

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-87773; File No. SR-LTSE-2019-04)

December 17, 2019

Self-Regulatory Organizations; Long-Term Stock Exchange; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Dual Listing

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on December 5, 2019, Long-Term Stock Exchange (“LTSE” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

LTSE proposes to add two definitions to Rule 1.160 to clarify the meaning of two amended terms – LTSE-Primary-Listed Security and Non-LTSE-Primary-Listed Security – in the Rule 11 Series (Trading Rules) in the context of an exchange that provides for dually-listed securities.

The text of the proposed rule change is available at the Exchange’s website at <https://longtermstockexchange.com/>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement on the Purpose of, and Statutory Basis for, the Proposed Rule Change

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<sup>1</sup> 15 U.S.C.78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement on the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The rules of the Exchange provide for dual listings.<sup>4</sup> The concept of dual listing is not new. Companies have dually listed their securities on NYSE and Nasdaq,<sup>5</sup> and more recently, companies dual list their securities on a foreign and U.S. exchange.<sup>6</sup> One of the reasons a company may dual list is to commit to comply with a more stringent regulatory regime, such as an exchange’s listing standards.<sup>7</sup> The Commission recently approved LTSE Rule 14.425, in

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<sup>4</sup> See Rule 14.210 (Dually-Listed Securities).

<sup>5</sup> See Craig Karmin, Nasdaq Draws 6 Dual Listings, Including H-P and Schwab, WALL ST. J. (Jan. 13, 2004), <https://www.wsj.com/articles/SB107391401136003100>.

<sup>6</sup> Dual listing in the United States and a foreign jurisdiction allows a company to more easily reach a global set of investors and benefit from a multitude of trading venues. See International Investing, SEC. & EXCH. COMM’N (Dec. 7, 2016), available at <https://www.sec.gov/reportspubs/investor-publications/investorpubsinvesthtm.html> (“Although most foreign stocks trade in the U.S. markets as ADRs, some foreign companies list their stock directly here as well as in their local market. For example, some Canadian stocks that are listed and trade on Canadian markets are also listed and trade directly in U.S. markets, rather than as ADRs. Some foreign companies list their securities in multiple markets, which may include U.S. markets.”).

<sup>7</sup> See Securities Exchange Act Release No. 50741 (Nov. 29, 2004), 69 FR 70296, 70298 (Dec. 3, 2004) (“Nasdaq believes issuers that become dually listed voluntarily undertake a second set of regulations and therefore demonstrate their commitment to regulatory excellence.”). See generally Cecilia Caglio, et al., Going Public Abroad 3 (DERA, Working Paper, Nov. 2013), available at <https://www.sec.gov/files/rsfi-wp2013-01.pdf> (“[G]oing public in a market with more stringent securities laws can also maximize

which the Exchange enhanced its listing standards to require companies that list with the Exchange to adopt and publish a Long-Term Stakeholder Policy, a Long-Term Strategy Policy, a Long-Term Compensation Policy, a Long-Term Board Policy and a Long-Term Investor Policy (collectively, “Long-Term Policies”).<sup>8</sup>

Dually-Listed Securities as defined in the Exchange Rule 14.210 refers to securities that also are listed on another national securities exchange registered with the Commission under Section 6(a) of the Act. Inasmuch as Dually-Listed Securities, by virtue of already being listed on another national securities exchange are eligible to trade on each of the registered national securities exchanges under Unlisted Trading Privileges (“UTP”), the primary benefit to an issuer from such a dual listing flows from its commitment to adhere to the Exchange’s differentiated listing standards, e.g., the Long-Term Policies. The Long-Term Policies are intended to better enable companies to focus on long-term value creation, potentially enhancing opportunities for capital formation, including capital from long-term focused institutional investors and index funds that have established long-term focused mandates.

The decision to offer companies the option of dually listing is not aimed at displacing the role of the primary listing market in the opening and closing auctions. Indeed, the Commission recently noted the role of the primary listing market in working with the Nasdaq and NYSE to provide transparency on how a closing price would be determined if a systems or technical issue prevented normal exchange operations.<sup>9</sup> In that approval order, the Commission noted “that the

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proceeds by enabling the issuing firm to credibly commit to greater ongoing disclosure.”).

<sup>8</sup> See Securities Exchange Act Release No. 86722 (Aug. 21, 2019), 84 FR 44952 (Aug. 27, 2019).

<sup>9</sup> See Securities Exchange Act Release No. 78014 (June 8, 2016), 81 FR 38755 (June 14, 2016).

primary listing market's closing price for a security is relied upon by market participants for a variety of reasons, including, but not limited to, calculation of index values, calculation of the net asset value of mutual funds and exchange-traded products, and the price of derivatives that are based on the security.”<sup>10</sup>

To maintain the status quo and ensure that dual listings do not interfere with the primary listing market in various market operations, including managing the opening and closing auctions as well as addressing intra-day auctions as a result of market pauses or halts, the Exchange proposes to amend the term “LTSE-listed security” as used throughout the Rule 11 Series to “LTSE-Primary-Listed Security” and define it in Rule 1.160 (Definitions) to mean “a class of securities listed on the Exchange for which the Exchange is the primary listing market.” Likewise, the Exchange proposes to amend the term “non-LTSE-listed security” as used throughout the Rule 11 Series to “Non-LTSE-Primary-Listed Security” and define it in Rule 1.160 to 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.”<sup>11</sup> These proposed clarifications are already implemented in part in the supplementary material to Rule 14.210, which excludes

