

## London's Serious Silver Shortage Continues

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The London silver market seized with no silver liquidity at one point on Friday October 10, 2025 indicating the **'free float'** of silver available to market in London is effectively near zero despite large vault holdings of silver there.

London is the world's largest physical silver market. The LBMA claims that the London Silver Market currently trades up to 700 million (M) oz. of silver per day. This translates to billions of oz. of existing ownership claims for silver bars in London's cash/spot silver market where these spot contracts provide for immediate delivery on demand.

London vaults on September 30, 2025 reported holdings of 140M oz. of silver that were not owned by ETFs. However, the October 10 lock-up showed us that liquid holdings in London and available to market were effectively zero. Silver was privately vaulted in London but almost none offered to market. Imagine a single marble rolling around in the bottom of an empty steel drum - this effectively was London's silver market liquidity.

We can see that London is now operating on a 'silver in - silver out' basis. It can only provide silver for London delivery if silver is first delivered to London

## India's Terrible Silver Demand - Not Terrible

India's silver demand has been generally declining over the last year however in September, India imported 33M oz. of silver from various sources before India imposed import restrictions on September 24.

That 33M oz. of Indian silver importation should be touted as the cause of London's silver seizure in a 1.2 billion (B) oz. annual global market tells observers just how short the global market is of available physical silver.

## New York And Shanghai Cannot Save London

In October, New York and Shanghai silver stocks have been drawn down by 46M oz. and 22M oz. respectively. Some of this silver was shipped to London and elsewhere to meet global demand giving London a temporary reprieve.

Again, London has a silver problem measured in the billions of oz. and trades ca. 700M oz. of cash/spot silver claims for immediate ownership of metal bars, deliverable on demand, per day.

## The Heart Of The London Price Setting (Fixing) System

The majority of the world's physical gold and silver transactions, including sales by mines of their metal production, utilize the London Gold Price and Silver Price benchmarks set twice daily that are the global benchmark prices.

Price discovery in London of gold and silver primarily utilizes trading in unallocated cash/spot metal accounts that at times have seen London trading averaging over 250 million (M) oz. of gold per day and over 2.5 billion (B) oz. of silver per day.

This volume of daily London trading which is twice annual gold mine supply and thrice annual silver mine supply of metal is extraordinary - in fact it is extreme.

What allows this extreme volume of cash market trading is the use of 'unallocated' contracts, or unbacked promissory notes, for gold and silver in the cash/spot market which are also held by investors and metal users globally as the equivalent to physical metal as they are supposed to be deliverable on demand.

### Unallocated Accounts

Probably in excess of 90% of all precious metals traded on the interbank/wholesale/OTC market clear over unallocated Loco London accounts. Ultimately, this reflects a debit or credit over an account, and the account holder has a claim on the general pool of metal held by its clearer – rather than a specific bar. Therefore, a credit balance on an account means that the owner of the metal has credit exposure to the institution where the account is held. In this respect, it is analogous to a current/checking account held with a bank for a currency.

The advantage of settling precious metals over unallocated accounts is that it is quick, simple and a specific quantity of metal can be bought (or sold). For example, if an investor wishes to purchase \$1,000,000 worth of gold then this number could simply be divided by the spot price and the relevant amount of metal, calculated to three decimal places, could be credited to the unallocated account on the spot date with the US dollars also being paid on that day.

For investors that are used to transacting in the global foreign exchange market, this type of transaction is very familiar.

### Allocated Accounts

Unlike unallocated accounts, an allocated account is backed by a specific bar of the precious metal. So that the investor would not see a simple credit on their account but instead a weight list of bars, plates or ingots showing the unique bar, plate or ingot number, gross weight, the assay or fineness of each bar, plate and ingot – and in the case of gold, its fine weight.

The London Bullion Market Association (LBMA), a trade association of London traders that oversees gold and silver trading in London, defines unallocated accounts / trading contract as follow:

**16. What is an unallocated metal account?**

An account where specific bars are not set aside and the customer has a general entitlement to the metal. This is the most convenient, cheapest and most commonly used method of holding metal. The holder is an unsecured creditor. A common analogy is having a current or checking account at a bank.

More information is provided in section 8.

**17. What is an allocated metal account?**

An account where specific bars are set aside and the account holder knows the precise bars that they own. The account operator is basically a custodian of the metal. A common analogy is having a safe deposit box.

More information is provided in section 8.

## **Unlimited Physical Cash/Spot Contract Creation**

Trading contracts on unallocated accounts allow for the creation and sale of unlimited claims that, especially in the cash/spot immediate ownership and delivery trade of gold and silver, will lead to predictable failure especially of small and limited metal supply markets such as silver.

The supply of billions of oz. of claims for silver in the London cash/spot physical silver market creates apparent supply of metal where there is little to none resulting in mal-pricing and ultimately over-consumption and under-production of silver for decades as supply and inventories are consumed at artificially low prices.

## **Metal Beats Paper**

What we are seeing now is that the global shortage of silver resulting from decades of price fixing of silver in London (established under oversight of the Bank of England) is causing the London promissory note precious metals cash/spot market to fail.

On Friday October 10, 2025 zero London silver liquidity, price backwardation, and overnight silver lease rate of 200% indicated that the London market was failing. This is no wonder given the billions of oz. of silver cash/spot contract claims for silver ownership with immediate physical delivery rights that have been sold and now stand in London.

## Silver Price Step Change Is Coming

Some London market reporters are claiming that the upending of the London silver market is merely due to logistical difficulties (a variation on the Bank of England's 'gold bars are heavy' delivery delay excuse) and market pricing mismatches are temporarily slowing silver bar delivery in London.

However, there is now a global shortage of physical silver while there are billions of oz. of cash promissory note contracts of immediate ownership and immediate delivery of silver extant in the London market.

And the veil has now been lifted on the London promissory note cash silver market that will induce further holders of these contracts to demand immediate delivery. Meanwhile, there is no cavalry of poorly informed silver bar holders who are going to bring massive amounts of their silver to London to solve London's rapidly growing billion oz. silver market failure.

Silver is a vital monetary, investment, and strategic industrial metal that is essential especially in these times.

The price of silver will rapidly reprice higher to reflect both its value and its rarity and this will result in rapid step-changes higher in the price of this metal until adequate metal becomes available to supply markets undoing decades of damage to the silver market from the London silver price fixing system.

We are in the midst of a global shortage of available physical silver with increasing demand worldwide for this **monetary, investment safe haven, and strategic industrial metal**. India restricted imports of silver on September 24, 2025, the UK's Royal Mint and Australia's Perth Mint have no silver bullion bars in stock. The price of silver is in backwardation with the cash/spot price above futures prices out to 6 months from current.

Major silver refiners cannot commit to silver delivery dates:



In the face of a worsening global shortage of silver, increasing demand for silver, and the world's largest physical silver market in the City of London going sideways, we can look forward to statements from uninformed sources predicting dark days for silver investors.

Best regards,  
David Jensen