

Title: An Inpolite Conversation, Part I - DRS & MoASS Theory

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Linked Post Content:

Hi everyone, bob here.

So I thought it would be fun to write up a series of deep dives into several topics that seem to be taboo in the many ~~echo chambers~~ subreddits for various meme stocks. This is in an effort to open up some conversations, expand our perspectives, wrinkle up, and gain a deeper working knowledge on each topic I will cover.

# First on the chopping block is the Direct Registration System (DRS)

I am not going to link to any "DD" on what DRS is that has been previously posted on ~~the great DRS echo chamber~~ r/superstonk because I want this to be as objective as possible, so apologies in advance if I am covering anything that has been written before over there. Hopefully this time around, we can separate facts from opinions.

**\*\*Preface\*\***: I should also mention that I started writing this DD as I went with no expectations or intentionality for it. It is kind of a living document through the development until posting. I learned some things I did not know about DRS, and formed some new opinions on \$GME, and what drives the stock along the way.

**\*\*DRSclaiMER\*\***: I set out on this adventure into the deep dark abyss that is discussing DRS objectively because I noticed some trends that were kind of alarming. I'll point these out as we go through this DD, and my intention is to simply foster a two-sided discussion as to the net effects (if any) of the DRS on \$GME to date, and speculate on the eventual implications of the DRS effort over at superstonk. Personally, I am neither for, nor against DRS (you do you bro). Content that follows will be educational, data driven, and sprinkled with my opinion. Fair warning to the hive mind: this may unjack some titties, or make you second guess things, so be warned to that fact if you cannot handle reading something that may not confirm your biases. I hope you jump in anyways, and learn something, and better, yet, comment and join the objective discussion I'm seeking to have.

<https://preview.redd.it/u4he5sqeg8u91.jpg?width=888&format=pjpg&auto=webp&s=edee7496db03994906fccbe4a82de21fa677d63>

It's silly to have to post a disclaimer, but yeah,... here's the meat of the post:

# So what is DRS?

\* [Computershare has this explanation]([https://www.computershare.com/ca/en/Documents/About\\_the\\_Direct\\_Registration\\_System.pdf](https://www.computershare.com/ca/en/Documents/About_the_Direct_Registration_System.pdf))

\* The Depository Trust & Clearing Corporation (DTC) [has this explanation](<https://www.dtcc.com/settlement-and-asset-services/securities-processing/direct-registration-system>)

\* What about pornhub elite members (the Securities and Exchange Commission - SEC)? [They say this about DRS](<https://www.sec.gov/reportspubs/investor-publications/investorpubsholdsechtm.html>)

\*Here's what bob says, because fuck those other guys, amiright?\*

DRS essentially is a book entry ([clarification in comments]([https://www.reddit.com/r/FWFBThinkTank/comments/y5uau5/comment/isn0bag/?utm\\_source=share&utm\\_medium=web2x&context=3](https://www.reddit.com/r/FWFBThinkTank/comments/y5uau5/comment/isn0bag/?utm_source=share&utm_medium=web2x&context=3))) that links your shares to your name, and it seems like a good idea if you have a long hold that you want directly tied to your name for various reasons. It has pros and cons.

**\* \*\*Pros\*\***

\* You are "registered" on the books of the company, and will receive communications directly from the company, including but not limited to:

\* Reports, dividends, proxies, notices

\* You don't have to worry about losing your physical stock certificates (lol) ■

\* [Potential Voting security]([https://www.reddit.com/r/FWFBThinkTank/comments/y5uau5/comment/ism5in/?utm\\_source=share&utm\\_medium=web2x&context=3](https://www.reddit.com/r/FWFBThinkTank/comments/y5uau5/comment/ism5in/?utm_source=share&utm_medium=web2x&context=3))? (i've not verified this as an actual pro, but was in the comments with proper sources, so adding here)

**\* \*\*Cons\*\***[Clarification on this in the comments]([https://www.reddit.com/r/FWFBThinkTank/comments/y5uau5/comment/isoom59/?utm\\_source=share&utm\\_medium=web2x&context=3](https://www.reddit.com/r/FWFBThinkTank/comments/y5uau5/comment/isoom59/?utm_source=share&utm_medium=web2x&context=3))

\* selling is more complicated (and limited) than securities held in street name at your broker.

