

Title: Citadel Still Has No Clothes

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****EDIT:**** u/MrGold93 ******messed me and pointed out an error with the 2015 calculation. I reported \$1,236,536,000 worth of "securities sold, not yet purchased", but this is actually their "securities sold under agreements to repurchase" (AKA Repo liability). I calculated this as 15.7% of total liabilities, when it should have been \$6,464,142,000- 82% of total liabilities. I read through the statement too quickly and reported the wrong line, so thank you to ****** u/MrGold93 ******for the fact-check!******

<https://preview.redd.it/x78oq389kbl81.jpg?width=807&format=jpg&auto=webp&s=c1be4249e15c04d84d106d2b6fe45b795b8b6e76>

****TL:DR****

******Citadel Securities pumps up their short position during 2021 and Citadel Advisors is even more fuller of hot air than in 2020. They also had a FINRA orgy with 14 different exchanges over erroneous pricing practices between 2014 and 2020.****** \\\

It's FINALLY HERE..

At long last, Citadel Securities has published their financials for 2021 and I've done me a dabble or two. If you haven't read [Citadel Has No Clothes](https://www.reddit.com/r/GME/comments/m4c0p4/citadel_has_no_clothes/), please do so before reading on.

Before I go balls-deep into this b*tch, let me start off by updating our total [brokercheck.finra.org](<https://brokercheck.finra.org>) report on Citadel Securities. At the time of writing my first piece back in March 2021, we were at 58 total violations. As of writing, Citadel Securities has achieved another ****15 violations****, bringing Kenny's grand total to [73](https://files.brokercheck.finra.org/firm/firm_116797.pdf).

light applause

To be fair, 14 of these violations were for the same thing... they were just hit by 14 different exchanges at the same time... *Insert black guys & blonde girl meme*

****NASDAQ MRX, LLC****

****CBOE EDGX Exchange, INC****

****CBOE BZX Exchange, INC****

****CBOE BYX Exchange, INC****

****CBOE EDGA Exchange, INC****

****NAXDAQ ISE, LLC****

****NASDAQ Options Market, LLC****

****NASDAQ GEMX, LLC****

****NASDAQ Stock Market****

****NASDAQ PHLX, LLC****

****NASDAQ BX, INC****

****NYSE****

****NYSE ARCA, INC****

****NYSE National, INC****

Their other violation from 3/2021 was covered in my post ['Walkin Like A Duck'](https://www.reddit.com/r/Superstonk/comments/ml48ov/walkin_like_a_duck_talkin_like_a_duck/).. Check it out.

...Anyway..

If my maff is correct, that means Kenny G did himself a heckin' naughty and racked up another ****25.86%** of his TOTAL violations in just one year******.

little bigger applause.

Now let's remember, although these violations were published in December 2021, they were an accumulation of issues from prior years. In fact, the earliest date I found was August 15th, 2014 and the most recent was in May or June 2020.. ****So that's 1 issue, reported by 14 different exchanges, across 6 years, totaling... \$225,000**** *little fart noise*

Before I make anyone think the sky is falling- this is NOT a monumental fine.. This is just what has been reported by FINRA during 2021. I'll explain why I find it interesting in a sec but I need to preface these things because I know someone out there will say ****tHaTs NoT tHaT blg Of A dEaL, RoBiNhOoD hAd A blgG....****... I promise you, I know.

At any rate, here's the violation:

<https://preview.redd.it/byby06na0nk81.jpg?width=1037&format=;=pjpg&auto;=webp&s;=175108e496e71c13c34049f0c4c34ecb4669ec40>

Right off the bat, we have Citadel's signature violation ****"IT FAILED TO ESTABLISH AND MAINTAIN REASONABLE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES"***** ... BLAH BLAH BLAH.

Long story short, here's why I think this matters:

When an option order is placed, Citadel has a price control mechanism that would reject orders priced at a "certain percentage" away from the NBBO. This makes sense.. no big deal.. You shouldn't execute on trades that are too far outside of the best bid. However, if that order is cancelled and replaced, you should repeat this process... which clearly didn't happen.

