

# Alaska Air Group

September 29, 2020

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

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

Dear Ms. Countryman,

Alaska Air Group, Inc. appreciates the opportunity to comment on the above-referenced release issued by the Securities and Exchange Commission (the "Commission") proposing amendments to 17 CFR 240.13f-1 ("Rule 13f-1") and Form 13F under the Securities Exchange Act of 1934.

The most significant change proposed by the Commission as part of the Rule 13f-1 amendments is to increase the Form 13F reporting threshold from \$100 million to \$3.5 billion, requiring an investment manager to file a quarterly Form 13F report with the Commission only if the accounts over which the manager exercises investment discretion hold an aggregate of \$3.5 billion in securities covered by Rule 13f-1. According to the Commission, this 35 times increase in the reporting threshold would result in an approximate 89% decline in the number of investment managers required to file a Form 13F, which we believe will have unintended adverse consequences for Alaska Air Group and other public companies who have come to rely on the ownership information provided by Form 13F filings.

## Shareholder Transparency and Engagement

Alaska Air Group, like most public companies, is owned predominantly by institutional shareholders. Based on the most recent data available, institutional shareholders currently own approximately 75% of our outstanding shares. Virtually all institutional shareholders own their shares in "street name" through a bank, broker or other nominee account rather than on a registered basis. We depend on third party data to be able to identify these shareholders and have visibility into their holdings and investment changes. The following text included in the current Form 13F adopted by the Commission in 1975 acknowledges this important utility of Form 13F (emphasis added):

*"The purpose of Form 13F is to provide a reporting and disclosure system to collect specific information and to disseminate such information to the public about the holdings of institutional investment managers who exercise investment discretion over certain accounts of equity securities . . . We believe that investors will find Form 13F report information useful in tracking institutional investor holdings in their investments and that issuers, too, will find detail as to institutional investor holdings useful because much of their shareholder list may reflect holdings in 'street name' rather than beneficial ownership."*



We regularly use and rely on Form 13F ownership information to monitor the buying, selling and holding activities of our investors as well as to identify new investors in our company.

This information allows us to better understand our shareholder base and make more informed decisions about how to most effectively engage with them and prioritize our engagement opportunities. It also allows us to focus outreach efforts on our newest or most active investors as circumstances warrant. We use Form 13F ownership information to plan our formal shareholder outreach each year in connection with our annual meeting of shareholders—a process that has taken on increasing importance in recent years—as well as in connection with our day-to-day investor relations activities. As demonstrated by the comment letter submitted by the NYSE Group, Inc. on September 21, 2020<sup>1</sup>, which summarizes the average percentage of shares outstanding and institutional shareholders that would be lost (based on issuer market capitalization) if the proposal is adopted by the Commission, the lost visibility that we and other public companies will encounter is not insignificant. We believe any attempt to diminish what is already an imperfect system will further weaken the market transparency that Form 13F filings currently provide.

### Shareholder Activism

We also use the institutional ownership information available from Form 13F filings to help identify and monitor shareholders whose investment in our common stock may reflect short-term motivations or other activist intent. Understanding our shareholder base and movements in and out of our stock by institutional shareholders, particularly those with activist tendencies, is critical to helping us identify particular threats as well as potential “wolf pack” followers. While Form 13F filings do not allow us visibility on a real-time basis, they do help tremendously in flagging potential threats to mitigate the possibility of a stealth activist campaign that may be costly, disruptive and not in the best interests of our shareholders.

Form 13F filings provide us an advance warning that other Commission filings do not. In particular, Schedule 13D and 13G reports are required to be filed only *after* a shareholder has acquired beneficial ownership of five percent or more of our outstanding stock. Importantly, if Schedule 13D and 13G filings were the only reports of share ownership available, we would likely miss becoming aware of many potential activists holding shares of our common stock because, in many cases, these shareholders intentionally maintain their reportable beneficial ownership below five percent to avoid Schedule 13D reporting.

Significantly, the increase in the reporting threshold for Form 13F filings from \$100 million to \$3.5 billion that the Commission has proposed will enable a large number of shareholder activists—including some of the most active—to accumulate company shares under the radar. According to the SharkWatch 50 table of key activists published by FactSet, only 11 of the top 50 activists would be required to file Form 13F quarterly ownership information if the Rule 13f-1 reporting threshold is increased as proposed by the Commission.

For the above reasons, we believe the Commission’s proposal to increase the Rule 13f-1 reporting threshold fails to adequately consider or balance the adverse impact that the rule change would have on public companies. While ownership information reported on Form 13Fs is not perfect due to delayed quarterly reporting and limits in the type of information required to be reported, Form 13Fs nonetheless

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<sup>1</sup> See <https://www.sec.gov/comments/s7-08-20/s70820-7797941-223589.pdf>.



provide the broadest and most complete picture of share ownership by institutional holders and cannot be adequately replaced by data from other sources, such as Schedule 13D or 13G filings or N-PART filings by registered management investment companies.

We believe there are other actions the Commission should take to improve the current reporting and disclosure system for institutional shareholder ownership and modernize the reporting framework to better reflect current market dynamics. This includes rulemaking to address shortcomings in current Section 13(d) beneficial ownership reporting, especially relating to ownership of derivative securities, and actions to improve—not weaken—the transparency of Form 13F ownership reporting in a manner that balances the interests of both investment managers and the companies in which they invest.

Thank you for your consideration.

Sincerely,



Kyle Levine  
SVP Legal & General Counsel

