

## **CHAPTER 1. ADOPTION, INTERPRETATION AND APPLICATION OF LTSE RULES, AND DEFINITIONS**

### **Rule Series 1.100. General Provisions**

#### **Rule 1.110. Adoption of LTSE Rules**

The following LTSE Rules are adopted pursuant to Article III, Section 3.1 and Article X, Section 10.1 of the Bylaws of the Exchange.

#### **Rule 1.120. Effective Date**

All LTSE Rules shall be effective when approved by the Commission in accordance with the Act and the rules and regulations thereunder, except for those Rules that are effective upon filing with the Commission, and except as otherwise specified by the Exchange in individual Rule filings or these Rules.

#### **Rule 1.130. Interpretation**

LTSE Rules shall be interpreted in such a manner as to comply with the rules and requirements of the Act and to effectuate the purposes and business of the Exchange, as well as to require that all practices by the Exchange be just, reasonable, and not unfairly discriminatory.

#### **Rule 1.140. Reserved**

#### **Rule 1.150. Applicability**

- (a) These Rules shall apply to all Members and persons associated with a Member. Persons associated with a Member shall have the same duties and obligations as a Member under these Rules.
- (b) A Member or person associated with a Member, who has been expelled, canceled, or revoked from membership or from registration with the Exchange, or who has been barred from being associated with all Members, shall cease to have any privileges of Exchange membership or registration. A Member or person associated with a Member who has been suspended from Exchange membership or registration shall also cease to have any privileges of membership or registration other than those under the Code of Procedure as set forth in Chapter 9 of the LTSE Rules. In neither case shall such a Member or person associated with a Member be entitled to recover any admission fees, dues, assessments or other charges paid to the Exchange.

- (c) A Member or person associated with a Member who has been suspended from Exchange membership or registration shall be considered a non-Member during the period of suspension for purposes of applying the provisions of these Rules, which govern dealings between both Members and non-Members. In this regard, such non-Member shall retain all of the obligations imposed on a Member or person associated with a Member by the Rules of the Exchange.

**Rule 1.160. Definitions**

Unless the context otherwise requires, for all purposes of these LTSE Rules, terms used in LTSE Rules shall have the meaning assigned in Article I of the Exchange's Bylaws or as set forth below:

- (a) Act or Exchange Act: The terms "Act" or "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.
- (b) Active Order: The term "active order" shall mean an order checking against the Order Book for contra-side interest against which to execute and includes new incoming orders. For each symbol, only one order may be Active at a given time.
- (c) Adverse Action: The term "adverse action" shall mean any action taken by the Exchange that adversely affects the rights of any Member, applicant for membership, or any person associated with a Member (including the denial of membership and the barring of any person from becoming associated with a Member), and any prohibition or limitation by the Exchange imposed on any person with respect to access to services offered by the Exchange, or a Member thereof. This term does not include disciplinary actions for violations of any provision of the Act or the rules and regulations promulgated thereunder, or any provision of the Bylaws or LTSE Rules or any interpretation thereof, or resolution or order of the Board or appropriate committee of the Board, which has been filed with the Commission pursuant to Section 19(b) of the Act and has become effective thereunder. Review of disciplinary actions is provided for in LTSE Rule Series 9.500.
- (d) Authorized Trader or AT: The terms "Authorized Trader" or "AT" shall mean a person who may submit orders (or who supervises a routing engine that may automatically submit orders) to the Exchange's trading facilities on behalf of the Member he or she is associated with or his or her Sponsored Participant.
- (e) Board or Board of Directors: The terms "Board" and "Board of Directors" shall mean the Board of Directors of the Exchange.

