

Via E-Mail

August 1, 2019

Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File Number SR-LTSE-2019-01

Dear Madam Secretary:

I am writing in response to the Securities and Exchange Commission's solicitation of comments on the Long-Term Stock Exchange, Inc. (LTSE) Notice of Filing of Proposed Rule Change to Adopt Rule 14.425, which would require companies listed on the exchange to develop and publish certain long-term policies (Proposed Rule).¹

The Council of Institutional Investors (CII or Council) is a nonprofit, nonpartisan association of public, corporate and union employee benefit funds, other employee benefit plans, state and local entities charged with investing public assets, and foundations and endowments with combined assets under management exceeding \$4 trillion. Our member funds include major long-term shareowners with a duty to protect the retirement savings of millions of workers and their families. Our associate members include a range of asset managers with more than \$35 trillion in assets under management.²

In our prior letter in response to the LTSE form 1 application we expressed concern about the LTSE's original plans to implement time-phased voting rights (also known as "tenure voting") as a core element of its listing standards.³ We also raised concerns about the LTSE permitting the listing of other forms of dual class stock structures with unequal voting rights.⁴ While CII remains opposed to listing standards that permit those forms of stock structures, in the absence of

¹ Long-Term Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change To Adopt Rule 14.425, Which Would Require Companies Listed on the Exchange To Develop and Publish Certain Long-Term Policies, Exchange Act Release No. 86,327, 84 Fed. Reg. 33,293 (July 12, 2019), <https://www.govinfo.gov/content/pkg/FR-2019-07-12/pdf/2019-14813.pdf>.

² For more information about the Council of Institutional Investors ("CII"), including its board and members, please visit CII's website at <http://www.cii.org>.

³ Letter from Jeffrey P. Mahoney, General Counsel, CII et al. to Brent J. Fields, Secretary, Securities and Exchange Commission 2 & 6-8 (Jan. 22, 2019), https://www.cii.org/files/issues_and_advocacy/correspondence/2019/20190109%20SEC%20Letter%20LTSE%20A%20application.pdf (detailing concerns with time-phased voting).

⁴ *Id.* at 3-4 (noting that multi-class share structures with unequal voting rights are counter to CII's membership approved policies as they insulate founders from accountability to long term shareholders).

any information about those issues in the Proposed Rule, we would like to focus this letter on elements of the proposal that make us more optimistic.

More specifically, we support the LTSE focusing on a long-term vision for its listed companies and the proposed rules “[that] would require LTSE-Listed Issuers to adopt and publish policies that are consistent with . . . long-term principles.”⁵ We believe the long-term policies described in the filing are thoughtful, well-structured, and generally aligned with CII’s membership approved corporate governance policies.

We note that the preamble to CII’s membership approved corporate governance policies states: “CII believes effective corporate governance and disclosure serve the best long-term interests of companies, shareowners and other stakeholders.”⁶ Moreover, the following CII policies are generally aligned with the “Long-Term Policies” and underlying “Principles” described in the Proposed Rule.⁷

Commitment to Long-Term Performance

For example, the Proposed Rule’s required long-term policies on “Strategy”⁸, the “Board”⁹, and “Investor[s]”¹⁰, are generally consistent with CII policy § 1.10. That policy states:

CII encourages companies to resist both internal and external short-term pressure and thinking, to prioritize creating sustainable value over the long run through long-term investment and to engage with shareholders with long-term ownership and investment horizons.¹¹

Long Term Incentive Compensation

In addition, the Proposed Rule’s long-term policy on “Compensation”¹² is generally consistent with CII policy § 5.8. That policy states:

⁵ 84 Fed. Reg. at 33,294.

⁶ Council of Institutional Investors, Corporate Governance Policies, Preamble (updated Oct. 24, 2018), https://www.cii.org/files/10_24_18_corp_gov_policies.pdf.

⁷ 84 Fed. Reg. at 33,294-95.

⁸ *Id.* at 33,294 (“Proposed Rule 14.425(a)(2) would require that each LTSE-Listed Issuer adopt and publish a Long-Term Strategy Policy explaining how the LTSE-Listed Issuer prioritizes long-term strategic decision-making and long-term success.”).

⁹ *Id.* at 33,295 (“Proposed Rule 14.425(a)(4) would require that each LTSE-Listed Issuer adopt and publish a policy explaining the engagement of the LTSE-Listed Issuer’s board of directors in the LTSE-Listed Issuer’s long-term focus, including discussion of whether the board and/or which board committee(s), if any, have explicit oversight of and responsibility for long-term strategy and success metrics.”).

¹⁰ *Id.* at 33,295 (“Proposed 14.425(a)(5) would require that each LTSE-Listed Issuer adopt and publish a policy explaining how the LTSE-Listed Issuer engages with long-term investors.”).

¹¹ § 1.10.

¹² 84 Fed. Reg. at 33,295 (“Proposed 14.425(a)(5) would require that each LTSE-Listed Issuer adopt and publish a policy explaining the LTSE-Listed Issuer’s alignment of executive financial and non-financial compensation and of board compensation with the LTSE-Listed Issuer’s long-term success and long-term success metrics.”).

Long-term incentive compensation, generally in the form of equity-based awards, can be structured to achieve a variety of long-term objectives, including retaining executives, aligning executives' financial interests with the interests of shareowners and rewarding the achievement of long-term specified strategic goals of the company and/or the superior performance of company stock.¹³

Business Practices and Corporate Citizenship

Finally, the Proposed Rule's long-term policy on "Stakeholder[s]"¹⁴ is generally consistent with CII policy § 1.6. That policy states:

The Council believes companies should adhere to responsible business practices and practice good corporate citizenship. Promotion, adoption and effective implementation of guidelines for the responsible conduct of business and business relationships are consistent with the fiduciary responsibility of protecting long-term investment interests.¹⁵

Thank you for consideration of our views. If we can answer any questions or provide additional information with respect to this letter, please contact CII's General Counsel Jeff Mahoney at

██████████ or ██████████.

Sincerely,



Joe Caputo

¹³ § 5.8.

¹⁴ 84 Fed. Reg. at 33,294 ("Proposed Rule 14.425(a)(1) would require that each LTSE-Listed Issuer adopt and publish a Long-Term Stakeholder policy explaining how the issuer operates its business to consider all of the stakeholders critical to its long-term success.").

¹⁵ § 1.6.