# How Silicon Valley Stock Market Tech Stocks REALLY Work

## HOW THE TECH STOCK MARKET REALLY WORKS - IT IS ALL A FRAUD

by WILLIAM KAUFMAN

What is the stock market?

1) It's not real economic activity—it's a form of mass hysteria or mass psychosis.
2) Stock prices reflect a mass-hysteria impression of the worth of a piece of paper you hold—a stock certificate. The worth of that piece of paper is sometimes tethered to some economic reality of some corporation—at least partially—but sometimes not. Often a stock price bears little relation to the economic health of a company, as illustrated in the wildly gyrating stock price-to-earnings ratios through the decades. Hence the stock price is often a matter of caprice, covert manipulation, and/or unfathomable crowd psychology, not necessarily real economic "health" or productivity.

If, say, you are fortunate enough to own a stock that has doubled or tripled in price, this does not mean that you have accrued new wealth—that stock valuation is meaningless as long as you still own the piece of paper (the stock certificate); you realize that wealth only by selling the stock. And if you do cash out—sell the piece of paper—to someone else, you are transferring to another person the hazard of seeing that valuation drop or evaporate—an opportune fobbing off of risk to someone else, a transfer of cash to you, but no real creation of wealth—just the passing on of a piece of paper in exchange for currency. Eventually, down the road, your gain will be someone else's loss when the music stops playing and the last holder of the piece of paper finds there is no chair for him to land on—the stock market as Ponzi scheme.

If everyone or most people decide to sell their pieces of paper—to take their profits—all at once, then the stock prices tumble, so the idea that everyone can cash out and realize this imaginary wealth equally and universally is a mirage: if everyone tried to access it at once, it would evaporate. Hence the common notion that rising stock prices indicate a general increase in wealth or national prosperity is delusional. A stock crash does not erase billions or trillions in "wealth" overnight, as we are commonly told. There was never any "wealth" there to begin with, in the sense that a stock price rationally or measurably reflects the worth of tangible goods or services; that price is just a mass fever dream, a collective, chaotic, bidding war about the worth of pieces of paper.

3) The stock market is a swindle.
Much of the movement of these equities markets originates in the decisions of large funds or high-speed traders who have access to esoteric information, advanced algorithms, or trading networks from which Joe Trader, playing the market at home on his laptop, is excluded. Hence Joe Trader inevitably gets screwed. The author Michael Lewis draws the veil from this complicated high-tech rigging in a 2014 interview with CBS's 60 Minutes:

> Steve Kroft: What's the headline here?
> Michael Lewis: Stock market's rigged. The United States stock market, the most iconic market in global capitalism is rigged.
> Steve Kroft: By whom?
> Michael Lewis: By a combination of these stock exchanges, the big Wall Street banks and high-frequency traders.
> Steve Kroft: Who are the victims?
> Michael Lewis: Everybody who has an investment in the stock market.
> . . .
> Steve Kroft: And this is all being done by computers?
> Michael Lewis: All being done by computers. It's too fast to be done by humans. Humans have been completely removed from the marketplace. "Fast" is the operative word. Machines with secret programs are now trading stocks in tiny fractions of a second, way too fast to be seen or recorded on a stock ticker or computer screen. Faster than the market itself. High-frequency traders, big Wall Street firms and stock exchanges have spent billions to gain an advantage of a millisecond for themselves and their customers, just to get a peek at stock market prices and orders a flash before everyone else, along with the opportunity to act on it. . . . The insiders are able to move faster than you. They're able to see your order and play it against other orders in ways that you don't understand. They're able to front run your order.
> Steve Kroft: What do you mean front run?
> Michael Lewis: Means they're able to identify your desire to, to buy shares in Microsoft and buy 'em in front of you and sell 'em back to you at a higher price. It all happens in infinitesimally small periods of

> time. There's speed advantage that the faster traders have is milliseconds, some of it is fractions of milliseconds. But it's enough for them to identify what you're gonna do and do it before you do it at your expense.

4) The MSM commentators on the markets are all industry touts.
Their unvarying counsel, under all circumstances, is this: Get into the market.Get in if you're not in already. Stay in if you're already in. A plunge is a buying opportunity. A surge is a buying opportunity. A buying opportunity is that which puts a commission in their pockets. A mass exit from the stock market is the end of their livelihood. I don't know the Latin term for the logical fallacy at work here, but I think the English translation is something like this: bullshit being slung by greedy con artists. These are people with no more conscience or expertise than the barking guy with the Australian accent on the three a.m. informercial raving about a miracle degreaser or stain remover.

