

Title: Crypto Dividend: Why if GME issues a Crypto Dividend your traditional broker will give you a synthetic anyway (as per Overstock) and there can only be MOASS by leaving the DTC>Broker-Dealer Market to expose the Naked Shorting Fraud > Loopring Decentralized Exchange?

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NFT Crypto Security/Token/Dividend

A deep dive into OSTK (Overstock) and their distribution of OSTKO (a crypto dividend) in 2020.

1. Introduction

It is believed that an Crypto Dividend would force shorts to close their positions. This is simply not true and did not work for OSTK. Please note that an NFT \neq Crypto Token, these are different ideas but share the same foundation of using blockchain.

Naked Shorting, the selling of securities one does not borrow (and can cause an artificial/synthetic inflation of supply which is technically limitless) is a problem perpetuated and enabled by the existing Market Structure and its primary participants. This structure is notably the DTC, Broker-Dealers, Market Makers, OCC (Option Houses), Exchanges and SROs like FINRA.

Technically all securities are already non-fungible. The physical issued certificates have unique identifying serial numbers and the Transfer Agents of any issuing Company keep a unique record of all Shareholders tied to each issuance.

This 1-1 ledger breaks down once it shifts to electronic record ship in the DTC's FAST system.

In the DTC's FAST System the behavior of netting, debiting and crediting, for the clearing and settlement of securities, plus the ability of bona fide market makers to synthetically introduce supply, mean there is simply no way that each security record can be matched to any serial number. This problem compounds when you have settlement cycles which may be days and weeks in which time securities continue trading with may have Failed To Delivery (FTD) meaning a selling party has yet to actually produce the property and transference of what they had sold. Despite this FTD the DTC perpetuates the synthetic firestorm by allowing these FTDs to be serviced through their Stock Lending Program, a program in which net long holders (like Brokers with net long credits of a stock) can earn a fee (\$) to satisfy another members FTD. This is a huge profit source for brokers and the DTC.

The DTC basically operates similar to a Bank operates with fractional reserve banking. The Bank may only have 10% (or less) of actual deposits in their bank, while they lend out 10X what they don't have. This works great until you have a bank run- enough customers that demand their money out, and the bank fails. The only real equivalent to this in the modern market structure is registering your shares with the issuing Transfer Agent (Gamestop) who maintain a 1-1 ledger of all issued stock and shareholders. They can not over register, they can not re-hypothecate, they can not create synthetics.

Disclaimer: the DSR program is part of the DTC. There is a common mis-conception your registration with Computershare removes the electronic record from the DTC, it does not. Instead your share entitlement moves from being registered in your brokers/street name at the DTC to the Computershare account at the DTC. The difference between the two is still significant as 1, Computershare does not participate in the DTC Share Lending Program and 2, Computershare must maintain clear and accurate 1-1 registration, a duty of care that brokers do not have to you, nor does the DTC itself owe it to you, as a shareholder.

Now, as with OSTK, once the Crypto Dividend leaves the hands of the Transfer Agent and claim goes to the DTC... **it is very likely beneficial shareholders will receive a synthetic representation of a Crypto Dividend, and not the actual real crypto dividend.**

****If you get your Crypto Dividend from Computer Share, then you are 100% sure you are getting the real Crypto Dividend.****

****If you are assuming to get your Crypto Dividend in a non-approved broker (more on this later), especially a broker that has no block-chain wallet technology, then you are VERY LIKELY getting a synthetic.****

2. History of Overstock's Crypto Dividend

In April 2020 Overstock Declared a Crypto Dividend to be trading under ****OSTKO****

[<https://www.irmagazine.com/technology-social-media/how-overstock-used-blockchain-distribute-its-digital-dividend>](<https://preview.redd.it/v1z16yr89ip71.png?width=610&format=png&auto=webp&s=e534213d140f429f4c90b584d99c00c88c798fb1>)

The new ****OSTKO**** Crypto Share had an annual cash dividend and was worth common stock equivalent value to OSTK (10 shares of OSTK = OSTKO).

<https://preview.redd.it/q1152ntf9ip71.png?width=607&format=png&auto=webp&s=f0bb2acfdcd55b9a93f862be95a992e11b66091a>

The Transfer Agent, Computer Share, maintains an 'enhanced' ledger which keeps track of every security issuance and the shareholder/owner. 40M OSTKO securities = 40M owners.

