

Securities Lawyer 101 Q & A

What is a Sponsoring Market Maker?

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What is a Sponsoring Market Maker?

The last step in a **going public transaction** is for the company to receive a stock trading or ticker symbol from the **Financial Industry Regulatory Authority** (“FINRA”). For a company to obtain its ticker symbol, a sponsoring market maker (“Sponsoring Market Maker”) must sponsor the company’s application and submit a Form 211 to FINRA on the issuer’s behalf. Sponsoring Markets Makers have become one of the most important participants in the **going public process** because they are the only ones who can apply for a ticker symbol.

Q. Can Sponsoring Market Makers Be Paid to Submit 211 Filings ?

A. No. Sponsoring Market makers generally earn money by buying stock at a lower price than the price at which they sell it, or selling the stock at a higher price than they purchase it back. Despite the amount of work involved in the 211 process, FINRA prohibits market makers from charging issuers fees for filing a Form 211.

Q. Do Sponsoring Market Makers have to be registered with FINRA?

A. Yes. A Sponsoring Market Maker must be a FINRA registered broker-dealer firm that accepts the risk of holding a certain number of shares of a particular security in order to facilitate trading in that security. Broker-dealers must register with FINRA to act as a Market Maker of a security.

Q. Who regulates Sponsoring Market Makers?

A. Sponsoring Market Maker activities are regulated by the **Securities and Exchange Commission** (“SEC”) as well as by FINRA. FINRA oversees registration, education and testing of market makers, broker-dealers and registered representatives. FINRA rules governing Sponsoring Market Makers in going public transactions involve a variety of criteria.

Q. What is SEC Rule 15c2-11?

A. SEC Rule 15c2-11 requires that current public information be made available to investors. This information is initially provided in going public transactions by the Sponsoring Market Maker when it submits a Form 211 and 15c2-11 application with FINRA for a ticker symbol assignment. FINRA and SEC Rule 15c2-11 require that the Sponsoring Market Maker have a reasonable basis for believing that the information provided by the company in its Form 211 is accurate and from reliable sources. As such, the Sponsoring Market Maker’s preparation of proper disclosures is critical to the going public transaction.

Q. Does FINRA Comment on Form 211’s?

A. Yes. In a going public transaction, a Sponsoring Market Maker must submit a Form 211 application to FINRA to apply for the company’s trading symbol, and it must respond to FINRA’s comments to the application. Once FINRA is satisfied that the disclosures meet the requirements of SEC Rule 15c2-11, a trading symbol is assigned and the Sponsoring Market Maker can quote the company’s securities.

Q. What is the Form 211 Exclusivity Period for Sponsoring Market Makers?

A. For the first 30 days after a ticker symbol assignment in a going public transaction, only the Sponsoring Market Maker who filed the Form 211 can publish quotes of the company’s

securities. Thereafter, other market makers can publish their own quotes.

Q. Will the Sponsoring Market Maker Require a Company to Have a Certain Number of Stockholders?

A. In order to obtain FINRA approval of the Form 211, the Company going public must have enough shareholders for the sponsoring market maker to demonstrate that an active trading market can be established. This means that prior to filing a Form 211 the company should have at least 20 non-affiliate shareholders who paid cash consideration for their shares, and have owned those shares for at least 12 months. The private company seeking to go public should have at least 1 million shares outstanding, of which at least 250,000 are free trading shares.

For further information about [Sponsoring Market Makers](#), please contact [Brenda Hamilton](#), Securities Attorney at 101 Plaza Real South, Suite 202 North, Boca Raton, FL, (561) 416-8956, or by email at info@securitieslawyer101.com. This securities law Q & A is provided as a general or informational service to clients and friends of [Hamilton & Associates Law Group, P.A.](#) and should not be construed as, and does not constitute legal advice on any specific matter, nor does this message create an attorney-client relationship. Please note that prior results discussed herein do not guarantee similar outcomes.
