

Title: Is Citadel hiding all the shorts? They don't have to report short positions because they are a Market Maker (MM). Here are some Edgar filings that could reveal this.

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obligations, leaving prime brokers and commercial banks with significant losses, thereby highlighting the interconnected risks between financial institutions.⁴¹ These events, particularly the lack of transparency into Archegos's holdings, have also caused experts to ask the SEC to improve transparency through expanded 13-f reporting.⁴²

Gamification and Social Media

Gamification of investing involves tactics used to increase consumer engagement, time spent on an investment platform, and number of trades.⁴³ This includes design elements and psychological tools intended to keep the attention of its users, including emoji-filled notifications, prizes, graphics, and animations. The amalgamation of gamification features, such as those seen on Robinhood's platform, has driven criticism that gamified online trading platforms encourage behavior similar to a gambling addiction.⁴⁴ Research indicates the more the do-it-yourself investors trade, the worse their financial outcomes are.⁴⁵

There has also been an increase in social media usage discussing investment strategies on apps such as TikTok and Reddit. Investors and their fellow social media users often discuss stocks traded on Robinhood. Certain academics have reflected on these events and noted that "there really is a power in the collectivism happening on WallStreetBets."⁴⁶ Still, it is important to consider concerted investment strategies on social media, the potential impact if these concerted strategies reached beyond a few securities and, more generally, if regulators have the tools to adequately assess and respond to the growing impact of technology and social media on America's capital markets.

⁴¹ CNBC, [As Wall Street reels, Archegos' fire sale raises big questions about revelation](#) (March 30, 2021).

⁴² [Americans for Financial Reform letter to Allison Herten Lee, Acting Chair, U.S. Securities and Exchange Commission](#) (March 31, 2021).

⁴³ The Washington Post, [Robinhood's Role in the 'Gamification' of Investing](#) (Dec. 21, 2020).

⁴⁴ NBC, [Gambling addiction experts see familiar aspects in Robinhood app](#) (Jan 30, 2021).

⁴⁵ The New York Times, [Robinhood has Lured Young Traders, Sometimes with Devastating Results](#) (Feb. 2, 2021).

⁴⁶ CNBC, [How meme stocks like GameStop and AMC changed Wall Street](#) (April 23, 2021).

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EDGAR Search Results

Citadel Enterprise Americas LLC CIK# 0001288108 (see all company filings)

State location: IL State of inc: DE formerly: CITADEL HOLDINGS/ CITICORP LLC (Range through 2008-12-16) formerly: CITICORP LLC (Range through 2013-08-16) Get insider transactions for this reporting center	Business Address CITADEL LLC 100 E DEARBORN STREET 32ND FL CHICAGO IL 60603 3125957108	Mailing Address CITADEL LLC 100 E DEARBORN STREET 32ND FL CHICAGO IL 60603
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"Citadel LLC" rendered no results on the SEC EDGAR system.
This company formerly known as "Citadel LLC" was found.

Name Change [edit]

On July 1, 2008, the company was renamed Tivv Telecom.^[1] The company had used the name Time Warner Telecom under an agreement with Time Warner Inc., its former parent company. The name was changed when Time Warner Inc. declined to renew the agreement allowing the use of its name. The company had considered several names, but elected to use the initials "ti" to help maintain its brand legacy in the marketplace.

NMS stocks (Pilot).¹⁶ The purpose of the Pilot, was to collect data that would “be used to facilitate an empirical evaluation of whether the exchange transaction-based fee and rebate structure is operating effectively to further statutory goals and whether there is a need for any potential regulatory action in this area.”¹⁷ In particular, the SEC sought to determine whether the \$2.5 billion in rebates, reportedly paid in 2018, created “...conflicts of interest by incentivizing brokers to send customer orders to the exchanges that pay the biggest rebates rather than to those that would obtain the best results for the end clients.”¹⁸ The New York Stock Exchange, Chicago Board Options Exchange, and Nasdaq, Inc. sued the SEC asserting that the Pilot constituted overreach by the government¹⁹ and, in June 2020, the U.S. Court of Appeals for the District of Columbia ruled against the SEC and struck down the Pilot.²⁰

