

Title: Can short positions slowly close?

Author: pritchard3213

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Had a theory playing in my head but no easy way to explain it, here is that attempt.

Lets say the float of a company is 100 shares.

Theres is a lender that bought 10 shares of that company and is prepared to lend these shares out to short.

Now the borrower comes around to the lender and purchases the 10 shares from the lender.

The borrower now with 10 real shares goes to the market and hypothecates 9 of them until there are 90 shares and shorts them all into the market.

There are now more shares than the float. 100 real + 90 fake shares.

The borrower now needs to pay the lender back, the lender realizes the problem and assists.

The borrower uses the 1 real share he has, to pay the lender back 1 of the 10 shares he owes.

But the borrower still has 89 fake shares out there to deal with. What does he do? He goes to the lender and works out a deal to buy the same share for some extra money.

The lender agrees, gives the share and it gets repeated till done.

I believe they don't need retail to close the short positions over time. Gme