SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–102732; File No. SR–LTSE–2025–04]

Self-Regulatory Organizations; Long-Term Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Fee Schedule To Adopt Certain Connectivity Fees

March 26, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on March 14, 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 (the ''Fee Schedule'') to establish Section C and adopt Connectivity Fees for Cross-Connects at the Primary, Disaster Recovery and Test Environment facilities. The Exchange also proposes to adopt Connectivity Fees for Logical Connectivity (all environments), effective March 14, 2025.

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

II. Self-Regulatory Organization's Statement 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

The Exchange is proposing to establish a new section (C. Connectivity Fees) in the Long-Term Stock Exchange Fee Schedule. Prior to the launch of the new trading system on September 23, 2024, the Exchange offered connectivity (both physical and logical) at no cost to all market participants. With the launch of the new trading system and the significant costs detailed below, the Exchange determined it was reasonable and appropriate to begin to charge market participants for their connectivity to the Exchange. The Exchange notes that the transition between trading systems required all market participants to set up new connectivity to the new trading system, and after the successful launch the Exchange decommissioned all the historical connections within the old trading system. The Exchange also notes that market participants were not charged simultaneously for both their old connections and new connections during the transition as the Exchange never charged for connectivity to the old trading system.

Cross-Connect Fees

The Exchange proposes to offer to both Members[3] and non-Members the option to utilize a 10 Gigabit (''Gb'') ultra-low latency (''ULL'') fiber cross-connection to the Exchange's Primary and Disaster Recovery facilities, as well as a 10Gb ULL fiber cross-connection to the Test Environment. The Exchange proposes to establish a Cross-Connect fee of $5,500 per 10Gb physical interface per month that will be assessed to Members and non-Members for connecting to the Primary facility. The Exchange proposes to establish a Cross-Connect fee of $2,750 per 10Gb physical interface per month that will be assessed to Members and non-Members for connecting to either the Disaster Recovery facility or the Test Environment.

Monthly network connectivity fees for Members and non-Members for connectivity will be assessed in any month the Member or non-Member is credentialed to use any of the LTSE Application Programming Interfaces (''APIs'') in the Primary facility, Disaster Recovery facility or Test Environment.[4]

Port Fees

The Exchange proposes to establish a $450 fee for all Logical Connectivity sessions. These application sessions, commonly known as ports, are utilized to perform a particular function on the Exchange, such as order entry or order cancellation, receipt of drop copies, proprietary market data dissemination, or requesting data to be backfilled (*i.e.,* ''gap ports''). All market participants (Members and non-Members) will be charged per session per month. The Exchange will waive the fees for three sessions per month per market participant which the Exchange believes will encourage Members to connect to the Exchange's backup trading systems and to conduct appropriate testing of their use of the Exchange.

In proposing to charge fees for connectivity to LTSE, the Exchange has sought to be especially diligent in assessing those fees in a transparent way against its own aggregate costs of providing the related services, and also carefully and transparently assessing the impact on market participants—both generally and in relation to other market participants, *i.e.,* to assure the fee will not create a financial burden on any participant and will not have an undue impact in particular on smaller market participants and competition among market participants in general. The Exchange believes that this level of diligence and transparency is called for by the requirements of Section 19(b)(1) under the Act,[5] and Rule 19b–4 thereunder,[6] with respect to the types of information self-regulatory organizations (''SROs'') should provide when filing fee changes, and Section 6(b) of the Act,[7] which requires, among other things, that exchange fees be reasonable and equitably allocated,[8] not designed to permit unfair discrimination,[9] and that they not impose a burden on competition not necessary or appropriate in furtherance of the purposes of the Act.[10] This rule change proposal addresses those requirements, and the analysis and data in each of the sections that follow are

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] The term ''Member'' shall mean any registered broker or dealer that has been admitted to membership in the Exchange. *See* LTSE Rule 1.160.

[4] As proposed, fees for connectivity services would be assessed based on each active connectivity service product at the close of business on the first day of each month. If a product is canceled prior to such fee being assessed, then the Member will not be obligated to pay the applicable product fee.

[5] 15 U.S.C. 78s(b)(1).

[6] 17 CFR 240.19b–4.

[7] 15 U.S.C.78f(b).

[8] 15 U.S.C. 78f(b)(4).

[9] 15 U.S.C. 78f(b)(5).

