



Director Independence Standards Amended To Assist Dually-Listed Companies on LTSE

Director independence standards are a core requirement of listed company boards under the listings rules of the Long-Term Stock Exchange and other national securities exchanges. Under these rules, a company's board must affirmatively determine that directors do not have relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.¹ In particular, LTSE Rule 14.405(a)(2) describes certain relationships that preclude a board finding of director independence (the "Bright-Line Tests"), including certain types of director business relationships.² LTSE's director independence rules are based on the same underlying principles as those embodied in the rules of other national securities exchanges; however, minor differences in financial thresholds in such rules have the potential to lead to the need for additional assessment.

LTSE's Bright Line Test with respect to director business relationships³ presents different financial thresholds from those of the New York Stock Exchange's ("NYSE") corresponding rule.⁴ To streamline the process for a NYSE-listed company dually listing on LTSE, the Exchange has adopted an alternative director business relationships provision for a company who is primary-listed on the NYSE.⁵ Specifically, for such companies, the new LTSE Rule 14.405(a)(2)(H) (and related Supplementary Material) contains the identical corresponding provisions of the NYSE Bright-Line Test regarding director business relationships.⁶ For all other companies, the standards in existing Rule 14.405(a)(2)(D) apply, which are substantively identical to that of the Nasdaq Stock Market LLC ("Nasdaq").⁷

¹ See, e.g., LTSE Rule 14.405(a)(2). See generally, Securities Exchange Act Release No. 48745 (November 4, 2003), 68 FR 64154 (November 12, 2003) available at <https://www.sec.gov/rules/sro/34-48745.htm>.

² LTSE Rule 14.405(a)(2)(D).

³ *Id.*

⁴ See NYSE Rule 303.A.02(b)(v).

⁵ See newly adopted LTSE Rule 14.405(a)(2)(H). This rule is only applicable to NYSE primary-listed companies seeking to dually list, or dually-listed, on LTSE.

⁶ See NYSE Rule 303.A.02(b)(v).

⁷ See Nasdaq Rule 5605(a)(2)(D).

In addition, LTSE has amended the definition of “Family Member” in Rule 14.405(a)(2) to be identical to the corresponding definitions of NYSE and Nasdaq.⁸ This amendment ensures consistency in application of the definition of “Family Member” across the three listing venues with respect to director independence determinations.

The Commission’s order announcing the rule change is available [here](#).⁹

Questions regarding this RIC can be directed to regulation@longtermstockexchange.com.

⁸ See NYSE Rule 303A.02 and Nasdaq Rule 5605(a)(2).

⁹ Securities Exchange Act Release No. [92752](#) (August 25, 2021).