

Title: Solid Info on FINRA's ADF

Author: Hopai79

Created 2021-07-18 22:12:50 UTC

Permalink: /r/ratioatblessons/comments/on0oiz/solid\_info\_on\_finras\_adf/

Url: /r/Superstonk/comments/omwpyp/the\_secondary\_quotation\_book\_finras\_alternative/

Linked Post Content:

Hello again apes!

So a few weeks ago, I got really autistic and dove super deep into the ADF facility, as I had noticed on CBOE Market Share graphs that it accounted for over 40% of `\**DAILY MARKET SHARE`.

Upon further investigation and digging through its' history, dating back to the early 2000s, its' clear that this facility was nothing but controversial from the beginning.

Let's dive in:

The ADF facility, what is it?

Well, before we get there, let me introduce you to my exact train of thought that lead me down this rabbit hole:

1. Market Share Chart on CBOE (Consolidated - MARKET WIDE, meaning contains ALL DARK POOLS, AND ALL LIT EXCHANGE DATA)

[[https://www.cboe.com/us/equities/market\\_statistics/venue/market/all\\_market/](https://www.cboe.com/us/equities/market_statistics/venue/market/all_market/)](<https://preview.redd.it/ahohz4c1j0c71.png?width=1432&format=png&auto=webp&s=190a21c980e55f0eca03d53d4b84b4957f99495b>)

It's pretty cool. You can pick and compare market share PER EXCHANGE, and the results are astonishing, and really highlight the `*market share crisis*` going on in today's markets:

<https://preview.redd.it/vasrrewaj0c71.png?width=1038&format=png&auto=webp&s=0a3a71936b1a6371254e64def265b671babca795>

After you highlight all venues, lit and unlit exchanges, this is the graph. LOOK AT THE GAP. Guess which ones are the darkpools? That's right, the Purple, or the `***ADF FACILITY***` and the yellow, or the `***TRF CARTERET***` facility.

This graph dates back to early 2015, and the chart is basically the same the entire way through, with only the dark pools gaining market share, while the lit exchanges lose what little market share they started with.

Now before we go any further, wtf is market share?

<https://preview.redd.it/o4kymc82k0c71.png?width=571&format=png&auto=webp&s=18a75e5dc633d93ba0c197bfa6a9773f7a0efbd3>

Basically, market share is the total amount of paired shares that each trading venue reports at the end of

each day's reporting period. If you've been following any of the new filings lately, you'd know without looking at the aforementioned graph that there is a **MARKET SHARE** both in options, and in stocks in the market. How do I know?

Dark pools are becoming increasingly popular because it helps institutions hide their intentions, as well as save big on transaction fees. That's why we've seen a plethora of filings surface out of MOST LIT EXCHANGES in regards to **FEE CHANGES**, which pertains to market share / liquidity.

For example:

<https://preview.redd.it/che3jtapk0c71.png?width=1573&format=png&auto=webp&s=9fd208b590aed6a0ac9b332d26fe2d389c807460>

<https://preview.redd.it/8z8vnwgs0c71.png?width=524&format=png&auto=webp&s=d611fc7d56a5c263e89a0b37dce7cc661b35c0de>

"No options exchange has more than 16% of the market share." This is common language in most filings related to **fee changes** due to the large gap in market share.

Here's the percentage breakdown of market share for 07/16/2021:

<https://preview.redd.it/3w618n6zk0c71.png?width=1184&format=png&auto=webp&s=550c0a4c580884da8550c9fec1688afeab1931ae>

Now, it's clear, and has been for a VERY LONG TIME, that the two dark pools, the TRF Carteret, and the FINRA ADF, have been DOMINATING market share for quite some time. The only LIT exchange that comes close is the NASDAQ.

This is what lead me to the ADF Facility rabbit hole. Here we go!

**BRIEF BACKGROUND**

<https://preview.redd.it/zfcbb9s0c71.png?width=560&format=png&auto=webp&s=8ee5a2ef83df73765bea31e47ec7e925aa31bbd3>

**ADF FACILITY**

The Alternate Display Facility was initially proposed by NASD, or the National Association of Securities Dealers on an ACCELERATED BASIS, and as a Pilot Program.

<https://preview.redd.it/5augxnmim0c71.png?width=569&format=png&auto=webp&s=e67ad28cede539ad7977c9e9fdc66d41f1b592fd>

This gave "quoting **AND TRADING**" permissions to certain "ADF Market Makers".\\*

[\"THE PROPOSED RULE CHANGE, HOWEVER, WOULD ESTABLISH A DIFFERENT BID ON WHICH TO BASE THE APPLICABILITY OF THE SHORT SALE RULE\"](<https://preview.redd.it/yohjitylm0c71.png>)

?width=623&format;=png&auto;=webp&s;=90559d4f254bce47bf98cd1cb59faf4fa8ff02af)

WTF? OOK!

