Twitter Thread by tyson brody

tyson brody
@tysonbrody

So Chamath has been making a lot of noise attacking Robinhood and implying there's a conspiracy because it sells retail transaction data (payment for order flow) to Ken Griffin's Citadel.

He wants you use his platform sofi, but it turns out, they literally do the same thing? 1/n



Here's Chamath's S-4 to take SoFi Public via his SPAC (patriotically incorporated in the cayman islands).

These basically have to be filed as part of any merger or acquisition by a public company.

So lots of details about SoFi's business!

https://t.co/Rs7gYPU9Ao

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Social Capital Hedosophia Holdings Corp. V*

(Exact Name of Registrant as Specified in Its Charter)

Cayman Islands*	6770	98-1547291
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

317 University Ave, Suite 200
Palo Alto, California 94301
(650) 521-9007
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Chamath Palihapitiya
Chief Executive Officer
c/o Social Capital Hedosophia Holdings Corp. V
317 University Ave, Suite 200
Palo Alto, California 94301
(650) 521-9007
(Name, address, including zip code, and telephone number, including area code, of agent for service)

What do we see? Well it turns out SoFi, like RH, says it earns a good chunk of change from selling payment for order flow!

SoFi Invest

SoFi Invest is a digital brokerage product that offers multiple ways to invest, and gives members access to brokerage, robo-advisory and cryptocurrency services. Furthermore, our innovative "stock bits" feature allows members to purchase fractional shares in various companies. Our interactive investing experience fosters virality by allowing members to engage with other investors' activity on the platform. Finally, consistent with our aim to "Get Your Money Right" and as part of our commitment to helping our members, we provide free access to CFPs.



We provide introductory brokerage services to our members and have invested heavily over the past few years to create an appealing mobile investing experience. Although we currently do not charge trading fees, with the exception of cryptocurrency trades, our ecosystem benefits from increasing SoFi Invest members by virtue of interest income we earn on cash balances, and we view SoFi Invest as an attractive first product for members who may later become SoFi Money product holders or borrow with SoFi. We also earn brokerage revenue through share lending and pay for order flow arrangements.

On SoFi's website, they claim this is in the "best interest of consumers" because it allows commission free trading. Huh!

Notice their execution partner is the clearinghouse Apex, which also restricted $GME and $AMC trades like RH. But it goes farther!
https://t.co/4TLPGMfy7v

We also earn a small amount of money from rebates that we receive from market makers through our clearing firm, Apex Clearing, for choosing them as our execution partner. This practice, called payment-for-order-flow, has been the source of some debate, but we have heavily researched the practice and have found it to be in the best interest of consumers (as we said above, it is one of the things that allows us to offer this service without commissions). It's important to note, as a regulated broker-dealer, we are always legally required to give you the best price, called Best Execution, on the stocks or ETFs you want to buy.

Back to the S-4: Apex isn't just their partner, SoFi literally owns 16.8% of Apex!

That means, as they're happy to tell you, SoFi benefits from Apex earning fees for pay-for-order flows from all sorts of exchanges and market makers! (not just the ones on SoFi itself!)

Apex

In December 2018, we purchased a 16.7% interest in Apex, which resulted in partial integration of the transaction clearing and asset custody functions integral to SoFi Invest. The investment has also enabled us to participate in earnings from Apex's customer base. As of September 30, 2020, our ownership interest in Apex was 16.8%.

Our equity method investment in Apex primarily benefits us in two ways: First, it facilitates better planning, coordination and integration in the technology stack for SoFi Invest, which requires clearing brokerage services. Second, we benefit from the income earned on providing clearing brokerage services to other institutions, and earn fees for margin lending and pay-for-order flow, the latter of which consists of arrangements whereby exchanges and market-makers pay for routing them certain orders.

Apex is required to disclose the details of its payment for order flow quarterly for "non-directed orders."

That means when the client hasn't specified which exchange they want their broker to use - basically most commission free retail I imagine.

https://t.co/YxYK9qWOtX

What do we see? Citadel was one of the top three firms paying for Apex's total order flows in S&P 500, non S&P500, and options in December 2020 alone.

Thanks for the business Ken! We probably shouldn't assume the other firms listed are any more noble than Citadel.