\* Selling take more time

\* Higher fees

\* More limitations.

\* Some orders need to be submitted in writing and will not execute the same day.

\* direct registered shares are not protected by SIPC insurance

\* higher fees to buy or sell the stock and transfer fees associated with direct registration in the first place

# What is the possible impacts on the stock and company as a result of the "DRS Movement" at Superstonk?

I figured I should preface this with some transparency: I personally have not DRS'd one single share of my holdings of GME, mostly due to tax implications of doing so, as well as the costs associated with the process....

So why do I care about DRS enough to dig into this information and write the DD you are reading now?

**\*\*Because it has become a factor I must consider for my investment, due to\*\* \*\*\*the movement.\*\*\***

So, what are the possible impacts of a stock where the entire float is accounted for in DRS? Fuck that, we're talking about \$GME, so let's not split hairs. What are possible implications if the "DRS movement" is successful?

**\*\*\*Stock Liquidity\*\*\***

When a [stock is illiquid](<https://www.investopedia.com/terms/i/illiquid.asp>), it simply means there's not much trading on it, and the trading that \*does\* occur can have a larger impact on the price of the stock by volume than when the stock is very liquid. This can drive volatility in the price action and other interesting things such as cyclical movements that have been observed over the past couple years on \$GME.

As the giant purple donut gobbles up more and more shares, liquidity will continue to decrease, creating a more and more illiquid trading environment for \$GME. This has already been happening and can be observed in the intraday price action on the stock.

Also, there was somewhere a question that presumed the stock would be delisted if it became too illiquid. I think this not to be the case, as there are no NYSE requirements that would feasibly lead to GME getting delisted as a result of DRS.

\* The [initial listing requirements for the NYSE]([https://www.nyse.com/publicdocs/nyse/listing/NYSE\\_Initial\\_Listing\\_Standards\\_Summary.pdf](https://www.nyse.com/publicdocs/nyse/listing/NYSE_Initial_Listing_Standards_Summary.pdf)) should not be an issue for \$GME

\* The [NYSE standards for continued listing]([https://www.nyse.com/publicdocs/nyse/markets/nyse-american/MKT\\_Continued\\_Listing\\_Standards.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse-american/MKT_Continued_Listing_Standards.pdf)) should not be an issue either.

[\$GME will be fine](<https://preview.redd.it/g3j4q9ksg8u91.png?width=1280&format=png&auto=webp&s=8090b582df0948292ba315b4bd035600a62641eb>)

**\*\*\*Costs to \$GME\*\*\***

I've dug and dug and dug into this area and cannot find the fee schedule for GME that pertains to computershare and DRS. If anyone has this, please let me know and I'll add it to this writeup. That said, I would presume the fees associated with more shares and accounts at computershare would be negligible in light of the cash reserves that Gamestop has on hand today. I believe this to be a non-issue.

>From: u/Impressive-Peach-408One can only guess what GameStops fees are, but a good starting point would be [<https://www.sec.gov/Archives/edgar/data/1515671/000119312511173848/dex99k2.htm>](<https://www.sec.gov/Archives/edgar/data/1515671/000119312511173848/dex99k2.htm>) .

[Jury is out](<https://preview.redd.it/8shwsjgch8u91.png?width=1200&format=png&auto=webp&s=7689f3beb21da02f01d3accb5b412bbea34953a4>)

#### **\*\*Data Availability\*\***

When you DRS your shares, you are making your information available to the DTCC, Computershare, and Gamestop directly. This information can be used to gain insights such as:

- \* How many folks own GME in DRS format (account count)
- \* How many shares do they own (individually, in aggregate, and on average)
- \* How many shares are they adding over time (done by taking above data snapshots for comparison)

With this information available, one could use it to advise on the investment and even project outcomes based on buying pressures on the illiquid stock. This can also be used by both long and short positions. the fact that this information is widely available now has me curious how this data is being used to enhance the effectiveness of the short position on \$GME.

