

SEC Adopts Amendments to Beneficial Ownership Reporting

Article By:

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On 10 October 2023, the SEC adopted amendments to beneficial ownership reporting requirements under Sections 13(d) and 13(g) of the Securities Exchange Act of 1934. The amendments shorten deadlines for Schedule 13D and 13G filers, clarify Schedule 13D disclosure requirements for derivatives, and require filers to use machine readable data language.

Chair Gensler noted the shorter deadlines are intended to reduce information asymmetries, promote transparency, allow investors to make better-informed decisions, and improve market liquidity.

Specifically, the filing deadline for an initial Schedule 13D will be shortened from 10 calendar days to five *business* days (notably longer than the proposal, which had a deadline of five *calendar* days).

New deadlines for Schedule 13G vary by filer. The deadline for qualified institutional investors and exempt investors will change to 45 days after quarter-end (instead of year-end). As adopted, Schedule 13G deadlines will align with Form 13F filing deadlines. For passive investors (that are not qualified institutional investors), the deadline for an initial filing is shortened to five business days (instead of 10) after acquiring beneficial ownership.

Also of note, two proposed changes were not adopted as rule amendments but instead are addressed as “guidance” in the Adopting Release:

- ~~Application of the 5% ownership threshold to reporting of~~

The adoption was not unanimous among the Commissioners. Commissioner Peirce declined support, questioning the justification for shorter filing deadlines and noting that “disparities in information are central to the functioning of our markets.” She also noted that the adopting release continues to raise questions around the analytical framework for cash-settled derivatives as well as the definition of “group” filers.

The amendments will become effective 90 days after publication in the Federal Register. Compliance deadlines are as follows:

- ~~Revised SEC 204 reporting filing deadline (40 days)~~ 2024;