[10] 15 U.S.C. 78f(b)(8).

designed to clearly and comprehensively show how they are met.[11]

Cost Analysis

The Exchange notes it operates a unique model where the LTSE trading system and certain associated services are provided on an outsourced basis by MEMX Technologies LLC.[12] As such, a large portion of the Exchange's technology costs, including those related to connectivity, are incorporated into the overall fees that the Exchange pays MEMX Technologies as part of its multi-year arrangement to provide a trading system and associated services.[13] Because of this arrangement, the Exchange does not possess the same level of specificity for cost drivers related to connectivity as other exchanges have detailed within their own similar filings. However, the Exchange recognizes that the fees it pays MEMX Technologies are for the services MEMX Technologies provides to the Exchange and the associated costs incurred by MEMX Technologies. These services and costs include maintaining a team of highly-skilled network engineers, fees charged to MEMX Technologies by the third-party data center operator for the servers and equipment LTSE utilizes, costs associated with projects and initiatives designed to improve overall network performance and stability, and costs associated with fully-supporting advances in infrastructure and expansion of network level services, including customer monitoring, alerting and reporting. There are also significant technology expenses related to establishing and maintaining Information Security services, enhanced network monitoring and customer reporting, as well as Regulation SCI mandated processes, associated with the MEMX Technologies network technology that are borne by the Exchange. Most of the specific expenses for connectivity services and the Exchange's DSLA with MEMX Technologies are combined, and therefore the Exchange discusses these expenses, and the portion allocated to connectivity as part of the ''Third-Party Expenses'' Cost Driver below.

Further, while the Exchange has been operating since September 2020, it only entered the DLSA with MEMX Technologies LLC in January of 2024 and launched the new trading system in September 2024. Therefore, the Exchange's most recent publicly available financial statement (2023 Audited Unconsolidated Financial Statement) does not reflect LTSE's actual current costs associated with the development and operation of connectivity on LTSE, as the costs associated with the MEMX system began in 2024. Accordingly, the Exchange believes it is more appropriate to justify its fees utilizing a recent monthly billing cycle and extrapolated annualized costs on a going-forward basis.

LTSE recently calculated its aggregate monthly costs for providing connectivity services to the Exchange at approximately $596,000 beginning October 1, 2024.[14] Because LTSE offered all connectivity free of charge from its launch in September 2020 until October of 2024, LTSE has borne 100% of all connectivity costs. Now, in order to cover some of the aggregate costs of providing connectivity to market participants (both Members and non-Members),[15] the Exchange is proposing to modify its Fee Schedule and charge the fees for connectivity detailed herein.

In order to determine the Exchange's costs for providing the services associated with connectivity, the Exchange conducted an extensive review in which the Exchange analyzed every expense item in the Exchange's general expense ledger to determine whether each such expense relates to the services associated with the connectivity, and, if such expense did so relate, what portion (or percentage) of such expense actually supports those services. The sum of all such portions of expenses represents the total cost of the Exchange to provide the services associated with connectivity. For the avoidance of doubt, no expense amount was allocated twice. The Exchange is also providing detailed information regarding the Exchange's cost allocation methodology—namely, information that explains the Exchange's rationale for determining that it was reasonable to allocate certain expenses described in this filing towards the total cost to the Exchange to provide connectivity.

The Exchange believes that the Connectivity Fees are fair and reasonable because they will only cover a portion of the total annual expense that the Exchange projects to incur with providing the services associated with connectivity versus the total annual revenue the Exchange projects to collect in connection with providing those services. Based on current connectivity services usage, the Exchange would generate monthly revenues for 2025 of approximately $475,000, which will result in a loss for the Exchange.

Costs Related To Offering Connectivity

The following chart details the individual line-item costs considered by LTSE to be related to offering connectivity as well as the percentage of the Exchange's overall costs per year that such costs represent for such area (*e.g.,* as set forth below, the Exchange allocated approximately 15% of its overall Human Resources cost to offering connectivity for a total of $490,213 per year of costs related to providing connectivity).

Cost drivers	Allocated monthly costs	Allocated yearly costs	% of all
Third-Party Expenses	$539,276	$6,471,312	29
Human Resources	40,851	490,213	15
Data Center	15,713	188,552	31

[11] In 2019, Commission staff published guidance suggesting the types of information that SROs may use to demonstrate that their fee filings comply with the standards of the Act (''Fee Guidance''). While LTSE understands that the Fee Guidance does not create new legal obligations on SROs, the Fee Guidance is consistent with LTSE's view about the type and level of transparency that exchanges should meet to demonstrate compliance with their existing obligations when they seek to charge new fees. *See* Staff Guidance on SRO Rule Filings Relating to Fees (May 21, 2019). Available at: *https://www.sec.gov/tm/staff-guidance-sro-rule-filings-fees.gov.*

[12] The Exchange and MEMX Technologies executed a Development, License and Services Agreement on January 23, 2024, with accompanying Schedules (collectively, the ''DLSA''). MEMX Technologies, an affiliate of the MEMX Exchange, is in the business of developing technology systems for use in the financial industry. *See* SR–LTSE–2024–03, supra note 3.

[13] The DSLA with MEMX Technologies entails both fixed and variable costs. The Exchange used both types of costs when determining aggregated monthly costs detailed below.

[14] The aggregate monthly costs were determined by taking the individual cost drivers detailed below and their yearly costs and dividing by twelve months.

[15] Types of market participants that obtain connectivity services from the Exchange but are not Members include service bureaus and extranets. Service bureaus offer technology-based services to other companies for a fee, including order entry services to Members, and thus, may access application sessions on behalf of one or more Members. Extranets offer physical connectivity services to Members and non-Members.

