

Title: RIP /u/leavemeanon - WHERE ARE THE SHARES (Part 3) Resurrected

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Hi all,

There were a lot of apes in the daily discussion thread wondering why the DD by [/u/leavemeanon](<https://www.reddit.com/u/leavemeanon/>) was gone. Turns out they've deleted their account for some reason, along with their posts. I did a bit of digging and managed to recover their posts (shoutout to <https://camas.github.io/reddit-search/>), which I'll be shamelessly reposting as there seems to be some demand:

<https://preview.redd.it/cac5evmlcj371.png?width=800&format=png&auto=webp&s=167ecf5eb769ad66b6e700dec4c01ab5451f47ef>

So, without further ado:

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TLDR:

The system is rigged in favor of HFT firms. Because computers are really good at finding derivatives for cheap to hedge sales for profit, naked short selling is no longer *part* of the system, it **is** the system, short term, over and over and over. What we're seeing might be the product, and possibly the unraveling - of that system.

Man that was melodramatic. Hey, I wouldn't believe me either, to be fair. I still really don't believe it.

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Acronym Index and Glossary

Because I wish the SEC would include these, for the Fed if nothing else...

ETF \- [Exchange-Traded-Fund](<https://www.investopedia.com/terms/e/etf.asp>) \-

This is a more detailed explanation than the rest, because ETFs are **incredibly important to understand.**

An **Exchange-Traded-Fund** is a fund who's portfolio holdings is represented and traded on open exchanges via shares of the fund: ETF shares. Simply put, ETFs are hybrids between funds and stocks. They, like any fund, hold some portfolio of securities. And like any stock, they trade as shares on open exchanges. The fund's portfolio is typically designed to track some index or sector. Thus, an investor with some opinion about the ETF's portfolio can trade the ETF shares to eliminate some of the risks involved in trading single equities.

The **price** of ETF shares is determined at market value, based on their trading in the market - like any

equity stock. The *value* of ETF shares is called their NAV, and when NAV differs from price (which is always true in some ETF, somewhere in the world), a profit opportunity exists via arbitrage (see **Chapter 1** for more)(https://www.reddit.com/r/Superstonk/comments/nplv75/where_are_the_shares_a_beginners_guide_to_hiding/?utm_source=share&utm_medium=ios_app&utm_name=iossmf).

ETFs also provide a source of dynamic liquidity in the markets. This is because Authorized Participants (APs), acting as 'referees', oversee the markets and allocate supply to meet demand. **APs are authorized to create/redeem ETF shares with/for representations of the ETF's portfolio.** This mechanism is integral to liquidity provision, and helps align ETF share prices with their NAV.

The "creation/redemption" mechanism mentioned above is the bridge between *ETF shares*, *"liquidity"*, and *particular securities*. For example:

Say demand increases for security XYZ, thus increasing the trading price of XYZ shares. XYZ's increased price might mean that NAV > "trading price" for some ETF containing XYZ. APs, who are responsible for providing supply of XYZ, can then redeem a "basket" of value equal to 50,000 ETF shares in exchange for 50,000 shares representative of the ETF's portfolio. Only APs are authorized to do this.

Don't let the numbers and letters confuse you, it's simpler than it sounds. For an AP: 50,000 ETF shares = 50,000 individual security shares in *price*, but not in value. When they differ in value, the AP can profit. Of course, the liquidity responsibility ensures that the AP is always buying the cheaper of the two and exchanging for profit. SPY is an ETF with a portfolio designed to mimic the S&P; 500 index; XRT is designed to track the retail sector.

NAV \- [Net-Asset-Value](<https://www.investopedia.com/terms/n/nav.asp>) An ETF's NAV is the value of the funds assets, minus liabilities. Functionally, for ETFs, the NAV is the value of the fund's portfolio, and because ETFs are only rebalanced a few times yearly, the *market price* of shares trading on open exchanges often differ from the NAV of those shares.

FTD \- [Failure-to-Deliver](<https://www.investopedia.com/terms/f/failuretodeliiver.asp>) \- after the sale of a security, the seller (believe it or not) has 3 days to deliver the security to the buyer, otherwise the share is deemed failed-to-deliver - a FTD. FTDs should be rare, because they can build up and cause systemic issues, [as Patrick Byrne explains](<https://youtu.be/I0WXg5T3cBE>).

