

Title: KENNY LOVES DRIVING A CONVERTIBLE: A HISTORY OF FAILURE TO DELIVER – CITADEL'S PAST – CONVERTIBLE ARBITRAGE and APE COIN – DFV found treasure in GME. John Welborn gave us the map in 2013!

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Sorry, other one got removed. Didn't realize I couldn't cross-post. Would love some wrinkle-brained fellas to take a look.

****KENNY LOVES DRIVING A CONVERTIBLE: A HISTORY OF FAILURE TO DELIVER – CITADEL'S PAST – CONVERTIBLE ARBITRAGE and APE COIN – DFV found treasure in GME. John Welborn gave us the map in 2013!****

This post grew into a beast at about 6000 words. I apologize. TL:DRS at the bottom.

None of this is financial advice in anyway. Doing the research for this DD may have felt like painfully carving a wrinkle in my smooth brain, but I'm still a moron. At least I've never FTD'd anything.

<https://i.redd.it/hgiez9ggpk91.gif>

So, the beginning of this write-up is mostly compiling pieces that have been covered already and trying to make more sense of this situation. Hopefully you find that part helpful. I think everyone will find something new here though, so please take a minute to look over my research. And please point out any flaws or things I need to fix.

Someone said my last DD was basically just a book report which is honestly hilarious and true – I felt like my last DD was writing a book report for a cult. My tinfoil hat was on a little too tight, sorry. I think this DD is a hell of a lot better. Plus, this one has more charts and pictures (I had more, but there's a 20 image limit, lame). I did still feel a bit like Charlie tracking down Pepe Silvia while writing this DD.

<https://preview.redd.it/gx2qty0kgpk91.png?width=988&format=png&auto=webp&s=f14246ff5a201d23fc619bf7dbbbe0334cf3c330>

This DD or write-up or book report is divided into 9 parts, I included everything because I think it's important to see the big picture. It was also helpful to weave the journey of FTDs with the journey of Citadel. I tried to trim it down as much as possible, but probably failed. If you're wrinkled and know all about FTDs and ETFs then you can probably skip on down to Parts 5 & 6. I still think the rest is worth your time (I did waste a ton of time on this after all), but Parts 5 & 6 are the bulk of what might be fresh-hot DD for you all. Enjoy!

****INDEX****

****Find on other subreddits - had to trim down.****

****PART 1 – HOW KENNY G STARTED OUT****

****Find on other subreddits - had to trim down.****

****PART 2 – FTDs****

****A Super Short History.****

Failure to Deliver or FTDs have been around a long time...

"Tulip mania reached its peak during the winter of 1636-37, when contracts were changing hands five

times. No deliveries were ever made to fulfill any of these contracts” (amsterdamtulipmuseumonline.com)

“At the turn of the century, the stock speculator Daniel Drew battled with Cornelius Vanderbilt over control of the Harlem and Erie Railroads by issuing unregistered securities and selling short stock that he had not borrowed.” (Welborn p. 3)

Daniel Drew is the one know for quipping the line famous around here, “He who sells what isn’t his’n, must buy it back or go to pris’n” (Welborn p. 3)

****FTDs in the early 2000s:****

The Dot-Com Bust:

The Continuous Net Settlement system’s “inability to moderate FTDs became clear during the dot-com bust of the early 2000s.” (Welborn p. 8)

The 2000s Crash even led to:

The final short sale rule, Regulation SHO, was passed in August 2004 and became effective in January 2005.” (Welborn p. 8)

REGULATION SHOW! - BYE BYE FTDs! Not really though...

Exceptions “undermined Regulation SHO’s ability to reduce FTDs.” (Welborn p. 9)

The Grandfather Clause “exempted all pre-existing FTD positions, and a market making exception allowed options market makers to delay settlement for the purpose of bona fide market making. Regulation SHO was largely ineffective as a result, and FTDs actually increased from 2005 through 2008 (OEA, 2008 and 2009).” (Welborn p. 9)

Man, the SEC is really on it.

****PART 3 – HOW TO WITH JOHN WELBORN****

****HOW TO FTD FROM 2005 to 2008****

I found a paper that I haven’t seen referenced here on reddit yet. It’s an incredible Dissertation that showed the GME Ape Thesis was correct back in 2013, and that is all thanks to some sort of wrinkle-brain-prodigy named John W. Welborn.

