

About the OTC Markets Financial Marketplaces

The OTC Markets financial marketplaces are designed to provide investors with the information necessary to intelligently analyze, value and trade 10,000 U.S. and global securities through the broker of their choice. The OTC Markets provides three tiered marketplaces - OTCQX, OTCQB and OTC Pink. Issuers are categorized based on the quality and quantity of information the companies make available to the investing public. The OTC Markets established its own rules and regulations for each tier that companies must comply with to become listed.

What is the OTC Link?

What is required to be quoted by the OTC Link ATS?

Q. What is OTC Link® ATS?

A. OTC Link® ATS is operated by OTC Link LLC, an SEC-registered Alternative Trading System (ATS) and FINRA member broker-dealer wholly owned by OTC Markets Group.

Q. How does a Company become quoted on the OTC Markets OTC Link® ATS?

A. To become an OTCQB, a broker-dealer must quote the company's securities on OTC Link® ATS.

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FINRA assigns all trading symbols for companies quoted by the OTC Markets. Any security that does not already have a symbol will be assigned one when FINRA clears its Form 211. FINRA does not permit issuers or broker-dealers to choose trading symbols but may offer voluntary symbol changes for a fee.



How Does a Privately Held Company Submit a Form 211 to be Quoted by the OTC Link® ATS for an Initial Listing?

If a Company meets the OTCQB's listing requirements, for initial quotation by the OTC Link, it must locate a Sponsoring Market Maker to submit a Form 211 with the Financial Industry Regulatory Authority (FINRA).

A sponsoring market maker is a FINRA registered broker-dealer firm that accepts the risk of holding 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. Market Makers are regulated by the SEC as well as by FINRA. FINRA oversees registration, education and testing of market makers, broker-dealers and registered representatives.

What Are the Listing Requirements of the OTCQB?

In order to list on the OTCQB, Companies must:

- Meet a minimum bid price test of \$0.01
- Be an SEC Reporting Issuer
- Submit an application to OTCQB and pay an application and annual fee
- Submit an OTCQB Annual Certification confirming the Company Profile displayed on www.otcmarkets.com is current and complete and providing additional information on officers, directors, and controlling shareholders

What is an SEC Reporting Issuer?

A company can become an SEC reporting issuer a couple of ways—by registering a securities offering under the Securities Act of 1933 (the "Securities Act"), registering a securities offering under the Securities Exchange Act of 1934 (the "Exchange Act"), or by meeting certain shareholder requirements.

A company that becomes reporting under either the Securities Act or the Exchange Act is obligated to file annual reports on Form 10-K, quarterly reports on Form 10-Q and current information reports on Form 8-K.

In addition to these reports, companies reporting under the Exchange Act must comply with the SEC's proxy rules which include the obligation to file proxy and /or information statements in advance of certain corporate actions requiring approval by the company's shareholders.



The Role of the Securities Lawyer in Periodic Reporting

In order for a Company to be quoted on the OTC Markets OTCQB, it must be a fully reporting company that files periodic reports with the SEC. A company can become reporting a couple of ways—by registering a securities offering under the Securities Act of 1933, registering a class of securities under the Securities Exchange Act of 1934, or by meeting certain shareholder requirements.

A company that becomes reporting under either the Securities Act or the Exchange Act is obligated to file annual reports on Form 10-K, quarterly reports on Form 10-Q and current information reports on Form 8-K. In addition to these reports, companies reporting under the Exchange Act must comply with the Securities & Exchange Commission's proxy rules which include the obligation to file proxy and / or information statements in advance of certain corporate actions requiring approval by the company's shareholders.

The SEC doesn't review all periodic reports filed by reporting companies. Periodic reports are reviewed periodically. As such, just because the SEC does not comment about a periodic report does not mean that the report complies with the SEC's disclosure requirements.

An OTC Markets Lawyer reviews the company's SEC filings and reports to ensure they comply with Regulation S-K of the Securities Act of 1933, which enables the issuer to avoid deficient SEC disclosures.



Regulation of the OTC Markets

The [Financial Industry Regulatory Authority](#) and the [Securities and Exchange Commission](#) regulate OTC Link LLC. OTC Link LLC, a wholly owned subsidiary of OTC Markets Group, is a FINRA member broker-dealer and operates OTC Link® ATS, an SEC-registered electronic quoting and trading platform for OTCQX, OTCQB and OTC Pink securities.

OTC Markets Group Inc. does not regulate the OTCQX, OTCQB and OTC Pink marketplaces. It is neither a stock exchange nor self-regulatory organization (SRO) and is not itself regulated by [FINRA](#) or the [SEC](#).

All broker-dealers that trade OTCQX, OTCQB and OTC Pink securities are FINRA members, registered with the SEC, and are also subject to various state securities regulations. In addition, companies with SEC-registered securities are regulated by the SEC.

In addition, both SEC reporting and non-reporting companies should recognize that regardless of whether an offering of securities is exempt or registered, the SEC's antifraud provisions apply. There are various provisions in federal and state securities statutes which make it illegal to make a misstatement or omit of a material fact in connection with an offering of securities. The anti-fraud provisions require disclosure of any other material information necessary to make the disclosed information not misleading. Companies must comply with the anti-fraud provisions in addition to any reporting obligations. A common mistake reporting companies make is omitting material information when it is not specifically required by an line item of Regulation S-K. Similarly, non-reporting companies frequently fail to recognize that they have an absolute obligation to disclose all material information to investors regardless of whether they are reporting with the SEC.

One of the more difficult tasks a company faces when formulating public disclosures is the determination of which facts constitute "material" information. As a general proposition, a fact will be deemed "material" if there is a substantial likelihood that a reasonable investor would consider the fact to be important in deciding whether to invest in the company.

The determination of what constitutes "material" determines antifraud liability for the company and its officers and directors. As is the case with numerous matters under the federal and state securities laws, companies should seek the assistance of an experienced securities attorney to assist them in making a determination of what constitutes material information.

What are Forms 10-K, 10-Q, and Form 8-K?

Annual Reports on Form 10-K are filed annually by a company. Form 10-K provides expansive disclosure about a company's business, material legal proceedings, management's discussion and analysis of the issuer's financial condition and results of operations, directors and officers, executive compensation, stock performance and dividend policies, and certain corporate governance issues. Smaller Reporting Companies must file audited financial statements for the two most recent fiscal years.

The Quarterly Report on Form 10-Q is a report on the company's financial condition and operations. Form 10-Q contains information similar to that contained in the Form 10, but it is typically less detailed. Smaller Reporting Companies must file a Form 10-Q within 45 days after each quarter other than the quarter following the company's year end.

Form 8-K identifies specific reportable events that require the filing of the form. These include entry into or termination of a material definitive agreement, bankruptcy or receivership, completion of acquisition or disposition of assets, mine safety disclosures or similar matters.

What Happens if the OTCQB Quoted Company Fails to File Its Reports With the SEC?

If an OTCQB quoted company fails to comply with its SEC Disclosure requirements, it will be delisted to the OTC Pink Marketplace which imposes its own reporting requirements. In order to regain quotation on the OTCQB, the company must be current in its SEC reporting obligations, among other things.

Contact Us

Give us a call for more information about the OTC Markets, securities law and going public!

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