

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105482; File No. SR-FINRA-2026-012]

### **Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Adopt FINRA Rule 4321 (Allocations of Fail to Deliver Positions) and Amend FINRA Rule 4560 (Short-Interest Reporting)**

May 13, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 1, 2026, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### **I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change**

FINRA is proposing to (1) amend FINRA Rule 4560 (Short-Interest Reporting) to increase the frequency and granularity of the short interest information collected and disseminated by FINRA, and (2) adopt FINRA Rule 4321 (Allocations of Fail to Deliver Positions) to require members to report to FINRA on a monthly basis their daily allocations of fail to deliver positions to correspondent firms.

The text of the proposed rule change is available on FINRA’s website at <http://www.finra.org> and at the principal office of FINRA.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

FINRA is proposing amendments to improve the usefulness of the short interest information reported to and published by FINRA, and to improve FINRA’s oversight of member compliance with SEC Regulation SHO.<sup>3</sup> Specifically, the proposed amendments would increase the frequency and granularity of the short interest information reported to FINRA pursuant to Rule 4560 and adopt new FINRA Rule 4321 to require members to report to FINRA on a monthly basis their daily allocations of SEC Regulation SHO Rule 204<sup>4</sup> fail to deliver positions to correspondent firms, as further described below.

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<sup>3</sup> 17 CFR 242.200-204.

<sup>4</sup> 17 CFR 242.204. SEC Regulation SHO Rule 204 generally requires broker-dealers to either deliver securities to the clearing agency by settlement date (one business day after the trade date) or the broker-dealer must close out the fail to deliver position by the next settlement date (two business days after the trade date). If the short position is not closed out, the broker-dealer and any broker-dealer for which it clears transactions may not effect further short sales in that security without borrowing or entering into a bona fide agreement to borrow the security until the broker-dealer purchases shares to close out the position (“pre-borrow requirement”).

## I. Short Interest Reporting

Rule 4560(a) requires each FINRA member to maintain a record of total short positions in all customer and proprietary firm accounts in all equity securities (other than Restricted Equity Securities as defined in Rule 6420)<sup>5</sup> at the member and to regularly report such information to FINRA in the manner prescribed by FINRA. The rule provides that short interest reports must be received by FINRA no later than the second business day after the reporting settlement date designated by FINRA. The rule further specifies the type of positions reportable to FINRA as short interest. Specifically, Rule 4560(b) provides that members are required to record and report all gross short positions existing in each individual firm or customer account at the member, including the account of a broker-dealer, that resulted from (1) a “short sale” as that term is defined in Rule 200(a) of Regulation SHO,<sup>6</sup> or (2) where the transaction that caused the short position was marked “long,” consistent with Regulation SHO, due to the firm’s or the

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<sup>5</sup> “Restricted Equity Security” is defined in Rule 6420(k) as “any equity security that meets the definition of ‘restricted security’ as contained in Securities Act Rule 144(a)(3).”

<sup>6</sup> Rule 200 of SEC Regulation SHO provides that “short sale” means “any sale of a security which the seller does not own or any sale which is consummated by the delivery of a security borrowed by, or for the account of, the seller.” See Rule 200(a) of SEC Regulation SHO, 17 CFR 242.200. SEC Rule 200 further provides, among other things, that a person is deemed to own a security if: (a) the person or his agent has title to it; (b) the person has purchased, or has entered into an unconditional contract, binding on both parties thereto, to purchase it, but has not yet received it; (c) the person owns a security convertible into or exchangeable for it and has tendered such security for conversion or exchange; (d) the person has an option to purchase or acquire it and has exercised such option; (e) the person has rights or warrants to subscribe to it and has exercised such rights or warrants; or (f) the person holds a security futures contract to purchase it and has received notice that the position will be physically settled and is irrevocably bound to receive the underlying security. See Rule 200(b) of SEC Regulation SHO.

customer's net long position at the time of the transaction.<sup>7</sup> FINRA aggregates the short positions reported by members and publishes an industry-wide aggregate per security, free of charge, on [finra.org](http://finra.org).<sup>8</sup> FINRA is proposing the following changes to its short interest reporting rules.

A. Positions Resulting from “Arranged Financing”

FINRA proposes to require reporting of additional position information that reflects the kind of economic short interest sought to be captured under Rule 4560—specifically, positions in each individual firm or customer account at the member that results from arranged financings, as further described below. As previously discussed, currently, members' short interest reporting is limited to short positions at the member that result from a “short sale” as defined in SEC Regulation SHO or where the transaction that caused the short position was marked “long” due to the member's or customer's net long position at the time of the transaction. FINRA is proposing also to require members to record and report to FINRA any position existing in a customer account that resulted from a securities loan obligation in connection with a customer's borrow of a security from a domestic or foreign affiliate of the member, even where such

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<sup>7</sup> Rule 4560(b) also specifies that members must report only those short positions resulting from short sales that have settled or reached settlement date by the close of the reporting settlement date designated by FINRA.

