Title: ELIA: Mechanics of a Splividend
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I'm seeing a lot of confusion and misinformation on what exactly is and isn't going to happen when the splividend is issued so I've tried to explain my best understanding.

While I have grown a wrinkle or two over the past year and half, my background is in research, not finance. I've tried to keep this relatively simple, but please check my work and let me know if I've made any mistakes or have any gaps to be filled in.

An insider owns 100 shares. They receive 300 more directly from Gamestop.

A DRS ape owns 100 shares. Computershare receives 300 more shares which are placed in the ape's account.

An ETF owns 100 shares. They receive 300 more directly from Gamestop.

Someone owns only options. Their strike prices are divided by 4 and nothing else happens.

These are simple enough that they should go off without a hitch. Now things start getting interesting.

A stock owner owns and has lent out 100 shares which were borrowed by a SHF, sold short, and are now being held by Ape 1 in a traditional broker. DTCC receives 300 shares from Gamestop which are given to the broker, who credits them to the ape's account (unless the broker or DTCC are dealing with bigger problems).

The Lender needs to touch 300 shares so that they maintain clean books and then can lend them out again.

The borrower is responsible to make sure they can get a hold of the shares. If the stock has liquidity this is easy and shouldn't have any impact on the market. If there are no shares to buy, or if they need to buy 5M-500M shares, they need to buy them at whatever price possible so they can meet their obligation and avoid prison. Easy squeezey.

Now suppose a bonafide market maker has "sold" 100 shares to ape 2 who holds them in his account.

The MM will track them down in 3 or 5 or 35 days if they need them and they are fine with holding a net short position in the mean time. Maybe they cover this position by issuing a $1 put contract that will "definitely" translate to 100 shares when it expires. Maybe this is accompanied by some number of calls so that they are "appropriately hedged" on their books. So the broker accepts the MM's promise to deliver and marks the 100 shares in the ape's account.

If this or something similar is not happening, (never has happened and never will happen) then everything will add up cleanly and there will be no systemic issues that result directly from the splividend.

Next the DTCC will receive +300 shares from Gamestop to splividend the 100 physical certificates that they are holding. But the broker will "assume" that the MM has already kept their promise and sent the shares to the DTCC. On the broker's books, Ape 1 and Ape 2 each hold 100 shares, so the broker needs 600 shares to give to their clients.

However the DTCC has not received shares to splividend the MM promises, they only have been given shares to splividend the issued shares.

This becomes a problem, and there is no distinction between real shares and "phantom shares" because making that distinction would be an acknowledgement that there is financial crime happening under their noses.

Up until now in this theoretical situation, the DTCC and the brokers have had relatively clean hands. While they are both benefiting from the infinite liquidity that the MM has been providing, they still have plausible deniability of wrongdoing and any shortcomings can be the result of "miscommunication" or "sloppy bookkeeping".

If they aren't given enough shares to implement the splividend, they are faced with a choice.

The DTCC can just say nothing is wrong and give the brokers what Gamestop gave them and say that this is now the brokers' problem to deal with.

The brokers can try to convince the apes to take the cash value of the shares instead of shares, but if they fudge numbers or buy more shares in the open market, they no longer have plausible deniability of wrongdoing. This also backfires on them really hard if things get squeezey, which would be inevitable if brokers went looking for millions of shares in pursuit of clean books. If they go directly to that MM for even more of that infinite liquidity in an illiquid market, then it's even more blatantly obvious that everyone knows precisely the degree of fraud that's going on and it's hard for even a blind regulator to look past that.

Or either the DTCC or a major broker could throw the MMs under the bus and shine a light on naked shorts and phantom shares.

These fraudulent positions would then be forcibly closed, resulting in massive buy pressure on an illiquid stock and sparking a moass.

They come away from this situation looking like a slayer of corruption.

Buckle up.