

CHAPTER 2. MEMBERS OF THE EXCHANGE

Rule 2.110. Rights, Privileges and Duties of Members

- (a) Unless specified otherwise in LTSE Rules or the Bylaws of the Exchange, each Member shall have the rights, privileges, and duties of any other Member.

Rule 2.120. Obligations of Members and the Exchange

- (a) In addition to all other obligations imposed by the Exchange in its Bylaws or Rules, all Members, as a condition of effecting approved securities transactions on the Exchange's trading facilities, shall agree to be regulated by the Exchange and shall recognize that the Exchange is obligated to undertake to enforce compliance with the provisions of LTSE Rules, its Bylaws, its interpretations, and policies, and with the provisions of the Act and regulations thereunder, and that, subject to orders and rules of the Commission, the Exchange is required to discipline Members and persons associated with Members for violations of the provisions of LTSE Rules, its Bylaws, its interpretations and policies of the Exchange, and the Act and regulations thereunder, by expulsion, suspension, limitation of activities, functions, and/or operations, fines, censure, being suspended or barred from being associated with a Member, or any other fitting sanction.

Rule 2.130. Member Eligibility

Except as hereinafter provided, any registered broker or dealer that is a Member of another registered national securities exchange or association, or any person associated with such a registered broker or dealer, shall be eligible to be, and to remain, a Member of the Exchange.

Rule 2.140. Prohibited Conditions Relating to Expungement of Customer Dispute

No Member or associated person shall condition or seek to condition settlement of a dispute with a customer on, or to otherwise compensate the customer for, the customer's agreement to consent to, or not to oppose, the Member's or associated person's request to expunge such customer dispute information from the CRD System.

Rule 2.150. Reserved

Rule 2.160. Registration Requirements and Restrictions on Membership

- (a) No person may become a Member or continue as a Member in any capacity on the Exchange where:

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- (1) such person is other than a natural person and is not a registered broker or dealer;
 - (2) such person is a natural person who is not either a registered broker or dealer or associated with a registered broker or dealer;
 - (3) such person is subject to a statutory disqualification, except that a person may become a Member or continue as a Member where, pursuant to Rules 19d-1, 19d-2, 19d-3 and 19h-1 of the Act, the Commission has issued an order providing relief from such a disqualification and permitting such a person to become a Member; or
 - (4) such person is not a Member of another registered national securities exchange or association.
- (b) No natural person or registered broker or dealer shall be admitted as, or be entitled to continue as, a Member or an associated person of a Member, unless such natural person or broker or dealer meets the standards of training, experience, and competence as the Exchange may prescribe. Each Member shall have the responsibility and duty to ascertain by investigation the good character, business reputation, qualifications, and experience of any person applying for registration with the Exchange as an associated person of a Member.
- (c) No registered broker or dealer shall be admitted as, or be entitled to continue as, a Member if such broker or dealer:
- (1) fails to comply with either the financial responsibility requirements established by Rule 15c3-1 under the Act, or such other financial responsibility and operational capability requirements as may be established by LTSE Rules;
 - (2) fails to adhere to LTSE Rules relating to the maintenance of books and records or those rules of other self-regulatory organizations of which such broker or dealer is or was a Member;
 - (3) fails to demonstrate to the Exchange adequate systems capability, capacity, integrity, and security necessary to conduct business on the Exchange;
 - (4) is not a Member of a registered clearing agency, or does not clear transactions executed on the Exchange through another Member that is a Member of a registered clearing agency;

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- (5) is subject to any unsatisfied liens, judgments, or unsubordinated creditor claims of a material nature, which, in the absence of a reasonable explanation therefor, remain outstanding for more than six months;
 - (6) has been subject to any bankruptcy proceeding, receivership, or arrangement for the benefit of creditors within the past three years; or
 - (7) has engaged in an established pattern of failure to pay just debts or has defaulted, without a reasonable explanation, on an obligation to a self-regulatory organization, or any Member of a self-regulatory organization.
- (d) No person shall be admitted as a Member or as an associated person of a Member where it appears that such person has engaged, and there is a reasonable likelihood that such person again may engage, in acts or practices inconsistent with just and equitable principles of trade.
- (e) Each person engaged in the investment banking or securities business of a Member must be registered with the Exchange by the Member, unless exempt from registration pursuant to paragraph (m) of this Rule, as a representative or principal in each category of registration appropriate to his or her functions and responsibilities as specified in paragraphs (h), (i), (j), (k), (l) and (n) of this Rule. Such person shall not be qualified to function in any registered capacity other than that for which the person is registered, unless otherwise stated in the rules. Each such person shall agree:
- (1) to supply the Exchange with such information with respect to such person's relationships and dealings with the Member as may be specified by the Exchange;
 - (2) to permit examination of such person's books and records by the Exchange to verify the accuracy of any information so supplied; and
 - (3) to be regulated by the Exchange and to recognize that the Exchange is obligated to undertake to enforce compliance with the provisions of LTSE Rules, Bylaws, the interpretations and policies of the Exchange, and the provisions of the Act and the regulations thereunder.

* * * * * **Supplementary Material** * * * * *

.01 Permissive Registrations.

