

# SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104240; File No. SR-LTSE-2025-22]

## Self-Regulatory Organizations; Long-Term Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt a Co-Lead Incentive

November 21, 2025.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on September 30, 2025, 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 self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the LTSE Fee Schedule to adopt a Co-Lead Incentive designed to enhance market quality by incentivizing market participants to provide liquidity and increase executions on the Exchange. The Exchange proposes to implement the changes to the fee schedule pursuant to this proposal on October 1, 2025.

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

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to amend the Fee Schedule to adopt a new pricing incentive, referred to by the Exchange as the “Co-Lead Incentive,” designed to improve market quality on the Exchange by providing a rebate of 40 mils per share traded (\$0.40/100 shares) to any Member<sup>4</sup> that quotes at least one round lot on a displayed basis at the National Best Bid (“NBB”) or National Best Offer (“NBO”)(together “NBBO”)<sup>5</sup> for at least 20% of the Regular Market Session<sup>6</sup> (“NBBO Time”)<sup>7</sup> in at least 2,000 securities<sup>8</sup> priced at or above \$1.00

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<sup>4</sup> See LTSE Rule 1.160(w).

<sup>5</sup> “NBBO” means the national best bid or best offer, as set forth in Rule 600(b) of Regulation NMS under the Act, as set forth in LTSE Rule 11.410(b). See LTSE Fee Schedule.

<sup>6</sup> See LTSE Rule 1.160(kk).

<sup>7</sup> The term “NBBO Time” shall mean the aggregate of the percentage of time during the Regular Market Session during which one of a Member’s MPIDs has a displayed order of at least one round lot at the national best bid or national best offer.

<sup>8</sup> LIP Enhanced Securities are excluded. “LIP Enhanced Securities” shall mean a list of securities designated as such, that are used for the purposes of qualifying for the incentives within the LIP. The universe of these securities will be determined by the Exchange and published on the Exchange’s website. See LTSE Fee Schedule and the published list of LIP Enhanced Securities is on the LTSE website available at <https://ltse.com/trading/fee-schedules>.

per share<sup>9</sup> averaged across the month. As proposed, the Exchange will determine on a daily basis the number of securities in which each of a Member's MPIDs meets the 20% NBBO Time requirement ("quoting requirement") for that day. The Exchange will then aggregate the number of securities for each of a Member's MPIDs that have met the quoting requirement to determine the total number of securities in which such Member meets the quoting requirement for that day.<sup>10</sup> However, a single security in which more than one of such Member's MPIDs meets the quoting requirement for that day will only be counted once for this purpose.<sup>11</sup>

#### Co-Lead Incentive Qualification Standard

As discussed above, to qualify for the Co-Lead Incentive, a Member must meet the quoting requirement in an average of at least 2000 securities traded on the Exchange per trading day during the month (the "2000 Securities Requirement").<sup>12</sup> The proposed Co-Lead Incentive is designed to enhance market quality and increase displayed liquidity with respect to all securities traded on the Exchange through implementation of the 2000 Securities Requirement. In order to determine whether a Member meets the applicable 2000 Securities Requirements during a month, LTSE will calculate the average number of securities in which such Member meets the quoting requirement per trading day by summing the number of securities in which each of such Member's MPIDs met the quoting requirement during the month then dividing the resulting sum

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<sup>9</sup> The Exchange determines whether a security is priced at or above \$1.00 per share by utilizing the closing price of the security on the date of execution.

<sup>10</sup> For example, if a Member has four (4) MPIDs and each MPID has a NBBO Time of 20% in a different security, this will count as four (4) securities in which such Member has met the quoting requirement for that day.

<sup>11</sup> Thus, if a Member has two (2) MPIDs that meet the quoting requirement in the same security for a particular day, this will only count as one security for purposes of determining the total number of securities in which such Member has met the quoting requirement for that day.

<sup>12</sup> See note 6 [sic].

by the total number of trading days in the month.<sup>13</sup> The quoting requirement with respect to a security must be met by a single MPID and LTSE will not aggregate the NBBO Time across all of the Members MPIDs to determine if the quoting requirement has been met.

The Exchange proposes to add notes to the Fee Schedule describing the criteria for determining whether a Member qualifies for the Co-Lead Incentive and the related calculation methodologies described above.

