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**SECURITIES AND EXCHANGE COMMISSION**  
**[Release No. 34-87861; File No. SR-LTSE-2019-05]**

**Self-Regulatory Organizations; Long-Term Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Membership Waive-in Process for FINRA Members**

December 27, 2019

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 20, 2019, Long-Term Stock Exchange, Inc. (“LTSE” 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 Exchange. 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

LTSE proposes a rule change to adopt “Special Application Procedures” for Exchange applicants that are already FINRA members and to modify the Membership Application form to incorporate these new procedures and to more generally align the form to be consistent with other national securities exchanges.

The text of the proposed rule change is available at the Exchange’s website at <https://longtermstockexchange.com/>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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

Exchange Rule 2.170 prescribes the application procedures for membership or to become an associated person of a member. The Exchange is proposing to establish a new paragraph (b), entitled "Special Application Procedures for Applicants that are FINRA Members."<sup>3</sup> Specifically, the proposed rule change states that such an applicant will have the option to "waive-in" to become an Exchange Member and to register with the Exchange all persons associated with it whose registrations FINRA has approved (in categories recognized by the Exchange's rules). The proposed rule change defines the term "waive-in" to mean that the Exchange will rely substantially upon FINRA's prior determination to approve the applicant for FINRA membership when the Exchange evaluates the applicant for Exchange membership. That is, the Exchange will normally permit a FINRA member to waive-into Exchange membership without conducting an independent examination of the applicant's qualifications for membership on the Exchange, provided that the Exchange is not otherwise aware of any basis set

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<sup>3</sup> The proposed rule change is modeled on a similar change adopted by the Nasdaq Stock Market LLC. See Securities Exchange Act Release No. 34-85513 (April 4, 2019), 84 Fed. Reg. 14429 (April 10, 2019).

forth in Rule 2.160 to deny or condition approval of the application. Additionally, implementation of the waive-in application process is facilitated by and within the scope of the regulatory services agreement between LTSE and FINRA; however, in all cases, LTSE will make the final determination as to whether or not to approve an applicant.

Procedurally, the proposed rule change states that a FINRA member that wishes to waive-into Exchange membership must do so by submitting to the Exchange an application form designated by the Exchange. The Exchange, in turn, will act upon a duly submitted waive-in application by promptly notifying, in writing, the applicant of the Exchange's determination.<sup>4</sup> Finally, the proposed rule change states that a decision issued under this provision shall have the same effectiveness as set forth in renumbered paragraph (d) of Rule 2.170 and shall be subject to the same procedures as those for denials of full applications as set forth in renumbered paragraphs (e) and (f) of Rule 2.170.

The Exchange does not propose any additional changes to Rule 2.170, other than to re-designate paragraphs in the rule to account for this new paragraph (b). Additionally, cross-references to exact paragraphs of Rule 2.170 in Supplementary Material .02 to Rule 5.160 and in Rule 9.522(a)(1) would be updated. Specifically, Supplementary Material .02 to Rule 5.160 would be updated to reference Rule 2.170(h) instead of Rule 2.170(g), and Rule 9.522(a)(1) would be updated to reference Rule 2.170(e) instead of 2.170(d).

The Exchange proposes to amend the Membership Application to add a waive-in

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<sup>4</sup> The Exchange does not propose to set a deadline because it will be relying on FINRA to review waive-in applications on its behalf and there are no timelines in the regulatory services agreement covering this function. However, FINRA routinely provides this service for clients and performs such services quickly. See id. at 14433 n14 (“[Nasdaq] proposes this [20 day] time frame to accommodate FINRA, which will review waive-in applications on behalf of the [Nasdaq] to verify that the Applicants are FINRA members in good standing. As a practical matter, [Nasdaq] expects to act on waive-in applications prior to the 20 day deadline.”).

