Twitter Thread by Brossentia @ Home!



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@Brossentia

Watching the Congress hearing on Gamestop/Robinhood/Reddit. I'll let people know if there's anything super interesting.

Right now, it seems like both Democrats and Republicans are sympathetic with average Americans rather than the companies. It'll be interesting to see what happens.

I kind of like Rep. Patrick McHenry's (R) take. Basically, he says it's dumb that it's easier to buy a lottery ticket than to invest.

Now, Congressional hearings in committees are often more about figuring out problems than attacking each other; I fully expect both Democrats and Republicans to have good insight here.

Rep. Al Green says that fines -have- to outweigh the benefits from breaking the law. I completely agree.

We already had the first instance of someone talking while muted - specifically, muted while taking the oath.

Robinhood CEO Vlad Tenev is just giving a PR pitch. Maxine Waters already isn't having it. Wants to hear what happened in January.

They're letting him give the pitch. Yeah, whatever. Congress can see through the corporate speech, and it'll be interesting to see what he says when the fire starts. I'd be surprised if he doesn't sweat.

"Robinhood doesn't serve the hedgefunds." Isn't it owned BY a hedgefund?

He's apologized to people in his intro. It looks like there's a little guilt out there, and Congress needs to crack that open.

Citadel is also just bragging about how good they are as a company. "I cannot be more proud of our team."

Trust me - I could. You all botched it.

Gabriel Plotkin from Melvin Capital is talking, now. Why don't any of these CEOs know how to make a shirt collar look normal?

Again, just PR talk here. "Melvin was working through a difficult time." What, you mean risking millions/billions of dollars?

This company has 30 EMPLOYEES, and they almost destroyed GameStop! Holy moly. That's kind of evil for such a small group of people having so much power.

Haha, "We've been short GameStop since Melvin Capital's inception 6 years ago."

Now this guy is saying they attacked him for being a Jew. I could see Reddit doing that to some degree; unsure if it's relevant to Melvin shorting over 100% of a stock.

The Reddit CEO is on right now. Honestly? I think it's strange having him there, but I suppose Congress views them somewhat liable for this group WallStreetBets - it exists on the website.

Luckily, Steve Huffman can both wear a collared shirt correctly and explain Reddit's role (along with how subreddits work). He's also giving a bit of a history of WallStreetBets. He's explaining how they've worked to resolve issues on their side - that's a good approach.

I say this because, in hearing, Congress wants to hear what companies have done in response to problems that show up. Reddit has shown that; the hedge funds and Robinhood haven't yet.

"Deepfuckingvalue" (DFV from now on) from Reddit is now giving information. He's the one who dropped millions on GameStop stock. I know why he's there, but honestly, he was just a spark that lit the fire.

Do you blame the sparks or the dried grass for the blaze that erupts? We'll find out today.

DFV essentially says that his own research shows that GameStop was undervalued. Out of everyone here, DFV is taking a huge risk - yes, he made a lot of money out of this, but companies have PR and legal teams to help them talk without messing up. Testifying is dangerous.

"I support retail investors' right to invest in what they want -when- they want." Reddit and DFV are definitely against Robinhood's restrictions on trading since it destroyed many people's chance to make money.

Now, Cato Institute. I hate the Cato Institute - they've put out plenty of "research" that's been used by Tucker Carlson and other conspiracy theorists. That doesn't mean they're unreliable in this specific issue, though.

Schulp from the Cato Institute is saying, "Yes, GameStop is trading above value, but bubbles happen." She worries about the government stepping in to stop the free market from working, and retail investors should not be restricted from buying/selling.

Ooh, the questions are starting. Maxine Waters is asking Robinhood if they misrepresented liquidity problems to the media. Time for the grilling to start, and Robinhood is not prepared for the way Congress asks questions.

Vlad from Robinhood is doing his best to not answer the question and just throw out a PR question. Maxine Waters reclaims time, adding to the record that he didn't answer. I love how savage Congress can get.

Ooh, she's talking about claims that Citadel tries to hide how transactions work. She got Citadel to answer a yes/no question about the percentage of the market they control - over 40% of retail investments.

Rep. Patrick McHenry is being a little more diplomatic. Kind of the "good cop" type questioning right now. "Why did you lock out people on the buying side only?"

