

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-100205; File No. SR-LTSE-2024-03)

May 21, 2024

Self-Regulatory Organizations; Long-Term Stock Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Amend its Trading Rules in Connection with its Transition to a New Trading Platform

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 9, 2024, the Long-Term Stock Exchange, Inc. (“LTSE” or “Exchange”) filed with the Securities and Exchange Commission (“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 proposes changes to its trading rules in connection with its transition to a new trading platform with technology provided by MEMX Technologies LLC (“MEMX Technologies”), an affiliated entity of MEMX LLC (“MEMX Exchange”), with different functionality and features unique to the LTSE market model. The Exchange will retain responsibility for overseeing the daily market operations of the Exchange’s trading system and will maintain operational control over the features of such system and any changes thereto. Further, the Exchange will continue to have regulatory responsibility for the Exchange’s trading system and will continue to fully discharge all of its obligations as a registered national securities exchange.

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

<sup>2</sup> 17 CFR 240.19b-4.

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

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

1. Purpose

The Exchange is proposing rule changes that will effectuate a transition of the technology supporting the Exchange’s trading system (the “System”)<sup>3</sup> from its current platform to one provided on an outsourced basis by MEMX Technologies LLC (“MEMX Technologies”). These rule changes are intended to provide the Exchange with a technology platform that will significantly enhance the System and provide market participants with more opportunities to trade on the Exchange while minimizing any disruptive effect to Members interacting with the current System. Further, the proposed changes are the result of a thorough and comprehensive analysis of the Exchange’s current technology platform and the changes needed to bring the System into a more competitive posture with other trading venues. The Exchange determined

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<sup>3</sup> LTSE Rule 1.160 (Definitions) defines the System in paragraph (rr) as “...the electronic communications and trading facility designated by the Board [of Directors] through which the securities orders of Members are consolidated for ranking and execution.”

that licensing an instance of an existing trading technology platform currently in use by another registered national securities exchange<sup>4</sup> and operating pursuant to rules that have already been approved by or filed for immediate effectiveness with the Commission, is the most efficient and effective option. To facilitate an expedient implementation of the new trading platform,<sup>5</sup> while minimizing operational impact, the Exchange is proposing to amend certain of its trading rules to conform to those of the MEMX Exchange, which are supported by the current trading platform that LTSE is licensing from MEMX Technologies, and replatforming subsequent to the approval of this filing.

The Exchange is proposing to delete the following LTSE Rules and replace them with an identical or substantially similar version of the corresponding MEMX Rule. Specifically, LTSE Rule 11.151 (Market Maker Obligations) is being amended to delete the definitions of “Crossing Quotation” and “Locking Quotation” from this Rule to relocate them to newly proposed Rule 11.180 (Definitions) where they are being conformed to MEMX definitions of the same terms. LTSE Rule 11.180 (Units of Trading) is being renamed to (Definitions), deleted in its entirety and replaced with MEMX Rule 11.6 (Definitions).<sup>6</sup> LTSE Rule 11.190 (Orders and Modifiers) is being amended to conform with MEMX Rule 11.8 (Order Types and Modifiers). LTSE Rule 11.210 (Minimum Price Variant) is being deleted and the definition is being relocated to newly

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<sup>4</sup> The Exchange is proposing to license technology from MEMX Technologies, which is currently being used by MEMX Exchange.

<sup>5</sup> The Exchange will continue to utilize its current System until after the rule changes proposed herein are effective, after such time, the Exchange will then transfer its System to the trading platform licensed from MEMX Technologies which will operate the platform pursuant to the rules proposed herein.

<sup>6</sup> Newly proposed Rule 11.180 (Definitions) seeks to adopt MEMX Rule 11.6 (Definitions) in its entirety. Including matching definitions of the following terms: Cancel Back, Crossing Quotation, Display Options, Locking Price, Locking Quotation, Minimum Execution Quantity, Minimum Price Variation, Pegged Order, Permitted Price, Re-Pricing, Reserve Quantity, Posting Instructions, Short Sale, Short Exempt, Time In Force, Trading Center, and Units of Trading.

proposed LTSE Rule 11.180 (Definitions) and is identical to MEMX Rule 11.6(g) (Minimum Price Variation).<sup>7</sup> LTSE Rule 11.220 (Priority of Orders) is being deleted in its entirety and replaced with MEMX Rule 11.9 (Priority of Orders). LTSE Rule 11.230 (Order Execution) is being amended to conform with MEMX Rule 11.10 (Order Execution).<sup>8</sup> LTSE Rule 11.271 (Trading Halts) is being deleted in its entirety because the substance of the rule will be adopted in newly proposed LTSE Rule 11.281 (Limit Up-Limit Down Plan and Trading Halts on the Exchange). LTSE Rules 11.281 (Limit Up-Limit Down Mechanism) and 11.282 (Regulatory Trading Halts) are being amended to conform with MEMX Rule 11.22 (Limit Up-Limit Down Plan and Trading Halts) and the Nasdaq UTP Plan, as amended.<sup>9</sup> LTSE Rule 11.310 (Locking or Crossing Quotations in NMS Stocks) is being amended to conform with MEMX Rule 11.10 (f) (Locking Quotation or Crossing Quotation in NMS Stocks). LTSE Rule 11.320 (Input of Accurate Information) is being amended to conform with MEMX Rule 11.5 (Input of Accurate Information). LTSE Rule 11.330 (Data Products) is being amended to conform with MEMX Rule 13.8 (Data Products). LTSE Rule 11.380 (Risk Management) is being deleted in its entirety and replaced with Interpretation and Policies .01 and .02 of MEMX Rule 11.10 (Order Execution). LTSE Rule 11.410 (Use of Market Data Feeds and Calculations of Necessary Price Reference Points) is being amended to conform with MEMX Rule 13.4 (Usage of Data Feeds).<sup>10</sup>

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<sup>7</sup> Id.

<sup>8</sup> MEMX Rule provisions related to the routing of orders are not being adopted as the Exchange is not offering that functionality.

<sup>9</sup> See Securities Exchange Act Release No. 92071 (May 28, 2021); 86 FR 29846 (June 3, 2021) (Order Approving the Fiftieth Amendment to the Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities Traded on Exchanges on an Unlisted Trading Privileges Basis, as Modified by Amendments Nos. 1 and 2).

<sup>10</sup> LTSE is not adopting the language in MEMX Rule 13.4 (Usage of Data Feeds) related to the routing of orders.

In addition to the aforementioned rule changes, the Exchange is also deleting certain rules that are not supported by the new System or are now proposed to appear elsewhere in the rulebook.<sup>11</sup>

As discussed above, the rule changes proposed herein are based on rules already approved by or filed for immediate effectiveness with the Commission for use by MEMX Exchange. The LTSE notes, however, that it is not proposing to adopt all of the MEMX Exchange trading rules for use by the System as LTSE has different functionality and features unique to its market model; for example, the Exchange will not offer routing functionality,<sup>12</sup> as is the case today, and is not proposing to adopt certain order types (e.g., Retail Orders as described in MEMX Exchange Rule 11.21). Moreover, the Exchange is not proposing any rule changes that would affect membership, member conduct, or the Exchange's Listings.

As initially designed and implemented, the current System was based on the concept of a "Very Simple Market" ("VSM").<sup>13</sup> Since the Exchange is focused on serving companies and investors focusing on the long-term, and differentiates itself from other exchanges primarily by promoting long-term policies and governance practices for listed companies, the Exchange sought to further differentiate itself by adopting a trading model that appealed to the interests and needs of long-term investors.<sup>14</sup> The Exchange remains committed to its mission to provide a listings venue for companies seeking to differentiate themselves by adopting and implementing

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<sup>11</sup> LTSE Rule 11.231 (Regular Market Session Opening Process for Non-LTSE Primary Listed Securities) is being deleted in its entirety as this functionality is not supported in the new System. LTSE Rule 11.240(c) (Trade Execution, Reporting, and Dissemination of Quotations) is being deleted because it appears in newly proposed LTSE Rule 11.230.

<sup>12</sup> See footnote 9 [sic].

<sup>13</sup> See Securities Exchange Act Release No. 87221 (October 3, 2019; 84 FR 54195 (October 9, 2019)); SR-LTSE-2019-02. The VSM provided for a more limited array of order types, with all orders fully displayed and no hidden or reserve orders, and all trades occurring at displayed prices.

<sup>14</sup> Id.

long-term policies and governance practices.<sup>15</sup> However, to date the VSM concept has not led to significant participation by long-term investors, causing the Exchange to explore ways of achieving this goal within the framework of a more widely-accepted market structure. As noted above, given the current need to upgrade the Exchange’s technology infrastructure (both hardware and software) supporting the System, the cost and efficiency considerations, and an assessment of the type of market that would be competitive on a trading basis while supporting the Exchange’s long-term mission, the Exchange has determined to replace the VSM with a trading model substantially similar to that currently used by the MEMX Exchange, with certain key differences in functionality that address LTSE’s unique market model.<sup>16</sup> From a technology perspective, the Exchange will operate on its own servers, separate and apart from the MEMX Exchange, with no joint or shared connections to participants. LTSE Members will be required to utilize LTSE-specific member gateways to connect into the System, and these will be separate from those of the MEMX Exchange. Stated another way, LTSE will continue to operate as it does now, as a standalone Exchange, within the national market system, and the mere fact that it is licensing a technology platform from MEMX Technologies will not provide any special treatment or advantage to the MEMX Exchange.

Additionally, and importantly, LTSE will continue to fully discharge its obligations as a national securities exchange, separate and distinct from those of the MEMX Exchange, and will not rely on nor utilize the MEMX Exchange to fulfill any aspect of those obligations on LTSE’s behalf.

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<sup>15</sup> See LTSE Rule Series 14.400, Corporate Governance Requirements and Rule 14.425, Long-Term Policies

<sup>16</sup> As discussed above, the Exchange will not offer routing, is not adopting the “Retail Order” order type and will maintain its rules governing its listing function.

**The Exchange will continue to operate as an independent registered national securities exchange and self-regulatory organization.**

The Exchange and MEMX Technologies executed a Development, License and Services Agreement on January 23, 2024, with accompanying Schedules (collectively, the “DLSA”). MEMX Technologies, an affiliate of the MEMX Exchange, is in the business of developing technology systems for use in the financial industry. As part of the arrangement, MEMX Technologies will provide LTSE its market-as-a-service trading system to operate LTSE’s trading platform. This is the first time the Exchange will be utilizing a system licensed from an unaffiliated third-party. Under the terms of the DLSA, both LTSE and MEMX Technologies are required to keep confidential all Confidential Information of each other and, except as expressly authorized, not use such Confidential Information<sup>17</sup> or make any such Confidential Information<sup>18</sup> available to any third party, including MEMX Exchange. MEMX Technologies is allowed to share information with its representatives, but only on a need-to-know basis and only for purposes of MEMX Technologies fulfilling its obligations under the DLSA.

The DLSA sets forth a multiyear arrangement that requires MEMX Technologies to provide the system and services to allow the Exchange to operate fair and orderly markets. Upon contract termination for any reason, the DLSA requires MEMX Technologies to provide

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<sup>17</sup> Examples include e.g., requests from a governmental authority and as required by subpoena, court order or other similar process.

<sup>18</sup> The agreement defines Confidential Information, in part, as: all non-public and proprietary information and materials disclosed to or accessed by any other Party or its Representatives in connection with the Agreement that is marked “confidential” or that such other Party knows, or reasonably should know, is confidential to such first Party, including all non-public information of any Party relating to such Party’s subsidiaries, Affiliates, investors, customers, suppliers, contractors, business plans, strategies, operations, methods of doing business, finances, assets, technology (including Software and IT Systems), workflows, specifications and technical information, and any information or materials developed by reference to or use of such information and materials. Further, the Agreement includes in its definition of Confidential Information information of third parties that is disclosed to either Party.

transition services for a period of not less than 18 months, which include the transition of any Equipment that is capable of being transferred to Exchange including any Exchange data, confidential information, and system information. The DLSA further requires that such transition services be designed to ensure minimal disruption to Exchange’s business operations. In addition, upon the occurrence of certain circumstances, including MEMX Technologies’ cessation of the services or insolvency, the Exchange is entitled to a complete and accurate copy of the source code for the system, together with all associated information, documentation and materials required to enable the Exchange to operate, support and maintain the system, including integrations with any third-party provider product or service. In addition, because any suspension or termination of access to the system or the services of MEMX Technologies would be a violation of the agreement as it could impair the Exchange’s ability to ensure continuity of service, the parties have agreed that the Exchange would be entitled to an injunction and other equitable relief (such as an order requiring specific performance) from MEMX Technologies. Finally, in the event that MEMX Technologies is unwilling or unable to provide the system or services, MEMX Holdings LLC (“MEMX Holdings”), the parent of MEMX Technologies, has entered into a guaranty agreement (“Parent Guaranty”) with the Exchange that, among other things, would require MEMX Holdings to perform in MEMX Technologies’ stead, or cause the performance of MEMX Technologies obligations under the DLSA, including transition services.

