strong rebuttal by Bank of America to my allegations or perhaps some action on its part to deal with what I contend is the largest short position in silver in history. Should neither occur, I intend to press the matter with those elected officials which have direct oversight responsibilities over bank supervision matters.

While I have focused almost exclusively on this ongoing development in terms of the manipulative affect it has had on silver prices if, as I strongly believe, Bank of America has actually borrowed and immediately sold short many hundreds of millions of ounces of physical silver, there is another side to the story that I have not fully described, namely, the extraordinarily bullish implications for the price of silver ahead. This was brought home to me by an email received from an Australian reader of my last public article, who asked me if I would elaborate on why I found this BofA business, â??so incredibly bullish for silver?â?• While I did give the readers a brief explanation, I thought it would be beneficial to expand on this for subscribers.

If Bank of America has shorted anywhere close to the amount of silver I allege, based upon the data in the OCC report, it would amount to the largest silver short position in history. The essence of any short position is that it has a price-suppressive effect as it is established or put on, but once the short selling is complete, the price-depressing influence is spent or complete. But because any short position is also an open-ended transaction that must be closed out in only one of two ways â?? by delivery or a buyback of the short position â?? any buyback and covering of the open short position has a direct and bullish impact on price.

In the case of BofAâ??s massive silver short position, the prospect of the actual delivery or return of the physical silver borrowed and sold short seems impossible since the new owners of the silver sold short are not part of the equation (due the nuttiness and fraud of metals leasing). This limits the BofAâ??s option to an eventual buyback of the short position. Someone owning silver (or any asset) first and then selling it constitutes a closing transaction in that once the sale takes place, the transaction is complete â?? the seller gets the proceeds of the transaction and the buyer gets the silver and both parties walk away from a transaction now complete and closed.

Itâ??s much different when a party sells â??short.â?• In any short sale, the seller doesnâ??t own the merchandise being sold, the merchandise being sold is borrowed from someone else, so instead of being a closing or completed transaction, a short sale is an opening transaction that must be completed at some time in the future. This is the predicament for Bank of America if it has done what the OCC derivatives report suggests it has done in silver.

Therefore, once the borrowing and short selling campaign of Bank of America in silver is complete and it begins to buyback its silver short positions by buying silver in the physical market to deliver against its shorts or by going to those it has borrowed silver from to negotiate a financial settlement, either action is bound to have a profoundly bullish impact on the price of silver. Based on everything I see; we are precisely at the â??crossover pointâ?• when BofA flips from continuing to borrow and short sell silver to the process of buying back its now massive short positions. The impact on price should be immediate and akin to flipping a light switch from â??offâ?• to â??onâ?• only in this case instead of a light going on, the price of silver gets lit up. At least, thatâ??s the way I see it.

Aside from the profound effect it should have on the price of silver ahead, BofAâ??s actions to this point greatly explain the price conundrum we have all experienced over the past year and a half, where just about everything under the sun should have already been reflected in much higher silver prices than what weâ??ve seen. In other words, how could it be possible that Bank of Americaâ??s dumping of many hundreds of million of ounces of silver on the market wouldnâ??t offset and negate all the plain as day bullish developments? From an intellectual perspective, no one should be pulling their hair out (me excepted, of course, since I have no hair) over silverâ??s â??inexplicableâ?• price behavior â?? BofAâ??s actions explain nearly all.

And I canâ??t help but think that Bank of America didnâ??t suddenly wake up one day and say, â??Gee whiz, why donâ??t we go out and borrow and sell short hundreds of millions of silver ounces and then see what happens.â?• Sure as shooting, BofA was snookered into this mess by someone else, who not coincidentally, just happens to be the criminal financial mastermind of our time and because it was successful in so thoroughly bamboozling BofA, managed to, effectively, dramatically increase its already historic long position. And the chance of anyone tracing all this to JPMorgan and holding it responsible is about as remote as me going to Mars next week.

All thatâ??s missing at this point is the actual ignition of silver prices to the upside. Itâ??s as if the Saturn rocket is on the launch pad, fully fueled, with the countdown complete and the only thing preventing the rockets being fired is some type of minor short circuit in the firing mechanism that will momentarily correct itself and the connection will be made and liftoff will commence. Again, thatâ??s the way I see it.

As far as what Fridayâ??s Commitments of Traders (COT) report will indicate, itâ??s a tough call, seeing as Mondayâ??s sharp selloff most likely blunted most of the deterioration (managed money buying and commercial selling) over the balance over the reporting week leaving the extremely bullish market structures in both markets intact.

As of publication time, the decline in gold and silver prices reduced the running total losses to the 8 big COMEX silver and gold shorts from Fridayâ??s (and year end) close by $300 million to $9.2 billion (from when I started these calculations in June 2019).

Ted Butler

January 5, 2022

Silver – $23Â Â Â Â Â Â Â Â Â Â (200 day ma – $$24.79, 50 day ma – $23.40, 100 day ma – $23.37)

Gold – $1820Â Â Â Â Â Â Â Â (200 day ma – $1798, 50 day ma – $1805, 100 day ma – $1793)

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