AP \- [Authorized Participant](<https://www.investopedia.com/terms/a/authorizedparticipant.asp>) \- "An authorized participant is an organization that has the right to create and redeem shares of an exchange traded fund (ETF)....When there is a shortage of ETF shares in the market, authorized participants can make more. Conversely, authorized participants will reduce ETF shares in circulation when the price of the ETF is lower than the price of the underlying shares. That can be done with the creation and redemption mechanism that keeps the price of an ETF aligned with its underlying net asset value (NAV)." APs include Morgan Stanley, Goldman Sachs, Bank of America, JPMorgan Chase, and Citadel Securities. [BlackRock describes](<https://youtu.be/iX7fOx5G40A>) APs as referees, monitoring markets to allocate demand to meet supply - resulting in better liquidity and decreased volatility.

MM \- [Market Maker](<https://www.investopedia.com/terms/m/marketmaker.asp>) \- Market Makers, very generally, oversee markets and quote bid/ask prices to create a spread. They stand ready to buy or sell in their market, and they have algorithms coded to hedge these transactions and profit from arbitrage along the way. They are similar to APs in that they both monitor markets and ensure trades have counter-parties, however, the MM acts as a primary source of the APs information - MMs quote bid/ask spreads, and APs react to these spreads (in real time). This allows the MM to have more direct access to (and influence over) bid/ask quotes in their particular markets, however they rely on the AP to provide market liquidity via ETF creation/redemption.

HFT \- [High-Frequency Trading](<https://www.investopedia.com/terms/h/high-frequency-trading.asp>) \- "High-frequency trading, also known as HFT, is a method of trading that uses powerful computer programs to transact a large number of orders in fractions of a second. It uses complex algorithms to analyze multiple markets and execute orders based on market conditions. Typically, the traders with the fastest execution speeds are more profitable than traders with slower execution speeds...In addition to the high speed of orders, high-frequency trading is also characterized by high turnover rates and order-to-trade

ratios. Some of the best-known high-frequency trading firms include Tower Research, Citadel LLC and Virtu Financial.” This is *how* MMs and APs profit from volume, HFT algorithms scan for arbitrage opportunities.

****OTM/ITM**** \- [Out of the Money / In the Money](https://www.investopedia.com/ask/answers/042715/what-difference-between-money-and-out-money.asp) \- ITM/OTM refers to an option’s strike price in relation to the underlying’s trading price. ITM options hold inherent value (ITM call = strike < trading price; ITM put = strike > trading price). OTM options have no inherent value and expire worthless (OTM call = strike > trading price; OTM put = strike < trading a price). There is also *deep* ITM/OTM. This simply means the option’s strike price is relatively *distant* from the underlying’s trading price. Options with strikes *near* the underlying’s trading price are said to be At-the-Money (ATM).

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Prior Chapters

****CHAPTER 1: ETF ARBITRAGE****(https://www.reddit.com/r/Superstonk/comments/nplv75/where_are_the_shares_a_beginners_guide_to_hiding/?utm_source=share&utm_medium=ios_app&utm_name=iossmf)

****CHAPTER 2: OPTIONS AND HEDGES****(https://www.reddit.com/r/Superstonk/comments/nrw9xi/where_are_the_shares_a_beginners_guide_to_hiding/?utm_source=share&utm_medium=ios_app&utm_name=iossmf)

Preface

First of all and for the record, this ape *loves* his country 🇺🇸. I have no doubt that some apes love their’s more, and I’d say that’s awesome. I’d probable even say **c’est bonne** (and be rightfully mocked)

It’s *because* I love my country, that I am concerned. Deeply.

And despite the fact that my *entire* understanding of the financial system is merely 6 months old and limited to what I can find online - there are much older, much wiser, and much warier opinions than mine. Tendies or not, I *absolutely do not* wish for disaster or advocate wishing for disaster.

Secondly, I really don’t advocate for *anything* except using your own brain, shiny or not, to come to your own conclusions. *None* of this, including my previous posts/comments, is financial advice or intended to be defamatory in any way.

