Title: Unraveling the Chain of Responsibility: Understanding Exactly WHY the Share Dividend Will Expose Naked Short Selling!
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Good evening fellow crime fighters!

If you're like me, you're balls deep into GME by now, laughing off some massive unrealized losses, because you know that price is fake, and price is about to absolutely explode once Gamestop issues the share dividend. But would you like to learn more about exactly *how* the dividend is supposed to be distributed, and exactly *why* this is likely to screw over short sellers?

Let's get into it!

1. GameStop will authorize the creation of a precise number of shares, to be issued as a a dividend to all existing shareholders.

Side note: Nobody knows the exact split ratio, but considering that they could have already issued a 3:1 split without increasing the number of authorized shares, I believe it will likely be greater than 3:1. It also must be less than 12:1. They probably want to leave some shares on the table for future flexibility, so I doubt they'd go with the max. So, I think that 7:1 is a reasonable guess based on the numbers alone...and I personally speculate it will be a 7:1 for various other reasons that RC has hinted at, also because RC is a crowd pleaser. However, enough speculation -- that's not the purpose of this post.

2. It is the responsibility of the registered stock transfer agent (i.e., Computershare) to distribute those shares to all of the investors on record. This is a basic function of the transfer agent. https://en.wikipedia.org/wiki/Stock_transfer_agent

This is also explained in Gamestop's prospectus:

[How share dividend is distributed according to the GameStop Prospectus https:\/\/sec.report\/Document\/0001193125-21-186796\/#toc](https://preview.redd.it/cjvvxx5mdqz81.jpg?width=2256&format;=pjpg&auto;=webp&s;=9c590b2fe67a86a47ca7f39b60294bb106fd4664)

Who are the official investors on record? They are the only ones who technically own the stock (https://www.investopedia.com/terms/h/holderofrecord.asp). This includes every individual who has directly registered shares, as well as one big fat entry for Cede & Co, which is the nominee who technically own **ALL** the shares that are held beneficially for DTCC members -- that's all the brokerages and banks. https://en.wikipedia.org/wiki/Street_name_securities

[https:\/\/en.calameo.com\/books\/0000022853581665d62bf](https://preview.redd.it/50n9oszsdqz81.jpg?width=1106&format;=pjpg&auto;=webp&s;=e4a07f333757bf9066f5e1df2ccb375f4dd298e9)

3. Now, the DTC (a subsidiary of the DTCC) maintains their own *internal ledger* of beneficial owners, that basically says how many of the shares held by their nominee, Cede & Co, are beneficially owned by each individual DTCC member (each individual bank and brokerage). It is therefore up to the DTCC to determine how to distribute the dividend shares that they received from Computershare among their members.
[https://en.wikipedia.org/wiki/Street_name_securities](https://en.wikipedia.org/wiki/Street_name_securitie

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https://www.investopedia.com/terms/b/beneficialowner.asp

4. Finally, once a DTCC member brokerage (like Fidelity) receives their allocated portion of shares, it is the responsibility of the brokerage to distribute those shares among their customers' accounts.

5. In order to understand how the DTCC will allocate the dividend shares to it's member brokerages, it is important to understand how they handle distribution of dividends for shares that are currently on loan. This is explained by the Master Securities Loan Agreement, which appears to be a template document for an agreement that is made between various DTCC members that allow lending:

[https:\/\/www.sec.gov\/Archives\/edgar\/data\/59440\/000095014405003873\/g94498exv10w1.htm](https://preview.redd.it/lcrn1apvdqz81.jpg?width=2097&format;=pjpg&auto;=webp&s;=40e081f8dec2c046164d0f9dccd7d5d34cc16812)

So, let me break that down: any non-cash distributions (like a share dividend) that a lender (ie, a customer who holds shares in type margin in their brokerage account) would normally be entitled to receive, instead have those dividends added onto the loan (ie, the dividend would go to the current holder of the security), and once the shares are returned to the lender (ie, the shorts close), the dividend would be returned back to the lender.

