OTC MARKETS GROUP INC.

A Delaware Corporation

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Federal EIN: 13-3941069
NAICS: 523210
SIC Code: 6289

Issuer's Quarterly Report

For the quarterly period ended March 31, 2017

ISSUER'S EQUITY SECURITIES

COMMON STOCK

Class A Common Stock
$0.01 Par Value Per Share
14,000,000 Shares Authorized
11,417,336 Shares Outstanding as of April 30, 2017
OTCQX: OTCM

OTC Markets Group Inc. is responsible for the content of this Quarterly Report. The securities described in this document are not registered with, and the information contained in this report has not been filed with, or approved by, the U.S. Securities and Exchange Commission.

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QUARTERLY REPORT

Cautionary Note Regarding Forward-Looking Statements

Information set forth in this Quarterly Report (the "Quarterly Report") contains forward-looking statements, which involve a number of risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Forward-looking statements can be identified by use of the words "expect," "project," "may," "might," "potential," and similar terms. OTC Markets Group Inc. ("OTC Markets Group", "we" or the "Company") cautions readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information. Forward-looking statements involve a number of risks, uncertainties or other factors beyond OTC Markets Group's control. These factors include, but are not limited to, our ability to implement our strategic initiatives, economic, political and market conditions and price fluctuations, government and industry regulation, U.S. and global competition, and the risk factors discussed under the heading "Risk Factors" in our Annual Report for the year ended December 31, 2016. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Item 1. The exact name of the issuer and the address and telephone number of the issuer's principal executive offices

The name of the issuer is OTC Markets Group Inc. On January 18, 2011, the Company changed its name from Pink OTC Markets to OTC Markets Group Inc.

Company description

OTC Markets Group Inc. (OTCQX: OTCM) operates the OTCQX® Best Market, the OTCQB® Venture Market, and the Pink® Open Market for 10,000 U.S. and global securities. Through OTC Link® ATS, we connect a diverse network of broker-dealers that provide liquidity and execution services. We enable investors to easily trade through the broker of their choice and empower companies to improve the quality of information available for investors.

The address of the issuer is:	**304 Hudson Street, 3rd Floor** **New York, NY 10013**
The telephone and facsimile is:	**Telephone: (212) 896-4400** **Facsimile: (212) 868-3848**

The issuer's website:	**OTC Markets Group's corporate website, www.otcmarkets.com, contains general information about us and our products and services. We also maintain www.otciq.com, and www.otcdealer.com. The information contained on such websites shall not be deemed incorporated by reference herein.**
Investor relations contact:	**Bea Ordonez, Chief Financial Officer 304 Hudson Street, 3rd Floor New York, NY 10013 Telephone: (212) 220-2215 ir@otcmarkets.com**

Item 2. Shares outstanding

The Company is authorized to issue 14,000,000 shares of Class A common stock of $0.01 par value.

None of OTC Markets Group's common stock has been registered under the Securities Act of 1933, as amended (the "Securities Act"), and we have no current plans to register any of our securities. Certain shares of our common stock are currently eligible for resale in the public market pursuant to the exemption from registration offered by Rule 144 under the Securities Act ("Rule 144"). The remaining outstanding shares of our common stock are "restricted securities" within the meaning of Rule 144, and may be eligible for resale in the future.

The following table shows Class A common stock share ownership as of March 31, 2017:

		March 31, 2017
(i)	Number of shares authorized	14,000,000
(ii)	Number of shares outstanding	11,421,242
(iii)	Number of shares freely tradable (public float)[1][2]	6,829,785
(vi)	Total number of holders of record	178

(1) The number of shares freely tradable may include shares held by shareholders owning 10% or more of our Class A common stock. These shareholders may be considered "affiliates" within the meaning of Rule 144, and their shares may be "control shares" subject to the volume and manner of sale restrictions under Rule 144.

(2) Our officers and directors hold approximately 4.5 million shares of our Class A common stock, which may be "control shares" subject to the volume and manner of sale restrictions under Rule 144. These shares are excluded from the number of shares freely tradable.