attestation requirement for FINRA member firms who are using the “Special Application Procedures.” Additionally, the Exchange proposes ministerial amendments to the Membership Application to update the names of other self-regulatory organizations. Finally, the Exchange proposes to amend the Application Checklist and Instructions to: (i) describe the availability of waive-in process; (ii) streamline the list of supporting documents required for waive-in applicants in accordance with the documents required by other national securities exchanges that provide for waive-in membership; and (iii) update the list of supporting documents required for non-waive-in applicants to conform to the list of materials to those required by other national securities exchanges.<sup>5</sup>

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>6</sup> Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>7</sup> in that it is designed 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. It also is consistent with Section 6(b)(7) of the Act<sup>8</sup> in that it provides for a fair procedure for denying Exchange membership to any person who seeks it, barring any person from becoming

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<sup>5</sup> See, e.g., Membership Application Form of Cboe BZX Exchange, Inc., Cboe BYX Exchange, Inc., Cboe EDGA Exchange, Inc., and Cboe EDGX Exchange, Inc., available at [http://cdn.cboe.com/resources/membership/BATS\\_DirectEdge\\_Membership\\_Application.pdf](http://cdn.cboe.com/resources/membership/BATS_DirectEdge_Membership_Application.pdf).

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> 15 U.S.C. 78f(b)(7).

associated with an Exchange Member, and prohibiting or limiting any person with respect to access to services offered by the Exchange or a Member thereof, and Section 6(b)(2) of the Act<sup>9</sup> in that it provides, subject to Section 6(c) and the rules of the Exchange, that any broker or dealer may become a member of the Exchange.

As a general matter, the Exchange believes that the proposed rule change to amend its membership rules to provide for a “waive-in” process for FINRA is consistent with the requirements of Section 6(b)(5) of the Act in that it avoids duplication and unnecessary burdens associated with the membership application process while protecting investors and the public interest through the application of FINRA’s membership requirements. The proposed rule change also will make compliance with the membership rules simpler and less burdensome for applicants by providing consistency to the standards by which a membership application is judged.

Finally, the proposed rule change is consistent with the requirements of Section 6(b)(7) of the Act in that it will not adversely impact the rights of applicants to appeal adverse Exchange decisions under this proposed Rule 2.170(b) or otherwise restrict access to membership in the Exchange; to the contrary, providing for a “waive-in” process promotes and facilitates membership in the Exchange in accordance with Section 6(b)(2) of the Act.

B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange also does not expect that its proposed rule change will have any adverse competitive impact on its prospective membership. In particular, the proposed rule change will apply equally

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<sup>9</sup> 15 U.S.C. 78f(b)(2).

to all similarly situated applicants. Moreover, the Exchange does not expect that the proposed rule change will have an adverse impact on competition among exchanges for members; to the contrary, the Exchange anticipates that by clarifying its membership rules, and by making the Exchange's membership process less burdensome for applicants, the Exchange will enhance its competitive standing relative to other exchanges.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>10</sup> and Rule 19b-4(f)(6) thereunder.<sup>11</sup> Because the proposed rule change does not:

(i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6) thereunder.<sup>13</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>14</sup> normally does not become operative for 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>15</sup>

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative immediately. The Exchange requests that the Commission waive the 30-day operative delay so that the Exchange may afford the benefits of the “waive-in” membership process earlier and minimize the burden on FINRA members in applying to become a member of the Exchange. According to the Exchange, relieving this burden as soon as possible is important to enable LTSE to promptly establish the Exchange Board, of which Member Representative Directors shall be at least twenty percent of the Board.<sup>16</sup> For these reasons, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.<sup>17</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

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<sup>15</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>16</sup> See First Amended and Restated Bylaws of Long-Term Stock Exchange, Inc., art. 3 § 2 (Composition of the Board).

<sup>17</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

#### 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 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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-LTSE-2019-05 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-LTSE-2019-05. This file number should be included on the subject line if e-mail 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 the filing also will be available for inspection and copying at the principal office of the Exchange. 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-LTSE-2019-05, and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

**J. Matthew DeLesDernier,**  
*Assistant Secretary.*

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<sup>18</sup> 17 CFR 200.30-3(a)(12), (59).