The instance of the trading platform being licensed by LTSE is based on the functionality of the MEMX Exchange, but will be differentiated by the addition of certain functionalities specific to LTSE’s market model and the deletion of certain functionalities specific to MEMX Exchange’s market model.<sup>19</sup> In summary, while the two exchanges will share a technology

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<sup>19</sup> Id.



provider, each will operate a trading platform that is individualized to their market model and rule set. Notwithstanding the foregoing, much of the technology infrastructure that MEMX Technologies will provide to LTSE pursuant to the DLSA is substantially similar to the technology provided to the MEMX Exchange. However, there are key differences that are designed to support LTSE’s mission as an exchange designed for long-term investors and its different market structure.<sup>20</sup> To that end, LTSE is proposing to adopt rules consistent with the functionality of the new System, including the adoption of certain order types and order handling processes<sup>21</sup> that will be new to LTSE with the migration to the new System. As discussed in more detail above, LTSE does not currently offer order routing functionality and will not do so initially upon replatforming; LTSE will not adopt the Retail Order program offered by the MEMX Exchange, and will continue to utilize only the data feeds provided by the securities information processors (“SIPs”) as described in LTSE Rule 11.410 (Use of Market Data Feeds and Calculations of Necessary Price Reference Points) in contrast to the system functionality employed by MEMX Exchange, which utilizes direct data feeds from several exchanges as the primary data sources for the same purposes.<sup>22</sup>

The Exchange notes that there is nothing in Section 6 of the Exchange Act, or any other provision of the Act, that prevents two independent exchanges from utilizing the technology infrastructure provided to both by an affiliate of one of the exchanges, which offers it as “market- as-a-service.” Section 6(a)(1) of the Act,<sup>23</sup> defines an exchange as “...any organization, association, or group of persons, whether incorporated or unincorporated, which constitutes,

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<sup>20</sup> Id.

<sup>21</sup> These order types and processes are currently employed on the MEMX Exchange.

<sup>22</sup> See MEMX Exchange Rule 13.4 (Usage of Data Feeds).

<sup>23</sup> 15 U.S.C 78c(a)(1).

maintains, or provides a marketplace or facilities for bringing together purchasers and sellers of securities or for otherwise performing the functions commonly performed by a stock exchange as that term is generally understood....” The Exchange submits that the fact that it is using an outsourced technology platform supplied by an affiliate of another registered national securities exchange, under a contract negotiated on an “arms-length” basis, does not implicate Section 6 of the Act since LTSE will continue to independently provide a marketplace for bringing together purchasers and sellers of equity securities, and performing the functions commonly performed by a stock exchange as that term is understood. In LTSE’s case, this means providing a marketplace designed to serve the needs of long-term investors and operating a listing exchange, which is distinct from the market structure of the MEMX Exchange.

Additionally, there are several examples of separately registered national securities exchanges and self-regulatory organizations successfully migrating to a common technology platform, while retaining important differentiators particular to each respective market. In each such case, the rule changes proposed by each exchange to accomplish the re-platforming were filed with the Commission for approval or immediate effectiveness.<sup>24</sup>

As a further example of the differentiation between LTSE and the MEMX Exchange, LTSE will not be obligated to accept any change to LTSE’s instance of the technology platform

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<sup>24</sup> See, e.g., Exchange Act Release No. 87264 (October 9, 2019), 84 FR 55345 (October 16, 2019) (SR-NYSECHX 2019-08), NYSE Chicago, Inc; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, to Add Rules to Support the Transition of Trading to the Pillar Trading Platform; Exchange Act Release No.83289 (May 17, 2018), 83 FR 23968 (May 23, 2018) (SR-NYSECHX 2018-02), NYSE National, Inc.; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Amended by Amendment No. 1, to Support the Re-launch of NYSE National, Inc. on the Pillar Trading Platform; Exchange Act Release No. 86173 (June 20, 2019), 84 FR 30267 (June 26, 2019)(SR-CBOE-2019-027), CBOE Exchange, Inc., Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend and Move Certain Current Rules from the Exchange's Currently Effective Rulebook to the Shell Structure for the Exchange's Rulebook that will Become Effective Upon the Migration of the Exchange's Trading Platform to the Same System used by the Cboe Affiliated Exchanges.

that may be proposed by the MEMX Exchange for its own market but is not desired by LTSE. Importantly, there is no incentive, monetary or otherwise, for LTSE to accept any changes proposed by the MEMX Exchange. Moreover, if MEMX Exchange proposes a rule for its own market, it does not mean that LTSE will automatically adopt the same rule. LTSE will continue to independently evaluate other exchanges' rule filings, including MEMX Exchange, to determine whether or not such changes should be adopted by LTSE. If LTSE seeks to implement an enhancement to its trading platform that is not applicable to the MEMX Exchange, MEMX Technologies will be obligated to develop and implement that enhancement (at a cost to be borne by LTSE). Importantly, MEMX Technologies has no authority to make any changes to the LTSE System without LTSE's direct instruction to do so.

LTSE's instance of the trading platform will operate on separate servers from those of the MEMX Exchange, and neither exchange will gain any advantage over other market participants in terms of access or speed or otherwise. Moreover, LTSE Members will be required to separately connect to LTSE and there will be no cross-connections between members of the respective exchanges. Simply stated, LTSE utilizing the outsourced trading platform provided by MEMX Technologies will have no impact on the competitive relationship between LTSE and the MEMX Exchange, which will continue to operate within the context of the national market system as it currently does.

LTSE will continue to provide for its market and cross-market surveillance through its Regulatory Services Agreement with FINRA ("RSA"), as it does today pursuant to LTSE Rule 1.170. The Exchange will maintain its independent regulatory function to oversee the RSA and will not utilize personnel from the MEMX Exchange for that purpose. The DLSA agreement provides that MEMX Technologies will provide to FINRA all of the required data needed to

effectively surveil the LTSE market in a timely, complete and accurate way. Prior to the re-launch of the Exchange on the new trading platform, extensive testing will be conducted in conjunction with FINRA to assure that there are no data issues or gaps in surveillance coverage.

In summary, the Exchange believes that the use of a common, but not functionally identical, trading platform by LTSE and the MEMX Exchange will not in any way alter the competitive position of the two exchanges or establish any type of connection or opportunity for interaction that would be different than LTSE currently has with every other exchange participant in the national market system.

### **Compliance with Regulation SCI**

As a registered national securities exchange, LTSE is an “SCI entity” responsible for compliance with the requirements of Regulation SCI - Systems Compliance and Integrity (“Reg. SCI”) under the Exchange Act.<sup>25</sup> The Exchange classifies several of its systems, including its trading System, as “SCI systems” based on the definitions as stated under Reg. SCI.

Accordingly, the Exchange submits that its proposal to move to an outsourced trading technology infrastructure is consistent with Reg. SCI. In the Adopting Release, the Commission stated that an SCI entity may contract with third parties to operate SCI systems on its behalf with the requirement that “...[the] SCI entity is responsible for having in place processes and requirements to ensure that it is able to satisfy the requirements of Regulation SCI for SCI systems operated on its behalf by a third party...”<sup>26</sup> Thus, while MEMX Technologies will provide the service of operating the System, all of the regulatory obligations pertaining to the System’s compliance with Reg. SCI are the responsibility of the Exchange, as is the case today.

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<sup>25</sup> See, Exchange Act Release No.73639 (November 19, 2014), 79 FR 72252 (December 5, 2014), the “Adopting Release.”

<sup>26</sup> Id., at 72275-76.

LTSE has obtained commitments from MEMX Technologies under the DLSA that will allow LTSE to continue to meet its responsibilities under Reg. SCI.<sup>27</sup>

Reg. SCI Rule 1001(a)(1), requires LTSE to “...establish, maintain and enforce policies and procedures reasonably designed to ensure that its SCI systems...have levels of capacity, integrity, resiliency, availability, and security, adequate to maintain the SCI’s entity’s operational capability and promote the maintenance of fair and orderly markets.” Accordingly, the Exchange has in place detailed policies and procedures reasonably designed to ensure that its systems, including third-party systems, operate in the manner intended, including in compliance with the federal securities laws and rules, and the Exchange’s rules and governing documents, and will review and revise its policies and procedures as necessary.<sup>28</sup>

Consistent with that approach and the Exchange’s obligations under Reg. SCI Rule 1001(a)(2) to have policies and procedures reasonably designed to include the requirements enumerated in that section, the negotiated DLSA provides the Exchange with information allowing it to meet all regulatory requirements, including requisite oversight to ensure the Exchange continues to meet all regulatory requirements. Consistent with Reg. SCI Rule 1001(a)(2)(i) such policies and procedures shall include, at a minimum: (i) the establishment of current and future technological infrastructure capacity planning estimates; (ii) periodic capacity stress tests to determine ability of the Exchange’s Reg SCI systems to process transactions in an accurate, timely, and efficient manner; (iii) a program to review and keep current systems development and testing methodology for such systems; (iv) regular reviews and testing, as applicable, of such systems, including backup systems, to identify vulnerabilities pertaining to

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<sup>27</sup> DLSA between LTSE and MEMX Technologies dated January 23, 2024.

<sup>28</sup> LTSE has obtained commitments from MEMX Technologies to provide data and information, pursuant to the DLSA, that is necessary for LTSE to meet its responsibilities under Reg SCI.

internal and external threats, physical hazards, and natural or manmade disasters; (v) business continuity and disaster recovery plans designed to effectuate the requirements for backup and recovery capabilities sufficiently resilient and geographically diverse and reasonably designed to achieve next business day resumption of trading and two-hour resumption of critical SCI systems following a wide-scale disruption; (vi) standards that result in such systems being designed, developed, tested, maintained, operated, and surveilled in a manner that facilitates the successful collection, processing, and dissemination of market data; and (vii) monitoring of such systems to identify potential SCI events.

In furtherance of meeting the above, and to supplement and support its current Reg. SCI policies and procedures, LTSE will independently approve and disapprove System changes and, in addition to oversight of the testing performed by MEMX Technologies, will maintain an independent methodology to test proposed changes to the System. Pursuant to the Agreement, MEMX Technologies is required to provide certain information to LTSE regarding the operation of the System in order to allow for LTSE to conduct sufficient oversight in compliance with its Reg. SCI policies and procedures.<sup>29</sup> In addition, LTSE also will monitor market operations with respect to the System. These monitoring tools will allow LTSE to initiate or require appropriate additional investigation or remedial action as necessary in the event of an issue impacting the integrity of the System. In addition, pursuant to the Agreement, LTSE will receive information allowing it to conduct proper oversight of the security program applicable to the System. Taken together, the tools, processes and information provided to LTSE will support the Exchange in

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<sup>29</sup> Among other things, the Exchange will monitor the services of MEMX Technologies with third-party software for capacity. Further, the Exchange will oversee the operation of the System for compliance with Reg SCI, including without limitation for the maintenance of comprehensive policies and procedures, the provision of required information and review of the System, including penetration testing and results of the testing.

meeting its Reg. SCI obligations and provide a means for its operations and technology personnel to provide independent oversight of the operation of the System.

Additionally, the Exchange has established processes and requirements for communication between responsible Exchange personnel and MEMX Technologies personnel which, it believes, will fully satisfy all of the Exchange's independent Reg. SCI obligations.

Pursuant to Reg. SCI Rule 1001(a)(3) the Exchange will periodically review the effectiveness of its policies and procedures required by Reg. SCI Rule 1001(a) and take prompt action to remedy any deficiencies in such policies and procedures.<sup>30</sup> The Exchange will include, in its written inventory, classification and maintenance of the MEMX Technologies platform as a SCI system.

Pursuant to Reg. SCI Rule 1001(b)(1), the Exchange shall establish policies and procedures regarding systems compliance reasonably designed to ensure that all SCI systems operate in a manner that complies with all rules and regulations. Such policies shall include at a minimum, and as required by LTSE Rule 1001(b)(1)(i) - (iv) including (i) testing of all systems and changes to SCI systems prior to implementation; (ii) a system of internal controls over changes to SCI systems; (iii) a plan for assessments of the functionality of SCI designed to detect compliance issues, including by responsible SCI personnel; and (iv) a plan of coordination communication between regulatory and other personnel of the SCI entity, including by responsible SCI personnel, regarding SCI systems design, changes, testing, and controls designed to detect and prevent systems compliance issues.

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<sup>30</sup> At a minimum, such policies and procedures shall include: market data; capacity planning estimates; periodic capacity stress tests; a program to review and keep current development and testing methodologies; integrity, availability and security adequate to maintain operational capabilities to promote the maintenance of fair and orderly markets, as required by Reg. SCI Rule 1001(a)(1).

LTSE will have oversight of MEMX Technologies to ensure that, for all required reportable information relating to the Exchange, the following must be provided to the Exchange in a manner consistent with the timelines required by Reg. SCI: (i) disruption, systems intrusion, and systems compliance issues; (ii) material system changes including enhancements and defect remediations; (iii) relevant annual audit and SCI systems compliance review reports; (iv) evidence of periodic security training for MEMX personnel; and (v) such additional information as may be required by Regulation SCI or written SEC guidance about the interpretation of Regulation SCI, or as may be requested by Exchange that is necessary to accurately respond to a request from staff at the Commission. This provision is reasonably designed to ensure that the Exchange can meet its obligations under SCI Rule 1002(b)<sup>31</sup> with respect to reporting to the Commission staff of SCI events as described in SCI Rule 1000, and material system changes as required by Rule 1003 of Regulation SCI.

Additionally, MEMX Technologies, on behalf of LTSE, has established and shall maintain disaster recovery and business continuity plans and the capacity and resources to implement such plans. The plans must include maintaining backup and recovery capabilities sufficiently resilient and geographically diverse and are reasonably designed to achieve next-business day resumption of trading and two-hour resumption of the System and any supporting SCI systems following a wide-scale disruption. The DLSA stipulates that these plans shall comply with all legal requirements, including Reg SCI.

Consistent with Rule 1001(c)(1)<sup>32</sup> of Reg. SCI, the Exchange will continue to designate persons, each of whom will be an Exchange employee, as “responsible SCI personnel” who will

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<sup>31</sup> 17 CFR 242.1002.

<sup>32</sup> 17 CFR 242.1001(c).



discharge all of the requirements required of responsible SCI personnel as described in Rule 1001(c) of Reg. SCI and per Reg. SCI Rule 1001(c)(2), each SCI entity shall periodically review the effectiveness of such policies and procedures and take prompt action to remedy deficiencies.

Reg. SCI Rule 1005(a) requires the Exchange to make, keep and preserve all documents relating to its compliance with Reg. SCI as prescribed in Section 17a-1 of the Act. The Exchange has policies and procedures in place to meet the requirements of Reg. SCI Rule 1005(a), including contractual undertakings by MEMX Technologies to assist the Exchange in fulfilling its recording keeping responsibilities with all the applicable laws.