3. Distribution of Crypto Dividend through Computershare

[<https://www.cashtechnews.com/2020/05/22/overstock-distributes-over-4-million-security-tokens-to-shareholders>](<https://preview.redd.it/j03q3xqg9ip71.png?width=858&format=png&auto=webp&s=77991720b6513b7105851f8e8ef1cc8168d4fb74>)

4. Brokers begin accepting 'cash equivalents' for Crypto Dividend

[<https://www.securities.io/overstock-to-end-stock-lockup-early-ostko>](<https://preview.redd.it/2oqswdgi9ip71.png?width=764&format=png&auto=webp&s=517640e13f3e52cb635302a7211120b0850fe783>)

5. Overstock CLEARLY INSTRUCTS how their Crypto Dividend may trade (must be on tZero exchange -a blockchain exchange)

<https://preview.redd.it/lyxdnukk9ip71.png?width=627&format=png&auto=webp&s=920ca2c7ea308452bdde8c0e8d572dc6fa2b1a19>

Overstock issued their Crypto Security (OSTKO) with CLEAR instructions that it may only be traded on a blockchain enabled exchange, specifically tZero, and that Brokers who want to use tZero to trade must be authorized participants. At the time of their issuance the only broker available was Dinosaur (they had integrated with tZero to perform block-chain based Crypto Trading, 1-1 ownership). Note no traditional broker is approved or authorized, they have no means of ensuring your trade is 1-1. ****These are the ONLY two available means of trading the Crypto Security.****

["An investor can trade the Series A-1 Shares on the tZERO ATS in two ways. An investor can open a brokerage account with a broker-dealer that subscribes to the tZERO ATS and executes trades in the Series A-1 Shares (a "Subscriber"). A Subscriber is a broker-dealer approved to trade securities on the tZERO ATS and executes trades in the Series A-1 Shares. Alternatively, an investor can open an account with a broker-dealer that maintains an account with a Subscriber. "](<https://www.overstock.com/dividend>)

6. You can see the trading of the Crypto Security (OSTKO) here on tZero (Note how volume is TINY) especially for a 4M issuance

[<https://www.tzero.com/Vasset/OSTKO>](<https://preview.redd.it/gciu4jyn9ip71.png?width=1136&format;=png&auto;=webp&s;=0b11d8dca16468ecc1154e0f2f915016054ee0cb>)

Interestingly the volume on tZero is incredibly low for ~4M odd token issuance! I wonder where everyone is doing their 'trading'.

7. Turns out 98% of the 'trading' is OTC between Broker-Dealers in Dark Pools (clearly breaking Overstocks instruction)

[<https://finance.yahoo.com/quote/OSTKO/history?period1=1592870400&period2;=1625011200&interval;=1d&filter;=history&frequency;=1d&includeAdjustedClose;=true>](<https://preview.redd.it/t0spszou9ip71.png?width=906&format;=png&auto;=webp&s;=d65d9a7fe9f17a3ae85457e09898430a70fec9d2>)

As it turns out Broker-Dealers, who had net claim to DTC records of the OSTKO 'Crypto Security', created their own synthetic representation and began trading it OTC (Dark Pools) with each other.

Here's how it works: Computershare will cite on their enhanced ledger that the DTC Cede and Co are the beneficiaries of, say, 3M Crypto Dividends.

The Brokers will then go and distribute 6M synthetic tokens to long holders (assuming there are MORE long holders than officially recorded or allowed).

Those 6M customers are happy because they think they got their Crypto Dividend and they can sell it. But how are they selling a Crypto Dividend on a non-blockchain system- well because it is not really a Crypto Dividend at all, it's just an IOU.

So customers, brokers and shorts are able to BUY/SELL these IOUs OTC (over the counter/Dark Pools) to satisfy any delivery they may need to make.

In **June 24th, 2020** the OTC Dark Pool Synthetic trading was **30 TIMES GREATER** than on tZero (The only place real trading can happen, including price discovery). **76,000 trades OTC vs 2713 on tZero.**

This synthetic dark pool activity is really bad for real entitled owners of the Crypto Dividend because the synthetics dilute their supply AND shorts are able to buy synthetics to satisfy their deliveries IF they want to close (but they are NOT compelled to do so because the synthetics are readily available, they do **not** even need to go to tZero).

You will also notice how the price of the tZero OSTKO and the OTC OSTKO are not the same. There is a huge opportunity here for some level of arbitrage but most importantly it demonstrates how real price discovery is not happening in the OTC market.

8. Option Houses figure out they don't have to deliver the Crypto Dividend if they can deliver a cash equivalent (letting them off the hook!)

<https://preview.redd.it/iboc0k9w9ip71.png?width=602&format;=png&auto;=webp&s;=00094a524fe80d58ca8ab5a2b4d0b250237c52e4>

Another huge implication of the Crypto Dividend was the impact on Options trading. Technically an Option Holder had a right to exercise and receive the OSTKO crypto dividend.

