

capital of at least \$2 million.⁴² Based on the most recent financial information reported by Clearing Members, which OCC has included in confidential Exhibit 3h, OCC believes that 98% of Clearing Members could absorb the maximum amount of the Operational Loss Fee without breaching their minimum net capital requirements or the SEC's "early warning" threshold.⁴³ OCC is comfortable with Clearing Members' ability to pay the Operational Loss Fee because the amount of the maximum Operational Loss Fee that would be charged per Clearing Member is approximately the same as the contingent obligations under the OCC clearing fund assessment requirements for a Clearing Member operating at the minimum clearing fund deposit—\$1 million. Consequently, OCC does not believe the Operational Loss Fee obligation poses a significant barrier to entry for smaller Clearing Members. By adding the Operational Loss Fee to OCC's schedule of fees, the fee would be a transparent obligation of membership based upon which Clearing Members can independently assess their rights and obligations.

In addition, the Capital Management Policy would help address the relative impact that charging the Operational Loss Fee in equal shares would have on smaller Clearing Members by providing that should OCC charge the fee and thereafter return to a position where the Board may approve tools to lower costs for Clearing Members, such as refunds, OCC would employ such tools to lower costs for Clearing Members on an equal basis, up to the amount of the Operational Loss Fee charged. Thus, all Clearing Members shall share equally in the cost and recovery of the Operational Loss Fee amounts charged.

Moreover, any barrier to entry that the Operational Loss Fee may impose is not unnecessary in furtherance of the Exchange Act, and the rules the SEC has promulgated thereunder. Pursuant to those rules, OCC must hold minimum LNAFBE and have a viable plan to replenish equity should OCC's equity fall close to or below those minimums. It is entirely appropriate that the Clearing Members that benefit equally from OCC's services share the burden equally should OCC experience an operational loss that threatens its ability to continue providing those services and comply with its regulatory obligations.

C. Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

Written comments were not and are not intended to be solicited with respect to the proposed rule change, and none have been received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Exchange Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-OCC-2019-007 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-OCC-2019-007. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the

public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of OCC and on OCC's website at <https://www.theocc.com/about/publications/bylaws.jsp>.

All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-OCC-2019-007 and should be submitted on or before September 17, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁴

Jill M. Peterson,
Assistant Secretary.

[FR Doc. 2019-18385 Filed 8-26-19; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86722; File No. SR-LTSE-2019-01]

Self-Regulatory Organizations; Long-Term Stock Exchange, Inc.; Order Approving Proposed Rule Change To Adopt Rule 14.425, Which Would Require Companies Listed on the Exchange To Develop and Publish Certain Long-Term Policies

August 21, 2019.

I. Introduction

On June 25, 2019, the Long-Term Stock Exchange, Inc. ("LTSE" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to adopt new Rule 14.425 (Long-Term Policies), which would require companies listed on the Exchange to develop and publish certain policies that the Exchange believes will facilitate long-term focus and value creation. The proposed rule change was published for

⁴² OCC Rule 302.

⁴³ 17 CFR 240.15c3-1.

⁴⁴ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

comment in the **Federal Register** on July 12, 2019.³ The Commission received one comment letter, which supported the proposed rule change.⁴ This order approves the proposed rule change.

II. Description of the Proposal

On May 10, 2019, the Commission granted the Exchange's application for registration as a national securities exchange under Section 6 of the Act,⁵ including approval of rules applicable to the qualification, listing and delisting of companies on the Exchange.⁶ The Exchange is proposing to enhance its listing requirements by adopting proposed Rule 14.425, which would require companies listed on the Exchange ("LTSE-Listed Issuers") to adopt and publish the following policies: A Long-Term Stakeholder Policy, a Long-Term Strategy Policy, a Long-Term Compensation Policy, a Long-Term Board Policy and a Long-Term Investor Policy, as described further below (collectively, the "Policies").⁷ These Policies must be consistent with the set of principles articulated in proposed Rule 14.425(b), as described further below.