The DLSA also provides the Exchange with other controls, including audit rights. Specifically, the Exchange or its designee shall have the right to audit and inspect the services provided by MEMX Technologies and the records of those services, as well as all facilities, systems and equipment used to provide the System or services for regulatory compliance purposes or to confirm compliance with the DLSA and any amounts paid or owed by the Exchange to MEMX Technologies.

There are also additional reporting requirements that require MEMX Technologies to, among other things, provide the Exchange, on a quarterly basis, with a summary of audit reports that relate to the services or System, including any system and organization control (“SOC”) reports or other audit reports completed by an independent party. The audit summary will contain a summary of audits issued during the quarter, a listing of open issues with their current status (including target completion dates and issue ratings), and a listing of issues closed during the quarter. The Exchange submits that these provisions will provide a rigorous framework to assure that it meets its regulatory obligations under Reg. SCI and effective oversight of the operation of the System by MEMX Technologies.

### **Proposed Changes to LTSE Rules**

The Exchange is proposing rule changes that will effectuate the transition to the technology infrastructure provided by MEMX Technologies. The proposed amendments are designed to provide for a timely and efficient transition to the new trading platform with minimal operational risk or disruption to Members. While certain of the Exchange's current trading rules will remain unchanged, the proposed rule changes conform, in large part to the MEMX Exchange including the introduction of certain order types and order handling processes that are new to LTSE but are used by the MEMX Exchange. Therefore, the exchange believes that these proposed changes are neither novel nor controversial, and their introduction on the System will not significantly affect investor protection, competition within the national market system, or limit access to or availability of the System. Additionally, the Exchange is not proposing any changes to its rules governing membership or member conduct.

### **New Definitions Relating to the Trading Rules**

First, in LTSE Rule 11.151 (Market Maker Obligations), the Exchange proposes two ministerial amendments to paragraph (e)(2)(A)(ii), which defines the term "Crossing Quotation" and paragraph (e)(2)(A)(iii), which defines the term "Locking Quotation." The Exchange is proposing to delete the substance of the definitions from this section and adopt a cross-reference to each of the defined terms, "Crossing Quotation" and "Locking Quotation," to newly proposed LTSE Rule 11.180 (Definitions). The text of the newly proposed definitions, which will appear in newly proposed LTSE Rule 11.180(b) and (e), respectively, will conform with the definitions contained in MEMX Exchange Rule 11.6(b) (Crossing Quotation) and 11.6(e) (Locking Quotation).

LTSE Rule 11.180 (Units of Trading) is being amended to conform to MEMX Rule 11.6 (Definitions). Accordingly, the title of LTSE Rule 11.180, is being amended to change from “Units of Trading” to “Definitions” to conform with MEMX Rule 11.6 (Definitions). The current text of 11.180 is being deleted in its entirety and in its place, MEMX Rule 11.6 (Definitions) is being adopted in its entirety. Each of the definitions set forth below are the same as those contained in current MEMX Exchange Rule 11.6(a) -11.6(q) and LTSE is proposing to adopt conforming definitions in newly proposed LTSE Rule 11.180, as described below.

- LTSE Rule 11.180(a) (Cancel Back) - An instruction the User may attach to an order instructing the System to immediately cancel the order when, if displayed by the System on the LTSE Book at the time of entry would create a violation of Rule 610(d) of Regulation NMS or Rule 201 of Regulation SHO, or the order cannot otherwise be executed or posted by the System to the LTSE Book at its limit price.<sup>33</sup>
- LTSE Rule 11.180(b) (Crossing Quotation) - The display of a bid (offer) for an NMS stock at a price that is higher (lower) than the price of an offer (bid) for such NMS stock previously disseminated pursuant to an effective national market system plan in violation of Rule 610(d) of Regulation NMS. This defined term is being moved from LTSE Rule 11.310 (Locking or Crossing Quotations in NMS Stocks), paragraph (a)(2) to this newly proposed rule to consolidate definitions applicable throughout Chapter 11 into a single rule.<sup>34</sup>
- LTSE Rule 11.180(c) (Display Options) - (1) Displayed, which is an instruction the User may attach to an order stating that the order is to be displayed by the System on the LTSE Book; and (2) Non-Displayed, which is an instruction the User may attach to an order stating that the

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<sup>33</sup> This proposed rule text matches MEMX Rule 11.6(a) (Cancel Back).

<sup>34</sup> This proposed rule text matches MEMX Rule 11.6(b) (Crossing Quotation).

order is not to be displayed by the System on the LTSE Book. The proposal to allow Users to enter non-displayed orders on LTSE represents a change from the display options afforded to Users under the VSM, which allowed only for displayed orders, and is designed to allow for greater opportunities for market participants to interact with the System.<sup>35</sup>

- LTSE Rule 11.180(d) (Locking Price) - The price at which an order to buy (sell), that if displayed by the System on the LTSE Book, would be a Locking Quotation.<sup>36</sup>
- LTSE Rule 11.180(e) (Locking Quotation) - The display of a bid for an NMS stock at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan in violation of Rule 610(d) of Regulation NMS. This defined term is being moved from LTSE Rule 11.310 (Locking or Crossing Quotations in NMS Stocks), paragraph (a)(3) to this newly proposed rule to consolidate definitions applicable throughout Chapter 11 into a single rule.<sup>37</sup>
- LTSE Rule 11.180(f) (Minimum Execution Quantity) - This proposed amendment replaces the Minimum Quantity Order definition in current LTSE Rule 11.190(b)(11) and will permit a User<sup>38</sup> to attach a Minimum Execution Quantity to an order with a Non-Displayed instruction or a Time-in-Force of Immediate-or-Cancel instruction. It requires the System to execute the order only to the extent that a minimum quantity can be satisfied. An order with the

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<sup>35</sup> This proposed rule text matches MEMX Rule 11.6(c) (Display Options).

<sup>36</sup> This proposed rule text matches MEMX Rule 11.6(d) (Locking Price).

<sup>37</sup> This proposed rule text matches MEMX Rule 11.6(e) (Locking Quotation).

<sup>38</sup> The term “User” is defined in Exchange Rule 1.160(uu) as “...any Member or Sponsored Participant who is authorized to obtain access to the System...” This definition will remain unchanged.

Minimum Execution Quantity instruction will only execute upon entry against a single order resting on the LTSE Book. If, upon entry, there are no orders that satisfy the minimum quantity condition resting on the LTSE Book, the order will either be posted to the LTSE Book at its limit price or canceled in accordance with the terms of the order. However, an order with a Minimum Execution Quantity will be canceled where, if posted, it would cross the displayed price of an order on the LTSE Book. An order to buy (sell) with a Minimum Execution Quantity instruction that is ranked in the LTSE Book will not be eligible to trade: (i) at a price equal to or above (below) any sell (buy) orders that are Displayed and that have a ranked price equal to or below (above) the price of such order with a Minimum Execution Quantity instruction; or (ii) at a price above (below) any sell (buy) order that is Non-Displayed and has a ranked price below (above) the price of such order with a Minimum Execution Quantity instruction.

However, an order with a Minimum Execution Quantity instruction that crosses an order on the LTSE Book may execute at a price less aggressive than its ranked price against an incoming order so long as such execution is consistent with the above restrictions. An order with a Minimum Execution Quantity instruction may be partially executed so long as the execution size of the individual order is equal to or exceeds the quantity provided in the instruction. Any shares remaining after a partial execution will continue to be executed at a size that is equal to or exceeds the quantity provided in the instruction. If posted to the LTSE Book, the order may only execute against individual incoming orders with a size that satisfies the minimum quantity condition. An order with the Minimum Execution Quantity instruction cedes execution priority when it would lock or cross an order against which it would otherwise execute if it were not for the minimum execution size restriction. If a resting Non-Displayed sell (buy) order did not meet the minimum quantity condition of a same-priced resting order to buy (sell) with a Minimum

Execution Quantity instruction, a subsequently arriving sell (buy) order that meets the minimum quantity condition will trade ahead of such resting Non-Displayed sell (buy) order at that price.

Where the number of shares remaining after a partial execution are less than the quantity provided in the instruction, the Minimum Execution Quantity shall be equal to the number of shares remaining.<sup>39</sup>

- LTSE Rule 11.180(g) (Minimum Price Variation (“MPV”)) - Bids, offers, or orders in securities traded on the Exchange shall not be made in an increment smaller than: (i) \$0.01 if those bids, offers, or orders are priced equal to or greater than \$1.00 per share; or (ii) \$0.0001 if those bids, offers, or orders are priced less than \$1.00 per share; or (iii) any other increment established by the Commission for any security which has been granted an exemption from the minimum price increments requirements of SEC Rule 612(a) or 612(b) of Regulation NMS.

This proposed rule text is substantially similar to that contained in current LTSE Rule 11.210 (Minimum Price Variant). The Exchange proposes to reposition the definition of an MPV to this LTSE Rule 11.180(g) and current LTSE Rule 11.210 will become a “Reserved” section.<sup>40</sup>

- LTSE Rule 11.180 (h) (Pegged Order) - An order that automatically re-prices in response to changes in the NBBO, as further described in LTSE Rule 11.190(c). A User entering a Pegged Order can specify that the order’s price will peg to the NBB or NBO or a certain amount away from the NBB or NBO (offset) or the midpoint of the NBBO, as described below. The Exchange currently does not offer Pegged Orders as part of the VSM and this will be new functionality. The proposed rule text is based on MEMX Exchange Rule 11.6(h).<sup>41</sup>

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<sup>39</sup> This proposed rule text matches MEMX Rule 11.6(f) (Minimum Execution Quantity).

<sup>40</sup> This proposed rule text matches MEMX Rule 11.6(g) (Minimum Price Variation).

<sup>41</sup> This proposed rule text matches MEMX Rule 11.6(h) (Pegged Order).

In proposed LTSE Rule 1.180 (h)(1), the Exchange defines a “Primary Peg” as an order with instructions to peg to the NBB, for a buy order, or the NBO, for a sell order. A User may, but is not required to, select an offset equal to or greater than \$0.01 above or below the NBB or NBO that the order is pegged to (“Primary Offset Amount”). A User submitting a Pegged Order with a Primary Peg instruction may, but is not required to, include a limit price on such order.

In proposed LTSE Rule 11.180(h)(2), the Exchange defines a “Midpoint Peg” as a Pegged Order with an instruction to peg to the midpoint of the NBBO. A User submitting a Pegged Order with a Midpoint Peg instruction may, but is not required to, include a limit price on such order. A Pegged Order with a Midpoint Peg instruction and a limit price that is more aggressive than the midpoint of the NBBO will execute at the midpoint of the NBBO or better subject to its limit price. A Pegged Order with a Midpoint Peg instruction may execute at its limit price or better when its limit price is less aggressive than the midpoint of the NBBO.

A Pegged Order with a Midpoint Peg instruction will be ranked at the midpoint of the NBBO where its limit price is equal to or more aggressive than the midpoint of the NBBO. In such case, pursuant to LTSE Rule 11.220 (Priority of Orders), all Pegged Orders with a Midpoint Peg instruction that are ranked at the midpoint of the NBBO will retain their priority as compared to each other based upon the time such orders were initially received by the System. A Pegged Order with a Midpoint Peg instruction will be ranked at its limit price where its limit price is less aggressive than the midpoint of the NBBO.

- LTSE Rule 11.180(i) (Permitted Price) - The Exchange proposes to define “Permitted Price” as the price at which a sell order will be displayed at one Minimum Price Variation above the NBB.<sup>42</sup>

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<sup>42</sup> This proposed rule text matches MEMX Rule 11.6(i) (Permitted Price).

- LTSE Rule 11.180(j) (Re-Pricing) - The Exchange is proposing to define how certain conditions will result in a repricing of an order by the System. First, in subparagraph (1)(A)(i) through (1)(A)(v), the Exchange describes re-pricing instructions to comply with Rule 610(d) of Regulation NMS, as follows:

(A) Display-Price Sliding.

(i) An order instruction, where an order would be a Locking Quotation or Crossing Quotation of an external market if displayed by the System on the LTSE Book at the time of entry, will be ranked at the Locking Price in the LTSE Book and displayed by the System at one Minimum Price Variation lower (higher) than the Locking Price for orders to buy (sell). A User may elect to have the System only apply the Display-Price Sliding instruction to the extent a display-eligible order at the time of entry would be a Locking Quotation. For Users that select this portion of the Display-Price Sliding instruction, any order will be canceled if, upon entry, such order would be a Crossing Quotation of an external market.

(ii) An order subject to the Display-Price Sliding instruction will retain its original limit price irrespective of the prices at which such order is ranked and displayed. In the event the NBBO changes such that an order subject to the Display-Price Sliding instruction would not be a Locking Quotation or Crossing Quotation, the order will receive a new timestamp, and will be displayed at the most aggressive permissible price. All orders that are re-ranked and re-displayed pursuant to the Display-Price Sliding instruction will retain their priority as compared to other orders subject to the Display-Price Sliding instruction based upon the time such orders were initially received by the Exchange.

Following the initial ranking and display of an order subject to the Display-Price Sliding instruction, an order will only be re-ranked and re-displayed to the extent it achieves a more



aggressive price, provided, however, that (1) the Exchange will re-rank an order at the same price as the displayed price in the event such order's displayed price would be a Locking Quotation or Crossing Quotation, which event will not result in a change in priority for the order at its displayed price, and (2) when an away Trading Center publishes a Protected Quotation that locks or crosses the displayed price of a resting Limit Order of Odd Lot size with a multiple price sliding instruction (as described in sub-paragraph (iii) below) and the Exchange does not have a Protected Quotation displayed at such price, the resting Limit Order will be ranked at the Locking Price in the LTSE Book and displayed by the System at one Minimum Price Variation lower (higher) than the Locking Price for orders to buy (sell).

