

Corporate & Financial Weekly Digest

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SEC Adopts Large Trader Reporting Regime

On July 26, the Securities and Exchange Commission adopted Rule 13h-1 under Section 13(h) of the Securities Exchange Act of 1934. The rule is intended to help the SEC identify market participants engaged in substantial trading, obtain information needed to monitor the impact of those trades, and analyze such market participants' trading activity.

The rule contains the following requirements:

- *Form 13H:* Large traders will be required to file Form 13H. A "large trader" is defined as a person whose transactions in exchange-listed securities equal or exceed two million shares or \$20 million during any calendar day, or 20 million shares or \$200 million during any calendar month. The rule provides guidance on certain types of transactions that can be excluded for purposes of calculating trading levels.
- *Identification Number:* After it files Form 13H, the SEC will then assign each large trader a unique large trader identification number (LTID), which a large trader will be required to disclose to its broker-dealers.
- *Recordkeeping, Reporting, and Monitoring:* Broker-dealers will be required to maintain and report data that is largely identical to the information covered by the SEC's Electronic Blue Sheets (EBS) system, which the SEC currently uses to collect transaction data from broker-dealers. The only additional items that broker-dealers will be required to maintain and report are the LTID and the time a transaction occurs. In addition, the rule requires broker-dealers to monitor whether their customers meet the threshold levels that define a "large trader."
- *Ready Access to Data:* Transaction data will be required to be available for reporting on the morning after the day the transactions were effected. When the SEC requests data from broker-dealers, it would not under normal circumstances require responses earlier than the opening of business on the day after it makes its request.

Rule 13h-1 will become effective 60 days after the date of publication of the rule in the Federal Register. Large traders will have two months after the effective date to comply with the identification requirements of the rule. Broker-dealers will have seven months

after the effective date to comply with the requirements to maintain records, report transaction data when requested, and monitor large trader activity.

For the fact sheet and press release announcing the new rule, see [here](#).

For the text of Chairman Shapiro's speech introducing the rule, see [here](#).

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