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Via Electronic Submission

September 27, 2020

Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F. Street, NE
Washington, D.C. 20549

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

Dear Ms. Countryman:

The Independent Community Bankers of America (“ICBA”)¹ appreciates this opportunity to respond to the Securities and Exchange Commission (SEC) proposal to raise the reporting threshold to \$3.5 billion from \$100 million for Form 13F reports filed by institutional investment managers.

Adopted in 1975 as part of the Securities Acts Amendments of 1975, section 13(f) of the Securities Exchange Act of 1934 (“Exchange Act”) requires a manager to file a report with the SEC if the manager exercises investment discretion with respect to accounts holding certain equity securities (“13(f) securities”)² having an aggregate fair market value on the last trading day of any month of any calendar year of at least \$100 million.

SEC Rule 13f-1 requires that managers file quarterly reports on Form 13F if the accounts over which they exercise investment discretion hold an aggregate of more than \$100 million in 13(f) securities. The information reported on Form 13F becomes publicly available upon filing, unless the manager has filed an application for confidential treatment with the SEC.

ICBA’s Position

¹ The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. With more than 50,000 locations nationwide, community banks constitute 99 percent of all banks, employ nearly 750,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding more than \$5 trillion in assets, nearly \$4 trillion in deposits, and more than \$3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers’ dreams in communities throughout America.

ICBA is dedicated *exclusively* to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services.

² Rule 13f-1(c) under the Exchange Act defines “section 13(f) securities” to mean equity securities of a class described in section 13(d)(1) of the Securities and Exchange Act that are admitted to trading on a national securities exchange or quoted on the automated quotation system of a registered securities association.

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ICBA opposes raising the reporting threshold for Form 13F reporting from its present level of \$100 million. We believe that the SEC’s proposal, which would allow 89 percent of current 13F filers to go dark, would result in a significant loss of market transparency for many small and mid-size publicly held companies. Consequently, many of ICBA’s publicly held members would be adversely impacted if the proposal was to become effective.

Section 13(f) was added to the Exchange Act following a study the SEC conducted at Congress’s direction which concluded that there were certain “gaps in information about the purchase, sale and holdings of securities by major classes of institutional investors.” The section 13(f) disclosure program had three primary goals. First, to create a central repository of historical and current data about the investment activities of institutional investment managers. Second, to improve the body of factual data available regarding the holdings of institutional investment managers and thus facilitate consideration of the influence and impact of institutional investment managers on the securities markets and the public policy implications of that influence. Third, to increase investor confidence in the integrity of the U.S. securities markets.

Particularly for small and mid-sized publicly held companies, we believe that the goals of the section 13(f) disclosure program will be thwarted if the rule is adopted, leaving significant gaps in information concerning the holdings and activities of institutional investors. The 13F filings are the only accurate source of ownership information available to many of these issuers since it is the only data that shows which “street name” investors are buying or selling shares each quarter. This information cannot be fully replaced by hiring stock surveillance firms which often rely on quarterly 13F data as a starting point for their research efforts.

Small and mid-sized publicly held community banks are particularly concerned about their ability to identify their active shareholders and engage with them effectively. As one of our larger community banks indicated:

Our company uses 13F data to allocate the limited time of our senior executives among the many requests that we receive from investors for one-on-one calls or meetings. We cannot possibly say “yes” to every investor request to speak with our senior management, so we try to give priority to not only our largest investors and fund managers with a track record of activism, but also those shareholders with smaller positions who are interested in increasing their holdings in our company. With this proposed increase in the 13F threshold, we would not have visibility into this important group.

The SEC says that one of the chief reasons it is proposing such a large increase in the threshold is because it would reduce the regulatory burden on small institutional managers. Currently, there are 5,089 managers that exceed the \$100 million threshold, which is 17 times the number when the program was started in 1975. However, the SEC acknowledges that the direct compliance costs associated with preparing filings on Form 13F have decreased since 1975, principally due to lower-cost information processing systems. As those information systems become less expensive, the cost of complying with this rule will continue to shrink.

While ICBA agrees that SEC should modernize its ownership disclosure rules, we believe that the negative impacts of this 13F proposal on the ability of small and mid-size publicly held companies to engage effectively with their shareholders, attract new long-term investors, and detect potential activists would far outweigh the modest cost savings for investment managers. Publicly held community banks will be at a distinct disadvantage with regard to their most active shareholders if they are unable to identify them on a regular basis.

Conclusion

ICBA opposes raising the reporting threshold for Form 13F reporting from its present level of \$100 million because it will impair the ability of many publicly held community banks to identify their most active shareholders and engage with them. ICBA appreciates the opportunity to comment on this proposal. If you have any questions or would like additional information, please do not hesitate to contact me at (202) 821-4431 or Chris.Cole@icba.org.

Sincerely,
/s/ Christopher Cole

Christopher Cole,
Executive Vice President and Senior Regulatory Counsel
Independent Community Bankers of America