The option houses solved the problem of having to deliver the actual OSTKO Crypto Dividend by determining a CASH EQUIVILIENT and simply providing that to option holders. No need for them to go to the actual blockchain exchange at all!

The ability to offer a CASH EQUIVILIENT meant that option sellers were not obligated to actually go and find the real OSTKO shares and deliver them. Had they needed to, or been forced to, you can imagine the huge demand for OSTKO Crypto Securities in the event there was naked shorting.

<https://preview.redd.it/gbnt5aqx9ip71.png?width=1161&format;=png&auto;=webp&s;=8545acc7a787217fb929dd57accbd08f42b4e163>

You will notice here that they did add a disclaimer that you may exercise your options to receive the actual OSTKO shares, however their distribution to you is of the synthetic OTC traded kind. There exists no mechanism for these brokers to distribute the actual OSTKO Crypto Security to you- **you would need a crypto wallet for that, or a crypto-enabled broker/exchange.**

9. Retail Trades, and others, may trade OSTKO OTC (here I am on Interactive Brokers) where I can ALSO short sell it. Note this is NOT on blockchain, obviously.

[Curiously it IS possible to SHORT the OSTKO Crypto Security on Interactive Brokers through the OTC Dark Pool and they have some availability \ (though not much) \.](<https://preview.redd.it/niojrmuy9ip71.png?width=1174&format;=png&auto;=webp&s;=2d0ba01363e5aa945cdf052748b4f4a6e2e9e02>)

10, Overstock was furious their Crypto Dividend was being traded illegally, but nothing happened.

[Broker-Dealers going against the instructions of the issuing company](<https://preview.redd.it/si75yea7aip71.png?width=631&format;=png&auto;=webp&s;=95d50ee852df2246605aaaa093cff8a2c6719d9c>)

[<https://www.cashtechnews.com/2020/05/22/overstock-distributes-over-4-million-security-tokens-to-shareholders/>](<https://preview.redd.it/75n6yhe9aip71.png?width=853&format;=png&auto;=webp&s;=b0d212d1d43da516c54c533b9fabbad4ed11e230>)

[<http://investors.overstock.com/news-releases/news-release-details/overstock-reminds-investors-broker-dealers-trading-requirements/>](<https://preview.redd.it/toijazaaip71.png?width=777&format;=png&auto;=webp&s;=17412ceaf8daa9b3051af30deb9b7ee808f2cffe>)

11, tZero only had one official broker (Dinosaur) and later announces two new ones.

[<https://www.businesswire.com/news/home/20200528005480/en/tZERO-Announces-Two-New-Broker-Dealers-Are-Live-Trading>](<https://preview.redd.it/bq8qu42daip71.png?width=1018&format=png&auto=webp&s=26637877aa0929ba4e43c882d330a79191488623>)

****Notice how there is no Fidelity, Schwab, JP Morgan Chase, Interactive Brokers... None of these Brokers are permitted or enabled to trade block-chain based Crypto Dividends. If you trade with them you are trading synthetics where you can not tell the difference between a real security and IOU.****

12. Overstock share price did NOT go to the moon.

<https://preview.redd.it/y02jkifeaip71.png?width=1574&format=png&auto=webp&s=55b8407cd88bd6e167161782115522a3183bfd1>

It's true Overstock has appreciated in value however they also had significantly improved their business model and general sentiment for their eCommerce business had improved over the last 2 years. Overstock is also a beneficial owner of a variety of innovative companies including tZero (the crypto exchange). Their stock went up 20% on the announcement of tZero being [approved by Finra so suffice to say they have a lot of other reasons why the stock should be appreciating.](<https://www.investopedia.com/overstock-soars-after-finra-approves-tzero-5077427>)

You will notice that ****the distribution of the OSTKO Crypto Security did not immediately do anything and it took a month or more before the stock truly started appreciating.**** Still their stock did trade \$5 in March 2020 to a high of \$120 in August. There are many stocks that have done 20x returns without issuing a crypto dividend, so it's not to say that this gain is so legendary that the crypto dividend must have compelled some great covering.

12. Short Interest was actually LOW before the crypto announcement and WENT UP later (no squeeze)

In fact look at the historical short shares and short interest BEFORE they announced any Crypto dividend. Most of the short interest was long gone by the time the announcement came and the appreciation in stock price actually came after the short interest was the lowest it had been in years.