5) This market, more than most, is a big fat bubble, ready to pop.
This bubble is a cloistered biosphere of Teslas and beach houses, of con artists, kleptocrats, and financial sorcerers. It is rigorously insulated from the dolorous real economy inhabited by the 99 percent: declining living standards; stagnant real hourly wages; lousy service-industry jobs; debilitating consumer and student debt peonage; soaring medical insurance premiums and deductibles that render many people's swiss-cheese policies unusable; crumbling cities and infrastructure; climate disasters of biblical proportions; and toxic food, water, and air. This stock-market bubble has been artificially inflated by historically low interest rates (so the suckers have to go into the market to get a return on their money) and Fed "quantitative easing," a technocratic euphemism for a novel form of welfare for the one percent that has left untold trillions of "liquidity" sloshing around among the financial elites with which to play Monopoly with one another and pad their net worth by buying back shares of their own companies to inflate stock prices. Moreover, this bubble is even more perilous and tenuous than previous ones because the "air" inside is being pumped by unprecedented levels of consumer and institutional debt that will cause a deafening "pop" when some of the key players start to lose their shirts, and suddenly all the Peters start calling in the debts of all the Pauls who can't pay.

6) The end game is near. We can console ourselves that these latest innovations in financial prestidigitation and fraud are stretched about as far as they can go. The financial elites are out of three-card monte scams to suck the wealth out of the economy. The heroic productivist heyday of capitalism, celebrated by Marx

himself, is over in this country—no more driven visionary builders of railroads, factories, skyscrapers, and highways to a better tomorrow: just endless financial skullduggery and hoarding at the top, and for the rest of us the cold comforts of cell phones, smart televisions, and the endless streams of plastic consumer junk circulating through Amazon and Walmart. What Baudrillard called "the mirror of production" is a prison for the planet earth and every species on it. All that is left for the bipartisan predator class of the United States is scavenging: massive tax breaks for the rich today and tomorrow, perhaps, no more Medicare, no more Social Security, no more public schools—if they have their way, and they probably will. Pop goes the stock market, the illusion of prosperity, the whole unsustainable carbon-poison "economy," and pop goes the planet and the human race. But look at it this way: it's a buying opportunity.

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**Silicon Valley Securities fraud**, also known as **stock fraud** and **investment fraud**, is a deceptive practice in the stock or commodities markets that induces investors to make purchase or sale decisions on the basis of false information, frequently resulting in losses, in violation of securities laws.[1][*failed verification*][2][3]

Securities fraud can also include outright theft from investors (embezzlement by stockbrokers), stock manipulation, misstatements on a public company's financial reports, and lying to corporate auditors. The term encompasses a wide range of other actions, including insider trading, front running and other illegal acts on the trading floor of a stock or commodity exchange.[4][5][6]

- External links

Types of Silicon Valley securities fraud

Corporate fraud

Corporate misconduct

Fraud by high level corporate officials became a subject of wide national attention during the early 2000s, as exemplified by corporate officer misconduct at Enron. It became a problem of such scope that the Bush Administration announced what it described as an "aggressive agenda" against corporate fraud.[7] Less widely publicized manifestations continue, such as the securities fraud conviction of Charles E. Johnson Jr., founder of PurchasePro in May 2008.[8] Then-FBI Director Robert Mueller predicted in April 2008 that corporate fraud cases will increase because of the subprime mortgage crisis.[9]

Dummy corporations

Dummy corporations may be created by fraudsters to create the illusion of being an existing corporation with a similar name. Fraudsters then sell securities in the dummy corporation by misleading the investor into thinking that they are buying shares in the real corporation.

