

SEC Submission: Reform of Section 13(d)/Rule 13d-1 Disclosure Windows

To: Division of Corporation Finance
U.S. Securities and Exchange Commission
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Date:

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Executive Summary

- **Problem:** The U.S. five-business-day disclosure rule under Section 13(d)/Rule 13d-1 creates an information lag that can be exploited for arbitrage, disadvantaging retail investors and undermining market confidence.
 - **Evidence:** The trading activity of Challenger Ltd in Telix Pharmaceuticals Ltd (ASX: TLX) during August–September 2025 illustrates how delayed disclosures enable large investors to profit from informational asymmetry.
 - **Solution:** This submission proposes five key reforms relevant to the SEC’s framework:
 1. Require real-time (same-day) disclosure of changes in beneficial ownership above 5%.
 2. Introduce a 90–180 day cooling-off period or a financial surcharge for rapid round-trip trades.
 3. Mandate 24-hour disclosure of block trades exceeding 1% of a company’s outstanding voting shares.
 4. Require consolidated group-level reporting across related entities.
 5. Expand disclosure obligations to cover economic and derivative-based exposures.
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1. Introduction

This submission raises urgent concerns about the adequacy of the U.S. beneficial ownership disclosure framework under Section 13(d) of the Securities Exchange Act and Rule 13d-1. The five-business-day disclosure window permits institutional investors to exploit information asymmetries, harming retail investors and overall market fairness.

Although the case study originates from the Australian market, the same vulnerabilities exist in the U.S., where delays in filing Schedule 13D/13G allow large investors to capture economic value unavailable to the wider market.

2. Case Study: Timeline of Events – Challenger Ltd & Telix Pharmaceuticals (TLX)

Date	Challenger Action	Market/Public Disclosure	Lag/Impact
21 Aug 2025	Lodged “Notice of ceasing to be a substantial holder” – sold ~3.47M shares, dropping below 5%.	Disclosed same day.	Market interpreted as fund exit → share price weakened.
29 Aug 2025	Sold another ~3.47M shares at ~\$14.80 via off-market trade.	Not disclosed until 5 Sept 2025.	~7-day gap; market unaware of ongoing disposal.
2–3 Sept 2025	Re-purchased >3M shares at ~\$14.20.	Still undisclosed at the time.	Challenger accumulated during dip.
5 Sept 2025	Lodged “Notice of initial substantial holder” – declared holding of 16.9M shares (>5%).	Market informed of both the disposal and reacquisition simultaneously.	Retail investors were disadvantaged by lack of timely information.

Observation: Challenger effectively sold high (29 Aug) and bought low (2–3 Sept) during a disclosure lag. The informational delay enabled value capture not accessible to the wider market.

3. Structural Weaknesses in Current Disclosure Framework

- 1. Disclosure Lag (Rule 13d-1 – 5 business days)**
 - Allows investors to build or reduce positions before disclosure.
 - In practice, weekends and intervening trades can extend informational gaps.
 - 2. Opacity of Block Trades**
 - Large transactions remain invisible until filings are made.
 - 3. Fragmented Reporting**
 - Disclosures by separate funds or affiliates can obscure aggregate group exposure.
 - 4. Incomplete Derivatives Disclosure**
 - Economic exposure through derivatives, swaps, or synthetic instruments may not trigger disclosure thresholds.
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4. Proposed Reforms

1. **Real-Time Disclosure of Beneficial Ownership Changes**
 - Amend Rule 13d-1 to require same-day disclosure of material changes above 5%.
 2. **Cooling-Off Period or Financial Surcharge**
 - Restrict investors who reduce holdings below 5% from reaccumulating above that threshold within 90–180 days, unless subject to a surcharge.
 3. **Enhanced Transparency for Block Trades**
 - Require disclosure within 24 hours of any block trade exceeding 1% of voting shares.
 4. **Group-Level Consolidation**
 - Mandate reporting at the parent/group level to prevent fragmented filings.
 5. **Derivative and Economic Exposure Reporting**
 - Expand disclosure requirements to include derivative-based and synthetic exposures.
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5. Regulator Funding and Incentives

- Surcharge revenue from opportunistic round-trip trades could fund SEC monitoring and enforcement.
 - Public dashboards of block trades and beneficial ownership changes could be financed from penalties and fees.
 - This approach reduces reliance on general taxpayer funding while enhancing transparency and investor protection.
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6. Conclusion

The Challenger Ltd case demonstrates that while investors may comply with current disclosure rules, the framework itself enables behavior that undermines fairness and transparency.

I respectfully urge the SEC to consider reforms to:

- Shorten the disclosure window to same-day;
- Introduce cooling-off periods or surcharges;
- Mandate faster disclosure of block trades;
- Require consolidated group reporting; and
- Expand the scope of beneficial ownership to include derivative exposures.

Such reforms would align the U.S. markets with global best practice and strengthen investor confidence.

Disclaimer & Confidentiality Statement

(United States-specific)

This submission is provided in good faith for regulatory consideration and is intended solely for the use of the U.S. Securities and Exchange Commission (SEC). It contains personal information and policy analysis submitted on a confidential basis.

1. No Allegation of Misconduct

This document does not allege any unlawful or improper conduct by Challenger Limited, Telix Pharmaceuticals Limited, or any associated parties. It is submitted solely as a policy proposal aimed at strengthening market transparency and integrity under U.S. law.

2. Confidentiality of Personal Information

I do not consent to the disclosure of my personal details (including name, email address, and signature) to Challenger Limited, Telix Pharmaceuticals Limited, or any other third party without my prior written and signed consent.

3. Use of Submission Content

I request that the factual content and analysis within this submission be used only to the extent strictly necessary and proportionate for any formal inquiry, consultation, or rulemaking process the SEC may initiate, and only in accordance with applicable U.S. privacy and administrative law.

4. Public Interest Purpose

This submission is made in the public interest and is intended to support regulatory reform and the enhancement of market integrity in the United States.