Seriously, go read this. If you’ve read Naked, Short and Greedy then you need to read Three Essays on Naked Short Selling and Fails-To-Deliver by John Welborn. If you’ve been here since the beginning then you probably know that smarter Apes than I have found that FTDs are being hidden in ETFs. I’m sorry to say it Apes, we weren’t all that early – John was on it in 2013. I wonder if he bought some GME...

So, back to 2005. Reg Sho was recently enacted and Market Makers were handed an FTD exemption – they start hiding their FTDs away in options and FTDs increased from 2005 to 2008.

In 2007, the SEC admits that,

“The ability of options market makers to sell short and never have to close out a resulting fail to deliver position... may have a negative impact on the market for those securities” (SEC, 2007b, p. 21). (Welborn p. 25)

Wow! You don’t say...

In “2007 the Commission eliminated the “grandfather” provision and in 2008 the Commission eliminated the “options market maker” exception.” (Key Points About Regulation SHO – [sec.gov])(<https://sec.gov/>)

What's with the stagger? Trying to make sure your friends on Wall Street have time to settle their FTDs? How'd that work out for you?

Market Makers lose their options loophole which leads us to our first chart from John Welborn's Three Essays on Naked Short Selling and Fails-To-Deliver:

<https://preview.redd.it/05aucn2lgpk91.png?width=595&format=png&auto=webp&s=6adf966822eb315ba270bb1f889a8c329c26df71>

In 2008 the Market Maker Options loophole for hiding FTDs is stripped away and the use of options falls off of a fucking cliff. It even looks like they try to settle their FTDs after the change is announced on the 7th of July, but end up in a cycle before that September/October triple-witching windows rears it's ugly head.

Welborn finds that, "settlement failures fall from 0.11% in the second quarter of 2008 to 0.02% in the last quarter of 2008. For the subsample of stocks with settlement failures, this ratio falls from 0.44 to 0.18. These differences in the overall FTDs and FTDs as a percentage of shares outstanding before and after the rule change are statistically different. Consistent with these differences there is also a statistically significant drop in the average percentage of stocks on the Threshold List from 0.05% to 0.01% per day." (Welborn p. 37-38)

"eliminating the OMM Exception reduced FTDs by 35%-39% for optionable stocks" (Welborn p. 27)

"Prior to the financial crisis, the global OTC derivatives market grew strongly and persistently. Over the ten-year period from June 1998 to June 2008, the market's compounded annual growth rate was 25 percent. The total notional amount outstanding reached its peak of \$673 trillion in June 2008, but just six months later it had fallen to below \$600 trillion in the wake of the financial crisis. Since then, the market has stayed about 10 percent-13 percent smaller than it was at its peak. In December 2010, the total notional amount outstanding was \$601 trillion." (clevelandfed.org)

Market Makers lose the exemption that allows them to hide FTDs in the OTC options market and six months later the OTC options market loses \$73 trillion in value. That six months also includes the 2008 financial crash, but 2 years later the OTC options market is still only worth \$601 trillion. The growth rate from "June 1998 to June 2008" was "25 percent" while the growth rate from the end of 2008 to the end of 2010 was a whopping 0.0833%.

Looks to me like a lot of that \$73 trillion in options could have been hiding some FTDs. Even just 1 percent of those options being used for FTDs is still \$730 billion in options. I don't even know what to say to that.

****How was Kenny G doing in 2008?****

"Citadel lost \$8 billion of its clients' assets in 2008 with a 55% loss" (businessinsider.com)

Huh, I would have thought Kenny would have been poised to make a ton of money during the 2008 crash. He did well during the 80s crash and the early 2000s crash. What was special about this crash?

<https://preview.redd.it/2pmg1dmlgpk91.png?width=1672&format=png&auto=webp&s=43e18dc951d82493b23a86ae2e057252f05f3e9a>

Was Kenny hiding a huge amount of FTDs in the options market in 2008? Is that why his company started to implode?

[u/FZJY](<https://www.reddit.com/u/FZJY/>) posted a great video of Kenny G awhile back.

Kenny G from that video:

"...virtually every bank in America would have failed if the government had not intervened... every bank would have failed..."

Every bank was going to fail? I'm starting to wonder if it's because of Mortgage Backed Securities or because every bank was swimming up to their eyeballs in FTDs. Both? Probably both.

