



ETFS Physical Silver Shares – Counterparty Risk Explained

About the Structure

ETFS Silver Trust (“the Trust”) is a common law trust formed under New York law. The Trust issues **ETFS Physical Silver Shares** (“the Shares”), which enable investors to gain direct exposure to precious metals without trading derivatives such as futures or taking physical delivery of the underlying commodity. The Trust currently only holds physical silver bullion

Each Share in the Trust represents fractional undivided beneficial interest in the Trust, which in turn holds allocated physical silver bullion bars stored in secure vaults of the Custodian, HSBC Bank USA N.A.. Each physical bar is properly segregated, individually identified and allocated towards the property of the Trust.

The Trust is structured for shares to be created and redeemed according to supply and demand. Shares are listed on NYSE Arca and can be bought and sold intra-day using ordinary brokerage accounts, like any other exchange-listed security. The Shares can be shorted and are eligible for margin accounts*. The shares can be executed as market orders, stop losses or limit orders.

***There are special risks associated with short selling and margin investing. Please ask your financial advisor for more information about these risks.**

Who is the Sponsor?

ETF Securities USA LLC is the Sponsor of the precious metal Trusts. ETF Securities USA LLC is a member of the ETF Securities Group, one of Europe’s leading providers of exchange traded funds (ETFs).

Are the Trust shares fully backed by physical bullion?

Yes, the Trust’s only asset is physical bullion. Each share in the Trust is fully backed by allocated (secure) physical bullion bars stored in the Custodian’s vault. Each physical bar is properly segregated, individually identified and allocated towards the property of the Trust.

The bullion held by Trust is subject to a biannual independent inspection carried out by Inspectorate International. In addition to this, the metal bar list is published daily at www.etfsecurities.com and is updated daily.

What type of bullion is held by the Trusts?

The relevant Trust holds London Bullion Market Association (LBMA) good delivery bars of Silver. The LBMA Good Delivery List is now widely recognized as representing the de facto standard for the quality of silver bars, in large part thanks to the stringent criteria for assaying standards and bar quality that an applicant must satisfy in order to be listed. The assaying capabilities of refiners on the Good Delivery List are periodically checked under the LBMA’s proactive monitoring programme.

Is there any Credit Risk?

Credit risk is minimal, as the Shares represent an interest in physical bullion owned by the Trust.

For the specific risks associated with the ETFS Silver Trust, please see page 3.

Are the Vaults or Bullion Inspected?

Yes. ETF Securities commissions a biannual independent inspection of the bullion held in the Custodians vaults. The inspection is carried out by Inspectorate International (see comment right). Inspectorate International is a global company providing inspection, testing, and analysis of commodities worldwide. There is one inspection that takes place at year end, 31st December, and one inspection that is carried out at the discretion of the Sponsor. All inspection reports are published on www.etfsecurities.com

In addition, a Metal Bar List is published and updated daily on the website, and details all bullion bars held by the Trust. The metal bar list is updated daily.

The two key documents produced for shareholders of the Trusts are as follows:

Independent Vault Inspection report (2x per annum) Bullion bar list, updated daily

In addition to the stringent audit procedures set in place by the Trust and Sponsor, the Custodian also conducts independent inspections as part of their custodial duties.

For more details on Inspectorate International, please refer to their website www.inspectorate.com

What is the role of the Trustee?

The assets of the Trust are safeguarded and administered by Bank of New York as Trustee on behalf of the shareholders and are not part of the assets of Bank of New York.

The Trustee acts as fiduciary for shareholders, approves all withdrawals of bullion held by the Custodian and holds all rights and entitlement under the Trust instrument.

What happens if ETF Securities USA LLC becomes insolvent?

In the event that ETF Securities USA LLC or its affiliates were to become insolvent, the Trustee and an Administrator would take control of the allocated metal in the Trust Accounts which have no effect on the Trust since assets are segregated from the assets of ETF Securities USA LLC or its affiliates.

For further details, please refer to the relevant prospectus available at www.etfsecurities.com

The ETFS Silver Trust is not an investment company registered under the Investment Company Act of 1940 or a commodity pool for purposes of the Commodity Exchange Act. Shares of the Trust are not subject to the same regulatory requirements as mutual funds. This investment is not suitable for all investors.



