Title: Walkin' like a duck. Talkin' like a duck

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TL;DR - I have prepared a case which strongly indicates that Citadel Securities, along with it's "affiliates" are committing securities fraud. On March 26th 2021, FINRA released a new citation against Citadel Securities for nearly 2 years worth of securities violations. The only reason Citadel HASN'T been busted for fraud is because they hide behind the veil of 'unintentional' behavior. However, this post illustrates how Citadel's actions flag ALL 3 corners of the fraud triangle- ***pressure, motivation, and opportunity.***

It's time for these people to be held accountable.

Trying something new this time.

I recorded a video walkthrough of this DD with u/isitabuy, prior to dropping the DD.

If you wanna watch that, [**click here**](https://youtu.be/13G02Gn64u4)

- **Prerequisite DD**
- [1. Citadel Has No Clothes](https://www.reddit.com/r/GME/comments/m4c0p4/citadel_has_no_clothes/)
- [2. BlackRock Bagholders,

INC.](https://www.reddit.com/r/GME/comments/m7o7iy/blackrock bagholders inc/)

[3. The EVERYTHING Short](https://www.reddit.com/r/GME/comments/mgucv2/the_everything_short/)

My fellow apes,

Many of you are wondering how these posts about Citadel relate to GameStop. Perhaps I've lost sight on explaining this connection, so let me clear this up before diving into MORE sh*t on them.

As u/dontfightthevol pointed out: you just never know what a company's short position is because they aren't required to disclose it. And unfortunately, she's right.

What we can do, however, is expose the sh*t surrounding them. The fraud triangle WORKS because people act maliciously when they have the pressure, incentive, and opportunity to commit it. PERIOD. This means if it walks and talks like a duck, it's most likely a f*cking duck.

I hope I've done a good job revealing the evidence of their ever-tightening noose. To name a few big ones:

- 1. the FINRA violations for naked shorting, failing to post a short sale indicator on transactions, withholding large customer orders to lower the market price, FLASH crashes
- 2. the growth of rehypothecated assets for both treasury & equity securities (especially in 2020)
- 3. the growth in liabilities as their PROMISES to repay keeps getting bigger and bigger (especially in 2020)
- 4. FINRA's concern regarding the lack of preventative measures within their system to detect these issues
- 5. the number of times they've been documented for 'accidently' removing logic to detect these issues

Everything fits within ALL corners of the fraud triangle. Citadel commits violations just to make a few million, knowing their fines are essentially just a small tax. Now that their exposure to shorted stocks and

bonds is increasing, the PRESSURE to commit these actions is even higher.

For far too long, people with money have been draining the wealth out of the global economy. Everything around us becomes more expensive and the power to do anything about it, decreases. We are forced to think about pinching-pennies just to make ends-meet, while there are people benefitting from ALL of this injustice- the ultra-wealthy.

This aggregation of wealth has been going on behind the scenes for centuries. Slowly and gradually like a frog sitting in a pot of boiling water. Debt has been designed to be carried for life.

Their confidence and greed reached a level SO HIGH that it should have been impossible for them to fail on their bet against GameStop. The ONLY thing that could blow their victory was if we all started listening to one another.. and most importantly-learning.

And learn, we did...

We sat down at the World Series of Poker, called their bluff, and won.

GameStop is the lynchpin; GameStop opens the flood gates; GameStop is our checkmate.

GameStop exposes them to a LIMITLESS and IMMEDIATE transfer of wealth back to the 99%. This situation is dangerous because those who put their vote into GameStop are finally able to take back control.

GameStop is our hedge	ge against the funds	s		
			_L_L_LL	

Hopefully that's been cleared up and we can get back to the point of this post.

