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September 24, 2020

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1020

Re: Reporting Threshold for Institutional Investment Managers; File Number S7-08-20

Dear Ms. Countryman,

On behalf of BriLiquid, a capital markets advisory boutique, I appreciate the opportunity to comment on proposed amendments to the reporting threshold for Form 13F reports by institutional investment managers (the "Proposal"). I applaud the Commission's initiative to use its authority to modernize the data disclosures made by investment managers under section 13(f) disclosure program. Undoubtedly reform is long overdue. The Proposal to raise the reporting threshold from \$100 million to \$3.5 billion can be significantly improved to better align regulatory and public policy objectives with the needs of market participants.

Determining an appropriate reporting threshold is just one aspect of the regulation that requires careful consideration. There is sound logic to raising threshold amounts to reflect inflation when considering issues related to investor protection (for example, in the definition of "accredited investor," "qualified purchaser," and "qualified institutional buyer"). As the Proposal observes, \$100 million is not what it used to be! One of the consequences of the failure to raise the threshold for various such exemptions as market values have appreciated has been a broad shift in financial assets and financing to private markets and away from public markets. Securities market information is a public good, helping to ensure the integrity of markets and provide participants confidence that markets are fair. Any erosion in the quality of financial information or the capital markets does not serve the U.S. well and hinders the foundational role of U.S. capital markets at the center of global capital markets.

Advances in technology and computers and the creation of the Internet have significantly reduced the cost to investment managers in making regulatory disclosures. The Bureau of Labor Statistics (BLS) report the cost of personal computers and peripheral equipment in the U.S. has declined to approximately 3% of the level in 1997 when the agency began keeping records (equivalent to a factor of almost 30 times). There is a strong case to lower the reporting threshold and to modernize the 13(f) disclosure program more extensively and consider (1) which institutions should be required to make disclosures, (2) the Official List of 13(f) securities, (3) the timing of 13(f) disclosures, and (4) the treatment of "short" positions.

Who Should File 13Fs?

There are currently around 5,401 13F filers, a minority of the investment managers registered with the Commission or state regulators in the U.S. There are 18,222 investment managers registered with the Commission and an additional 20,847 exempt reporting advisers that are not currently required to make 13(f) disclosures. As the Commission seeks to facilitate access to Main Street retail investors by private investment managers and private companies, including exempt reporting advisers venture capital and private equity advisers in the 13(f) disclosure program will strengthen investor protections.

For the quarter ending March 2020, the number of corporate equity positions held by large 13F filers (greater than \$3.5 billion) was 922,333 compared to 600,802 for smaller filers. Of the approximately 5,401 13F filers during the quarter ending December 2019, 896 managers filed consolidated disclosures for one or more other investment managers. In total, the filings covered 2,695 other managers. The utility of consolidated reports is questionable when investment decision-making is undertaken by another manager, even if there is shared voting authority. The 13(f) disclosures by certain types of investment managers (for example, bank holding companies and broker-dealers) may be of little utility to most market participants. A careful examination of the eligibility criteria to file consolidated reports may improve the utility of Form 13F filings and reduce the burden of processing and interpreting data from 13(f) disclosures.

What Should be on the Official List of Section 13(f) Securities?

The Official List should be updated to recognize the blurring of the lines between exchange-listed and private market securities. A significant number of non-13F filers appear to make Schedule 13D or Schedule 13G filings. Requiring managers to make Form 13F filings for holdings reported on Schedule 13D and Schedule 13G will improve market transparency.

Registered investment companies that invest in private or restricted securities are required to report holdings on Form N-PORT. However, N-PORT filings are not as accessible nor as timely as Form 13F disclosures. Requiring holders of securities issued by private companies with a specific size or value, or with a threshold number of holders, to file Form 13F would help ensure a level playing field for retail investors and other market participants and enhance market transparency and integrity.

Many public equity market participants, including Main Street retail investors, are at an information disadvantage compared to investors with access to private capital markets. Increased capital market financing under various exemptions from registration has resulted in corporate securities representing a shrinking portion of the investment universe as reflected by the Official List. Derivatives and exchange-traded funds and products have filled the void in public capital formation. While the Official List includes certain convertible securities issued, including those issued under Rule 144A, nonconvertible debt and equity securities of registered companies and sizeable private companies should be added.

Many companies pay to list their bonds on the NYSE and Nasdaq in addition to the ongoing listing fees for shares of common stock and preferred securities. Currently, the stock exchanges do not publicly disclose price or ownership information about such bonds. With popular bond ETFs publishing holdings and prices of underlying securities daily, there is little reason to exclude corporate bonds from the Official List. The high yield bond market which has emerged as a major source of capital for many registered companies received a further boost since the Global Financial Crisis with widespread trading of credit derivatives. While such securities are not convertible into shares of common stock, holders often engage in hedging activities in the public equity markets when the shares of the issuer are listed.

Some Form 13F filers voluntarily include securities that are not on the Official List. For example, three managers report holdings of U.S. Treasury securities. Others include mutual funds and some over-the-counter (OTC) market securities, such as Grayscale Bitcoin Trust, in their Form 13F filings. As many U.S. investment managers have expanded their activities overseas, U.S. investors would also be well-served if the Official List included holdings of securities of non-U.S. companies.

When Should Positions Be Reported?

Given advances in technology and computing that facilitate real-time trade reporting, there is no logistical reason to delay Form 13F filings significantly beyond the end of the reporting period. The Commission noted its own use of technology to capture data with respect to market activity and the use of more sophisticated systems for following daily transactions for purposes of market surveillance. Of all the Dec 2019 13F Filers, the average and median days between the end of the quarter and date of submission were both relatively unchanged with the average at 42 days for Q1 and 41 days for Q2 and the median at 37 days for Q1 and 36 days for Q2.

The steadily increasing popularity of index-based investing has resulted in a small number of asset managers owning large stakes in many public companies. However, contrary to traditional concepts of control through the exercise of active ownership, most of these investors are passive, with investment decisions being limited almost entirely to the choice of a benchmark index. Only recently have the beneficial asset owners begun to pressure such index managers to adopt more substantive shareholder voting policies. Some asset owners are reevaluating the use of traditional equity market indexes and various index construction methodologies given divergent investment performance and implicit environmental, social, and governance (ESG) choices embedded in each index. Additionally, with the widespread use of differential shareholder voting rights, together with other structural features, the exercise of “control” by 5% shareholders is often considerably less than presumed.

Equity market structure changes in recent decades, particularly since the bursting of the Internet Bubble, have conspired to make going public less attractive, especially for small and mid-cap companies. Consequently, investment holdings and trading volumes have become concentrated in the largest market capitalization companies. Declining transparency in trading of securities in public markets as a result of anonymous electronic order flow has contributed to the shift away from registered public offerings, often subject to significant front-running. More issuers are conducting confidentially-marketed private offerings of registered equity securities that are less accessible by many smaller institutional investment managers and Main Street retail investors.

Although not considered in the Proposal, increasing the frequency of reporting possibly in combination with potentially lowering the reporting threshold to, for example, \$50 million may help to restore the ecosystem of small and mid-cap focused investment managers, critical to the success of many small and mid-cap companies. While some suggest front-running and copycatting are problems for smaller investment managers, a larger problem is the lack of factual information available to market participants. With the decline in trading commission funded broker-dealer research services, investment managers often now incur at least some cost in communicating their investment thesis to other market participants directly. Many investment managers have taken to social media and investment focused Internet platforms, newsletters, and podcasts to actively publish and promote ideas and talk their book. Increasing the frequency of 13F filings will increase the integrity and confidence of market participants by allowing critical scrutiny of actual holdings.

Front-running and copycatting may be a legitimate concern for investment managers taking large stakes in companies relative to the prevailing liquidity. There is ample evidence of front-running anticipated and announced changes to major equity indexes because of the way index funds rebalance their portfolios. However, across the market capitalization spectrum of companies, active investors taking large stakes in the secondary market are quite rare and they are able to avail themselves of the 13F CTR if desired.

