Title: I think BlackRock added something to the Russell prospectuses relating to a MOASS payout?
Author: Stimi4ever
Created 2021-06-30 03:47:14 UTC
Permalink: /r/ratioatblessons/comments/oaov6a/i_think_blackrock_added_something_to_the_russell/
Url: /r/GME/comments/oam5dm/i_think_blackrock_added_something_to_the_russell/

Linked Post Content:
EDIT: I'm working on some clarifying DD right now -- I understand why they put in these redemption clauses better now. I don't think I explained well and there's been some misunderstandings. I don't think they're saying IWM is shorted, **I think this was BlackRock's way of cockblocking SHFs that were using Russell 2000 ETFs to fuck with GME** \[and possibly other shorted stocks\].

Pretty sure it has kept SHFs from making money off arbitrage on those ETFs for a while now, and as of April they set in place contingency plans to get cash to retail investors \[speculation\], but more importantly, **I think this allowed them to prevent SHFs from breaking open certain ETFs and fucking with GME on Russell rebalancing day, which will show up in T+? days as a pile of FTDs that will force buying of GME** \[depending on whether those ETFs were considered threshold securities the day of Russell rebalancing\].

Will update later. Couldn't sleep last night my nipples were so ripe. My comments on u/SPAClivesmatter repost in the other sub might be illuminating in the meantime. Oh, and someone else mentioned leavemeanon repeatedly using the phrase "that's just the tip of the Glacier" in that ETF DD... another rabbit hole to investigate, if anyone is interested.

\----------

I was reading [leavemeanon's post about ETF FTDs etc](https://www.reddit.com/r/Superstonk/comments/nt8t9n/rip_uleavemeanon_where_are_the_shares_part_3/) and, having just seen Burry's tweet from a week? ago about "reading the fine print" being important, the phrase in Part Two "*to the fine print we go*" caught my eye. I love the taste of tinfoil and I thought *maybe leavemeanon was MB...* Then I came across a [related post](https://www.reddit.com/r/Superstonk/comments/ntinqs/a_missing_block_of_text_of_the_original_final/) by u/Freakei who screenshotted a deleted block of text from the original post, the beginning of which reads:

>You should skim through that IWM prospectus. Especially the 'Creation and Redemption' section. Again, creation/redemption isn't a "one-for-one", *all or nothing* process - AP deposits some pile of \[assets and cash\], and ETF issuer provides \[50,000 ETF shares OR 50,000 underlying shares.\]

Like a good ape, I go to the Creation and Redemption section of the prospectus, and it points me to the [Statement of Additional Information](https://www.ishares.com/us/literature/sai/sai-ishares-trust-3-31.pdf). Tucked into that section is a subsection called "Redemption of iShares Russell 2000 ETF During Certain Market Conditions." If this pertained solely to GME shares, my Jaques would be Tits, but obviously this just pertains to one ETF of which GME is a part. It could be an ass sandwich entirely, but I'm curious to know why this applies only to the Russell 2000 ETF:

>**Redemption of iShares Russell 2000 ETF During Certain Market Conditions.** By submitting a redemption request, **an Authorized Participant is deemed to represent to the Trust**, consistent with the Authorized Participant Agreement, that (1) **it has the requisite number of shares to deliver** to the Trust to satisfy the redemption request, (2) **such shares have not been loaned or pledged to any other party** and are free and clear of any liens and encumbrances, and (3) i**t will not lend, hypothecate or otherwise encumber the shares** after the submission of the redemption request. These deemed representations are subject to verification under certain circumstances with respect to the iShares Russell 2000 ETF. Specifically, if an Authorized Participant submits a redemption request with respect to the iShares Russell 2000 ETF on a Business Day on which the Trust determines, based on information available to the Trust on such Business Day, that (i) **the short interest of the Fund in the marketplace is greater than or equal to

150%** and (ii) **the orders in the aggregate from all Authorized Participants redeeming Fund shares on such Business Day represent 25% or more of the shares outstanding of the Fund**, such Authorized Participant will be required to verify to the Trust (in a form specified by the Trust) the accuracy of its deemed representations. If, after receiving notice of the verification requirement, the Authorized Participant does not verify the accuracy of its deemed representations in accordance with this requirement, its redemption request will be considered not to have been timely received in proper form.

The first couple times I read this I assumed "its redemption request will be considered not to have been timely received in proper form" = redemption request denied, and somehow keep hedgies from hiding their FTDs, but now I'm not sure.