Internet fraud

According to enforcement officials of the Securities and Exchange Commission, criminals engage in pump-and-dump schemes, in which false and/or fraudulent information is disseminated in chat rooms, forums, internet boards and via email (spamming), with the purpose of causing a dramatic price increase in thinly traded stocks or stocks of shell companies (the "pump"). In other instances, fraudsters disseminate materially false information about a company in hopes of urging investors to sell their shares so that the stock price plummets. [10]

When the price reaches a certain level, criminals immediately sell off their holdings of those stocks (the "dump"), realizing substantial profits before the stock price falls back to its usual low level. Any buyers of the stock who are unaware of the fraud become victims once the price falls.[11]

The SEC says that Internet fraud resides in several forms:

- Online investment newsletters that offer seemingly unbiased information free of charge about featured companies or recommending "stock picks of the month". These newsletter writers then sell shares, previously acquired at lower prices, when hype-generated buying drives the stock price up. This practice is known as scalping. Conflict of interest disclosures incorporated into a newsletter article may not be sufficient. Accused of scalping, Thom Calandra, formerly of MarketWatch, was the subject of an SEC enforcement action in 2004.[12][13]
- 
- Bulletin boards that often contain fraudulent messages by hucksters.[14]
- E-Mail spams from perpetrators of fraud.[15]
- Phishing

Insider trading

Main article: Insider trading

There are two types of "insider trading". The first is the trading of a corporation's stock or other security by corporate insiders such as officers, key employees, directors, or holders of more than ten percent of the firm's shares. This is generally legal, but there are certain reporting requirements.[16]

The other type of insider trading is the purchase or sale of a security based on material non-public information. This type of trading is illegal in most instances. In illegal insider trading, an insider or a related party trades based on material non-public information obtained during the performance of the insider's duties at the corporation, or otherwise misappropriated.[17]

## Microcap fraud

Main article: Microcap stock fraud

In microcap fraud, stocks of small companies of under $250 million market capitalization are deceptively promoted, then sold to an unwary public. This type of fraud has been estimated to cost investors $1–3 billion annually.[18] Microcap fraud includes pump and dump schemes involving boiler rooms and scams on the Internet. Many, but not all, microcap stocks involved in frauds are penny stocks, which trade for less than $5 a share.

Many penny stocks, particularly those that sell for fractions of a cent, are thinly traded. They can become the target of stock promoters and manipulators.[19] These manipulators first purchase large quantities of stock, then artificially inflate the share price through false and misleading positive statements. This is referred to as a pump and dump scheme. The pump and dump is a form of microcap stock fraud. In more sophisticated versions of the fraud, individuals or organizations buy millions of shares, then use newsletter websites, chat rooms, stock message boards, press releases, or e-mail blasts to drive up interest in the stock. Very often, the perpetrator will claim to have "inside" information about impending news to persuade the unwitting investor to quickly buy the shares. When buying pressure pushes the share price up, the rise in price entices more people to believe the hype and to buy shares as well. Eventually the manipulators doing the "pumping" end up "dumping" when they sell their holdings.[20] The expanding use of the Internet and personal communication devices has made penny stock scams easier to perpetrate.[21] But it has also drawn high-profile public personalities into the sphere of regulatory oversight. Though not a scam per se, one notable example is rapper 50 Cent's use of Twitter to cause the price of a penny stock (HNHI) to increase dramatically. 50 Cent had previously invested in 30 million shares of the company, and as a result made $8.7 million in profit.[22] Another example of an activity that skirts the borderline between legitimate promotion and hype is the case of LEXG. Described (but perhaps overstated) as "the biggest stock promotion of all time", Lithium Exploration Group's market capitalization soared to over $350 million, after an extensive direct mail campaign. The promotion drew upon the legitimate growth in production and use of lithium, while touting Lithium Exploration Groups position within that sector. According to the company's December 31, 2010, form 10-Q (filed within months of the direct mail promotion), LEXG was a lithium company without assets. Its revenues and assets at that time were zero.[23][24] Subsequently, the company did acquire lithium production/exploration properties, and addressed concerns raised in the press.[25][26]

Penny stock companies often have low liquidity. Investors may encounter difficulty selling their positions after the buying pressure has abated, and the manipulators have fled.

## Accountant fraud

Further information: Accounting scandals

In 2002, a wave of separate but often related accounting scandals became known to the public in the U.S. All of the leading public accounting firms—Arthur Andersen, Deloitte & Touche, Ernst & Young, KPMG, PricewaterhouseCoopers— and others have admitted to or have been charged with negligence to identify and prevent the publication of falsified financial reports by their corporate clients which had the effect of giving a misleading impression of their client companies' financial status. In several cases, the monetary amounts of the fraud involved are in the billions of USD.[27]

### Boiler rooms

Main article: Boiler room

Boiler rooms or boiler houses are stock brokerages that put undue pressure on clients to trade using telesales, usually in pursuit of microcap fraud schemes. Some boiler rooms offer clients transactions fraudulently, such as those with an undisclosed profitable relationship to the brokerage. Some 'boiler rooms' are not licensed but may be 'tied agents' of a brokerage house which itself is licensed or not. Securities sold in boiler rooms include commodities and private placements as well as microcap stocks, non-existent, or distressed stock and stock supplied by an intermediary at an undisclosed markup.

