

Title: Unmasked?

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Linked Post Content:

All Content/Credit to OP: u/Jericoacoeira

EDIT: Links below should be all set now. Let me know if any other issues and I'll make further updates.

Sup PsYcHoLoGiCaLIY dIsTuRbEd investors. Need a break from [gam](https://economics.mit.edu/files/17441)\-[i](https://www.csse.uwa.edu.au/cig08/Proceedings/papers/8011.pdf)\-[fy](https://www.williamblairfunds.com/resources/docs/Content/multi-alternative/Game-Theory-and-Macro-Investing-Playbook.pdf)\-[ing](https://www.bloomberg.com/news/videos/2016-09-14/applying-game-theory-in-investing) the markets? Ever wondered which of the big banks are on the short end (pun intended) of GME? Rest your FDs, weary [GaMbLeRs](https://www.forbes.com/sites/antoinagara/2021/04/06/how-trader-jeff-yass-parlayed-poker-and-horse-racing-bets-into-a-12-billion-fortune/?sh=664cf73eb5), and wonder no more.

(FYI: OP references the big 3-letter January no-no sub below at "SUBREDDIT"...the sub that was pre-mass-migration to r/GME)

Before we begin, yes this is a new acc. [SUBREDDIT] retard that deleted my acc post Jan sneeze and mod takeover. Been lurking since. IDGAFF if you believe that. It's not my fuckin job to persuade you. Your job as an individual investor is to read, learn, second guess, and verify the things you read over the internet, on your own. You're an actual idiot if you trust me to make your own financial decisions. I'm retarded. I mistake green crayons for joints.

Now let's get to it:

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The History Lesson: The Dodd-Frank Act and the Volcker Rule

In the wake of '08, Congress passed the Dodd-Frank act intending to reform and protect the financial services industry (lol). No need to go into all of it, all we need to know about for this DD is [The Volcker Rule](https://www.investopedia.com/terms/v/volcker-rule.asp). To briefly summarize, the Volcker Rule prohibits investment banks from trading against proprietary positions. This is intended to reduce the amount of risk/exposure that investment banks can carry on their books (again, lol). In terms you apes can understand, it basically means no more Greg Lippmanns (Jared Vennet/Ryan Gosling in The Big Short) running CDS trading desks within CDO departments. The Volcker Rule, however, "allows banks to continue market-making, [underwriting](https://www.investopedia.com/terms/u/underwriting.asp), hedging, trading government securities, engaging in insurance company activities, offering [hedge funds](https://www.investopedia.com/terms/h/hedgefund.asp) and private equity funds, and acting as agents, brokers, or [custodians](https://www.investopedia.com/terms/c/custodian.asp)." In other words, the Volcker Rule allows banks to continue to operate as prime [brokerages](https://www.investopedia.com/terms/p/primebrokerage.asp).

Notice something here? This Rule applies to INVESTMENT BANKS. There is nothing within the Dodd-Frank Act about Hedge Funds trading against proprietary positions. Remember when [Kenny G wanted to become an investment bank, then 'gave up'](https://dealbook.nytimes.com/2011/08/11/citadel-chief-gives-up-dream-for-investment-bank/)? Yea.. This is why. Why become an investment bank when you can run a hedge fund with a MM arm and operate the EXACT same way the big investment banks did pre the GFC?

You found a nice lil loophole there Kenny.

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****The Rise in Hedge Funds w/ MM arms****

The Dodd-Frank Act and the Volcker Rule didn't eliminate extremely risky, highly-leveraged trading against proprietary positions, it simply hampered the ability for Investment Banks to do so. And Wall Street responded exactly like you'd expect. Eleven years later, now Hedge Funds are the market-participants that trade against proprietary positions, with the big investment banks as their underwriters.