<sup>8</sup> See <https://www.finra.org/finra-data/browse-catalog/equity-short-interest/data>. FINRA publishes the aggregate short interest data seven business days after the reporting settlement date. Such publication includes, for each security: the reporting settlement date, security name, security symbol, identity of the listing exchange or indicates the over-the-counter market, the current aggregate short interest position for the security, and information regarding the change in the size of the short interest position since the prior reporting settlement date. FINRA also provides additional FINRA-calculated metrics for the security (the average daily volume and a “days to cover” metric). “Days to cover” is a FINRA-calculated metric representing the number of days of average share volume required to buy all of the shares that were sold short during the reporting cycle.

position itself neither resulted from a “short sale,” as described in Rule 4560(b)(1) nor where the transaction that caused the short position was marked “long,” as described in Rule 4560(b)(2). In such instances, the original short position, which typically resulted from a “short sale,” has been replaced by the securities loan established through the arranged financing program; nonetheless, the borrower remains obligated to close the position in its account by purchasing shares to satisfy the loan obligation. Therefore, the position, economically, reflects the type of short interest that FINRA believes should be captured by the rule to better represent short sentiment in the stock.

#### B. Timing and Frequency of Short Interest Data Reporting and Dissemination

As stated above, FINRA Rule 4560(a) requires members to regularly report short interest information to FINRA in such a manner as may be prescribed by FINRA, and further provides for a two-business day turnaround period such that the required reports must be received by FINRA no later than the second business day after the reporting settlement date designated by FINRA. Each calendar year, FINRA publishes on its website a list of the relevant dates for its short interest reporting program—specifically, all reporting settlement dates for a calendar year (i.e., the dates on which short interest positions must be captured), the short interest report due dates (i.e., the dates that are two business days after each short interest settlement date), and the publication dates (i.e., the dates on which the aggregate reports are made publicly available by FINRA on the FINRA website).<sup>9</sup>

FINRA is proposing to increase the frequency of both short interest reporting under the rule and the subsequent public dissemination of short interest data by (1) requiring members to submit short interest reports on a weekly rather than a bi-monthly basis, and (2) reducing the two

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<sup>9</sup> See <https://www.finra.org/filing-reporting/regulatory-filing-systems/short-interest>.

business-day reporting turnaround period to one business day to allow for a more streamlined and timely publication process for short interest reports. If the proposed amendments are approved by the Commission, FINRA will specify on its website a list of weekly short interest reporting settlement dates, member reporting due dates (that are one business day after the short interest reporting settlement date), and the website publication date.

FINRA believes that these modifications—which together would allow short interest data to be published weekly, five business days after the reporting settlement date—would provide FINRA, other regulators, investors, and other market participants with a more current view of short interest information, better inform investors’ and other market participants’ investment decisions, and provide more timely information to FINRA for regulatory use, without substantially impacting the quality of the data received and published by FINRA.

#### C. Short Interest Reporting for Securities with Deleted Symbols

FINRA is also proposing to amend Rule 4560 to ensure that FINRA receives a final short interest report that includes short interest position data for a security as of the last settlement date prior to the deletion of its symbol by a self-regulatory organization (“SRO”) (i.e., FINRA or a national securities exchange).<sup>10</sup> Currently, if a security no longer is assigned a security symbol as of a designated short interest reporting settlement date, members do not include that security in their reported short interest data (due to the absence of a valid symbol on the date that short interest is assessed). To address this data gap, FINRA is proposing to adopt Supplementary Material .01 under Rule 4560 to require that, where a symbol no longer exists on the short

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<sup>10</sup> A security may cease to be identified by a symbol for a variety of reasons, including where the shares have been cancelled by the issuer, the symbol has not been used for quoting or trading for an extended period of time, or where the security no longer has a valid CUSIP.

interest reporting settlement date, members must report their gross short positions in the security as of the last settlement date for which a symbol was in effect. FINRA believes that this proposed rule change would support the availability of more complete information to regulators and market participants.