[I \ (Might be\ ) watching you](<https://preview.redd.it/hlvhgm6kh8u91.png?width=2002&format=png&auto=webp&s=b3036c4a58bbd6b2a0e4e4b9b59bb5c3dcec9601>)

# So this leads me to wonder what's happened to \$GME since DRS took hold on the stock....

[A picture's worth a thousand words...](<https://preview.redd.it/aarilf94i8u91.png?width=1487&format=png&auto=webp&s=b0fb9fcd745868677ff96da940dd27dd45bcf37d>)

So the observation here is one that's been bugging me a bit, and was the reason I got into this deep dive in the first place. You can pinpoint a break of the up trend to the very moment where DRS effort on superstonk really took hold . The stonk just goes up before then, and it just goes down after. Sure we still have spikes here and there, but the trend is obvious.

[SPY same time frame. OCT2020-Oct2022 monthly](<https://preview.redd.it/nklb0no7i8u91.png?width=1504&format=png&auto=webp&s=a8b908d6b7ead763e5e71cc9b887b7dce82e6bae>)

I wanted to compare that to the macro environment, and it looks like the market just going down, but not until 3 months after GME started to drop, so that's not a direct correlation; however, I should note here that since January, the market trend does seem to jive with GME's price action, with SPY being down 21% YTD and GME being down about 45% YTD at the time of this DD (October 2022)

I found this trend alarming, especially with the state of ~~the purple circlejerk sub~~ supersonk. I should clarify here that this is in no way an attack on that sub - they are welcome to jerk each other off to their computershare circles and DRS effort every day of the week. I have no problem with that, but I did want to highlight the DRS effort began there, and has been heavily promoted in various ways in that ~~echo chamber~~ sub. Yes, i'm being blunt here, but sometimes you need to be.

<https://preview.redd.it/cq9x6d4si8u91.png?width=736&format=png&auto=webp&s=68dee8c5cfb966d72>

5acfbe8d756a287b3d4b791

Ok ok ok, I know... Shill! FUD! DRS is ThE Wai AnD thE onLY WaY!.... So let's apply some benefit of the doubt.

So what else could be happening here?

Just observing price action in relation to a start date for DRS is a weak correlation at best, so being the data crunching ape I am, I dug up some numbers to look at.

[source data is here if you want to review]([https://docs.google.com/spreadsheets/d/1WISUUEKxvvhXIKdHFedeTk2omPT4AOquuJ\\_CP3E8Ucc/edit?usp=sharing](https://docs.google.com/spreadsheets/d/1WISUUEKxvvhXIKdHFedeTk2omPT4AOquuJ_CP3E8Ucc/edit?usp=sharing)) | LMK your thoughts!

I ran some data for DRS effort and compared the following metrics:

- \* Volume
- \* FTDs
- \* Options
- \* Volatility

**\*\*Volume\*\***

The 50d moving average for volume is showing a decline into the DRS effort and a slight incline afterwards. There are several factors that weigh into volume, so this isn't a huge tell of anything. I just wanted to point out what the data says here FWIW. It doesn't seem like much changed materially that jumped out at me.

[Volume Vs DRS](<https://preview.redd.it/cv5js96fj8u91.png?width=3249&format=png&auto=webp&s=afd5dcfc4dfd986be3d3bb1191ce1e366142409>)

**\*\*FTDs\*\***

These are rather interesting. The trend shows that FTDs seem to be picking up ever so slightly after the DRS movement took hold. This could indicate an increased issue when locating shares for making markets.

[Raw Daily FTDs vs DRS](<https://preview.redd.it/kwk5bpukj8u91.png?width=3233&format=png&auto=webp&s=0418667112c609c59463c29b5da913ce0a206a51>)

[FTDs and ETF FTDs as a % of daily \$GME volume](<https://preview.redd.it/606csnysj8u91.png?width=3250&format=png&auto=webp&s=7013442629b5285f6bcc42cdc961e7954e3b>)

**\*\*Options\*\***

I find this one the most interesting. It doesn't necessarily have much to do with the DRS movement, but the correlation to the DRS movement taking off (alongside pervasive oPtIonS aRe bAd sentiment) on superstonk to the data I'm seeing is intriguing to say the least. What you will see here is that the relative (normalized for the split) volume of options and OI is at an all time low since tracking this saga. Options usage trends down as DRS trends up, while the stock enters a continued downtrend that's been going on for over a year now.