Now.... This sh*t just **KEEPS COMING!**

To me, this is further evidence of their desperate actions within a rigged market. After [calling out Citadel](https://www.reddit.com/r/GME/comments/mgucv2/the_everything_short/) for shorting US treasuries. I recently found out they've been slapped with ANOTHER [FINRA violation](https://www.finra.o. rg/sites/default/files/fda documents/2019061038301%20Citadel%20Securities%20LLC%20CRD%201167 97%20AWC%20jlg.pdf) on **3/25/2021** for US treasury securities..

yeah....seriously...

BTW, this wasn't even something I was searching for.. I literally walked Cory (the host) through my investigative process and uncovered it in our first [live interview](https://www.youtube.com/watch?v=AaalT8rn9lc) *(this link is for the short version; I uncovered it in the long version which wasn't posted).*

Anyway, these violations occurred between **July 2017** and **October 2019** while the Fed's tapering program was kicking off. It's extremely hard to be conclusive about the little details when you can only see a portion of the puzzle, so I usually start these DDs by finding WIDE holes that scream for attention- this violation is one of those holes. Citadel Securities has been [slapped 58] times](https://www.reddit.com/r/GME/comments/m4c0p4/citadel_has_no_clothes/) for regulatory violations

and those are JUST within the stock market. To me, the reason why THIS violation is so monumental is because it represents their **FIRST treasuries violation** ([first page](https://www.finra.org/sites/default/fil es/fda_documents/2019061038301%20Citadel%20Securities%20LLC%20CRD%20116797%20AWC%20 ilg.pdf) under background). FINRA issued them a \$275,000 fine along with a censure order, meaning they

I'm going to show you pieces of the disclosure event and gently massage it into your smooth brains.

https://preview.redd.it/fcbti40lsgr61.png?width=598&format;=png&auto;=webp&s;=4bbdef79a6952eb2922 fc3414cdb9547317cd29b

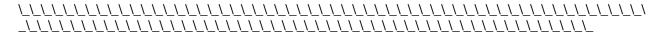
https://preview.redd.it/49ovd6zlsgr61.png?width=597&format;=png&auto;=webp&s;=123db57e0e0b60b0d5e4b48639691f309b90f775

- 1. Incorrectly reporting internal transfers as treasury transactions
- 2. Failing to append the "No Remuneration" indicator to TRACE reports for certain transactions between affiliates
- 3. Failing to include the correct contra-party type in its TRACE reports for certain affiliates

To me, the biggest red flag in this comes from the very last sentence: ***"IN ALL CASES, THE INCORRECT TRACE REPORTS INVOLVED INTERNAL POSITION TRANSFERS OR TRANSACTIONS WITH AFFILIATES AND DID NOT INVOLVE TRANSACTIONS WITH CLIENTS"****.* I'll touch back on the rest of the violation, shortly.

Now, lemme take you to school.

I'll walk you through these indicators and then discuss how they relate to Citadel's situation.



What are **related party transactions** and why do they matter?

The codification (official accounting bible from FASB) explains related party disclosures under ASC 850. I'd love to have a subscription to this, but it's about \$1,200 a year. So here's a [link](https://dart.deloitte.com/USDART/home/codification/broad-transactions/asc850) from Deloitte that gives a decent overview of ASC 850-10.

A typical related party transaction occurs just like a normal transaction, but the parties involved have a connection, somehow. They can be:

- 1. *A parent entity and its subsidiaries*
- 2. *Subsidiaries of a common parent*
- 3. *An entity and trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of the entity's management*
- 4. *An entity and its principal owners, management, or members of their immediate families*
- 5. *Affiliates.*

Transactions can be any of the following:

- 1. *Sales, purchases, and transfers of real and personal property*
- 2. *Services received or furnished, such as accounting, management, engineering, and legal services*
- 3. *Use of property and equipment by lease or otherwise*
- 4. *Borrowings, lendings, and guarantees*
- 5. *Maintenance of compensating bank balances for the benefit of a related party*
- 6. *Intra-entity billings based on allocations of common costs*
- 7. *Filings of consolidated tax returns.*

When you have related parties, or affiliated parties, the biggest concern is that a relationship materially affects the way that business is conducted. For example, you should disclose situations where subsidiaries are conducting transactions with the parent entity. Or if the subsidiary is wholly owned, which means you're doing business with yourself, at least in practice. The failure to disclose this information may materially mislead investors.