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- (f) Broker: The term “broker” shall have the same meaning as in Section 3(a)(4) of the Act.
- (g) Bylaws: The term “Bylaws” means the Bylaws of the Exchange.
- (h) Central Registration Depository or CRD System: The term “Central Registration Depository” or “CRD System” shall mean the Central Registration Depository operated by FINRA.
- (i) Certificate of Incorporation: The term “Certificate of Incorporation” shall mean the Certificate of Incorporation of the Exchange, as amended.
- (j) Chief Regulatory Officer: The term “Chief Regulatory Officer” or “CRO” means the Chief Regulatory Officer of LTSE, or his or her delegate.
- (k) Code of Procedure: The term “Code of Procedure” means the procedural rules contained in Chapter 9 of the LTSE Rules.
- (l) Commission or SEC: The terms “Commission” or “SEC” shall mean the U.S. Securities and Exchange Commission, established pursuant to the Act.
- (m) Customer: The term “customer” shall not include a broker or dealer.
- (n) Dealer: The term “dealer” shall have the same meaning as in Section 3(a)(5) of the Act.
- (o) Designated Self-Regulatory Organization: The term “designated self-regulatory organization” shall mean a self-regulatory organization other than the Exchange, designated by the Commission under Section 17(d) of the Act to enforce compliance with LTSE Rules by the Exchange’s Members.
- (p) Exchange: The term “Exchange” shall mean Long-Term Stock Exchange, Inc., a registered national securities exchange.
- (q) FINRA or NASD: The terms “FINRA” and “NASD” mean, collectively, the Financial Industry Regulatory Authority, Inc. and its subsidiaries.
- (r) LTSE: The term “LTSE” shall mean the Exchange.
- (s) LTSE-Primary-Listed Security: The term “LTSE-Primary-Listed Security” shall mean a class of securities listed on the Exchange for which the Exchange is the primary listing market.

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- (t) **LTSE Order Book or Order Book:** The terms “LTSE Order Book” and “Order Book” shall mean the System’s electronic file of orders.
- (u) **LTSE Regulation:** The term “LTSE Regulation” shall mean the department of LTSE or designated employees of LTSE that supervise, administer, or perform the regulatory functions of LTSE, including the administration of any regulatory services agreements with another self-regulatory organization to which LTSE is a party.
- (v) **LTSE Appeals Committee:** The term "LTSE Appeals Committee" means the committee authorized and directed to act for the Board of Directors in a manner consistent with the Rules and Bylaws of LTSE with respect to (1) an appeal or review of a disciplinary proceeding; (2) a statutory disqualification decision; (3) a review of a membership proceeding; (4) a review of an offer of settlement, a letter of acceptance, waiver, and consent, and a minor rule violation plan letter; (5) the exercise of exemptive authority; and (6) such other proceedings or actions authorized by the Rules of the Exchange.
- (w) **Member:** The term “Member” shall mean any registered broker or dealer that has been admitted to membership in the Exchange. A Member will have the status of a Member of the Exchange as that term is defined in Section 3(a)(3) of the Act. Membership may be granted to a sole proprietor, partnership, corporation, limited liability company, or other organization that is a registered broker or dealer pursuant to Section 15 of the Act, and which has been approved by the Exchange.
- (x) **Midpoint Price:** The term “Midpoint Price” shall mean the midpoint of the NBBO. Where the midpoint may be expressed within four (4) decimal places beyond the dollar, the Exchange uses the Midpoint Price; for Midpoint Prices, which would require a fifth decimal place beyond the dollar, the Exchange uses the nearest, passive, fourth decimal price.
- (y) **NBB, NBO or NBBO:** The term “NBB” shall mean the national best bid, the term “NBO” shall mean the national best offer, and the term “NBBO” shall mean the national best bid or offer, as set forth in Rule 600(b) of Regulation NMS under the Act, determined as set forth in LTSE Rule 11.410(b).
- (z) **Non-LTSE-Primary-Listed Security:** The term “Non-LTSE-Primary-Listed Security” shall mean: (i) any UTP Security; and (ii) any Dually-Listed Securities, as provided for in Rule 14.210, which are not LTSE-Primary-Listed Securities.
- (aa) **Official Closing Price:** The term “Official Closing Price” of a security means the closing price of such security on the primary listing market in such security.

