

ICI Statement on SEC Reporting of Securities Loans and Short Sale Disclosure Rulemaking

Washington, DC; October 13, 2023—Investment Company Institute (ICI) General Counsel Susan Olson released the following statement regarding the Securities and Exchange Commission’s (SEC) vote to adopt new rules regarding reporting of securities loans and short sale disclosure.

“While ICI supports the Commission’s objectives of enhancing transparency for market participants and facilitating regulatory oversight in the securities loan and short sale reporting rules, we remain concerned about the implications of these rules for investors. Securities lending is an important and beneficial source of income to fund investors. Similarly, short selling is used as a strategy by registered funds to benefit investors. The high costs of the Commission’s new reporting regimes will ultimately come out of the pockets of funds and their investors, lowering their returns.

“We appreciate that the final rules included improvements from the original proposals, reflecting the comments of ICI and others, including replacing the proposed 15-minute reporting window for securities loans with a requirement to report them by the end of the day and not requiring market participants to report a list of securities that are available to lend. However, the Commission missed the opportunity to address other unnecessarily burdensome aspects of the proposals that ICI identified, including using a simple percentage for triggering short position reporting, lessening the burdensome daily monitoring requirement, and lengthening the reporting timeline to align with Form N-PORT timing.

“Given the existing disclosure about fund securities lending and short sale activity, as well as the limited degree to which registered funds engage in short selling, it is questionable whether these costly obligations, which will harm fund investors, outweigh the benefits. We look forward to reviewing today’s adopting releases in more detail.

“It’s also important to recognize the points made by Commissioners Peirce and Uyeda regarding the Commission’s adoption of two interconnected rules without sufficient consideration of the holistic consequences and larger compliance complications. As ICI previously [commented](#), the SEC continues to fall short on its obligation to assess the aggregated impact of its aggressive rulemaking agenda.”