Cost drivers	Allocated monthly costs	Allocated yearly costs	% of all
Total	595,840	7,150,076	

Below are additional details regarding each of the line-item costs considered by LTSE to be related to offering connectivity.

Third-Party Expenses

As discussed above, LTSE has undertaken a unique model where it has outsourced its trading system and related technology to a third-party technology provider, MEMX Technologies. With this arrangement LTSE receives, among other things, (1) access to technology used to complete connections to the Exchange and to connect to external markets, (2) physical connectivity in the data centers where MEMX Technologies maintains equipment for LTSE use—such as dedicated space, security services, cooling and power, (3) use of physical ports and logical ports, and (3) use of physical assets and software, which also includes assets used for testing and monitoring of infrastructure. MEMX Technologies provides personnel to support the use and operation of the LTSE trading platform including but not limited to, monitoring the network, managing system development and testing, facilitating connection changes and access changes, as well as performing normal maintenance operations. The Exchange has an additional third-party vendor which assists the Exchange with services related to member gateways. Together these two third-parties account for all the Third-Party expenses detailed above.

The Exchange took the annual costs for each of these two third-party providers to determine what portion (or percentage) of these costs related to providing market data and thus bears a relationship that is, ''in nature and closeness,'' directly related to offering connectivity. There are four major core technology cost buckets associated with operating the Exchange: (1) the Member Gateways which include physical and logical connectivity, (2) connectivity to the Securities Information Processor (''SIP''), (3) the Trading Engine, and (4) any downstream services which include system reporting, etc. The Exchange then reviewed each of these technology cost buckets in great detail and determined the percentage each of these buckets should be allocated to the total cost of the third-party expense, with Member Gateways, the SIP and the Trading Engine each accounting for 30% of the costs related to a third-party provider, and downstream services being allocated the remaining 10%. Using this breakdown for both third-party providers, the Exchange determined the portion of each of these costs was associated with providing market data, connectivity services or neither. Here, the Exchange determined that the most of the allocation for the cost of the Gateways (25%) should be associated with the cost of offering connectivity, as well as 5% (of the overall 10%) to downstream services. Blended together the Exchange allocated 29% of its overall Third-Party costs to offering connectivity.[16]

Human Resources

In addition to the cost of personnel of outsourced third-party providers that are allocated in the Third-Party Expense section above, LTSE then calculated an allocation of LTSE employee time for employees whose functions include providing and maintaining connectivity and performance thereof (technical operations personnel, market operations personnel, and software engineering personnel). The Exchange notes that network support services to Members and non-Members provided by the Exchange and its staff, including network monitoring, reporting and support services, are all handled directly by LTSE and not MEMX Technologies.

The Exchange also allocated Human Resources costs to provide connectivity to a limited subset of LTSE personnel with ancillary functions related to establishing and maintaining such connectivity (such as information security and finance personnel), for which the Exchange allocated cost on an employee-by-employee basis (*i.e.,* only including those personnel who do support functions related to providing connectivity) and then applied a smaller allocation to such employees. Blended together, Human Resources costs to provide connectivity accounted for 15% of all Human Resource costs. The Exchange notes that it has fewer than fifty (50) employees, and each department leader has direct knowledge of the time spent by each employee with respect to the various tasks necessary to operate the Exchange. The estimates of Human Resources cost were therefore determined by consulting with such department leaders, determining which employees are involved in tasks related to providing connectivity, and confirming that the proposed allocations were reasonable based on an understanding of the percentage of their time such employees devote to tasks related to providing connectivity. The Exchange notes that senior level executives were only allocated Human Resources costs to the extent the Exchange believed they are involved in overseeing tasks related to providing connectivity. The Human Resources cost was calculated using a blended rate of compensation reflecting salary, equity and bonus compensation, benefits, payroll taxes, and 401(k) matching contributions.

Data Center

In addition to the data center costs incurred by MEMX Technologies which are allocated in the Third-Party Expenses above, the Exchange also maintains its own footprint in a third-party data center.[17] Data center costs include an allocation of the costs the Exchange incurs to monitor its trading platform (including the Primary facility, Disaster Recovery facility and Test Environment facility) as well as the costs to maintain its equipment in the data center. The Exchange does not own the data center facilities, but instead, leases space in a data center operated by a third-party.

The Exchange has two third-party vendors that account for the Data Center expenses. Consistent with the exercise above, the Exchange took the annual costs for each of these two Data Center vendors to determine what portion (or percentage) of these costs related to offering connectivity and thus bears a relationship that is, ''in nature and closeness,'' directly related to market data. The Exchange then reviewed each of the technology cost buckets detailed above and determined the percentage each of these buckets should be allocated to the total cost of the Data Center expenses, with Member Gateways, the SIP and the Trading Engine each accounting for 30% of the costs related to a third-party provider, and downstream services being

[16] The Exchange notes that this percentage is based on set costs in both Third-Party contracts. The variable costs that are directly related to offering connectivity are 100% allocated to the overall Third-Party costs.

