

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-94515; File No. SR-LTSE-2022-02)

March 24, 2022

Self-Regulatory Organizations; Long-Term Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Continuing Education Requirements

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 15, 2022, Long-Term Stock Exchange, Inc. (“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

The Exchange is filing with the Commission a proposed rule change to adopt new LTSE Rule 2.154 and amend LTSE Rule 2.160. The proposed rule change is based on recent changes made by the Financial Industry Regulatory Authority, Inc. (“FINRA”) to its Continuing Education Program³ (the “CE Transformation Initiative”), which includes a change to provide a path through continuing education for individuals to maintain their qualification following the termination of a registration.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Rel. No. 93097 (September 21, 2021), 86 Fed. Reg. 53358 (September 27, 2021) (Order Approving File No. SR-FINRA-2021-015) (the “Approval Order”).

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 of the Purpose of, and Statutory Basis for, the Proposed Rule Change

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 these 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 of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange sets forth certain continuing education requirements for persons associated with a Member which are based on certain FINRA rules.⁴ The proposed rule change seeks to amend certain LTSE rules to more closely mirror FINRA rules, as amended as part of the CE Transformation Initiative.

Specifically, the proposed rule change would (i) adopt new LTSE Rule 2.154 to incorporate by reference FINRA Rule 1240(c) and Supplementary Material .01 and .02, which addresses how an associated person of a member can maintain their qualifications following the termination of a registration category, (ii) delete LTSE Rule 2.160(o) (Lapse of Registration and Expiration of SIE) because its substance is being replaced by new Rule 2.154, and (iii) amend Supplementary Material .01 to LTSE Rule 2.160(g) to state that effective March 15, 2022, LTSE

⁴ Id.

will not accept any new initial designations for waiver for persons working for a financial services industry affiliate of a Member as specified therein. Each of these proposed changes align with changes to FINRA’s Continuing Education Program,⁵ which are scheduled to become effective on March 15, 2022.⁶

The proposed rule change is part of a larger initiative in which LTSE intends to align the structure of its registration, continuing education and supervision rules with those of FINRA. As noted above, however, the proposed rule change addresses only those changes that become effective on March 15, 2022.

(i) Maintenance of Qualification After Termination of Registration

Effective March 15, 2022, FINRA has established a program providing eligible individuals who terminate any of their representative or principal registrations with the option of maintaining their qualification for certain terminated registrations by completing annual continuing education (“Maintaining Qualifications Program” or “MQP”). The rule change provides individuals who elect this option a maximum of five years in which to re-register with a member firm without having to requalify by exam or having to obtain an exam waiver by adopting paragraph (c) under FINRA Rule 1240 and related Supplementary Material .01 and .02. The amended FINRA rule did not eliminate the two-year qualification period.⁷ Rather, it

⁵ Id.

⁶ See FINRA Rules 1210 and 1240. In FINRA Regulatory Notice 21-41 (November 17, 2021), FINRA announced the amendment of Rules 1210 and 1240, noting effective dates, March 15, 2022 (with respect to paragraph (c) of Rule 1240 and Supplementary Material .09 to Rule 1210)); January 1, 2023 (all other rule changes).

⁷ See Approval Order, supra note 3 at 53360 (The “two-year qualification period” is defined as, “Currently, individuals whose registrations as representatives or principals have been terminated for two or more years may reregister as representatives or principals only if they requalify by retaking and passing the applicable representative- or principal-level examination or if they obtain a waiver of such examination(s).”).

provides such individuals an alternative means of staying current on their regulatory and securities knowledge following the termination of a registration(s). Eligible individuals who elect not to participate in the proposed continuing education program will continue to be subject to the current two-year qualification period. This rule change is generally aligned with other professional continuing education programs that allow individuals to maintain their qualification to work in their respective fields during a period of absence from their careers (including an absence of more than two years) by satisfying continuing education requirements for their credentials. FINRA's rule change would impose the following conditions and limitations:

- individuals would be required to be registered in the terminated registration category for at least one year immediately prior to the termination of that category;⁸
- individuals could elect to participate when they terminate a registration or within two years from the termination of a registration;⁹
- individuals would be required to complete annually all prescribed continuing education;
- individuals would have a maximum of five years in which to re-register;¹⁰
- individuals who have been CE inactive for two consecutive years, or who become CE inactive for two consecutive years during their participation, would not be eligible to participate or continue;¹¹ and

⁸ See FINRA Rule 1240(c)(1).

⁹ See FINRA Rule 1240(c)(2).

¹⁰ See FINRA Rule 1240(c).

¹¹ See FINRA Rules 1240(c)(4) and (c)(5).

