



Filed electronically

April 26, 2022

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-08-22 (Proposed Short Position and Short Activity Reporting by Institutional Investment Managers)

Dear Ms. Countryman:

T. Rowe Price is a global investment management organization with \$1.55 trillion in assets under management.¹ We serve a wide a range of clients, from individual savers to large institutions and funds. We are pleased to comment on the above-referenced proposal (the “Proposal”), which would require asset managers and other market participants to collect and submit short sale-related data that would be used by the SEC for oversight and public reporting of aggregated data on a monthly basis.

Historically, T. Rowe Price’s short selling activity has not been significant and our equity portfolios typically focus on direct long exposure to stocks. Our strategic investing approach emphasizes active management and rigorous research by our investment professionals of individual companies. Short sale data is used as one of many inputs into our fundamental analysis of an investment opportunity.

Because we believe the SEC’s proposed additions to publicly available short sale data would be of only limited utility, our overall assessment is the Proposal should be modified to mitigate potential risks to the market and ease operational burdens. In our experience, the short sale data currently available to market participants is quite sufficient and we do not believe the proposed expansions to such data would meaningfully contribute to our investment process. We also note the SEC has not found empirical evidence of manipulation or abuses in this area.² However, the Proposal would potentially introduce more liquidity risk to the market due to its public reporting component. The proposed reporting obligations would also necessitate new operational capabilities and infrastructures that would be burdensome to implement for both large and smaller managers. For these reasons, we urge the SEC to make the following changes to the Proposal:

-Except as necessary to meet the express requirements in Section 929X³ of the Dodd-Frank Act, any short sale-related information collected by the SEC under the Proposal should be for regulatory purposes only and not publicly disseminated;

¹ As of March 31, 2022 (based on preliminary data).

² See Proposal at p.121.

³ Section 929X of the Dodd-Frank Act added Section 13(f)(2) to the Securities Exchange Act of 1934. This addition to the Exchange Act requires the SEC to prescribe rules to make certain short sale data publicly available no less frequently than monthly.

-The SEC should leverage existing reporting frameworks to satisfy Section 929X rather than create a new reporting regime; and

-The proposed requirements to report daily activity (i.e., Information Table 2) and positions' hedging status should be eliminated.

Market Impacts of Public Reporting. As noted above, we do not engage in significant shorting activity. However, given our scale, it can take time to build and exit positions so we view liquidity considerations as one of the most important factors when evaluating the merits of proposed reporting changes such as those contemplated by the Proposal. From an overall market perspective, it is important to have meaningful participation from a range of investors and dealers that have a variety of investment objectives and trading styles, and who transact on different sides of the market. This diversity can promote price formation and support liquidity in a range of market environments, which benefits investors broadly, including individual investors. And with respect to shorting in particular, when market participants engage in this activity it can be a useful source of liquidity for long-oriented managers such as T. Rowe Price. We note that the SEC specifically acknowledges the potential harm to price efficiency and negative liquidity impacts if the Proposal is adopted.⁴ Similarly, we are concerned about the unknown impacts on liquidity provision if public reporting of short sale data is expanded as proposed. We have observed some shifts away from shorting individual small cap securities in favor of shorting larger cap ETFs and indices. We believe this dynamic has hindered price discovery and liquidity for these small cap securities. The public reporting aspect of the Proposal has the potential to exacerbate this situation and could also lead to reduced shorting for other sectors, which would further detract from market quality.

While we remain troubled by the uncertain liquidity risks associated with the Proposal, we do take some comfort in the SEC's explanation of why it did not go so far as to include public attribution of short sale activity to specific market participants or public reporting of anonymized manager-level data.⁵ We strongly agree that attribution or anonymized manager-level data in public reports would be inappropriate and in our view, would create unacceptable risks to these participants and discourage a useful source of liquidity provision. For example, attribution or anonymized manager-level reporting could cause certain participants to refrain from short sales of individual securities, especially if they believe expanded public data would make them more vulnerable to others intentionally trading in a way that is detrimental to their interests. Attribution or anonymized manager-level reporting may also create confusion among investors and cause them to speculate on a manager's rationale for shorting a particular security.

We recognize our concerns with expanding public short sale data must be reconciled with section 929X's mandate that certain short sale information be publicly reported at least monthly. In the next section, we discuss this mandate in more detail and recommend the SEC take a very measured approach to meeting this Dodd-Frank Act reporting obligation. To summarize, the SEC should revise the Proposal so that the public reporting of short sale information only satisfies the specific data elements and minimum frequency of dissemination referenced in section 929X and goes no further. Making this modification to the Proposal would help avoid unintended consequences should a final rule be adopted.

⁴ See Proposal at p.132.

⁵ See Proposal at pages 53-54.