That's specifically what drove the GameStop stock down.

Basically, Robinhood says, "People get angry when they're not allowed to sell, but they're not as angry when restricted to buy." He says this restriction was legal.

If so, Dems may have a hook for adding regulation.

So Robinhood claims that they made the sole decision to restrict buying/selling. This doesn't feel right; I'm hoping Congress tries to crack into this decision more.

Rep. Patrick McHenry basically says, "I don't blame you, Robinhood, for taking advantage of the problems DC created."

I somewhat agree, too. When you run a company, you're responsible for making it succeed within the rules. We need the rules changed.

Rep. Carolyn B. Maloney is bringing up a big point. "People woke up and couldn't buy while other people with other companies could buy." Robinhood essentially destroyed the reliability of the free market.

She's saying Robinhood doesn't give any specific language about when trading is restricted. She is NOT a fan of the vague we-can-restrict-whenevs language.

BTW, I didn't mean to just livetweet the hearing, but it sometimes helps others when it's translated to plain English.

Robinhood basically said, "Sorry, what we did sucks, and we'll do better in the future." Congress isn't happy with that answer. "What operational changes are you making?"

Robinhood is still not giving specifics for what they'll do. This is bad for them. Congress doesn't want to fix things; they want the companies to already have plans to fix things. Definitely makes Robinhood look lazy in prepping for this.

Rep. Ann Wagner is now talking - essentially, her priority is protecting everyday Americans' ability to trade. She LOVES that investments from normal people have more than doubled.

She's against more barriers to entry, but it seems like she's against giving more restrictions to companies, too. Without some changes, though, these companies could do the same thing again.

Robinhood, again, not showing anything they're doing to change their process. "Our processes couldn't predict a one-in-a-billion chance of this happening." Perhaps their process should include browsing Reddit?

(I'll also say the odds of this happening were much higher than Dream's odds of doing the Minecraft runs legit)

Hahaha, "Mute when you're not speaking." This is definitely a Zoom meeting.

Brad Sherman is stating that when something is free on the internet, that's because you're the product. Yes, bingo. Robinhood makes money by selling trade information.

Ooh, Rep. Brad Sherman is wondering what the difference is between the "best price" and the "enhanced pricing." Citadel says they give a better price to those who buy/sell in greater quantities. That seems... possibly against regulations.

Citadel is choking. Sherman wants to find out who gets the higher price - Robinhood or Fidelity? And it sounds like Fidelity gets better deals. That is a HUGE point that's going to bite them in the butt.

Citadel wouldn't answer it directly and, instead, was trying to explain "different channels." They did say "channels matter," so from that, it's pretty easy to see they were trying to justify giving a better price to a specific client.

Robinhood is now trying to explain that their system routes to companies that give better "execution quality." I'm a dummy, but I believe that means giving a better price.

Citadel's Kenneth Griffin isn't blinking. He's definitely stressed (and possibly reading from a teleprompter)

Rep. Gregory W. Meeks talking now about disclosures. In history, people got shafted because they didn't have disclosures. Meeks says that greater access means that companies have a greater responsibility for giving them information.

The thing is, Robinhood doesn't necessarily benefit by giving more tools; even if their clients lose money, Robinhood gains based on selling their clients' information.

"Robinhood's more restrictive to selling on margin because people have to pay five dollars a month." To me, that says, "To go into thousands of dollars of debt, people pay us five dollars of month."

Rep. Bill Huizenga next. Oh geez, Citadel is getting into dangerous territory trying to justify why they give better prices to specific clients. If I were them, I'd only touch on that if they asked about it again.

Remember, the worst way to hide that you stole the cookie is by telling someone, "No cookies have been stolen." They're gonna look into it.

Bill Huizenga is saying this is political theatre, blah blah. Now he asks if investing is like gambling. He has no business asking questions here. It's not a softball question - it's a kickball.

DFV says that he would still buy GameStop stock at the current price (about $45). He says he bought based on the fundamentals - in other words, just using the basic rules of investing. Buy low, sell high.

Rep. Nydia M. Velázquez now asks how Robinhood helps people learn how to buy. I honestly think they do fine with that - they've got articles and info to help people decide.

