



August 30, 2018

Mr. Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**File No. 4-689: Petition for Rulemaking Pursuant to Sections 10 and 13(f) of the Securities Exchange Act of 1934 (also File No. 4-659)**  
**File No. 4-691: Rulemaking Petition to Require Disclosure of Short Positions**

Dear Mr. Fields:

The undersigned individuals, who are the leadership of the National Investor Relations Institute (NIRI) Capital Area Chapter, are writing, on behalf of the chapter, in support of the rulemaking petitions submitted by NYSE Group, Inc. and NIRI on October 7, 2015 and submitted by Nasdaq, Inc. on December 7, 2015. We represent members who are investor relations officers at 20 publicly held companies headquartered in the greater Washington, DC area, including Maryland and Virginia. These companies, listed on the New York Stock Exchange and the NASDAQ Exchange, have a combined market capitalization of approximately \$320 billion. We also represent investor relations counselors who advise other publicly-held companies across the country. We join the NYSE Group and Nasdaq in urging the U.S. Securities and Exchange Commission to promulgate rulemaking pursuant to Sections 10 and 13 of the Securities and Exchange Act of 1934 (and Section 929X of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010) to: 1) require the periodic public disclosure of short-sale activities by institutional investment managers, and 2) to require institutional investment managers to publicly disclose their short positions.

We are pleased to see that, since these petitions were filed, members of the United States Congress, and 15 public companies also have urged the Commission to adopt a short-position disclosure rule. On behalf of the members of the Capital Area Chapter, we agree with the NYSE Group and our parent organization that there is a need to improve public disclosure standards and broaden the accessibility of relevant data to the investors and listed companies. We also agree with the NYSE Group, Nasdaq, our parent organization, the members of Congress, and 15 public companies that there is a serious gap in the regulation of short sellers related to their disclosure obligations.

We also support the 2013 rulemaking petition (File No. 4-659) submitted by NIRI, the NYSE Group, and the Society of Corporate Secretaries and Governance Professionals (now known as the Society for Corporate Governance) that urges the SEC to shorten the current 45-day period for 13(f) filers to report their long positions. Investors, issuers, regulators, and other market participants all would benefit from modernizing the 13(f) rules, last amended in 1979, to require short position disclosure as well as the timelier reporting of long positions. We believe that month-end reporting with a 15-day period for 13(f) filers to report their long and short positions is equitable and doable.

U.S. public companies now operate in an environment of great transparency governed by stock exchange rules and federal and state regulations. Unfortunately, the same level of transparency does not apply to the institutions that own the vast majority of the shares of public companies. While Congress and the Commission have accelerated various corporate deadlines (Forms 4, 8-K, 10-K, and 10-Q) to ensure that investors receive more timely information, the 13(f) reporting rules have not been updated and leave a serious gap in market transparency. Given the advances in recordkeeping and reporting technologies in the more than 30 years since the 13(f) reporting requirements were first adopted and the increase in passive investing in the markets today, there is no practical reason why institutions cannot provide public disclosure of their short positions as well as more current information on their long holdings.

In accordance with its mission, the SEC should require the same level of disclosure from all 13(f) institutions (investment funds, hedge funds, activists, etc.) that maintain short positions as are required of the funds that maintain long equity positions. We believe that short position reporting should be publicly available in the same manner as long position reporting.

For decades, investment managers who hold long positions have been subject to quarterly Section 13(f) disclosure obligations, but these investment managers are not required to disclose their short positions. This lack of transparency deprives companies of insights into trading activity and limits their ability to engage with investors. We concur with the comments of Dr. James J. Angel, Associate Professor of Finance at Georgetown University, in his letter to you that it “is illogical and inconsistent” to make investment managers disclose only their long positions but not short positions.

The current lack of transparency around short selling hurts retail shareholders, who typically don’t have the same information resources as institutional investment managers and are more likely to be misled by misinformation about a company. If both long and short investors are required to disclose their positions on a periodic basis, all market actors, including individual investors, would have more information to help them make better informed trading decisions.