Use of Existing Reporting Frameworks. Given the extensive data already available to the SEC through FINRA's existing short interest reporting,⁶ stock exchanges' reporting of short sale activity, and the Consolidated Audit Trail (CAT), the SEC should extract the short data it desires from these sources, rather than create new reporting obligations for managers whose activity is already captured by these existing frameworks. The CAT is also well-suited to meet one of the SEC's stated goals, namely, facilitating the agency's ability to reconstruct market events.⁷ This is a core function of the CAT as it is designed to allow regulators to track all activity in "NMS" securities efficiently and accurately.

The three existing data sources (FINRA, the exchanges, and the CAT) are also well-positioned with respect to the items required to be publicly reported by section 929X, specifically, the name of the issuer and the title, class, CUSIP number, aggregate amount of the number of short sales of each security.⁸ And to the extent the SEC identifies gaps in these data sources relative to any of these items, it can pursue amendments within these frameworks to close such gaps. Given the concerns we share with the SEC regarding uncertain liquidity impacts arising from the Proposal, we strongly urge the SEC to limit any public reporting to the absolute bare minimum of what is needed to satisfy section 929X.

Lastly, creating a new and separate reporting regime, as opposed to taking a cohesive unified approach that relies on existing data frameworks, would likely create noise in the market that would be challenging for most participants to decipher. Managers and other investors would struggle to reconcile differences in what they see reported under the Proposal versus the FINRA and exchange data that covers an overlapping yet broader universe of participants.

Concerns with Proposed Reporting of Daily Activity and Categorization of Transactions' Hedging Status. As the SEC knows, if adopted as proposed, managers would be required to report, among other items, daily trading activity resulting in changes to the manager's reported gross short position for each settlement date during the calendar month. Managers would also be required to report whether gross short positions at month-end are fully hedged, partially hedged, or not hedged. These data elements would be used to publicly report aggregate data showing the net activity in the reported security on each settlement date during the month and the percentage of the security's aggregate gross short position at month-end that is fully hedged, partially hedged, or not hedged.

Even for firms such as T. Rowe Price that do not anticipate having extensive activity that crosses the reporting thresholds, merely monitoring daily activity and the hedging status of positions would represent a significant burden.⁹ Yet as a consumer of a wide range of market data that supports our trading and investment decisions, we would not find the proposed public

⁶ As the SEC is aware, FINRA also issued Regulatory Notice 21-19 last year stating it is considering certain enhancements to its short sale reporting framework.

⁷ See Proposal at p. 55.

⁸ We acknowledge that section 929X also permits the SEC to prescribe rules for public disclosure of additional types of short sale data but this is not required. We see no reason for the SEC to use this permissive authority and extend beyond the minimum requirements of section 929X given the additional information proposed is not beneficial to the market and would be challenging for managers to compile.

⁹ These changes would be complicated in their own right. In addition, even if only some aspects of the SEC's recent wave of reporting proposals impacting funds and advisers are ultimately adopted, there will also be a cumulative burden on firms in terms of increased costs and staffing needs to support new operational processes and compliance oversight.

reporting of daily activity and hedging data to be particularly helpful.¹⁰ Similarly, we think most other participants would fail to realize tangible benefits from this data. For example, there are multiple reasons why a change might occur in the net activity across a manager's portfolios – in some cases, the manager's view on the security may have changed and/or some portfolios may merely be adjusting their percentage exposure based on cash flows or changes in other portfolio holdings or relevant indices. Also, the hedging data may be especially vulnerable to lack of consistency in terms of how various managers apply the classification. Not to mention, the concept of whether a position is fully or partially hedged is not conducive to a framework where there is aggregation for reporting purposes across the manager's funds and accounts given differences in portfolios' investment strategies, cash flows, etc. These underlying weaknesses in the hedging data reported by individual managers would also mean the aggregation of hedging classifications across all reporting managers would be of little to no value to the public, and could be misinterpreted by market participants.

Regarding our earlier statements that public reporting of shorting data should not extend beyond the boundaries of section 929X, it is also important to note that neither the reporting of daily change activity nor hedging status are required under the statute.¹¹

Thank you for the opportunity to share our views on the Proposal. If you would like to discuss our letter, please feel free to contact us.

Sincerely,

/s/
Mehmet Kinak
Head of Equity Trading for T. Rowe Price Associates, Inc.

/s/
Philip Nestico
Head of U.S. Equity Trading for T. Rowe Price Associates, Inc.

/s/
Jonathan Siegel
Managing Legal Counsel (Legislative & Regulatory Affairs)

/s/
Tamara Wiggs
Head of Equity Trading for T. Rowe Price Investment Management, Inc.

¹⁰ If the SEC ultimately determines that the concept of net change in gross short positions is a worthwhile data element, in lieu of reporting daily activity, a much more efficient approach would be to simply compare month-end positions to the positions as of the prior month-end.

¹¹ Please also see the comments of the Securities Industry and Financial Markets Association (SIFMA) on the Proposal regarding the legislative history of section 929X and what Congress intended to be publicly reported under the final version of this section of the Dodd-Frank Act.