Velázquez asks about their disclosures. "We give a lot of disclosures." That was a huge non-answer.

Robinhood says they've overall had huge profits for their customers. While that's true, you have to remember that specific people lost money because of specific choices around specific stocks.

Now she's asking if Plotkin would support disclosing how many shorts they own. "It's a really good question. If those are the rules, I will certainly abide by them."

So no, they won't disclose their shorts unless required by new regulations.

Rep. Blaine Luetkemeyer asking DFV about what happened - did the system work, or do we need more regulations? Interesting. DFV says he doesn't know the inner workings, but that increased transparency would help retail investors.

Robinhood's talking about the advantages of setting up sales for opening market and challenges that come with queueing sales. I'm not sure how that's too relevant.

Ooh, Luetkemeyer is asking why short selling 140% isn't manipulating a stock. Plotkin says, "We do it according to rules." So they're stance is just, "We didn't break laws."

I'd somewhat agree that Melvin didn't break rules with shorting 140%, but perhaps there need to be rules. It's definitely manipulating.

Rep. David Scott asking questions now. How does Robinhood monitor social media and its influence on trading?

Vlad Tenev says they don't watch it. Oof; they need to catch up with the 21st century.

Robinhood said they watch what they have to per regulations. Not a good business move - you need to be ahead of other companies, not only doing the bare minimum.

Scott asks if people trade based on info rather than social media. Honestly? I think the info they have is fine; they include stats and news articles. People are going to board the hype train even with all this information in front of people's eyes.

Reddit says they have a team that ensures things are authentic and not manipulated, and they didn't see manipulation here. I... somewhat agree? There may have been manipulation, but like Melvin Capital, it was "within the rules."

Rep. Steve Stivers is here arguing this is just political theatre, too. No, Stivers. This is your job.

"If there are more sellers than buyers, does the price go up?" I kinda think basic questions like this actually help - good questions, Stivers. However, he's also saying customers should go through arbitration to recoup losses caused by selling-only choices.

Robinhood DEFINITELY would want to use arbitration rather than lawsuits. This would allow them to avoid many payments and minimize payouts for people affected by their choices. Not good for their users if that's what happens.

Rep. Al Green is up. He's wanting to know about trading ahead of customers' accounts. Cato Institute says that's illegal. Green asks how market makers benefit from that - essentially, companies get a better price and shaft the customer.

He's now claiming that Citadel delayed client orders while trading. Citadel paid fines, but the fines are much less than the money they made.

Think of it this way. Is fouling against the rules in basketball? Yes, but they can benefit you if you use them right.

Same with money here, and Green feels like the punishment doesn't deter Citadel from breaking the laws.

The Cato Institute agrees that companies talk about punishments in response to breaking regulations and take those into account with their decisions.

Simple English: businesses decide which laws to break and which to keep.

Rep. Andy Barr grilling Citadel again about "best pricing." Griffin again saying that smaller orders shouldn't get priority over bigger orders when they come in at the same time. That's a disadvantage to retail (or individual) traders.

Barr is saying that people frustrated with Robinhood should direct anger to federal regulations. He also asked Melvin if their shorts exceeded float; Melvin says no (which, if true, means they likely didn't trade fake stocks)

Rep. Emanuel Cleaver asks Robinhood where their name comes from. ■■■

It's to make a point, of course. Robinhood stopped trading and largely affected smaller, poorer clients.

Cleaver talks a little about the morality of destroying people's lives through the stock market. Robinhood says to combat that, they allowed people to spend money immediately upon starting a deposit? What? How does that help?

If anything, that's a FASTER way to destroy your life. And Robinhood has a bad track record of helping people entering crises.

Rep. French Hill flatters Robinhood CEO. Asks if they have a call center for investors. They give support only for specific use cases; they're working to expand that.

Hill asks about low dollar stocks. Why does Robinhood allow trades on stocks under $5?

This is more informative than helpful. Robinhood does allow trading for smaller companies than some other traders from what they say.

Hill asks if the SEC should investigate Reddit. Cato Institute says there's no evidence that Reddit was a problem, but they should investigate.

Basically, the Cato Institute said the SEC should look for a fire when there's no smoke.

Small recess now. I might not keep up with this after the break, but hopefully this gives you an idea of what's happening.

