

# Investment Advisers and Investment Companies Oppose Rulemaking Petition to Shorten 13F Filing Deadlines

August 28, 2013 | Client Update | 2-minute read

The Investment Adviser Association (IAA) and the Investment Company Institute (ICI) have written to the SEC, arguing against the rulemaking petition submitted by the NYSE, the Society of Corporate Secretaries and Governance Professionals, and the National Investor Relations Institute to change the deadline for 13F filings from 45 after the last day of each calendar quarter to two business days after the last day of each calendar quarter. We previously discussed the petition [here](#).

The letters claim that the deadline change would increase free-riding, by allowing other investors to capitalize on investment managers' investment ideas or replicate successful proprietary trading strategies. Forcing the disclosure of this information earlier could also lead to front-running, trading for one's own account ahead of trading for clients' accounts in order to take advantage of advance knowledge of pending trades or otherwise profiting from anticipating fund trades. Larger funds with concentrated portfolios, funds that specialize in thinly traded stocks or when an extended time is needed to build or reduce positions could be especially vulnerable to front-running, the letters stated. Vanguard's comment letter focused on the risks of front-running as well, and argues that the two-day reporting period would benefit short-term hedge funds or speculators at the expense of long-term investors, including mutual fund shareholders. IAA predicts that requests for confidential treatment would "increase drastically, perhaps by thousands each quarter."

Advances in technology do not eliminate the operational components necessary to fully reconcile trades, including identifying and resolving different valuations allocated to the same securities in the same firm, and makes the proposed two-business-day reporting "virtually impossible in practice," according to IAA. In addition, both organizations assert that the purpose of the 13F reporting system is not to help issuers identify their shareholders, but rather to create uniform reporting standards and centralize databases for investment managers. They recommend that issuers use other existing mechanisms to better communicate with shareholders, given the risk of expanding predatory trading practices if the petition succeeds.

More than 70 letters in support of the petition, with the vast majority from issuers following largely the same form, have also been filed.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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