



IHS Markit Perspectives [Special]

Issuer feedback on the SEC's 13-F threshold proposal

Between July 31 and August 10, 2020, **IHS Markit's Perception team** undertook a survey¹ of the issuer community to gauge initial market reactions to the SEC's proposal to raise the 13-F reporting threshold to \$3.5B from \$100M.

The proposal states that investment managers with less than \$3.5B in U.S. stockholdings would no longer need to reveal the details of their portfolios. Those details include the number of shares held in a company and the value of those holdings at quarter's end. The current threshold, which has remained unchanged since its 1975 introduction, is \$100M.

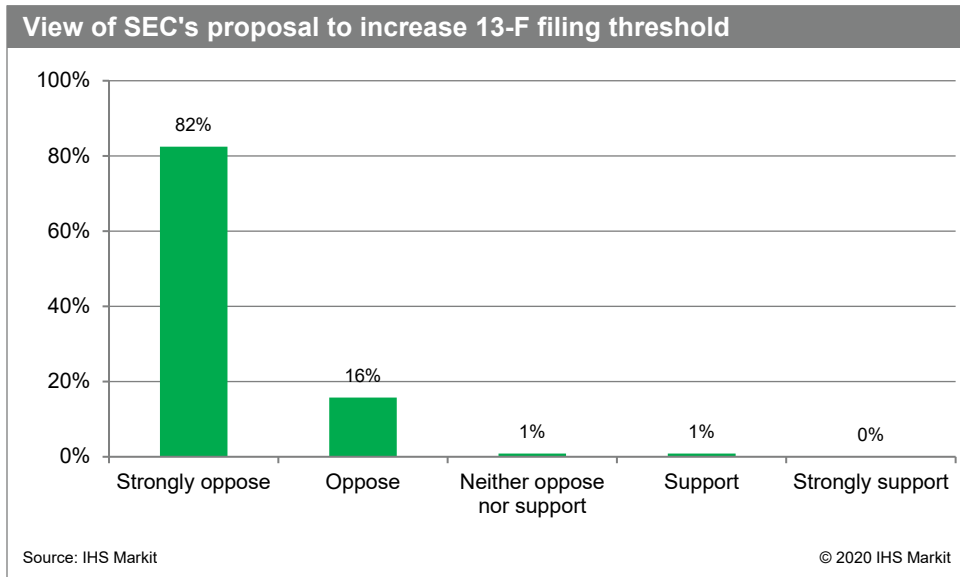
For this special IHS Markit Perspectives² report, we asked Chief Financial Officers and Investor Relations professionals of U.S. listed companies for their feedback on the proposal and how it may impact them. The survey includes a total of 110 issuers, representing \$1.94T in market capitalization (ranging from \$35M to \$400B) and covering all 10 major industries.

¹**Canvass Surveys** are custom-designed online surveys conducted by IHS Markit's Perception Research team to gauge immediate market feedback from a broad population.

