

CHAPTER 8. INVESTIGATIONS AND SANCTIONS

Rule Series 8.100. General Provisions

Rule 8.100. Regulation of LTSE and its Members

LTSE and FINRA are parties to the Regulatory Contract pursuant to which FINRA has agreed to perform certain functions described in these rules on behalf of LTSE. LTSE Rules that refer to LTSE Regulation, LTSE Regulation staff, LTSE staff, and LTSE departments should be understood as also referring to FINRA staff and FINRA departments acting on behalf of LTSE pursuant to the Regulatory Contract.

Notwithstanding the fact that LTSE has entered into the Regulatory Contract with FINRA to perform some of LTSE's functions, LTSE shall retain ultimate legal responsibility for, and control of, such functions.

Rule 8.110. Availability of LTSE Rulebook to Customers

Members shall make available a current copy of the LTSE Rules for examination by customers upon request. Members may comply with this LTSE Rule by maintaining electronic access to the LTSE Rules and providing customers with such access upon request.

Rule 8.120. Definitions

Unless otherwise provided, terms used in this Chapter 8 shall have the meaning as defined in LTSE Rule 9.120.

Rule Series 8.200. Investigations

Rule 8.210. Provisions of Information and Testimony, and Inspection and Copying of Books

(a) Authority of Adjudicator and LTSE Staff

For the purpose of an investigation, complaint, examination, or proceeding authorized by the LTSE Bylaws or LTSE Rules, an Adjudicator or LTSE staff shall have the right to:

- (1) require a Member, person associated with a Member, or any other person subject to LTSE's jurisdiction to provide information orally, in writing, or electronically (if the requested information is, or is required to be, maintained in electronic form) and to testify at a location specified by LTSE staff, under oath or affirmation administered by a court reporter or a notary public if requested, with respect to

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any matter involved in the investigation, complaint, examination, or proceeding;
and

- (2) inspect and copy the books, records, and accounts of such Member or person with respect to any matter involved in the investigation, complaint, examination, or proceeding that is in such Member's or person's possession, custody or control.

(b) Other SROs and Regulators

- (1) LTSE's staff may enter into an agreement with a domestic federal agency, or subdivision thereof, or foreign regulator to share any information in LTSE's possession for any regulatory purpose set forth in such agreement, provided that the agreement must require the other regulator, in accordance with the terms of the agreement, to treat any shared information confidentially and to assert such confidentiality and other applicable privileges in response to any requests for such information from third parties.

Any such agreement with a foreign regulator must also meet the following conditions:

- (A) the other regulator party to the agreement must have jurisdiction over common regulatory matters; and
 - (B) the agreement must require the other regulator to reciprocate and share with LTSE information of regulatory interest or concern to LTSE.
- (2) LTSE staff may exercise the authority set forth in paragraph (a) of this LTSE Rule 8.210 for the purpose of an investigation, complaint, examination, or proceeding conducted by another domestic or foreign self-regulatory organization, association, securities or contract market, or regulator of such markets with which LTSE has entered into an agreement providing for the exchange of information and other forms of material assistance solely for market surveillance, investigative, enforcement, or other regulatory purposes.

(c) Requirement to Comply

No Member or person shall fail to provide information or testimony or to permit an inspection and copying of books, records, or accounts pursuant to this LTSE Rule.

(d) Notice

A notice under this LTSE Rule 8.210 shall be deemed received by the Member or currently or formerly registered person to whom it is directed by mailing or otherwise

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transmitting the notice to the last known business address of the Member or the last known residential address of the person as reflected in the Central Registration Depository. With respect to a person who is currently associated with a Member in an unregistered capacity, a notice under this LTSE Rule 8.210 shall be deemed received by the person by mailing or otherwise transmitting the notice to the last known business address of the Member as reflected in the Central Registration Depository. With respect to a person subject to LTSE's jurisdiction who was formerly associated with a Member in an unregistered capacity, a notice under this LTSE Rule shall be deemed received by the person upon personal service, as set forth in LTSE Rule 9.134(a)(1). If the Adjudicator or LTSE staff responsible for mailing or otherwise transmitting the notice to the Member or person has actual knowledge that the address in the Central Registration Depository is out of date or inaccurate, then a copy of the notice shall be mailed or otherwise transmitted to:

- (1) the last known business address of the Member or the last known residential address of the person as reflected in the Central Registration Depository; and
- (2) any other more current address of the Member or the person known to the Adjudicator or LTSE staff who is responsible for mailing or otherwise transmitting the notice.

