Title: So yesterday Lisa Braganca was asking for a dumbed down explanation of the fuckery of Wall Street, I've sent her some infographics to make it easier to understand and she seems to have appreciated it!
Author: mike_xy
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Url: https://www.reddit.com/gallery/tycdib

14:46

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Former SEC Branch Chief Lisa B... · 17h ···

What does that mean? That SEC is more likely to do something if (1) #apes make manipulation easy to understand & (2) provide documentation to SEC in the way SEC likes to see it (just like submitting & documenting whistleblower tips). I am trying to help.

123 140 669


14:45
◂ Foto
Former SEC Branch Chief Lisa Brag...
1
08:35
1 messaggio non letto
These are great! Thanks for sending.
14:20
Great! I'm glad you have found it useful 🤗
14:45
Scrivi un messaggio
GIF
20

UNDERSTANDING
STOCK MARKET
LOOPHOLES

VOLUME 3

EVADING TRADING OBLIGATIONS BY
HIDING FAILS-TO-DELIVER

and why the current SEC and DOJ investigation is so important

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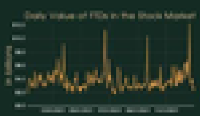
Fails-To-Deliver (FTDs) have been an ongoing problem in the market for decades



Every day, **billions of dollars of shares** fail to be delivered to brokers. These are shares that have already been paid for, often belonging in retirement accounts, and **that's just the ones we know about**.

In 2005, the SEC introduced Regulation SHO in an effort to make sure brokers actually **receive the shares owed to their clients** and to try to curb illegal naked short.

Reg SHO requires Wall Street firms who are short selling to have a "reasonable belief" that they can locate shares to borrow before they can start shorting. **They don't actually need to borrow them first though**.

They can either buy some from the stock market or they can just borrow those shares that they had located earlier

Reg SHO also added deadlines by which short sellers needed to get their hands on shares to cover what they had already sold. The intent being that short sellers would deliver these shares to the purchaser - if those shares are not sent to the purchaser, **they become Fails-To-Deliver**.

Eight years later, in 2013, **the SEC issued a risk alert** about short sellers using certain trading strategies to **avoid their obligations**.

These strategies make it seem like short sellers get the shares they owe. This triggers the system to mark their deadline as met, even if they don't actually deliver the shares.

The SEC refers to these transactions as **sham close-outs** and they are more common in stocks that are hard to borrow.

Wall Street firms use these loopholes to avoid delivering the shares they owe to retail brokers without being noticed by making it difficult to identify Fails-To-Deliver at all. This leaves retail brokers with the responsibility to report that they failed to receive shares, but doing so is rare since it can spook their users.

A short seller has sold shares to a retail buyer, but hasn't delivered the shares to the retail buyer's broker yet.

If you want to get technical, some examples of reset transactions are buy-write transactions & married put transactions

They basically do exactly what's shown in this graphic

These collaborative trading strategies are commonly referred to as **reset transactions** since they reset the clock for share delivery, and the SEC has declared them a violation of Reg SHO.

On February 8th 2022, the SEC and Justice Department announced a joint investigation focused on illegal short selling practices. Dozens of prominent short sellers are being scrutinized for possible **collusion and racketeering** with the beginning of the investigation dating back to early 2021.

Remember those billions of dollars worth of shares that Fail To Deliver every day? Those are the ones where the clock ran out because there was no reset transaction. Suspected evidence of reset transactions suggests that **the daily dollar value of FTDs could easily be 10 to 100 times greater than what is reported by the SEC**.

So why should you care? Well, those billions, or maybe trillions, of dollars worth of hidden FTDs means that your broker isn't receiving all of the shares you paid for. Your account may be full of IOUs.

UNDERSTANDING STOCK MARKET LOOPHOLES

VOLUME 2

FAILURE TO DELIVER

and its impact on everyday Americans

Data sourced from: https://www.sec.gov/data/foiadocsfailsdata.htm

Imagine going into a dealership and buying yourself a brand new car. The dealership tells you that the car will be available in 2 business days. That day arrives, but your car is still unavailable and they tell you it'll only be available in a month. Finally, a month later you go to pick it up, but they still don't have it! They keep stringing you along, but you still don't have your car. Turns out they took a single car title and photocopied it a bunch of times, then sold you one of the copies. Now they're scrambling to find you an actual car.

NOW TAKE THAT CONCEPT AND APPLY IT TO BUYING SHARES FROM THE STOCK MARKET. THIS IS A FAILURE TO DELIVER (FTD).

You might be thinking "that's never happened to me, I see all my shares in my trading account!" And you're right, but that's because FTDs happen at the brokerage level and are invisible to retail investors. Your broker might not actually have your shares.

Did you know that on June 21, 2021, there were over **244M** shares that Failed To Deliver across the stock market, worth over **$11.3B** ?

And that's just on one day. FTDs happen every day.

Market Makers and Hedge Funds will sometimes intentionally Fail To Deliver by selling shares that they don't actually have yet. They're supposed to deliver them to your broker eventually but if the shares cost more than they're willing to pay, they can just borrow shares from another market participant for a small fee and deliver those to your broker instead.

SO WHY DOES IT EVEN MATTER?

When Wall Street Fails To Deliver, they are basically creating new "temporary" shares and diluting the stock's value. Essentially, they artificially decrease the price of the stock and the value of your investment. For most Americans, that's impacting your IRA or 401k account. These FTDs are strategically used by Wall Street to line their pockets, all while reducing the value of your retirement account.