Increased Transparency

SEC Rule 13f-1 requires institutional investment managers to file periodic reports if the accounts they have investment discretion over, collectively, have more than \$100 million in certain equity securities.²¹ Last year, the SEC proposed raising the \$100 million reporting threshold for 13f filings.²² That proposal was met with wide-spread, cross industry criticism for its projected reduction in market transparency.²³ Recent events, including the January 2021 short squeeze, have elicited further industry feedback regarding increased market transparency, including heightened 13f reporting requirements and short sale reporting. Some have called for reforms in 13f filing requirements that would require institutional investment managers to report more frequently than the rule currently requires and would expand 13f reporting to include “short stock sales; [s]hort option positions; and [d]erivatives that mimic the behavior of stocks, such as [t]otal [r]eturn [s]waps...”²⁴

Clearing Firm Risk Management and Accelerated Settlement

On January 28, 2021, Robinhood advised that “in light of recent volatility” the firm would restrict “transactions for certain securities to position closing only,” including GameStop, BlackBerry, AMC and certain other so-called meme stocks, and further advised that the firm would also raise “margin requirements for certain securities.”²⁵ Other brokers also restricted transactions and raised margin requirements.²⁶ This course of action, which was followed by a decline in GameStop’s stock price, became the subject of public scrutiny.²⁷ Vladimir Tenev, Chief Executive Officer of Robinhood Markets, Inc.,²⁸ stated that the restrictions were imposed because the firm’s clearinghouse, National Securities Clearing Corporation (NSCC), was requiring an additional \$3 billion deposit due to its increased risk profile²⁹ and, as such, Robinhood restricted trading a way

¹⁶ See [SEC Adopts Transaction Fee Pilot for NMS Stocks](#).

¹⁷ *Id.*

¹⁸ See [Bie U.S. exchanges to sue SEC over ‘overreaching’ for experiment](#) (Feb. 2019).

¹⁹ *Id.*

²⁰ See Financial Times, [Court deals blow to SEC in battle with exchanges over fees](#) (June 16, 2020); see also [NYSE v. SEC, No. 19-1042](#) (D.C. Cir.) (June 16, 2020). The U.S. Court of Appeals for the District of Columbia noted that it granted the petitions for review “[b]ecause the SEC acted without delegated authority from Congress when it adopted Rule 610T.”

²¹ See [17 CFR 1.240.116-1](#).

²² See SEC Proposed Rule, [Reporting Threshold for Institutional Investment Managers](#), Release No. 34-89290; File No. S7-08-20 (July 10, 2020).

²³ See, e.g., CNBC, [Jim Cramer Rips SEC’s Proposed Rule Change for Institutional Investors](#) (July 22, 2020).

²⁴ [Americans for Financial Reform letter to Allison Herten Lee, Acting Chair, U.S. Securities and Exchange Commission](#) (March 31, 2021).

²⁵ See CNBC, [Robinhood restricts trading in GameStop, other names involved in frenzy](#) (Jan. 28, 2021).

²⁶ *Id.*

²⁷ *Id.*

²⁸ See Robinhood Markets, Inc. is the 100% owner of Robinhood Financial LLC and the direct owner of Robinhood Securities LLC. See [BrokerCheck record for Robinhood Financial LLC and Robinhood Securities LLC](#).

²⁹ The Wall Street Journal, [Robinhood’s GameStop Debutle Spurs Calls to Modernize Stock Clearing - WSJ](#) (Feb. 8, 2021).

to manage its risks and reduce its deposit requirements.³⁰ With respect to the events on January 28, 2021, the Depository Trust & Clearing Corporation (DTCC), NSCC's parent company, noted that:

NSCC determined that it would be appropriate to waive the capital premium charge for all clearing members.... Just after 9 a.m., prior to the market opening at 9:30 a.m., updated daily margin statements reflecting the waiver were released in NSCC's portal and revised excess/deficiency notices were emailed to clearing members. All clearing members timely satisfied their clearing fund requirements.³¹

Mr. Tenev responded to the events of January 28th by calling for the U.S. to move toward a real-time settlement system which, he says, "would greatly mitigate the risk" inherent in the current settlement cycle.³² DTCC has also recognized the "immediate benefits of moving to a T+1 settlement cycle," explaining that it "would mean cost savings, reduced market risk and lower margin requirements."³³