Long-Term Principles

The Exchange proposes that LTSE-Listed Issuers will have flexibility in developing what they believe to be appropriate Policies for their businesses; however, each of the Policies would be required to be consistent with the following long-term principles (collectively, the "Principles"):

- Long-term focused companies should consider a broader group of stakeholders and the critical role they play in one another's success;
- Long-term focused companies should measure success in years and decades and prioritize long-term decision-making;
- Long-term focused companies should align executive compensation and board compensation with long-term performance;
- Boards of directors of long-term focused companies should be engaged in and have explicit oversight of long-term strategy; and
- Long-term focused companies should engage with their long-term shareholders.

³ See Securities Exchange Act Release No. 86327 (July 8, 2019), 84 FR 33293 (July 12, 2019) ("Notice").

⁴ See Letter from Joe Caputo, Council of Institutional Investors ("CII"), to Vanessa Countryman, Secretary, Commission, dated August 1, 2019 ("CII Letter").

⁵ 15 U.S.C. 78f.

⁶ See Securities Exchange Act Release No. 85828 (May 10, 2019), 84 FR 21841 (May 15, 2019).

⁷ See proposed Rule 14.425(a).

Long-Term Policies

In addition to requiring the Policies to be consistent with the Principles, the Exchange would require each of the required Policies to include certain minimum elements, as described further below.

(A) Long-Term Stakeholder Policy

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. At a minimum, this policy would be required to include a discussion of (i) the stakeholder groups the LTSE-Listed Issuer considers critical to long-term success, (ii) the LTSE-Listed Issuer's impact on the environment and its community, (iii) the LTSE-Listed Issuer's approach to diversity and inclusion, (iv) the LTSE-Listed Issuer's approach to investing in its employees, and (v) the LTSE-Listed Issuer's approach to rewarding its employees and other stakeholders for contributing to the LTSE-Listed Issuer's long-term success.

(B) Long-Term Strategy Policy

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. The Long-Term Strategy Policy would be required to define the LTSE-Listed Issuer's long-term time horizon and include a discussion of how this time horizon relates to the LTSE-Listed Issuer's strategic plans, how the LTSE-Listed Issuer aligns success metrics with that horizon, and how it implements long-term prioritization throughout the organization. According to the Exchange, the disclosure of this policy is designed to increase transparency for shareholders on the strategic goals of the company's managers and to provide for greater alignment and accountability between a company's long-term vision and investor expectations.

(C) Long-Term Compensation Policy

Proposed Rule 14.425(a)(3) 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. According to the Exchange, long-term focused companies seek to align the compensation of their executive officers with the long-term

performance of the company. In addition, the Exchange believes that since the boards of such companies play an active role in long-term strategy, such companies seek to align the compensation of their boards to long-term performance as well. The Exchange notes that much of the information that the company would need to disclose under proposed Rule 14.425(a)(3) also would be required by Rule 402 of the Commission's Regulation S-K.⁸ Nonetheless, the Exchange believes that requiring LTSE-Listed Issuers to publish a Long-Term Compensation Policy would still be helpful to long-term investors.

(D) Long-Term Board Policy

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. The Exchange believes that the board of directors should be engaged with the LTSE-Listed Issuer's forward-looking long-term strategy and that investors would find this information useful.

(E) Long-Term Investor Policy

Proposed Rule 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. The Exchange believes that forward-thinking companies value long-term investor input and consider their perspective on company governance as important to the development of the company's long-term strategy.

Disclosure of Policies and Enforcement

Proposed Rule 14.425(c) would require that each LTSE-Listed Issuer review the policies required by proposed Rule 14.425(a) at least annually and make such policies available publicly and free of charge on or through its website. In addition, each LTSE-Listed Issuer would be required to disclose in its annual proxy statement or, if it does not file an annual proxy statement, in its annual report on Form 10-K (or if a foreign private issuer, Form 20-F) filed with the Commission, that these policies are available on or through its website, and to provide the website address. According to the Exchange, these requirements are

⁸ 17 CFR 229.

intended to ensure that investors are aware of and have access to the Policies required by the proposed rule.

