SEC Proposes Raising Form 13F Institutional Investment Manager Reporting Threshold to $3.5 Billion

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On July 10, 2020, the Securities and Exchange Commission ("SEC") announced that it has proposed to amend Rule 13f-1 and Form 13F to raise the reporting threshold for institutional investment managers from $100 million to $3.5 billion and make other targeted changes. If adopted, this would be the first adjustment to the reporting threshold since the SEC adopted Rule 13f-1 and Form 13F over 40 years ago. This proposal offers relief for smaller managers by eliminating the Form 13F filing requirement and its attendant costs for nearly 90% of filers, while retaining data on over 90% of the dollar value of the securities currently reported.

Adopted in 1978, Rule 13f-1 and Form 13F were designed to collect data about the investment activities and holdings of larger investment managers, so that their influence and impact could be considered in maintaining fair and orderly securities markets. Generally, Rule 13f-1 and Form 13F require institutional investment managers to report information about certain equity securities having an aggregate fair market value of at least $100 million. Since the adoption of Rule 13f-1 and Form 13F, the overall value of U.S. public corporate equities has increased from $1.1 trillion to $35.6 trillion, thereby decreasing the relative significance of managing $100 million in securities. Today, more than 5,000 managers exceed the $100 million threshold; approximately 17 times the number of filers that the threshold covered when it was first adopted.

The proposed increase in the filing threshold from $100 million to $3.5 billion is intended to track the increase in the overall value of U.S. equities since Rule 13f-1 and Form 13F were first adopted. In addition, the SEC's proposal directs SEC staff to review the Form 13F reporting threshold every five years and recommend an appropriate adjustment, if any. The SEC's proposal also eliminates the omission thresholds for smaller equity positions, thereby requiring enhanced disclosure from those larger managers that will remain subject to the reporting requirements. According to the SEC's release, these proposed changes would retain disclosure of over 90% of the dollar value of the securities currently reported, while exempting nearly 90% of current filers, which should save these newly-exempted managers $15,000 to $30,000 annually.

A copy of the SEC's proposal may be found **HERE**. There will be 60-day comment period following publication of the SEC's proposal in the Federal Register.

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