

iShares Silver Trust  
Form 10-Q  
August 06, 2009  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

- x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2009.**
  
- .. **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

Commission file number: 001-32863

**iShares<sup>®</sup> Silver Trust**

(Exact name of registrant as specified in its charter)

Edgar Filing: iShares Silver Trust - Form 10-Q

New York  
(State or other jurisdiction of

13-7474456  
(I.R.S. Employer

incorporation or organization)

Identification No.)

c/o Barclays Global Investors International, Inc.

400 Howard Street

San Francisco, California 94105

Attn: BGI's Product Management Team

Intermediary Investor and Exchange-Traded Products Department

(Address of principal executive offices)

(415) 597-2000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

**Table of Contents**

	<b>Page</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements</u>	1
<u>Balance Sheets at June 30, 2009 (Unaudited) and December 31, 2008</u>	1
<u>Income Statements (Unaudited) for the three and six months ended June 30, 2009 and 2008</u>	2
<u>Statements of Changes in Shareholders' Equity (Deficit) for the six months ended June 30, 2009 (Unaudited) and the year ended December 31, 2008</u>	3
<u>Statements of Cash Flows (Unaudited) for the six months ended June 30, 2009 and 2008</u>	4
<u>Notes to the Financial Statements (Unaudited)</u>	5
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	9
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	11
Item 4. <u>Controls and Procedures</u>	11
Item 4T. <u>Controls and Procedures</u>	12
<b><u>PART II OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	12
Item 1A. <u>Risk Factors</u>	12
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	12
Item 3. <u>Defaults Upon Senior Securities</u>	12
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	12
Item 5. <u>Other Information</u>	12
Item 6. <u>Exhibits</u>	13
<b><u>SIGNATURES</u></b>	<b>14</b>

**Table of Contents****Part I Financial Information****Item 1. Financial Statements****iShares® Silver Trust****Balance Sheets**

At June 30, 2009 (Unaudited) and December 31, 2008

(Dollar amounts in \$000 s)	June 30, 2009	December 31, 2008
<b>ASSETS</b>		
<b>Current assets</b>		
Silver bullion inventory (fair value of \$3,910,319 and \$2,356,533, respectively)	\$ 3,739,933	\$ 2,928,317
Market value reserve (Note 2B)		(571,784)
<b>TOTAL ASSETS</b>	<b>\$ 3,739,933</b>	<b>\$ 2,356,533</b>
<b>LIABILITIES, REDEEMABLE CAPITAL SHARES AND SHAREHOLDERS EQUITY (DEFICIT)</b>		
<b>Current liabilities</b>		
Sponsor s fees payable	\$ 1,685	\$ 935
Total liabilities	1,685	935
Commitments and contingent liabilities (Note 5)		
Redeemable capital shares, no par value, unlimited amount authorized (at redemption value) 284,850,000 issued and outstanding at June 30, 2009 and 221,250,000 issued and outstanding at December 31, 2008	3,908,634	2,355,598
Shareholder s equity (deficit)	(170,386)	
<b>TOTAL LIABILITIES, REDEEMABLE CAPITAL SHARES AND SHAREHOLDERS EQUITY (DEFICIT)</b>	<b>\$ 3,739,933</b>	<b>\$ 2,356,533</b>

