

September 29, 2020



Vanessa A. Countryman
Secretary
Securities and Exchange Commission
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Washington, DC 20549-1090

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New York, NY 10036
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Dear Ms. Countryman:

RE: Reporting Threshold for Institutional Investment Managers - File Number S7-08-20

We appreciate the opportunity to provide input to the proposed rule, Reporting Threshold for Institutional Investment Managers. The rule seeks to amend Rule 13f-1 which requires that managers file quarterly reports on Form 13F if they hold an aggregate of more than \$100 million in 13(f) securities. The Commission proposes to raise the reporting threshold to \$3.5 billion, with an aim to reduce the burden of reporting on smaller investment managers.

XBRL US is a nonprofit standards organization, with a mission to improve the efficiency and quality of reporting in the U.S. by promoting the adoption of business reporting standards. XBRL US is a jurisdiction of XBRL International, the nonprofit consortium responsible for developing and maintaining the technical specification for XBRL (a free and open data standard widely used around the world for reporting by public and private companies, banks, and government agencies). Our members include accounting firms, public companies, software, data and service providers, as well as other nonprofits and standards organizations.

While we support the Commission goal of reducing the burden on reporting entities, we do not believe that eliminating disclosures made by smaller reporting entities is an appropriate approach. Numerous stakeholders, as the Commission points out in the proposal, rely on this data including regulators, investors, the media, public companies, and other types of researchers. The value of this data has only grown over time and 13F data has become an expected resource. The Commission has received an overwhelming number of responses to this proposal, the majority of which do not support the move to raise the threshold.

There are, however, alternate approaches to reduce the burden on reporting entities. First, we recommend that the Commission require the use of an open, nonproprietary securities identifier, such as the Financial Instrument Global Identifier (FIGI) instead of the CUSIP, to reduce the financial burden on investment managers imposed by the requirement to use proprietary, costly identifiers. Second, we ask that the Commission consider adopting XBRL-CSV as a replacement to the current custom XML schema reporting requirements.

These changes to current reporting requirements would reduce the burden on investment managers, and would increase the usefulness and quality of reported data, as noted in our response to specific proposal questions below:

Value of 13F data

Question 9: What, if any, are the benefits to investors and markets for the markets to have access to Form 13F data from smaller managers? Do these benefits justify the filing burdens? If so, why?

13F data from smaller managers is just as, if not more, important than data from large managers as noted in discussions with TagniFi, a provider of data and analytics. Chad Sandstedt, TagniFi co-Founder and CEO, pointed out, “Most of the value in this [13F] data is from the smaller managers since that is where the interesting active strategies are. Many of the larger managers are passive or closet indexers so the value is diminished with this group. Also, if the dataset becomes exclusive to the largest 10% of managers, it is mostly going to include data on the S&P 500 as those managers typically do not own anything smaller than that due to their size.”

We also agree with the many investors and corporations that have already responded to this proposal, and that attest to the value and need for 13F reported data from investment managers, regardless of size.

Data quality considerations and other amendments

Question 25: Are there any other amendments we should make to the information provided on Form 13F? ... Should we consider omitting the Form 13F requirement to provide a CUSIP number for each security? Why or why not? Should we permit managers to provide, in lieu of a CUSIP number, other identifiers such as a Financial Instrument Global Identifier (FIGI) for each security? Why or why not? Would permitting voluntary use of an alternate identifier have a beneficial effect for investors, reporting managers, or users of the data?

We ask the Commission to consider other approaches that would reduce the burden on 13F filers, both large and small, and which could also serve to improve the quality of 13F data reported.

In 2010, the SEC Office of Inspector General (OIG) published a report¹ noting problems it had identified in 13F filings. In its report, the OIG stated that because there was no consistent monitoring or validation checks built into the EDGAR System to catch potential problems, many Forms 13Fs were filed with errors, which were not detected or corrected in a timely manner. The report also pointed out that the then current text file format of Form 13F, limited the ability to extract, organize and analyze the data being reported.

After this report was published, the SEC began requiring 13F filers to prepare their submissions in a custom XML schema, presumably to address the issues raised by the OIG. A review of 13F data shows that filers have been submitting data to EDGAR using a custom XML schema since 2013. Despite this move, quality issues continue to plague 13F filings.