Citadel LLC = Hedge Fund
Citadel Securities LLC = Market Maker

Market Dominance, Leverage and Systemic Risk

Testimony given at the first two GameStop hearings raised concerns about the market dominance of some capital market participants, as well as correlated risks arising from the interconnectedness of certain financial institutions. For example, Citadel LLC is a multi-service hedge fund and financial services company and Citadel Securities LLC, is one of the largest market makers and, according to its website, executes "approximately 47% of all U.S.-listed retail volume."³⁴ Citadel Securities also, reportedly, handles almost as much trading volume as Nasdaq.³⁵ Further, Citadel Securities along with market maker Virtu Financial, "account for more of the overall equity market than the New York Stock Exchange."³⁶ With respect to Citadel, some have raised concerns about a single market maker managing such a large volume of retail order flow, and what that means in terms of pricing.³⁷ Others have questioned whether Citadel has such dominance in our financial markets that it poses a systemic risk to the entire U.S. financial system.³⁸

Citadel LLC and Point72 Asset Management invested almost \$3 billion dollars in Melvin Capital Management, a hedge fund that was heavily shorting GameStop stock and, consequently, suffered a 53% loss in January 2021.³⁹ Melvin's filings reportedly indicated that the hedge fund was highly leveraged before the GameStop frenzy.⁴⁰ Just as some market participants were questioning the systemic impact of heavily leveraged hedge funds such as Melvin Capital failing, Archegos Capital Management, a highly leveraged family investment vehicle, defaulted on certain

³⁰ Robinhood Blog, [An Update on Market Volatility](#) (Jan. 28, 2021), visited April 26, 2021.

³¹ DTCC, [Letter for the Record to the Honorable Maxine Waters](#) (Feb. 18, 2021).

³² Reuters, [Robinhood CEO Calls for Move to Real-Time Settlement of Trades](#) (Feb. 2, 2021).

³³ DTCC, [Advancing Together: Leading the Industry to Accelerated Settlement](#) (Feb. 2021). Incidentally, some stakeholders have wondered if Robinhood's focus on accelerated settlement was an attempt to shift industry focus away from how the broker dealer managed financial risk in January 2021.

³⁴ [Citadel Securities Website](#).

³⁵ Quartz, [Citadel Gets Almost As Much Trading Volume as Nasdaq](#) (Feb. 5, 2021).

³⁶ *Id.*

³⁷ Yahoo Finance, [Biden's SEC pick: Some crypto markets 'rife with fraud and scams'](#) (March 2, 2021).

³⁸ The Wall Street Journal, [Citadel May Pose a Systemic Threat, Waters Says](#) (Feb. 18, 2021).

³⁹ The Wall Street Journal, [Citadel, Point72 to Invest \\$2.75 Billion Into Melvin Capital Management](#) (Jan. 25, 2021).

⁴⁰ Institutional Investor, [Melvin Capital Is Facing Nine Lawsuits Related to the GameStop Frenzy](#) (March 22, 2021).

See <https://www.sec.gov/pdf/form13f.pdf>

INSTRUCTIONS FOR CONFIDENTIAL TREATMENT REQUESTS

Pursuant to Section 13(f)(4) of the Exchange Act [15 U.S.C. 78m(f)(4)], the Commission (1) may prevent or delay public disclosure of information reported on this form in accordance with Section 552 of Title 5 of the United States Code, the Freedom of Information Act [5 U.S.C. 552], and (2) shall not disclose information reported on this form identifying securities held by the account of a natural person or an estate or trust (other than a business trust or investment company). A Manager must submit in accordance with the procedures for requesting confidential treatment any portion of a report which contains information identifying securities held by the account of a natural person or an estate or trust (other than a business trust or investment company).

A Manager requesting confidential treatment must provide enough factual support for its request to enable the Commission to make an informed judgment as to the merits of the request. The request should address all pertinent factors, including all of the following that are relevant:

- d. Demonstrate that failure to grant the request for confidential treatment would be likely to cause substantial harm to the Manager's competitive position; show what use competitors could make of the information and how harm to the Manager could ensue.

