



Players in GameStop market drama make their case to lawmakers

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Wall Street hedge fund managers, the chief executives of Robinhood and Reddit and a YouTube streamer known as Roaring Kitty on Wednesday defended their roles in GameStop's Reddit-fueled stock rally before they face a grilling by lawmakers.

They insisted that while the market turmoil around the stock was unprecedented, there was no foul play, according to official testimony published by the House Financial Services Committee a day before a scheduled hearing. (bit.ly/3pucdNd)

Last month's Reddit rally drove massive volatility in GameStop and other shares, prompting the post-trade clearing houses that guarantee trades to call for billions of dollars in collateral from Robinhood and other retail trading platforms.

In response, many suspended buying in the affected stocks on Jan. 28. This outraged lawmakers, who questioned if the trading platforms were siding with hedge funds that had bet against the shares over Mom and Pop investors.

Vladimir Tenev, CEO of online brokerage Robinhood, wrote in his testimony that the decision to halt buying was solely due to the need to meet regulatory capital requirements.

Gabriel Plotkin said he was "humbled" when his hedge fund Melvin Capital Management suffered significant losses on the short end of the trade, but insisted his firm did not push Robinhood to suspend trading.

Likewise, Ken Griffin, CEO of hedge fund Citadel LLC and majority owner of Citadel Securities, a market maker that handles most of Robinhood's customer orders, disputed speculation that his firm tried to influence Robinhood's decision.

"I want to be perfectly clear: We had no role in Robinhood's decision to limit trading in GameStop or any other of the 'meme' stocks. I first learned of Robinhood's trading restrictions only after they were publicly announced," he wrote.

Keith Gill, who touted his GameStop investment for months on his Roaring Kitty YouTube channel and Reddit, insisted his position was solely based on publicly known fundamentals of the business and it was "preposterous" to suggest he sought to entice unwitting investors to buy shares.

Reddit CEO Steve Huffman said the company had analyzed traffic on the Reddit sub-feed WallStreetBets where users congregate to discuss stocks. The company found no bots, foreign agents or bad actors played a significant role in a traffic that helped drive interest in GameStop.

“WallStreetBets is first and foremost a real community,” he said.

On Thursday, the House committee will hear from the five men, as well as from Jennifer Schulp, director of financial regulation studies at the Cato Institute.

Lawmakers have directed most of their ire at Robinhood, but Tenev insisted his company had little choice but to suspend buying. He provided extensive detail on demands from clearing houses for the firm to put up billions of dollars in additional collateral to meet regulatory requirements.

He also dismissed the idea that Robinhood acted at behest of any hedge funds, calling such speculation “absolutely false and market-distorting rhetoric,” while noting its customer agreement and securities rules give it discretion to freeze trading.

Griffin used the opportunity to point to flaws in the post-trade infrastructure, noting that faster settlement times and “transparent clearing house capital requirements,” could help reduce risks to brokers like Robinhood and its customers.