

Why are we trading

SIDEWAYS?

Parts 1 – 2 – 3

by u/c-digs



PART 1

POSTED APRIL 5, 2021

**Why are we trading sideways?
Why is the borrow rate so low?
When will we moon?**

The Theory of EVERYTHING GME

Why are we trading sideways? Why is the borrow rate so low? When will we moon? The Theory of EVERYTHING GME

HODL

Over the last few weeks, there have been some anomalies which have been bugging all of us.

1. We've been trading sideways for a while now within a narrow range
2. The borrow rate on such a volatile stock is ridiculously low
3. The volume has seemingly dried up
4. Yet it does not appear that shorts have covered
5. SEC seems to be sitting idle on their hands
6. **WE** see the deep ITM calls and FTDs, so DTC and OCC **MUST** also see these since their systems are clearing these trades

I think the answer is actually really simple: **there is no single Long Whale**.

DTC, OCC, and SEC are collectively the Long Whale bending the rules to keep the price stable...for now.

On JAN28, they saw what happened and saw the systemic risk that GME shorts would pose so they allowed RH and Citadel to bend the rules. Otherwise, it would have impacted **all** DTC and OCC members.

In response, DTC issues SR-DTC-2021-004 and OCC issues SR-OCC-2021-003 and SR-OCC-2021-004 which firewall members from defaulting members and allow orderly liquidation of defaulting members.

([If you want more insight into SR-DTC-2021-004, SR-DTC-2021-005, SR-OCC-2021-801, and SR-OCC-2021-004, see my post here](#)).

Why We're Trading Sideways

In astrophysics, there are points in space known as [Lagrange Points](#) which provide orbital stability in multi-body systems.

Contrary to the popular notion that Citadel is using a short ladder to stabilize the price, I believe that DTC and OCC members who are not exposed to GME short positions are working together to stabilize the price within a narrow, neutral range. The reason is not because of "max pain", the reason is to wait for the firewalls (see the link above) to be in place. In other words, all parties are trying to keep GME (and perhaps other shorts) in "monetary Lagrange Points".

Price volatility can easily cause this to launch before DTC and OCC members are ready. They know that retail is largely tapped out (obvious by lack of volume) **unless** sudden volatility draws in more retail buyers that will move the price faster than they can control.

So who is stabilizing the price? The non-defaulting members of DTC and OCC collectively to protect their assets from defaulting members. Shorts are buying the deep ITM calls or dark pools to carry their FTDs. Non-defaulting members are laddering up and down to maintain the price stasis.

I do not believe the shorts on their own have enough capital/tools to stabilize the price like this (as we saw with the chain reaction in JAN and FEB).

APR14 EDIT: [The SEC filing for the Apex merger reveals an interesting lawsuit that confirms some of this \(u/jamiegirl21 \)](#)

Legal Proceedings

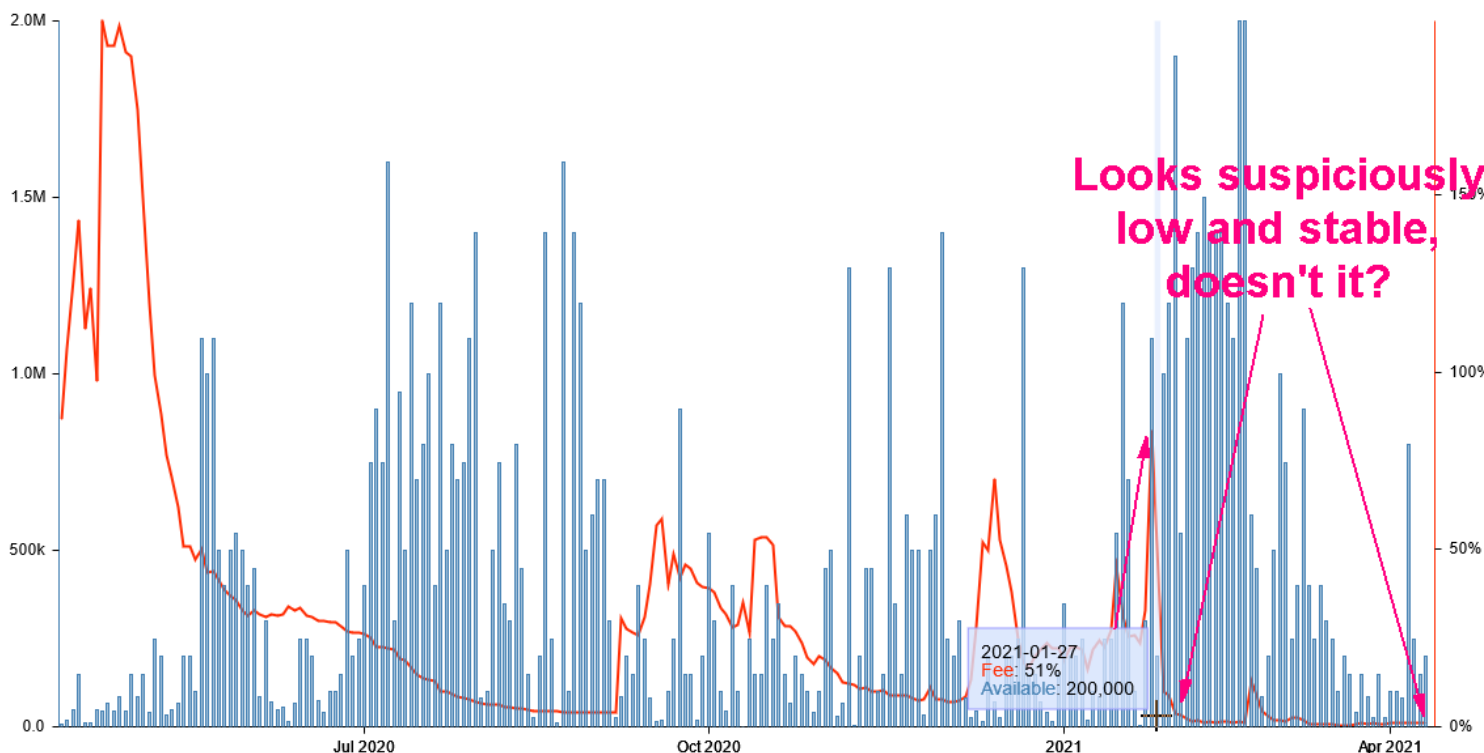
Apex is a defendant in a series of putative class actions arising out of the same alleged conduct captioned as Cheng v. Ally Financial Inc., et al, Case No. 3:21-cv-00781 filed in the United States District Court for the Northern District of California; Clapp and Redfield v. Ally Financial Inc., et al, Case No. 3:21-cv-00896 filed in the United States District Court for the Northern District of California; Dechirico v. Ally Financial, et al, Case No. 1:21-cv-00677 filed in the U.S. District Court for the Eastern District of New York; Ross v Ally Financial Inc., et al, Civil Action No. 4:21-cv-00292 filed in the United States District Court for the Southern District of Texas; and Fox v. Ally Financial, et al, Case No. 0:21-cv-00689 filed in the United States District Court for the District of Minnesota in 2021 (collectively, the “Antitrust Matters”). Plaintiffs allege that Apex, along with over 30 other brokerages, trading firms and/or clearing firms, including Morgan Stanley, E*Trade, Interactive Brokers, Charles Schwab, Robinhood, Barclays, Citadel and DTCC engaged in a coordinated conspiracy in violation of anti-trust laws to prevent retail customers from operating and trading freely in a conspiracy to allow certain of the other defendants, primarily hedge funds, to stop losing money on short sale positions in GameStop, AMC and certain other securities. The matters were brought as class actions alleging violations of federal and state anti-trust laws, unfair competition and dissemination of untrue and misleading statements as well as negligence, breach of fiduciary duty, constructive fraud and breach of implied covenants of good faith and fair dealing. These cases are in the preliminary phases. Although there can be no assurance as to the ultimate disposition of the Antitrust Matters, Apex denies liability to the plaintiffs and the putative class members, believes that it has meritorious defenses against the plaintiffs’ claims, and intends to vigorously defend itself.

In connection with Apex’s pause of allowing customers to establish new positions of AMC, GME and KOSS stock from approximately 10:30 a.m. Central time until approximately 1:55 p.m. Central time on January 28, 2021, the Office of the Attorney General of the States of Texas and New Jersey have requested information and issued civil investigative demands to Apex. Apex is cooperating in these matters.

"Apex, along with over 30 other brokerages...including...Citadel and DTCC engaged in a coordinated conspiracy"

Why Is the Borrow Rate So Low?

