

Title: CM-Equity: in 'favorable' scenario, GME worth \$389,985 after hodling 1 year with initial \$10,000 investment

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Created 2021-09-18 02:51:06 UTC

Permalink: /r/DDintoGME/comments/pqedci/cmequity_in_favorable_scenario_gme_worth_389985/

Url: https://www.reddit.com/r/DDintoGME/comments/pqedci/cmequity_in_favorable_scenario_gme_worth_389985/

****tl;dr****

****CM-Equity, a broker that provides real world shares to FTX and other crypto companies so that they can in turn offer tokenized versions of stocks and derivatives that track their underlying security, lists Key Information Documents (KID) on each security they deal. Part of these documents are performance scenarios, and the favorable scenario for GME is very bullish (but don't get too excited, not MOASS levels bullish). CM-Equity, despite its potentially nefarious connections to the main villains in our GME saga, is forced by EU regulations to provide and update these documents, and these documents are very specifically regulated, providing exacting formulas for how to arrive at a performance estimate.****

I've been looking around for more info about CM-Equity, which is the broker that provides the shares that are used by FTX to offer the crypto mirrored fractional shares of real world stocks and derivatives, so called "tokenized stocks". The Long Con DD (now deleted, [archived](<https://archive.is/0tMbH>)) discusses what these tokenized stocks are and theorizes how they've been used by SHFs to keep GME price action in check and improve their position by harnessing the inflated crypto prices, which they may very well be responsible for inflating through pump/dump.

On their website, CM-Equity lists information documents for the individual securities they're offering fractional shares on. These documents are boilerplate, where most of the text and formatting is identical on all of them except for a few places where it's modified to provide the specifics of the particular security you're looking at. They include a table for each one that offers you 4 different investment scenarios if you put \$10k into that security and hold it for one year:

- * stress scenario
- * unfavorable scenario
- * moderate scenario
- * favorable scenario

Guess what [it lists for GME](https://products.cm-equity.de/wp-content/uploads/2021/07/20210707_GME_FTX_EN.pdf)?

[GME 'Key Information Document' performance scenarios](<https://preview.redd.it/utptjx3qh6o71.jpg?width=1334&format=jpg&auto=webp&s=eabcdcd954fe4ff480dfb086c5a1b0cb7e2b5f824>)

That's right, the "favorable" scenario lists a yield of \$389,985.21 (3799.58%)! This KID document was generated on July 5th, 2021. The closing price for GME on July 2nd (previous trading day) was \$202.83. If the initial investment was \$10,000, it would have bought 49.3 shares, meaning a one year favorable return works out to a share price of \$7,910.

This sure seems like a glitch. To contextualize this projected outcome, let's review all the KIDs.

[FTX securities offered through CM-Equity, performance scenarios](<https://preview.redd.it/10uxxltsh6o71.png?width=2422&format=png&auto=webp&s=acaddef21efedf89b18d058a2e886a29f1fbf005>)

The 2nd and 3rd most favorable returns was Nio Inc (NIO) at \$283,135.19 (2731.35%) and Penn National Gaming Inc (PENN) at \$129,347.33 (1193.47%). Honorable mentions go to Aphira Inc, Aurora Cannabis

Inc, Microstrategy Inc, and Tesla at just over 800% each. Beyond these 7 stocks, the rest of the numbers are more reasonable. Bringing up the rear are AirBNB at -25.02%, Pfizer at 38.48%, and Alibaba at 73.68%.

CM-Equity also lists tokenized securities that it offers for other companies besides FTX, specifically Binance and Vivid Invest ([vivid.money](https://vivid.money/en-eu/)). Vivid Invest has a lot of listings, including GME. It just so happens that the Vivid Invest KID for GME was generated on July 7th, 2021, 2 days after the FTX KID was generated. The numbers for the two are very close, but they are not the same. The Vivid Invest KID for GME lists the favorable outcome of investing \$10k into GME and waiting a year as \$387,298.57 (3772.99%). The closing price of GME on July 6th, was \$199.56, a little over \$3 less than two trading days prior. This makes me think that however these values are being created, there must be a formula that takes into account current trading data to come up with the estimate.

There are 38 tokenized stocks listed, 14 ETFs, 14 ETF futures, 4 fund futures, 34 stocks futures, and 1 WSB custom bundle. The median return from a favorable outcome for the 38 tokenized stocks is \$32,324 (230%). The min is \$7,498.11 (ABNB) and the max is \$389,985.21 (GME).

