



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-94465; File No. SR-LTSE-2021-08]

Self-Regulatory Organizations; Long-Term Stock Exchange, Inc.; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, to Modify and Expand the Package of Products and Services Provided to Companies and Clarify Existing Practice under Rule 14.602

March 18, 2022.

I. Introduction

On December 2, 2021, 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 modify and expand the package of products and services provided to Companies and clarify existing practice under Exchange Rule 14.602 with respect to providing Company-specific web pages on the Exchange’s website in connection with listing on the Exchange. The proposed rule change was published for comment in the Federal Register on December 21, 2021.³ On February 3, 2022, pursuant to Section 19(b)(2) of the Act,⁴ the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.⁵ On March 9, 2022, the Exchange filed Amendment No. 1 to the proposed rule

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 93787 (December 15, 2021), 86 FR 72296 (December 21, 2021) (“Notice”).

⁴ 15 U.S.C. 78s(b)(2).

⁵ See Securities Exchange Act Release No. 94140 (January 19, 2022), 87 FR 7521 (February 9, 2022). The Commission designated March 21, 2022, as the date by which the Commission shall approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

change, which replaced and superseded the proposed rule change in its entirety.⁶ The Commission has received no comments on the proposed rule change. This order provides notice of the filing of Amendment No. 1 to the proposed rule change, and grants approval to the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

II. Description of the Proposed Rule Change, as Modified by Amendment No. 1

The Exchange proposes to modify and expand the package of products and services provided to Companies and clarify existing practice under Exchange Rule 14.602 with respect to providing Company-specific web pages on the Exchange's website in connection with listing on the Exchange.⁷

Currently, in connection with a Company's approval for listing, the Exchange offers complimentary promotional services (including press releases, articles, videos, and podcasts) and invites the Company to participate in listing ceremonies.⁸ According to LTSE, as part of these promotional services, the Exchange provides each listed Company with a dedicated section on the Exchange's website featuring information about the Company, including publicly available

⁶ In Amendment No. 1 to the proposed rule change, the Exchange: (i) removed provisions related to a proposed optional credit for certain products and services utilized by Companies prior to listing on the Exchange; (ii) proposed timelines for Companies (whether newly or currently listed Companies) to exercise their option to request and commence receiving certain complimentary products and services offered by the Exchange; (iii) added justification for offering such products and services to currently listed Companies; and (iv) made minor technical changes to improve the clarity of the proposed rule change. Amendment No. 1 is available on the Commission's website at <https://www.sec.gov/comments/sr-ltse-2021-08/srltse202108-20119645-272512.pdf>.

⁷ See Amendment No. 1, *supra* note 6, at 3. "Company" means the issuer of a security listed or applying to list on the Exchange. For purposes of Chapter 14 of the LTSE Rules, the term "Company" includes an issuer that is not incorporated, such as, for example, a limited partnership. See Exchange Rule 14.002(a)(5).

⁸ See Exchange Rule 14.602; Amendment No. 1, *supra* note 6, at 6-7. See also Release No. 91054 (February 3, 2021), 86 FR 8812 (February 9, 2021) (SR-LTSE-2020-22) (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 14.602 Related to Promotional Services and Listing Ceremonies for Listed Companies). Each Company may elect whether or not to receive these services or whether or not to participate in any listing ceremonies. See Exchange Rule 14.602.

data and links to each Company’s long-term policies.⁹ The Exchange first proposes to clarify under Exchange Rule 14.602 that such Company-specific web pages are included as part of the Exchange’s complimentary promotional services in connection with listing on the Exchange.¹⁰ The Exchange also proposes to offer these services on an ongoing basis to listed Companies at no charge, in a manner generally consistent with what was done at the time of initial listing.¹¹ The Exchange states that these ongoing promotional services could be discontinued at the Company’s discretion at any time.¹² According to the Exchange, these services have a retail value of approximately \$5,000 per year.¹³