My biggest takeaways:
- DFV isn't in trouble. Rather, Congress wants to protect people who win the Wall Street lottery.
- Citadel may be in trouble, specifically with benefitting companies over small clients.
- Melvin is present.
- Robinhood hasn't done anything to help yet.

My biggest bet is that Citadel and Robinhood will be under careful scrutiny after today. Reddit? Not so much.

Questions are starting again. They're trying to figure out DFV's role. Essentially, he always believed in the stock; he thought it was underpriced, and Melvin Capital thought it was overpriced. Good explanation of financial choices.

Melvin Capital says their systems don't allow naked shorts. I'm... not convinced. I've worked with computers. Almost all software has work arounds, and for a relatively young company with 30 people, it's unlikely everything is locked out like that.

Rep. Lee M. Zeldin addresses "Deep 'You Know What' Value."

Huh. Zeldin brings up that several Robinhood alternatives have significant portions owned by China. I'm not sure what to make of this right now, other than them being concerned with the Chinese taking citizen info.

I do agree that it's questionable to allow companies from other countries to have such large influences in the US markets. I'm more interested in learning more, though, than making a decision about it being good or bad.

Rep. Jim A. Himes calls Citadel the casino. Retail investors generally lose, and the house wins. For years, they've taken advantage of retail investors; although DFV won big, others have lost thousands in this madness.

Congress asks Robinhood if their customers, overall, won or lost. Robinhood says they don't know. But they literally shut down purchases; the house, in essence, closed and sent gamblers home.

Rep. Barry Loudermilk is breaking the rules and, again, saying others are just doing political theatre. Why do you keep doing this, Republicans?

Now he's talking about Covid relief. Excuse me, Loudermilk. This is about Wall Street.

I'll give Loudermilk a bit of a break for having the whitest name in existence.

He says adding regulations hurts everyone. But pausing purchases feels problematic - that benefitted one party and greatly harmed the other.

The Cato Institute and the companies say they think the markets are working as intended. From my reading, even though Melvin Capital lost tons of money, they'd lose much more with regulations added.

Rep. Bill Foster back to purchase order execution quality. Like I thought, they'd be grilled even more about this. Foster argues for more transparencies regarding data about who gets the best deal.

Robinhood always says "thank you for that very important question" when they hate the question. He claims he's in favor of more transparency, but previously, he said they only shared what they were required to share. He also says they "conformed" to new rules.

Foster says it sounds like companies are "paving the roads for the sharks." Basically, hedge funds making large purchases get the best price.

Rep. Alexander Mooney (R) brings up a bill Dems are working on about transparency. He asks how that would affect retail investors - basically, he wants Robinhood to say it would destroy the business.

With Congressional hearings, sometimes the questions are actually the answers.

He now asks the Cato Institute if a tax would help prevent fraud. She says no. Wow, a Republican arguing against a tax to help keep the market fair - who would've guessed?

Rep. Joyce Beatty (D) now. She asks Citadel if Robinhood actually benefits their customers by sending orders through Citadel. "Is it good for people to shop there?" Easy yes for Citadel.

I swear, either Citadel's Kenneth Griffin is reading written statements, or he's being very careful with his words. He knows that a slip-up could lead to legal trouble.

Ooh, Beatty is making it clear that they've got government filings for the companies. She's not messing around. Also, she's asking if Citadel does things to make more money off Robinhood customers; Citadel says no.

Rep. Warren Davidson (R) is up. He talks about Project Ion. I know nothing about that, but since it deals with high-frequency trading, it makes sense they'd discuss it.

Robinhood says that if they had real-time settlement software, they would've experienced fewer problems. That might be true, but again, they made the decision to stop purchases of GameStop stock and only allow sales.

Vlad from Robinhood does point out that they can't track how many times a stock has been shorted. That seems like a huge flaw in the system.

Rep. Juan Vargas (D) condemns the anti-Semitic speech on Reddit. Good thing to call out briefly. Now, he's discussing the folk hero Robin Hood and pointing out that the app Robinhood stole from the poor, gave to the rich.

He's stating that the general public thinks Wall Street colluded during the GameStop fiasco. Citadel says they routinely talk to Robinhood, but they absolutely did not talk to anyone about GameStop.

