



Silver's Great Divide: 378 Claims, One Real Ounce

When paper lies multiply, real metal wins. Seize the impending breakout before the masses wake up.

The Silver Academy Oct 8

This scene sparked an idea in Silvius's mind -- a scheme to resell the same silver over and over again.

He took his show on the road and traveled on horse 65 miles south to Albuquerque. In the "old town" market square, Silvius put his plan into action.

He owned a single, [gleaming silver coin](#) that caught everyone's eye. Seeing an opportunity, Silvius devised a plan.

He created 400 paper tickets, each claiming to represent his silver coin. He approached his marks individually. "Buy a ticket, and you'll own a share of my precious silver! "

The townspeople, enticed by the low price of the tickets, eagerly bought them. Soon, all 400 tickets were sold, and Silvius's pockets were full of money.

One day, a wise old woman approached Silvius. "May I see the silver coin my ticket represents?" she asked.

Silvius smiled nervously. "Of course, but you see, there are 399 other ticket holders. You'll have to wait your turn."

Global silver markets are approaching a critical inflection point as the disconnect between paper and physical silver reaches extremes not seen before. According to the latest data from the London Bullion Market Association (LBMA), free-floating inventories have plunged to just 135 million ounces — roughly half of the market's

daily trading volume. Analysts now estimate that less than four months of freely available silver remain, a level many consider dangerously low and indicative of tightening physical supply.

At the same time, the paper-to-physical ratio in London's unallocated system is now estimated at 378:1. In simple terms, there are 378 paper promises for every actual ounce of silver that exists in vaults. This means hundreds of investors believe they own silver, but only one of them could ever take delivery. The rest hold nothing more than digital IOUs from banks.

Banks Buying "Machine Silver," Not Metal

Institutional clients who "buy silver" through banks are often purchasing unallocated, paper silver that sits in so-called *metal accounts*. Despite paying for the asset, ownership remains with the bank — which can legally rehypothecate (reuse) the silver for its own balance sheet purposes. In the event of bank distress, those holdings can be classified as the bank's property, not the client's. The system, designed for efficiency and leverage, has quietly transformed silver ownership into a high-risk structure reliant on counterparties rather than metal.

This arrangement allows banks to inflate apparent market liquidity while concealing physical scarcity. The risk comes when even a small percentage of investors demand real delivery. With a leverage ratio of 378 to 1, a surge in redemption requests could force a cascading short squeeze across global silver markets.

The Physical Side: Where the Real Silver Is

Amid the imbalance, investors seeking true metal exposure are turning to fully allocated vehicles such as Sprott Physical Silver Trust (PSLV). Trading at US\$16.35, PSLV holds only allocated bars stored securely at the Royal Canadian Mint — a

government entity and one of the world's leading refineries. The trust currently owns 200.27 million ounces of physical silver, representing US\$9.74 billion in assets under management, and trades near its net asset value (NAV) of US\$16.71, at a 2.2% discount. With a daily volume of 100 million units, PSLV remains one of the most liquid forms of direct physical silver exposure in the world.

In contrast, the much larger iShares Silver Trust (SLV), priced around US\$44.06, has long faced criticism for lending out portions of its physical inventory. Managed by BlackRock, SLV maintains both allocated and unallocated components — meaning some of its supposed “silver” may actually exist only on paper. The fund currently carries a short position of 58.2 million shares, or roughly 10% of total shares outstanding. Many analysts believe this unusual short interest is tied to internal silver lending and hedging operations rather than external investor positioning. Still, such internal leverage introduces systemic risk, particularly if counterparty failures emerge when silver supplies tighten further.

BlackRock itself has previously warned shorts that a time could come when *there would not be enough metal available to cover positions*. That warning appears more relevant than ever.

Silver Equities: A Mixed Proxy

For those seeking exposure beyond bullion, the Global X Silver Miners ETF (SIL) trades at US\$72.31 and holds a basket of companies deriving a substantial portion of revenues from silver production. However, many of these so-called “silver stocks” actually earn most of their income from gold. Major holdings such as Wheaton Precious Metals and Osisko Royalties are not miners but royalty firms — financiers that receive a portion of mine output in return for upfront capital. While SIL provides leveraged exposure to precious metals, it remains an indirect bet on silver prices.

Systemic Tension Mounting

With LBMA vaults nearing depletion, unallocated claims multiplying, and physical ETFs trading at discounts despite surging demand, global silver markets are entering a critical stress phase. The 378:1 ratio encapsulates a dilemma: too many paper promises, not nearly enough metal. History shows that systems built on such leverage eventually resolve in one of two ways — mass default or price detachment.

The question now is whether the next wave of investor demand will test the limits of the world's remaining silver stockpiles — and whether the settlement price of “paper silver” will finally be forced to meet physical reality.