[17] LTSE has a presence in the Secaucus NY4 data center that is operated by Equinix.

allocated the remaining 10%. Using this breakdown for all Data Center vendors the Exchange determined the portion of each of these costs was associated with providing market data, connectivity services or neither. Here, the Exchange determined that the 31% of the Data Center costs were appropriate to allocate to offering connectivity as they included services such as network packet capture for performance monitoring, security information and event management, network connectivity and security monitoring.

Physical Connectivity Fees

With the launch of the new trading platform, LTSE required Members and non-Members to establish all new connections (both physical and logical) to the Exchange in order to transmit orders to and receive information through the new trading platform. Members and non-Members can also choose to connect to LTSE indirectly through physical connectivity maintained by a third-party extranet. Extranet physical connections may provide access to one or multiple Members and non-Members on a single connection. Users of LTSE physical connectivity services (both Members and non-Members) seeking to establish one or more connections with the Exchange submit a request directly to Exchange personnel. Upon receipt of the completed instructions, LTSE establishes the physical connections requested by the market participant. The number of physical connections assigned to each firm as of September 30, 2024, ranges from one to three, depending on the scope and scale of the firm's trading activity on the Exchange as determined by the firm, including the firm's determination of the need for redundant connectivity. The Exchange notes that 58% of its Members do not maintain a physical connection directly with the Exchange in the Primary facilities (though many such Members have connectivity through a third-party provider) and another 42% have either one or two physical connections to the Exchange in the Primary facilities.

As described above, to cover a portion the aggregate costs of providing physical connectivity to Members and non-Members, as described below, the Exchange is proposing to charge a fee of $5,500 per month for each physical connection in the Primary facility and a fee of $2,750 per month for each physical connection in the Disaster Recovery and Test Environment facilities. There is no requirement that any Member or non-Member maintain a specific number of physical connections and a Member or non-Member may choose to maintain as many or as few of such connections as each Member or non-Member deems appropriate. The Exchange notes, however, that pursuant to Rule 2.250 (Mandatory Participation in Testing of Backup Systems), the Exchange does require a small number of Members to connect and participate in functional and performance testing as announced by the Exchange, which occurs at least once every 12 months. Specifically, Members that have been determined by the Exchange to contribute a meaningful percentage of the Exchange's overall volume must participate in mandatory testing of the Exchange's backup systems (*i.e.,* such Members must connect to the Disaster Recovery facility). The Exchange notes that Members that have been designated are still able to use third-party providers of connectivity to access the Exchange at its Disaster Recovery facility in that these Members do not each have to purchase a separate connection to the Disaster Recovery facility. Four of the designated Members use a third-party provider instead of connecting directly to the Disaster Recovery facility through connectivity provided by the Exchange. Nonetheless, because some Members are required to connect to the Disaster Recovery facility pursuant to Rule 2.250 and to encourage Members and non-Members to connect to the Disaster Recovery facility generally, the Exchange has proposed to charge one-half of the fee for a physical connection in the Primary facility. Further, other exchanges also provide discounted connectivity fees for connections to their respective disaster recovery facilities.[18]

The Exchange notes that while Members are required to connect to the Test Environment in some way for initial protocol certification, they do not have to connect directly and can use an extranet provider to connect or access the LTSE Test Environment directly.

The proposed fee will not apply differently based upon the size or type of the market participant but rather based upon the number of physical connections a Member or non-Member requests, which number is based upon factors deemed relevant by each firm (either a Member, service bureau or extranet). The Exchange believes these factors include the costs to maintain connectivity, business model and choices Members and non-Members make in how to participate on the Exchange, as further described below. The proposed connectivity fees are designed to permit the Exchange to cover a portion of costs allocated to providing connectivity services. The Exchange also reiterates that the Exchange did not charge any fees for connectivity services prior to October 2024, and its allocation of costs to physical connections was part of a holistic allocation that also allocated costs to other core services without double-counting any expenses. As noted above, the Exchange proposes a discounted rate of $2,750 per month for physical connections at its Disaster Recovery facility and Test Environment. The Exchange has proposed this discounted rate for Disaster Recovery and Test Environment connectivity in order to encourage Members and non-Members to establish and maintain such connections. Also, as noted above, a small number of Members are required pursuant to Rule 2.4 to connect and participate in testing of the Exchange's backup systems, and the Exchange believes it is appropriate to provide a discounted rate for physical connections at the Disaster Recovery facility given this requirement. The Exchange notes that this rate is well below the cost of providing such services and the Exchange will offer connectivity to the Disaster Recovery facility and Test Environment without recouping the full amount of such cost through connectivity services.

