

Press Release

SEC Proposes Short Sale Disclosure Rule, Order Marking Requirement, and CAT Amendments

Agency Also Reopens Comment Period for Proposed Rule 10c-1

FOR IMMEDIATE RELEASE

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Washington D.C., Feb. 25, 2022 — The Securities and Exchange Commission today announced that it has voted to propose changes that would provide greater transparency to investors and regulators by increasing the public availability of short sale related data. New Exchange Act Rule 13f-2 and the corresponding Form SHO would require certain institutional investment managers to report short sale related information to the Commission on a monthly basis. The Commission then would make aggregate data about large short positions, including daily short sale activity data, available to the public for each individual security.

“Proposed Rule 13f-2 would make aggregate data about large short positions available to the public for individual equity securities,” said SEC Chair Gary Gensler. “This would provide the public and market participants with more visibility into the behavior of large short sellers. The raw data reported to the Commission on a new Form SHO would help us to better oversee the markets and understand the role short selling may play in market events. It’s important for the public and the Commission to know more about this important market, especially in times of stress or volatility.”

Specifically, Rule 13f-2 would require institutional investment managers exercising investment discretion over short positions meeting specified thresholds to report on the Proposed Form SHO information relating to end-of-the-month short positions and certain daily activity affecting such short positions. The Commission would aggregate the resulting data by security, thereby maintaining the confidentiality of the reporting managers, and publicly disseminated the data to all investors. This new data would supplement the short sale data that is currently publicly available from FINRA and stock exchanges.

The Commission also voted to propose a new provision of Regulation SHO, Rule 205, which would establish a new “buy to cover” order marking requirement for broker-dealers. Regulation SHO, which is the Commission’s primary short selling regulation, requires broker-dealers to identify each sale order that it effects as either “long,” “short,” or “short-exempt,” but it does not currently have a corresponding requirement for purchase orders. Proposed Rule 205 would require a broker-dealer to mark a purchase order as “buy to cover” if the purchaser has any short position in the same security at the time the purchase order is entered. This information will be especially useful to the Commission in reconstructing significant market events and identifying potentially abusive trading practices including short squeezes.

Relatedly, the Commission voted to amend the national market system plan governing the consolidated audit trail (CAT). The amendment would require CAT reporting firms to report “buy to cover” information to CAT. The

proposed amendments also include a provision that would require each CAT reporting firm to indicate where it is asserting use of the bona fide market making exception under Regulation SHO.

In light of Proposed Rule 13f-2, the Commission voted to reopen the comment period for Proposed Exchange Act Rule 10c-1. Rule 10c-1 was proposed by the Commission on November 18, 2021, to increase the transparency and efficiency of the securities lending market by requiring any person that loans a security on behalf of itself or another person to report the material terms of those securities lending transactions and related information to a registered national securities association. The initial Comment period for proposed Rule 10c-1 ended on January 7, 2022.

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Related Materials

- [Fact Sheet](#)
- [Chair Gensler Statement](#)
- [Proposed Short Sale Disclosure Rule](#)
- [Proposed CAT Amendments](#)
- [Reopening Comment Period: Securities Loans Reporting](#)