A Member may make application for or maintain the registration as a representative or principal, pursuant to Rule 2.160, of any associated person of the Member and any individual engaged in the investment banking or securities business of a foreign securities affiliate or subsidiary of the

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Member. Individuals maintaining such permissive registrations shall be considered registered persons and subject to all LTSE rules, to the extent relevant to their activities.

Consistent with the requirements of Rule 5.110, Members shall have adequate supervisory systems and procedures reasonably designed to ensure that individuals with permissive registrations do not act outside the scope of their assigned functions. With respect to an individual who solely maintains a permissive registration(s), the individual's direct supervisor shall not be required to be a registered person. However, for purposes of compliance with Rule 5.110(a)(5), a Member shall assign a registered supervisor who shall be responsible for periodically contacting such individual's direct supervisor to verify that the individual is not acting outside the scope of his or her assigned functions. If such individual is permissively registered as a representative, the registered supervisor shall be registered as a representative or principal. If the individual is permissively registered as a principal, the registered supervisor shall be registered as a principal. Moreover, the registered supervisor of an individual who solely maintains a permissive registration(s) shall not be required to be registered in the same representative or principal registration category as the permissively-registered individual.

.02 Status of Persons Serving in the Armed Forces of the United States.

The following provisions address the status of current and former registered persons serving in active duty in the Armed Forces of the United States:

(a) Inactive Status of Currently Registered Persons

A registered person of a Member who volunteers for or is called into active duty in the Armed Forces of the United States shall be placed, after proper notification to the Exchange, on inactive status and need not be re-registered by such Member upon his or her return to active employment with the Member. Such person shall remain eligible to receive transaction-related compensation, including continuing commissions. The employing Member also may allow such person to enter into an arrangement with another registered person of the Member to take over and service the person's accounts and to share transaction-related compensation based upon the business generated by such accounts. However, because such persons are inactive, they may not perform any of the functions and responsibilities performed by a registered person.

A registered person who is placed on inactive status pursuant to this paragraph (a) shall not be required to complete either the Regulatory Element or Firm Element set forth in Rule 2.160(p) during the pendency of such inactive status. The relief provided in this paragraph (a) shall be available to a registered person who is placed on inactive status pursuant to this paragraph (a) during the period that such person remains registered with the Member with which he or she was registered at the beginning of active duty in the Armed Forces of the United States, regardless of whether the person returns to active employment with another Member upon completion of his or her active duty in the Armed Forces of the United States. The relief described in this paragraph (a) shall be provided only to a person registered with a Member and only while the person remains on active military duty. Further, the Member with which such person is registered shall promptly notify the Exchange in such manner as the Exchange may specify of such person's return to active employment with the Member.

(b) Inactive Status of Sole Proprietorships

A Member that is a sole proprietor who temporarily closes his or her business by reason of volunteering for or being called into active duty in the Armed Forces of the United States, shall be placed, after proper notification to the Exchange, on inactive status while the Member remains on active military duty.

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The relief described in this paragraph (b) shall be provided only to a sole proprietor Member and only while the person remains on active military duty. Further, the sole proprietor shall promptly notify the Exchange in such manner as the Exchange may specify of his or her return to active participation in the investment banking or securities business of the Member relating to activity that occurs on the Exchange.

(c) Status of Formerly Registered Persons

If a person who was formerly registered with a Member volunteers for or is called into active duty in the Armed Forces of the United States at any time within two years after the date the person ceased to be registered with a Member, the Exchange shall defer the lapse of registration requirements set forth in Rule 2.160(o) (i.e., toll the two-year expiration period for representative and principal qualification examinations) and the lapse of the SIE (i.e., toll the four-year expiration period for the SIE). The Exchange shall defer the lapse of registration requirements and the SIE commencing on the date the person begins actively serving in the Armed Forces of the United States, provided that the Exchange is properly notified of the person's period of active military service within 90 days following his or her completion of active service or upon his or her re-registration with a Member, whichever occurs first. The deferral will terminate 90 days following the person's completion of active service in the Armed Forces of the United States. Accordingly, if such person does not re-register with a Member within 90 days following his or her completion of active service in the Armed Forces of the United States, the amount of time in which the person must become re-registered with a Member without being subject to a representative or principal qualification examination or the SIE shall consist of the standard two-year period for representative and principal qualification examinations or the standard four-year period for the SIE, whichever is applicable, as provided in Rule 2.160(o) reduced by the period of time between the person's termination of registration and beginning of active service in the Armed Forces of the United States.

If a person placed on inactive status while serving in the Armed Forces of the United States ceases to be registered with a Member, the Exchange shall defer the lapse of registration requirements set forth in Rule 2.160(o) (i.e., toll the two-year expiration period for representative and principal qualification examinations) and the lapse of the SIE (i.e., toll the four-year expiration period for the SIE) during the pendency of his or her active service in the Armed Forces of the United States. The Exchange shall defer the lapse of registration requirements based on existing information in the CRD System, provided that the Exchange is properly notified of the person's period of active military service within two years following his or her completion of active service or upon his or her re-registration with a Member, whichever occurs first. The deferral shall terminate 90 days following the person's completion of active service in the Armed Forces of the United States. Accordingly, if such person does not re-register with a Member within 90 days following his or her completion of active service in the Armed Forces of the United States, the amount of time in which the person must become re-registered with a Member without being subject to a representative or principal qualification examination or the SIE shall consist of the standard two-year period for representative and principal qualification examinations or the standard four-year period for the SIE, whichever is applicable, as provided in Rule 2.160(o).