The 40-6b filed by Citadel Enterprise Americas LLC grants exemption to the Investment Company Act of 1940, which was created in order for congress to protect national interests via of the SEC. See below as taken from the Investment Company Act of 1940.

<https://www.govinfo.gov/content/pkg/COMPS-1879/pdf/COMPS-1879.pdf>

SEC. 1. [80a-1] (a) Upon the basis of facts disclosed by the record and reports of the Securities and Exchange Commission made pursuant to section 30 of the Public Utility Holding Company Act of 1935, and facts otherwise disclosed and ascertained, it is hereby found that investment companies are affected with a national public interest in that, among other things—

(b) Upon the basis of facts disclosed by the record and reports of the Securities and Exchange Commission made pursuant to section 30 of the Public Utility Holding Company Act of 1935, and facts otherwise disclosed and ascertained, it is hereby declared that the national public interest and the interest of investors are adversely affected—

(2) when investment companies are organized, operated, managed, or their portfolio securities are selected, in the interest of directors, officers, investment advisers, depositors, or other affiliated persons thereof, in the interest of underwriters, brokers, or dealers, in the interest of special classes of their security holders, or in the interest of other investment companies or persons engaged in other lines of business, rather than in the interest of all classes of such companies' security holders;

(8) when investment companies operate without adequate assets or reserves.

It is hereby declared that the policy and purposes of this title, in accordance with which the provisions of this title shall be interpreted, are to mitigate and, so far as is feasible, to eliminate the conditions enumerated in this section which adversely affect the national public interest and the interest of investors.

The nature of asking for exemption from such law is highly suspicious to me. The following shows some sections of the act for which exemption was granted. Note that the section above is included in the exemptions.

ACCOUNTS AND RECORDS

SEC. 31. [80a-30] (a) MAINTENANCE OF RECORDS.—

(1) IN GENERAL.—Each registered investment company, and each underwriter, broker, dealer, or investment adviser that is a majority-owned subsidiary of such a company, shall maintain and preserve such records (as defined in section 3(a)(37) of the Securities Exchange Act of 1934) for such period or periods as the Commission, by rules and regulations, may prescribe as necessary or appropriate in the public interest or for the protection of investors. Each investment adviser that is not a majority-owned subsidiary of, and each depositor of any registered investment company, and each principal underwriter for any registered investment company other than a closed-end company, shall maintain and preserve for such period or periods as the Commission shall prescribe by rules and regulations, such records as are necessary or appropriate to record such person's transactions with such registered company. Each person having custody or use of the securities, de-

Essentially, the exemption applied for covers reasons for which the SEC may file a legal complaint or investigation.

THE JAW DROPPER

PERIODIC AND OTHER REPORTS; REPORTS OF AFFILIATED PERSONS

SEC. 30. [80a-29] (a) Every registered investment company shall file annually with the Commission such information, documents, and reports as investment companies having securities registered on a national securities exchange are required to file annually pursuant to section 13(a) of the Securities Exchange Act of 1934 and the rules and regulations issued thereunder.

(b) Every registered investment company shall file with the Commission—


(1) such information, documents, and reports (other than financial statements), as the Commission may require to keep reasonably current the information and documents contained in the registration statement of such company filed under this title; and

(2) copies of every periodic or interim report or similar communication containing financial statements and transmitted to any class of such company's security holders, such copies to be filed not later than ten days after such transmission.

Any information or documents contained in a report or other communication to security holders filed pursuant to paragraph (2) may be incorporated by reference in any report subsequently or concurrently filed pursuant to paragraph (1).

(c)(1) The Commission shall take such action as it deems necessary or appropriate, consistent with the public interest and the protection of investors, to avoid unnecessary reporting by, and minimize the compliance burdens on, registered investment companies and their affiliated persons in exercising its authority—

No filings since the 40-6b order...

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Citadel Enterprise Americas LLC

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Filings

All *From Date (yyyy-mm-dd)To Date (yyyy-mm-dd)

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☐ Form type ☐ Form description ☐ Filing date ☒ Reporting date ☐ Act ☐ File number ☐ File number ☐ Accession number ☐ Size


Form type	Form description	Filing date	Reporting date
88-DPR	40-68 Order View	2021-01-04	
88-NYC	40-68 Notice View	2020-12-01	
40-68-16	amendment of notice (notice) submitted for exemption from all provisions of the Investment Company Act of 1940 by an investment company - amendment View	2020-05-05	

I began my research by reviewing the memorandum of the hearing held by the US House Committee on Financial Services, found here:

<https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=407748>

The memorandum identifies several investment companies, namely, Citadel LLC, Melvin Capital Asset Management, Point72 Asset Management, Robinhood Markets Inc, and Citadel Securities LLC.