*See notes to the financial statements.*

**Table of Contents****iShares® Silver Trust****Income Statements (Unaudited)**

For the three and six months ended June 30, 2009 and 2008

(Dollar amounts in \$000 s, except for per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Revenues</b>				
Proceeds from sales of silver to pay expenses	\$ 4,422	\$ 4,162	\$ 7,717	\$ 7,265
Cost of silver sold to pay expenses	(4,323)	(3,302)	(7,896)	(5,538)
Gain (loss) on sales of silver to pay expenses	99	860	(179)	1,727
Gain (loss) on silver distributed for the redemption of shares	(277)	10,879	(611)	18,844
Total gain (loss) on sales and distributions of silver	(178)	11,739	(790)	20,571
Market value recovery (Note 2B)	38,870		571,784	
Total revenues	38,692	11,739	570,994	20,571
<b>Expenses</b>				
Sponsor s fees	(4,659)	(4,063)	(8,467)	(7,717)
Total expenses	(4,659)	(4,063)	(8,467)	(7,717)
<b>NET INCOME</b>	<b>\$ 34,033</b>	<b>\$ 7,676</b>	<b>\$ 562,527</b>	<b>\$ 12,854</b>
Net income per share (Note 2C)	\$ 0.12	\$ 0.04	\$ 2.14	\$ 0.07
Weighted-average shares outstanding (Note 2C)	276,922,527	191,912,088	263,348,343	180,096,154
<i>See notes to the financial statements.</i>				

**Table of Contents**

**iShares® Silver Trust**

**Statements of Changes in Shareholders' Equity (Deficit)**

For the six months ended June 30, 2009 (Unaudited)

and the year ended December 31, 2008

	<b>Six Months Ended June 30, 2009</b>	<b>Year Ended December 31, 2008</b>
<b>(Dollar amounts in \$000 s)</b>		
Shareholders' equity (deficit) beginning of period	\$	\$ (387,329)
Net income (loss)	562,527	(603,345)
Adjustment of redeemable shares to redemption value	(732,913)	990,674
Shareholders' equity (deficit) end of period	\$ (170,386)	\$

*See notes to the financial statements.*

**Table of Contents****iShares® Silver Trust****Statements of Cash Flows (Unaudited)**

For the six months ended June 30, 2009 and 2008

(Dollar amounts in \$000 s)	Six Months Ended June 30,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Proceeds from sales of silver	\$ 7,717	\$ 7,265
Expenses Sponsor's fee paid	(7,717)	(7,265)
Net cash provided by operating activities		
Increase (decrease) in cash		
Cash, beginning of period		
Cash, end of period	\$	\$
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Net income	\$ 562,527	\$ 12,854
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain) loss on silver distributed for the redemption of shares	611	(18,844)
Cost of silver sold to pay expenses	7,896	5,538
Increase in Sponsor's fees payable	750	452
Market value recovery (Note 2B)	(571,784)	
Net cash provided by operating activities	\$	\$
Supplemental disclosure of non-cash information:		
Carrying value of silver received for creation of shares	\$ 964,637	\$ 824,720
Carrying value of silver distributed for redemption of shares, at average cost	\$ (145,125)	\$ (64,649)
<i>See notes to the financial statements.</i>		

---

**Table of Contents**

**NOTES TO THE FINANCIAL STATEMENTS**

As of June 30, 2009 (Unaudited)

**1 Organization**

The iShares® Silver Trust (the Trust) was organized on April 21, 2006 as a New York trust. The trustee is The Bank of New York Mellon (the Trustee) and is responsible for the day to day administration of the Trust. The Trust's sponsor is Barclays Global Investors International, Inc. (the Sponsor), a Delaware corporation. The Trust is governed by the Depositary Trust Agreement (the Trust Agreement) executed at the time of organization of the Trust by the Trustee and the Sponsor.

The objective of the Trust is for the value of its shares to reflect, at any given time, the price of silver owned by the Trust at that time, less the Trust's expenses and liabilities. The Trust is designed to provide a vehicle for investors to own interests in silver bullion.

On June 16, 2009, the Board of Directors of Barclays PLC (Barclays), the ultimate parent company of the Sponsor of the Trust, accepted a binding offer and entered into an agreement to sell its interests in the Sponsor and certain affiliated companies to BlackRock, Inc. (the BlackRock Transaction). The BlackRock Transaction is subject to certain regulatory approvals, as well as other conditions to closing. The previously announced agreement, providing for the sale by Barclays of its interests in the Sponsor and certain affiliated companies to a holding company of CVC Capital Partners Group SICAV-FIS S.A., was terminated in connection with the BlackRock Transaction.

It is not expected that the BlackRock Transaction will materially affect the Trust, its shareholders, or an investment in its shares.

