

March 14, 2012 - The Closer

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Generally, I prefer to avoid too much discussion of my personal life, unless it aids in making a wider point to the issues at hand. I find that it is more professional to stick to the issues surrounding silver and not get too "folksy." I'll stray from that format a bit today in the hopes of making a wider, yet familiar point.

As we pass through life, we periodically realize that we have achieved another milestone. At 65, I guess I am now officially an old goat, although I don't necessarily feel that way. While I am certainly immersed in the world of silver and its manipulation, from outward appearances I lead what must look like a pretty dull life. The apparent dullness suits me fine. My wife and I have been empty-nesters for a while now, although we are still certainly family oriented. To outsiders, we must appear to lead sheltered lives, with me bordering on being reclusive at times. I'm not much for travelling or going out much, although we have been going to Maine for the past 5 or 6 summers. Basically, we live the same way there as in Florida, except the weather is different.

Probably because I spend so much time studying and thinking about silver and find enough excitement and challenge (and aggravation) in that, I don't want or

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need much in the way of entertainment at the end of the day. As a result, my wife and I have settled into a daily routine (which I love) that involves nothing more complicated than deciding what to have for dinner and what to watch on TV. Recently, the choice has involved only what to have for dinner as we both await the latest rerun of a show that we consider the best on TV for the past few years; a show called "The Closer." Don't worry, I'm not here to pitch television entertainment or to attempt to change your viewing habits; I will instead try to deliver a message.

"The Closer" is a police drama set in modern Los Angeles in which the main character is a Deputy Chief Brenda Lee Johnson of the Priority Homicide Division of the LAPD (portrayed by the actress Kyra Sedgwick). Johnson is a talented interrogator who is always able to get to the bottom of the case by discovering the truth through interviews and outside of the box thinking; thereby closing the case. Since I'm an admitted male chauvinist, I find it absolutely amazing just how appealing I find Deputy Chief Johnson to be as a law enforcement professional. She's super smart and dedicated, always one step ahead of everyone else (mostly the men surrounding her), with a clear vision of the law. She has so many personal and family conflicts going on in her life that it is a wonder how she sorts them out in each episode and manages to always close the case. I think the show has done more for women's rights and equality than any law ever passed. She's not bad looking either. All in all, it's a beautifully scripted and acted production.

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I find the show, like another TV show I've previously mentioned, "Law & Order," to be the adult versions of Disney children fantasies; complete escapes from reality for me (I'm not quite sure why my wife enjoys it). The fantasy part is in the portrayal of law enforcement officials as never sleeping on the job or leaving any stone unturned in the pursuit of justice. A regular feature of my favorite police TV fantasies is the regular inter-agency and department struggles as to who has jurisdiction to investigate and prosecute various crimes. Never, ever have I witnessed a TV detective or prosecutor voluntarily passing jurisdiction to another branch without a fight to retain the case. The TV law enforcement officers take every case they come across as the only case that matters. Fantasy or not, I find it very reassuring and comforting.

It is when I return to the real world that the contrast between fantasy and reality sets in. I watch Brenda Lee Johnson solve case after case with the slimmest of evidence by working with a dedicated team around the clock to ensure that justice prevails. Then I return to a world where an obvious crime in progress persists despite tens of thousands of public complaints to the appropriate regulators. The real world of an ongoing crime where the evidence of wrongdoing is clearly and consistently presented to the authorities and where even the identity of the main perpetrator is well known. In the real world, there is no round the clock investigation or even hardly an acknowledgement of the public's continuous complaints on the ongoing crime of the silver manipulation.

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The main difference between fantasy and reality is that it is, apparently, only in the fantasy realm that the authorities strive at all times to do what is right. That's the contrast □ only in one world do the law enforcement and regulatory officials do what is the right thing. It doesn't matter if Deputy Chief Brenda Lee Johnson extracts a full confession each and every time. The fact that she does her level best to do her job is enough. Even though it's a fantasy, we know she is doing her best to uncover the truth. That's precisely what's missing in the real world of the ongoing crime of the silver manipulation. The public at large has not the slightest conviction that the CFTC is doing all it can. That's because the Commission has done nothing about the silver manipulation for whatever time frame you care to choose; 25 years or 3.5 years. Think of how sad that is for all of us. The authorities only do the right thing on TV.

There is something seriously wrong when law enforcement only works on TV and not in real life. That might sound like an exaggeration and I hope that it is, when applied to the world at large. But in the narrow world of silver (and gold) it is no exaggeration to state that the CFTC is not coming close to doing its job. First, its main job, in its own words, is to protect against fraud, abuse and manipulation. Beyond that, there are constant speeches by agency officials about ensuring transparency and market integrity. Yet it is precisely on these most important issues that the CFTC has failed miserably.

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When it comes to silver, it is hard to imagine the Commission doing a worse job. That's because the facts proving manipulation have been presented to them for years and they refuse to acknowledge those facts. On TV, the viewer is generally kept guessing until the very end to see the crime fully explained. In real life, the silver crime is fully explained to the CFTC upfront and on a continuing basis and then everyone is reduced to guessing when the agency might ever act. In the meantime, the silver manipulation continues to damage innocent victims because of the CFTC's failure to act or speak.