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- (f) The Exchange may require the successful completion of a written proficiency examination to enable it to examine and verify that prospective Members and

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associated persons of Members have adequate training, experience, and competence to comply with LTSE Rules and policies of the Exchange.

- (g) If the Exchange requires the completion of such proficiency examinations, the Exchange may, in exceptional cases and where good cause is shown, pursuant to LTSE Rule Series 9.600, waive such proficiency examinations as are required by the Exchange upon written request of the applicant and accept other standards as evidence of an applicant's qualifications. Advanced age, physical infirmity, or experience in fields ancillary to the securities business will not individually of themselves constitute sufficient grounds to waive a proficiency examination.

*** * * * * Supplementary Material * * * * ***

.01 Waiver of Examinations for Individuals Working for a Financial Services Industry Affiliate of a Member.

Upon request by a Member, the Exchange shall waive the applicable qualification examination(s) for an individual designated with the Exchange as working for a financial services industry affiliate of a Member if the following conditions are met:

- (a) Prior to the individual's initial designation, the individual was registered as a representative or principal with the Exchange or FINRA for a total of five years within the most recent 10-year period, including for the most recent year with the Member that initially designated the individual*
- (b) The waiver request is made within seven years of the individual's initial designation;*
- (c) The initial designation and any subsequent designation(s) were made concurrently with the filing of the individual's related Form U5;*
- (d) The individual continuously worked for the financial services industry affiliate(s) of a Member since the individual's last Form U5 filing;*
- (e) The individual has complied with the Regulatory Element of continuing education as specified in Rule 2.160(p); and*
- (f) The individual does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and has not otherwise been subject to a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act while the individual was designated as eligible for a waiver.*

As used in this Supplementary Material .01, a "financial services industry affiliate of a Member" is a legal entity that controls, is controlled by or is under common control with a Member and is regulated by the SEC, CFTC, state securities authorities, federal or state banking authorities, state insurance authorities, or substantially equivalent foreign regulatory authorities.

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- (h) Before the registration of a qualifying person as a representative can be effective, such person shall pass the Securities Industry Essentials (“SIE”) examination and the appropriate representative qualifying examination. The Exchange requires the General Securities Representative Examination (“Series 7”) or an equivalent foreign examination module approved by the Exchange in qualifying persons seeking registration as General Securities Representatives, including as Authorized Traders, on behalf of Members. For those persons seeking limited registration as Securities Traders as described in paragraph (k) below, the Exchange requires the Securities Trader Qualification Examination (“Series 57”), other than any person associated with a Member whose trading activities are conducted principally on behalf of an investment company that is registered with the SEC pursuant to the Investment Company Act and that controls, is controlled by or is under common control, with the Member. The Exchange uses the Uniform Application for Securities Industry Registration or Transfer (“Form U4”) as part of its procedure for registration and oversight of Member personnel.

* * * * * **Supplementary Material** * * * * *

.01 Foreign Registrations.

Any person who is in good standing as a representative with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator shall be exempt from the requirement to pass the SIE.

- (i) The Exchange requires each Member other than a Member with only one associated person or a proprietary trading firm with 25 or fewer Authorized Traders (“Limited Size Proprietary Firm”) to register at least two Principals with the Exchange. The Exchange may waive the two Principal requirement in situations that indicate conclusively that only one Principal associated with the Member should be required. A Limited Size Proprietary Firm is required to register at least one Principal with the Exchange. For purposes of this paragraph (i), a “Principal” shall be any individual responsible for supervising the activities of a Member’s Authorized Traders, and each person designated as a Chief Compliance Officer on Schedule A of the Member’s Form BD. Each Principal is required to have successfully completed the General Securities Principal Examination (“Series 24”). The Exchange uses Form U4 as part of its procedure for registration and oversight of Member personnel.

The Exchange will accept the Series 14 Compliance Official Examination in lieu of the Series 24 to satisfy the above requirement for any person designated as a Chief

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Compliance Officer. Individuals who supervise the activities of General Securities Representatives must have successfully completed the Series 7 or an equivalent foreign examination module, as well as the SIE, as a prerequisite to the Series 24, or Series 14, and shall be referred to as General Securities Principals. The Exchange will require the Series 57, as well as the SIE, as a prerequisite to the Series 24 or Series 14 for those Principals whose supervisory responsibilities are limited to overseeing the activities of Series 57 qualified Securities Traders. These limited representative Principals shall be referred to as Securities Trader Principals. Each Principal with responsibility over securities trading activities on the Exchange shall become qualified and registered as a Securities Trader Principal.

*** * * * * Supplementary Material * * * * ***

.01 Requirements for Registered Persons Functioning as Principals for a Limited Period.

