

December 15, 2010 – Show Time

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Tomorrow should be a big day for silver. Not necessarily in terms of price; but more in an historical context. Of course, I'm speaking of the CFTC open hearing on several rulemakings mandated by the new Dodd-Frank Financial Reform Act; most notably as it pertains to speculative position limits. There is no question in my mind that the issue of position limits and this meeting will be historic in regards to silver.

Several of you have asked me what I expect to be said at this meeting. The truth is that there is no way I could possibly know, apart from what should be said. I know that something will be said or decided about positions limits. That's enough for me to label this meeting as historically significant. It almost doesn't matter what is said. Even if the Commission sidesteps or delays the issue or comes up with an unreasonably large position limit for silver; that will be instructive, as it will aid us in what to do next. Make no mistake – the issues of concentration, manipulation and position limits are more critical to silver than to any other market. I think I understand the pressures on the Commission to tread lightly on silver position limits, so as not to disrupt the market. I hope they also remember that manipulation is the most serious market crime possible and that the silver manipulation is very much still a crime in progress. Those facts outweigh any potential market disruption. I am hopeful that the matter will be dealt with in a direct and open manner.

I admit to making a big deal out of this and previous CFTC open hearings. I further think that I have been correct to have done so, considering how far we have come on this issue. The first hearings were the three-day open discussions on energy position limits in the summer of 2009, followed by the January 14<sup>th</sup> and March 25<sup>th</sup> public hearings this year. Each successive meeting has advanced the matter of position limits in physical commodities. The meeting tomorrow should do the same and just might resolve the issue once and for all.

Shortly after Gary Gensler was sworn in as chairman of the CFTC in May 2009, he started talking about market concentration and position limits and began to hold public hearings on these issues. That's when I took to singing his praises, after two decades of criticizing the CFTC at every turn for their negligence about the silver manipulation. I know that most people did not understand my abrupt about face and many let me know of their disagreement with my take on Gensler in no uncertain terms. Then again, most people had not pressed the Commission on the silver manipulation and its sole antidote of legitimate position limits for 20 years, as I had. I understood that people chose to judge Gensler based upon his previous background and not on his current words and actions. To see the new chairman say and do all the right things on the very issues I had championed for 20 years was all I needed to change my mind. That said, the situation is not yet resolved and it would be premature to declare victory. While the jury is still out on whether Gensler will finish the job and see position limits implemented, the evidence to date suggests that he will.

I would be incorrect and ungrateful if I failed to acknowledge the massive outpouring of support from the public in writing to the Commission and other public officials on the matter of position limits and the silver manipulation. Many of you submitted public comments despite disagreement with my take on Gensler. That was particularly gratifying to me. I had written to the Commission on these issues for decades on my own and got nowhere. More than anyone, I know the impact you had on these matters. Along with the new chairman, public participation made all the difference in the world. Thank you.

The one nagging doubt I still have is the pressure now being placed upon the Commission to delay the implementation of position limits. Let's not kid ourselves, this is a last ditch effort by the CME Group and JPMorgan and the other large silver shorts to delay the imposition of position limits, thereby postponing the termination of the silver manipulation. This is a powerful constituency not to be underestimated. They are working overtime and in the shadows to now delay what they failed to prevent in the Dodd-Frank Act, despite tens of millions of dollars in lobbying efforts. These crooks know the stakes well and will fight to obstruct the new law at every turn.

Fortunately, an equally powerful voice has emerged to beat back this criminal element in the form of Commissioner Bart Chilton. In the interest of full disclosure, I have had my previous ups and downs with Chilton since shortly after he first became a commissioner in August 2007. But I have come to conclude that any previous differences I may have had with Commissioner Chilton weren't due to anything in his control, but when he was in a minority on the Commission. If it is correct to judge a man by what he freely says and does, it is only proper to strongly commend Chilton at this time. He has become the public voice and conscience of the Commission on the matter of position limits and concentration and manipulation. At every turn, he has reminded everyone that position limits are now the law and are to be implemented as Congress and the President have mandated. He has openly acknowledged the unusual concentration in silver, a first from anyone at the agency. He has consistently communicated with everyone who writes to him in a civil manner, something I have never witnessed before by such a high public official. Whatever comes of the historic meeting at hand, I am certain that Bart Chilton will represent the people and the law against the special interests. You should be sure to let him know how much his efforts are appreciated. After all, there are not many willing to take on the industry insiders; Chilton is one of the good guys.

One thing I will be looking for at the hearing is any mention of the thousands of public comments previously submitted to the Commission on separate occasions this year asking the Commission to enact a 1500 contract position limit in silver, or the adoption of the 1% of world production formula. Every public comment also asked the Commission to disallow the phony hedge exemptions to position limits by large financial entities. During the previous 7 open hearings on rulemaking for Dodd-Frank (tomorrow is the eighth such meeting), the chairman and all the other commissioners were openly solicitous of public comment on all the issues discussed. They all indicated a sincere desire to hear from the public on a variety of issues to help guide them in their decision making process. This is democracy and open government at its finest.

To my knowledge, there was not one public comment submitted requesting other than a 1400 to 1500 contract position limit in silver or any specific limit in any other commodity, nor any formula other than my 1% of world production proposal. Not one public comment requested that the large financial firms be given continued free rein to dominate our markets. The whole premise behind Dodd-Frank is to set position limits across all physical commodities in a fair and consistent manner. It will be interesting to see if the chairman and the other commissioners acknowledge the consistently large and uniform outpouring of public opinion on this very specific matter. In other words, it is fine to ask for the public's input, but the question becomes what to do with it when the message gets delivered loud and clear.

If you are able, I would strongly recommend that you watch the meeting via webcast. There is no substitute for witnessing such an event directly, so that you can observe what is said and how it is said by the staff and all the commissioners. Of course, I will provide my analysis, but by you watching the event, you can judge for yourself if my take is accurate. Watching this historic meeting will help you prepare for submitting additional public comments, if necessary. The hearing, which will be aired starting around 9:30 am EST tomorrow, can be accessed by going to the CFTC website [www.cftc.gov](http://www.cftc.gov) and clicking on Dec 16 Open Hearing link. Generally the link for the webcast is posted about 30 minutes prior to the start of the meeting. If you can't watch it live, it will probably be available in recorded form within 24 hours. Hopefully, they will discuss position limits at the outset, as it appears first on the agenda, and you won't have to view the entire meeting if position limits are your main concern.

Ted Butler

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**Date Created**

2010/12/15