The accompanying unaudited financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and with the instructions for Form 10-Q and the rules and regulations of the U.S. Securities and Exchange Commission (the SEC). In the opinion of management, all material adjustments, consisting only of normal recurring adjustments, considered necessary for a fair statement of the interim period financial statements have been made. Interim period results are not necessarily indicative of results for a full-year period. These financial statements and the notes thereto should be read in conjunction with the Trust's financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2008 as filed with the SEC on February 27, 2009.

**2 Summary of Significant Accounting Policies**

*A. Basis of Accounting*

The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements. The policies are in conformity U.S. GAAP. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and these differences could be material.

*B. Silver Bullion*

JPMorgan Chase Bank N.A., acting through its London Branch (the Custodian), is responsible for safekeeping the silver owned by the Trust.

For financial statement purposes, the silver bullion held by the Trust is valued at the lower of cost or market, using the average cost method. Should the market value of the silver held be lower than its average cost during the interim periods of the same fiscal year, an adjustment of value below cost (market value reserve) is recorded by the Trust. Should the market value of the silver held increase subsequent to the market value reserve being recorded, a market value recovery is recorded by the Trust. Gain or loss on sales of silver bullion is calculated on a trade date basis. Fair value of the silver bullion is based on the price for an ounce of silver set each working day by three market making members of The London Bullion Market Association (The London Fix).



**Table of Contents**

The following table summarizes activity in silver bullion during the three months ended June 30, 2009 (all balances in 000 s):

	Ounces	Average Cost	Fair Value	Realized Gain (Loss)
Beginning balance	266,752.6	\$ 3,497,126	\$ 3,497,126	
Silver contributed	16,054.0	234,365	234,365	
Silver distributed	(1,970.1)	(26,105)	(25,828)	\$ (277)
Silver sold	(325.8)	(4,323)	(4,422)	99
Adjustment for realized loss			(178)	
Adjustment for unrealized gain on silver bullion			209,256	
Market value recovery		38,870		
Ending balance	280,510.7	\$ 3,739,933	\$ 3,910,319	\$ (178)

The following table summarizes activity in silver bullion for the six months ended June 30, 2009 (all balances in 000 s):

	Ounces	Average Cost	Fair Value	Realized Gain (Loss)
Beginning balance	218,399.7	\$ 2,356,533	\$ 2,356,533	
Silver contributed	73,648.0	964,637	964,637	
Silver distributed	(10,942.5)	(145,125)	(144,514)	\$ (611)
Silver sold	(594.5)	(7,896)	(7,717)	(179)
Adjustment for realized loss			(790)	
Adjustment for unrealized gain on silver bullion			742,170	
Market value recovery		571,784		
Ending balance	280,510.7	\$ 3,739,933	\$ 3,910,319	\$ (790)

**C. Redeemable Capital Shares**

Shares of the Trust are classified as redeemable for balance sheet purposes, since they are subject to redemption. Trust shares are issued and redeemed continuously in aggregations of 50,000 shares in exchange for silver bullion rather than cash. Individual investors cannot purchase or redeem shares in direct transactions with the Trust. The Trust only transacts with registered broker-dealers eligible to settle securities transactions through the book-entry facilities of the Depository Trust Company and which have entered into a contractual arrangement with the Trust and the Sponsor governing, among other matters, the creation and redemption processes (such broker-dealers are the Authorized Participants). Holders of shares of the Trust may redeem their shares at any time acting through an Authorized Participant and in the prescribed aggregations of 50,000 shares; *provided*, that redemptions of shares may be suspended during any period while regular trading on NYSE Arca is suspended or restricted, or in which an emergency exists as a result of which delivery, disposal or evaluation of silver is not reasonably practicable.

The per-share amount of silver exchanged for a purchase or redemption is calculated daily by the Trustee, using The London Fix to calculate the silver amount in respect of any liabilities for which covering silver sales have not yet been made, and represents the per-share amount of silver held by the Trust, after giving effect to its liabilities, sales to cover expenses and liabilities and any losses that may have occurred.

