

## The Worst Betting Scandal Ever

Sports fans all over the world have some knowledge of the history of betting scandals affecting all manners of sporting events. Here in the US, betting scandals date back to "Shoeless" Joe Jackson in the 1919 World Series up to Pete Rose in baseball, the college point shaving scandal in the 1950's in basketball and Paul Horning's and Alex Karras' suspension from pro football in the 1960's. I don't think there is a sport in the world that hasn't had some type of betting scandal, from horse racing to cricket to sailboat racing.

<http://www.businessinsider.com/athletes-gambling-in-sports-2011-4?op=1>

If there is some common element to betting scandals it generally includes the involvement of bookmakers and the fear that bookmakers will alter the outcomes of sporting events. Bookies stand the most to gain if they can influence the outcome of a contest, whether it is who wins or loses or by how much. That's why those responsible for maintaining the integrity of sporting events are quick to react strongly to any hint that the results were somehow pre-arranged. If it became common knowledge that the most popular sporting events were continually fixed by bookies, public interest in betting on the outcome would presumably suffer, if not overall interest in watching those events. (Admittedly, professional wrestling seems to remain popular, but I don't

think many bet on the outcomes of wrestling matches).

Even though bookmaking has been largely illegal throughout modern history, it would be pointless to deny it exists. If people want to bet on sporting events, chances are that a significant percentage of those bets will be taken by bookies, legal or otherwise. But if it became widely perceived that bookies were actively influencing outcomes, few punters would knowingly take the other side of the fix. The only way sane people would bet with bookies is if they felt the bookies held no obvious advantage in terms of knowing the outcome.

As it turns out, the most crooked bookmaking operation doesn't involve sporting events at all, but price changes in silver and gold and other world commodities. Despite being easily proven to be a crooked game and in which the outcome is prearranged, this bookmaking operation is actually overseen by a federal regulator and involves a consortium of major financial organizations. Of course, I'm speaking of the COMEX, owned and operated by the CME Group and under the jurisdiction of the CFTC, the federal commodities regulator.

(In the interest of full disclosure, let me state that I have never bet on a sporting

event and certainly never engaged the services of a bookie. Therefore, I am speaking of bookies as an outsider with no practical experience. In matters related to COMEX silver, even when I speculate, I believe I am on dead solid certain ground).

Where do I get off comparing the COMEX and the CME to a bookmaking operation in the first place? To be sure, that's not how these organizations refer to themselves; rather the term they use is market making. But the definition of each is remarkably similar. The SEC defines a market maker as a company or individual that stands ready to buy or sell stock on a continuous basis at a publicly quoted price. The definition of a bookmaker or bookie is an organization or individual that takes continuous bets on sporting events at agreed upon odds.

I'm not trying to be cute, but the only real difference I see between market maker and bookie seems to be the difference in what is being wagered on □ stocks, bonds, commodities or sporting events. Sure, some throw around fancy sounded terms for market makers, like liquidity providers; but they are just taking the other side of a bet, same as bookies. Certainly, there is no requirement that market makers or bookies can't adjust their willingness to transact business on a moment's notice and if too much is demanded by buyers

or sellers of stocks and commodities, market makers will quickly revise their bids and offers; the same as bookies adjusting the odds when too much action comes in on one side of a sporting event.

In many ways, there is not much practical difference between stock and bond market makers and sports bookies aside from what is being bought and sold and at least one fairly well known investment broker, Cantor Fitzgerald, engages in both; I would assume because of the similarity of which I speak.