Next, the Exchange proposes to provide each listed Company with complimentary “Capital Market Reports” on an ongoing basis.¹⁴ The Exchange states that these Capital Market Reports would provide tailored investor and capital markets insights and analytics that are relevant to each listed Company and its market sector, including a summary evaluation of the Company’s current institutional investor base that provides specific metrics analyzing the Environmental, Social, and Governance (“ESG”) profile of each underlying institutional investor, and would highlight investor behavior and provide insights on their likely strategic priorities so that Companies can better understand their current status.¹⁵ The Capital Markets

⁹ See Amendment No. 1, supra note 6, at 6-7. Exchange Rule 14.425(a) requires Companies to adopt and publish various “Long-Term Policies,” which must be consistent with certain principles articulated in Exchange Rule 14.425(b). See id. at 9 n.12.

¹⁰ See proposed Exchange Rule 14.602(a); Amendment No. 1, supra note 6, at 6-7.

¹¹ See proposed Exchange Rule 14.602(b); Amendment No. 1, supra note 6, at 6-7. According to the Exchange, as is the case with the current promotional services, all updates to Company-specific web pages on the Exchange’s website would be managed by an affiliate, LTSE Services, Inc. (“LTSE Services”), subject to review and approval by the Exchange and the listed Company. See Amendment No. 1, supra note 6, at 5, 7.

¹² See Amendment No. 1, supra note 6, at 12.

¹³ See id. at 7. The Exchange states that this retail value is based on market rate estimates by LTSE Services. See id. at 7 n.10.

¹⁴ See proposed Exchange Rule 14.602(b); Amendment No. 1, supra note 6, at 7. These Capital Markets Reports would be provided by LTSE Services. See Amendment No. 1, supra note 6, at 7.

¹⁵ See Amendment No. 1, supra note 6, at 7-8.

Reports would be issued periodically, at a minimum of one report and at most four reports each calendar year.¹⁶ The Exchange states that the Capital Markets Reports could be discontinued at the Company's discretion at any time.¹⁷ According to the Exchange, an annual subscription to the Capital Markets reports has a retail value of approximately \$5,000 per year on a flat fee basis, regardless of the number of reports issued.¹⁸

Lastly, the Exchange proposes to provide each listed Company with up to one year of complimentary Capital Market Solutions ("CM Solutions").¹⁹ According to the Exchange, CM Solutions has two components: (i) the Investor Alignment Solution; and (ii) the Long-Term Investor Platform ("LTIP").²⁰

The Exchange states that the Investor Alignment Solution would provide recipient Companies with detailed institutional investor analytics and insights into investor behavior to enable them to evaluate the behaviors of select investors and provide them with a deeper understanding of the ESG landscape and their positioning, with LTSE Services analyzing the ESG profile of institutional investors in order to understand and identify relevant sources of capital to aid the Company in honing and achieving strategic priorities, deploying a highly-experienced, multi-disciplinary team to support this long-term governance and capital markets strategy.²¹ According to the Exchange, the Investor Alignment Solution has a retail value of approximately \$150,000 per year.²²

¹⁶ See id. at 7.

¹⁷ See id. at 12.

¹⁸ See id. at 8. The Exchange states that this retail value is based on market rate estimates by LTSE Services. See id. at 8 n.11.

¹⁹ See proposed Exchange Rule 14.602(b); Amendment No. 1, supra note 6, at 8. CM Solutions would be provided by LTSE Services. See id. Amendment No. 1, supra note 6, at 8.

²⁰ See id. Amendment No. 1, supra note 6, at 8.

²¹ See id. at 8-9.

²² See id. at 9. The Exchange states this retail value reflects LTSE Services' current price list. See id. at 9 n.13.