Other global markets, including the United Kingdom, France, Spain, and the European Union, have adopted rules that require institutions to report net short positions to regulators and to the public.

As other commenters have noted, in particular three United States senators, this gap in disclosure increases the risk of short-selling abuses that are harmful to U.S. companies and investors. These

abuses can drive down the value of growing companies and leave them with less capital for hiring employees, investing in R&D, or providing dividends to their shareholders.

Requiring the disclosure of short positions would help prevent market manipulation and other abusive trading practices. Transparency is the best way to combat these trading behaviors – a disclosure regime for short sellers would shine light on their motivations and provide valuable information to issuers and other investors. A short disclosure rule would greatly help the Commission, which has limited enforcement resources, police market abuses and other potential fraudulent conduct.

Public disclosure of short positions would help the companies for whom our members work and other investors better analyze market movements in their securities. While our members now utilize the aggregate short-sale data provided by the exchanges to evaluate the market and anticipate developments with respect to their securities, they don't know who is shorting the shares of their respective companies, and thus are unable to engage in a dialogue with short sellers unless they choose to surface publicly.

Our members who are investor relations officers have active investor outreach programs at their respective companies, and value the views and insights of all their shareholders. Identification and disclosure of institutional investment managers who hold positions in companies, whether long or short, would improve the understanding of their views and help our members communicate more effectively with these investors.

The lack of short-position transparency is a significant problem when the companies represented by our members have meetings with investors. Because short positions are not disclosed, our members have no way of knowing whether a particular investor has shorted their securities. While our members are willing to talk with short sellers and address their questions about their respective business models, they should know before sitting down at the table with an investor if they have a position, and the nature of their position. This is all the more critical, given the increasing trend of direct shareholder engagement with boards of directors as espoused by the Investor Stewardship Group and other organizations.

Increasing the frequency of reporting of 13(f) filers from quarterly to monthly and shortening the current 45-day period to 15 days is more than doable, given the advances in reporting technologies since 1979.<sup>1</sup> Today, issuers have no other source of public information as to who holds their stock, either long or short, than the 13(f) filings. By the time 13(f) data is available, it is 45 days old and likely no longer accurate with regard to most institutional holdings. Our members believe that all public companies have the fundamental right to know who holds their shares, either long or short, on a timelier basis, given the increasing requests by investors for access to management and board members. In addition, given the increasing amount of institutions that are turning to passive investing strategies, which means that there is no contact between the investor and the issuer prior to a position being taken, increasing the frequency of

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<sup>1</sup> While SEC officials have indicated that changing the reporting frequency to monthly would require a statutory change, we encourage the Commission to support such a change to Section 13(f) to ensure that the 13(f) disclosure regime reflects the realities of today's markets and provides greater transparency for the benefit of both issuers and investors.

reporting becomes even more critical to ensure that companies know the identities of their new investors and can engage effectively with them. Modernizing the 13(f) reporting requirements will not only provide more transparency for our members and the companies for whom they work but also serve to increase the efficiency of the marketplace.

The NIRI Capital Area Chapter joins our parent organization, NIRI, the NYSE Group, Nasdaq, and other listed companies in urging the SEC to take prompt action to level the playing field and adopt disclosure requirements for short sellers and to modernize the long-position rules.

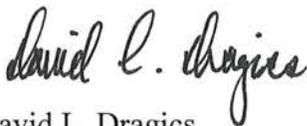
On behalf of the NIRI Capital Area Chapter, we urge the Commission to draft a rule to overhaul the 13(f) reporting system to promote greater equity ownership transparency and to draft a rule to require investment managers to disclose their short positions. Once such rules are proposed, institutional investors, public companies, and other market participants could offer their views on how these regulations should be revised to address any concerns while still carrying out the SEC's mission to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.

If you have any questions, or if any of the undersigned can provide any additional information that would be helpful to the Commission or its staff, please feel free to contact us.

Sincerely,



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Vice President, New Business Development  
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