Pursuing an investigation of the 13-F filings for "Citadel LLC" I searched the SEC website and their system, EDGAR. No 13-F for "Citadel LLC" was not found.



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Ticker AAPL

SEC Edgar Filing Tracker

Companies with new SEC filings today

Citadel LLC	Lookup Company
Ticker: AAPL	Lookup Ticker
0000000000	Lookup CIK

Company	Ticker / CIK
Citadel GP LLC	0001423052
Citadel LNT, LLC	0001360912
CITADEL CLEARING LLC	0001616344
CITADEL ADVISORS LLC	0001423050
CITADEL PARTNERS LLC	0001609952
Citadel Depositor, LLC	0001612360
Citadel Wellington LLC	0001331308
Citadel Advisors II LLC	0001376996
Citadel Acquisition LLC	0001768956
Citadel Equities Fund LLC	0001727172
Citadel Velocity Fund LLC	0001600996
Citadel Securities GP LLC	0001727695

Suggested results limited to 10. Conduct a search for full results

My search revealed a company formerly known as "Citadel LLC" called "Citadel Enterprise Americas LLC." This appears significant given that other subsidiary, or related companies such as "Citadel Advisors LLC," do not use addresses named to "Citadel LLC." See the link: <https://sec.report/CIK/0001255158>

Company Details
Company Names & Stock Symbols
CITADEL LLC
CITADEL INVESTMENT GROUP LLC
Citadel Enterprise Americas LLC

Further searching on the SEC website confirmed the connection. Notice that the name of the company was changed in 2013. Long time no see "Citadel LLC."

<https://www.sec.gov/cgi-bin/browse-edgar?company=Citadel+LLC&match=&filenum=&State=&Country=&SIC=&myowner=exclude&action=getcompany>

Legislation

- **H.R. _____, to amend the Securities Exchange Act of 1934 to modernize reporting requirements under section 13(f) of such Act, and for other purposes:** this discussion draft would shorten the reporting period for 13-F disclosures from quarterly to monthly and require the disclosure of short positions and certain derivatives.
- **H.R. _____, to amend the Investment Advisers Act of 1940 to limit the exemption provided for family offices from the definition of an investment adviser to those family offices with less than \$750,000,000 in assets under management and for other purposes:** this discussion draft would limit the use of the family office exemption to offices with \$750 million or less in assets under management and prevent persons who are barred or subject to final orders for conduct constituting fraud, manipulation, or deceit from being associated with a family office.
- **H.R. _____, to require the Securities and Exchange Commission to carry out a study on the impact of the gamification of online trading platforms, and for other purposes:** this discussion draft would require the SEC to conduct a study on the impact of gamification of online trading platforms and issue a report within 180 days to the Office of the Investor Advocate and would require the Investor Advocate to review the report and issue recommendations within 90 days.
- **H.R. _____, to amend the Securities Act of 1934 to establish certain requirements with respect to retail investor options trading, and for other purposes:** this discussion draft would require enhancements for retail customers who engage in options trading, including preventing broker dealers from offering retail customers monetary and non-monetary incentives that encourage options trading; and would require broker dealers to disclose to customers the percentage of the broker dealer's retail client accounts that lose money on such options trading.
- **H.R. _____, to amend the Securities Exchange Act of 1934 to prohibit payment for order flow:** this discussion draft would ban payment for order flow in the form of exchange rebates, as well as payments from market centers to broker dealers.
- **H.R. _____, to amend the Securities Exchange Act of 1934 to prohibit trading ahead by market makers, and for other purposes:** this discussion draft would statutorily prohibit market makers from "trading ahead"; require the CEO of each market maker to annually certify that the CEO has performed reasonable due diligence during the reporting period to ensure the market maker has not traded ahead; and would impose personal liability on the market maker's CEO and Directors of the Board if the market maker trades ahead.

