Title: Theory Why GameStop Did Not Follow The Futures Roll-Over This Cycle
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Is_self: False

https://preview.redd.it/dpu1id4r3im71.png?width=678&format;=png&auto;=webp&s;=6831e91c3b1e0ec162aa0b0bab17eefcc4f8ec42

Hello Apes & Apettes,

I understand the last 2 weeks have been filled with a lot of anticipation, and let's face it, not a lot happened. I'm a firm believer that the previous spikes/price movements that occurred earlier in the year have been a function of settling the rollover window of quarterly futures contracts.

Now I think I have the why we didn't see the same price action during this window, and my hypothesis will go into depth on that. As usual, nothing here is financial advice, and my hypothesis could be wrong. The great thing about the scientific method is that it should eventually reach the truth. I am not asking anyone to debunk me, but rather if I am wrong, help me get this right.

Some of this information is from previous [posts](https://www.reddit.com/r/Superstonk/comments/pdahbt/cmes_equity_total_return_swaps_counterparties_may/) of mine. 2 weeks ago I predicted the lack of action this window but I got downvoted to hell and was called FUD. I want to get as many eyes on this theory as possible and hopefully, help uncover the mechanics of what is going on. I also want to shout out to my buddy u/toxsic99 for helping me dig, and continue to find new stuff.

Hypothesis: The CME group is a counterparty to SHFs and is holding a giant bag for Memestock short positions. Additionally, the CFTC let them transfer those positions as realized losses would have significantly hurt the systematically important derivative clearinghouse.

A few weeks ago I stumbled upon some information regarding the Chicago Merchant Exchange Group (CME) that points to manipulation with Commodities Futures Trading Commission's (CFTC) stamp of approval. We will get to that.

First, we need to investigate who the CME group is....

CME Group Inc. is an American global markets company. It is the world's largest financial derivatives exchange, and trades in asset classes that include agricultural products, currencies, energy, interest rates, metals, stock indexes, and cryptocurrencies futures. It has been designated as a Systemically Important Derivatives Clearing Organization (SIDCO).

CME Clearing serves as the counterparty to every cleared transaction, becoming the buyer to each seller and the seller to each buyer, maintaining a matched book, and limiting the credit risk by guaranteeing the financial performance of both parties. In a bilateral system, each participant faces the concentrated, individual credit risk of the other party to the transaction. Satisfactory fulfillment of the transacted contract or agreement depends primarily on the creditworthiness and proper behavior of each individual party to each transaction. CME Clearing mitigates counterparty risk through becoming the counterparty to both sides of the transaction, while utilizing risk tools such as: the collection of a performance bond (also referred to as initial margin), daily mark-to-market cycles, and the collection of Guaranty Fund contributions, among other tools. By this mechanism, the concentrated credit risk of each transaction is transformed into a well-diversified and regulated risk supported by the financial safeguards system [Link on risk](https://www.cmegroup.com/clearing/files/financialsafeguards.pdf)

Let's look at their performance bonds and Guaranty Funds for the past few years... [Link to quarterly reports](http://investor.cmegroup.com/sec-filings/sec-filing/10-k/0001156375-21-000020)

[In the last few months, the Performance bonds and Guaranteed Funds have ballooned to $141 Billion Dollars. That is roughly a $104 Billion increase in 18 months.](https://preview.redd.it/b2s895w92fm71.png?width=1029&format;=png&auto;=webp&s;=c58d0dced2269fd7a2a51f229fb257900302e541)

What are performance bonds?

Performance bond requirements are good-faith deposits to mitigate non-financial performance on open positions, acting as an ex-ante risk-based tool to cover potential future exposures. Through CME CORE, a web-based tool, CME Clearing offers full transparency to market participants by giving them the ability to calculate and evaluate performance bond requirements for all products cleared by CME Clearing. CME Clearing permits Clearing Members to deposit performance bonds sufficient to cover their net exposures for their proprietary positions. CME Clearing calculates performance bond requirements for each customer, collecting gross performance bond for the aggregate cleared swap customer account and customer segregated account, for exchange-traded derivatives.

https://preview.redd.it/xh09ughgjim71.png?width=299&format;=png&auto;=webp&s;=9dfc480dc0c7ec4297bf619fb2940acbb7b633ae

TD/DR In the last 18 months, the value of the CME group's Performance Bonds/Gaurarentee Funds grew 381%. As these are used to mitigate risk in futures/swap contracts, it looks as 1 of 2 things have happened in the last couple of months

1. **Their current customers may have some increasingly risky positions, and the vast increase in these bonds/funds reflects that.**
2. **They may have had a significant increase in new customers and the increased bonds/funds are due to that**

Now let's look at the futures rollover window.