Logical Connectivity Fees

Similar to other exchanges, LTSE offers its Members application sessions, also known as logical ports, for order entry and receipt of trade execution reports and order messages. Members can also choose to connect to LTSE indirectly through a session maintained by a third-party service bureau. Service bureau sessions may provide access to one or multiple Members on a single session. Users of LTSE connectivity services (both Members and non-Members) seeking to establish one or more application sessions with the Exchange shall submit a request to the Exchange. Upon receipt of the completed instructions, LTSE assigns the Member or Non-Member the number of sessions requested. The number of sessions assigned to each Member as of September 30, 2024, ranges from one (1) to more than 58 depending on the scope and scale of the Member's trading activity on the Exchange (either through a direct connection or through a service bureau) as determined by the Member. For example, by using multiple sessions, Members can segregate order flow from different internal desks, business lines, or customers. The Exchange does not impose any

[18] *See, e.g.,* the CBOE BZX equities fee schedule, available at: *https://markets.cboe.com/us/equities/membership/fee_schedule/bzx/.*

minimum or maximum requirements for how many application sessions a Member or service bureau can maintain, and it is not proposing to impose any minimum or maximum session requirements for its Members or their service bureaus.

As described above, to cover a portion of the aggregate costs of providing application sessions to Members and non-Members, as described below, the Exchange is proposing to charge a fee of $450 per session per month. The Exchange notes that it is proposing to waive the fees for Members and non-Members for their first three sessions, so that market participants can have no cost to initiate order entry in all three environments (Primary, Disaster Recovery and Test Environments). Further, the Exchange believes that providing three free sessions will encourage Members to connect to the Exchange's backup trading systems and to conduct appropriate testing of their use of the Exchange.

The proposed fee of $450 per month for each Logical Connectivity session is designed to permit the Exchange to cover some of the costs allocated to providing application sessions.

The proposed fee is also designed to encourage Members and non-Members to be efficient with their application session usage, thereby resulting in a corresponding increase in the efficiency that the Exchange would be able to realize in managing its aggregate costs for providing connectivity services. There is no requirement that any Member maintain a specific number of application sessions and a Member may choose to maintain as many or as few of such ports as each Member deems appropriate. The platform has been designed such that each logical connectivity session can handle a significant amount of message traffic (*i.e.,* over 50,000 orders per second), and has no application flow control or order throttling.

The proposed fee will not apply differently based upon the size or type of the market participant but rather based upon the number of application sessions a Member or non-Member requests, which number is based upon factors deemed relevant by each firm (either a Member or service bureau on behalf of a Member). The Exchange believes these factors include the costs to maintain connectivity and choices Members make in how to segment or allocate their order flow.[19]

Proposed Fees—Additional Discussion

As discussed above, the proposed fees for connectivity services do not by design apply differently to different types or sizes of Members or non-Members. As discussed in more detail in the Statutory Basis section, the Exchange believes that the likelihood of higher fees for certain Members or non-Members subscribing to connectivity services usage than others is not unfairly discriminatory because it is based on objective differences in usage of connectivity services among different Members and non-Members. The Exchange's costs for connectivity services are directly proportional to the number of connections utilized. Members and non-Members with higher message traffic and/or Members and non-Members with more complicated connections established with the Exchange: (1) consume the most bandwidth and resources of the network; (2) transact the vast majority of the volume on the Exchange; and (3) require the high-touch network support services provided by the Exchange and its technology service provider, including network monitoring, reporting and support services, resulting in a much higher cost to the Exchange to provide such connectivity services. For these reasons, LTSE believes it is not unfairly discriminatory for the Members and non-Members with higher message traffic and/or Members and non-Members with more complicated connections to pay a higher share of the total connectivity services fees. While Members and non-Members with a business model that results in higher relative inbound message activity or more complicated connections are projected to pay higher fees, the level of such fees is based solely on the number of physical connections and/or application sessions deemed necessary by the Member and non-Members and not on the business model or type of firm. The Exchange notes that the correlation between message traffic and usage of connectivity services is not completely aligned because Members and non-Members individually determine how many physical connections and application sessions to request, and Members and non-Members may make different decisions on the appropriate ways based on facts unique to their individual businesses. The Exchange believes that a Member even with high message traffic would be able to conduct business on the Exchange with a relatively small connectivity services footprint.

Finally, the fees for connectivity services will help to encourage connectivity services usage in a way that aligns with the Exchange's regulatory obligations. As a national securities exchange, the Exchange is subject to Regulation Systems Compliance and Integrity (''Reg SCI'').[20] Reg SCI Rule 1001(a) requires that the Exchange establish, maintain, and enforce written policies and procedures reasonably designed to ensure (among other things) that its Reg SCI systems have levels of capacity adequate to maintain the Exchange's operational capability and promote the maintenance of fair and orderly markets.[21] By encouraging market participants to be efficient with their usage of connectivity services, the fees will support the Exchange's Reg SCI obligations in this regard by ensuring that unused application sessions are available to be allocated based on individual Member or Non-Member needs and as the Exchange's overall order and trade volumes increase. This will encourage market participants to purchase only what they need. Additionally, because the Exchange will charge a lower rate for a physical connection to the Disaster Recovery and Test Environment facilities and will waive the first three logical connectivity sessions each month, the proposed fee structure will further support the Exchange's Reg SCI compliance by reducing the potential impact of a disruption should the Exchange be required to switch to its Disaster Recovery Facility and encouraging Members to engage in any necessary system testing with low or no cost imposed by the Exchange.[22]