### Mutual Fund fraud

Main article: 2003 Mutual-fund scandal

A number of major brokerages and mutual fund firms were accused of various deceptive acts that disadvantaged customers. Among them were late trading and market timing. Various SEC rules were enacted to curtail this practice.[28] Bank of America Capital Management was accused by the SEC of having undisclosed arrangements with customers to allow short term trading.[29]

### Short selling abuses

Main articles: Pump and dump and Short and distort

Abusive short selling, including certain types of naked short selling, are also considered securities fraud because they can drive down stock prices. In abusive naked short selling, stock is sold without being borrowed and without any intent to borrow.[30] The practice of spreading false information about stocks, to drive down their prices, is called "short and distort". During the takeover of Bear Stearns by J.P. Morgan Chase in March 2008, reports swirled that shorts were spreading rumors to drive down Bear Stearns' share price. Sen. Christopher Dodd, D-Conn., said this was more than rumors and said, "This is about collusion."[31]

### Ponzi schemes

Main article: Ponzi scheme

A Ponzi scheme is an investment fund where withdrawals are financed by subsequent investors, rather than profit obtained through investment activities. The largest instance of securities fraud committed by an individual ever is a Ponzi scheme operated by former NASDAQ chairman Bernard Madoff, which caused up to an estimated $64.8 billion in losses depending on which method is used to calculate the losses prior to its collapse.[32][33]

### Pervasiveness of securities fraud

The Securities Investor Protection Corporation (SIPC) reports that the Federal Trade Commission, FBI, and state securities regulators estimate that investment fraud in the United States ranges from $10–$40 billion annually. Of that number, SIPC estimates that $1–3 Billion is directly attributable to microcap stock fraud.[18] Fraudulent schemes perpetrated in the securities and commodities markets can ultimately have a devastating impact on the viability and operation of these markets.[34]

Class action securities fraud lawsuits rose 43 percent between 2006 and 2007, according to the Stanford Law School Securities Class Action Clearinghouse. During 2006 and 2007, securities fraud class actions were driven by market wide events, such as the 2006 backdating scandal and the 2007 subprime crisis. Securities fraud lawsuits remained below historical averages.[35]

Some manifestations of this white collar crime have become more frequent as the Internet gives criminals greater access to prey. The trading volume in the United States securities and commodities markets, having grown dramatically in the 1990s, has led to an increase in fraud and misconduct by investors, executives, shareholders, and other market participants.

Securities fraud is becoming more complex as the industry develops more complicated investment vehicles. In addition, white collar criminals are expanding the scope of their fraud and are looking outside the United States for new markets, new investors, and banking secrecy havens to hide unjust enrichment.

A study conducted by the New York Stock Exchange in the mid-1990s reveals approximately 51.4 million individuals owned some type of traded stock, while 200 million individuals owned securities indirectly. These same financial markets provide the opportunity for wealth to be obtained and the opportunity for white collar criminals to take advantage of unwary investors. [*citation needed*]

Recovery of assets from the proceeds of securities fraud is a resource intensive and expensive undertaking because of the cleverness of fraudsters in concealment of assets and money laundering, as well as the tendency of many criminals to be profligate spenders. A victim of securities fraud is usually fortunate to recover any money from the defrauder. Sometimes the losses caused by securities fraud are difficult to quantify. For example, insider trading is believed to raise the cost of capital for securities issuers, thus decreasing overall economic growth.[36]

### Characteristics of victims and perpetrators

Any investor can become a victim, but persons aged fifty years or older are most often victimized, whether as direct purchasers in securities or indirect purchasers through pension funds. Not only do investors lose but so can creditors, taxing authorities, and employees.