"...we found ourselves fighting for our very survival..." - Kenny G

Was Kenny fighting for survival in 2008 because he was trying to clean-up a huge FTD mess? Did your options loophole get taken away from you, Kenny? Is every bank in America going to fail during MOASS? What a mess.

****PART 4 – FTDs, ETFs, and TRIPLE-WITCHING****

The triple witching theory isn't new to superstonk, but it's also not really new in general. John Welborn you beautiful beautiful bastard. The triple witches have been lurking beneath the surface and they're probably Kenny's worst nightmare.

<https://preview.redd.it/4hfkij7mgpk91.jpg?width=1600&format=jpg&auto=webp&s=a19d6a23830c9774118e523532f760d65b0ed8ec>

Hocus Pocus 2 comes out on September 30, 2022. Right in the middle of the triple witching window that runs from September 16 to October 04.

Lol, you simulation nerds are probably shitting your virtual pants right now. Now I'm not saying to rush out and buy GME calls for late September. Options should not be trifled with, especially after reading such a smooth brained post. Based on the GME charts, I think we've probably passed the worst of the FTD covering for this cycle. Kenny has most likely bought himself another 3 months, if not more, Kenny you sneaky little shit, but we'll get to that part later.

More of that wrinkly-brained John Welborn. From Welborn's Three Essays:

"I am also the first to document a statistical relationship between ETF put option open interest and FTDs and to analyze whether ETF FTDs are related to quarterly "triple witching" dates, dates when equity index futures and options expire. I find that ETF FTDs spike on the third Friday of the third month of each financial quarter, a date associated with quarterly triple witching. This result establishes that options market activity increases ETF FTDs." (Welborn p. 65)

The triple-witching effect:

<https://preview.redd.it/q9roobomgpk91.png?width=716&format=png&auto=webp&s=9deb7ed80c095560c880ed22cf7fb0bf03b55a29>

There are more charts and graphs worth looking at in Welborn's Dissertation.

FTDs can't handle the Triple Witches

****T+****

Let's go over T+ really quick. This has changed a lot and is honestly really quite confusing, so please let me know if I messed any of this up. The breakdown of important T+ dates:

T+2 – Money not received in T+2 results in a failure to pay. As far as I'm aware DTCC basically just takes a loan from the FED and sends a bill to the broker-dealer. The markets keep chugging. Too many failures to pay and the DTCC just cuts you off from the markets and I'm sure sues you for back-pay. They always get their money.

T+3 – OTC Shares not received in T+3 results in an FTD. Too many FTDs and the DTCC cuts you off.

T+6 – FTDs not received from Market Makers on ETFs in T+6 results in Reg Sho kicking in. Too many FTDs on ETFs making it past the 6 day mark and the DTCC cuts you off.

FTD5 – Once you, “have an aggregate fail to deliver position for five consecutive settlement days at a registered clearing agency” then the security is added to the threshold list.

“Rule 203(b)(3) of Regulation SHO requires that participants of a registered clearing agency must immediately purchase shares to close out failures to deliver in securities with large and persistent failures to deliver, referred to as “threshold securities,” if the failures to deliver persist for 13 consecutive settlement days.” (sec.gov – Key Points)

FTD13 – If the FTDs last for 13 days then the Market Maker is forced to close. Or the DTCC cuts you off.

So let's put together a nice calendar to visualize this. We won't include any holidays. Also, the date when the security gets put on the threshold list is just an example. It's based on several factors like a registered clearing agency having 10,000 FTDs or more per security.

<https://preview.redd.it/nqzl4f7ngpk91.png?width=1920&format=png&auto=webp&s=23b62e4c702366cb00dc1b43abf2a0973068e651>

To summarize, you buy a share and it must be paid for in just 2 days.

If the share doesn't arrive in your account in T+3 days then it results in an FTD.

Market Makers get T+6 days when it comes to FTDs on ETFs.

If FTDs reach a predetermined level then the stock is at risk of being listed on the threshold list.

After 5 days over the predetermined level the stock is put on the threshold list.

After 13 days over the predetermined level then forced buy-ins start kicking in.

****T+ and Triple Witches****

Back to the three witches and the witching window.

So let's use an interesting moment in GMEs history as an example - March 2021:

<https://preview.redd.it/38vx0hsngpk91.png?width=843&format=png&auto=webp&s=811452c559899fbc5ad6c4b5d0f991584e9caf16>

As the triple-witching date approaches, anyone still hiding FTDs in ETF options needs to roll those options over and kick the can as hard as possible.

