

Silver News

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An Interview with Harriet Hunnable, Managing Director of Metals Products at CME Group



Harriet Hunnable

With the increase in trading silver instruments, we have asked Harriet Hunnable, managing director of metals products at CME Group, to explain her job and the role that the CME Group plays in the silver market. CME Group Inc. operates the CME, CBOT, NYMEX and COMEX futures exchanges worldwide. The company also provides products across asset classes including interest rates, equity indexes, foreign exchange, energy, agricultural commodities, metals, real estate and weather. It also owns and operates CME Clearing, a clearing house that provides clearing, settlement, and guarantees services for exchange-traded contracts and over-the-counter derivatives transactions. CME Group is a member of the Silver Institute.

SN: Tell us about your professional background and your current position.

Ms. Hunnable: I started in the silver market in 1989, working as a junior trader at N M Rothschilds & Sons in London. I sourced physical silver, traded forwards, participated in the London fix and eventually ran the bank's options books. Every day I started with the COMEX EFP (Exchange For Physicals) in my back pocket and used COMEX to manage my positions just as every spot trader worth his or her salt does today. I manage CME Group's metals business and our silver business is a core part of that. We have staff in London, New York and Singapore. It is crucial to be in the market place, meeting with industry, with producers and consumers, with traders, and with investors. Much of my job involves thinking about what the next game changer will be.

"... margins are not changed as the result of particular market prices. Moreover, margins are not set to dampen or heighten volatility, but rather to provide the clearing house and clearing member firms with additional layers of financial resources to lessen the impact of price swings."

SN: Explain the CME Group's role.

Ms. Hunnable: COMEX is the biggest international silver futures and options exchange in the world. Our metals contracts are listed on COMEX and NYMEX, both part of CME Group,

the world's leading and most diverse derivatives marketplace. Our silver contract will be 30 years old next year. For decades we have provided liquidity for the U.S. market, the international market and the physical silver market. If you want to put on a silver position or take one off, you know you can do that on COMEX because we have the widest distribution.

SN: The Silver Pit in New York City is still available for traders at COMEX but are most of the trades are conducted electronically? What is the percentage of pit trading vs. electronic? Is there an advantage of one over the other for traders?

Ms. Hunnable: We offer choice. Trades can be executed on CME Globex, our electronic platform, in the trading pit in New York and bi-laterally with deals cleared on CME ClearPort. The Silver Pit is important. While less than 10 percent of Silver futures are transacted on the Floor, about 50% of silver options are traded there.

The Pit and Globex provide the highest level of liquidity to the silver market. These are market places where every buyer can find a seller. Globex operates 23 hours a day and is accessible anywhere in the world. The market depth is second to none. The Pit is open during the U.S. morning and allows for voice trading to come into the market. Some traders prefer to execute rolls and complex trades in the Pit using a broker. Look at options for example. Each venue is dynamic and successful today.

Today, with volatility and price swings resulting from a rally in the USD and uncertainty surrounding the U.S. Presidential election (note: this interview was conducted one day before the election), Silver Options have attracted increased interest. Open Interest in Silver Options (SO) has jumped to 245,769 (as of Nov. 5), and is quickly approaching the SO Open interest record of 259,527, set in May 2011.

Regarding bilateral trades, we are seeing more use of CME ClearPort for bilateral trades in metals. This enables traders to clear trades they have agreed with a known counterparty with CME Group. Over-the-counter trades can be submitted for clearing within our rules. We have just reduced the block thresholds for silver and saw significant volume last week.

SN: Periodically the CME adjusts their silver margin rules. How do these rules work and why may they change?

Ms. Hunnable: Margins are just one of the risk management tools CME Clearing uses to provide security to the market and individual market participants. They are basically "performance bonds," or good-faith financial deposits that guarantee the performance of derivatives contracts.