#### D. Scope of Securities Subject to Short Interest Reporting Requirements

FINRA is proposing to clarify the scope of the securities that are the subject of short interest reporting requirements. Currently, Rule 4560(a) applies to “all equity securities (other than Restricted Equity Securities as defined in FINRA Rule 6420).” FINRA is proposing to clarify that the rule applies to “OTC Equity Securities,” as defined in Rule 6420,<sup>11</sup> and securities listed on a national securities exchange. These proposed amendments align with FINRA’s short interest reporting systems and existing reporting conventions (FINRA’s systems allow members to report short interest positions only in securities that meet the definition of “OTC Equity Security” and securities listed on a national securities exchange). Thus, the proposal would not require members to make changes to their short interest reporting.

#### II. Allocations of Fail to Deliver Positions – New Rule 4321

Rule 204 of SEC Regulation SHO<sup>12</sup> generally requires that broker-dealers either deliver securities to the clearing agency by the short sale settlement date or close out the fail to deliver position on the next settlement day. Under SEC guidance, a clearing firm is permitted to reasonably allocate a portion of its fail to deliver position to a correspondent firm based on that

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<sup>11</sup> “OTC Equity Security” is defined in Rule 6420(f) as “any equity security that is not an ‘NMS stock’ as that term is defined in Rule 600(b)(47) of SEC Regulation NMS; provided, however, that the term ‘OTC Equity Security’ shall not include any Restricted Equity Security.”

<sup>12</sup> 17 CFR 242.204.

firm's activity (e.g., a clearing firm with a 1,000 share fail to deliver position at a clearing agency in a stock is permitted to allocate the 1,000 share fail (or relevant portion thereof) to a correspondent firm whose activity is responsible for the development of the fail position).<sup>13</sup> If the clearing firm has reasonably allocated the fail to deliver position to a correspondent firm, the correspondent firm—rather than the clearing firm—must comply with the requirements of Rule 204, including the pre-borrow requirement, with respect to that position.

FINRA reviews member compliance with Regulation SHO's Rule 204 close out obligations. However, because broker-dealers are not required to report to FINRA when they have allocated a close out obligation to a correspondent firm, FINRA is often unaware of which member bears responsibility for a particular close out obligation under Rule 204. Instead, when there has been a fail to deliver, FINRA requests information on whether the fail to deliver has been allocated to a correspondent firm and, if so, the identity of the correspondent firm. Obtaining information from clearing firms on daily fail to deliver allocations would allow FINRA to directly identify the member that is responsible for a close out obligation without having to first request this information from the clearing firm, thereby reducing inefficiencies and potential delays in FINRA's surveillance and reviews.

Therefore, FINRA is proposing to adopt new Rule 4321 to require member clearing firms to submit to FINRA on a monthly basis a report of their daily allocations of fail to deliver

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<sup>13</sup> SEC staff guidance states that: "Rule 204(d) permits the participant to reasonably allocate a portion of a fail-to-deliver position to another registered broker or dealer for which it clears trades or for which it is responsible for settlement, based on such broker's or dealer's short position. If the participant has reasonably allocated the fail-to-deliver position, the provisions of Rule 204 relating to such fail-to-deliver position, including the pre-borrow requirement, apply to such registered broker or dealer that was allocated the fail-to-deliver position, and not to the participant." See Division of Market Regulation: Responses to Frequently asked Questions Concerning Regulation SHO, # 5.4 (October 15, 2015).

positions to correspondent firms pursuant to Rule 204 of SEC Regulation SHO.<sup>14</sup> Under new Rule 4321, members that have allocated fail to deliver positions would be required to report, in the form and manner prescribed by FINRA, the following information for each allocation:

- Security name and symbol;
- Identity of the correspondent firm to which the fail was allocated;
- Number of shares of the fail that are allocated to the correspondent firm;
- Settlement date on which the allocated fail developed;
- Allocation date; and
- Other information specified by FINRA.

FINRA believes that the proposed rule change would provide FINRA with important information in support of its SEC Regulation SHO compliance program.

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>15</sup> which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

FINRA believes that the proposal to require members to report as short interest outstanding stock borrows by customers in their arranged financing programs would improve

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<sup>14</sup> Allocation reports would be due 10 business days after the end of each month. The information provided in the allocation report would be used only for regulatory purposes and would not be publicly disseminated.

<sup>15</sup> 15 U.S.C. 78o-3(b)(6).

transparency about short interest positions and better reflect short sentiment in a stock. FINRA believes that the proposal to increase the frequency of reporting under Rule 4560, and subsequent public dissemination, of short interest information would provide a more current view of short interest information, better inform investors' and other market participants' investment decisions, and provide more timely information to FINRA for regulatory use. FINRA also believes that the proposal to require members to report to FINRA the final short interest position in any security whose symbol has been deleted by an SRO would provide additional valuable information to regulators and investors. FINRA further believes that the proposal to limit the scope of Rule 4560 to OTC Equity Securities and securities listed on a national securities exchange is appropriate and consistent with the Act in that it provides for greater clarity with respect to members' existing obligations.

