



September 16, 2020

Ms. Vanessa A. Countryman  
Secretary  
United States Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549

Re: File Number S7-08-20  
Proposed Amendments to Form 13F

Dear Ms. Countryman:

The Closed-End Fund Association (CEFA) welcomes the opportunity to comment on the Commission's recent proposed rule amendments to Form 13F, the report form for institutional investment managers.

CEFA is the national trade association representing the closed-end fund industry. A not-for-profit association, CEFA is committed to educating investors about the many benefits of these unique investment products and to providing a resource for information about its members and their offerings.

CEFA members are among the leading investment companies in the United States, Canada and abroad, who have established reputations for their long-term service to shareholders. Together, CEFA and its members are committed to fostering awareness, understanding and responsiveness in serving the needs of the millions of investors who use closed-end funds as core investments to reach their long-term investment goals.

Through education and other services, CEFA provides members, investors and advisers with opportunities to share ideas, experiences and information concerning critical issues facing closed-end investment companies. It also serves as an independent vehicle through which CEFA members can express their views on matters of concern.



## **I. Introduction**

CEFA welcomed recent steps taken by the Commission and its staff to modify rules and interpretations that have placed unnecessary burdens on closed-end funds. In particular, CEFA members were pleased with the Commission's decision to provide closed-end funds with greater flexibility to offer shares under shelf registrations. CEFA also was pleased that the Commission staff has withdrawn the 2010 Boulder Total Return Fund letter and taken a more balanced view towards closed-end fund shareholder proposals.

CEFA supports two of the proposed changes to Form 13F. In addition to raising the reporting threshold, the proposed amendments would eliminate the omission threshold for Form 13F that currently allows an investment manager to omit holdings of fewer than 10,000 shares in a specific 13(f) Security or less than \$200,000 in principal amount of convertible debt securities and less than \$200,000 in aggregate fair market value. As a result, an investment manager that is required to file Form 13F will be required to report all of the holdings of 13(f) Securities in accounts over which the investment manager exercises investment discretion. CEFA believes that this change would enhance the ability of closed-end funds to communicate with its shareholders and should not have a significant impact on investment managers subject to Form 13F.

The proposal also would amend the instructions in Form 13F regarding confidential treatment requests by requiring investment managers seeking confidential treatment for information contained in Form 13F to show (i) that the information is both customarily and actually kept private by the investment manager, and (ii) how the release of such information could cause harm to the investment manager. This change, which is designed to implement the new standard recently established by the U.S. Supreme Court for confidential treatment of information, should enhance the ability of closed-end funds to communicate with shareholders and investment managers.



## II. Comments on Proposed Form 13F Threshold Increase

CEFA is greatly concerned that the Commission's proposed increase to the Form 13F reporting threshold will make it significantly more difficult for closed-end funds and other issuers to identify and communicate with their shareholders. This will make it more difficult and expensive to solicit proxies, achieve quorum, and make it more likely proxy solicitations will extend for longer periods and ultimately fail to achieve required votes.

Many closed-end funds--as well as Exchange Traded Fund (ETF) sponsors and managers--rely on Form 13F to identify their shareholders. The Commission's press release relating to the proposal states that the Commission believes the proposed new threshold will continue to capture the vast majority of the dollar value of transactions in 13(f) securities. Nevertheless, it clearly would reduce the insight that issuers have into who owns their shares.

The obstacles that closed-end funds and other issuers face in identifying and communicating with shareholders are significant. In many cases, more than 90 percent of the shares of closed-end funds are held in street name. Funds do not have access to information regarding "objecting beneficial owners." Although closed-end funds have access to "non-objecting beneficial owner" information, funds must pay a "per name" fee for the list and are prohibited from sending proxy materials directly to such shareholders.

Unfortunately, New York Stock Exchange (NYSE) rules have made it easier for activist investors to block routine actions at closed-end fund shareholder meetings and propose non-routine actions that are not in the best interests of long-term shareholders, such as large tender offers and liquidations.<sup>1</sup> Rule 452 of the New York Stock Exchange (NYSE) prohibits brokers from using discretionary authority to vote for the election of directors even where none of the directors has been challenged. In addition, NYSE Section 302 requires closed-end funds listed on the NYSE to hold annual meetings. This results in significant annual costs that mutual funds--including ETFs whose shares are listed--do not bear because they are not required to hold annual meetings.

CEFA believes that any Commission action that reduces available information on investors and makes it more difficult and expensive for closed-end funds to solicit

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<sup>1</sup> For additional information regarding recent activist campaigns and the harm those campaigns have caused closed-end funds and their long-term shareholders, please see the Investment Company Institute's March 2020 submission to the Commission titled "Recommendations Regarding the Availability of Closed-End Fund Takeover Defenses" available at <https://www.ici.org/pdf/20ltrcef.pdf>.



proxies must be preceded by substantial reforms empowering issuers to identify and communicate directly with their shareholders. Failure to adopt such reforms before amending Form 13F puts the cart before the horse and will greatly increase the serious difficulties closed-end funds already have obtaining shareholder meeting quorums and required votes.

CEFA very much appreciates the opportunity to provide its views on the proposed amendments to Form 13F.

Please contact me at [REDACTED] if you have any questions regarding these comments or would like additional information.

Regards,

Brian M. Smith  
Director  
Closed-End Fund Association