For the purposes of determining qualification for the Co-Lead Incentive, and in keeping consistent with how the Exchange determines qualification for the LTSE Liquidity Incentive Program,<sup>14</sup> the Exchange will exclude: (1) Any trading day that the Exchange's system experiences a disruption that lasts for more than 60 minutes during Regular Market Session; (2) any day with a scheduled early market close; (3) the "Russell Reconstitution Day" (typically the last Friday in June). An Exchange system disruption may occur, for example, where a certain group of securities traded on the Exchange is unavailable for trading due to an Exchange system issue. The Exchange believes that these types of Exchange system disruptions could preclude Members from participating on the Exchange to the extent that they might have otherwise participated on such days, and thus, the Exchange believes it is appropriate to exclude such days when determining whether a Member meets the applicable quoting requirements during a month to avoid penalizing Members that might otherwise have met such requirements. Additionally, the Exchange believes that scheduled early market closures, which typically are the day before, or

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<sup>13</sup> As an example, in a month with 20 trading days, if each of such a Member's MPIDs collectively satisfied the quoting requirement in 2020 securities for 10 of the trading days in the month, and collectively satisfied the quoting requirement in 1999 securities for the other 10 trading days in the month, such Member would meet the quoting requirement in an average of 2009.5 securities (i.e.,  $((2020 \times 10) + (1999 \times 10)) / 20 = 2009.5$ ) per trading day during the month.

<sup>14</sup> The LTSE Liquidity Incentive Program is designed to provide greater liquidity in both LIP Enhanced Securities and LIP Standard Securities. See LTSE Fee Schedule.

the day after, a holiday, may preclude some Members from participating on the Exchange at the same level that they might otherwise. For similar reasons, the Exchange believes it is appropriate to exclude the Russell Reconstitution Day in the same manner, as the Exchange believes that the Russell Reconstitution Day typically has extraordinarily high, and abnormally distributed, trading volumes and the Exchange believes this change to normal activity may affect a Member's ability to meet the quoting requirement across various securities on that day. The Exchange notes that the exclusion of any day during which the Exchange's system experiences a disruption that lasts for more than 60 minutes during Regular Market Session any day with a scheduled early market close, and the Russell Reconstitution Day is consistent with the LTSE Liquidity Incentive Program when calculating certain Member trading and other volume metrics for purposes of determining whether Members qualify for certain pricing incentives, and the Exchange believes application of these methodologies is similarly appropriate for the proposed Co-Lead Incentive.<sup>15</sup>

#### Co-Lead Incentive Rebate - Rate, Scope (All MPIDs), and Exclusions

A Member that qualifies for the Co-Lead Incentive by meeting the requirements described above during a particular month will receive an enhanced rebate of \$0.0040 per share for all displayed liquidity-adding executions in securities (excluding LIP Enhanced Securities) priced at or above \$1.00 per share during that month. For the avoidance of doubt, LIP Enhanced Securities are excluded from both the 2000-security qualification count and from eligibility for the Co-Lead Incentive rebate. The proposed enhanced rebate will apply to all displayed liquidity adding-executions (excluding LIP Enhanced Securities and securities priced below \$1) by each MPID of a qualifying Member; thus, if a Member qualifies for the Co-Lead Incentive as a result

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<sup>15</sup> See LTSE's fee schedule on its public website available at <https://ltse.com/trading/fee-schedules>.

of its quoting activity from one of its MPIDs during a month, the qualifying Member will receive the proposed enhanced rebate of \$0.0040 per share for all executions (excluding LIP Enhanced Securities and securities priced below \$1) by that MPID as well as those entered by each of its other MPIDs during that month. The Exchange notes that the proposed enhanced rebate will only apply to executions in securities priced at or above \$1.00 (excluding LIP Enhanced Securities) while executions of a qualifying Member's quotes in securities priced below \$1.00 per share will continue to receive the standard rebate applicable to executions of such orders on the Exchange (i.e., 0.15% of the total dollar value of the transaction).

The Exchange is proposing to provide the enhanced rebate for executions of orders by qualifying Members as a means of recognizing the value of market participants that consistently quote at the NBBO in a large number of securities on a displayed basis. Even when such market participants are not formally registered as market makers, they risk capital by offering immediately executable liquidity at the price most favorable to market participants on the opposite side of the market. Such activity promotes price discovery and dampens volatility and enhances the attractiveness of the Exchange as a trading venue. Given the proposed requirements to qualify for the Co-Lead Incentive a Member must make a significant contribution to market quality by providing displayed liquidity at the NBBO in a large number of securities for a significant portion of the day.