The Exchange states that the LTIP is a platform that would provide listed Companies with a means to upload and effectively manage and use their registered shareholder data received from their transfer agent.²³ Registered shareholders are listed directly on the records of an issuer or the issuer’s transfer agent under their own names.²⁴ Because their ownership of shares is listed on records maintained by the issuer or its transfer agent, registered shareholders have a direct relationship with the issuer.²⁵ Relatedly, Exchange Rule 14.208 requires that (subject to certain exceptions) all securities listed on the Exchange must be eligible for a “Direct Registration Program” operated by a clearing agency registered under Section 17A of the Act,²⁶ defined as any program by a Company (directly or through its transfer agent) whereby a shareholder may have securities registered in the shareholder’s name on the books of the Company or its transfer agent without the need for a physical certificate to evidence ownership.²⁷ In this regard, the Exchange states that the primary means by which shareholders become registered shareholders is through the Direct Registration System (“DRS”) operated by the Depository Trust Company (“DTC”).²⁸

According to the Exchange, the LTIP would allow Companies to more easily track, analyze, and utilize registered shareholder data in support of their investor relations, strategic initiatives, board review, and governance functions.²⁹ As part of the LTIP, the Exchange states that LTSE Services would also assist Companies with methods of outreach to and education of

²³ See id. at 10.

²⁴ See Securities Exchange Act Release No. 76743 (December 22, 2015), 80 FR 81947, 81957 (December 31, 2015) (File No. S7-27-15).

²⁵ See Securities Exchange Act Release No. 62495 (July 14, 2010), 75 FR 42981, 42985 (June 22, 2010) (File No. S7-14-10).

²⁶ See Amendment No. 1, supra note 6, at 10.

²⁷ See Exchange Rule 14.002(a)(8).

²⁸ See Amendment No. 1, supra note 6, at 10.

²⁹ See id. at 10-11. The Exchange states that registered shareholder information in LTIP is proprietary to the Company and viewable only by the Company and its authorized agents. See id. at 11 n.18.

existing or potential investors regarding the process for becoming a registered shareholder, including the need for an investor to work with their broker-dealer to complete a submission to the “DRS Profile System” maintained by the DTC.³⁰ According to the Exchange, the LTIP has a retail value of approximately \$150,000 per year if purchased on an individual basis.³¹

The Exchange proposes that newly and currently listed Companies would have the option of receiving CM Solutions on a complimentary basis for a continuous one-year term.³² A newly listed Company that wishes to receive the complimentary CM Solutions would be required to request and commence receiving the CM Solutions within 90 days of its initial listing date.³³ A currently listed Company that wishes to receive the complimentary CM Solutions would be required to request and commence receiving the CM Solutions within 90 days of the effectiveness of this proposed rule change.³⁴ The start date for the continuous complimentary one-year period for both newly and currently listed Companies would begin on the date of first use by a Company, subject to the 90-day periods noted above, as applicable.³⁵ At the end of the one-year complimentary period for CM Solutions, Companies could choose to renew these services on a contractual basis with LTSE Services and pay for them in the regular course, or

³⁰ See id. at 11. The Exchange states that any outreach to existing or potential investors would be entirely at the discretion of the Company and would be conducted exclusively by the Company, and that no personnel from LTSE Services or the Exchange would have any role in communicating with investors on behalf of the Company. Based on customer demand, the LTIP would also provide a means for a Company to communicate with registered shareholders who choose to participate via the Company’s LTIP account. See id. at 11 n.19.

³¹ See id. at 11. The Exchange states that this retail value reflects LTSE Services’ current price list. See id. at 11 n.20.

³² See proposed Exchange Rule 14.602(b)(2); Amendment No. 1, supra note 6, at 11. The Exchange states that Companies may elect to receive either the Investor Alignment Solution, the LTIP, or both during this complimentary one-year period. However, these services cannot be utilized during separate one-year periods on a complimentary basis. See Amendment No. 1, supra note 6, at 12.

³³ See proposed Exchange Rule 14.602(b)(2)(a); Amendment No. 1, supra note 6, at 11.

³⁴ See proposed Exchange Rule 14.602(b)(2)(b); Amendment No. 1, supra note 6, at 11.

