The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Comments on File No. S7-08-22: Short Position and Short Activity Reporting by Institutional Investment Managers (the "Proposed Rules")

Dear Chair Gensler:

We are writing to you as a private fund manager that manages a convertible arbitrage fund. We are registered with the Securities and Exchange Commission ("SEC" or "Commission") as an investment adviser and would be required to report certain of our short positions and short-related trading activity under the Proposed Rules. We appreciate the opportunity to provide you with our thoughts on the Proposed Rules and have chosen to submit our comments anonymously, as we generally seek to avoid publicity. While we are supportive of a short sale transparency rule that would be both meaningful and workable, we believe that for the Proposed Rules to meet these goals, they should be adjusted to address the concerns outlined below.

A. *Bona Fide* Hedging of Long Positions

We believe that requiring *bona fide* hedging activity[1] to be reported on Form SHO – for example, when a convertible arbitrage manager enters into a short sale to hedge against equity-related price movements in a long convertible bond holding – would not provide meaningful information to either the SEC or other market participants. By including *bona fide* hedging activity in the required reporting, it would *not* help achieve the goals set forth in the proposing release of (1) reducing market abuse and manipulation by short sellers, (2) addressing systemic risks, (3) reconstructing significant market events, (4) allowing the SEC to better observe which managers might be at risk of suffering harm from a short squeeze or (5) increasing information available to investors about bearish sentiment in the market. In addition, we believe short sale data that includes *bona fide* hedging activity would distort the transparency the SEC is hoping to create by adopting the Proposed Rules. For the reasons outlined below, we would recommend that the SEC modify the proposed threshold requirements[2] to reference short positions on

[1] By "*bona fide* hedging activity" we mean shorting, covering and similar activity in a security related to a long position, where the long security is exercisable, convertible, or otherwise related by its terms to the short security, and the short position is entered into to offset risk associated with the long position.
[2] For short sales of equity securities of a reporting issuer (i.e., an issuer registered pursuant to section 12 of the Securities Exchange Act), the Commission has proposed that reporting of a short position (and related activity) be required if the manager meets or exceeds either (a) a gross short position in the equity security with a US dollar value of $10 million or more at the close of regular trading hours on any settlement date during the calendar month, or (2) a monthly average gross short position as a percentage of shares outstanding in the equity security of 2.5% or more (referred to as the first and second prong of "Threshold A" in the Proposed Rules). While our comments in this letter are focused primarily on Threshold A, as our convertible arbitrage fund does not short equity securities of unregistered or non-reporting issuers, we believe they apply equally in the context of non-reporting issuers and the related reporting threshold as proposed (i.e., gross short positions in the equity security

a net "delta-adjusted" basis as opposed to a gross basis or, in the alternative, exclude from the reporting obligations under the Proposed Rules "*bona fide* hedging activity" as such term would be defined in the final rules.

1. The Application of Form SHO Reporting to *Bona Fide* Hedging Activity Would Not Further the Commission's Objectives[3]

First, in *bona fide* hedging transactions, the shorting of equity securities (shares) is entered into to hedge against price movements in a related long position (such as a convertible bond or an option) rather than to take a directional (negative) view on a stock price. *Bona fide* hedging does not involve shorting an individual stock to take a directional bet that an issuer's stock price will go down, and thus, by its very nature, this activity has little or no potential to be abusive or manipulative.

Second, we agree with the SEC's view that "Having detailed information about which Managers currently hold large and *unhedged* short positions may also help the Commission observe potential systemic risk concerns regarding short selling" (emphasis added). However, in stating it this way, the SEC appears to be acknowledging that having such detailed information on *hedged* positions, particularly short sales made to hedge long positions, will not be helpful in addressing systemic risk concerns. We share this view: a position that is entered into as a *bona fide* hedge is unlikely to create additional systemic risk.

Third, *bona fide* hedging activity is generally *responsive* to price movements in the long instrument being hedged. For example, in convertible arbitrage strategy trading, the amount of stock the manager will establish and maintain as a short position is generally based on the manager's calculation of the appropriate "delta" of the convertible bond position, referencing the underlying stock.[4] The manager will typically respond to upward price movements by shorting additional stock and to downward movements by covering stock, a trading pattern that tends to dampen, rather than cause, stock price volatility. This activity is primarily driven by the constantly changing equity sensitivity of convertible bond positions (which become more equity sensitive, and hence require more hedge, as a stock rises, and less equity sensitive, requiring less hedge, as a stock falls), as opposed to directional views on stock prices. By shorting and covering, a convertible arbitrage manager such as ourselves will typically seek to remain close to delta neutral with respect to movements in these underlying stock prices.[5] Since

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of $500,000 or more at the close of regular trading hours on any settlement date during the calendar month, which is referred to as "Threshold B").

