

VIA ELECTRONIC MAIL [rule-comments@sec.gov]

July 21, 2016

Mr. Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, D.C. 20549-1090

Subject: **File Number S7-07-16**

Dear Mr. Fields:

Section 956 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) requires various Federal Agencies to jointly propose regulations on incentive based compensation arrangements for financial services firms. Our comments focus on specific sections of the proposed regulations, i.e., Section 2.39 at page 124 and also Sections 7.17 – 7.19 at pages 222 – 223.

### **Section 2.39**

This section asks the question:

*Are there any financial instruments that are used for incentive-based compensation and have a value that is dependent on the performance of a covered institution’s shares, but are not captured by the definition of “equity-like instrument”? If so, what are they, and should such instruments be added to the definition? Why or why not?*

This section draws attention to the Securities & Exchange Commission’s (“SECs”) Release 34-60126 June 19, 2009. The Release, at <https://www.sec.gov/rules/sro/cboe/2009/34-60126.pdf> ], with the Chicago Board of Option’s Exchange (“CBOE”) issuing Regulatory Circular RG09-141 <http://www.cecouncil.com/media/2585/f0b0d88a-8bea-4f6c-908c-0996423d530a.pdf>, has created an added utility for employee stock options (“ESOs”) that thus far has escaped the notice of the professional community, including regulators.

From an incentive-based compensation standpoint, any publicly-traded company may grant an employee an ESO that is used as collateral in a brokerage account against which listed, exchange-traded options (“LETOS”) are sold or written in a conservative, income-producing strategy. We refer to this new instrument as a VESOCC, i.e., “Vested Employee Stock

Option Covered Call.” We draw attention to VESOCC as any employee with a vested ESO may now secure a default return there from.

**Sections 7.17 – 7.19**

These sections address the deferral issue of ESOs as per the proposed regulations, i.e., 7.17, the amount of the deferral, i.e., 7.18 and finally any alternative means of addressing concerns raised by the use of ESOs. As the use of VESOCC dramatically skews the risk/reward potential of utilizing ESOs to the **conservative** side of that spectrum, some type of risk assessment should be made of this new financial instrument.

We appreciate the opportunity to provide insight on this very important issue.

Best Regards,

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Our White Paper – **“Dealing with Dudenhoeffer – The Conservative Use of Listed, Exchange-Traded Options [LETOs] by Plan Sponsors in Optimizing Investment Return While Minimizing the Twin Risks of Loss and Litigation”** is now available for review by interested parties.

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