Liquidity Provider

NASDAQ OMX[SM]

A service for improving liquidity in your company's share

The Liquidity Provider service helps your company improve liquidity and performance in the financial market. Through this service, trading members commit to provide liquidity in a company's stock, enabling more efficient price formation and greater order depth. This widely used service has proven to be an effective and successful approach to increase liquidity and reduce costs for investors.

Commitment of the Liquidity Provider

A Liquidity Provider is a trading member who commits to provide liquidity in a designated company stock. Any member of the exchange can serve as a Liquidity Provider. By quoting prices, they increase volume and improve the quality of trading in thinly-traded shares. The Liquidity Provider is committed to quote prices in at least four trading lots —either on the buy or sell side — ensuring that bid and ask prices do not deviate more than four percent from each other, based on the ask price.

Companies using Liquidity Provider are marked in the trading system and the information is included in news feeds — making it possible for media to show the information in presentation lists, such as printed papers or websites.

NASDAQ OMX can provide for a Liquidity Provider or a company can approach a provider itself. The rules for Liquidity Providers differ somewhat between the markets in Stockholm, Helsinki and Copenhagen, so please consult with your Key Account Manager.

Benefits of Liquidity Provider

- Improved volume and trading quality
- Reduced investor costs as liquidity increases
- More accurate price formation
- Minimizes the risk of extreme price volatility

Fast facts on liquidity

The following are key indicators used to measure the liquidity of a company's shares.

Spread

Spread is the difference between bid and ask prices. The spread is significant to investors because it is an indirect transaction cost — the cost between buying and selling at any given time. The tighter the spread, the lower the transaction cost for investors.

Order depth

The order depth shows how many stocks an investor can buy or sell at a given price. A high order depth minimizes the risk of extreme price volatility.

Turnover

Turnover is a measurement of the share volume traded in a company's stock. Turnover is effected by the combination of spread and order depth. For example, high turnover in a share is more likely if the spread is tight and order depth is high.

A tight spread and high order depth can mean lower costs for investors and lower risk. Increased interest and trading in a company's share leads to more accurate price formation — which adds value for your shareholders.

For more information

For more information, contact your Key Account Manager or email omxlistings@nasdaqomx.com.

Through NASDAQ OMX, companies gain access to innovative products and services that facilitate transparency, mitigate risk, maximize board efficiency and inspire better investor relations.

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