PIC
PRIVATE INVESTOR COALITION

September 3, 2020

VIA ELECTRONIC SUBMISSION

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Amending the Reporting Threshold for Institutional Investment Managers, Release No. 34-89290; File No. S7-08-20 (July 10, 2020)

Dear Ms. Countryman:

The Private Investor Coalition ("PIC") submits these comments in response to Release No. 34-89290 (the "Proposing Release") in which the Securities and Exchange Commission (the "SEC") proposed certain amendments to 17 CFR 240.13f-1 ("Rule 13f-1") and Form 13F (referenced in 17 CFR 249.325) under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) ("Exchange Act").

PIC is a nationwide organization consisting of single family offices ("SFOs") who share a common interest in public policy issues impacting the SFO community. PIC describes itself as the recognized authority on legislative and regulatory issues affecting SFOs and as the primary resource for disseminating information on legislative, regulatory and compliance issues impacting SFOs.

PIC supports the SEC's goal to raise the reporting threshold for Form 13F reports from $100 million to $3.5 billion. The increased threshold effectively balances the benefits of transparency in the public markets and the costs of regulatory compliance for smaller investment managers. If enacted, the proposed rule would reduce the compliance burden on smaller investment managers, including many SFOs, while maintaining the benefits of transparency provided to the public markets by including over 90% of the market value of equity securities held by currently reporting institutional managers.

Responses to Specific Requests for Comment

The Proposing Release asked several questions concerning the proposed Rule 13f-1 amendments. PIC provides the following responses to those questions. The question numbers are those set forth in the Proposing Release.

8. Are Form 13F filing obligations burdensome to smaller managers? If so, how? Are they burdensome in absolute terms, relative terms, or both? Are the burdens on smaller managers different in character from the burdens on larger managers?

SFOs are exempt from registration with the SEC as investment advisers pursuant to Rule 202(a)(11)(g)-1 (the "Family Office Rule") under the Investment Advisers Act of 1940 (the "Advisers Act"). In adopting the Family Office Rule, the SEC recognized the benefit of reducing compliance costs for SFOs (Release No. IA-3220). Relief from the costs of compliance with Rule 13f-1 for smaller SFOs (*i.e.*, those with less than $3.5 billion in assets under management) is especially welcome. SFOs bear both the internal costs of preparing and reviewing a Form 13F, which includes staff time and resources, and external costs of legal and compliance advisers.

In addition to the costs of the Form 13F, many SFOs must also prepare a Confidential Treatment Request ("CTR") application under 17 CFR 240.24b-2(c), the associated expense of engaging an attorney or other service to file a paper copy of the Form 13F CTR with the SEC in Washington, D.C. each quarter. Pursuant to Section 13(f)(4) of the Exchange Act, any information identifying the securities held by the account of a natural person or an estate or trust (other than a business trust or investment company) shall not be disclosed to the public (the "Personal Holdings Exemption"). The Personal Holdings Exemption provides a basis for granting confidential treatment where Form 13F would reveal the identity of a natural person or a trust. Since SFOs, by definition, advise only natural persons, including their family-owned private investment vehicles, trusts, and charitable foundations, many SFOs filing a Form 13F rely on the Personal Holdings Exemption. The first CTR is particularly time consuming and can be costly. The initial application is often subject to review and comment by the SEC, and may involve multiple rounds and revisions to the application.

Finally, many SFOs are required to file both a confidential Form 13F and a public Form 13F. The SEC has required that, to the extent securities held by SFOs are reported publicly under Section 13(d) or Section 16 of the Exchange Act, such securities must be reported on a public Form 13F. In addition, the SEC requires that securities held by "key employees" of an SFO (as defined in the Family Office Rule) who are not family members also be reported on the public Form 13F. This results in a unique burden for SFOs – a dual filing requirement necessitating two Forms 13F each quarter, one that is filed publicly on EDGAR and one paper copy accompanied by a CTR that is filed with the SEC by hand.

12. We estimate above direct compliance costs that smaller managers incur in connection with Form 13F. Are these estimates accurate? What kinds of costs, and in what amounts, do smaller managers incur in connection with Form 13F? How do the costs differ for larger and smaller managers? How much internal time do managers devote to compliance with Form 13F? What are the external costs, such as the costs of a third-party vendor or external legal counsel, associated with complying with Form 13F? We request comment on the direct compliance costs managers experience in connection with Form 13F, including estimate in Section III below, and how these costs vary among managers.

