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

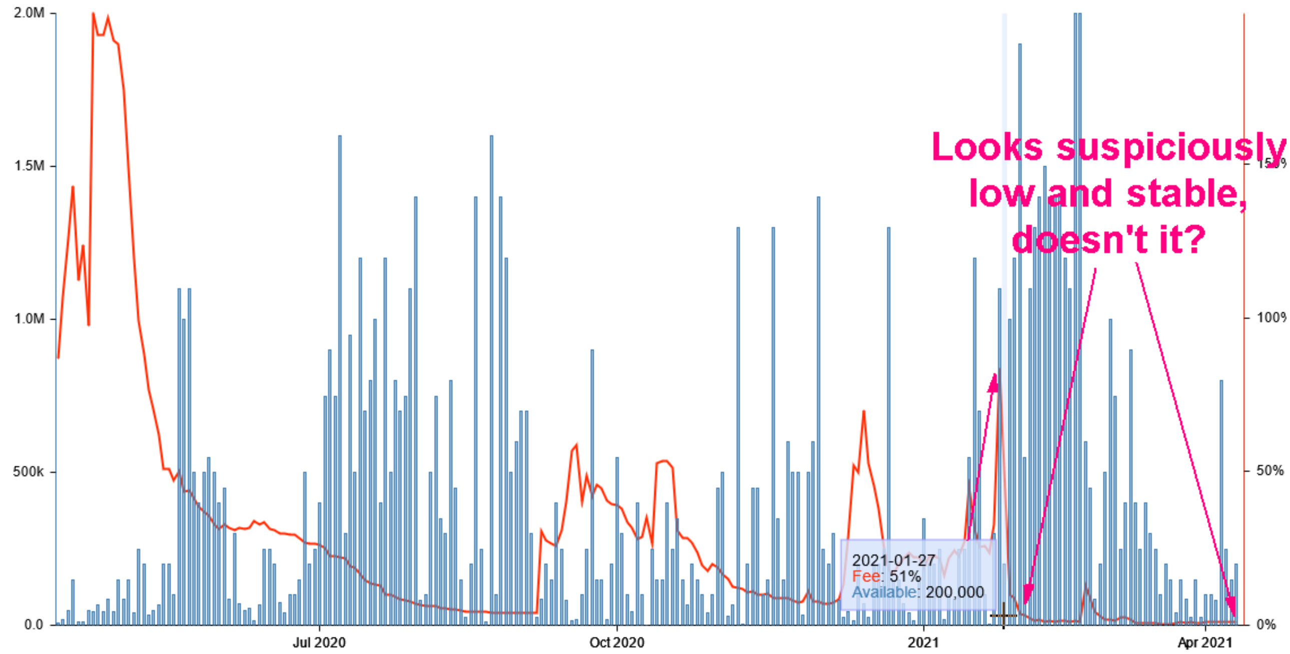
Apex is a defendant in a series of putative class actions arising out of the same alleged conduct captioned as Cheng v. Ally Financial Inc., et al, Case No. 3:21-cv-00781 filed in the United States District Court for the Northern District of California; Clapp and Redfield v. Ally Financial Inc., et al, 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 themself 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/mlolh7/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 Commissio Action

Within 45 days of the date of publication of this notice in the Federal Register within such longer period up to 90 days (i) as the Commission may designate if it find such longer period to be appropriate and publishes its reasons for so finding or (ii) as 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 Commissi Action

Within 45 days of the date of publication of this notice in the Federal Register

within such longer period up to 90 days (i) as the Commission may designate if it find

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, than 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?