Finally, FINRA believes that the proposal to adopt new Rule 4321 to require member clearing firms to submit to FINRA on a monthly basis a report of their daily allocations of fail to deliver positions to correspondent firms would improve regulatory efficiency and support FINRA's oversight for member compliance with SEC Regulation SHO, consistent with the Act.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the potential economic impacts, including anticipated costs, benefits, and distributional and competitive effects, relative to the current baseline, and the alternatives FINRA considered in assessing how to best meet its regulatory objectives. The economic impact assessment is

organized into three separate sections covering the frequency and timing of short interest reporting, changes to the data collected, and reporting of allocations of fail to deliver positions.

The proposed short sale-related reporting enhancements would provide greater transparency regarding short sale activity.<sup>16</sup> Generally, providing additional data furnishes market participants a more complete view into the level of short interest in a particular security and in aggregate across reporting firms. This may allow market participants to better evaluate investment opportunities, encourage greater market participation, and accelerate the incorporation of potentially relevant information into price formation processes. These enhancements and the proposed fail to deliver allocation reporting also would allow FINRA to monitor more efficiently for compliance with Regulation SHO.

At the same time, increasing transparency could create concerns regarding potential disincentives for short selling. As short selling is an important mechanism for incorporating negative information into prices, such an outcome could reduce price efficiency. To the extent that short selling provides liquidity to the market, changes in short selling behavior could impact liquidity. The balance of these incentives determines the primary market impact of the proposal.

#### Content of Short Interest Data

#### Loan Obligations Resulting from Arranged Financing

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<sup>16</sup> On October 13, 2023, the SEC adopted Exchange Act Rule 10c-1a to increase the transparency and efficiency of the securities lending market by, among other things, requiring covered persons to report information about securities loans to a registered national securities association (“RNSA”). See Securities Act Release No. 98737 (October 13, 2023), 88 FR 75644 (November 3, 2023) (File No. S7-18-21) (Reporting of Securities Loans). On December 3, 2025, the SEC issued a temporary exemption, pursuant to Section 36(a)(1) of the Exchange Act, from compliance with SEA Rule 10c-1a to allow time for the staff to consider potential changes to the proposal. See Securities Exchange Act Release No. 104303 (December 3, 2025), 90 FR 56813 (December 8, 2025).

Loan obligations resulting from arranged financing are economically equivalent to short interest positions but are currently not reported as short interest and therefore are not available in the short interest data to market participants nor to FINRA. Expanding the short interest reporting requirement to capture loan obligations resulting from borrowing shares through an arranged financing program would more fully reflect short sentiment, thus allowing FINRA, market participants and investors to more comprehensively understand market activity.

FINRA members would incur upfront costs associated with making systems changes required to identify these loan obligations (including sourcing information from affiliates as needed) for purposes of including this information in reported short interest. Following the upfront process and systems costs to facilitate reporting this information, FINRA anticipates that the ongoing cost of including loan obligations resulting from arranged financing in reported short interest is expected to be minimal as firms currently incur costs for existing short interest reporting.

FINRA understands the primary motivation for customers to use arranged financing is to obtain increased leverage rather than to avoid short interest reporting. To the extent this is true, this would limit incentives to shift lending to non-FINRA members, including banks. FINRA also understands that, although it is possible for customers to obtain short exposure to a security through other means, it would be impractical for entities other than affiliates of FINRA members to offer a service substantially similar to arranged financing as discussed in the proposed rule change.

#### Short Interest Reporting for Deleted Symbols

Given the current timeframe for reporting short interest to FINRA, FINRA may not receive a short interest report that includes data for a security that recently was no longer

identified by an SRO-issued symbol. Receiving a final short interest report in such a security would allow FINRA to more efficiently monitor for compliance with Regulation SHO.

FINRA estimates that 2,426 equity securities ceased to be identified by an SRO-issued symbol in 2025, of which 722 were exchange-listed equity securities and 1,704 were OTC equity securities. Of these 2,426 equity securities, 1,122 (46 percent) had outstanding short interest positions as of their last short interest reporting date. For these securities, the average time between the last short interest reporting date and the last settlement date for which a symbol existed was eight days.

