



August 14, 2020

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Reporting Threshold for Institutional Investment Managers, Release No. 34-89290; File No. S7-08-20

Dear Ms. Countryman:

On behalf of MSC Industrial Supply Co. (NYSE: MSM), a premier distributor of Metalworking and Maintenance, Repair and Operations ("MRO") products and services to industrial customers throughout North America, headquartered in Melville, NY and Davidson, NC, I am writing to express our opposition to the Commission's proposed amendments to the Form 13F reporting rules for institutional investment managers.

We believe that the SEC's proposal, which would allow 89 percent of current 13F filers to go dark, would result in a significant loss of market transparency to our company and our investor base. The proposed rule, if enacted, would deprive us of timely information about investment funds that may make significant investments in our stock, impede our ability to attract new long-term investors, and impair engagement with shareholders about our long-term strategy and corporate governance.

The 13F filings are the only accurate source of ownership information available to our company, as well as for other U.S. public companies. While 13F data is not as timely as it could be, it is the only data that we have that shows which "street name" investors are buying or selling our shares each quarter. This data cannot be replaced by hiring stock surveillance firms, which themselves rely on quarterly 13F data as a starting point for their research efforts.

We do not believe that the Commission has adequately considered the potential impact of this 13F proposal to our company and our obligation to regularly confer with our investors throughout the year. As a \$3.8 billion market capitalization company, we are particularly concerned about how the reduction of 13F transparency would impair our ability to identify our most active shareholders and engage effectively with them. We estimate that the proposed increase in the 13F threshold to \$3.5 billion would allow 46% of our current 13F filers to avoid disclosure. While most of our largest investors would continue to disclose, many of those institutions are passive, indexed holders with positions that do not change appreciably each

quarter. For our company and many others, it is the 13F data from the active investment managers and hedge funds under the proposed \$3.5 billion threshold that is more valuable.¹

The Commission's proposal to significantly reduce 13F disclosures also is at odds with the recent requests by the SEC that we and other public companies "provide as much information as is practicable" to investors amid the market uncertainty caused by the global COVID-19 pandemic.² Just as there is a need for transparency on our part to our investors, our need for ownership data is even greater during these uncertain times, when market volatility is high and many investors have taken advantage of share price declines to amass larger stakes in potential target companies. Under the proposed \$3.5 billion threshold, we would be unable to monitor those investors that would be exempt from reporting their positions, thus "gaming the system" and using the increased lack of transparency for their benefit and not that of our company's long-term shareholders.

The loss of 13F data under the proposed rule potentially exposes our company to short-term-oriented fund managers, who may demand that we slash jobs, reduce spending on equipment, increase share buybacks, or take other measures that may not be in-line with our long-term strategy or the investment strategy of our long-term investors. Also, without the 13F data we receive now, our company will not know if a fund manager that falls under the \$3.5 billion threshold is potentially planning a proxy contest until 10 days after the fund crosses the 13D disclosure threshold and publicly surfaces with a 5 percent (or often more) position.

The loss of this essential 13F data would also impede our company's ability to attract new long-term institutional investors. Like many other mid-cap issuers, we use 13F filings to identify potential shareholders (such as those who have invested in similar companies) and to measure the effectiveness of our outreach efforts to prospective investors. Both of these practices are essential for our company to effectively access the capital markets and to grow our business. Under the proposed threshold, the loss of transparency around who is holding as well as buying our shares each quarter would hinder the ability of our company to continue to compete for and

¹ According to Edelman's financial communications practice group, 60 percent of activist asset managers would fall under the \$3.5 billion threshold. See Jeremy Cohen and Jeff Zilka, Edelman, "SEC Proposed Rule Change Is A Step Backwards for Shareholder Democracy," July 29, 2020, available at: <https://finance.yahoo.com/news/sec-proposed-rule-change-step-193708183.html>.

