



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:

I am writing on behalf of Ligand Pharmaceuticals Incorporated, a biopharmaceutical company listed on the Nasdaq Global Market, to express opposition to the Commission's proposed amendments to the Form 13F reporting rules for institutional investment managers.

We believe that the Commission's proposal would significantly impair engagement with our institutional investors about our business strategy and corporate governance, deprive us of timely information about activist funds that take significant positions in our stock, and exacerbate short-term pressures on our company at the expense of long-term shareholder value.

We do not believe that the Commission has adequately considered the potential impact of this 13F proposal on public companies and their obligation to confer regularly with their investors. We are particularly concerned about how the reduction of 13F transparency would impair our ability to identify our most active shareholders and engage effectively with them. We estimate that the proposed increase in the 13F threshold to \$3.5 billion would allow 7 of our current top 25 13F filers to evade disclosure.<sup>1</sup> While our largest investors would continue to disclose their ownership, many of those institutions are passive, indexed holders with positions that do not change appreciably each quarter. For Ligand, it is the 13F data from the active investment managers and hedge funds under the \$3.5 billion threshold that is far more valuable. By understanding our investor base, we are better able to understand trading in our stock, as well as potential abuses and market manipulation.

While 13F data is not as timely as it could be, it is the only data U.S. companies have that shows which "street name" investors are buying or selling their shares each quarter. This data cannot be

replaced by hiring stock surveillance firms, which themselves rely on quarterly 13F data as a starting point for their research efforts.

The loss of this essential 13F data also would impede our company's ability to attract new 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 a company to effectively access the capital markets and to grow its business. The loss of transparency around who is buying our shares each quarter would hinder the ability of our company to continue to raise growth capital. As required by the agency's mission, the Commission should fully consider the negative impact on capital formation before proceeding with this rulemaking.

The loss of 13F data will also expose our company to a greater risk of ambush activism by short-term-oriented fund managers, who may demand that we slash jobs, reduce research spending, increase share buybacks, or take other measures that may not be in the interest of our long-term investors. Proxy contests can be a costly distraction, so many public companies often conclude they have no choice but to settle with short-term activists.

Without the 13F data we receive now, Ligand will not know if a pack of activist fund managers (who fall under the \$3.5 billion threshold) are plotting a proxy contest until 10 days after one of those funds crosses the 13D disclosure threshold and publicly surfaces with a 5 percent (or often more) position.

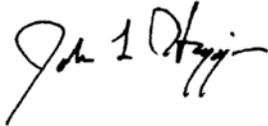
Additionally, over the past five years the Commission has significantly increased the disclosure requirements for publicly traded companies. We applaud the direction reporting is going with corporate disclosures; it's right for companies to do so, and investors deserve as much information as possible about what they own. However, this new proposal is taking information on investors in the opposite direction with less and less transparency. The resulting imbalance is unfair as proposed. Investors deserve to know what they own, and companies deserve to know who owns their stock. It would be even more beneficial to have clarity on short sellers of securities as well. This is currently a veritable black box with no visibility at all into which institutions might be shorting a company's stock, and how many shares they are short.

Indeed, we believe the Commission should expand the 13F disclosure to require investors to report short positions. The Commission's 13F rule proposal makes the stock market less transparent when in fact the Commission should seek to provide more information about investors and short sellers who manipulate companies' stock.

For the foregoing reasons, we request that the Commission withdraw these proposed 13F amendments and instead pursue the common-sense reforms detailed in rulemaking petitions

submitted by National Investor Relations Institute, the NYSE Group, the Society for Corporate Governance, and Nasdaq.<sup>2</sup> Rather than reduce market transparency, we urge the Commission to modernize 13F by cutting the archaic 45-day reporting period, requiring the public disclosure of short positions, and supporting monthly disclosure by 13F filers.

Respectfully,



Chief Executive Officer

---

<sup>2</sup> 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>.