Subject to the requirements of Rule 2.160(h), a Member may designate any person currently registered, or who becomes registered with the Member as a representative to function as a principal for a period of 120 calendar days prior to passing an appropriate principal qualification examination as specified under Rule 2.160(i), provided that such person has at least 18 months of experience functioning as a registered representative within the five-year period immediately preceding the designation and has fulfilled all applicable prerequisite registration, fee and examination requirements prior to designation as a principal. However, in no event may such person function as a principal beyond the initial 120 calendar day period without having successfully passed an appropriate principal qualification examination as specified under Rule 2.160(i). The requirements above apply to designations to any principal category, including those categories that are not subject to a prerequisite representative registration requirement. Further, a person registered as an Order Processing Assistant Representative or a Foreign Associate with FINRA shall not be eligible to be designated as a principal under this Supplementary Material .01.

Subject to the requirements of Rule 2.160(h), a Member may designate any person currently registered, or who becomes registered, with the Member as a principal to function in another principal category for a period of 120 calendar days prior to passing an appropriate qualification examination as specified under Rule 2.160(i). However, in no event may such person function in such other principal category beyond the initial 120 calendar day period without having successfully passed an appropriate qualification examination as specified under Rule 2.160(i).

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- (j) Each Member subject to Exchange Act Rule 15c3-1 shall designate a Financial and Operations Principal ("FINOP"). The duties of a FINOP shall include taking appropriate actions to assure that the Member complies with applicable financial and operational requirements under Exchange Rules and the Exchange Act, including, but not limited to, those requirements relating to the submission of financial reports and the maintenance of books and records. Each FINOP is required to have successfully completed the Financial and Operations Principal Examination ("Series 27") or, in the

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case of a Member that operates other than pursuant to Exchange Act Rule 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8), its Financial/Operations Principal must successfully complete either the Series 27 examination or the Introducing Broker-Dealer Financial and Operations Principal Examination ("Series 28"). The Exchange uses Form U4 as part of its procedure for registration and oversight of Member personnel. A FINOP of a Member may be a full-time employee of the Member or may be a part-time employee or independent contractor of the Member.

- (k) The Exchange recognizes the Series 57 qualification for Authorized Traders who engage solely in trading on the Exchange, on either an agency or principal basis.
- (l) For purposes of paragraph (i) above, a "proprietary trading firm" shall mean a Member that trades its own capital, that does not have customers, and that is not a member of FINRA. In addition, to qualify for this definition, the funds used by a proprietary trading firm must be exclusively firm funds, all trading must be in the firm's accounts, and traders must be owners of, employees of, or contractors to the firm.
- (m) The following associated persons of a Member are not required to be registered with the Exchange:
 - (1) associated persons of a Member whose functions are solely and exclusively clerical or ministerial.
 - (2) associated persons of a Member whose functions are related solely and exclusively to:
 - (A) effecting transactions on the floor of a national securities exchange and who are appropriately registered with such exchange;
 - (B) transactions in municipal securities;
 - (C) transactions in commodities; or
 - (D) transactions in securities futures, provided that any such person is appropriately registered with a registered futures association.
 - (3) Associated persons of a Member that are restricted from accessing the Exchange and that do not engage in the securities business of the Member relating to activity that occurs on the Exchange.

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* * * * * Supplementary Material * * * * *

.01 Registration Requirements for associated persons of a Member Who Accept Customer Orders.

The function of accepting customer orders is not considered a clerical or ministerial function. Each associated person of a Member who accepts customer orders under any circumstances shall be registered in an appropriate registration category pursuant to this Rule 2.160. An associated person of a Member shall not be considered to be accepting a customer order where occasionally, when an appropriately registered person is unavailable, such person transcribes order details submitted by a customer and the registered person contacts the customer to confirm the order details before entering the order.

- (n) The following sets forth the qualification requirements for each of the registration categories described above:

CATEGORY OF REGISTRATION	QUALIFICATION EXAMINATION	ALTERNATIVE ACCEPTABLE QUALIFICATIONS
General Securities Representative	Series 7	Equivalent foreign examination module (Series 17 or Series 37/ 38)
Securities Trader	Series 57	N/A
General Securities Principal	Series 24	Compliance Official Examination (Series 14) ¹
Securities Trader Principal	Series 24	Compliance Official Examination (Series 14) ²
Financial and Operations Principal	Series 27	Series 28 ³

- (o) Lapse of Registration and Expiration of SIE.

Any person who was last registered as a representative two or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative shall be required to pass a representative qualification examination appropriate to his or her category of registration as specified in paragraphs (h), (i), (j), (k), (l) and (n) of Rule 2.160. Any person who last passed the SIE or who was last registered as a representative, whichever occurred last, four or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a

¹ The Exchange will only permit the Series 14 for those designated as Chief Compliance Officers on Schedule A of Form BD.

² The Exchange will only permit the Series 14 for those designated as Chief Compliance Officers on Schedule A of Form BD.

³ The Exchange will only permit the Series 28 as an alternative examination for the Financial/Operations Principal of a Member that operates other than pursuant to Exchange Act Rule 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8), as specified in paragraph (j) above.

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representative shall be required to pass the SIE in addition to a representative qualification examination appropriate to his or her category of registration as specified in paragraphs (h), (i), (j), (k), (l) and (n) of Rule 2.160.