² As Chairman Jay Clayton and Corporation Finance Director William Hinman observed, "The SEC's three-part mission -- maintain market integrity, facilitate capital formation, and protect investors -- takes on particular importance in times of economic uncertainty. Disclosure — providing the public with the information necessary to make informed investment decisions — is fundamental to furthering each aspect of our mission. . . . We urge companies to provide as much information as is practicable regarding their current financial and operating status, as well as their future operational and financial planning." Chairman Jay Clayton and William Hinman, Director, Division of Corporation Finance, "The Importance of Disclosure – For Investors, Markets and Our Fight Against COVID-19," April 8, 2020.

raise growth capital. As required by the agency’s mission, the SEC should fully consider the impact on capital formation before proceeding with this rulemaking.

Our company also uses 13F data to allocate the limited time of our senior executives among the many requests that we receive from investors for one-on-one calls or meetings. We cannot possibly say yes to every investor request to speak with our senior management, so we try to give priority to not only our largest investors, shareholders who have increased their positions, and new investors, but also those shareholders with smaller positions who are interested in increasing their holdings in our company. With this proposed increase in the threshold, we would not have visibility into this important group.

While we agree that the SEC should modernize its ownership disclosure rules, we believe that the negative impacts of this proposed 13F rulemaking on our company’s ability to monitor activists, attract new long-term investors, and engage effectively with our shareholders would far outweigh the modest cost savings for investment managers. The proposed 35-fold increase in the 13F threshold is not consistent with the incremental approach the SEC has taken when adjusting economic thresholds in other rules, such as the Commission’s inflation-based increase in the gross revenue cap for emerging growth companies,³ the adjustments to the transition thresholds for companies that exit accelerated filer status and large accelerated filer status,⁴ and the proposed updates to SEC’s rules on shareholder resolutions.⁵

For the foregoing reasons, we request that the Commission withdraw its proposed 13F amendments and instead pursue the reforms detailed in the rulemaking petitions submitted by National Investor Relations Institute, the NYSE Group, the Society for Corporate Governance, and Nasdaq.⁶ Rather than reduce 13F transparency, we urge the SEC to promote more timely

³ Inflation Adjustments and Other Technical Amendments Under Titles I and II of the JOBS Act, Release Nos. 33-10332; 34-80355; File No. S7-09-16 (March 31, 2017).

⁴ Accelerated Filer and Large Accelerated Filer Definitions, Release No. 34-88365; File No. S7-06-19 (March 12, 2020) (the SEC increased the threshold for exiting accelerated filer status by 20 percent from \$50 million to \$60 million, while the threshold for exiting large accelerated filer status increased by 12 percent from \$500 million to \$560 million).

⁵ Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8, File No: S7-23-19 (Nov. 5, 2019) (The Commission proposed to increase the minimum holding requirement for shareholder resolutions from \$2,000 to \$25,000, but would mitigate the impact of that change on small investors by allowing them to use the \$2,000 threshold if they continuously hold a company’s shares for at least three years.)

⁶ See NYSE Group, NIRI, and Society for Corporate Governance, Request for Rulemaking Concerning Amendment of Beneficial Ownership Reporting Rules Under Section 13(f) of the Securities Exchange Act of 1934 in Order to Shorten the Reporting Deadline under Paragraph (a)(1) of Rule 13f-1, Petition No. 4-659, February 4, 2013, available at: <https://www.sec.gov/rules/petitions/2013/petn4-659.pdf>; NYSE Group and NIRI, Petition for Rulemaking Pursuant to Sections 10 and 13(f) of the Securities Exchange Act of 1934, Petition No. 4-689, October 7, 2015, available at: <https://www.sec.gov/rules/petitions/2015/petn4-689.pdf>; and Nasdaq, Petition for Rulemaking to Require Disclosure of Short Positions in Parity with Required Disclosure of Long Positions, Petition No. 4-691,

and complete disclosure by supporting monthly reporting, requiring the public disclosure of short positions, and cutting the 45-day reporting period.

Sincerely,

John Chironna

Vice President, Investor Relations and Treasurer
MSC Industrial Supply Co.

December 7, 2015, available at <https://www.sec.gov/rules/petitions/2015/petn4-691.pdf>.