

195



# CPM Group

Precious Metals and Commodities  
Research, Consulting, Asset Management, and Investment Banking

SECURITIES AND EXCHANGE COMMISSION  
RECEIVED

JAN 31 2006

Amex 2005-072

Rec'd 1/31/06

DIVISION OF MARKET REGULATION

## Silver Inventories Note

30 January 2006

One of the misunderstandings common in the silver market is that there are hundreds of millions of ounces of silver in inventories in London and Zurich. There is not nearly that much. There may be between 75 and 100 million ounces in these bank vaults as of early 2006.

This figure excludes the silver purchased in 1998 and still held by Berkshire Hathaway. These silver inventories are held off the market near London in storage facilities that are not registered nor recognized as market vaulting facilities. The Berkshire Hathaway is estimated to total between 100 and 129 million ounces. Berkshire bought 129.7 million ounces in 1997 and took delivery of it in 1998. It has not made any public comment, but there have been indications in the market that suggest it may have sold around 25 million ounces of this metal in 2004, and a little bit earlier. There is market conjecture that Berkshire Hathaway may have taken advantage of higher prices in January 2006 to sell some additional metal, but this is just market rumor at present.

The misunderstanding about how much silver exists in London and Zurich bank vaults developed in 1995 when a London gold market research company began research on silver. In an attempt to develop its own distinct data series, the research company asked London banks how much silver was on their books. It meant to ask how much silver was in their vaults, but worded the question incorrectly, using the term for metal that is listed as an asset of a given bank regardless of its disposition. The bankers told them roughly what they had on their books, leading the company to conclude that there were enormous amounts of silver in London bank vaults. It is not clear whether this research company ever became aware of its error and the origins of this inaccurate information, but for whatever reason the company has chosen not to correct its data, and has based future estimates on changes from this initial estimate.

Incidentally, people sometimes refer to the silver vault at JPMorgan Chase, which has been designated by Barclays Global Investors as the vaulting facility it will use for the iShares Silver ETF. The JPMorgan Chase vault really is designed to handle gold more than silver. It is far too small to hold the significant amounts of silver that an ETF would represent.

30 Broad Street, 37<sup>th</sup> Floor  
New York, NY 10004 USA  
jchristian@cpmgroup.com

Telephone: (212) 785-8320  
Fax: (212)785-8325  
www.cpmgroup.com