November 21, 2026

To the Secretary of the Securities and Exchange Commission

Re: Petition for Rulemaking — Institutional Leverage, Forced Liquidations, and Systemic Market Stability

Dear Commissioners:

I am writing as an individual retail investor to formally petition the Securities and Exchange Commission, pursuant to 17 CFR § 201.192, to consider strengthening regulations governing excessive institutional leverage, leveraged investment products, and the systemic risks associated with forced-liquidation cascades.

My concern is not with legitimate short selling, ordinary market corrections, or the right of investors to speculate. Rather, it is that excessive leverage and interconnected trading strategies may amplify normal price movements into severe, disorderly selling events that affect entire market sectors.

Retail investors should not bear avoidable market disruptions resulting from inadequately managed institutional leverage.

I. Evidence of Potential Market Instability

On November 19, 2026, the U.S. semiconductor sector experienced an extraordinary intraday reversal.

The iShares Semiconductor ETF (SOXX) reached an intraday high of $148.59 before closing at $137.95, approximately 7.2% below its session high, on trading volume of approximately 41.35 million shares.

The following session, November 20, SOXX declined another 10.55%, closing at $123.40.

These movements occurred amid substantial uncertainty surrounding semiconductor valuations, artificial intelligence investment, and institutional positioning.

I recognize that sharp market declines are not, by themselves, evidence of wrongdoing. Nor do these price movements establish that forced liquidations were responsible.

Nevertheless, such events warrant examination of whether existing market safeguards adequately address the interaction among institutional leverage, concentrated positions, derivative hedging, ETF trading, and forced liquidations.

II. Requested Regulatory Amendments

I respectfully petition the Commission to consider the following regulatory actions:

1. Strengthen leverage-related risk management for registered funds

Review and, where appropriate, amend Investment Company Act Rule 18f-4 to strengthen stress-testing, liquidity planning, and risk-management requirements for leveraged and inverse funds.

Particular attention should be given to funds with concentrated exposure to individual securities or highly correlated market sectors.

The Commission should evaluate whether existing requirements adequately account for simultaneous deleveraging, daily rebalancing, and the potential transmission of selling pressure across related securities.

2. Improve oversight of institutional and hedge fund leverage

Review reporting requirements under Form PF and related investment adviser regulations to ensure that regulators receive sufficiently timely information concerning material leverage, concentrated financing exposures, margin stress, and significant liquidation events.

I recognize that registered investment companies and private hedge funds operate under different regulatory frameworks.

Accordingly, I request that the Commission evaluate these risks separately while considering their combined effect on market stability.

Any additional reporting should be proportionate, protect confidential trading information, and provide regulators with meaningful visibility into systemic risks.

3. Enhance transparency concerning concentrated market exposures

Consider mechanisms for publishing timely, aggregated information concerning short exposure, leveraged positioning, and potential sector-wide concentration risks.

Such disclosures should preserve legitimate proprietary trading protections while providing market participants with a clearer understanding of systemic vulnerabilities.

4. Strengthen safeguards against cascading forced liquidations

Evaluate whether existing liquidity, risk-management, and market-surveillance requirements adequately address circumstances in which multiple institutions may be required to reduce correlated positions simultaneously.

The Commission should assess whether additional stress-testing requirements or other narrowly targeted safeguards could reduce destabilizing feedback loops without unnecessarily impairing market liquidity.

5. Coordinate with other financial regulators

Where significant risks involve financing arrangements or derivatives outside the Commission's direct jurisdiction, I request coordination with FINRA, the Commodity Futures Trading Commission, the Federal Reserve, and the Financial Stability Oversight Council.

III. Relevant Regulatory Developments

The Commission's June 30, 2026 Request for Comment on Novel ETFs (File S7-2026-24) recognizes the importance of balancing financial innovation, investor protection, and orderly market functioning.

Additionally, the SEC and CFTC have extended the compliance date for certain enhanced Form PF reporting requirements until July 1, 2027.

I respectfully request that the Commission assess whether existing and forthcoming reporting requirements provide adequate oversight of leveraged institutional exposures.

International developments also merit consideration.

On July 16, 2026, South Korea's Financial Services Commission announced restrictions involving single-stock leveraged investment products, including a temporary suspension of new listings, in response to concerns about volatility and investor protection.

While U.S. and South Korean financial markets differ, these developments offer a useful regulatory comparison.

IV. Public Interest and Investor Protection

Markets must remain free to respond to legitimate economic developments, corporate earnings, and changes in investor expectations.

However, legitimate price discovery and systemic instability are not the same thing.

When excessive institutional leverage potentially magnifies selling pressure across otherwise healthy companies, regulators should examine whether existing safeguards appropriately balance financial innovation, market efficiency, and investor protection.

The Commission should also evaluate the costs and possible unintended consequences of new restrictions, including effects on liquidity, hedging, and capital formation.

The objective should not be to prevent market declines. It should be to reduce avoidable systemic vulnerabilities and preserve orderly market functioning.

V. Formal Request

I respectfully request that the Securities and Exchange Commission:

1. Accept this submission as a formal petition for rulemaking under Rule 192.

2. Refer the petition to the appropriate Commission divisions for consideration.

3. Evaluate potential amendments to Rule 18f-4 and applicable institutional reporting requirements, including Form PF.

4. Examine whether correlated institutional deleveraging presents systemic market risks inadequately addressed by existing safeguards.

5. Consider initiating notice-and-comment rulemaking where regulatory gaps are identified.

I appreciate the Commission's consideration of these concerns and its responsibility to maintain fair, orderly, and efficient securities markets.

Respectfully,

Jeremy Simpson

Individual Retail Investor

Supporting Public References

1. SEC Rulemaking Petition Procedures: https://www.sec.gov/rules-regulations/petitions-rulemaking-submitted-to-sec

2. SEC Rule 18f-4 and Fund Derivatives Oversight: https://www.sec.gov/newsroom/press-releases/2020-269

3. SEC Request for Comment on Novel ETFs, S7-2026-24: https://www.sec.gov/rules-regulations/2026/06/s7-2026-24

4. SEC Form PF Compliance-Date Extension: https://www.sec.gov/rules-regulations/2026/08/s7-22-22

5. SOXX Historical Price and Volume Data: https://stockanalysis.com/etf/soxx/history/

6. South Korean Financial Services Commission, July 16, 2026: https://www.fsc.go.kr/eng/pr010101/87354