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September 29, 2020

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-0609

Re: File No. S7-08-20: Reporting Threshold for Institutional Investment Managers

Dear Secretary Countryman:

On behalf of Life Sciences Pennsylvania (LSPA) thank you for the opportunity to submit comments on the Securities and Exchange Commission's (SEC or the Commission) Reporting Threshold for Institutional Investment Managers proposed rule (File No. S7-08-20)[1].

**LSPA recommends the SEC not raise the Form 13F-reporting threshold to the equity market growth-adjusted level of $3.5 billion as this will eliminate 70 percent of the information content provided by healthcare specialist investment advisors and asset managers. Data gleaned from 13(f) filings, under the existing collection threshold, is critical for corporate planning and decision-making purposes, which have been refined over the last few decades. Even raising the threshold to the inflation-adjusted level of $450 million will eliminate 50 percent of healthcare-specialist fund managers that are vital to emerging biotechnology companies.**

LSPA is the statewide trade association for Pennsylvania's life sciences community and its membership is comprised of medical device and diagnostic companies, small biotechnology firms, pharmaceutical manufacturers, academic research institutions, patient groups and myriad service providers that support the industry. Pennsylvania's life sciences entities directly employ 112,000 Pennsylvanians. Our small member companies, both public and private, continue to lead efforts to address the most devastating health risks and diseases in the world, including working to develop diagnostics, devices, therapeutics, and vaccines to combat the COVID-19 pandemic.

In fact, 76 percent of all global research and development (R&D) aimed at tackling the COVID-19 pandemic is generated by small biotechnology companies.[2] Small biotechnology companies are also responsible for 80 percent of all scientific R&D.[3] Almost all of these companies have relied on private market financing at some point during their tenure. Indeed, more than half of the more than 2,800 life sciences entities in Pennsylvania are made-up of growing firms that employ 10 people or fewer[4].

LSPA supports the SEC's path of streamlining disclosure and reporting regulations to lower the burdens of market participants and companies. However, in this instance, we believe that the policy arguments and economic analysis underpinning this proposed rule are inconsistent with the spirit of the SEC's

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[1] File No. S7-08-20: Reporting Threshold for Institutional Investment Managers, SEC, July 2020.
[2] BIO COVID-19 Therapeutic Development Tracker, BioCentury, Biomedtracker, and BIO, 2020.
[3] Emerging Biopharma's Contribution to Innovation, IQVIA, June 2019.
[4] Pennsylvania Life Sciences Industry, KPMG and Life Sciences PA, September 2017

recent policy path, will diminish rather than enhance transparency, and will create unintended consequences, damaging Main Street investors as well as having deleterious effects on corporate planning, particularly in healthcare.

***Negative Impact on Small Company Ability to Target Specialist Investors***

The original intent of the 13(f) filings, as the Commission noted in their proposed rule[5], was to elucidate "information about the purchase, sale, and holdings of securities by major classes of institutional investors" and was designed to capture a sufficiently large percentage of assets under management while minimizing the total number of reporting managers. CLSA believes that the current proposal strikes against the spirit of the law, particularly when it comes to specialist investment managers such as those that are instrumental to the success of the life sciences sector.

Small and emerging life sciences companies rely on specialist investors to finance their niche endeavors. As these entrepreneurs work towards a new, potentially ground-breaking therapy or medical device, they rely on the long-term perspective and understanding of specialist investors that are willing to finance the long pipelines and volatile path of translating scientific discovery into novel products.

The long and uncertain product pipelines expected in the biotechnology and medical device innovation process make it hard for shares of small and emerging companies to be included in exchange-traded funds and mutual funds and leaves them exposed to the volatility of short-term traders and activists. 13(f) data play a critical role in knowing when and how to target these investors and allows life sciences companies corporate planners to formulate funding strategies that are often projected several years forward. This entire planning process has been instrumental in financing innovation for decades.

Specifically, 13(f) data helps corporate planners understand the landscape, construct peer benchmarks, and further understand an investor's preferences for research and development stage (e.g. does Investor X tend to invest in Pre-Clinical companies), preferences for therapeutic areas (e.g. does Investor X focus on oncology therapeutics or are they agnostic), average holding period (e.g. does Investor X only hold through clinical trials phases and then exits once a product is introduced to market), and portfolio concentration (e.g. is Investor X overly exposed to oncology).