(iii) The ranked and displayed prices of an order subject to the Display-Price Sliding instruction may be adjusted once or multiple times depending upon the instructions of a User and changes to the prevailing NBBO. A User that submits an order with a Display-Price Sliding instruction must select either single or multiple price sliding. The Exchange's single price sliding process will only adjust the ranked and displayed prices of an order upon entry and then the displayed price one time following a change to the prevailing NBBO, provided however, that if such an order's displayed price becomes a Locking Quotation or Crossing Quotation then the Exchange will adjust the ranked price of such order and it will not be further re-ranked or re-displayed at any other price. Orders subject to the Exchange's multiple price sliding process will be further re-ranked and re-displayed as permissible based on changes to the prevailing NBBO.

(iv) Any display-eligible order with a Post Only instruction that would be a Locking Quotation or Crossing Quotation of the Exchange upon entry will be executed or canceled. In the event the NBBO changes such that an order with a Post Only instruction subject

to Display-Price Sliding instruction would be ranked at a price at which it could remove displayed liquidity from the LTSE Book, the order will be executed or canceled.

(v) An order with a Post Only instruction will be permitted to post and be displayed opposite the ranked price of orders subject to Display-Price Sliding instruction. In the event an order subject to the Display-Price Sliding instruction is ranked on the LTSE Book with a price equal to an opposite side order displayed by the Exchange, it will be subject to processing as set forth in LTSE Rule 11.230(a)(4).

In proposed LTSE Rule 11.180(j)(2)(A) through (D), the Exchange describes re-pricing instructions to comply with Rule 201 of Regulation SHO,<sup>43</sup> as follows:

(A) An order to sell with a Short Sale instruction that, at the time of entry, could not be executed or displayed in compliance with Regulation SHO will be re-priced by the System at the Permitted Price. A User that submits an order with a short sale re-pricing instruction must select either single or multiple price sliding. The Exchange's single price sliding process will only re-price an order upon entry. To reflect declines in the NBB, the Exchange's multiple price sliding process will continue to re-price and re-display a short sale order at the Permitted Price down to the order's limit price. In the event the NBB changes such that the price of an order of Odd Lot size or with a Non-Displayed instruction subject to Rule 201 of Regulation SHO would be a Locking Quotation or Crossing Quotation, the order will be canceled.

(B) When a Short Sale Circuit Breaker is in effect, the System may execute a sell order with a Displayed and Short Sale instruction at the price of the NBB if, at the time of initial

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<sup>43</sup> The Exchange notes that all rules being adopted or amended that are related to Regulation SHO are identical to the corresponding MEMX Exchange rules.

display of the sell order with a Short Sale instruction, the order was at a price above the then-current NBB.

(C) Orders with a Short Exempt instruction will not be subject to repricing under this section.

(D) If an order is subject to a Display-Price Sliding instruction and also contains a Short Sale instruction when a Short Sale Circuit Breaker is in effect, the re-pricing instructions to comply with Rule 201 of Regulation SHO under this Rule will apply.<sup>44</sup>

- LTSE Rule 11.180(k) (Reserve Quantity) - The Exchange is proposing to define “Reserve Quantity” as a portion of an order that includes a Non-Displayed instruction in which a portion of that order is also displayed on the LTSE Book. Both the portion of the order with a Displayed instruction and the Reserve Quantity are available for execution against incoming orders.

In proposed LTSE Rule 11.80(k)(1), the Exchange defines “Replenishment Amounts.” If the portion of the order with a Displayed instruction is reduced to less than a Round Lot, the System will, in accordance with the User’s instruction, replenish the displayed quantity from the Reserve Quantity using one of the below replenishment instructions. Under either instruction below, any order with a Reserve Quantity will be handled as a new order by the System and a new order identification number will be created each time a displayed quantity is replenished. The Exchange will obfuscate the unique order identification number on its data feeds for replenishment of an order with Reserve Quantity. If the remainder of an order is less than the replenishment amount, the Exchange will replenish and display the entire remainder of the

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<sup>44</sup> This proposed rule text matches MEMX Rule 11.6(j) (Re-Pricing).

order. A User must instruct the Exchange as to the quantity of the order to be initially displayed by the System (“Max Floor”) when entering an order with a Reserve Quantity, which is also used to determine the replenishment amount, as described in proposed LTSE Rule 11.180(k)(1)(A) and (B). In subparagraph (A), the Exchange proposes to define Random Replenishment as an instruction a User may attach to the Reserve Quantity of an order where replenishment quantities for the order are randomly determined by the System in Round Lot increments only within a replenishment range established by the User. In particular, the User entering an order into the System subject to the Random Replenishment instruction must select a replenishment value and Max Floor. The actual quantity that will be initially displayed will be the Max Floor. The displayed replenishment quantities will then be determined by the System by randomly selecting a number of shares within a replenishment range that is between: (i) the Max Floor minus the replenishment value; and (ii) the Max Floor plus the replenishment value. A User entering an order into the System subject to the Random Replenishment instruction must either select immediate replenishment or to have the time interval of such replenishment randomly set by the Exchange. If a User has selected a random time interval, the System will randomly replenish the User’s displayed replenishment quantity at different time intervals ranging up to one (1) millisecond following each execution that triggers replenishment. The non-displayed portion of an order subject to Random Replenishment will remain fully executable prior to the replenishment of a User’s displayed quantity.

In proposed subparagraph (B) regarding Fixed Replenishment, the Exchange proposes that, for an order for which the Random Replenishment instruction has not been

selected, the System will replenish the displayed quantity of the order to the Max Floor designated by the User.<sup>45</sup>

- LTSE Rule 11.180(l) (Posting Instructions) - The Exchange is proposing to designate subparagraph (1) of this rule as “Reserved.” In subparagraph (2), the Exchange describes “Post Only” as an instruction that may be attached to an order that is to be ranked and executed on the Exchange pursuant to LTSE Rule 11.220 and LTSE Rule 11.230(a)(4) or canceled, as appropriate, except that the order will not remove liquidity from the LTSE Book, except in the following condition: an order with a Post Only instruction and a Display-Price Sliding instruction will remove contra-side liquidity from the LTSE Book if the order is an order to buy or sell a security priced below \$1.00 or if the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the LTSE Book and subsequently provided liquidity, including the applicable fees charged or rebates provided. To determine at the time of a potential execution whether the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the LTSE Book and subsequently provided liquidity, the Exchange will use the highest possible rebate paid and highest possible fee charged for such executions on the Exchange.<sup>46</sup>
- LTSE Rule 11.180(m) (Short Sale) - An instruction on an order which shall have the same meaning as defined in Rule 200(a) of Regulation SHO.<sup>47</sup>
- LTSE Rule 11.180(n) (Short Exempt) - An instruction on an order with a Short Sale instruction that satisfies the requirements set forth in Rule 201 of Regulation SHO.<sup>48</sup>

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<sup>45</sup> This proposed rule text matches MEMX Rule 11.6(k) (Reserve Quantity).

<sup>46</sup> This proposed rule text matches MEMX Rule 11.6(l) (Posting Instructions).

<sup>47</sup> This proposed rule text matches MEMX Rule 11.6(m) (Short Sale).

<sup>48</sup> This proposed rule text matches MEMX Rule 11.6(n) (Short Exempt).

- LTSE Rule 11.180(o) (Time-in-Force (“TIF”) - The Exchange is proposing to adopt the same TIFs as appear in MEMX Exchange Rule 11.6(o), as follows: (1) Immediate-or-Cancel (“IOC”), which is an instruction the User may attach to an order stating the order is to be executed in whole or in part as soon as such order is received. The portion not executed immediately on the Exchange is treated as canceled and is not posted to the LTSE Book. This is identical to MEMX Exchange Rule 11.6(o)(1) except that LTSE is not adopting the provision related to routing of the order.

In proposed subparagraph (2), the Exchange proposes to define the TIF of “Day” as an instruction the User may attach to an order stating that an order to buy or sell is designated for execution starting with the Pre-Market Session and, if not executed, expires at the end of Regular Trading Hours. Any Day Order entered into the System before the opening for business on the Exchange as determined pursuant to LTSE Rule 11.110, or after the closing of Regular Trading Hours, will be rejected. The Exchange is deleting in its entirety LTSE Rule 11.190(d)(2) and replacing it with newly proposed LTSE Rule 11.180(o), which is substantially similar to MEMX Exchange Rule 11.6(o)(2).

In proposed LTSE Rule 11.180(o)(3), the Exchange is proposing to adopt a TIF of Fill-or-Kill (“FOK”), which is an instruction the User may attach to an order stating that the order is to be executed in its entirety as soon as it is received and, if not so executed, is canceled. This represents an addition to the Exchange’s rules, which currently does not provide for an TIF of FOK but conforms to MEMX Exchange Rule 11.6(o)(3).

Proposed LTSE Rule 11.180(o)(4) describes the Good-'til-Time (“GTT”) TIF as an instruction the User may attach to an order specifying the time of day at which the order expires, which is designated for execution starting with the Pre-Market Session. Any unexecuted portion

of an order with a TIF instruction of GTT will be canceled at the expiration of the User's specified time, which can be no later than the close of the Post-Market Session. This definition is in current LTSE Rule 11.190(o)(5) but is being moved to this LTSE Rule 11.180 and amended to conform to MEMX Exchange Rule 11.6(o)(4).

In proposed LTSE Rule 11.180(o)(5), the Exchange seeks to define the TIF of Regular Hours Only ("RHO") as an instruction a User may attach to an order stating that an order to buy or sell is designated for execution only during Regular Trading Hours and, if not executed, expires at the end of Regular Trading Hours. Any order with a TIF instruction of RHO entered into the System before the opening or after the closing of Regular Trading Hours will be rejected. The Exchange currently does not offer a TIF of RHO and is proposing to adopt the RHO TIF to conform to MEMX Exchange Rule 11.6(o)(5).

- LTSE Rule 11.180(p) (Trading Center) - The Exchange is proposing to define "Trading Center" to mean other securities exchanges, facilities of securities exchanges, automated trading systems, electronic communications networks or other brokers or dealers. The Exchange's current rules do not contain that definition and the Exchange is proposing to adopt the same definition found in MEMX Rule 11.6(p) (Trading Center).
- LTSE Rule 11.180(q) (Units of Trading) - The Exchange proposes in subparagraphs (1) - (3) to define units of trading. In (1), the Exchange defines a Round Lot as one hundred (100) shares or any multiple thereof, unless an alternative number of shares is established as a Round Lot by the listing exchange for the security. Orders that are a Round Lot are eligible to be Protected Quotations. In (2), the Exchange defines an Odd Lot as any amount less than a Round Lot. Orders of Odd Lot size are only eligible to be Protected Quotations if aggregated to form a Round Lot. In (3), the Exchange defines a Mixed Lot as any amount greater than a Round Lot

that is not an integer multiple of a Round Lot. Odd Lot portions of orders of Mixed Lot size are only eligible to be Protected Quotations if aggregated to form a Round Lot.<sup>49</sup>

### **Amendments to LTSE Rule 11.190 Orders and Modifiers**

The Exchange is proposing revisions to current LTSE Rule 11.190 governing orders and modifiers available to Users pursuant to the VSM. The Exchange is amending the title of LTSE Rule 11.190 from “Orders and Modifiers” to “Order Types and Modifiers” to better describe the content of the newly proposed rule and to conform to MEMX Rule 11.8 (Order Types and Modifiers) upon which this rule is modeled.

The Exchange is proposing to amend the entirety of the rule text, to conform with MEMX Rule 11.8 (Order Types and Modifiers). Only provisions governing order routing are not being adopted, otherwise the rules, as proposed, are identical. These changes are intended to better facilitate a transition to the new trading platform with minimal disruption to Members by implementing order types and order handling processes that are currently in the technology utilized by MEMX Exchange and will support the System post-replatforming.

Next, the introductory text to the rule will provide that Users may enter into the System the types of orders listed in LTSE Rule 11.190, subject to the limitations set forth in this rule or elsewhere in Exchange rules. The Exchange will also include new text stating that, by default, orders are limited to a maximum of 1,000,000 shares or \$30,000,000.00, which will align with the capacity of the System after the replatforming is complete. Additionally, the Exchange proposes to reposition the statement that any order that is submitted to the System will be an “LTSE Only” order from LTSE Rule 11.190(b)(6), which is proposed for deletion as described below.

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<sup>49</sup> This proposed rule text matches MEMX Rule 11.6(q) (Units of Trading).



Newly proposed LTSE Rule 11.190(a), will include the definition of a Limit Order, specifically, that a Limit Order is an order to buy or sell a stated amount of a security at a specified price (“Limit Price”) or better. A “marketable” Limit Order is a Limit Order to buy (sell) at or above (below) the lowest (highest) Protected Offer (“Protected Bid”) for the security. New subparagraph (a)(1) will include text stating that a Limit Order must have one of the following TIF instructions: IOC, FOK, Day, RHO or GTT, which are the same TIFs that will be available pursuant to amended LTSE Rule 11.180.

Newly proposed subparagraph (a)(2) will address the size of Limit Orders that can be submitted through the System. A Limit Order may be an Odd Lot, Round Lot or Mixed Lot. A User may include a Minimum Execution Quantity instruction for a Limit Order with a Non-Displayed instruction or TIF of IOC.

Newly proposed subparagraph (a)(3) will provide that a Limit Order may include a Displayed instruction or a Non-Displayed instruction.

Proposed LTSE Rule 11.190(a)(4) provides that a Limit Order with a Displayed instruction may include a Reserve Quantity, which will not be displayed by the System. A Limit Order with both a Displayed instruction and Reserve Quantity must include a replenishment instruction and a replenishment amount.