[3] Our comments in this section respond to the following questions asked in the release for the Proposed Rules: (a) Q2: "Please discuss any views on the reporting requirements of Proposed Rule 13f-2 and Proposed Form SHO"; (b) Q3: "Please describe any views regarding the reporting of hedging information as proposed by the Commission and address the pros and cons, as applicable"; and (c) Q37: "Would the Proposed Rule 13f-2 and Proposed Form SHO help to strengthen regulatory oversight and facilitate market reconstructions" and "Would the additional regulatory oversight of short selling from the Proposed Rules help deter manipulative short selling behavior?"

[4] We often refer to convertible arbitrage for examples throughout this comment letter, not only because, as a convertible arbitrage manager, it is the type of *bona fide* hedging activity with which we are most familiar but also because we believe convertible arbitrage shorting likely represents most *bona fide* hedging activity that would be captured by the Proposed Rules.

[5] We would note that changes to convertible arbitrage delta calculations are mostly driven by the underlying stocks' price movements, but also by changes to model inputs, including the convertible arbitrage manager's

shorting (and covering) in this context is generally both *responsive* and counter-directional to price movements, information on shorting activity that constitutes *bona fide* hedging will not be useful in reconstructing significant market events that may be *attributable* (in whole or in part) to short selling.

Fourth, a short that is entered into as a *bona fide* hedge on a long position will generally not be susceptible to short squeezes. For example, in the convertible arbitrage context, the price of a convertible bond will typically rise (proportionately to its delta) in response to an increase in its underlying stock price. As a stock price rises in a typical short squeeze situation, not only should a convertible bond see its price rise a corresponding amount, but the inherent optionality in the convertible causes the bond position to become *more* equity sensitive as the stock rises, protecting the convertible arbitrage position from such a squeeze.[6] We would expect that a short position entered into as a *bona fide* hedge against a long position in any other context also would be protected from a short squeeze.

Fifth, shorting (and covering or related activity) for purposes of *bona fide* hedging generally will not provide the SEC or other market participants with information reflective of bearish sentiment with respect to an issuer. For example, and as indicated above, a convertible arbitrage manager generally will short shares 1) to establish an appropriate hedge when initiating a new hedged convertible position, or 2) *in response to* price movements and/or changes in model inputs that affect its delta hedging calculations, rather than to express a view on an issuer's stock price.

Finally, and as a slight aside, we disagree with the claim made in the proposing release that an investor with a convertible bond may seek to distort the stock price right around the exercise date of its bond.[7] In fact, convertible bond indenture provisions have been specifically developed to prevent this type of abuse. It is now standard for convertible bond indentures to include a "net share settlement" provision. This feature typically gives the issuer an option to select cash settlement, part cash/part share settlement or all-share settlement. If the issuer elects to pay any portion of the consideration in cash (net share settlement), there is an "observation period" – typically between 20 and 60 trading days – during which an issuer's stock price is observed daily. The issuer will then use the average daily closing stock price over the observation period to calculate the amount of cash (and, if a part cash and part share settlement, the number of shares) a holder will receive following exercise (conversion) of a convertible bond. It would be pointless for a convertible bond holder to attempt to manipulate the stock price immediately prior to the conversion date because the impact on the average would be negligible, and it would be impractical to attempt to manipulate the stock price across an entire observation period. While most convertible notes now include net share settlement provisions, an issuer may also

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estimates for implied stock volatilities and individual issuer credit spreads. As a result, convertible arbitrage positions typically involve some degree of overhedging or underhedging, with this imperfect hedging largely reflecting the constantly changing inputs rather than a particular view on the current stock price.

[6] We note that, depending on the delta, such correspondence will not be perfectly 1:1; however, a position pairing a long option (including one pairing a convertible bond's conversion option) with a short stock hedge will typically neither cause nor be susceptible to a short squeeze.

