Title: ETFs, FTDs, and Invisible Printer
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https://old.reddit.com/r/Superstonk/comments/u3n7w1/how_market_makers_are_syphoning_gamestop_shares/

This DD is what I'm going to be expanding upon. This is not financial advice nor am I a financial advisor.

I realized that a lot of people still don't fully grasp what all is going on with the ETFs-market interactions and I'd like to take a minute to try and explain. The process I describe below may be the reason for the *entire market* being flooded with synthetic shares.

TLDR; ETF Failure To Delivers allow printing of money.

Strap in, this is a long one. We're going to touch on a few bits of precursor information and then how they intersect – ETFs and their Creation and Redemption, XRT, Short Interest, F to Ds, Outstanding Shares, and Exemptions

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ETFs, C&R; – ETFs are investment vehicles (I like to think of buses) made up of a bunch of different parts. https://i.imgur.com/Bfzp8HB.png

The assets that lay under the hood made the engine go. If you have good parts, you have good engine.

Open-ended funds allow the change +/- of the outstanding shares based on incoming basket exchanges. If HFs bring in more assets to be held in the ETF the ETF can issue more shares. And vice-versa with exchanging an ETF for the underlying assets.

This creation and redemption process allows funds to use underlying assets for other contracts or for sale on the market, rather than shorting or using the whole ETF.

Looking at XRT **(WHO BY THE WAY, MICHAEL KEEHILY FUND MANAGER, WORKED AT STATE STREET)**, with a float of 5,250,000 is short ~31 million units. The variable float https://i.redd.it/2belzs3gdkp81.png thank you /u/IcedOutGucciWatch https://preview.redd.it/at56str3nft81.png?width=7200&format;=png&auto;=webp&s;=b5b3ef750f1a71b497f52963adb25389d3ceda38 thank you /u/CorrectMousse7146

SHORT INTEREST

Shorting a security allows a person to profit from the falling of a stock. It also adds additional units to the market, which you are eventually expected to repurchase at market rate to close. You want the stock to go down because you want to purchase back at a lower price and pocket the difference. So Short Interest is the people interested in profiting from expected downside.

In shorting an ETF, you are not only adding the additional share of the ETF to the market, but also causing a disproportion to the amount of underlying assets (100 assets to 102 shares after 2 short)

F To Ds

I’m sure you’re all aware of what they are, but for simplicity’s sake https://i.imgur.com/PFCBBdu.png

Basically, one party to a trade abnegating their responsibility to fulfill the trade, leaving (in an ideal world) the seller without his product. But the security is marked as owned by the receiving party as soon as the transaction is initiated, and the settlement later decides whether the security becomes synthetic or authentic.

So, we can add in F to Ds on an ETF, and we have several shares that don’t exist but are still capable of requesting the exchange for underlying assets. Very similar to the situation from shorting regarding extra shares being put into the market.

Now that the precursor information has been established, we can try a hypothetical. They can create more shares of the ETF, right? They need underlying to do so, but they can.

So, what if HF1 were to trade ETF for cash with HF2 and decides to F to D? It doesn’t necessarily have to be coordinated, but it could be an unspoken rule to do this with each other as a value-creation (market siphoning) tactic; it doesn’t seme far-fetched to me.

HF1 F to Ds the trade, and now they both have shares of the ETF, and HF1 has the cash they were entitled to for the trade. Now they can both trade in those for securities for the underlying, even thought there was only one share.

If HF2 decides they want to trade again, no problem. Here’s your cash, now HF1 has 2 ETF and HF2 has their original cash. Now HF2 is like… ‘hmm I can afford this … I’ll take the fine’ (probably necessitated by their books being locked in a liquidity crunch), and F to Ds. Now HF1 has 2 ETFs and HF2 has cash and an ETF.

That’s 3 ETFs from one in 2 trades from F to D washing. This can go on and on. Now those underlying securities are still there. If they exchange the ETF the securities may then be traded back and forth.

This is one of two reasons I think Shares Outstanding of XRT are continually being issued, and why they keep fluctuating, but climbing. They may need to exchange some underlying for XRT at some point to roll/cover/close their contracts, so that’s where we see the volume alterations. These exchanges will also provide the HFs with both real and F to D underlying shares through the exchange of the F to D ETFs and dark pool F to Ds with friends, which is where they get enough to cover GME volume.

EXEMPTIONS – this is the bulk of the documentation, just skim if you want

Alright, we already know there’s an exemption from the reporting of SWAPs https://i.imgur.com/i45agRS.png , and an exemption from FOIA requests of internal policy at the DTCC Data repository https://i.imgur.com/5lEkj42.png .