Proposed LTSE Rule 11.90(a)(5) adopts rule text governing an Intermarket Sweep Order (“ISO”). The System will accept ISOs (as such term is defined in Regulation NMS). To be eligible for treatment as an ISO, the order must be: (i) a Limit Order; (ii) marked “ISO”; and (iii) the User entering the order must simultaneously route one or more additional Limit Orders marked “ISO,” if necessary, to away Trading Centers to execute against the full displayed size of any Protected Quotation for the security with a price that is superior to the limit price of the ISO

entered in the System. Such orders, if they meet the requirements of the foregoing sentence, may be executed at one or multiple price levels in the System without regard to Protected Quotations at away Trading Centers consistent with Regulation NMS (i.e., may trade through such quotations).

Proposed LTSE Rule 11.190(a)(5) further provides that the Exchange relies on the marking of an order as an ISO when handling such order, and thus, it is the entering Member's responsibility, not the Exchange's responsibility, to comply with the requirements of Regulation NMS relating to ISOs. Incoming ISOs must have a TIF instruction of Day, GTT, or IOC. Incoming ISOs cannot include a TIF instruction of FOK or RHO. Any unfilled portion of an incoming ISO with a GTT or Day instruction will be posted by the System to the LTSE Book at the entered limit price. An incoming ISO with a Post Only and TIF instruction of GTT or Day will be canceled without execution if, when entered, it is immediately marketable against an order with a Display instruction resting in the LTSE Book unless such order removes liquidity pursuant to LTSE Rule 11.180(1)(2). A User entering an incoming ISO with a TIF instruction of Day represents that such User has simultaneously routed one or more additional Limit Orders marked "ISO," if necessary, to away Trading Centers to execute against the full displayed size of any Protected Quotation for the security with a price that is superior or equal to the limit price of the ISO entered in the System. Incoming ISOs may be an Odd Lot, Round Lot, or Mixed Lot. A User may include a Minimum Execution Quantity instruction for an incoming ISO with an IOC instruction.

Proposed LTSE Rule 11.190(a)(6) (Session) - provides that a Limit Order can be eligible for execution during the Pre-Market Session, Regular Market Session and the Post-Market Session.

Proposed LTSE Rule 11.190(a)(7) (Posting) - states that a Limit Order may include a Post only instruction.

Proposed LTSE Rule 11.190(a)(8) (Locked or Crossed Market) - provides that, to the extent an incoming Limit Order with a Non-Displayed instruction would be a Crossing Quotation if displayed at its limit price, such order will execute against interest in the LTSE Book at prices up to and including the Locking Price and will then be canceled by the System.<sup>50</sup> A resting Limit Order with a Non-Displayed instruction that would be a Crossing Quotation, if displayed at the price at which it is ranked, will be canceled by the System.

When an away Trading Center publishes a Protected Quotation that locks or crosses the displayed price of a resting Limit Order of Odd Lot size with a Displayed instruction and the Exchange does not have a Protected Quotation displayed at such price, such order will be canceled by the System unless such order contains a multiple price sliding instruction, in which case such order will be re-priced pursuant to LTSE Rule 11.180(j)(1)(A).

Proposed LTSE Rule 11.190(a)(9) (Re-Pricing Instructions to Comply with Rule 610 of Regulation NMS) - provides that a Limit Order may include a Display-Price Sliding instruction or a Cancel Back instruction. A Limit Order to buy (sell) with a limit price that would be a Crossing Quotation at the time of entry into the System will not execute at a price that is higher (lower) than the Locking Price. An incoming ISO that includes a Post Only and TIF instruction of GTT, or Day may be displayed at prices equal to or more aggressive than the Locking Price. However, the System will immediately Cancel Back an ISO that includes a Post Only and TIF instruction of GTT, or DAY if the System is displaying orders on the LTSE Book at the Locking

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<sup>50</sup> MEMX Exchange Rule 11.8(b)(8) contains rule text addressing the routing of an order which LTSE is not adopting at this time.

Price at the time of the ISO's entry in the System unless such order removes liquidity pursuant to LTSE Rule 11.180(l).

Proposed LTSE Rule 11.190(a)(10) (Re-Pricing Instructions to Comply with Rule 201 of Regulation SHO) - provides that a Limit Order that includes a Short Sale instruction that is not marked Short Exempt, and that cannot be executed in the System or displayed by the System on the LTSE Book at its limit price because a Short Sale Circuit Breaker is in effect, will be subject to the Re-Pricing Instruction to comply with Rule 201 of Regulation SHO if the order includes a Display-Price Sliding instruction or will be subject to the Cancel Back instruction. The System will immediately Cancel Back an incoming ISO combined with a TIF instruction of GTT or Day and a Short Sale instruction that does not include a Short Exempt instruction and that cannot be executed or displayed at its limit price at the time of entry into the System because of the existence of a Short Sale Circuit Breaker.

Proposed LTSE Rule 11.190(b) defines a "Market Order" as an order to buy or sell a stated amount of a security that is to be executed at the NBBO or better when the order reaches the Exchange. The Exchange proposes to adopt the following provisions related to Market Orders: (1) a Market Order must have one of the following time in force instructions: DAY, IOC, RHO, or FOK and that Market Order that includes a TIF instruction of FOK will be canceled if not executed in full immediately after entry into the System; (2) Size, Market Orders may be an Odd Lot, Round Lot, or Mixed Lot. A User may attach a Minimum Execution Quantity instruction to a Market Order with a TIF instruction of IOC; (3) Display, a Market Order is not eligible to be displayed on the LTSE Book and will be canceled if not executed by the System; (4) Session, a Market Order is only eligible for execution by the System during the Market Session. The Exchange has denoted subparagraph (5) as "Reserved."; (6) Execution, the

Exchange states that a Market Order shall not trade through a Protected Quotation and any portion of a Market Order that would execute at a price more than \$0.50 or 5 percent worse than the NBBO at the time the order initially reaches the Exchange, whichever is greater, will be canceled; (7) No Available NBBO, the Exchange states that a Market Order received by the System when the NBBO is not available will be rejected or canceled back to the entering User.

In proposed LTSE Rule 11.190(c), the Exchange describes Pegged Orders, which are new to LTSE, but a standard order type offered by MEMX Exchange. Specifically, a User may indicate to peg an order to a reference price, including an instruction of Primary Peg (the NBB for buy orders and NBO for sell orders) or an instruction of Midpoint Peg (the midpoint of the NBBO). The System's calculation of the NBBO does not take into account any Pegged Orders that are resting on the LTSE Book. A new timestamp is created for a Pegged Order each time it is automatically re-priced.

In proposed paragraph (c)(1), the Exchange states that a Pegged Order may contain the following Time In Force instructions: Day, FOK, IOC, RHO or GTT. Any unexecuted portion of a Pegged Order with a TIF instruction of Day or GTT that is resting on the LTSE Book will receive a new timestamp each time it is re-priced in response to changes in the midpoint of the NBBO. In proposed new paragraph (c)(2), Size, the Exchange states that Pegged Orders may be entered as an Odd Lot, Round Lot or Mixed Lot and a User may include a Minimum Execution Quantity instruction. Proposed new paragraph (c)(3) Display, states that Pegged Orders are not eligible to include a Displayed instruction and new paragraph (c)(4) Session, states that Pegged Orders may be executed during the Pre-Market Session, the Market Session, and the Post-Market Session. Paragraph (c)(5) Posting, states that a Pegged Order may include Post Only instructions.

Proposed paragraphs (c)(6), Locked or Crossed Markets and (c)(7) No Available NBBO, describe the handling of Pegged Orders when the market is locked or crossed or when no NBBO is available. For locked or crossed market, to the extent an incoming Pegged Order would be a Crossing Quotation if displayed at the price at which it would be ranked in the LTSE Book, such order will execute against interest in the LTSE Book at prices up to and including the Locking Price and will then be canceled by the System. A Pegged Order resting on the LTSE Book is not eligible for execution when a Locking or Crossing Quotation exists. In such cases, a Pegged Order would rest on the LTSE Book and would not be eligible for execution in the System until a Locking Quotation or Crossing Quotation no longer exists. With respect to no available NBBO, (c)(7) states that a Pegged Order received by the System when the NBBO is not available will be rejected or canceled back to the entering User. A Pegged Order resting on the LTSE Book will be canceled back to the User when the NBB or NBO that the order is pegged to is no longer available.

Additionally, the Exchange proposes to delete the following Supplementary Material to current LTSE Rule 11.190(b): .01, Best Execution; .02, Firm Quote Obligations; and .03, Just and Equitable Principles of Trade. These sections pertain to use of the AGID modifier, which will no longer be offered but its functionality will be replaced by the STP modifier as described below.

#### **Amendments to LTSE Rule 11.210 Minimum Price Variant**

The Exchange proposes to delete current LTSE Rule 11.210, Minimum Price Variant in its entirety because it has proposed to adopt a substantially similar definition that conforms to the

MEMX definition of the same term<sup>51</sup> in newly proposed LTSE Rule 11.180(g) (Minimum Price Variation). This rule will be designated as “Reserved.”

### **Amendments to LTSE Rule 11.220 Priority of Orders**

The Exchange next proposes to conform the text of LTSE Rule 11.220 (Priority of Orders) to that of MEMX Exchange Rule 11.9 by deleting the current rule text in its entirety and adopting the text of MEMX Exchange Rule 11.9 (Priority of Orders) in its place. The purpose of this proposed change is to remove rule provisions which, although substantially similar in certain ways to MEMX Exchange Rule 11.9, were written for purposes of the VSM and not for the trading technology that will support the System post-replatforming. The Exchange submits that these changes, which conform with the corresponding MEMX Exchange rule, will contribute to more efficient implementation of the new trading platform.

As proposed, the new text of LTSE Rule 11.220 will be as follows:

In paragraph (a), Ranking, orders of Users shall be ranked and maintained in the LTSE Book based on the following priority: (1) price, in which the highest-priced order to buy (lowest-priced order to sell) shall have priority over all other orders to buy (sell) in all cases; and (2), time. With respect to time, paragraph (2)(A) provides that, subject to the execution process described in LTSE Rule 11.230(a), where orders to buy (sell) are entered into the System at the same price, the order clearly established as the first entered into the System at such particular price shall have precedence at that price, up to the number of shares of stock specified in the order. Except as provided in subparagraphs (B) and (C) of LTSE Rule 11.230(a)(2), the System shall rank equally priced trading interest within the System in time priority in the following order: (i) the portion of a Limit Order with a Displayed instruction; (ii) Limit Orders with a Non-

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<sup>51</sup> See MEMX Rule 11.6(g) (Minimum Price Variation).

Displayed instruction; (iii) orders with a Primary Peg instruction; (iv) orders with a Midpoint Peg instruction; and (v) Reserve Quantity of Limit Orders.

Proposed LTSE Rule 11.230(a)(2)(B) covers orders priced at the Midpoint of the NBBO. Specifically, where orders to buy (sell) are priced at the midpoint of the NBBO, the order clearly established as the first priced at the midpoint of the NBBO within each sub-paragraph below shall have precedence at the mid-point of the NBBO, up to the number of shares of stock specified in the order. The System shall rank trading interest priced at the midpoint of the NBBO within the System in time priority in the following order: (i) Limit Orders to which the Display-Price Sliding instruction has been applied; (ii) Limit Orders with a Non-Displayed instruction; (iii) orders with a Primary Peg instruction; (iv) orders with a Midpoint Peg instruction; and (v) Reserve Quantity of Limit Orders.

LTSE Rule 11.220(a)(2)(C) will provide that, where buy (sell) orders are using instructions that cause them to be re-ranked by the System upon clearance of a Locking Quotation, the System shall re-rank and display such orders at the Locking Price in time priority in the following order: (i) Limit Orders to which the ISO instruction has been applied that also contain a TIF instruction of Day when such orders establish a new NBBO at the Locked Price; and (ii) Limit Orders to which the Display-Price Sliding instruction has been applied.

LTSE Rule 11.220(a)(2)(D) will provide that, for purposes of paragraphs (A) and (B) above, orders re-ranked subject to the Re-Pricing instruction to comply with Rule 201 of Regulation SHO under LTSE Rule 11.180(j)(2), maintain the same priority as Limit Orders at that price.

LTSE Rule 11.220(a)(3) addresses the impact of STP Modifiers and will provide that, pursuant to LTSE Rule 11.230(d), Users may direct that orders entered into the System not



execute against orders entered under the same Unique Identifier. In such a case, the System will not permit such orders to execute against one another, regardless of priority ranking.

LTSE Rule 11.220(a)(4) will provide that, in the event an order has been canceled or replaced in accordance with LTSE Rule 11.230(e) below, such order only retains time priority if such modification involves a decrease in the size of the order, a change to Max Floor of an order with a Reserve Quantity, the sell long indicator, or Short Sale instruction. Any other modification to an order, including an increase in the size of the order and/or price change, will result in such order losing time priority as compared to other orders in the LTSE Book and the timestamp for such order being revised to reflect the time of the modification.

LTSE Rule 11.220(a)(5) will provide that, in the event that an order is executed against an incoming order in accordance with LTSE Rule 11.230 for less than its full size, the unexecuted size of the order shall retain its original time priority and be ranked in accordance with LTSE Rule 11.220 paragraphs (a)(1) and (a)(2), above.

LTSE Rule 11.220(a)(6) addresses replenishment from Reserve Quantity and will provide that the displayed quantity of a Limit Order shall have time priority as of the time of display. A new timestamp is created for the displayed portion and Reserve Quantity of the order each time it is replenished from the Reserve Quantity.

Next, in proposed LTSE Rule 11.220(b), Dissemination, the Exchange proposes in paragraph (b)(1) that the best-ranked order(s) to buy and the best-ranked order(s) to sell that are displayable in the LTSE Book and the aggregate displayed size of such orders associated with such prices shall be collected and made available to quotation vendors for dissemination pursuant to the requirements of Rule 602 of Regulation NMS.