What About Short Positions?

There are pros and cons when it comes to reporting of short positions and equivalents by investment managers. Currently, investment managers must report long positions in exchange-traded put options in 13F securities but not short positions. As such, the utility of the long position data reported on Form 13F is questionable when an investment manager also has an unreported short position. Naïve market participants, including Main Street retail investors and financial media, may draw inappropriate conclusions from the reported data. Requiring investment manager to report the aggregate value of short positions held as the reporting date in the summary table may be an acceptable way to alleviate this information gap.

Recommendation

So, monthly reporting on Form 13F by the 15th of each month seems like a reasonable compromise for initial reform. Today it is customary for beneficial owners to receive monthly statements from many broker-dealers in spite of past industry protests of a switch in delivery of statements from a quarterly basis to monthly. To make 13F filings more widely accessible to investors, media, and other ecosystem participants, providing commonly-used identifiers in the Form 13F such as stock exchange symbol in

addition to the CUSIP and other security identifiers would be useful. Expanding the number of investment managers and the universe of corporate securities will increase transparency and integrity of capital markets.

For ease of reference, the numbered requests for comments in the Proposal are repeated in bold-face below.¹ Given the prospect of losing so much valuable data, I have endeavored to incorporate Form 13F data that is publicly available on the EDGAR site in support of my comments and recommendations.

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? If another threshold would be more appropriate, what should the threshold be and why?

The Commission should not adopt an amendment to rule 13f-1 as proposed but instead should lower the reporting threshold to \$50 million from \$100 million. The Proposal fails to consider advances in technology and the lower cost of computing that more than offset the market value increases in U.S. securities. While the Commission is not an active user of the data in Form 13F filings, there is widespread use at public companies and the general public. While it is difficult to identify specific uses of Form 13F filings by the general public, interest appears to be at an all-time high. Figure 1.1 illustrates a rising interest in Form 13F filings as measured by Google search for the term 13F. The jump in search activity in 2020 is coincident with the adoption of zero-commission trading at many discount brokerage firms. The emergence of consumer-friendly trading platforms, such as Robinhood, have glamorized investing and trading in a way not seen in more than a decade and have succeeded in enticing a new generation of retail investors into the public and private markets. Retail interest in Form 13F filings as reflected by Google searches is at all-time highs. As can be seen from Figure 1.2, peak interest in the Form 13F filing deadline month is significantly higher than for non-filing months. Increasing the frequency of Form 13F filings will allow for information to be incorporated into market prices more efficiently. Amending the Form 13F to broaden security coverage beyond exchange-listed securities and lowering the threshold will allow for greater scrutiny of transactions and investment managers.

¹ This document is for discussion purposes only and does not constitute advice of any kind, including tax, accounting, legal or regulatory advice, and BrillLiquid LLC is not and does not hold itself out to be an advisor as to tax, accounting, legal or regulatory matters. The information contained herein was obtained from the company and public sources and was relied upon by BrillLiquid LLC without assuming responsibility for independent verification as to the accuracy or completeness of such information. Any estimates are publicly available, and involve numerous and significant subjective determinations, which may not be correct. No representation or warranty, express or implied, is made as to the accuracy or completeness of such information and nothing contained herein is, or shall be relied upon as, a representation or warranty, whether as to the past or the future. BrillLiquid LLC assumes no obligation to update or otherwise revise these materials.

Figure 1.1

Google Search for 13F in the United States, 2004-Present

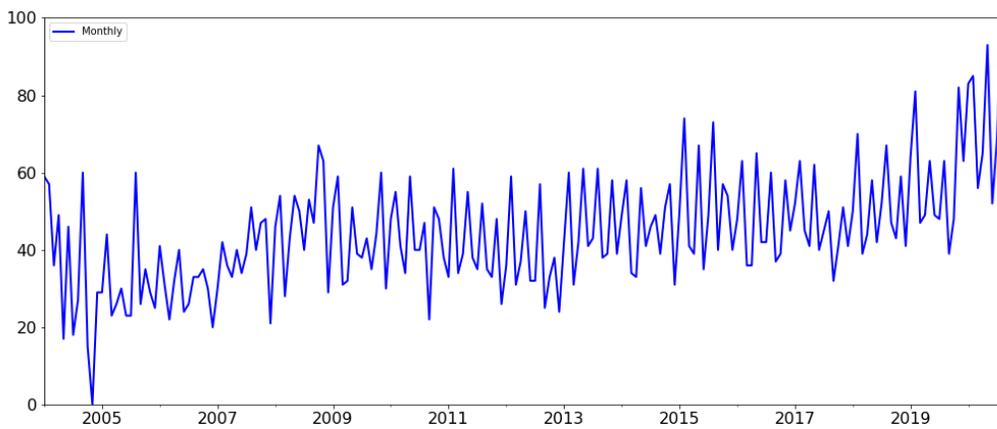
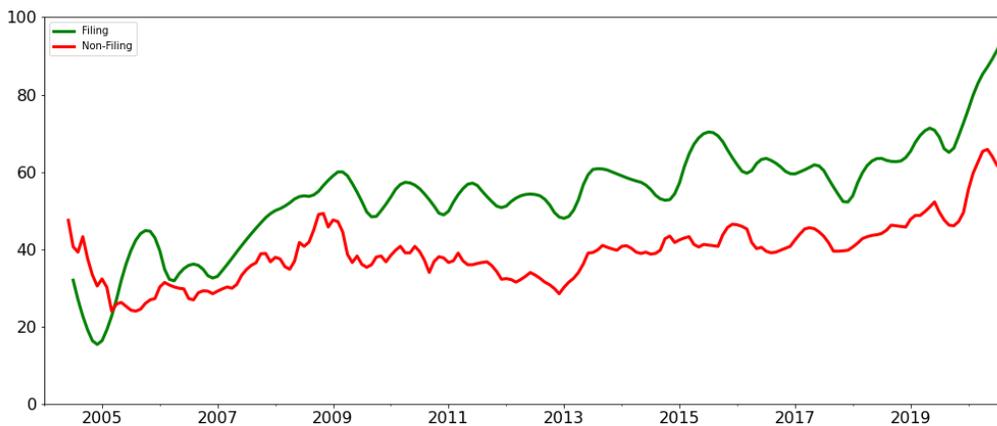


Figure 1.2

Google Search for 13F in the United States—Filing Months vs. Non-Filing Months, 2004-Present



Note. Filing and non-filing monthly data is interpolated and averaged over six months.

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? If so, how? And if so, is there a different threshold that would be more appropriate? Are there any additional effects of raising the Form 13F reporting threshold that we have not considered?

The Proposal to raise the threshold for Form 13F filing obligations will drastically reduce the utility of Form 13F filings for the majority of listed companies, all of whom use information in the organization of their investor relations activities.