FINRA does not expect that firms would incur substantial costs associated with reporting this information because it would be a continuation of the same data that they are required to report for securities, although they may need to make an upfront system or process change in order to report their gross short positions in the security as of the last settlement date for which a symbol was in effect.

#### Frequency and Timing of Short Interest Position Reporting and Data Dissemination

Based on current reporting requirements as noted above, twice a month FINRA disseminates aggregate short interest information seven business days after the reporting settlement date. However, changes in short interest for OTC and exchange-listed equity securities between reporting settlement dates (and thus dissemination) can be fairly large relative to the average daily trading volume<sup>17</sup> and, currently, there are no other sources of the short

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<sup>17</sup> For each short interest reporting date between January 2025 and December 2025, FINRA analyzed the change in each security's short interest from the previous reporting date. On an average reporting date, 11,323 exchange-listed equity securities experienced changes in short interest. The median change in short interest for these securities amounts to 25 percent of the average daily trading volume but rises to 56 percent by the 75<sup>th</sup> percentile and 183 percent by the 95<sup>th</sup> percentile. During the same time period, an average of 7,118 OTC equity securities experienced changes in short interest each reporting date. The median change in short interest for these securities amounted to 60 percent of the average

interest information that FINRA produces available on a more frequent basis, free of charge to investors generally and retail investors in particular.<sup>18</sup>

Increasing the reporting frequency to weekly would provide FINRA and market participants with more current short interest information. More frequent information could accelerate the incorporation of potentially relevant information into price formation processes.

The costs associated with accommodating more frequent reporting with a faster turnaround time depends primarily on firms' reliance upon manual processes in collecting, validating and reporting short interest.<sup>19</sup> Many firms like[sic] rely on manual processes to determine whether a short position is reportable, as well as to validate and verify their short positions.

It is possible that more frequent public disclosure of short interest positions could discourage short selling, which is an important mechanism for price efficiency and for liquidity provision.<sup>20</sup> However, the five-business-day turnaround time between the reporting settlement

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daily trading volume but rises to 1,170 percent by the 75<sup>th</sup> percentile and 157,032 percent by the 95<sup>th</sup> percentile.

<sup>18</sup> A 2025 study finds that vendor-derived short interest estimates explain only up to 67 percent of the variation in actual short interest changes. See Yong Chen, Minjae Kim, John McInnis, and Wuyang Zhao, Interest in the Short Interest: The Rise of Private Sector Data, 42(4) Contemporary Accounting Research 2424-2457 (2025). In addition, the cost of this data is substantial and likely unaffordable for most retail investors.

<sup>19</sup> A total of 86 firms reported short interest for at least one security in 2025.

<sup>20</sup> Two studies that looked at short interest reporting in the European Union and Japan found that daily short interest reporting of large individual positions reduced short selling. The study looking at the European Union found that this reduction slowed down the incorporation of new information into prices as measured by the Hou and Moskowitz (2005) measure. It also found short reporting increased the Amihud illiquidity measure, which is calculated as the ratio of absolute value of daily stock returns to daily dollar trading volume and intended as a rough measure of price impact, although quoted spreads narrowed. The study looking at Japan did not directly examine price efficiency or liquidity but finds that after adopting the reporting regime, the remaining short selling became less informed and short-term price volatility increased. However, both studies examine reporting requirements with higher frequency and less aggregation than the

date and the dissemination of short interest information, combined with aggregation across all accounts, should mitigate concerns about information leakage and the impact on liquidity and make any such outcome less likely.<sup>21</sup>

#### Information on Allocations of Fail To Deliver Positions

FINRA is proposing to require member clearing firms to submit to FINRA on a monthly basis a report of their daily allocations of fail to deliver positions to correspondent firms pursuant to Rule 204 of Regulation SHO. Currently, when there has been a fail to deliver, FINRA must contact the clearing firm to learn whether the firm has allocated the fail to deliver to a correspondent firm and if so, to which firm.<sup>22</sup>

Requiring clearing firms to submit on a monthly basis a report of their daily allocations would allow FINRA to conduct more efficient investigations as FINRA would be able to identify

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instant proposal. See Charles M. Jones, Adam V. Reed & William Waller, *Revealing Shorts: An Examination of Large Short Position Disclosures*, 29(12) *The Review of Financial Studies* 3278-3320 (2016) and Truong X. Duong, Zsuzsa R. Huszar & Takeshi Yamada, *The Costs and Benefits of Short Sale Disclosure*, 53 *Journal of Banking and Finance* 124-130 (2015).

FINRA received comments expressing concern that increasing the frequency of short interest reporting could have negative impacts on liquidity because short sellers, a source of market liquidity, may limit their activity if they believe reporting reveals their trading strategies or allows others to trade in a way that is detrimental to their interests.

