Title: There's Roughly 15 Million ETF FTD's Due Next Week!
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First, I'm not a financial advisor and none of this should be taken as financial advise. All data is gathered from publicly available sources and paid subscriptions.

I'll start with a beautiful chart from u/bobsmith808 showing the shift from GME FTDs into ETF FTDs.

[ ](https://preview.redd.it/cynejwwdb7d81.png?width=2947&format;=png&auto;=webp&s;=5cd6a4df260830d0af549edf39e0f0c16f79e508)

https://preview.redd.it/c1zx7v0ib7d81.png?width=2945&format;=png&auto;=webp&s;=96d078e109c682e882624a076cc0d06bdbbd5537

I've been following ETF's since February and this January FTD pileup was caused by two things. First, a decline in the broader market and second, Wall street tax evasion through the washing of large flows through ETF's that happen on a quarterly basis. See my other DD The Market Heart Beat. Admittingly the next part is taken from Richard Evans an amazing author on ETF's. When faced with a large buying imbalance, APs have two primary trading strategies: 1) locate or create a sufficient number of shares to satisfy this buyer-initiated demand, or 2) sell the ETF shares now without locating or creating them and then wait to obtain and deliver the shares.

If order flows are persistent and alternate between positive and negative imbalances over time, the AP typically has a strong incentive to follow the second strategy. However, if there are no clear patterns associated with net creations and order flow, then APs would have less incentive to engage in operational shorting of ETF shares.

If an AP or other market participant sells ETF shares that it does not already own and subsequently does not deliver to the NSCC within T+3 days, a failure to deliver (FTD) occurs. This can happen due to operational shorting, as part of bona fide market making activity, as well as directional shorting, or naked short selling with the purpose of obtaining a negative exposure in the ETF shares in anticipation of a future decline in ETF price. Our tests aim to distinguish between these two distinct motivations. The NSCC can then force a “buy-in” of an outstanding FTD by typically contacting the market participant with the oldest FTD and requiring them to purchase or borrow the shares in the open market. As Evans et al. (2009) reports, buy-ins are a relatively rare occurrence and the expected cost of failures is relatively low. Thus, there are economic incentives to failing, especially in the ETF market because of the difficulty in distinguishing between FTDs that are due to abusive short-selling and those FTDs that are due to liquidity provision and market-making.

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There's more ETFs in my spreadsheet if you want to check them out. https://docs.google.com/spreadsheets/d/1vhbn6HqmkhwHqtSj0CDNHeCNuNOp-hPcmfur0pZUuFs/edit?usp=sharing

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