

Comments below re April 11,2022 Comment Period for

File No. S7-06-22 - Modernization of Beneficial Ownership Reporting

Comments:

General Introduction: While it is stated that the proposed amendments would modernize the filing deadlines for initial and amended beneficial ownership reports filed on Schedules 13D and 13G, as stated within this document, will this do that and be an improvement? Herein the proposal specifically states:

“C. Potential Benefits and Costs of the Proposed Amendments We have considered the potential costs and benefits associated with the proposed amendments. Overall, we believe the proposed amendments to Regulation 13D-G would benefit investors and market participants by providing more timely information relating to significant stockholders as well as potential changes in corporate control, facilitating investor decisionmaking, reducing information asymmetry and improving price discovery in the market. We also recognize that the proposed amendments could impose costs on the affected parties. For instance, the proposed amendments could increase the costs for blockholders to influence or control an issuer and potentially inhibit shareholder activism and its goal of improving corporate efficiency. A discussion of the anticipated economic costs and benefits of the proposed amendments is set forth in more detail below. We also expect the proposed amendments to affect compliance burdens. The quantitative estimates of changes in those burdens for purposes of the Paperwork Reduction Act of 1995 (“PRA”) are further discussed in Section IV below. For purposes of the PRA, we estimate that the proposed amendments would result in an increase of [burden hours...and costs]”

I wish to express my strongest sentiment against this supposedly worthwhile proposal as stated above.

I would recommend that it is 180 degrees in the wrong direction for the following reasons:

Currently, as automated and secure and efficient (and complicated) as the current filing procedure has become over the years, the 10 day period is far too short to be workable for a non-institutional investor. I challenge virtually any non-institutional investor going over the 5% threshold, especially as a first-timer, to successfully file a 13-G form within the current 10 day period, much less the 5 days you are proposing. (I should likely also challenge many institutional-like investors as well?) Yes, short of this being a “Lawyers’ Relief Act” to insure lawyers have an additional “employment annuity”, it is quite counter-productive in many ways.).

And why a current need to reduce that 10 days? While much detailed information on stock ownership has become publicly available outside of 13D and 13G filings– especially institutional ownership which often counts for a large majority of all the outstanding shares – this 13G change reducing the current 10 day windows will have minimal help to market efficiency or transparency. I might guess it can even possibly reduce market depth and market price efficiency somewhat by reducing potential buyers from the marketplace.

Currently many stock investors make it a serious practice to not go near or over the 5% because of the nuisance, time, risks, and costs associated with the filings and even possible subsequent mistakes or oversights. Mainly, I am addressing 13G filings, assuming that 13D filers have perhaps an additional agenda and are more likely to already be using legal counsel or professional SEC filers?

Also, there should be a serious provision for when a shareholder’s position goes over the 5% threshold because of ordinary corporate actions that result in the number of outstanding shares to drop such that the

shareholder unwittingly has a holding over the 5% of outstanding shares. (Companies can buy back shares for many excellent reasons, and usually that detail is reported with quarterly, and in some cases annual, reports. Your proposal to change the current 10 days to 5 days would be ridiculous without some allowance for this type of situation.)

Importantly, I would suggest here that the 5% threshold has become too low. Definitely for 13G filers, and probably for even 13D filers. How about raising that to 10%. That would be a significant paperwork and bureaucratic savings, almost certainly.

The huge increase in volume and active broad based stock ownership through the years has greatly increased overall market efficiency. (Just note the wide academic and marketplace acceptance of index funds.)

Raising the 5% threshold to say 10% would likely improve the marketplace, as reducing barriers and paperwork should increase market efficiency. The idea that the sudden acquisition of more than 5% needs to be reined in with no more than a 5 day reporting requirement, rather than perhaps instead somewhat more than 10 days and perhaps a 10% threshold seems a serious mistake. With institutions currently already owning a large disclosed majority of almost everything in the stock market, any supposed gains from your proposed rules seem quite unrealistic. Given, too, that without the proxy support of institutional holders, a 5% position these days is typically insignificant? A more significant topic, of course, is the current (and past) proxy practices of institutional fiduciaries - except now they control a huge percentage of the overall market.

Other comments – Instead of the current short 10 day requirement, maybe it should be 15 days or 30 days? Something to consider.

Also, perhaps of more importance in seeking transparency for investors, there has always been the charge of institutional and fund disclosure “window dressing”, which has always been widely denied. A solution: When you are a fiduciary managing other peoples’ money, why not be required to periodically disclose somewhere the details of every trade? A thought.

Also, of more import, there should be immediate clarification on proxy rules, where always valuable shareholder proxy votes are usurped by the fiduciary without compensation to the real shareholder. (This valuable right is an untaxed compensation to the fiduciary?) This should be absolutely forbidden. The 13D and 13G rules are all about control and the potential value of that proxy? Yet huge proxy positions are “legally stolen” by managers and fiduciaries without even reporting requirements to the real owners?

For the above reasons, I wish to express my strongest sentiment against the proposed rules as stated in this “Modernization of Beneficial Ownership Reporting”.

These opinions are my own.

Sincerely,

Ed Fraser