



4 March 2021?– In January, the market value of American video game and electronics retailer GameStop, driven by an “army” of “retail” investors^[1], shot up from \$1.4 billion to \$33.7 billion. This dramatic increase in stock price caused hedge funds that were *shorting*^[2] GameStop to “suffer” significant losses and accuse retail investors of market manipulation. This standoff between “retail”^[3] and professional investors revealed the challenges faced by “retail” investors in equity trading: discrimination and conflicts of interest.

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[1]

<https://www.reuters.com/article/us-retail-trading-gamestop-capitalraise/exclusive-how-gamestop-missed-out-on-capitalizing-on-the-reddit-rally-idUKKBN2AB14F>

[2] Shorting, or short-selling, is a technique by which an investor sells a security (usually borrowed) at a certain price, hoping that the price will decrease in the future; when the price falls, the investor buys back the security for much cheaper than it sold (usually in order to return it to the lender), and earns the difference between the initial selling price and the lower price at which it was bought.

[3] “retail” is the name given by EU Law (MiFID) to consumers acting as individual non-professional investors.

[4] <https://sven-giegold.de/en/gamestop-frenzy/>

[5] Cited in many sources, including <https://www.theguardian.com/business/2021/jan/30/does-robinhood-owe-too-much-to-its-rich-backers>

[6] https://www.esma.europa.eu/sites/default/files/library/esma70-155-11809_episodes_of_very_high_volatility_in_trading_of_certain_stocks_0.pdf

[7] <https://www.cnbc.com/2021/02/18/payment-for-order-flow-the-controversial-wall-street-practice-to-draw-scrutiny-at-robinhood-hearing.html>

[8] <https://www.cfainstitute.org/-/media/documents/issue-brief/payment-for-order-flow.ashx>

[9] According to F2iC (a BETTER FINANCE member), "*individual investors often complain on forums of seeing other investors' orders being executed on*



the central order book of exchanges at their quotes, whilst their own orders are pending execution or not executed at all, as those were routed to alternative platforms" (translated from French, courtesy of BETTER FINANCE) - see Aldo Sicurani, 'Bourse: Zero commission ne veut pas dire zero couts' (December 2020) Inform@ctions – Magazine de la F2iC, p. 4, available at:

<https://www.f2ic.fr/ffci-portal/custom/module/cms/content/file/Informations/informations-n67-12-2020.pdf>

[10] For a detailed explanation on payments for order flows, see for example Aldo Sicurani, *ibid*

[11] <https://www.forbes.com/sites/ronshevlin/2021/02/08/the-rise-of-the-anti-robinhood/?sh=56342d21d3d6>

[12] EP Hearing on GameStop Case: https://multimedia.europarl.europa.eu/en/committee-on-economic-and-monetary-affairs_20210223-1345-COMMITTEE-ECON_vd

[13] *ibid*

[14] *ibid*

[15] <https://sven-giegold.de/en/gamestop-frenzy/>

[16] <https://www.reuters.com/article/retail-trading-germany-idUSL1N2K323K>

[17] <https://www.cnbc.com/2021/02/17/robinhood-faces-lawsuits-after-gamestop-trading-halt.html>

[18] <https://www.engage.hoganlovells.com/knowledgeservices/news/mifid-ii-fca-publishes-dear-ceo-letter-on-payment-for-order-flow>