[Options continuing down trend and holding lows after DRS effort.](<https://preview.redd.it/t83wmntwj8u91.png?width=3217&format=png&auto=webp&s=47207f8c2187526110fe75cf3619af57698b2c1d>)

In this chart, you can clearly see the dissipating OI and volume on the options chain for \$GME. Bear in mind as you dig into this section that options and swaps have been the largest correlative movers of the stock since after Feb 2021. Prior to that, it was a game of FTDs and settlement, as u/gafgarian originally pointed out. Those stairsteps down that you can see are resultant from large expirations of what has been theorized to be a variance swap or part of one.... DOOMPs anyone?

[\$GME put to call ratio over time vs DRS](https://preview.redd.it/h2wc2c43k8u91.png?width=3242&format;=png&auto;=webp&s;=8fc037a57af45f3c523fd96ee2d5333bc021f26f)

It looks like the put call ratio has been chunking down steadily as a result of the DOOMPs that were opened up during the sneeze expiring worthless. The interesting thing here is that the options were not rolled, but u/leenixus' swap theory might have something to say about that. I'm not 100% privy to this data, so I cannot speak to IF these were rolled into swaps or some other derivative, or if they simply didnt need them anymore because of whatever reason.

Final thoughts on options: There seems to be something to be said for the correlation (not statistical - yet) of options activity dropping off as price of the stock... more on this in the conclusion section.

**\*\*Volatility\*\***

While the stock still trades in a range over the long haul (volatility neutral), the intraday and weekly volatility looks to have gone up a bit since before the DRS effort. This would be expected if the stock is becoming more illiquid.

[\$GME volatility, Absolute volatility over time vs DRS](https://preview.redd.it/u2q04068k8u91.png?width=3250&format;=png&auto;=webp&s;=99994b4f8eba4728c55a965805f2bf9793f90860)

## # Conclusion & Addressing MoASS Theory

OK so, let me reiterate here plainly: **\*\*what follows in the entire conclusion section is my own opinion based on the data and research I've done into various topics herein.\*\***

After reviewing everything above, I have come to some new conclusions regarding DRS and MoASS. Ok, time to put on your big boy pants everyone, and let me know your opinions here and please feel free to run a counter-DD on this analysis if you'd like to. I would love to have some real discussion on these points:

\* DRS effort correlates with a significant shift in the trend of \$GME, in a negative way.

**\*\*EDIT\*\***: Since some of you are too smooth to realize the numerous times I've alluded to this in the post (hint, control-f type correlation)...

**\*\*CORRELATION <> CAUSATION.\*\*** Simply an observational thing we are looking at here and was the reason for digging deeper into the data above.

\* The OpTiOns aRe FuD campaign seems to be working, as less options are being traded over time. Per the research, this also has a correlation of stock price decline. I.E. As options are traded less, the stock is finding lower lows.

**\*\*Why do I think this?\***

Well, you can plainly see a turning point in the price action, and though DRS increase and options decline are not the only pieces to this puzzle (such as the macroeconomic environment), they seem to be significant to the price action. After all, the options that have been falling off were large indicators that defined cyclical movements to the upside for \$GME. That, combined with a strong support of buy and hold **■■■** investors, meant higher highs. Something changed to this dynamic right at the point where DRS really started taking hold. That, in tandem with the OpTiOnS r BaD mkAy mentality on superstonk, seems to have killed the upward momentum on the stock, and locked ape investors into buying, reporting (DRS), and holding the stock in hopes of another black swan event. I believe this black swan event that many people invested in \$GME would love to see happen (myself included - I'd be filthy fuckin' rich) **\*\*will not come to pass unless something changes\*\***. What needs to change you ask? Well that's next in the series of inpolite conversations we will have. [Here's a hint](https://www.docdroid.net/5gM68EW/barclays-us-equity-derivatives-strategy-impact-of-retail-options-trading-pdf) at what that conversation is about.

This is not a call to action, it's a call to education. Look deeper in the data and tell me what you think. I'd love to hear your well formulated, data-driven, opinion on the subject at hand.

<https://preview.redd.it/38k3l2bmk8u91.png?width=508&format=png&auto=webp&s=dcc5a131ec75e0b814b7a885cdc823fba123c97>