[http://www.cantor.com/press\\_releases/Cantor\\_Gaming\\_Introduces\\_Inside\\_Wagers\\_Sports\\_Betting\\_Option\\_to\\_Cantor\\_Race\\_Sports\\_Book\\_at\\_the\\_M\\_Resort\\_Spa\\_Casino.html](http://www.cantor.com/press_releases/Cantor_Gaming_Introduces_Inside_Wagers_Sports_Betting_Option_to_Cantor_Race_Sports_Book_at_the_M_Resort_Spa_Casino.html)

But where do I get off accusing the COMEX and CME of running a crooked shop whether you call it market making or a bookie operation? For nearly 30 years I've argued that COMEX silver has facilitated the silver manipulation in violation of the terms of commodity and interstate commerce law; but let me do so today in terms of what constitutes a crooked bookie. If there's one thing in which no one would disagree, a bookie would be considered unquestionably crooked if he took measures to ensure the outcome of a sporting event, such as paying players in a college basketball game to deliberately shave points in a game or otherwise perform badly enough to affect the outcome. In essence, that's

exactly what the COMEX has encouraged in silver. How so?

First, if a bookie never lost when he took a big line on any sports event that should raise suspicions of rigged games. After all, there is no way a freely contested event could always fall within the odds to the bookie's favor. Let me stop here and agree that it's not the COMEX or the CME taking the bets that never lose, but certain favored members, like JPMorgan and other large institutions. The CME provides the infrastructure that enables the real bookies to take the bets of speculators (technical funds) in silver, gold, copper and other commodities. The CME gets kickbacks from everyone who places bets on the COMEX, but sees to it that the most favored member bookies always win.

Data from the federal commodities regulator, in the form of the weekly Commitments of Traders Report (COT) confirm that the biggest bookies, like JPMorgan, have never, to my knowledge, incurred any losses in taking the other side to what the technical funds have ever bet. Some smaller bookies or commercial traders have suffered a rare setback or two over the years, but the biggest silver bookies, like JPMorgan? Never have they lost. That's the sure sign that the COMEX silver game is fixed □ the biggest bookies never lose.

Let me amend that slightly □ the only time the biggest bookie did face a loss was when Bear Stearns ran out of money to maintain its massive short side bet against silver and gold in March 2008 and the US Government rushed in to arrange for JPMorgan to take over the bet and drive prices lower. Since JPMorgan assumed the role of biggest bookie on the COMEX, it has never suffered a loss. How can I prove this and how is it done?

The proof lies in the fact that the four largest shorts in COMEX silver (and in gold and copper) always sell additional contracts short on price rallies and then buy back those additional shorts only at prices lower than they were shorted. In other words, the four biggest COMEX shorts (of which JPMorgan was the largest until recently) have always made a profit on any new short positions they've taken for all the time (30 years) I've studied the silver market. Please think about that for a moment.

If what the four largest concentrated shorts in silver (and other commodities) were doing was truly market making and providing liquidity, one might imagine they would sometimes be wrong. After all, commodity prices are supposed to be driven by actual supply/demand fundamentals and no one would argue that the four largest shorts in any regulated market have perfect vision of what future prices would always be. Yet the track record of the four biggest COMEX silver

shorts is absolutely perfect in that they have never had to buy back short positions at a loss, only with profits.

For this reason alone, it is clear that what the four biggest shorts in COMEX silver are engaged in is not true market making, but a prearranged corrupt bookmaking operation. Instead of secretly arranging to pay off every player on a college basketball team to miss shots and shave points to cover the point spread, the bookies in the COMEX silver operation have an even better fool-proof system of assuring they will always win - HFT and spoofing. Because the big commercial bookies know how the technical funds will react beforehand (buying on higher price and selling on lower prices) and because the bookies can rig prices up or down with ease, the outcome is always known in advance and the actual record reflects this.

In a very real sense, the COMEX and the CME are an organized crime syndicate providing the infrastructure and mechanisms which allow the biggest crooked bookies, like JPMorgan, to operate as they wish. I can't help but think that the setup is akin to the great crime syndicates of Chicago back in the day of Al Capone. Instead of running booze, flesh, protection and the numbers racket, it's all about stealing many millions and billions of dollars from the technical funds (managed money). Let me add some detail to the COMEX bookie racket.