[19] The Exchange understands that some Members (or service bureaus) may also request more sessions to enable the ability to send a greater number of simultaneous order messages to the Exchange by spreading orders over more Order Entry Ports, thereby increasing throughput (*i.e.,* the potential for more orders to be processed in the same amount of time). The degree to which this usage of sessions provides any throughput advantage is based on how a particular market participant sends order messages to LTSE, however the Exchange notes that the architecture reduces the impact or necessity of such a strategy. All sessions on LTSE provide the same throughput, and as noted above, the throughput is likely adequate even for a market participant sending a significant amount of volume at a fast pace and is not artificially throttled or limited in any way by the Exchange.

[20] 17 CFR 242.1000–1007.

[21] 17 CFR 242.1001(a).

[22] While some Members might directly connect to the Disaster Recovery or Test Environment Facilities and incur the proposed $2,750 per month fee, there are other ways to connect to the Exchange, such as through a service bureau or extranet, and because the Exchange is waiving fees for the first three logical connectivity sessions, a Member connecting through another method would not incur any fees charged directly by the Exchange. However, the Exchange notes that a third-party service provider providing connectivity to the Exchange likely would charge a fee for providing such connectivity; such fees are not set by or shared in by the Exchange.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6(b) [23] of the Act in general, and furthers the objectives of Section 6(b)(4) [24] 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) [25] 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 believes that the proposed fees for connectivity services to LTSE are reasonable, equitable and not unfairly discriminatory because, as described above, the proposed pricing for connectivity services is directly related to the relative costs to the Exchange to provide those respective services and does not impose a barrier to entry to smaller participants.

As detailed above, the Exchange recognizes that there are various business models and varying sizes of market participants conducting business on the Exchange. The Exchange's costs for connectivity services are directly proportional to the number of connections utilized. Members and non-Members with higher message traffic and/or Members and non-Members with more complicated connections established with the Exchange: (1) consume the most bandwidth and resources of the network; (2) transact the vast majority of the volume on the Exchange; and (3) require the high-touch network support services provided by the Exchange and its technology service provider, including network monitoring, reporting and support services, resulting in a much higher cost to the Exchange to provide such connectivity services.

Accordingly, the Exchange believes the allocation of the proposed fees that increase based on the number of physical connections or application sessions is reasonable based on the resources consumed by the respective type of market participant (*i.e.,* lowest resource consuming Members and non-Members will pay the least, and highest resource consuming Members and non-Members will pay the most), particularly since higher resource consumption translates directly to higher costs to the Exchange.

With regard to reasonableness, the Exchange understands that when appropriate given the context of a proposal the Commission has taken a market-based approach to examine whether the SRO making the proposal was subject to significant competitive forces in setting the terms of the proposal. In looking at this question, the Commission considers whether the SRO has demonstrated in its filing that: (i) there are reasonable substitutes for the product or service; (ii) ''platform'' competition constrains the ability to set the fee; and/or (iii) revenue and cost analysis shows the fee would not result in the SRO taking supra-competitive profits. If the SRO demonstrates that the fee is subject to significant competitive forces, the Commission will next consider whether there is any substantial countervailing basis to suggest the fee's terms fail to meet one or more standards under the Exchange Act. If the filing fails to demonstrate that the fee is constrained by competitive forces, the SRO must provide a substantial basis, other than competition, to show that it is consistent with the Exchange Act, which may include production of relevant revenue and cost data pertaining to the product or service.

LTSE believes the proposed fees for connectivity services are fair and reasonable as a form of cost recovery for the Exchange's aggregate costs of offering connectivity services to Members and non-Members. The proposed fees are expected to generate monthly revenue of approximately $475,000 [26] providing partial cost recovery to the Exchange for the aggregate costs of offering connectivity services, based on a methodology that narrowly limits the cost drivers that are allocated to those closely and directly related to the particular service. In addition, this revenue will allow the Exchange to continue to offer, to enhance, and to continually refresh its infrastructure as necessary to offer a state-of-the-art trading platform. The Exchange also believes the proposed fee is a reasonable means of encouraging firms to be efficient in the connectivity services they reserve for use, with the benefits to overall system efficiency to the extent Members and non-Members consolidate their usage of connectivity services or discontinue subscriptions to unused physical connectivity.

The Exchange further believes that the proposed fees, as they pertain to purchasers of each type of connectivity alternative, constitute an equitable allocation of reasonable fees charged to the Exchange's Members and non-Members and are allocated fairly amongst the types of market participants using the facilities of the Exchange.