In paragraph (b)(2), the Exchange proposes that, pursuant to Rule 602 of Regulation NMS, the Exchange will transmit for display to the appropriate securities information processor for each security: (A) the highest price to buy wherein the aggregate size of all displayed buy interest in the System greater than or equal to that price is one round lot or greater; (B) the aggregate size of all displayed buy interest in the System greater than or equal to the price in (A), rounded down to the nearest round lot; (C) the lowest price to sell wherein the aggregate size of all displayed sell interest in the System less than or equal to that price is one round lot or greater; and (D) the aggregate size of all displayed sell interest in the System less than or equal to the price in (C), rounded down to the nearest round lot.

#### **Amendments to LTSE Rule 11.230 Order Execution**

The Exchange is proposing amendments to LTSE Rule 11.230 (Order Execution) to conform to MEMX Rule 11.10 (Order Execution).

The introduction to LTSE Rule 11.230 and (a) thereof is not proposed to change as it already tracks to MEMX Rule 11.10(a).

In paragraph (a)(1), which addresses compliance with Rule 201 of Regulation SHO, the Exchange is only proposing to update a rule reference contained in the text as the citation to LTSE Rule 11.190(g)(4) is no longer accurate due to the changes proposed in this filing. The Exchange is proposing to delete that reference and replace it with 11.190(a)(9). No other changes are proposed to this paragraph.

The Exchange is not proposing any changes to LTSE Rule 11.230(a)(2)(A) as that language tracks to the same rule text in MEMX Rule 11.10(a)(2) which addresses the Regular Market Session.

The Exchange is proposing to amend (a)(2)(B), Compliance with Reg NMS and Trade-Through Protection, Pre-Market Session and Post-Market Session, to conform to the same provision in MEMX Rule 11.10(a)(2). Such provision addresses executions during the Pre-Market Session or the Post-Market Session and states that for any execution to occur during these trading sessions, the price must be equal to or better than the highest bid or lowest offer in the LTSE Book or disseminated by the responsible single plan processor, unless the order is marked ISO or unless a Protected Bid is crossing a Protected Offer. Notwithstanding the foregoing, in the event that a Protected Bid is crossing a Protected Offer, whether during or outside of Regular Trading Hours, unless the order is marked ISO, the Exchange will not execute any portion of a bid at a price more than the greater of 5 cents or 0.5 percent higher than the lowest Protected Offer or any portion of an offer that would execute at a price more than the greater of 5 cents or 0.5 percent lower than the highest Protected Bid. Upon instruction from a User, the Exchange will cancel any incoming order from such User in the event a Protected Bid is crossing a Protected Offer.

The Exchange proposes to delete paragraph (a)(2)(C), Crossed Markets, in its entirety because the substance of the current rule pertains to the Crossed Market Collar, which is functionality that will not be available in the new technology platform.

In LTSE Rule 11.230(a)(3), the Exchange addresses order execution under the National Market System Plan to Address Extraordinary Market Volatility (referred to as the “Limit Up-Limit Down” or “LULD Plan”), the Exchange proposes to delete the current text of the rule and add new text stating as follows: “[c]ompliance with the requirements of the LULD Plan. Except as provided in Section VI of the Plan, for any executions to occur during Regular Trading Hours, such executions must occur at a price that is greater than or equal to the Lower Price Band and

less than or equal to the Upper Price Band, when such Price Bands are disseminated.” The Exchange’s procedures for handling, executing, re-pricing and displaying orders in connection with the Plan are further described in LTSE Rule 11.281(b)(1)(A)(i). The proposed new text conforms with MEMX Rule 11.10(a)(3).

LTSE Rule 11.230(a)(4) will remain unchanged as will subsections (A) and (B) therein. The Exchange is proposing to adopt new paragraphs (C) and (D) to this LTSE Rule 11.230(a)(4) which will be identical to MEMX Rule 11.10(C) and (D), respectively.

In proposed paragraph (C) the new text states that “[c]onsistent with LTSE Rules 11.180 and 11.190, based on User instructions, certain orders are permitted to post and rest on the LTSE Book at prices that lock contra-side liquidity, provided, however, that the System will never display a locked market. Subject to subparagraph (D) below, if an incoming order, pursuant to subparagraphs (A) or (B) above is on the same side of the market as an order displayed on the LTSE Book and upon entry would execute against contra-side interest at the same price as such displayed order, such incoming order will be canceled or posted to the LTSE Book and ranked in accordance with LTSE Rule 11.220.”

In proposed paragraph (D), the new text states: “[f]or bids or offers equal to or greater than \$1.00 per share, in the event that an incoming order described in subparagraphs (A) or (B) above is a Market Order or is a Limit Order priced more aggressively than an order displayed on the LTSE Book, the Exchange will execute the incoming order at, in the case of an incoming sell order, one-half minimum price variation less than the price of the displayed order, and, in the case of an incoming buy order, at one-half minimum price variation more than the price of the displayed order. For bids or offers under \$1.00 per share, this subparagraph is inapplicable.” The Exchange is proposing to adopt a new paragraph (a)(5) governing Short Sales in this LTSE Rule

11.230 which is identical to MEMX Rule 11.10(a)(5). The newly proposed text states: “Short Sales. All orders to sell short shall include a Short Sale instruction, and if applicable, a Short Exempt instruction when entered into the System. If an order includes a Short Exempt instruction, the Exchange shall execute, display and/or route an order without regard to any short sale price test restriction in effect under Regulation SHO. The Exchange relies on the inclusion of a Short Exempt instruction when handling such order, and thus, it is the entering Member’s responsibility, not the Exchange’s responsibility to comply with the requirements of Regulation SHO relating to including a Short Exempt instruction on an order.”

Paragraph (b) of this LTSE Rule 11.230 had been reserved and the Exchange is now adopting a paragraph addressing the display of automated quotations here, which is identical to MEMX Rule 11.10(b). In this new paragraph, the Exchange proposes to adopt the following rule text: “Display of Automated Quotations. The System will be operated as an “automated trading center” within the meaning of Regulation NMS, and in furtherance thereof, will display “automated quotations” within the meaning of Regulation NMS at all times except in the event that a systems malfunction renders the System incapable of displaying automated quotations, in which case the System will be disabled and will be unable to accept any orders. The Exchange shall promptly communicate to Users the unavailability of the System. All orders will be designated by the System as non-attributable and displayed (price and size) on the LTSE Book Feed on an anonymous basis by the System. This proposed Rule text conforms with MEMX Exchange Rule 11.10(b). The Exchange notes that certain of the rule text proposed in new paragraph (g) is contained in current LTSE Rule 11.240 (Trade Execution, Reporting, and Dissemination of Quotations), paragraph (c) and is being repositioned to proposed new LTSE Rule 11.230(g) for consistency.

Paragraph (c) of this Rule is reserved and the Exchange is now proposing to renumber current paragraph (d) addressing Self-Help as (c). No other changes are being proposed to this paragraph.

Proposed new paragraph (d) addresses the self-trade prevention (“STP”) modifiers that will be available as features in the System after re-platforming and is identical to MEMX Rule 11.10(d). As proposed, any incoming order designated with an STP modifier will be prevented from executing against a resting opposite side order also designated with an STP modifier and originating from the same market participant identifier (“MPID”), Exchange Member identifier or STP Group identifier (any such identifier, a “Unique Identifier”). The STP modifier on the incoming order controls the interaction between two orders marked with STP modifiers. Users will be provided with options to select the STP modifier.

Subparagraph (d)(1), STP Cancel Newest (“CN”) will provide that an incoming order marked with the CN modifier will not execute against opposite side resting interest marked with any STP modifier originating from the same Unique Identifier. The incoming order marked with the CN modifier will be canceled back to the originating User(s). The resting order marked with an STP modifier will remain on the LTSE Order Book.

Newly proposed subparagraph (d)(2), STP Cancel Oldest (“CO”), provides that an incoming order marked with the CO modifier will not execute against opposite side resting interest marked with any STP modifier originating from the same Unique Identifier. The resting order marked with the STP modifier will be canceled back to the originating User(s). The incoming order marked with the CO modifier will remain on the LTSE Order Book.

Newly proposed subparagraph (d)(3), STP Decrement and Cancel (“DC”), provides that an incoming order marked with the DC modifier will not execute against opposite side resting

interest marked with any STP modifier originating from the same Unique Identifier. If both orders are equivalent in size, both orders will be canceled back to the originating User(s). If the orders are not equivalent in size, the smaller order will be canceled back to the originating User(s) and the larger order will be decremented by the size of the smaller order, with the balance remaining on the LTSE Order Book.

Newly proposed subparagraph (d)(4), STP Cancel Both (“CB”), provides that an incoming order marked with the CB modifier will not execute against opposite side resting interest marked with any STP modifier originating from the same Unique Identifier. The entire size of both orders will be canceled back to the originating User(s).

Finally, proposed subparagraph (d)(5), STP Cancel Smallest (“CS”), provides that an incoming order marked with the CS modifier will not execute against opposite side resting interest marked with any STP modifier originating from the same Unique Identifier. If both orders are equivalent in size, both orders will be canceled back to the originating User(s). If the orders are not equivalent in size, the smaller of the two orders will be canceled back to the originating User and the larger order will remain on the LTSE Order Book.

Proposed new LTSE Rule 11.230(e) addresses Cancel/Replace Messages and will conform to MEMX Rule 11.10(e) except that the Exchange will not adopt (e)(2) but will rather hold that paragraph as “Reserved.” as it addresses routed orders. As proposed, newly adopted (e) will provide that a User may cancel or replace an existing order entered by the User, subject to the limitations described in subparagraphs (e)(1) through (e)(4). In (e)(1), the proposed rule text states orders may only be canceled or replaced if the order has a TIF instruction other than IOC and FOK and if the order has not yet been executed in its entirety.

As stated above, subparagraph (e)(2) will be denoted as a “Reserved” section.

Proposed subparagraph (e)(3) will provide that, other than changing a Limit Order to a Market Order, only the price, the sell long indicator, Short Sale instruction, Max Floor of an order with a Reserve Quantity, and size of the order may be changed by a Replace Message. If a User desires to change any other terms of an existing order, the existing order must be canceled and a new order must be entered.

Proposed subparagraph (e)(4) will provide that, notwithstanding anything to the contrary in these LTSE Rules, no cancellation or replacement of an order will be effective until such message has been received and processed by the System.

**Amendments to LTSE Rule 11.231 Regular Market Session Opening Process for Non-LTSE-Primary-Listed Securities**

The Exchange proposes to delete, in its entirety, LTSE Rule 11.231, Regular Market Session Opening Process for Non-LTSE-Primary-Listed Securities and denote that rule as “Reserved.” The deletion of the current rule text is needed because the opening process to be utilized by the System post-replatforming will mirror the opening process on the MEMX Exchange for all equity securities.

**Amendments to LTSE Rule 11.240 Trade Execution, Reporting, and Dissemination of Quotations**

The Exchange is proposing to amend LTSE Rule 11.240 Trade Execution, Reporting, and Dissemination of Quotations to conform to MEMX Rule 11.12 Trade Reporting. Accordingly, the Exchange is proposing to amend the title of the rule from “Trade Execution, Reporting, and Dissemination of Quotations” to “Trade Reporting” to match MEMX Rule 11.12. The Exchange is not proposing changes to subparagraphs (a) and (b) as that language is substantially identical to the MEMX Rule 11.12(a) and (b). The Exchange is proposing to delete paragraph (c) from



this rule as dissemination of information is now addressed in newly proposed LTSE Rule 11.220(b). The Exchange is not proposing any changes to (d) of this rule.

### **Amendment to Rule 11.271 Trading Halts**

The Exchange is proposing to delete LTSE Rule 11.271 and mark it as “Reserved” because the substance of the rule is being adopted as part of proposed changes to LTSE 11.281 (Limit Up-Limit Down Plan and Trading Halts on the Exchange), as discussed in more detail below.

### **Amendments to LTSE Rule 11.281 Limit Up-Limit Down Plan and Trading Halts on the Exchange**

The Exchange is proposing to amend LTSE Rule 11.281, currently entitled “Limit Up-Limit Down Mechanism.” The rule will be re-titled to “Limit Up-Limit Down Plan and Trading Halts on the Exchange.” The current text of LTSE Rule 11.281 will be deleted in its entirety and will be replaced by rule text copying MEMX Exchange Rule 11.22.<sup>52</sup> The proposed new rule text is described below.

New paragraph (a), entitled Definitions, will describe definitions that are the same as those in MEMX Exchange Rule 11.22.<sup>53</sup> These include definitions of Trust Shares; Index Fund Shares; Managed Fund Shares; Trust Issued Receipts; Extraordinary Market Activity; Operating

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<sup>52</sup> The Exchange notes that MEMX Rule 11.22 was amended in July 2023 pursuant to Section 19(b)(3)(A)(iii) of the Act as a “non-controversial” rule proposal for resuming trading in equity securities in the event of regulatory or operational issues. (See Exchange Act Release No. 97824 (June 29, 2023); 88 FR 43159 (July 6, 2023) SR-MEMX- 2023-11). The rule change was made to establish common criteria and procedures for halting and resuming trading in equity securities in the event of regulatory or operational issues. By adopting the text of MEMX Exchange Rule 11.22 in its entirety, the Exchange will be aligning Rule 11.281 with the rules of other exchanges designed to address halts due to regulatory or operational issues. See also, Amendments to NASDAQ Rule 4120, Exchange Act Release No. 95069 (June 8, 2022); 87 FR 36018 (June 14, 2022); SR-NASDAQ-2022-017).

<sup>53</sup> The Exchange notes that certain of the defined terms in the proposed amended Rule 11.281 are already defined in other sections of the LTSE rulebook and such rule citations are included where appropriate.