³⁵ See proposed Exchange Rule 14.602(b)(2); Amendment No. 1, supra note 6, at 11.

discontinue them.³⁶ If a Company ceases to be listed on the Exchange, the complimentary CM Solutions would end as of the date of de-listing, even if less than a one-year period has elapsed.³⁷

The Exchange states that Companies are not required to use the products and services proposed above as a condition of listing, and may choose not to avail themselves of any of these products and services or only a subset of them.³⁸ If a listed Company chooses to discontinue receiving any of these products or services, the Exchange states that there would be no effect on the Company's continued listing on the Exchange.³⁹ Moreover, the Exchange represents that no listed Company will be required to pay higher fees as a result of this proposed rule change; that providing the proposed products and services will have no impact on the resources available for the Exchange's regulatory programs; and that no confidential trading or regulatory information generated or received by the Exchange will be shared with LTSE Services or leveraged for the provision of its products and services.⁴⁰

III. Discussion and Commission Findings

The Commission has carefully reviewed the proposed rule change, as modified by Amendment No. 1, and finds that it is consistent with the requirements of Section 6 of the Act.⁴¹ Specifically, the Commission finds that the proposal is consistent with Sections 6(b)(4)⁴² and 6(b)(5) of the Act⁴³ in particular, in that the proposed rule is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among Exchange members, issuers, and

³⁶ See Amendment No. 1, supra note 6, at 12.

³⁷ See id.

³⁸ See id.

³⁹ See id.

⁴⁰ See id. at 12-13.

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

⁴² 15 U.S.C. 78f(b)(4).

⁴³ 15 U.S.C. 78f(b)(5).

other persons using the Exchange's facilities, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. Moreover, the Commission finds that the proposal is consistent with Section 6(b)(8) of the Act⁴⁴ in that it does not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange proposes to modify and expand the package of products and services provided to Companies and clarify existing practice under Exchange Rule 14.602 with respect to providing Company-specific web pages on the Exchange's website in connection with listing on the Exchange. The Commission believes that by describing and clarifying in its Rules the complimentary products and services available to listed Companies, the Exchange is adding greater transparency to its rules and the fees applicable to such Companies.⁴⁵ This will help to ensure that individual listed Companies are not given specially negotiated packages of products and services to list or remain listed that would raise unfair discrimination issues under the Act.

Moreover, the Commission notes the Exchange's representations that the proposed complimentary products and services will be offered to all listed Companies on the same terms and conditions without differentiation.⁴⁶ In this respect, the Commission notes that the Exchange would offer all currently and newly listed Companies complimentary periodic Capital Markets Reports and Company-specific web page updates on the Exchange's website on an ongoing basis.⁴⁷ All currently and newly listed Companies would also be provided the same one-year term of complimentary CM Solutions to be utilized at their discretion, provided such

⁴⁴ 15 U.S.C. 78f(b)(8).

⁴⁵ The Commission views complimentary products and services provided by exchanges to listed companies as a discount on the ultimate listing fees paid by such companies. See, e.g., Securities Exchange Act Release Nos. 91054 (February 3, 2021), 86 FR 8812 (February 9, 2021) (order approving SR-LTSE-2020-22); 81872 (October 13, 2017), 82 FR 48733 (October 19, 2017) (order approving SR-IEEX-2017-20); 65127 (August 12, 2011), 76 FR 51449 (August 18, 2011) (order approving SR-NYSE-2011-20); and 65963 (December 15, 2011), 76 FR 79262 (December 21, 2011) (order approving SR-NASDAQ-2011-122).

⁴⁶ See Amendment No. 1, supra note 6, at 15-16.