(In red I highlight the short interest dates when they announced and paid the crypto dividend)

<https://preview.redd.it/5z806vkfaip71.png?width=294&format=png&auto=webp&s=746bee29a6ef500dda90b3e931f9cf20d6a9fe9a>

[The RED HIGHLIGHT is when OSTK announced their Crypto Dividend intentions and distribution. You will see how there was NO violent short squeeze or short interest culling. In fact their short interest WENT UP in the following periods. Crypto dividend did not fix their problems of naked shorting because of synthetics.](<https://preview.redd.it/xkmq5kcgaip71.png?width=303&format=png&auto=webp&s=2942e8a725b3029a68c6e110ad7f83f1d1239b4c>)

So, it's really not clear that their price appreciation was because of any short squeeze. It seems to just be good old fashioned buying interest and some speculation or anticipation of a price increase (which can be self-fulfilling).

In any case the announcement and distribution of a crypto dividend did NOT in any significant way cause

shorts to violently exit and short interest actually went up!

13. The DTC enables synthetics and as long as you are in their world you own and buy synthetics.

The problem with Synthetics, as we have learned with GME, is that they can extraordinarily dilute the price by drowning the market in an apparent abundance of supply. They did the same thing with the OSTKO crypto synthetic equivalent and there was no rush to cover, close or go to the real exchange tZero.

Even though the DTC may have had on record a net positive amount of real Crypto Dividends they are able to use that real reserve and trade synthetics between all the Market Participants with no apparent limitation.

The only way this problem would stop would be if all beneficial owners of OSTKO went and registered their Crypto Dividend with the Transfer Agent and then it would be clear the trading OTC OSTKO is fraudulent, but the company had already declared these trades illegal and brokers/participants/customers are trading it anyway.

[A quick chart showing the world of 1-1 security ownership in green and the world of synthetics in orange. If you own anything in the orange world it is likely a synthetic until such a time as you bring claim to the transfer agent.](<https://preview.redd.it/wpts160paip71.png?width=3368&format=png&auto=webp&s=627860ec43929c228c079d716db032d6cbd7aadb>)

14. Conclusion and implications for GME

1. I have demonstrated how Overstock created a Crypto Dividend (OSTKO) and instructed Computershare (their Transfer Agent) to distribute it.
2. Computershare kept an enhanced ledger (basically a blockchain record book) of a 1-1 shareholder record. If GME were to release a Crypto Dividend it would be the exact same way where the Transfer Agent would be responsible for the distribution.
3. If you are a shareholder on record for Computershare you would be able to transfer your ownership to a block-chain enabled broker, someone that Gamestop would permit, on an exchange Gamestop would decide, and on that exchange you would be able to buy/sell knowing it is block-chain enabled.
4. If you are a beneficial shareholder of a brokers net claim in the DTC then Computershare would title those Crypto Dividends to the broker (through DTC Cede & Co). The broker is then suppose to deliver that to you, however these brokers have no mechanism or means of distributing anything with a block-chain crypto wallet, so they will (as they did with OSTKO) credit you a synthetic IOU.
5. It will likely still be possible to contact your broker, upon receiving this distribution, and have it DSR'd to Computershare to ensure you have real claim to the real crypto dividend.
6. Gamestop, as per Overstock, would likely dictate clear terms for how their Crypto Dividend should trade. They would cite the only permissible broker and/or block-chain enabled exchange. This is speculated to be Loopring.
7. As per Overstock the brokers did not follow their instructions and to date no litigation has resulted in any kind of court ordered injunction- the synthetics are still trading OTC.
8. If shorts are not compelled to go into the block-chain enabled LIT market to satisfy a delivery to a long holder and may instead deliver a synthetic created by Market Participants then this could significantly impact the price/demand of GME and or the Crypto Dividend itself since FTDs are tolerated/can kicking.
9. **If short sellers, notably Naked Short Sellers, were compelled to go into the Gamestop directed blockchain exchange to purchase a limited amount of these securities and if there were more Naked Shorts than issued Crypto Dividends then theoretically the price could rise to infinity.**
10. **If short sellers, notably Naked Short Sellers, are offered an alternative to satisfy their short OR not compelled at all to close their short, by ability and availability of synthetics, then all real shareholders will suffer great price erosion to the GME holdings and Crypto Dividend.**
11. As per Overstock's declaration regarding distribution of their Crypto Dividend to shareholders at the

DTC the Brokers delivered only IOUs.

12. Remember that a new exchange, such as with Overstock's case of tZero, is a huge competitive threat to the DTC, broker-dealers and market makers. They DO NOT want to enable or support this issuance in any way and will risk legal action (as per Overstock) to block any attempts to move trading activity out of their ecosystem.