The focus seems to be on settlement periods and margin requirements. No mention of financial firms positions relative to gamestop.

Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

May 3, 2021

Find 13-f filings for:
Citadel LLC
Melvin Capital Asset Management
Point72 Asset Management
Robinhood
Citadel Securities LLC
prior to January 28, 2021

Memorandum

To: Members, Committee on Financial Services
From: FSC Majority Staff
Subject: May 6, 2021, Full Committee Hearing entitled, "Game Stopped? Who Wins and Loses When Short Sellers, Social Media, and Retail Investors Collide, Pt. III?"

The full Committee will hold a virtual hearing entitled, "Game Stopped? Who Wins and Loses When Short Sellers, Social Media, and Retail Investors Collide, Part III" on Wednesday, May 6, 2021 at 12:00 p.m. Eastern Daylight Time on the virtual meeting platform, Cisco Webex. There will be one panel with the following witnesses:

- **The Honorable Gary Gensler**, Chairman, U.S. Securities and Exchange Commission
- **Michael Bodson**, President and Chief Executive Officer, the Depository Trust & Clearing Corporation
- **Robert Cook**, President and Chief Executive Officer, Financial Industry Regulatory Authority, Inc.

Overview

There was not Squeeze per SEC report

On February 18, 2021 and March 17, 2021, the House Financial Services Committee held hearings to examine the January 2021 market volatility stemming from a short squeeze on stocks, including GameStop, AMC, KOSS, and others. More specifically, retail investors on social media site Reddit's "WallStreetBets" subchannel ("subreddit") collectively induced a short squeeze in stocks they identified as being heavily shorted by hedge funds.¹ WallStreetBets users drove stock prices up, forcing short sellers, who bet the stock price would go down, to purchase shares at an increased price.² On January 27, 2021, GameStop's stock, for example, closed at \$347.51, up from just \$3.84 approximately six months prior.³ Months after the short squeeze, GameStop and its executives have seemingly benefited from the short squeeze. For instance, several departing GameStop executives will, reportedly, leave the company with stock that, as of late April, was worth approximately \$290 million.⁴ In the same month, the company completed an at-the-market offering, selling 3.5 million GameStop shares for over \$550 million in gross proceeds.⁵

During the first hearing, testimony was provided by parties that were directly involved in the January market event. That testimony raised several critical questions regarding the conflicts of interest between payment for order flow and best execution; the sufficiency of short sale disclosures; clearing firm financial requirements and broker-dealer risk management; accelerated settlement; the market dominance of certain participants; gamification of retail investing; the growing impact of social media and technology on America's capital markets; and whether

¹ The Wall Street Journal, [GameStop Stock Frenzy: What You Need to Know](#) (Jan. 27, 2021).

² *Id.*

³ See Yahoo Finance, [GameStop \(GME\) History](#) (visited, April 25, 2021).

⁴ The Wall Street Journal, [GameStop's CEO Is Getting Millions on His Way Out. He's Not the Only One](#) (April 25, 2021).

⁵ Reuters, [GameStop raises \\$551 mln to accelerate e-commerce push, shares jump](#) (April 26, 2021).



The latest filing for Citadel Enterprise Americas LLC shown in the EDGAR system is a form 40-6B from January 13, 2021. Just prior to the period of market volatility being investigated by the US House Committee on Financial Services.
<https://www.sec.gov/edgar/browse/?CIK=0001255158>

UNITED STATES OF AMERICA
BEFORE THE
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT COMPANY ACT OF 1940
Release No. 34173 / January 13, 2021

In the Matter of

**Citadel Enterprise Americas LLC
CEIF LLC**

131 South Dearborn Street
Chicago, IL 60603

(813-00397)

ORDER UNDER SECTIONS 6(b) AND 6(e) OF THE INVESTMENT COMPANY ACT OF 1940

Citadel Enterprise Americas LLC and CEIF LLC filed an application on December 13, 2019, and amended on May 7, 2020, July 10, 2020, and October 15, 2020, requesting a superseding order that amends and restates a prior order under sections 6(b) and 6(e) of the Investment Company Act of 1940 ("Act") granting an exemption from all provisions of the Act, except section 9, and sections 36 through 53, and the rules and regulations thereunder. With respect to sections 17 and 30 of the Act, and the rules and regulations thereunder, and rule 38a-1 under the Act, the exemption is limited as set forth in the application.