The Exchange has represented that it will enforce the provisions of proposed Rule 14.425 by ensuring that each LTSE-Listed Issuer has addressed all of the elements enumerated in each of the Policies, consistent with the Principles, and has made the Policies publicly available without cost.

As noted above, the Commission received one comment letter received regarding the proposal.⁹ The commenter supported the Exchange's focus on a long-term vision for its listed companies and stated that “. . . the long-term policies described in the filing are thoughtful, well-structured, and generally aligned with CII's membership approved corporate governance policies.”¹⁰

III. Discussion and Commission Findings

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act¹¹ and the rules and regulations thereunder applicable to a national securities exchange.¹² In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹³ which requires, among other things, that rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, and that those rules are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Commission notes that the Exchange's proposal would impose additional requirements for its listed issuers, beyond those contained in its existing listing rules. Specifically, the proposal would require issuers to adopt and publish certain Policies that are consistent with the Principles articulated in the proposed rule. The Exchange has represented that it will enforce the provisions of the proposed rule by ensuring that each LTSE-Listed Issuer has addressed all of the elements enumerated in each of the Policies,

consistent with the Principles, and has made the Policies publicly available without cost.

Based on the foregoing, the Commission finds that the proposed rule change is consistent with the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁴ that the proposed rule change (SR-LTSE-2019-01) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

Jill M. Peterson,
Assistant Secretary.

[FR Doc. 2019-18381 Filed 8-26-19; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86723; File No. SR-BOX-2019-24]

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing of Proposed Rule Change To Amend Rule 7600

August 21, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 19, 2019, BOX Exchange LLC (“BOX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 7600 to extend split-price functionality to Complex QOO Orders on the BOX Trading Floor. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission's Public Reference Room and also on the Exchange's internet website at <http://boxoptions.com>.

¹⁴ 15 U.S.C. 78s(b)(2).

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

In March 2018, the Exchange adopted rules that allowed for split-price transactions for Qualified Open Outcry (“QOO”) Orders on the BOX Trading Floor.³ The Exchange now proposes to extend this functionality to Complex QOO Orders on the BOX Trading Floor. The Exchange believes the proposed change is reasonable as split-price functionality applies to complex orders at another exchange with a physical trading floor.⁴

Background

The industry first recognized the complexity of the split-price order in 2005 when Nasdaq Phlx, LLC (“Phlx”) filed to create an exception from existing priority rules for split-price orders.⁵ The purpose behind the split-

³ See Securities Exchange Act Release No. 82891 (March 16, 2018), 83 FR 12627 (March 22, 2018)(Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, To Adopt Rule 7600(i) To Allow Split-Price Transactions on the BOX Trading Floor)(“Approval Order”).

⁴ See Nasdaq PHLX LLC (“Phlx”) Floor Trading Rules Section 22(a)(2)(D)(ii). On Phlx, split price functionality for complex and multi-leg orders are allowed on the trading floor, but due to Phlx system limitations, require manual calculation. Under this proposal, BOX is not requiring split price complex orders and multi-leg orders to be manually calculated, as the BOX system has the functionality to process these orders. Further, on Phlx, complex and multi-leg orders that qualify for the exception in Phlx Section 22(a)(2)(D) are afforded the priority provision in Phlx Floor Allocation Section 25(a)(2). The Exchange notes that this priority provision on Phlx is similar to BOX's split price priority provision detailed in BOX Rule 7600(i)(2). As such, the Exchange believes that the proposed change to expand split price priority to Complex QOO Orders and multi-leg QOO Orders on the Exchange is appropriate as another options exchange currently has a similar offering in place.

⁵ See Securities Exchange Act Release No. 51820 (June 10, 2005), 70 FR 35759 (June 21, 2005) (SR-Phlx-2005-028) (pilot approval). See also

⁹ See note 4, *supra*.

¹⁰ See CII Letter at 2.

¹¹ 15 U.S.C. 78f.

¹² 15 U.S.C. 78f(b). In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹³ 15 U.S.C. 78f(b)(5).