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September 23, 2020

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE Washington, DC 20549-1090

Re: Release No. 34-89290; File No. S7-08-20; Reporting Threshold for Institutional Investment Managers

Dear Ms. Countryman

Refinitiv welcomes the opportunity to submit comments on the Securities and Exchange Commission's ("SEC" or "Commission") proposed rule on Reporting Threshold for Institutional Investment Managers (the "Proposed Rule").

Refinitiv is one of the world's largest providers of financial markets data and infrastructure, serving over 40,000 institutions in over 190 countries. Refinitiv's platforms and services provide details of the ownership of public equities worldwide, collated from numerous sources including U.S. SEC filings. Quarterly 13F disclosures filed with the SEC are a key source used to identify the institutional ownership of U.S.-listed securities. 13Fs are widely regarded by the financial industry as the only reliable and unbiased source of holdings data in U.S. stocks. The holdings extracted from 13F filings and presented in Refinitiv's platforms and services are used by participants across the financial industry, the corporate sector, academia and beyond to provide insight into who holds positions in U.S.-listed securities.

We are writing to strongly oppose the core change in reporting threshold for Form 13F, specifically, to: "Amend rule 13f-1 and Form 13F to raise the reporting threshold from $100 million to $3.5 billion to account for the changes in the size and structure of the U.S. equities market since 1975." Refinitiv applauds efforts to modernize regulation, and we support many of the smaller aspects and technical amendments included in the Proposed Rule. However, we believe the change in reporting threshold of the Proposed Rule will reduce transparency and hinder shareholder communication to such a degree that it will negatively impact market efficiency and be detrimental to the U.S. public equity market.

The Proposed Rule will reduce transparency in the market.

As a leading provider of financial data with expertise from our decades of market leadership and cutting-edge research through products like Lipper and StarMine, we know that the quarterly holdings information on 13F forms is a vital resource. 13F information is vital for professional and retail investors, as well as regulatory bodies, news agencies, and a variety of other interested parties. Hundreds of billions of dollars of investment decisions are influenced by this information. Eliminating 90% of this information, as the Proposed Rule aims to do, will negatively impact all parties involved, including the institutional investment managers who this rule purports to benefit.

Transparency impacts the markets in multiple ways. Academic research has shown that decreasing transparency is associated with decreasing liquidity and higher cost of capital.[1] If capital becomes more expensive then entrepreneurship and innovation suffer and the economy as a whole suffers. Lack of transparency also critically impacts investor confidence. Investors need to know what they're buying. When you go to the grocery store to buy a box of breakfast cereal, there is a list of ingredients on the outside of the box telling you exactly what is inside. Without that label, fewer people would buy that cereal. When you go to a pharmacy and buy a bottle of pills, there is a label on the outside telling you exactly what is in the bottle. Without that, very few people would buy that drug. When you go to buy a mutual fund, you should also be able to see what exactly you are buying. Few people will buy a financial product without knowing what it contains.

Note that there is already an industry which offers products lacking transparency, and that is the hedge fund industry. But direct investment in hedge funds is not available to most individuals.
The Commission's arguments are based on the one-sided viewpoint of the institutional investor. However, the vast increase of retail investor participation in U.S. equity markets since 1975 has not been appropriately taken into account. The Commission has ignored the changes to the U.S. equity markets since 1975. Specifically, the Commission has overlooked the impact of the Revenue Act of 1978 which created the opportunity for defined contribution retirement plans. While the original intention of that act may be debated, the fact is that over the years since, the importance of defined contribution retirement plans has continued to be reinforced by further legislation and, clearly, by market participation.

[1] Daske, Holger, Luzi Hail, Christian Leuz, and Rodrigo Verdi. "Mandatory IFRS reporting around the world: Early evidence on the economic consequences." Journal of accounting research 46, no. 5 (2008): 1085-1142. DeBoskey, David Gregory, and Peter R. Gillett. "The impact of multi-dimensional corporate transparency on us firms' credit ratings and cost of capital." Review of Quantitative Finance and Accounting 40, no. 1 (2013): 101-134.

As of 2019, those plans were used by more than 59 million US workers.[2] Most defined contribution plans include the choice of investing in various fund products offered by institutional investment managers. Participation in these plans is voluntary, but research has shown that those who do participate to the fullest extent are vastly more prepared for retirement than those who do not. Encouraging participation is thus a benefit to those individuals, and to society as a whole because it reduces the burden on the government to provide support.

So, it is crucial that US workers have confidence that the retirement products they are being offered are reliable and trustworthy. They need to know "what is on the inside". They need the transparency offered by the current reporting threshold of $100 million. If they don't have that confidence, they will suffer; markets will suffer; institutional investment managers will suffer; and the U.S. economy as a whole will suffer.

The Proposed Rule will impact the ability of corporate issuers to communicate effectively with current and prospective shareholders.

Unlike other SEC filings, 13F disclosures have no holding position restrictions so the approx. 5,400 13F filings made each quarter under the long-standing $100m equity assets threshold provide access to a broad and deep collection of holdings across the U.S. equities universe. Applying the Proposed Rule's equity assets threshold of $3.5bn would see a massive reduction in the volume of holdings identified across U.S. equities, potentially a reduction of 90%. Refinitiv and other market data providers' products and services would be unable to provide the same level of insight on institutional ownership, severely restricting the ability of corporate issuers and their advisers to identify and communicate with their shareholder base. For a corporate issuer, being able to identify its shareholder base is critical to ensure they are communicating with the right institutional investors. Given that effective and regular communication with shareholders is a basic corporate governance obligation for a publicly listed issuer this proposed rule will undermine their ability to meet that requirement. Issuers also need to be able to track and analyze movements in their shares, and data extracted from quarterly 13F disclosures provides the ability to easily assess position changes as well as new holdings in a stock.

13Fs are also used by issuers and their financial advisors to identify potential institutional investors by, for example, looking at peer stocks and their 13F holders. Issuers and their advisors will be unable to identify potential new institutional investors effectively as that insight will simply no longer exist. Smaller asset managers, the very audience the proposed rule purports to help, who derive real value from quarterly 13F disclosures as they provide insight into the ownership of small- and mid-cap companies would see that insight lost.

Conclusion

Refinitiv thus believes that the long-standing $100m equity assets threshold should remain in place. Rather than reduce transparency by raising this threshold Refinitiv encourages the SEC to increase transparency (as is the trend in other jurisdictions such as the UK and the European Union) by, for example, requiring institutional investors to disclosure short holdings and reducing the 45 day reporting period that sees the vast majority of reporting institutions file their 13Fs near or on the final day.

Refinitiv appreciates the opportunity to comment on the Commission's Proposed Rule. We would be pleased to provide any further information or respond to any questions that the Commission or the staff may have.

Sincerely,

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Debbie Lawrence
Global Head of Data Management
Refinitiv

cc: The Honorable Jay Clayton
The Honorable Hester M. Peirce
The Honorable Elad L. Roisman
The Honorable Allison Herren Lee
The Honorable Caroline A. Crenshaw

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[2] http://www.pensionrights.org/publications/statistic/how-many-american-workers-participate-workplace-retirement-plans.