Title: Chair 37 and a Series of Unfortunate Events
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TLDR:

Greensill seems to have been providing Unsecured, Syndicated Term Loans to companies and allowing entities such as Archegos to invest in them via Bullet Loan-only Credit Default Swaps ([Bullet LCDS](https://www.lexology.com/library/detail.aspx?g=4ba2f5cc-0b27-4bd5-bb09-ed6222a3521f)). This type of swap cannot be “canceled” (you’re stuck with it), they have a long “tenor” (future-dated expiry) and are “statically margined” rather than “dynamically margined” which allows investors to assume huge amounts of risk with minimal collateral.

These swaps:
1. Are traded on exchanges in Hong Kong due to U.S. laws that prevent them from being traded domestically
2. Have a future expiry making them appealing to those interested in avoiding taxation.
3. Were not cross-margined with other Prime Brokers in the US because Credit Suisse USA (CSSU) is not a registered OTC derivatives broker (providing Archegos access to leverage from multiple banks)

A Series of Unfortunate Events:

1. Credit Suisse “Spygate” scandal results in the fatality of a subcontracted Zurich-based private investigator. [Reuters - October 1st, 2019](https://www.reuters.com/article/uk-credit-suisse-gp-khan-death/investigator-at-centre-of-credit-suisse-spying-case-committed-suicide-lawyer-idUKKBN1WG3IZ)
2. The scandal necessitated the ouster of a former Credit Suisse CEO whose departure took place on the same day as a fatal Vail chairlift-related incident involving the bank’s Global Head of Prime Services Risk (PSR). [Aspen Times - Feb. 13th, 2020](https://www.aspentimes.com/news/new-jersey-man-dies-in-vails-blue-sky-basin-area/)
3. While not initially reported, the Credit Suisse Global Head of PSR was, at the time of the incident, accompanied by a New Jersey law firm partner. The law firm of this partner has many former Credit Suisse colleagues on staff. They have also represented the inventor of the Collateralized Loan Obligation in court. [Denver Post - April 8th, 2020](https://www.denverpost.com/2020/04/08/ski-lift-operator-man-suffocated-report-says/)
4. Credit Suisse then selected a former internal salesperson as their new Global Head of Prime Services Risk. This person had historically sold swaps on behalf of Archegos and after their promotion, during the spring of 2020, Archegos’ Potential Exposure (PE) limit began routinely breaching it’s $20mil limit. By August 2020 their PE was $530mil, 26.5x the $20mil limit, for example. This is outlined in great detail on Pages 10 - 14 [here](https://www.credit-suisse.com/media/assets/corporate/docs/about-us/investor-relations/financial-disclosures/results/csg-special-committee-bod-report-archegos.pdf)
5. Later on during the fall of 2020 a 50 million-euro [unsecured term loan](https://investors.europcar-group.com/static-files/12e4c472-aa0d-48d0-bf60-7b4b696e2da7) underwritten by Credit Suisse, tied to derivatives contracts, made news when it was purchased by investors who planned on restructuring it [Bloomberg - October 29th, 2020](https://www.bloomberg.com/news/articles/2020-10-29/quirk-in-europcar-credit-insurance-offers-lucrative-trade)
6. Approximately one month later it was announced the restructuring of the company was completed with 2 billion-euros wiped off its balance sheet and 90-97% of the company was then owned. [Reuters - November 26th, 2020](https://www.reuters.com/article/uk-europcar-restructuring-idUKKBN2861US)
7. On December 2nd, 2020 those who purchased rights to the term loan ceased interest payments on it. This resulted in a [Credit Event](https://www.investopedia.com/terms/credit-event.asp), a procedure meant for auctioning off the assets of a company in the event of bankruptcy during which Credit Default Swap payouts are triggered [CDS Determinations Committee - December 2nd, 2020](https://www.cdsdeterminationscommittees.org/cds/europcar-mobility-group-s-a/)
8. The defaulting on the loan and subsequent restructuring of it paved the way for a short squeeze in early

January, 2021 that left debt investors, who had invested in the 50 million-euro loan, holding the bag. Those expecting to make money off the bankruptcy did not. [CDS Determinations Committee - January 11th, 2021](https://www.cdsdeterminationscommittees.org/documents/2021/01/emea-dc-issue-2020120201-europcar-mobility-group-s-a-final-list-11-january-2021.pdf/)
9. The CDS Determinations Committee then determined the failed auction to be a confirmed [Credit Event](https://www.investopedia.com/terms/credit-event.asp). This necessitated a few subsequent auctions with one notably occurring on January 19th, right before the Melvin Capital investment made by Citadel and Point72. [Wall Street Journal - January 25th, 2021](https://www.wsj.com/articles/citadel-point72-to-invest-2-75-billion-into-melvin-capital-management-11611604340)
10. In early March it was announced that a $10bil insurance policy tied to Greensill was frozen. This meant the once-syndicated loans that people were able to invest in were no longer “syndicated” further devaluing the Collateral Loan Obligations ([CLO](https://www.investopedia.com/terms/c/clo.asp)) organized by Greensill as indicated by the Archegos margin call soon after.
11. Archegos was investing in these Syndicated Loans via Bullet LCDS. Invented circa 2010, this instrument is similar to a Collateralized Debt Obligation ([CDO](https://www.investopedia.com/terms/c/cdo.asp) - the well-known culprit of the 08/09 financial crisis) with the exception that they are specifically tied to Syndicated Loans instead of other extraneous corporate debt.
12. The $500mil redeemed by Citadel in August was representative of payments associated with transfer taxes outlined in standard [MSLA](https://www.apexclearing.com/wp-content/uploads/2021/03/Apex-FPSL-MSLA-2021.pdf) contracts and might not have anything to do with the underlying financial instruments on loan given “Bullet LCDS contract will remain outstanding until the scheduled maturity date even if the reference entity has no secured deliverable loans outstanding” [Lexology - June 24th, 2010](https://www.lexology.com/library/detail.aspx?g=4ba2f5cc-0b27-4bd5-bb09-ed6222a3521f).

I could go on but I have to start my actual job now, because I’m a Retail Investor and not a financial advisor or financial professional.

Point is - Retail Investors are only a symptom of an Institutional Investor problem here. Institutional Investors were taking advantage of legal loopholes while assuming otherwise inaccessible leverage at the expense of the global economy during a time civilization needed it the most. It’s a truly stunning failure.

I’m not sure when the final expiry for Bullet Loan-only Credit Default Swaps associated with GameStop is but significant evidence exists suggesting that day has not yet passed. When it does things could become interesting.