SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104353; File No. SR-LTSE-2025-24]

Self-Regulatory Organizations: Long-Term Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Fee Schedule to Modify the Liquidity Incentive Program

December 9, 2025.

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on November 26, 2025, 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 and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend its Fee Schedule to modify the Liquidity Incentive Program ("LTSE LIP" or "Program"). The Exchange proposes to implement the changes to the fee schedule pursuant to this proposal on December 1, 2026.

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 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 1, 2025, the Exchange implemented the LTSE LIP to enhance liquidity and improve market quality in LIP Enhanced Securities[3] traded on the Exchange by incentivizing Members to quote at or better than the National Best Bid and Offer ("NBBO") and provide liquidity in both select securities, the LIP Enhanced Securities and more generally in all other securities traded on LTSE, the LIP Standard Securities.[4, 5] On August 11, 2025, the LIP was subsequently amended to reduce the quoting threshold in a LIP Enhanced Security from 60% to

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3 LIP Enhanced Securities means 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 Definitions Section of the Fee Schedule.

4 LIP Standard Securities means a security not defined as a "LIP Enhanced Security" and traded on LTSE. See Definitions Section of the Fee Schedule.

5 See Securities Exchange Release No. 34-103517 (July 22, 2025), 90 FR 35325 (July 25, 2025) (SR-LTSE-2025-16). The Program includes three key incentives: (1) a proportional share of 80% of LTSE's SIP Quote Revenue for LIP Enhanced Securities, distributed among qualifying Members based on quoting activity; (2) reduced taker fees for LIP Enhanced Securities, available to all Members without quoting obligations; and (3) for LIP Standard Securities, a choice between a proportional share of 20% of LTSE's SIP Quote Revenue or a quarterly credit, contingent on meeting specific quoting thresholds.

30% of the time at the NBBO of the Regular Market Session,[6] in order to share in SIP Quote Revenue,[7] which is distributed proportionally among eligible Members based on quoting activity.[8]

The Exchange now proposes several additional changes to the Fee Schedule to modify the LTSE LIP. The proposed amendments would (i) increase the revenue-sharing percentage for LIP Standard Securities under Incentive 3 from 20% to 50%; (ii) authorize the Exchange to change the MQS mid-quarter, with notice to Members; (iii) remove transitional language that applied to the initial roll-out of the Program and the third quarter of 2025; and (iv) make other clarifying edits to the language within LIP section of the Fee Schedule.

Under the current Program, Incentive 3 provides Members quoting in LIP Standard Securities a proportional share of 20% of LTSE SIP Quote Revenue. The Exchange is now proposing a midquarter increase of that allocation to 50%, an increase designed to improve the competitiveness of the Program and further reward firms that maintain displayed quotes at the NBBO on LTSE, thereby improving consolidated market quality. The proposed increase more closely aligns the economic rewards distributed under the LTSE LIP with the value of displayed

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6 Regular Market Session or Regular Market Hours means the time between 9:30a.m. and 4:00p.m. Eastern Time. See Exchange Rule 1.160(kk).

7 The Securities Information Processors ("SIPs"), which include the Unlisted Trading Privileges and Consolidated Tape Association, collect fees from subscribers for trade and quote tape data received from trading centers and reporting facilities, such as the Exchange (collectively, "SIP Participants"). After deducting the cost of operating each tape, the profits are allocated among the SIP Participants on a quarterly basis, according to a complex set of calculations that consider estimates of anticipated Market Data Revenue ("MDR"), adjustments to comport to actual MDR from previous quarters and a non-linear aggregation of total trading and quoting activity in Tape A, B and C securities in attributing MDR to each SIP Participant. Based on these calculations, the SIPs provide MDR payments to each SIP Participant during the second month of each quarter for trade and quote data from the previous calendar quarter, which are subject to adjustment through subsequent quarterly payments. These payments can be divided into six pools (i.e., trade and quote activity in Tape A, B, and C securities).

8 See Securities Exchange Release No. 34-103700 (August 13, 2025), 90 FR 40090 (August 18, 2025) (SR-LTSE-2025-18) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Liquidity Incentive Program).

liquidity that Members contribute to the Exchange's market data revenue, fostering a fairer and more transparent incentive structure. The Exchange expects that increasing the revenue-sharing percentage will encourage Members to maintain high-quality, stable quotes throughout the trading day, improving displayed liquidity and contributing to the overall integrity of the market. This adjustment is the result of the Exchange's ongoing evaluation of the Program's effectiveness of increasing participation and quote quality.