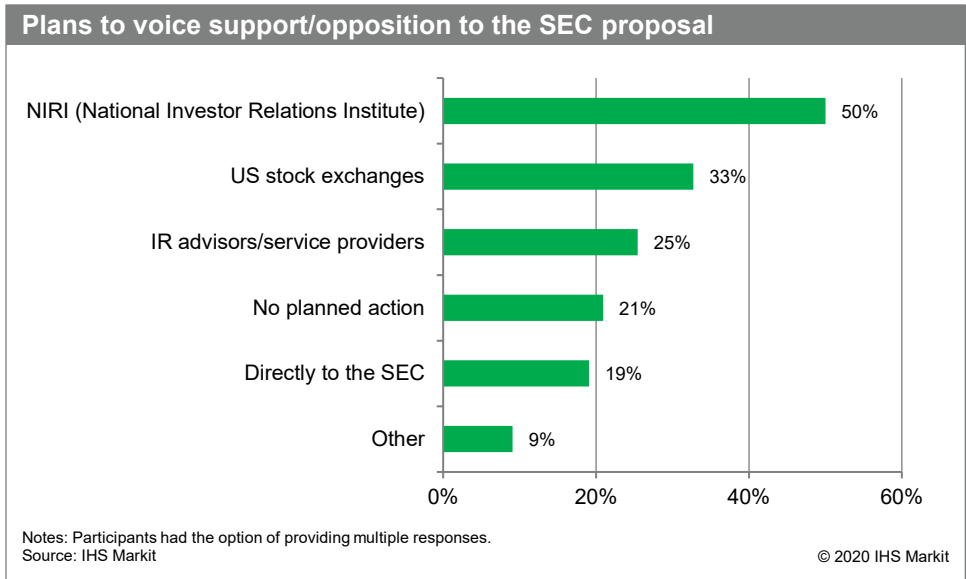
²**IHS Markit Perspectives** is a series of sentiment reports produced by the Perception team to provide issuers with real-time feedback from the capital markets. For more information: [Perception group](#) and [Perspectives series](#).

Over 80% of respondents strongly oppose the 13-F proposal and nearly everyone plans to voice their opposition through one or more channels.

Participants' views of the SEC's 13-F proposal are visualized below, reflecting a largely negative reaction to the proposed change. The driving forces behind the opposition are that the proposal limits market transparency and lowers the visibility for investor relations.



Most survey respondents plan to voice their opposition to the proposal through NIRI, the US stock exchanges, or in some cases, both. Of note, NIRI is officially advocating a [call to action](#) from issuers and plans to prepare a joint comment letter that public companies and IR counselors may sign on to.



“We should be striving for quicker and greater transparency - which would promote a more open and active dialog with our shareholders on economic and ESG topics. This is contrary to that.”

VP of IR, Large cap industrials company

“Transparency is a two-way street. In an environment where public companies are being asked to be increasingly transparent, it is fair to require a small, but important, transparency requirement of shareholders to disclose their holdings.”

CFO, Mid cap consumer goods company

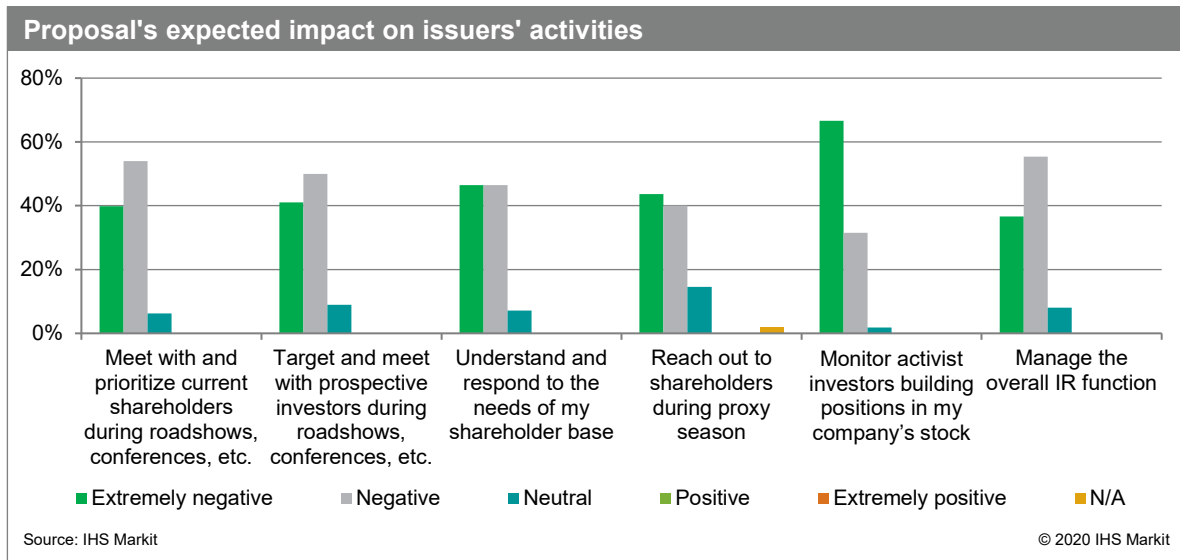
“Issuers are looking for more transparency, whether in the form of more frequent reporting, less lag after the end of the reporting period, or reporting of short positions. A 90% reduction in the number of filers is a step in the wrong direction and a contradiction to SEC Chairman Clayton's goals, including public transparency to energize competitive forces to benefit shareholders.”