This series is essentially a brain-dump - resulting from my attempts to identify what the hell, *exactly*, has been going since January.

Why listen to me? \- You shouldn’t. Not at face value at least. I have no special insight nor expertise. I like logic and puzzles. That’s all.

I may have gone wrong here, way way off even - I’m just not exactly sure how. *insert Michael Burry - ‘Big Short’ quote* So if you find holes to punch, *please*, punch away. We’re all learning here. And frankly, in many ways, I’d love to be wrong on this.

Chapter 3: The Machine

Where we Stand

[Chapter One](https://www.reddit.com/r/Superstonk/comments/nplv75/where_are_the_shares_a_beginners_guide_to_hiding/?utm_source=share&utm_medium=ios_app&utm_name=iossmf) dove into ETFs, and the ever-growing role they play in market liquidity. In principal, the relationship between ETFs/underlying securities is like a hydraulics system. Securities have some of their supply distributed in various ETFs, and the buying pressures in these different markets are the pistons *squeezing* their respective market’s liquid. As pressure (demand) builds in a given market, APs can dial pressure up in the ETF markets to

force liquid wherever it's needed. *APs can only add pressure.* They cannot reduce buying pressure, except indirectly by providing supply.

This *pressure control* system is vital to keeping markets at bay and keeping ETFs aligned with their NAV. Overall, these are good things.

Chapter One explained the *mechanism* behind that *pressure control* system, and how APs profit from it through arbitrage: if there are price discrepancies between ETF shares and their underlying, APs are profiting on it.

[Chapter Two](https://www.reddit.com/r/Superstonk/comments/nrw9xi/where_are_the_shares_a_beginners_guide_to_hiding/?utm_source=share&utm_medium=ios_app&utm_name=iossmf) looked at options trading and its role in hedging. Both equities and options have Market Makers that hedge their sales with options, and I mentioned the fact that options create “synthetic positions” that mimic the returns of some other position. This creates yet another arbitrage opportunity, as price discrepancies in the synthetic positions and their *analogs* can be profitable.

A few apes mentioned in chapters [One](https://www.reddit.com/r/Superstonk/comments/nplv75/where_are_the_shares_a_beginners_guide_to_hiding/?utm_source=share&utm_medium=ios_app&utm_name=iossmf) and [Two](https://www.reddit.com/r/Superstonk/comments/nrw9xi/where_are_the_shares_a_beginners_guide_to_hiding/?utm_source=share&utm_medium=ios_app&utm_name=iossmf) that a certain... (*don't say je ne sais quoi, don't say je ne sais quois*...) 'something' was missing. Like trying beer for the first time and it's flat. I'm sure others knew what I was hinting at, and I'm sorry if it felt like I was pandering. I'm going for *no ape left behind*, and I think the overall machine is far better understood in light of its inner workings.

Je Ne Sais Quois

Okay all five question words let's go -

Who?

Citadel, *en masse*: an Authorized Participant, Market Maker, Broker Dealer, Hedge Fund, and probably a dozen other things including (probably) the world's largest HFT firm. They account for **[**almost 30% of ALL U.S. equities volume and almost half of retail volume**]**(<https://web.archive.org/web/20210428124834/https://www.citadelsecurities.com/products/equities-and-options/>). Oh and in 2020 they paid RobinHood (10x more than any other brother) for order flow, buying the rights to clear over 60% of RobinHood's trades. (can't post RH link)

What?

Wallstreet's God. Naturally, they adopted the triumvirate of Father Fed, the many (some prodigal) Sons, and the Holy Ghost of Liquidity - always there in the background to fill your purchase orders. Yeah, Citadel accounts for close to half of that Liquid Holy Ghost.

When?

For the last 5 years at least, but particularly in January 2021, and *specifically* on January 27th. Ken stated in the **[**Congressional Hearing**]**(<https://youtu.be/lxdp-wU3UZI>) that, "on Wednesday, January 27, we executed ****7.4 billion shares**** for retail investors."

Where?

Primarily on RobinHood, I'd imagine. At first, at least. Then, a few nanoseconds later, processed through Citadel's network of black boxes to find a better price than you, then sell to you.

