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May 4, 2012

Ms. Elizabeth M. Murphy  
Secretary  
Office of the Corporate Secretary  
Securities and Exchange Commission  
100 F Street, N.W.  
Washington, D.C. 20549-1090

**Re: Securities Exchange Act Release No. 34-66765**

File No. SR-NASDAQ-2012-043; Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing of Proposed Rule Change, as Modified by Amendment No.1 Thereto, To Establish the Market Quality Program

Dear Ms. Murphy:

Knight Capital Group, Inc.<sup>1</sup> (“Knight”) welcomes the opportunity to submit a comment letter in connection with the above-referenced NASDAQ Stock Market LLC (“NASDAQ”) rule filing to establish a Market Quality Program (“MQP”). Knight supports this NASDAQ proposal.

In its filing, NASDAQ seeks to:

... add new Rule 5950 (Market Quality Program) to enable market makers that voluntarily commit to and do in fact enhance the market quality (quoted spread and liquidity) of certain securities listed on the Exchange to qualify for a fee credit pursuant to the Exchange’s Market Quality Program, and to exempt the Market Quality Program from Rule 2460 (Payment for Market Making).

As a leading market maker of U.S. equities, Knight supports initiatives designed to improve the liquidity and transparency of the equities markets. Market makers play a critical role in helping to insure the equities markets are vibrant and robust – this is particularly important in less active securities. We believe that the NASDAQ proposal will benefit all market participants including, issuers, investors (institutional and retail), liquidity providers, and the overall U.S. economy. We also concur with the body of academic research, as well as the experience gained in European

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<sup>1</sup> Knight Capital Group, Inc., through its subsidiaries, is a major liquidity center for foreign and domestic equities, fixed income securities, and currencies. On active days, Knight can execute in excess of 10 million trades, with volume exceeding 15 billion shares. Knight’s clients include more than 3,000 broker/dealers and institutional clients. Knight employs more than 1,400 people worldwide. For more information, please visit: [www.knight.com](http://www.knight.com).

markets, supporting the proposition that programs like the MQP help to “improve liquidity in illiquid stocks.”<sup>2</sup>

In our view, the MQP is well-designed with a clear pricing schedule and rule framework. We expect that the pilot will yield useful evidence to gauge the effectiveness of the program. If successfully implemented by NASDAQ, we believe that the MQP will not only aid liquidity creation in less active securities, but may well incentivize other market participants to make markets in securities in which they would not normally trade – thereby creating a more robust marketplace for these issuers.

One area that will require additional study, which will most likely come to light as part of the pilot, is the determination of the correct threshold for discontinuance of the program. It is not clear that a hard threshold will be the most efficient means of determining whether a security remains in the MQP and we suggest that this threshold be evaluated closely.

### Conclusion

Knight fully supports the MQP for the reasons noted above, and we look forward to participating in the program. We welcome the opportunity to discuss our comments with the Commission.

Respectively submitted,



Leonard J. Amoruso

cc. SEC Chairman Mary L. Schapiro  
SEC Commissioner Elisse B. Walter  
SEC Commissioner Luis A. Aguilar  
SEC Commissioner Troy A. Paredes  
SEC Commissioner Daniel M. Gallagher  
Robert W. Cook, Director, SEC Division of Trading and Markets  
Eric Noll, EVP, NASDAQ

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<sup>2</sup> See, Letter to Elizabeth M. Murphy from Amber Anand, Associate Professor of Finance, Whitman School of Management, Syracuse University (April 29, 2012).