VP of IR, Mega cap technology company

Issuers anticipate that the proposed change will have largely negative impacts to their investor relations workflow, visibility into shareholder activity, and ability to monitor activist investors.

Survey respondents worry that the proposed 13-F change will have negative repercussions across a variety of their IR activities, including their outreach to existing shareholders, targeting of prospective investors, understanding of the investor base, and proxy engagements.

Many issuers expect that the effect will take the biggest toll on their ability to monitor activist investors, sentiment that aligns with [IHS Markit's prior analysis](#) showing that only 14% of activists would still be required to file 13-Fs under the proposed change.



“The proposal is short-sighted and one that further handicaps a public company’s ability to fairly address ALL investor concerns in a timely manner.”

VP of IR, Small cap technology company

“It is not the right solution for the problems they are stating it solves. This proposal makes it all the more easier for investors to ambush companies with activist holdings, placing an even greater disadvantage on issuers.”

IRO, Small cap consumer goods company

“Based on preliminary analysis, our company would lose the ability to know the identities of investors comprising about 15% of our shareholder base, and the absolute number of filers we could identify would be reduced by approximately one-third.”

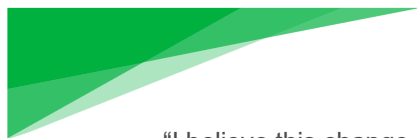
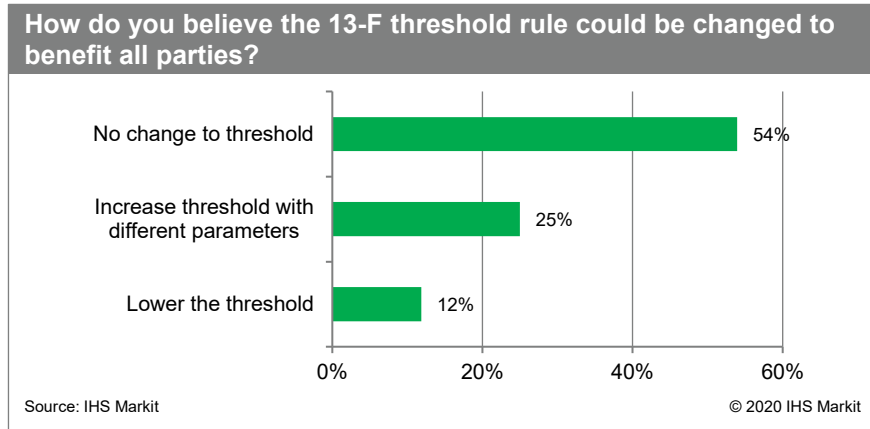
CFO and Treasurer, Small cap industrials company

“Anything that reduces transparency of our shareholder base makes the IR function and shareholder outreach more challenging. 13-F filings provide needed context for conversations.”

Head of IR, Large cap technology company

Many respondents believe that the 13-F threshold level does not need to be changed and instead they offer suggestions about how the 13-F process can be altered to increase transparency.

When asked about how the 13-F threshold can be changed in a way that benefits all parties, many respondents state that no change is needed as the current process is adequate. Others recognize that there are valid reasons for increasing the threshold, such as inflation, but they believe that a more modest change is appropriate, such as \$250M or \$500M. A few suggest that incremental increases over time allow the market to adjust and evaluate the impact. A small portion of respondents call for greater transparency and a lower threshold than \$100M for 13-F reporting.