The first triple-witching date in 2021 was March 19th. If you're still holding on to ETF options that are hiding a mountain of FTDs on that date then you're screwed.

If FTDs start piling up on the 19th then Market Makers are at risk of putting the underlying ETF on the threshold list. Let's say there's enough FTDs on ETFs on March 19th, then Market Makers would have had until March 25th to close their FTDs and keep the ETFs off of the threshold list.

If the ETFs get put on the threshold list after those five days then Market Makers would have had until April 6th to buy-in before being forced to buy-in by Reg Sho. Thus, our witching-window is from 03.19.2021 to 04.06.2021.

If you get caught in one of these triple-witching windows with too many FTDs, the ETFs you're using to hide your shorts hit the threshold list for the 13th day, and marge knocks on your door... well, then you might just be fucked...

Here's a list of the triple-witching dates for 2020-2022:

<https://preview.redd.it/7ai3qs9ogpk91.png?width=933&format;=png&auto;=webp&s;=ad6cec94c36c8c89304cfe6bc4d0f564e75a4fd6>

So, triple-witching dates can get really chaotic if/when Market Makers are scrambling to close out old FTDs and/or open new FTDs. The more FTDs they have getting closer to the triple-witching date the worse things are going to be. That's why on the full GME chart, you'll see spikes before the triple-witching date. For almost the past two years, GME has consistently spiked sometime before the triple-witching date before being crushed back down in price.

They're closing some of their FTDs while the price is low which causes the price to rise. Once the price gets too high they create some new FTDs and flood the market which tanks the price. Repeat. Repeat. Repeat...

Some wrinkly brained dudes around here made the connections between GME's price action and Triple-Witching Dates before I even knew what triple-witching dates were, they honestly sound made-up. Here's a GME chart with the triple-witching windows highlighted:

<https://preview.redd.it/fmy2cpoogpk91.png?width=2741&format;=png&auto;=webp&s;=5fb1199d100286ee2febd4b5064895947b47cdce>

GME seems to have a pretty regular cycle of running up sometime before the triple-witching window before being crushed right back down.

Based on this chart I think Citadel could be in a lot more control over the price throughout the end of the year. I have some predictions towards the end if you want to read those.

The real problem is I think Citadel just got a MASSIVE cash infusion. Kenny G knows how to make fucking money. Fuck that guy.

Real quick check out this ETF growth over the years. Lots of room to hide FTDs:

<https://preview.redd.it/6pglurapgpk91.png?width=1208&format;=png&auto;=webp&s;=06c316af9e9090a3471874d8e8d869e6a1d0337c>

Not a ton of data to go on, but it looks to me like ETFs really took off after 2008. Wonder why...

****PART 5 – 2001 – KENNY LOVES DRIVING CONVERTIBLES****

First, we need some more backstory on Kenny G. I hate to admit it, but Kenny's a smart dude. He's played the game on Wall Street longer than most and he's made a shit ton of money doing it. I think taking a lot of our focus off of Kenny, Citadel, and even AMC may have been a huge mistake.

Kenny takes that \$18 million from back in the 90's and turns it into \$4 billion by 2001. In 2001:

"Citadel is getting ready to launch a new U.S. long-short equity unit that will basically involve a classic stock picking business — quite a departure from its current approach." (Meet Ken Griffin p. 5)

'long-short' - remember that too

"Paolo says Citadel engaged in "massive" short-selling, but Citadel, which declines to comment, bought only \$3.75 million worth of the convertibles." (Meet Ken Griffin p. 4)

Convertibles, again. I don't know if you remember when I told you to remember "convertible arb". Later in 2017, Kenny pays a pretty hefty fine for what sounds to me like criminal convertible arbitrage.

****2017 – FASTFILL AND SMARTPROVIDE****

FastFill and SmartProvide are like the fancy PR name for Criminal Convertible Arbitrage.

"Citadel Securities LLC has agreed to pay \$22.6 million to settle charges that its business unit handling retail customer orders from other brokerage firms made misleading statements to them about the way it priced trades." (sec.gov – press release)

"But the SEC's order finds that two algorithms used by Citadel Securities did not internalize retail orders at the best price observed nor sought to obtain the best price in the marketplace. These algorithms were triggered when they identified differences in the best prices on market feeds, comparing the SIP feeds to the direct feeds from exchanges. One strategy, known as FastFill, immediately internalized an order at a price that was not the best price for the order that Citadel Securities observed. The other strategy, known as SmartProvide, routed an order to the market that was not priced to obtain immediately the best price that Citadel Securities observed." (sec.gov – press release)

<https://preview.redd.it/cpl521spgpk91.png?width=823&format=png&auto=webp&s=f70e596177800a8c9c344a7d951f5f50707e3871>

No wonder they got a \$22 million fine. Wonder how much that really even cut into their profit margins.