The borrow rate is a function of risk for an institutional holder. If you want to borrow 100,000 shares from Interactive Brokers (IB) and they are only showing 125,000 shares to borrow, should the fee be high? Only if IB thinks that they won't be able to locate those borrowed shares to complete transactions. We are now operating with extremely low volume so the risk of not being able to locate a share to fulfill a transaction and having to purchase at a premium on the open market is extremely low right now due to the low volume and volatility. The fee is low because those shares are just sitting there with no one transacting them and no risk of IB not being able to fulfill a transaction.



One has to wonder why Interactive Brokers has been keeping the fee so low since 2021JAN28...Hmmmmm. Almost like everyone had an "OH SHIT" moment.

For reference, here is the volume leading up to the JAN28 compared to the last 3 days:

JAN22	197,000,000	APR06	6,000,000
JAN25	177,000,000	APR07	4,770,000
JAN26	178,000,000	APR08	10,000,000

No volume (no transactions), no risk; shares are just stationary sitting there.

Based on the FEB24-25, MAR10, and MAR25 blips, it seems we need at least 50,000,000 volume to see any significant action.

Why Is There No Volume?

Retail is out of the picture at this point. Retail has already put a lot of their liquid capital into GME. Reddit confirmation bias would have you think that everyone is buying tons of shares. But the reality is that to buy just 10 shares requires \$1600-\$1700 right now and we can plainly see the paltry volume since MAR16. The price stasis and news cycle has suppressed new retail from jumping in. The MSM is not being manipulated by Citadel or GME shorts; they are being manipulated by all of DTC, OCC, and SEC in order to prevent retail from creating volatility.

Why haven't institutions bought like mad? They are largely part of DTC and OCC or their trades are cleared by DTC and OCC members so they have "agreed" (perhaps "decided" is a better word) to hold the current price stasis until DTC and OCC can be protected from the GME short fallout by DTC-004 (already in effect) and OCC-003 and OCC-004. Without SR-DTC-2021-004 and SR-OCC-2021-004/003 in place, shorts reach into everyone else's cookie jar to pay for the default.

OCC-004 also has another important blocker: the recruitment of non-Clearing Members as auction bidders; this process is likely already underway right now. (Rich guys are going to get short HF assets at discount). Keep in mind: BlackRock is *not* an OCC member, but the second proposed change in OCC-004 will allow non-Clearing Members to participate in a member suspension asset auction.

Why Is the SEC Sitting By?

SEC knows what's [going on](#). The SR's themselves are DTC and OCC communicating the architecture of the squeeze in broad daylight.

DTC and OCC clear every transaction on the market. They are smarter than us. If we can figure out what's going on with the deep ITM calls, FTDs, and other shenanigans, the DTC, OCC, and SEC sure as hell know what's going on *because they architected it*.

SEC is allowing DTC and OCC to firewall non-defaulting members from the defaulting GME shorts via DTC-004, OCC-003, and OCC-004.

Everyone has agreed that the GME shorts are going to default.

How Can No One See What GME Shorts Are Doing?

They can. In fact, they are probably working with GME shorts to maintain this price stasis with the tacit understanding that they will be wiped out in a default, but in order to protect the DTC and OCC, they will work together in exchange for perhaps leniency or more likely total lack of punishment and perhaps a legal shield from the DOJ in exchange.

So the Launch Is Still On?

It is all but a given; why else would they react so quickly with DTC-004, OCC-003, and OCC-004 which define the procedure for recovery and wind down and liquidation of a defaulting member?

Wen Moon?

SR-OCC-2021-003 was filed on **2021FEB24** and has a **45 day window** from filing in which it can be put into effect if there is no objection (any time in that 45 day window). However, it can be **extended another 90 days** if the SEC has objections or further comments.

SR-OCC-2021-004 was filed on **2021MAR31** and has a **45 day window** from filing in which it can be put into effect if there is no objection (any time in that 45 day window). However, it can be **extended another 90 days** if the SEC has objections or further comments.

My take is that these are **calendar days** because [the SEC has a very specific definition for business days](#) and would use that term explicitly.

IMPORTANT EDIT 4/6/2021 7 PM: SEC has pushed back OCC-003: <https://www.sec.gov/rules/sro/occ/2021/34-91483.pdf> Pushed to May 31st max. Who bumped it out?

SIG: https://www.reddit.com/r/Superstonk/comments/ml0h7/occ801_advance_notice_of_occ003_pushed_out_to_may/gtnvq56?utm_source=share&utm_medium=web2x&context=3.

Won't Citadel and GME Shorts Keep Kicking the Can?

They won't be able to. Citadel and GME shorts are not stabilizing the price; DTC, OCC, and non-member institutional shareholders are "coordinating" to stabilize the price right now. Once DTC and OCC members are protected, volume explodes, the borrow rates will go up, margin calls will trigger, and the squeeze is on.

Can't DTC and OCC Keep Doing This Forever?

DTC and OCC members likely want to resolve this as much as we do. Everyone knows the GME shorts are going to default. That's why DTC-004, OCC-004, OCC-003 were created. They have already accepted these defaults as a result of the impending scramble to cover, but they are bending the rules at the moment to set up their firewalls.

Background

Rule 1102 enumerates the grounds upon which OCC may suspend one of its Clearing Members.⁴ Following the suspension of any Clearing Member, OCC would take a number of steps designed to reasonably ensure that the Clearing Member's suspension is managed in an orderly fashion. Among the steps that OCC may take to manage a Clearing Member's suspension is liquidating the remaining collateral, open positions and/or exercised/matured contracts (i.e., the remaining portfolio) of the

SR-OCC-2021-004 Page 2: "Following the suspension of any Clearing Member, OCC would...ensure that the Clearing Member's suspension is managed in an orderly fashion."

OCC is proposing to change I&P .02(c) in order to clarify and further facilitate the process of on-boarding Clearing Members and non-Clearing Members as potential bidders in future auctions of a suspended Clearing Member's remaining portfolio. To achieve a successful auction pursuant to Rule 1104 and enable OCC to take timely action to contain any losses and liquidity pressures that may be caused by a Clearing Member's default, it is important for OCC to encourage participation in such auctions. OCC believes that participation by more bidders generally facilitates more competitive bids on a suspended Clearing Member's portfolio. Competitive bids are necessary for OCC to

SR-OCC-2021-004 Page 4: "on-boarding of...non-Clearing Members as potential bidders in future auctions of suspended Clearing Member's remaining portfolio"

Look at that last image right there. Does that not look like a shark feeding frenzy to you? Rich investors are about to get short HF assets at a discount.

What Can Citadel and GME Shorts Do?

They can delay OCC-003 (additional 90 days) and OCC-004 (additional 90 days). Why would they do this? To secure their own assets. I would offer [the Citadel hiring of Heath Tabert](#) as the vehicle by which they will delay; his job is to get the SEC to delay enactment or negotiate the wind down as favorably as possible for Citadel shareholders and leadership.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

OCC-003 45 days from filing (2021FEB24) and another 90 days if further information is requested (page 26)

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds

OCC-004 45 days from filing (2021MAR31) and another 90 days if further information is requested (page 12)

My sense is that it is more likely that GME shorts are collaborating with DTC, OCC, and SEC to avoid punishment. DTC, OCC, and SEC are allowing them to play their FTD game to keep the price stable.

Why Doesn't The SEC Just Make OCC-003 and OCC-004 Effective?

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-91184; File No. SR-OCC-2021-801)

February 23, 2021

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Advance Notice Relating to OCC's Establishment of Persistent Minimum Skin-In-The-Game

Both DTC and OCC are Self Regulatory Organizations which is why the SEC doesn't "punish" them per se

DTC and OCC are **SROs (Self Regulatory Organizations)**. Read those images above carefully. DTC and OCC make their own rules, approve it on their own schedule. They only need to show the SEC and let SEC comment or request further information. SEC does not "approve" the rules; they can only "not object" and let the organizations implement their own rules.

The organizations themselves will make OCC-003 and OCC-004 effective when they are ready. It does not have to be at 45 days or 60 days; they can enact it at any time within that period as long as SEC does not object. Once SEC is on board, they can wait to implement the rule changes when the timing is right.

Why are they not effective yet? I think there is still closed-door negotiations between the members themselves. The short HFs have no more negotiating power after this starts so they need to get everything sorted now. The non-defaulting members are working to recruit and qualify "non-Clearing Members" to bid on the assets during the liquidation:

Second, OCC proposes to revise I&P .02(c) to reflect that non-Clearing Members would no longer need to be invited to become pre-qualified auction bidders by OCC posting notices to its website from time-to-time. Further, the revisions to I&P .02(c) would remove the existing requirements that a non-Clearing Member must actively trade in the asset class in which it proposes to submit bids and must actively trade in markets cleared by OCC. Instead, the revisions to I&P .02(c) would make clear that non-Clearing Members could become pre-qualified auction bidders by (i) having a Clearing Member sponsor to submit bids on behalf of the non-Clearing Member, (ii) having a Clearing Member agree to guarantee and settle any accepted bid made by the non-Clearing Member, and (iii) completing any required auction documentation in advance.