<sup>21</sup> Studies have suggested that, while increasing dissemination speed beyond a certain point may discourage short selling, more moderate increases in dissemination speed can offset negative impacts. Kahraman (2020) finds that, at the same level of aggregation as the instant proposal, increasing the short interest reporting frequency from monthly to bimonthly more than offset any negative impact on short selling activity by accelerating the incorporation of the information into prices. See Bige Kahraman, *Publicizing Arbitrage: Impact of Mandatory Disclosures*, *Journal of Financial and Quantitative Analysis*, 56, 789-820 (2020).

<sup>22</sup> Across settlement dates in 2025, the median number of equity securities with any outstanding fail to deliver positions was 5,261. A total of 158 firms reported at least one fail to deliver position in 2025.

which member has the close-out obligation directly from the reported information. Member clearing firms may also benefit from freeing up resources used to respond to inquiries about allocations to correspondent firms.

FINRA members that are participants of a registered clearing agency would incur costs associated with establishing a process to report to FINRA daily allocations to correspondent firms. These member firms may seek to amend their contracts with correspondent firms to shift these costs.

#### Alternatives Considered

FINRA considered requiring short interest to be reported on a daily rather than weekly basis. While more frequent availability of information could be useful to market participants and to FINRA for regulatory purposes because it would provide information about short positions at members with less delay, reporting data daily also would place a larger burden on reporting firms and may raise concerns addressed above regarding potential impacts on price efficiency and liquidity.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

In June 2021, FINRA published Regulatory Notice 21-19 (“Notice”) seeking comment on potential enhancements to its short sale reporting program. These potential enhancements included (1) modifications to the short interest reporting requirements in Rule 4560, (2) adoption of a new rule to require participants of a registered clearing agency to report to FINRA information on allocations to correspondent firms of fail to deliver positions, and (3) other potential enhancements related to short sale activity.<sup>23</sup> FINRA received 2,227 comment letters in response to the Notice. A copy of the Notice is available on FINRA’s website at <http://www.finra.org>. A list of the comment letters and copies of the comment letters received in response to the Notice are available on FINRA’s website.<sup>24</sup>

In general, the commenters supported some aspects of the potential enhancements and raised concerns with others. A summary of the comments FINRA received that are related to the instant proposed rule change and FINRA’s responses are discussed below.<sup>25</sup>

1. Positions Resulting from “Arranged Financing”

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<sup>23</sup> In the Notice, FINRA did not solicit comment on the proposed rule changes discussed in Item 3 of this rule filing regarding the reporting of final short interest positions for securities with deleted symbols or the clarification of the scope of the securities subject to the reporting requirements of Rule 4560.

<sup>24</sup> See <https://www.finra.org/rules-guidance/notices/21-19#comments>.

<sup>25</sup> Some comments raised concerns regarding broader issues, such as (1) more stringent regulation of naked short selling and fails to deliver, (2) allowing shares to be borrowed only once and limiting the total amount of shares held short to no more than the security’s float, (3) increasing enforcement penalties and fines, (4) the potential conflict of interest when a market maker also runs a hedge fund, (5) lack of transparency and manipulation in the context of dark pools, (6) requiring settlement on trade date, (7) preventing payment for order flow, and (8) requiring disclosure of synthetic long positions. These comments are outside the scope of the instant proposed rule change and therefore are not addressed herein.

FINRA received comments regarding expanding short interest reporting to require members to report as short interest outstanding stock borrows by customers in their arranged financing programs through which a customer borrows shares from the firm’s domestic or foreign affiliate and uses those shares to close out a short position in the customer’s account.

Several commenters supported reflecting loan obligations resulting from arranged financing in reported short interest.<sup>26</sup> Angel, Better Markets, and CFA Institute stated that the proposal would provide greater transparency regarding short interest. In addition, individual investors generally supported increased granularity of short interest information.

Three commenters opposed reflecting loan obligations resulting from arranged financing in reported short interest.<sup>27</sup> Credit Suisse stated that this change could result in “false positives” and potential duplication in the data reported. Fidelity stated that the change would shift

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<sup>26</sup> See letter from James J. Angel, Ph.D., CFP, CFA, Associate Professor of Finance, Georgetown University, McDonough School of Business, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 30, 2021 (“Angel”); letter from Joseph R. Cisewski, Senior Derivatives Consultant and Special Counsel, Better Markets, Inc., to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 30, 2021 (“Better Markets”); letter from Kurt N. Schacht, CFA, CFA Institute Head of Advocacy, and Stephen Deane, CFA, CFA Institute Senior Director – Advocacy, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 24, 2021 (“CFA Institute”); letter from Jennifer W. Han, Chief Counsel & Head of Regulatory Affairs, Managed Funds Association, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 30, 2021 (“MFA”); letter from Melanie Senter Lubin, NASAA President, Maryland Securities Commissioner, North American Securities Administrators Association, Inc., to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 30, 2021 (“NASAA”).