[7] Proposing Release, Section VIII.F.3. – "For example, an investor with a convertible bond may seek to distort the stock price right around the exercise date of their bond as such contracts stipulate that the holder of the convertible bond receives more shares if the stock price is lower. In this case, an attempted manipulator may seek to aggressively short sell right around a convertible bond exercise date."

have the ability (and elect) to settle a conversion in all shares or the indenture may provide only for all-share settlement. In the case of all-share settlement, the number of shares to be delivered upon conversion is stipulated by a fixed conversion ratio, set forth in the bond's indenture, and in these circumstances stock price is irrelevant to the consideration to be paid, and there is no observation period in effect. Therefore, in all-share settlement, there is also no reason for a converting holder to attempt to manipulate the stock price, as it would not impact the number of shares that the converting holder would receive.

2. Including *Bona Fide* Hedging Activity in Form SHO Reporting Would Distort the Data Set

Not only would requiring the reporting of *bona fide* hedge transactions fail to advance the five goals indicated above, it would present an unclear (at best) and misleading (at worst) picture of the reasons behind (and market risk associated with) short sale activity in an issuer's stock. On its face, inclusion of short selling activity related to *bona fide* hedging would distort aggregate short sale data for each security where it is present because *bona fide* hedging activity is not reflective of bearish sentiment for an issuer's stock. Additionally, the required characterizations of short-selling activity would also be muddied and confusing under the Proposed Rule.

The Proposed Rules are designed to be viewed from the standpoint of a manager that has shorted shares because it is taking a negative view on an issuer's stock price and *not* from the standpoint of a manager that has shorted shares as a *bona fide* hedge on a long position. This is particularly confusing with respect to the proposed indicators on Form SHO showing whether a position is "fully" or "partially" hedged. When a manager has shorted a stock to express a negative view of an issuer's stock price, that manager might fully or partially hedge its short position by offsetting that short sale risk (e.g., by buying call options). Reporting these short positions on Form SHO as "fully" or "partially" hedged makes sense because the primary transaction is the short sale and any hedging activity is entered into in order to fully or partially offset that short position. From the standpoint of a manager that is engaged in a short sale as a *bona fide* hedge to offset price risk in a long position, however, this proposed manner of reporting is essentially backward, and would create confusing and distorted results in the SEC's dataset for the reporting of "fully" or "partially" hedged positions.

To illustrate this point, we think the following example is helpful: assuming a convertible arbitrage fund held a convertible bond position that was convertible into 100,000 shares and the manager calculated the bond's delta to be 60(%), the position would be perfectly hedged if the fund were short 60,000 shares. If the fund were to short more than 60,000 shares it would be *overhedged* and if it were to short fewer than 60,000 shares it would be *underhedged*. Under the Proposed Rules, this would mean that an overhedged position (i.e., where the fund is short more shares than necessary to be delta neutral) would result in an indication on Form SHO as being "partially" hedged (when, in reality, from the standpoint of the long bond position the fund is more than fully hedged) and an underhedged position (i.e., where the fund is short fewer shares than necessary to be delta neutral) would result in an indication on Form SHO as being "fully" hedged (when, in reality, from the standpoint of the long bond position the fund is not fully hedged). We believe that the fundamental difference (in both the nature of the activity, and the perspective of the manager) between shorting to profit from a stock decline rather than for *bona fide*

hedging purposes will only distort the meaningful data set that the Commission is aiming to gather through Form SHO if *bona fide* hedging data is not excluded.

3. Proposed Solutions for Removing the Reporting Obligations for *Bona Fide* Hedging Activity

Because the inclusion of *bona fide* hedging activity does not serve the Commission's objectives and failing to eliminate this data will have the potential to distort, rather than be additive to, the SEC's desired dataset, we believe the Proposed Rules should be amended to remove reporting obligations with respect to *bona fide* hedging activity. We believe that this would be most easily achieved by considering reporting thresholds on a net "delta adjusted" basis – i.e., only short positions that exceed the proposed reporting thresholds on a net "delta adjusted" (as opposed to gross) basis would be required to be reported on Form SHO. Alternatively, the SEC could exempt from Form SHO reporting short-related trading activity that meets the definition of "*bona fide* hedging activity." Under this solution, only any short position exceeding that of a *bona fide* hedge would be considered vs. the reporting thresholds. In either case, the amount of the short that is entered into to offset a corresponding long position (i.e., the *bona fide* hedge) would not be considered for purposes of calculating whether a short position has crossed a Form SHO reporting threshold.