The COMEX is the crime syndicate and there are about 50 separate commercial bookies in total operating in silver under the protection of the syndicate umbrella. The smaller commercial bookies, which I refer to as the raptors, are the front line bookmakers, generally taking positions against the technical funds and other speculators before the biggest bookies, the four and eight largest short traders, establish positions. It's helpful to view the biggest bookies, like JPMorgan, as re-insurance or excess capacity bookies, which take bets from the technical funds after the frontline smaller commercial bookies have come close to maxing out their betting lines.

This is the key to how the syndicate operates, as the biggest bookies generally only enter the fray after most of the bets have been made by the smaller bookies and the technical funds. This means several things, such as the biggest bookies come in to sell short at the highest and most advantageous prices and the fact that the technical funds have already mostly expended the bulk of their buying power and are more vulnerable to sudden prearranged price downdrafts. There are good reasons why the biggest commercial bookies never lose, and along with unlimited selling power, these two are at the top of the list. The technical funds have some practical limit to how many silver contracts they can buy and sell in total, whereas the biggest commercial bookies (some might say bullies) have no such limit. In a game of mostly paper silver, financial firepower



matters more than do actual silver fundamentals.

It must be remembered that the crooked bookmaking operation in COMEX silver is visible in many ways. For one, it is reflected in the fact that the biggest 4 and 8 commercial bookies have always held such a dominant control on the market that COMEX silver has the largest concentrated short position of any regulated commodity in terms of real world production or consumption. I know this has been true just about forever and because of that longevity, the shock value of what it represents gets diminished over time. But now with silver down close to 70% from the highs of 2011, the existence of the most concentrated short position of all commodities should be a much bigger deal than it ever was before.

The simple fact is that there is no economic justification for a commodity down in price as much as silver and at or below the primary cost of production to have a larger concentrated short position than any other commodity. This is particularly true when no legitimate producer holds any of the concentrated short position; only large banks and financial institutions engaged in a bookmaking scam.

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Because the silver bookmaking scam is becoming more clear to observers on a daily basis, I am becoming more convinced the scam is about to blow up and with it, the ongoing manipulation of the price of silver. If what I've just described is close to being accurate (and I believe it is completely accurate), the end game resides in my recent discovery that JPMorgan has acquired hundreds of millions of ounces of actual silver.

While it's somewhat a tossup as to which is more crooked, JPMorgan or the CME, there has never been a doubt in my mind as to how smart and clever JPMorgan is when it comes to silver. The crooks at JPMorgan are so smart that they saw years before anyone else (certainly including me) not only how they could gracefully exit a manipulation the bank engineered for years, but also how to profit mightily when the manipulation ended. Talk about slick.

As I've written previously, there was no way that JPMorgan or anyone else could have acquired the equivalent of 350 million ounces or more in silver in the form of COMEX silver futures contracts. Enough observers and market participants now monitor the COT data (I think I've had some influence in this) that it would be impossible for a 70,000 contract net long position to go unnoticed, to say nothing about it being far above any position limits that the CFTC might ever institute. As it stands now, the concentrated net position of the four largest long

traders in COMEX silver has rarely been above 25,000 contracts, so an individual trader holding 70,000 long contracts would seem impossible.

More to the point, it just isn't conceivable that the potential selling and short selling capacity necessary to accommodate any trader to create and hold a 70,000 contract long position exists. In other words, if JPMorgan did make the decision four years ago to accumulate a massive long position in silver that I believe it did make, this bank was smart enough to know it couldn't be done via COMEX silver futures. The only possible alternative was for the bank to acquire physical silver, which it did in spades. Not coincidentally, holding physical silver is the same best suggested way of holding silver that I (and many others) have long advocated. Admittedly, it is somewhat bittersweet to see JPMorgan adopt that advice.

Finally, the most important advantage for holding physical silver is that it eliminates any counterparty exposure. Once you own physical silver, even if the world goes to hell in a handbasket, along with any counterparty one might be relying on, that matters little when you are holding unencumbered physical assets, like silver (or gold). As the world's largest counterparty to the rest of the financial world, you must know that JPMorgan knew and appreciated this before it started accumulating physical silver. It doesn't make the manner in which it

acquired the silver, manipulating the price lower through short sales on the COMEX in order to pick up the real silver as cheap as possible, any less corrupt, but that's now largely in the past, save for any additional accumulation the bank has in mind.

