Silver Users Association

Washington Report

Volume 2, Issue 11 **December 22, 2005**

Market Watch: ***Silver Price***

Comex Spot Settlement

Month	*High*	*Low*	*Avg.*
January	6.85	6.43	6.63
February	7.52	6.55	7.07
March	7.60	6.91	7.27
April	7.33	6.90	7.13
May	7.44	6.84	7.05
June	7.53	7.03	7.31
July	7.24	6.83	7.02
August	7.28	6.69	7.01
September	7.50	6.94	7.18
October			
November			
December			
[illegible]	[illegible]	[illegible]	[illegible]

In This Issue:

- Silver Users Association Continues Effort to Educate Public on Impacts of a Silver ETF
- Presidential Coin Series Rolls To Enactment
- Treasury Releases Text pf Correspondent Banking Regulations
- Federal Court Issues Provisional Stay on California Law Imposing Junk Fax Ban
- SEC Seeks Compliance Exemption for Small Firms
- Silver Price in 2005 Continues to Rise According to Silver Institute
- House Passes Lawsuit Abuse Legislation

This Month's Newsletter is Sponsored by:

MITSUI GLOBAL PRECIOUS METALS
Sydney . Hong Kong . London . Tokyo . New York

From everyone at the SUA, we would like to wish you a happy holiday and safe New Year!

Association News:

- **SUA Spring Meeting to be held May 16-17, 2006 in Washington, D.C. at the Army-Navy Club. Call now for information (703) 930-7790.**
- *Press Releases:* Please send us your press releases and/or company announcements, so that we can include them in SUA's monthly newsletter.
- Web Site: Take a look at the web site at: http://www.silverusersassociation.org/directory/index.shtml

Note:

- Please send us any updates to your company profile so that we can update our records and web site.
- If you are interested in sponsoring the newsletter, please e-mail Paul Miller today at pmiller@mwcapitol.com

Silver Users Association Continues Effort to Educate Public on Impacts of a Silver ETF

Since its October meeting the SUA has received numerous calls and e-mails about its efforts to derail Barclay's attempts to establish a silver ETF in 2006. The SUA has reaffirmed its position to interested parties that it continues to be concerned about the prospects of a silver ETF in 2006.

"This issue has not gone away, nor do we expect it to anytime soon.", stated Paul Miller, executive director of the SUA. "As long as there is a chance that the ETF will be established in 2006, our members will continued to be concerned an the SUA will continue to call attention to this issue and its potential impacts on workers and the economy.", Miller added.

The Silver Users Association issued a policy statement earlier this summer opposing the issuance of a silver ETF. SUA opposes the creation of a silver ETF because of the concerns that doing so will require the holding of physical silver in allocated accounts, thus removing large amounts of silver from the market. By doing so, the ETF most likely would cause a shortage of silver in the marketplace. This removal of large quantities of physical silver could have a negative impact on silver-industry specific employment as well as the overall economy, both through job losses and inflation.

The Silver Users Associations supports the buying and selling of silver as an investment. There are already several ways to do so without creating a potentially harmful situation to industry. We don't endorse a silver ETF because of the potential liquidity problems it would create. The SUA urges the SEC to take these issues into consideration before it decides whether or not to issue a silver ETF.

Cons to the ETF on investors:

- Unlike stock based funds, commodity ETF's have storage and handling costs;
- Only institutions and the extremely wealthy can deal directly with the ETF sponsors (others must buy through a broker);
- ETF could potentially trade above or below the value of the underlying portfolios; and
- There are still taxation issues for commodity ETF's.

"This is not about the SUA trying to "manipulate" silver prices as suggested by some, this is about stability in a market that is not liquid enough to handle this type of ETF", claimed Miller. "We continue to be concerned that if a silver ETF is approved by the SEC that it will mean an instability in the silver market, which will cost jobs. For our member companies the key here is keeping jobs in their companies. We believe at this time a silver ETF would translate into lost jobs, which is not good for the company, the employee, the community, the consumer, or overall economy of this country", Miller concluded.

For more information on the SUA's reaffirmed position, log onto its website at www.silverusersassociation.org and click on Public Policy.

Presidential Coin Series Rolls to Enactment

Before it left for the year, the House and Senate passed legislation which commemorates U.S. presidents on a series of $1 coins. The president is set to sign the bill.

H.R. 902 would authorize the U.S. Mint to create a new $1 coin and an investment-grade gold bullion coin as well as redesign the 1 cent coin. CBO estimates that enacting this bill would decrease direct spending by $6 million over the 2006-2015 period. Enacting the bill would not affect revenues. H.R. 902 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

Major Provisions

Beginning in 2007, H.R. 902 would direct the Treasury to create a series of $1 coins commemorating all former U.S. Presidents. The coins would have an image of a former President and the reverse would feature an image of the Statue of Liberty. Under the bill, the Mint could continue to issue Sacagawea dollar coins (Golden Dollar). The Mint would issue four different $1 coins a year in the order of the period of service of each President starting with George Washington. The bill would authorize the Mint to sell $1 proof coins and uncirculated versions. H.R. 902 would not terminate production of the $1 bill and would not affect the circulation of any of the current $1 coins.

