

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-88515; File No. SR-LTSE-2020-08)

March 30, 2020

Self-Regulatory Organizations; Long-Term Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Pre-Market Session and Regular Market Session Opening Process for Non-LTSE-Primary-Listed Securities

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 27, 2020, 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, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

LTSE proposes a rule change to (i) amend how the Pre-Market Session and Regular Market Session Opening Process for Non-LTSE-Primary-Listed Securities will operate, and (ii) make certain non-substantive, technical changes.

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

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend LTSE Rules 11.190, 11.220, and 11.231 to revise how its Pre-Market Session and Regular Market Session Opening Process for Non-LTSE-Primary-Listed Securities³ will operate, and to make certain non-substantive, technical changes. The Exchange has three trading sessions: Pre-Market Session,⁴ Regular Market Session,⁵ and Post-Market Session.⁶

Existing LTSE Rule 11.190 provides that limit orders with a time-in-force (“TIF”) of DAY or GTX,⁷ and market orders with a TIF of DAY,⁸ if received prior to the open of the Regular Market Session, are queued in time priority until the open of the Regular Market Session.⁹ The Exchange proposes to amend LTSE Rule 11.190(a)(2)(E) to state that market orders may only be submitted during the Regular Market Session and that market orders

³ The term “Non-LTSE-Primary-Listed Security” refers to: (i) any UTP Security; and (ii) any Dually-Listed Securities, as provided for in LTSE Rule 14.210, which are not LTSE-Primary-Listed Securities. See LTSE Rule 1.160(z).

⁴ The term “Pre-Market Session” refers to the time between 8:00 a.m. and 9:30 a.m. Eastern Time. See LTSE Rule 1.160(dd).

⁵ The term “Regular Market Session” refers to the time between 9:30 a.m. and 4:00 p.m. Eastern Time. See LTSE Rule 1.160(kk).

⁶ The term “Post-Market Session” refers to the time between 4:00 p.m. and 5:00 p.m. Eastern Time. See LTSE Rule 1.160(ee).

⁷ See LTSE Rule 11.190(a)(1)(E)(ii), (iv).

⁸ See LTSE 11.190(a)(2)(E)(ii).

⁹ Market orders with a TIF of GTX are rejected. See LTSE Rule 11.190(a)(2)(E)(iv).

submitted in the Pre-Market Session or Post-Market Session will be rejected by the System. Specifically, the text of the opening paragraph in proposed LTSE Rule 11.190(a)(2)(E) would be amended to state that that a market order “[m]ay only be submitted during the Regular Market Session. Market orders submitted in the Pre-Market Session or Post-Market Session will be rejected by the System.”¹⁰ In a conforming change to subparagraph (ii) of the rule, the Exchange proposes to remove references to market orders with a TIF of DAY being queued by the System because, as noted in the proposed opening paragraph of LTSE Rule 11.190(a)(2)(E), such orders when submitted in the Pre-Market and Post-Market Session are proposed to be rejected. Thus, the beginning of subparagraph (ii) of the rule would be revised to state that “Market orders marked DAY are rejected during the Pre-Market Session and Post-Market Session.” The remainder of subparagraph (ii) of the rule would be deleted, except the last sentence, which is proposed to remain unchanged. This proposed rule text tracks subparagraph (i) of the existing rule for orders marked IOC,¹¹ because, as noted in LTSE Rule 11.190(a)(2)(E)(ii), market orders marked DAY are treated by the System as having a TIF of IOC.

Proposed LTSE Rule 11.190(d) would be identical to existing LTSE Rule 11.190(d), but for the capitalization of the defined term “Order Amendment” in proposed LTSE Rule 11.190(d)(6).¹² The Exchange also proposes to amend existing LTSE Rule 11.190(e) to capitalize the term “Cancel/Replace.” In clarifying this approach to the Opening Process, the

¹⁰ The opening paragraph of proposed LTSE Rule 11.190(a)(2)(E) would be identical to the opening paragraph of Investors’ Exchange LLC (“IEX”) Rule 11.190(a)(2)(E). In this proposed rule change, references to IEX’s rules are to the IEX rules as they appeared when IEX was approved as a national securities exchange. See IEX Form 1, Exhibit B.

