

## **CHAPTER 4. FINANCIAL AND OPERATIONAL RULES**

### **Rule Series 4.100. Financial Condition**

#### **Rule 4.110. Capital Compliance**

- (a) A member designated to LTSE for oversight pursuant to SEC Rule 17d-1 shall comply with FINRA Rule 4110 as if such rule were part of the Exchange's Rules.
- (b) For purposes of this LTSE Rule 4.110, references to FINRA Rule 9557 shall be construed as references to LTSE Rule 9.557. References to FINRA shall be construed as references to LTSE. References to FINRA's Executive Vice President charged with oversight for financial responsibility shall be construed as a reference to the LTSE CRO.

#### **Rule 4.120. Regulatory Notification and Business Curtailment**

- (a) A Member designated to LTSE for oversight pursuant to SEC Rule 17d-1 shall comply with FINRA Rule 4120 as if such rule were part of the Exchange's Rules.
- (b) For purposes of this LTSE Rule 4.120, references to FINRA Rule 9557 shall be construed as references to LTSE Rule 9.557. References to FINRA Rule 4210 shall be construed as references to LTSE Rule 4.210. References to FINRA shall be construed as references to LTSE.

#### **Rule 4.130. Reserved**

#### **Rule 4.140. Audit**

- (a) A Member designated to LTSE for oversight pursuant to SEC Rule 17d-1 shall comply with FINRA Rule 4140 as if such rule were part of LTSE Rules.
- (b) For purposes of this LTSE Rule 4.140, references to FINRA shall be construed as references to LTSE. References to FINRA's Executive Vice President charged with oversight for financial responsibility shall be construed as a reference to the LTSE CRO.

**Rule Series 4.200. Margin**

**Rule 4.210. Prohibitions and Exemptions**

- (a) A Member shall not effect a securities transaction through Exchange facilities in a manner contrary to the regulations of the Board of Governors of the Federal Reserve System.
- (b) The margin which must be maintained in margin accounts of customers shall be as follows:
  - (1) 25% of the current market value of all securities “long” in the account
  - (2) \$2.50 per share or 100% of the current market value, whichever amount is greater, of each stock “short” in the account selling at less than \$5.00 per share;
  - (3) \$5.00 per share or 30% of the current market value, whichever amount is greater, of each stock “short” in the account selling at \$5.00 per share or above; and
  - (4) 5% of the principal amount or 30% of the current market value, whichever amount is greater, of each bond “short” in the account.

**Rule 4.220. Day Trading Margin**

- (a) The term “day trading” means the purchasing and selling of the same security on the same day. A “day trader” is any customer whose trading shows a pattern of day trading.
- (b) Whenever day trading occurs in a customer’s margin account, the margin to be maintained shall be the margin on the “long” or “short” transaction, whichever occurred first, as required pursuant to LTSE Rule 4.210(b). When day trading occurs in the account of a day trader, the margin to be maintained shall be the margin on the “long” or “short” transaction, whichever occurred first, as required for initial margin by Regulation T of the Board of Governors of the Federal Reserve System, or as required pursuant to LTSE Rule 4.210( b), whichever amount is greater.
- (c) No Member shall permit a public customer to make a practice, directly or indirectly, of effecting transactions in a cash account where the cost of securities purchased is met by the sale of the same securities. No Member shall permit a public customer to make a practice of selling securities in a cash account which are to be received against payment from another registered broker or dealer where such securities were purchased and are not yet paid for.

## ***Rule 4.513. Record of Written Customer Complaints***

Rule Series 4.300. Reserved

Rule Series 4.400. Reserved

Rule Series 4.500. Books, Records, and Reports

### **Rule 4.511. General Requirements**

LTSE Members and persons associated with a Member shall comply with FINRA Rule 4511 as if such rule were part of the Exchange's Rules. For purposes of this LTSE Rule, references to "FINRA rules" shall be construed as references to "LTSE Rules" and references to "FINRA books and records" shall be construed as references to "LTSE books and records."

### **Rule 4.512. Customer Account Information**

- (a) LTSE Members and persons associated with a Member shall comply with FINRA Rule 4512 as if such rule were part of LTSE's Rules.
- (b) For purposes of this LTSE Rule 4.512:
  - (1) References to NASD Rule 2510 (or any successor FINRA Rule) shall be construed as references to LTSE Rule 3.260;
  - (2) References to FINRA Rules 2070, 2090, and 4512 shall be construed as references to LTSE Rules 6.180, 3.150, and 4.512;
  - (3) References to "a prior FINRA rule" shall be construed as references to "a FINRA rule in effect prior to the effectiveness of FINRA Rule 4512";
  - (4) LTSE and FINRA are parties to a Regulatory Contract pursuant to which FINRA has agreed to perform certain functions on behalf of LTSE. Therefore, LTSE Members are complying with LTSE Rule 4.512 by complying with FINRA Rule 4512 as written, including, for example, providing information required by FINRA staff. In addition, functions performed by FINRA, FINRA departments, and FINRA staff under LTSE Rule 4.512 are being performed by FINRA on behalf of LTSE.

### **Rule 4.513. Record of Written Customer Complaints**

LTSE Members and persons associated with a Member shall comply with FINRA Rule 4513 as if such rule were part of LTSE's Rules.

**Rule 4.540. Furnishing of Records**

Every Member shall furnish to the Exchange, upon request and in a time and manner required by the Exchange, current copies of any financial information filed with the Commission, as well as any records, files, or financial information pertaining to transactions executed on or through the Exchange, or transactions in the same security executed on venues other than the Exchange, or derivatives of such securities. Further, the Exchange shall be allowed access, at any time, to the books and records of the Member in order to obtain or verify information related to transactions executed on or through the Exchange or activities relating to the Exchange.

- (a) Member Response Time to Exchange Requests. Consistent with the responsibility of the Exchange and the Commission to provide for timely regulatory investigations, the Exchange has adopted the following general time parameters within which Members are required to respond to Exchange requests for trading data:

- (1) 1st Request: 10 business days
- (2) 2nd Request: 5 business days
- (3) 3rd Request: 5 business days

The third request letter will be sent to the Member's compliance officer and/or senior officer. Notwithstanding the parameters listed above, the Exchange reserves the right, in its sole discretion, to require information to be provided more quickly than described above.

- (b) Regulatory Data Submission Requirement. Members shall submit to the Exchange such Exchange-related order, market, and transaction data as the Exchange by Information Circular may specify, in such form and on such schedule as the Exchange may require.

**Rule 4.550. Disclosure of Financial Condition**

- (a) A Member shall make available to inspection by any bona fide regular customer, upon request, the information relative to such Member's financial condition as disclosed in its most recent balance sheet prepared either in accordance with such Member's usual practice or as required by any state or federal securities laws, or any rule or regulation thereunder. In lieu of making such balance sheet available for inspection, a Member may deliver the balance sheet to the requesting bona fide regular customer in paper or electronic form; provided that, with respect to electronic delivery, the customer must consent to receive the balance sheet in electronic form.

***Rule 4.550. Disclosure of Financial Condition***

- (b) Any Member who is a party to an open transaction or who has on deposit cash or securities of another Member shall deliver upon written request of the other Member, in paper or electronic form, a statement of its financial condition as disclosed in its most recent balance sheet prepared either in accordance with such Member's usual practice or as required by any state or federal securities laws, or any rule or regulation thereunder.
- (c) As used in paragraph (a) of this LTSE Rule 4.550, the term "customer" means any person who, in the regular course of such Member's business, has cash or securities in the possession of such Member.