Title: Market Making should not be done by hedge funds. Period.
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As some of you may know, I emerged from the shadows a few days ago after lurking for some time now - Diamond Handing since the Spring and watching it all unfold. The main reason I chose to keep quiet was that: 1) I hadn't connected all the dots yet, 2) Fear of being discovered by the compliance and losing my job (got a VPN and solved that problem) 3) Writing this DD is time-consuming as fuck when I could be doing better things like cruising pornhub like our pals at the SEC.

My background: Fixed Income Sales at one of the Bulge Brackets and former junior investment banker. (I verified my resume/background and certifications as best as possible without doxing with one of the mods on Jungle - if any other mods need this as well, pm me).

Please remember, I'm just as smooth-brained as all of you (2.5 GPA in college) and only got where I am by bullshitting the bullshitters. Am I good at my job? - Yes, a monkey could do what I do (FICC Sales) with enough training so don't let any white-collar douches convince you otherwise. Did I learn a lot about the ins and outs of investment banks and how they game the market for the highest bidder? You bet. Did I also learn about how they have an Achilles heel when it comes to absurd derivatives hedging and being used and abused by their clients just to make a quick buck all while putting the economy at risk? Take a guess.

So I got a lot of questions on my last DD about Bearish (Negative) ETRS Swaps {Equity Total Return Swap} and wanted to clarify a good amount of that.

1. Can Market Makers and their clients amend TRS trades once done? Yes, it's possible but pointless, expensive, and risky. Amending a trade will cost whichever side is out of the money on a trade a good chunk of cash and isn't what banks want to do as they will have to lift their hedges and reposition which can be annoying and leave some room for error.
2. Cant Hedge Funds do ETRS swap for multiple years? Yes, but it's very risky, expensive and most banks will charge extremely high premiums on the fixed rate that you need to as well as increase collateral requirements since the more time exposure you have to something going tits up, the more likely that it will go tits up. Most TRS swaps occur in 1month, 3month, or 6month time frames; anything beyond that is not liquid, expensive, and risky for the bank. (Especially on a basket of ultra volatile stock or one in particular that demonstrates "idiosyncratic risk".
3. Do you have evidence of this being abused? If so, whistleblow? That's a loaded question. I know that these products exist, and if they exist.. then someone must be using them, and there are very few people/hedge funds in the world that I can think of that would want to take on this type of derivative exposure due to being in a position of desperation. As far as whistleblowing goes, I don't have any insight into equity TRS since I sit on a different floor and don't cover that side of the business. But I imagine that any trader doing this stuff, they aren't thinking twice because they have been taught to think in a straight line and to be very good at what they do and nothing else. Thinking outside of that ivy league box isn't what they were hired to do.
4. How will we get paid if this goes as deep as it goes? Forced liquidation, that how. The DTCC and Fed will have to clean this mess up to preserve whatever is left of our so-called free market and that includes liquidating the parties responsible, burning a hole through their member's cash accounts, selling off their own assets, and firing up the money printer. (It's called a Black Swan for a reason)

Once again, TRS is likely just a piece of the puzzle. I don't think there is any smoking gun or caught them with their dick in the cookie jar moment. Just a lot of pieces that put together the whole story.

(taking my collateral bit out of there, turns out its only GCF, which isnt as heavily traded)

(rest of my post got deleted on the edit, ill repost tm)