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Filing by Long-Term Stock Exchange, Inc.
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * Amendment * Withdrawal Section 19(b)(2) * Section 19(b)(3)(A) * Section 19(b)(3)(B) *

Pilot Extension of Time Period for Commission Action * Date Expires *
Rule
 19b-4(f)(1) 19b-4(f)(4)
 19b-4(f)(2) 19b-4(f)(5)
 19b-4(f)(3) 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010
Section 806(e)(1) * Section 806(e)(2) *
Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) *

Form 19b-4 as Paper Submission Form 19b-4 as Paper Submission

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed rule change to amend Rule 11.380 to offer an optional net notional exposure risk check.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Gary Last Name * Goldsholle
Title * Executive Vice President and Chief Regulatory Officer
E-mail * gary@longtermstockexchange.com
Telephone * (202) 580-5752 Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 12/17/2020
By Gary Goldsholle
(Name *)
Executive Vice President and Chief Regulatory Officer
LTSE,

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² Long-Term Stock Exchange, Inc. (“LTSE” or the “Exchange”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend LTSE Rule 11.380 to offer an optional net notional exposure risk check to Members and their clearing firms as part of the Exchange’s Risk Controls mechanism. LTSE has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(6) thereunder,⁴ which renders the proposed rule change effective upon filing with the Commission.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange’s

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

governing documents. Therefore, the Exchange's internal procedures with respect to the proposed rule change are complete.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule change is:

Gary L. Goldsholle
Chief Regulatory Officer
Long-Term Stock Exchange, Inc.
(202) 580-5752

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

(a) Purpose

The Exchange proposes to amend LTSE Rule 11.380 to offer an optional net notional exposure risk check to Members and their clearing firms as part of the Exchange's Risk Controls mechanism.

Existing LTSE Rule 11.380 describes the Exchange's current optional Risk Controls mechanism that is designed to assist LTSE Members and their clearing firms in their risk management efforts. LTSE does not charge a fee for use of the Risk Controls mechanism. As described in the rule, the Risk Controls mechanism currently can be configured to provide trading limits based on the gross notional exposure for matched trades for a Member or clearing firm's broker correspondent across market participant identifiers ("MPIDs"), by MPID, by session or in combination, per clearing firm relationship or Member, as applicable ("Gross Notional Exposure"). Once the Gross Notional Exposure, as elected and configured by a Member or its clearing firm, has exceeded the pre-determined limit, LTSE will automatically

reject new orders and cancel all open orders for the applicable MPID(s) and/or FIX session⁵ as specified. Further, the Gross Notional Exposure risk control may be increased or decreased on an intra-day basis by a Member or the clearing firm of a Member, as applicable. As specified in paragraph (a)(2)(A) of Rule 11.380, Gross Notional Exposure is calculated as the absolute sum of the notional value of all buy and sell trades (i.e., equal to the value of executed buys plus the absolute value of executed long sells plus the absolute value of executed short sells). There is no netting of buys and sales in the same symbol or across symbols. The Gross Notional Exposure resets for each new trading day.

LTSE proposes to revise Rule 11.380 to provide Members or the clearing firms of Members with an additional option of configuring a Risk Controls trading limit on the net notional exposure for matched trades for a Member or clearing firm's broker correspondent across MPIDs, by MPID, by FIX session or in combination, per clearing firm relationship or Member as applicable ("Net Notional Exposure"). LTSE notes that other exchanges offer their members the option of a risk control based upon the member's net notional exposure.⁶ As proposed, once the Net Notional Exposure, as elected and configured by a Member or its

⁵ The proposed rule change is substantively identical to the corresponding provisions in Investors Exchange ("IEX") Rule 11.380 with certain exceptions. The Exchange's existing Rule 11.380 uses the term "session" but the proposed rule change would use the term "FIX session" to clarify its meaning. See IEX Rule 11.380. The Exchange also is not adopting the provisions in paragraph (a)(3) of IEX Rule 11.380, which pertain to the application of the Risk Controls in the context of an opening or closing auction. Because the Exchange does not have an opening or closing auction, these provisions are inapposite. If the Exchange introduces an opening or closing auction, it will address the implications for its Risk Controls at that time.

