

September 21, 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 Walker & Dunlop, Inc. (“WD”) a small cap commercial real estate finance company headquartered in Bethesda, Maryland, I am writing to express our opposition to the Commission’s proposed amendments to the Form 13F reporting rules for institutional investment managers.

The SEC’s proposal, which would allow almost 90 percent of current 13F filers to go dark, would result in a significant loss of market transparency to our company and other public traded companies in the United States, particularly small cap companies like WD. The proposed rule, if enacted, would impair engagement with shareholders, impede our ability to attract new long-term investors, and deprive us of timely information about activist hedge funds that take positions in our stock.

The 13F filings are the only source of quarterly ownership information available to our company and other U.S. issuers. While 13F information 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. This information cannot be fully 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 sub-\$2 billion, small-cap 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. While some of our largest investors would continue to disclose shares held, 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.<sup>1 2</sup>

### **Engagement**

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 and fund managers with a track record of activism, but also those shareholders with smaller positions who are interested in increasing their holdings in our company. With this proposed increase in the 13F threshold, we would not have visibility into this important group.

### **Capital Formation**

The loss of 13F data also would impede our company's ability to attract new long-term institutional investors. Like many other 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. Without this information on who is holding as well as buying our shares each quarter, our company would be less able to raise growth capital. As required by the agency's mission, the SEC should fully consider the impact on public company capital formation before proceeding with this rulemaking.

### **Activism**

The loss of 13F data under the proposed rule also exposes our company to a greater risk of ambush activism by short-term-oriented fund managers, who may demand that we eliminate jobs, reduce research funding, increase share buybacks, or take other measures that may not be part of our long-term strategy or the investment strategy of our long-term investors. According to Activist Insight, 2019 was a record year for activism as 470 U.S. companies were targeted and 95 proxy contests were launched.<sup>3</sup> Many corporate advisers are warning companies to prepare for another surge in activism in 2021-22 after the pandemic subsides (as there was after the

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<sup>1</sup> According to Edelman's financial communications practice group, 60 percent of activist asset managers would fall under the \$3.5 billion threshold. 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>.

<sup>2</sup> IHS Markit estimates that 86 percent of activist investors would no longer have to report their positions through 13F filings. IHS Markit, "SEC's 13F Proposal – Issuer and Investor Analysis," August 7, 2020, available at: <https://ipreo.com/blog/secs-13f-proposal-issuer-and-investor-analysis/>.

<sup>3</sup> See Lisa Silverman, Bloomberg Law, "Insight: Preparing for Post-Pandemic Corporate Activism," May 4, 2020, available at: <https://news.bloomberglaw.com/corporate-governance/insight-preparing-for-post-pandemic-corporate-activism>.

financial crisis of 2008-09), so the timing of the SEC's proposed reduction of 13F transparency would be especially unfortunate for public companies and long-term investors.<sup>4</sup>

Without the 13F data we receive now, our company will not know if an activist fund manager that falls under the \$3.5 billion threshold is plotting 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. Since we continue to attract a fair number of hedge fund investors, this would materially limit visibility into our ownership and impact proxy outreach plans in the future.

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, Nasdaq, and the Society for Corporate Governance.<sup>5</sup> Rather than reduce 13F transparency, we urge the SEC to promote more timely and complete disclosure by reducing the archaic 45-day reporting period and by requiring the public disclosure of short positions. We also encourage the SEC to convene a public roundtable on potential 13F reforms and other market transparency issues, including 13D modernization.



Kelsey Duffey  
Vice President of Investor Relations

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<sup>4</sup> See, e.g., Q4 Blog, "Activism in the Post-Pandemic Market: What You Need to Know," May 12, 2020, available at: <https://q4blog.com/2020/05/12/activism-in-the-post-pandemic-market-what-you-need-to-know/>; Frank Aquila and Melissa Sawyer, Sullivan & Cromwell, *Corporate Secretary*, "How boards can prepare for post-pandemic activism," April 6, 2020; available at: <https://www.corporatesecretary.com/articles/boardroom/32040/how-boards-can-prepare-post-pandemic-activism>.

<sup>5</sup> 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, December 7, 2015, available at <https://www.sec.gov/rules/petitions/2015/petn4-691.pdf>.