

Title: Bank of America and their Gamestop Exposure Updated Thesis

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Good afternoon Reddit community,

I thought it was time to update my Bank of America thesis. I will be the first to admit that since my first DD I have gotten more than a few things wrong, but the collective community has been great at sharing ideas and correcting things that may not have been accurate. As always nothing I post is financial advice, please be sure to **reference** properly if you are to discuss my post on other forms of media.

HYPOTHESIS: The Prime Broker BofA Securities has significant Gamestop Exposure and has put their parent company at risk of a giant short squeeze

BANK OF AMERICA RECAP

What we already know:

1. **BofA is the main Prime Broker for Citadel & 1 of 2 for Susquehanna and will be responsible for closing said positions if they cannot close**
2. **BofA had a significant Put position to potentially reset FTD/ use for futures**
3. **No Bank or Hedgefund had more GME-containing ETFs than BofA post squeeze**
4. **BofA's head of client equity solutions left to join Citadel after Jan 2021**
5. **BofA issued a \$15 billion dollar bond in April 2021 to raise cash**
6. **Several high-level executives have resigned or have planned to.**
7. **BofA has large security sold not yet purchased position that has grown**

HOW WE GOT HERE When Gamestop was still early in its story (Pre-squeeze), Dr. Burry had sent a letter to the board urging for the purchase of their Common Stock. In this letter, Dr Burry shares this...

>Notably, as of July 31st, 2019, Bloomberg reports short interest in GameStop stock at 57,226,706 shares – this is about 63% of the 90,268,940 outstanding GameStop shares at last report. We submit that when share prices are at or near all-time lows and more than 60% of the shares are shorted despite cash levels much higher than the current market capitalization, lack of faith in management's capital allocation is the default conclusion.

Now for us, you might not care where you get the stock, but you might; if you are a serious enough stock trader you probably do. Bloomberg wrote a [great article](<https://www.bloomberg.com/opinion/articles/2018-03-26/merrill-lynch-s-secret-stock-deals>) regarding Merrill Lynch's broker-dealer business and discussed how they source client shares. Dr. Burry in particular is one of these people who cares how shares are delivered. When he tracked the share buyback of Gamestop shares in the fall of 2019, he for one was smart to monitor where the shares were sourced from. As seen below you can see a large volume of shares came from "MLCO". MLCO is the identifying code for shares sourced by Bank of America Merrill Lynch. (shout out to [u/zirdc](<https://www.reddit.com/u/zirdc/>) for posting this months ago).

<https://preview.redd.it/tfyy2xrepcd91.png?width=816&format=png&auto=webp&s=60352d3201500e26957393a22711b467fee7639b>

You can see that Gamestop was extremely shorted prior to the COVID crash. Given that let's imagine every Hedgefund shorting everything into oblivion when we had the correction in March of 2020 (especially retail brick and mortar). In reality, it was a great play, but because Gamestop was in a very unique position of being already heavily shorted and having significant exposure in so many ETFs made it become a stock unicorn. When we include Ryan Cohen's purchases shirking the float even more the game was over. This doesn't even include the millions of retail investors who like the stock. It would be really interesting to see how Ryan Cohen's 9 Million share purchase was filled. (If you want to drop a hint RC that would be cool). Speaking of ETFs....

****ETFS****

Now I wanted to take a moment to share some insight regarding ETFs. Now it has long been theorized that institutional shorting via ETF creation and redemption is how Gamestop has continued to be shorted without relying on Gamestop shares to borrow. At times we can see the ETF ****XRT (SPDR S&P; Retail ETF)**** having short exposure of 1000+ %. Shorting through ETFs can be very expensive but is an alternative strategy to drive the price down. I had first mentioned the ETF GME exposure in my Second DD discussing previous positions in ****IJR (iShares Core S&P; Small-Cap ETF)****, and ****IWM (iShares Russell 2000 ETF)**** among several large financial institutions. This in theory could be a clue that they are being used for Gamestop locates and shorting. While I will admit that IJR & IWM were ETFs with large Gamestop exposure it does not indicate any suspicious activity. I would like to thank my pal u/turdfurg23 for his continued digging through everything ETF-related.

Below is a graph of ETF creation and redemption of ETFs from Vanguard, State Street, and Blackrock that contain GME. You can see the following Authorized Participants have used these GME-related ETFs to their advantage:

- * Merrill Lynch Professional Clearing Corp
- * Citadel Securities LLC
- * Virtu Americas LLC
- * Goldman Sachs & Co

<https://preview.redd.it/clw3fkcwpcd91.png?width=1185&format=png&auto=webp&s=ba74ba4575114a9171bc8acdbee48c17acf046ea>

I also wanted to look into some less well-known ETFs that contain GME. If we take a quick look at the ETF ****"MEME" (Roundhill Meme ETF)****, we see it is the ETF with the greatest concentration of Gamestop.

<https://preview.redd.it/rin1tu6zpcd91.png?width=1124&format=png&auto=webp&s=96bd8f23ab00374b75128370a5c9271a8af8b9fa>

<https://preview.redd.it/bd0t0260qcd91.png?width=1846&format=png&auto=webp&s=60ee8ce281545bd1b1a7ed7a473519caba99edf7>

The only two Authorized Participants that have used ROUNDHILL MEME are Goldman Sachs and Merrill-Lynch Professional Clearing Corporation.