On December 18, 2020, a notice of filing of the application was issued (Investment Company Act Release No. 34143). The notice gave interested persons an opportunity to request a hearing and stated that an order disposing of the application would be issued unless a hearing was ordered. No request for a hearing has been filed, and the Commission has not ordered a hearing.

The matter has been considered and it is found, on the basis of the information set forth in the application, as amended, that granting the requested exemption is appropriate in the public interest and consistent with the protection of investors.

I was shocked to find that such exemptions exist for 13-F filings as well.

AFFILIATIONS OF DIRECTORS

SEC. 10. [80a-10] (a) No registered investment company shall have a board of directors more than 60 per centum of the members of which are persons who are interested persons of such registered company.

(b) No registered investment company shall—

(1) employ as regular broker any director, officer, or employee of such registered company, or any person of which any such director, officer, or employee is an affiliated person, unless a majority of the board of directors of such registered company shall be persons who are not such brokers or affiliated persons of any of such brokers;

(2) use as a principal underwriter of securities issued by it any director, officer, or employee of such registered company or any person of which any such director, officer, or employee is an interested person, unless a majority of the board of directors of such registered company shall be persons who are not such principal underwriters or interested persons of any of such principal underwriters; or

(3) have as director, officer, or employee any investment banker, or any affiliated person of any investment banker, unless a majority of the board of directors of such registered company shall be persons who are not investment bankers or affiliated persons of any investment banker. For the purposes of this paragraph, a person shall not be deemed an affiliated person of an investment banker solely by reason of the fact that he is an affiliated person of a company of the character described in section 12(d)(3) (A) and (B).

(c) No registered investment company shall have a majority of its board of directors consisting of persons who are officers, directors, or employees of any one bank (together with its affiliates and subsidiaries) or any one bank holding company (together with its affiliates and subsidiaries) (as such terms are defined in section 2 of the Bank Holding Company Act of 1956) or any one savings and loan holding company, together with its affiliates and subsidiaries (as such terms are defined in section 10 of the Home Owners' Loan Act),¹⁰ except that, if on March 15, 1940, any registered investment company had a majority of its directors consisting of persons who are directors, officers, or employees of any one bank, such company may continue to have the same percentage of its board of directors consisting of persons who are directors, officers, or employees of such bank.

(d) Notwithstanding subsections (a) and (b)(2) of this section, a registered investment company may have a board of directors all

¹⁰Two consecutive commas so in law. See section 401(c) of Public Law 109-351 (120 Stat. 1973).

While applying for and acquiring such exemptions is not proof of wrong doing, it does imply intent to carry on as exempted.

FUNCTIONS AND ACTIVITIES OF INVESTMENT COMPANIES

SEC. 12. [80a-12] (a) It shall be unlawful for any registered investment company, in contravention of such rules and regulations or orders as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors—

- (1) to purchase any security on margin, except such short-term credits as are necessary for the clearance of transactions;
- (2) to participate on a joint or a joint and several basis in any trading account in securities, except in connection with an underwriting in which such registered company is a participant; or
- (3) to effect a short sale of any security, except in connection with an underwriting in which such registered company is a participant.

Interesting, an exemption regarding short sales... and joint basis?
Section 17 was specifically identified in the form 40-6b

TRANSACTIONS OF CERTAIN AFFILIATED PERSONS AND UNDERWRITERS

SEC. 17. [80a-17] (a) It shall be unlawful for any affiliated person or promoter of or principal underwriter for a registered investment company (other than a company of the character described in section 12(d)(3) (A) and (B)), or any affiliated person of such a person, promoter, or principal underwriter, acting as principal—

(1) knowingly to sell any security or other property to such registered company or to any company controlled by such registered company, unless such sale involves solely (A) securities of which the buyer is the issuer, (B) securities of which the seller is the issuer and which are part of a general offering to the holders of a class of its securities, or (C) securities deposited with the trustee of a unit investment trust or periodic payment plan by the depositor thereof;

(2) knowingly to purchase from such registered company, or from any company controlled by such registered company, any security or other property (except securities of which the seller is the issuer);

(3) to borrow money or other property from such registered company or from any company controlled by such registered company (unless the borrower is controlled by the lender) except as permitted in section 21(b); or

(4) to loan money or other property to such registered company, or to any company controlled by such registered company, in contravention of such rules, regulations, or orders as the Commission may, after consultation with and taking into consideration the views of the Federal banking agencies (as defined in section 3 of the Federal Deposit Insurance Act), prescribe or issue consistent with the protection of investors.