For example, party A (affiliate) may be selling products / services to party B (also an affiliate) at a rate that

differs significantly from the open market. For example, Party A sells treasuries to Party B at an amount that's much lower (\$990) than fair market (\$1,000). This would allow Party B to sell those securities back into the market at the normal market rate (\$1,000), and record a bigger profit (\$10) because their cost is much lower (\$990). Party A then offsets the expense (\$10) back to yet ANOTHER company, and removes it from their books. Hedge funds and offshore funds are perfect for burying these transactions because they don't report financial statements like public companies.

Likewise, Party A may need to remove something from their balance sheet (bad loans, etc.) and simply use Party B as a dumpster. This is EXACTLY what

[Enron](https://www.journalofaccountancy.com/issues/2002/apr/theriseandfallofenron.html) did with their **special purpose entities** **(REMEMBER THAT TERM), or SPEs**. When Enron had to incur huge losses, they simply shifted those losses to shell companies and left the "good" stuff on their books.

Queue violation # 1



https://preview.redd.it/y4nqv3nwsgr61.png?width=934&format;=png&auto;=webp&s;=5b82bb5a74d510e5d0489c9cfe32c7e856c55289

Ok.... when you send transactions to the TRACE system, they ask you to prove they are legitimate. If they are legitimate, and occur with an affiliate, FINRA needs to know that.. This is to prevent frauds like Enron from happening again.

For sake of argument, let's just ignore the part where they "unintentionally" removed logic and then "intentionally" reinserted it..... because that would make this DD too damn easy.

Breaking this down:

- 1. Citadel OVER reported 452,451 securities transactions which represents only 14% of total REPORTED transactions to TRACE. This means that **Citadel reported 3,231,792 treasury transactions, and 1 transaction doesn't necessarily mean 1 treasury... could be thousands**
- 2. They were **not** required to report 14% of those because they SHOULD have been flagged as internal transfers and not treasury transactions

Now we begin to uncover the corners of the fraud triangle *(pressure, incentive, opportunity)*. Citadel was obviously compliant for 86% of their treasury reports, so WHY would they feel the need to "unintentionally" OVER-report 14%....

Hey Citadel... why you WALKIN' like a duck?

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How did FINRA find out these were actually internal transfers? Probably the same way I did- by looking for clues. Check out Citadel Securities "Related Party Disclosures" from 2020 (same as in 2019, I checked).

https://preview.redd.it/mbo5ina2tgr61.png?width=862&format;=png&auto;=webp&s;=a4474383534637060 35d9c7a377135e502da2e0b

CSHC..... Who are you, REALLY???

Ladies and Gentlemen,

Presenting [**Citadel Securities Institutional, LLC**](https://sec.report/Document/0001649718-21-000001/CSIN_StmtFinCndtn2020.pdf)**!!!**

https://preview.redd.it/g5z47qe3tgr61.png?width=919&format;=png&auto;=webp&s;=848a3a19b8a58431c

b062e4693b8e56d868f912f

Think it's the same company?

[Nope..](https://sec.report/Document/0001616344-21-000004/CDRG_StmtFinCndtn2020.pdf)

https://preview.redd.it/4wcm9m94tgr61.png?width=814&format;=png&auto;=webp&s;=b0b3d452794547d5df6382723a8da98dfe571aa3

Citadel Securities **INSTITUTIONAL** is a completely different company in the books. These guys are **AFFILIATED** to one another, but exist separately as [**SPECIAL PURPOSE ENTITIES**](https://www.investopedia.com/terms/s/spv.asp)**, or SPEs**..