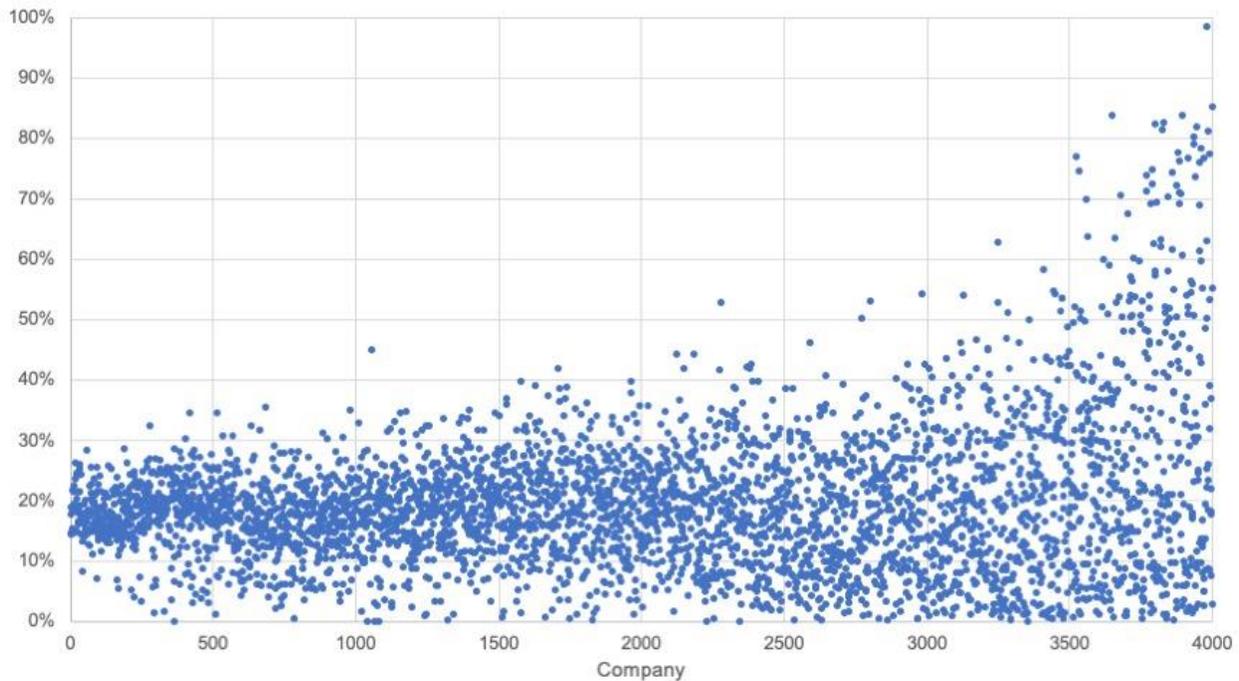
Main Street retail investors may seek affirmation of the wisdom of their investment by checking the number and type of institutional investors that also own the security. The nature and size of large

investors have changed dramatically since 1975. Consider the five “super-size” investors comprised of the largest ETF managers (BlackRock, Vanguard, and State Street) and the largest black-box quantitative managers (Renaissance Technologies and Dimensional Fund Advisors). None of the super-size investors were as systemically-important to equity market structure in 1975 as they are today. Somewhat counterintuitively, the importance of smaller investment managers across the entire spectrum of listed companies is highlighted when one adjusts for the holdings of super-size investors. Public policy should include consideration of the market impact of changes in (global) index methodology of the major equity and bond index providers and trading strategy implementation at the super-size and other large investors.

Some of the world’s largest investment managers are shifting passively-managed assets to benchmark indices that are considered better fit for purpose than legacy equity indexes. Oftentimes, the data vendor creating the new benchmark is also responsible for legacy indexes. In order to protect retail investors in particular, consideration should be given to identifying positions in Form 13F that are indexed, along with an index identifier, versus those over which the manager controls the investment decision. Figure 2.1 illustrates the holdings of some of the largest index fund managers and black-box quantitative funds. The market impact associated with changes to major equity indexes is well-known. Small and mid-capitalization companies often have higher concentrations of holdings from the super-size investors. Retail investors may draw false comfort from the presence of institutional investors that do not consider company fundamentals.

Figure 2.1

Super-Size Investor Share Ownership of Listed Stocks (% of Total 13F Ownership), March 31, 2020

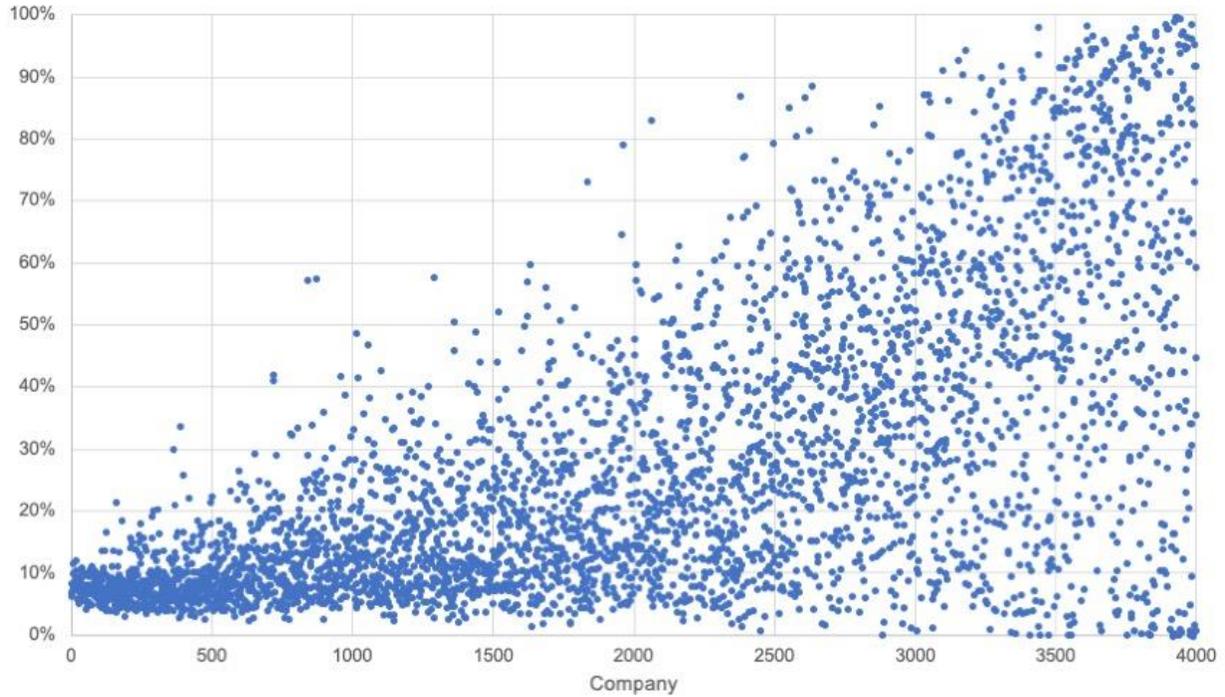


Note. Companies ranked by number of Form 13F filer owners, declining left to right. Super-size investors defined as BlackRock, Vanguard, State Street, Renaissance Technologies and Dimensional Fund Advisors.

Eliminating approximately 90% of the 13F filers will have the greatest impact on small and mid-capitalization companies where smaller investment managers hold a larger proportion of a company's shareholder base as shown in Figure 2.2.

Figure 2.2

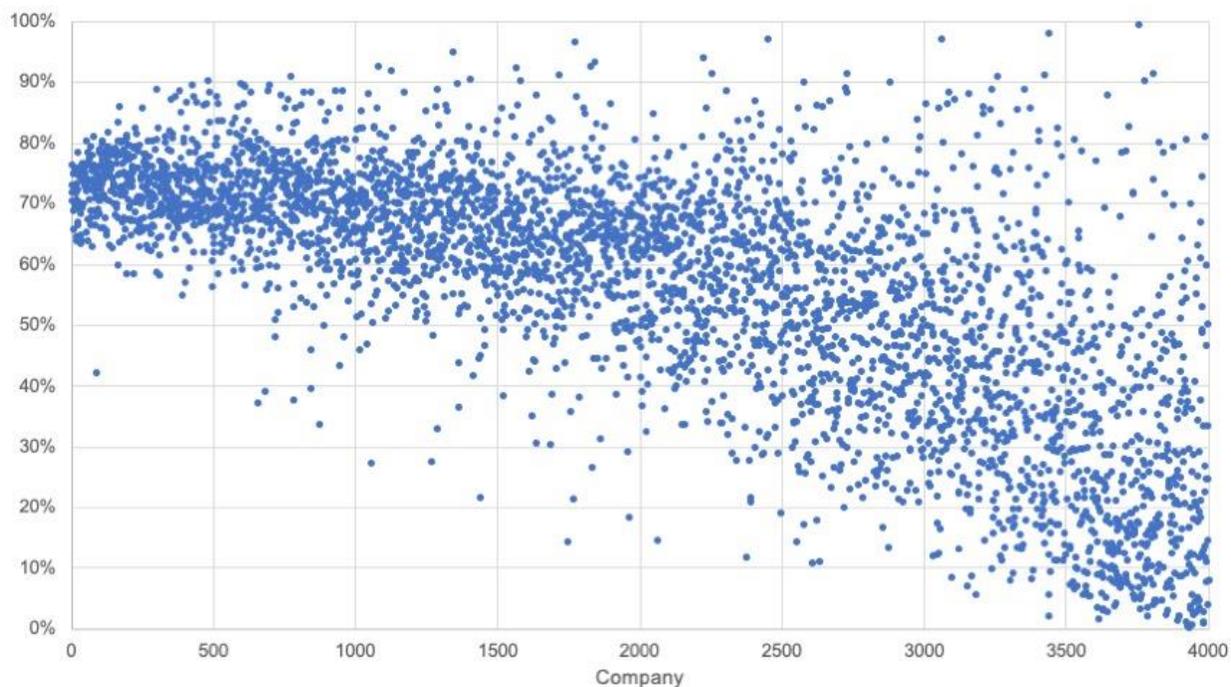
Smaller Investment Manager Share Ownership of Listed Stocks (% of Non-Super-Size 13F Ownership), March 31, 2020