We therefore propose that the Commission consider altering the Proposed Rules in one of two ways:

a. Proposed Solution #1: Reporting of Net Short Positions that Exceed One of the Thresholds[8]

We believe that the most straightforward way to exclude *bona fide* hedging activity would be to calculate the proposed reporting thresholds on a net (as opposed to gross) "delta-adjusted" basis. Per the SEC's own reasoning in the proposing release, "Fully hedged short positions are less likely to be manipulative in nature, or to pose systemic risk" and by focusing on net short positions and eliminating reporting obligations for those who are using a short position to hedge against a corresponding long position, it would more appropriately address the SEC's concerns by focusing on positions held by managers with a directional view and significant, unhedged short exposure. This change could be accomplished by leaving the proposed thresholds in place but by having a manager determine whether they have crossed a threshold with respect to an issuer on a net "delta-adjusted," as opposed to gross, basis.[9]

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[8] Our comments in this section respond to the question under Q5 that asks: "Are there any pros and cons of such a proposed approach, especially when compared to using a "net" short interest position calculation? If so, explain why, and describe any associated costs and benefits" and Q46, which asks "Has the Commission appropriately evaluated the alternative whereby Managers would report net short positions instead of gross short positions, taking into account any hedging that the Manager engages in, and/or the delta value of their hedged positions? Why or why not?"

[9] While the Commission has stated that it believes that "gross short position information provides a more complete view of a Manager's short exposure, especially if coupled with the hedging information that the Commission is proposing Managers report on Proposed Form SHO . . .", for the reasons indicated above, we believe that gross short sale position reporting with a mere indication of a position being "fully" or "partially" hedged has the potential to create greater confusion and a lack of clarity regarding a manager's intent.

In calculating "net" exposure for these purposes, a manager would be expected to look at its short positions on a delta-adjusted basis. This would mean that any amount of "overhedge" (i.e., additional short exposure beyond a delta-neutral stance) would be captured as "net" short.[10] We acknowledge that net "delta-adjusted" position determinations, in relying on a delta calculation, will by necessity be subject to the subjective inputs of each manager. However, we believe that if the manager follows a consistent methodology and retains appropriate records of its calculations as evidence, a net "delta-adjusted" position can be feasibly calculated and used for these purposes. Furthermore, we believe that market participants' differences in delta calculations tend to be modest.

b. Proposed Solution #2: Excluding *Bona Fide* Hedging Activity

In the alternative, the SEC could eliminate the inclusion of *bona fide* hedging data by excluding from the reporting obligations any short position or related trading activity that meets the definition "*bona fide* hedging activity." How should this term be defined?

We note that the SEC has previously grappled with the concept of *bona fide* hedging activity in connection with former Rule 10a-1 under the Securities Exchange Act of 1934. In the concept release seeking comments on the regulation of short sales of securities in 1999,[11] the SEC questioned whether hedged short positions should be excluded from the calculation of a person's net position and whether an exception should be added to Rule 10a-1 to cover short sales conducted exclusively for the purpose of establishing a *bona fide* hedge. In footnote 52 of this release, the SEC indicated that "the Commission has described a *bona fide* hedge as largely a matter of custom and practice, but it must involve long and short positions in related securities where one security is exercisable, convertible, or otherwise related by its terms to the other security, and substantially offsets the risk of that security."[12]

We believe that, with one adjustment, this formulation accurately captures the concept of a *bona fide* hedge in the context of Form SHO reporting. We believe it would be appropriate to capture within the definition *any* short sale activity designed to offset risk in a corresponding long position, regardless of whether such short sale "substantially" offsets the risk of that long position or partially offsets it. In other words, if a *bona fide* hedge is less than a full hedge, it is still a *bona fide* hedge and thus should be exempt from the reporting requirement. Therefore, as an alternative to our first proposed solution, we would suggest that the Proposed Rules be amended to exclude reporting on Form SHO of any "*bona fide* hedging activity" to be defined as "activity involving long and short positions in related securities where one security is exercisable, convertible, or otherwise related by its terms to the other security, and is

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[10] By way of example, if a convertible arbitrage fund held a convertible bond position that was convertible into 100,000 shares and calculated the bond's delta to be 60(%), that fund would be overhedged if it were short more than 60,000 shares. In this example, if the fund were short 70,000 shares (overhedged) on a particular settlement date it would calculate a "net" short position of 10,000 shares on that date and, for purposes of Threshold A, would be required to report that position if the 10,000 shares either (a) had a US dollar value of $10 million or more at the close of regular trading hours on that settlement date, or (2) formed part of a monthly average net short position as a percentage of shares outstanding in the equity security of 2.5% or more.
[11] *See* SEC Concept Release: Short Sales, Release No. 34-42037, October 20, 1999.
[12] *Ibid*.

entered into to offset, in whole or in part, the risk of that security."[13] The Commission could also expressly prohibit use of the *bona fide* hedging exception with respect to any hedging activity that is entered into solely for the purpose of evading the reporting requirements.