When silver is exchanged in settlement of a redemption, it is considered a sale of silver for financial statement purposes.

**Table of Contents**

Due to the expected continuing sales and redemption of capital stock and the three-day period for share settlement the Trust reflects capital shares sold as a receivable, rather than as contra equity. Shares redeemed are reflected as a contra asset on the trade date. Outstanding Trust shares are reflected at redemption value, which is the net asset value per share at the period ended date. Adjustments to redemption value are reflected in shareholders' equity.

Net asset value is computed by deducting all accrued fees, expenses and other liabilities of the Trust, including the Sponsor's fees, from the fair value of the silver bullion held by the Trust.

On July 11, 2008, the Board of Directors of the Sponsor authorized a ten-for-one split of the shares of the Trust for shareholders of record as of the close of business on July 21, 2008, payable after the close of trading on July 23, 2008. All share and per share amounts are restated to reflect the ten-for-one share split.

Activity in redeemable capital shares is as follows (all balances in 000's):

	Three Months Ended June 30, 2009		Six Months Ended June 30, 2009	
	Shares	Amount	Shares	Amount
Beginning balance	270,550	\$ 3,495,678	221,250	\$ 2,355,598
Shares issued	16,300	234,365	74,700	964,637
Shares redeemed	(2,000)	(25,828)	(11,100)	(144,514)
Redemption value adjustment		204,419		732,913
Ending balance	284,850	\$ 3,908,634	284,850	\$ 3,908,634

**D. Federal Income Taxes**

The Trust is treated as a grantor trust for federal income tax purposes and, therefore, no provision for federal income taxes is required. Any interest and gains and losses are deemed passed through to the holders of shares of the Trust.

**E. Current Accounting Developments**

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162* (FAS 168). FAS 168 establishes the *FASB Accounting Standards Codification* as the source of authoritative U.S. GAAP recognized by the FASB to be applied in the preparation of financial statements by nongovernmental entities. This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Trust is currently evaluating the impact that FAS 168 may have on its financial statements.

**3 Expenses**

The Trust pays to the Sponsor a Sponsor's fee that accrues daily at an annualized rate equal to 0.50% of the adjusted daily net asset value of the Trust, paid monthly in arrears. The Sponsor has agreed to assume the following administrative and marketing expenses incurred by the Trust: the Trustee's fee, the Custodian's fee, NYSE Arca listing fees, SEC registration fees, printing and mailing costs, audit fees and expenses, and up to \$100,000 per annum in legal fees and expenses.

## **Table of Contents**

### **4 Related Parties**

The Sponsor and the Trustee are considered to be related parties to the Trust. The Trustee's fee is paid by the Sponsor and is not a separate expense of the Trust.

### **5 Indemnification**

Under the Trust's organizational documents, the Sponsor is indemnified against liabilities or expenses it incurs without negligence, bad faith or willful misconduct on its part. The Trust's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Trust that have not yet occurred.

### **6 Concentration Risk**

Substantially all of the Trust's assets are holdings of silver bullion, which creates a concentration risk associated with fluctuations in the price of silver. Accordingly, a decline in the price of silver will have an adverse effect on the value of the shares of the Trust. Factors that may have the effect of causing a decline in the price of silver include a change in economic conditions (such as a recession), an increase in the hedging activities of silver producers, and changes in the attitude towards silver of speculators, investors and other market participants.

### **7 Review for Subsequent Events**

In connection with the preparation of the financial statements of the Trust as of and for the period ended June 30, 2009, events and transactions subsequent to June 30, 2009 through August 6, 2009, the date the financial statements were issued, have been evaluated by management for possible adjustment and/or disclosure. No subsequent events requiring financial statement disclosure have been identified.

