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NIRI Chicago
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September 25, 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:

The leadership of the National Investor Relations Institute's Chicago chapter ("NIRI Chicago"), together with the 23 undersigned companies, are writing in opposition to the Commission's proposed amendments to the Form 13F reporting rules (Reporting Threshold for Institutional Investment Managers, Release No. 34-89290; File No. S7-08-20). Instead, we urge the Commission to withdraw the proposal as submitted and hold a public roundtable to consider alternate forms of 13F modernization, as recently proposed by the National Investor Relations Institute, the NYSE Group, Nasdaq, and the Society for Corporate Governance.¹

NIRI Chicago is one of the largest NIRI chapters in the United States. Our diverse membership represents companies across a variety of industry sectors, primarily in the Chicago area and in adjacent states of Wisconsin, Indiana, Michigan, and Tennessee, as well as the counselors that serve them.

We believe that the proposed rule, which arbitrarily increases the reporting threshold 35 times to \$3.5 billion, would have a detrimental impact across our membership base. NIRI Chicago's member companies, listed on the New York Stock Exchange and Nasdaq, have a combined market capitalization of approximately \$1.1 trillion; however, mid-cap or smaller companies comprise 67% of our membership. Small and mid-cap issuers typically have a larger percentage of mid-size fund managers owning their stock, as fund managers with AUM above the proposed reporting threshold are often precluded from taking sizable positions in smaller companies. The proposed rule would effectively remove the reporting requirement for over 4,500 funds, or nearly 89% of 13F filers, which will no doubt result in a loss of market transparency for our mid-, small-, and micro-cap members. Not only would this impede shareholder engagement, including identifying new holders, but it would also deprive our membership of any advance warning of position-building by activist investors.

We also believe that the negative impact of the proposal also extends to our large- and mega-cap members, who also regularly confer with their investors throughout the year in line with a common commitment to shareholder engagement and dialogue. While the top investors in larger companies often manage funds that are above the proposed reporting threshold, as an organization we counsel our members to find investors that exhibit long-term

¹ 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>.



investment thinking. As such, shareholder engagement efforts should extend to smaller funds, who may have the ability to grow into larger shareholders over time. Cultivating these relationships remain the cornerstone of shareholder engagement best practices.

Many of our chapter members also counsel small- and mid-cap issuers, which typically have a higher percentage of shares owned by investment managers who would fall under the proposed \$3.5 billion threshold. These smaller companies may be some of the most vulnerable to this rule, having fewer resources to devote to stock surveillance, investor targeting, and activist defense, so they would be especially impacted by the 13F proposal. The Commission should fully evaluate the potential harm to smaller companies and capital formation before proceeding with this rulemaking.

We agree that the SEC should modernize its ownership disclosure rules; however, we view the significant loss of market transparency under the proposed rule as an inappropriate solution that fails to consider the varied concerns of a wider variety of market participants beyond asset managers. We'll also point out that this loss of transparency comes about as the SEC has been asking issuers to *increase* their transparency; thus we cannot help but note the double standard. With the proposal eliminating the disclosure requirement for the 4,500 firms that fall below the \$3.5B threshold, institutional and retail investors would both be deprived of the publicly-available holdings information that is useful for making investment decisions. For the above reasons, we ask the Commission to withdraw the 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.² These include transparency-boosting elements, such as the reduction of an outdated 45-day reporting period, as well as the inclusion of short positions and other types of securities like derivatives.

We believe that it's important for the Commission to convene a public roundtable for the purpose of better understanding the potential ramifications of such a rule, as well as the views of a wider range of potentially affected market participants, including issuers, retail shareholders, and market exchanges. A more thoughtful approach could address the real concerns of institutional investors, while simultaneously considering proposals that would increase transparency, promote engagement, protect retail investors, and foster public company capital formation.

Sincerely,

/s/
Victor Jendras, President
NIRI Chicago

/s/
Barbara Noverini, CFA, Advocacy Ambassador
NIRI Chicago

² 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>.

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Public Companies

ACCO Brands Corporation
AptarGroup, Inc.
Archer-Daniels-Midland Company
CF Industries Holdings, Inc.
CNO Financial Group, Inc.
Coeur Mining, Inc.
FedEx Corporation
GMS, Inc.
Horizon Therapeutics plc
JLL
Methode Electronics
Mondelez International, Inc.
Morningstar, Inc.
Navistar, Inc.
Orion Engineered Carbons
Stericycle
Titan International, Inc.
Univar Solutions
W. W. Grainger, Inc.
Zebra Technologies Corporation

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Counselors

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Lambert & Co.
Q4, Inc.