13. On August 20th 2020 the synthetic traded at a high of \$99.99 USD while the real token on tZero only reached \$91.35. Why would a synthetic be worth more than the official token? Because demand was higher for the synthetic since that was what was being used to satisfy positions in the brokerages. Holders of the actual real crypto security were receiving a lesser price trading on the real, and only permitted, blockchain exchange. So, shorts were able to satisfy their shorts without ever coming to tZero and it was all done with synthetics OTC.

14. Ironically if all OSTKO holders direct register on Computershare they would significantly increase the value of their real OSTKO tokens trading on tZero as this would force real demand to come to the tZero exchange and synthetics would not be permissible with blockchain trading, however it is highly unlikely that all shareholders would ever register the entirety of their holdings. (Or is it...)

15. Speculation

1. Gamestop has some significant ties with Loopring who have been cited to be creating a decentralized financial network.

2. This new financial network is a huge threat to the DTC and all incumbents, including traditional brokerages.

3. Gamestop, through Computershare, must still credit the DTC and it's brokers ownership of some issued Crypto Dividend and their ability to create downstream synthetics will ultimately hurt the value of the Crypto Dividend if there is any value to be derived from Naked Shorting being forced to obtain a Crypto Dividend in a LIT Blockchain enabled exchange/market.

4. If Gamestop issues a Crypto Dividend then the only way to 100% ensure you receive the actual Crypto Dividend is by being registered at Computershare and transferring your assets to the approved block-chain enabled broker.

5. **It should still be possible to make claim, through DSR, to a real Crypto Dividend, assuming your broker has a net positive balance with the DTC**, however if retail owns synthetics multiple times the total issued outstanding shares then for many it will be impossible to claim your real Crypto Dividend.

6. In this case market mechanics should still prevail and the price of the Crypto Dividend, and GME, should rise.

7. However as long as trading continues in a synthetic environment then there is extreme likelihood of manipulation and conspiracy to control the price and or satisfy FTD's with synthetics.

16. A few parting thoughts:

1. Brokerages will credit long holders some Crypto Dividend IOU. These will be synthetics.

2. These synthetics would still be able to be converted/claimed into real Crypto Dividends for the first holders who register, however if there are more synthetics issued than should exist (as they must if there is Naked Shorting) then it's really a GME stock holder problem all over again (the same problem we have today, just with a new IOU token).

3. The existence and trading of these synthetics, illegally, through OTC Dark Pool means may mean there is no great price appreciation/MOASS since shorts can satisfy requirements with synthetics, which are plentiful.

4. The more shareholders who DSR means there are less and less shares/entitlements/Crypto Dividends to DTC Broker-dealer accounts and more in the DTC Computershare account (which can not be borrowed from).

5. In my opinion I had really hoped the issuance of a Crypto Dividend would force Naked Shorts to close, but I just don't think that is possible without long holders registering on Computershare. Overstock literally issued a Crypto Dividend already, this is not speculation, and the brokers just made it a non-problem.

6. Do what you want. Keep your shares in your traditional brokerage. You will still receive your entitlements and/or cash equivalents. This DD is not to panic anyone.

7. However... a Crypto Dividend did not solve Naked Shorting for Overstock and it will not for GME.
8. The only way, in my opinion, is DSR, register the entire float, draw the tide in and look at all the synthetics swimming naked. At this point maybe Gamestop has ample proof to withdraw from the DTC entirely, issue a new type of NFT Crypto Security to its ~75M shareholders which may only trade on a new Loopring exchange and we have exited the most fraudulent financial system ever conceived.

<https://preview.redd.it/4xfh29kuaip71.png?width=586&format=png&auto=webp&s=5ed927fe4b850f8d50455f4d07080af438ee2baa>

[credit to 3for100specials](<https://preview.redd.it/0mao373vaip71.png?width=526&format=png&auto=webp&s=3ebc41d3874e0aaf14a702717f9c946d1ecbc5f0>)

****TLDR:****

Overstock issued a Crypto Dividend in 2020 through Computershare.

They instructed the Crypto Dividend could only trade on tZero, a Block-chain enabled exchange.

Computershare, as they were instructed, gave credit to so many Crypto Dividends to the DTC...

Brokers then created a synthetic representation of the Crypto Dividend, OSTKO, which traded illegally OTC (Dark Pools) between brokers/customers. It is not possible to trade a crypto dividend OTC, you are trading synthetics.

Overstock complained, but nothing changed, 98% of the trading volume on the Crypto Dividend is still OTC Dark Pools.

There was no great short squeeze, no great covering, short interest was actually quite low before the Crypto Dividend announcement and went UP in later months.

The only answer is clear... Register your shares, wait for RC to pull out from the DTC and move trading to a new block-chain enabled exchange. Loopring here we come...