¹¹ See LTSE Rule 11.190(a)(2)(E)(i). IOC stands for Immediate-or-Cancel. See LTSE Rule 11.190(c)(1).

¹² See infra note 16.

Exchange also proposes to amend existing LTSE Rule 11.190(f)(1) to eliminate references to Cross Book, which would no longer be used.

Existing LTSE Rule 11.231 provides for an auction-style Opening Match¹³ for Non-LTSE-Primary-Listed Securities. The proposed rule change would eliminate the auction-style Opening Match in LTSE Rule 11.231 by deleting all of the existing rule text and replacing it with an opening process modeled on how IEX conducted its opening process when it was approved as a national securities exchange.¹⁴ The proposed rule change would treat limit orders in Non-LTSE-Primary-Listed Securities that are eligible to queue during the Pre-Market Session as incoming orders at the start of the Regular Market Session in their relative time priority, as discussed below. The proposed rule change also would make conforming amendments to LTSE Rule 11.220, as further described below.

Under proposed LTSE Rule 11.231(a), orders for Non-LTSE-Primary-Listed Securities not eligible for trading prior to the commencement of the Regular Market Session that are received and queued during the Pre-Market Session, as described in LTSE Rule 11.190(a), would be queued in the time sequence of their receipt by the System, pursuant to LTSE Rule 11.220(a)(2).¹⁵ Under proposed LTSE Rule 11.231(b), orders queued prior to the Regular Market Session would be able to be modified consistent with LTSE Rule 11.190(d), which

¹³ See LTSE Rule 11.231(b)(1) (defining “Opening Match”).

¹⁴ See Securities Exchange Act Release No. 78101 (June 17, 2016), 81 FR 41141 (June 23, 2016) (File No. 10-222).

¹⁵ Proposed LTSE Rule 11.231(a) would be identical to IEX Rule 11.231(a), except that proposed LTSE Rule 11.231(a) would clarify that the rule only applies “for Non-LTSE-Primary-Listed Securities,” and would cross-reference to LTSE’s rules and not IEX’s rules.

establishes the process for amending an order.¹⁶ Further, under proposed LTSE Rule 11.231(b), any modification to an order so queued may result in the time of receipt being updated to the time of receipt of the last modification consistent with the application of a new timestamp, pursuant to proposed LTSE Rule 11.220(a)(2).¹⁷

Under proposed LTSE Rule 11.231(c), at the commencement of the Regular Hours Trading, orders for Non-LTSE-Primary-Listed Securities queued during the Pre-Market Session would be processed as incoming orders, consistent with LTSE Rules 11.190 and 11.230 in their relative time priority, pursuant to proposed LTSE Rule 11.220(a)(2).¹⁸

Under proposed LTSE Rule 11.231(d), all messages in Non-LTSE-Primary-Listed Securities that are relevant to the Order Book and are received after the commencement of the Regular Market Session would be processed after the completion of the Regular Market Session Opening Process.¹⁹

Under proposed LTSE Rule 11.231(e), if a security is subject to a halt, suspension, or pause in trading during the Pre-Market Session, the Exchange would not accept orders for that

¹⁶ In what are purely technical changes to Rule 11.190(d), the Exchange proposes to capitalize the defined term “Order Amendment.” See supra text accompanying note 12.

¹⁷ Proposed LTSE Rule 11.231(b) would be identical to IEX Rule 11.231(b), except that proposed LTSE Rule 11.231(b) would cross-reference to LTSE’s rules and not IEX’s rules, would clarify that the “queue” refers to the “Pre-Market Session order queue,” and would not incorporate IEX Rule 11.231(b)(1) because the Exchange does not route orders.

¹⁸ Proposed LTSE Rule 11.231(c) would be identical to IEX Rule 11.231(c), except that proposed LTSE Rule 11.231(c) would cross-reference to LTSE’s rules and not IEX’s rules, would clarify that the “queue” refers to the “Pre-Market Session order queue,” and the phrase “Non-LTSE-Primary-Listed Securities” is proposed to be added to reflect the scope of the proposed rule.