Note. Companies ranked by number of Form 13F filer owners, declining left to right. Smaller investment managers defined as those with value totals reported on the summary page of each manager's Form 13F of less than \$3.5 billion.

Figure 2.3

Larger Investment Manager Share Ownership of Listed Stocks (% of Non-Super-Size 13F Ownership), March 31, 2020



Note. Companies ranked by number of Form 13F filer owners, declining left to right. Large investment managers defined as those with value totals reported on the summary page of each manager’s Form 13F of more than \$3.5 billion.

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?

The proposed amendment should not be adopted.

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? For example, under this approach, we could take the market size as of the end of 2015, 2016, 2017, 2018, and 2019, average those values, and compare that average to the size of the U.S. equities market in 1975. If so, why? Is such a five-year period (or other period) more appropriate for calculating an average growth rate to apply over the 45 years since the threshold was initially set?

The various elements for form 13F reporting should be examined in light of their contribution to transparency and the integrity of capital markets. For example, it is desirable to increase the number of

Form 13F filers per company above a threshold level to foster confidence in the liquidity of the shares of common stock. The composition of the shareholder base, for example the number of large versus smaller investment managers, may be important if smaller managers are significantly more active than larger investment managers.

5. Should we instead adjust the reporting threshold for Form 13F using stock market returns as a basis for this calculation? If so, how should we measure stock market returns? For example, would dividends be included or excluded? Is there another measure that we should use as a basis for initially adjusting the reporting threshold?

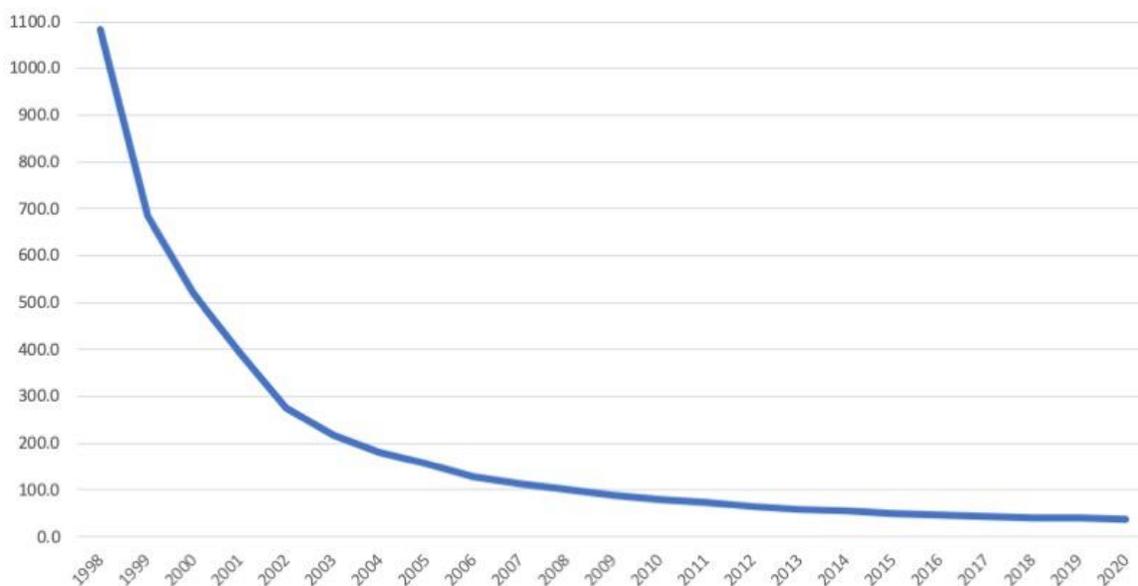
See above.

6. Should we instead adjust the reporting threshold for Form 13F to account for consumer price inflation? If so, what measure of consumer price inflation—PCE or CPI—should we use? Is there another measure of consumer price inflation (or other inflation measure) that we should use? If so, what?

Adjusting the reporting threshold is one aspect of the 13(f) disclosure program along with who files, frequency and timing of filings, and securities covered. The current reporting threshold of \$100 million has not been a burden for filers. Reducing the reporting threshold to \$50 million will better reflect the benefits of advances in the productivity of computing technology outpacing stock market returns since 1975.

Figure 6.1

CPI for All Urban Consumers—Personal computers and peripheral equipment in U.S. city average, all urban consumers, not seasonally adjusted



Note. Index = 100 in 2007.

Source: Bureau of Labor Statistics

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 rounding is necessary.

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?

There is little evidence that Form 13F filing obligations to managers of any size. Figure 8.1 shows smaller managers tend to hold significantly fewer positions than larger firms. At the 75th percentile, smaller managers hold only 171 positions. Reporting positions on Form 13F is not a burden in 2020.

Figure 8.1

Number of Positions Reported on Form 13F, Quarter ending March 31, 2020

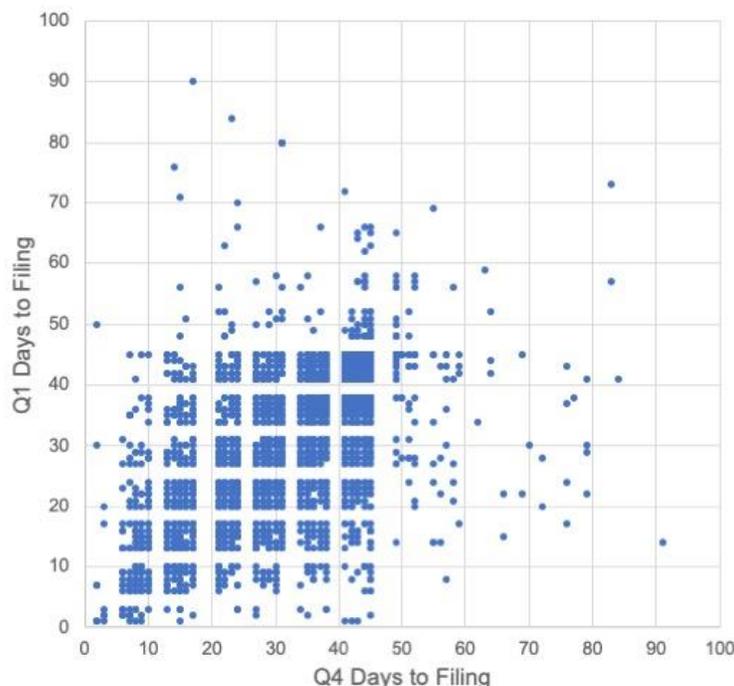
	Small Managers	Large Managers	Super-Size
Mean	179	1,860	7,293
25%	28	113	3,394
50% (Median)	75	494	3,579
75%	171	1,591	7,478

Note. Many large investment managers report positions for other managers and consequently many of the positions reported are for the same underlying security.

