

February 2, 2006

Dear SEC (email to SEC website, comment period ending 02/06 Re: SR-Amex-2005-072 - Barclays' Silver ETF)

I am writing with regard to your approval of Barclays' planned silver ETF. May I refer you to www.silverassociation.org where you can find a petition of almost two thousand names requesting approval of the ETF in order to promote a free market in this commodity and to offer US citizens valuable investment diversity at a time when commodities are appreciating.

May I also represent that you ought most strongly to disregard the recent comments from the cartel known as the Silver Users Association ("SUA").

May I list the principal points made at www.silverassociation.org by petitioners thus far:

1. A silver ETF will provide a valuable tool for investors looking to diversify their assets.
2. Several gold ETFs have recently been approved; the silver ETF is conceptually similar.
3. Free markets, not the interests of nor ill-advised pandering to, cartels should determine the price of silver.
4. The SUA are not campaigning to protect a free market price, they are campaigning to protect distortive silver pricing that has for 15 years made a mockery of free trade by the short selling of more silver than exists. One consequence has been the decimation of global silver mining in order to provide SUA members with inflated profits which they have failed to withhold to provide in event of the apocryphal "seven lean years".
5. Mining jobs and mining-related industries will be rejuvenated by increased interest in silver.
6. The shortage to which the SUA refers is SELF-INDUCED. A stockpile of 2bn ounces has been reduced to 300m ounces since 1990 through unchecked consumption by SUA members at prices too low to stimulate mining supply.
7. Accordingly, an increase in silver prices which will result from the introduction of the ETF is the only way to avoid an eventual true silver crisis, as an ETF would take silver off the market and away from consumption at prices set by short sellers, and would stimulate new mining production before above ground stocks actually run out (possibly only a year or two away at the current rate of depletion).
8. The SUA will be able to redeem ETF shares for physical silver, so their concerns do not speak to the continued availability of physical silver but rather to their unwillingness to accept other buyers into the silver market. AIG have exited the silver market in recent times to avoid charges of direct complicity in the manipulation new buying will expose (by way of a sharply higher price). The SUA cannot exit the market as its members benefit industrially from a low silver price, and instead they are attempting to misdirect fault for the coming price explosion onto new buying. The reason why this is fallacious is because the price manipulation of a commodity to the point of stockpile extinction will eventually result in a far greater supply crisis and price explosion in any event. The ETF

is by far the best way to anticipate, circumvent and/or mitigate the ruinous path laid by price manipulation.

9. The SUA wishes to continue consuming a rare and disappearing commodity at \$7-9. Apart from wilful myopia at slaying the silver goose, their unsustainable attitude to the silver market is proprietary as well as short-termist. Would they lobby for suspending the Constitution and seizing private silver holdings upon concluding their locust-like cannibalising of manipulatively shorted shrinking silver stockpiles? The SUA wishes to suppress the information that above-ground silver is now rarer than above-ground gold.

10. SUA members themselves will be responsible for job losses in their industry once the price of silver starts to rise significantly; for failing to address the unsustainability of consuming a rare commodity in deficit - through failure to locate substitute metals - for operating inadvisable 'just-in-time' inventory systems - through failing to hedge - and through choosing to act rapaciously rather than far-sightedly in the face of suppressive pricing practices.

11. Refer to Theodore Butler's archived commentary (www.butlerresearch.com) for information about the question of the SUA participating in manipulating the silver market, as well as their taking advantage of the fraudulent paper trade of short selling this commodity in greater amounts than exist, and the practice by central banks of leasing (effectively double-selling) physical silver.

12. Significant demand currently exists for silver investment instruments, partly because silver is so ludicrously cheap that bulk storage costs are prohibitive for the individual investor. Silver ETFs will appear in eg Dubai, Amsterdam, London, Toronto; the SEC ought not to act against the interests of the public at large by allying itself with anti-capitalist principles to appease cartel interests.

