

Title: ■■■■

Author: disoriented_llama

Created 2021-08-02 11:34:13 UTC

Permalink: /r/TheGloryHodl/comments/owcmlt/_/

Url: /r/DDintoGME/comments/owc0no/the_dd_into_gme_the_issues_of_liquidity_part_4/

Linked Post Content:

Okay, enough of the cryptic bullshit, for now. It'll be figured out eventually, I'm sure. Let's just revisit this factual narrative, most of which occurred within only about 6 months ago.

Gabe Plotkin:

Gabe Plotkin, the founder, and CIO of Melvin Capital, is a former trader and consumer stock specialist at Sigma Capital Management, then a division of SAC Capital, where he spent eight years. He had been directly trained by Steven Cohen.

After graduating from Northwestern University with a degree in Economics in 2001, Gabriel Plotkin joined Kenneth Griffin's hedge fund Citadel LLC, and later Connecticut-based hedge fund North Sound Capital.

Gabe Plotkin later began working at Steven Cohen's SAC Capital, where he managed a portfolio of mostly consumer stocks valued at about \$1.3 billion. During his time at SAC Capital, Gabe Plotkin was the recipient of illegal insider information according to federal prosecutors.

Gabe Plotkin was identified as "Portfolio Manager B" in the Securities and Exchange Commission's (SEC) civil complaint against Michael Steinberg, a fellow SAC portfolio manager who was arrested on charges that he traded Dell's earnings based on insider information. Gabe Plotkin was allegedly forwarded several emails by Michael Steinberg, and others, that contained insider information.

While his coworker was arrested and charged with the crime, Gabe Plotkin was not. However, it was alleged that he forwarded on multiple emails that contained the illegal information.

Gabe Plotkin left SAC during this insider trading blowup in late 2014.

2014: Melvin Capital is founded. In its first full year in operation, Melvin Capital had returns of 47%, ranking it 2nd in Bloomberg's 2015 list of top-performing funds with \$1 billion or more in assets under management. Gabe Plotkin also claimed to have begun shorting GameStop at this time.

2017: The hedge fund finished up 41%. Notable investments include Chewy.com, Amazon.com, Las Vegas Sands, Alibaba, and shorting GameStop.

2019: About one-third of the gains from Steven Cohen's current hedge fund, Point72, came from Melvin Capital Management LP.

September 2020: Melvin Capital shorts game developers CD Projekt. They receive gains from the disastrous launch of the video game Cyberpunk.

2021: Shares of ViacomCBS, Melvin's largest put position among the revealed eight, rose in price roughly 50% for the month through January 27.

The common stock price of Ligand Pharmaceuticals, Melvin's second-largest put position among this new group, nearly doubled for the month through January 28, 2021. The stock would rise another 13% before peaking on February 9.

Meanwhile, shares of Ollie's Bargain Outlet Holdings, another negative bet, rose about 30% through January 27.

ADT, Kroger, and Tabula Rasa Healthcare, which Melvin also had put positions on, also surged in price through late January.

The two revealed stocks for which Melvin held puts that didn't drastically rise during late January are Trinity Industries and WW International.

The short position on GameStop adopted by Melvin Capital and others resulted in more than a reported 139% percent of existing shares of GME being shorted, making GameStop stock the most shorted equity in the world at that time.

Through the end of January 2021, Melvin Capital was down 53%. In February, Melvin posted a 22% gain. Even with this addition, Melvin would need to produce an additional 75% gain for earlier clients before they break even. At the end of Q1 2021, Melvin reported losses of 49%. Melvin Capital had previously gained more than 46% in 2019, and 52% in 2020.

Today, Gabe Plotkin manages assets of around \$12.5 billion through Melvin Capital. On top of that, he holds shares in Amazon of an undisclosed amount and about \$20 million in Bath and Body Works.

Melvin Capital has disclosed that it is the target of at least nine lawsuits relating to its behavior during that late January period. Allegations include Melvin's participation in a "conspiracy" against retail investors, and also that Melvin "made misstatements about their role in the conspiracy to the public." Melvin contends that these lawsuits are "without merit."

The hedge fund revealed the existence of the lawsuits in its annual ADV filing with the SEC.

According to one complaint, following the market's close on January 27th, after-hour traders continued to take more short positions in GameStop thereby insinuating a GameStop sell off. Only institutional investors like hedge funds are allowed to trade after hours, the complaint noted. The restrictions on purchases of GameStop came the next day, January 28th, and the complaint alleged that the hedge fund defendants were thus able to cover their short positions "at artificially reduced prices."