Based upon Form 13F filings in Q1 2020, smaller managers met their filing obligations in 36 days compared to almost 40 days for larger managers suggesting no additional burden on smaller managers compared to larger managers.

Figure 8.2

Form 13F Days-to-Filing of Filers in Q1 2020 vs. Q2 2020



9. What, if any, are the benefits to investors and markets for the markets to have access to Form 13F data from smaller managers? Do these benefits justify the filing burdens? If so, why?

As the Proposal notes, there are a plethora of uses for the Form 13F data by market participants. However, a significant user for each U.S. exchange-listed company is the company itself. The Proposal overlooks this category of users. Each company listed on the NYSE or Nasdaq incurs costs to maintain an exchange listing and registration with the Commission. Initial and ongoing listing fees for companies are determined based upon shares outstanding, not by market capitalization or trading volume. The majority of listed companies are effectively subsidizing payment for order flow by primary listing exchanges, not in the markets for their shares, but in the largest and most actively traded companies. Form 13F filings provide small and mid-cap companies the opportunity to target investor relations activities and support capital formation. Companies often use Form 13F filings to allocate management resources to investor relations activities. Investor relations strategies vary from company to company. Often larger investors have an advantage over small investment managers when it comes to securing access to company management. Contrary to the stated intention of reducing the burden on smaller investment managers, eliminating the Form 13F filings of smaller managers risks casting them to oblivion. Out of sight, small investment managers will be out of the mind of company managers and potentially asset owners.

Smaller investment managers represent a larger proportion of the institutional shareholder base at many small and mid-cap companies than at the largest market-capitalization companies. In focusing on the

overall equity market ownership, the Proposal fails to adequately consider the capital formation needs of the majority of listed companies. Smaller investment managers may be less likely to mirror holdings of benchmark indexes, both in terms of company selection and in position-sizing, than larger investment managers.

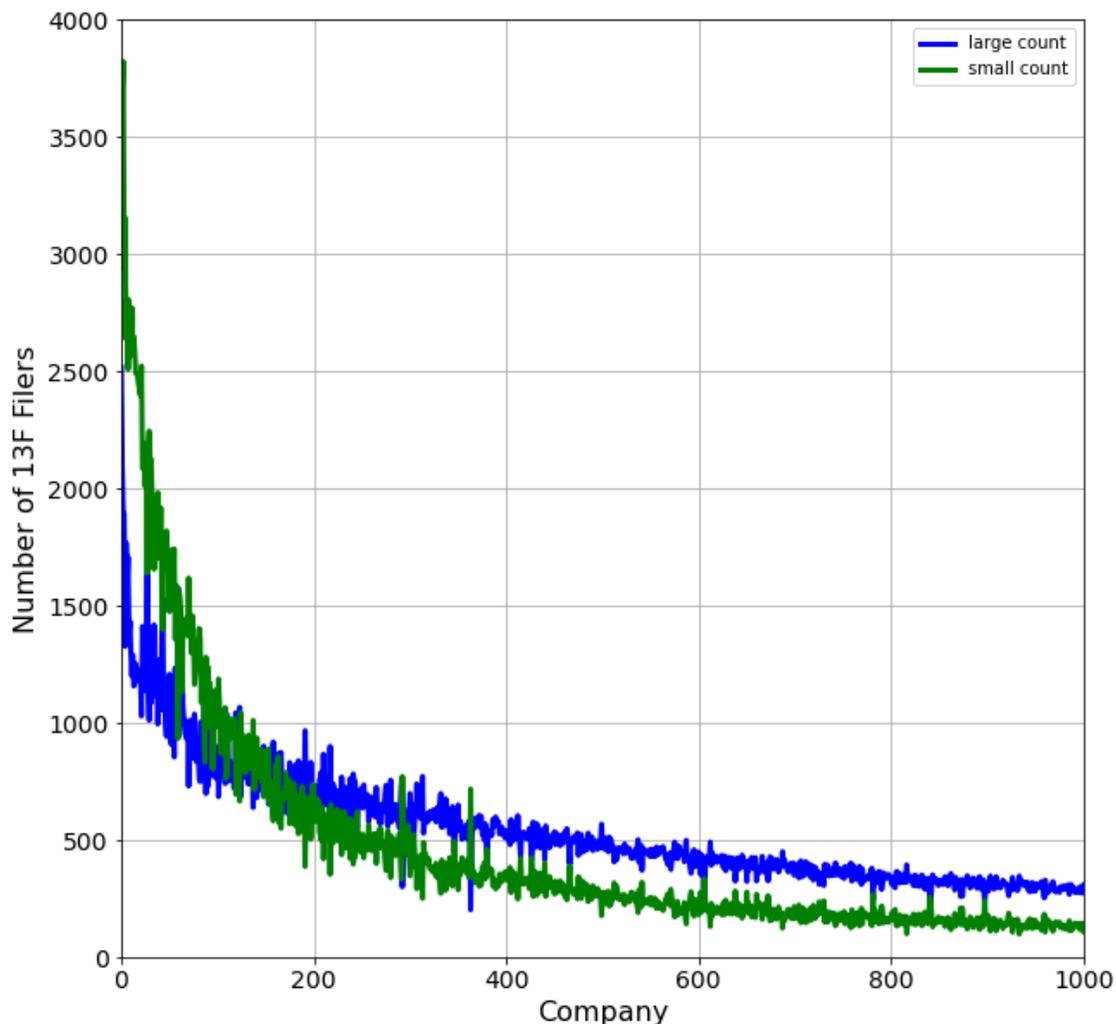
Smaller managers also make up a much larger number of total managers. As such, to the extent their actions are independent of other investment managers, their contribution to the quality of markets they participate in may be significant.

Chairman Clayton highlighted the importance of the public markets in their own right and to ensure the integrity of private markets in a 2019 speech at The Economic Club of New York.

“Main Street investors can be confident that public company stock prices reflect the views of professional investors. This is the rare kind of "free-riding" that economists adore and that underpins Burton Malkiel's *Random Walk Down Wall Street* and the rise of passive investing. On the other hand, from the perspective of firms, managers making long-term decisions—such as whether to invest in human capital, equipment, and research—rely substantially on metrics that are themselves dependent on today's public market-generated pricing information. These include EBITDA multiples and cost of capital estimates that, somewhat ironically, are essential to the efficient functioning of our private markets.”

Figure 9.1

Number of Large vs. Small 13F Filers by Most Widely-Held 1,000 Listed Stocks, March 31, 2020



Note. Companies ranked by number of Form 13F filer owners, declining left to right.

10. Are the Form 13F filing obligations burdensome to larger managers? If so, how? Is it beneficial to the markets to continue to have access to Form 13F data from larger managers? If so, why? Do these benefits justify the filing burdens? If so, why?

The Form 13F filing obligations do not appear unduly burdensome to most larger investment managers. Many large firms, including the very largest exchange-traded funds (ETFs), publish daily fund holdings and prices of underlying securities.

For managers making filings on behalf of other investment managers, there is probably some additional complexity compared to managers not making consolidated filings. Form 13F filings for bank holding companies, broker-dealers, and proprietary trading market-making firms often include large numbers of positions in derivatives and underlying securities. The utility of such consolidated filings and those of market-making firms is questionable because of the high turnover and activity in securities not included in the current version Official List.

Larger investment managers may find the filing obligations of Schedule 13D and Schedule 13G more of a compliance burden. The 5% threshold for filing is binding more frequently at large investment managers. Table 10.1. shows there were 8,825 Schedule 13D and 13G filings during the quarter ending March 31, 2020. Of these, 836 (9.5%) of the filings were by BlackRock, Vanguard, and State Street. In aggregate, the top 40 filers made 2,211 (25%) of the total number of filings during the quarter.

