

Title: Whale teeth caused by TRF orders reported way below the best Bid price?

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Maybe this has been talked about before and I have missed it but last nights I have been observing the after hours and the usual whale teeth pattern.

This time I was comparing Bid and Ask with Time & Sales of the executed orders and was trying to see why this pattern occurs.

What I could see was that there were many orders coming in from TRF which from googling looks to be FINRA Trade Reporting Facility (TRF) which provides FINRA members with a mechanism for the reporting of transactions effected otherwise than on an exchange.

What was interesting was that when the price dipped it was a TRF order coming in about \$0.5 to \$1 below the best Bid price which I thought was odd. There were several better bids for X amount of shares that was not moving at all when repeated transactions of orders was coming in way below the Bid prices. Then when someone was buying a share from the Ask price the share price jumped up again.

How can they report trades way below the Bid price? That can't be NBBO for the seller.

If you repeat this enough times it will make others move their price down as well since you might create an order and use the current price while it is manipulated down.

Since this is all hidden in an internalizer there is no way of knowing what exactly is happening.

It could be some affiliates to the market maker that have bought shares in advance and are selling them cheaper just to try to move down the price with wash sales.

They could perhaps take other peoples orders and use an intermediary source to buy and then sell and just pay the difference in how much they want to report it lower.

It does not cost that much at all for them. During after and pre hours it just takes 1 share to set the price.

So if you want to lower the current price \$1 then it only cost them \$1 since they only pay the difference.

Am I wrong and are missing something?

To me it looks like an obvious crime that should not be that hard for the SEC to see.

Not sure if they are doing the same during the day, but I would not be surprised if they do.

Even if they have to do it with 100 shares to set the price it is still no money and could be very effective during low volumes. They could repeatedly pay \$20 to set the price \$0.2 lower.

The more trades routed through internalizers will make it easier for them to move the price since you will have less orders coming in who are paying the Ask price.