I made a very big deal about the high regard in which I held Chairman Gary Gensler when he first assumed the lead at the Commission in 2009, calling him the greatest chairman in agency history. In many ways, when you step back and contemplate the full scope of regulatory reform under him and Dodd-Frank, I was correct. The fact that Gensler was publicly named banking's enemy number one proves he was on the right side of many issues. But when it comes to the main issue of my interest, ending the silver manipulation, at this point it looks like I was wrong. Maybe Gensler will still do the right thing, but three years is long enough to terminate a blatant market manipulation, especially considering the circumstances surrounding silver. What are those circumstances?

The most obvious fact proving that the price of silver is manipulated is the presence of an extremely large concentration on the short side of COMEX silver

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futures. Concentration is the prerequisite for manipulation. No concentration, no manipulation. In silver, we have a permanent concentration on the short side that is so large it cannot be removed without creating a disorderly market. Worse, the concentration is mostly held by the US's largest commercial bank, JPMorgan. What such a major bank is doing speculating on the short side of silver is crazy to begin with.

Concentration is not some abstract issue I pulled out from thin air; it is the Commission's frontline defense against manipulation. The proof of that lies in the detailed concentration data for every market that the agency reports on weekly in its Commitment of Traders Report (COT). That JPMorgan and others have held a dominant and price-controlling position in silver for years is beyond question. If the bank or the agency could deny that, they would have denied by now. In the latest COT Report, JPMorgan held 26% of the entire COMEX silver market. In a major commodities market, like silver, it is not possible for such a concentration not to be manipulative to the price. And please be certain that there is no such concentration on the long side of silver; the concentration is only on the short side.

Worse, the data proving concentration and manipulation in silver is published by the same agency responsible for making sure such levels of concentration don't exist in the first place. It was my presentation of this concentration data, back in 2008, that led to the current silver investigation by the CFTC. But the

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investigation is not advancing as the silver manipulation grows more intense. The CFTC, by stalling on the silver investigation, is enabling the manipulators and causing more harm to innocent victims to accrue. By not directly finding or commenting one way or another on the widespread public allegations of silver (and gold) manipulation, the agency is blocking the very transparency and market integrity it purports to encourage. If the CFTC's actual performance in the silver manipulation was accurately portrayed in a TV program, it would be a nightmare horror story, not an escape fantasy for adults.

The current deliberate smash down today in prices is following the usual script. It is very important that you understand what is happening. Silver (and gold) prices are not declining because leveraged long speculators on the COMEX started selling. Prices were deliberately set lower in order to induce that leveraged long liquidation. It's all in the sequence of events; prices are set lower first, then the selling comes in. Prices are set lower through HFT, usually at times when trading is thin, through collusion among the traders identified as commercials, but who are in reality only speculators out for a quick buck. This collusive price rigging is at the heart of everything illegal under US commodity law.

It is very simple to prove that the COMEX commercials are acting collusively to rig the price of silver and gold. The proof lies in what occurs as a result of the price rig jobs to the downside. The results of current deliberate price smash are

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no different from the results of all the previous deliberate price smashes over the years. The results are always that the commercials are big net buyers on these sell-offs. I have never seen an exception to the commercials buying on the big sell-offs. You need look no further than last week's COT which I discussed in the weekly review. A big down move in price always equals big commercial buying. Always. A reasonable person would have to question how such results could be possible in a free market. Are these commercials such skilled traders that they are always big net buyers of COMEX silver and gold contracts on the big down days? Or are they just the luckiest sons of guns in the world?

I would submit that it is neither skill nor luck that enables the commercials to always be big net buyers on the important down days, as that is just not possible. To believe that is to believe a fantasy. Such results can only be achieved through collusion and intent. The commercials are always big net buyers on the big down days because they planned and coordinated the down moves in advance. That planning and execution could not possibly be achieved without coordination and collusion. This is not some way-out conspiracy; this is reality. It is also highly illegal.

None of us know for sure why Chairman Gensler and Commissioner Chilton and everyone at the CFTC have turned a blind eye to the increasingly obvious manipulation of COMEX silver and gold. But it is clear that the agency is

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allowing it to continue. How they live with themselves is beyond me. Also beyond me is the thought of accepting the CFTC's dereliction of duty quietly. Sooner or later, the Commission will be forced to address the public's increasing outrage over a manipulation more see every day.

Deputy Chief Brenda Lee Johnson on TV took an oath of office to protect and serve the public. So did all the officials at the CFTC. Unfortunately, it is only on TV that the oath is being upheld. We need a closer in real life and in real time at the CFTC, not just one on TV. If the officials at the CFTC can't or won't enforce the law, they should step aside and let someone else take their place that will.

As painful as this latest deliberate take down may be, it has and is greatly improving the market structure. The collusive commercial crooks have now rigged prices down below all the important moving averages in both silver and gold. This means that the deliberately-induced speculative liquidation is drawing to a conclusion. This sets the stage for the next rally in silver and gold, although it never feels like that at the time. While we await that eventual rally, any outrage you may feel should be put to constructive use by contacting the regulatory officials whose job it is to prevent these things from occurring. There are two things to do; buy or hold silver and let the regulators and your elected officials know that it's high-time for the CFTC to do its job

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Silver -\$32

Gold - \$1640

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