This is unexpected to me because CM-Equity and FTX have deep ties to Citadel, and one of the operations that is speculated to be helping the SHFs to make a greater return on the cash from shorted shares than they're paying in interest to maintain the position. So, I'd expect this number would be edited to not look so large, like we've seen elsewhere. Have they made a mistake?

Maybe, but it's important to point out that CM-Equity is a German company and registered with German/EU financial governing bodies. And, it turns out, on March 8th, 2017 the EU passed 2017/653:

>... supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents

[EUR-Lex Access to European Law - Document 32017R0653](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R0653)

This supplemental regulation went into effect on January 1, 2018 and has since been amended with additional specification, the latest of which was just authored on September 7th, 2021.

[European Commission C(2021) 6325 final ANNEXES 1 to 8](https://ec.europa.eu/finance/docs/level-2-measures/priips-rti-2021-6325-annex_en.pdf)

What's going on here is the EU decided that people have the right to know what they're investing in, and have outlined a very precise document that PRIIP providers have to generate, disseminate, and update. There are well over a hundred pages of regulation defining each section of this document and focusing on presenting concise and useful information to real human investors who may not be knowledgeable in the minutia of investing in such products.

[Key Information Document details](https://preview.redd.it/26nxftevh6o71.jpg?width=400&format;=jpg&auto;=webp&s;=2def6d9fce9c71d612ca2b154527fc677a0d814b)

A fairly large amount of regulation specifically addresses the investment performance scenarios and how they are to be calculated and defined. I imagine there are some subjective decisions that a provider like CM-Equity can make to manipulate these numbers, but the regulations provide precise, exacting formulas for how to calculate each of the performance scenarios for each category of PRIIP that's defined.

[Formula for category 2 stress scenario](https://preview.redd.it/757vb45xh6o71.jpg?width=1334&format;=jpg&auto;=webp&s;=e7a782c74309c92caf20088faa5d7010a38fef0c)

Upon arriving at these formulaic calculations, I ran out of wrinkles to understand how the way the calculations need to be made impact the numbers we can see here, and more importantly, what it tells us about GME that may be novel and useful information. If anyone has insight, I'll gladly edit. If you read these regulations and find important clauses, it might be helpful to comment them to bring them to attention. I know there are different categories of PRIIPs (I think the fractional stocks are category 3, but could be wrong), and often they each have their own definitions and thresholds. It might be helpful to identify whether GME's favorable scenario is reporting the 90% or 99% of the distribution, for instance.

The Long Con provides a plethora of other tidbits that are interesting to ponder, especially the observation that these tokenized stocks of most relevance to us were set up on January 27th, one day before MOASS was almost triggered. It also documents a bunch of movements surrounding the implementation of SR-NSCC-2021-802 and theorizes about how these new rules have altered how SHFs use crypto, which also connects to the RRRP. I mentioned this in a comment on a [post yesterday](https://www.reddit.com/r/GMEJungle/comments/ppo46s/china_tutoring_crackdown_nah_its_actually_wall/):

>Guess when it started? Around May 4th. What was happening around May 4th? NSCC 802 went into effect.

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>Directly quoting The Long Con DD:

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>“So in the NSCC filing it defines that the only acceptable form of 'qualifying liquid resources' to include, among other things, lines of credit without material adverse change provisions, that are readily available and convertible into cash. Now this filing was on april 29th and had 5 business days to be enacted. This takes us to May 4th.”

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>“When the filing: SR-NSCC-2021-802 was posted I can remember at the time hearing grumblings about crypto not being accepted as liquidity on balance books but had never considered its ramifications.”

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>“Too. many. god. damn. coincidences. FOLLOW THE MONEY! from my understanding of reading the legislation in NSCC 802 with 'qualifying liquid resourceswithout material adverse change provisions.' means that Tether likewise many other stablecoins are not classified under the same asset grouping and therefore are not impacted by this ruling.”

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>...

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>“So when did our reverse repo rates kick off, oh go on lets have a wee lookie look and see..... It looks like the exponential rocket ignited some time between may 3rd overnight and oh my god May the forth be with you right before Cinco De Buyo day happened. Reverse Repos simply signify that at this current moment in time there is nowhere safe to park spare capital whilst being able to hold it in assets to balance books.”

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>Why might Ken have even more cash to put somewhere around May 4th? Shorting the shit out of EDU and whoever else we'll uncover.

Have at it apes!