⁶ See, e.g., IEX Rule 11.380; Nasdaq Stock Market ("Nasdaq") Rule 6130; Cboe BZX Exchange, Inc. ("Cboe") Rule 11.13 Interpretations and Policies .01(h). The proposed rule change is substantively identical to the corresponding provisions in IEX Rule 11.380 with the exception of references to "routed" trades because LTSE does not have a routing broker.

clearing firm, has exceeded the predetermined limit, LTSE will automatically reject new orders and cancel all open orders for the applicable MPID(s) and/or FIX session specified. However, just as with the existing Gross Notional Exposure risk control, the proposed new Net Notional Exposure risk control may be increased or decreased on an intra-day basis by a Member or the clearing firm of a Member, as applicable. As specified in the proposed new paragraph (a)(2)(B) of Rule 11.380, Net Notional Exposure will be calculated as the absolute net sum of the notional value of all buy and sell trades (i.e., equal to the value of executed buys minus the absolute value of executed long sells minus the absolute value of executed short sells). Netting will be calculated across all symbols. As with Gross Notional Exposure risk controls, the proposed Net Notional Exposure risk control would reset for each new trading day. Under the proposed rule change, Members or their clearing firms, if they choose to avail themselves of LTSE's Risk Controls mechanism, may elect to configure the Risk Controls mechanism to accumulate and specify a limit or limits on either the Gross Notional Exposure, the newly-offered Net Notional Exposure, or both (collectively defined in the proposed new rule as the "Risk Controls Limit").⁷ LTSE believes that adding a Net Notional Exposure risk control to its existing Risk Controls mechanism will enhance the risk management tools available to LTSE Members. The Exchange notes, however, that use of a Risk Controls Limit by a Member or the clearing firm of a Member does not automatically constitute compliance with LTSE rules or SEC rules, nor does it replace Member-managed and clearing firm-managed risk management solutions. The Exchange does not propose to require Members or their clearing firms to use the Risk Controls mechanism, and

⁷ In the case of a Member that is subject to Risk Controls Limits set by its clearing firm, the Member will be advised of such limits by LTSE. In the event a Member that is subject to Risk Controls Limits set by its clearing firm also elects to set Risk Controls Limits for its own trading, the Exchange will apply both such limits with the lower of the Risk Controls Limits being applicable since it will trigger first.

Members and their clearing firms may use any other appropriate risk-management tool or service instead of, or in combination with, LTSE's Risk Controls mechanism. The Exchange will not provide preferential treatment to Members or clearing firms using LTSE's Risk Controls mechanism, nor will the use of the Risk Controls mechanism impact a Member or clearing firm's use of LTSE other than when it results in orders being rejected or cancelled pursuant to the Risk Controls Limits. In addition, LTSE will continue to provide the Risk Controls mechanism to Members and clearing firms without charge.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁹ 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 designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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 by enhancing the risk management protections available to Exchange Members and their clearing firms. The Exchange believes that the proposed rule change supports these objectives because it is designed

⁸ 15 U.S.C. 78f.

⁹ 15 U.S.C. 78f(b)(5).

to enable all LTSE Members an additional option for how to manage and limit their own trading exposure (whether on the basis of the Member's Gross Notional Exposure, Net Notional Exposure, or both) on the Exchange, in addition to providing clearing firms an additional option to monitor their correspondent Members' trading exposure as well as their own trading exposure (whether on the basis of the clearing firm's Gross Notional Exposure, Net Notional Exposure, or both), including by intra-day increases or decreases in the limits.

Further, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because it provides an additional mechanism to enable LTSE Members and clearing firms of LTSE Members to manage their risk by preventing trading that exceeds a Member or a Member's clearing firm's financial resources on a net notional basis (as well as the currently available gross notional basis risk control), and, thereby, contributes to the stability of the equities markets. Thus, the Exchange believes the addition of a Net Notional Exposure risk control offers Members and their clearing firms an important compliance tool that Members and their clearing firms may use to help maintain the regulatory integrity of the markets. The Exchange notes that other exchanges' rules provide for similar functionality,¹⁰ and, accordingly, LTSE does not believe that the proposed rule change raises any new or novel issues not already considered by the Commission.

In addition, the Exchange believes that the proposal is consistent with just and equitable principles of trade and not unfairly discriminatory because the Risk Controls mechanism is available to all Members and their clearing firms without charge.

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

¹⁰ See supra note 6.

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 proposal is designed to expand the Exchange's existing, optional Risk Controls mechanism by adding a new Net Notional Exposure risk control. The Exchange is not proposing to charge any fee for use of any aspect of its Risk Controls mechanism. The Exchange does not believe the proposed rule change will impose any burden on intermarket competition because other exchanges offer similar functionality.¹¹ The Exchange also does not believe that the proposal will impose a burden on intramarket competition because its Risk Controls mechanism is available to all Members, and clearing firms of Members, and provides a way for LTSE Members and clearing firms to manage their risk by preventing trading that is erroneous or exceeds a Member or clearing firm's financial resources, thereby contributing to the stability of the equities markets. Accordingly, the Exchange does not believe that this proposal will have any impact on competition.

