

June 13, 2012 - A Few Questions; One Answer

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Please read this article carefully because I'm disclosing for the first time that the U.S. government has given JPMorgan the green light to manipulate the silver market. This fact explains the shenanigans in the silver market. It answers all the questions and exposes this tawdry affair for all to see.

As I indicated on Saturday, data from the Commitment of Traders and Bank Participation Reports indicate that JPMorgan was the sole net commercial short seller over the past two weeks, increasing its concentrated short silver COMEX position by 50%, to more than 16,000 contracts (80 million oz). The way markets work, if JPMorgan had not sold the additional 5,000 to 6,000 contracts, silver prices would have climbed sharply over the past two weeks and those higher prices would have attracted other sellers. This is just another strong proof of silver manipulation on JPMorgan's part. Other proofs include the two massive price takedowns of last year, when the silver price fell more than 30% in a matter of days, benefitting JPMorgan more than any other trader (since it was the biggest silver short holder).

My first question is how can I continue to get away with accusing JPMorgan,

arguably the most powerful bank in the US, of the most serious market crime possible and get no reaction from them? I confess that I am not looking for a legal tussle with JPM, as I know I wouldn't stand a chance. Some might say that JPMorgan couldn't be bothered with addressing my concerns as I am a nobody. Perhaps there is some truth in that, but an objective reading of the past four years, since the time I first publicly identified JPMorgan as the big silver short, has resulted in the bank being universally recognized on the Internet as the big silver crook. The reputation of a systemically important financial institution is always of prime concern from the board of director and senior management level on down. Certainly, JPMorgan has done itself little good in this regard by ignoring the allegations of silver manipulation.

The same question comes to mind when applied to the CME Group, owner and operator of the COMEX, where the silver manipulation is centered. The allegations that the CME is aiding and abetting in the silver manipulation are serious because the CME has been officially designated as a self-regulatory organization (SRO), meaning they have a legal obligation to prevent and terminate any attempt at manipulation in their markets. Like JPM, the CME is tough as nails and, presumably, could step on me like a cockroach should they choose to. (Yes, I send everything I write to JPM, the CME and the CFTC). Also like JPMorgan, the CME has not done itself any favors in the reputation department by ignoring the allegations.

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The main and related question that I have involves the behavior of the federal regulator, the Commodity Futures Trading Commission (CFTC), regarding the allegations of a silver manipulation. Unlike JPMorgan and the CME, the CFTC has not remained completely silent. The agency has initiated a number of reviews and investigations into allegations of manipulation in silver over the years (at my prodding), including a current Enforcement Division investigation, now approaching the four-year old mark. I believe the allegations of a silver manipulation were always credible, since they were based upon data from the agency itself and compared to how the Commission reacted to past instances of concentration. Unlike JPMorgan and the CME, the CFTC had to at least go through the motions of pretending to care. After all, many thousands of you have consistently petitioned the agency on this matter over the years.

But if the CFTC hasn't been as silent and dismissive as JPMorgan and the CME have been on silver, that doesn't mean it is measuring up to what it should be doing. In fact, it's been all talk and no action from the Commission when it comes to the silver manipulation. I can't tell you how many times I have asked myself after I have just explained another undeniable proof of silver manipulation, "why can't these regulators see this?" If any subscriber asks me a question about explaining an assertion I may have made, I will bend over backwards, as it is my responsibility to explain a new assertion. Certainly, I would do no less for the agency, as I'm trying to convince them to end a crime. But I can't explain anything if I am not given the opportunity to explain. That's a

related standing question of mine, namely, why is the Commission conducting an expensive and formal silver investigation in the first place, when all it had to do was explain why a US bank holding a silver short position equal to 25% to 30% of both the paper and physical total world market wouldn't be manipulative to the price (in and of itself)? Believe it or not, the same answer will apply to this question.

The CFTC has had a remarkable transformation over the past few years under Chairman Gary Gensler, attempting to revamp and make transparent the regulatory process. As you know, I was a champion for Gensler for most of that time, excited by the prospect that overall commodity reform (position limits) would end the silver manipulation. The basis for my excitement was my belief that silver couldn't or wouldn't be excluded in any way from how other commodities were handled. Unfortunately, the regulatory transformation has completely excluded silver (and gold); first by ignoring the public's input on what the level of position limits should be in silver and by continuing to ignore JPMorgan's concentrated short position and the impact of HFT activity, which negatively targets silver more than any other market.

To this day, I have been baffled by how Gensler can preach the Holy Gospel of true regulatory reform of transparency, position limits and no concentration, while ignoring the clear evidence of manipulation in silver. And it's not like Gensler has been shy about preaching the need for regulatory reform. Just

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yesterday, he appeared live on C-SPAN (the non-partisan public network) to talk about regulatory reform and answer questions from call-in viewers around the country. As luck would have it, I received an email from a reader who asked Chairman Gensler about the silver investigation on the show. Here's the email and the link ☐

Hi Mr. Butler,

I have been following your writing for a few years now and while driving to work this morning (6-12-2012) heard that Chairman Gary Gensler would be on C-SPAN radio. I have never called before and thought I'd give it a try. To my surprise I got on and tried to ask Chairmen Gensler if he could compare the length of time it was taking to close out the silver manipulation probe with other historical investigations. You can hear his response at the 17min mark of the video on the following link:

<http://www.c-spanvideo.org/program/WJGa>

I wish I could have asked a follow up but was not familiar with how C-SPAN does things and it appeared to me that the host started talking a millisecond after Gensler finished his answer. It is funny because I think in the few minutes before my call he was saying something about the CFTC being the cop on the beat. If I had had the chance I would have followed up with a question, along

one of your lines of inquiry, that went something like this:

“How would you respond to criticisms of your agency that compare your handling of the silver manipulation probe to a cop standing by watching an old lady being mugged while meticulously writing down a detailed description of the perpetrator”?

