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National Investor Relations Institute

8020 Towers Crescent Drive, Suite 250, Vienna, VA 22182
(703) 506-3570 FAX (703) 506-3571
Website: www.niri.org

June 21, 2011

Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F St, NE
Washington, DC 20549-1090

Re: Comment Request on Short Sale Reporting Study
File No. 4-627

Dear Ms. Murphy:

This letter is submitted on behalf of the members of the National Investor Relations Institute ("NIRI"). NIRI is the professional association of corporate officers and investor relations consultants responsible for communications among corporate management, shareholders, securities analysts and other financial community constituents. Founded in 1969, NIRI is the largest professional investor relations association in the world with more than 3,500 members representing 2,000 publicly-traded companies and approximately $5.4 trillion in stock market capitalization.

NIRI appreciates the opportunity to comment to the Securities and Exchange Commission (SEC) on this important short sale reporting study. NIRI supports transparent, fair, efficient and robust capital markets. Vital to such capital markets are comprehensive, transparent corporate communications with current and prospective shareholders, as well as the necessary regulatory oversight to help ensure adequate monitoring and analysis of systemic risk. NIRI recognizes the need for greater transparency within the investment community, and supports a reporting regime that promotes more timely and frequent long position reporting, as well as commensurate full and fair short position disclosure as follows.

a. Short Sales Disclosure. In according with its mission, the SEC should require the same level of disclosure from all institutional investors (investment funds, hedge funds, activists etc.) maintaining short equity positions as are required of the funds that maintain long equity positions. NIRI believes short sale reporting and corresponding share lending reporting should be publicly available in the same manner as long position reporting. However, NIRI believes long and short sale reporting should occur on a more frequent basis, not less than what is equivalent to a NIRI proposed 13F requirement revision, and that requirements be the same for all investors.

b. Form 13F Revisions. Publicly-traded companies currently operate in an environment of great transparency governed by federal, state and stock exchange rules and regulations. Current SEC rules generally require institutional investors to disclose share ownership positions on a quarterly basis (Form 13F), with an exception made for those that petition the SEC to delay these disclosures on the basis of confidentiality.

Quarterly reporting was established many years ago before technology advances made reporting much easier. NIRI supports a reporting schema similar to what now occurs with retail investors - receiving investment reports from their broker on a monthly basis within ten days of the end of the month. Institutional holders should abide by a similar public reporting scheme in terms of frequency. Regulations should be updated to abandon the quarterly requirement, in favor of a monthly requirement. NIRI understands and respects the necessity for preserving confidentiality in certain circumstances. However, NIRI believes a delay of no more than 30 days would ensure fairness for all market participants. Reporting rules should be strictly enforced with meaningful penalties for non-compliance.

c. Form 13D Revisions. Current SEC requirements require a Schedule 13D to be filed by any person or group of persons that becomes a 5% holder within 10 days after crossing the 5% threshold. Based on technology improvements over the last several decades and the speed at which information now flows, NIRI sees no reason for such a delay in reporting this material shareholder ownership information. NIRI believes reporting rules should be amended reducing the reporting requirement to 5 days from the current 10 days. This reporting requirement should be expanded to include long and short selling information, as well as share lending.

The corporate investor relations function is responsible for communicating with current and prospective investors, monitoring and understanding stock trading activity, and a variety of other responsibilities. As such, investor relations professionals are very familiar with the issues addressed by this study and are well suited to offer comment.

In order to provide the SEC with the perspective of a large number of publicly-traded companies, NIRI conducted a member survey on their experiences and beliefs regarding short sale reporting. Results of this survey support NIRI's recommendations, as outlined above. Two hundred forty-four NIRI members responded to the survey. The respondents were made up of a representative cross section of NIRI members in terms of exchange listing, market capitalization and industry. A summary of the results follow:

- Ninety-two percent of respondents monitor the short interest data of their companies' stock.

