



Service Corporation International

September 24, 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, File No. S7-08-20

Dear Ms. Countryman:

On behalf of Service Corporation International [NYSE:SCI], North America's leading provider of deathcare products and services headquartered in Houston, Texas, we are writing to express our opposition to the Commission's proposed amendments to the Form 13F reporting rules for institutional investment managers.

We believe that the SEC's proposal would result in a significant and disproportionate loss of market transparency to our company and other midcap, small and micro issuers and investors. Increasing the threshold by 35 times to \$3.5 billion would allow 89 percent of current 13F filers to avoid disclosure. The proposed rule, if enacted, would impair engagement with shareholders, unnecessarily weaken prudent corporate governance practices, impede our ability to proactively attract new investors, and make us more vulnerable to activist shareholders.

Reduced Engagement Due to Lack of Transparency

While not as timely as we would like for them to be, the 13F filings are the only accurate source of ownership information available to public companies. Monitoring the investor base is a fundamental and critical activity of a public company, and the inability to identify investors would have negative consequences. **Under the proposed threshold of \$3.5 billion, 43 percent of SCI's current investors would avoid disclosure.**

Our company has been publicly traded for close to 50 years with a current market cap of approximately \$8 billion. We use 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. While every investor is important, 13F allows us to prioritize our conversations with those investors who will derive the most benefit from those conversations including our largest investors and fund managers as well as 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.

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. We are particularly concerned about how the reduction of 13F transparency would impair our ability to identify our most active shareholders, engage effectively with them, and measure the effectiveness of our shareholder outreach. Many companies, like us, actively reach out to shareholders to ensure their concerns are being addressed. This active outreach, which is often referenced in the proxy, is intended to improve corporate governance and align management with shareholders. Without the 13F filings, we would not have the ability to identify and engage many of our top shareholders on these critical topics.

Negative impact on our ability to attract new investors

The loss of 13F data also would disproportionately impact 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. Under the proposed threshold, the loss of transparency around who is holding as well as buying our shares each quarter would hinder the ability of our company to continue to compete for and raise growth capital. As required by the agency's mission, the SEC should fully consider the impact on capital formation before proceeding with this rulemaking.

Increased risk of ambush activism

Just as there is a need for greater transparency on our part to our investors due to uncertainties caused by the global COVID-19 pandemic, our need for ownership data is even greater during these uncertain times, when market volatility is high and many activist investors have taken advantage of share price declines to amass larger stakes in potential target companies.

The loss of 13F data under the proposed rule potentially exposes our company to a greater risk of ambush activism by short-term-oriented fund managers, who may demand that we eliminate jobs, reduce funding of critical long-term initiatives, or take other measures that may not be part of our long-term strategy or the investment strategy of our long-term investors.

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.

Conclusion and Recommendations

While we agree that the SEC should modernize its ownership disclosure rules, we believe that the disproportionate and negative impacts of this 13F proposal on our company's ability to engage effectively with our shareholders, attract new long-term investors, and detect potential activists would far outweigh the modest cost savings for investment managers. For the foregoing reasons, we request that the Commission withdraw its proposed 13F amendments.

We support the reforms detailed in the rulemaking petitions submitted by National Investor Relations Institute, the NYSE Group, the Society for Corporate Governance, and Nasdaq. **Rather than reduce 13F transparency, we urge the SEC to promote more timely and complete disclosure by reducing the 45-day reporting period, and requiring the public disclosure of short positions.**



Eric D. Tanzberger
Senior Vice President and Chief Financial Officer