Below is a snippet from [this article](<https://www.bloomberg.com/news/articles/2021-02-25/fund-that-lost-80-of-assets-in-gamestop-drama-faces-new-turmoil#xj4y7vzkg>). It's not often we have a mainstream news source confirming the ETF redemption process is a method used to source GME shares.

<https://preview.redd.it/p3j69hr2qcd91.png?width=1284&format=png&auto=webp&s=3de852c4c51e51697a6887ae5e0e85127166d74a>

****CLOSING OF PART OF THEIR PRIME BROKERAGE UNIT****

Below is an article I found from an efinancialcareers.com exclusive. If you blinked you might have missed it. Now admittedly I believe this is only part of their Prime Brokerage Business and only the Europe/Middle East/Africa branch but I find it very interesting that they shut down their Institutional custody business. Now admittedly I am not the most knowledgeable person when it comes to this stuff and any insight would be really appreciated. When I dig into what duties those in the custody business they include the following:

- * Securities settlement
- * Safekeeping of assets (segregated by sub-account if necessary)
- * Dividend and interest collection and payment
- * Corporate action processing
- * Proxy voting as directed
- * Providing tax reporting information
- * Cash management

If their Prime Broker is no longer holding those assets does that mean they are distancing themselves away from total return swaps? To be honest, if someone who has experience in this stuff could chime in that would be great.

[<https://www.efinancialcareers-canada.com/news/2022/05/bank-of-america-closing-prime-custody>](<https://preview.redd.it/v1ep4n48qcd91.png?width=1244&format;=png&auto;=webp&s;=55ec290f6e2267e5f628297468289641ab2c5200>)

****CME FINE FOR NOT POSTING FUTURES MARGIN & PROVIDING ADEQUATE DISCLOSURE****

Based on the fine BofA Securities recently received it seems that they have likely missed a collateral call with CME and/or failed to maintain their futures margin requirements. It would also seem that they likely have failed to keep a record of their performance bond calls issued. It has been theorized that we see a quarterly wave due to positions being held in futures and the run-ups due to the settling of the change in the underlying position.

<https://preview.redd.it/40aqr8laqcd91.png?width=998&format;=png&auto;=webp&s;=b7c1ca867e04cb4df764cd242e55926087e8c610>

****INCREASED LENDING TO ASSET MANAGERS****

I also thought it was worth mentioning the increased lending to Asset managers and funds by Bank of America. Lending to asset managers is the largest sector for commercial credit exposure and there has been an increase in lending every quarter since Q3 of 2020. The percentage of commercial lending has also increased from 9% in Q3 2020 to 16% in Q2 of 2022. While there is nothing wrong with the increased percentage of lending to asset managers I argue that it is less of a function of wanting to lend but having to lend.

[From BofA's 2022 Q2 earnings report](<https://preview.redd.it/g2pur8ccqcd91.png?width=1796&format;=png&auto;=webp&s;=e4578ee5cec8aec249ed7df5a55b5a0e409cffc6>)

I argue that the idea of being collateral called isn't as much of an issue if the prime broker that is exposed is at risk due to the positions. To my knowledge, Credit Suisse is still famously sitting on 3% of Archegos positions. Hypothetically if forcing the closure of positions would put you at risk, why force the closure? I also found these interesting pieces of writing in the FOMC minutes for their January 26th & June 3rd meetings. These statements are in line with the theory of increased leverage among Hedge funds/Market makers.

[page 14 of Jan 26th 2022 FOMC minutes <https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20220126.pdf>](<https://preview.redd.it/62agevydqcd91.png?width=800&format;=png&auto;=webp&s;=e92de64cd331065c880e834433042b09e0a6b1a>)

[page 5 of June 3rd 2022 FOMC minutes <https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20220504.pdf>](<https://preview.redd.it/pbboletfqcd91.png?width=682&format=png&auto=webp&s=36dbfcc0b91832879b8efd7f985692c4821b7747>)

****CONCLUSION****

Based on the previous DDs that I have written and the evidence provided above I believe that Bank of America has exposure to Gamestop short positions (Directly and as a PrimeBroker). I don't exactly know when or if (here's hoping) it will ever be realized but I will admit I don't think I would want to be their CEO Brian Moynihan right now.

Thanks for reading.

****PREVIOUS DD****

[Bank of America Quarterly Update. Morgan Stanley has entered the chat](https://www.reddit.com/r/Superstonk/comments/qm9tnr/bank_of_america_quarterly_update_morgan_stanley/)

[The Bank of America and Gamestop DD update. Swimming in Puts, ETFs, and the new NSFR rules](https://www.reddit.com/r/Superstonk/comments/onrzz9/the_bank_of_america_and_gamestop_dd_update/)

[The Complete Bank of America Gamestop DD](https://www.reddit.com/r/Superstonk/comments/nsioql/the_complete_bank_of_america_gamestop_dd/)

[Popcorn stock Delayed Memestock Endgame With Their June Share Offering.](https://www.reddit.com/user/gfountyyyc/comments/p3eo1f/popcorn_stock_delayed_memestock_endgame_with/)