Let me walk you through a simplified example of how this is *supposed* to play out:

1. For the sake of simplicity, let's assume that the only 2 DTCC members are Fidelity and Vanguard, and that there is just 1 share of GME in existence which is owned by Alex, a customer of Fidelity.
2. Now Alex signs a margin agreement, making his shares available for lending.
3. Along comes Sam, a short-seller who pays a small fee to Fidelity to borrow Alex's share. At this point, Alex's account shows that he "owns" 1 share, but that it's "on loan."
4. Sam then sells the share to Bob, who is a customer of Vanguard.
5. Now Gamestop issues a 7 for 1 split. Computershare checks their books and they see that Cede & Co have 1 share on record, so they issue 6 shares as a dividend to Cede & Co.
6. The DTC, who own Cede & Co, then check their books, and see that one of their members Fidelity has 1 share but it's "lent", and another member Vanguard has 1 share which is not lent, so they assign the 6 dividend shares to Vanguard.
7. Vanguard then gives those 6 shares to Bob, giving him a total of 7 shares.
8. At the same time, Fidelity would update Alex's account to show that he now has 7 shares "*on loan"*. This is because Alex is still entitled to receive the dividend, so the debt obligation from Sam has been increased, and shares "on loan" is just a representation of *a debt that is owed.*
9. Now, suppose that Sam wants to close out his short position. To do so, he now has to come up with 7 shares to give back to Alex. Perhaps he can get those shares by striking a deal to buy those 7 shares from Bob? In any case, if Bob does agree to sell those shares back to Sam, then Sam can deliver those 7 shares to Alex in order to close out his short position.

The key thing to understand here is that the issuance of the share dividend did not force Sam, a legitimate short seller, to close out his short position at that time of the dividend distribution...nor did it prevent Brokers from being able to distribute shares into customer accounts. If you think about it, this makes sense...if issuing a share dividend always forced legitimate short sellers to close out their positions immediately, then every company on wall street would be constantly doing this.

Does this mean that the dividend is going to go smooth, and that no shorts are forced to close? No! The difference is that in my toy example above, Sam was a **legitimate** short seller. There is *massive* evidence that there has been **naked shorting** of GME, which is a completely different story. When you take into account naked short selling, the example looks different.

Let's walk through the example again, assuming the existence of a naked short seller:

1. Again, for the sake of simplicity, let's assume that the only 2 DTCC members are Fidelity and Vanguard,

and that there is just 1 share of GME in existence which is owned by Alex, a customer of Fidelity.
2. Along comes Steve, a scum bag naked short-seller, who sells a share to Bob, a customer of Vanguard...but without locating a real share to borrow first (hence, naked). Afterward, Bob also has 1 share of GME in his Vanguard account.
3. Now GameStop issues a 7 for 1 split. Computershare checks their books and they see that Cede & Co have 1 share on record, so they issue 6 shares as a dividend to Cede & Co.
4. The DTC, who own Cede & Co, then check their books, and see that one of their members Fidelity has 1 share, and also another member Vanguard also claims to have 1 share. Shit. Now they have a real problem, because both Fidelity and Vanguard are demanding 6 shares each to give to their customers! This is impossible to do, because there is only a total of 6 shares to go around! What do they do??
5. The only legitimate way to give both Alex and Bob their 6 dividend shares, is for the DTCC members to pitch in and purchase 6 additional shares at market, *for every naked short sale that has ever occurred..*
6. Obviously, that kind of buy pressure would cause GME price to skyrocket, and as the price begins to moon, that would trigger margin calls on all the legitimate short sellers as well. In other words, MOASS...

At this point, I highly recommend you pour yourselves a glass of your favorite drink, take a seat at your nearest couch (or toilet), BUCKLE UP, and start massaging those titties with popcorn grease, as you prepare to tune into the massive shit show that's about to unfold at the DTCC!