A Member that qualifies for the Co-Lead Incentive will reflect the Member's commitment to provide meaningful and consistent support to market quality and price discovery by extensive quoting at the NBBO in a large number of securities. Thus, this proposal is designed to attract displayed liquidity from firms that are willing to commit capital to support liquidity at the NBBO. Through the proposed enhanced rebate for qualifying Members, the

Exchange hopes to provide improved trading conditions for all market participants through narrower bid-ask spreads and increased depth of liquidity available at the NBBO for a large number of securities. In addition, the proposal reflects an effort to use a financial incentive to encourage Members to make positive commitments to promote market quality.

The Exchange notes that the proposed Co-Lead Incentive is similar in structure and purpose to pricing programs in place at other exchanges that are designed to enhance market quality by incentivizing members to achieve minimum quoting standards, including minimum quoting at the NBBO in a large number of securities, generally, or certain designated securities, in particular.<sup>16</sup> The Exchange further notes that, like the proposed Co-Lead Incentive, these programs include as an incentive the provision of an enhanced rebate for executions of liquidity-adding displayed quotes for members that meet the quoting and other requirements of those programs.

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<sup>16</sup> See, e.g., the MEMX fee schedule available on its public website, available at <https://info.memxtrading.com/equities-trading-resources/us-equities-fee-schedule/> and the Displayed Liquidity Incentive which provides an enhanced rebate for executions of displayed orders in securities priced at or above \$1.00 per share that add liquidity to the Exchange for Members that meet certain minimum quoting requirements across a specified number of securities; the Nasdaq equities trading fee schedule on its public website, available at <http://www.nasdaqtrader.com/trader.aspx?id=pricelisttrading2> and Nasdaq Rule Equity 7, Section 114(d) describing Nasdaq's Qualified Market Maker Program, which provides for an additional rebate (ranging from \$0.0001 to \$0.0002 per share) for executions of liquidity-providing displayed orders (other than designated retail orders) in securities across all tapes priced at or above \$1.00 per share for members that, in addition to executing transactions that represent a specified percentage of consolidated volume and avoiding inefficient order entry practices that place excessive burdens on Nasdaq's systems, quote at the NBBO at least 25% of the time during regular market hours in an average of at least 1,000 securities per day during the month; see also the Cboe BZX equities trading fee schedule on its public website available at [https://markets.cboe.com/us/equities/membership/fee\\_schedule/bzx/](https://markets.cboe.com/us/equities/membership/fee_schedule/bzx/), which provides for an additional rebate (ranging from \$0.0001 to \$0.0002 per share) under Cboe BZX's Liquidity Management Program for executions of liquidity- providing displayed orders in Tape B securities priced at or above \$1.00 per share for members that, in addition to adding a specified percentage of total consolidated volume in Tape B securities and meeting certain other quoting requirements with respect to a specified number of securities designated as "LMP Securities" on a list determined by Cboe BZX, quote at the NBBO at least 15% of the time during regular trading hours in a specified number of such designated LMP Securities (or achieve an alternative NBBO quoting standard involving a size-setting element with respect to such designated LMP Securities).

In addition to the foregoing changes, the Exchange proposes to add to the Fee Schedule definitions of the terms “MPID”, “quoting requirement” and “Time at NBBO” that are consistent with the descriptions of those terms set forth above, as such terms are used in the notes describing the calculation methodologies and criteria for determining whether a Member qualifies for the Co-Lead Incentive.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6(b)<sup>17</sup> of the Act in general and furthers the objectives of Section 6(b)(4)<sup>18</sup> of the Act, in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. Additionally, the Exchange believes that the proposed fees are consistent with the objectives of Section 6(b)(5)<sup>19</sup> of the Act in that they are designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to a free and open market and national market system, and, in general, to protect investors and the public interest, and, particularly, are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. The Exchange believes that the proposed Co-Lead Incentive Program reflects a simple and competitive pricing structure designed to incentivize

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<sup>17</sup> 15 U.S.C. 78f(b).

<sup>18</sup> 15 U.S.C. 78f(b)(4).

<sup>19</sup> 15 U.S.C. 78f(b)(5).

market participants to add aggressively priced displayed liquidity and direct their order flow to the Exchange, which the Exchange believes would promote price discovery and price formation and deepen liquidity that is subject to the Exchange's transparency, regulation, and oversight as an exchange, thereby enhancing market quality to the benefit of all Members and investors.

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system "has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies."