Table 10.1

Number of Schedule 13D and 13G Filings by Top 40 Filers, Quarter Ending March 31, 2020

Filer	Number
BlackRock Inc.	391
STATE STREET CORP	250
VANGUARD GROUP INC	195
RENAISSANCE TECHNOLOGIES LLC	105
FMR LLC	98
WELLINGTON MANAGEMENT GROUP LLP	79
PRICE T ROWE ASSOCIATES INC /MD/	79
WELLS FARGO & COMPANY/MN	75
DIMENSIONAL FUND ADVISORS LP	61
MORGAN STANLEY	40
Invesco Ltd.	39
ALLIANCEBERNSTEIN L.P.	39
Polar Asset Management Partners Inc.	34
Capital World Investors	33
JPMORGAN CHASE & CO	29
Hudson Bay Capital Management LP	28
FIRST TRUST PORTFOLIOS LP	28
Capital International Investors	28
UBS OCONNOR LLC	26
iSHARES TRUST	26
ARMISTICE CAPITAL, LLC	26
Magnetar Financial LLC	24
BARROW HANLEY MEWHINNEY & STRAUSS LLC	23
SABBY MANAGEMENT, LLC	22
PELTON INTERACTIVE, INC.	22
LSV ASSET MANAGEMENT	22
WASATCH ADVISORS INC	21
DONALD SMITH & CO., INC.	21
Capital Research Global Investors	21
GOLDMAN SACHS GROUP INC	20
VICTORY CAPITAL MANAGEMENT INC	19
HGC Investment Management Inc.	19
PERISCOPE CAPITAL INC.	18
JANUS HENDERSON GROUP PLC	18
LEVI STRAUSS & CO	17
MIZUHO FINANCIAL GROUP INC	17
INTRACOASTAL CAPITAL, LLC	17
AMERIPRISE FINANCIAL INC	16
INTEGRATED CORE STRATEGIES (US) LLC	15
BAILLIE GIFFORD & CO	15

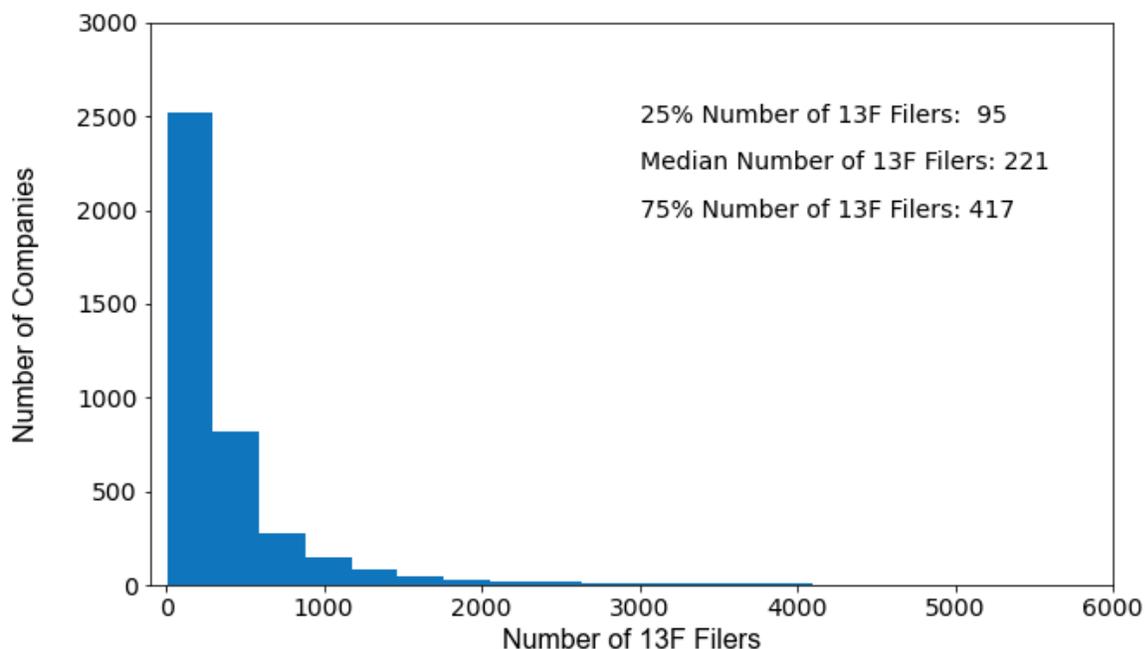
11. Who uses Form 13F data? Are these uses beneficial to investors, market integrity, or capital formation? Why or why not? How will these users of the data be affected if the reporting threshold is increased and fewer filers report? Do those users prefer a different threshold? Why or why not? Can those users reasonably find alternative sources of data that meet their needs? Why or why not?

The Proposal suggests the Commission has acquired alternative sources of data to support its examination and enforcement programs, and to conduct research. However, the Commission’s track record of enforcement actions and research publication provides little evidence is provided in support of this assertion. There is little discussion in the Proposal of using Form 13F data to inform effective rule-making to ensure fair and orderly markets. As the Office of Inspector General and the SEC evaluates the effectiveness of Federal securities laws, Form 13F data can provide valuable insights with respect to establishing, for example, the threshold for public company reporting. The current thresholds for public company reporting adopted under the Jumpstart Our Business Startups Act (JOBS Act) in 2012 from 500 to 2,000 shareholders of record have led to many large companies staying private for longer.

An analysis of Form 13F filings reveals only 78 exchange-listed companies have more than 2,000 13F filers and 749 companies have more than 500 13F filers. Thus, more than 3,250 reporting companies have less than 500 13F filers. As the number of institutional shareholders declines, the quality of the market for the company’s shares may also suffer as it becomes less likely for a double coincidence of wants necessary for a buyer and a seller of shares to transact. Low-quality markets in individual securities may be subject to increased volatility and price manipulation. Inevitably such markets suffer outflows to more liquid securities.

Figure 11.1

Frequency Distribution of Number of Form 13F Filers Per Listed Stock



The Proposal is intended to reflect the change in the size and structure of the U.S. equities markets since 1975 but seems to make adjustments based only on changes in market values. To fully understand persistent and ongoing volatility in the markets for individual equity securities, more information about the activities of market participants is required.

The financial media also relies on Form 13F filings as a source of news flow. Financial media plays a crucial role in the capital markets ecosystem providing critical scrutiny of the activity of market participants. Financial media is a conduit of information to retail investors. Media industry pressures and the advent of the Internet have lessened the grip of the traditional financial news media. Internet-based sites have been more adept at click-bait and monetizing financial news. Lowering the cost of information for quality financial news providers by improving the accessibility to company filings and information is in the public's interest. The Commission's EDGAR site for filings is highly-trafficked. Logs for access to the site, discontinued in June 2017, regularly show more than 20 million daily pageviews. The launch of the new EDGAR Full-Text Search tool in August 2020 provides users access to the full text of electronic filings since 2000. While the website makes it easier for retail investors to search Form 13F filings by issuer symbol, for example, the EDGAR website could be made more consumer-friendly and its functionality improved. Increasing the frequency of Form 13F filings and the number of securities included on the Official List can help financial newsgroups to focus on investment activity beyond the select group of investment managers and companies tracked in the current environment.

Increasing the frequency of Form 13F reporting, together with the number of investors and securities covered, may increase capital formation through underwritten public offerings. Over time, underwriter access to more timely Form 13F reports will improve their order book-building and allocation process for offerings and placements. The Proposal to eliminate the filings of the majority of managers risks further limiting access of small institutional investors to primary offerings and placements.

12. We estimate above direct compliance costs that smaller managers incur in connection with Form 13F. Are these estimates accurate? What kinds of costs, and in what amounts, do smaller managers incur in connection with Form 13F? How do the costs differ for larger and smaller managers? How much internal time do managers devote to compliance with Form 13F? What are the external costs, such as the cost of a third-party vendor or external legal counsel, associated with complying with Form 13F? We request comment on the direct compliance costs managers experience in connection with Form 13F, including the estimates in Section III below, and how these costs vary among managers.

No comment.