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

¹¹

Id.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act¹² and Rule 19b-4(f)(6)¹³ thereunder, in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

The Exchange believes that the proposed rule change meets the criteria of Rule 19b-4(f)(6)¹⁴ because the proposed rule change merely expands the existing optional Risk Controls mechanism to include a new Net Notional Exposure risk control. The Exchange also believes that the proposal would not significantly affect the protection of investors or the public interest; rather, the proposed rule change will benefit investors and the public interest by providing expanded risk management services to Members and clearing firms. In addition, the Exchange does not believe that the proposal raises any new or novel issues not previously considered by

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6).

¹⁴ 17 CFR 240.19b-4(f)(6).

the Commission in that other exchanges already offer similar risk management mechanisms to their Members, which were adopted by those exchanges pursuant to respective rule filings.¹⁵

The Exchange will implement the proposed rule change within 120 days of filing, subject to the 30-day operative delay, and provide at least 10 days' notice to Members and market participants of the implementation timeline.

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

(c) Not applicable.

(d) Not applicable.

8. Proposed Rule Change Based on the Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

¹⁵ See, e.g., Securities Exchange Act Release No. 87647 (December 3, 2019), 84 FR 67302 (December 9, 2019) (SR-IEX-2019-13). The proposed rule change is substantively nearly identical to the corresponding provisions in IEX Rule 11.380 with the exception of references to “routed” trades because LTSE does not have a routing broker.

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of the Proposed Rule Change for Publication in the Federal Register.

Exhibit 5 – Text of Proposed Rule Change

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-LTSE-2020-23]

[Date]

Self-Regulatory Organizations; Long-Term Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 11.380 to Expand the Exchange's Optional Risk Controls Mechanism to Include a Net Notional Exposure Risk Check in Addition to the Gross Notional Exposure Risk Check

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act")¹, and Rule 19b-4 thereunder,² notice is hereby given that on December [X], 2020, Long-Term Stock Exchange, Inc. ("LTSE" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

LTSE proposes a rule change to amend LTSE Rule 11.380 to offer an optional net notional exposure risk check to Members and their clearing firms as part of the Exchange's Risk Controls mechanism.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 proposes to amend LTSE Rule 11.380 to offer an optional net notional exposure risk check to Members and their clearing firms as part of the Exchange's Risk Controls mechanism.

Existing LTSE Rule 11.380 describes the Exchange's current optional Risk Controls mechanism that is designed to assist LTSE Members and their clearing firms in their risk management efforts. LTSE does not charge a fee for use of the Risk Controls mechanism. As described in the rule, the Risk Controls mechanism currently can be configured to provide trading limits based on the gross notional exposure for matched trades for a Member or clearing firm's broker correspondent across market participant identifiers ("MPIDs"), by MPID, by session or in combination, per clearing firm relationship or Member, as applicable ("Gross Notional Exposure"). Once the Gross Notional Exposure, as elected and configured by a Member or its clearing firm, has exceeded the pre-determined limit, LTSE will automatically

reject new orders and cancel all open orders for the applicable MPID(s) and/or FIX session³ as specified. Further, the Gross Notional Exposure risk control may be increased or decreased on an intra-day basis by a Member or the clearing firm of a Member, as applicable. As specified in paragraph (a)(2)(A) of Rule 11.380, Gross Notional Exposure is calculated as the absolute sum of the notional value of all buy and sell trades (i.e., equal to the value of executed buys plus the absolute value of executed long sells plus the absolute value of executed short sells). There is no netting of buys and sales in the same symbol or across symbols. The Gross Notional Exposure resets for each new trading day.

LTSE proposes to revise Rule 11.380 to provide Members or the clearing firms of Members with an additional option of configuring a Risk Controls trading limit on the net notional exposure for matched trades for a Member or clearing firm's broker correspondent across MPIDs, by MPID, by FIX session or in combination, per clearing firm relationship or Member as applicable ("Net Notional Exposure"). LTSE notes that other exchanges offer their members the option of a risk control based upon the member's net notional exposure.⁴ As proposed, once the Net Notional Exposure, as elected and configured by a Member or its

³ The proposed rule change is substantively identical to the corresponding provisions in Investors Exchange ("IEX") Rule 11.380 with certain exceptions. The Exchange's existing Rule 11.380 uses the term "session" but the proposed rule change would use the term "FIX session" to clarify its meaning. See IEX Rule 11.380. The Exchange also is not adopting the provisions in paragraph (a)(3) of IEX Rule 11.380, which pertain to the application of the Risk Controls in the context of an opening or closing auction. Because the Exchange does not have an opening or closing auction, these provisions are inapposite. If the Exchange introduces an opening or closing auction, it will address the implications for its Risk Controls at that time.