In particular, the Co-Lead Incentive is reasonably designed to improve market quality on the Exchange by offering an enhanced rebate of \$0.0040 per share for executions in securities priced at or above \$1.00 (excluding LIP Enhanced Securities) where a Member meets objective, transparent qualification criteria, namely, has an order at the NBBO at least 20% of the Regular Market Session in an average of at least 2,000 securities per trading day during the month. Incentivizing significant time at the NBBO across a broad universe of symbols is reasonably expected to promote price discovery, narrow spreads, increase displayed liquidity, and enhance execution opportunities for all market participants interacting on the Exchange, thereby advancing just and equitable principles of trade and protecting investors and the public interest.

The proposal is equitable and not unfairly discriminatory because it is voluntary and available to all Members that satisfy the same quantitative standards, measured and applied uniformly. The methodology of measuring NBBO-time on a per-MPID basis, counting each

security once even if multiple MPIDs meet the threshold in that symbol, aggregating across a Member's MPIDs for breadth, and applying the enhanced rebate across all of the qualifying Member's MPIDs uses objective criteria that neither target nor exclude any category of participant. Similar quoting-standard programs adopted by other exchanges (e.g., MEMX's Displayed Liquidity Incentive ("DLI")) rely on comparable NBBO-time measurements and per-symbol counting mechanics, supporting the reasonableness of this approach.<sup>20</sup>

Additionally, the proposal's exclusion of (i) days with an Exchange system disruption exceeding 60 minutes during Regular Market Session, (ii) scheduled early market-close days, and (iii) the Russell Reconstitution Day is reasonable and not unfairly discriminatory. These exclusions avoid penalizing Members for atypical trading sessions that can materially distort NBBO-time metrics and are consistent with practices other exchanges have described for similar programs.<sup>21</sup>

In conclusion, the Exchange submits that its proposed fee structure satisfies the requirements of Sections 6(b)(4) and 6(b)(5) of the Act<sup>22</sup> for the reasons discussed above in that it provides for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities, does not permit unfair discrimination between customers, issuers, brokers, or dealers, and is designed 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, particularly as the proposal neither targets nor will it have a disparate impact on any particular category of

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<sup>20</sup> See note 16.

<sup>21</sup> Id.

<sup>22</sup> 15 U.S.C. 78f(b)(4) and (5).

market participant.

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

In accordance with Section 6(b)(8) of the Act,<sup>23</sup> the Exchange does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

The proposal is designed to enhance the Exchange's ability to compete for order flow by encouraging Members to quote more frequently at the NBBO across a broad range of securities, thereby promoting market depth, execution quality, and price discovery on the Exchange. Other exchanges already maintain and remain free to adjust similar quoting-based incentives and tiered pricing.<sup>24</sup> To the extent the proposal attracts additional liquidity to the Exchange, any resulting shifts in market share are the product of, and evidence of, robust intermarket competition that Regulation NMS seeks to foster.

The Exchange also does not believe the proposal imposes an undue burden on intramarket competition. The qualification criteria and enhanced rebate apply uniformly and are available to all Members on equal terms. While some Members may more readily qualify based on quoting activity, any differences in outcomes flow from neutral, objective standards tied to quoting behavior that benefits overall market quality.

More broadly, the Exchange believes the proposal supports both intermarket and intramarket competition by encouraging order flow to a public exchange, thereby promoting transparency, efficient pricing, and enhanced execution opportunities for all Members. In this regard, the proposal furthers the Commission's goal in adopting Regulation NMS of fostering

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<sup>23</sup> 15 U.S.C. 78f(b)(8).

<sup>24</sup> See note 16.

competition among orders, which promotes “more efficient pricing of individual stocks for all types of orders, large and small.”<sup>25</sup>

For these reasons, the Exchange does not believe such proposed changes would impair the ability of Members or competing order execution venues to maintain their competitive standing in the financial markets, and therefore, the Exchange does not believe the proposal will impose any burden on intermarket competition. Moreover, because the proposed changes would apply equally to all Members and Non-Members, as applicable, the Exchange does not believe the proposal would impose any burden on intramarket competition.

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

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

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

This proposed rule change establishes dues, fees or other charges among its members and, as such, may take effect upon filing with the Commission pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>26</sup> and paragraph (f)(2) of Rule 19b-4 thereunder.<sup>27</sup> Accordingly, the proposed rule change would take effect upon filing with the Commission.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission

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<sup>25</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37495 (June 29, 2005) (S7-10-04) (Final Rule) (“Regulation NMS”).

<sup>26</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>27</sup> 17 CFR 240.19b-4(f)(2).

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 (<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-2025-22 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-2025-22. 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 filing 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-2025-22 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>28</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>28</sup> 17 CFR 200.30-3(a)(12).