December 2020

S&P 500 Stocks

Summary

Non-Directed Orders as % of All Orders	Market Orders as % of Non-Directed Orders	Marketable Limit Orders as % of Non-Directed Orders	Non-Marketable Limit Orders as % of Non-Directed Orders	Other Orders as % of Non-Directed Orders
59.84	28.57	8.53	58.62	4.28

Venues

Venue - Non-directed Order Flow	Non-Directed Orders (%)	Market Orders (%)	Marketable Limit Orders (%)	Non-Marketable Limit Orders (%)	Other Orders (%)	Net Payment Paid/Received for Market Orders(USD)	Net Payment Paid/ Received for Market Orders(cents per hundred shares)	Net Payment Paid/ Received for Marketable Limit Orders(USD)	Net Payment Paid/ Received for Marketable Limit Orders(cents per hundred shares)	Net Payment Paid/ Received for Non-Marketable Limit Orders(USD)	Net Payment Paid/ Received for Non-Marketable Limit Orders(cents per hundred shares)	Net Payment Paid/Received for Other Orders(USD)	Net Payment Paid/ Received for Other Orders(cents per hundred shares)
Instinet, LLC	28.02	0.25	26.86	43.56	2.80	0.00	0.0000	0.00	0.0000	0.00	0.0000	0.00	0.0000
Jane Street Capital	22.24	26.30	25.00	20.43	14.50	8,463.08	19.9322	6,290.49	18.9330	12,528.14	29.8791	2,610.29	23.0896
Citadel Execution Services	21.76	29.03	27.23	17.30	23.43	7,027.00	20.2981	4,658.33	17.8996	5,234.82	29.0000	2,823.67	18.9478
Virtu Americas, LLC	11.00	7.72	10.41	10.76	37.45	2,113.55	10.6080	2,594.31	10.6564	3,352.94	24.9994	659.45	9.6844
CODA MARKETS INC	7.57	26.45	0.13	0.00	0.00	5,639.38	17.8215	8.59	10.0805	0.00	0.0000	0.00	0.0000

Material Aspects:

Instinet, LLC:
Instinet is APEX's technology provider, there are no transactional fees to route the orders and all Exchange fee/rebates are passed directly back to the client

Jane Street Capital:
APEX receives payment from Jane Street Capital, LLC (Jane) for directing order flow. Payment varies based upon a number of factors including but not limited to: Size of the order, time of order placement, whether an order is marketable at the time of order entry, the underlying price of the security and any special handling instructions. Payments received from Jane averaged less than $0.0020 per share for the period 4Q2020.

Citadel Execution Services:
APEX receives payment from Citadel Securities, LLC. (Citadel) for directing order flow. Payment varies based upon a number of factors including but not limited to: Size of the order, time of order placement, whether an order is marketable at the time of order entry, the underlying price of the security and any special handling instructions. Payments received from Citadel averaged less than $0.0012 per share for the period 4Q2020.

So far from this being Chamath vs Ken Griffin, it appears to be that Chamath is actually going into business with Griffin and SoFi's user data is yet another asset being monetized. Hell, SoFi (via apex) is selling everyone's data!

Almost like the only way to win is not to play!

As a final aside when businesses go pubic the involved parties have to file notices of all potentially relevant communications in 425s, which in 2021 leads to very funny filings that are just pictures of Chamath's tweets.

https://t.co/IDIDWxSbg8

425 1 tm213616d7_425.htm 425

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Subject Company: Social Finance, Inc.
Commission File No. 001-39606



IMPORTANT LEGAL INFORMATION

Additional Information and Where to Find It

This communication relates to a proposed transaction between SoFi and Social Capital Hedosophia. This communication does not constitute an offer to sell or exchange, or the solicitation of an offer to buy or exchange, any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, sale or exchange would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. In connection with the transaction, Social Capital Hedosophia filed a registration statement on Form S-4 with the Securities and Exchange Commission ("SEC") on January 11, 2021, which includes a document that serves as a prospectus and proxy statement of Social Capital Hedosophia, referred to as a proxy statement/prospectus. The proxy statement/prospectus will be sent to all Social Capital Hedosophia shareholders. Social Capital Hedosophia also will file other documents regarding the proposed transaction with the SEC. Before making any voting decision, investors and security holders of Social Capital Hedosophia are urged to read the registration statement, the proxy statement/prospectus and all other relevant documents filed or that will be filed with the SEC in connection with the proposed transaction as they become available because they will contain important information about the proposed transaction.

I always feel like I need a cigarette after hitting send on the "publish all tweets" in a thread blast