Mike in Bowie

The main question I have had non-stop for too long is how can Gensler talk about concentration and position limits and manipulation and ignore what's going on in silver? Of all the questions I have outlined, that's the one I ask myself most. Finally, I think I have found the answer to that question as well. I'm a pretty good judge of human character. I thought long and hard about Gensler's background and persona and what he was proposing before I started praising him. I know others would disagree, but I still think highly of his personal character. I think what has caused his and the agency's failure to terminate a highly-visible silver manipulation has nothing to do with Gensler's character or any lack of understanding by him of the silver manipulation. I have many questions that are all answered by one explanation. It took me a while to figure it out, but better late than never.

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The answer to all the questions I have above is the President's Working Group on Financial Markets. It is the only possible answer. I know some may agree and others disagree with my assertion, so let me try to explain why I feel this is the answer to all my questions. Largely in response to the great stock market crash in October, 1987, President Ronald Reagan signed an Executive Order in 1988 creating the Working Group to prevent a recurrence of a market crash.

<http://www.archives.gov/federal-register/codification/executive-order/12631.html>

There are four members in the Working Group; the Federal Reserve Chairman, the Treasury Secretary, the Chairman of the Securities and Exchange Commission and the Chairman of the CFTC. The Treasury Secretary is the Chairman of the Working Group. The purpose of the group is to promote market stability and prevent disorderliness by working with the exchanges and major market participants in times of stress.

A time of great stress for the financial markets existed in March 2008, when the investment bank Bear Stearns failed and, undoubtedly, the Working Group was heavily involved (as they should have been). The Group, along with exchanges and major market participants, oversaw the transfer of Bear Stearns' giant short positions to JPMorgan, in the process indemnifying JPM from any concerns of dominance and overt control of silver and gold prices. As a result, JPMorgan orchestrated (and was the biggest beneficiary) the more than 50 % decline in

silver prices into late 2008 with the Working Group's permission.

Things then quieted down in silver until the fall of 2010, when prices started to make an historic move into the late-April 2011 price high near \$50. At that point, JPMorgan's giant short position began to hurt and it moved to cover some of the silver shorts into the very top. At that point, it looked like JPMorgan would get crushed by the physical silver shortage present and the losses on their short positions. Instead, JPM appealed to the Working Group for relief and, working with them and the CME, JPM caused the silver market to crash. Later, the Working Group teamed with JPMorgan and the CME to smash prices by 35% in 3 days in late September 2011.

The President's Working Group on Financial Markets answers all my questions. It explains why JPMorgan and the CME remain silent about allegations of manipulation because they have been given legal cover by the Working Group. This also explains why the CFTC says they are conscientiously investigating silver when it is clear they are not. The agency can't come out and disclose silver was smashed with the full knowledge of the Working Group, so it pretends to go through the motions of investigating. The only open question I have is what is going through Gary Gensler's mind? Is he not tormented by the blatant silver manipulation which runs contrary to all his public utterances?

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Let's be practical □ any group has a pecking order. A group of 4 regulators including the Federal Reserve, the Treasury Dept, the SEC and the CFTC, is going to put the smallest regulator at the bottom of the heap. The Chairman of the CFTC is not going to dictate what should be done to the Fed or Treasury, even though I know that Gensler knows more about markets and silver than all the other members combined. This is about power and politics; not about knowing all the facts and doing the right thing. In the Working Group's defense, they obviously succumbed to the appeals of JPMorgan and the CME about the great danger to the markets should JPMorgan be forced to cover losing silver short positions. There may have been great danger to JPM and the CME if the Working Group hadn't interceded, but there would have been no great danger to the world at large.

So is Gensler tormented by the Working Group's siding with the crooks at JPMorgan and the CME, or was he a willing participant in the plan to smash silver and allow the manipulation to continue? None of us can look into another's soul, but my sense is that Gensler knows that the Working Group screwed the public to serve JPMorgan and the CME and that eats at him. It should. It's OK to be a team player, which Gensler certainly is, but not in an undertaking that violates the law and damages the public. It will be up to him if he continues to tolerate the manipulation hurting innocent silver investors and I'm glad I am not in that conflicted position.

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So the only remaining question, if my analysis is correct (as I believe it to be), is what does this mean for silver from here. My conclusion is that this will prove to be wildly bullish for the price; maybe not immediately, but on a long term basis. That's because, in addition to explaining so many unanswered questions about past silver price activity and the failure of the regulators, it sets the stage for the really big move in silver. If I am close to the mark, this overt government interference in the silver market will boomerang at some point. Just let the word start to spread about Working Group involvement in causing the price of silver to fall and be depressed and the natural reaction by the world's investors will be to take advantage of the bargain created.

What's so fascinating about the Working Group's activities is that it involves an attempt by the government to influence the price of silver lower by favoring the paper short sellers and not by dumping physical silver on the market. That's because neither the US Government, nor any other world government has any physical silver to dump. All the Working Group can do is aid the paper silver short sellers by permitting vicious price sell-offs designed to scare existing holders. There is an easy way around that scam and that is buying real silver, not the junk represented by COMEX paper contracts. If, as and when the role of the Working Group in the silver manipulation becomes known, the best reason yet for buying silver will come into focus.

Ted Butler

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Silver - \$28.80

Gold - \$1619