

# Corporate & Financial Weekly Digest

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## NASDAQ Proposes a Paid-For Market Making Program

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On April 6, the Securities and Exchange Commission issued a notice of filing of NASDAQ Stock Market (NASDAQ or the Exchange) proposed Rule 5950, which would establish a new Market Quality Program (MQP) for a one-year pilot period. Essentially, the MQP would permit issuers to pay market makers to enhance the market quality of certain securities listed on the Exchange. Securities covered by the MQP would be exempt from the Rule 2460 prohibition against direct or indirect payments by an issuer to a market maker.

The MQP is a voluntary program designed to promote market quality in Exchange Traded Funds (ETFs), securities linked to the performance of indexes and commodities and trust issued receipts; however NASDAQ believes that the MQP securities will almost entirely consist of ETFs. The details of the proposed MQP are as follows:

- MQP securities must meet NASDAQ listing requirements.
- An ETF sponsor or other entity that lists one or more MQP securities on the Exchange pursuant to the MQP (an MQP Company) must go through an application process.
- A market maker may voluntarily register for the MQP, but must go through a separate MQP application process.
- In addition to the standard NASDAQ listing fee, an MQP Company must pay NASDAQ an annual basic fee of \$50,000 per MQP Security. This basic fee would be split between quoting and trading incentives, with 50% of the basic fee funding a quote share payment plan for persons that post qualified quotes and the remainder funding a trade share payment plan for persons that effect qualified trades.
- An MQP Company may also choose to pay an annual supplemental fee per MQP security of up to \$50,000, with the MQP Company indicating the proportion to be

split between the quoting and trading incentives.

- An MQP market maker becomes eligible to be paid an MQP credit (on a pro-rata basis) by (1) tightening spreads and offering liquidity and (2) trading. Payment of an earned MQP credit will be administered by the Exchange.

The SEC is soliciting comments on the proposed MQP, and it has included a list of topics on which it particularly requests comment. Anyone wishing to submit a comment should do so on or before May 3.

Click [here](#) for Notice of Filing of Proposed Rule Change.

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