Any person who was last registered as a principal two or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a principal shall be required to pass a principal qualification examination appropriate to his or her category of registration as specified in paragraphs (h), (i), (j), (k), (l) and (n) of Rule 2.160. Any person whose registration has been revoked pursuant to Rule 8.310 shall be required to pass a principal or representative qualification examination appropriate to his or her category of registration as specified in paragraphs (h), (i), (j), (k), (l) and (n) of Rule 2.160 to be eligible for registration with the Exchange. For purposes of this paragraph, an application shall not be considered to have been received by the Exchange if that application does not result in a registration.

(p) Continuing Education Requirements.

This Rule prescribes requirements regarding the continuing education of specified persons subsequent to their initial registration with the Exchange. The requirements shall consist of a Regulatory Element and a Firm Element as set forth below.

(1) Regulatory Element.

- (A) Requirements. Each associated person registered with the Exchange (each a “Registered Person”) for purposes of this subparagraph (1)), including any person who is permissively registered pursuant to Supplementary Material .01 to Rule 2.160(e) and any person who is designated as eligible for a waiver pursuant to Supplementary Material .01 to Rule 2.160(g), shall comply with the requirement to complete the Regulatory Element.

Each Registered Person shall complete the Regulatory Element of the continuing education program on the occurrence of their second registration anniversary date and every three years thereafter or as otherwise prescribed by FINRA. On each occasion, the Regulatory Element must be completed within 120 days after the Registered Person’s registration anniversary date. A Registered Person’s registration date, also known as the “base date,” shall establish the cycle of anniversary dates for purposes of this LTSE Rule. The content of the Regulatory Element of the continuing education program shall be appropriate for each registration category of Registered Persons subject to the Rule. A Registered Person qualified solely as a Securities Trader shall comply with the continuing education requirements appropriate for the Series 57 license. All other Registered

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Persons shall comply with the continuing education requirements applicable to their particular registrations. The content of the Regulatory Element for a person designated as eligible for a waiver pursuant to Supplementary Material .01 to Rule 2.160(g) shall be determined based on the person's most recent registration status, and the Regulatory Element shall be completed based on the same cycle had the person remained registered.

- (B) Failure to Complete. Unless otherwise determined by the Exchange, Registered Person who have not completed the Regulatory Element of the continuing education program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Further, such person shall not be permitted to be registered in another registration category under Rule 2.160 with that Member or to be registered in any registration category under Rule 2.160 with another Member, until the person has satisfied the deficiency. Any person whose registration has been deemed inactive under this LTSE Rule shall cease all activities as a Registered Person and is prohibited from functioning in any capacity requiring registration with the Exchange. Further, such person may not accept or solicit business or receive any compensation for the purchase or sale of securities. However, such person may receive trail or residual commissions resulting from transactions completed before the inactive status, unless the Member with which such person is associated has a policy prohibiting such trail or residual commissions. A registration that is inactive for a period of two years will be administratively terminated. A person whose registration is so terminated may reactivate the registration only by reapplying for registration and satisfying applicable registration and qualification requirements of the Exchange's Rules. The Exchange may, upon application and a showing of good cause, allow for additional time for a Registered Person to satisfy the program requirements. If a person designated as eligible for a waiver pursuant to Supplementary Material .01 to Rule 2.160(g) fails to complete the Regulatory Element within the prescribed time frames, the person shall no longer be eligible for such a waiver.
- (C) Disciplinary Actions. Unless otherwise determined by the Exchange, a Registered Person, other than a person designated as eligible for a waiver pursuant to Supplementary Material .01 to Rule 2.160(g), will be required to retake the Regulatory Element and satisfy all of its requirements if such person:
- (i) is subject to any statutory disqualification as defined in Section 3(a)(39) of the Act,

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- (ii) is subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding, or
- (iii) is ordered as a sanction in a disciplinary action to retake the Regulatory Element by any securities governmental agency or securities self-regulatory organization.

The retaking of the Regulatory Element shall commence with participation within 120 days of the Registered Person becoming subject to the statutory disqualification, in the case of (p)(3)(A) above, or the disciplinary action becoming final, in the case of (p)(3)(B) or (C) above. The date of the disciplinary action shall be treated as such person's base date for purposes of this LTSE Rule.

- (D) Re-Association in a Registered Capacity. Any Registered Person who has terminated association with a registered broker or dealer and who has, within two years of the date of termination, become re-associated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element at such intervals that may apply (second anniversary and every three years thereafter) based on the initial registration anniversary date, rather than based on the date of re-association in a registered capacity. The following sets forth the Regulatory Elements appropriate for each registration category:

CATEGORY OF REGISTRATION	REGULATORY ELEMENT
General Securities Representative	S101 General Program
Securities Trader	S101 General Program
General Securities Principal	S201 Supervisor Program
Securities Trader Principal	S201 Supervisor Program
Financial and Operations Principal	S201 Supervisor Program

- (E) Reserved.