---

**Table of Contents**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*This information should be read in conjunction with the financial statements and notes to the financial statements included in Item 1 of Part I of this Form 10-Q. The discussion and analysis that follows may contain statements that relate to future events or future performance. In some cases, such forward-looking statements can be identified by terminology such as may, should, expect, plan, anticipate, believe, estimate, predict, potential or the negative of these terms or other comparable terminology. Neither the Sponsor, nor any other person assumes responsibility for the accuracy or completeness of forward-looking statements. Neither the Trust nor the Sponsor is under a duty to update any of the forward-looking statements to conform such statements to actual results or to a change in the Sponsor's expectations or predictions.*

*Introduction*

The iShares® Silver Trust (the Trust) is a grantor trust formed under the laws of the State of New York. The Trust does not have any officers, directors, or employees, and is administered by The Bank of New York Mellon (the Trustee) acting as trustee pursuant to the Depositary Trust Agreement (Trust Agreement) between the Trustee and Barclays Global Investors International, Inc., the sponsor of the Trust (the Sponsor). The Trust issues shares representing fractional undivided beneficial interests in its net assets. The assets of the Trust consist primarily of silver bullion held by a custodian as an agent of the Trust and responsible only to the Trustee.

The Trust is a passive investment vehicle, and the objective of the Trust is merely for the value of each share to approximately reflect, at any given time, the price of silver bullion owned by the Trust less the Trust's liabilities (anticipated to be principally for accrued operating expenses) divided by the number of outstanding shares. The Trust does not engage in any activities designed to obtain a profit from, or ameliorate losses caused by, changes in the price of silver.

The Trust issues and redeems shares only in exchange for silver, only in aggregations of 50,000 shares or integral multiples thereof (each a Basket), and only in transactions with registered broker-dealers that have previously entered into an agreement with the Trust governing the terms and conditions of such issuance (such dealers, the Authorized Participants). A list of current Authorized Participants is available from the Sponsor or the Trustee.

On July 11, 2008, the Board of Directors of the Sponsor authorized a ten-for-one split of the shares of the Trust for shareholders of record as of the close of business on July 21, 2008, payable after the close of trading on July 23, 2008. All share and per share amounts are restated to reflect the ten-for-one share split.

Shares of the Trust trade on NYSE Arca under the symbol SLV.

On June 16, 2009, the Board of Directors of Barclays PLC (Barclays), the ultimate parent company of the Sponsor of the Trust, accepted a binding offer and entered into an agreement to sell its interests in the Sponsor and certain affiliated companies to BlackRock, Inc. (the BlackRock Transaction). The BlackRock Transaction is subject to certain regulatory approvals, as well as other conditions to closing. The previously announced agreement, providing for the sale by Barclays of its interests in the Sponsor and certain affiliated companies to a holding company of CVC Capital Partners Group SICAV-FIS S.A., was terminated in connection with the BlackRock Transaction.

It is not expected that the BlackRock Transaction will materially affect the Trust, its shareholders, or an investment in its shares.

*Valuation of Silver; Computation of Net Asset Value.*

On each business day, as soon as practicable after 4:00 p.m. (New York time), the Trustee evaluates the silver held by the Trust and determines the net asset value of the Trust and the net asset value per share. The Trustee values the silver held by the Trust using the announced price for an ounce of silver set each working day by three market making members of The London Bullion Market Association (The London Fix). Having valued the silver held by the Trust, the Trustee then subtracts all accrued fees (other than the fees to be computed by reference to the value of the Trust or its assets), expenses and other liabilities of the Trust from the value of the silver and other assets of the Trust. The result is the adjusted net asset value of the Trust, which is used to compute all fees (including the Sponsor's fee), which are calculated from the value of the Trust's assets. To determine the net asset

## **Table of Contents**

value of the Trust, the Trustee subtracts from the adjusted net asset value of the Trust the amount of accrued fees computed from the value of the Trust's assets. The Trustee also computes the net asset value per share, by dividing the net asset value of the Trust by the number of shares outstanding on the date the computation is made.

### *Liquidity*

The Trust is not aware of any trends, demands, conditions or events that are reasonably likely to result in material changes to its liquidity needs. In exchange for a fee, the Sponsor has agreed to assume most of the expenses incurred by the Trust. As a result, the only ordinary expense of the Trust during the period covered by this report was the Sponsor's fee. The Trust's only source of liquidity is its sales of silver.