Moving on..

So basically, this Pilot Period was, of course, EXTENDED, and then the NASD, a subsidiary of NASDAQ, filed for the ADF Facility on a PERMANENT BASIS, contingent on the NASD separating from the NASDAQ and becoming its' own entity.

[https://www.govinfo.gov/content/pkg/FR-2007-02-02/html/FR-2007-02-02\_1688.htm](https://preview.redd.it/wm2z uk9cn0c71.png?width=514&format;=png&auto;=webp&s;=4ca4a25b4d2413303e5192df112e5be53b39a4 60)

Around this same time in 2007 was when **NASD** merged with the regulation, enforcement, and arbitration arm of the New York Stock **Exchange** to form the Financial Industry Regulatory Authority (**FINRA**).

Soon thereafter, FINRA re-interpreted the ADF's rules, making them way more loose, and then has given basically no information about it whatsoever.

FINRA CLAIMS NO TRADES OCCUR ON THE ADF FACILITY, AND ACCOUNTS FOR NO VOLUME.

Explain this, then:

https://preview.redd.it/b66vs30tn0c71.png?width=1026&format;=png&auto;=webp&s;=c1aa03af3c5dfd678 be839ba2663aebdf5e3da92

LOL WUT DOING?

After looking into some of the rules, I found this shit:

[https://www.finra.org/filing-reporting/alternative-display-facility-adf](https://preview.redd.it/4tsk9ws0o0c 71.png?width=622&format;=png&auto;=webp&s;=992d6265b9f13571c97d2b84769708f6f4dd04ec)

LOL, don't worry FINRA. I believe you. I didn't click...

https://preview.redd.it/d91g81j3o0c71.png?width=353&format;=png&auto;=webp&s;=acbfd70c6a42e73f52 5e73d31f494df85094abff

Okay, so I clicked. WEIRD. WHICH ONE IS IT?

So JANE STREET and JP MORGAN are the only two ACTIVE participants? GUH! (Trade Reporting Only)

Let's look at some of their trade reporting requirements:

<https://preview.redd.it/4fhmymxno0c71.png?width=660&format;=png&auto;=webp&s;=81360ad9549c99ef40a27dc7cd862f6141c45b1e>

Okay, sure. Better yet, let's see what's NOT REPORTED:

<https://preview.redd.it/46sb8gqto0c71.png?width=647&format;=png&auto;=webp&s;=ea455b21ce5368b55083c399150157d1e8717d9a>

FUCKING ETFS? ARE YOU SERIOUS? "TRANSACTIONS THAT ARE PART OF A DISTRIBUTION?"

GUHH!!

Remember these?

[IWM ETF..](<https://preview.redd.it/kxpcv9q8p0c71.png?width=443&format;=png&auto;=webp&s;=de59f91e03d7215b6bd9d2feda40bb0d1ffe8a95>)

Yeah, 70 billion assets.

GME's ETF.. IJR.. same scenario. GOT EM!

<https://preview.redd.it/q11yd31np0c71.png?width=1843&format;=png&auto;=webp&s;=751fb449a6ed082a191546deb1c1d9ad5f7efbaa>

Bloomberg disagrees with FINRA. This is a market wide survey that agrees with the CBOE graph above.

FINRA, WUT HIDING?

[Damn, nice drop.. ADF](<https://preview.redd.it/k2oluv8rp0c71.png?width=281&format;=png&auto;=webp&s;=2e68b39b808cc38cbfc4aedc31f6c81170db1eed>)

<https://preview.redd.it/udft2dqvp0c71.png?width=1862&format;=png&auto;=webp&s;=d734d3b64cff0350f293f6637368be7104d6f19c>

Damn ! ADF accounted for MOST OF GME'S VOLUME on 07/01, and likely every day thereafter!

I even reached out to a "Sec Enforcement Lawyer" about this, and he claimed everything that I just presented to be "a glitch."

Soooo...

TL;DR

The ADF Facility is an off-exchange venue that takes up nearly 45% of the market share on a daily basis. The only two active participants are JP Morgan and Jane Street. FINRA claims no trades are done, and it's "quote display only" but Bloomberg data, CBOE data, and FINRA's own rules disagree. FINRA owns the ADF, as well as the other monstrosity, the TRF Carteret, as well as has special interests with the NASDAQ. ALL THREE TAKE OVER THE ENTIRE MARKET. Filings have come out from many exchanges who speak of this exact crisis.. no competition for order flow in the market.

HODL!! THIS IS THE WAY!

I'm just an individual investor, and I like the stock.