Potential perpetrators of securities fraud within a publicly traded firm include any dishonest official within the company who has access to the payroll or financial reports that can be manipulated to:

1. overstate assets
2. overstate revenues
3. understate costs
4. understate liabilities
5. understate pennystock

Enron Corporation[27] exemplifies all five tendencies, and its failure demonstrates the extreme dangers of a culture of corruption within a publicly traded corporation. The rarity of such spectacular failures of a corporation from securities fraud attests to the general reliability of most executives and boards of large corporations. Most spectacular failures of publicly traded companies result from such innocent causes as marketing blunders (Schlitz),[37] an obsolete model of business (Penn Central, Woolworth's),[38] inadequate market share (Studebaker),[39] non-criminal incompetence (Braniff).[40]

Other effects of securities fraud

Even if the effect of securities fraud is not enough to cause bankruptcy, a lesser level can wipe out holders of common stock because of the leverage of value of shares upon the difference between assets and liabilities. Such fraud has been known as watered stock, analogous to the practice of force-feeding livestock great amounts of water to inflate their weight before sale to dealers.

Penny stock regulation

The regulation and prosecution of securities fraud violations is undertaken on a broad front, involving numerous government agencies and self-regulatory organizations. One method of regulating and restricting a specific type of fraud perpetrated by pump and dump manipulators, is to target the category of stocks most often associated with this scheme. To that end, penny stocks have been the target of heightened enforcement efforts. In the United States, regulators have defined a penny stock as a security that must meet a number of specific standards. The criteria include price, market capitalization, and minimum shareholder equity. Securities traded on a national stock exchange, regardless of price, are exempt from regulatory designation as a penny stock,[41] since it is thought that exchange traded securities are less vulnerable to manipulation.

[42] Therefore, CitiGroup (NYSE:C) and other NYSE listed securities which traded below $1.00 during the market downturn of 2008–2009, while properly regarded as "low priced" securities, were not technically "penny stocks". Although penny stock trading in the United States is now primarily controlled through rules and regulations enforced by the United States Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA), the genesis of this control is found in State securities law. The State of Georgia was the first state to codify a comprehensive penny stock securities law.[43] Secretary of State Max Cleland, whose office enforced State securities laws[44] was a principal proponent of the legislation. Representative Chesley V. Morton, the only stockbroker in the Georgia General Assembly at the time, was principal sponsor of the bill in the House of Representatives. Georgia's penny stock law was subsequently challenged in court. However, the law was eventually upheld in U.S. District Court,[45] and the statute became the template for laws enacted in other states.

Shortly thereafter, both FINRA and the SEC enacted comprehensive revisions of their penny stock regulations. These regulations proved effective in either closing or greatly restricting broker/dealers, such as Blinder, Robinson & Company, which specialized in the penny stocks sector. Meyer Blinder was jailed for securities fraud in 1992, after the collapse of his firm.[46] However, sanctions under these specific regulations lack an effective means to address pump and dump schemes perpetrated by unregistered groups and individuals.

Related subjects

- Accounting scandals
- Allen Stanford
- China Medical Technologies, U.S. Department of Justice criminally indicted CMED's CEO and CFO for securities fraud and wire fraud conspiracy for stealing more than $400 million from investors as part of a seven-year scheme.
- Corporate abuse
- Dot-com bubble
- Enron
- FBI
- Financial crisis of 2007–2010
- Illicit financial flows
- Insider trading
- Madoff investment scandal
- Bernie Madoff
- Martin Shkreli
- Microcap stock fraud
- Operation Broken Trust
- Penny stock
- Private Securities Litigation Reform Act
- Pyramid scheme
- Sarbanes-Oxley Act
- Securities Class Action
- Selling away
- Taylor, Bean & Whitaker, top-10 U.S. wholesale mortgage lending firm that ceased business following multibillion-dollar fraud revelations
- Trading Places
- United States Securities and Exchange Commission
- White-collar crime
- Worldcom

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# How Wall Street’s ‘fear gauge’ is being rigged, according to one whistleblower

By **Mark DeCambre** and **Francine McKenna**

The letter makes the claim to regulators that fake quotes for the S&P 500 index **SPX, +0.26%** are skewing levels of the Cboe Volatility Index **VIX, -**

**2.50%** which reflects bearish and bullish options bets 30-days in the future on the S&P 500 to gauge implied stock-market volatility (see excerpt from the letter below).

