

Securities Lawyer 101

OTC Markets Listing, Eligibility & Quotation



Published by:

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Boca Raton, Florida 33432

www.securitieslawyer101.com

OTC Markets FAQ

The OTC Market offers several different tiers for companies to choose from when considering their services. These are the OTCQX, OTCQB and OTC Pink marketplaces. Companies that are trading on the OTC Markets span a broad range of sectors, from the ADRs of large cap conglomerates, to small and micro-cap growth companies, SEC reporting companies and community banks; and across all major industries, including metal and mining, financial services, oil & gas, utilities, telecommunications, media, pharma & bio tech, and many others. The 10,000 securities on the OTC Markets are traded through the OTC Market's SEC-registered Alternative Trading System, OTC Link® ATS.

Q. What are the requirements for the OTCQX, OTCQB and OTC Pink marketplaces?

A. Securities traded on OTC Link® ATS are organized into three tiered marketplaces to better inform investors of opportunities and risks. **OTCQX** is the Best Marketplace with Qualified Companies. Companies with securities on OTCQX must meet continuing financial and disclosure requirements and be qualified by a 3rd party professional investment bank or attorney advisor. **OTCQB** is the Venture Stage Marketplace with Current Reporting Companies. Companies are required to report to a US regulator such as the SEC or FDIC. **OTC Pink** is the Open Marketplace with Variable Reporting Companies and has no disclosure requirements, although companies may voluntarily provide information to investors.

Q. How does a company get quoted on OTCQX, OTCQB and OTC Pink?

A. To get quoted as a OTCQX, OTCQB and OTC Pink security, a company must find one broker-dealer willing to quote their stock on OTC Link® ATS. Only SEC-registered broker-dealers that are members of the Financial Industry Regulatory Authority (FINRA) can quote securities. The broker-dealer must file a **Form 211** with FINRA in order to initiate the process. OTC Markets Group cannot recommend specific broker-dealers but a number of firms have asked to be included in the OTC Markets' **211 Broker-Dealer List** and welcomes companies to directly contact them to discuss making a market for

their company. [Click here](#) to learn more about how to get traded.

Q. What happens to shares when a company is delisted from an exchange?

A. If an investor owns a stock that has been delisted from an exchange and is now quoted on OTC Link® ATS, nothing has changed with the shares themselves. Investors are still the beneficial owner of the stock and may trade it through the broker-dealer of their choice, but should check with their broker-dealer to make certain that they provide services in off-exchange traded securities. If not, investors will need to identify a broker-dealer that does provide services in these securities and is a FINRA member and SEC-registered.

Q. How can I see real-time quotes?

A. Real-Time Level 1 Quotes can be found on www.otcmarkets.com on a company's quote page. All companies traded on the best marketplace, OTCQX, sponsor Real-Time Level 2 quotes, free for investors on www.otcmarkets.com or on a company's corporate website. Many OTCQB and OTC Pink companies also sponsor Real-Time Level 2 quotes for investors. Just check their quote page. [Click here](#) to learn more about how companies can sponsor Real-Time Level 2 Quotes. Investors may also access Real-Time Level 1 and Level 2 quotes for OTCQX, OTCQB and OTC Pink securities on various financial portals. For more information on where to access OTC Markets Group Market Data, please visit [OTC Market Data Distributors & Websites](#).

Q. Why are there no quotes for some securities?

A. Quotes for securities may not be available on www.otcmarkets.com because:

1. The security is an **OTC, Other OTC, or Grey market** security. "OTC", "Other OTC" or "Grey Market" is a security that is not currently traded on the OTCQX, OTCQB or OTC Pink marketplaces. Broker-dealers are not willing or able to publicly quote OTC securities because of a lack of investor interest, company information availability or regulatory compliance. OTC securities are indicated on www.otcmarkets.com by a grey triangle next to the symbol or on the top right of the quote page.
2. There is no inside market for the security. For securities without the Level 2 quote display, a best bid and ask will not be shown if there is not an "inside" market. An "inside" market is defined by OTC Markets Group as two priced quotation on the respective side of the market (either bid or ask). If the security does not satisfy this requirement then "No Inside" will be displayed on www.otcmarkets.com

Q. Is short selling allowed for OTCQX, OTCQB and OTC Pink securities?

A. Yes – short selling is allowed for OTCQX, OTCQB and OTC Pink securities. You may find the short interest (amount of shares sold short) for specific securities by selecting the "Short Sale" tab within the Quote page or by going to the [Short Sales Data](#) page.

Q. How are trading symbols assigned?

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

change, a company must contact FINRA Operations at +1 866-776-0800.

Q. Why do some symbols have five letters?

A. The fifth character is a special identifier which is assigned by FINRA and designed to give more information about the security. To determine what fifth characters are used in the OTC Markets' marketplaces, visit the OTC Markets' [Symbology Guide](#). A few of the most common can be found below:

F – Foreign Ordinary

P – Preferred Share

Q – Bankruptcy

Y – American Depository Receipt (ADR)

Q. What is an American Depository Receipt (ADR) and how do Sponsored vs. Unsponsored ADRs differ?

A. An American Depository Receipt (ADR) represents ownership in the shares of a non-U.S. company that trades in U.S. financial markets. ADR programs are created by depository banks in order to help global companies gain access to U.S. investors and to respond to market demand. An ADR program issues American Depository Shares (ADS) which carry prices in U.S. dollars, pay dividends in U.S. dollars, and may be traded like the shares of U.S.-based companies. Since the ADR is based on the common shares of the non-U.S. company, the price of an ADR will often move in sync with the price of the underlying common shares once the ADR to common share ratio and currency rate is considered.