¹ SEC OIG Review of the SEC’s Section 13F Reporting Requirements: <https://www.sec.gov/files/480.pdf>

A 2016 study titled *Form 13F (Mis)Filings*², jointly written by Anne M. Anderson, Associate Professor of Finance and Paul Brockman, Professor of Finance, at Lehigh University, identified a high frequency of incorrect pricing data and substantial variation across individual reporting firms. Their conclusion notes “It is far too easy for investors and researchers to be lulled into a false sense of security with respect to data integrity by relying on reputable, third-party data providers when obtaining institutional holdings’ figures. Our study suggests that the SEC’s methods of data collection and monitoring would require significant improvements before such reliance is warranted.”

A recent review of 13F data conducted by XBRL US, found that many CUSIP numbers are entered incorrectly. Data quality issues that we see related to use of the CUSIP can be improved by performing simple CUSIP checksum validation at the time of filing. By moving towards nonproprietary securities identifiers, the scope for validation by third parties is vastly improved by allowing database comparison which is expensive with proprietary identifiers like CUSIP. We have also identified scaling errors in the data, which could be improved upon by a move to XBRL-CSV which supports robust validation by the filer and by the SEC.

Transition 13F filers to nonproprietary securities identifiers

Require registrants to use an open, nonproprietary securities identifier like the FIGI, which is a flexible identifier that catalogs financial instruments across global asset classes. The FIGI is a 12-character, alphanumeric, randomly generated identifier that covers hundreds of millions of securities worldwide. The FIGI has a unique identifier that is specific to a given security.

The CUSIP, which is now required for 13F reporting, can change for many reasons, including a simple name change. The base of the CUSIP is meant to represent a single issuer but because of the code structure, it is possible for a single issuer to have multiple base codes. If the name of the issuer changes, the base code (s) will be changed, resulting in the CUSIPs for every associated security to change as well. In addition, a “mature” CUSIP can be re-used over time. This can lead to confusion and data quality issues.

The FIGI does not change over time and because it can be mapped to other identifiers, it can aid in tracking other identifiers that may be used to represent the same financial instrument.

In addition, CUSIP does not cover every instrument type, for example options, which results in these securities being covered by the CUSIP of the listed equity which is not an accurate representation. These complexities inevitably lead to data quality problems, lack of traceability, and the inability to conduct effective oversight and analysis. Although the CUSIP is common in the United States, it has not been adopted widely outside of the U.S. and Canada, because of the associated royalty and data fees that come with distribution of the CUSIP.

² Form 13F (Mis) Filings, October 15, 2016: <https://corpgov.law.harvard.edu/2016/08/08/form-13f-mis-filings/>

A transition to a nonproprietary identifier would improve the quality and traceability of the data, and even more importantly, reduce costs throughout the reporting supply chain. An open source identifier like the FIGI can be freely used and distributed without paying any fees. It would reduce the burden on both investment managers preparing the filing, and on users consuming the 13F data.

Consider switching from the current custom XML schema to XBRL CSV

We ask the Commission to consider the XBRL-CSV format for reporting 13F data rather than using a custom XML schema, as filers do today. A move to XBRL-CSV would simplify 13F filings. With XBRL-CSV, registrants could prepare their 13F filing in spreadsheets which is likely how many prepare this information today. With XBRL-CSV, files can be validated for accuracy against a base schema defined in an XBRL Taxonomy. Fund managers would only require access to a spreadsheet to file their 13F data and could avoid having to put the data in an XML format.

The added benefit of this approach is that the XBRL generated data would be easier to consume than the current XML-formatted files and could be accomplished using any XBRL-enabled application. With the current XML files, providers of analytical and data base applications must first tailor their tool to understand the custom XML schema, in order to automate data extraction. That step would not be necessary with XBRL.

We appreciate the opportunity to comment on the SEC proposal regarding the disclosure threshold for 13F filers, and on other ways to reduce the burden on filers and improve the quality of the data they produce. We would welcome the opportunity to discuss this issue further. Please feel free to contact me if you have any follow up questions or would like to discuss. I can be reached at (917) 582 - 6159 or campbell.pryde@xbrl.us.

Regards,

A handwritten signature in black ink, appearing to read 'Campbell Pryde', written in a cursive style.

Campbell Pryde,
President and CEO