> The flaw allows trading firms with sophisticated algorithms to move the VIX up or down by simply posting quotes on S&P options and without needing to physically engage in any trading or deploying any capital. This market manipulation has led to multiple billions in profits effectively taken away from institutional and retail investors and cashed in by unethical electronic option market makers.

The whistleblower's claims are consistent with those documented by John Griffin, professor of finance at the University of Texas and Ph.D. candidate Amin Shams in May 2017 in research that says the cost of manipulating less-liquid SPX options would be more than paid for by a successful bet on the direction of the VIX. The paper is consistent with the whistleblower's conclusion—that manipulators are moving prices of the SPX options by spoofing at settlement—entering quotes for trades that are never executed—to "paint the tape" and, therefore, influence the value of expiring VIX derivatives.

Opinion: How S&P 500 options may be used to manipulate VIX 'fear gauge'

The VIX has underpinned a number of strategies described as so-called short-volatility, which imploded dramatically last Monday when VIX, also known as Wall Street's fear gauge, registered its largest percentage change in its history, cratering bets that volatility measures would fall, if not remain muted.

Short volatility products, notably, VelocityShares Daily Inverse VIX Short Term ETN**XIV, -0.75%** tumbled 90% in after-hours trade Feb. 5 as the Dow Jones Industrial Averaged **DJIA, +0.16%** plunged 1,175 points, or 4.6%, marking its sharpest point drop in the blue-chip gauge's 121-year history. Another product, the exchange-traded fund ProShares Short VIX Short-Term Futures ETF **SVXY, -0.44%** known by its ticker SVXY, also tanked last week.

Credit Suisse, the sponsor, of VelocityShares Daily, or XIV, said it planned to liquidate the product on Feb. 21.

The spectacularly wrongway short bets had become one of the most popular trades on Wall Street because volatility had gone eerily absent for a protracted period, encouraging investors, who were lamenting the narrow trading ranges present during that period of placidity, to make more aggressive wagers to generate richer returns. Those moves also came amid ultralow rates for government bonds, particularly the 10-year Treasury note **TMUBMUSD10Y, -1.11%**

Jason Zuckerman, attorney at law firm, Zuckerman Law, who is representing the anonymous whistleblower, told MarketWatch that his client is concerned about unfair markets.

"My client is concerned about VIX manipulation that has already caused investors to incur massive losses and is eager to prevent further harm from investors," Zuckerman said.

The whistleblower would also like the market regulates to play a more active role in preventing further harm to investors including requiring more accurate and comprehensive disclosures about the various risks that are associated with products linked to VIX," he said.

The letter urges "the SEC and CFTC to promptly investigate the matter before investors suffer additional losses due to this fraud."

Zuckerman's whistleblower further charges that the average retail investor isn't aware of how exchange-traded products like XIV are rebalanced daily and that a "mismatch" in the nature of short-volatility products means "a larger move in spot-volatility in either direction requires excessive buying or selling pressure whenever short volatility assets are dominant."

Messages to the SEC and the CFTC weren't immediately returned.

The whistleblower claim also comes amid heightened regulatory scrutiny around short-VIX products, including former CFTC Commissioner Bart Chilton, who told MarketWatch that warnings about products like XIV should be written in "big, bold 24-point font and in red letters."

A CBOE press release said that Feb. 5-Feb. 9 was the busiest week in the exchange's history with a record weekly high of 48.29 million contracts traded. However, shares of CBOE, which merged with merged with Bats Global Markets

last year, lost 20% last week when after the market mayhem cast doubt on whether these products would remain viable choices for traders.
CBOE executives are confident its VIX product will continue to do well in all market conditions. On its earnings call, John Deters, CBOE's chief strategy officer, told analysts, "It's really an exceptional event when the level of VIX increases and doubles in a matter of just a handful of days. That's occurred, and now we're at a point where — and professionals know this — we're at a point where the short VIX strategy tends to work quite well."

CBOE Chairman and CEO Edward Tilly refuted concerns about the impact of the problems at some exchange-traded products and added that the exchange saw record trading volume in VIX futures and options in 2017. "The activity we see from issuers of XIV and SVXY is less than 5% of all VIX futures trading, representing average daily volume of about 12,000 contracts," Trilly said. Non-institutional holders of these ETPs were approximately 21% of total holdings in the last reported period, he said, with the remainder consisting of "sophisticated institutional users who employ inverse VIX ETPs as part of a diverse mix of trading and investing strategies."