

Title: Blackrock PDF on Securities Lending (w/ Mutual Funds) - Thoughts?

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Update: **Fidelity has an in-house dark pool and it can borrow shares from Fidelity mutual funds.**

*** (check bottom of post for details)***

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I came across Blackrock's material on securities lending. What's odd to me is this mentions a **money market fund for cash collateral when stock is borrowed from a mutual fund**. Does that confirm RRP as having relevance to hedge fund collateral? And is this significant or is my brain **MIA** today?

* [Screenshot from Blackrock guide to securities lending.](<https://preview.redd.it/qkxmtkn46t381.png?width=595&format=png&auto=webp&s=78e592318065647c85d2b53d454af2676fcaed1f>) (*full* .pdf linked below)*

From what I can see, Vanguard has the [most shares of GME in funds.](<https://fintel.io/somf/us/gme>)

I can't find any Blackrock funds with GME shares. Did I miss them?

When it comes to mutual fund borrowing, how many funds are active? Do the underlying securities actually get delivered? Or do the loaned shares act more like intra-market CFDs? (Pretty much like synthetic shares.)

Did Fidelity initiate the recent "glitched" borrow from Vanguard? And since Vanguard only has 6M shares, where did the rest come from?

I suspect this might not be new stuff for apes, but I still have a weird feeling about this info. Curious to hear what people think.

The .pdf linked below has some interesting stuff like this tidbit,

>"Mutual funds may lend up to 33 1/3% \[~33.3333%\] of a fund's total assets..."

Is this the standard market-wide?

I'll link the entire document here (PDF !! warning):

* <https://www.blackrock.com/us/individual/literature/brochure/us-retail-securities-lending-brochure.pdf>

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****Updates:****

It looks like most GME-containing Fidelity funds are marked as a 'child fund' of ****FMR**** LLC.

FMR = Fidelity Management & Research Company, Parent LLC

At Fidelity, their ****funds** are nested almost like matryoshka dolls^{**}. Is this to maximize how much they're able to loan out via mutual funds?

I also found a .pdf that includes Fidelity's institutional policies on lending shares.

****FMR**** is the parent company of Fidelity and works with ****NFS**** for securities lending.

NFS = National Financial Services LLC

Section about share lending begins bottom right of Page 14 (PDF !! warning):

* <https://institutional.fidelity.com/app/proxy/content?literatureURL=/930232.PDF>

Fidelity's broker-dealer, ****NFS****, on a principal or agent basis. More details on page 3.

*****Page 10+ for broker-dealer accounting, collateral accounting***** (PDF !!) :

* [https://www.fidelity.com/bin-public/060/_www/_fidelity/_com/documents/customer-service/nfs-sofc-retail.pdf](https://www.fidelity.com/bin-public/060/_www/_fidelity/_com/documents/customer-service/nfs-sofc-retail.pdf)

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****Fidelity in-house ATS! Is this why GME dark pool volume is so high?****

From pages 13-15 of the Fidelity document linked ^above:

FIAM = Fidelity Institutional Asset Management Trust, FMR subsidiary.

LTA = Fidelity ATS (dark pool) owned by FMR

>Luminex Trading & Analytics LLC (LTA) is a registered broker-dealer and alternative trading system, and was formed for the purpose of establishing and operating an electronic execution utility (the "LTA ATS") that allows orders submitted by its subscribers to be crossed against orders submitted by other subscribers. FMR Sakura Holdings, Inc., a wholly owned subsidiary of FMR LLC, the ultimate parent company of FIAM, is the majority owner of LTA. LTA charges a commission to both sides of each trade executed in the LTA ATS. The LTA ATS is used to execute transactions for FIAM's or FIAM's affiliates' investment company and other advisory clients. ****NFS** serves as a clearing agent for transactions executed in the LTA ATS.^{**}

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> **NFS also borrows securities from the Fidelity group of funds** pursuant to SEC exemptive relief NFS uses automated third-party software to allocate loans to a pre-approved list of borrowers provided by FMR to help ensure the fair allocation of lending opportunities between NFS and other borrowers. The above referenced policies and procedures help ensure that the information NFS receives in its capacity as securities lending agent is not used by NFS in its role as borrower.

Am I reading this right?

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