<sup>27</sup> See letter from Michael E. Moran, Managing Director, Head of US Public Policy, Credit Suisse Holdings (USA), Inc., to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, received September 30, 2021 (“Credit Suisse”); letter from Michael Lyons, Chief Financial Officer, National Financial Services LLC (submitted by Fidelity Investments), to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 30, 2021 (“Fidelity”); letter from Howard Meyerson, Managing Director, Financial Information Forum, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 29, 2021 (“FIF”).

borrowing activity away from FINRA member arranged financing programs to swaps dealers, custody banks, or off-shore entities that are not subject to similar reporting requirements. FIF stated that there would be a significant undertaking involved in reporting this information and that the information is available from other sources such as The Depository Trust Company. One commenter neither supported nor opposed this aspect of the proposal but asked that FINRA consider the challenges firms would face obtaining the information from their affiliates in addition to the significant implementation challenges before proceeding to require that firms provide arranged financing information in short interest.<sup>28</sup>

After considering the comments received, FINRA has determined to propose amendments to Rule 4560(b) to require members to report as short interest outstanding stock borrows by customers in their arranged financing programs. FINRA believes that including in FINRA's short interest data these positions, as specifically defined in the proposed rule change, would not be duplicative and would better reflect the actual short sentiment in an equity security. Because the reporting member has made available the arranged financing program to its customers and the position is reflected on the member's books, FINRA believes it is reasonable to require the member to identify these positions and include them in reported short interest, as contemplated in the proposal. FINRA also believes that the primary motivation for customers to use arranged financing is to obtain increased leverage rather than to avoid short interest reporting, which, to the extent this is true, would limit incentives to shift lending to non-FINRA members, including banks. FINRA further understands that, although it is possible for customers

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<sup>28</sup> See letter from Robert Toomey, Managing Director, Associate General Counsel, and Joseph Corcoran, Managing Director, Associate General Counsel, Securities Industry and Financial Markets Association, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 30, 2021 ("SIFMA").

to obtain short exposure to a security through other means, it would be impractical for entities other than affiliates of FINRA members to offer a service substantially similar to arranged financing. FINRA continues to believe that requiring members to include these positions will improve the completeness of reported short interest information, and notes that this information is not reasonably ascertainable elsewhere; therefore, requiring members to report this information is reasonable and appropriate.

## 2. Frequency and Timing of Short Interest Position Reporting and Dissemination

In the Notice, FINRA requested comment on potentially increasing the frequency of short interest reporting and dissemination. Specifically, FINRA stated that it was considering increasing the frequency of short interest reporting and dissemination from bi-monthly to weekly or daily. In addition, FINRA noted that it was considering shortening the timeframe for members to submit short interest reports and reducing the amount of time FINRA takes to process the collected information so that FINRA could disseminate short interest data more quickly.

Eight commenters supported increasing the short interest reporting frequency to weekly, noting that it would be more feasible than daily reporting while still increasing transparency, providing investors with timely information, and preserving the confidentiality of individual firm investment and trading strategies.<sup>29</sup> FIF, however, raised concerns, including regarding the

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<sup>29</sup> See letter from Stephen John Berger, Managing Director, Global Head of Government & Regulatory Policy, Citadel Securities, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 30, 2021 (“Citadel”); letter from Sarah A. Bessin, Associate General Counsel, and Nhan Nguyen, Assistant General Counsel, Investment Company Institute, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated August 31, 2021 (“ICI”); letter from Paul Wilson, Managing Director, Global Head of Securities Finance, Equities Data & Analytics, IHS Markit, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 30, 2021 (“IHS Markit”); letter from Matthew R. Cohen, Chief Executive Officer, Provable

feasibility of shortening the timeframe for members to submit short interest position reports to FINRA after the designated settlement date.

Angel, Better Markets, NASAA, and several individual investors supported daily reporting and dissemination of short interest data. Better Markets and NASAA suggested that, if necessary, there should be a suitable delay in daily dissemination to allow firms to compile short interest data. NASAA further stated that daily short interest data currently can be purchased and therefore this data can be compiled without undue burden. CFA Institute also asked that FINRA consider daily reporting if daily short interest data already is available through other means.