Committee and Operating Halt as those terms are defined in the Nasdaq UTP Plan; Post-Market Session” is defined in LTSE Rule 1.160(ee); Pre-Market Session” is defined in LTSE Rule 1.160(dd); Primary Listing Market as defined in the Nasdaq UTP Plan; Processor” or “SIP” defined as having the same meaning as the term “Processor” in the Nasdaq UTP Plan or in the Consolidated Tape Association Plan, as is applicable; Regulatory Halt has the same meaning as in the Nasdaq UTP Plan; Regular Trading Hours has the same meaning as in the Nasdaq UTP Plan; SIP Halt has the same meaning as in the Nasdaq UTP Plan; SIP Halt Resume Time has the same meaning as in the Nasdaq UTP Plan; and SIP Plan means the national market system plan governing the SIP.

Proposed LTSE Rule 11.281(b)(1)(A)(i)-(iv) includes four situations in which the Exchange must halt trading pursuant to a Regulatory Halt: under the Limit Up-Limit Down Plan; pursuant to Extraordinary Market Volatility (Market-Wide Circuit Breakers); when the Primary Listing Market declares a SIP halt, or when the Primary Listing Market declares a trading halt based on Extraordinary Market Activity, as defined in the Nasdaq UTP Plan. Although it has been approved by the Commission to operate a Primary Listing Market and to issue Regulatory Halts pursuant to LTSE Rule 11.280, the Exchange presently has only dual-listed stocks and is not the Primary Listing Market for any issuer; accordingly, it does not have the authority to issue Regulatory Halts with respect to such dual-listed securities.

Proposed paragraph (b)(1)(A)(i)(a) of LTSE Rule 11.281 contains definitions for purposes of the Limit Up-Limit Down Mechanism. The following definitions are being adopted: (i) LULD Plan; (ii) a statement that all capitalized terms not otherwise defined in this Rule shall have the meanings set forth in the LULD Plan or LTSE Rules, as applicable; (iii) a statement entitled “Exchange Participation in the Plan” and stating that the Exchange is a Participant in,

and subject to the applicable requirements of, the LULD Plan, which establishes procedures to address extraordinary volatility in NMS Stocks; provisions mandating Member Compliance and Exchange compliance with the Plan.

The Exchange will adopt (b)(1)(A)(i)(e) Re-pricing and Cancellation of Interest, which is identical to that contained in MEMX Exchange Rule 11.22(b)(1)(A)(i)(e). The following is being proposed, “[d]epending on a User’s instructions, the System shall re-price or cancel buy (sell) interest that is priced or could be executed above (below) the Upper (Lower) Price Band. When re-pricing resting orders because such orders are above (below) the Upper (Lower) Price Band, the Exchange will provide new timestamps to such orders. When re-priced to less-aggressive price levels such orders will have priority behind resting interest that was originally less aggressively priced but that was not re-priced, as such orders will retain their original timestamps.”

In proposed paragraph (b)(1)(A)(i)(e)(1), the Exchange addresses the handling of Market Orders and Orders with TIF, IOC or FOK and provides that the System will only execute Market Orders or orders with a TIF of IOC or FOK at or within the Price Bands. Market Orders will be handled in accordance with LTSE Rule 11.190. This amendment represents a change by adding the TIF of FOK instruction given that current paragraph (a)(2)(A) addresses only IOC orders.

Proposed new paragraph (b)(1)(A)(i)(e)(2)(A) and (B) will have new provisions that address displayed and non-displayed limit-priced interest. Current LTSE Rule 11.281(a)(5)(B) addresses re-pricing of Limit Orders but does not provide for treatment under the LULD Mechanism for non-displayed Limit Orders since all orders on LTSE are currently display-only. Specifically, the new rule text will state that displayed limit-priced interest will be canceled on entry or when resting if a User has entered instructions not to use the re-pricing process or a User

has included a Reserve Quantity and such interest to buy (sell) is priced above (below) the Upper (Lower) Price Band. As proposed, if re-pricing is permitted based on a User's instructions, displayable incoming limit-priced interest to buy (sell) that is priced above (below) the Upper (Lower) Price Band shall be re-priced to the Upper (Lower) Price Band. The System shall re-price resting, displayed limit-priced interest to buy (sell) to the Upper (Lower) Price Band if Price Bands move such that the price of resting, displayed limit-priced interest to buy (sell) would be above (below) the Upper (Lower) Price Band. If the Price Bands move again and the original limit price of displayed and re-priced interest is at or within the Price Bands and a User has opted into the Exchange's multiple price sliding process, as described in LTSE Rule 11.180(j), the System shall reprice such displayed limit interest to the most aggressive permissible price up to the order's limit price. All other displayed limit interest repriced pursuant to this paragraph (e) will remain at its new price unless the Price Bands move such that the price of resting limit-priced interest to buy (sell) would again be above (below) the Upper (Lower) Price Band.

In (B), the Exchange proposes that incoming limit-priced interest that is non-displayable will be canceled by the System if such interest to buy (sell) is priced above (below) the Upper (Lower) Price Band. Resting, non-displayed limit priced interest buy (sell) is priced above (below) the Upper (Lower) Price Band (i.e., aggressively priced through the applicable Price band) or if such interest is priced below (above) the Lower (Upper) Price Band (i.e., non-aggressively priced outside of the applicable Price Band).

Proposed paragraph (b)(1)(A)(i)(e)(3) provides that Pegged Orders to buy (sell) shall peg to the specified pegging price or the Upper (Lower) Price Band, whichever is lower (higher).

Proposed paragraph (b)(1)(A)(i)(e)(4) will be denoted as “Reserved” in the Exchange’s rule. The corresponding section in MEMX Exchange Rule 11.21(b)(4) addresses the handling of routable orders under the LULD mechanism and is not relevant to LTSE because it does not intend to route orders to away trading centers.

Paragraph (b)(1)(A)(i)(e)(5), Sell Short Orders provides that, during a short sale price test restriction pursuant to Rule 201 of Regulation SHO, orders with a Short Sale instruction priced below the Lower Price Band shall be repriced to the higher of the Lower Price Band or the Permitted Price, as defined in LTSE Rule 11.280(e)(5). This rule text is substantially the same as in current LTSE Rule 11.281(a)(5)(E). The Exchange proposes to reposition the current text of LTSE Rule 11.281(5)(F) into new paragraph (b)(1)(A)(i)(e)(6) to govern Auction Orders. Auction Eligible Orders on the Auction Book are not price slid or canceled due to LULD price bands. This provision is specific to the Exchange’s status as a listing exchange and there is no corresponding rule text in MEMX Exchange Rule 11.22.

In proposed LTSE Rule 11.281(b)(1)(A)(ii) through (b)(1)(A)(iv), the Exchange describes the circumstances under which it will implement a trading halt: due to extraordinary market volatility/Market-Wide Circuit Breakers, as set forth in LTSE Rule 11.280; when the Primary Listing Market declares a SIP Halt or a trading halt based on Extraordinary Market Activity, as defined in the Nasdaq UTP Plan; and for any security traded on the Exchange when the Primary Listing Market declares a Regulatory Halt for any such security. The following shall apply when implementing Regulatory Halts initiated by the Primary Listing Market. In subparagraph (b)(1)(A)(iv)(a) (Start Time), the Exchange states that the start time of a Regulatory Halt is when the Primary Listing Market declares the halt, regardless of whether an

issue with communications impacts the dissemination of the notice. All of these provisions correspond with the text of MEMX Exchange Rule 11.22(b)(1)(A)(ii) through (iv).

Proposed new paragraph (2), Resumption of Trading After a Regulatory Halt, conforms to MEMX Exchange Rule 11.22(b)(2)(A) and (B). Newly proposed subparagraph (A) will provide, with respect to a resumption of trading after a Regulatory Halt Other Than a SIP Halt that: (i) the Exchange may resume trading after the Exchange receives notification from the Primary Listing Market that the Regulatory Halt has been terminated. In subparagraph (B), with respect to a resumption of trading after a SIP Halt, the Exchange proposes that, for or securities subject to a SIP Halt initiated by another exchange that is the Primary Listing Market, during Regular Trading Hours, the Exchange may resume trading after trading has resumed on the Primary Listing Market or notice has been received from the Primary Listing Market that trading may resume. During Regular Trading Hours, if the Primary Listing Market does not open a security within the amount of time specified by the rules of the Primary Listing Market after the SIP Halt Resume Time, the Exchange may resume trading in that security. Outside Regular Trading Hours, the Exchange may resume trading immediately after the SIP Halt Resume Time. Proposed paragraph (3) corresponds to MEMX Rule 11.22(b)(3) and will provide that, on the occurrence of any Regulatory Halt pursuant to this LTSE Rule all outstanding orders in the System will be canceled and while a security is subject to a Regulatory Halt the Exchange will not accept orders. At the end of the Regulatory Halt the Exchange shall re-open the security and again begin accepting orders.

In proposed LTSE Rule 11.281(c), the Exchange addresses trading halts in UTP Exchange Traded Product and provides that the Exchange may halt trading in UTP Exchange Traded Products on the Exchange and conforms to MEMX Exchange Rule 11.22(c).

Specifically, (A) in the Pre-Market Session, if a UTP Exchange Traded Product begins trading on the Exchange in the Pre-Market Session and subsequently a temporary interruption occurs in the calculation or wide dissemination of the Intraday Indicative Value (“IIV”) or the value of the underlying index, as applicable, to such UTP Exchange Traded Product, by a major market data vendor, the Exchange may continue to trade the UTP Exchange Traded Product for the remainder of the Pre-Market Session.

In proposed subparagraph (B), which addresses Regular Trading Hours, the proposed rule provides that if a temporary interruption occurs during Regular Trading Hours in the calculation or wide dissemination of the applicable IIV or value of the underlying index by a major market data vendor and the Primary Listing Market halts trading in the UTP Exchange Traded Product, the Exchange, upon notification by the Primary Listing Market of such halt due to such temporary interruption, also shall immediately halt trading in the UTP Exchange Traded Product on the Exchange.

In proposed subparagraph (C), the Exchange addresses the Post-Market Session and Next Business Day's Pre-Market Session and provides that: (i) if the IIV or the value of the underlying index continues not to be calculated or widely available after the close of the Regular Trading Hours, the Exchange may trade the UTP Exchange Traded Product in the Post-Market Session only if the Primary Listing Market traded such securities until the close of its regular trading session without a halt; and (ii) if the IIV or the value of the underlying index continues not to be calculated or widely available as of the commencement of the Pre-Market Session on the next business day, the Exchange shall not commence trading of the UTP Exchange Traded Product in the Pre-Market Session that day. If an interruption in the calculation or wide dissemination of the IIV or the value of the underlying index continues, the Exchange may resume trading in the UTP

Exchange Traded Product only if calculation and wide dissemination of the IIV or the value of the underlying index resumes or trading in the UTP Exchange Traded Product resumes in the Primary Listing Market.

In proposed LTSE Rule 11.281(d), the Exchange addresses Operational Halts and permits the Exchange to declare an Operational Halt for any security trading on the Exchange if it is experiencing Extraordinary Market Activity on the Exchange or when otherwise necessary to maintain a fair and orderly market or in the public interest. The proposed amendments conform the rule text with that in MEMX Exchange Rule 11.22(d).

Upon the initiation of an Operational Halt by the Exchange all outstanding orders in the System will be canceled. The Exchange will notify the SIP if it has concerns about its ability to collect and transmit Quotation Information or Transaction Reports (as those terms are defined in the Nasdaq UTP Plan)<sup>54</sup>, or if it has declared an Operational Halt or suspension of trading in one or more Eligible Securities (as that term is defined in the Nasdaq UTP Plan), pursuant to the procedures adopted by the Operating Committee. The Exchange notes that the authority of the Exchange to impose an Operational Halt is addressed in current LTSE Rule 11.282(a)(3), which is being amended, as discussed below, and in newly proposed LTSE Rule 11.281(d)(1). Proposed paragraphs (3)(A)-(C) address the resumption of trading after an Operational Halt and

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<sup>54</sup> On February 11, 2021, the Nasdaq UTP Plan participants filed Amendment 50 to the Plan, to revise provisions governing regulatory and operational halts. See Letter from Robert Brooks, Chairman, UTP Operating Committee, Nasdaq UTP Plan, to Vanessa Countryman, Secretary, Securities and Exchange Commission, dated February 11, 2021. The Nasdaq UTP Plan subsequently filed two partial amendments to the 50th Amendment, on March 31, 2021 and on April 7, 2021. The SEC approved the amendments on May 28, 2021. See Securities Exchange Act Release No. 34-92071 (May 28, 2021), 86 FR 29846 (June 3, 2021) (S7-24- 89). The Amended Nasdaq UTP Plan includes provisions requiring participant self-regulatory organizations (“SROs”) to honor a Regulatory Halt declared by the Primary Listing Market. The provisions in the Nasdaq UTP Plan, and the plan for consolidation of data for non-Nasdaq-listed securities, the Consolidated Tape System and Consolidated Quotations System (collectively, the “CTA/CQS Plan”), include provisions similar to the changes proposed by the Exchange in its proposed amendments to Rule 11.281, as well as those in current MEMX Rule 11.22.



conform to MEMX Exchange Rule 11.22(d)(3). As proposed, the rule would give the Exchange the ability to determine that trading may resume in a fair and orderly manner and in accordance with its Rules. Any orders entered during an Operational Halt will not be accepted. Once the decision to terminate an Operational Halt has been reached, the Exchange will provide notice to market participants and to the SIP with respect to both the imposition of the Operational Halt and that the halt has been lifted using such protocols and other emergency procedures as may be mutually agreed to between the Operating Committee and the Exchange. The proposed rule further provides that, if the SIP is unable to disseminate notice of an Operational Halt or the Exchange is not open for trading, the Exchange will take reasonable steps to provide notice of an Operational Halt, which shall include both the type and start time of the Operational Halt. Each Plan participant shall continuously monitor communication protocols established by the Operating Committee and the Processor during market hours to disseminate notice of an Operational Halt, and the failure of a Plan participant to do so will not prevent the Exchange from initiating an Operational Halt in accordance with the procedures specified in the rule.

