

**MEMO# 27144**

April 1, 2013

## **SEC Approves NASDAQ Market Maker Incentive Pilot Program; NYSE Arca Reproposes Its Program**

[27144]

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TO: CLOSED-END INVESTMENT COMPANY MEMBERS No. 29-13  
ETF (EXCHANGE-TRADED FUNDS) COMMITTEE No. 19-13  
ETF ADVISORY COMMITTEE No. 18-13  
EQUITY MARKETS ADVISORY COMMITTEE No. 8-13  
SEC RULES MEMBERS No. 33-13 RE: SEC APPROVES NASDAQ MARKET MAKER INCENTIVE PILOT PROGRAM; NYSE ARCA REPROPOSES ITS PROGRAM

On March 20, 2013, the SEC approved NASDAQ's Market Quality Program ("MQP") on a pilot basis. [\[1\]](#) The MQP will allow sponsors of exchange-traded funds ("ETFs") that trade fewer than one million shares a day to pay a fee of between \$50,000 and \$100,000 to participate. The fee will be used to incentivize market makers to improve the market quality of the ETF. The pilot will commence when the MQP is implemented by NASDAQ's acceptance of a sponsor, on behalf of a qualified ETF, and a market maker into the MQP, and will last for one year unless extended by the SEC.

On March 21, 2013, NYSE Arca repropose its own market maker incentive program, now called the "ETP Incentive Program." [\[2\]](#) Under the proposal, issuers of certain exchange-traded products ("ETPs") with low trading volumes could elect to pay NYSE Arca an "Optional Incentive Fee," ranging from \$10,000 to \$40,000 per year, which would be used to incentivize market makers to take Lead Market Maker assignment in such ETPs. The SEC has not yet formally published the proposal for comment, but we expect comments will be due 21 days after publication in the Federal Register.

Mara Shreck  
Associate Counsel

**endnotes**

[\[1\]](#) Order Granting Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1

and 3 Thereto, to Establish the Market Quality Program, SEC Release No. 34-69195, dated March 20, 2013, available at <http://www.sec.gov/rules/sro/nasdaq/2013/34-69195.pdf>.

[2] The reproposal is available at [http://www.nyse.com/nysearca/rule-filings/pdf?file\\_no=SR-NYSEArca-2013-34&seqnum=1](http://www.nyse.com/nysearca/rule-filings/pdf?file_no=SR-NYSEArca-2013-34&seqnum=1). NYSE Arca withdrew its previous proposal for a “Fixed Incentive Program” on January 10, 2013. See <http://www.sec.gov/rules/sro/nysearca/2013/34-68616.pdf>.

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