Title: Initial attempt to recap 2021, and trying to find out why didnt MOASS happen (yet)
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Hi everyone, samuel here.

I would want to recap what was learnt throughout 2021 and try to form a conclusion whether MOASS (7 figures per share, or split-adjusted if GameStop ever did this before MOASS occurred) is immiment, take longer (Beyond 2022) or actually will NEVER happen.

Terms I have learnt in 2021

Market Maker (MM)

According to [Investopedia](https://www.investopedia.com/terms/m/marketmaker.asp) a MM is an individual participant or member firm of an exchange that buys and sells securities for its own account.

And their job is to provide the market with liquidity and depth while profiting from the difference in the bid-ask spread.

Take away:

1. Sometimes, a sell wall / buy wall *could* be a work of MM since it is always providing a quote on bid and ask side.

Liquidity Providers
Although it sounds like MM at first glance, like this [disclosure from IBKR](https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?formdb=3074) which says (extracted):

1. IBKR also operates an Alternative Trading System (the IBKR ATS) in accordance to SEC regulation ATS, on which it executes IBKR client orders against each other or against one or more professional liquidity providers who send orders into the IBKR ATS.

2. IBKR-LITE orders for NMS stocks are generally routed to select over-the-counter market-makers ("Market Makers") for handling. IBKR's agreements with the Market Makers provide Interactivr Brokers payment for order flow from each Market Maker for trades executed with that Market Maker.

This suggest a difference between Liquidity Provider (LP) & a MM. According to [some defintion Googled](https://liquidity-provider.com/articles/market-maker-vs-liquidity-provider-key-differences/), a LP is a bridge between brokerage companies (IBKR) and market makers (Shitdel Securities).

ATS / Darkpool / Internalizers VS Lit-exchange

For price discovery, *ideally* we want all trades to just go into lit-exchange.

However, this does NOT work in real-life due to associated costs (Time, exchange imposed fees etc.) involved.

Definition of [Internalizers](https://www.investopedia.com/terms/i/internalization.asp): Brokerage firm fills a buy order for shares from its own inventory of shares instead of executing the trade using outside inventory.

The obvious benefit for broker to find matching buy-sell pair at the same price, (near) same time is to save exchange related fees and to offer *fractional shares*.

Think, why would RH sell fractional shares upon request to transfer into other brokers? Because a fractional share is *shared* between multiple customers within the broker. There is no way a share can be held under different entity legally.

Definition of [ATS](https://www.investopedia.com/terms/a/alternative-trading-system.asp): Combined with the IBKR disclosure above, an ATS is an *umbrella* term for anything *NOT* traded in lit exchange.

Darkpool is ATS
Internalizers is ATS
But ATS is neither of them, just like

Cow is a mammal
Human is a mammal
Ape is a mammal
But mammal is neither of them

And obviously, the use of Darkpool is to execute trades *without* affecting the price.

NBBO
Definition of [National Best Bid and Offer](https://www.investopedia.com/terms/n/nbbo.asp):

A quote that reports the highest bid price and lowest ask (offered) price in a security, sourced from among all available exchanges or trading venues. The NBBO, therefore, represents the tightest composite bid-ask spread in a security.

However the limitation is that:

NBBO system may not reflect the most up-to-date data, which means that investors may not get the prices they were anticipating when trades are actually executed. This is a major concern for high-frequency traders (HFT), who rely on quotes to make their strategies work since they profit from extremely small price changes at volume.

So we know HFT algos' purpose is to beat NBBO due to *time latency*.

Actually months ago, u/bosshax has a [DD](https://www.reddit.com/r/Superstonk/comments/nhtg1p/the_nbbo_best_price_is_only_determined_by_round/) about NBBO only accepts trades in *round lot* (Multiple of 100 shares). This is why options are traded in multiple of 100 shares as well.

Takeaway:
1. Unless an ape is buying 100 shares in a *single order* where a limit buy is some bid(s) aka few cents *higher* than current bid price, ATS execution doesn't matter since a 0.5 share, or 56 shares *cannot* affect NBBO / HFT / Price Discovery.

2. In theory short selling at market (through a buy wall) of 100 shares *per bid*, all it takes is 10,000 shares to drop $1.00 and 1m shares to drop by *$100.00*

3. Thus, majority of apes *unable* to sustain the buy pressure from whats left since *every indivdual* each buying $15k of shares daily is impossible

Short Interest & Short Volume

According to [Fintel](https://www.finra.org/investors/insights/short-interest), it says that Short Interest is a snapshot of the total open short positions in a security existing on the books and records of brokerage firms on a given date. Short interest data is collected for all stocks—both those that are listed and traded on an exchange and those that are traded over-the-counter (OTC).

