



September 29, 2020

Ms. Vanessa A. Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090  
[rule-comments@sec.gov](mailto:rule-comments@sec.gov)

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

Dear Ms. Countryman:

We hereby respectfully submit our comments on the Commission's proposed amendments to the Form 13F reporting rules for institutional investment managers.

As a publicly traded company, NorthWestern Corporation (*NorthWestern*) relies on 13F filings to aid in our shareholder engagement efforts – as it is the only accurate source of institutional holdings available. We believe that the proposed amendments would reduce transparency around holdings, significantly undermining issuer-investor engagement, particularly for small and mid-cap companies such as NorthWestern.

Based on reporting data dated June 30, 2020, there were 348 institutional holders holding 48.4 million outstanding shares of NorthWestern Corporation (or 96.5 percent of total shares outstanding). If the proposed amendments were enacted, we would lose visibility on approximately 82 of our shareholders (or 23.6 percent) that also are 13F filers, a significant loss of market transparency. We believe that the proposed amendments would seriously jeopardize our shareholder engagement efforts by excluding more than 5,000 investment managers nationally – or nearly 90% of all filers – from disclosure.

The hallmark principle of U.S. securities laws is transparency. The statutes and rules are designed to allow investors and the SEC to make informed decisions, whether requiring disclosure regarding a registrant's business and results of operations, an investment advisor's performance record, or a broker-dealer's disclosure financial capacity. The same is true with respect to the institutional investor disclosures required under Section 13 of the Exchange Act, in particular Sections 13(d), 13(f) and 13(g).

The proposed amendments, however, appear to place a limitation on transparency that is at odds with the Commission's regulatory agenda in general and with how the Commission itself has explained access to information and its role in facilitating such access:



“Only through the steady flow of timely, comprehensive, and accurate information can people make sound investment decisions. The result of this information flow is a far more active, efficient, and transparent capital market that facilitates the capital formation to our nation’s economy.”

The material reduction in information and ownership transparency that would result from the proposed amendments would deliver a debilitating blow for investor relations teams who lead shareholder engagement for public issuers and are in constant search for information regarding the owners of their companies. As highlighted by the NorthWestern-specific statistics in the third paragraph of these comments, the proposed amendments reduce the information and ownership transparency, which is even more pronounced at mid- and small-cap companies. Put simply, if an issuer does not know who owns it, how can it properly engage with its owners?

The role of the investor relations officer at corporate issuers has grown in importance as institutional ownership of the U.S. equity markets has grown. Regular and informed communication and access to management teams, all within the rules and subject to Regulation Fair Disclosure, are now best practices at a vast majority of the corporate issuers listed on the NYSE, Nasdaq, and other U.S. securities exchanges. Form 13F data is a foundational element of the tactical, daily decisions that investor relations professionals render every day.

The proposed amendments also miss the opportunity to update the 13F ruleset in other ways that would benefit both issuers and investors. Many have long advocated for modernization of the length of the 45-day delay period under Rule 13f-1 for submission of data by institutional investor holdings. Unfortunately, despite recent initiatives calling for streamlined communication and transparency between public companies and investors, the Commission has declined to advance rulemaking to address the long overdue deficiencies in the timeframe for reporting Form 13F data.

We recommend that the Commission maintain the current \$100 million reporting threshold. It is, most often, these smaller institutional investors that are most active in trying to influence the behavior of individual corporations, and thereby important to other investors.

To the extent that the Commission increases the threshold, we believe that it should increase the threshold only by a modest amount, say to \$200 or \$300 million, more in line with the inflation-adjusted value. To the extent that the Commission increases the threshold to a higher level, we would encourage a two-tiered threshold with a lower threshold – the existing \$100 million threshold – applicable to any institutional investor that within the past five years has proposed, or in the future reasonably could be expected to, propose to an issuer any extraordinary transaction, any transfer of a material amount of assets, any change in its board of



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directors, any material change in its capitalization or dividends, any other material change to the business or corporate structure, or any change in charter or bylaws. This list of purposes is derived from Item 4 of Schedule 13D and would be well-understood by institutional investors and not impose an additional compliance burden.

NorthWestern strongly supports transparency in the securities marketplace. We ask that the Commission reconsider the implications of this proposed rule and, instead, refocus its efforts on the modernization of the 13F disclosure regime to improve transparency. The need for effective shareholder engagement is clearer than ever, and the proposed amendments would be a tremendous misstep at a time when shareholders are increasingly calling for greater transparency. As such, we urge the Commission to withdraw the proposed amendments.

Sincerely,

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& Corporate Secretary*

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