A sponsored ADR is where the company has a formal agreement with the depository bank issuing the shares of the ADR. Conversely, no agreement is in place for an unsponsored ADR. For unsponsored ADRs, the depository bank establishes the ADR with or without the consent of the company. Unsponsored ADR programs may not provide shareholders with all the benefits of direct ownership (i.e., voting rights) that are often granted to sponsored ADR shareholders.

Q. Can companies get “delisted” from the OTCQX, OTCQB and OTC Pink marketplaces?

A. The only way to remove a company from the OTCQX, OTCQB and OTC Pink marketplaces is for all of the broker-dealers to stop quoting it. Companies are required to contact FINRA Operations if their securities no longer exist, but are still being quoted. FINRA will investigate and, if appropriate, eliminate the trading symbol and inform OTC Markets Group that they have done so. OTC Markets Group will then remove the quotations in this security.

Q. How do companies change their trading symbol or name?

A. The company should contact FINRA’s Operations Department at +1 866-776-0800 in order to change its trading symbol or name.

Q. Who do companies contact about a merger, stock split, dividend or other corporate action?

A. Companies should contact FINRA’s Operations Department at +1 866-776-0800. FINRA will notify OTC Markets Group of corporate actions for OTCQX, OTCQB and OTC Pink stocks.

Q. How do trading halts work on OTC Link® ATS?

A. Only FINRA or the SEC can halt trading in OTCQX, OTCQB and OTC Pink securities. Unlike exchange-listed securities, OTC traded securities are not halted for the dissemination of company news, except in the case of non-U.S. securities, which may be halted for news in conjunction with a halt on the home-country exchange.

Q. What happens when the SEC suspends trading or FINRA halts trading in a security?

A. When a security is suspended or halted, OTC Markets Group removes all quotes from the system and displays a “Halted/Suspended” message.

SEC suspensions for OTCQX, OTCQB and OTC Pink securities have a duration of 10 business days. After the suspension ends, broker-dealers may re-enter

their quotes if they comply with [Rule 15c2-11](#). This rule requires the filing, with FINRA, of a new Form 211 which must include the company’s current financial information.

Q. Do financial statements have to be audited?

A. Current FINRA rules do not require the financial statements of non-SEC reporting issuers to be audited in order for them to clear a Form 211, but they should be prepared in accordance with GAAP or, for foreign issuers, in accordance with their home country’s accounting standards. Audited financials must be available for companies in the OTCQX and OTCQB marketplaces. To [qualify for OTC Pink Current Information](#), companies that do not file with the SEC and do not publish audited financials must provide an Attorney Letter with Respect to Current Information. Audited financials are not required for OTC Pink Limited Information companies. Companies in OTC Pink No Information may not have recent financial information available.

Q. What is the Alternative Reporting Standard (ARS)?

A. When SEC registration is not required, companies must generally still make information publicly available pursuant to Rule 10b-5 under the Exchange Act and pursuant to Rule 144(c)(2) under the Securities Act. OTC Markets Group offers the Alternative Reporting Standard for companies who choose to make material information publicly available to investors. To qualify for OTCQX U.S., companies not registered and reporting to the SEC can follow the [Alternative Reporting Standard](#). These companies submit information pursuant to the [OTCQX U.S. Disclosure Guidelines](#) and are subject to the eligibility requirements and terms of the [OTCQX Rules for U.S. Companies](#). OTCQX companies provide current and potential investors with all “material” information – the information necessary for the investor to make a sound investment decision. OTCQX company disclosure enables an investor to understand the company’s business operations and prospects.

Q. Can SEC Reporting companies follow the Alternative Reporting Standard (ARS) to upgrade their marketplace designation?

A. No. The company must file a [Form 15](#) with the SEC before they can use the Alternative Reporting Standard to upgrade their marketplace. The marketplace for SEC-Reporting issuers is tied directly to the timeliness of their filings through the EDGAR system. The OTC Disclosure & News Service should not be considered an alternative to a reporting company's SEC filing requirements. When a company deregisters via a Form 15 filing, their marketplace is then determined by prior SEC filings and/or filings through the OTC Disclosure & News Service.

Q. What does it mean when there is a skull and crossbones warning on a company's quote page?

A. The skull and crossbones warning indicate that a company has a Caveat Emptor (or buyer beware!) status. This status indicates means that there is a public interest concern involving the security, company or its management. [Click here](#) to learn more about the Caveat Emptor Policy.

Q. When is the Caveat Emptor warning removed?

A. Companies may get the Caveat Emptor warning removed by providing disclosure pursuant to the Alternative Reporting Standard (ARS) to investors via the [OTC Disclosure & News Service](#) or by becoming current in their SEC filings. Disclosure pursuant to ARS must follow the [OTC Pink Basic Disclosure Guidelines](#), and an [Attorney Letter](#) including Exhibit B of the Attorney Letter Guidelines must be provided. OTC Markets Group, at its discretion, may continue to flag a security as Caveat Emptor if it believes there continues to be a public interest concern. Companies should contact [Issuer Services](#) to verify what is needed to remove the Caveat Emptor warning as there are a variety of reasons this may have been added. [Click here](#) to learn more about the Caveat Emptor Policy.

Q. What is a company updated profile?

A. The information in a company updated profile has been updated by a representative of the OTCQX, OTCQB or OTC Pink company. A "company updated" flag on the company's quote page indicates to investors that the information is current. Company representatives can learn how to update their company's profile [here](#).

For further information about [the OTC Markets](#), 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.