SR-OCC-2021-004 Page 5: This is what is probably happening right now and when this is ready, 003 and 004 will be finalized and approved to start the process.

Fidelity. BlackRock. Other GME longs? They're not OCC clearing members. Guess who's going to be feeding at the table on these discount assets?

Does This Change My Strategy?

No. Buy and hold shares.

What you can take away from this is that we will not see significant price movement up or down for the foreseeable future until OCC-004 and OCC-003 are in place; you are literally fighting against all of Wall Street, even the GME long institutions. There is literally no point buying deep OTM options until there is a whiff of OCC-004 and OCC-003 getting close to implementation. We will keep trading sideways, borrow rate will be inexplicably low, volume will be absent, etc. until DTC and OCC members are protected and they let off the brakes; Citadel and GME shorts are not and have not been in control. DTC, OCC, and all non-defaulting members have been preparing for the default of GME shorts.

Shift your mindset from "*Citadel is shorting the market*" or "*It's a battle between Short HF and Long Whales*!" to "*DTC, OCC, SEC, and the shorts are preparing for the squeeze*"

If you believe that BlackRock is working with RC on this, they have agreed that they are going to wait to announce the CEO change not because they are waiting for Sherman but because they are holding price stasis until they are get access to the shorts' assets.

FAQ (My \$0.02)

Q: Does this mean DTC/OCC/SEC can cap the price?

I do not think that they have a mechanism to cap the price. I think they have a model of the squeeze and have some approximations of the max share price we will hit, but I do not think they have a way to actually control the price once it squeezes.

Section 5.2.4 also includes language that requires DTC management to review the Corridor Indicators and the related metrics at least annually and modify these metrics as necessary in light of observations from simulation of Participant defaults and other analyses. In order to more closely align with the biennial cycle of DTCC's multi-member closeout simulation exercise, the proposed rule change would shift the timing of

SR-DTC-2021-004 page 12: My guess is that they have already simulated the squeeze with a variety of parameters including starting date, price, tranches of buying, etc. Everything is being scheduled and planned according to a model that yields the best outcome that they can reasonably predict.

The current mechanism of price control is really simple:

1. No one buy, no one sell unless absolutely necessary.
2. Keep borrow rates low to sustain downward pressure via shorting.

When we squeeze, they let those two go and there is no way to control it; the upwards pressure is going to be immense. There **will** be fits and starts because of sell limits and paper hands.

Q: Do you believe in \$10m/\$1m/\$100K/share?

It is not out of the realm of possibility that some shares will exchange at astronomical prices, but it will be a mathematical outlier. There's a non-zero chance, but it's a very, very small one. By human nature, many people are going to sell before it hits that level. Remember: Reddit is not the universe of GME holders; this group is the most diamond hand of apes around. But there are a lot of people who bought into GME who are not here on Reddit and even the ones that are on Reddit have their own designs on when the risk is intolerable.

Q: What about that dip yesterday morning?

Coordinated to counter the good news on Q1 preliminary results. We ended up right in our zone.

Q: What about that dip to \$120 ahead of Q4 earnings?

You see a pattern?

Q: Why \$180-\$200?

I don't think this is a fixed position; it can move. Main thing is they are watching options and limits to prevent any significant movement one way or the other; it's not about "max pain", it's about "most neutral". There is some basis in psychology. At \$75, for example, there will be more buying pressure. At \$300, there will be more selling pressure. They may have even "tested" other price points for stability and found this to be a sweet spot...for now. It's not a science; they are also experimenting and observing.

There will be some price movement up/down because it seems like they are still "playing by the rules" and occasionally need to buy/sell shares on the market as part of their operational strategy. Why? **Because they also want to avoid lawsuits**; I believe everything is being carefully done to avoid lawsuits with the slimmest of legality as cover.

Q: Why doesn't GME just do X?

I think SEC and BR are working with GME board to keep this orderly. Everyone is treading lightly right now to prevent this from breaking away into an uncontrollable squeeze. Even DFV has to resort to communicating with cryptic memes and tweets under threat of severe legal ramifications.

I think that any major announcement will be presaged by a dip (earnings report, Q1 results). Some big triggers are going to be held off entirely until 004 and 003 are in place.

Q: This sounds illegal AF! Isn't this collusion to fix prices?

Is it illegal? Or are they just bending the rules? They are fixing the price by...not buying or selling in any significant volume. Is there a rule that they have to set a reasonable borrow rate? TBH, I don't mind. We get our squeeze and market doesn't self-destruct requiring years of stimulus and pain to recover.

All of the activity they are engaging in now has a razor thin veneer of legality to mitigate possible lawsuits in the future. So they can't "break" the rules, they can just look the other way or bend the rules. Thus they still need to buy occasionally on the open market and price will move because at the end of the day, all parties want to avoid a mess in the aftermath.

Q: This is too fantastical; why would they cooperate?

1. **You are Short HF; you know you are done for.** What do you want? Some legal cover from lawsuits, time to hide your assets, some slim chance to survive. Your leverage is that you can put your hands in the cookie jar *right now* if you start covering because you can access OCC member contributions before you are liquidated, but you are going to get your ass sued without any legal cover.
2. **You are a non-defaulting member.** What do you want? Short HF's tendies at a discount and you don't want Short HF to touch your member contributions to shared funds for their mistake. What good is it for non-defaulting DTC and OCC members if GME goes up, but ***Citadel and GME shorts use your funds to pay for the default?*** You also don't want the entire market to crash and your portfolio go into the red.
3. **You are the SEC.** What do you want? This whole event to be over. You also have a directive to avoid system shock and tremendous systemic market risk at this moment so you need this thing to wind down in a somewhat controlled manner without breaking rules resulting in lawsuits.

Q: Aren't you assuming way too much coordination and collaboration? No way they work together.

Their legal and regulatory teams are already working together, coordinating, and collaborating on a regular basis. Look at the member list of DTC and OCC:

- DTC: <https://www.dtcc.com/-/media/Files/Downloads/client-center/DTC/alpha.pdf>
- OCC: <https://www.theocc.com/Company-Information/Member-Directory>

Citadel, Robinhood, Interactive Brokers, Vanguard, JPM, Goldman Sachs, et al. Their teams are already coordinating on the regulatory changes and already in contact with the SEC. It's not like they need secret meetings to do all this; they already have an official mechanism for it in the context of their normal day-to-day business.

What about non-members like BlackRock, Fidelity, and other brokers? End of the day, they are all part of the same ecosystem since they rely on DTC and OCC for clearing of their trades; they are all in constant communication.

Q: How would this even be possible?

To be honest, I have no idea of the specifics of the mechanism, but I can take a wild ass guess. Since all securities and options trades are cleared by DTC and OCC, they can simply use existing tools to restrict or perhaps deter the inflow of orders. [The DTC fee schedule may have an answer](#). The recent focus on "dark pools" may also provide an answer. Large institutional holders can lend their shares for shorting and can set their own fees on short borrow rate; perhaps the low rate is also a function of the low volume because the low volume means the shares are just sitting there, not being transacted. But the gist of it is that they don't have to break rules to do this; they have to creatively use existing tools to restrict volume. If Citadel can get RH to disable the "Buy" button, then clearing members definitely have tools to restrict order flow by perhaps simply increasing cost of certain types or sizes of orders and transactions.

Q: What about X as a catalyst?

They may time the finalization of OCC-004 and OCC-003 with a catalyst, but a catalyst is no longer necessary. You have to realize: they are basically holding the price down by 1) not buying, 2) not selling, 3) suppressing interest rates. Once they stop doing these, the squeeze will immediately start without any additional catalyst necessary because the price is being held stable right now artificially.

The true catalyst is not going to be seen by the public; it will be when they have bidders lined up for the asset auction and everyone has crossed their "t's" and dotted their "i's".

Q: What about NSCC-801?

I think that the GME short situation has been very fluid and volatile. I think that *at one point*, they may have wanted to try to force the squeeze via margin call or increased liquidity thresholds to get it over with. When it was in the \$20's or \$40's or when they thought that the shorts were just a wee-bit short, they may have thought that having the tools to margin call the shorts would end this thing.