⁴ See, e.g., IEX Rule 11.380; Nasdaq Stock Market ("Nasdaq") Rule 6130; Cboe BZX Exchange, Inc. ("Cboe") Rule 11.13 Interpretations and Policies .01(h). The proposed rule change is substantively identical to the corresponding provisions in IEX Rule 11.380 with the exception of references to "routed" trades because LTSE does not have a routing broker.

clearing firm, has exceeded the predetermined limit, LTSE will automatically reject new orders and cancel all open orders for the applicable MPID(s) and/or FIX session specified. However, just as with the existing Gross Notional Exposure risk control, the proposed new Net Notional Exposure risk control may be increased or decreased on an intra-day basis by a Member or the clearing firm of a Member, as applicable. As specified in the proposed new paragraph (a)(2)(B) of Rule 11.380, Net Notional Exposure will be calculated as the absolute net sum of the notional value of all buy and sell trades (i.e., equal to the value of executed buys minus the absolute value of executed long sells minus the absolute value of executed short sells). Netting will be calculated across all symbols. As with Gross Notional Exposure risk controls, the proposed Net Notional Exposure risk control would reset for each new trading day. Under the proposed rule change, Members or their clearing firms, if they choose to avail themselves of LTSE's Risk Controls mechanism, may elect to configure the Risk Controls mechanism to accumulate and specify a limit or limits on either the Gross Notional Exposure, the newly-offered Net Notional Exposure, or both (collectively defined in the proposed new rule as the "Risk Controls Limit").⁵ LTSE believes that adding a Net Notional Exposure risk control to its existing Risk Controls mechanism will enhance the risk management tools available to LTSE Members. The Exchange notes, however, that use of a Risk Controls Limit by a Member or the clearing firm of a Member does not automatically constitute compliance with LTSE rules or SEC rules, nor does it replace Member-managed and clearing firm-managed risk management solutions. The Exchange does not propose to require Members or their clearing firms to use the Risk Controls mechanism, and

⁵ In the case of a Member that is subject to Risk Controls Limits set by its clearing firm, the Member will be advised of such limits by LTSE. In the event a Member that is subject to Risk Controls Limits set by its clearing firm also elects to set Risk Controls Limits for its own trading, the Exchange will apply both such limits with the lower of the Risk Controls Limits being applicable since it will trigger first.

Members and their clearing firms may use any other appropriate risk-management tool or service instead of, or in combination with, LTSE's Risk Controls mechanism. The Exchange will not provide preferential treatment to Members or clearing firms using LTSE's Risk Controls mechanism, nor will the use of the Risk Controls mechanism impact a Member or clearing firm's use of LTSE other than when it results in orders being rejected or cancelled pursuant to the Risk Controls Limits. In addition, LTSE will continue to provide the Risk Controls mechanism to Members and clearing firms without charge.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁷ 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 designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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 by enhancing the risk management protections available to Exchange Members and their clearing firms. The Exchange believes that the proposed rule change supports these objectives because it is designed

⁶ 15 U.S.C. 78f.

⁷ 15 U.S.C. 78f(b)(5).

to enable all LTSE Members an additional option for how to manage and limit their own trading exposure (whether on the basis of the Member's Gross Notional Exposure, Net Notional Exposure, or both) on the Exchange, in addition to providing clearing firms an additional option to monitor their correspondent Members' trading exposure as well as their own trading exposure (whether on the basis of the clearing firm's Gross Notional Exposure, Net Notional Exposure, or both), including by intra-day increases or decreases in the limits.

Further, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because it provides an additional mechanism to enable LTSE Members and clearing firms of LTSE Members to manage their risk by preventing trading that exceeds a Member or a Member's clearing firm's financial resources on a net notional basis (as well as the currently available gross notional basis risk control), and, thereby, contributes to the stability of the equities markets. Thus, the Exchange believes the addition of a Net Notional Exposure risk control offers Members and their clearing firms an important compliance tool that Members and their clearing firms may use to help maintain the regulatory integrity of the markets. The Exchange notes that other exchanges' rules provide for similar functionality,⁸ and, accordingly, LTSE does not believe that the proposed rule change raises any new or novel issues not already considered by the Commission.

