September 29, 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:

On behalf of Sixth Street Specialty Lending, Inc. (NYSE: TSLX), a business development company ("BDC") with offices in New York, San Francisco, Boston and Dallas, we are writing to express our opposition to the Commission's proposed amendments to the Form 13F reporting rules for institutional investment managers.

The SEC's proposal, which would remove reporting obligations for approximately 90% of current 13F filers, would result in a significant loss of market transparency to our company and our publicly traded peers. We are concerned that the proposed rule amendments, if enacted, would limit our ability to attract new long-term investors to facilitate further capital formation, impede our and the BDC sector's ability to engage with institutional shareholders on important corporate governance matters, and **structurally increase shareholder costs and lower shareholder returns**.

The 13F filings are the only source of reliable quarterly ownership information available to our company and other issuers in the United States. In addition, 13F information is the only ownership data that shows which "street name" investors (i.e., investors who opt to hold their securities under the names of their brokerage firms) are buying or selling our shares. Without access to such information, our investor engagement activities will be severely constrained.

We do not believe that the 13F proposal has adequately taken into consideration the potential impact of the amendments to the reporting rules to companies like ours and our need to regularly interact with our investors throughout the year. As a small cap company with approximately $1.2 billion of market capitalization, we are particularly concerned about how the reduction of transparency provided by 13F data would impair our ability to identify our beneficial shareholders

and engage effectively with them. We estimate that the proposed increase in the 13F threshold to $3.5 billion would allow 82 out of the current 168 13F filers, or approximately 30% of our shares outstanding that report holdings, to be excluded from disclosure and reporting obligations.[1] Significant investors (i.e., those who own > 1% of our shares outstanding) who would "go dark" include some of our longest and most active holders.[1]

Issuers in the BDC sector are mostly smaller cap companies, and therefore, we believe the proposed amendments will have an outsized impact on our sector as a whole. Currently, approximately 80% of publicly-traded BDCs have a market capitalization of less than $1 billion, which means that our sector is likely to have meaningful exposure to investors with less than $3.5 billion of 13F securities.[2] As a result, we believe the impact of the reduction of 13F reporting thresholds will be significant across the BDC sector. For our company and our sector, the 13F data, especially data from the active investment managers and hedge funds under the proposed $3.5 billion threshold, provides valuable insight into our shareholder composition and evolution over time for the reasons set forth below.[3] [4]

Capital Formation

The loss of data provided under the existing 13F reporting framework would also impede 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 our peers) and to measure the effectiveness of our outreach efforts to prospective investors. We believe both of these practices are essential for our company to effectively access the capital markets, grow our business, and create value for our shareholders. Without this information on who is holding and buying our shares each quarter, we believe our efforts in raising growth capital would be less effective. Consistent with the agency's mission, we believe that the SEC should more fully consider the impact on public company capital formation, particularly on smaller cap companies like ours, before proceeding with this rulemaking.

Engagement with Institutional Shareholders and Engagement Relating to Governance

Our company uses 13F data as an important tool for proactive investor engagement. In order to best allocate our management's time, we identify not only our largest investors, but also those

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[1] Based on latest 13F filings as of September 2020. Source: IHS Markit.

[2] Source: *Raymond James BDC Weekly Insight,* September 18, 2020.

[3] According to Edelman's financial communications practice group, 60 percent of activist asset managers would fall under the $3.5 billion threshold. Jeremy Cohen and Jeff Zilka, Edelman, "SEC Proposed Rule Change Is A Step Backwards for Shareholder Democracy," July 29, 2020, available at: https://finance.yahoo.com/news/sec-proposed-rule-change-step-193708183.html.

[4] IHS Markit estimates that 86 percent of activist investors would no longer have to report their positions through 13F filings. IHS Markit, "SEC's 13F Proposal – Issuer and Investor Analysis," August 7, 2020, available at: https://ipreo.com/blog/secs-13f-proposal-issuer-and-investor-analysis/.

shareholders with smaller positions who may be interested in increasing their holdings in our company. With the proposed increase in the 13F threshold, we would not have visibility into this important shareholder group. In addition, visibility into this group's holdings in our stock over time (as well as holdings in the stock of our BDC peers) provides valuable insight on potential shareholder sentiments or concerns about our company and our sector. This allows our management team to more productively engage with our shareholders.

