Title: Don’t forget in 2004 a man bought every share in existence of a company but still saw 40m shares traded next day
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In 2004 a man bought every share in existence of a company on the OTC [article](https://www.euromoney.com/article/b1320xkhl0443w/naked-shorting-the-curious-incident-of-the-shares-that-didnt-exist) (he actually bought >100k more than existed actually) the next day the company traded 37M shares then 22M shares (entire float was 1M which he owned every share of). The SEC is not coming to save you, the DTCC is complicit, MM and hedge funds have buddies in the government who are paid shills.

I saw this case referenced recently and someone had asked if locking the float was even enough. Even if MM continue their fuckery and trade 8M shares the day after the float is locked then what? This would be cause for GameStope to officially announce a share recall (please see my edit below recalls can only be done by the lender of the shares). “when the stock is recalled and the short position is closed by force, the shares leave the on-loan set and the lending pool simultaneously, i.e. the recalled shares are not recorded as being available for further borrowing but are returned to the ultimate owner.” So shorts are forced to close when a recall occurs, at this point in time the “official” short % is 25% which everyone knows is bullshit, but out of curiosity I looked into cases where naked shorts were forced to close.

I looked into the naked shorting and came across an article about knight capital a market maker who was suspected to been involved in naked shorting. They traded stocks on the DTC’s “chill list” which essentially are stocks that the DTC deems to have high levels of fuckery ($GME anybody?). Even if the shorts are naked MM’s do not have the exemption to never deliver, typically you’re given an IOU in your brokerage (DRS!!!) which allows the MM to continue driving the price down before delivering your shares for a fraction of the cost.

However knight capital took advantage of a system called the “obligation warehouse” which circumvents the DTC and facilitates self cleared trades (sounds like some fuckery). “The Obligation Warehouse instead simply asks the buyer and seller of these ex-cleared trades if they “know” the transaction. If they both agree, the trade gets confirmed with a journal entry — and the buyer receives their stock purchase. It actually shows up in the buyer’s brokerage account. The trades still have active IOUs, but according to DiIorio’s theory, buyers wouldn’t clamor for the trades to be closed because they would’ve already received their purchase.”

The article states this creates a sort of shadow clearing system which is never made public. The article also admits that this level of fuckery is extremely common due to the SEC having too much on their plate. Imagine you and your wife had 35,000 kids some of them would likely be put on the back burner and ignored to take care of others. Reverse mergers seem like a huge benefit to naked shorts as they no longer can close these shorts (thankfully GME isn’t trying this) as the CUSIP # changes which is a unique ID # assigned to a public stock.

“If DiIorio was correct, Knight was driving penny stocks down over and over again with naked shorting, then not actually closing the trades, and racking up enormous paper liabilities.” Link to article: [naked shorting](https://theintercept.com/2016/09/24/naked-shorts-cant-stay-naked-forever/)This last bit is telling.

Tl;dr Hedgies never intended to close their shorts at all, but apes found the loophole, DRS. A share dividend can force shorts to be recalled in order to provide proof of ownership through the share dividend. The naked shorts are still linked to the CUSIP# and therefore will also have to be closed as well.

Edit: as someone has pointed out it’s up to lenders to recall the shares, the company can request but be denied by the lender. When shares are lent they can not vote with those shares (runups prior to quarterly meetings). However a dividend could “force” lenders to recall shares as with no proof of ownership they may lose out on that dividend.

Edit2: Some people pointed this out as FUD, my intentions were not to create any uncertainty. My point was more or less that in this instance the owner of the shares did not DRS which in turn did not allow him to show evidence of ownership but rather IOU’s (he couldn’t prove he owned all shares in existence). Moral of the story DRS good IOU’s bad, be your own savior. Luckily we’ve got a GOAT of a chairman on our team this time around unlike in this case.