

Congress of the United States
Washington, DC 20510

April 9, 2024

Chair Gary Gensler
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chair Gensler,

We write to bring your attention to the volatility in stock prices of many financial companies, including regional and community banks, that has been correlated with increased short sale activity. It is the mission of the Securities and Exchange Commission (“SEC”), in part, to maintain fair, orderly, and efficient markets. Consistent with that mission, we seek to understand how the SEC can respond to the spread of investment-related misinformation, and how the Commission weighs the benefits and risks associated with short selling activity.

Short selling can support the integrity of markets and contribute to accurate price discovery. Short sellers can improve the allocation of capital because they are incentivized to identify hidden risks, mismanagement, or even fraud. This very often results in a great deal of transparency into a short seller’s analysis; the position pays when the reasoning is exposed to the market. In efficient markets, the new information is quickly incorporated into the price.

Reports indicate that short sellers have realized significant profits over the last year.¹ In some instances, ongoing challenges, and indeed some failures, at institutions have proved the short position warranted. However, we are aware of assertions that some issuers have experienced falling stock prices due to market-moving information that was untrue. This information has been disseminated through traditional media, publishing sourced reporting, and over social media. The speed and pseudonymity of social media can frustrate the correction of inaccurate information while also facilitating concurrent, if not coordinated, investing by many retail investors. This presents new and growing challenges to the SEC’s market surveillance.

We request that the SEC inform us of efforts to monitor and address whether market manipulation is occurring, particularly through short selling and the dissemination of potentially false information via social media given the unique challenges of linking market surveillance

¹ Reuters. 2024. “Short Sellers Targeting Regional Bank Stocks up \$1 Billion -Ortex.” February 2, 2024. Accessed April 8, 2024. <https://www.reuters.com/markets/short-sellers-targeting-regional-bank-stocks-up-1-billion-ortex-2024-02-02/>.

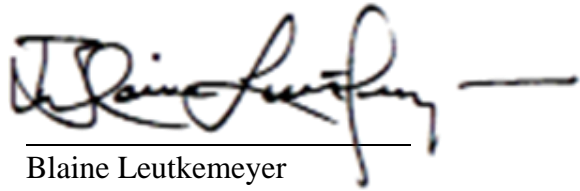
with these platforms. Transparency, disclosure requirements, and regulatory oversight are crucial to maintaining the fairness of financial markets for all participants, including American investors. Additionally, please identify actions the SEC could take upon a determination that short selling coincided with misleading information being fed into the market.

We appreciate your attention to this matter and your commitment to ensuring the integrity and stability of our financial markets. We look forward to continued collaboration to address these challenges and investors.

Sincerely,



Bill Foster
Member of Congress



Blaine Leutkemeyer
Member of Congress