

April 23, 2018

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
rule-comments@sec.gov

Re: Investor's Exchange LLC rule change establishing "LTSE Listings on IEX" (Release No. 34-82948; File No. SR-IEX-2018-06)

Mr. Fields:

Thank you for the opportunity to comment on the proposed rule change to establish a new optional listing category on the Investor's Exchange LLC ("IEX"). Perhaps no topic in corporate governance has garnered more and stronger reactions than the debate over whether "short-termism" is an issue for public corporations, the public markets, or the economy.

Public companies in the United States are investing less in their businesses and paying out earnings to shareholders more than in the past, to the point that earnings are not retained for the business. Our capital markets have changed from being primarily the providers of capital to businesses to platforms for shareholders to trade with each other. These trends, if they continue, will inevitably result in a loss of competitiveness. Public companies, their shareholders, and policy makers must take affirmative steps to begin to right the balance from "quarterly capitalism" to a longer-term focus.¹

The Conference Board Governance Center works in the public interest to provide knowledge and thought leadership on global corporate governance issues for boards and c-suite leaders, investors and other leading organizations to promote "good governance" and constructive solutions that support long-term corporate performance and trust.

Short-termism and the pressures it has on boards of directors and executive officers of public companies are causes of great concern for the Governance Center and our members. In our 2015 report, "Is Short-Term Thinking Jeopardizing the Future Prosperity of Business?"² we demonstrate the phenomenon of short-termism in the marketplace and identify four key drivers of short-term behavior: (1) activist hedge funds; (2) executive compensation design; (3) quarterly

¹ Steve Odland and Joseph J. Minarik, Committee for Economic Development, *Sustaining Capitalism* 54-59 (2017).

² Donna Dabney, Melissa Aguilar, Gad Levanon and Alexander Parkinson, The Conference Board, Inc., "Is Short-Term Behavior Jeopardizing the Future Prosperity of Business?" (2015).
<https://www.conference-board.org/publications/publicationdetail.cfm?publicationid=5041>

capitalism; and (4) structural and technological changes in the capital markets. We also look at the macroeconomic impact of short-termism and discuss several proposals to curb short-termism.³

We applaud the efforts of IEX and LTSE to provide a differentiated choice for issuers and investors that prefer listing standards explicitly designed to promote long-term value creation. Certain of the proposed LTSE Listing Rules are designed to directly address the key drivers of short-termism listed above and discussed in our short-termism report.

The future strength of business rests on a return to a more balanced approach between long-term and short-term horizons and arresting the overrepresentation of short-term interests today. Public companies can engage in longer-term behavior in the current environment, but only if they are able to take affirmative steps to move in that direction. The marketplace needs new platforms for companies to counterbalance powerful actors with short time horizons who can too easily manipulate the current entrenched system. We support innovation in the public capital markets and the formation of additional listing venues to allow companies to freely choose among differentiated listing options when making the decision to raise capital through an initial public offering.

Thank you again for the opportunity to comment on this proposal.

A handwritten signature in black ink, appearing to read 'D. Chia', with a stylized flourish at the end.

Douglas K. Chia
Executive Director, Governance Center
The Conference Board, Inc.

³ *Id.* at 30-42.