

SEC Proposes Changes to Beneficial Ownership Reporting: 9 Things to Know

Last week, the SEC proposed changes to its beneficial reporting framework. Here's the [press release](#), a [statement by Chair Gensler](#) – and here's the [193-page proposing release](#). The Schedule 13D/13G framework was designed more than 50 years ago to provide early warning for shareholders, companies, and the market in general of impending corporate control changes and hasn't been touched by the SEC in several decades. Here are nine things to know about the SEC's proposal:

1. The Schedule 13D deadline would be cut in half, reduced from 10 calendar days to 5 calendar days after a person acquires more than 5% of a company's equity. The shortening of this filing deadline is intended to reduce information asymmetry between activist investors and other shareholders, especially because a Schedule 13D filing can have a material impact on a company's share price. The truncated deadline would allow shareholders and the company to get access to pertinent information sooner.

2. Amendments to Schedule 13D would be required to be filed within one business day, rather than the "promptly" standard that currently exists.

3. The Schedule 13G deadline for qualified institutional investors (QIIs) and exempt investors would be significantly shortened to 5 business days after the month-end in which the person acquires more than 5% of a company's equity, rather than 45 days after the calendar year. For non-exempt passive investors, the deadline would be cut in half, reduced from 10 calendar days to 5 calendar days after a person acquires more than 5% of a company's equity.

4. Amendments to Schedule 13G would be required to be filed 5 business days after the month in which a material change occurred, rather than the current deadline of 45 days after the year in which any change occurred.

5. To help investors meet these shorter deadlines, the SEC would extend the Edgar filing "cut-off" times for Schedules 13D and 13G from 5:30 p.m. to 10:00 p.m. Eastern time, consistent with the cut-off time for Section 16 filings.

6. Regulation 13D-G would be expanded to include certain cash-settled derivative securities.

7. The sometimes challenging "group" determination would be clarified. For example, those in "tipper-tippee" relationships - in which a person shares non-public information about an upcoming Schedule 13D with another person who subsequently purchases the company's securities based on that information – would be considered part of a "group."

8. There would be new exemptions to permit investors to communicate with each other, jointly engage with companies and execute certain transactions without being considered a "group," including circumstances in which (i) investors communicate with one another or the company without the purpose or effect of changing or influencing control and (ii) investors and financial institutions enter into agreements governing the terms of derivative securities.

9. Schedules 13D and 13G would be required to be filed using structured, machine-readable data language.

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