Some, more fodder for the simulation crowd and a funny Cohen-cidence. You what to know the name of the guy at the SEC who supervised the investigation on FastFill and SmartProvide?

"The investigation was supervised by Mr. Cohen." (sec.gov – press release)

He might have even gone by RC. Dude's name was Robert Cohen. Strange world.

****CONVERTIBLE ARBITRAGE****

Kenny G loves a convertible. The wind in his hair... the siphoning off billions of dollars from the market in tiny pieces...

How does convertible arbitrage work? Once again hopefully, my diagram helps, here is an example using 'common stock' and 'preferred stock':

<https://preview.redd.it/5opnl6gqgpk91.png?width=1920&format=png&auto=webp&s=e0da062d27caf1d2920498c10b7da5cdce9067f7>

It can get more complicated than this, but this should be all we need to know for now.

No matter where the prices end up as long as they converge and become equal you make money. Almost sounds too good to be true. You can also play it the other way and Short the 'preferred stock' and go long on the 'common stock'. This is sometimes also known just as arbitrage or short-long.

\$5 in my example is an impressive spread. What about \$26 vs about ~\$13? A \$13 spread would be an incredible opportunity.

How about a real-world example that happened just this month!

****PART 6 – APE COIN TAKES KENNY BACK TO HIS ROOTS?****

No offense to the AMC fans that are reading this, but holy shit...

<https://preview.redd.it/akz7341rgpk91.png?width=1061&format=png&auto=webp&s=8ef5846d6fd5b1d561eba9b413593abebbf11a9>

APE stock was exactly what Kenny G ordered. Seriously... Damn... Not to get too tin-foily, but did Kenny G hand design APE stock? It's like his dream arbitrage in a moment of need.

I hate to say it, but I think Citadel may have used AMC fans to pull off some insane convertible arbitrage.

What if I told you that Kenny G could have used AMC and APE stock to make off like the bandit he is with 300 million easy? What if I told you he could have made as much as \$2 billion? Or possibly even more?

I believe that Citadel could have FTD'd the shit out of AMC up to and around it's peak on August 11, 2022 where AMC stock reached \$25.46. I wish I would have read about convertible arbitrage two weeks ago so I could have seen this coming. Could have made a killing...

You might need some info on AMC and APE stock, if you're like me and haven't been following along on it that much. My focus has been on GME which may have been a mistake.

On August 4th, 2022 APE stock is announced through an 8-K filing.

An investor holding one share of AMC stock at the end of the day on August 19, 2022 would hold one share of AMC common stock and one share of AMC Preferred Equity aka APE in the morning on August 22, 2022.

AMC is currently authorized to issue up to 1 billion APE units with a maximum of 5 billion APE. Crazy...

"In this case, the preferred stock shares will trade at 1/20th of the price of the AMC stock at the time of the distribution." (tastytrade.com, BATTISTA)

But, if AMC is worth around \$20 and APE is basically the same thing then shouldn't APE be worth 1/2 making them both about \$10. From AMC's own FAQ:

"Each AMC Preferred Equity unit (sometimes referred to herein as "APEs") is designed to have the same economic value as a share of Class A Common Stock (the "common stock")." (APE Dividend FAQ)

They even have the same voting rights. What's the difference between APE stock and AMC stock? Besides the fact that you can't currently convert them?

It's basically just a stock split with a new ticker. What the hell...

****THE CHANOS CONVERTIBLE****

A dude named Chanos saw the writing on the wall:

"..."they are economically the same security, and there seems to be a lot of confusion about that," he said. Chanos pointed investors to AMC's APE FAQ webpage, which clearly states that..." (msn.com, Fox)

Here's a chart on how Chanos could make \$34 to \$100 million easily:

<https://preview.redd.it/his9t3rrgpk91.png?width=1386&format=png&auto=webp&s=b6472767fbccbcf545f3b7e2f90ef0758c13217>

****CITADEL AND AMC****

So, what could Citadel have done with something like APE?