The business model for these types of Hedge Funds looks like this:

1. [Open or Buy-out](<https://www.globalcapital.com/article/b1173g3p3r6xwz/hedge-funds-eye-entry-into-market-making-business>) a market-maker/broker-dealer.
2. Set up an industry arrangement w/ a prime-broker at one of the big banks for transaction settlement, clearing, lending services etc.
3. [Pay](<https://crsreports.congress.gov/product/pdf/IF/IF11800/2>) retail brokers for order flow.
4. Establish long/short positions with your HF arm, while
5. Trading/writing derivatives based off your proprietary positions, and
6. Frontrunning retail trades using HFT and the order flow you've paid retail brokers for.
7. (Bonus points for [buying-out or taking a majority-stake](<https://projects.iq.harvard.edu/futureofmedia/index-us-mainstream-media-ownership>) in a media outlet for your Pump n Dump and Short n Distort campaigns)

This is how the HFs MaNuFaCtUrE money. They setup a long/short position in a company with their Hedge Fund arm, pay Robinhood et. al. for retail orders, then write/trade options or other derivatives against retail and their own proprietary positions, all while HFT and front running those retail orders. And the big banks? They take their cut off the top of all this by securities lending and trade settlement through their prime brokerages. The financial cartel keeps humming, and everyone profits (except retail). The business model was foolproof.

That is, it was foolproof until GME

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****The Primary GME Shorts:****

Now by this point in the saga it's safe to assume most of you apes know that married-puts can be used by SHFs to hide their overall short positions by masking the FTDs. Using this, we can get an accurate list of HF Broker-Dealers who are short on GME. Here is the list we'll be looking at to find underwriters:

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- * Simplex Trading LLC
- * Susquehanna International Group
- * Jane Street Group LLC
- * Citadel Advisors LLC
- * Wolverine Trading, LLC

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****Finding the SHFs' Prime Brokers****

Every broker-dealer, whether they be a HF or an investment bank, is required to have a brokercheck report filed with FINRA. I.E. [this](<https://brokercheck.finra.org/firm/summary/153585#licensesSection>). Glossing through these reports you can find a list of "industry arrangements." These are nestled in between the reports' title pages and the running tally of market violation high scores these broker-dealers compete for. These industry arrangements include, among other things, the prime brokerages that the SHF's use for securities clearing and transaction settlement. So what do we find there for these SHFs?

[Simplex Trading LLC](https://files.brokercheck.finra.org/firm/firm_153585.pdf)

[Simplex Trading Industry Arrangements](https://preview.redd.it/bc6eh7hplye71.png?width=1081&format=png&auto=webp&s=2faa350a73192788b7ecab9a89319b41f0693b56)

[Susquehanna](https://files.brokercheck.finra.org/firm/firm_35865.pdf)

[Susquehanna Industry Arrangements](https://preview.redd.it/n3s52q4jlye71.png?width=1090&format=png&auto=webp&s=76cdedb5664be518793ed5ffcd4bca5cb7a4771)

[Jane Street Capital](https://files.brokercheck.finra.org/firm/firm_103782.pdf)

[Jane Street Industry Arrangements](https://preview.redd.it/xznmormdlye71.png?width=1085&format=png&auto=webp&s=9c9fd6ac27f309be5c5b4a2c0e0de72d07f20332)

[Citadel Securities](https://files.brokercheck.finra.org/firm/firm_116797.pdf)

[Citadel Securities Industry Arrangements](https://preview.redd.it/h2vsfp8mlye71.png?width=1089&format=png&auto=webp&s=1d6be75337f71597556fb7b8ed11b417c85ccffc)

[Wolverine Trading LLC](https://files.brokercheck.finra.org/firm/firm_36848.pdf)

[Wolverine Trading Industry Arrangements](https://preview.redd.it/k18ysffxqye71.png?width=1086&format=png&auto=webp&s=5adb6a69947a36bf268f02a057e44e27af8a9dee)

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Ooh fuckin boy. Looks like J.P Morgan, Goldman Sachs, and Bank of America (through both BofA Securities and their subsidiary Merrill Lynch) are the big boy prime brokers for all of these short GME HF's.

Now that we have the connections between GME SHFs and the big banks, time to queue up Mark Baum...

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****So... How Exposed are the Banks?****

For this, my sweet summer retards, we need only to go to another publicly available form to find that good good. Enter, the X-17A-5.

The X-17A-5 is a statement of financial condition. At the end of each calendar year every single broker-dealer has to submit this form to the SEC

[X-17A-5](https://www.investopedia.com/terms/s/sec-form-x-17a-5.asp), regardless of whether they are the fuck-you-money prime-brokerage arm of an investment bank like J.P. Morgan or an unsophisticated, [bucket-shop operation](https://www.investopedia.com/terms/b/bucketshop.asp) based out of Chicago like Citadel Securities. Within these forms, among a list of assets and liabilities, are the conditions, credit risks, guarantees and obligations that each brokerage abides by.

