Relevant:

- *Butler: Silver Shorts Moving to SLV*
- *JP Morgan selling Silver they do not have; Join The "Silver Liberation Army" Assault!*
- *JPMorgan et al Rush to Cover Silver Short Positions: Is a Silver Price Explosion Imminent?*
- *Ted Butler: Massive Improvement in Silver, Gold Futures Structure*
- *Hedge Fund Ratio Spread Trades Continue to Distort the Value of the Mining Shares*

Ted Butler: SLV Naked Short Position Near Record Highs

2011-12-17 — *implode-explode.com*

Here is the latest from Ted Butler on SLV naked short position (via Ed Steer's Gold and Silver Daily for 12/17/11). This is probably a major factor in the recent price damage to precious metals (especially silver).

For those not familiar with this skullduggery, the big "trusts" like SLV and GLD have a sort of "loophole" where the trustee can issue new shares even before they acquire the metal to back them. This is the same as naked "short selling" of the shares -- selling shares you do not even have, and have not even borrowed from someone who does have them! The upshot is, this (by definition) ends up depressing the price, in a situation where the trust going out and buying more metal should be BOOSTING the price. So it is actually a "double-whammy" effect of price suppression.

If the regulators were not absent, they might propose something like a 1-5% limit on the number of shares the trustee can do this for. "Closed-end" trusts, like CEF or the Sprott trusts PHYS and PSLV, do not have this built-in flaw (that's why they trade with a premium--there is a line to "get in", knowing that the metal is, by contract, present in the trust for every single share).

> "Starting this year, the short position in SLV had grown dramatically, from around 13 million shares, to a peak of 37 million shares in the spring. Not only is the percentage of shorted shares of total outstanding shares higher in SLV than in any other hard-metal ETF, it is higher for a very unique reason -- **there is not enough physical silver available to allow for the normal issuance of shares as dictated by the prospectus**. Aside from the harm short sellers are having on SLV shareholders, these short sellers are also manipulating the price of silver. **If they had to go out and buy 25 or 37 million ounces of silver to issue shares as dictated by the prospectus, the price of silver would have soared.** Instead, the SLV short sellers are helping to manipulate the price of the metal itself by defeating the intent of how shares should be issued."
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> "This is not the first time I have raised this issue. Back in the summer of 2008, when silver was near the $20 mark, I wrote how the short position in SLV had grown to 25 to 50 million equivalent silver ounces, which was unprecedented at that time. This was back when Barclays still owned SLV and naked unreported short selling was prevalent. This naked SLV short selling played a big role in the collapse of silver from $20 to under $9 back then, just like the SLV short selling this year has contributed mightily to the collapse in silver from $49 to under $30. Certainly, the percentage decline in prices is strikingly similar between 2008 and this year. It is no coincidence that the price collapsed in 2008 and 2011 when the short selling in SLV was at an extreme."