Ideally, SI tries to show how much shares are "synthetic long" in circulation (as of close) on date X.

But I am also aware of various ways to hide real SI, including:

1. Shorting ETF that contains GME. But no new legal shareholder of GME is added in the process (New legal shareholder of that ETF is created instead)

2. Selling OTM puts, Buying OTM calls to "look less shorted" than reality

3. [Illegal sh!t by broker](https://www.winsteadsecuritiesdefense.com/2021/05/sec-brings-naked-short-selling-case/) marking short position as long.

I *won't* go into FINRA self-regulated entity with self-reported data tin-foil hat. If you go into it, then I propose that:

1. The 140% / 226% SI for GME is also *exaggerated* for retails to FOMO in anticipation of squeeze aka Jan Sneeze since the shorts managed to "Averaged up" their short cost basis, just like apes "Buy the dip" BUT the advantage is on SHF side *currently* since the previous DD suggesting MOASS soon *didnt* happen. *IF* this is the case, sorry apes are being used by institutions and even remotely by RC. Why laugh at Popcorn shareholders being used by AA if this is the case?

2. Since the SI data is fake and worthless in your humble opinion, why is SI used again as an argument *NOT* to buy Popcorn or other basket of meme stocks (Where RH and others has disabled buy button during Jan sneeze)?

3. Yes, the [SEC Form 13F](https://www.investopedia.com/terms/f/form-13f.asp) makes institutions to declare their *long* positions (Including long on *put* options) quarterly, but there are also known serious flaws per Investopedia. Should apes *ignore* 13F totally to estimate how much instituitions owned as well?

On the other hand, Daily Short Sale Volume (Short Volume) data provides aggregated volume by security for all off-exchange short sale trades. This data excludes any trading activity that is not publicly disseminated and is not consolidated with exchange data.

So Short Volume from Fintel is *actually*

1. Shorts executed via ATS (Darkpool, Internalizers) BUT *only* if they are subsequently made public after the trade is executed.

2. Shorts executed in *lit-exchange* is not counted, thus the last sentence "not consolidated with exchange data."

Summary from what I saw above

1. For SHF, SI *can* be hidden like *selling puts* for the day to report SI itself by making the broker looks like "net neutral" position.

2. On date X to report SI, if a SHF short 1m shares at first 30mins only to close it at bell by MM naked shorts, the short interest is 1m (From MM naked shorts) BUT short volume is 2m (SHF + MM). This is a sign of daytrading and explain why the price usually peaked at first 30mins but close much lower, even lower than previous day upon bell.

3. The buyers from these Short Volume are *unknown*. It can be apes (Via Broker with SmartRouting / ATS by default), MM / SHF (NOT CS, as they execute in *lit exchange) seeking to close their short position. It does *NOT* tell whether these are from MM naked shorts or not.

As for [Ortex](https://s3partners.com/notesonfloat.html), they try to do the same thing except in a daily basis under "Estimated SI". However, their % is counted based on *total shares in circulation* under the justification of rehypothecoation (Bob borrowed a share from Alice and short sell to Charlie. Daniel borrow *that* share from Charlie and short sell to Elaine. 1 share now becomes 3 shares and 3 owners - Alice, Charlie & Elaine)

Example: Of a 76.0m float, 14.0m were short *remained open AND not hidden* on date X. Thus, the S3 SI is 14.0m / (76.0m + 14.0m) = 15.55% instead of 14.0m / 76.0m = 18.42%

Rule 204
The [Close-Out Requirement](https://www.sec.gov/investor/pubs/regsho.htm), it is best to read from SEC directly.

Among the details:
1. Closing out requires the broker or dealer to purchase or borrow securities of like kind and quantity.

2. The participant must close out a failure to deliver for a short sale transaction by no later than the beginning of regular trading hours on the settlement day following the settlement date, referred to as T+4.

3. If a participant has a failure to deliver that the participant can demonstrate on its books and records resulted from a long sale, or that is attributable to bona fide market making activities, the participant must close out the failure to deliver by no later than the beginning of regular trading hours on the third consecutive settlement day following the settlement date, referred to as T+6.

Summary from what I seen:
1. Ideally SHF - MM can rotate between a good cop - bad cop to meet respective T+4 / T+6 deadlines.