I got excited at first, thinking maybe BlackRock added this as an amendment, since it's last dated to last week, but it also looks like this has been a section in iShares SAIs since at least 2013. Regardless, I'm still so curious why this only applies to the iShares Russell 2000 ETF \[and not the iShares Russell 2000 **Value** or **Growth** ETFs, or any others for that matter\].

HOWEVER...

The [latest SAI](https://www.blackrock.com/us/individual/literature/sai/sai-brindexfunds-smallcapindex-intlindexfunds-us.pdf) for the iShares index funds themselves pertains only to iShares Russell 2000 Small-Cap Index Fund and iShares MSCI EAFE International Index Fund. It includes a Redemption of Shares section **that is unique to this SAI**, last dated April 30, 2021 \[*the day after RC's Mr. Hanky tweet, for anyone who's wearing their tinfoil*\].

The first part of that section basically says hey, normally we'll redeem shares for cash, but we have the right to redeem some or all of them in-kind \[securities/assets instead of cash\] **under unusual circumstances** to protect the interests of the remaining shareholders. But we'll do cash if it's less than $250,000 total over three months per person. Hmm, okay...

The second part says

>The **right to redeem shares may be suspended** or payment upon **redemption may be delayed** for more than seven days only (i) **for any period during which trading on the NYSE is restricted as determined by the Commission or during which the NYSE is closed (other than customary weekend and holiday closings**), (ii) for **any period during which an emergency exists**, as defined by the Commission, as a result of which disposal of portfolio securities or determination of the NAV of a Fund is not reasonably practicable, or (iii) **for such other periods as the Commission may by order permit for the protection of shareholders** of the Fund. (A Fund may also suspend or postpone the recordation of the transfer of its shares upon the occurrence of any of the foregoing conditions.)

Iiiiiiiiinteresting. At first it might sound like they're pulling a Robinhood, but I think especially given the preceding section they're basically looking out for retail and saying we'll give y'all $250,000 but give us some more time The third part says the fund "has entered into **a joint committed line of credit with a syndicate of banks** that is intended to **provide the Fund with a temporary source of cash to be used to meet redemption requests from shareholders in extraordinary or emergency circumstances**." They can also borrow from other funds to meet their redemption requests.

Last part basically says they can involuntarily redeem shares if a shareholder doesn't fully pay for shares, or if the sh makes a beneficial transaction at the fund's expense, or if not redeeming shares would have adverse consequences for other shareholders.

I'm also curious about the other fund included in this SAI. I haven't looked into it but it makes me wonder if there's some macro thing going on internationally I don't know about. And obviously, GME is now in the Russell 1000 - so I don't know if this was put in place to affect the rebalancing somehow \[not sure if it would apply there\], or if they were putting redemption clauses in for the MOASS \[in which case I would expect a new SAI to be filed soon\].

Unrelated, in my rabbit hole I found that BlackRock almost doubled their fidelity bond insurance in 2019 for a contract that was nine months long \[opposed to the standard twelve\] and I'm wondering what that's all about...

TL;DR: BlackRock is like "we won't pay out your Russell 2000 ETF shares if you're a hedgie with fakes" and filed an addition unique to the Russell 2000 index fund \[+ MSCI EAFE International Index Fund?\]'s prospectus outlining procedures for paying out shareholders enormous amounts of cash under unusual circumstances.

Curious if any wrinkles have more insight on this or want to ping someone who might! I don't have enough karma for Superstonk so feel free to crosspost if you think there's something worth exploring here.

Edit: Gee thanks strangers! My first Reddit awards and it's two All-Seeing Eyes!

Edit again: If those stocks were considered "threshold securities" \[a number of consecutive days of FTDs in a row\] they would be forced to cover on.... **July 14**. Unfortunately I can't do ftp files but if someone wants to check the [Historical Threshold Lists](http://www.nasdaqtrader.com/trader.aspx?id=regshothreshold) for Nasdaq especially week of Russell rebalancing I think that's where we'd find if it was in fact a threshold security.

The **good news...** I don't think they could hide FTDs of the ETFs themselves the way they've been hiding GME FTDs but correct me if I'm wrong. If this is what I think it is, it's a fucking infinity chess move. BR + RC: "Oh you want to use our ETFs to keep shorting GME? Psych, we're gonna force you to cover FTDs on our ETFs and thus buy GME. Now S my D"