Twitter Thread by Renato Mariotti



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THREAD: Do the people on Reddit's #WallStreetBets who are buying Gamestop, AMC, and other stocks have any legal liability to do so?

1/ Although the facts are still evolving, it appears that many users on #WallStreetBets (a "sub-reddit" on Reddit, a social media site) and others starting buying Gamestop, AMC, and other stocks that they believed were being "shorted" by certain Wall Street firms.

2/ You "short" a stock when you sell a stock that you don't own, betting that the price will go down. The goal is to sell high and buy low. If you "short" a stock and the price goes up, you can lose a lot of money by buying shares at a higher price than you sold them at.

3/ Based on media reports, it looks like a lot of Redditors didn't like that certain Wall Street firms had bet big that the price of Gamestop and AMC would go down via COVID.

By buying up Gamestop and AMC stock, they caused the price to shoot way up in a short period of time.

4/ That caused fast gains for them and potentially huge losses for firms that shorted those stocks.

So did they engage in "market manipulation," as some people on social media have claimed? Could they get in trouble with the SEC, which is "watching" the matter, or go to prison?

5/ We don't know exactly what happened, so it's possible new information changes this analysis, but based on media reports it doesn't look like the Redditors who bought Gamestop have to worry about any liability for manipulation.

6/ Much of my work in private practice is in this area, and before this I worked in the Securities & Commodities Fraud Section of the U.S. Attorney's Office.

I've been discussing this with a friend who is a former SEC attorney, and this looks like something we've seen before.

7/ To us, this doesn't look much different than people who post on online message boards encouraging others to buy a particular stock, which has happened since at least the late 90s.

Whether those people have liability turns on whether they make false or misleading statements.

8/ If all you're doing is saying that you're buying Gamestop and you think everyone should buy Gamestop too, that really isn't that remarkable.

If the argument is that the *trades themselves* are manipulation, that will be a very difficult claim to make.

9/ I prosecuted and convicted a high-frequency trader in a first-of-its-kind trade-based manipulation case, and have represented traders since.

Those claims are very challenging to make, and in this case, I don't see a viable claim **based solely on what the public knows now.**

10/ This could change if it turns out that the whole movement was started by someone getting paid to do so, or if Redditors were being lied to by someone who organized this.

But if this is really just a group of people who decided they want to buy a stock, it's not manipulation.

11/ There many be civil lawsuits brought in connection with this, making allegations under state law. There has already been one filed by traders against #RobinHood for restricting customers from buying GameStop shares.

But that is different than a SEC or criminal action.

12/ I'll have my friend on my #OnTopic podcast soon to discuss this in more depth soon. Obviously this is still a highly evolving situation and we may learn new facts over time. /end