September 11, 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:

Dow Inc. ("Dow") is grateful for the opportunity to comment on the proposal to update the Form 13F reporting requirements for institutional investment managers set forth in the above-referenced release (the "Proposed Amendment").

INTRODUCTION

As discussed further below in this letter, we respectfully request the Securities and Exchange Commission (the "Commission") to consider the impact of the Proposed Amendment on:

- <u>Shareholder engagement and market transparency</u>. The 35-times proposed increase in the Form 13F reporting threshold from $100 million to $3.5 billion would result in a reduction in nearly 90% of the current filers across the broader market. A reduction of this magnitude will adversely impact the ability of issuers to meaningfully engage with shareholders and reduce access of market participants to valuable information. We believe the current threshold of $100 million should be maintained, or a more modest increase consistent with inflation would be appropriate.

- The scope and timing of reporting requirements. The Proposed Amendment, with appropriate modifications, presents an opportunity to truly modernize the reporting timeframe and implement a shorter filing period than the outdated 45-day window. This can be accomplished by adjusting the reporting frequency to a monthly cadence and shorten the current 45-day filing window to 15 days. Further, Section 13(f) securities should be expanded to more comprehensively cover derivatives and short positions.

Dow agrees that the relevant regulations are due for an update, but should be modified and implemented in a comprehensive and thoughtful manner.

IMPACT ON ISSUER/SHAREHOLDER ENGAGEMENT AND MARKET TRANSPARENCY

Reduced Shareholder Engagement

Dow has consistently supported the Commission's efforts to improve transparency and effective engagement with shareholders. Against that backdrop, the Commission's recommendation to eliminate the omission of the Form 13F reporting threshold for individual securities, and also require managers to provide additional identifying information, are welcomed. However, we believe that the increase in the reporting threshold from $100 million to $3.5 billion would **significantly limit many companies', including Dow's, ability to proactively seek direct engagement with a majority of institutional owners** that own its securities. Further, for many companies, including Dow, **the Form 13F data from more active investment managers under the $3.5 billion threshold is highly relevant and valuable.** The Proposed Amendment would result in only one-third of Dow owners currently reporting their holding in the company through Form 13F continuing to do so.

Consequently, at the time the existing rules were adopted more than 45 years ago, there has been a dramatic increase in engagement between public companies and institutional investors. Companies rely on Form 13F disclosures as they engage with a wider range of owners and work to ensure that the inquiries and/or concerns across its shareholder base are appropriately conveyed to and considered by senior executives and directors.

Based on the foregoing, we respectfully request the Commission consider a more modest change based on the consumer price index which would be consistent with other recent adjustments, such as the increases to the public float thresholds for an accelerated filer (from $50 million to $60 million) and for large accelerated status (from $500 million to $560 million).[1]

Although the proposed release states that the new threshold would retain the disclosure of more than 90% of the value of the holdings that are currently reported, many of the institutional managers with whom Dow has sought to engage over the last year would no longer be required to report its holdings on Form 13F. We believe this form of engagement is beneficial to investors in Dow – and to the market more generally – and has really become the true investor benefit that has resulted from the Form 13F reporting regime.

Diminished Market Transparency

From an overall investor perspective, **raising the Form 13F threshold would adversely impact retail investors and small asset managers as many rely on this data to help inform their investment decisions**. To that end, it is relevant to note that the introduction of Section 13(f) into the Securities Exchange Act by Congress was intended to improve transparency *for all market* participants and increase investor confidence in U.S. securities markets. As the Commission states,

> *"The laws and rules that govern the securities industry in the United States derive from a simple and straightforward concept: all investors, whether large institutions or private individuals, should have access to certain basic facts about an investment prior to buying it, and so long as they hold it. [...] The result of this information flow is a far more active, efficient, and transparent capital market that facilitates the capital formation so important to our nation's economy."*[2]

More broadly across all issuers, the Proposed Rule would eliminate access to information about discretionary accounts managed by more than 4,500 institutional investment managers representing approximately $2.3 trillion in assets. Many of these managers have become more active in engaging with issuers on matters such as capital allocation decisions and long-term strategy to assess potential changes in their shareholding.

Furthermore, there is broad recognition that new uses of the Form 13F data have developed among academics and market researchers, whose insights are a valuable contribution for both issuers and investors.

Based on the foregoing, we respectfully request that the Commission modify the reporting threshold as set forth above.

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[1] Using the consumer price index as a basis for an adjustment would be aligned with the 2006 review of the Section 13(f) reporting threshold by the Office of Economic Analysis, which considered an elevation of the threshold to $300 million.
[2] https://www.sec.gov/Article/whatwedo.html

OPPORTUNITY TO MODERNIZE AND ENHANCE TRANSPARENCY

Enhanced Transparency Through Adjustment of Reporting Periods

Timely reporting is directly linked to the transparency the Commission has noted is so important. While Dow recognizes that the current 45-day reporting period for Form 13F was borne of practical considerations for the time required for data collection and submission, we believe these considerations are now **less relevant as advances in information technology have significantly expedited these processes**.

The Commission has long recognized the need to revise reporting obligations to keep up with evolving markets and technology, including, Forms 4, 10-K and 10-Q and Schedules 13. Within that context, increasing frequency of the disclosure requirements would help ensure more complete and timely information is available to promote "a far more active, efficient, and transparent capital market." **Dow respectfully requests that reporting frequency to a monthly cadence and shorten the current 45-day filing window to 15 days**.

Expand Scope of Section 13(f) Securities

In addition to the shareholder engagement considerations, the Proposed Amendment presents an opportunity to **address other, parallel developments in the securities markets significantly affecting transparency more broadly**. In particular, the emergence and expansion of the market for equity derivative products, which are not wholly covered in the current Form 13F filing requirements, as well as the significant acceleration in stock ownership turnover, which makes the quarterly reporting cadence of institutional ownership data comparatively irregular. [3]

We believe the Commission has an opportunity as part of this rulemaking to address these important issues related to the scope of what institutional managers are reporting in 13F filings.

CONCLUSION

In conclusion, for the reasons outlined in this letter, Dow respectfully requests that the Commission modify the Proposed Amendment to: (i) modify the reporting threshold based on the consumer price index; (ii) increase reporting frequency to a monthly cadence and shorten the current 45-day filing window to 15 days; and (iii) expand its disclosure requirements to more comprehensively

[3] In 2019, the U.S. members and affiliates of the World Federation of Exchanges reported a total 3.9 billion futures and options contracts traded for single stocks and stock indices. This reflects a 44% or 1.2 billion increase in the trade of these types of equity derivatives over the last decade. Similarly, data from the World Federation of Exchanges also shows that the turnover ratio for domestic shares in the U.S. rose from 69% in 1984 (the first year available in the dataset) to 109% in 2018 (the latest year available in the dataset).

include derivatives and short positions. Dow hopes the Commission will find these perspectives from an issuer strongly committed to transparency in the U.S. securities markets to be meaningful and constructive, and once again, we thank the Commission for the opportunity to comment on its Proposed Amendment.

Sincerely,

Howard Ungerleider
President and Chief Financial Officer
Dow Inc.