### *Critical Accounting Estimates*

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements relies on estimates and assumptions that impact the Trust's financial position and results of operations. These estimates and assumptions affect the Trust's application of accounting policies. Below we describe the valuation of silver bullion, a critical accounting policy that we believe is important to understanding our results of operations and financial position. In addition, please refer to Note 2 to the Financial Statements for further discussion of our accounting policies.

### *Valuation of Silver Bullion*

Silver bullion held by the Trust is recorded at the lower of cost or market. For purposes of this calculation, market values are based on The London Fix. Should the market value of the silver bullion held be lower than its average cost, an adjustment of value below cost (market value reserve) is recorded by the Trust and The London Fix is used as the value for financial statement purposes. Should the market value of the silver held increase subsequent to the market value reserve being recorded, a market value recovery is recorded by the Trust. As indicated above, The London Fix is also used to value silver bullion held for purposes of calculating the net asset value of the Trust, which in turn is used for the calculation of the redemption value of outstanding Trust shares.

There are other indicators of the value of silver bullion that are available that could be different than that chosen by the Trust. The London Fix is used since it is commonly used by the U.S. silver market as an indicator of the value of silver, and is required by the Trust Agreement. The use of an indicator of value of silver bullion other than The London Fix could result in materially different fair value pricing of the silver in the Trust, and as such, could result in different lower of cost or market adjustments or in different redemption value adjustments of the outstanding redeemable capital shares.

### *The Quarter Ended June 30, 2009*

The Trust's net assets grew from \$3,495,678,416 at March 31, 2009 to \$3,908,633,789 at June 30, 2009, an 11.81% increase. The increase in the Trust's net assets resulted primarily from an increase in The London Fix price, which rose 6.33% from \$13.11 at March 31, 2009 to \$13.94 at June 30, 2009 and an increase in outstanding shares, which rose from 270,550,000 shares at March 31, 2009 to 284,850,000 shares at June 30, 2009, a consequence of 16,300,000 shares (326 Baskets) being created and 2,000,000 shares (40 Baskets) being redeemed during the quarter.

---

**Table of Contents**

The 6.19% increase in the Trust's net asset value per outstanding share from \$12.92 at March 31, 2009 to \$13.72 at June 30, 2009 directly relates to an increase in The London Fix price, which rose 6.33%.

The Trust's net asset value per share increased slightly less than the price of silver on a percentage basis due to the Sponsor's fees, which were \$4,659,190 for the quarter, or 0.12% of the Trust's average weighted assets of \$3,741,520,418 during the quarter. The net asset value per share of \$15.73 on June 3, 2009 was the highest during the quarter, compared with a low during the quarter of \$11.80 on April 17, 2009. The net asset value of the Trust is obtained by subtracting the Trust's expenses and liabilities on any day from the value of the silver owned by the Trust on that day; the net asset value per share is obtained by dividing the net asset value of the Trust on a given day by the number of shares outstanding on that date.

Net income for the three months ended June 30, 2009 was \$34,032,625, resulting from a net gain of \$98,595 on the sale of silver to pay expenses and a market value recovery of \$38,870,029, offset by, a net loss of \$276,809 on silver distributed for the redemption of shares and Sponsor's fees of \$4,659,190. Other than the Sponsor's fees the Trust had no expenses during the quarter.

*The Six Months Ended June 30, 2009*

The Trust's net assets grew from \$2,355,597,515 at December 31, 2008 to \$3,908,633,789 at June 30, 2009, a 65.93% increase. The increase in the Trust's net assets resulted primarily from an increase in The London Fix price, which rose 29.19% from \$10.79 at December 31, 2008 to \$13.94 at June 30, 2009 and an increase in outstanding shares, which rose from 221,250,000 shares at December 31, 2008 to 284,850,000 shares at June 30, 2009, a consequence of 74,700,000 shares (1,494 Baskets) being created and 11,100,000 (222 Baskets) shares being redeemed during the period.

