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Shorts Must Close. Here's How They Buy-in

I've been researching the FTR/FTD (Failure to Receive/Failure to Deliver) system after determining this is what the counterfeit shares (IOUs) are, and after finding about the algorithm that randomly distributes IOUs to buyers of stock instead of real stock (check my last report for a more detailed account). When Kenny naked shorts a sale, the imaginary share becomes two distinct but related electronic and notional constructs. An FTR for a buyer (but not necessarily the one who bought from Ken, any buyer), and an FTD for Ken on the books at the DTCC. Anyone who determines they have an FTR can submit a request with the DTCC for it to be covered. The DTCC determines who has the oldest FTD and is going to have to Buy-in (cover their margin covering the FTD). It's complex, with a settlement system, but all FTDs of the same age are treated as the same, regardless who has the FTDs or which FTR they were created with **and covered all at once.**

Brokers are complicit in holding these FTRs for Ken and the shorts, this is the mechanism they are using to loan our shares that aren't DRSed. So brokers know they have IOUs, but their clients think they have shares, and they choose not to request the shorts cover. They likely do this because they don't want to have to cover themselves. But if anyone, who knows they have one, requests a buy-in with the DTCC a settlement process begins. (Just wanted to add the part about the brokers is mostly speculation at this point, and my hunch, but based on some verifiable data like buy ins being very rare. I should have made it clearer this involves a synthesis of information and some assumption. Still working on it.)

So, if anyone with an IOU submits a buy request (CNS transmittal notice) with the DTCC, they determine the age of the oldest FTD short positions. Older FTDs are chosen first. Then, all members with FTDs of that age get a notice that they have to buy in with another settlement period. Eventually they have to cover their margin with the DTCC, and whoever had the IOU and submitted the request gets their stock. This is just a short notice what Ken Griffin covering his shorts could actually look like.

Even if you can't DRS we should still be trying to kill the FTRs, but a lot of people say their brokers refuse to tell them if they have FTRs or stock, and I can easily see them lying and continuing to hold the bag for Ken. This is what they were lying about in a roundabout way with the DRS FUD articles. I felt like this was important information to know, so I made this short write up. I have verified it thus far, but I am still researching and producing another report. I could use help. This may be another avenue to bring the offense to the shorts. Shorts must buy-in. Buy, Hold, DRS

>“Buying-in” is the process in which a seller that has failed to deliver stocks is forced to purchase and deliver the stocks to the buyer. This process is initiated by a buyer that fails to receive stocks and occurs with the mediation of the NSCC. Any participant with an FTR at the end of a day may submit a Notice of Intention to Buy-In (a “Buy-In Notice”) specifying the quantity of securities it intends to buy-in (the “Buy-In Position”). For the purpose of this description, the day the Buy-In Notice is submitted is referred to as N, and N+1 and N+2 refer to the succeeding days. The Buy-In Position is given high priority in the allocation algorithm that determines which participants will receive shares on a settlement day. This high priority lasts from the “night cycle” (early morning) of N+1, through to completion of the CNS day cycle on N+2. The high priority in the algorithm that allocates shares is likely to result in the Buy-In position being filled, without the FTD being resolved. When this
occurs, the FTR is passed on to a participant with lower priority in the allocation algorithm, for example, a participant that has just bought the stock. If the Buy-In Position (or a portion thereof) remains unfilled after N+1, the NSCC issues CNS Retransmittal Notices on the morning of N+2 which specify the participant requesting the buy-in and the total amount called for in the Buy-In Notice. The CNS Retransmittal Notices are issued to participants in order of the age of their FTD positions with the oldest FTD positions being first. In aggregate, the Retransmittal Notices issued make up a quantity at least equal to the Buy-In Position. The buy-in liability for any failing participant does not exceed the size of their FTD position. **If

several participants have short positions with the same age, all such participants are issued CNS Retransmittal Notices, even if the total of their FTD positions exceeds the Buy-In Position.** If the Buy-In Position is not satisfied by 3:00 PM on N+2, the participant may submit a Buy-In Order to the NSCC instructing the NSCC to buy-in the remaining position. In such a case the NSCC would: (i) buy the shares from whatever market it chooses; (ii) deliver to the originator of the Buy-In Order (cancelling out the bought-in FTRs); (iii) cancel the FTDs corresponding to the bought in shares; and (iv) debit/credit any difference between the cash collateral held by the NSCC and the purchase costs including fees to the money settlement accounts of the participants with the bought-in FTDs. NSCC allocates buy-ins and associated costs to participants (as mentioned previously, oldest fails first) and participants in turn allocate the buy-ins to their clients at their own discretion. Anecdotal evidence suggests participants use this discretion to allocate a disproportionately small number of buy-ins to protected clients.

[24] Naked Short Sales and Fails to Deliver: An Overview of Clearing and Settlement Procedures for Stock Trades in the US: https://www.researchgate.net/publication/228260887_Naked_Short_Sales_and_Fails_to_Deliver_An_Overview_of_Clearing_and_Settlement_Procedures_for_Stock_Trades_in_the_US