

112TH CONGRESS
2D SESSION

H. R. 6127

To amend the Securities Exchange Act of 1934 to enable national securities exchanges to provide financial incentives to market-makers that adhere to objective standards that increase the liquidity and depth of the public capital markets and promote enhanced trading and price-discovery for smaller public companies.

IN THE HOUSE OF REPRESENTATIVES

JULY 13, 2012

Mr. MCHENRY (for himself and Mr. GARRETT) introduced the following bill;
which was referred to the Committee on Financial Services

A BILL

To amend the Securities Exchange Act of 1934 to enable national securities exchanges to provide financial incentives to market-makers that adhere to objective standards that increase the liquidity and depth of the public capital markets and promote enhanced trading and price-discovery for smaller public companies.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Liquidity Enhance-
5 ment for Small Public Companies Act”.

1 **SEC. 2. MARKET QUALITY INCENTIVE PROGRAMS.**

2 (a) RULES OF EXCHANGES.—Section 11 of the Secu-
3 rities Exchange Act of 1934 (15 U.S.C. 78k) is amended
4 by adding at the end the following:

5 “(e) MARKET QUALITY INCENTIVE PROGRAMS.—

6 “(1) IN GENERAL.—Notwithstanding any provi-
7 sion of this title or any other provision of law, the
8 Commission shall not propose, adopt, maintain, or
9 enforce any rule, regulation, policy, or procedure
10 that directly or indirectly bars a national securities
11 exchange from adopting and administering a pro-
12 gram pursuant to exchange rules under which the
13 exchange, an entity that lists securities on a national
14 securities exchange, an entity determined appro-
15 priate by the Commission, or any other entity deter-
16 mined appropriate by a national securities exchange,
17 provides financial incentives to market makers that
18 adhere to standards of market quality established by
19 the rules of the exchange.

20 “(2) PROCEDURE.—The procedure by which a
21 national securities exchange provides financial incen-
22 tives to market makers pursuant to paragraph (1)
23 shall be set forth in the rules of the exchange and
24 the exchange shall provide financial incentives only
25 to those market makers that maintain specified mar-

1 ket quality standards that include aggressive quoting
2 requirements.

3 “(3) LIMITATION.—Any financial incentive pro-
4 vided to market makers described in paragraphs (1)
5 and (2) shall be paid only by a national securities
6 exchange and may not be paid directly to a market
7 maker by an entity that lists securities on the ex-
8 change.”.

9 (b) RULES OF ASSOCIATIONS.—Section 15A of the
10 Securities Exchange Act of 1934 (15 U.S.C. 78o–3) is
11 amended by adding at the end the following:

12 “(n) MARKET QUALITY INCENTIVE PROGRAMS.—A
13 national securities association registered under this sec-
14 tion may not adopt, maintain, or propose any rule, regula-
15 tion, policy, or procedure that directly or indirectly bars
16 a national securities exchange from having a program
17 under which the securities of an issuer determined appro-
18 priate by the Commission for listing on a national securi-
19 ties exchange provides financial incentives to market mak-
20 ers that adhere to standards of market quality established
21 by the exchange.”.

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