



**BILLING CODE 8011-01p**

**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-90141; File No. SR-LTSE-2020-19]**

**Self-Regulatory Organizations; Long-Term Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Continue Suspending the Application of Order Price Collars in Rule 11.190(f)(1) Until December 8, 2020**

October 8, 2020

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 7, 2020, Long-Term Stock Exchange, Inc. (“LTSE” or the “Exchange”) filed with the Securities and Exchange Commission (the “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

LTSE proposes to continue suspending until December 8, 2020, the provisions of Rule 11.190(f)(1) pending further systems development work.

---

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

<sup>2</sup> 17 CFR 240.19b-4.

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.

II. Self-Regulatory Organization's Statement on 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 on the Purpose of, and the Statutory Basis for, the Proposed Rule Change<sup>3</sup>

1. Purpose

LTSE Rule 11.190(f)(1) prevents an incoming order or order resting on the Order Book, including those marked ISO, from executing at a price outside the Order Collar price range (i.e., prevents buy orders from trading at prices above the collar and prevents sell orders from trading at prices below the collar). The Order Collar price range is calculated using the numerical guidelines for clearly erroneous executions ("CEE").<sup>4</sup> Under Rule 11.190(f)(1), executions are permitted at prices within the Order Collar price range, inclusive of the boundaries. Thus, Rule 11.190(f)(1) seeks to prevent an execution that would otherwise be handled under the CEE procedures.

---

<sup>3</sup> Unless otherwise defined, capitalized terms are used herein as defined in the LTSE Rulebook.

<sup>4</sup> See LTSE Rule 11.270(f)(1)(D).

The Exchange became operational on August 28, 2020.<sup>5</sup> However, the automated processes to set the Order Collar price range pursuant to Rule 11.190(f)(1) were not yet fully operational at that time, and the Exchange temporarily suspended Rule 11.190(f)(1) until October 8, 2020.<sup>6</sup> It is anticipated that the automated processes will still not be fully operational on October 8, 2020. Therefore, to ensure the Exchange operates in conformity with its Rule Book, the Exchange proposes to continue suspending Rule 11.190(f)(1) until December 8, 2020, pending further systems development work. The Exchange will continue to work diligently to finalize the implementation of the Order Collar price range as described in Rule 11.190(f)(1). The Exchange previously issued a Regulatory Information Circular alerting its Members of the prior delay until October 8, 2020,<sup>7</sup> and will promptly issue a new Regulatory Information Circular regarding the continued suspension of Rule 11.190(f)(1).

## 2. Statutory Basis

---

<sup>5</sup> See LTSE Production Securities Phase-In Set for Friday, August 28, LTSE (August 24, 2010), available at [https://assets.ctfassets.net/cchj2z2dcfyd/4U13ygPsrihSz4lpQnBThu/56a54c087891a5aa20152398bdb51cea/MA-2020-022\\_\\_Reminder\\_Production\\_Securities\\_Launching\\_August\\_28\\_-\\_Google\\_Docs.pdf](https://assets.ctfassets.net/cchj2z2dcfyd/4U13ygPsrihSz4lpQnBThu/56a54c087891a5aa20152398bdb51cea/MA-2020-022__Reminder_Production_Securities_Launching_August_28_-_Google_Docs.pdf).

<sup>6</sup> See Securities Exchange Act Release No. 89766 (September 3, 2020), 85 FR 55872 (September 10, 2020) (File No. SR-LTSE-2020-15). LTSE previously suspended Rule 11.190(f)(1) until September 8, 2020. See Securities Exchange Act Release No. 89710. (August 28, 2020), 85 FR 55052 (September 3, 2020) (File No. SR-LTSE-2020-14).

<sup>7</sup> See Notice of Rule Filing to Continue Suspending the Application of Rule 11.190(f)(1) Until October 8, 2020, LTSE (September 8, 2020), available at [https://assets.ctfassets.net/cchj2z2dcfyd/m7BwE3CzkQ0CdiJFe6VNq/0dd30317270d951116253a4d301036cf/RIC-2020-08\\_.pdf](https://assets.ctfassets.net/cchj2z2dcfyd/m7BwE3CzkQ0CdiJFe6VNq/0dd30317270d951116253a4d301036cf/RIC-2020-08_.pdf).

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>9</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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.

The Order Collar provisions of Rule 11.190(f)(1) are a prophylactic measure to prevent trade executions outside of certain price bands. The Exchange has in effect other provisions to address trade executions at prices outside of these price bands, such as Rule 11.270 (Clearly Erroneous Executions). Additionally, Rule 11.281 (Limit-Up Limit-Down) prevents trades in NMS Stocks from occurring outside specified price bands.<sup>10</sup> The Exchange further notes that other national securities exchanges operate without order price collars during their regular, continuous market trading sessions.<sup>11</sup>

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

---

<sup>8</sup> 15 U.S.C. 78f.

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> Rule 11.281 was adopted under the LULD Plan, see Securities Exchange Act Release No. 85623 (April 11, 2019), 84 FR 16086 (April 17, 2019), and is designed to prevent trades in NMS Stocks from occurring outside specified price bands, which are set at a percentage level above and below the average reference price of a security over the preceding five-minute period.

<sup>11</sup> See, e.g., MEMX Rulebook (8.17.20), available at <https://info.memxtrading.com/wp-content/uploads/2020/08/MEMX-Rulebook-8.17.20.pdf>; Rulebook – The Nasdaq Stock Market, available at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rules> (last accessed September 3, 2020).

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is not designed to address any competitive issue, but rather would provide the public and market participants with clarity and certainty regarding the operations of the Exchange. Additionally, the proposed rule change would not be an inappropriate burden on intramarket competition as it would be applied equally to all Members. It also is not a burden on intermarket competition as other exchange similarly operate without order price collars.

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

Because the foregoing 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, it 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>

---

<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 a self-regulatory organization to give the Commission written notice of its 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 Commission has waived the five business day notification requirement for this proposed rule change.

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>14</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>15</sup> permits the Commission to 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. According to the Exchange, waiver of the 30-day operative delay will allow the suspension to remain in effect while the Exchange continues to pursue the necessary systems development work. The Exchange notes that operations of the Exchange will not change and Members are aware<sup>16</sup> and will continue to be aware that the Order Collar functionality is currently not being deployed. The Exchange believes that the proposed rule change does not significantly affect the protection of investors or the public interest or impose a significant burden on competition because it is designed to continue the suspension of a prophylactic rule and that the proposed rule change does not impose any burden on Members or market participants. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, as doing so will ensure that the rule change becomes operative before the date that the existing temporary suspension of Rule 11.190(f)(1) expires. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.<sup>17</sup>

At any time within 60 days of the filing of the proposed rule change, the

---

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

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

<sup>16</sup> See supra note 6.

<sup>17</sup> For purposes only of waiving the 30-day operative delay, the Commission also

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.

#### 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-2020-19 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-2020-19. 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

---

has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<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-2020-19 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.*

[FR Doc. 2020-22734 Filed: 10/15/2020 8:45 am; Publication Date: 10/16/2020]

---

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