- individuals who are subject to a statutory disqualification, or who become subject to a statutory disqualification following the termination of their registration or during their participation, would not be eligible to participate or continue.¹²

FINRA has included a look-back provision in the amended rules that would, subject to specified conditions, extend the proposed option to individuals who have been registered as a representative or principal within two years immediately prior to the implementation date of the rule change and individuals who have been Financial Services Affiliate Waiver Program (“FSAWP”) participants¹³ immediately prior to the implementation date of the proposed rule change.¹⁴

In addition, the amended Supplementary Material .02 to FINRA Rule 1240 includes a re-eligibility provision that would allow individuals to regain eligibility to participate each time they re-register with a firm for a period of at least one year and subsequently terminate their registration, provided that they satisfy the other participation conditions and limitations.¹⁵ Eligible participating individuals would be eligible to maintain their qualifications for up to five years.

To align with the changes discussed above, proposed new LTSE Rule 2.154 would state that LTSE Members and associated persons of a Member shall comply with FINRA Rule 1240(c) and Supplementary Material .01 and .02, as if such Rule were part of the Exchange’s Rules. Additionally, for the purpose of LTSE Rule 2.154, cross-references in incorporated FINRA Rule 1240(c) to FINRA Rule 1240(a)(2) shall refer to LTSE Rule 2.160(p)(1)

¹² See FINRA Rules 1240(c)(1) and (c)(6).

¹³ See Supplementary Material .09 to FINRA Rule 1210.

¹⁴ See Supplementary Material .01 to FINRA Rule 1240.

¹⁵ See Supplementary Material .02 to FINRA Rule 1240.

(Regulatory Element). The proposed rule change would delete LTSE Rule 2.160(o) as the approach to a lapse in registration would be covered by new LTSE Rule 2.154.

(ii) Waiver of Examinations for Individuals Working for a Financial Services Industry affiliate of a Member.

In connection with this new continuing education regime, FINRA amended Supplementary Material .09 to its Rule 1210 to state that it will not accept any new participants for the FSAWP beginning on March 15, 2022. To mirror changes to its FSAWP, LTSE has added new language to Supplementary Material .01 in LTSE Rule 2.160(g) to note that effective March 15, 2022, LTSE will not accept any new initial designations for individuals under its identical FSAWP.

2. Statutory Basis

LTSE believes that its proposal is consistent with Section 6(b) of the Act¹⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁷ in particular, in that it is designed to prevent fraudulent and manipulative practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

As noted above, the proposed rule change seeks to align the Exchange's Rules with certain recent changes to FINRA rules which have been approved by the Commission.¹⁸ The Exchange believes the proposed rule change is consistent with the provisions of Section 6(b)(5)

¹⁶ 15 U.S.C. 78f.

¹⁷ 15 U.S.C. 78f(b)(6).

¹⁸ See Approval Order, supra note 3.

of the Act,¹⁹ which requires, among other things, that Exchange Rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 6(c)(3) of the Act,²⁰ which authorizes the Exchange to prescribe standards of training, experience and competence for persons associated with the Exchange. The proposed changes are based on the changes approved by the Commission in the Approval Order,²¹ and the Exchange is proposing to adopt such changes substantially in the same form proposed by FINRA with respect to the MQP and FSAWP provisions. The Exchange believes the proposal is consistent with the Act for the reasons described above and for those reasons cited in the Approval Order.²²

The Exchange believes that establishing a path for individuals to maintain their qualification following the termination of a registration will reduce unnecessary impediments to requalification and promote greater diversity and inclusion in the securities industry without diminishing investor protection.

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. The Exchange believes that the proposed rule change, which harmonizes its rules with recent rule changes adopted by FINRA, will reduce the regulatory burden placed on market participants engaged in trading activities across different markets.

¹⁹ 15 U.S.C. 78f(b)(5).

²⁰ 15 U.S.C. 78f(c)(3).

²¹ See Approval Order, supra note 3.

²² Id.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

Because the foregoing 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 for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act²³ and Rule 19b-4(f)(6)²⁴ thereunder.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of filing. However, pursuant to Rule 19b-4(f)(6)(iii), the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that this proposed rule change may become operative immediately upon filing. Rule 19b-4(f)(6)(iii)²⁵ requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

Waiver of the 30-day operative delay would allow the Exchange to implement proposed changes to the Maintaining Qualifications Program by March 15, 2022 to coincide with FINRA's announced implementation date, thereby eliminating the possibility of a significant regulatory

²³ 15 U.S.C. 78s(b)(3).

²⁴ 17 CFR 240.19b-4(f)(6).

²⁵ 17 CFR 240.19b-4(f)(6)(iii).

gap between the FINRA and LTSE rules, providing more uniform standards across the securities industry, and helping to avoid confusion for registered persons of the Exchange that are also FINRA members. For these reasons, the Commission believes that waiver of the 30-day operative delay for this proposal is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.²⁶

At any time within 60 days of the filing of the 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 Commission shall institute proceedings to determine whether the proposed rule 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. Please include File Number SR-LTSE-2022-02 on the subject line.

²⁶ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule change's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-2022-02. 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, 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 LTSE and on its Internet website at <https://longtermstockexchange.com/>.

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-2022-02 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.²⁷

J. Matthew DeLesDernier
Assistant Secretary

²⁷ 17 CFR 200.30-3(a)(12).