



Americans for Financial Reform Education Fund

June 27, 2023

Vanessa A. Countryman
Securities and Exchange Commission
100 F St. NE
Washington, DC 20549

Re: Modernization of Beneficial Ownership Reporting (File No: S7-06-22)

Dear Secretary Countryman,

Americans for Financial Reform Education Fund (AFREF) and the signatories to this letter appreciate the opportunity to comment on the proposal by the Securities and Exchange Commission (the Commission) to amend rules that govern beneficial ownership reporting. AFREF submitted a comment supporting the proposal in April 2022; we are submitting this letter in response to the Division of Economic and Risk Analysis's memorandum dated April 28, 2023 ("the memorandum").

The memorandum lays bare the fact that the outdated 10-day 13D filing deadline unfairly distorts the market by having a prolonged period of unnecessary information asymmetry. Investors in the know can benefit from this prolonged period by buying undervalued shares while selling shareholders on the other side of the trade lose value. Shortening the filing window, then, will increase the fairness and efficiency of markets and protect investors who would otherwise lose money by selling undervalued shares.

The memorandum cites a study that finds that 13D filers time their share accumulations with institutional liquidity shocks.¹ This means that institutional investors are poised to continue bearing the costs of informational asymmetry if the status quo continues. However, if the filing window is shortened, institutional investors will be better able to manage liquidity shocks in a way that serves their ultimate beneficiaries, instead of costing them money by unknowingly selling undervalued shares.

¹ Nickolay Gantchev & Chotibhak Jotikasthira, *Institutional Trading and Hedge Fund Activism*, 64 MGMT. SCI. 2930 (2018).

Lastly, we want to reiterate our support not just for the shortening of the 13D filing deadline, but also the other aspects of the rule, including shortening the 13G filing deadline, expanding application of 13D and 13G to certain derivative securities, and clarifying the circumstances under which two or more persons have formed a “group” that would be subject to beneficial ownership reporting obligations.

We appreciate the Commission’s important work on this important rule and encourage the Commission to finalize it as soon as possible. For further discussion, please contact Natalia Renta at natalia@ourfinancialsecurity.org and Andrew Park at andrew@ourfinancialsecurity.org.

Sincerely,

Americans for Financial Reform Education Fund
American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)
Communications Workers of America (CWA)
Interfaith Center on Corporate Responsibility (ICCR)
Public Citizen