

September 28, 2020

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE Washington, DC 20549

Re: Reporting Threshold for Institutional Investment Managers (File No. S7-08-20)

Dear Ms. Countryman,

Computershare (ASX: CPU) is a global leader in transfer agency, employee equity plans, proxy solicitation and other specialized financial communications. Founded in 1978, Computershare is represented in all major global financial markets and has over 12,000 employees. Computershare is renowned for its expertise in high integrity data management, high volume transaction processing and reconciliations, payments and stakeholder engagement. We also specialize in corporate trust, bankruptcy, class action and a range of other diversified financial and governance services. We provide services to over 25,000 corporations and 75 million shareholders in 21 countries.

Georgeson, a Computershare company, is a global provider of strategic shareholder engagement, proxy solicitation and governance consulting services. We have helped many of the world's leading organizations enhance the value of relationships with their investors and stakeholders. For more information, please visit www.computershare.com and www.georgeson.com.

Computershare and Georgeson appreciate the opportunity to comment on the SEC's proposal to amend the reporting threshold for Form 13F reports by institutional investment managers. We are very concerned that these changes, as proposed, will negatively impact issuers. We accordingly request that the Commission reconsider these proposed amendments to the reporting threshold, and to establish an industry roundtable to discuss and recommend steps to modernize Form 13F in a manner that balances the interests of all concerned stakeholders, including issuers.

Our statistical analysis, as detailed below, shows that the proposed change would significantly reduce issuers' visibility of the identities of their beneficial owners. The impact will be felt most keenly by small and mid-cap issuers and closed end funds, however even the largest issuers will experience a measurable reduction in visibility of the identities of their investors.

While we appreciate that transparency for issuers was not among the original purposes in enacting the filing requirement for institutional investment managers, in the past 45 years the need for issuers to be able to understand who their investors are has grown considerably. Issuers and the investing public have relied on Form 13F filings for many years, and the dramatic change proposed by the Commission would be highly detrimental.

Reduced Transparency from Amended Reporting Threshold

We analyzed the application of the amended reporting threshold across a representative sampling¹ of equity issuer and closed end fund clients at varying market capitalizations (Table 1), based on Form 13F filings covering data from the quarter ending June 30, 2020. For equity issuers, the changed threshold would result, on average, in a loss of visibility of 49.5% of institutional investors that file Form 13F for issuers across the sample set, compared to the current threshold. As Table 1 shows, the loss of visibility of shares outstanding is greatest for small and mid-cap issuers, however even the largest issuers would lose visibility of more than 4.5% of their shares outstanding under the revised threshold, compared to their current level of visibility. Similarly, closed end fund issuers risk losing visibility of more than 14% of shares outstanding, and almost 40% of their total institutional shareholders. As detailed further below, across the market, the impact for issuers' corporate governance programs and shareholder engagement will be significant.

Table 1 – Summary impact for equity issuers and closed end funds

Market Capitalization	# of Institutional Holders Reporting			% Shares Outstanding Reporting		
	Average # under Current Rule	Average # under Proposed Rule	Avg # Removed	Average 13F Ownership % Under Current Rule	Average 13F Ownership % Under Proposed Rule	Average % Removed
EQUITY ISSUERS						
Overall (All Capitalizations):	924	357	567	80.9%	71.1%	9.8%
>\$40 Billion:	2,125	581	1,544	77.5%	73.0%	4.5%
\$20B-\$40B:	1,093	459	635	85.7%	80.9%	4.8%
\$10B-\$20B:	777	390	387	90.3%	81.6%	8.7%
\$1B-\$10B:	416	255	162	95.8%	82.9%	12.9%
<\$1B:	132	95	37	55.9%	37.7%	18.2%
CLOSED END FUNDS						
Overall:	71	32	39	33.2%	19.1%	14.1%

Shareholder Engagement

In 1975, Form 13F filings were intended to provide transparency into the holdings of larger institutional investment managers for regulators. However, the usage has evolved considerably. Issuers, investors (of all sizes), regulators, analysts and academics depend on the information laid out in Form 13F filings. In

¹ To perform this analysis, we divided a sample of 115 equity issuer clients into the five tiers based on market capitalization, identified in Table 1, and quantified the impact of the threshold change for the companies in each tier. Table 1 likewise summarizes our analysis of 32 closed end funds.

particular, issuers utilize the data to determine who holds an interest in their company, so that they can then have productive engagement with their shareholders. It is vital that companies understand their investors' viewpoints on overall governance and strategy, as well as rationales for voting decisions.