13. We also request comment on indirect costs that may be incurred in connection with Form 13F. We discuss above some of these indirect costs, such as the potential for front-running and copycatting. Do commenters agree that these indirect costs are incurred? How do these indirect costs differ for larger and smaller managers? Are there other or different indirect costs that are incurred in connection with Form 13F? What are those and how would they be affected by the proposed amendments?

The overwhelming majority of investment managers cannot legitimately claim they incur significant indirect costs associated with front-running and copycatting in connection with Form 13F. Position sizes held by investment managers relative to trading volumes are such that front-running based upon Form 13F filings, even if the reporting deadlines were to be reduced dramatically below the current 45 days. High-frequency trading firms or agents that monitor Depository Trust Corporation (DTC) Security Position Reports (SPRs) may have an opportunity to realize gains by front-running large orders. Copycatting based upon Form 13F filings may be a strategy pursued by more market participants. However, it is unclear whether there are any costs incurred for smaller investment managers.

In cases where there are disclosures under Schedule 13D, large investors may incur a cost if investors push market prices up before implementation of the order is complete. Such risk is significantly less for disclosures made on Form 13F with the lag in reporting. Indeed, one of the benefits of increasing the

frequency and timeliness of Form 13F reporting would be to allow markets to incorporate such information into market prices more quickly.

14. Rather than the staff conducting periodic reviews of the Form 13F reporting threshold, should we instead adopt a periodic automatic adjustment to the Form 13F reporting threshold? If so, how often should the reporting threshold be automatically adjusted? If we adopt an automatic adjustment, what measure should we use to make the adjustment? Should we use consumer price inflation measures such as the CPI or PCE? Should we use stock market growth or stock market returns instead? Is there a different measure that would be more appropriate? If so, please explain why. If we use any of these measures, how should they be measured and as of what date? If we use an adjustment based on stock market growth or returns, the adjustment could be positive or negative compared with the present level. Would such an automatic adjustment raise any additional issues that the Commission should take into account in considering such an automatic adjustment?

Instead of establishing automatic adjustments to the reporting threshold, the Office of Inspector General should establish procedures for the Commission to regularly evaluate the effectiveness of the 13(f) disclosure program and update reporting requirements as appropriate.

15. Should we, as proposed, eliminate the omission threshold? Why or why not?

Yes. Given the wide size range of the corporate issuers, it is difficult to select an omission threshold that would not unduly limit transparency or be unwieldy for investment managers to implement.

16. If the Form 13F reporting threshold is raised to \$3.5 billion as proposed, to the extent it is not already reported on a voluntary basis, would investors and the markets find the disclosure of smaller holdings information for larger managers valuable? Why or why not?

Smaller holdings of large managers may be important to market participants and regulators interest in price impact and market manipulation. The price impact associated with the trading patterns of large managers in less liquid companies can be significant and may cause a “pump-and-dump”-like situation inadvertently drawing in unsuspecting retail investors.

17. Among Form 13F filers with at least \$3.5 billion of 13(f) securities under management, is it costly to report small positions? Why or why not? How many of these filers’ positions have fewer than 10,000 shares? How many of their positions are valued under \$200,000? What is the incremental cost of reporting these small positions on Form 13F? Is the incremental cost significant? Are there other costs associated with identifying these specific positions for purposes of excluding them? Are there other reasons that it would be beneficial to keep the omission threshold?

Some large managers may prefer to obfuscate their holdings with the length of their Form 13F filings. In addition to considering any change in the omission threshold, the Commission may evaluate the utility of the filings by certain types of investor such as bank holding companies and broker-dealers. From an issuer or retail investor perspective, it may be preferable to eliminate managers where holdings represent

structured note and index hedging related positions as opposed to those that reflect a directional view regarding the underlying security of a specific issuer.

For the quarter ending March 31, 2020 of the 1.95 million positions reported in the Information Tables of the Form 13F filers 913,714 positions were for less than 10,000 shares and 716,167 were for less than \$200,000.²

18. Rather than eliminating the omission threshold, should we increase it? If so, what part should we increase? Should we adjust only the share limit of the omission threshold? If so, to what? Should we adjust only the value limit of the omission threshold? If so, to what? Should we adjust both components of the omission threshold? If so, to what? Should we, for example, increase the share limit to 50,000 and the value limit to \$1,000,000?

The omission threshold should not be increased. For the quarter ending March 31, 2020 of the 1.95 million positions reported in the Information Tables of the Form 13F filers 1.40 million positions were for less than 50,000 shares and 1.21 million positions were for less than \$1,000,000.

19. Should we mirror the adjustment to the omission threshold proportionately to the adjustment we are proposing for the Form 13F reporting threshold using stock market growth? Would such an adjustment result in a significant decrease in securities reported on Form 13F? Would such an adjustment impede the ability of the public to observe the impact managers have on the markets?

Adjustments as proposed would significantly reduce the number of securities that are required to be reported and will reduce comparability as many investors will continue to disclose all positions in a single “data dump” instead of adding steps to omit securities not included on the Official List or below the omission threshold.

20. If we maintain an omission threshold, should we adopt a mechanism for automatic future adjustments of the omission threshold? Should future adjustments be for the share limit, for the value limit, or for both? What is an appropriate mechanism for adjusting the share limit?

No.

21. Should we require managers to provide their CRD number and SEC filing number, if any, on Form 13F?

Disclosing additional identifying information in the summary table as structured data may be useful.

² An additional 14,186 positions were less than \$200,000 when the 50 identified non-scaled Form 13F Information Table values were corrected to divide by 1,000.

22. Should we require managers to provide the CRD number and SEC filing number, if any, of other managers identified in their 13F report?

Yes. Others may find the consolidated reports including other managers useful. However, consolidated reports obfuscate rather than illuminate when it comes to identifying investment activity.

23. Would this additional identifying on Form 13F be useful information? If so, how?

Additional identifying information about investment managers is useful because the naming convention of various funds often makes it difficult to identify the investment ultimate decision-making organization.

24. Would disclosing this information be unduly burdensome for 13F filers?

No.

25. Are there any other amendments we should make to the information provided on Form 13F? For example, is there any information currently required that is not useful or does not have a beneficial effect for investors, reporting managers, or users of the data? Should we consider omitting Form 13F's requirement to provide a CUSIP number for each security? Why or why not? Should we permit managers to provide, in lieu of a CUSIP number, other identifiers such as a Financial Instrument Global Identifier (FIGI) for each security? Why or why not? Would permitting voluntary use of an alternate identifier have a beneficial effect for investors, reporting managers, or users of the data?

The Commission has received complaints from a wide variety of market participants about the expense associated with acquiring market data, including security identifiers, from exchanges and other data vendors. Leading ETF firms include the ISSUE SYMBOL, CUSIP, ISIN, and SEDOL for underlying securities when reporting daily holdings and prices for listed ETFs. Main Street retail investors likely find the ISSUE SYMBOL provides more utility than the CUSIP, ISIN, or SEDOL. Nasdaq discontinued a daily list of securities on the primary listing exchanges. The NYSE lists issue symbols on its website over 240 different web pages. The availability of identifiers for other security types may present challenges. Global standardization of identifiers is beneficial for market participants and the Commission should endeavor to facilitate the availability of structured information for security identifiers in Form 13F reporting.

Others may find Column 8, voting authority, useful but I am not among them.

26. Should we require filers to round all dollar values listed on Form 13F to the nearest dollar and remove the requirement to omit "000"? Should we, alternatively, maintain the current rounding conventions? Should we adopt some other rounding conventions? Should we no longer permit rounding?

Approximately 50 Form 13F filers regularly fail to divide the position values by 1,000 each quarter. While this represents only a small portion of the number of filers, it presents a challenge for those seeking to use the data. The error may stem from a lack of appropriate internal controls or a result of human error. The errors may be limited to the Information Table or may also extend to the summary page. To the extent 13F filers perceive the Commission is paying attention to the filings, for example, as a result of the proposed rule, compliance likely will improve, and errors may naturally decline.