Once they observed how bad the situation was, the whole game plan changed to focus on mitigating fallout. Changes like NSCC-801 that could trigger the squeeze may be counter productive without getting the firewalls in place first for the fallout. It's like trying to pop a zit then realizing its actually advanced melanoma. Once you realize it's melanoma, you need to treat that very differently than if it was just a big zit.

Q: Why doesn't some rich foreigner just buy millions?

They go through brokers. Also, the rich foreigners will work with the non-defaulting members to buy defaulting member assets at a discount at auction. See my screenshot above from SR-OCC-2021-004 page 5.

Q: So...we getting paid, right?

Yes. **Without a doubt, the squeeze is being "scheduled"**. But there is ONE nagging issue in the back of my head and it is tucked into SR-DTC-2021-004 page 9. They changed this:

As the owner of the securities, DTC has an obligation to its Participants to distribute principal, interest, dividend payments and other distributions received for those securities. No alternative provider is available.

To:

As the owner of the securities on the issuer's books and records, DTC has an obligation to its Participants to distribute principal, interest, dividend payments and other distributions received for those securities. No alternative provider is available.

The interesting questions are 1) what are the securities which are **not** "on the issuer's books and records", 2) who is holding those securities?, 3) what happens to those shareholders? Are these the counterfeit shares? The naked shorts? Is this an escape hatch for the shorts? Or a hammer that inflicts more pain on the shorts?

If You Made It This Far...

[Follow along as we recap and dive one layer deeper into SR-OCC-2021-004](#) and decipher [one of DFV's cryptic, recent tweets](#).

The recent post by [u/yosaso](#) also examines the dynamics of the sides that are seemingly at play here: [There is a WAR to control the DTCC and GME is the BATTLEGROUND](#); really good research into the players and motivations of the players involved.



PART 2

POSTED APRIL 19, 2021

Why We're STILL Trading Sideways and Why We Haven't Launched

Why We're STILL Trading Sideways and Why We Haven't Launched

DD

EDIT May 12, 2021: [SR-OCC-2021-004 Is Scheduled to Finalize This Week](#) Also, I have been banned from Superstonk...

EDIT May 18, 2021: I have been unbanned; thanks for all the folks who reached out and thanks to the mods!

We've made it through an exciting weekend of suspense only to end up with yet another day of sideways trading. I'd like to examine why I think we have not yet launched based on the bits and pieces that we know.

In this post, I'll be rehashing some of my earlier posts for folks who haven't read them and also examining my earlier thoughts in the context of the information we've come across over the last two weeks.

One of my favorite topics in science is black holes. [Black holes had been theorized to exist soon after Einstein's theory of General Relativity. Until 2019, the existence of black holes was known, but never actually seen.](#) So how did we know where to look? Even though we can't actually see the black hole and even though it may be millions of light years away, we can observe how bodies of mass interact with it, how it affects the space around it, the energy that is dissipated from the black hole, and other signatures of its existence.

The GME MOASS is like a black hole in more ways than one. We can only speculate on what is happening based on how the different entities in this system are interacting. Let's revisit my earlier post with some new data points.

Who Are the Entities Circling this Black Hole?

On APR13, [u/jamiegirl21](#) posted [this S-4 filing](#) for [a merger with Apex Clearing](#).

Check out page 84:

Legal Proceedings

Apex is a defendant in a series of putative class actions arising out of the same alleged conduct captioned as Cheng v. Ally Financial Inc., et al, Case No. 3:21-cv-00781 filed in the United States District Court for the Northern District of California; Clapp and Redfield v. Ally Financial Inc., et al, Case No. 3:21-cv-00896 filed in the United States District Court for the Northern District of California; Dechirico v. Ally Financial, et al, Case No. 1:21-cv-00677 filed in the U.S. District Court for the Eastern District of New York; Ross v. Ally Financial Inc., et al, Civil Action No. 4:21-cv-00292 filed in the United States District Court for the Southern District of Texas; and Fox v. Ally Financial, et al, Case No. 0:21-cv-00689 filed in the United States District Court for the District of Minnesota in 2021 (collectively, the "Antitrust Matters"). Plaintiffs allege that Apex, along with over 30 other brokerages, trading firms and/or clearing firms, including Morgan Stanley, E*Trade, Interactive Brokers, Charles Schwab, Robinhood, Barclays, Citadel and DTCC engaged in a coordinated conspiracy in violation of anti-trust laws to prevent retail customers from operating and trading freely in a conspiracy to allow certain of the other defendants, primarily hedge funds, to stop losing money on short sale positions in GameStop, AMC and certain other securities. The matters were brought as class actions alleging violations of federal and state anti-trust laws, unfair competition and dissemination of untrue and misleading statements as well as negligence, breach of fiduciary duty, constructive fraud and breach of implied covenants of good faith and fair dealing. These cases are in the preliminary phases. Although there can be no assurance as to the ultimate disposition of the Antitrust Matters, Apex denies liability to the plaintiffs and the putative class members, believes that it has meritorious defenses against the plaintiffs' claims, and intends to vigorously defend itself.

In connection with Apex's pause of allowing customers to establish new positions of AMC, GME and KOSS stock from approximately 10:30 a.m. Central time until approximately 1:55 p.m. Central time on January 28, 2021, the Office of the Attorney General of the States of Texas and New Jersey have requested information and issued civil investigative demands to Apex. Apex is cooperating in these matters.

"Apex, along with over 30 other brokerages...including...Citadel and DTCC engaged in a coordinated conspiracy..."

While this is *alleged* at the moment, what is clear is that some law firm(s) believes that there is a case against multiple entities -- including the DTCC -- for conspiring to shut down the JAN28 squeeze.

Set aside the idea that Citadel or the GME shorts alone can suppress the price of GME; if that were the case, we would

not have even had the JAN and FEB spikes in the first place since Citadel and the shorts alone could have stopped it.

As I have mentioned in my previous posts, rather than thinking of the situation as "*Citadel is shorting the market*" or "*It's a battle between Short HF and Long Whales!*" to "*DTC, OCC, SEC, **and** the shorts are preparing for the squeeze*".

Literally every major entity in global banking is entangled in this through the DTCC. Even the non-DTCC members are entangled as they use DTCC members for clearing their trades.

- DTC: <https://www.dtcc.com/-/media/Files/Downloads/client-center/DTC/alpha.pdf>
- OCC: <https://www.theocc.com/Company-Information/Member-Directory>

Just a cross section:

<i>Member</i>	<i>DTC</i>	<i>OCC</i>
Apex Clearing	X	X
Barclays	X	X
Bank of America	X	X
Charles Schwab	X	X
Citadel Clearing	X	X
Citadel Securities	X	X
Credit Suisse Securities	X	X
Deutsche Bank	X	X
Goldman Sachs	X	X
Interactive Brokers	X	X
JP Morgan	X	X
Merrill Lynch	X	X
Robinhood Securities	X	X
TD Ameritrade	X	X
UBS Securities	X	X
Vanguard	X	X

How Are They Preparing?

The fallout from this squeeze is that there are multiple DTCC members who are going to fail and default (we'll see some possible evidence of this in a moment). When this happens, the DTCC or corresponding subsidiary (hereafter just referred to as DTCC) will step in to manage the default through Recovery and Wind Down Procedures which are documented in their member agreements.

During the squeeze, the DTCC will intervene and provide immediate liquidity when a member defaults. In turn, DTCC will use the assets of the defaulting members as collateral for that liquidity (which itself may originate outside of DTCC).

Those assets from the defaulting member will then be auctioned off to recover those loans.

OCC is proposing to change I&P .02(c) in order to clarify and further facilitate the process of on-boarding Clearing Members and non-Clearing Members as potential bidders in future auctions of a suspended Clearing Member's remaining portfolio. To achieve a successful auction pursuant to Rule 1104 and enable OCC to take timely action to contain any losses and liquidity pressures that may be caused by a Clearing Member's default, it is important for OCC to encourage participation in such auctions. OCC believes that participation by more bidders generally facilitates more competitive bids on a suspended Clearing Member's portfolio. Competitive bids are necessary for OCC to sell the portfolio at a market price that minimizes the loss to OCC and its Clearing Members, and enable OCC to successfully complete an auction in a timely manner and thereby manage a Clearing Member default in a timely manner. Therefore, OCC

SR-OCC-2021-004 page 4: "OCC is proposing...to clarify and further facilitate the process of on-boarding Clearing Members and non-Clearing Members as potential bidders in future auctions of a suspended Clearing Member's remaining portfolio"

Currently, Section 5.1 (Introduction) identifies the financial resources available to DTC, pursuant to the Rules, to address losses arising out of the default of a DTC Participant. One paragraph contains a statement that such losses would be satisfied first by applying a Corporate Contribution and then, if necessary, by allocating remaining losses to non-defaulting Participants, in accordance with Rule 4.¹⁷ The proposed rule change would add a sentence to the end of this paragraph that would provide that, in addition to the tools described in Rule 4 (which are to be applied when, and in the order, specified in that Rule), DTC may, in extreme circumstances, borrow net credits from Participants secured by collateral of the defaulting Participant.¹⁸ DTC believes this additional language is necessary to more clearly set forth the full range of actions and tools DTC may employ in response to such conditions.