⁴⁷ See proposed Exchange Rule 14.602(b)(1).

complimentary services are requested and commenced within the 90-day periods noted above, as applicable.⁴⁸ According to the Exchange, these 90-day opt-in periods for newly and currently listed Companies offer them sufficient flexibility and autonomy in requesting and commencing receiving CM Solutions.⁴⁹ The Commission believes that these timeframes would provide only a short window of time to allow companies to avail themselves of these complimentary products and services, and notes that these timeframes would only be available to Companies that have already determined to list or are already listed on the Exchange.⁵⁰ Accordingly, the Commission believes that the proposed rule change, as modified by Amendment No. 1, is consistent with the requirements of the Act and, in particular, that the services are equitably allocated among issuers consistent with Section 6(b)(4) of the Act,⁵¹ and the rule does not unfairly discriminate between issuers consistent with Section 6(b)(5) of the Act.⁵²

The Commission also acknowledges that the Exchange is responding to competitive pressures in the market for listings in making this proposal. Specifically, according to LTSE, the Exchange expects to face competition as a new entrant in the market for exchange listings, and it believes the complimentary products and services that it proposes to offer to listed companies will facilitate LTSE's ability to attract and retain listings.⁵³ In addition, the Exchange states that comparable complimentary products and services are already provided by other listing exchanges.⁵⁴ Accordingly, the Commission believes that the proposed rule change, as modified by Amendment No. 1, reflects the current competitive environment for exchange listings among

⁴⁸ See Amendment No. 1, supra note 6, at 15.

⁴⁹ See id. at 11-12.

⁵⁰ The Commission expects the Exchange to track the start (and end) date of each free service.

⁵¹ 15 U.S.C. 78f(b)(4).

⁵² 15 U.S.C. 78f(b)(5).

⁵³ See Amendment No. 1, supra note 6, at 13-15.

⁵⁴ See id. at 16-17. See also New York Stock Exchange LLC Listed Company Manual Section 907 and The Nasdaq Stock Market LLC Rule IM-5900-7.

national securities exchanges, and is appropriate and consistent with Section 6(b)(8) of the Act.⁵⁵

IV. Solicitation of Comments on Amendment No. 1

Interested persons are invited to submit written data, views, and arguments concerning whether Amendment No. 1 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. Please include File No. SR-LTSE-2021-08 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 No. SR-LTSE-2021-08. The file numbers 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 such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change.

⁵⁵ 15 U.S.C. 78f(b)(8).

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 publicly available. All submissions should refer to File No. SR-LTSE-2021-08 and should be submitted on or before [insert date 21 days from date of publication in the Federal Register].

V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1

The Commission finds good cause to approve the proposed rule change, as modified by Amendment No. 1, prior to the thirtieth day after the date of publication of notice of the amended proposal in the Federal Register. As discussed above, in Amendment No. 1, the Exchange: (i) removed provisions related to a proposed optional credit for certain products and services utilized by Companies prior to listing on the Exchange; (ii) proposed timelines for Companies (whether newly or currently listed Companies) to exercise their option to request and commence receiving certain complimentary products and services offered by the Exchange; (iii) added justification for offering such products and services to currently listed Companies; and (iv) made minor technical changes to improve the clarity of the proposed rule change. The Commission believes that these changes will help to ensure that individual listed Companies are not given specially negotiated packages of products and services to list or remain listed, as well as to ensure that the services are equitably allocated among issuers consistent with Section 6(b)(4) of the Act⁵⁶ and that the proposed rule change does not unfairly discriminate between issuers consistent with Section 6(b)(5) of the Act.⁵⁷ In addition, Amendment No. 1 does not alter any substantive provisions of the remaining parts of the proposed rule change from what is set forth in the Notice, which was subject to a full comment period. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,⁵⁸ to approve the proposed rule change, as modified by Amendment No. 1, on an accelerated basis.

⁵⁶ 15 U.S.C. 78f(b)(4).

⁵⁷ 15 U.S.C. 78f(b)(5).

⁵⁸ 15 U.S.C. 78s(b)(2).

VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁵⁹ that the proposed rule change (SR-LTSE-2021-08), as modified by Amendment No. 1, be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶⁰

J. Matthew DeLesDernier,

Assistant Secretary.

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⁵⁹ 15 U.S.C. 78s(b)(2).

⁶⁰ 17 CFR 200.30-3(a)(12).