How do ETFS Physical Silver Shares compare with Silver Bullion?

	ETFS Physical Silver Shares	Silver Bullion
Credit risk	Minimal - allocated metal	Yes, if unallocated metal. Minimal, if allocated
Listed	Yes	No
Storage & insurance	Included in the expense ratio	Storage & Insurance ² costs are additional
Quality	All bars conform with LBMA standards	Quality of non-LBMA bars to be checked
Trade in brokerage account	Yes	No
Margin eligible¹	Yes	No
Stop/Limit order eligible	Yes	No
Simple & cost-efficient	Yes, trades on exchange & for many investors, the shares represent a more cost effective solution to purchasing, storing and insuring physical bullion.	In most cases, direct investment in silver can be more expensive and complex than trading Shares.
Liquid	Yes, Exchange traded & all bars conform with LBMA standards	May be less liquid as non LBMA bars usually less liquid

¹There are special risks associated with margin investing. Please ask your financial advisor for more information about these risks.

²Holding silver bullion directly typically implies additional storage & insurance costs for the investor.

ETFS Physical Silver Shares are listed on the New York Stock Exchange Arca

	Base Currency	Expense Ratio	NYSE Arca Ticker	Bloomberg	Reuters
ETFS Physical Silver Shares	USD	0.30%*	SIVR	SIVR US	SIVR.P

*The Sponsor has agreed to waive a portion of their fees to reduce the expense ratio to 0.30% until July 24, 2010. The expense ratio will increase to 0.45% thereafter. Ordinary brokerage commissions do apply.

For more information

About ETF Securities

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Other sources of information

www.nyse.com

About ETF Securities USA LLC

ETF Securities USA LLC is a member of the ETF Securities Group. ETF Securities is a provider of Exchange Traded Commodities (ETCs) and Exchange Traded Funds (ETFs). ETF Securities is independently owned and is a European market leader in ETCs. The management of ETF Securities created the first physically-backed precious metal product. ETF management also constructed the world's first full ETC platform in 2006, which has listings on various global exchanges.



Important Risks

ALPS Distributors, Inc., is the marketing agent for **ETFS Silver Trust**. The value of the Shares relates directly to the value of the silver held by the Trust and fluctuations in the price of silver could materially adversely affect an investment in the Shares. Several factors may affect the price of silver, including:

- A change in economic conditions, such as a recession, can adversely affect the price of silver. Silver is used in a wide range of industrial applications, and an economic downturn could have a negative impact on its demand and, consequently, its price and the price of the Shares;
- Investors' expectations with respect to the rate of inflation;
- Currency exchange rates;
- Interest rates;
- Investment and trading activities of hedge funds and commodity funds; and
- Global or regional political, economic or financial events and situations. Should there be an increase in the level of hedge activity of silver or producing companies, it could cause a decline in world silver prices, adversely affecting the price of the Shares.

Also, should the speculative community take a negative view towards silver, it could cause a decline in world silver prices, negatively impacting the price of the Shares.

There is a risk that part or all of the Trusts' physical silver could be lost, damaged or stolen.

The Trust has limited operating history.

Commodities and futures generally are volatile and are not suitable for all investors. Trusts focusing on a single commodity generally experience greater volatility.

Please refer to the prospectus for complete information regarding all risks associated with the Trust.

Shares in the Trusts are not FDIC insured and may lose value and have no bank guarantee.

Carefully consider each fund's investment objectives, risk factors, and fees and expenses before investing.

For further discussion of the risks associated with an investment in the funds please read the [prospectus](#). Or visit ETF Securities web site: http://www.etfsecurities.com/us/document/downloads/ETFS_Silver_Trust_Prospectus.pdf

Investment in the trust does not constitute a direct investment in the underlying metal.

ETFS Silver Trust shares are not guaranteed by HSBC or anyone else: ETFS Silver Trust shares are direct, limited recourse obligations of the Trust alone and not obligations of any other person including HSBC Bank USA N.A., any member of the HSBC Group, or its affiliates.

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