Margin levels are set to cover 99 percent of the possible price moves for a position in a trading day or multiple trading days. When price moves become more volatile, we typically raise margins to account for the increased risk. When daily price moves become less volatile, margins typically go down because the risk of the position also decreases. For example, the silver market saw 11 margin increases in 2011, while copper market volatility pushed margins down twice during the same period.

Though margin changes may coincide with price increases or decreases, margins are not changed as the result of particular market prices. Moreover, margins are not set to dampen or heighten volatility, but rather to provide the clearing house and clearing member firms with additional layers of financial resources to lessen the impact of price swings.

SN: Has the CME taken a position on the CFTC position limit rules that were recently vacated in court?

Ms. Hunnable: In light of the recent action by the District Court, existing CME Group position limit rules remain in effect and requests for exemptions will be considered subject to those rules.

SN: Please discuss your silver volumes in 2012.

Ms. Hunnable: Silver volumes in 2012 have been good. 2011 was an extraordinary year, and in 2012 I have been pleased to see higher market quality as well as good volumes. This matters to the market. Our volumes during the Asian and European hours are good, and we see further potential for growth there.

Royal Canadian Mint Offers Silver Exchange-Traded Receipts

The Royal Canadian Mint on November 5 closed its initial public offering of 5,000,000 exchange-traded receipts (ETRs) under the Mint's Canadian Silver Reserves Program at a price of C\$20.00 per ETR (or US\$19.98) for gross proceeds of C\$100,000,000. The ETRs began trading on the Toronto Stock Exchange in Canadian dollars and U.S. dollars under the symbols "MNS" and "MNS.U," respectively.

"The goal is to offer investors an exchanged-traded investment vehicle that tracks the price of silver and makes investing directly in physical silver available to institutional and retail investors," Mint officials said in an official announcement.

The IPO was led by TD Securities and National Bank Financials, the same dealers that ran the gold reserves program. After deducting the underwriters' fee and other expenses, net proceeds of C\$96,050,000 were used to purchase 3,097,625.28 ounces of silver bullion on behalf of the initial purchasers of the ETRs at a weighted average spot price of silver of US\$31.07 per ounce, resulting in a per ETR entitlement to silver of 0.619525 ounces. Each ETR also entitles its holder to purchase additional ETRs on September 19, 2013, and on September 18, 2014, based on the spot price of silver on or shortly after each such date.

Mint officials note that each ETR purchaser owns physical silver and not a unit or share of an entity that owns the silver. Redeemers can choose bullion products such as 99.9% pure bars, 99.99% Maple Leaf coins, or for cash based on the future silver price or market price of the ETRs. ETRs will be listed in both Canadian and U.S. dollars and may be traded in either currency.

The silver ETRs will not be offered or sold in the United States and will not be registered under the U.S. Securities Act of 1933.

Silver's Protection Added to Multi-Sheet Carbonless Paper

[Nekoosa Coated Products](#) has produced the first antimicrobial carbonless paper by adding silver ions from [Biomaster](#), according to Nekoosa officials.

The multi-sheet forms are expected to be used by hospitals, doctors' offices and other healthcare facilities to inhibit the spread of germs. Although silver-treated paper has been used for several years by the healthcare community, Nekoosa officials say that the widespread use of multi-sheet forms, especially for patient histories, will add a layer of protection for workers and patients.

"We recognize the need for a product that can complement and add to the growing number of antimicrobially-treated products," said Paul Charapata, President of Nekoosa Coated Products. "This is an exciting new product launch that we feel will make an impact in increasing the demand for products that feature this technology."

Biomaster officials add that the silver ion technology will not affect the paper's properties, such as dry toner/laser compatibility or carbonless image permanence. For a video explaining how carbonless paper works, [go here](#).

SILVADUR Treatment for Textiles Offered by Dow

[Dow Microbial Control](#), a unit of The Dow Chemical Company, has introduced SILVADUR Antimicrobial, a silver-based, proprietary treatment for natural and man-made textiles that is applied in liquid form.