The 28.83% increase in the Trust's net asset value per outstanding share from \$10.65 at December 31, 2008 to \$13.72 at June 30, 2009 directly relates to an increase in The London Fix price, which rose 29.19%.

The Trust's net asset value per share increased slightly less than the price of silver on a percentage basis due to the Sponsor's fees, which were \$8,467,011 for the period, or 0.25% of the Trust's average weighted assets of \$3,423,091,989 during the period. The net asset value per share of \$15.73 on June 3, 2009 was the highest during the period, compared with a low during the period of \$10.37 on January 15, 2009. The net asset value of the Trust is obtained by subtracting the Trust's expenses and liabilities on any day from the value of the silver owned by the Trust on that day; the net asset value per share is obtained by dividing the net asset value of the Trust on a given day by the number of shares outstanding on that date.

Net income for the six months ended June 30, 2009 was \$562,526,894, resulting from a market value recovery of \$571,783,902, offset by a net loss of \$178,957 on the sale of silver to pay expenses, a net loss of \$611,040 on silver distributed for the redemption of shares, and Sponsor's fees of \$8,467,011. Other than the Sponsor's fees the Trust had no expenses during the period.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not applicable.

**Item 4. Controls and Procedures**

The duly authorized officers of the Sponsor performing functions equivalent to those a principal executive officer and principal financial officer of the Trust would perform if the Trust had any officers, and with the participation of the Trustee, have evaluated the effectiveness of the Trust's disclosure controls and procedures, and have concluded that the disclosure controls and procedures of the Trust have been effective as of the end of the period covered by this quarterly report.

**Table of Contents**

There were no changes in the Trust's internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

**Item 4T. Controls and Procedures**

Not applicable

**Part II Other Information**

**Item 1. Legal Proceedings**

None.

**Item 1A. Risk Factors**

There have been no material changes to the Risk Factors last reported under Part I, Item 1A of the registrant's Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Securities and Exchange Commission on February 27, 2009.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

- a) None.
- b) Not applicable.
- c) For the quarter ended June 30, 2009, 326 Baskets (16,300,000 shares) have been created, and 40 Baskets (2,000,000 shares) have been redeemed as follows:

Period	Total Number of Shares Redeemed	Average Ounces of Silver Per Share
04/01/09 to 04/30/09		
05/01/09 to 05/31/09	2,000,000	0.9851
06/01/09 to 06/30/09		

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Submission of Matters to a Vote of Security Holders**

None.

**Item 5. Other Information**

None.

**Table of Contents**

**Item 6. Exhibits**

<b>Exhibit No.</b>	<b>Description</b>	
4.1	Depository Trust Agreement	Incorporated by reference to Exhibit 4.1 filed with Registration Statement No. 333-125920 on April 24, 2006
4.2	Standard Terms for Authorized Participant Agreements	Incorporated by reference to Exhibit 4.2 filed with Registration Statement No. 333-156506 on December 30, 2008
10.1	Custodian Agreement	Incorporated by reference to Exhibit 10.1 filed with Registration Statement No. 333-156506 on December 30, 2008
10.2	Sub-license Agreement	Incorporated by reference to Exhibit 10.2 filed with Registration Statement No. 333-156506 on December 30, 2008
10.3	Amendment No. 1 to Custodian Agreement	Incorporated by reference to Exhibit 10.3 filed with Registration Statement No. 333-137621 on September 27, 2006
31.1	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
31.2	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
32.1	Certification by Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
32.2	Certification by Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	



**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned in the capacities\* indicated thereunto duly authorized.

Barclays Global Investors International, Inc.

Sponsor of the iShares® Silver Trust (Registrant)

/s/ Lee T. Kranefuss  
Lee T. Kranefuss

Chief Executive Officer

(Principal executive officer)

Date: August 6, 2009

/s/ Michael A. Latham  
Michael A. Latham

Chief Financial Officer

(Principal financial and accounting officer)

Date: August 6, 2009

\* The Registrant is a trust and the persons are signing in their capacities as officers of Barclays Global Investors International, Inc., the Sponsor of the Registrant.