In addition, the Exchange believes that the proposal is consistent with just and equitable principles of trade and not unfairly discriminatory because the Risk Controls mechanism is available to all Members and their clearing firms without charge.

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

⁸ See supra note 4.

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 proposal is designed to expand the Exchange's existing, optional Risk Controls mechanism by adding a new Net Notional Exposure risk control. The Exchange is not proposing to charge any fee for use of any aspect of its Risk Controls mechanism. The Exchange does not believe the proposed rule change will impose any burden on intermarket competition because other exchanges offer similar functionality.⁹ The Exchange also does not believe that the proposal will impose a burden on intramarket competition because its Risk Controls mechanism is available to all Members, and clearing firms of Members, and provides a way for LTSE Members and clearing firms to manage their risk by preventing trading that is erroneous or exceeds a Member or clearing firm's financial resources, thereby contributing to the stability of the equities markets. Accordingly, the Exchange does not believe that this proposal will have any impact 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

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

⁹ Id.

as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act¹⁰ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹¹

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4¹² because the proposed rule change merely expands the existing optional Risk Controls mechanism to include a new Net Notional Exposure risk control. The Exchange also believes that the proposal would not significantly affect the protection of investors or the public interest; rather, the proposed rule change will benefit investors and the public interest by providing expanded risk management services to LTSE Members and clearing firms. In addition, the Exchange does not believe that the proposal raises any new or novel issues not previously considered by the Commission in that other exchanges already offer similar risk management mechanisms to their Members, which were adopted by those exchanges pursuant to respective rule filings.¹³

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

¹⁰ 15 U.S.C. 78s(b)(3)(A)(iii).

¹¹ 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.

¹² 17 CFR 240.19b-4(f)(6).

¹³ See e.g., Securities Exchange Act Release No. 87647 (December 3, 2019), 84 FR 67302 (December 9, 2019) (SR-IEX-2019-13); Securities Exchange Act Release No. 68330 (November 30, 2012), 77 FR 72894 (December 6, 2012) (SR-BATS-2012-045); Securities Exchange Act Release No. 71555 (February 18, 2014), 79 FR 10218 (February 24, 2014) (SR-NASDAQ-2014-017).

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-2020-23 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-LTSE-2020-23. 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 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of LTSE and on its Internet website at <https://longtermstockexchange.com/>.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-LTSE-2020-23 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.¹⁴

¹⁴ 17 CFR 200.30-3(a)(12).

EXHIBIT 5 – TEXT OF PROPOSED RULE CHANGE

Proposed new language is underlined; proposed deletions are [bracketed]

LONG-TERM STOCK EXCHANGE RULE BOOK

* * *

Rule 11.380. Risk Management

(a) Risk Controls

- (1) Risk Controls may be optionally elected by a Member or the clearing firm of a Member.
- (2) [LTSE] Risk [c]Controls can be configured to accumulate and specify a limit or limits on the [g]Gross [n]Notional [e]Exposure, Net Notional Exposure, or both, as defined in subparagraphs (a)(2)(A) and (a)(2)(B), respectively (“Risk Controls Limit”). Risk Controls Limits can be configured for matched trades for a Member or clearing firm’s broker correspondent across MPIDs, by MPID, by FIX session, or in combination, per clearing firm relationship or Member, as applicable. If a Risk [c]Controls Limit is exceeded, [accumulates the gross notional value of trades for a Member or clearing firm’s broker correspondent as specified in subparagraph (2)(A), and will automatically reject] new orders will be automatically rejected and [cancel]all open orders will be canceled [when the notional exposure has exceeded a predetermined limit]. Any Risk Controls Limit may be increased or decreased on an intra-day basis by a Member or the clearing firm of a Member, as applicable.
 - (A) “Gross [n]Notional [e]Exposure” is calculated as the absolute sum of the notional value of all buy and sell trades: equal to the value of executed buys plus the absolute value of executed long sells plus the absolute value of executed short sells. There is no netting of buys and sales in the same symbol or across symbols. Gross [n]Notional [e]Exposure resets for each new trading day.
 - (B) “Net Notional Exposure” is calculated as the absolute net sum of the notional value of all buy and sell trades: equal to the value of executed buys minus the absolute value of executed long sells minus the absolute value of executed short sells. Netting is calculated across symbols. Net Notional Exposure resets for each new trading day.

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