

Senators oppose SEC plan for institutional investor reports

By [Keith Lewis](#), CQ

The Securities and Exchange Commission proposal to increase the Form 13F reporting threshold for institutional investors would reduce transparency in capital markets and harm investors, Democratic senators said in a letter to the agency.

The change would eliminate the requirement for 90 percent of current filers and deprive markets of critical information about activist hedge fund positions that would disproportionately fall on small and micro-capitalization companies, according to Sens. Sherrod Brown of Ohio, Tammy Baldwin of Wisconsin, Jack Reed of Rhode Island, and Chris Van Hollen of Maryland, who signed the Oct. 21 letter to SEC Chairman Jay Clayton.

“The proposal would unnecessarily and unjustifiably decrease transparency and reduce access — for the public and the SEC — to critical information about the U.S. stock market,” they said. “The SEC should withdraw it and consider reforms that provide investors, the SEC, and other regulators with more information, not less.”

The SEC unveiled a plan in July to raise the 13F filing threshold to \$3.5 billion in assets under management from \$100 million set in 1975. Regulators argued the 35-fold increase is aligned with the growth in capital markets over the last 45 years.

The senators called the agency’s analysis “flawed” and argued the loss of information about investor positions is the key issue. Citing a study by market analytics firm IHS Markit, small capitalization firms would lose access to information about 14 percent of their shares, and micro capitalization firms would lose 17 percent.

The same study found, on average, 55 percent of investors on a company’s shareholder list, and 69 percent of hedge funds, would stop filing Form 13F if the new rules are implemented.

The lawmakers also accused the regulator of inflating the projected cost savings that could result from the proposal. The SEC estimated annual 13F compliance costs were as much as \$30,000 per filer in some cases, but the letter cited SEC Commissioner Allison Herren Lee’s public statement that said the agency’s compliance cost estimates were much lower in 2018, at less than \$5,000 per filer.

More than 50 companies including Ford Motor Co., CVS Health and Marriott International Inc. have opposed the SEC’s rule in public comment letters, citing a loss of transparency. Hundreds of other companies signed opposition letters by Nasdaq and the New York Stock Exchange.

The SEC declined CQ Roll Call's request for comment.

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