4. Time and Expense Burden

In addition, we would like to point out that the Proposed Rules will create implementation issues and significant additional costs, particularly for a smaller private fund manager such as ourselves.[14] Our strategy, which is likely representative of others utilizing shorting as a *bona fide* hedging mechanism, entails daily adjustments of typically modest stock quantities for a relatively large number of positions. It is how we keep our hedges appropriate through constantly changing market (and issuer-specific) conditions. Thus, a manager and strategy such as ours will likely require and generate significantly *more* Form SHO-reported data than that from a dedicated (directional) short seller, despite that data being nearly useless for the intended purposes (as discussed above). These circumstances present a particularly high burden on unintended targets of the Proposed Rules (specifically, *bona fide* hedgers), such as us.

In the proposing release, the Commission appears to be taking the view that most managers that would be required to report are larger entities, with teams of staff dedicated to IT development and reporting: this is not the case with us. In the proposing release, the SEC acknowledges that a reporting threshold that is too low "could impose substantial compliance costs on Managers that tend to have small short positions or are low volume short sellers."[15] We would argue that this same logic should apply equally to smaller managers in general (i.e., those, such as ourselves, with fewer assets under management and/or smaller employee bases but a significant amount of daily *bona fide* hedging activity, as indicated above).

With respect to upfront costs, our systems are not currently designed to capture daily trading activity in a way that will allow for automated reporting of the various items of information that would be required by Form SHO. Systems would have to be updated or developed at significant cost and employee time. In addition, the development or update of current systems would almost certainly require outsourcing to

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[13] We would note that this definition expressly *excludes* the amount of any short that constitutes an overhedge in the convertible arbitrage context because such amount of overhedge would not be entered into (in whole or in part) to offset the risk of that security. Using the same example from footnote 10, above, if a convertible arbitrage fund held a convertible bond position that was convertible into 100,000 shares and calculated the bond's delta to be 60(%), that fund would be overhedged if it were short more than 60,000 shares. In this example, if the fund were short 70,000 shares (overhedged) on a particular settlement date, 60,000 shares would be excluded as a *bona fide* hedge under the proposed definition and 10,000 shares would *not* be excluded from the threshold calculation. The manager would be required to report that position if the 10,000 shares (for purposes of Threshold A) either (a) had a US dollar value of $10 million or more at the close of regular trading hours on that settlement date, or (2) formed part of a monthly average (non-excluded) short position as a percentage of shares outstanding in the equity security of 2.5% or more.

[14] Our comments in this section respond to the following questions asked in the release for the Proposed Rules: (a) Q40: "Has the Commission appropriately evaluated the compliance costs associated with the Proposed Rules? Please explain. What are the primary cost drivers of the Proposed Rules?" and (b) Q20: "Has the Commission accurately estimated the paperwork burdens and costs to Managers associated with fulfilling the reporting requirements of Proposed Rule 13f-2?"

[15] Proposing Release, Section III.D.1.

consultants and software developers at substantial additional cost. The SEC estimates the total number of hours for initial technology projects at 325, with an estimated cost of more than $100,000 per manager. For smaller managers, such as ourselves, this represents a significant portion of the information technology budget and is money that could be spent on cybersecurity projects, hardware or software updates or other system upgrades and improvements.

With respect to ongoing costs, we believe that, as the Proposed Rules are currently written, the SEC's estimate of 20 hours needed to process and file Form SHO (per month) may be (a) too low and (b) even if accurate, will impose a substantial ongoing burden on managers, such as ourselves, with few employees. Those 20 (or more) hours will either need to be added to the regular workload of existing employees or might require the addition of another full- or part-time employee, which would result in even greater additional costs associated with completing and filing Form SHO. In addition, the proposed timing of the report (14 calendar days after the end of the calendar month), would conflict with month-end fund valuations and pricing, a primary task of the individuals who also would be tasked with assembling data for a Form SHO report. As currently drafted, and without changes to exempt *bona fide* hedging activity, the Proposed Rules have the potential to put the greatest burden on managers such as us precisely where the value of the reported data is lowest (and, as discussed above, would only distort the useful data set the Commission seeks).