SR-DTC-2021-004 page 11: "...to address losses arising out of the default of a DTC Participant...[t]he proposed rule change would add a sentence...DTC may, in extreme circumstances, borrow net credits from Participants secured by collateral of the defaulting Participant"

If you are interested in diving deeper into this, [check out my earlier post on the topic](#).

But let's talk about **why** this is interesting.

There are generally three views on what is about to happen:

1. The entire system and the banks are going to go belly up because of the scenario described in the [Everything Short DD](#) so these additional billions are to buffer them from collapse
2. The banks are reacting to increased liquidity requirements stemming from last year and the expiration of SLR
3. A few entities are probably going to collapse due to overexposed positions and other entities are moving into position to profit from that collapse

My sense is that #1 is a bit too extreme. Having gone through 2001 and 2008, I have learned one lesson: the rich will not allow themselves and this system that props them up to fail because they are dependent on this system to support their bottom lines and lifestyles. **What alternative do they have?** The Yuan? The Euro? The GBP? The Yen? The Ruble? Crypto? What are you going to do with that Doge or Bitcoin if you can't convert it to an actual currency? How are you going to buy your lattes from Starbucks with Doge? There is no alternative.

That said, we are at a nexus of multiple blows potentially impacting these financial institutions and GME is just one possible primer that sets off the chain reaction.

I think it is most likely a combination of #2 and #3. What if:

1. You are a non-defaulting member
2. And You **know** that there are going to be member defaults
3. And you **know** that that there will be an auction for their assets at a market discount

How would **you** prepare for this? Perhaps you'd want to have cash on hand to meet liquidity requirements and emerge from any collapse flush with assets? How might you go about this?

- [What if you're Goldman Sachs? Wouldn't it be nice to have an extra \\$10.6B cash on hand?](#)
- [What if you're JP Morgan? How does \\$13B of cash sound?](#)
- [What if you're Bank of America? Why not add \\$15B to your warchest?](#)
- [What if you're Morgan Stanley? How about loading up on \\$5B?](#)

Then there's [the curious case of the increased short volume of BlackRock's IXG ETF which is a basket of finance and banking stocks](#).

What is important is to understand the difference between **short interest** and **short volume**. [Squeezemetrics' white paper does a great job of explaining this](#):

This means that whenever a market-maker fills an investor's buy order, the MM is facilitating the trade by shorting shares. Thus, short volume is actually representative of investor buying volume, and non-short volume is representative of investor selling volume. It's no coincidence that short volume is predictably *half* of total volume—short sales represent the buying half of the market, and long (non-short) sales represent the selling half.

"Thus short volume is actually representative of investor buying volume"

The purpose of a Market Maker is to provide liquidity. Say you want to buy a bunch of IXG. Rather than waiting precisely for a seller of the same exact block size to enter a sell order that mirrors your buy order, they create the short (an "IOU") and hand you the shares and then close the IOU when they can round up the shares.

Thus this increase in short volume indicates demand for IXG which the Market Maker is fulfilling using a short which they will balance by buying shares.

[u/choompop](#) highlights something interesting about IXG:

Berkshire Hathaway, **JPMorgan Chase & Co**, **Bank of America**, AIA Group, Wells Fargo, Citigroup HSBC Holdings, Royal Bank of Canada, **Morgan Stanley**, Commonwealth Bank of America

Twist: **The 2nd largest institutional owner of JPMorgan is Black Rock Inc. with 192 million shares. The 3rd largest institutional owner of Bank of America is Black Rock Inc. with 509 million shares.**

You might be thinking of the DD highlighting that Warren Buffett dumped many bank stocks over the last year, but keep in mind that he also notoriously dumped airline stocks near their lows at the outset of the pandemic.

How Do They Know There Will Be a Default and Who Will Default?

How can we know which of those two scenarios above is more likely? No one can say with certainty what will happen except for a few very privileged insiders. Everything I've hypothesized can get blown away tomorrow. But we can consider some of the evidence that we *can* observe and see where it leads us.

Tucked into SR-DTC-2021-004 is an interesting bit of text on page 12:

Section 5.2.4 also includes language that requires DTC management to review the Corridor Indicators and the related metrics at least annually and modify these metrics as necessary in light of observations from simulation of Participant defaults and other analyses. In order to more closely align with the biennial cycle of DTCC's multi-member closeout simulation exercise, the proposed rule change would shift the timing of

They have an existing model that they can use to simulate market conditions and it is possible that they have already simulated the squeeze and the aftermath. My assumption is that they also have some idea of the probabilities of which of their member entities are going to fail, when they will fail, how they will fail, and how much liquidity they need to contain these defaults.

This proposed change would "*shift the timing of management's review of the Corridor Indicators and related metrics from annually to biennially*". What are these Corridor Indicators?

19 The majority of the Corridor Indicators, as identified in the Recovery Plan, relate directly to conditions that may require DTC to adjust its strategy for hedging and liquidating collateral securities, and any such changes would include an assessment of the status of the Corridor Indicators. Corridor Indicators include, for example, the effectiveness and speed of DTC's efforts to liquidate Collateral securities, and an impediment to the availability of DTC's resources to repay any borrowings due to any Participant Default. For each Corridor Indicator, the Recovery Plan identifies (1) measures of the indicator, (2) evaluations of the status of the indicator, (3) metrics for determining the status of the deterioration or improvement of the indicator, and (4) "Corridor Actions," which are steps that may be taken to improve the status of the indicator, as well as management escalations required to authorize those steps.

12

SR-DTC-2021-004 page 12: "Corridor Indicators include, for example, the effectiveness and speed of DTC's efforts to liquidate Collateral securities...due to any Participant Default"

The key indicator called out as an example is *how quickly DTC can liquidate a defaulting member's collateral assets*. We don't know who will default, but I think that DTCC members have an idea. Think about that.

SR-DTC-2021-004 was filed on **2021MAR29** and effective immediately. **They have long been planning for the defaults that will occur as a result of the squeeze.**

Of course, models can be wrong. I have read in Michael Lewis' *Panic* that the financial models involved in the 2008 collapse didn't account for the fact that real estate value could go down and the effect of that downturn on over-leveraged positions.

What Does This Have To Do With Trading Sideways?

Two weeks ago, I posted [Why are we trading sideways? Why is the borrow rate so low? When will we moon?](#) because I was puzzled why we seemed to be stuck in a monetary [Lagrange Point](#) and I stated then:

What you can take away from this is that we will not see significant price movement up or down for the foreseeable future until OCC-004 and OCC-003 are in place; you are literally fighting against all of Wall Street, even the GME long institutions. There is literally no point buying deep OTM options until there is a whiff of OCC-004 and OCC-003 getting

