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Monday April 19,2010

TO: Secretary of the Commission
Commodity Futures Trading Comission
Thre Lafayette Center
1155 21st Street NW
Washington,DC 20581

FROM: Bruce G.Robinson
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SUBJECT: ETF's GLD & SLV (are they properly backed with real metal?)

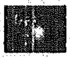
To Whom it may concern,

Enclosed are two articals,that I want to bring to your attention.One is a reminder about our Financial system & it's flaws. The other artical taken from "NUMISMASTER.COM makes strong referance toshort positions on the COMEX that may not be proper. Can you tell me if I am in a risky place with the GLD & SLV shares I own? I would very much appreciat your openion on the subject material. Thanks in advance,

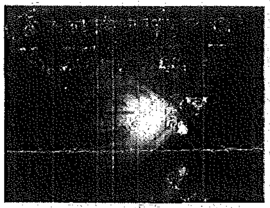
Reguards, Bruce G.Robinson

Bruce G. Robinson

What if Your Gold Isn't Really There?



By Patrick A. Heller
April 06, 2010



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One of the lesser reported comments before the Commodity Futures Trading Commission March 25 hearings about the imposition of possible trading limits for gold and silver could end up having the strongest impact in the future.

At one point during the testimony of individual investor Harvey Organ, analyst Adrian Douglas was allowed to share his expertise on the nature of gold trading by the London Bullion Market Association. The London market is the world's largest exchange for gold. There, all contracts are, in theory, for physical delivery of the commodity.

This is much different than the smaller COMEX market in New York City, where almost all activity is to net purchases and sales to avoid having to take physical delivery. For instance, an investor with a long position will tend to sell the contract before maturity or exchange it for another with a longer term. Those with short positions, likewise, normally buy back their COMEX positions or roll them over into short contracts with maturities further in the future.

However, the theoretical operation of the London market does not match what actually happens. As on the New York COMEX, a high percentage of the trades on the London market are between parties that have no intention of delivering or of taking delivery of the physical goods.

The extent of the paper trading on the London exchange is what Adrian Douglas discussed. From his analysis, Douglas thinks that the ratio of gold in the vaults to cover commitments versus the amount of open contracts is less than 1 to 100. In other words, one ounce of gold is the only inventory available to cover contracts totaling more than 100 ounces of gold.

This news appeared to so shock the CFTC commissioners that they asked another speaker, Jeff Christian, for his opinion on this point. Christian readily agreed with the figure, and then tried to downplay its importance because the market has traded in this fashion for a long time.

The London Bullion Market Association contracts emphasize that those who buy gold contracts through it are not really buying gold. Instead, they are becoming an unsecured creditor of the LBMA. In any kind of run to take delivery on contracts, almost all parties will be out of luck.

The efforts by central banks in the Far East and Middle East to remove physical gold from London to fulfill their long contracts must be wreaking havoc for the LBMA. So, if you think you own gold when you own a gold contract in London for physical delivery of gold upon maturity, you probably don't.

Similarly, those who think they own gold because they own shares of gold or silver exchange traded funds (ETFs) may be in for a huge surprise. GLD, the symbol for the largest gold ETF, uses HSBC as its lead storage company. HSBC is widely considered to have the largest gold short position on the COMEX. It is a possibility, though it would be at least improper if not illegal, that some of the GLD gold holdings may be pledged as collateral against the COMEX short contracts. The prospectus for GLD discloses that shareholders of the ETF are not actually owners of physical metals, but are actually creditors of the fund.

The same problem exists with the largest silver ETF, trading under the symbol SLV. The head custodian is JPMorgan Chase, who holds the world's largest silver short position. Again, it is possible that some of the ETF silver is pledged as collateral to short commodity contracts, with ETF investors left holding only a claim against the assets of the fund.

If you think you own gold by holding a COMEX contract, don't hold your breath. The COMEX has adopted several rule changes over the past year to allow the sellers of contracts to deliver shares of an ETF instead of the physical metal. Of course, the COMEX has long allowed contracts to be settled for cash instead of the commodity.

Maybe you think you own gold because you hold a "certificate" of ownership. The most common of these programs involve gold supposedly stored at the Perth Mint in Australia and at the Royal Canadian Mint in Canada.

While the auditors of the Perth Mint report that there are sufficient inventories on hand to settle all certificates, there was a never-resolved issue raised about two years ago. The Perth Mint is owned by Gold Corporation, which in turned is owned by the government of the state of Western Australia. Gold Corporation also has a 40 percent ownership interest in the AGR Matthey partnership, a major refinery. Simply stated, the AGR Matthey operation defaulted on delivering some gold or silver and appears to have borrowed some metal from the Perth Mint to make good. So, instead of necessarily having all the physical metal in house, the Perth Mint may have a receivable for significant quantities of physical gold and silver from an entity that simply does not have the metal to deliver.

The Royal Canadian Mint had its own controversy over the audit of its 2008 financial statements. The amount of precious metals inventory reflected on the financial statements did not match the lesser amount actually counted as being at the Mint. A difference of more than 17,500 ounces of gold was never fully explained, thought Mint officials think some of it may have been accidentally sold off as low purity slag from the Mint's operations. Although it looks like the Royal Canadian Mint runs a tighter operation than the Perth Mint, COMEX, or LBMA, they don't deserve a clean bill of health either.

Finally, if you think you own gold in storage, check to see if your storage contract is for allocated or unallocated metals. Allocated metals mean that specific inventory is set aside with your name on it. It is your asset and not an asset of the storage company. Unallocated accounts means that your holdings are lumped in with everyone else's of the same description and you don't own any particular coins or ingots. In fact, the inventory is actually owned by the storage company. This means that the "owners" of metal stored there are only creditors of the storage company, rather than owners of physical metals.

The safest ways to know that you own gold (and silver) is to hold the physical metals directly in your own hands, in safe deposit

It has now been well over a year since the near collapse of our entire financial system that cost the nation more than 8 million jobs. To this day, hard-working families struggle to make ends meet.

We've made strides -- businesses are starting to hire, Americans are finding jobs, and neighbors who had given up looking are returning to the job market with new hope. But the flaws in our financial system that led to this crisis remain unresolved.

Wall Street titans still recklessly speculate with borrowed money. Big banks and credit card companies stack the deck to earn millions while far too many middle-class families, who have done everything right, can barely pay their bills or save for a better future.

We cannot delay action any longer. It is time to hold the big banks accountable to the people they serve, establish the strongest consumer protections in our nation's history -- and ensure that taxpayers will never again be forced to bail out big banks because they are "too big to fail."

That is what Wall Street reform will achieve, why I am so committed to making it happen, and why I'm asking for your help today.