“I believe this change is a solution in search of a problem. No changes are needed.”

CFO, Mid cap consumer goods company



“Understood that the \$100M threshold is too low and outdated, but the new \$3.5B proposal is extremely high. I think the threshold should have a higher minimum, say \$500M, but then should be linked to the market cap of the company.”

Director of IR, Mid cap utilities company

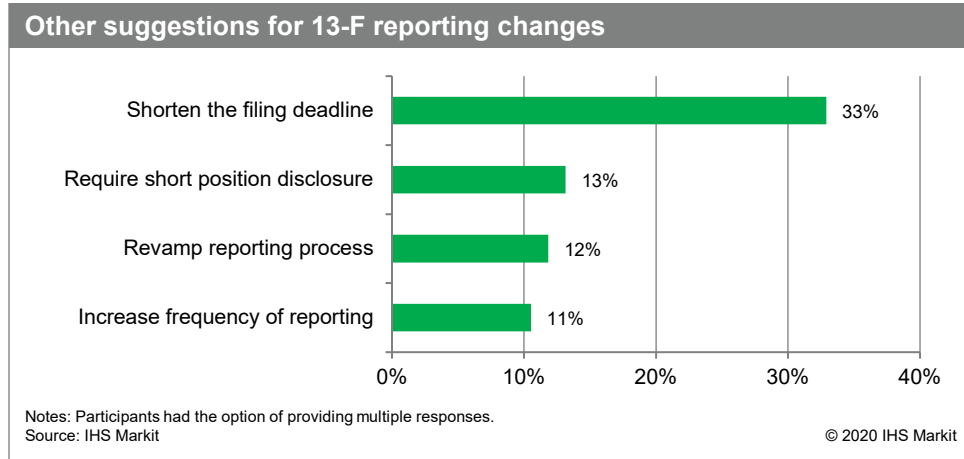


“It seems to run completely contrary to the needs of a well-functioning market. Why should we favor stealth actions on the part of activist investors over long-term investors? We should keep disclosure rules at current level and increase who these rules apply to.”

Director of IR, Mid cap industrials company

Beyond the reporting threshold, participants offer other suggestions to improve upon the 13-F reporting process and, ultimately, enhance market transparency and efficiency. Several suggest shortening the filing window from 45 days to 10-15 days post-quarter end as well as changing the cadence of reporting from quarterly to monthly. A few are more open to an increase in the threshold if it is coupled with more timely disclosures that result in less lag.

Some issuers encourage the SEC to introduce requirements for disclosing short position based on position size and/or thresholds for firm size. In effort to address the stated goal of the proposal to “reduce unnecessary burdens on smaller managers”, some believe that the SEC can help modernize the process using technology and automation in order to streamline reporting, lower costs, and maintain the current levels of transparency.



“If there is rationale for increasing the asset limit (which I am not in favor of), at least provide a much-needed benefit to issuers by modernizing the institutional investors’ requirements for much timelier disclosure. Like require disclosure by 10 days after each calendar month.”

VP of IR, Small cap consumer services company

“More transparency on ownership (and quicker filings of 13-Fs: 10-15 days after quarter rather than 45 days) actually benefits BOTH parties because we can give the appropriate attention to the investors that are new or adding to their share count, and we won’t be bothering investors that have recently sold significant amounts or all of their stock.”

Director of IR, Large cap basic materials company

To understand how the proposed 13-F threshold will impact visibility into your shareholder base, please contact Kevin Roy, Vice President Global Markets Intelligence (Kevin.Roy@ihsmarkit.com).

For more information on the results of this survey and IHS Markit’s Perception Research, please contact Robin Auten, Executive Director Perception Research (Robin.Auten@ihsmarkit.com).