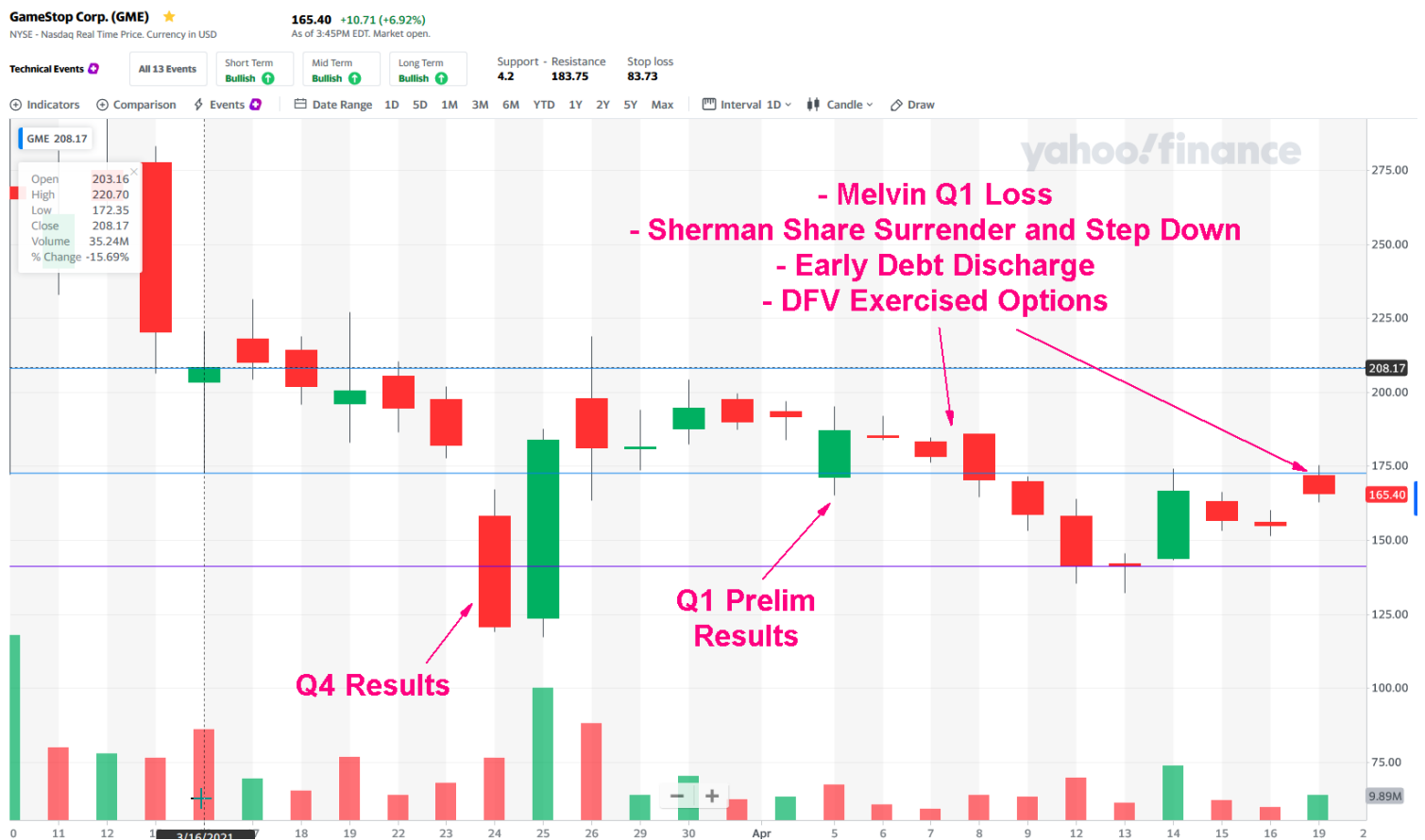
close to implementation. We will keep trading sideways, borrow rate will be inexplicably low, volume will be absent, etc. until DTC and OCC members are protected and they let off the brakes; Citadel and GME shorts are not and have not been in control. DTC, OCC, and all non-defaulting members have been preparing for the default of GME shorts.

Since that time, we've had the drop to \$140 and then more or less back into a stasis point. Millions in options will have expired OTM.

I had pointed out the timing and coordination of the two prior drops and now we have a third set of data points to consider:

1. The dip to \$120 coordinated with the Q4 earnings and an almost immediate return to stasis
2. The dip to \$160 coordinated with the positive Q1 preliminary results and an almost immediate return to stasis
3. And now the slow dip to \$140 possibly coordinated with: 1) Melvin's Q1 results, 2) Sherman being denied his shares and being replaced, 3) the early discharge of their long term debt, and 4) DFV's options being exercised.

Now it appears we're back to sitting in a new Lagrange Point and trading sideways again.



Is this a Long Whale inflicting "max pain"? Or simply multiple parties conspiring to establish "max stability"; to keep us in this Lagrange Point while waiting for all of the firewalls to be in place and positioning to profit from this event before we ignite the boosters?

As I've stated before, I think that the variety of tools that we see at play are all part of the arsenal being deployed by multiple parties coordinating to keep this strapped down until the non-defaulting members are firewalled. The deep ITM calls, the dark pool trades, all of it is plainly visible to DTCC and the SEC yet no action is being taken.

[DFV's tweet on APR08 is very interesting \(turn on audio\):](#)

Why is this happening to me?"

"It's OK bud, it's just from the medicine, OK"

"Is this going to be forever?"

"No, it won't be forever"

Are these SRs "the medicine" that we're waiting for "forever"?

I think if we look at the actions over the last few weeks -- for example, the additional liquidity acquired in recent weeks by some of the major entities like Goldman Sachs and JP Morgan -- it seems exceedingly plausible that everyone wanted time to prepare for this event, especially because of the expiration of SLR and the approaching date of the SEC memo that goes into effect on APR22 converging in one window.

What About the Share Recall or [INSERT CATALYST]?

My conjecture has always been that we will be waiting for SR-OCC-2021-003 and SR-OCC-2021-004 **as long as possible** because these two codify key changes to the OCC member agreement to contain the fallout of the defaulting members.

In particular, SR-OCC-2021-004 has a very curious proposed change on page 5:

OCC is also proposing to delete from I&P .02(c) two sentences that discuss OCC's administration of the pool of pre-qualified auction bidders. Currently, I&P .02(c) explains that OCC maintains a pool of pre-qualified auction bidders, periodically reviews the pool of such bidders and their qualifications, and notifies any pre-qualified auction bidder that is removed from the pool. OCC is concerned that the trading activity review process contemplated by I&P .02(c) could inappropriately limit the number of pre-qualified bidders by excluding, *inter alia*, prospective bidders who did not have sufficient trading activity that was visible to OCC at the time of pre-qualification or review but were suitable bidders at the time of a particular auction. Accordingly, OCC proposes to eliminate the pre-qualification requirements related to a non-Clearing Member's trading experience.

SR-OCC-2021-004 page 5: "OCC proposes to eliminate the pre-qualification requirements related to non-Clearing Member's trading experience"

Which basically blows the auction process wide open and allows [a much broader array of bidders to the auction](#). Remember: Fidelity and BlackRock are **NOT** members of OCC but now they get a streamlined path to the auction.

I think that in an *ideal world*, BR and Cohen want to wait until SR-OCC-2021-004 is codified to launch and in fact, perhaps thought that everything could have been finalized by now and they would be able to ignite this launch sequence.

SIG threw a wrench into this by objecting to SR-OCC-2021-003, thereby pushing out its finalization which **would have been APR10** (45 calendar days from FEB24) setting us up potentially for **this week** if 004 had also been finalized but now could go out to MAY31.

We are now running into the issue of the calendar and the shareholder meeting since some number of shares will likely have to be recalled in the next few days.

What Will BlackRock and GME Longs Do?

This is where it gets interesting.

[Here's Larry Fink, CEO of BlackRock on CNBC talking about Reddit and GameStop:](#)



The image is a screenshot of a CNBC video player. On the left, a 'CNBC REAL-TIME' widget displays cryptocurrency metrics. In the center, a video frame shows Larry Fink, CEO of BlackRock, speaking. Below the video, a blue banner reads 'FINK ON CRYPTO' with a subtitle. The video player interface at the bottom includes a progress bar, volume icon, and playback controls.

CNBC REAL-TIME		
BITCOIN/USD COIN METRICS		
62,322.25	+487.16	[+0.79%]
ETHER/USD COINBASE		
2,421.70	+87.75	[+3.76%]
LITECOIN/USD COIN METRICS		
269.07	+5.55	[+2.11%]

FINK ON CRYPTO
"...reddit and gamestop and what does that mean with our clients either"

Video player controls: 3:40 / 4:19

"...reddit and gamestop and what does that mean with our clients either..."

BlackRock knows what's going on at the highest levels.

I have a hunch that the [early payoff of GME's long term debt](#) may not have been the initial plan because perhaps they were going to use the share recalls to trigger the squeeze. But I think that there's a chance that we may see BR and other institutional longs choose to **not** recall their shares OR wait until the last possible moment to execute the recall because it's too early to launch.

With the delay in SR-OCC-2021-003, this may have forced them to put another tool into play: the crypto-dividend by taking a page out of the Overstock playbook. Thus they prepared this play at the cost of \$216M so that they have another tool to be able to initiate the squeeze if they do not recall their shares.

I think that GME board will delay action as long as possible because the conditions are simply not favorable at the moment. They were even less favorable in JAN, but it is possible that at that time, no one quite knew the full depth of the situation otherwise the same shenanigans going on now would have happened in JAN and FEB. Prior to JAN28, the assumption may have been that a few small HFs would fail. After JAN28, it was clear that the stakes were much, much higher and I have an idea why we've been trading sideways since MAR16.

What Happened on March 16 and Why Have We Traded Sideways Since?

