



Significant US Shareholding Disclosure Changes Kick Off in 2024

Amended SEC Schedules 13 D/G and the New Short-Sale Rule 13f-2 May Catch Firms Underprepared

An aggressive timeline and unfamiliar territory

To comply with the SEC's significant changes to shareholding disclosure rules for substantial shareholding (SH) and short selling (SS), institutional investors have a lot of work to do. The aggressive compliance timeline starts on February 5, 2024 and extends throughout the year. To meet these milestones, firms need to immediately formulate a strategy.

To deal with the demanding US Schedules 13D/G amendments, at least firms can begin from a base of familiarity with SH disclosures. They already track beneficial ownership in US listed securities, perform complex calculations to determine such ownership thresholds within their hierarchies at both entity and group levels, and disclose detailed holdings/holder information upon breaches.

But with the launch of 13f-2 — the US' first SS disclosure rule, many firms will be charting unknown regulatory waters.

High-level impacts of the rule changes Schedules 13 D/G

As stated, for many firms, the complexities of SH disclosures are familiar via ongoing compliance with US Schedules 13D/G. But the amendments significantly add to that complexity, and now:

- ▶ Include cash-settled instruments
- ▶ Require more intensive monitoring and reporting capabilities
- ▶ Accelerate filing deadlines for beneficial ownership reports, as delineated in the following exhibit
- ▶ Require the report itself to be disclosed using structured, machine-readable XML-based language

Many firms have not yet begun to lay the groundwork leaving open the possibility of non-compliance risk.

So, a lot of challenging territory to cover, and not a lot of time.

Schedules 13D/G

Current Filing Rules

- ▶ **Schedule 13D:** Investors are required to submit within 10 days of initially acquiring beneficial ownership of 5% or more in equity, equity derivatives, or cash settled derivatives of US listed registered voting shares.
- ▶ **Amendments:** Must be made immediately after triggering event.

- ▶ **Schedule 13G:** Qualified institutional investors (QII) will be required to submit their filings within 45 days after the end of calendar year in which they became 5% holders.
- ▶ **Amendments:** Must be made to filings within 10 days of breaching 10%, or a 5% increase/decrease of holdings.

- ▶ **Schedule 13G:** Any investor who qualifies to submit must file their initial filings within 10 days after exceeding the threshold of 5% of beneficial ownership in registered voting shares.
- ▶ **Amendments:** Must be made to filings promptly after exceeding the threshold of 10% of beneficial ownership.

- ▶ **Schedules 13D/G:** All the filings should be reported in PDF format.

Initiation Dates and Filing Changes

As of Feb. 5, 2024, submission deadline compressed to 5 days.

Within 2 days.

As of Sept. 30, 2024, submission deadline compressed to 45 days after the end of the calendar quarter.

Within 5 days after the end of calendar month.

As of Sept. 30, 2024, submission deadline compressed to 5 days.

Within 2 days.

As of Dec. 18, 2024, all filings must be in structured machine-readable language.



SEC Rule 13f-2 – short-selling disclosure (Form SHO)

In contrast to the substantial-shareholding amendments, this new short-selling rule puts firms in unfamiliar territory. In Europe, firms are already subject to a high degree of disclosure. Now with the launch of Rule 13f-2, the SEC has instituted a similar approach to ensure public availability of short-sale related data in the US. Quite expansive and stringent, this brand-new rule means that many firms will be startled to discover they have come into scope and must implement compliance immediately.

In scope: Institutional investors with investment discretion over, and meeting or exceeding a monthly average of daily gross short positions of 10 million USD or 2.5% of registered securities outstanding must now report specified short-position and short-activity data for equity shares. Many asset managers' portfolios will be impacted.

Compliance is operationally challenging — firms must get ready to perform the intensive monitoring that has to take place monthly.

- ▶ Monitor
- ▶ Compile positions
- ▶ Submit Form SHO (the all-new short-selling report) within 14 days of month end

In addition, as of January 2, 2025, Form SHO must be submitted in machine-readable format.

Firms need to approach this new rule with precision and alacrity.

Up-front urgencies

To comply with these new SEC requirements for SH and SS disclosures, firms face urgent challenges. Chief among them are:

- ▶ Locating and making available newly covered beneficial ownership data, especially for cash-settled instruments. If firms have not yet accomplished this step, **they are already at risk** of missing the initial disclosure due date of February 5, 2024.
- ▶ Locating and making available short-sale-related data and instituting calculations to meet SS filing requirements.
- ▶ Establishing the newly intensified monitoring cadences (down to the time of submission) across the board.
- ▶ Prepping the machine-readable reporting format due in December 2024.
No more PDFs.



Behind the scenes prep

Given the brief time remaining to prepare, and the urgent up-front challenges, it is essential for firms whose investment value puts them in scope to seek the most strategic means to handle and futureproof themselves for the SEC's burgeoning shareholding disclosure requirements.



The complexities of these disclosures require a data management and regulatory reporting system that:

- ▶ Easily incorporates equity, equity and cash-settled derivatives, and short-selling position tracking datasets from a firm's disparate sources
- ▶ Swiftly determines a holding's eligibility for disclosure via a fit-for-purpose data-dictionary architecture that understands beneficial ownership types
- ▶ Accurately onboards and reflects a firm's specific entity hierarchy so that shareholding data can be aggregated and disaggregated as needed at entity and group levels in accordance with intricate, changing disclosure requirements
- ▶ Provides transparent and flexible application of rules. For example, given organizations' distinct entity structures, a firm may require certain operating model rule-modifications
- ▶ Calculates thresholds on large data volumes, and provides an alert on any breach, enabling firms to manage their individual disclosure obligations on a timely basis
- ▶ Compiles reports according to threshold rules within disclosure submission timelines in various machine-readable formats as defined by each regulator (e.g., XML, XBRL, and HTML)
- ▶ Is SaaS-enabled to efficiently handle large data volumes and calculations, and, ideally, also provides regulatory change-management support
- ▶ Is modular in the sense that a firm only required to disclose SH, can do that, and add SS monitoring if it becomes necessary
- ▶ Is globally applicable, so a firm can address all its shareholding disclosure requirements in a uniform way across jurisdictions

The CAT connection

Lastly, firms could consider their consolidated audit trail (CAT) trade and transaction reporting stance alongside shareholding disclosures. There exists a substantial overlap/cohesion between data being required for CAT reporting and that needed for shareholding disclosure, especially for Rule 13f-2. Working with a vendor who understands the end-to-end trade life cycle and the regulatory-reporting arena would enable a firm to leverage these companionable datasets and more efficiently meet compliance obligations.



In any case, the time to dig into the SEC's changes to the US shareholding-disclosures landscape is now.

Contact Adenza to start a conversation about how we can leverage our global shareholding disclosure (GSD) capabilities to kick start and futureproof your program to comply with the amended SEC Schedules 13 D/G and the new Rule 13f-2 (Form SHO) requirements.

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