How?

****THIS is why I started with the boring details.****

I get to skip this part. Arbitrage is how. Via ETF, forced hedging, all those ways we went through now for the coolest, most ignored question word

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Why?

(With a splash of how?)

Arbitrage is great, but it has one major problem. It doesn't make very much money, *per trade*. You're only netting small differences, because these arbitrage trades *should* be for equal things. **The only reason arbitrage works is because of inefficiencies in pricing.** This is where arbitrage meets its best friend: High Frequency Trading.

[**Investopedia**](<https://www.investopedia.com/articles/active-trading/092114/strategies-and-secrets-high-frequency-trading-hft-firms.asp>) includes four types of arbitrage among the 6 listed money-making strategies, one of which is *volatility* arbitrage. I think Ken said it in the Congressional Hearing, but I'm not sure -

HFT firms make SIGNIFICANTLY more money in VOLATILE markets.

I mean I can't believe I have to point this out, someone must be saying something, but **this creates a CLEAR CONFLICT OF INTEREST when the HFT firm is an Authorized Participant.**

Why? because, **APs CONTROL THE LIQUIDITY in the ETF market, and, indirectly, the markets of the underlying securities.**

Maximum volatility = maximum profit per arbitrage trade = *\$\$\$\$\$\$\$* for HFT/AP firms

It's a simple move and I mean - just pick a couple of GME's ETFs and look at ownership since 2015, I'd guess it's up 500% on average, probably more. Whether this was natural (as underlying price decreased) or intentional, I don't know. *But*, if there happens to be both 1) more volume in the underlying than in the ETF and 2) underlying NAVs consistently dropping lower than ETF price, APs have an opportunity for **massive profit**.

So to earn that \$200m bonus, you look for an ETF with *just* the right blend of wimpy and popular. Then have your trading firm buy ETF all day, or turn the AP's "gobble ETF shares" dial up a few notches, maybe tell your buddies how cool the fund is, anything you can to increase buying in the ETF. AP is *required* to siphon supply from the underlying to meet the ETF demand.

Easy. Done.

Over time, your own ETF buying increases the price of your own holdings. And these are *funds*, they're meant to be stable. And many of them are illiquid - so when ETF buyers show up, APs likely *need* to siphon underlying shares. All this *siphoning* makes the underlying more volatile, so when you're responsible for putting the shares back to meet demand, you can take your sweet time and suck as much money as possible from regular investors. Every millisecond counts.

And as long as you keep buying ETF, or convincing someone to buy ETF, after each ETF rebalancing, the ETF inflation will dictate that $ETF > NAV$, *forcing* you, as an AP, to buy underlying until they equate (then maybe you buy again). I think you can see how this quickly becomes a vicious cycle.

Do I sound crazy yet? Oh, *long time ago?* I know, I've felt crazy for weeks. I cannot prove that this happens, I can only say that the system exists such that it is possible, and very profitable. And frankly it's very likely that the cycle is a natural byproduct of increasing interest in ETFs. Whether or not it's intentional:

"ETFs have grown to \$131.2 billion in assets under management by 2016, up from only \$3.9 billion in 2007 representing a growth rate of 3300% over ten years."

That information is remarkably hard to find, but [**this Harvard paper**](https://scholar.harvard.edu/files/kevin_pan/files/etfarbunderliqmismatch.pdf) mentioned it.

Oh wait, lol no it's not hard to find - **Statista** (not sure if reliable but looks legit) reported -

"the assets under management (AUM) of global ETFs increased from 417 billion U.S. dollars in 2005 to over **7.7 trillion U.S. dollars** in 2020. The regional distribution of the AUM of ETFs was heavily **skewed towards North America**, which accounted for around 5.6 trillion U.S. dollars of the global total."

Holy Liquidity Mother of Fed, that is a f*cking ton money. 5.6 TRILLION DOLLARS worth of North American stocks trading instead in ETFs. All that illiquidity, all that volatility... see what I mean?

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GameStop, The Machine, and The House of Cards

I took some Philosophy in college. Non-metaphorically, even. And if you've ever taken a Philosophy class, you've likely asked yourself why everyone in it thinks everything has to be an argument all the time.