[SR-DTC-2021-003](#) on MAR16:

SR-DTC-2021-003		
34-91336	<u>Mar. 16, 2021</u>	<p>Notice of Filing and <u>Immediate Effectiveness</u> of a Proposed Rule Change to Remove the Requirement for Participants to Submit Monthly Position Confirmations and Clarify Participant Obligation to Reconcile Activity on a Regular Basis</p> <p><i>Comments due:</i> April 12, 2021</p> <p><i>Additional Materials:</i> Exhibit 5</p> <p><i>Comments received are available for this proposal.</i></p> <ul style="list-style-type: none"> Submit Comments on SR-DTC-2021-003

SR-DTC-2021-003 was effective immediately on MAR16

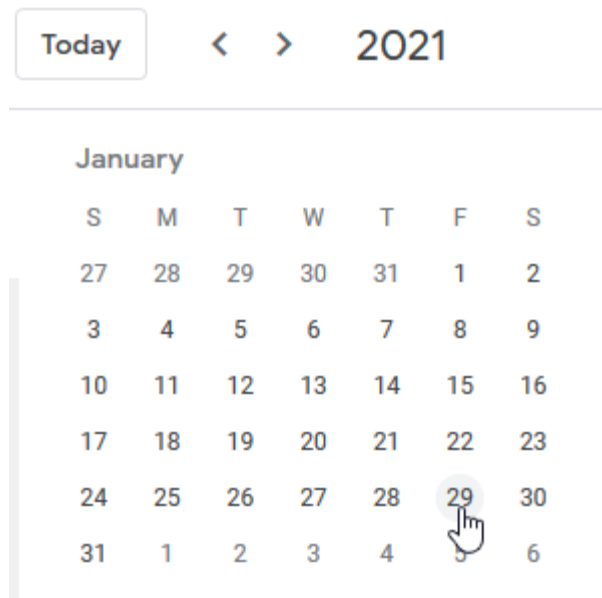
The key change is that DTC Participants were required to reconcile and confirm their records of their positions with the DTC's records of their positions on a **monthly** basis prior to SR-DTC-2021-003. After SR-DTC-2021-003? The Participants have to reconcile and confirm their positions on a **daily** basis.

So let's look at the data:

<i>Date</i>	<i>Open</i>	<i>High</i>	<i>Low</i>	<i>Close</i>
MAR15	277	283	206	220
MAR16	203	220	172	208

And we have since then largely been in that sideways zone with a few days of movement since.

This allowed all parties to see the deck that they are working with because previously, Citadel could try to "clean things up" before the monthly reconciliation. Prior to SR-DTC-2021-003, this was to occur "*No later than the 10th business day after the last Friday of the month*" (page 5). You might be thinking now "what's the last Friday of January"?



January 29th was the last Friday. Could the squeeze on the 28th been a result of Citadel starting to reconcile their positions with the DTC?

So the JAN28 event may have been caused by Citadel starting the process of reconciling their positions to submit and confirm with the DTC. **After JAN28, all parties had a sense of the magnitude of this event but probably could not get enough transparency to make the right decisions.**

Why wouldn't Citadel just continue to "fudge" their books? There's something interesting on page 12 and 13 of SR-DTC-2021-003 which gets referenced again in SR-DTC-2021-004 which is filed 13 days later. Here is the text of the existing member agreement on page 12:

This guide provides information regarding DTC's processing of reorganization events. DTC obtains this information from sources it believes to be reliable, but DTC does not represent the accuracy, adequacy, timeliness, completeness or fitness for any particular purpose of this information, which is provided as is. Furthermore, this information is subject to change. Participants should independently obtain, monitor and review any available documentation relating to the reorganization activity and verify information obtained from DTC. In addition, nothing contained in such information shall relieve participants of their responsibility under DTC's Rules and Procedures to check the accuracy of this information."

SR-DTC-2021-003 page 12: the original text which gets replaced.

And the text that replaces it on page 13:

"Subject to the terms of the "Important Legal Information" section, while DTC endeavors to provide Participants with timely and accurate information with respect to Distributions, Redemptions, and Reorganizations events, Participants are responsible for monitoring, obtaining and confirming such information without reliance on DTC, and for reconciling their records in advance of any critical dates, including, but not limited to, dividend, interest payable, redemption, maturity payable, and voluntary and mandatory reorganizations dates."

SR-DTC-2021-003 page 13: note the underlined text which was added.

Now let's look at a piece of text in SR-DTC-2021-004 on page 9:

Second, in Table 3-B (DTC Critical Services), the description of critical service #19, (Cash and Stock Distributions) states that “As the owner of the securities, DTC has

Original Verbiage

an obligation to its Participants to distribute principal, interest, dividend payments and other distributions received for those securities. No alternative provider is available.”

The proposed rule change would revise the first sentence of this description to add the phrase “on the issuer’s books and records” after the words “As owner of the securities.”

DTC believes this change to the description, which currently does not include a reference to the fact that DTC’s obligations with respect to distribution of “Cash and Stock Distributions” arise from its ownership of securities on the books and records of the issuer, is necessary to make clear that DTC is not the beneficial owner of the securities.

SR-DTC-2021-004 page 9: notice the addition of the text “on the issuer’s books and records”

In other words, DTC is highlighting that it will only release dividends, interest, other distributions, and *redemption* for any securities it has on record. 003 and 004 fit together to clarify that DTC will not make payments for anything that is not reconciled with their systems.

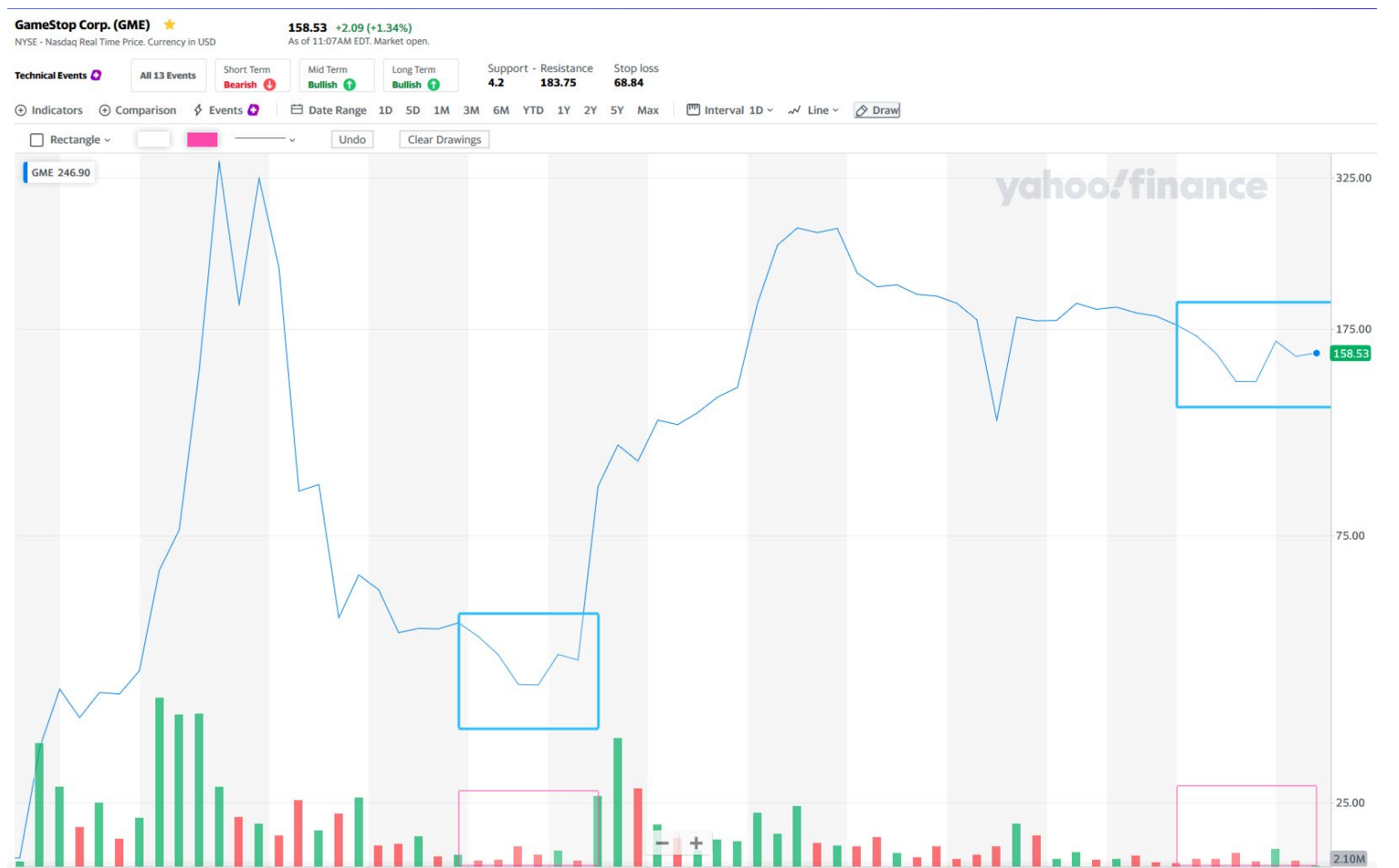
TL;DR. So...What Ape Do?

