

Title: DTC & Participants Are Loaning Your Cash Stocks: The DTC Collateral Loan Program (Previously the Stock Lending Program)

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Many moons ago I wrote a DD on the history of the DTC and their Stock Lending Programs, which have enabled Naked Short Selling and FTDs for decades.

[You can read it here.](https://www.reddit.com/r/Superstonk/comments/o9r43h/nscc_mitigate_ftds_by_just_borrowing_stock_from/)

The DTC changes the name of their program ever so often (likely just to confuse non-insiders), but the spirit of the program remain the same. The current in effect program is the ****Collateral Loan Program.****

[You can read about it on the DTC website here.](<https://dtcclearing.com/products-and-services/settlement/settlement-services/collateral-loans.html>)

They do a FANTASTIC JOB of making it sound incredible complicated so let me boil it down for you.

****The Collateral Loan system**** basically allows different participants at the DTC, so for example two separate Broker-Dealers, to ****borrow ASSETS**** and ****receive some kind of COMPENSATION**** (often called a LOAN).

The reason for the borrow may not explicitly be to service a SHORT SALE, (they make it much more complicated than that) but rather another broker "just so happens" to really want that particular collateral. In this way your Broker can tell you they are NOT lending out your shares, and they technically are not... they're just posting it as collateral. The theory is they are swapping collateral with each other (actual GME shares) to satisfy FTDs and keep the game of hot potato going indefinitely.

The Broker-Dealers receive a nice payment, they get their real GME shares back again, and the game continues. This program is the bedrock of synthetics since it allows many more shares to be actively trading, and huge short positions to be opened which are never closed, as long as members can agree on the loans.

Here are the DTC 'rules' for participating in the ****Collateral Loan Program.****

"The guidelines for using the Collateral Loan Program are as follows:

1. You can use the Collateral Loan Service function, the Computer-to-Computer Facility (CCF), or Message Queuing (MQ) to ****submit collateral loan pledges and release requests to DTC****. Release returns are also available through CCF and MQ. However, release approval is available only through the Settlement User Interface.
2. You must ****ensure that the securities you are pledging are available in your general free account.****
3. When a ****stock distribution requiring due bills is declared on securities pledged as collateral, the distribution automatically becomes additional collateral.**** *(These are DIVIDENDS people)
4. In the instance of a substantial cash distribution, for which an exchange or similar securities organization would require due bills to accompany stock certificates, for the amount of cash accruing on pledged shares, the Pledgee may direct DTC to pay such funds directly to it as partial repayment of the loan. Otherwise, such funds will be paid by DTC to the Participant.
5. At any time, the pledgee can direct DTC to deliver pledged securities (demand of collateral).
6. Voting rights are assigned to you for pledged securities."

Here's where it gets interesting:

" A demand of collateral takes securities that you pledged to a pledgee and places them in the general free

account of a DTC Participant designated by the pledgee. Pledgees can enter demand of collateral instructions by using the Demand of Collateral function or by making special arrangements with DTC's Settlement Department. A pledgee that is a DTC Participant can move securities to its DTC Participant account. ""

So, theoretically, as we are Direct Registering on the Computershare Participant Account we should expect to see any other Broker-Dealer/Participants who are using GME as Collateral Loans demand the return of that collateral as they MUST transfer it to Computershare.

This withdrawal of collateral SHOULD result in FTDs to begin spilling out as the collateralized inventory is depleted.

Interestingly I recall reading of some DTCC new rule some months back that talked about how Collateral was being rehypothecated multiple times and they wanted to stop that... If this rule was indeed implemented and enforced it would mean every share withdrawn from lending members will cause a Demand for Collateral and upon the next reporting cycle might we see FTDs?

Technically your Broker-Dealers ARE NOT lending out your shares to short sellers- so what they are saying is true, however THEY ARE using the securities in their DTC Participant Account as PLEDGED COLLATERAL and receiving payment for that. The party who is receiving that collateral can use it to satisfy FTDs and then return that collateral. The process begins again before the next FTD cycle.

This is why Computershare is so important. The Broker-Dealers are all complicit in maintaining this systemic fraud. Register your shares and it all blows up. At some point brokers will stop registering shares. What happens then is anyone's guess, but this is what happened with CMKM according to DR T.

<https://preview.redd.it/xd6jgdgnhqp71.png?width=582&format;=png&auto;=webp&s;=a67ff9322010f2609f0fd46be05dce428402b15a>

<https://preview.redd.it/aab7z6vwhqp71.png?width=856&format;=png&auto;=webp&s;=7bf6957b8a1ca4c90b5c82f87c493ec5df5d781d>

****UPDATE:****I forgot to mention that the DTC is working on a new version of their lending program called:****SET Security Financing Transaction (SFT) Clearing****

" The Depository Trust & Clearing Corporation (DTCC), through its equities clearing subsidiary, National Securities Clearing Corporation (NSCC)**, is constructing a new model for central clearing of equities lending and borrowing transactions**, leveraging its clearing capabilities, risk management and efficient infrastructure to provide the market with a bilaterally cleared ****stock loan service****. The new Securities Financing Transaction (SFT) Clearing service is expected to launch in 2021, pending regulatory approval.
"

They have now DELETED the original page on DTC announcing this but this is the original [FACT SHEET .](<https://www.dtcc.com/-/media/Files/Downloads/Clearing-Services/SFT-Clearing-Service-Fact-Sheet.pdf>)

[404 Not Found](<https://www.dtcc.com/clearing-services/equities-clearing-services/sft>)

****UPDATE 2:****Here's a riddle for you.

If you go to a NEW bank and tell them you have XXX stock in Broker ABC, please give me a Collateral Loan, do you know what they will tell you? NO.

If you go to a NEW bank and tell them you have XXX stock Direct Registered in your name, please give me a Collateral Loan, do you know what they will tell you? YES.

Why do you think this is so...?

****UPDATE 3:****DTC also has a partition in the Collateral Loan Program that covers a circumstance when another participant does not return their collateral. I have a feeling this may come in handy soon:

*****Honest Broker**** is a procedure to ****facilitate the liquidation of security positions that have been pledged by book entry in DTC****. ****It is exercised only in extraordinary circumstances,**** for example, when a pledgee is unwilling to release securities to a pledgor (****typically, a broker under financial stress****).**** "**

****UPDATE 4:****

[NEW POST, Computershare is a COMPETITOR to DTC. Read here.](https://www.reddit.com/r/Superstonk/comments/pw0opj/computershare_is_a_competitor_to_the_dtc_comment/)