Turning to developments since Saturday's review, the evidence continues to roll in that JPMorgan's accumulation of physical silver marches on. Deliveries against the May COMEX silver futures contracts have slowed down, but it still looks like JPMorgan will take close to 75 to 100 contracts in addition to the 734 contracts already taken in its house or proprietary trading account. Remember deliveries come at the issuers' option time wise, so all any long like JPM can do is wait for delivery. It looks like JPMorgan will end up with around 800 deliveries for the month or 4 million oz in their own name. This, of course, is in addition to the 7.5 million oz taken in the March delivery period.

Also, the pattern of unusual withdrawals in the face of price strength continues in SLV, as there were 1.1 million oz redeemed from the trust on Monday, in the face of strong price action (up until yesterday). This is in addition to the 4.5 million oz withdrawn that I mentioned on Saturday. As of now, I have heard no compelling explanations for why metal would be leaving in the face of net buying, so I'm sticking to my big buyer immediately converting to metal to

shield its identity premise. Once again, I believe this is how JPMorgan acquired the bulk of the 350 million+ oz over the past four years.

Lastly, the pattern of sales of Silver Eagles from the US Mint has been so erratic as to point to a big buyer. Sales have been very slow for the past week or longer and with silver prices higher and retail demand picking up, it seems more clear that the big buyer has stepped aside. It's impossible to tell if this will turn out like a year ago when the big buyer (JPM) stepped aside in buying Silver Eagles for two or three months until it depressed silver prices or if it means JPMorgan has acquired all the coins it desired. Time will tell.

So what about the big price smash yesterday? It looked like the same old HFT and spoofing bookie scam as always. The way it works is first the commercial bookies rig prices up thru the key moving averages and then the Pavlovian technical funds respond by buying futures contracts at the higher prices levels, as they did from last Wednesday thru Monday. Then the commercial bookies fix the game to the downside below the moving averages and the technical funds sell at the lower prices. That's the essence of the COMEX silver and gold scam.

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What was somewhat different this time is that the move up and down was so compressed in the reporting week, that the COT report covering the turnaround won't be published until Friday, thus resulting in the inability to rely on the COT report this time. I don't think this was accidental, but rather deliberate. Considering that there had been significant managed money buying in COMEX gold and silver on the sharp move up last week, accompanied by equally significant commercial bookie selling, the current price weakness makes it clear that the bookies are inducing the technical funds to sell. This is what the CME crime syndicate is all about.

How much additional managed money selling will the bookies try to arrange? The simple answer is that I don't know. I do know what the game is and that it's crooked, but I'm not aware of any way of measuring the corruption in advance. If the crooked bookie syndicate intends to take the managed money traders all the way back to where they were before the price run up, then there's more downside ahead. But it doesn't have to play out that way and the simple fact is that a long term investor in silver can't allow him or herself to succumb to the temptation of trading in and out of the market based on the bookie syndicate's crooked intentions.

I'm not even sure what the COT report will show on Friday. Before yesterday's

price smash, I would have assumed an extreme increase in the total commercial net short position, along the lines of what I mentioned on Saturday (40,000+ in gold and 10,000 to 20,000 contracts in silver), although surprises were possible. After yesterday, I would have assumed some moderation in those expected increases, but that's the problem with sharp up and down moves within the reporting week, namely, it scrambles objective analysis.

I did mention or at least imply last week that copper and crude oil looked vulnerable to the downside as a result of significant managed money buying which seemed to be the main force behind the price rise in each. I neglected to mention on Saturday that COMEX copper experienced a further sharp increase in managed money buying in the COT report last Friday of some 8,000 net contracts (but not in crude oil). This put the managed money buying in copper at 53,000 contracts since the price bottom in late January in which copper then rallied 50 cents.