When an order is placed, it is often broken into several "child orders". This allows trade blocks to execute and complete the order at the best price for the customer. If too many of those child orders are outside of the NBBO, the blocks should stop executing until either the order is cancelled or the NBBO is back at the appropriate price.. If this system doesn't work appropriately, it will complete the order outside of the NBBO.. Hopefully you can see where this would be a major disadvantage to the customer.

What's interesting here is the language ******"The firms erroneous order controls ... included a price control that would reject limit orders that were priced at a certain percentage away from the NBBO"...******

..then..


"However, when an option order was cancelled and replaced, the price control was NOT applied to the replaced option orders. "

So... all 14 of these exchanges would receive limit option orders from Citadel before the market opened. If Citadel replaced the original order *after* the orders were sent to those exchanges, ALL of those orders would execute without appropriately reviewing the new parameters set by the replacement order....

****That's NUTS!****

Even more alarming is the lack of documentation that their personnel were supposed to follow in these situations. I know things get hectic for traders and it's hard to keep track of everything. We're all human and sh*t happens, but SURELY someone at Citadel noticed this occurring before the hammer had to come down, externally. Every past violation seems to highlight Citadel's lack of "give a f*ck" when it comes to these things. It just leaves a sour taste in the mouth..

I'm sure everyone knows about the DOJ investigations going on right now. These issues can have a direct impact on their ability to manipulate prices. Intentional or not, if you're aware of these issues and fail to fix them, you're guilty. **PERIOD.**



****MEAT N' POTATOES, TIME****

Recall from [Citadel Has No Clothes](https://www.reddit.com/r/GME/comments/m4c0p4/citadel_has_no_clothes/) that **Citadel ADVISORS** had roughly \$385,000,000,000 (that's billion) in assets under management in 2020... That consisted of roughly **76.7% derivatives** and less than 25% of actual, physical assets....

I was shocked to learn that initially, but after following their filings through 2021, I realized it was basically their bread n' butter. According to the most recent report on [\[https://whalewisdom.com/\]\(https://Whalewisdom.com\)](https://whalewisdom.com/), their AUM as of 12/31/2021 had increased by over \$100,000,000,000 (again, billion).

But that "increase" doesn't really represent true value... In fact, ****it's the highest-risk profile**** I've ever seen. Here's the market value of their equities & derivatives on 12/31/2020:

<https://preview.redd.it/z0lfq8jr9nk81.jpg?width=1001&format=pjpg&auto=webp&s=d9f25be61927ea3ac081d45d604df0b052d27c98>

AAAAAANNNNNNNNNNNNNNDDDDDDDD here's the AUM for year-end 2021....

<https://preview.redd.it/fs2dkh55ank81.jpg?width=996&format=jpg&auto=webp&s=023327ebb2c63479f99dde8e17c0d88f3c7e4be5>

Market value of physical equities is up 7.88%.... and their derivative values are up almost **37%?!?!**

37%?!?!?!?! IN ONE YEAR?!?!?! **THEIR ENTIRE PORTFOLIO IS NOW 82.59% DERIVATIVES... **

I've waited an entire year for someone to show me one other firm that has this type of portfolio.... or WHY it would be a smart idea..

If you're not sure what this means, I'm saying more than 80% of their portfolio is a STRAIGHT- UP gamble. Over 9% of their portfolio is a bet on Tesla... (they're bullish FYI).

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WANNA KNOW SOMETHING ELSE THAT'S INTERESTING ABOUT THE NUMBER TWO? IT'S ALMOST THE SAME NUMBER OF PHYSICAL SHARES THAT CITADEL ***ACTUALLY*** OWNS..

Citadel Securities upped their short position to \$65 billion this year. It's the highest since.....

which was the highest since.....

which was the highest since.... here, just take a look at this:

Basically, Citadel Securities' holds over 87% of their liabilities as short obligations. This is split between options and equities, which is nothing new for them...

well that's not a fair statement because anything can grow quicker than their physical asset portfolio.

****DIAMOND.F*CKING.HANDS****

\#HODL