Let's walk through this again..

Citadel **SECURITIES** lists [CSHC US LLC ("CSHC") as an affiliate](https://sec.report/Document/0001616344-21-000004/CDRG_StmtFinCndtn2020.pdf) (PG 2), and the **sole MEMBER** of the company....

https://preview.redd.it/n5ykf829tgr61.png?width=862&format;=png&auto;=webp&s;=3ef1a464413629ee22.759e0d1528e1e2a4406550.

Citadel Securities **INSTITUTIONAL ("CSHC")** lists [CSHC US LLC ("CSUH") as an affiliate](https://sec.report/Document/0001649718-21-000001/CSIN_StmtFinCndtn2020.pdf) (also PG 2), and ALSO as the sole MEMBER of the company....

https://preview.redd.it/ynqzaew9tgr61.png?width=961&format;=png&auto;=webp&s;=26807d8e726d1c3ccb6fb9af734fe890e5ef000a

CSHC US LLC **("CSUH")**???? Who the hell is this?

Had to go back to a financial disclosure in 2016 to dig up this lil' jewel....

https://preview.redd.it/fx0r57obtgr61.png?width=1185&format;=png&auto;=webp&s;=0256f01be3951e02f6decbc40b1200a79e575dbe

CLP Holdings Three LLC ("CLP3").......

WTF....

On January 1, 2016 "CLP3" merged into ("CSUH")....

So WHO is [CLP Holdings Three LLC](https://www.sec.gov/rules/sro/box/2015/34-74267.pdf) ?!?!?!?!?

[....found this from 2015 \(bottom paragraph, PG 2\)...](https://preview.redd.it/ggcw60wetgr61.png?width=6 50&format;=png&auto;=webp&s;=af20238b93bc4cd513c841c6cf939a9df924ff70)

- 1. Citadel Parent Owns 100% of CLP Holdings Three LLC, which became "CSUH" in 2016
- 2. CSHC US LLC ("CSUH") is the ONLY member of CSHC US LLC ("CSHC")
- 3. CSHC US LLC ("CSHC") is ALSO managed by Citadel Parent.....

So basically.....

...Citadel, is Citadel, is Citadel, is Citadel....

No wonder why FINRA was pissed. It *LOOKS LIKE* Citadel took treasuries from Citadel Securities and

transferred them to Citadel Securities Institutional, but reported them as sales transactions to TRACE
Queue violation # 2](https://www.finra.org/sites/default/files/fda_documents/2019061038301%20Citadel% 20Securities%20LLC%20CRD%20116797%20AWC%20jlg.pdf)
nttps://preview.redd.it/zedlmj1ltgr61.png?width=802&format=png&auto=webp&s=28a1318da187c5aea37d339e157acfb75a022cef
Again, let's ignore the part where they pretended to "discover" the issue in June 2019 prior to being contacted. Let's also ignore the lack of "necessary" logic to determine which transactions are which.
They do this in almost every f*cking violation they get
Now what is [remuneration](https://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-15-47.pdf)?
Basically, it's a type of compensation. In the case of Citadel Securities, it's the price adjustment that is passed to Citadel Securities Institutional when a treasury is sold / lent.
A normal market transaction might sell a treasury security for \$1,000. In this case, the \$1,000 is entirely represented by the bond's value.
An affiliated market transaction might sell a treasury security for \$990, with \$10 in remuneration for a total of (\$1,000). In this case, the bond is ONLY worth \$990, but the \$10 in remuneration makes it APPEAR like a \$1,000 bond
FINRA asks for companies to disclose this because it can be heavily abused, obviously
This is what happened to Citadel Securities. There were 45,638 instances between July 2017 and October 2019 where Citadel Securities did NOT appropriately indicate this
If you fail to indicate this, and ALSO report internal transfers as normal transactions, it REALLY starts to ook like you're covering your tracks
Citadel Why you TALKIN' like a duck?
Queue Violation #3.](https://www.finra.org/sites/default/files/fda_documents/2019061038301%20Citadel %20Securities%20LLC%20CRD%20116797%20AWC%20jlg.pdf)
https://preview.redd.it/ur98wqavtgr61.png?width=703&format=png&auto=webp&s=0ea8d3c64afc1f06fa

Call this the smoking gun.....

