

Have You Confirmed Your Large Trader Status?

Beginning on December 1, 2011, “large traders” were required to identify themselves to the SEC and to their registered broker-dealers. A “large trader” is any person (such as investment advisors or other asset managers) who directly or indirectly exercises investment discretion over accounts and effects transactions for the purchase or sale of any National Market System (NMS) security (i.e., exchange-listed securities) for or on behalf of such accounts, by or through one or more registered broker-dealers, in an aggregate amount equal to or greater than the “identifying activity level.”

The “identifying activity level” is reached when client transactions in NMS securities meet or exceed either of the following levels:

during one calendar day, trade either 2 million shares or shares with a fair market value of \$20 million; or

during one calendar month, trade either 20 million shares or shares with a fair market value of \$200 million.

A large trader must file Form 13H through the Electronic Data Gathering, Analysis and Retrieval System (EDGAR) and notify its broker-dealers of its large trader status, as well as provide additional information to the Security and Exchange Commission (SEC) upon request.

There are several categories of Form 13H filings. An initial filing must be made immediately after the trader meets the identifying activity level. Thereafter, annual filings must be made within 45 days after year-end. If at any time the information contained in Form 13H becomes inaccurate, the large trader must promptly file an amended Form 13H. Finally, a large trader who has not met the identifying activity level at any time during the full calendar year is deemed

inactive and is no longer required to file Form 13H for subsequent years, until the activity level again meets the threshold requirements.

The purpose behind filing Form 13H is to aid the SEC in gathering information on entities that conduct a substantial amount of trading activity. A large trader will receive an identification number upon filing Form 13H that it must provide to all of its registered broker-dealers to enable these broker-dealers to maintain records for the large trader. Further, broker-dealers will monitor account activity to determine if additional reporting requirements are necessary.

What This Means to You

If you or your firm qualifies as a “large trader” according to the activity level criteria and you have not yet submitted an initial Form 13H, you should do so immediately and alert your registered broker-dealers of your large trader status.

Contact Info

For additional information about this or any other investment management issue, please contact your Husch Blackwell attorney.

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