Effective identification of investors is the cornerstone of shareholder engagement. It is necessary to support issuers' active proxy solicitation efforts prior to shareholder meetings. It facilitates issuers' comprehension of the make-up of their investor base and the interests and priorities of their investors, enabling issuers to understand the potential response of investors to various corporate strategies and associated resolutions.

Critically, it provides visibility of development of positions by activist investors. This transparency allows issuers to conduct shareholder outreach with a broad range of shareholders to inform how those owners' expectations and viewpoints compare to the position advanced by an activist. Without this transparency, activists espousing minority, but vocal, positions may carry even further outsized influence, to the detriment of long-term, now unidentifiable holders. These engagement efforts will be weakened as a result of reduced visibility of investors, if the reporting threshold is increased, with at least one study showing that 86% of activist investors would no longer be required to comply with Form 13F filings².

Transparency

Form 13F filings are the most effective mechanism for obtaining visibility of institutional owners currently available to issuers in the United States. As the Commission is perhaps aware, transparency of ownership is a major concern for issuers, yet the US market is almost uniquely opaque in this regard, with few tools available for issuers. While "Non-Objecting Beneficial Owner" lists provide some visibility for issuers, the majority of institutional investors are "Objecting Beneficial Owners." Likewise, Form 13D and 13G filings are informative resources in certain respects for an issuer's few largest holders but cannot replace the extent of information found in 13F filings.

We also note that transparency of ownership is a central theme for issuers in the current market discussions on proxy reform, through the various Working Groups established by market stakeholders at the Commission's request. We were therefore surprised and concerned to see such a reduction in transparency proposed for issuers. Increasing the threshold without otherwise addressing issuers' access to information on their beneficial owners would be highly detrimental to corporate governance.

A further reduction in transparency for issuers in the United States also runs counter to international corporate governance practice. Many markets (such as the United Kingdom, France and Australia) have long provided issuers with strong levels of visibility into their ownership. The introduction of the Shareholder Rights Directive II across the European Union has further entrenched regulatory recognition of the importance of transparency for issuers. By comparison, we are concerned that implementation of the increased Form 13F reporting threshold may negatively impact the attractiveness of a US market listing for both US and foreign issuers, particularly considering this international trend to improve transparency and better facilitate shareholder engagement.

While we appreciate the Commission's interest in minimizing the reporting burden for smaller filers, we urge the Commission to re-evaluate the impact that it would have on issuers. In our view, the detriment

² <https://ihsmarkit.com/research-analysis/secs-13f-proposal--issuer-and-investor-analysis.html>

to issuers was not sufficiently taken into account in the proposed amendments. Given the evolution in usage and reliance upon the data provided by Form 13F filings over the past 45 years, any changes should be evaluated in light of the effect to all stakeholders. Further, modernization of the rules should consider all relevant changes to the market over this time, including the increasing demands on issuers to engage with their shareholders.

We would also encourage the Commission to consider further mechanisms to improve issuers' visibility of their beneficial owners, as has been discussed within the proxy reform discussions. We draw your attention to our recommendations in the context of proxy reform, as provided to the Commission in 2019: [Proxy Reform Submission 2019](#).

We appreciate the opportunity to submit these comments and would be pleased to provide any further information required as the Commission continues its deliberations.

Please contact Hannah Orowitz at HOROWITZ@Georgeson.com or at 212-805-7322 if you would like to discuss our above comments further.

Yours sincerely,



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