



September 15, 2020

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

RE: File No. S7-08-20
Reporting Threshold for Institutional Investment Managers
Amending 17 CFR 240.13f-1
Release No. 34-89290

Dear Ms. Countryman:

Truffle Hound Capital, LLC (“Truffle Hound”) appreciates the opportunity to comment on the Securities and Exchange Commission (the “Commission”) Release No. 34-89290 (the “Release”), which proposes to amend Rule 13(f)(1), adopted as part of the Securities Acts Amendments of 1975 (the “1975 Amendments”) of the Securities Exchange Act of 1934, which set the reporting threshold for Form 13F at \$100 million. Truffle Hound strongly agrees with the Commission’s proposal in the Release to raise the reporting threshold to \$3.5 billion.

Truffle Hound agrees with the Commission’s view that section 13(f) was intended to provide transparency into the equity holdings by large institutional investment managers and that the change in size and structure of the U.S. equities market since the 1975 Amendments warrant an update to the reporting threshold for Form 13F.

Truffle Hound also agrees with the Commission that it is necessary to continue to provide regulators and the public with information regarding the equities holdings of larger institutional investment managers that have the potential to significantly affect the securities markets but that the need for public disclosure of holdings of smaller managers is less compelling.

In carefully reading the Release, we are impressed by the thoroughness and thoughtfulness that was put into this proposal. It is clear that the staff considered many factors from the various perspectives of investors, regulators, small investment managers, large institutional investment managers, and the general public. The 34 questions highlighted by the staff in their request for comments show the depth of consideration and a commitment to getting these amendments implemented with the greatest overall benefit.

As a small investment manager, Truffle Hound will focus its comments to the first eight questions posed by the staff in the Release.

1. *Should we, as proposed, adopt an amendment to rule 13f-1 that would initially adjust the reporting threshold under rule 13f-1? Is the proposed threshold of \$3.5 billion appropriate?*

Yes, we believe that the time is right to increase the Form 13F threshold of \$100 million that was originally instituted by the 1975 Amendments. The proposed threshold of \$3.5 billion is an appropriate threshold that captures the spirit of the original amendment and also maintains the focus on the three primary goals of Section 13(f) as outlined in the Release.

2. *Would raising the reporting threshold for Form 13F to \$3.5 billion negatively affect the utility of Form 13(f) data or investor confidence in the integrity of the U.S. markets?*

No, we do not believe that raising the reporting threshold for Form 13F to \$3.5 billion will negatively affect the utility of Form 13F data or investor confidence in the integrity of the U.S. markets. The largest institutional investment managers whose trading has the greatest impact on the public equity markets will still be required to make Form 13F disclosures and, even at this increased threshold, will still require disclosure of more than 90 percent of the dollar value of the Form 13F holdings data currently reported.

3. *Should we, as proposed, adopt an amendment to rule 13f-1 that would initially adjust the Form 13F reporting threshold based on the growth in the U.S. equities market? Should we, as described above, use the Federal Reserve Board's flow of funds data on corporate equities as a basis for this calculation?*

Yes, the initial adjustment to the Form 13F reporting threshold should be based on the growth in the U.S. equities market. Of all of the approaches outlined in the Release the growth in the U.S. equities market is the most appropriate and fair to all interested parties. It is obvious that the staff carefully considered the other potential formulas for making the adjustment, and while each has its unique case for being appropriate, it is the growth in the U.S. equities market approach that best captures the spirit of the original amendment and also maintains the focus on the three primary goals of Section 13(f).

4. *Rather than adjusting the Form 13F reporting threshold based on the growth in the U.S. equities market that occurred between 1975 and December 2018 (a date certain), should we instead use an average rate of growth, which might effectively reflect market growth while minimizing the effects of market fluctuations around the time the Commission is adjusting the threshold?*

No, for this initial adjustment to the Form 13F it is appropriate to base it on the growth that occurred between 1975 (when the 1975 Amendments were initially instituted) and December 2018. There are obviously many more complex formulas that one could propose in adjusting the threshold but the straightforward, objective, nature of this approach enhances the transparency and fairness to all interested parties.

5. *Should we instead adjust the reporting threshold for Form 13F using stock market returns as a basis for this calculation?*

No, Truffle Hound believes that it would be inappropriate to adjust the reporting threshold for Form 13F using stock market returns. Instead, we agree with the staff that the growth in the U.S. equities market is the most appropriate and fair method to adjust the reporting threshold for Form 13F.

6. *Should we instead adjust the reporting threshold for Form 13F to account for consumer price inflation?*

No, while we believe that consumer price inflation is an important metric for policymakers, we do not believe that it is the appropriate metric to adjust the reporting threshold for Form 13F. What consumers pay for a basket of goods may provide insight into what is happening in the overall economy but it does not necessarily correlate with the financial economy and certainly not with the fluctuations of the public equity markets.

7. *Should we adopt a different rounding convention, rather than the nearest \$500 million, such as the nearest \$1 billion, \$250 million, or \$100 million? For example, if we rounded to the nearest \$100 million, the reporting threshold would be \$3.6 billion based on stock market growth. If we should use a different rounding convention, why?*

No, the nearest \$500 million seems an appropriate rounding convention that has been well considered by the staff. The proposed \$3.5 billion threshold closely parallels the growth in the U.S. equities market from the time that the 1975 Amendments were implemented. A lower rounding convention may lead to a more short-sighted view from institutional investment managers and regulators alike as the markets fluctuate in the near term.

8. *Are the Form 13F filing obligations burdensome to smaller managers? If so, how? Are they burdensome in absolute terms, relative terms, or both? Are the burdens on smaller managers different in character from the burdens on larger managers?*

Yes, Truffle Hound, as a small investment manager, certainly considers the obligation to track and file Form 13F to be burdensome. Over the last decade, we have seen increased legislation (e.g. Dodd-Frank Act) and regulation (e.g. Form PF) that have given regulators greater transparency into our business. In order to meet these new obligations, we have had to divert resources away from our main business of equity research to add to our increasing costs of compliance. This has entailed not only out-of-pocket costs, but also an increasing number of employee hours required to comply. Even as a small manager with less than \$300 million in assets under management, our current regulatory burden already includes:

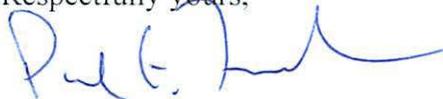
- annual Form D filing;
- state securities law compliance;
- annual updates to Form ADV Parts 1 and 2;

- annual Form PF filing;
- monitoring transactions to comply with Rule 13h-1;
- annual review and revisions of the firm's compliance manual;
- annual audited financial statements;
- ongoing monitoring of employee personal account trading; and
- ongoing monitoring of employee emails.

The burden on smaller managers is more onerous than for large institutional investment managers. A small firm like Truffle Hound, with only five full-time employees, does not have access to the same resources that a large institutional investment manager with hundreds of employees will have to devote to complying with the burden of additional regulation. This is a similar concept to what the Commission has adopted for Form PF, for which small fund advisers are only required to complete Part 1 on an annual basis while large hedge fund advisers are required to complete both Parts 1 and 2 on a quarterly basis.

Thank you for this opportunity to comment on the proposed amendment to the reporting threshold for institutional investment managers. Truffle Hound strongly urges the Commission to adopt the amendment to the rule as proposed in the Release and we look forward to seeing the final rule implemented in the near future.

Respectfully yours,



Paul E. Froehlich
Chief Compliance Officer
Truffle Hound Capital, LLC