Melvin Capital had stated it closed out the entire short position on January 26, one day before the stock hit its peak closing price, and before brokerages prohibited the buying of GameStop shares.

The firm's ADV filing indicates that it was highly leveraged going into the GameStop debacle. Melvin had regulatory assets under management, which includes leverage, of \$24.5 billion at the end of 2020, according to the ADV, filed March 8th, 2021. Yet at the end of March 2021, Melvin held \$17.5 billion in publicly traded equities, an indication that Melvin was still using significant leverage in its stock portfolio.

Melvin's filing shows that in addition to selling all of its GameStop puts during the first quarter, it also sold puts on 17 other stocks. Two of those put options were on stocks that collapsed during the late March liquidation of positions held by Bill Hwang's Archegos Capital Management.

Two of the most notable Archegos liquidations were of GSX Techedu and ViacomCBS, which fell 67 percent and 30 percent in March, 2021, respectively.

Melvin also closed out put positions in Weight Watchers International, Tabula Rasa Healthcare, ADT, Simon Property Group, Kroger, First Majestic Silver, AMC Networks, Trinity Industries, Ollies Bargain Outlet Holdings, Viatris, Ligand Pharmaceuticals, Invesco Solar ETF, and Cryoport, among others.

Even though Melvin reportedly sold and stopped buying listed put options, which it must disclose, the hedge fund could still be shorting stocks in the traditional fashion. That is, Melvin could just borrow the stock and sell it, hoping to pay it back to the lender at a lower price. Short sellers do not have to disclose such borrowed short positions, as opposed to put options.

After the Melvin Capital fund fell in January, the fund had assets of \$6.26 billion. Total firm assets were approximately \$8.26 billion at that time. About \$2.75 billion of that came from Kenneth Griffin through Citadel and Steven Cohen, through Point72 Asset Management, the latter of which was already previously invested into Melvin Capital.

The firm's assets under management now has hit \$11 billion by May 1, 2021.

Melvin Capital Management's largest holding is Expedia Group Inc with shares held of 5,100,000.

In January, Ken Griffin's Citadel and Steve Cohen's Point72 invested \$2.75 billion in Melvin in exchange for non-controlling revenue shares of the fund. GameStop was just one of the short positions that drastically rose in price in late January, causing Melvin Capital to lose a considerable amount of assets. Gabe Plotkin insisted in his House Committee testimony that the \$2.75 billion was not a bailout.

"I think Gabe Plotkin is one of the finest investors of his generation," Kenneth Griffin told CNBC's Andrew Ross Sorkin. Kenneth Griffin also stated that Gabe Plotkin has trained many of Citadel's employees during a congressional hearing.

If you would like to read a brief history about Kenneth Griffin and Steven Cohen's other joint ventures, I recommend reading this previous post made by me:

https://www.reddit.com/r/DDintoGME/comments/oqpiha/a_dd_on_how_shf_are_manipulating_the_art_world_a/?utm_medium=android_app&utm_source=share

I'd like to take a second to just point out one of my new favorite quotes:

"If I had to run my business on the possibility of an insane conspiracy theory emerging at any point in time, I would have no business." - Kenneth Griffin

Citadel held a GameStop short, according to its 13F filing, and gave Melvin Capital a \$2 billion dollar cash injection after it failed to sell GameStop short.

In addition to the hedge fund Citadel, Kenneth Griffin is also the founder of Citadel Securities, a Market Maker that handles about 40% of U.S. retail stock order flow, including from brokerages like the free-trading app Robinhood.

In a now-deleted tweet, Twitch co-founder Justin Kan said he "got a tip" that Kenneth Griffin may have been involved in Robinhood's move to throttle access to GameStop bulls.

A U.S. Representative stated in a congressional hearing that according to everyone in the industry he has talked to, Citadel does not find the best prices, or "execution," for trades it processes on behalf of free online brokerages. Robinhood's clients end up paying a hidden fee, in the shape of lower share prices, because of the way Citadel Securities prioritizes some trades over others.

Vlad Tenev:

1986 or 1987: Vlad Tenev was born a boy in Bulgaria. It is disputed which year. This boy from Bulgaria co-founded Robinhood Markets Inc, and is the CEO of Robinhood Financial LLC.

Vlad Tenev was a boy in Bulgaria with his parents until he was five years old. The family migrated to the United States to work at the World Bank. They were both employed at the institution.