As described above, the Exchange believes the proposed fees are equitably allocated because the Exchange's costs for connectivity services are directly proportional to the number of connections utilized. Members and non-Members with higher message traffic and/or Members and non-Members with more complicated connections established with the Exchange: (1) consume the most bandwidth and resources of the network; (2) transact the vast majority of the volume on the Exchange; and (3) require the high-touch network support services provided by the Exchange and its technology service provider, including network monitoring, reporting and support services, resulting in a much higher cost to the Exchange to provide such connectivity services.

Commission staff previously noted that the generation of supra-competitive profits is one of several potential factors in considering whether an exchange's proposed fees are consistent with the Act.[27] As described in the Fee Guidance, the term ''supra-competitive profits'' refers to profits that exceed the profits that can be obtained in a competitive market. The proposed fee structure would not result in excessive pricing or supra-competitive profits for the Exchange. As stated above, the proposed fee structure is merely designed to permit the Exchange to cover some of the costs allocated to providing connectivity services. Thus, the Exchange believes that its proposed pricing for Connectivity Fees is fair, reasonable, and equitable. Accordingly, the Exchange believes that its proposal is consistent with Section 6(b)(4) of the Act because the proposed fees will permit recovery of the Exchange's costs and will not result in excessive pricing or supra-competitive profit.

The proposed fees for connectivity services will allow the Exchange to cover a portion of costs incurred by the Exchange for offering connectivity to

[23] 15 U.S.C. 78f.

[24] 15 U.S.C. 78f(b)(4).

[25] 15 U.S.C. 78f(b)(5).

[26] As stated above, the Exchange launched its new trading platform on September 23, 2024. This expected revenue is based on connectivity revenue from October 2024 through February 2025.

[27] *See* Fee Guidance, supra note 13.

Members and non-Members. As detailed above, the Exchange has numerous internal and third-party expenses associated with providing connectivity, including maintaining necessary hardware and other network infrastructure as well as network monitoring and support services; without such hardware, infrastructure, monitoring and support the Exchange would be unable to offer the connectivity services. Further, the Exchange routinely works with MEMX Technologies to improve the performance of the network's hardware and software. The costs associated with maintaining and enhancing a state-of-the-art exchange network is a significant portion of the overall expense of the technology provider's services, and thus the Exchange believes that it is reasonable and appropriate to help offset those costs by adopting fees for connectivity services. The Exchange's Cost Analysis estimates the monthly costs to provide connectivity services at approximately $600,000. Based on current connectivity services usage, the Exchange would generate monthly revenues for 2025 of approximately $475,000, which will result in a loss for the Exchange. Even if the Exchange earns that amount or incrementally more, the Exchange believes the proposed fees for connectivity services are fair and reasonable because they will not result in excessive pricing or supra-competitive profit, when comparing the total expense of LTSE associated with providing connectivity services versus the total projected revenue of the Exchange associated with network connectivity services.

The Exchange notes that another exchange offers similar connectivity options to market participants and that the Exchange's proposed connectivity fees are lower.[28] The Exchange further notes that this exchange charges for all logical connectivity sessions, and does not offer the three free sessions per month the Exchange is proposing to offer.[29]

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[30] 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 market participant.

The Exchange notes that the Cost Analysis was based on the Exchange's first year of outsourcing the LTSE trading system and certain associated services and projections for the two years. As such, the Exchange believes that its costs will remain relatively similar in future years. It is possible however that such costs will either decrease or increase. To the extent the Exchange sees growth in use of connectivity services it will receive additional revenue to offset future cost increases. However, if use of connectivity services is static or decreases, the Exchange might not realize the revenue that it anticipates or needs in order to cover applicable costs. Accordingly, the Exchange is committing to conduct a one-year review after implementation of these fees. The Exchange expects that it may propose to adjust fees at that time, to increase fees in the event that revenues fail to cover costs and a reasonable mark-up of such costs. Similarly, the Exchange would propose to decrease fees in the event that revenue materially exceeds our current projections. In addition, the Exchange will periodically conduct a review to inform its decision making on whether a fee change is appropriate (*e.g.,* to monitor for costs increasing/decreasing or subscribers increasing/decreasing, etc. in ways that suggest the then-current fees are becoming dislocated from the prior cost-based analysis) and would propose to increase fees in the event that revenues fail to cover its costs and a reasonable mark-up, or decrease fees in the event that revenue or the mark-up materially exceeds our current projections. In the event that the Exchange determines to propose a fee change, the results of a timely review, including an updated cost estimate, will be included in the rule filing proposing the fee change. More generally, we believe that it is appropriate for an exchange to refresh and update information about its relevant costs and revenues in seeking any future changes to fees, and the Exchange commits to do so.

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

In accordance with Section 6(b)(8) of the Act,[31] 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.