We estimate that the annual costs of compliance for a typical SFO filing quarterly Forms 13F is $20,000 - $40,000. This estimate includes SFO staff time and resources and outside advisers for

both the public Form 13F and the CTR. Costs are higher in the initial year of filing since preparation of the first CTR is more time consuming and often entails a period of review by the SEC with responses by the SFO to address any questions or issues that arise during the review. Costs will also vary depending on whether the SFO is required to prepare dual Forms 13F, and whether the SFO engages outside attorneys or consultants or handles the filings internally.

> *13. We also request comment on indirect costs that may be incurred in connection with Form 13F. We discuss above some of these indirect cost, such as the potential for front-running and copycatting.*

In addition to the direct compliance costs borne by SFOs, Rule 13f indirectly harms SFOs as investors by negatively affecting the performance of the investment advisers SFOs engage to manage their assets. When the performance of these advisers suffers due to copycatting or frontrunning, the beneficial owners of the funds and accounts ultimately bear those losses. However, the cost in diminished performance is only part of the harm done to SFOs. SFOs invest significant resources in order to source and diligence investment opportunities, including research on external investment advisers. The value of this research is reduced when the performance of the advisers is compromised by disclosure of their trading activity.

In addition to copycatting and frontrunning, a meaningful indirect cost that has more potential to harm small managers is the possibility of reverse engineering trading strategies. Forms 13F divulge more information about the trading strategies of small managers than large managers because large managers more often manage multiple portfolios with different strategies whose positions are combined into the same disclosure. This makes it more difficult to reverse engineer the strategy (or strategies) of a large manager than a smaller one because of the inherent challenges in finding patterns in all of the additional data. In other words, the fewer positions disclosed on a Form 13F, the more vulnerable the reporting manager is to detrimental copycatting of not only particular trades, but entire strategies.

Finally, it should be noted that SFOs not only frequently engage managers whose performance may suffer indirectly from public disclosure of their positions, but SFOs often manage complicated portfolios themselves, either instead of hiring external managers, or in addition to their external managers. SFOs therefore are affected both as investors and as managers.

PIC would support automatic periodic adjustment of the proposed threshold to reflect appropriate changes in market conditions. We believe that market growth is an appropriate measure for adjusting the reporting threshold since it keeps the relative size of the reporting managers and the overall market stable. If over time, however, this was detrimental to market transparency (for example if, in the future, smaller managers make up a significantly larger portion of the market), this measure could be revisited.

In addition to the increased threshold, PIC would support the creation of a streamlined process for Form 13 CTR for investment managers, including SFOs, whose assets under management exceed the new threshold. Rather than filing a Form 13F CTR each quarter, PIC recommends that the SEC adopt a process whereby an investment manager seeking confidential treatment of its Form 13F filing only be required to file a Form 13F CTR one time. Once confidential treatment has been granted, the investment manager would then be required only to reaffirm the

representations made in the initial Form 13F CTR to be accorded confidential treatment for future filings. If, at any time the investment manager could no longer reaffirm all of the representations made in the initial Form 13F CTR, it would either lose confidential treatment or be required to file a new Form 13F CTR in order to maintain such treatment. Moreover, PIC believes that CTR submissions can and should be accomplished electronically, either through a secure portal under EDGAR or another platform or by email. Requiring paper submissions is antiquated, more expensive and unnecessary and should be eliminated.

Finally, PIC would strongly advocate for elimination of the requirement for dual filings where an SFO is a Section 13(d) or Section 16 filer, or where key employees who are not family members hold securities that are also held by the family investment vehicles. This puts an exceptional burden on SFOs without providing any new information to the SEC or adding to market transparency since all of the information on the public Form 13F filing is already available to both the SEC and public on the applicable Schedule 13d (or 13g) or Form 4.

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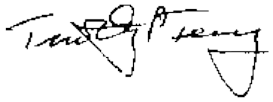
PIC appreciates the opportunity to comment on the Proposed Release and would be pleased to answer any questions that the SEC or its staff might have concerning its comments.

Respectfully submitted,



Timothy P. Terry
Secretary