

# Petition for Rulemaking to Modernize the Identifying Activity Level Thresholds Under Exchange Act Rule 13h-1

**To:** Secretary, Securities and Exchange Commission

**From:** Sajjad Khan

**Date:** February 20, 2026

**Subject:** Petition for Rulemaking to Modernize the Identifying Activity Level Thresholds Under Exchange Act Rule 13h-1

## I. Interest of the Petitioner

The petitioner is an individual investor seeking to modernize the regulatory framework governing Large Trader reporting under Rule 13h-1. The purpose of this petition is to preserve the Commission's ability to identify and monitor trading activity that may be significant to market structure, liquidity, and stability, while reducing unnecessary reporting burdens on market participants whose activity is no longer meaningfully "large" in relation to the scale of today's U.S. equity markets.

Rule 13h-1 was adopted in 2011. Since that time, U.S. equity markets have grown substantially in market capitalization, trading volume, and daily notional value. The existing identifying activity level thresholds, however, have remained static. As a result, the rule may increasingly capture participants whose trading activity is large in absolute terms but materially less significant when measured against the size and liquidity of the modern market.

## II. Proposed Amendment

The petitioner respectfully requests that the Commission amend 17 C.F.R. Section 240.13h-1(a)(7), which defines the "identifying activity level" for Large Trader status, by adopting a periodic indexing mechanism for the applicable thresholds.

The current rule defines the identifying activity level as aggregate transactions in NMS securities equal to or greater than:

**Daily Threshold:** 2 million shares or \$20 million during any calendar day; or

**Monthly Threshold:** 20 million shares or \$200 million during any calendar month.

The petitioner proposes that the Commission revise these thresholds and establish a periodic adjustment mechanism tied to one or more broad measures of market scale, including market-wide dollar trading volume, total U.S. equity market capitalization, Average Daily Volume, or ADV, in NMS securities, or a composite index using two or more of those measures.

As an initial adjustment, the Commission should consider increasing the thresholds to at least:

**Daily Threshold:** 4 million shares or \$40 million during any calendar day; and

**Monthly Threshold:** 40 million shares or \$400 million during any calendar month.

Thereafter, the Commission should review and adjust the thresholds periodically, such as every three or five years, to ensure that the Large Trader reporting regime remains proportional to the size, liquidity, and structure of the U.S. equity markets.

### **III. Statement of Reasons**

#### **A. Static Thresholds Have Become Less Proportional to Market Scale**

When Rule 13h-1 was adopted in 2011, the Large Trader thresholds were designed to identify market participants whose trading activity was sufficiently significant to warrant enhanced regulatory visibility. Since then, U.S. equity markets have expanded substantially.

The original petition notes that total U.S. market capitalization has increased from approximately \$15 trillion around the time of adoption to more than \$65 trillion in 2026. It also notes that average daily volume increased from approximately 7.8 billion shares in 2011 to approximately 19.4 billion shares in 2026, and that daily notional value increased from approximately \$30 billion to approximately \$112.8 billion over the same general period.

Against that background, a \$20 million daily trading threshold no longer represents the same relative level of market activity that it represented in 2011. A participant crossing the current dollar threshold today may represent a much smaller fraction of market-wide activity than a similarly situated participant would have represented when the rule was adopted.

#### **B. Periodic Indexing Would Preserve the Rule's Original Purpose**

The purpose of Rule 13h-1 is not merely to capture a fixed dollar amount of trading activity. Its purpose is to help the Commission identify traders whose activity may be significant enough to affect market structure, liquidity, volatility, or regulatory oversight.

A static threshold becomes less effective over time when the underlying market grows. It may produce over-inclusion by capturing participants whose activity is no longer meaningfully large relative to market-wide liquidity. At the same time, it may make the Large Trader dataset less focused by increasing the number of participants captured without a corresponding increase in market-risk relevance.

Periodic indexing would better preserve the rule's original purpose. It would allow the Commission to maintain a consistent relationship between the Large Trader threshold and the actual scale of U.S. equity markets.

