

**COMMODITY EXCHANGE, INC.**  
**ANALYSIS OF DELIVERABLE SUPPLY**  
**SILVER FUTURES**  
**August 2018**

In estimating deliverable supply for Silver Futures, the Commodity Exchange, Inc. (“COMEX” or “Exchange”) relied on long-standing precedent, which provides that the key component in estimating deliverable supply is the portion of typical depository stocks that could reasonably be considered to be readily available for delivery. In its guidance on estimating deliverable supply, the Commodity Futures Trading Commission (“CFTC” or “Commission”) states:

In general, the term “deliverable supply” means the quantity of the commodity meeting a derivative contract’s delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract’s delivery points during the specified delivery period, barring abnormal movement in interstate commerce. Typically, deliverable supply reflects the quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract’s delivery points. For a non-financial physical-delivery commodity contract, this estimate might represent product which is in storage at the delivery point(s) specified in the futures contract or can be moved economically into or through such points consistent with the delivery procedures set forth in the contract and which is available for sale on a spot basis within the marketing channels that normally are tributary to the delivery point(s)<sup>1</sup>

**Approved Depositories and Stock Reporting Requirements**

To date, Exchange approved silver depositories are Brinks, Inc., CNT Depository, Inc., Delaware Depository Service Company, HSBC Bank, USA, International Depository Services of Delaware, JP Morgan Chase Bank NA, Malca-Amit USA, LLC, Loomis, International and Scotia Mocatta.

Pursuant to the rules of the Exchange, each depository is required to report to the Exchange the level of Exchange grade inventory on a daily basis. The inventory shall include eligible and registered silver. Eligible silver shall mean all such silver that is acceptable for delivery against the Silver Futures contract (i.e., which meets the specifications and approved brands of the Silver Futures contract) for which a warrant has not been issued. Registered silver shall mean eligible silver for which a warrant has been issued. Specifically, on a daily basis, each depository is required to provide the Exchange (1) the total quantity of registered silver stored at the depository, (2) the total quantity of eligible silver stored at the depository, and (3) the quantity of eligible silver and registered silver received and shipped from the depository.

The silver inventory levels at all Exchange-approved depositories are made publicly available daily on the Exchange website<sup>2</sup>. Further, the rules of the Exchange require an independent inventory audit to be performed annually to provide a comprehensive reconciliation of stocks stored at depositories with records maintained by both the Exchange and the depository<sup>3</sup>.

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<sup>1</sup> [http://www.ecfr.gov/cgi-bin/text-idx?SID=74959c3dbae469e2efe0a42b45b8dfae&mc=true&node=ap17.1.38\\_11201.c&rgn=div9](http://www.ecfr.gov/cgi-bin/text-idx?SID=74959c3dbae469e2efe0a42b45b8dfae&mc=true&node=ap17.1.38_11201.c&rgn=div9)

<sup>2</sup> <http://www.cmegroup.com/market-data/reports/registrar-reports.html>

<sup>3</sup> <http://www.cmegroup.com/rulebook/NYMEX/1/7.pdf>

## Deliverable Supply Analysis

The Exchange determined at this time to base its estimates of deliverable supply of silver on registered stock as well as such silver stock meeting all specifications of the Silver Futures contract stored at Exchange approved depositories. The Exchange recognizes that silver is used as an investment vehicle and as such some silver stock may be held as a long-term investment. While surveys conducted indicated no clear consensus as to how much silver is dedicated to long term investments, the Exchange, in an effort to represent a conservative deliverable supply that may be readily available for delivery, made a determination to discount from its estimate of deliverable supply 50% of its reported eligible silver at this time. The Exchange may, at a later date, decide to estimate those stocks and include them in future deliverable supply estimates.

Table 1 below provides the monthly inventory average of each of registered and eligible silver stored at Exchange-approved depositories for the period beginning August 2015 through July 2018.