Vlad Tenev's parents moved to Washington DC and this is where Vlad Tenev was raised and became no longer a boy in Bulgaria. Vlad Tenev went to school at Thomas Jefferson High School for Science and Technology. Vlad Tenev didn't attend public schools, his parents could afford to place him in a private.

Vlad Tenev attended UCLA at the school's Ph.D. program in mathematics, but did not complete his doctoral studies program. It has been stated that Vlad Tenev dropped out of the program to pursue a business endeavor with Baiju Bhatt.

The two met at Stanford, where they both had previously graduated. Vlad Tenev and Baiju Bhatt had classes together, and they were roommates.

The two started building high-tech trading software for banks and hedge funds. It is stated the two developed the idea for Robinhood after recognizing the potential for their programs to undercut retail brokers who charge fees for making trades for investors. They would later accomplish this by taking money in exchange for selling their client's stock buy/sell order flow to financial institutions such as Citadel.

Together, Vlad Tenev and Baiju Bhatt co-founded Robinhood in 2013. Initially, their clients were banks and hedge fund managers, but soon after launching it as a retail product, a service that is direct to the client, the trades soon exceeded \$2 billion.

During the test launch of Robinhood, Vlad Tenev shared that the app was more of a social network for investors, and it relied heavily on social media for tips on trading.

In addition to creating Robinhood, Vlad Tenev started two other finance companies in New York City. Celeris, a hedge fund that used high-frequency trading strategies, and Chronos Research, a software firm that catered to algorithmic traders.

Vlad Tenev and Baiju Bhatt started the high-frequency trading company called Celeris in 2009. It was abandoned two years later. Celeris was a hedge fund that used algorithmic trading to make investment decisions.

Vlad Tenev founded Chronos Research in January of 2011. It has been listed as closed since 2012. Chronos sold low-latency trading software to other financial institutions, such as banks and hedge funds. Chronos, just like its predecessor, never really took off.

(There is also a high frequency trading firm named Kronos Research in Taiwan that was created by Mark Pimentel in 2018, who also worked for Citadel from 2006 to 2008. I have yet to find any other connections though, and is probably just coincidental).

Vlad Tenev is also a partner in strategy at Amplo Management LLC. Amplo's listed mission statement is to help support entrepreneurs building globally ambitious companies that matter. Robinhood is listed as a client.

According to an SEC filing, it was estimated Vlad Tenev would have a paper fortune of over \$2.5 billion after Robinhood's recent IPO.

Vlad Tenev and Baiju Bhatt could also earn billions more in the coming years due to a compensation package. In May 2021, Robinhood's board approved an incentive plan that would award Vlad Tenev up to 22.2 million restricted stock units over the next eight years if the stock hits certain targets. Baiju Bhatt would receive 13.2 million shares under the plan.

If Robinhood stock hits the stock targets, which start at \$120 and rise to \$300, Vlad Tenev would get stock valued at about \$4.7 billion. Baiju Bhatt's shares would be worth about \$2.8 billion.

Vlad Tenev said he wants Robinhood to be the only app that people use on their phones for money. That covers everything from depositing paychecks to paying bills to splitting payments with friends.

Though originally using an invitation-only business model, Robinhood has now since expanded to over 22.5 million funded accounts as of the new filing.

The majority of traders who use the Robinhood app are in their middle 20s. As much as 78% of users are in an age range that is under 35.

Robinhood is a five-time CNBC Disruptor 50 company, and topped the list of all 50 companies in May, 2021. 2 months before their IPO. Robinhood, now being public, no longer contends for that list.

Vlad Tenev's notable accomplishments:

The trading platform Robinhood was frequently inoperable during the most volatile trading days of the

Covid-19 pandemic, preventing clients from buying or selling shares, leading to numerous class action lawsuits, which remain ongoing.

Robinhood has also had to pay more than \$130 million in recent years to settle accusations by regulators, with the most recent fine announced just before their SEC filing for open trade.

December, 2020: Robinhood agreed to pay \$65 million to settle allegations that it did not properly inform customers that it sold their stock orders to high-frequency traders.

January, 2021: Robinhood disables the buy button for its retail investors, making it impossible to buy certain stocks, including GameStop. There was no pre-notification or explanation at the time this occurred.

February, 2021: Vlad Tenev had to answer to lawmakers over the trading frenzy in early 2021 in a congressional hearing assembled by Maxine Waters and the House financial services committee.