13. In the long-term, it is quite possible that certain firms and individuals may be indicted for their conduct in manipulating the silver market. The international media is becoming increasingly aware of the facts; and the SEC would be extremely wise to avoid becoming collectively and on the personal level implicated in what ensues. This can be accomplished by processing Barclays' silver ETF fairly and impartially.

14. In the original Reuters article on the SUA's comments, the news agency described the SUA as 'a non-profit organisation'. Let the SEC be in no doubt as for what purpose the SUA exists, whom it serves, and whom, and what, it does not serve, namely US and international investors, the global mining industry, and the principle as well as the practise, of free markets.

15. Denial of an ETF would send a disturbing signal to the broader market about the true state of the silver market. This would in any event cause the price of silver to rise and lead to the development of other avenues towards storing bullion and bullion-backed instruments.

16. The silver price is most likely going up regardless - due to the paper market manipulation it does not yet fully factor in the decimation of stockpiles, the increase in uses for silver in the technological age (more patents are taken out specifying silver than all other metals combined), and oriental demand. The absence of an ETF would mean, among other things, that US investors would have been denied an opportunity to keep up, and that the shortage the SUA talks about would take the form of a genuine absence of supply rather than as a bid-up of retained stock. The former is what the SUA should fear

most, and in their desire to keep prices down is exactly what their idiocy and greed is engineering.

Sirs, it is the absence of free-market pricing that has led the silver market to the state it is in today, and from which the SUA has unconscionably benefited for the last fifteen years. You may enquire of them how exactly they hope to continue to consume silver under \$15-\$50 per ounce when, after two or three more years of little mining and rampant consumption, there is no silver left.

Sirs, the SUA stands against free markets, it stands against the private investor, and it stands against the mining industry. The conduct of the SUA and its short-selling counterparts has distorted the silver market for years and has decimated the silver mining industry.

I urge you in the strongest terms to reject the SUA's recent statements. There is nothing decent, nor logical, nor reasoned, nor sustainable, about their stance. Their stance is dictated only by myopic greed and a flawed short-termist desire to maintain their hegemony in the silver market. Do not be taken in by their thin veil of illusory reason.

Sirs, the SUA is as much un-American as the silver ETF stands for the principles on which the United States was founded - free trade, transparency, innovation, progress, and a level playing field. When silver begins to break out of manipulation there is going to be a great deal of recrimination and investigation along the lines of what we saw with Enron. For the collective and personal benefit of the officials at the SEC, they ought not to wish to incur any complicity whatsoever in the conduct of the SUA and of their market-manipulating counterparts.

I, and many like-minded investors shall be urging the US and international media in equally strong terms to address this issue and to hold to account all entities, corporate AND individual, who whether wilfully or negligently have colluded to maintain an unsustainable and probably illegal market distortion.

Sirs, silver is a precious metal which is now rarer than gold due to modern day consumption patterns and artificial low pricing. Silver has no business being priced where it is. You must properly accept the coming significant price adjustment as representative of a return to free market values promoting the restoration of balance to the silver industry. The SUA will wish to present itself as 'vindicated' when the silver price rises – this letter should disabuse you of any doubt as to the true cause of the supposed dislocation.

Once media scrutiny alights on the story of silver, so-called 'big business' will be unable and unwilling to protect officials and entities whose erroneous or corrupt choices have unwisely implicated them in the cartel's behaviour.

It ought to be appropriate to reconsider the existence of the Silver Users Association and to investigate the conduct of its members. Where is the justification for distinguishing

between a cartel of industrial producers whose purpose is to maintain non-free market high prices, and a cartel of industrial consumers intent on engineering artificially low prices. There are victims in both cases.

In summary, the SUA is a brazen and anti-free market organisation whose *raison d'être* is less illustrious than its undemocratic political connections and slick veneer.

Sirs, I confirm that this email will be circulated to economic correspondents at numerous major international news organisations.

I, and many thousands of others in the private citizenry whose interests you are mandated to serve, look forward to your free and fair approval of Barclays' silver ETF irrespective of the SUA's interference, and to the upholding and protection of free-market values.

Yours respectfully,

A private citizen