If the Adjudicator or LTSE staff responsible for mailing or otherwise transmitting the notice to the Member or person knows that the Member or person is represented by counsel regarding the investigation, complaint, examination, or proceeding that is the subject of the notice, then the notice shall be served upon counsel by mailing or otherwise transmitting the notice to the counsel in lieu of the Member or person, and any notice served upon counsel shall be deemed received by the Member or person.

(e) Electronic Interface

In carrying out its responsibilities under this LTSE Rule 8.210, LTSE may, as appropriate, establish programs for the submission of information to LTSE on a regular basis through a direct or indirect electronic interface between LTSE and Members.

(f) Inspection and Copying

A witness, upon proper identification, may inspect the official transcript of the witness' own testimony. Upon written request, a person who has submitted documentary evidence or testimony in an LTSE investigation may procure a copy of the person's documentary evidence or the transcript of the person's testimony upon payment of the appropriate fees, except that prior to the issuance of a complaint arising from the investigation, LTSE staff may for good cause deny such request.

Rule 8.220. Automated Submission of Trading Data Requested

- (g) Encryption of Information Provided in Electronic Form
- (1) Any Member or person who, in response to a request pursuant to this LTSE Rule 8.210, provides the requested information on a portable media device must ensure that such information is encrypted.
 - (2) For purposes of this LTSE Rule 8.210, a “portable media device” is a storage device for electronic information, including but not limited to a flash drive, CD-ROM, DVD, portable hard drive, laptop computer, disc, diskette, or any other portable device for storing and transporting electronic information.
 - (3) For purposes of this LTSE Rule 8.210, “encrypted” means the transformation of data into a form in which meaning cannot be assigned without the use of a confidential process or key. To ensure that encrypted information is secure, a Member or person providing encrypted information to LTSE staff pursuant to this LTSE Rule 8.210 shall (a) use an encryption method that meets industry standards for strong encryption, and (b) provide the confidential process or key regarding the encryption to LTSE staff in a communication separate from the encrypted information itself.

Rule 8.220. Automated Submission of Trading Data Requested

- (a) A Member shall submit the trade data specified below in automated format as may be prescribed by LTSE from time to time. This information shall be supplied with respect to any transaction or transactions that are the subject of a request for information made by LTSE.
- (b) If the transaction was a proprietary transaction effected or caused to be effected by the Member for any account in which such Member, or person associated with a Member, is directly or indirectly interested, such Member shall submit or cause to be submitted the following information:
 - (1) Clearing house number, or alpha symbol as used by the Member submitting the data;
 - (2) Clearing house number(s), or alpha symbol(s) as may be used from time to time, of the Member(s) on the opposite side of the transaction;
 - (3) Identifying symbol assigned to the security;
 - (4) Date transaction was executed;

Rule 8.310. Sanctions for Violation of the Rules

- (5) Number of shares, or quantity of bonds or options contracts for each specific transaction and whether each transaction was a purchase, sale, short sale, or, if an options contract, whether open long or short or close long or short;
 - (6) Transaction price;
 - (7) Account number; and
 - (8) Trading center where transaction was executed.
- (c) If the transaction was effected or caused to be effected by the Member for any customer account, such Member shall submit or cause to be submitted the following information:
- (1) The data described in paragraphs (b)(1) through (8) above;
 - (2) The customer name, address(es), branch office number, Registered Representative number, whether order was solicited or unsolicited, date account opened, employer name, and the tax identification number(s); and
 - (3) If the transaction was effected for another Member, whether the other Member was acting as principal or agent.
- (d) In addition to the above trade data, a Member shall submit such other information in such automated format as may from time-to-time be required by LTSE.
- (e) Pursuant to LTSE Rule Series 9.600, LTSE may exempt a Member from the requirement that the data prescribed in paragraphs (b) through (d) above be submitted to LTSE in an automated format for good cause shown.

