

Two Publications Co-authored by Prof. Forester Wong Cited by the SEC in its Final Rule: Short Position and Short Activity Reporting by Institutional Investment Managers



On November 1, 2023, the SEC introduced a ground-breaking rule that reshapes short selling disclosure requirements for investment managers. The rule aims to shed light on the activities of major short sellers and combat the manipulation of stock prices during periods of unusual market turbulence. This rule became effective on January 2, 2024, and requires prominent short sellers to submit monthly disclosures detailing their short positions, including specific details of each shorted company, the quantity of shares shorted, and the monetary value of these positions.

This move marks a significant shift from the prior regulatory environment, in which no such disclosure requirements existed, which left a gap in the oversight of short selling activities. The CityU researcher Prof. Forester Wong played a crucial role in informing this regulatory advancement. The SEC cited two of the working papers he has co-authored, showcasing the tangible impact of the scholarly work he has been part of. Specifically, the working paper entitled “Post-Apocalyptic: The Real Consequences of Activist Short-Selling” provided crucial empirical evidence of the detrimental effects that manipulative short sellers can have on target companies, reinforcing the rationale behind the SEC’s enhanced disclosure requirements. Another working paper, entitled “Short Squeezes After Short-Selling Attacks,” offered insightful analysis of the repercussions for short sellers following these augmented disclosure mandates. This recognition by the SEC not only underscores the relevance of Prof. Wong’s and his co-authors’ research to pivotal regulatory developments but also demonstrates their contribution to informing and shaping policies that address pressing challenges in financial markets.

SEC Final Rule: Short Position and Short Activity Reporting by Institutional Investment Managers

<https://www.federalregister.gov/documents/2023/11/01/2023-23050/short-position-and-short-activity-reporting-by-institutional-investment-managers>

Working paper: “Post-Apocalyptic: The Real Consequences of Activist Short-Selling”

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2941015

Working paper: “Short Squeezes After Short-Selling Attacks”

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3849581