

Title: MARKETWATCH: "The Reddit crowd has found a new tactic in the war against Wall Street: cutting brokers out altogether"

Author: DanishSamsudin

Created 2021-10-15 09:39:00 UTC

Permalink: /r/DDintoGME/comments/q8kx4o/marketwatch_the_reddit_crowd_has_found_a_new/

Url: https://www.reddit.com/r/DDintoGME/comments/q8kx4o/marketwatch_the_reddit_crowd_has_found_a_new/

[https://www.marketwatch.com/story/the-reddit-crowd-has-found-a-new-tactic-in-the-war-against-wall-street-cutting-brokers-out-altogether-11634250783?mod=mw_quote_news](https://www.marketwatch.com/story/the-reddit-crowd-has-found-a-new-tactic-in-the-war-against-wall-street-cutting-brokers-out-altogether-11634250783?mod=mw_quote_news)

MSM has finally caught up to DRS

Edit 1: Someone wanted the article pasted here so here it is :)

The Reddit crowd has found a new tactic in the war against Wall Street: cutting brokers out altogether

'When the music stops, there aren't enough shares to go around...retail investors are trying to stop the music'

A percolating theme among retail investors came to a boil on Thursday and some meme stocks ended the day simmering

Since being knocked out of January's short squeeze by online brokers trying to avoid margin calls, retail investors have been seeking alternatives to their multi-front war on short selling hedge funds, and after months of research they appear to have found it.

Cutting the brokers out altogether.

In recent days, an increasing number of retail investors have swapped their torches, pitchforks and TD Ameritrade accounts for direct registration platforms like Computershare **CPU**, **+1.24%**, which have seen an influx of business from the meme crowd.

Shares of AMC Entertainment **AMC**, **+5.70%** soared 8% at its peak Thursday, to close up 5.7%, as "direct registration" chatter took hold on social media, with users on Reddit flooding message boards with screenshots of purported evidence that they had moved their trading accounts to transfer agents that allow them to hold stock in a company directly rather than through the more common 'street' ownership. Typically, a broker holds an investor's shares on its books and keeps a record that you own the asset without the broker or the individual ever having to actually hold the physical shares.

There are, of course, benefits to this indirect ownership.

However, the trend into direct registration—in some ways, the equivalent of a Gen Xer's late-teen child finding their Sony DiscMan hidden in an old briefcase and deciding that this was the pinnacle of music technology—started weeks ago as self-professed 'Apes' realized after January that using zero-commission trading apps didn't mean they were buying stock in a company, but were instead paying a broker to hold their stock via a "street name."

It didn't take long thereafter for those Apes to decide that this sort of indirect ownership was fueling short sellers, who borrow shares and create the kind of synthetic trading environment that some retail investors believe has allowed hedge funds and other institutions to execute shorts and avoid the pain of being squeezed themselves.

"In the last few weeks, we've seen a significant increase in direct registration transactions in some U.S.-listed 'meme-stocks'," Paul Conn, Computershare's president of Global Capital Markets, told MarketWatch's MemeMoney.

“Retail investors have asked their broker or bank to remove their investments from the ‘street name’ system and into their own name directly onto the company’s share register, which Computershare manages as agent for the relevant company.”

Computershare declined to share specific data outlining the magnitude of inflows that it has seen. But if a quick perusal of Reddit is any gauge of interest, with users posting screenshots of what they describe as newly activated accounts, the Abbotsford, Australia transfer agent is seeing a good flow of new business.

“Some of the benefits of direct registration include the right to receive dividends and other corporate communications directly from the company,” Conn said.

“Registered investors also receive their proxy and can attend, ask questions and vote directly at a company’s shareholder meeting. Another benefit includes the right to transfer ownership directly,” he said.

But for Reddit’s retail Apes, there is one other huge perk to direct registration in meme stocks: keeping brokers, short sellers and market makers from creating a condition in which the amount of shares sold short in any given company exceed the total amount of shares outstanding. So-called naked shorting, where investors profit from bets on stock without owning it is illegal on Wall Street, but many Redditors believe that naked shorting is alive and well due in part to indirect ownership. Short bets are inherently risky because losses on a wrongway wager can be infinite.

“When the music stops, there aren’t enough shares to go around,” said Susanne Trimbath, CEO of STP Advisory Services, and an economist who has been a key voice in educating retail investors on market structure.

“These retail investors are trying to stop the music.”

But while the music was still playing on Thursday, it was a sweet tune for some meme stocks.

In addition to AMC (which appeared to finally capitalize on days of #AMCSqueeze trending on Twitter), shares of BlackBerry ****BB,**** ****+4.59%****, Clover Health ****CLOV,**** ****+0.87%**** and Palantir ****PLTR,**** ****+0.91%**** all closed higher.

“This buying spree is among the brokers,” mused Trimbath. “At this point, it’s easier to come up with the money than to come up with the shares.”

That sentiment was shared by a number of retail investors who used the power of memes to illustrate their disruption.

Despite an early pop, shares of GameStop ****GME,**** **** -0.12%**** closed on the wrong side of flat on Thursday, with the loss of 0.02%.

It is worth noting that direct registration isn’t a panacea to all that’s wrong with market structure.

Importantly, locking up shares via direct registration might put pressure on short sellers, but it also exposes Apes to steep losses if the stock goes into free fall.