In addition, H.R. 902 would direct the U.S. Mint to produce a gold bullion coin honoring the spouses of former Presidents. The new gold bullion coins would be produced in sequence with the $1 Presidential coins. In addition, the bill would authorize the Mint to sell bronze copies of the gold bullion coin.
H.R. 902 also would also authorize the U.S. Mint to make changes to the design of the 1 cent coin. For calendar year 2009, four circulating and one copper penny would be issued to commemorate the bicentennial anniversary of the birth of Abraham Lincoln. Beginning in calendar year 2010 the reverse side of the penny would bear an emblematic image of Lincoln's preservation of the United States as a single united country.

Representative Castle, sponsor of the legislation in the House said he hopes the presidential coin program will generate $4 - $5 billion in added revenue to the Treasury.

Treasury Releases Text pf Correspondent Banking Regulations

Earlier this week the Treasury Department's Financial Crimes Enforcement Network released the full text of final regulations requiring a broad range of financial services providers to guard against money laundering through so-called correspondent accounts.

Release of the rules, which implement Section 312 of the USA Patriot Act, came just a few days after FinCen summarized them on December 16 fact sheet. The rules require U.S. banks, broker-dealers, futures commission merchants, some commodities brokers, and mutual funds, to perform due diligence on correspondent accounts established or maintained to serve foreign financial institutions. The same standards will apply for private bank accounts held for non-U.S. persons.

For new correspondent accounts and new private banking accounts for non-U.S. persons, U.S. institutions will have to comply with the final rules 90 days after they are published in the Federal Register. Publication is expected in early 2006.

Early indications are that silver will not be covered under the Act as a precious metal.

Federal Court Issues Provisional Stay on California Law Imposing Junk Fax Ban

A federal district court in California issued a stay earlier this week of the state's new law banning unsolicited commercial faxes, which was set to go into effect January 1, 2006, and is being challenged by a business association claiming that federal law preempts the state. The ban would prevent companies from sending faxes when a recipient has not previously provided written consent.

The new federal Junk Fax Prevention Act of 2005, signed into law in July, codified an “established business relationship” exemption to the general ban on unsolicited faxes, essentially allowing businesses, political organizations, and trade associations to send advertisements and solicitations to persons and entities with whom they had an existing relationship.

SEC Seeks Compliance Exemption for Small Firms

Businesses with less than $125 million in revenue should be exempt from costly new financial control rules according to an advisory panel to the Securities and Exchange Commission. The recommendation, which awaits a vote shortly from the entire Advisory Committee, comes as trade groups and auditors battle over the time-consuming rules, mandated by the 2002 Sarbanes-Oxley Act to help prevent fraud and accounting mistakes.

The nations four largest accounting firms, striving to counter complaints about the rules’ expense, released a survey reporting that average costs are expected to decline by 42 percent to $4.3 million this year for large companies. The cost to smaller companies will fall 39 percent to $900,000, the study states.

In recent weeks officials at the SEC have expressed concern that audit firms still may be going to far. SEC Chairman Chris Cox has not announced his position on the issue. A majority of the five member SEC would have to approve any relaxing of the control reviews for small companies.

Silver Price in 2005 Continues to Rise According to Silver Institute

The silver price in 2005, with strong underlying fundamentals and ongoing investor interest, continues to move higher.

Today, silver is trading at over $8.00 per ounce, a sharp contrast to 2003, when the silver price averaged $4.87 per ounce, according to the World Silver Survey 2005. Silver, which has the luxury of being both an industrial and an investment metal, is a key ingredient in many industrial applications, and that list is ever growing.

At a November 7 Silver Institute event in New York City, Philip Klapwijk, Executive Chairman of GFMS Ltd., the independent London-based precious metals consultancy, forecast that industrial fabrication would rise 6 percent for 2005. The increase in industrial demand to date in 2005 has primarily been driven by the rise in global GDP and the continued strength of the electronics sector. In addition, GFMS is forecasting a 14-percent increase in jewelry and silverware demand in 2005.

With respect to the silver price, Mr. Klapwijk stated that looking ahead to 2006, he saw more upside than downside from the (November 7) prevailing level of $7.50. Silver investment has experienced a resurgence so far in the 4th quarter of 2005, as new highs continue to be achieved due to stronger base metal and gold prices.

The Silver Institute is a nonprofit international industry association headquartered in Washington, D.C. Established in 1971, the Institute serves as the industry's voice in increasing public understanding of the value and many uses of silver.

House Passes Lawsuit Abuse Legislation

Last month the House passed legislation to curb the filing of frivolous lawsuits. The Lawsuit Abuse Reduction Act (LARA), H.R. 420, aims to curb frivolous lawsuits through two approaches.

First, LARA addresses frivolous lawsuits by: making mandatory rather than discretionary Rule 11 of the Federal Rules of Procedures sanctions against attorneys or parties who file frivolous lawsuits; removing Rule 11's “safe harbor” provision that currently allows parties and their attorneys to avoid sanctions for making frivolous claims by withdrawing them within 21 days after a motion for sanctions has been filed; and allowing monetary sanctions, including attorneys’ fees and court costs, against a represented party.

Second, LARA provides a national solution to end unjustifiable forum shopping and stops litigation tourism. LARA allows a plaintiff to file a personal injury case: where he or she resides at the time of filing; where he or she resided at the time of the alleged injury; the place where circumstances giving rise to the injury occurred; where the defendant’s principal place of business is located; or if the defendant is an individual, where the defendant resides. But LARA precludes plaintiffs’ lawyers from filing cases where their clients have no meaningful connection. At the moment, the Senate does not appear inclined to follow the House's lead and pass the bill.