Well, as I would for my apes, I'll stand up for my fellow philosophers by saying that sometimes - and *particularly* when you don't know what the hell you're talking about - the safest way to move forward is to:

First, break things down into **facts**, or get as close as possible.

(Descartes currently holds the record at one... though, naturally, it's disputed. Getting all the way to 0 earns you a clinical diagnosis, and trying to prove it earns you *at least* one more, and possibly a PhD)

Then, use **logic**, as best as you can, to propose *new facts* based on the old facts. They call these new facts 'conclusions', I think. Or 'heresy', maybe, depending.

The *goal* of an argument, formally, is to reach a valid conclusion. The *utility* of these conclusions is... something non-philosophers bother with.

Valid conclusions are reached by using facts and logic mathematically. If the facts are verifiable and the logic is sound, the conclusion is valid.

So why is everyone always arguing? Philosophers, a significant portion of college kids, and, ironically, HFT algorithms, *think* in the structure of argument.

Alright lets try one -

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Facts

Quotes [directly from the SEC](<https://www.sec.gov/investor/pubs/regsho.htm>) :

"Short selling is used for many purposes, including to profit from an expected downward price movement, **to provide liquidity in response to unanticipated buyer demand** or to hedge the risk of a long position in the same security or a related security."

and how *should* this done?

"Typically, when you sell short, your **brokerage firm loans** you the stock. The stock you borrow comes

from either the firm's own inventory, the margin account of other brokerage firm clients, or another lender."

and if, say, there are no shares to borrow anymore, where else can shares be found?

"In a "naked" short sale, the seller **does not borrow or arrange to borrow** the securities in time to make delivery to the buyer within the standard three-day settlement period. **As a result, the seller fails to deliver** securities to the buyer when delivery is due (known as a "failure to deliver" or "fail")."

and, um, *why* is that legal?

(try not to read this in Ken G's voice from the first congressional GameStop hearing btw... If you don't remember how it sounded, it's eerily similar to Michael Scott - but really nasal like Steve has a terrible cold, and choppy like he's short circuiting from the cognitive dissonance.)

"There may be legitimate reasons for a failure to deliver. For example...delays can result from transferring securities in physical certificate^(obsolete) ... A fail may also result from "naked" short selling. For example, **market makers who sell short thinly traded, illiquid stock in response to customer demand may encounter difficulty in obtaining securities when the time for delivery arrives.**"

"Naked" short selling is **not necessarily a violation of the federal securities laws** or the Commission's rules. Indeed, in certain circumstances, "naked" short selling contributes to market liquidity. For example, **broker-dealers that make a market in a security generally stand ready to buy and sell the security on a regular and continuous basis at a publicly quoted price, even when there are no other buyers or sellers.** Thus, market makers must sell a security to a buyer even when there are temporary shortages of that security available in the market. **This may occur, for example, if there is a sudden surge in buying interest in that security, or if few investors are selling the security at that time. Because it may take a market maker considerable time to purchase or arrange to borrow the security, a market maker engaged in bona fide market making, particularly in a fast-moving market, may need to sell the security short without having arranged to borrow shares. This is especially true for market makers in thinly traded, illiquid stocks as there may be few shares available to purchase or borrow at a given time.** "

Speaking of the hearing, here's another fact: Ken stated in the Congressional Hearing that, "on Wednesday, January 27, we (Citadel) executed 7.4 **billion** shares on behalf of retail investors. To put this into perspective, on that day, Citadel Securities cleared more trades for retail investors than the entire average daily volume of the entire US equities market in 2019."

I shit you not, [at 24:35](<https://youtu.be/lxdp-wU3UZI>).

He also said, "During the frenzied period of retail trading, Citadel Securities was able to provide continuous **liquidity** every minute of every trading day. When others were unable... or willing to **meet the demand**, Citadel Securities was there. I could not be more proud of our team."

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Logic

If demand for a particular security *rapidly* increases, the AP, or some AP, must provide (as I've quoted a few times now) **liquidity** to meet that demand, even though the demand was for a *particular security*.