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<sup>10</sup> Id. at 38757. See also Research Note: Equity Market Volatility on August 24, 2015, SEC. & EXCH. COMM’N (Dec. 2015), available at [https://www.sec.gov/marketstructure/research/equity\\_market\\_volatility.pdf](https://www.sec.gov/marketstructure/research/equity_market_volatility.pdf) (discussing the impact of the opening and re-opening process at the primary listing market, noting that S&P Dow Jones Indices LLP (“S&P DJI”) generally uses prices from only the primary listing exchange for calculating index values, including the S&P 500 Index that provides the reference for triggering market-wide circuit breakers and the that the price of the opening cross on the primary listing exchange (if it occurs before 9:35) is used as a reference price for calculation of the first Limit Up-Limit Down price bands of a trading day).

<sup>11</sup> “UTP Security” is defined in Rule 1.160 as “any security that is not listed on the Exchange, but is traded on the Exchange pursuant to unlisted trading privileges.” “Dually-Listed Securities,” as provided for in Rule 14.210, means “a class of securities that has been approved for listing on another national securities exchange registered with the Commission pursuant to Section 6(a) of the Act.”

the applicability of various provisions in Rule 11.282 (Regulatory Trading Halts) to Dually-Listed Securities where LTSE is not the primary listing market. In reviewing the Rule 11 Series, the Exchange observed that there are other provisions in the Rule 11 Series that would benefit from similar clarity in the context of dual listings. In particular, the provisions applicable to a Market Maker's request to withdraw quotations in a security and terminate its registration in a security as contained in Rules 11.152(c)(1) and (e)(3), and in Rule 11.153(a), pertain to activity for LTSE-Primary-Listed Securities and are proposed to be amended accordingly. Additionally, the provisions in Rule 11.190 describing the handling of market orders submitted before the open of the Regular Market Session are proposed to be amended in paragraphs (a)(2)(E)(ii) and (f)(1) to distinguish between the Auction process provided for in Rule 11.350, which applies to LTSE-Primary-Listed Securities, and the Opening Process provided for in Rule 11.231, which applies to Non-LTSE-Primary-Listed Securities.<sup>12</sup>

Although Supplementary Material .01 to Rule 14.210 states that the Exchange shall continue to honor the trade halt authority of the primary listing market under the CQ and CTA Plans or the UTP Plan, as applicable, the proposed rule change would amend Rule 11.281(a)(8) to use the new proposed definitions in place of the more generic LTSE-listed and non-LTSE-listed securities rule text. Similar amendments are proposed to Rule 11.282(a)(1) and (a)(4) with respect to Regulatory Trading Halts, with the latter addressing, in addition, American Depository Receipts ("ADRs") that are LTSE-Primary-Listed Securities.

Rule 11.330 describes various data products to be offered by the Exchange, and the proposed rule change would amend paragraph (a)(1) to clarify that the Auction Information to be provided via the LTSE Web Platform pertains to LTSE-Primary-Listed Securities. Lastly, as

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<sup>12</sup> The proposed rule change also would amend the title of Rule 11.231.

previously noted above, Rule 11.350 governs how auctions are conducted on the Exchange. To clarify that these provisions apply to primary listed securities, the term “LTSE-listed security” is proposed to be replaced with “LTSE-Primary-Listed Security” in Rule 11.350 paragraphs (a)(1)(E)(i), (a)(10)-(13), (c)(2), (c)(2)(B), (c)(2)(D), (c)(2)(E), (c)(2)(F), (d)(2), (d)(2)(B), (d)(2)(D), (e), (e)(2)(C), (f), (f)(1)(A), (f)(2)(C)(iii), (f)(2)(E), (f)(3), (f)(3)(B)(ii), and Supplementary Material .02.

In creating these two new definitions, the Exchange desires to maintain the definitions in Rule 1.160 in alphabetical order. However, to maintain flexibility to add or delete defined terms in the future, the Exchange proposes to remove specific cross-references to defined terms throughout the rule book, while keeping the cross-references to Rule 1.160, more generally.<sup>13</sup> These proposed changes would remove the cross-reference to “Rule 1.160(m)” in Rule 14.202(h), and the 26 cross-references to “Rule 1.160(qq)” in Rules 14.207(b)(1)-(2), 14.501(c), and 14.505(k), and in the Supplementary Material to Rule 14.207.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>14</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>15</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to

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<sup>13</sup> Very few of the definitions are cross-referenced to Rule 1.160, and even fewer are done at the paragraph or subparagraph level.

<sup>14</sup> 15 U.S.C. 78f.

<sup>15</sup> 15 U.S.C. 78f(b)(5).

protect investors and the public interest. In this respect, the proposed rule change would help ensure that issuers, investors and the public more easily understand the meaning and operation of the Exchange's trading rules as applied to dually-listed securities.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>16</sup> and Rule 19b-4(f)(6) thereunder.<sup>17</sup>

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the

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<sup>16</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>17</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

Commission shall institute proceedings under Section 19(b)(2)(B)<sup>18</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-LTSE-2019-04 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-LTSE-2019-04. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE,

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<sup>18</sup> 15 U.S.C. 78s(b)(2)(B).



Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-LTSE-2019-04 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>19</sup> 17 CFR 200.30-3(a)(12).