

Dear Securities and Exchange Commission,

I am writing to propose that the SEC consider establishing a regulatory framework that would allow investment companies and public companies to create securities specifically designed to **reward long-term shareholders**.

The U.S. securities markets have developed an enormous number of financial products designed to encourage short-term trading, leverage and speculation. There are now ETFs providing 2× daily exposure and inverse exposure to individual securities and indexes. SEC filings for these products explicitly describe them as short-term trading vehicles.

I believe the market needs the opposite.

Proposed “Long-Term Holder” Investment Product

I propose that the SEC establish rules permitting an ETF, fund, or other registered security to provide progressively greater economic benefits to investors who maintain their investment for defined periods.

For example:

- **Initial investment:** 1.00× participation in the underlying security.
- **After 12 consecutive months:** 1.05× long-term participation.
- **After 24 months:** 1.10×.
- **After 36 months:** 1.20×.
- **After 60 months:** 1.35×.
- The benefits would be earned only through continuous ownership.
- Selling the position would terminate or reduce the accumulated long-term benefit.
- The product would not use borrowing or leverage merely to create the reward.
- All fees, risks, methodology and potential dilution would have to be clearly disclosed.

The reward could be delivered through additional shares, distributions, warrants, or another SEC-approved mechanism.

An Alternative: Long-Term Share Classes

The SEC could also permit companies or funds to establish different share classes based upon holding period.

For example:

Class A — Trading Shares

Normal market exposure.

Class B — Long-Term Shares

Available to investors who maintain ownership for a specified period and receive an additional economic benefit.

This would give investors a genuine financial reason to remain shareholders instead of constantly trading around earnings announcements, macroeconomic events and short-term market volatility.

Why This Matters

There is an important imbalance in today's market.

Financial engineering has made it increasingly easy to profit from short-term price movements. Leveraged and inverse ETFs, options and other products provide sophisticated investors with numerous ways to trade around volatility.

Yet there are comparatively few mechanisms that directly reward an ordinary investor for saying:

“I believe in this company and intend to remain an owner for five years.”

Long-term shareholders provide companies with stable capital and are willing to tolerate temporary market volatility in pursuit of long-term economic growth.

They should have an investment product specifically designed for them.

Example: High-Growth Companies

Consider a company such as NVIDIA.

An investor who purchases shares because they believe the company will compound earnings and cash flow over five or ten years may nevertheless experience substantial short-term price movements caused by options activity, institutional repositioning, macroeconomic events, algorithmic trading and changes in market sentiment.

A long-term shareholder should not necessarily receive the same economic treatment as someone who buys the security for a few hours and sells it after an earnings announcement.

A properly designed long-term-holder security could help redirect some capital-market incentives toward **ownership rather than trading**.

Important Safeguards

I am not proposing that the SEC interfere with legitimate price discovery or prevent investors from selling.

The proposal should instead:

1. Preserve completely voluntary participation.
2. Maintain transparent market pricing.
3. Prohibit guaranteed returns.
4. Prohibit undisclosed leverage.
5. Require full disclosure of fees, dilution and risks.
6. Establish objective holding-period requirements.
7. Prevent investors from artificially resetting or transferring holding periods to obtain benefits.
8. Require independent calculation and verification of accumulated rewards.
9. Ensure that short-term investors retain access to ordinary securities.
10. Subject the products to the same investor-protection standards applicable to comparable registered investment products.

Broader Economic Benefit

The objective should not be to artificially support the price of any particular stock.

The objective is to give the market another legitimate mechanism for allocating capital.

If the financial system can create products specifically designed to magnify **one day's** price movement, it should also be capable of creating products that reward investors for maintaining ownership for **five or ten years**.

That would encourage patient capital, reduce incentives for excessive short-term turnover, and better align financial markets with the underlying purpose of equity ownership:

participating in the long-term growth of productive American businesses during this AI race

I respectfully ask the SEC to study this concept and consider whether a regulatory framework could permit such products while maintaining appropriate investor protections.

Thank you for considering this proposal.

Respectfully,

Robert Thomas