If supply is lacking in a *particular security*, APs have a responsibility to provide it. Throughout January 2021 and *particularly* on the 27th, there was **unprecedented volume** \-

whether this was shorts covering, regular retail trading, apes gobbling GME pacman style, some of which are among the thousands of high schoolers with pandemic stimulus money and almost nothing to spend it on except a free iPhone app that lets them buy cool stocks they saw online like a video game at zero commission -

all of that buying pressure - much of which was **heavily** skewed toward a few dozen securities, likely required **unprecedented liquidity** in those *particular securities*.

As beaten to death at this point, **ETF redemption** and **hedging** are ways of turning "liquidity" into **particular securities**.

To take full advantage of **both** of those, it helps to be an Authorized Participant **and** a Market Maker in the markets in question.

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Facts, again, but with some logic too

Directly from [**Citadel's Website**](<https://web.archive.org/web/20210428124834/https://www.citadelsecurities.com/products/equities-and-options/>) \-

"Citadel Securities is a leading market maker to the world's institutions and broker-dealer firms. Our automated equities platform trades approximately **26%** of U.S. equities volume....We execute approximately **47%** of all U.S.-listed retail volume, making us the industry's **top** wholesale market maker. Citadel Securities acts as a specialist or market maker in more than 3,000 U.S. listed-options names, **representing 99%** of traded volume, and ranks as a **top** liquidity provider on the major U.S. options exchanges."

Citadel is a Market Maker **and** an Authorized Participant - capable of capitalizing on liquidity provision **and** hedging responsibilities.

but.. how again, exactly? Like, cash to GME, what's in the middle?

Hedging is the easy part. Well easier to explain at least. 2 options:^(punintended) 1) directly sell short and hedge with some long options position. 2) sell calls / buy puts (as MMs, they can influence these prices and choose which trades to take), and then sell the shares you were forced to hedge with

I'm not **entirely** sure #2 is legal but #1 most definitely is.

Directly selling short is the way to go, though, because you don't increase the buy pressure, whereas hedging would force you to buy then resell.

I really should say: "Directly selling short is the way to go because you get to force the price down, whereas hedging would allow the movement to remain natural."

I've been reading too much of this shit...

Anyway, there's another way to sell without buying, directly forcing the price down: Get the shares from an ETF:

From [**BlackRock's iShares IWM prospectus**](<https://www.ishares.com/us/literature/prospectus/p-ishes-russell-2000-etf-3-31.pdf?stream=reg&product;=I-R2000&shareClass;=US+Class&documentId;=925868%7E926239%7E926348%7E925613%7E925577&iFrameUrlOverride;=%2Fus%2Fliterature%2Fprospectus%2Fp-ishes-russell-2000-etf-3-31.pdf>) \-

"...the Fund sells and redeems its shares directly through transactions that are **in-kind and/or for cash**, subject to the conditions described below under Creations and Redemptions."

to the fine print we go

"A creation transaction, which is subject to acceptance by the Distributor of the Fund, generally takes place when an Authorized Participant deposits into the Fund **a designated portfolio of securities, assets or other positions** (a "creation basket"), **and an amount of cash** (including any cash representing the value of substituted securities, assets or other positions), if any, **which together approximate the holdings of the Fund** in exchange for a specified number of Creation Units."

So if I'm reading that right, \[any pile of securities, short sales, derivatives, or cash\] = \[ETF shares\]...

And, of course, it works backward as well:

"Similarly, shares can be redeemed only in Creation Units, generally for a designated portfolio of securities, assets or other positions (a "redemption basket") held by the Fund and an amount of cash (including any portion of such securities for which cash may be substituted)."

So **actually** \-

****\[any pile of securities, short sales, derivatives, or cash\] = \[ETF shares\] = \[Underlying Shares\]****

Oh, and to reiterate from the first post:

"To the extent the Fund engages in in-kind transactions, the Fund intends to ****comply with the U.S. federal securities laws**** in accepting securities for deposit and satisfying redemptions with redemption securities by, among other means, ****assuring that any securities accepted for deposit and any securities used to satisfy redemption requests will be sold in transactions that would be exempt from registration under the Securities Act of 1933****, as amended (the "1933 Act"). Further, an Authorized Participant that is not a "qualified institutional buyer," as such term is defined in Rule 144A under the 1933 Act, will not be able to receive restricted securities eligible for resale under Rule 144A."