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- (F) Delivery of the Regulatory Element. The continuing education Regulatory Element program will be administered by FINRA.
 - (G) Regulatory Element Contact Person. Each Member shall designate and identify to FINRA on behalf of the Exchange (by name and e-mail address) an individual or individuals responsible for receiving e-mail notifications provided via the Central Registration Depository regarding when a Registered Person subject to the Regulatory Element is approaching the end of his or her Regulatory Element time frame and when such a person is deemed inactive due to failure to complete the requirements of the Regulatory Element program. Each Member shall identify, review, and, if necessary, update the information regarding its Regulatory Element contact person(s) as necessary to keep such information accurate.
- (2) Firm Element.
- (A) Persons Subject to the Firm Element. The requirements of this subparagraph shall apply to any person registered with a Member, pursuant to Rule 2.160, who has direct contact with customers in the securities business of the Member relating to activity that occurs on the Exchange, and to the immediate supervisors of such persons (collectively, “covered registered persons” for purposes of this subparagraph (b)). “Customer” shall mean any natural person and any organization, other than another broker or dealer, executing securities transactions with or through a Member.
 - (B) Standards for the Firm Element.
 - (i) Each Member must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skill, and professionalism. At a minimum, each Member shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the Member's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If a Member's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must be included in the Member's training plan.
 - (ii) Minimum Standards for Training Programs — Programs used to implement a Member's training plan must be appropriate for the business of the Member and, at a minimum must cover training in ethics and

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professional responsibility and the following matters concerning securities products, services, and strategies offered by the Member:

- a. General investment features and associated risk factors;
- b. Suitability and sales practice considerations; and
- c. Applicable regulatory requirements.

(iii) Administration of Continuing Education Program. A Member must administer its continuing education programs in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(C) Participation in the Firm Element. Covered registered persons included in a Member's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the Member.

(D) Specific Training Requirements. The Exchange may require a Member, individually or as part of a larger group, to provide specific training to its covered registered persons in such areas as the Exchange deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

(q) Registration Procedures.

- (1) Persons associated with a Member who seeks to register with the Exchange shall electronically file a Form U4 with the CRD System by appropriately checking the Exchange as a requested registration on the electronic Form U4 filing. Any person required to complete Form U4 shall promptly electronically file any required amendments to Form U4 with the CRD System.

(r) Termination of Employment.

- (1) The discharge or termination of employment of any person registered with the Exchange, together with the reasons therefor, shall be electronically reported to the CRD System, by an applicable Member immediately following the date of termination, but in no event later than thirty days following termination on a Uniform Termination Notice for Securities Industry Registration ("Form U5"). A copy of said termination notice shall be provided concurrently to the person whose association has been terminated.

Rule 2.170. Application Procedures for Membership or to become an Associated Person of a Member

- (2) The applicable Member shall also electronically report to the CRD System, by means of an amendment to the Form U5 filed pursuant to paragraph (r)(1) above, in the event that the Member learns of facts or circumstances causing any information set forth in the notice to become inaccurate or incomplete. Such amendment shall be provided concurrently to the person whose association has been terminated no later than thirty days after the Member learns of the facts or circumstances giving rise to the amendment.

Rule 2.170. Application Procedures for Membership or to become an Associated Person of a Member

- (a) Applications for membership shall be made to the Exchange and shall contain the following:
 - (1) An agreement to abide by, comply with, and adhere to the provisions of the Exchange's Certificate of Incorporation, its Bylaws, Rules, the policies, interpretations, and guidelines of the Exchange and all orders and decisions of the Exchange's Board and penalties imposed by the Board, and any duly authorized committee; provided, however, that such agreement shall not be construed as a waiver by the applicant of any right to appeal as provided in the Act.
 - (2) An agreement to pay such dues, assessments, and other charges in the manner and amount as shall from time to time be fixed by the Exchange.
 - (3) An agreement that the Exchange and its officers, employees, and Members of its Board and of any Board committee shall not be liable, except for willful malfeasance, to the applicant or to any other person, for any action taken by such director, officer, or Member in his, her or its official capacity, or by any employee of the Exchange while acting within the scope of his or her employment, in connection with the administration or enforcement of any of the provisions of the Exchange's Certificate of Incorporation, Bylaws, Rules, policies, interpretations, or guidelines of the Exchange, or any penalty imposed by the Exchange, its Board, or any duly authorized Board committee.
 - (4) An agreement that, in cases where the applicant fails to prevail in a lawsuit or administrative adjudicative proceeding instituted by the applicant against the Exchange or any of its officers, directors, committee Members, employees, or agents, to pay the Exchange or any of its officers, directors, committee members, employees, or agents, all reasonable expenses, including attorneys' fees, incurred by the Exchange in the defense of such proceeding, but only in the event that such expenses exceed Fifty Thousand Dollars (\$50,000.00); provided,

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however, that such payment obligation shall not apply to internal disciplinary actions by the Exchange or administrative appeals.