In that hearing Vlad Tenev was asked to answer for the restricted buys during the squeeze on GameStop, and the suicide of Alex Kearns, a 20-year-old trader who was led by Robinhood to mistakenly believe he had lost \$730,000 on a trade.

June, 2021: The Financial Industrial Regulatory Authority (FINRA) fined the platform \$70 million, the agency's largest penalty ever, over "systemic supervisory failures" and hurting investors by giving them "false or misleading information".

FINRA accused Robinhood of allowing some users to make riskier trades than they were ready for, failing to make clear to customers that it makes most of its money by routing their trades to Wall Street firms with opposing stock positions, and weak supervision of its technology leading to outages of its service.

Major critics of Robinhood have said their fines were not nearly enough.

"Robinhood won't clean up its act with slap-on-the-wrist settlements," a U.S. Senator said. "Our regulators need to show some backbone to hold Robinhood accountable."

An SEC filing states that Vlad Tenev had received "requests for information and in some cases subpoenas" stemming from the sweeping investigations into the company's trading restrictions in early 2021. In January, Robinhood restricted the purchase of GameStop, AMC and other "meme" stocks due to what has been said to be a lack of liquidity to comply with trading regulations, though at the time Vlad Tenev publically denied liquidity was the issue.

Vlad Tenev explained at the time it was their clearinghouse, a behind-the-scenes market player called the Depository Trust and Clearing Corp.(DTCC), that had demanded billions of dollars in collateral to back GameStop trades, forcing the brokerage to reduce access for its users until it could raise capital.

In a congressional hearing, it was admitted that the NSCC, a clearinghouse used by Robinhood, raised margin requirements for Robinhood, but that those and all requirements were waived by the DTCC before trading began on the date that trades were restricted. Meaning, there was no liquidity issue, and no known valid reasons to restrict the trades.

Robinhood also faces 49 class action lawsuits and three individual actions in federal and state courts relating to the early 2021 trading surge. It also has received requests for information from the United States attorney's office for the northern district of California, the US Department of Justice, SEC staff, the New York attorney general's office, other state attorneys general offices and a number of state securities regulators.

According to an SEC filing, a search warrant was executed by the U.S. Attorney's Office to "obtain Mr. Tenev's cell phone."

Despite these controversies, Robinhood's revenue soared to \$522m in the first three months of 2021, up from \$128m a year earlier.

Robinhood said in its filing the early 2021 incidents “resulted in negative media attention, customer dissatisfaction, litigation and regulatory and US congressional inquiries and investigations” and that it “cannot assure that similar events will not occur in the future”.

Vlad Tenev defended the role high-speed traders play in modern markets following criticism over its decision to halt purchases of GameStop Stock in January, 2021. Vlad Tenev said in a blog post that a crucial problem is that many investors don't understand the “plumbing” of how financial markets work.

Firms including Kenneth Griffin's Citadel Securities and Virtu Financial Inc. are an important part of Robinhood's business. Not only do they carry out trades by the brokerage's clients, they pay Robinhood for the opportunity to complete, and see, those orders.

July 28, 2021: Robinhood priced its public offering at \$38 per share, the low end of its IPO range. The company was worth around \$32 billion at that price.

Once Robinhood began to allow investors to trade its shares, they went down sharply, off more than 10% in the first hours of its life as a floating stock. Robinhood recovered some in later trading, but closed the day worth \$34.82 per share, off 8.37%.

The company sold 55,000,000 shares in its IPO, generating gross proceeds of \$2.1 billion, though that figure may rise if its underwriting banks purchase their available options.

July 28, 2021: It is announced that FINRA, a self-regulating agency within Wall Street, is seeking information related to the fact that Robinhood CEO Vlad Tenev and co-founder Baiju Bhatt are not licensed by FINRA. The probe comes roughly five months after CNN Business first reported that Vlad Tenev is not registered with FINRA, despite the fact that he presides over one of the nation's largest and most powerful online brokerages.

Regulators are also investigating into the stock trades of Robinhood employees that occurred around the time of the company's controversial stock restrictions. It has received inquiries from FINRA and the SEC about employee trades involving GameStop (GME), AMC (AMC) and other "meme" stocks. Regulators are looking into whether these trades by employees "may have occurred in advance of the public announcement" of the trading restrictions.

Robinhood said it is evaluating the matter, and intends to cooperate with the investigations.

I've been holding since January. Gabe Plotkin and Vlad Tenev stole my fucking money. It's something that really pisses me off, and it is not something I will ever easily forget.

The most important discussion is always buried in the comments. If there is anything I missed, please let me know.