

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

## U.S. Securities and Exchange Commission (SEC) request for Public Comment on Amendments to Update Form 13F; Reporting Threshold for Institutional Investment Managers [Release No. 34-89290; File No. S7-08-20]

Dear Ms. Countryman:

FCLTGlobal is a 501(c)3 not-for-profit research organization that develops research and tools that encourage long-term business and investment decision-making across the global investment value chain. Focusing Capital on the Long Term began in 2013 as an initiative of the CPP Investments McKinsey & Company, which together with BlackRock, Dow, and Tata Sons founded FCLTGlobal in July 2016. In addition to our Founders, today our 50+ Member organizations span the investment value chain, including asset owners, asset managers and corporations, and are committed to accomplishing long-term tangible actions to lengthen the timeframe of capital allocation decisions.

The SEC is inviting public comments on a proposal to update the reporting threshold for institutional investment managers (Form 13F). This amendment would raise the reporting threshold to \$3.5 billion<sup>1</sup> in assets under management (AUM), and according to the commission reflect “proportionally the same market value of U.S. equities that \$100 million [AUM] represented in 1975, the time of the statutory directive.”<sup>2</sup>

Based on FCLTGlobal’s review of existing academic evidence, our own analysis, and research informed by our multi-year conversations with our Members and other experts, we suggest the SEC carefully consider the following points:

- *There are alternative ways to modernize 13F reporting*
- *Small investors can have an enormous impact on a company*
- *Providing transparency to companies about their shareholders is valuable and to be encouraged*

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<sup>1</sup> Source: “SEC Proposes Amendments to Update Form 13F for Institutional Investment Managers; Amend Reporting Threshold to Reflect Today’s Equities Markets,” U.S. Securities and Exchange Commission, July 10, 2020, <https://www.sec.gov/news/press-release/2020-152>

<sup>2</sup> Source: “SEC Proposes Amendments to Update Form 13F for Institutional Investment Managers; Amend Reporting Threshold to Reflect Today’s Equities Markets,” U.S. Securities and Exchange Commission, July 10, 2020, <https://www.sec.gov/news/press-release/2020-152>

### ***Modernizing 13F***

While FCLTGlobal appreciates the issue of modernizing regulation, there are alternative ways to achieve this goal. Notably, the current 45-day reporting period for form 13F was based on a paper and mail world; such reporting delay is no longer needed in our electronically advanced capital markets. In today's world of electronic trading and T+1 settlement, investors know their positions near-instantaneously. The idea of a long reporting lag to allow time to compile the required information is outdated. Furthermore, this 45-day period is in practice a 135-day period if we account for the 90-day-long quarter. Thus, we urge the Commission to consider shortening this period to better reflect the current investment environment.

### ***Small investors as important actors***

FCLTGlobal has recently completed research on the role of long-term institutional investors in activism: *Making the Call: The Role of Long-term Institutional Investors in Activism*<sup>3</sup>. Our findings indicate that activists only hold 0.3%<sup>4</sup> of assets under management worldwide but have an enormous impact on companies. Although activists' holdings are relatively small, they are an important and growing influence on companies' short-or long-term behavior. By increasing the AUM reporting threshold to \$3.5 billion, a company's ability to identify a small, but potentially impactful investor, such as an activist, will be greatly diminished. We suggest the Commission consider modifying the threshold based on the Consumer Price Index, which would modernize the threshold to reflect today's market value while still allowing companies to identify smaller investors.

### ***Engagement and transparency***

Constructive dialogue between smaller holders and companies is to be encouraged. Our work on long-term roadmaps<sup>5</sup> shows that the investor/corporate dialogue is critical for long-term value creation. Encouraging engagement for small and large investors alike can level the playing field for smaller investors.

We also found that transparency, specifically knowing one's shareholders, is necessary to begin a dialogue and understand the various shareholder perspectives. In our 2019 whitepaper *Predicting Long-Term Success for Corporations and Investors Worldwide*<sup>6</sup> we establish the importance of long-term shareholders, who demonstratively contribute to long-term value creation for their portfolio companies. The ability to identify and engage with these long-term shareholders, irrespective of size, would be jeopardized by decreased transparency. Furthermore, we also suggest the commission to consider expanding its disclosure requirements to include short positions.

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<sup>3</sup> Mirchandani, B., Tellez, V., "Making the Call: The Role of Long-term Institutional Investors in Activism", July 2020, <https://www.fcltglobal.org/resource/activism/>

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<sup>5</sup> Babcock, He, Tellez, "Driving the Conversation: Long-Term Roadmaps for Long-Term Success," February 2019, <https://www.fcltglobal.org/resource/driving-the-conversation-long-term-roadmaps-for-long-term-success/>

<sup>6</sup> Mirchandani, et al, "Predicting Long-Term Success for Corporations and Investors Worldwide," September 2019, <https://www.fcltglobal.org/resource/predicting-long-term-success-for-corporations-and-investors-worldwide/>

***Conclusion***

FCLTGlobal is pleased with the Commission’s desire to modernize the current reporting of 13F forms to better reflect today’s world. However, raising the reporting threshold to \$3.5 billion risks diminishing companies’ ability to constructively engage with small shareholders. Our research indicates that small shareholders can have a significant impact, and that knowing one’s shareholders is a necessary step in the investor/corporate dialogue.

We appreciate the opportunity to submit these remarks for consideration. Should anyone at the SEC have questions about the research or our remarks, we would welcome the prospect of further discussion.

Most Sincerely,

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Chief Executive Officer

Victoria Tellez Leal  
Senior Associate, Research