(b) Notwithstanding subsection (a), any person may file with the Commission an application for an order exempting a proposed

technology has outpaced regulation in a manner that places investors and the market at risk. During the second hearing, an industry participant, an academic, and investor advocates testified regarding various approaches Congress could consider to these market structure issues. During this third hearing, regulators will testify on these same issues within the context of the existing regulatory framework and discuss areas of potential regulatory and legislative changes.

Payment for Order Flow and Best Execution

Payment for order flow (PFOF), essentially, refers to third parties paying brokerages in exchange for brokerages routing customers' orders to the third parties for execution.⁶ In December 2000, the U.S. Securities and Exchange Commission (SEC) conducted a "*Special Study: Payment for Order Flow and Internalization in the Options Markets*" which concluded, in pertinent part, that "payment for order flow has had an impact on order routing decisions."⁷ The SEC also found that firms with policies to accept PFOF tended to direct orders to specialists who paid PFOF.⁸ Firms with policies not to accept PFOF directed orders to specialists who paid PFOF less frequently.⁹ Still, twenty-one years after this study, PFOF continues to adversely affect firms' order routing decisions and, in some cases, PFOF has cost retail customers millions of dollars in inferior trade prices.¹⁰

The SEC's regulatory approach to PFOF has largely involved disclosure requirements aimed at addressing the potential conflicts of interest that PFOF may pose for broker-dealers.¹¹ Critically, in addition to those disclosure requirements, as mentioned above, retail broker-dealers are also required to get the "best execution" for their customers.¹² This means that if a retail broker-dealer routes customer orders to a market maker, retail broker-dealers such as Robinhood have to make sure the market maker will execute the customer's order on the most favorable terms reasonably available in the market.¹³ The retail broker-dealer may not, for instance, route an order based solely on which market maker will offer the most incentives to the broker for order flow. Nonetheless, there is a conflict between a retail broker-dealer's receipt of PFOF, and its best execution obligations. Retail broker-dealers may benefit from submitting a customer's order to the market maker that will pay the most, or to a market maker who will pay PFOF that is higher than PFOF that may be offered by some securities exchanges. This may not always be in the best interest of the customer, particularly with respect to execution quality.

Most securities exchanges also pay executing brokers for order flow, and these payments, often referred to as "rebates," also constitute a form of PFOF.¹⁴ Some have opined that these rebates "exacerbate conflicts of interest between brokers executing trades and retail clients and institutional clients" and lack transparency.¹⁵ In fact, in December 2018, the SEC voted to adopt Rule 610T of Regulation National Market System to conduct a Transaction Fee Pilot in relation to

⁶ See 17 C.F.R. § 240.10b-10. PFOF refers to "any monetary payment ... or other benefit that results in remuneration, compensation, or consideration to a broker or dealer from any broker or dealer, national securities exchange, registered securities association, or exchange member in return for the routing of customer orders by such broker or dealer to any broker or dealer, national securities exchange, registered securities association, or exchange member for execution...".

⁷ See *Special Study: Payment for Order Flow and Internalization in the Options Markets* (Dec. 2000).

⁸ *Id.*

⁹ *Id.*

¹⁰ See SEC Order, *In re Robinhood*, Admin. Proc. File No. 3-20171 (Dec. 2020).

¹¹ See, e.g., 17 C.F.R. § 240.10b-10; 17 C.F.R. § 242.606; and 17 C.F.R. § 242.607.

¹² See FINRA Rule 5310.

¹³ See *Id.*

¹⁴ See 17 C.F.R. § 240.10b-10.

¹⁵ See *Recommendation of the SEC Investor Advisory Committee Regarding Exchange Rebate Tier Disclosure* (Jan. 24, 2020).