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2:37 LTE

Virtu is no Boy Scout either. This is how Senator Elizabeth Warren described Virtu during a hearing of the Senate Banking Subcommittee on Securities, Insurance and Investment on June 18, 2014:

> "For me the term high frequency trading seems wrong. You know this isn't trading. Traders have good days and bad days. Some days they make good trades and they make lots of money and some days they have bad trades and they lose a lot of money. But high frequency traders have only good days.
>
> "In its recent IPO filing, the high frequency trading firm, Virtu, reported that it had been trading for 1,238 days and it had made money on 1,237 of those days…The question is that high frequency trading firms aren't making money by taking on risks. They're making money by charging a very small fee to investors. And the question is whether they're charging that fee in return for providing a valuable service or they're charging that fee by just skimming a little money off the top of every trade…
>
> "High frequency trading reminds me a little of the scam in Office Space. You know, you take just a little bit of money from every trade in the hope that no one will complain. But taking a little bit of money from zillions of trades adds up to billions of dollars in profits for these high frequency traders and billions of dollars in losses for our retirement funds and our mutual funds and everybody else in the market place. It also means a tilt in the playing field for those who don't have the information or have the access to the speed or big enough to play in this game."

Accentuating the reality that trading in U.S. markets has morphed from stock exchanges charged with creating a level playing field for all comers to a concentrated cabal of dubious actors was the quiet announcement on May 5, 2020 that the SEC had approved the application to become a stock exchange by the Members Exchange (MEMX).

Investors in MEMX include both Citadel and Virtu along with 5-count felon JPMorgan, serially-charged Citigroup, as well as Morgan Stanley, UBS, and Goldman Sachs, who were intimately involved in providing the leverage that blew up Archegos. Other investors in MEMX include TD Ameritrade, Bank of America Securities, BlackRock, Charles Schwab, Fidelity Investments, Flow Traders, Jane Street, Manikay Partners, Wells Fargo, and Williams Trading.

Dark Pools owned by JPMorgan, Morgan Stanley, UBS, Goldman Sachs, and Bank of America's Merrill Lynch have already taken substantial trading away from lit and regulated stock exchanges and moved it into their unlit and largely unregulated trading platforms known as Dark Pools.

2:37 LTE

Rubber-stamping this cabal to further concentrate their power over trading on Wall Street by forming a joint stock exchange is one of the most insane actions ever taken by the Securities and Exchange Commission. No hearings were ever held on the matter by Congress. (It might be helpful to know that the approval came while Jay Clayton was serving as SEC Chair in the Trump administration. Clayton had previously represented 8 of the 10 largest Wall Street banks at Big Law firm Sullivan & Cromwell in the three years prior to taking his SEC seat.)

Just this past Monday, MEMX reported the following frightening statistics on the speed of its growth:

> "MEMX closed out the month of April as 6th largest of the 16 U.S. equity exchanges.
>
> "MEMX's market share grew 46% in April — bringing total market share growth to well over 200% since the start of the year.
>
> "In the past 6 months, MEMX's market share has surpassed 10 other equity exchanges."

After the stock market crash of 1929 and ensuing Great Depression, the U.S. Senate Banking Committee conducted three years of hearings into the self-dealing and rigged trading by the major Wall Street banks. The hearings generated front page headlines and revelations of entrenched corruption in trading practices on Wall Street for years. That kind of public attention to the issue allowed Congress to pass the Securities Exchange Act of 1934, which created the Securities and Exchange Commission and empowered it to register, regulate and oversee brokerage firms, clearing agencies, and stock exchanges.

The '34 Act, as it's known on Wall Street, specifically cited the national interest in explaining why stock exchanges had to be Federally regulated. The legislation makes the following critical points on what manipulated trading can lead to in terms of the overall U.S. economy:

> "Frequently the prices of securities on such exchanges and markets are susceptible to manipulation and control, and the dissemination of such prices gives rise to excessive speculation, resulting in sudden and unreasonable fluctuations in the prices of securities which (a) cause alternately unreasonable expansion and unreasonable contraction of the volume of credit available for trade, transportation, and industry in interstate commerce, (b) hinder the proper appraisal of the value of securities and thus prevent a fair calculation of taxes owing to the United States and to the several States by owners, buyers, and sellers of securities, and (c) prevent the fair valuation of collateral for bank loans

2:37 LTE

## Shhh! Don't Tell Congress that the Cabal It's Investigating Over GameStop and Archegos Quietly Got SEC Approval to Jointly Run their Own Stock Exchange

By Pam Martens and Russ Martens: May 5, 2021 ~

The House Financial Services Committee has released its official Memorandum outlining the general topics it wants to cover in tomorrow's hearing on the wild trading action in GameStop and other meme stocks in January that has raised serious questions about U.S. market integrity. The implosion of the Archegos Capital Management family office hedge fund in March, which has generated losses of more than $10 billion thus far at global systemically important banks, will likely be a key topic when the Senate Banking and House Financial Services Committees haul Wall Street bank CEOs to hearings on May 26 and 27, respectively.

An insightful paragraph in the Memorandum for the House hearing tomorrow reads as follows:

> "Testimony given at the first two GameStop hearings raised concerns about the market dominance of some capital market participants, as well as correlated risks arising from the interconnectedness of certain financial institutions. For example, Citadel LLC is a multi-service hedge fund and financial services company and [its related] Citadel Securities LLC, is one of the largest market makers and, according to its website, executes 'approximately 47% of all U.S.-listed retail volume.' Citadel Securities also, reportedly, handles almost as much trading volume as Nasdaq. Further, Citadel Securities along with market maker Virtu Financial, 'account for more of the overall equity market than the New York Stock Exchange.' With respect to Citadel, some have raised concerns about a single market maker managing such a large volume of retail order flow, and what that means in terms of pricing. Others have questioned whether Citadel has such dominance in our financial markets that it poses a systemic risk to the entire U.S. financial system."

The statistic that Citadel Securities and Virtu Financial "account for more of the overall equity market than the New York Stock Exchange" comes from data provided in a February 5 article at Quartz.

Citadel Securities has an outrageous history of market abuses and yet regulators are allowing [redacted]trol of U.S. trading.

> and (c) prevent the fair valuation of collateral for bank loans and/or obstruct the effective operation of the national banking system and Federal Reserve System.
>
> "National emergencies, which produce widespread unemployment and the dislocation of trade, transportation, and industry, and which burden interstate commerce and adversely affect the general welfare, are precipitated, intensified, and prolonged by manipulation and sudden and unreasonable fluctuations of security prices and by excessive speculation on such exchanges and markets, and to meet such emergencies the Federal Government is put to such great expense as to burden the national credit."

The financial crisis of 2008, which left millions of Americans in foreclosure and jobless and the U.S. economy in the worst shape since the Great Depression, was a direct result of failure to regulate the Wall Street cabal.

And yet, here we are again just 13 years later with the same cabal allowed to operate their own Dark Pools in which they trade the shares of their own bank stocks along with thousands of other companies, and then get swift approval from the SEC to team up and run their own stock exchange.

As Berkshire Hathaway's Charlie Munger stated recently, what's happening on Wall Street today is "not just stupid, it's shameful." In our opinion, it's likely illegal as well under the '34 Act.

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