So they don't have to report these shares - that's bad enough. But what's that part at the end? Does that imply the AP's who **are** institutional buyers **can** receive "restricted securities eligible for resale"? How much borrowing do they have to account for **in the prospectus?**

((The very **existence** of this mechanism depicts the chasm between Wall Street and the public. They would say it improves liquidity and decreases volatility. I would say it's potentially manipulative, potentially **deflationary** to underlying securities, and I'd argue that [****it's actually major culprit in liquidity issues****](https://scholar.harvard.edu/files/kevin_pan/files/etfarbunderliqmismatch.pdf). Which isn't so surprising since it's the very mechanism siphoning liquidity away in the first place.))

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GameStop, for real this time

So after **all that** \- this next part, uh... this might be a little awkward, but.. back to those ***7.4 billion shares*** Citadel executed for **retail investors alone** on ***a single freaking day.*** Do you remember the prices increases of some **particular securities** that were sold?? Can you ***imagine*** filling all of those buy orders?

Probably not, and I don't know if Ken did, either. Remember, this ***is*** the system, or roughly half of it. This is where your trades go, and how the system is **designed** to react.

The **other** half would be the other APs. JP, GS, you know the crew. The ones that all ***reported ownership of GME's ETFs in the last few months***.

Why is that relevant? Well, as GME buying pressure goes up, APs need ETF to redeem. So the buying pressure in ETFs goes up but **uh oh** \- who's selling the ETF? Some of them are pretty illiquid to begin with, ***so which AP bites the bullet, and shorts the ETF?**

That'd be the one that didn't report buying them. Because they can't. Citadel Securities LLC.

I'm probably just seeing things, but those 13F filings, to me, say **Wasn't me!** To me, they may as well be fingers pointing at Ken.

Now, I have absolutely no idea **why** Ken bit the bullet in January. It could be that the technology netting

him half of retail's trades, possibly their risk profiles, and the capability of that technology to generate the liquidity provided to *literally* keep the system from collapsing - it is possible that their technology may have been uniquely capable of handling the demand.

It is also possible that all of the APs and Market Makers share pieces of the GME debt-*gâteau*.

I **believe** based on, well, the above and the work of u/atobitt, Wes Christian and the like, that the true answer is some combination of those two and the following -

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Guesses, as educated as I can make them

It is likely that GameStop has been aggressively sold short for many years - particularly since 2014. And as the ETF market grew from \$100 billion to \$5.6 **T**rillion in assets, I'd argue that ETF creation/redemption, intentionally or not, facilitated this process.

Remember the ETF gobble/profit cycle I mentioned earlier? Maybe, and this is just a guess, this is some part of the "distribution" BlackRock is referring to in IWM's prospectus -

"Because new shares may be created and issued on an ongoing basis, at any point during the life of the Fund a "distribution," as such term is used in the 1933 Act, may be occurring."

Well, that gobble/profit cycle would *love* for Hedge Funds and other firms to short sell GME, right? Price goes down, you get to make more ETF. It feeds directly into the cycle.

So, in my worthless opinion, I think there's a significant possibility that many firms were short GME for many years, then ETFs came along, allowing APs to get in on the action, then HFT came along and combined a targeted short attack with a arguably dodgy, yet profitable trading tool and "accidentally" created a **massive ocean of rolling FTDs**, ...

Yes that sounds crazy. But I'm not pulling that out of thin air. I remember even MarketWatch said GME had over 60 million shares short on January 15, and I went through like 10 ways to skirt reporting. Look at the ETF growth: \$4 billion in 2007 to \$7.7 trillion last year. That's over 192,000%.

Honestly, and I mean this *can't* be right... but from everything I read, naked short selling is the clear, primary route of instant liquidity. That's terrifying because these are just computers programmed within certain parameters, but I think that's *why* naked short selling is the go-to: these things don't locate, it's far simpler and far faster to just sell now and use the three day (or 6 day, or 35 day, or *perpetual*) settlement cycle to look for a cheaper long synthetic position to hedge with.

