September 29, 2020

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

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

Dear Ms.Countryman:

As a current law student with prior experience in the financial services industry, I am writing in support of the Security and Exchange Commission's (SEC, "the Commission") proposed amendment concerning the 13F reporting threshold for institutional investment managers. My financial experience stems from work with a well-known financial services firm, whose market value falls well beyond the proposed $3.5 billion threshold.

As stated in the legislative history "the reporting threshold of section 13(f) was designed so that reporting would cover a large proportion of managed assets, while minimizing the number of reporting persons". Today, there are over 5,000 firms included amongst 13F filers, and that number is going to continue to grow if the threshold is not adjusted. I would imagine that when the rule was initially promulgated, the Commission would expect those numbers to grow over time; thus, the threshold would have to be revisited periodically. The rule was also geared towards tracking equity positions of large institutional investors; however, with the $100 million threshold, small advisory firms are on the long list of 13F filers today. Since the rule was initially promulgated in 1978, the value of the U.S. securities market has grown from $1.1 trillion then to $35.6 trillion today. I am surprised that it took this long to consider a change.

Additionally, I would actually suggest going a step further and **increasing** the proposed $3.5 billion threshold to **$4 billion**. This still captures 90 percent of the dollar value of those who

report currently, while reducing the number of filers by roughly 10%. An increase in this amount would still satisfy the three main goals laid out in the proposed rule.

Large investment firms can afford to hire the compliance personnel as well as employ the technology needed to accurately complete the filing. In fact, I would imagine that with the scale at which these large firms operate, many of the systems that they have in place automatically track the information needed for the 13F filing. Additionally, these firms are usually equipped with in-house counsel that is able to ensure they are in compliance with the filing. Whereas, smaller firms need to look outward to ensure that they are in compliance. This could include purchasing a system or services needed to help with filing that they might not otherwise need, as well as the need to hire outside counsel. These costs are then passed down to their investors. While large financial services firms have the scale to minimize costs to clients, smaller boutique firms may need to impose larger fees on their clients.

More to the point of adjusting the threshold to excuse smaller firms is the fact that 13F filings are notorious for their errors and often times inaccurate information.[1] In fact, in 2013 the Commission added to 13F documents that a reader should not assume that the information is accurate and complete.[2] It appears as though the SEC has spread itself too thin and adjusting the threshold requirement may give the Commission the space it needs to take control of the situation. With fewer firms needing oversight, the Commission can check for inaccuracies and hold filers accountable for their errors, or at the very least encourage these firms to amend their filings. This will do a tremendous amount of good in the way of promoting transparency.

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[1] Anne Anderson & Paul Brockman, *An Examination of 13F Filings*, 41 J. FIN. RES. 295, 300 (2018)

[2] *Id.* at 298

With regard to transparency, we find a similar situation where less of something leads to a more desirable outcome. Respectfully, while large corporations can benefit from the raw data generated by these filings through developing business strategy or corporate governance, the truth of the matter is that many institutional investors (and their clients) benefit when their holdings remain confidential. Disclosure in this instance makes public proprietary information that these institutional investors hope to keep confidential. While these firms can request to have the proprietary information remain confidential, in certain instances it may not be worth the effort.

Transparency in this instance can have a negative effect on the institutional investor, and also on those who might look to emulate what is listed in the filings. It is widely known that information that is disclosed by institutional investors in these 13F filings has been used by their competitors and individual investors in an attempt to replicate a successful strategy. However, as stated earlier, these filings are often inaccurate. This could have serious downstream effect.

Alternatively, it is important to note that a large net is still being cast. Under the new threshold, 75% of the existing US equities market would still be captured, compared with 40% when the rule was initially promulgated.[3] The filing is still there and there will still be a relatively large bank of data for corporations and individual investors concerned with the proposed threshold to consider when strategizing. Alternatively, adjusting to the proposed threshold will have little to no effect on investor confidence in the integrity of the U.S. securities markets.

In conclusion, the legislative history indicates that the purpose was to track the equity holdings of large institutional investors, while the current landscape paints a much broader

[3] Reporting Threshold for Institutional Investment Managers, 85 Fed. Reg. 46016, 46018 (July 31, 2020) (to be codified as 17 C.F.R pt. 240, 17 C.F.R. pt. 249)

picture consisting of many smaller advisory shops. Also, large investment firms have the scale and infrastructure needed to be able to comply with the 13F filings. Under the new threshold, the Commission may be able to reduce its workload and create a more accurate and reliable portrait of the current U.S. securities market. Therefore, I submit this comment in favor of 85 Fed. Reg. 46016, and encourage that the Commission considers **increasing** the proposed threshold to **$4 billion**.

Respectfully,
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