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- (bb) Person: The term “person” shall include any natural person, partnership, corporation, association, or other legal entity.
- (cc) Person Associated with a Member or Associated Person of a Member: The terms “person associated with a Member” or “associated person of a Member” mean any partner, officer, director, or branch manager of a Member (or person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such Member, or any employee of such Member, except that any person associated with a Member whose functions are solely clerical or ministerial shall not be included in the meaning of such term for purposes of these Rules.
- (dd) Pre-Market Hours or Pre-Market Session: The term “Pre-Market Hours” or “Pre-Market Session” shall mean the time between 8:00 a.m. and 9:30 a.m. Eastern Time.
- (ee) Post-Market Hours or Post-Market Session: The term “Post-Market Hours” or “Post-Market Session” shall mean the time between 4:00 p.m. and 5:00 p.m. Eastern Time.
- (ff) Protected Bid, Protected Offer, and Protected Quotation: The term “Protected Bid” or “Protected Offer” shall mean a bid or offer, respectively, in a security that is (i) displayed by an automated trading center; (ii) disseminated pursuant to an effective national market system plan; and (iii) an automated quotation that is calculated by LTSE to be the best bid or best offer, respectively, of a national securities exchange or association. The term “Protected Quotation” shall mean a quotation that is a Protected Bid or Protected Offer.
- (gg) Protected NBB, Protected NBO, and Protected NBBO: The term “Protected NBB” shall mean the national best bid that is a Protected Quotation, the term “Protected NBO” shall mean the national best offer that is a Protected Quotation, and the term “Protected NBBO” shall mean the national best bid or offer that is a Protected Quotation, determined as set forth in LTSE Rule 11.410(b).
- (hh) Quotations: The term “quotations” means displayed quotations.
- (ii) Registered Broker or Dealer: The term “registered broker or dealer” means any broker or dealer, as defined in Section 3(a)(48) of the Act, that is registered with the Commission under the Act.
- (jj) Registered Clearing Agency: The term “registered clearing agency” means a clearing agency registered with the Commission pursuant to Section 17A of the Act that is deemed qualified by the Exchange.

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- (kk) Regular Market Hours or Regular Market Session: The term “Regular Market Hours” or “Regular Market Session” means the time between 9:30 a.m. and 4:00 p.m. Eastern Time.
- (ll) Regulatory Contract: The term Regulatory Contract means the regulatory services agreement between LTSE and FINRA pursuant to which FINRA has agreed to perform certain regulatory functions on behalf of LTSE.
- (mm) Resting Order: The term “resting order” shall mean any order with unexecuted, open share interest that has been posted to the LTSE Order Book pursuant to LTSE Rule 11.190.
- (nn) Rules, LTSE Rules, Exchange Rules, or Rule of the Exchange: Each of the terms “Rules,” “LTSE Rules,” “Exchange Rules,” or “Rules of the Exchange” means the numbered rules set forth in the LTSE Rules beginning with LTSE Rule Series 1.100, as adopted by the Board pursuant to the Bylaws of the Exchange, as hereafter amended or supplemented, and also includes the Certificate of Incorporation and the Bylaws of the Exchange.
- (oo) Sponsoring Member: The term “Sponsoring Member” shall mean a broker-dealer that has been issued a membership by the Exchange who has been designated by a Sponsored Participant to execute, clear, and settle transactions resulting from the System. The Sponsoring Member shall be either (i) a clearing firm with membership in a clearing agency registered with the Commission that maintains facilities through which transactions may be cleared, or (ii) a correspondent firm with a clearing arrangement with any such clearing firm.
- (pp) Sponsored Participant: The term “Sponsored Participant” shall mean a person which has entered into a sponsorship arrangement with a Sponsoring Member pursuant to LTSE Rule 11.130.
- (qq) Statutory Disqualification: The term “statutory disqualification” shall mean any statutory disqualification as defined in Section 3(a)(39) of the Act.
- (rr) System: The term “System” shall mean the electronic communications and trading facility designated by the Board through which securities orders of Members are consolidated for ranking and execution.
- (ss) System Hours: The term “System Hours” means the time between the beginning of the Pre-Market Session and the end of the Post-Market Session, which is the time between 8:00 a.m. and 5:00 p.m. Eastern Time.