- (5) An agreement to maintain and make available to the Exchange, its authorized employees and its Board or Board committee members such books and records as may be required to be maintained by the Commission or LTSE Rules.
 - (6) Such other reasonable information with respect to the applicant as the Exchange may require.
- (b) Special Application Procedures for Applicants that are FINRA Members.
- (1) An applicant that is a FINRA member shall have the option to waive-in to become a Member and to register with the Exchange all persons associated with the applicant whose registrations with the applicant are approved with FINRA in categories recognized by the Exchange's rules. For purposes of this provision, the term "waive-in" means that the Exchange will rely substantially upon FINRA's determination to approve the applicant for FINRA membership when the Exchange evaluates the applicant for Exchange membership.
 - (2) Waive-in membership that is granted pursuant to this provision shall terminate in the event that the applicant ceases to be a FINRA member and otherwise fails to comply with LTSE Rule 2.160(a)(4).
 - (3) In lieu of submitting a full membership application otherwise required by the Exchange, an applicant may waive-in to Exchange membership as provided in this subparagraph (b) by filing with the Exchange a waive-in application on the form designated by the Exchange.
 - (4) The Exchange will act upon a duly submitted application to waive-into Exchange membership under paragraph (b) by promptly notifying, in writing, the applicant of the Exchange's determination. The Exchange will normally grant a duly submitted application to waive-into Exchange membership, provided that the applicant submits the required materials, the Exchange verifies that the applicant is a FINRA member, and that the Exchange is not otherwise aware of any basis to deny or condition approval of the application. A decision issued under this provision shall have the same effectiveness as set forth in paragraph (d) below. Denials of applications to waive-into Exchange membership shall be subject to the same procedures as those for denials of full applications as set forth in paragraphs (e) and (f) below.

Rule 2.170. Application Procedures for Membership or to become an Associated Person of a Member

- (c) Applications for association with a Member shall be made on Form U4 and such other forms as the Exchange may prescribe, and shall be delivered to the Exchange in such manner as designated by the Exchange.
- (d) If the Exchange is satisfied that the applicant is qualified for membership pursuant to the provisions of this Chapter 2, the Exchange shall promptly notify, in writing, the applicant of such determination, and the applicant shall be a Member.
- (e) If the Exchange is not satisfied that the applicant is qualified for membership pursuant to the provisions of this Chapter 2, the Exchange shall promptly notify the applicant of the grounds for denying the applicant. The Board on its own motion may reverse the determination that the applicant is not qualified for membership. If a majority of the Board specifically determines to reverse the determination to deny membership, the Board shall promptly notify Exchange staff, who shall promptly notify the applicant of the Board's decision and shall grant membership to the applicant. An applicant who has been denied membership may appeal such decision under LTSE Rule Series 9.500, which governs adverse action.
- (f) In considering applications for membership, the Exchange shall adhere to the following procedures:
 - (1) Where an application is granted, the Exchange shall promptly notify the applicant.
 - (2) The applicant shall be afforded an opportunity to be heard on the denial of membership pursuant to LTSE Rules Series 9.500, which govern adverse action.
- (g) Except where, pursuant to Section 17(d) of the Act, the Exchange has been relieved of its responsibility to review and act upon applications for associated persons of a Member, the procedures set forth in this Chapter 2 shall govern the processing of any such applications.
- (h) Each applicant shall file with the Exchange a list and descriptive identification of those persons associated with the applicant who are its executive officers, directors, principal shareholders, and general partners. Such persons shall file with the Exchange a Uniform Application for Securities Industry Registration of Transfer ("Form U4"). Applicants approved as Members of the Exchange must keep such information current with the Exchange.

(Amended by SR-LTSE-2019-05 eff. December 20, 2019)

Rule 2.200. Dues, Assessments and Other Charges

Rule 2.180. Revocation of Membership or Association with a Member

Members or associated persons of Members may effect approved securities transactions on the Exchange's trading facilities only so long as they possess all the qualifications set forth in LTSE Rules. Except where, pursuant to Section 17(d) of the Act, the Exchange has been relieved of its responsibility to monitor the continued qualifications of a Member or an associated person of a Member, when the Exchange has reason to believe that a Member or associated person of a Member fails to meet such qualifications, the Exchange may act to revoke such Member or associated person of a Member's membership or association with the Exchange. Such actions shall be instituted under, and governed by, Chapter 8 of the LTSE Rules and may be appealed under LTSE Rules Series 9.500, which governs adverse action. In connection with any revocation of rights as a Member or voluntary termination of rights as a Member pursuant to LTSE Rule 2.190 below, the Member's membership in the Exchange shall be canceled.

Rule 2.190. Voluntary Termination of Rights as a Member

A Member may voluntarily terminate its rights as a Member only by a written resignation addressed to the Exchange's Secretary or another officer designated by the Exchange. Such resignation shall not take effect until 30 days after all of the following conditions have been satisfied: (i) receipt of such written resignation; (ii) all indebtedness due the Exchange shall have been paid in full; (iii) any Exchange investigation or disciplinary action brought against the Member has reached a final disposition; and (iv) any examination by the Exchange of such Member is completed and all exceptions noted have been reasonably resolved; provided, however, that the Board may declare a resignation effective at any earlier time.

Rule 2.200. Dues, Assessments and Other Charges

The Exchange may prescribe such reasonable assessments, dues, or other charges as it may, in its discretion, deem appropriate. Such assessments and charges shall be equitably allocated among Members, issuers, and other entities or persons using the Exchange's facilities.