These are graphs that were previously posted that show a significant uptick in the price during rollover windows. It was predicted that we were to see another spike from August 27th until today Sept 9th.

https://preview.redd.it/ckyczghxihm71.png?width=2206&format;=png&auto;=webp&s;=03cbc208adfa4c4b4477f31c97cb77e8ff168463

https://preview.redd.it/7gsorcgwihm71.png?width=981&format;=png&auto;=webp&s;=5625f3b9ad4f356fc11de70963d46b61bc2e9ecf

Based on Criand's work on the futures swaps theory, it looks as if the previous price movements may be due to the settling of the change in the underlying positions of a swaps contract between SHF & the CME group (of whom Citadel is a large investor).

In theory, those who have shorted GME heavily would have to settle the net change in the underlying position of the contract with the CME group, and they would have had to do so during these windows. If this theory is correct then this is why we have seen those large run-ups earlier this year. I speculate that a majority of the price action this year is due to this mechanism and that internalizers have basically neuralized any retail buying pressure.

The CFTC met with the CME group earlier this year regarding amending bankruptcy regulations. [LINK](https://www.cftc.gov/LawRegulation/DoddFrankAct/ExternalMeetings/dfmeeting_091620_1724)

For those who don't know the CFTC is the Commodities Futures Trading Commission is the governing body that ~~regulates~~ should be regulating swaps and futures. On paper, its mission is to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. They also met with members of the CME group earlier this year.

https://preview.redd.it/ekecnutbkhm71.png?width=912&format;=png&auto;=webp&s;=7bcd8d4607688b6c892c7d34a15bfdf3bd5f5e32

Now, why would the CME group want to discuss segregation and bankruptcy with the commodities futures trading commission?

Well, I'm glad you asked! It looks like it may have been regarding the regulation of "transfer of trades and customer accounts" as the 2 connected for an amendment to those rules a couple of months later!

Transfer of Trades Amendment

On August 11th the CFTC sent a letter to Mr Chris Kirkpartrick of the CME regarding the implementation of a proposed amendment on the Transfer of Trades and Customer Accounts rules.

This amendment discusses a new provision for a clearing member who wishes to manage the liquation and hedging of a defaulting customer. This clearing member has the contractual right to transfer the position. These amendments were effective at the beginning of the last rollover window (August 26th 2021) [LINK](https://www.cftc.gov/sites/default/files/filings/orgrules/21/08/rule081121cmedcm001.pdf)

https://preview.redd.it/0pvdohtqjhm71.png?width=1013&format;=png&auto;=webp&s;=45929183c5502e67fffd1492ea7f9b272e1197f3

What are the core principles of this amendment....

[The CME is allowed to transfer the trade if the situation requires if it remedies a market disruption. Such a trade does not relieve the responsibility of the clearing member.](https://preview.redd.it/f2zu1psrjhm71.png?width=1009&format;=png&auto;=webp&s;=d41a34d30711d2a32f1360f4e773190df81eaf3b)

Now if the price movement in the previous cycles were from settling the change of a futures position to the CME, if CME is now holding the positions due to the default of the counterparty it makes sense that we did not see any settling/price movement.

Conclusion: On the first day of the roll-over window, the CFTC adapted the rules to allow for the CME group to transfer the extremely bad meme stock short position, and to liquidate those who were to default due to it. As per the comment in the letter had they not transferred the position this SIDOC would incur significant losses. Due to margin requirements, I believe forced liquidation would have occurred and triggered the Moass. There is no such thing as coincidence here and this had to be in effect as the rollover window started. With the CME's counterparty liquidated there was no longer an obligation to settle the change in the position during the window.

*****This doesn't change a thing. I for one just really like the stock. Congrats everyone on a great earnings report! All short positions eventually need to be closed. *****

******Also it would appear from new information that it might be possible that the deadline to roll out a futures contract could be the expiration date and not the roll date that is used on the** [**CME website**](https://www.cmegroup.com/trading/equity-index/rolldates.html)**. I still believe given the documentation above that the position was moved to delay the MOASS, but we shall see by the Sept 17th expiration date if there is any change.******

Cheers

Discussion points

* If this theory is correct the short position has been moved. I believe it is fairly likely that the CME group is holding this position (who else would take it?). If this thesis is correct we may be able to see some evidence on their next quarterly report.
* To be honest there are clues that we may not see a spike in this window. The whole week after the price jumped on August 25th the MSM talked about options, and it was the only time in the entire year that they even mentioned options. It's clear that the narrative was to excite retail into buying in and sell those contracts at an inflated price. I think a lot of retail investors got burned. As a general rule I try to do the opposite of what the MSM media say, and it's done me pretty well.
* Secondly, the CFTC is suspect and to be honest, is probably a gigantic reason for this mess. The fact that they have limited reporting requirements for swaps until 2023 shows exactly whom they are protecting. Last week I filed some FOIA requests regarding the organization and will keep you all updated with what I get.
* RC if you happen to come across this why cant I buy a GME snapback on Gamestop.ca? Come on man!