#### **Amendments to LTSE Rule 11.282. Regulatory Trading Halts**

The Exchange is approved to conduct a listings business, including primary listings in which the Exchange would have all of the regulatory obligations attendant to that status, including initiating Trading Halts. The Exchange is proposing amendments to LTSE Rule 11.282 that conform the current text of the rule to the newly proposed changes to LTSE Rule 11.281, by adding a cross-reference to proposed LTSE Rule 11.281, reorganizing remaining text in the rule and deleting inapplicable provisions. Specifically, in paragraph (a)(1), the Exchange retains, with certain modifications, the current rule text providing that, in circumstances in which LTSE deems it necessary to protect investors and the public interest, it may halt trading on LTSE of an

LTSE-Primary-Listed Security to permit the dissemination of material news, provided, however, that in the Pre-Market Session LTSE will halt trading for dissemination of news only at the request of an issuer, or where a trading halt has been imposed by another national securities exchange to permit the dissemination of material news. The proposed revisions delete a rule reference that will be obsolete in view of the conforming changes being made to LTSE Rule 11.282 and move the text up from (a)(2) to (a)(1) stating that the Exchange will halt Pre-Market Session at an issuer's request for the dissemination of material news, or if another national securities exchange has halted the same security.

Paragraphs (a)(2) and (a)(3) address a trading halt initiated by another exchange to permit the dissemination of material news or for operational issues impacting a security listed on that exchange. The Exchange proposes to make (a)(2) a "Reserved" section since this text is being moved up to (a)(1) and to amend (a)(3) by deleting (A) and retaining the text of (B) since the latter involves an operational halt initiated with respect to a security listed on LTSE and such security is a derivative or component of a security listed on another exchange and such exchange initiates an operational trading halt. The Exchange is proposing to delete the text of paragraph (a)(6) and denote the section as "Reserved."

In paragraph (b), procedure for initiating and terminating a Trading Halt, the exchange is proposing to retain the provisions of (b)(1) through (b)(5) since such sections pertain specifically to the Exchange's role as a primary listing exchange. Current Paragraph (b)(6) will be amended to delete the current text, which is substantially covered by the amendments to LTSE Rule 11.281 and will denote the section as "Reserved."

Paragraphs (b)(7) through (b)(9) of LTSE Rule 11.282 will be retained in their current form since the provisions are directed to the Exchange's activity as a listing Exchange.

**Proposed changes to LTSE Rule 11.310. Locking or Crossing Quotations in NMS Stocks**

The Exchange is proposing the following changes to LTSE Rule 11.310 to conform to MEMX Exchange Rule 11.10(f). In paragraph (b), Prohibition, a ministerial change will be made to update a reference to (c) to (d) to account for the addition of new paragraph (c). In (c), the Exchange proposes to move the current text of the rule to (d) and add provisions regarding manual quotations. Specifically, if a User displays a manual quotation that locks or crosses a quotation previously disseminated pursuant to an effective national market system plan, such User shall promptly either withdraw the manual quotation or route an ISO to execute against the full displayed size of the locked or crossed quotation. The current text of paragraph (c), Exceptions, will be designated as paragraph (d). Paragraphs (1) and (2) will only be changed to update capitalized terms that are newly defined herein. The Exchange proposes to add new rule paragraphs (3) and (4) to match MEMX Rule 11(f)(3)(3) and (4).

In newly proposed (d)(3), the Exchange proposes to add as an exception where the Locking Quotation or Crossing Quotation was an automated quotation, and the User displaying such automated quotation simultaneously routed an ISO to execute against the full displayed size of any Protected Quotation that is a Locking Quotation or Crossing Quotation. In newly proposed (d)(4), the Exchange proposes to add as an exception where the Locking Quotation or Crossing Quotation was a manual quotation that locked or crossed another manual quotation, and the User displaying the locking or crossing manual quotation simultaneously routed an ISO to execute against the full displayed size of the locked or crossed manual quotation.

**Amendments to LTSE Rule 11.320. Input of Accurate Information**

The Exchange is proposing to amend LTSE Rule 11.320 to conform to MEMX Exchange Rule 11.5 (Input of Accurate Information). The Exchange is deleting the numbering of the paragraph as (a) since there are no other paragraphs in the rule, this reference is not necessary. As revised the rule will provide that “[m]embers of the Exchange shall input accurate information into the System, including, but not limited to, whether the Member acted in a Principal, Agent, or Riskless Principal capacity for each order entered. If such capacity is not inputted by the Member for each order it enters, the Member’s order will be rejected back by the Exchange.

#### **Amendments to LTSE Rule 11.330. Data Products**

The Exchange is proposing to amend LTSE Rule 11.330 to conform to MEMX Exchange Rule 13.8 (Data Products). Accordingly the Exchange is proposing to remove the following data product offerings: LTSE Web Platform, which is a data feed that offers aggregated top of book quotations for all orders resting on the Order Book, aggregated depth of book quotations for all orders resting on the Order Book at each price level, execution information (i.e., last sale information) for executions on the Exchange; Historical Data, which offers historical top of book quotations and other information, and which is available on the Exchange’s public website; and DROP, which uncompressed data feed offers information regarding the equities trading activity of a specific Member, which will not be supported by the technology supporting the System subsequent to the re-platforming. The Exchange proposes to add the following data product offerings, which will be supported upon re-platforming: LTSE Member’s Order Information Record (“MEMOIR”) Depth, which data feed contains all displayed orders for listed securities trading on the Exchange, order executions, order cancellations, order modifications, order identification numbers, and administrative messages; LTSE MEMOIR Top, which

uncompressed data feed offers top of book quotations based on equity orders entered into the System; and LTSE MEMOIR Last Sale, which uncompressed data feed offers only execution information based on equity orders entered into the System. To further provide for an expanded suite of market data product offerings, the Exchange intends to offer LTSE MEMOIR Historical Data, which provides historical equities data.

### **Amendments to LTSE Rule 11.380. Risk Management**

To conform the Exchange's risk management rules with those of MEMX Exchange, the Exchange proposes to amend its LTSE Rule 11.380 to provide for expanded risk management capabilities for Members by deleting its current rule text in its entirety and replacing it with the risk setting offerings as set forth in the *Interpretations and Policies* section of MEMX Exchange Rule 11.10, except that it will be renumbered as rule text.

The Exchange is proposing to adopt (a), which states that it offers certain risk settings applicable to a User's activities on the Exchange. The risk settings offered by the Exchange include: (1) controls related to the size of an order (including restrictions on the maximum notional value per order and maximum shares per order); (2) controls related to the price of an order (including percentage-based and dollar-based controls); (3) controls related to the order types or modifiers that can be utilized (including premarket, post-market, short sales and ISOs); (4) controls to restrict the types of securities transacted (including restricted securities and easy to borrow securities as well as restricting activity to test symbols only); (5) controls to prohibit duplicative orders; (6) controls to restrict the overall rate of orders; (7) controls related to the size of an order as compared to the average daily volume of the security (including the ability to specify the minimum average daily volume of the securities for which such controls will be activated); and (8) credit controls measuring both gross and net exposure that warn when

approached and, when breached, prevent submission of either all new orders or Market Orders only.

In proposed (b)(1), the Exchange states that it offers risk functionality that permits Users to block new orders submitted, to cancel all open orders, or to both block new orders and cancel all open orders. Furthermore, the Exchange offers risk functionality that automatically cancels a User's orders to the extent the User loses its connection to the Exchange.

In proposed (b)(2), the Exchange states that it offers batch cancel functionality that permits a User to simultaneously cancel all or a subset of its orders in one or more symbols by requesting the Exchange to effect such cancellation. A User initiating such a request may also request that the Exchange block all or a subset of its new inbound orders in one or more symbols. The block will remain in effect until the User requests the Exchange remove the block.

#### **Amendments to LTSE Rule 11.410. Use of Market Data Feeds**

The Exchange proposes to amend LTSE Rule 11.410 to conform to MEMX Rule 13.4 (Usage of Data Feeds), except with regards to order routing, by amending (a) to add an introductory paragraph explaining that “[t]he Exchange uses the following data feeds for the handling and execution of orders, as well as for surveillance necessary to monitor compliance with applicable securities laws and Exchange rules.” The Exchange is then amending the chart included in (a) to show that the Exchange will utilize CQS/UQDF from all the other markets as its primary source of data and, at this time, there will be no secondary source of data.<sup>55</sup> This is identical to MEMX's usage of data feeds, except that MEMX uses direct feeds from some exchanges, which LTSE will not. The Exchange is adopting newly proposed paragraph (b) to

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<sup>55</sup> The Exchange is deleting references to CTS/UTDF in the chart as a source of market data as MEMX does not use it nor will LTSE upon replatforming.

conform with the same paragraph in MEMX Rule 13.4 which states “The Exchange may adjust its calculation of the NBBO based on information about certain orders received by the Exchange.”<sup>56</sup> The Exchange is proposing to delete paragraphs (1) through (4) under current paragraph (a) and the entirety of current paragraphs (b), (c) and (d). The Exchange is proposing deletions of these paragraphs because the rule text was enacted specifically for the VSM as it operates today but will not be applicable post-replatforming.

## 2. Statutory Basis

LTSE believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>57</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>58</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to 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 mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange submits that the proposed rule changes are designed to support the transition of the technology infrastructure System from its current platform to one that will significantly enhance the current System and provide market participants with more opportunities to trade on the Exchange while minimizing any disruptive effect to Members interacting with the current System. The Exchange is not proposing any new or novel rules; in

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<sup>56</sup> The Exchange is not adopting language addressing the use of information related to order and execution information from the routing of orders, as MEMX does, because the Exchange does not route orders to other markets.

<sup>57</sup> Id.

<sup>58</sup> 15 U.S.C. 78f(b)(5).

fact, as noted in the Purpose section, above, the proposed changes conform certain of LTSE's trading rules with those of the MEMX Exchange to the extent necessary to accomplish the replatforming of LTSE in a timely and efficient manner, while minimizing the cost and effort required to accomplish the replatforming initiative. The Exchange further submits that its proposed new order types and order handling processes are used by MEMX Exchange and therefore do not present any significant challenges to their existing order handling processes.

Additionally, LTSE is proposing to adopt rules that conform with those of MEMX Exchange and the core functionality in the technology it is licensing. The Exchange believes such changes would remove impediments to and perfect the mechanism of a free and open market and a national market system because they will provide market participants with consistency of core functionality, including adopting some new order types and order handling rules, that are already used by MEMX Exchange.

Generally, LTSE believes that the proposed rules would support the transition of the technology supporting the Exchange's System from its current platform to one that will significantly enhance the System and provide market participants with more opportunities to trade on the Exchange while minimizing any disruptive effect to Members interacting with the current System. The Exchange is not proposing any new or novel rules. The proposed rule changes relating to trading would therefore remove impediments to and perfect the mechanism of a free and open market and a national market system because they are based on the rules of other exchanges.

More specifically, the Exchange is proposing to adopt rules to conform System functionality with the core functionality in the technology it is licensing and with similar core functionality as MEMX Exchange, The Exchange believes such changes would remove



impediments to and perfect the mechanism of a free and open market and a national market system because they will provide market participants with consistency of core functionality, including adopting some new order types and order handling rules, that are widely used throughout the securities industry. To this extent, the Exchange submits that the proposed changes also operate to promote just and equitable principles of trade and the public interest and the protection of investors by providing for a set of consistent trading rules that are based on rules of another national securities exchange that have already been approved by the Commission and have been operating within the national market system.

Further, the Exchange believes that the proposal does not permit unfair discrimination between issuers or to regulate by virtue of any authority conferred by the Act matters not related to the purposes of the Act or the administration of the Exchange. The instant rule proposals do not impact issuers, except to the extent that the replatformed System operating under new trading rules will allow the potential for greater opportunities for issuers' securities to trade on LTSE. The Exchange's regulatory authority over its Members will remain unchanged as a result of the proposed rule amendments.

Finally, the Exchange submits that the licensing of a technology platform from an unaffiliated third party currently in use by another registered national securities exchange<sup>59</sup> and operating pursuant to rules that have already been approved by the Commission, is the most efficient and effective option.

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

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<sup>59</sup> The Exchange is proposing to license technology from MEMX Technologies, which is currently being used by MEMX Exchange.

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 proposed rule changes are designed to facilitate the efficient transition of the System from the current VSM model to a trading model that will provide for new order types and order handling processes that are already commonly used by market participants across a range of trading venues. The fact that the System will operate using a technology platform provided by an affiliate of another national securities exchange will not place an unnecessary burden on competition because neither the LTSE nor the technology affiliate of another exchange will gain any advantage in terms of connectivity, speed or any other factor otherwise impacting the national market system. Each exchange will continue to function independently of the other and interact to the same extent and in the same manner as they do today.

The Exchange operates in a highly competitive environment and as noted in the Purpose section of this rule proposal, the VSM has not provided the Exchange with a System in which it can serve the needs of long-term investors while competing with other exchanges on a more level playing field. To achieve a greater competitive posture, the Exchange believes that its proposal to adopt rules that better align with the instance of the trading platform that it is licensing will be more efficient, require less development time and costs, and will offer market participants order types and order handling processes with which they are familiar. In addition, 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 because it is only proposing to amend those trading rules necessary to assure a smooth transition of the System to the new technology platform, and will retain rules governing membership, member conduct, and listings, without changes. Given these factors, the Exchange does not believe that

its proposed changes raise any substantial competitive issues and will impose no burden on competition.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be 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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-LTSE-2024-03 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-2024-03. This file number should be included on the subject line if email 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 (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or

withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-LTSE-2024-03 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>60</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>60</sup> 17 CFR 200.30-3(a)(12).