

**APPENDIX C**  
**COMMODITY EXCHANGE, INC. (“COMEX”)**  
**ANALYSIS OF DELIVERABLE SUPPLY**  
**SILVER FUTURES**

In estimating deliverable supply for the Silver Futures contract, 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.

Appendix C to part 38 of the Commodity Futures Trading Commission’s regulations defines deliverable supply as “the quantity of the commodity meeting the 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.”

**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, Manfra, Tordella & Brookes, 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>1</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>2</sup>.

**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

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<sup>1</sup> <http://www.cmegroup.com/market-data/reports/registrar-reports.html>

<sup>2</sup> <http://www.cmegroup.com/rulebook/NYMEX/1/7.pdf>

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 January 2018 through December 2020.

Over the most recent three-year period beginning January 2018 through December 2020, the monthly average registered silver was 17,935 futures equivalent contracts. The monthly average eligible silver was 21,827 futures equivalent contracts accounting for a 50% discount. Based on the foregoing, the Exchange estimates monthly deliverable supply at approximately 39,762 futures equivalent contracts. The current spot month position limit of 1,500 contracts represents 3.77% 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% reduction)</b>	<b>Average Registered Inventory</b>	<b>Average Total Inventory</b>
<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	35,868
<b>Aug-18</b>	20,603	16,551	37,154
<b>Sep-18</b>	20,665	17,223	37,888
<b>Oct-18</b>	21,267	15,288	36,555
<b>Nov-18</b>	20,969	16,696	37,665
<b>Dec-18</b>	20,935	17,167	38,102
<b>Jan-19</b>	20,946	17,065	38,011
<b>Feb-19</b>	20,846	17,749	38,595
<b>Mar-19</b>	20,747	18,820	39,567
<b>Apr-19</b>	21,520	18,124	39,644
<b>May-19</b>	21,400	18,504	39,904
<b>Jun-19</b>	21,639	17,520	39,159
<b>Jul-19</b>	21,431	18,655	40,085

<b>Aug-19</b>	22,073	18,200	40,273
<b>Sep-19</b>	23,056	16,807	39,863
<b>Oct-19</b>	23,461	16,012	39,474
<b>Nov-19</b>	23,611	15,734	39,345
<b>Dec-19</b>	22,996	17,316	40,312
<b>Jan-20</b>	23,648	16,786	40,434
<b>Feb-20</b>	24,133	16,145	40,278
<b>Mar-20</b>	24,058	16,331	40,390
<b>Apr-20</b>	23,583	16,523	40,106
<b>May-20</b>	22,359	17,898	40,257
<b>Jun-20</b>	22,654	17,993	40,647
<b>Jul-20</b>	19,929	25,700	45,629
<b>Aug-20</b>	20,929	25,900	46,829
<b>Sep-20</b>	22,281	28,089	50,371
<b>Oct-20</b>	24,221	27,754	51,974
<b>Nov-20</b>	24,453	27,967	52,420
<b>Dec-20</b>	24,386	29,965	54,351
<b>3-year average</b>	21,827	17,935	39,762

Source: CME Group

The proposed spot month position limit for the Silver Futures contract is 3,000 contracts, which represents 7.54% of deliverable supply for the most recent 3-year period. This is proposed to be effective with the April 2021 contract month and beyond.