- Eighty percent obtain short interest data from their stock exchange. Other sources included data vendors and service providers, such as stock surveillance companies, FINRA and the SEC.

- Primary reasons why company professionals monitor short interest data include:

    1. In order to monitor investor sentiment (96%).

2. As an indicator of potential market rumors affecting their company (36%).
3. As a method for monitoring stock lending trends (23%).
4. Other uses included: monitoring trading trends, comparison to industry, and helping to explain share price volatility.

- When asked to comment on the extent to which they believe that short selling has been associated with abusive market practices or trade-based manipulation, respondents most often provided these comments:

1. Unfounded rumors about the company likely resulted in stock price decreases and an increase in short interest.
2. Lack of short selling data transparency likely created a perception that it is easy to spread rumors without attribution or ability to tie to an abusive or illegal activity.
3. False information disseminated via public forums such as chat rooms, blogs, Twitter, etc., likely resulted in stock price declines.
4. Violation of clearing/settlement requirements – i.e. continuing large number of daily "fails to deliver" – creates a concern about market integrity and potentially creates systemic risk.
5. Recent regulatory changes to address naked short selling have curbed many instances of perceived short selling abuse.

- Eighty-nine percent of respondents believe that greater transparency of short positions or short sale transactions would help to deter short sale abuses or assist in additional appropriate actions to prevent them.

- Of these respondents, ninety-six percent believe new public short sale position reporting by all investors is needed, and fifty-nine percent also believe that public reporting of shares lent for short sales by lenders is needed.

- Regarding the timing of the new short sales reporting, seventy-eight percent of these respondents desire a frequency of no less than monthly. Thirty-six percent desire this information daily or in real time. The timing of the new stock lending disclosure frequency was almost identical with seventy-six percent indicating disclosure no less than monthly. Thirty percent seek short sale lending disclosure either daily or in real time.

- Regarding the perceived benefits of introducing real time short sale position reporting, respondents indicated:

1. Improved transparency of and confidence in markets, thus improving market integrity.
2. Better able to identify market abusers.
3. Allow investors to make more informed investment decisions as a result of companies being better positioned to react to potentially manipulative rumors.
4. Would allow for greater clarity in trend analysis of legitimate short selling by providing more insight to investors when shorting is based upon a verifiable source.

5. Would aid in moderating stock price volatility by reducing those following and trading on rumors.
6. Media/press would be better able to understand the potential motives of those pitching ideas that influence stock prices.

- When asked whether real time data on short positions would help or hinder long-term investors in making “efficient investments,” sixty-one percent of respondents believe that real time data would help, while thirty-four percent felt they could not answer as they had no basis for a response.

Additionally, NIRI believes benefits of new real time short sale lending reporting would include:

1. Improving transparency and awareness of investors that lend shares.
2. Providing transparency into those shareholders separating the economic and voting interests of stock ownership.
3. Enabling investors, the public and issuers to fully understand who maintains equity ownership positions in publicly-traded companies.
4. Ensuring that underlying owners of pensions and other institutional holdings understand actions taken on their behalf.
5. Aid in mitigating under-reporting, over-reporting and empty voting.
6. Aid in mitigating “fails to deliver.”

Many aspects of U.S. capital markets are in need of reform, including the system for publicly-traded company shareholder communications and shareholder transparency. As is outlined in this letter and supported by the referenced member survey, NIRI believes more timely and comprehensive access into the ownership positions of publicly-traded company institutional shareholders is necessary and will be beneficial to investors, as well as issuers. Improved equity ownership transparency will also enhance the proxy process, furthering publicly-traded companies’ efforts to serve the needs of all shareholders through direct issuer/shareholder communications. NIRI believes these and other changes are necessary enhancements to our capital markets that will improve investor protection, maintain fair, orderly and efficient markets, and facilitate capital formation. We welcome the opportunity to discuss this and other relevant subjects, and appreciate this opportunity to share our thoughts about short sale reporting.

Sincerely,

Jeffrey D. Morgan, CAE
President & CEO