Intramarket Competition

The Exchange does not believe that the proposed rule change to establish connectivity fees would place certain market participants at the Exchange at a relative disadvantage compared to other market participants because the proposed connectivity pricing is associated with relative usage of the Exchange by each market participant and does not impose a barrier to entry to smaller participants. The Exchange believes its proposed pricing is reasonable and lower than what other exchanges charge and, when coupled with the availability of third-party providers that also offer connectivity solutions, that participation on the Exchange is affordable for all market participants, including smaller trading firms. As described above, the connectivity services purchased by market participants typically increase based on their additional message traffic and/or the complexity of their operations. The market participants that utilize more connectivity services typically utilize the most bandwidth, and those are the participants that consume the most resources from the network. Accordingly, the proposed fees for connectivity services do not favor certain categories of market participants in a manner that would impose a burden on competition; rather, the allocation of the proposed fees for connectivity reflects the network resources consumed by the various size of market participants and the costs to the Exchange of providing such connectivity services.

Intermarket Competition

The Exchange does not believe the proposed fees for connectivity to LTSE place an undue burden on competition on other SROs that is not necessary or appropriate. Additionally, another exchange has similar connectivity alternatives for their participants, but with higher rates to connect.[32] The Exchange is also unaware of any assertion that the proposed fees for connectivity services would somehow unduly impair its competition with other exchanges. In sum, LTSE's proposed fees for connectivity for

[28] *See, e.g.,* the MEMX Connectivity fee schedule, available at *https://info.memxtrading.com/connectivity-fees/*.

[29] *See id.*

[30] 15 U.S.C. 78f(b)(4) and (5).

[31] 15 U.S.C. 78f(b)(8).

[32] *See* supra notes 28–29.

Members and non-Members are comparable to and generally lower than fees charged by another exchange for the same or similar services.

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 [33] and paragraph (f)(2) of Rule 19b–4 thereunder.[34] 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 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.* Please include file number SR–LTSE–2025–04 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–2025–04. 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 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 a.m. and 3 p.m. Copies of the filing also 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–2025–04 and should be submitted on or before April 22, 2025.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[35]

Sherry R. Haywood,

Assistant Secretary.

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BILLING CODE 8011–01–P

[33] 15 U.S.C. 78s(b)(3)(A)(ii).

[34] 17 CFR 240.19b–4(f)(2).

[35] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 35512; File No. 812–15660]

LAGO Evergreen Credit, et al.

March 26, 2025.

AGENCY: Securities and Exchange Commission (''Commission'' or ''SEC'').

ACTION: Notice.

Notice of application for an order (''Order'') under sections 17(d) and 57(i) of the Investment Company Act of 1940 (the ''Act'') and rule 17d–1 under the Act to permit certain joint transactions otherwise prohibited by sections 17(d) and 57(a)(4) of the Act and rule 17d–1 under the Act.

SUMMARY OF APPLICATION: Applicants request an order to permit certain business development companies and closed-end management investment companies to co-invest in portfolio companies with each other and with certain affiliated investment entities.

APPLICANTS: LAGO Evergreen Credit, LAGO Asset Management, LLC, LAGO Innovation Fund I, LP, LAGO Innovation Fund I–QP, LP, LAGO Innovation Fund, LLC, LAGO Innovation Fund II–AI, LP, LAGO Innovation Fund II–QP, LP, LAGO Innovation Fund II, LLC, LAGO Delta Nine Fund, LP, LAGO Delta Nine Fund QP, LP, LAGO Delta Nine, LLC, LAGO D9 Equity Fund I, LP, LAGO D9 Equity Fund I–QP, LP, LAGO Innovation Fund III–AI, LP, LAGO Innovation Fund III–QP, LP, LAGO Innovation Fund III, LLC, LAGO Acceleration Fund I, LP, LAGO Acceleration Fund I–QP, LP.

FILING DATES: The application was filed on November 20, 2024, and amended on March 12, 2025.

HEARING OR NOTIFICATION OF HEARING: An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing on any application by emailing the SEC's Secretary at *Secretarys-Office@sec.gov* and serving the Applicants with a copy of the request by email, if an email address is listed for the relevant Applicant below, or personally or by mail, if a physical address is listed for the relevant Applicant below. Hearing requests should be received by the Commission by 5:30 p.m. on April 21, 2025, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Pursuant to rule 0–5 under the Act, hearing requests should state the nature of the writer's interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by emailing the Commission's Secretary at *SecretarysOffice@sec.gov.*

ADDRESSES: The Commission: *Secretarys-Office@sec.gov.* Applicants: Tim Gottfried, LAGO Asset Management LLC, at *tim@lagoinnovation.com;* and Stephani M. Hildebrandt, Esq. and Anne G. Oberndorf, Esq., Eversheds Sutherland (US) LLP, at *StephaniHildebrandt@eversheds-sutherland.com* and *AnneOberndorf@eversheds-sutherland.com,* respectively.

FOR FURTHER INFORMATION CONTACT: Chris Chase, Senior Counsel, Lisa Reid Ragen, Branch Chief, or Adam Large, Senior Special Counsel, at (202) 551–6825 (Division of Investment Management, Chief Counsel's Office).