

Title: BROKER WARS: Part 3 — Shareholder Activism as a solution for accountability, short-term changes, and long-term impact!

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My mama always used to say you should leave the toilet cleaner than when you found it. This reminds me of my retail broker. If your broker also feels dirty and you want to leave it cleaner than you found it, then this post is for you!

[BROKER WARS: Part 1](https://www.reddit.com/r/DDintoGME/comments/r500fc/broker_wars_part_1_how_will_they_handle_the/) showed how top brokers have been maneuvering to reduce their risk since the GME sneeze in January and place the burden on their own customers by updating their contracts.

[BROKER WARS: Part

2](https://www.reddit.com/r/DDintoGME/comments/r6lvvj/broker_wars_part_2_when_are_your_shares/) focused on the coverage/insurance provided for shares in brokerage accounts, and what you can realistically get out of it in case there's a problem caused by GME (hint: not much).

There's more to write about the tactics that brokers use (e.g. order filtering and price control), but Part 3 instead shifts gears and looks at possible solutions. If laws were broken and retail investors are being defrauded, how can those responsible be held accountable? If people want to invest in other stocks safely in the future, what can be done to remedy the situation?

TL;DR: Shareholders are obvious allies of customers. When both interests overlap, it creates a very powerful force! Shareholder activism is a proven way to hold companies accountable, to encourage short-term improvement in policies, and have long-term impact on the markets.

1. THE PROBLEM

It's not very profitable to be a compliant broker that just processes client orders in a straightforward way. It's much more profitable to have a secret ingredient! How far can the expectations of customers be pushed off course without them realising it?

* **Fidelity** — Lending out too many GME shares by mistake, officially tells their customers they don't do that for cash accounts.

* **eToro** — Does not let customers transfer their GME shares out, also hasn't provided proof those shares are actually owned.

* **DeGiro** — Strict 20% price cap for all limit orders, tells customers is supposedly to maintain "orderly markets".

Unfortunately for brokers, retail customers are now waking up to the realities of late capitalism — and are increasingly unhappy!

2. THE DIVERSION

Regulators are, directly or indirectly, complicit with the current state of the markets. They either (a) do not have the capabilities to regulate brokers, who outsmart them with combination of obfuscation and legal tactics, or (b) the regulators are well aware of the situation and decide not to do anything about it. Could also be a bit of both!

Ultimately, it doesn't matter **why** regulators aren't doing anything.

Regulators will be forced to take action as soon as there's an overwhelming case against retail brokers. Indeed, building an overwhelming case may be the **only** way to guarantee regulators will take action. Even if they have been complicit so far, they will frankly **have to act** when a strong case is presented in order to preserve their integrity.

3. THE SOLUTION

Obviously, rather than wait for regulators, people want change now. So what are possible solutions? How can an overwhelming case be built against retail brokers?

****The answer is through shareholder mechanisms.****

Shareholder activism works, even when it's the core business of large multi-national companies. For example, Apple changing its policy on the right to repair:

>***The shareholder fight that forced Apple's hand on repair rights***

<https://www.theverge.com/2021/11/17/22787336>

Policies that are anti-consumer are not only unpopular but also cause increasingly fast user migrations. Users migrating elsewhere is bad for business, and therefore bad for shareholders! Thus, it's in shareholder interests to support and promote pro-consumer policies. Shareholders are obvious allies for customers.

There are mechanisms in place for shareholders to make requests from companies, to suggest new policies, to obtain information, to schedule discussions through yearly shareholder meetings. There are also regulations in place to protect shareholder rights, compared to consumers who can't even file class action lawsuits in many European countries (yet).

4. THE FALLOUT

To get the ball rolling, I made a post on the DEGIRO sub:

- * The post had 10x more votes than the average post in the past week.
- * The post received 3 awards in the first 24h, which never happens on that sub!
- * Lots of healthy discussions in direct messages followed...

And yet:

- * The sub is "unofficial", but it forced the mods into damage control.
- * The mods took the same actions you'd expect from paid community managers.
- * The post was locked by moderators by stretching the rule on organizing for "Market Manipulation"!
- * The post is now tagged as "Conspiracy Theory" ;-)

THEY. ARE. SCARED.

CONCLUSION

While regulators take their time, there are ways to hold brokers directly accountable.

#HoldThemAccountable

****Shareholder activism is a great way to do this!****

This post is ***NOT*** suggesting we all coordinate together. On the contrary, massively ***distributed*** action is what makes retail investors such a powerful force. Please consider doing this for your own broker with people you trust. Find a great lawyer, and push for the changes you want to see!