Table 26.1*Form 13F Filers Reporting Non-Scaled Position Values, Quarter Ending March 31, 2020*

CIK	Name	City	State	Value Total
1715163	CARILLON TOWER ADVISERS, INC.	ST. PETERSBURG	FL	\$10,192,946,391
1177244	SHAPIRO CAPITAL MANAGEMENT LLC	ATLANTA	GA	2,935,826,575
1351731	WestEnd Advisors, LLC	CHARLOTTE	NC	1,195,521,973
1278249	TOWER BRIDGE ADVISORS	CONSHOHOCKEN	PA	761,831,222
1793432	EVOKE WEALTH, LLC	Los Angeles	CA	702,604,242
1697110	GenTrust, LLC	MIAMI	FL	697,538,568
1732080	ADAMCAPITAL Gestao de Recursos Ltda.	RIO DE JANEIRO	D5	571,750,000
1789082	Crake Asset Management LLP	LONDON	Xo	490,655,000
1576762	Advisory Alpha, LLC	HOLLAND	MI	356,630,745
1536890	BAROMETER CAPITAL MANAGEMENT INC.	Toronto	A6	336,163,547
1602237	IPG Investment Advisors LLC	SAN DIEGO	CA	238,089,267
1730386	Retirement Income Solutions, Inc	Ann Arbor	MI	178,202,000
1800798	Arkadios Wealth Advisors	ATLANTA	GA	156,892,220
1765885	Allred Capital Management, LLC	Dallas	TX	152,144,641
861177	UBS ASSET MANAGEMENT AMERICAS INC	CHICAGO	IL	139,067,935
1307878	Laffer Investments	NASHVILLE	TN	128,186,739
1696802	Forefront Analytics, LLC	WEST CONSHOHOCKEN	PA	125,244,303
1714590	Gs Investments, Inc.	Minneapolis	MN	101,856,626
1681490	Cascade Investment Advisors, Inc.	OREGON CITY	OR	90,699,344
1511137	PATHSTONE FAMILY OFFICE, LLC	ENGLEWOOD	NJ	83,470,077
1802451	HighMark Wealth Management LLC	ST. PAUL	MN	83,043,336
1410588	Moon Capital Management, LLC	KNOXVILLE	TN	72,735,897
1666256	Exane Asset Management	PARIS	Io	51,267,274
1166588	BNP PARIBAS ARBITRAGE, SA	NEW YORK	NY	48,754,192
1741736	Sofos Investments, Inc.	Allen	TX	32,313,222
1592643	Select Equity Group, L.P.	NEW YORK	NY	14,495,502
1456670	DNB Asset Management AS	OSLO	Q8	6,798,935
1541741	Pendal Group Ltd	Sydney	C3	5,864,106
719245	Westpac Banking Corp	Sydney	C3	5,803,383
1591122	Heritage Wealth Advisors	RICHMOND	VA	558,021
1344717	Estabrook Capital Management	NEW YORK	NY	475,200
1134152	ADELL HARRIMAN & CARPENTER INC	HOUSTON	TX	472,310
1742435	FORA Capital, LLC	FOSTER CITY	CA	463,152
1623883	EXANE DERIVATIVES	PARIS	Io	357,912
1434165	ATLAS CAPITAL ADVISORS LLC	SAN FRANCISCO	CA	336,156
1599620	Blue Edge Capital, LLC	RICHMOND	VA	276,295
1262677	NOESIS CAPITAL MANGEMENT CORP	BOCA RATON	FL	271,816
1802091	Marotta Asset Management	CHARLOTTESVILLE	VA	259,738
1034549	PARADIGM ASSET MANAGEMENT CO LLC	NEW YORK	NY	258,465
225816	ROWLAND & CO INVESTMENT COUNSEL/ADV	ATLANTA	GA	249,545
1652035	Hayden Royal, LLC	CHARLOTTE	NC	197,468
1083323	TRUST CO OF OKLAHOMA	TULSA	OK	192,184
1411784	Pinnacle Holdings, LLC	TULSA	OK	174,374
1334199	Cambridge Financial Group, Inc.	COLUMBUS	OH	148,228
1538383	Westside Investment Management, Inc.	SANTA MONICA	CA	146,376
1569884	RPg Family Wealth Advisory, LLC	BURLINGTON	MA	128,762
1806226	Sowa Financial Group, Inc.	LINCOLN	RI	113,697
1803386	Wealth Quarterback LLC	TOMS RIVER	NJ	108,886
1512073	Aft, Forsyth & Company, Inc.	Palm Beach	FL	99,434
805870	VAUGHAN AND COMPANY SECURITIES, INC.	RIDGEWOOD	NJ	78,694

Note. Filers of non-scaled filings are defined as those who report position values in the Information Table of the initial Form 13F filing that are not divided by 1,000. Amendments are not considered in the above analysis. Value Total (\$000) as reported on the summary page of the filer's Form 13F.

27. Are there any other amendments we should make to streamline Form 13F or simplify its instructions? If so, what are they?

There is a lack of consistency in reporting of securities. There is significant variation in the TITLE OR CLASS as well as SH/PRN. The Official List of 13(f) securities should specify the security type. Currently, according to the instructions, the investor must choose either "shares" (SH) or "principal amount" (PRN). In order to better reflect changes in the securities markets, it may be helpful to classify nonconvertible debt and preferred securities with a stated maturity as "PRN," preferred securities without a stated maturity as "PRE," and convertible debt and preferred securities as "CVT." The classification of securities as shares (SH) could usefully be limited to corporate nonfinancial equities with exchange-traded funds identified as "ETF," closed-end and mutual funds as "MX," real estate investment trusts as "REIT," limited partnerships as "LP," financial service, insurance, banks, BDCs, and mortgage REITs as "FIN," and special purpose acquisition companies and other shell companies as "SHEL."

The entry total reported on the summary page of the Form 13F would have greater utility if it were defined as the total number of unique securities rather than the number of positions reported in the Information Table.

28. Will our proposed technical amendments increase the accuracy of Form 13F data?

Yes.

29. Will our proposed technical amendments make Form 13F data easier to understand and more accessible to the public?

Yes.

30. Would these proposed technical amendments impose costs or burdens on filers?

No meaningful increase once the transition is made.

31. Does the amendment appropriately reflect the effect of the U.S. Supreme Court's June 24, 2019, decision in Food Marketing Institute v. Argus Leader Media on the type of information that is required to substantiate confidential treatment in accordance with Exchange Act sections 13(f)(4) and (5) and rule 24b-2 thereunder?

No comment.

32. Would relieving smaller managers from the compliance burdens of Form 13F reduce costs and enhance competition and add efficiency, including enhancing the ability of smaller managers to compete in the market? To what extent, if any, would the benefits be passed on to investors in the form of lower management fees and/or enhanced services? Would the proposed increase in the Form 13F threshold protect smaller managers from harmful behaviors such as front-running? Would reducing this risk for smaller managers promote capital formation by encouraging these managers to invest more in small and mid-size portfolio companies? Would reducing this risk for smaller managers benefit investors?

The current Form 13F reporting requirements are not a compliance burden to institutional investors and thus there will be no reduction in fees or enhanced services for investors. There is little evidence to suggest small managers suffer from widespread front-running of Form 13F filings and thus no impact upon capital formation.

33. Would the proposed technical amendments increase efficiency by enhancing the accuracy of Form 13F data? Are the cost estimates appropriate?

Yes.

34. Would the proposed additional identifying information increase efficiency by making it easier to identify a Form 13F filer's other regulatory filings and the interrelationships between managers who share investment discretion over 13(f) securities?

Yes.

I appreciate the opportunity to submit comments to the Commission's on the Proposal. I recommend the Commission consider lowering the reporting threshold to \$50 million from \$100 million, increasing the frequency to monthly reporting, and expanding the Official List to include corporate debt and equity securities of public and private companies above a certain size or value.

Sincerely,



Andrew MacInnes

Managing Director