There are greater than 100 beneficial shareholders owning at least 100 shares of the Company's Class A common stock.

Our Class A common stock trades on the OTCQX market under the symbol OTCM (CUSIP Number: 67106F108).

Dividends

The declaration of dividends by OTC Markets Group is subject to the discretion of our Board of Directors. Our Board of Directors will consider such matters as general business conditions, our financial results, capital requirements, contractual, legal and regulatory restrictions on the payment of dividends and such other factors as our Board of Directors may deem relevant.

During the three months ended March 31, 2017, our Board of Directors authorized and approved the following cash dividend:

Declaration Date	Dividend Per Common Share	Record Date	Total Amount (in thousands)	Payment Date
February 28, 2017	$ 0.14	March 16, 2017	$ 1,599	March 30, 2017

On May 2, 2017, the Board of Directors authorized and approved a quarterly cash dividend of $0.14 per share of Class A common stock. The dividend is payable on June 29, 2017 to our stockholders of record on June 15, 2017.

Stock buyback program

On February 28, 2017, the Board of Directors refreshed the Company's stock repurchase program, giving the Company authorization to repurchase up to 300,000 shares of the Company's Class A common stock. The Company is authorized to purchase shares from time to time on the open market and through block trades, in accordance with the safe harbor provision of Rule 10b-18 under the Securities Exchange Act of 1934 (the "Exchange Act").

The following table shows purchases made by the Company of the Company's Class A common stock during the three months ended March 31, 2017.

Date	Number of Shares Purchased	Average Price Paid Per Share	Number of Shares Purchased as Part of Announced Repurchase Plan	Number of Shares Remaining To Be Purchased Under Announced Plan
Feb 2017[(1)]	59,245	$21.00	59,245	300,000
Mar 2017	7,920	$20.73	7,920	292,080

(1) In February 2017, the Board of Directors refreshed the Company's stock repurchase program, authorizing the Company to repurchase up to 300,000 shares of the Class A common stock.

Item 3. Unaudited interim condensed consolidated financial statements

Copies of the unaudited interim condensed consolidated financial statements of OTC Markets Group for the three months ended March 31, 2017 and March 31, 2016, including the unaudited interim Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Cash Flows, Condensed Consolidated Statements of Stockholders' Equity and Notes to the Condensed Consolidated Financial Statements, are attached hereto as Exhibit 3.1 and are hereby incorporated by reference into this Quarterly Report.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The accompanying unaudited interim condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal recurring nature. As permitted under U.S. GAAP, certain footnotes or other financial information are condensed or omitted in the unaudited interim condensed consolidated financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report for the year ended December 31, 2016. The December 31, 2016 unaudited Condensed Consolidated Balance Sheet was derived from audited consolidated financial statements contained in our Annual Report for the year ended December 31, 2016, but does not include all disclosures required by U.S. GAAP. Operating results for the interim periods are not

necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2017.

Item 4. Management's discussion and analysis

Overview

Mission, Vision and Strategy

At OTC Markets Group our mission is to create better informed and more efficient financial markets.

Our vision is to expand the world of investment opportunities by creating the financial markets of choice. By connecting brokers, organizing markets and enabling investors to intelligently analyze, value and trade securities, we bring the benefits of public trading to a wide spectrum of securities and efficiently fulfill the capital formation needs of a broad range of U.S. and global companies.

Our strategy is to operate world-leading securities markets. We:

- Share information widely through open networks that foster greater transparency;
- Connect broker-dealers, organize markets and inform investors; and
- Deliver elegant, reliable and cost effective subscription-based technology solutions;

for a future that is online, data-driven and social.

We operate the OTCQX Best Market, the OTCQB Venture Market and the Pink Open Market for 10,000 U.S. and global securities. Through OTC Link ATS, we connect a diverse network of broker-dealers that provide liquidity and execution services. We enable investors to easily trade through the broker of their choice and empower companies to improve the quality and availability of information for investors.

Our mission, vision and strategy drive market transparency and connectivity so brokers and investors are empowered to make intelligent choices.