And when the delivery day comes, they do it again, and again, and again, because their coded to look for profits, to *make money*, and I don't know if there's a parameter than accounts for **all the shares sold, trading, and collateralized on the books with derivatives** that build up over time as excess supply.

I could go on and on.. how spikes in GME FTD volume are perfectly in between those of its ETFs. How the spikes in options OI also line up perfectly. Or how creation baskets can even be "custom" and just theoretically be 50,000 GME's. It doesn't matter, the bottom line is -

actually, I'll let BlackRock tell you,

"Broker-dealers and other persons are cautioned that some activities on their part may, depending on the circumstances, result in their being deemed participants in a distribution in a manner that could render them statutory **underwriters** subject to the prospectus delivery and liability provisions of the 1933 Act."

luv u Ryan ♥■

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If you're learning all of this for the first time, *shit*, honestly I can't imagine it. Like I said in the first post, it's taken me months to put all of this together - and I've felt crazier by the week. Maybe I'm missing something huge here, but 5.6 **T**rillion dollars is a lot of dollars, so this ETF thing seems kind of important. And really, I think I just needed to get it out of my brain and into words.

and make no mistake, there were **1 billion GME shares** traded in the January run up. Idk if the original shorts were able to actually cover *anything*, but even if they *did* \- those buy orders were filled with short sales all the way up, just like the system was coded to do.

Almost \$500 billion in GME was sold in January. Of all the *concentrated*, *particular stocks* in January's madness - GME sold the highest dollar amount by \$496 billion. Second was AMC, at \$4b. AMC has since surpassed its January peak by over 350%. Just saying.

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3 little things before I go...

First, this overall explanation of the market does a great job of explaining similar price movements we see in multiple stocks. In the face of HFT algos naked short selling possibly *billions* of shares in a single day, we see multiple prices move along the FTD cycles.

Second, it also connects the treasury markets - because as u/atobitt explained, the 10-20 year treasury bonds are the preferred collateral of the Repo Market, the largest and most liquid market on the planet (I think). One could buy (or otherwise obtain) treasury ETF shares, redeem them for bonds, and go to the Repo Market. *voila* cash to do everything I just described.

Oh and, second-and-a-half, Michael Burry shorted a 20 year treasury ETF for like 500mil I think. TTT. You should check it out.

Last thing - Idk if this is common across ETFs, but IWM rebalances ever February, May, August, and November. If you look at GME toward the ends of months, price and volume tend to increase. Which is weird, since GME has been in increasing in price since last November.

While increasing, you'd expect the ETF to be redeemed for shares (ownership decreases), and if the price in February greater than in November, (it was, and this may have been what they were shooting for.. *sooo close*, kinda, not really), then the ETF should have to **sell** GME shares to maintain its proportions.

So why is GME's price going up while its ETFs are selling shares?

Dr. Burry, again, comes to mind. Remember when he sold in October, and it took his brokers weeks to find his shares? If an ETF needs to sell shares to maintain its portfolio, but it's lent all its shares, it needs to recall enough shares to meet the sale, and every borrow and re-borrow and re-borrow needs bought and rebought and rebought.

That both explains the run-ups and confirms the shit outta my bias. And don't forget that ETF ownership *increased* since November, so any ETF un-siphoned to meet demand in January and re-siphoned by February. And then some.

So, all put together, it almost looks like the shorts tried to cover, failed, almost broke the system by doing it at the same time as everybody else, and now the system that was coded to prevent the MOASS, and was successful, is trying to release all that pressure at factions of the volume that created it.

There the shares.

Naked shorts and derivative collateral and cash covered ETF swaps, maybe married puts too and when it comes time to cover, do it again, because it's cheaper that way.

And if you need cash to do all of this 10 times over to prevent a system collapse, formally known around

here as the MOASS, you derive collateral for the treasury ETFs too and make the whole problem worse when now that the sell pressure is gone.

That, maybe, is the House of Cards.

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If you heard me out and still think it's too crazy, I don't blame you. Thank you for humoring my brain dump. And I hope I didn't offend my French apes, really ldk why I ran with that theme.

HODL ■■