Over the most recent three-year period beginning August 2015 through July 2018, the monthly average registered silver was 8,171 futures equivalent contracts. The monthly average eligible silver was 15,599 futures equivalent contracts accounting for a 50% discount. Based on the foregoing, the Exchange estimates monthly deliverable supply at approximately 23,770 futures equivalent contracts. The current spot month position limit of 1,500 contracts represents 6.31% of the estimated monthly deliverable supply.

At this time, the Exchange does not account for silver stock meeting all specifications of the Silver Futures contract that is stored at depositories other than those approved by the Exchange and which can be moved economically into such Exchange-approved depositories consistent with Appendix C of Part 38. The Exchange may, at a later date, decide to estimate those stocks and include them in future deliverable supply estimates.

**Table 1: Monthly Average Stock Levels at Exchange Depositories  
(in Silver Futures equivalent contracts)**

| <b>Month</b>  | <b>Average Eligible Inventory (with 50% haircut)</b> | <b>Average Registered Inventory</b> | <b>Average Total Inventory</b> |
|---------------|--|-------------------------------------|--------------------------------|
| <b>Aug-15</b> | 11,614   | 11,080                              | 22,694                         |
| <b>Sep-15</b> | 11,865   | 9,638                               | 21,503                         |
| <b>Oct-15</b> | 11,954   | 8,645                               | 20,599                         |
| <b>Nov-15</b> | 11,767   | 8,674                               | 20,441                         |
| <b>Dec-15</b> | 11,836   | 8,142                               | 19,978                         |
| <b>Jan-16</b> | 12,329   | 7,078                               | 19,407                         |
| <b>Feb-16</b> | 12,810   | 5,567                               | 18,377                         |
| <b>Mar-16</b> | 12,460   | 5,974                               | 18,434                         |

|               |        |        |        |
|---------------|--------|--------|--------|
| <b>Apr-16</b> | 12,112 | 6,423  | 18,535 |
| <b>May-16</b> | 12,368 | 5,908  | 18,276 |
| <b>Jun-16</b> | 12,795 | 4,673  | 17,467 |
| <b>Jul-16</b> | 12,617 | 5,415  | 18,032 |
| <b>Aug-16</b> | 12,984 | 5,423  | 18,407 |
| <b>Sep-16</b> | 13,834 | 6,068  | 19,901 |
| <b>Oct-16</b> | 14,419 | 5,921  | 20,340 |
| <b>Nov-16</b> | 14,579 | 6,155  | 20,734 |
| <b>Dec-16</b> | 14,601 | 7,069  | 21,670 |
| <b>Jan-17</b> | 15,171 | 5,827  | 20,999 |
| <b>Feb-17</b> | 15,227 | 6,102  | 21,329 |
| <b>Mar-17</b> | 15,166 | 7,456  | 22,622 |
| <b>Apr-17</b> | 16,287 | 6,011  | 22,298 |
| <b>May-17</b> | 16,615 | 6,687  | 23,302 |
| <b>Jun-17</b> | 17,085 | 6,968  | 24,053 |
| <b>Jul-17</b> | 17,507 | 7,687  | 25,194 |
| <b>Aug-17</b> | 17,747 | 7,736  | 25,483 |
| <b>Sep-17</b> | 17,692 | 8,207  | 25,900 |
| <b>Oct-17</b> | 18,115 | 8,138  | 26,253 |
| <b>Nov-17</b> | 18,619 | 9,074  | 27,692 |
| <b>Dec-17</b> | 18,414 | 11,249 | 29,663 |
| <b>Jan-18</b> | 20,097 | 9,066  | 29,163 |
| <b>Feb-18</b> | 20,370 | 9,145  | 29,514 |
| <b>Mar-18</b> | 19,692 | 11,790 | 31,481 |
| <b>Apr-18</b> | 20,134 | 12,250 | 32,384 |
| <b>May-18</b> | 20,002 | 13,692 | 33,694 |
| <b>Jun-18</b> | 20,447 | 13,594 | 34,041 |

|                       |        |        |        |
|-----------------------|--------|--------|--------|
| <b>Jul-18</b>         | 20,229 | 15,639 | 35,867 |
| <b>3 Year Average</b> | 15,599 | 8,171  | 23,770 |

Source: CME Group