Our Business

OTC Link ATS's fully attributable, network-based model offers our FINRA member broker-dealer subscribers greater choice of trading partners and control over their trade executions. As an SEC registered ATS and FINRA member broker-dealer, OTC Link ATS is subject to the direct regulatory oversight of the SEC and FINRA.

Due to the role OTC Link ATS plays in the broker-dealer trading process, we generate a significant amount of market data and information about companies. Our market data consists of real-time, delayed and end-of-day quotation and trading data, as well as security master data, company reference data and compliance data for OTCQX, OTCQB, and Pink securities.

Our market data and company information services are designed to provide the building blocks to a better informational experience for investors by promoting price transparency, facilitating public disclosure, and enabling companies to demonstrate compliance with federal and state securities laws.

The OTCQX Best Market provides transparent and trusted public trading without the complexity and cost of a national securities exchange listing. Companies that meet high financial standards, recognized corporate governance standards and timely public disclosure requirements can have their securities qualify to trade on the OTCQX Best Market. OTCQX

offers an efficient public trading market for established companies to inform investors, provide consistent disclosure and demonstrate regulatory compliance within their relevant regulatory framework.

The OTCQB Venture Market provides public trading for developing companies and applies standards that promote price transparency and facilitate public disclosure. The OTCQB standards require companies to remain current in their reporting to the SEC or other applicable regulator, and to provide additional information to investors. Originally formed with SEC reporting companies and U.S. banks in mind, the OTCQB Venture Market is also open to international companies that trade in the U.S. in reliance on one of various available exemptions from SEC registration, provide the information required by Rule 12g3-2(b) under the Exchange Act, and meet the applicable OTCQB standards. OTCQB can efficiently serve the majority of companies listed on the TSX Venture, LSE AIM, Canadian Stock Exchange and other non-U.S. venture exchanges.

Securities traded on OTC Link ATS that do not meet the standards of the OTCQX Best Market or the OTCQB Venture Market are traded on the Pink Open Market. Companies on the Pink market are categorized as “Pink Current Information,” “Pink Limited Information” or “Pink No Information” based on the completeness and timeliness of the information they provide to investors. Pink companies can use our OTC Disclosure & News Service® to make current information available to their investors.

The 10,000 securities traded on our markets span all major sectors and industries, and range in market capitalization levels from micro-cap early stage companies to multi-billion market cap established global companies.

Recent Business Developments

Enhanced OTCQX Rules

On January 1, 2017, previously announced enhancements to the OTCQX eligibility rules became effective for all OTCQX companies. These changes were designed to elevate the quality of the OTCQX Best Market, improve regulatory recognition of the OTCQX market, and clearly differentiate the OTCQX Best Market from the OTCQB Venture Market. The amendments increased certain financial qualification standards, introduced a continuing penny stock standard, and raised the bid price standard. The amended OTCQX Rules are designed to establish regulatory and financial standards, and for U.S. companies, corporate governance standards based on common sense best practices. In conjunction with the rule changes, OTC Markets Group raised the annual fee for OTCQX from $15 thousand to $20 thousand.

Also, effective January 1, 2017, the OTCQX Rules were changed to eliminate the ongoing annual certification previously required from an OTCQX professional, third-party advisor, now known as an OTCQX Sponsor, and to eliminate the requirement that companies have their information published in a recognized securities manual.

Alternative Reporting Standard to be Available for OTCQB Companies

On April 17, 2017, we published for comment proposed amendments to the OTCQB Standards that will, among other things, allow companies to meet the OTCQB disclosure requirements by following the Alternative Reporting Standard. OTCQB Companies using the Alternative Reporting Standard will be subject to corporate governance standards similar to those in place for OTCQX companies. The proposed amendments to the OTCQX Standards are published for comment for 30 days, and are scheduled to become effective on May 18, 2017.

Transfer Agent Verified Shares Program

The number of transfer agents sharing information through our Transfer Agent Verified Shares Program continues to grow. As of April 30, 2017, there are ten transfer agents participating in the program, which was launched in 2016 and makes current share information verified by a company's transfer agent publicly available.

