

Title: GameStop stating how many shares are directly registered is on the 'borderline' of DTC rule SR-DTC-2003-02...and could potentially be to test whether the DTC makes a legal challenge if/when they attempt to leave their corrupt system altogether

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I know that there have been several theories for why, suddenly, GameStop is declaring how many of their shares are directly registered with the transfer agent, ComputerShare. These include:

- 1) Providing an update to Apes on how many shares have been DRS-ed already
- 2) Thereby also showing how many still need to be DRS-ed to lock up the float
- 3) As a warning to SHFs that the clock is ticking for closing their positions

One other thing I have been thinking about is basically **why now**?

It has been publicised previously that companies are not permitted to promote or recommend direct registration to shareholders. The specific rule that prevents this is **DTC rule SR-DTC-2003-02**:

<https://www.sec.gov/rules/sro/34-47978.htm>

Below is the most relevant section of this ruling:

Further, DTC states that issuers do not have continuing ownership rights in shares they have sold into the marketplace and therefore cannot control the disposition of shares already registered in DTC's nominee name by directing that those shares be surrendered to the transfer agent or by restricting their eligibility for book-entry transfer at DTC. DTC contends that attempts by issuers to control their publicly traded securities are improper and may constitute conversion. DTC states that by purporting to exercise the rights of the shareholders, issuers are interfering with the legal and beneficial rights of DTC and its participants with respect to securities deposited at DTC and with DTC's obligations under Section 17A of the Act.

DTC disagreed with the commenters' contention that it had an obligation to take action to resolve the issues associated with naked short selling because those issues arise in the context of trading and not in the book-entry transfer of securities. DTC pointed out that if beneficial owners believe that their interests are best protected by not having their shares subject to book-entry transfer at DTC, then they can instruct their broker-dealer to execute a withdrawal-by-transfer, which will remove the securities from DTC and transfer them to the shareholder in certificated form.

A summary of this is:

- * A company loses its say over its shares, the moment those are sold to shareholders
- * They cannot, therefore, direct shareholders to directly register shares because this prevents the DTC from carrying out their business
- * Only shareholders have the right to ask for shares to be directly registered
- * This is even the case if a company is having its shares massively manipulated, for example through naked shorting, they still have to stay silent
- * If a company decides to take such a course of action, they are in breach of this rule and can be subject to legal action

As for why these strict rules came to be in place, it was because of a company called CMKK explicitly directing its shareholders to direct register. There is a great but under-appreciated DD on this by [u/suddenlyy](<https://www.reddit.com/user/suddenlyy/>), which I recommend you to read if you would like to learn more about this:

[https://www.reddit.com/r/Superstonk/comments/pr32zj/cmkm_and_gamestop_why_cant_gamestop_ask/](https://www.reddit.com/r/Superstonk/comments/pr32zj/cmkm_and_gamestop_why_cant_gamestop_ask/?utm_source=share&utm_medium=ios_app&utm_name=iossmf)

In any case, we have been left now in a situation where companies cannot recommend to their shareholders about the benefits of direct registration. Instead, the speculation is that Ryan Cohen has tried to hint at this through Twitter posts such as **"Cone-Poo-Chair"**:

<https://preview.redd.it/rtii207sto481.png?width=529&format=png&auto=webp&s=650d0439f740bdbc37d060193eeabb5a807644a>

So why now, suddenly, are they boldly stating the number of shares directly registered? This is where my speculation comes in: ****I think they want to see if the DTC responds in some way.****

The wording used in the latest SEC is certainly not a clear directive to shareholders saying "go and DRS the rest!" However, there is a certainly a case to be made for it being at least a subtle hint that GameStop approves of this turn of events...

<https://preview.redd.it/42i59pll481.png?width=603&format=png&auto=webp&s=8f0edbcd0bcf8f454d4fee7716c07247699b5431>

This being the case, I am conjecturing that what GameStop is doing is ****testing the waters before taking the steps to withdraw from their stock from the DTC ecosystem altogether****. This has been speculated for some time now, since an explicit statement for GameStop potentially doing so in the future was included in the June 9th Prospectus (<https://news.gamestop.com/node/18961/html>)(<https://news.gamestop.com/node/18961/html>):

<https://preview.redd.it/z0cmpn3tvo481.png?width=830&format=png&auto=webp&s=dae7bffc0714d1dcbcf43311f074ab5758ff801d>

Such a move would be quite ***radical***, and no doubt be met with an extremely hostile reception and legal responses from the DTC. So it makes sense to build up to this, including through signposting in the form of a 'borderline' challenge of SR-DTC-2003-02, by seeing how the DTC construes the act of stating how many shares are directly registered.

****TL;DR:**** GameStop stating how many shares are directly registered ***could*** be interpreted as a breach of the DTC regulation preventing companies from recommending this to shareholders. If they are planning to go even further, by removing their shares altogether in the future and moving to a different depository (potentially one they make themselves), this could be a first step to "test the legal waters".