Citadel's CEO is sweating and choosing words carefully. He's hiding something, and in future hearings, that may end up shaking out. My bet? They did talk to Robinhood but know revealing that would destroy both companies.

This is just speculation, though.

But it has all the tell-tale signs of lying. Using extreme language ("I want to be absolutely clear"), slow pronunciation, a lack of contractions, facial signs showing a high level of uncomfortableness.

I got pro at lying when I was younger. These are things I worked to avoid.

Rep. Josh Gottheimer (D) brings up the lawsuit against DFV for "security fraud." Steve Huffman from Reddit says people can reveal as little or as much about themselves as they want; because of that, Reddit users can't always judge if information is "genuine."

That's probably a good thing here - Reddit does work to get rid of misinformation, but it's clear that sharing jokes about winning/losing money isn't manipulating stocks. And generally, things are only widely visible when thousands of eyes approve of the content.

Huffman takes the authenticity of content on Reddit seriously. Congress wants to know if they should be held responsible. Huffman actually accepts responsibility and says they do all they can to fight bots/disinformation. Stronger stance than Facebook ever took.

Reddit gets huge, huge kudos here. They're honest, they're responsible, and they do all this without stabbing their users in the back.

Vlad Tenev of Robinhood says that they "take ownership" for making tons of people lose money. That's absolutely not true until they help recover those losses.

Rep. Vicente Gonzalez (D) is up. He asks about Citadel getting fined for short selling issues back years ago. He says they're in trouble again. So why should Congress expect them to follow laws in the future?

Griffin from Citadel acts confused.

"Diamond Hands" is now an official term.

Huffman defends the moderators on Reddit. I like this guy.

Rep. Trey Hollingsworth (R) up now, asking Citadel about off-exchange trading. I'm not too familiar with it - I think it's trading stocks without being on the official market (or buying/selling without technically moving stocks around). If anyone knows more about it, help pls.

It would be amazing if someone asked Citadel if he's reading from a teleprompter. I want to hear his answer.

Rep. Al Lawson (D) says that stimulus money is largely being used to eat and pay rent, not to put into the market (as some people have speculated). He says there's definitely market manipulation within the system.

Melvin Capital says with social media, groups can drive stocks up or down. I don't think it's different from radio or tv shows in the past. For their credit, Melvin Capital's Plotkin says they need to adapt to these changes.

Rep. Anthony Gonzalez putting the fire to Robinhood's feet. Tenev says they -didn't- have liquidity to pay when needed; Gonzalez points out they'd publicly said they -did- have the money.

So they definitely lied to the public.

This is a big step forward (and a big confession by Robinhood). Expect that to come back and haunt them.

Robinhood getting asked what would happen if they didn't freeze sales, and hoo boy, everyone would've lost their stocks. That's bad.

So yes, Robinhood basically put themselves in a terrible position that would inevitably screw people over. They chose to screw over fewer people. Yes, it was the right choice at that specific time, but it only had to happen due to a series of terrible decisions before.

Rep. Michael San Nicolas is saying Robinhood blatantly materially benefitted from screwing over other people. And this is under oath - the facts are here. Robinhood is in trouble.

What I like about this, btw, is that the information came to light by a quieter questioner, and now they're getting hammered by another Congressperson. This is the power of hearings, and this is how your company gets reck'd.

Rep. John Rose (R) asking questions now. He wants to understand the full scope of what happened, and he acknowledges they've only started the investigation. He specifies he wants to protect retail investors.

I think we already got today's major revelation, though.

Griffin from Citadel is explaining how you can get 140% of stocks shorted. From what I understand, it happens - if you borrow a stock from someone and sell it, that person can then lend it to be sold again, leading to one stock being shorted multiple times.

Rep. Cindy Axne (D) brings up income equality and how these companies are essentially providing gambling for poor people.

Okay, I actually have to eat food, and I'm exhausted from this. If there's any other major info, I'll post. I think we covered the important stuff so far:
Citadel is definitely hiding stuff and is terrified.
Robinhood has been caught in lies. More will follow.
Reddit's safe-ish.

Hahaha, Robinhood said they had phone support. A Congressman called it, and it was a message saying to get support on their website.