Global OTC ATS Data Consolidation and Connection Service

In November 2016, Global OTC ATS, which is operated by the NYSE Group, Inc.'s Archipelago Trading Services, Inc., announced that in reliance on an SEC granted limited exemption from the requirements of Exchange Act Rule 15c2-11 (see "*Rule 15c2-11 Limited Exemption*" in the Section on "*Recent Regulatory Developments Impacting our Business*," below) it planned to cease publishing quotes in OTC Link ATS and instead operate its own interdealer quotation system ("IDQS") in competition with OTC Link ATS.

On May 1, 2017, Global OTC ATS implemented its announced plan, and we began offering (i) new consolidated data services containing Global OTC ATS top of book data and (ii) connectivity allowing OTC Link ATS subscribers to access Global OTC ATS top of book quotes. The loss of Global OTC ATS as a quoting subscriber to OTC Link ATS will have a de minimis impact on revenue, however it is not yet possible to determine the extent to which competition from Global OTC ATS, and the services we are offering as a result, will affect our financial results.

Recent Regulatory Developments Impacting our Business

Blue Sky Manual Exemption for OTCQX and OTCQB

Since May 2016, OTC Markets Group has been working with the North American Securities Administrators Association ("NASAA") and individual state regulators to have the OTCQX and OTCQB markets recognized as securities manuals for the purposes of each state's 'Blue Sky Manual Exemption.' State Blue Sky laws generally help investors make informed decisions by mandating that companies disclose accurate and current information when offering or marketing securities, and in connection with secondary trading of previously issued securities. Regulators and brokers across the country rely on disclosure-based 'manual exemptions' from individual state Blue Sky laws to permit secondary trading of securities. Forty-four U.S. states and jurisdictions maintain manual exemptions, which generally allow for secondary trading of qualifying companies as long as certain key information about the company is published in a nationally recognized securities manual or its electronic equivalent. Each state determines which manuals qualify under its rules.

As of April 30, 2017, twenty-one states – Alaska, Arkansas, Colorado, Delaware, Georgia, Idaho (OTCQX only), Iowa, Kansas (OTCQX only), Mississippi, Nebraska, New Jersey, New Mexico, Ohio, Oregon, Rhode Island, South Dakota, Texas, Vermont (OTCQX only), Washington, Wisconsin, and Wyoming - recognize our OTCQX and OTCQB markets as securities manuals. Recognition has come through rule amendments, no-action letters and administrative orders. We continue to actively reach out to all other states that maintain a Blue Sky Manual Exemption and to engage NASAA to determine the best methods for recognizing the OTCQX and OTCQB markets as securities manuals based on each state's unique regulatory environment. We are also working with states that may be interested in recognizing OTCQX under other secondary trading exemptions. We believe recognition of our markets by state regulators and the resulting Blue Sky exemptions will make OTCQX and OTCQB more attractive to current and prospective companies. However, it is not yet possible to determine the extent to which recognition of the OTCQX and OTCQB markets as securities manuals will affect our financial results.

Regulation SCI

On November 19, 2014, the SEC adopted Regulation Systems Compliance and Integrity ("SCI"), which applies to certain self-regulatory organizations, alternative trading systems, plan processors, and certain clearing agencies ("SCI Entities"). OTC Link ATS meets the definition of an SCI Entity and, with other such entities, has been required to comply with this regulation since November 3, 2015.

As adopted, Regulation SCI requires SCI Entities to establish written policies and procedures reasonably designed to ensure that their systems have levels of capacity, integrity, resiliency, availability, and security adequate to maintain their operational capability, promote the maintenance of fair and orderly markets, and operate in the manner intended. Regulation SCI requires SCI Entities to provide notices and reports to the SEC on a new Form SCI regarding, among other things, systems disruptions, systems compliance issues, and systems intrusions ("SCI Events"), as well as material systems changes. Information regarding certain types of SCI Events must be disseminated to members or participants of SCI Entities. SCI Entities are required to conduct a review of their systems by objective personnel at least annually, and to maintain certain books and records.