There's a possibility of up to about 188 million FTDs based on the over share vs float right after the APE split.

<https://preview.redd.it/722dcx8sgpk91.png?width=672&format=png&auto=webp&s=e81c9710d9de0f725aa7db1cf9bd6a806bd0e84a>

A difference of 1,540,125. Did they close out all of their APE FTDs already? Probably. They just made a shit ton of money.

So, Citadel FTDs a shit ton from August 9th to August 16th. On August 22nd they're going to owe a bunch of AMC holders APE stock.

So, Citadel turns around on August 22, 2022 and starts buying up as much APE as they possibly could since it's so much cheaper than AMC.

They buy AMC when it falls down to APE levels and return both the AMC and APE FTDs. Kenny drives his fucking convertible to more profits. Damn...

Kenny buy himself another day? A month? Several months? Wish I knew.

I put together charts for this. I'm going to include 2 of the 4. The first chart that I won't include showed that with 50 million FTDs Kenny could have made around \$300 million. With 100 million FTDs, I calculate that he could have made around \$500 million pretty easily over the last two weeks.

In this chart, I show that 188 million FTDs on AMC over the past two weeks could lead to at least \$1 billion in profit:

<https://preview.redd.it/ovy1cutsgpk91.png?width=2765&format;=png&auto;=webp&s;=697312c1dde42fdb1e28dea5c036d945160721d8>

This chart shows that if Kenny could possibly push AMC even lower before settling then he could make even more:

<https://preview.redd.it/tlpgq39tgpk91.png?width=2731&format;=png&auto;=webp&s;=8238c6a88d2a88607671175561b34c062750a514>

Damn, I wonder if Kenny did something like this/is currently doing this... His history kind of points to yes.

****PART 7 – WORTHLESS PREDICTIONS****

Don't make investing advice off of any of these predictions. I'm a moron.

I hate to say it, but I'm getting ready for a cold winter when it comes to GME. Maybe not a bad time to Dollar Cost Average, but I think we could see GME fall throughout the winter and into next year. If you look back to the Triple-Witching GME chart again. Had to trim my pictures down some. So you'll have to scroll back up.

March has been really interesting both years, they ride the witching-window really hard in March.

November and December also look really interesting. To me, if March reads like FTDing Market Makers crapping their britches then November and December almost look like they have it much more under control. GME falls in price as we move into the triple-witching window then rises nicely in late November before falling right back down as we enter the next triple-witching window.

So I think it's possible GME is heavily controlled through the end of the year. If I'm right on the AMC/APE play as well then Kenny could have just made himself a shit ton of money to make it through the winter.

On the other hand, if I was sitting on a shit ton of FTDs then I would be terrified of March. That month looks like it would not be a fun time for Kenny.

But what do I know? Nothing really.

****PART 8 – CONSPIRACIES – MAYBE A LITTLE BIT OF FUD – DTCC AND DRS****

Sorry for the fud.

There are a lot of conspiracies around all of this and after doing more research I've felt myself become a little more grounded so I want to address some things. Some of this might be a little controversial on this sub and may come across as fuddy or shilly. They're just some of my thoughts. Personally, I'm still a believer in GME and MOASS. So, shit on me for a little fud if you want. I don't care. My investment choices have become even more solidified after doing this DD.

I think most of Wall Street knows what's going on. I think they choose willful ignorance and prefer to act blind to the problem. At least, until it blows up in their face, then the SEC and NSCC will swoop in and make changes to Reg Sho to stop some of the loopholes.

Wait until shit hits the fan like they always do. Usually they can fuck over the little guys in the blow-up though. Aw, shucks. Not this time.

****DTCC****

I think that the DTCC knows about the FTD problem, but I don't think they know the exact numbers. Their systems do allow for FTDs, but with Reg Sho in place there is a limit on how many FTDs can pile up in DTCCs internal systems. So, call me a shill, but I really don't think the DTCC is sitting on a shit ton of FTDs. I also don't really think they committed international securities fraud either.

I think the DTCC/NSCC and SEC are complicit by not closing this stupid fucking ETF loophole, but I think they also know what that means. When they closed the options loophole the economy immediately fucking crashed. Yeah, MBS were hurting us, but I think the Reg Sho update that removed the options loophole is what pushed us off of the cliff.

<https://i.redd.it/btficqvtgpk91.gif>

Reg Sho came in fucking hot in 2008!