Same as always: **HODL**.

My conjecture is that **in an ideal world**, SR-OCC-2021-004 is the key piece to get into place to re-define the liquidation

of failing members. But we may now be pushing up against the calendar and RC, GME, and BR may be forced to play their cards rather than wait. Or I could be wrong and everything gets blown open tomorrow.

While I do not buy into much of the technical analysis around this stock, there is something very interesting if you look at the charts *and volume* leading into the spike at the end of February and where we are now.



Look at the pattern leading into the February spike and the pattern we're in right now over the past week.

I think we are getting really close to another big price move. It may or may not be the squeeze, but we see a repeat of almost the exact same price movement *and volume* as the last time we moved out of a stasis.

Like a black hole, we cannot actually see it because even light does not escape, but we can observe how the mass bodies around it interact and how it distorts the space that it occupies. The squeeze is there. The best that we can do is to observe how the major players are positioning and preparing.



PART 3

POSTED AUGUST 5, 2021

Why We're Once Again Trading Sideways Part III (In 3 Parts)

Why We're Once Again Trading Sideways, Part III (In 3 Parts)

HODL

Hello Folks,

It appears once again that we are trading sideways.

I have had many folks tag me, comment on my random comments around Reddit, and otherwise ping me for my thoughts. I've responded here and there, but I thought I'd summarize my own thoughts around the current situation we are in.

PART I

1. The situation has always been fluid. There is no precedent for this in the history of the market so just as the community has learned and evolved, so has the short side of it and so have the regulators. Multiple SRO regulations passed this year aimed to firewall the blast from this in case it went out of control and to prevent this from happening again. They are *still* designing new regulations as they learn more about how this occurred in the first place and the tactics being used now to transfer the positions without covering.
2. Through the early part of this year, the focus for the shorts was to figure out a mechanism to suppress this from going ballistic with the least amount of legal exposure and legal risk. The spikes we observed were using mechanisms which were perhaps legit to the intent of the law, but had obvious flaws in their design. Over time, the short side has been using different tools to suppress the price movement to find one that has low legal risk, low cost, and easy to execute cyclically/continuously.
3. If we enter an extended period of sideways trading, I think this indicates that they have found a mechanism of hiding/transferring the shorts indefinitely at relatively low cost and relative low exposure to legal risk (lawsuits or regulatory action). Technical analysis will not work because they have been adapting their approach and techniques; T+X is only valid if they are using FTDs to hide their positions. What if they have come up with new and more clever ways of hiding the positions? **IT DOES NOT MEAN THEY CLOSED**; it just means that they are going to hold this dam back until retail tires out and they are in a more favorable position to act. While the community has been doing a lot of speculation and digging, I find it interesting, but ultimately I do not care for the mechanism as much because there's nothing retail can do about it and it ultimately ends up being a **lot** of speculation bordering on conspiracy (we have all felt these moments within the broader GME community). Questions such as "How can they do that?" or "Isn't that illegal?" ultimately miss the mark: whatever maneuver Citadel has come up with is most likely legit within the framework of the current rules and regulations because taking one step out of those bounds is what will doom them.

PART II

1. The SEC cannot act recklessly. It will not have multiple shots to take these guys to court so whatever action they take, they must have irrefutable proof of wrongdoing that will have no faults in a court of law. It could take months to gather and verify the evidence. Even whistleblower information has to be verified meticulously. **What if Citadel or Melvin or other SHF are feeding fake intel through the whistleblower channels to weaken the SEC's case?** If my ape brain can come up with such a devious scheme, surely, Citadel has already seeded the whistleblower channels with Fake News™ in an attempt to throw off the trail of the SEC and spread them thin chasing ghosts. Just submit a lot of almost credible reports and drain their resources chasing false leads.

2. My assessment is that GG is in the same vein as Tom Wheeler. Both were previous industry insiders, but this is also what made them dangerous because they know how the game is played. Wheeler committed himself to the public good and to everyone's surprise, was an advocate for the American public in telecom and so, too, I think GG is truly on the side of the American public. But the SEC's powers are limited to an extent because these orgs are self-regulated. GG cannot supersede the powers of the SEC and the SEC is far less powerful than the public believes it to be; its enforcement actions must stand up in a court of law.
3. That means we are at a stalemate without some external stimulus to push the needle one way or the other. The SHF have found a way that can **indefinitely** hide the shorts with relatively low cost, effort, and legal risk because of Citadel's Market Maker privileges. The SEC cannot take them to task because technically, as long as Citadel plays by the rules, they have done nothing wrong and if the SEC takes them to court, it's up to a judge to decide and that can **easily** go south for retail. The SHF have not found a way out; they have just found a way to delay the pain as long as possible perhaps until they find a way to exit this situation with the least amount of damage to their bottom line.

PART III

1. GME is a solid investment no matter what. As we enter COVID Round II and as chip supplies eventually get back to normal, the market for gaming will grow at an accelerated pace. RC has shown that he has what it takes to create new business models and compete with established retailers as an underdog.
2. **The price does not matter.** It only matters in determining how many shares I can buy and whether new retail FOMO's. I am in GME with money I never intended to touch for years so I can wait years if necessary.
3. The stalemate can only be broken by:
 - a. some SRO regulatory change,
 - b. irrefutable proof of wrongdoing in the hands of the SEC that will stand up in a court of law,
 - c. Congressional change that redefines the operating parameters of the SROs or outright bans the techniques being used by the SHFs to transfer these positions without closing,
 - d. GME taking some action which causes all shorts to have to cover. Of these options, this is the most likely IMO but just as GG and the SEC cannot act callously, RC and GME must also act carefully to cross every "t" and dot every "i" to avoid possible lawsuits from both large institutional shareholders and the SHFs alike.

So what is one to do? The US is built on a system of [common law](#) and it is precisely because of this framework that we find ourselves at a stalemate now because making even a small mistake will define the conditions of a loss in a court of law. **Yes; every party has been positioning for a legal showdown** (or rather assuring their victory when it goes to the courts).

- For the SHF, they must act within the framework of established laws and rules to prevent exposure to lawsuits.
- For the SEC, they must ensure that their evidence is airtight and fully corroborated before they bring any legal action before a court of law.
- For GME and retail, they must ensure that any action they take to trigger the covering will not expose them unduly to lawsuits from large/institutional shareholders and the SHFs

My recommendation?

ZENMODE

I have been mostly lurking because I've just moved on with my normal life while HODLing knowing that this is a battle that cannot be won by retail alone. The best we can do is to:

- get the word out,
- be a welcoming community to educate newcomers with as little conspiracy as possible (focus on the facts and bits which are difficult to refute),
- get in touch with our elected officials to bring pressure for change.

I have seen the drama that arose in this community as individuals try to stay relevant and stay in the limelight; once you are elevated in this community, it seems that it causes some to need to continue to "create content" to stay relevant; I have mostly just gone about my life :)

The reality is that the SHF are short **many times over** to the extent that even if most of retail sold, they cannot close their short positions.

Here is a simple analogy. 1000 of your friends give you money -- as a proxy -- to buy widgets for them. You can only get your hands on 100 widgets. If the other 900 friends want widgets, the 100 that got their widgets have to sell so the price has to go up. The original 100 sell. You broker those transactions so the first 100 sell and the next 100 get their widgets. **Now 800 are still owed widgets.** The 100 that now get their widgets realize how valuable those widgets are. The price has to go up again; the only way to close out the remaining 800 IOUs is to convince the new widget holders to sell. If only 10 or even 50 of those 100 sell, it will take multiple cycles to eventually close every order you collected from the initial 1000.

The problem right now as it relates to Citadel, DTCC, and GME is that there are 100 people holding GME and 900 people holding "GME" because Citadel's MM rights legally allow them to say "See, I gave you your 'GME'" even though all they did was create 900 "GME" and give it to you in place of GME. Until this is resolved and they have to give you **real** GME, they can make as many "GME" as they want to and the market system is broken.

This situation is out of retails' control **except to hold**. All we need to do is hold and let it play itself out. That is it.

TL;DR: In the immortal words of Eminem:

You better lose yourself in the music
The moment, you own it, you better never let it go (Go!)
You only get one shot, do not miss your chance to blow
This opportunity comes once in a lifetime, yo