Based on meeting certain trading volume thresholds in equity securities, OTC Link ATS is required to comply with the requirements imposed by Regulation ATS. Many of these requirements are incorporated in Regulation SCI. However, Regulation SCI contains a number of additional requirements, such as extensive reporting, additional internal compliance requirements and mandated coordinated testing of core processes.

We have invested in personnel and IT resources to meet our compliance obligations and enhance our systems. Additional investments will be required to meet our ongoing compliance obligations, and we believe that these investments may be material.

Regulation A+

On March 25, 2015, the SEC approved rule amendments to Regulation A under the Securities Act ("Regulation A+"), providing for an expanded Regulation A small offering exemption under Title IV of the Jumpstart Our Business Startups ("JOBS") Act. The "Regulation A+" final rules created two tiers of unregistered public offerings: Tier 1 for offerings of up to $20 million in a 12-month period, and Tier 2 for offerings of up to $50 million in a 12-month period. The new rules became effective on June 19, 2015.

On June 6, 2016, we filed with the SEC a Petition for Rulemaking requesting that SEC reporting companies be permitted to offer securities using Regulation A+. As enacted, Regulation A+ is not available to reporting issuers. Our Petition for Rulemaking is available for public comment on the SEC's website, and we continue to pursue this change through regulatory and legislative channels.

The continued development of the Regulation A+ market in the coming months and years will determine the extent to which Regulation A+ will affect our financial results.

Rule 15c2-11 Limited Exemption

On November 21, 2016, the SEC issued a limited exemption from Securities Exchange Act Rule 15c2-11, which is the rule that governs broker-dealers entering quotes into an IDQS. Under Rule 15c2-11, a broker-dealer publishing a quote for an OTC equity security in an IDQS generally must gather and preserve certain information related to the subject company. An existing exemption from Rule 15c2-11 allows a broker to quote a security on an IDQS if it has been the subject of quotations on that same IDQS for at least 12 days within the previous 30

days, with no more than four consecutive business days without a quotation. This is known as the "piggyback" exemption.

Under the SEC's new limited exemption, an IDQS may now accept quotes in a security that is piggyback eligible based on quotation activity on a different IDQS. OTC Link ATS meets the definition of an IDQS set forth in this limited exemption. Under the limited exemption, OTC Link ATS may now accept quotations in securities that are piggyback eligible on another IDQS, and other IDQSs may now accept quotations in securities that are piggyback eligible on OTC Link ATS.

On May 1, 2017, in reliance on the new limited exemption, Global OTC ATS ceased publishing quotes in OTC Link ATS and began operating its own IDQS (see "*Global OTC ATS*" in the Section on "*Recent Business Developments*," above). Other IDQSs may choose to use this limited exemption in the future. The number and success of other IDQSs that attempt to use this limited exemption to compete with us will determine the extent to which it will have an impact on our financial results.

FINRA'S ODF Proposal

In August 2016, FINRA issued a Request for Comment on proposed changes to its interdealer quotation system known as the OTC Bulletin Board ("OTCBB") that would establish a facility capable of serving as a back-up interdealer quotation system for OTC equity securities in the event of a system failure in another interdealer quotation system (the "ODF Proposal"). OTC Link operates the primary interdealer quotation system for OTC equity securities at this time. FINRA has proposed to rename the OTCBB as the "Over-the-Counter Display Facility" or "ODF," and proposes to expand the universe of securities that may be quoted to include any OTC equity security, rather than limiting the facility to securities of "reporting company" issuers, as is the case with the OTCBB.

Under the ODF Proposal, FINRA-member firms that, on average, display quotations in at least 500 symbols per day in aggregate across member interdealer quotation systems during a six-month period are deemed "active market participants" and would be required to connect to and participate in testing with the ODF.