#### **C. A Market-Based Indexing Framework Is Preferable to Ad Hoc Adjustments**

The petitioner does not propose that the Commission rely solely on a one-time threshold increase. A one-time adjustment would help address the immediate mismatch between the 2011 thresholds and current market conditions, but it would not prevent the same issue from recurring.

Instead, the Commission should adopt a durable framework under which the identifying activity level is reviewed and adjusted periodically. That review could be based on objective market-wide indicators, including total dollar trading volume, total market capitalization, ADV, or a composite measure.

For example, the Commission could establish a baseline year, such as 2011, and compare current market-wide measures against that baseline. If market-wide notional trading value, market capitalization, or ADV has increased materially, the identifying activity level thresholds could be adjusted proportionally or within a reasonable adjustment band determined by the Commission.

This approach would be transparent, administrable, and consistent with the regulatory purpose of Rule 13h-1.

#### **D. Modern Market Structure Supports Recalibration**

The structure of U.S. equity markets has changed substantially since 2011. Retail order flow, algorithmic execution, payment for order flow, high-frequency market making, internalization, and fragmented execution venues all affect how trading activity is routed, aggregated, and reported.

In this environment, fixed Large Trader thresholds may capture activity that is operationally large but not necessarily significant from a market-impact perspective. Updating the thresholds through periodic indexing would help ensure that the Commission continues to focus its Large Trader reporting framework on participants whose activity is genuinely significant in relation to modern market conditions.

#### **E. The Commission Would Retain Regulatory Visibility**

Increasing and indexing the thresholds would not eliminate the Commission's ability to monitor large or potentially disruptive trading activity. Rather, it would improve the proportionality of the reporting system.

The Commission would continue to receive Large Trader information from participants whose activity exceeds updated thresholds. Broker-dealers would continue to maintain and report information required under the rule. The Consolidated Audit Trail and other market surveillance tools would also continue to provide the Commission with substantial visibility into market activity.

The requested amendment would therefore not weaken oversight. It would make oversight more targeted.

#### **Volume Growth Comparison Referenced in Original Petition**

<b>Metric</b>	<b>2011 Baseline</b>	<b>2026 Current</b>	<b>Change</b>
Average Daily Volume (ADV)	Approx. 7.8 billion shares	Approx. 19.4 billion shares	+148%
Monthly Trading Volume	Approx. 160 billion shares	Approx. 410 billion shares	+156%
Annual Trading Volume	Approx. 1.9 trillion shares	Approx. 4.9 trillion shares	+157%
Notional Value (Daily)	Approx. \$30 billion	Approx. \$112.8 billion	+276%

Sources referenced in original petition: 2011 statistics via SEC Release No. 34-64976; 2026 statistics via SIFMA Research and Cboe Equities Market Volume Summary.

### **IV. Recommended Regulatory Approach**

The petitioner respectfully recommends that the Commission consider the following approach:

First, amend Rule 13h-1(a)(7) to increase the current identifying activity level thresholds to at least twice their existing levels.

Second, adopt a periodic review mechanism requiring the Commission to reassess the thresholds every three or five years.

Third, base that review on objective market-wide measures, including market-wide dollar volume, total U.S. equity market capitalization, ADV, or a composite of those measures.

Fourth, publish any threshold adjustment through a transparent notice or order, allowing market participants to understand the basis for the adjustment.

This framework would allow the Large Trader reporting regime to remain current without requiring repeated petitions or delayed regulatory updates.

## **V. Conclusion**

The Large Trader thresholds adopted in 2011 have not kept pace with the growth and evolution of U.S. equity markets. A fixed \$20 million daily threshold and \$200 million monthly threshold no longer represent the same degree of market significance that they did when Rule 13h-1 was adopted.

The petitioner therefore respectfully requests that the Commission initiate rulemaking to modernize Rule 13h-1 by increasing the identifying activity level thresholds and adopting a periodic indexing mechanism based on market-wide dollar volume, total market capitalization, ADV, or a composite measure.

Such an amendment would preserve the Commission's oversight of genuinely significant trading activity while reducing unnecessary compliance burdens and improving the usefulness of the Large Trader reporting framework.

Respectfully submitted,

Sajjad Khan