Speaking of J.P Morgan...

[Here](https://www.sec.gov/Archives/edgar/data/782124/000078212421000003/jpmpublic2020.pdf) is their X-17A-5 for 2020. It's actually a pretty interesting readthrough (for being a financial document), but I know most of you smooth brained apes don't like to read so we're gonna skip right on ahead to what we need.

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[JP Morgan Securities 2020 X-17A-5 pg. 18 - Customer Credit Risks](https://preview.redd.it/f1bb6de2mye71.png?width=865&format=png&auto=webp&s=cc1f04b8c020853945429986c698faf4f964152c)

Ho-Lee-Fuck. They actually explicitly mention the risks of counterparty short-selling. Give that bish a second look.

Now let's break it down w/ some real world examples for the smoothest-brained apes in the back.

*****In connection with certain customer activities*** (like say, Citadel Securities' & Jane Street's Market-Making), * ***the company*** (JP Morgan Securities) * ***executes and settles customer transactions involving the short sale of securities*** ("short sales"). When a customer (like Citadel or Jane Street) sells a security short, the Company (JP Morgan) may be required to borrow securities to settle a customer short sale transaction and, as such, * ***these transactions may expose the Company to a potential loss if customers are unable to fulfill their contractual obligations and customers' collateral balances are insufficient to fully cover their losses*** (I.E. if Citadel or Jane Street default on a 100 million share short position, and don't have enough UST bonds posted as collateral to cover the L, it's on us). In the event customers fail** to satisfy their obligations (I.E. defaulting on 100 million share short position), the* ***Company (JP Morgan) may be required to purchase financial instruments at prevailing market prices (read: MOASS floor price) to fulfill the customers' obligations.*****

Damn you feel that Jamie? That little tingling constriction at the base of your throat? That's what humans call an emotion. Specifically fear. You might be on the hook to cover an infinite loss, very very soon.

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Let's keep going. What does BofA Sex Purities have to say about their counterparties' credit risks. [2020 X-17A-5](https://www.sec.gov/Archives/edgar/data/1675365/000167536521000005/bofas2020public_g.pdf)

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[BofA Securities X-17A-5 Pg. 13 - Counterparty Credit Risk](<https://preview.redd.it/tsbulm9amye71.png?width=852&format=png&auto=webp&s=47a3f0841f10bb0fbb0cef8c22442ea09e71b08d>)

No specific mention of short-selling, but we still got everything we need. Let's break it down.

****In the normal course of business, the Company*** (BofA Securities), ***executes, settles, and finances various customer securities transactions*** (like Susquehanna's, Citadel's, and Wolverines Market-Making). Execution of ***these transactions includes the purchase and sale of securities by the Company*** (BofA Securities). ***These activities may expose the Company to default risk arising from the potential that customers or counterparties fail to satisfy their obligations*** (like if Susquehanna, Citadel, or Wolverine failed-to-deliver 100 million shares of GME). ***In these situations, the Company*** (BofA Securities) ***may be required to purchase or sell financial instruments at unfavorable market prices*** (read: MOASS floor price) ***to satisfy obligations*** (deliver shares) to other customers (DuMb MoNeY retail investors) or counterparties."

GOTT damnn Brian. You're fucked. Like actually fucked. Or is it Bryan? I always forget.

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Y'all getting the hang of this yet? Let's go through Goldman Sachs'. [Here is there 2020 X-17A-5](<https://www.sec.gov/Archives/edgar/data/42352/000004235221000004/gscopub1.pdf>)

Psych. You really thought I was gonna spoon-feed you this DD? Go read it. It's your homework assignment.

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Whew.. Now that we're getting the hang it, I think its a good time for a comedic break. Ready?

[Here](https://www.sec.gov/Archives/edgar/data/318336/000031833621000005/cssu-sofc_2020c.pdf) is

Credit Suisse's 2020 X-17, which includes a 3 paragraph summary of credit concentration risk on pg 46 ... and... [here](https://www.credit-suisse.com/media/assets/corporate/docs/about-us/investor-relations/financial-disclosures/results/csg-special-committee-bod-report-archegos.pdf) is their most recent 172 pg press release following up on those 3 paragraphs.

It's always the fine print that gets ya, right CS?

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Jesus fucking sweet Mary's lasagna did us DuMb MoNeY retards pick a fight...Citadel, Susquehanna, Jane Street, JP Morgan, Goldman, Bank of America... really gives some perspective to this tweet duzenit?