In the ODF Proposal, FINRA argues that by serving as an alternative display facility, the ODF would lessen the need for market-wide trading halts in the event of system failures on other intra-dealer quotation systems. OTC Markets Group submitted a comment letter to FINRA in opposition to the ODF Proposal. We believe the ODF Proposal will not accomplish its stated goals, is anti-competitive and should not move forward. To move forward with the ODF Proposal, FINRA would need to file a proposed rule with the SEC and solicit additional public comments.

At this time, it is not possible for OTC Markets to determine whether FINRA will file a proposed rule related to the ODF Proposal, or the effect, if any, that adoption of the ODF Proposal, as currently drafted, would have on our financial results.

Trends in Our Business

The OTCQX Best Market for established, global and growth companies and the OTCQB Venture Market for developing companies have continued to increase the visibility of qualified companies' securities and provide those companies and their investors with many of the benefits of a national securities exchange listing without the associated cost and complexity.

During 2016, we introduced a number of initiatives that enable our established OTCQX companies to strengthen the information experience they provide to investors. On January 1,

2017, previously announced changes to the OTCQX eligibility rules became effective for all OTCQX companies. These changes were designed to elevate the quality of the OTCQX Best Market and assist in driving increased regulatory recognition of the OTCQX market. In conjunction with the rule changes, OTC Markets Group raised the annual fee for OTCQX from $15 thousand to $20 thousand.

The rule changes and price increase became effective for companies joining the OTCQX market during 2016 and for all companies on the market as of January 1, 2017. In respect of the calendar year subscription period beginning January 1, 2017, 26 companies, or 6.5%, of the 398 companies on the market at December 31, 2016, did not meet the new eligibility criteria and were removed from the OTCQX Market. Of these, 19 companies elected to have their securities designated as OTCQB securities. In respect of the 2017 annual subscription period, another 26 companies voluntarily elected not to renew their services, resulting in a retention rate for the 2017 calendar year of 93% as compared to a retention rate in respect of the 2016 subscription period of 89%.

As of March 31, 2017, 363 companies were traded on the OTCQX Market compared to 388 companies as of March 31, 2016. This decline reflects the impact of a slowdown in the number of new companies added to the market during the first 3 quarters of 2016. We added 60 companies to the OTCQX market during 2016, versus 126 added during 2015. New sales during 2016 were impacted by market conditions that were unfavorable to the formation of new companies. The decline in the ending count of companies further reflects the removal in respect of the 2017 annual subscription period of 26 companies that did not meet the new eligibility criteria. The decline was partially offset by an improvement in the retention rate for the 2017 calendar year and an uptick in the number of companies being added to the market in the 4th quarter of 2016 and in the first quarter of 2017. During the 4th quarter of 2016, we saw 20 new companies added to the OTCQX Market, equal to 33% of total adds during 2016. During the quarter ended March 31, 2017, we added 19 new companies to the market, versus 13 added in the first quarter of 2016.

The OTCQB Venture Market provides public trading for developing companies with standards that promote price transparency and facilitate public disclosure. As of December 31, 2016, there were 872 verified companies on the OTCQB Venture Market, down from 942 companies as of December 31, 2015 and reflecting a reduction in new companies being added to the market during the first 3 quarters of 2016 and downgrades related to non-compliance with our market standards. During the 4th quarter of 2016, we saw 72 new companies added to the OTCQB Market, equal to 32% of total new adds during 2016.

As of March 31, 2017, there were 928 companies on the OTCQB Venture Market, versus 929 companies on the market as of March 31, 2016. We have continued to see a significant increase in the number of new companies being added to the market with 82 new companies during the quarter ended March 31, 2017 compared to 56 companies added for the quarter ended March 31, 2016. We expect the number of compliance related downgrades to remain consistent with prior quarters.