Really.... it doesn't get much more obvious than this....

Citadel Securities gets busted pushing transactions into the TRACE system when they were really just internal transfers between SPEs....

They're then cited for failing to indicate a No Remuneration transaction with affiliated parties....

And finally, they "misclassified" the nature of the contra party in 11,989 transactions, saying they were customers instead of their own you guessed it SPEs
Want more? Check out this disclosure from Citadel Securities
https://preview.redd.it/q7imuxb3ugr61.png?width=636&format=png&auto=webp&s=fe9f5f5163eaf4daffc 32eefbf41fc28a0b8cc89
Citadel Securities Institutional (CSIN) provided execution services to Citadel Securities under a cost-plus agreement
huh [cost-plus](https://www.investopedia.com/terms/c/cost-plus-contract.asp) sounds a lot like a remuneration agreement because it is.
Let's bring this all together, shall we?
 Citadel Securities sells treasuries to "affiliate" parties, such as Citadel Securities Institutional Citadel Securities marks (most) of their transactions with a 'No-Remuneration' indicator after selling the security to the "affiliate" party. To FINRA, this complies with TRACE because it looks like a typical transaction without a markup / markdown on the price of the treasury At the end of the month, Citadel Securities reimburses Citadel Securities Institutional for the cost of their treasury purchases, plus an little more in profit for their services Citadel Securities records the commission revenue from Citadel Securities Institutional once the treasuries are finally sold to the outside party
Did you catch the loophole?
Citadel Securities is able to remain compliance with FINRA because they pay for the services (markup / markdown) provided by Citadel Securities Institutional AFTER the transactions are cleared through this system they just disguise them as "service fees".
Instead of paying DURING the transaction, by remuneration, they simply leave it off the books and hide it on their financial statements

If you're wondering where the SEC is in all of this mess, listen up.

THE SEC AND FINRA ARE BOTH REGULATORY AGENCIES FOR FINANCIAL INSTITUTIONS.

I am now 100% convinced that the SEC has given the responsibility of investigating fraud to FINRA, while the SEC 'works' on creating the legislation to stop these acts...

However, it appears the SEC and FINRA are working as totally separate agencies while the SEC is supposed to be overseeing FINRA.... I'm convinced the money flows directly to the SEC from FINRA fines and the SEC is at risk of losing that revenue if they actually start cracking down on these pigs.

I am presenting a genuine case, here.

If you're wondering where the auditor (PWC) is in all of this, they just have to verify the statements are

FAIRLY PRESENTED. **THEY DON'T HAVE TO SAY ANYTHING ELSE! All audit firms are now in the business of consulting, like Arthur Andersen did with Enron. They all sit in a room and discuss the best way to present this sh*t without looking like a giant fraud.**

You want to see how bad the situation has become? Check out this [10K](https://www.sec.gov/ix?doc=/Ar chives/edgar/data/0001820727/000110465921046086/tm218735d1_10k.htm) (PG 4) from one of Citadel's recent 13G/A filings on 2/16/2021. Keep in mind, this is an acquisition company that *specializes* in purchasing companies that are headed for bankruptcy...

[MUDRICK CAPITAL ACQUISITION CORPORATION II](https://preview.redd.it/3as170q7ugr61.png?widt h=1871&format;=png&auto;=webp&s;=3ba5b3f536def5931ff633895a79bc2f3440f50d)

This is so much more than speculation..... Citadel is a *duck*.

DIAMOND.F*CKING.HANDS

This is not financial advice