

Title: Threshold Securities Facts (No Dates But It's Sooner Than You Think)

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Lots of posts out there saying tha-this and tha-that with regard to days. Let me clear it up for you by simplifying the language.

**\*\*Edit 1:\*\*** These are the rules as outlined by the SEC. Whether they adhere to them is another post in itself so take this one as the "in a perfect world" scenario.

**\*\*Edit 2:\*\*** There seems to be some confusion with regard to whether the first 5 days are included in the 13 total - they are. [As outlined by the SEC here](<https://www.sec.gov/divisions/marketreg/mrfaqregsho1204.htm>), it states:

\*On the other hand, a participant must close out a fail to deliver position in a threshold security that has persisted for 13 consecutive settlement days irrespective of the dates of the participant's trades in that security.\*

1. \*When does a security become a Fail To Deliver (FTD)?\*

[T+3](<https://www.sec.gov/reportspubs/investor-publications/investorpubstplus3htm.html>) (trade date plus three days)

2. \*What is a Threshold Security?\* \[An\] equity securit\[y\] that ha\[s\] an aggregate fail to deliver position for five consecutive settlement days at a registered clearing agency **\*\*\[AND\]\*\*** total\[s\] 10,000 shares or more **\*\*\[AND\]\*\*** equal to at least 0.5% of the issuer's total shares outstanding. **\*\*Each condition must be met to be considered a Threshold Security.\*\***

3. If upon market open on Day 6 the security still has yet to be delivered, it goes on the list (this 6th day can be seen as Day 1 of the remaining 8 days leading up to 13 days)

4. **\*\*8 days (+ the initial 5 days = the aggregate or 13 days) later,\*\*** if it is STILL on the list, upon the 14th day "...the requirement to close-out such position under Rule 203(b)(3) remains in effect."

5. **\*\*Aggregate definition:\*\*** (\*n)\* a sum, mass, or assemblage of particulars; a total or gross amount: \*the aggregate of all past experience.\*

6. \*What happens after 13 days?\* Rule 204 requires brokers and dealers that are participants of a registered clearing agency to take action to close out failure to deliver positions. Generally, a participant's fail to deliver positions will not remain for 13 consecutive settlement days, if, for whatever reason, a participant of a registered clearing agency has a fail to deliver position at a registered clearing agency in a threshold security for 13 consecutive settlement days, the requirement to close-out such position under Rule 203(b)(3) remains in effect.

7. \*What does Rule 203(b)(3) establish?\* The participant must close-out such fails to deliver by purchasing securities of like kind and quantity.

Two things to note: **\*\*T+35\*\*** was amended from Rule 203 (b)(3) in 2006 and fell off under 2007's rule as did the Grandfather Clause.

[(Settlement) Days]([https://www.sec.gov/investor/pubs/regsho.htm#\\_ftn10](https://www.sec.gov/investor/pubs/regsho.htm#_ftn10)) = Any business day on which deliveries of securities and payments of money may be made through the facilities of a registered clearing agency (in other words, days the market is open)

AMC went on the Threshold List June 25, meaning:

1. June 14 was the "trade day"

2. June 15-17 the days in the +3 requirement

3. June 18 Day 1 of the first instance of FTD

4. June 25 Day 6 of consecutive FTD and its inclusion on the Threshold List

I'm just a retarded ape, but based on this info and my understanding, if AMC is still on the list upon market open July 8 (Day 14), brokers-dealers are required to purchase some 32.5 million shares. (I'm basing this on the figures that have already been established: 2.5 million shares a day x 13).

Just my .02.

**\*\*Edit:\*\*** Great question. At minimum, 2.5m shares got us on the list but it could very well be that it's the same 2.5m shares lingering for 13 days. However, given hedgies are still trading, it's safe to assume they are at least adding to this figure daily though it might not be 2.5m AGGREGATED.

At the very minimum, 2.5m shares would be obligated to be closed by July 8 per the SEC rules

**\*\*Edit:\*\*** Added the definition for aggregate because people STILL don't get it.