



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

We, Rice Management Company, write to explain our concern that the Securities and Exchange Commission (the “Commission” or the “SEC”) intends to engage in a set of actions that we believe will be detrimental to basic market functions and negatively affect investors

Rice Management Company oversees the endowment assets of William Marsh Rice University. In our primary function as steward of the University’s perpetual pool of capital (\$8.2 billion as of June 31, 2021), we are tasked with providing stable and sufficient distributions in support of Rice University’s current and future students. Rice Management Company places a majority of this capital with external, professionally- and actively-managed investment pools in order to most effectively and efficiently maintain and grow the University’s capital. Our investment returns over time have been significantly enhanced through the active management of capital, allowing Rice University to provide top-quality education to thousands of students, regardless of those students’ ability to pay (Rice University is 100% need-blind in its admission practice).

Our concerns refer specifically to:

- **Notice of Proposed Rulemaking on Position Reporting of Large Security-Based Swap Positions—10B-1 (File No. S7-32-10)**
- **Notice of Proposed Rulemaking on the Modernization of Beneficial Ownership Reporting 13D (File No. S7-06-22)**

We are concerned the Commission’s proposals fail to acknowledge the likelihood that they will frustrate shareholder engagement, and therefore diminish oversight at public companies in America. We also note that others have raised concerns similar to the foregoing, and we associate ourselves with their concerns.

The active management of assets and shareholder activism encourages corporate leaders to recognize problems and find solutions, which leads to sustainable, productive outcomes for a wide set of beneficiaries. As reams of academic research has proven, these benefits are shared by all public-market participants, extending even beyond the firms initially engaged by activist shareholders.¹

¹ Swanson, Edward P. and Young, Glen and Yust, Christopher G., Are All Activists Created Equal? The Effect of Interventions by Hedge Funds and Other Private Activists on Long-term Shareholder Value (December 16, 2021). *Journal of Corporate Finance*, Forthcoming: <https://ssrn.com/abstract=3984520>



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Both rules appear based on the assumption that the early disclosure of shareholder positions will make markets more efficient. On the contrary, there are convincing reasons to expect that these changes in disclosure rules will have the opposite effect. The Commission should consider that:

- Premature disclosures are likely to induce a front-running effect that, aside from distorting market pricing and making markets more volatile, will hinder investment firms' ability to engage in the expense of preparing engagement efforts.
- Poor performing companies would use this premature disclosure to employ "poison pills," among other techniques, to block shareholders from effecting positive change.
- Productive discussions between shareholders and managements would become far more difficult once engagement position becomes public, and agreed upon solutions will be far less frequent.

In sum, the proposed rules will harm—directly or indirectly—all who invest in public companies.

Degrading the rights of shareholders will have a particularly deleterious effect on efforts to improve environmental, social and governance practices at corporations, which are increasingly part of activist engagements.

Lastly, we are concerned that the provisions on "groups" in the Beneficial Ownership Reporting proposal will stifle communications between investment firms and their investors, and among shareholders. Under the proposed expansion of the definition of a "group", investment firms merely exchanging views on a public company could prompt litigation over whether those parties form or constitute a "group" for the purposes of reporting. The possibility of such litigation will force unreasonable restraints on investors' speech, and will further restrain and hamper shareholder engagement.

We urge the Commission to recognize the impacts of the proposed disclosure changes on shareholder engagement and carefully review alternative approaches that will not discourage this important force in markets.

Thank you for your consideration of our views,

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