With this midquarter adjustment the Exchange is proposing to add a description to the LIP Notes section of the Fee Schedule to detail how the SIP Quote Revenue for Incentive 3 will be calculated for the fourth quarter of 2025 to account for the fact that the proportional share of the SIP Quote Revenue will not apply uniformly across the quarter. A Member that has qualified for Incentive #3 will share in 20% of the LTSE SIP Quote Revenue for that LIP Standard Security, distributed proportionally across all qualifying member firms within the calendar months of October and November. A Member that has qualified for Incentive #3 will share in 50% of the LTSE SIP Quote Revenue for that LIP Standard Security, distributed proportionally across all qualifying member firms within the calendar month of December.

By allowing Members to receive increased revenue the Exchange seeks to encourage greater participation in LIP Standard Securities as soon as possible and provide the opportunity to share in SIP Quote Revenue, which is distributed proportionally among eligible Members based on quoting activity. The Exchange notes that it is not proposing any changes to the SIP Quote Revenue distribution, which will continue to occur at the end of each calendar quarter.

The Exchange also proposes to reduce the MQS applicable to LIP Enhanced Securities to one round lot effective December 1, 2026. The Exchange established higher MQS levels, after the initial rollout of the Program, ranging from 200 to 700 shares, in an effort to encourage participants to display meaningful size at the NBBO. However, experience during the most recent quarters has shown such thresholds have created participation barriers for many potential quoting Members and limited the overall volume of quoting activity on the Exchange.

By returning to one round lot MQS, the same level used at the Program's initial launch, the Exchange seeks to lower barriers to entry, attract additional quoting volume, and make LTSE LIP more accessible and practical for Members to implement within their existing market-making and risk systems. The Exchange believes that a lower MQS will promote broader participation, enhance competition among liquidity providers and contribute to tighter spreads and improved market quality.

The Exchange is also seeking flexibility to modify MQS in the future without having to submit a separate rule filing each time an adjustment is warranted. Specifically, the Exchange is seeking authority to revise MQS mid-quarter by publishing the updated levels on its website and providing at least one business day's notice to Members prior to implementation. This mechanism will allow the Exchange to respond more nimbly to changes in market conditions, participation trends and liquidity characteristics, while maintaining transparency and predictability for Members.

The Exchange believes that this measured approach, lowering MQS now to foster engagement while establishing the ability to recalibrate in future quarters, strikes the appropriate balance between accessibility and market impact. It supports the Exchange's broader objectives of increasing on-Exchange activity, providing fair and non-discriminatory access to participation in the Program, and maintaining a transparent, competitive, and data-driven incentive framework.

The Exchange also proposes to delete language from the Fee Schedule that is no longer operative. First, the Exchange is deleting language that addressed the MQS at the initial launch of the Program and no longer is applicable. Next, the Exchange is proposing to delete text that applied only to the third quarter of 2025 and has since expired. Those provisions, adopted in SR-LTSE-2025-18,[9] temporarily adjusted quoting thresholds and revenue-sharing parameters that are no longer operative. These changes are administrative in nature and are intended to maintain a clear and accurate Fee Schedule by removing obsolete text. The deletion does not alter any current incentives or modify the operation of the LTSE LIP.

The Exchange is proposing to add clarifying language to the Percent Time at NBBO definition within Section B.2 (Liquidity Incentive Program) of the Fee Schedule. Specifically, the Exchange proposes to add the word "displayed" before quote so the sentence now reads: For the avoidance of doubt, only displayed quotes that are at the NBB or NBO during the Regular Market Session count towards the Percent Time at NBBO calculation.[10]

Finally, while not included in the Fee Schedule, in the initial LIP filing the Exchange detailed that Incentive #3 Members who choose the quarterly credit can apply that credit in the calendar quarter in which they earned it, or the subsequent calendar quarter.[11] The Exchange is proposing to amend this statement to state that the quarterly credit expires at the end of the calendar quarter a year after it is earned, on a rolling basis. For example, a Member who earns an Incentive #3 credit in Q1 2026 would have until the end of Q1 2027 to apply the credit to any monthly invoice. In turn, a Member who earns an Incentive #3 credit in Q4 2025 would have

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9 See note 8.

10 The Exchange believes adding the word "displayed" ensures the term is consistent throughout the LTSE Fee Schedule. Further, the Exchange notes that displayed quotes can include orders that rest on the LTSE Order Book and are therefore treated as displayed quotes within the System.

