FREQUENTLY ASKED QUESTIONS: NASDAQ QUALIFIED MARKET MAKER (QMM)

What is a NASDAQ Qualified Market Maker (QMM)?

QMMs are held to a high standard, and receive preferred rates on transactions and order entry ports for meeting their commitments on The NASDAQ Stock Market® (NASDAQ®).

How can Members qualify to be QMMs?

Members must meet the following obligations in order to qualify as a QMM:

- Maintain a one- or two-sided quote, of at least one round lot, at the National Best Bid or Offer (NBBO) in an average of 1,000 securities for 25% of market hours each month. For more information, see the questions below regarding quoting requirements.
- Be in compliance with NASDAQ’s excessive messaging policy during the month. Firms must ensure that their weighted order to trade ratio does not exceed a certain threshold, outlined in detail in the Excessive Messaging Policy.

What are the benefits of being a QMM?

- QMMs that meet the Benchmark Month added volume requirements receive preferred rates for NBBO “Setter Shares”—shares executed on displayed orders that set the NBBO or cause NASDAQ to join the current NBBO. QMMs receive a $0.0005 bonus rebate for each Setter Share executed, in addition to their normal liquidity provision rebates.
- QMMs that do not meet the Benchmark Month added volume requirements will receive an additional $0.0002 rebate for each Setter Share executed.
- QMMs that meet the Benchmark Month total volume requirements receive a reduced fee of $0.0028 per share for liquidity removing orders, applied on all liquidity accessing shares and capped at the lesser of either the volume of liquidity provided by the MPID, or 20 million shares per day.
- QMMs receive an additional rebate of $0.0001 on all non-NBBO setting, displayed added liquidity. QMMs who also participate in ISP earn the greater of $0.0001 or their ISP benefit on non-NBBO setting, displayed added shares.
• QMMs receive a $5,000 discount on order entry ports.

What is a QMM Benchmark Month?

“QMM Benchmark Month” refers to the first month a MPIID qualified as a QMM.

How is QMM Benchmark Month applied to the NBBO Setter Rebate?

In order to qualify for the $0.0005 NBBO Setter Rebate, a QMM’s added volume as a percentage of Total Consolidated Volume (TCV) must meet or exceed its Benchmark Month’s added volume.

How is QMM Benchmark Month applied to the reduced rate for liquidity removing orders?

In order to qualify for the reduced $0.0028 fee for liquidity removing orders, a QMM’s total volume as a percentage of TCV must meet or exceed its Benchmark Month’s total volume.

How can my firm become a QMM?

All NASDAQ Members are eligible to attain QMM status on a month-to-month basis. NASDAQ will monitor the activity of all Members to determine which MPIIDs qualify for QMM status. Members will be notified of their qualification as a QMM and automatically receive the preferred rates outlined above.

How is QMM status determined?

QMM status is determined at the end of each month using the standards outlined above and applied on an MPIID basis.

Does my firm have to be a Registered Market Maker (RMM) to qualify?

NASDAQ Members are not required to be registered as market makers with NASDAQ in order to become a QMM.

What is the difference between a Registered Market Maker and a Qualified Market Maker?

QMMs and RMMs are complementary distinctions on NASDAQ, in that they both indicate a firm’s willingness to stand ready to buy or sell securities and support price discovery.

While QMMs do not have to be registered Broker-Dealers or submit an application for QMM status, RMMs must be registered with FINRA and must submit an application for RMM status. Unlike QMMs, RMMs must provide two-sided quotes 100% of the time for their registered
Does my firm have to be a registered Broker-Dealer to qualify?

No, any NASDAQ Member can achieve QMM status through their quoting activity, as outlined above.

Do I need to certify certain ports to be eligible?

NASDAQ members will not need to specify certain ports as QMM eligible.

My firm uses multiple MPIDs to submit orders. How can I qualify under the program?

Each MPID is evaluated separately for QMM status. The $5,000 discount on order entry ports also applies to each MPID separately. For example, firms with three MPIDs can will receive a $15,000 discount.

How does the quoting requirement work?

At the end of each month, NASDAQ will calculate the average daily number of securities meeting the 25% standard. The 25% standard is met for a security if an MPID displays either a bid, and ask, or both at the NBB0 25% of market hours.

What if I quote 500 names 50% of the time? Does that qualify?

No, QMMs provide price support for a broad range of securities in addition to quoting consistently.

What if I quote 2000 securities 25% of the time, but for only half of the days in the month?

This would imply an average of 1000 securities meeting the quoting requirement daily, and would therefore qualify this MPID for QMM status.

Does it have to be the same security each day?

No. The quoting requirement calculation does not take into account which 1,000 securities are quoted daily.
Do I have to commit to specific securities?

No. The quoting requirement calculation does not take into account which 1,000 securities are quoted daily.

Does this affect my regulation SHO obligations?

Firms that qualify for QMM do not have different obligations under Reg SHO or any other provision of Regulation NMS. QMM does not free NASDAQ Members from compliance under Reg NMS or any other applicable securities law.

Will there be any indication on order acknowledgements that an order was submitted at the price level necessary to receive the NBB0 Setter incentive?

Order acknowledgements delivered via OUCH 4.2 will identify when an order is accepted at a price level eligible for the preferred rates for Setter Shares.

Will NBB0 Setter Shares receive a different liquidity code?

Orders that improve the NBB0 will receive a ‘7’ liquidity code. Orders that bring the NASDAQ Best Bid or Offer (QBB0) to a price level equal to the NBB0 will receive an ‘8’ liquidity code. Currently, there is no economic difference between these liquidity codes.

If my order sets or bring the QBB0 to the NBB0, but another firm’s order improves the NBB0 after me, do I still get the preferential economics?

Yes. Once an order has been marked by the matching engine as eligible for preferential pricing, it will receive the appropriate liquidity code upon execution.