Five commenters opposed increasing the frequency of short interest reporting.<sup>30</sup> Credit Suisse, Fidelity, and SIFMA stated that such a change would be operationally challenging and a significant cost burden on firms. Nasdaq asked that FINRA undertake a rigorous analysis on the frequency of reporting, and publish the results of that analysis, before increasing the frequency of short sale reporting. T. Rowe Price stated that more frequent short interest reporting would negatively impact liquidity.

After considering the comments received, FINRA is proposing to increase the frequency of short interest reporting and dissemination from bi-monthly to weekly and to reduce the

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Markets LLC, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 30, 2021 (“PML”); letter from Thomas M. Merritt, Deputy General Counsel, Virtu Financial, Inc., to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 30, 2021 (“Virtu”); letters from CFA Institute, FIF and MFA.

<sup>30</sup> See letter from Jeffrey Davis, Senior Vice President, North American Regulation, Nasdaq, Inc., to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated October 13, 2021 (“Nasdaq”); letter from Mehmet Kinak, Global Head of Systematic Trading & Market Structure, Philip Nestico, Head of U.S. Equity Trading, and Jonathan Siegel, Senior Legal Counsel – Legislative & Regulatory Affairs, T. Rowe Price, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 20, 2021 (“T. Rowe Price”); letters from Credit Suisse, Fidelity and SIFMA.

turnaround time for the submission of the reports from two business days to one business day following the designated settlement date. FINRA believes that these changes best balance the goals of improving transparency and the usefulness of short interest data for regulators and market participants with the burden on firms to provide such information on a more frequent basis and concerns regarding potential impacts on liquidity. FINRA believes that firms' current reporting processes are well-established and that, following the initial process and systems adjustments, members will be able to report data on a weekly basis using current systems. In addition, FINRA believes that the aggregate nature of the published short interest data and the five-business-day turnaround time between the date of the short interest data and its dissemination would largely mitigate concerns regarding potential information leakage and impacts on liquidity.<sup>31</sup>

### 3. Allocations of Fails to Deliver Positions

FINRA also received comments with respect to the proposal to adopt a new rule to require members to submit to FINRA a report of daily allocations of fail to deliver positions to correspondent firms pursuant to Rule 204(d) of SEC Regulation SHO. Angel, Better Markets, CFA Institute, FIF, and NASAA supported the adoption of such a rule. FIF stated that, subject to the manner and timing of implementation, on balance, the benefits of the proposed rule could outweigh the costs. NASAA indicated that the proposed rule would benefit investors by adding efficiencies to FINRA's market oversight with minimal impacts on firms, as well as possibly

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<sup>31</sup> Some comment letters also discussed FINRA's oversight program with regard to the accuracy and completeness of firms' short interest reporting. These commenters state that FINRA's inquiries, which require manual efforts, would further complicate weekly reporting. FINRA notes that the referenced process appears to be part of the ongoing oversight process to ensure that members are reporting their short interest data in compliance with FINRA rules and guidance. FINRA believes that these oversight efforts have been, and will remain, important elements of FINRA's regulatory program.

increase the likelihood that firms would comply with their settlement requirements in a timely fashion.

Fidelity and SIFMA opposed FINRA adopting such a rule, stating that the costs would outweigh the benefits and increase the potential for reporting errors. Fidelity further stated that FINRA should eliminate the proposed data field requiring the time period for the applicable close out obligation as the introducing firm rather than the clearing firm is responsible for this information.

Having considered comments received, FINRA continues to believe it is appropriate to propose new Rule 4321 to require members to report to FINRA on a monthly basis their daily allocations of fail to deliver positions to correspondent firms. FINRA believes that allocations of these positions by clearing firms is a common occurrence and that a report of daily allocations of fail to deliver positions to correspondent firms would provide valuable information in support of FINRA's surveillance program for compliance with SEC Regulation SHO. FINRA believes that routinely obtaining this information would allow FINRA to conduct more efficient investigations and that the anticipated costs of the proposal are appropriate in light of the expected regulatory benefits. However, FINRA has, in response to comments, revised the proposal to omit the data fields pertaining to the close out date and the applicable close out obligation, since clearing firms will not necessarily know this information.

### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2026-012 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2026-012. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>).

Copies of the filing will be available for inspection and copying at the principal office of FINRA.

Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold

entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FINRA-2026-012 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>32</sup>

**J. Matthew DeLesDernier,**

*Deputy Secretary.*

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<sup>32</sup> 17 CFR 200.30-3(a)(12).