What's the play here then? SEC updates Reg Sho to get rid of the ETF loophole and the economy fucking craters? OR put your hopes in a guy like Kenny G? Wall Street was always going to put their money on Citadel.

I think Kenny G is still the main man on the other side of the GME short/long fight. And I'll say it, Kenny G might be a genius. A fucking evil genius, but I can't deny that he knows how to make money in this system. I think of the SEC and NSCC as the HR of Wall Street. They're not here to protect the investors, they're here to protect the system.

So, I'm Wall Street... Do I fuck the economy and let the little guy win? Or do I act blind to the FTD loopholes, hope that Kenny G squashes retail, and pray that I don't have to enforce Reg Sho on Citadel's ass?

<https://preview.redd.it/rpq52sfugpk91.png?width=943&format=png&auto=webp&s=8164ac116154b73d702548c0f9de99f5bf15bb88>

I think Citadel and any other Market Makers who have crazy amounts of FTDs in GME are using Algos and Quants that cost billions. They have to have ways to ride the line perfectly. I think they're drowning in FTDs, but I think they're still playing the world's worst and longest game of hot potato.

So yeah, shit on me all you want, but I think Kenny G is probably still hiding his FTDs from the DTCC and following Reg Sho rules as they currently stand. He's going to take advantage of loopholes if it equals huge fucking profits.

So, I don't think Kenny has been constantly adding on to this FTD pile. If he was at 300% short before January 2021, then I don't think he's at 741% now. I think he's been constantly covering some FTDs right before immediately making more FTDs. He's stuck in a nightmare cycle. I do still think his FTDs must be sickening and have most likely grown quite a bit since January 2021. I also think he and his algos know how to ride that line perfectly.

****SO, HOW IS HE STILL HIDING ALL OF HIS FTDs? - BULGARIAN BOY****

If your at Kenny G's level and everyone knows your name on Wall Street then I imagine you can probably make deals with pretty much any broker-dealer in town. You go to any and every broker-dealer you can and offer them very lucrative deals if they allow you constant access to their payment for order flow. But the cherry on top? You also offer to set up a clearinghouse for just the two of you, you'll inject their system with so much liquidity.

What broker-dealer would turn down all of that juicy liquid-ity? Did Vlad have it in him to refuse a deal like that?

How many little clearinghouses could someone like Kenny G have set up all over the world? I have no clue. I wouldn't be surprised if it's a lot though. Citadel is world wide after all. I think it's impossible to say which broker-dealers are holding phantom shares and which aren't. You'd have to know what deals Kenny made and with which brokers. I really worry for my international Apes though.

If your broker-dealer has a clearinghouse deal like this then hopefully they also have their own buy-in and T+ enforcement procedures.

****DRS****

I'm never going to post my position, but I do believe in DRS and I think DRS is a great way to blatantly show the naked shorting of GME. At the same time, I think institutions will be fighting us every step of the way. We already see them selling off so that our numbers drop. If we lock the float in DRS then Wall Street is fucked, even if Citadel is the only player on the short side, they'll still protect them fiercely if they risk bringing the whole system down.

So, I'm not saying do or don't DRS, but really, I think time and hodling are our greatest allies.

At the same time, 100% DRSd float would be solid proof of their fuckery and would end this thing. It's also a solid way to know you don't have any phantom shares. I'm not sure there's a way to prove that with your broker-dealer.

Maybe go ask your broker if they use any clearinghouses other than the DTCC? Or if they have internal force buy-in and T+ procedures for FTDs?

****Turning off the buy button was fucking bullshit though! Fuck them all for that alone.****

Fucking criminal.

****FTD LIMIT****

What is the limit to the FTDs? Maybe only their Algos and Quants know. But at some point their FTDs are going to explode out into the market... again...

I think this ends in a lot of litigation. Retailers suing Brokers? Brokers suing Market Makers? SEC suing Kenny? Everyone suing Kenny? It's going to be crazy, but very fun to watch. And it's been even more fun to be a part of.

Thanks for taking the time read all of this.

Bring on MOASS!

****PART 9 – REFERENCES:****

****Find on other subreddits - had to trim down.****

****TL;DRS****

****Find on other subreddits - had to trim down.****

“Successful people tend to be very overconfident about what they know, and it leads to tragic mistakes.
That will not be the final chapter in my career.”

\- Kenny G in 2001

Famous last words?