

Title: Regarding the FUD that shorts won't be affected by the stock dividend: you are correct. But you're leaving out that the NAKED shorts WILL be.

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I see a lot of FUD posts (as expected) that this is essentially just going to be a normal split where shorts are simply owing 4 shares instead of 1 at 1/4 the price and - thus - nothing will happen. And yes you are correct on the first point but not about the second if our DD about **\*\*naked\*\*** shorting is correct.

# How does the split dividend work and how does it affect "regular" shorts?

Lets assume we have three parties: a shorter (borrower), a lender and a buyer (aka the "shareholder").

- \* The lender is the original owner of the stock that he now lent to the shorter. He is no longer entitled to receive the stock dividend directly by GameStop, since he's technically no real owner any longer but instead has a contract with the borrower to receive the stock back at some point.

- \* The current buyer/shareholder is the party that is on record for owning the share and will receive the stock dividend issued by GameStop.

- \* After the split the shorter who borrowed the stock now owes 4 shares for each 1 he had prior to the lender. His position is essentially unchanged if the price per share remains at 1/4 the price after the split. If he wants to close his position he has to buy from the market and return real shares. And when he does "close" his position, there will be less shares available in the float as both the "new" shareholder **\*\*and\*\*** the original owner own the stock again (kind of an important side note when shorts will scramble to close their positions on already rising prices due to the high demand).

# How does the split dividend affect naked shorts?

- \* Lets say a market maker created synthetic shares "to provide liquidity" but never bothered to actually locate real shares. And lets say he created tons of them and sold them to brokers for their own profit.

- \* The current buyer/shareholder bought those synthetic shares through their broker, but he is still entitled to receiving three more shares.

- \* There is no traditional type short situation, where a borrower (with certain requirements for capital reserves!) at some point has to return a certain amount of shares to the lender when they want to close their position. Instead the MM has to deliver the additional shares at once when the split happens, but cannot simply create more naked shorts just to satisfy the dividend for his previous naked short. That's not what his market maker's exemption to create short-term naked shorts is for, as they cannot have a gigantic mountain of FTDs popping up "coincidentally" when the dividend arrives. Therefore they will have to locate and buy real shares.

- \* Now if the SI% is indeed over 100% it will make "somewhat" of an interesting situation for the naked shorting MMs to be able to find the amount of required shares to give the respective owners.

**\*\*TL;DR:\*\*** naked shorts r fuk.