Rule Series 8.300. Sanctions

Rule 8.310. Sanctions for Violation of the Rules

- (a) Imposition of Sanction

After compliance with Chapter 9 of the LTSE Rules, LTSE may impose one or more of the following sanctions on a Member or person associated with a Member for each violation of the federal securities laws, rules or regulations thereunder, or LTSE Rules, or may impose one or more of the following sanctions on a Member or person associated with a Member for any neglect or refusal to comply with an order, direction, or decision issued under the LTSE Rules:

Rule 8.320. Effect of a Suspension, Revocation, Cancellation or Bar

- (1) censure a Member or person associated with a Member;
 - (2) impose a fine upon a Member or person associated with a Member;
 - (3) suspend the membership of a Member or suspend the registration of a person associated with a Member for a definite period or a period contingent on the performance of a particular act;
 - (4) expel a Member, cancel the membership of a Member, or revoke or cancel the registration of a person associated with a Member;
 - (5) suspend or bar a Member or person associated with a Member from association with all Members;
 - (6) impose a temporary or permanent cease and desist order against a Member or a person associated with a Member; or
 - (7) impose any other fitting sanction.
- (b) Assent to Sanction

Each party to a proceeding resulting in a sanction shall be deemed to have assented to the imposition of the sanction unless such party files a written application for appeal, review, or relief pursuant to Chapter 9 of the LTSE Rules.

Rule 8.320. Effect of a Suspension, Revocation, Cancellation or Bar

- (a) If a person is subject to a suspension, revocation, cancellation of registration, bar from association with any Member (each a “sanction”) or other disqualification, a Member shall not allow such person to be associated with it in any capacity that is inconsistent with the sanction imposed or disqualified status, including a clerical or ministerial capacity. A Member also shall not pay or credit to any person subject to a sanction or disqualification, during the period of the sanction or disqualification or any period thereafter, any salary, commission, profit, or any other remuneration that the person might accrue during the period of the sanction or disqualification. However, a Member may make payments or credits to a person subject to a sanction that are consistent with the scope of activities permitted under the sanction where the sanction solely limits an associated person from conducting specified activities (such as a suspension from acting in a principal capacity) or a disqualified person has been approved (or is otherwise permitted pursuant to the Exchange’s rules and the federal securities laws) to associate with a Member.

Rule 8.350. Payment of Fines, Other Monetary Sanctions, or Costs; Summary Action for Failure to Pay

- (b) Notwithstanding paragraph (a) of this Rule, a Member may pay to a person that is subject to a sanction or disqualification described in paragraph (a) of this Rule, any remuneration pursuant to an insurance or medical plan, indemnity agreement relating to legal fees, or as required by an arbitration award or court judgment.
- (c) Notwithstanding this Rule, a Member may pay or credit to a person that is subject of a sanction or disqualification salary, commission, profit or any other remuneration that the Member can evidence accrued to the person prior to the effective date of such sanction or disqualification; provided, however, the Member may not pay any salary, commission, profit or any other remuneration that accrued to the person that relates to or results from the activity giving rise to the sanction or disqualification, and any such payment or credit must comply with applicable federal securities laws.

Rule 8.330. Reserved

Rule 8.340. Release of Disciplinary Decisions

The Exchange shall publish a copy of any final disciplinary action under LTSE Rule Series 9.000, other than minor rule violations, on its website.

Rule 8.350. Payment of Fines, Other Monetary Sanctions, or Costs; Summary Action for Failure to Pay

- (a) Payment to the Exchange

All fines and other monetary sanctions shall be paid as directed by LTSE.

- (b) Summary Suspension or Expulsion

After seven days' notice in writing, LTSE may summarily suspend or expel from membership a Member that fails to:

- (1) pay promptly a fine or other monetary sanction imposed pursuant to LTSE Rule 8.310 or cost imposed pursuant to LTSE Rule 8.360 when such fine, monetary sanction, or cost becomes finally due and payable; or
 - (2) terminate immediately the association of a person who fails to pay promptly a fine or other monetary sanction imposed pursuant to LTSE Rule 8.310 or a cost imposed pursuant to LTSE Rule 8.360 when such fine, monetary sanction, or cost becomes finally due and payable.
- (c) Summary Revocation of Registration

Rule 8.360. Costs of Proceedings

After seven days' notice in writing, LTSE may summarily revoke the registration of a person associated with a Member if such person fails to pay promptly a fine or other monetary sanction imposed pursuant to LTSE Rule 8.310 or a cost imposed pursuant to LTSE Rule 8.360 when such fine, monetary sanction, or cost becomes finally due and payable.

Rule 8.360. Costs of Proceedings

A Member or person associated with a Member disciplined pursuant to LTSE Rule 8.310 shall bear such costs of the proceeding as the Adjudicator deems fair and appropriate under the circumstances.