**Rule 1.180. Fingerprint-Based Background Checks of Exchange Employees and Others**

- (tt) Top of Book: The term “Top of Book” shall mean the best-ranked order to buy (or sell) in the Order Book as ranked pursuant to LTSE Rule 11.220.
- (uu) User: The term “User” shall mean any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to LTSE Rule 11.130.
- (vv) UTP Security: The term “UTP Security” shall mean any security that is not listed on the Exchange, but is traded on the Exchange pursuant to unlisted trading privileges.

*(Amended by SR-LTSE-2019-04 eff. December 5, 2019)*

**Rule 1.170. Regulation of LTSE and Its Members**

- (a) The Exchange 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 the Exchange. The 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 the Exchange pursuant to the Regulatory Contract.
- (b) Notwithstanding the fact that the Exchange has entered into the Regulatory Contract with FINRA to perform some of the Exchange's functions, the Exchange shall retain ultimate legal responsibility for, and control of, such functions.

In addition, the Exchange has incorporated by reference certain FINRA, NASD and New York Stock Exchange rules. Exchange members shall comply with these rules and interpretations as if such rules and interpretations were part of the Exchange's Rules.

**Rule 1.180. Fingerprint-Based Background Checks of Exchange Employees and Others**

- (a) In order to enhance the security of the respective facilities, systems, data, and/or records of the Exchange (collectively, “facilities and records”), the Exchange shall obtain fingerprints from, and conduct a fingerprint-based background check of, all prospective and current employees, temporary personnel, independent contractors, and service providers of the Exchange. However, the Exchange may determine not to obtain fingerprints from, or to seek fingerprint-based background information with respect to, a person due to that person's limited, supervised, or restricted access to facilities and records; or the nature or location of his or her work or services. The Exchange shall apply this rule in all circumstances where permitted by applicable law.
- (b) The Exchange shall submit fingerprints obtained pursuant to this rule to the Attorney General of the United States or his or her designee for identification and processing.

**Rule 1.180. Fingerprint-Based Background Checks of Exchange Employees and Others**

The Exchange shall at all times maintain the security of all fingerprints provided to, and all criminal history record information received from, the Attorney General or his or her designee. The Exchange shall not disseminate fingerprints or information to the extent prohibited by applicable law.

- (c) The Exchange shall evaluate information received from the Attorney General or his or her designee and otherwise administer this rule in accordance with Exchange fingerprint procedures as in effect from time to time and the provisions of applicable law. Fingerprint-based background information, such as a felony or serious misdemeanor conviction, will be a factor in making employment decisions; engaging or retaining any temporary personnel, independent contractors, or service providers; or permitting any fingerprinted person access to facilities and records.

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\* \* \* \* \* **Supplementary Material** \* \* \* \* \*

**.01 Fingerprints and the Issuance of Identification Badges.**

*The Exchange intends, with limited exceptions, to obtain fingerprints from, and fingerprint-based background information with respect to, all employees, temporary personnel, independent contractors, and service providers who receive Exchange-issued photo badges or other identification permitting them access to facilities and records for more than one day ("Long-Term Badges"). The Exchange has the capacity electronically to immediately limit or terminate the access to facilities and records that Long-Term Badges permit, and reserves the right to do so. On a case-by-case basis, the Exchange may determine not to obtain fingerprints from a person to whom a Long-Term Badge is issued, based on the decision of a committee of Exchange officers who oversee application of the rule that there exists an exception to obtaining the fingerprints, as contemplated by the rule.*

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*(Amended by SR-LTSE-2020-05 eff. March 6, 2020)*