We believe the loss of data provided under the existing 13F reporting framework exposes our company and the BDC sector to a greater risk of less effective corporate governance. The BDC sector has a predominantly retail-oriented shareholder base, with an average of only 22.3% institutional ownership for publicly-traded BDCs.[5] The limited institutional ownership, coupled with more stringent quorum requirements under the 1940 Act for certain matters voted on at BDC shareholder meetings, already constrain the effective exercise of shareholder rights in our sector. In order to achieve quorums on these important company proposals, BDCs rely heavily on 13F data to engage with their shareholders to encourage and facilitate voting participation.

As an illustration of this, we rely heavily on 13F data to engage with and solicit votes from our institutional investors on shareholder meeting proposals. We (and other BDCs) are required to satisfy stricter meeting quorum thresholds for certain proposals as required under the 1940 Act. For example, in order to hold our special meeting of shareholders this May, where our shareholders approved our ability to issue shares of our common stock below net asset value per share, we needed to satisfy, amongst other requirements, a quorum of 50% of outstanding shares <u>excluding shares held by affiliates</u>, which by definition excluded our >5% holders. To meet this quorum requirement, we needed voting participation from nearly all our remaining institutional shareholder base. The 13F data provided valuable insight into who our <5% institutional shareholders were and allowed us to proactively reach out to encourage voting participation from these holders. Using 13F data (along with significant outreach efforts from our IR team), we were able to achieve the non-affiliate quorum by a small margin, without having to adjourn and reschedule the meeting in order to solicit additional votes to meet the non-affiliate quorum. Under the proposed rule, over 40% of our target voter outreach base would go dark and stop providing 13F data, thereby significantly impairing our ability to achieve the required quorum at future special meetings.

Structural Increase in Shareholder Costs and Leading to Lower Shareholder Returns

Without the ownership data provided under the existing 13F reporting framework that enables us to identify investors to encourage voting participation, we believe our company and our sector would likely experience delays in outcomes for important shareholder meeting proposals due to the lack of a quorum, and possibly not be able to achieve a quorum at all. Having to postpone, adjourn or cancel and reschedule a meeting would also likely lead to a notable increase in proxy

[5] Source: *Raymond James BDC Weekly Insight,* September 18, 2020.

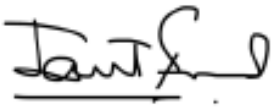
solicitation costs that would be borne by shareholders in the form of higher costs and lower investment returns. Illustratively, if we were to double the printing and solicitation expenses we incurred during our 2020 proxy season, it would have resulted in an incremental two basis point reduction to our annualized return on equity. We believe this would result in a reduction to our market capitalization of approximately $2.7 million based on a 10x price-to-earnings trading multiple.[6]

In summary, we believe that shareholders play an important role in strong and effective corporate governance, and our concern is that this proposal, if adopted, would fundamentally alter the ability of BDCs like our company to solicit votes from their shareholders. This would affect not only director elections, but also non-routine proposals and other important governance matters. At the same time, it would burden shareholders with incremental costs (and lower returns) and potential meeting delays as required quorums are sought. Contrary to the SEC's goal of investor protection and oversight, we believe the proposed 13F amendments and its impact on corporate governance would be to the ultimate detriment of public company shareholders.

For the foregoing reasons, we request that the Commission withdraw its proposed 13F amendments. Rather than reduce 13F transparency, we urge the SEC to consider the feedback on how ownership transparency is important (in various ways) in companies' abilities to best serve their shareholders.

Sincerely,

Joshua Easterly
Chief Executive Officer, Chairman of the Board
Partner, Sixth Street



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[6] Impact on annualized return on equity calculated as incremental printing and solicitation expenses (post-incentive fees) divided by net asset value as of June 30, 2020. Estimated reduction to market capitalization calculated as the per share impact of incremental printing and solicitation expenses (post-incentive fees) multiplied by the latest disclosed shares outstanding multiplied by an assumed 10x P/E trading multiple.