I’m sure you can see where this can be an issue; the DTCC changing internal policy and not being mandated to report it means that ANYTHING in the market could be legal according to their books, and depending on proper policy audit, who knows what’s gone under the radar.

https://www.sec.gov/investment/exchange-traded-funds-small-entity-compliance-guide

Here’s the translations in ape

First: Treatment of ETF shares as redeemable securities https://i.imgur.com/PWpc6GJ.png - ETFs are treated trade-in tickets for securities but only the ones they have inside them.

Second: Trading of ETF shares at market-determined prices https://i.imgur.com/YhOQihG.png - We will ignore rule 22 to allow us to dark pool ETFs. They can short the ETF to keep it low enough to trade on secondary markets at 'real' market value?

Third: Affiliated transactions https://i.imgur.com/spExjyK.png - We will ignore insurance requirements for these ETF transactions, including your supervision of the transactions, for any friends of Kenny or even their friends - they are an affiliate person with the company, hold 5%, yadda yadda exemption for transactions of deposit and receipt of baskets - Susquehanna 13/G option to buy 2.957m GME

And finally: Additional time for delivering redemption proceeds – This could be nothing, could also be a way for them to F to D with a cause to blame? I think it's minor compared to the others

Now further down we get conditions required - https://i.imgur.com/LYU9hSV.png

Website disclosure basically says that the ETF needs its own website with info on it publicly and prominent, but nothing about the website or ticker being publicly advertised for trade.

Then we get BASKETS: >Rule 6c-11 provides an ETF with flexibility to use "custom baskets"—such as those composed of a non-representative selection of the ETF's portfolio holdings— if the ETF has adopted written policies and procedures that: (1) set forth detailed parameters for the construction and acceptance of custom baskets that are in the best interests of the ETF and its shareholders, including the process for any revisions to, or deviations from, those parameters; and (2) specify the titles or roles of employees of its investment adviser who are required to review each custom basket for compliance with those parameters.

They can create baskets that don't equate the ETF's proportional holdings and exchange them for ETFs if the ETF is designed to do so, including self-compliance requirements for review.

"Hi, Hello, yes, I want to trade in these securities ~*that totally didn't come from an F to D*~ for an ETF please, yes, they are of equivalent value, and you'll be able to exchange them for such. Totally."

Now for their disclosure requirements: https://i.imgur.com/NLyLKVK.png specifically the last one –

>Eliminating disclosure relating to creation unit size and disclosures applying only to ETFs with creation unit sizes of less than 25,000 shares

Eliminating disclosure of the amount of created ETF shares? Hmm… not 100% on that part

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Now back to the Variable Fund - https://i.redd.it/2belzs3gdkp81.png thank you again /u/IcedOutGucciWatch https://preview.redd.it/at56str3nft81.png?width=7200&format;=png&auto;=webp&s;=b5b3ef750f1a71b497f52963adb25389d3ceda38 thank you again /u/CorrectMousse7146

This is a feature of open-ended fund, meaning they can adjust the number of outstanding shares based on incoming or outgoing baskets. They've probably been rotating their underlying assets in order to move forward contracts surrounding shorting XRT, but if the underlying assets are all F to Ds then they're extracting wealth from the fund to do so.

IE, they have synthetic shares they're exchanging for 'real' assets or ETFs from the fund, which will slowly be depleted.

In support of this theory, I present the 1-year fund level flow - https://i.imgur.com/TAbcsMp.png Source https://ycharts.com/companies/XRT

Defining Fund Flow: https://i.imgur.com/xcxCi9k.png

As they continue to pile F to Ds and short, contracts that expire they must cover and roll, so they need more assets rolling through this kerfuffle shuffle and need to increase the Shares Outstanding and their balance books with the underlying.

Using F to D shares to make ETFs, to trade to F to D on for their friends, and exchange again or F to D again depending on if they need cash, or if their friends need cash. Again and again.

My theory is that in Jan 2021 they opened 1-year contracts that when they expired needed to be rolled into a way that wasn’t as trackable to us apes. That’s why I think XRT went nuts before year-end, they wanted to roll before they were absolutely fucked in Jan.

They could also use SWAPs to offer friendly hedge funds underlying stocks to F to D on for the process, but it’s not necessary.

SWAP disclosure and exemption of DTCC for all internal policy changes means anything could be going on more than this, but this is based on the transparent rules (LOL it sucks that I have to clarify that)

If you read it all thank you so much