SILVADUR's technology has proved effective in protecting fabrics from odor-causing and other nuisance microorganisms, according to company officials, who added that treated articles are non-sensitizing and non-irritating to humans, and do not release silver particles into the environment.

"Based on Dow's long-time leadership and expertise in microbial technology and the results of our extensive third-party testing, we're confident that SILVADUR technology offers game-changing potential for fabric and textile manufacturers, retailers, brand owners and consumers of sports and fitness apparel, socks, intimate apparel and home textiles," said Karel Williams, Global Strategic Marketing Manager for Dow Microbial Control. "Research demonstrates that consumers are willing to pay more for textile products offering improved freshness, and SILVADUR's numerous benefits help increase the value of textiles, apparel and garments treated with the product."

The products are registered with the U.S. Environmental Protection Agency and their active ingredient is notified and supported under the EU Biocidal Products Registry. In addition, the SILVADUR technology is registered to meet REACH requirements in the European Union.

Silver-Imbedded Pebbles in 'Teabag' Purifies Water

Scientists and engineers continue to produce silver-based, innovative, [portable water purification systems](#) for areas without potable water, and a new entry uses silver nanoparticles embedded in porous pebbles.

Developed at Amity University, Lucknow, India, the product looks like a small teabag but contains silver-imbedded pebbles instead of tea. When placed in water, the purifier provides about 99 percent decontamination of microbes in the water, according to developers V.K. Jain and Suman Nagpal. They say the device remains effective up to around 120-125 uses within a six-month period and can clean nearly 1,000 liters of water.

The device does not use any electricity or other energy source.

Jain and Nagpal say that the purifier can be used for a single glass, in earthen pots or as part of a continuous water cleaning system to supply larger quantities of water.

The *Power of Ideas* program, a joint initiative of several organizations including *The Economic Times* and the government of India has chosen the purifier as one of this year's top innovative ideas among 30,000 entries. The purifier has been patented and the developers are awaiting additional funding.



This water purifier uses silver-imbedded pebbles to produce potable water.

AMITY UNIVERSITY

Luminescence – The Silver of Perú Exhibit Opened in Vancouver

The Patronato Plata del Perú, in collaboration with the Museum of Anthropology at the University of British Columbia and the Art Centre at the University of Toronto with the sponsorship of Pan American Silver Corp., a member of the Silver Institute, are presenting *Luminescence – The Silver of Perú*, an exhibition on silver in ancient and modern Peru, from the early part of the first millennium to today.

The objects on show include pre-Columbian crowns, facial ornaments, statues to modern jewelry and silver art works. Museum of Art director Anthony Shelton noted that when they were considering how to show the silver pieces they were struck by how uniquely light reflects off silver as opposed to gold or other shiny metals and materials. This prompted Shelton and others to think not just of how an art piece looked but how it reflected light. In a video report for [City Lights](#), he noted that observers can “see silver’s luminescent quality, which is a different esthetic category.”

The exhibition, which is being shown until December 16, features more than 140 artifacts from many sources including public and private collections and encompass pre-Columbian, colonial, Republican and contemporary periods in Peru’s history. It will travel to the Toronto Art Centre at the University of Toronto from January 7 until March 9, 2013.



VIVIAN AND JAIME LIEBANA COLLECTION

Silver Dance Crown

Larry Kahaner
Editor

www.silverinstitute.org

Singapore Scraps Tax on Silver Bullion: Hopes to Build Trade in Precious Metals

In an effort to increase precious metals trading within its borders, Singapore has done away with a seven percent tax on investment grades of silver, gold and platinum.

Effective October 1, the tax repeal affects silver of 99.9 percent purity, gold of 99.5 percent purity and platinum of 99 percent purity.



Singapore hopes to attract more precious metals trading by lowering taxes.

Singapore hopes to lure bullion refiners and storage facilities to the country, taking some trade away from London and Zurich, the world’s leading precious metals hubs. In Asia, many precious metals companies set up shop in Hong Kong, which does not impose taxes on bullion, and in Japan, where precious metals’ taxes are low.

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