2. The phrase "purchase or borrow securities of like kind and quantity" looks sus to apes.

No - There is *NO* legal definition of real / fake shares. Neither did the rule mentioned that SHF - MM *needs* to buy *real* shares (From apes, paperhands, day traders) to close out FTD since *borrow* is an option.

Based on this logic, in fact a FTD can be reset by another FTD for MM by another 6 days. SHF - MM can always exercise their PUT option to *help the other party* close out their FTD *without going to lit exchange* too.

Therefore, the price spike at times, seemed to me is to lure call option buyers to FOMO which offsets their unrealised short losses.

Shorts Must Close? - MYTH

Proof: [Dr Susannae Trimbath, PHD](https://www.sec.gov/comments/s7-18-21/s71821-9418892-263349.pdf) recently filed a comment to SEC. Among the points are:

1) Let me begin by clarifying an error in the factsheet posted to the SEC website. It states that securities loans are “transactions that are vital to fair, orderly, and efficient markets.” This is simply not true.

I guess she is the *only one* outside Apes (No financial background, NFA ppl) saying that "Short selling is bad, without a purpose"

In contrast, there is another paper published by [Better Markets](https://bettermarkets.org/wp-content/uploads/2021/07/Short-Selling-10-Recommendations-for-Improving-the-SECs-Regulatory-Framework.pdf) that says "First, short selling can be one component of a well-functioning, liquid securities market and can contribute useful information to the price discovery process, under the right regulatory conditions."

I bet Better Markets NOT wanting to see MOASS in GME or Popcorn etc.

2) More important, Dr Susanne Trimbath said in exact words:

5) Requiring every loan to have a due date (not just “if applicable”). When securities loans without due dates are tolerated, the loan may be allowed to remain unsettled indefinitely.

This is my point of contention. As long as *margin requirement ARE met* (Which I know it fluctuates at a short notice), short sellers will NOT close a short position (*Assuming FTD related cycle is out* because they *actually locate, borrow and short*) until the cost to borrow is about the price of trade.

Example: Shorting GME at 150.00 with cost to borrow at 1% (0.94% per Ortex subscription data as of 7 Jan 2022) = $1.50 interest just to *hodl short position*

SHF / MM can jolly well hodl the short position for 90 fucking years and the apes / RC have died due to old age and emerge as a winner *without* MOASS (At least > 3x of World's Highest Market Cap Public Company, Currently AAPL *due to a short / gamma squeeze alone* and *NOT* because of fundamentals)

DRS
As the DRS is on-going process, I shall NOT cover in this thread.

TLDR:

Please read and understand the above definitions, most importantly:

1. Only buy orders of > 100 shares affects NBBO / HFT algo, hence price discovery

2. Difficulty of apes sustaining buy pressure due to NBBO rules, followed by broker's default trading at ATS which may or may not be due to PFOF (I know some can change to IEX but not all brokers allow that. Probably IBKR is the only option for International apes BUT I cant find setting to trade via IEX in mobile app)

3. SI is only useful for 1 day only. By the time it was made known (2 weeks delay), the data is useless other than estimating the known hodling long term short positions. Thus, how 140% becomes 14% or so in a year *without* apes selling remains a mystery (Without hard evidence)

4. Rule 204. It is complicated, but FTD does NOT need to be closed via lit-exchange. So FTD is unlikely a reason for price spike as long as *new naked short is created* to close an earlier naked shorts.

5. Short Sellers do NOT have to close as long as margin requirement are met AND cost basis makes financial sense. How SHF is going to meet is none of my business while the cost to short certain meme

stocks (Including GME) is *NOT* prohibitive at all and the answer of why gay bears are still doing it --- Waiting for RC to be Epstein / natural causes is a logical answer.

6. With the exception of Dr Susanne Trimbath, nobody with financial knowledge / in the trade recommends that "Short Selling is something *without merits*". Thus, MOASS will *hurt* the confidence in market participants (except apes obviously) instead

The above points are the reason why apes *could* be wrong. I tried to reasonate the trend of *descending peak* from each quarter's spike (Q1 2021 on Mar: $348.50, Q2 2021 on Jun: $344.66, Q3 2021 on Sep: $231.44, Q4 2021 on Nov: $255.69, but there are 2 attempts on breaking $250.00 that failed *without* trade halt). And again 2022 Jan 7, $160.31 even though it remains to see if higher spikes happen in late Jan / Feb or Mar 2022.

Of course the last point is DRS. But there are some remaining questions better asked on another thread.