

Title: What happens if the entire float is direct registered and someone tries to direct register more shares?  
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My first post here. I hope some folks find this useful.

The question keeps coming up - What happens if the entire float is direct registered and someone tries to direct register more shares? Will this trigger the MOASS?

I think I can answer that question. Bear with me, as this is a bit long.

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Let's begin by reviewing what happens when you, a customer, request to transfer, say 100 shares of GME to Computershare for direct registration in your name.

First of all, your broker cannot directly transfer shares to Computershare. Your broker does not have title or access to those shares. The DTCC is holding all of your broker's shares under the DTCC's name, so in order to execute the transfer your broker has to send a request to the DTCC to transfer those shares.

The DTCC looks and verifies that your broker does in fact have at least 100 real shares in their broker account. Assuming they do, the DTCC passes the request on to Computershare.

Computershare then goes into their books, takes 100 shares away from the DTCC, and puts 100 shares in your name. It then notifies the DTCC that the request has been completed.

The DTCC then goes into THEIR books and subtracts 100 shares from your broker's share count, then notifies your broker that the request has been completed.

Your broker goes into THEIR books and subtracts 100 shares from your portfolio, then notifies YOU that the request has been completed.

That completes the process. 100 shares have been removed from the DTCC and directly registered in your name. What's important is that the transaction has passed up from you to your broker to the DTCC to Computershare, then back down from Computershare to the DTCC to your broker to you. All direct registrations MUST pass through the hands of the DTCC, because the DTCC is the only entity that can provide shares to Computershare on behalf of your broker, and it is the entity that keeps track of how many shares are owned by both the DTCC and by your broker.

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So now we can answer the hypothetical question of "What would happen if the entire float were direct registered and someone tried to direct register more shares?" Say another 100 shares of GME.

If the entire float were direct registered, that would mean that all the shares had been removed from the DTCC, which would then own zero shares. Also, none of the brokers represented by the DTCC would have any shares in their entry in the DTCC database. The DTCC/brokerage cupboard would be bare.

Note that if the broker does not offer short selling, then the broker will be totally safe. They will not have any GME shares in their DTCC account, but neither will they have any GME shares on their books as being owned by customers. They will be out of the GME game entirely.

However, for various reasons including short selling, you, the customer, might still have some GME shares in your portfolio. Make no mistake, you would own those shares. You would be fully entitled to those shares. You would be entitled to direct-register those shares. However, your broker would not have any

real shares held by the DTCC to back up the book shares owned by you in their database.

What would your broker do in that situation?

What your broker could NOT do would be to simply put in a request to the DTCC to transfer 100 shares to Computershare for direct registration. If they tried to do that, the DTCC would refuse the request. "Sorry, broker. You asked us to transfer 100 shares from your account to Computershare, but you don't have any shares in your account. You will have to put some shares in your account before we can do that."

Also, the DTCC could not forward the request to Computershare even if it wanted to. If the DTCC tried to do that, Computershare would give the same response. "Sorry, DTCC. You asked us to direct register 100 of your GME shares to this person, but you don't own any shares so you can't do that."

Your broker would have to do something to get 100 real shares into its DTCC account so that it could ask the DTCC to transfer them to Computershare.

The only way left for your broker to get those shares into its DTCC account would be to buy those shares on the open market. The broker could either buy those shares themselves at their own expense, or they could margin-call one of their overextended short sellers and force that short seller to buy those shares to close their short position. Either way, those shares would go into the broker's DTCC account, allowing them to be then transferred to Computershare to fulfill the direct registration request.

But where would those shares come from if none of the other brokers had any shares? Well remember that one of the services provided by Computershare is that you can sell your direct-registered shares directly on the NYSE. The brokers would have to buy shares off the NYSE, and the only source of those shares would be direct-registered shares, owned by institutions, insiders, and diamond handed apes.

So the answer is that once the entire float is direct registered, every new request to direct-register more shares must be fulfilled by a direct-registered share owner selling directly on the NYSE from their Computershare account, and because the brokers would have to buy those shares at lit market price on the NYSE, with no other options, THE APES WOULD SET THE PRICE.

Now in reality this scenario - brokers running completely out of real shares while customer shares remain on their books - will not likely happen. What will happen is that as each broker's real share count with the DTCC begins to dwindle, they will respond by recalling shares from their short-selling customers - forcing them to close their positions, thus putting real shares back into their broker accounts. The brokers will always make sure to stay ahead of the demand for direct registration so they don't run out of shares in their DTCC account while they still have customer owned shares on their books and run the risk of having to buy them themselves. They will protect themselves to the best of their ability, but the price would go up anyway because the only source of shares would be direct-registered shares and once again, the apes would set the price.

TLDR: Once the float is completely direct registered, or close to completely direct registered, all requests to direct register shares going forward will result in shorts being forced to cover at lit market prices, buying existing direct registered shares to close their positions. Direct registration has the potential to both set up and drive the MOASS.