Together, company planners can understand which investors to approach for which stages of corporate and product lifecycle as they synthesize a long-term financial strategy.

***Significant Reduction of Available Holding Data***

In the proposal, SEC staff interpret the three primary goals of the 13(f) section of the 1975 Amendments as (1) to create a database of the investment activities of institutions, (2) to improve the body of data regarding the holdings of institutions in an effort to better understand the influence and impact of institutions on securities markets, and (3) to increase investor confidence in the U.S. equity market. CLSA also contends that the proposal, as written undercuts all three goals and is inconsistent with the overall intent of the 13(f) amendments.

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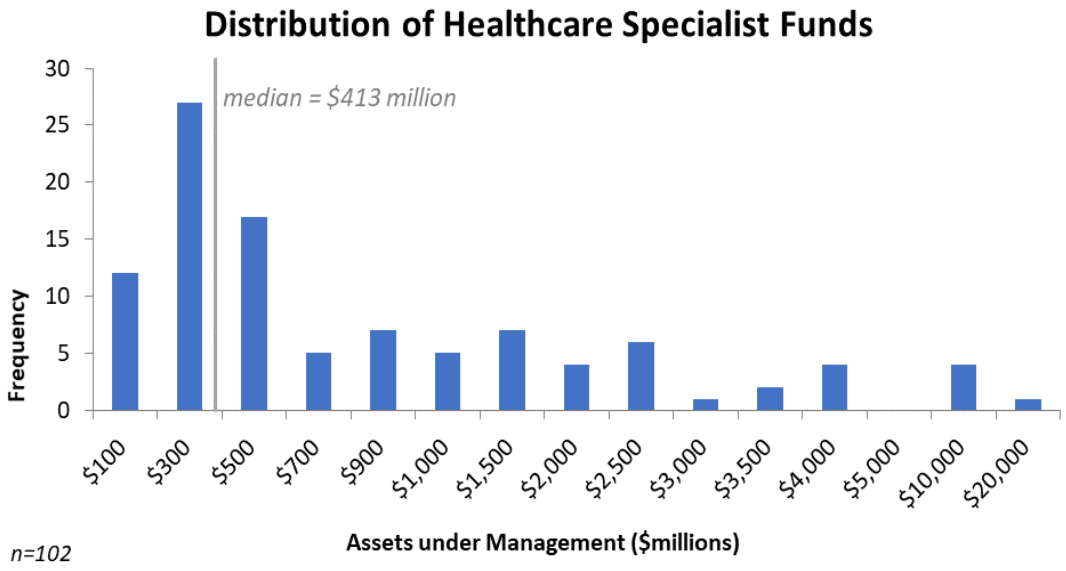
[5] Ibid., 1

The Biotechnology Innovation Organization (BIO) examined 13(f) data accumulated and sorted by WhaleWisdom[6] to find over 100 investors that are concentrated in the healthcare space. Their chart, as illustrated below, shows the median assets under management (AUM) for specialist healthcare investors as $413 million, which is significantly below the SEC's intended threshold of $3.5 billion and below the inflation-adjusted threshold of $450 million.

According to BIO's research, the proposed amendments to 13(f) will eliminate 70 percent of the information content that these filings historically supplied on the biotechnology sector. Additionally, due to the skew of the distribution of AUM in the healthcare investor sector, the chart also indicates that adjusting the threshold by inflation would similarly remove 50 percent of the information content that has been historically supplied by 13(f) filings.




As many respondents have noted already, this lack of transparency will be deleterious to Main Street investors and to the biotechnology sector, in particular, as it relies heavily on these data to plan financing and investor targeting strategies.

In conclusion, LSPA contends that raising the threshold for 13(f) filing from $100 million to $3.5 billion will eliminate the decades-old practice of leveraging 13(f) information content for the life sciences sector's corporate managers to better understand and engage with their shareholders, and for corporate planners to create peer benchmarks to plot their path to institutional investor holdings. As such, we respectfully ask the Commission to withdraw this proposal.

[6] https://whalewisdom.com/

Thank you for your consideration of our views. Should you have any questions, or to discuss our views further, please contact Kurt Imhof, LSPA's Vice President, Policy and Public Affairs (kimhof@lifesciencespa.org)

Sincerely,

Christopher P. Molineaux
President & CEO
Life Sciences Pennsylvania