5. Use of CUSIP Numbers

Finally, we would like to comment on the proposed use of CUSIPs in Form SHO reporting.[16] As the Commission is likely aware, the required use of CUSIPs could result in substantial CUSIP licensing costs imposed on managers. We believe that by requiring other identifying information already proposed to be included in Form SHO (such as FIGI and LEI number), it should not be necessary to require that CUSIP numbers be included.

Requiring CUSIP numbers to be included could impose a material cost on smaller managers in particular. Unless a manager can rely on a *de minimis* license (i.e., by using fewer than 500 CUSIPs across its organization), the owners of CUSIP impose a substantial licensing cost. For example, the next step up from the *de minimis* license is a license for use of up to 2,500 CUSIP numbers, which costs $10,000 per year. We currently rely on the *de minimis* license by storing and using CUSIP numbers only for our convertible bond holdings and not for equity positions (relying instead on issuer names, tickers and the like for equity positions). We would likely no longer be able to rely on the *de minimis* license if we were required to include CUSIP numbers on Form SHO for short equity positions.

We note that this CUSIP licensing issue has been brought to the Commission's attention in the past. On November 1, 2021, the SEC Asset Management Advisory Committee (AMAC) issued its "Report and Recommendations on Regulatory Approach for Small Advisers and Funds." In this report, the AMAC

[16] Our comments in this section respond to the following question asked in the release for the Proposed Rules: Q8 (fifth bullet) – "Proposed Form SHO requires Managers to report CUSIP and if assigned FIGI, for a security for which information is being reported in both Instruction Tables 1 and 2. If a FIGI has been assigned, should a Manager be required to report CUSIP as well?"

made the following points, which we believe are relevant in the Commission's consideration of whether CUSIPs should be included in Form SHO:

- The CUSIP license fee regime has far "overreached" in the imposition of fees on advisers and funds, especially when advisers/funds only use the CUSIP numbers for internal recordkeeping and client reporting (and we would add, regulatory reporting).
- European regulators have been much more proactive with policy positions and regulatory actions that seek to curtail the overreach, including actions limiting the manner and amount of fees charged for securities identifiers used by market participants for internal maintenance and reconciliation of master securities files.
- All firms that trade and process transactions in securities identified by CUSIPs must pay separate licensing fees to store the CUSIPs internally in securities master files and other databases as well as use them for client-facing, recordkeeping and regulatory needs, such as trade confirmations, account statements and regulatory reporting.
- CUSIP Global Services appears to have a monopoly on the securities identification system and the advisory/fund industry (particularly small advisers/funds) currently has no reasonable alternatives.
- These practices, in addition to being fundamentally unfair, would seem to violate legitimate public policy considerations.
- The AMAC has recommended that the Commission study whether to remove specific reference to "CUSIP" relative to securities identifiers in its rules and regulations.
- The AMAC has also recommended that the Commission study whether it has legal jurisdiction to regulate CUSIP and securities index licensing fee practices as they pertain specifically to fee imposition on investment advisers and funds.
- If statutory authority exists, the AMAC has recommended that the Commission take regulatory action to limit the licensing fees charged to the issuers of the securities identified by the CUSIP number and, with respect to securities indices, limit licensing fees to circumstances where an adviser or fund is using reference to the index in an advertisement or in the name of a fund or strategy (and not in connection with regulatory and client reporting, or internal purposes).
- Even if the Commission determines that there are statutory or jurisdictional limitations on its ability to act on this, the AMAC has suggested that the Commission should take a formal public policy position and coordinate with the FTC in exploring the impact of current monopolies that may exist, as the European regulators have done.

We agree with the AMAC on each of these points and believe that requiring CUSIP numbers to be reported on Form SHO would potentially create an unnecessary financial burden on reporting managers.

D. Summary

We would like to thank the Commission again for the opportunity to comment on the Proposed Rules. We are supportive of the Commission's efforts to increase meaningful transparency related to directional short selling. To this end, we believe it would be advisable to implement the reporting thresholds on a net "delta-adjusted" (as opposed to gross) basis or, in the alternative, eliminate the reporting requirement for *bona fide* hedging activity. The Commission also should fully consider the time and expense burden on managers with smaller budgets and/or staffing. Finally, we believe the requirement to include CUSIP numbers could create an additional cost for managers and is unnecessary in light of the other security-identifying information proposed to be reported on Form SHO.