¹⁹ Proposed LTSE Rule 11.231(d) would be identical to IEX Rule 11.231(d), except the phrase “Non-LTSE-Primary-Listed Securities” is proposed to be added to reflect the scope of the proposed rule.

security for the Regular Market Session Opening Process or otherwise. If the halt, suspension, or pause remains in effect at the time of the Regular Market Session Opening Process, the Opening Process would not occur at the normally scheduled time. Once the security resumes trading, the Exchange would conduct the Regular Market Session Opening Process for any orders in the queue, and would then accept and execute orders as usual in accordance with prevailing market session rules.²⁰

The Exchange believes that permitting certain limit orders with a TIF which makes them ineligible to trade during the Pre-Market Session to become part of the Pre-Market Session order queue and to join the Order Book at the commencement of the Regular Market Session is consistent with an orderly and predictable market opening.²¹

Proposed LTSE Rule 11.220(a)(2), which would replace existing LTSE Rule 11.220(a)(2) in its entirety, would require that orders queued for the Regular Market Session Opening Process for Non-LTSE-Primary-Listed Securities be ranked and maintained in time priority. The order established as the oldest in the System²² would have precedence among those queued for the Opening Process, up to the number of shares of the security specified in the order.²³ Orders would be ranked by the time at which they are submitted to the Pre-Market

²⁰ Proposed LTSE Rule 11.231(e) would be identical to IEX Rule 11.231(e), except that proposed LTSE Rule 11.231(e) would clarify that the “queue” refers to the “Pre-Market Session order queue,” and would add the phrase “that security for” in the first sentence to clarify the scope of a halt, suspension, or pause in trading.

²¹ The Exchange notes that this method was used by IEX when it was approved as national securities exchange. See supra note 14.

²² The term “System” refers to the electronic communications and trading facility designated by the Board through which securities orders of Members are consolidated for ranking and execution. See LTSE Rule 1.160(rr).

²³ Proposed LTSE Rule 11.220(a)(2) would be identical to the opening paragraph of IEX Rule 11.220(a)(2) and IEX Rule 11.220(a)(2)(A), except that proposed LTSE Rule 11.220(a)(2) would: (1) use the phrase “Regular Market Session Opening Process for

Session order queue, the first in the queue being the oldest submitted. Orders would maintain their time priority once queued unless an amendment to the order is submitted by the User by means of a Cancel/Replace pursuant to LTSE Rule 11.190(d), except in the event that the only change to the order is a decrease in share quantity, in which case the order would not receive a new timestamp.²⁴

To illustrate how the proposed Opening Process would operate, consider the following example where the Order Book prior to the start of Regular Market Session is as follows:²⁵

Bid				Offer			
Order	TIF	Time	Price	Order	TIF	Time	Price
A	SYS	9:15	10	B	SYS	9:15	10.05
C	SYS	9:25	9.97	D	SYS	9:29	10.07

And the Pre-Market Session queue is as follows:

Order	TIF	Time in Queue	Price	Type
E	DAY	8:15	10.02	Bid
F	DAY	8:17	10.05	Bid
G	DAY	8:19	10.04	Offer
H	DAY	9:28	10.07	Offer

Non-LTSE-Primary-Listed Securities” instead of simply the term “Opening Process” for clarity; (2) not include the word “clearly” before “established” because the word “clearly” is superfluous; and (3) use the term “security” instead of “stock” because the Exchange believes the term “security” more appropriately describes what is intended.

²⁴ Proposed LTSE Rule 11.220(a)(2) would not include references to routable orders, see IEX Rule 11.220(a)(2)(A)(ii), because the Exchange does route orders. See also supra note 17.

²⁵ For purposes of these examples, all orders are limit orders for 100 shares.

The Order Book at the start of the Regular Market Session would be as follows, as each of the orders in the Pre-Market Session queue are treated as incoming orders in relative time priority (and for illustrative purposes only, the time to drain each order in the queue is 1 millisecond):

Bid				Offer			
Order	TIF	Time	Price	Order	TIF	Time	Price
E	DAY	9:30:00001	10.02	G	DAY	9:30:00003	10.04
A	SYS	9:15	10	D	SYS	9:29	10.07
C	SYS	9:25	9.97	H	DAY	9:30:00004	10.07

Note that Orders F and B are gone; that is because incoming Order F would have executed against resting Order B.