Rule 2.210. No Affiliation between Exchange and any Member

- (a) Without the prior approval of the Commission, the Exchange or any entity with which it is affiliated shall not, directly or indirectly, acquire, or maintain an ownership interest in a Member. In addition, without the prior approval of the Commission, a Member shall not be or become an affiliate of the Exchange, or an affiliate of any affiliate of the Exchange. The term affiliate shall have the meaning specified in Rule 12b-2 under the Act. Nothing in this LTSE Rule 2.210 shall prohibit a Member or its affiliate from acquiring or holding an equity interest in LTSE Group, Inc. that is permitted by the

Rule 2.230. Retention of Jurisdiction

ownership and voting limitations contained in the Certificate of Incorporation and Bylaws of LTSE Group, Inc. In addition, nothing in this LTSE Rule 2.210 shall prohibit a Member from being or becoming an affiliate of the Exchange, or an affiliate of any affiliate of the Exchange, solely by reason of such Member or any officer, director, manager, managing member, partner, or affiliate of such Member being or becoming either (a) a Director (as such term is defined in the Bylaws of the Exchange) pursuant to the Bylaws of the Exchange; or (b) a Director serving on the Board of Directors of LTSE Group, Inc.

Rule 2.220. Reserved

Rule 2.230. Retention of Jurisdiction

- (a) An LTSE Member whose membership is revoked, terminated or cancelled, and a person whose association thereof is revoked, terminated or cancelled, and is no longer associated with any member shall continue to be subject to the filing of a complaint under LTSE rules based upon conduct which commenced prior to the effective date of the revocation or termination. Any such complaint, however, shall be filed within two years after the effective date of resignation, cancellation, termination, or revocation.
- (b) A person whose association with an LTSE Member has been revoked, terminated, or cancelled, and is no longer associated with any LTSE Member, shall continue to be subject to the filing of a complaint under LTSE Rules based upon conduct that commenced prior to the termination, revocation, or cancellation, or upon such person's failure, while subject to LTSE's jurisdiction, and must provide information requested by LTSE pursuant to LTSE Rules. Any such complaint shall be filed within:
 - (i) two years after the effective date of termination of registration with LTSE pursuant to Rule 2.160(r)(1); provided, however, that any amendment to a notice of termination filed pursuant to Rule 2.160(r)(2) that is filed within two years of the original notice that discloses that such person may have engaged in conduct actionable under any applicable statute, rule, or regulation shall operate to recommence the running of the two-year period under this subsection; or
 - (ii) two years after the effective date of revocation or cancellation of registration pursuant to LTSE Rules; or in the case of an unregistered person, two years after the date upon which such person ceased to be associated with the Member.

Rule 2.250. Mandatory Participation in Testing of Backup Systems

Rule 2.240. Fidelity Bonds

- (a) Each Member required to join the Securities Investor Protection Corporation who has employees, and who is a Member in good standing of another self-regulatory organization, shall follow the applicable fidelity bond rule of the self-regulatory organization to which it is designated by the Commission for financial responsibility pursuant to Section 17 of the Act and SEC Rule 17d-1 thereunder.
- (b) A Member designated to the Exchange for oversight pursuant to SEC Rule 17d-1 shall comply with FINRA Rule 4360 as if such rule were part of the Exchange's Rules.
- (c) For purposes of this LTSE Rule 2.240, references to a "member" shall be construed as references to a "Member."
- (d) Pursuant to LTSE Rule Series 9.600, any Member subject to paragraph (d) of FINRA Rule 4360, through the application of paragraph (b) above, may apply to the Exchange for an exemption from such requirements. The exemption may be granted upon a showing of good cause, including a substantial change in the circumstances or nature of the Member's business that results in a lower net capital requirement. The Exchange may issue an exemption subject to any condition or limitation upon a Member's bonding coverage that is deemed necessary to protect the public and serve the purpose of this LTSE Rule.

Rule 2.250. Mandatory Participation in Testing of Backup Systems

- (a) Pursuant to Regulation SCI and with respect to the Exchange's business continuity and disaster recovery plans, including its backup systems, the Exchange is required to establish standards for the designation of Members that the Exchange reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event of the activation of such plans. The Exchange has established standards, and will designate Members according to those standards as set forth below. All Members are permitted to connect to the Exchange's backup systems and to participate in testing of such systems.
- (b) Members that have been determined by the Exchange to contribute a meaningful percentage of the Exchange's overall volume are required to connect to the Exchange's backup systems and participate in functional and performance testing as announced by the Exchange, which shall occur at least once every 12 months.
- (c) For purposes of identifying Members that account for a meaningful percentage of the Exchange's overall volume, the Exchange will measure volume executed on the Exchange on a quarterly basis. The percentage of volume that the Exchange

Rule 2.250. Mandatory Participation in Testing of Backup Systems

considers to be meaningful for purposes of this LTSE Rule 2.250 will be determined by the Exchange, and will be published in a circular distributed to Members. The Exchange will also individually notify all Members quarterly that are subject to paragraph (b) of this LTSE Rule 2.250 based on the prior calendar quarter's volume. If a Member has not previously been subject to the requirements of paragraph (b) of this LTSE Rule 2.250, such Member will have until the next calendar quarter before such requirements are applicable.

- (d) For calendar year 2020, notwithstanding paragraphs (b) and (c), the Exchange will instead designate at least three Members who have a meaningful percentage of trading volumes in NMS Stocks across the other equity exchanges. The Exchange will designate firms that have already established connections to the Exchange's backup systems. The Exchange will notify Members designated under this paragraph (d) no later than July 10, 2020.

(Amended by SR-LTSE-2019-10 eff. June 22, 2020)