11 See note 5.

until the end of Q4 2026 to apply the credit. The Exchange believes this will allow Members to have more flexibility when choosing to apply their Incentive #3 credit which may in turn increase Member participation in the program, benefiting other investors by providing improved trading conditions for all market participants.

(b) Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[12] in general, and furthers the objectives of Section 6(b)(4) of the Act,[13] in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among all of its Members and issuers and other persons using its facilities; Section 6(b)(5) of the Act,[14] which requires, among other things, that the rules of the Exchange be 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 to protect investors and the public interest. The Exchange also believes that the proposed rule change is reasonable, fair and equitable, and non-discriminatory.

The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow or discontinue or reduce use of certain categories of products, in response to new or different pricing structures being introduced into the market. Accordingly, competitive forces constrain the Exchange's transaction fees and rebates, and market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable.

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12 15 U.S.C. 78f(b).

13 15 U.S.C.78f(b)(4).

14 15 U.S.C.78f(b)(5).

The Exchange believes that increasing the revenue-sharing percentage under Incentive 3 from 20% to 50% is reasonable and equitable because it better reflects the value that displayed quotes contribute to the national market system and provides a stronger economic incentive for Members to supply liquidity on the Exchange.

The change is not unfairly discriminatory, as all Members that meet the same quoting criteria are eligible to receive the increased revenue share on identical terms and it will enhance, rather than burden, intermarket competition by encouraging additional displayed liquidity on LTSE.

The Exchange believes that reducing the MQS to one round lot and permitting future adjustments without separate rule filings is reasonable, equitable and not unfairly discriminatory. The change lowers the barriers to entry, aligns quoting requirements with Members' operational capabilities, and makes participation in the Program more accessible to a wider range of Members, including smaller liquidity providers that may not maintain large inventory positions in each security.

Providing the Exchange with flexibility to adjust MQS mid-quarter, with advance public notice, allows it to respond promptly to evolving market conditions, participation trends, and liquidity characteristics while maintaining transparency. This adaptive approach supports the maintenance of fair and orderly markets consistent with Section 6(b)(5) of the Act and fosters competition among liquidity providers by ensuring the quoting requirements remain balanced and attainable.

The Exchange believes that deleting text that is no longer applicable and adding clarifying text is consistent with Section 6(b)(5) and 6(b)(1) of the Act because it enhances transparency and clarity in the Fee Schedule. The removal is administrative, eliminates obsolete provisions and ensures that the rule text accurately reflects the Program currently in effect. It does not modify and incentives or alter Member obligations and therefore imposes no burden on competition.

Taken together, these amendments are designed to strengthen the LTSE LIP by improving participation incentives, aligning Program parameters with market realities, and maintaining clear and transparent rule text. The Exchange believes the proposal supports the objectives of Section 6(b)(5) of the Act by fostering fair competition, encouraging displayed liquidity, and promoting a more efficient and transparent market environment for investors.

B. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

The Exchange does not believe that the proposed change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Instead, as discussed above, the proposal is intended to enhance market quality on the Exchange by encouraging additional quoting activity on LTSE and promoting more competitive displayed markets. The proposed amendments are designed to make the LTSE LIP more accessible and attractive to a broader range of Members. Lowering the MQS to one round lot reduces barriers to participation and enables more Members, particularly smaller or mid-sized liquidity providers, to qualify for LTSE LIP incentives. Increasing the revenue-sharing percentage for LIP Standard Securities further strengthens the economic incentives to post displayed liquidity, while the flexibility to modify MQS with notice allows the Exchange to maintain requirements that are appropriately scaled to prevailing market conditions. As a result, the Exchange believes the proposal would enhance its competitiveness as a market that attracts actionable orders, thereby making it a more desirable destination venue for its customers. For these reasons, the Exchange believes that the proposal furthers the Commission's goal in efficient pricing of individual stocks for all types of orders, large and small."[15]

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act[16] and paragraph (f)(2) of Rule 19b-4 thereunder.[17]

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.

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-2025-24 on the subject line.

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15 See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 47396 (June 29, 2005).

16 15 U.S.C. 78s(b)(3)(A)(ii).

17 17 CFR 240.19b-4(f)(2).

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-2025-24. 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 filing will be available for inspection and copying at the principal office of LTSE and on its Internet website at https://longtermstockexchange.com/. 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-2025-24 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.[18]

Sherry R. Haywood,

Assistant Secretary.

[18] 17 CFR 200.30-3(a)(12).