As described in proposed LTSE Rule 11.231(d), all messages in Non-LTSE-Primary-Listed Securities relevant to the Order Book received after the commencement of the Regular Market Session would be processed after the completion of the Regular Market Session Opening Process. Orders received during the Regular Market Session would become part of the Order Book only after the Pre-Market Session queue is completed. For example, if the following orders are received at the start Regular Market Session:

Order	TIF	Time in Queue	Price	Type
I	DAY	9:30:0001	10.03	Offer
J	DAY	9:30:0002	10	Bid

Then the Order Book would be as follows:

Bid				Offer			
Order	TIF	Time	Price	Order	TIF	Time	Price

E	DAY	9:30:00001	10.02	I	DAY	9:30:0001	10.03
A	SYS	9:15	10	G	DAY	9:30:00003	10.04
J	DAY	9:30:0002	10	D	SYS	9:29	10.07
C	SYS	9:25	9.97	H	DAY	9:30:00004	10.07

The preceding example illustrates how the proposed Opening Process would operate solely for orders in Non-LTSE-Primary-Listed Securities. The Exchange has a different opening process for LTSE-Primary-Listed Securities in Rule 11.350, which would remain unchanged.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,²⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act,²⁷ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

Specifically, the Exchange believes that the proposed rule change is consistent with fostering cooperation and coordination with persons engaged in facilitating transactions in securities. The simplicity and determinism of this Opening Process for Non-LTSE-Primary-Listed Securities will facilitate trading of NMS stocks without imposing burdens on market participants to adapt to, or adopt, another opening cross methodology for securities where the Exchange is not the primary listing market. The Exchange also believes that the streamlined

²⁶ 15 U.S.C. 78f.

²⁷ 15 U.S.C. 78f(b)(5).

approach of the proposed rule change to commencing trading in the Regular Market Session removes impediments to and perfects the mechanism of a free and open market and a national market system by providing a clear and transparent process designed to provide a means for trading in a Non-LTSE-Primary-Listed Security to open in an orderly and timely manner.

In addition, the Exchange also believes that rejecting market orders with a TIF of DAY received during the Pre-Market Session will provide for a more orderly Opening Process and protect investors and the public interest. The Exchange believes that market orders marked DAY, which are treated as having a TIF of IOC, should be treated in the same way as market orders marked IOC, which are rejected.²⁸

The Exchange further believes that the proposed rule change aligns with the philosophy and principles of the Very Simple Market or VSM™ in that its relatively simple and deterministic model aims to reduce the complexity of the trading process on the Exchange, while acknowledging that alternatives employed by other exchanges and trading venues are part of a dynamic and vibrant national market system. The Exchange also believes that the proposed rule change is consistent with the protection of investors and the public interest in that it would be applied fairly and equitably across all market participants, while also providing for orderly and timely openings for Non-LTSE-Primary-Listed Securities.

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

LTSE does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed Opening Process for Non-LTSE-Primary-Listed Securities is designed to promote fair competition among brokers and dealers and exchanges by offering an

²⁸ See LTSE Rule 11.190(a)(2)(E)(ii).

alternative Opening Process, thereby promoting intermarket competition between exchanges in furtherance of the principles of Section 11A(a)(1) of the Act.²⁹

With respect to intramarket competition, the proposed Opening Process would apply equally to all non-LTSE-Primary-Listed Securities, and all Members and market participants that send orders to LTSE through Members in the Pre-Market Session. As described above, Members are permitted to enter orders for the Pre-Market Session queue, and all orders received are maintained in time priority. Consequently, LTSE does not believe that the proposed rule change would impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act³⁰ and subparagraph (f)(6) of Rule 19b-4 thereunder.³¹

²⁹ 15 U.S.C. 78k-1(a)(1).

³⁰ 15 U.S.C. 78s(b)(3)(A)(iii).

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

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-LTSE-2020-08 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-2020-08. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications

relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-LTSE-2020-08, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³²

J. Matthew DeLesDernier
Assistant Secretary

³² 17 CFR 200.30-3(a)(12).