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<https://preview.redd.it/ccxbpx52nye71.png?width=1125&format=png&auto=webp&s=a34a6fd3a17a5db548df27aabcd3374443ebd9af>

And you know what's crazy? These are only the short GME HFs with broker-dealer arms. This DD doesn't (and, really, can't [thank you SEC 13F filing loopholes]) even begin to dig into the probable dozens of family-offices and HFs that don't have broker-dealer arms who are short GME through their prime brokers, and are using [bespoke financing arrangements](https://www.kramerlevin.com/images/content/3/8/v2/38340/HFLR-Three-Asset-Based-Financing-Options-for-Private-Funds-Tota.pdf) to hide their positions. I'm looking at you Archegos and Point72. You didn't think I was going to forget to mention the human toe-thumb Stevie Cohen in this DD.

But you know what is the craziest fucking thing in this whole fucking thing fuck?

We. Are. Winning.

That despite the Monstars finance lineup on the opposite side of the GME trade, retail is winning. All by buying and hodling a stock you've come to like through your own individual research.

But the game ain't done yet.

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****How have the big banks responded to this?****

Well fuck me I don't know. I've never worked at a bank. But I am a white man, and jumping into a job I have no qualifications for is part of my culture. And I do also love a good thought-experiment. They're a great way to escape the pain of existence. (To the shills 'worried' about my health - that was a joke)

So if I ran a prime brokerage firm, what would I do if I found out that some of my clients took a high-risk bet with infinite downside, and now they're very likely going to default, footing me the bill?

Well, what I would do in that situation, in no particular order, would be:

* [Stop covering the security](https://markets.businessinsider.com/news/stocks/gamestop-bed-bath-beyond-stock-coverage-suspend-bankofamerica-meme-stocks-2021-6). I wouldn't want any of my other clients establishing any positions on it. Hell I wouldn't want anyone to even talk about it. I'd use my fuck-you-money legal team to [threaten with lawsuits](https://www.reddit.com/r/Superstonk/comments/otkhnu/infringes_the_copyrights_haha_boa_is_a_little/) as needed.

* I'd 'work together' (collude) with those SHFs to try to get the situation under control. I'd be REAL lenient with their collateral and margin accounts, [and maybe, possibly, consider margin calling them, but not really](https://www.risk.net/investing/7853221/jp-morgan-warns-hedge-funds-to-expect-intraday-margin-calls). And I'd do whatever I could to suppress the price of said security. If the security is illiquid, I'd probably use my powers as an AP to [short the living hell out of ETFs containing said security](https://youtu.be/eVcorkjJlKM) alongside those SHFs.

* I'd also launch a scorched-earth smear campaign against my opponents, using my media connections and the outlets I own/have stakes in. I'd call them disturbed, insane, rabid, predatory. Say they're dumb money, suckers. They're gam-i-fy-ing the market. Compare them to [*OP references that one recent massive conspiracy theory movement*] and the Capitol Rioters. I'd play the blame game, saying anything to smear them and to keep new investors from jumping into the opposite side of the trade.

But again, that's just what I would do if I was in that situation. This is a hypothetical. I would do all those things, and then hope and pray. That somehow I can make enough people sell and dissuade enough people so that I can cover my losses and live another day.

At this point however, everyone, even the smoothest of brains, knows how this trade is going to end.

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****But what's next?****

The SHFs and big bank prime brokers will continue to fight the same fight they have been for the past 6 months. They'll squirm and flail and struggle as they continue to try to juggle the ever increasing death spiral of net capital requirements, FTDs, ETF FTDs, margin requirements, collateral requirements, and stock borrowing fees, while using every dirty trick in their playbook to hide the true SI%, all in the hope they can escape this financial black hole of their own creation. But time's ticking, and entropy is forever increasing.

And you; you smoothbrains, you retards, you wrinkles in time, you beautiful apes, will continue to buy and hodl and wait like you've been doing the past 7 months. We've already passed the event horizon. The MOASS will happen now, regardless of how much they struggle. The only question left is how high will the price go.

[Looks like that's it. Got to go.](<https://youtu.be/AbiTODVXMro>)

All of this is publicly available information. None of this is financial advice. If that's what you're looking for go watch Mad Money. Double check this DD. Tell me I'm wrong. Prove it. I already told you once I am regarded.