OTC Link ATS had 99 broker-dealer subscribers quoting approximately 9,600 securities as of March 31, 2017, a significant decline from the 116 subscribers as of March 31, 2016. This decline reflects the continuing trend towards both consolidation and contraction in the broker-dealer industry caused by, among other factors, declining volumes in the equities markets generally, a general trend towards margin compression caused by automation and the commoditization of execution and other services in the equities markets, and the increasing costs in recent years of regulatory compliance. This reduction in the number of market participants, including the loss during 2016 of one of our significant subscribers, Citigroup's

Automated Trading Desk, coupled with lower quote volumes, drove a 5% quarter over quarter decline in revenues from our OTC Link ATS. The total dollar volume of trades in OTCQX, OTCQB and Pink securities, including transactions executed away from OTC Link ATS, increased significantly over the prior year quarter, with $56.0 billion in volume transacted during the quarter ended March 31, 2017 as compared to $45.0 billion transacted in the prior year quarter. However, since this increase was concentrated in a small number of securities it did not significantly impact revenues because our subscribers pay a flat daily fee based on the number of securities they quote or message.

In our Market Data business line, we saw a 1.1% decline in professional users, from 20,923 professional users as at March 31, 2016 to 20,700 professional users as at March 31, 2017. During that same period, the number of professional subscribers to the U.S. Equities Securities Information Processor ("UTP SIP") increased 2.5% to 271,493 users. We continue to have a relatively modest share of UTP SIP users at 7.6% of the UTP SIP total as at March 31, 2017, down slightly from 7.9% as at March 31, 2016.

We saw a 40.3% increase in the number of non-professional users of our market data, from 11,418 users as at March 31, 2016 to 16,022 users as at March 31, 2017. This is in line with a continued increase in retail investor participation in the U.S. equities market, in particular on a self-directed basis, as well as the continued expansion of our market data distribution network with respect to retail investors. In this context, during 2016 we announced new distributor relationships with StocksToTrade.Com Inc., Just2Trade, Inc and Tiger Trade Technologies, Inc.

We evaluate both the current and future period impact of increased costs related to our headcount and IT infrastructure, and recognize the importance of attracting and retaining the talent required to develop our service offerings and manage our infrastructure. During the first quarter of 2017, we continued to make investments both in our personnel and in our systems and infrastructure. These investments, combined with the full year impact of the more significant investments made in 2016, drove a 2% increase in our operating expenses versus the prior year period. We believe such investment is necessary if we are to remain competitive in business and compliant with our regulatory obligations, including our obligations under Regulation SCI.

How OTC Markets Group Generates Revenues

OTC Markets Group generates a majority of its revenues through contract-based, recurring subscriptions. For example, once a broker-dealer decides to trade using OTC Link ATS, that broker-dealer typically continues to subscribe to our services, with variable monthly user and usage levels, until it ceases to be active in trading securities on the OTCQX, OTCQB and Pink markets. The market data redistributors that offer our market data to their subscribers have historically remained long-term clients. We pay redistribution fees, primarily to redistributors of our Market Data Licensing subscription licenses.

OTC Link ATS

Our OTC Link ATS business is operated by our wholly-owned subsidiary, OTC Link LLC, an SEC registered ATS that empowers broker-dealer subscribers to provide investors with a superior trading experience. OTC Link ATS directly links a diverse network of leading U.S. broker-dealers providing liquidity and execution services in a wide spectrum of U.S. and global securities. OTC Link ATS's real-time price transparency and connectivity offers broker-dealers control of trades and choice of counterparties so they can efficiently provide best execution, attract order flow and comply with FINRA and SEC regulations.

For automated trading and integration with third party OMS and direct access trading systems, we offer “Fixie,” a real-time FIX Protocol that allows fully-electronic submission and receipt of quotes, trade messages, and drop copy confirmations.

OTC Link ATS generates revenues by offering a suite of quotation and trade-messaging services, as well as the QAP One Statement service, to a diverse network of broker-dealers operating as market makers, agency brokers and ATSs, including ECNs. Gross revenues from our OTC Link ATS business line accounted for approximately 20% and 22% of the Company's gross revenue during the three months ended March 31, 2017 and 2016, respectively.

Broker-dealers pay monthly license, subscription, and connectivity fees to use OTC Link ATS. Our OTC Dealer® application provides broker-dealers a user interface into OTC Link ATS. OTC Dealer, together with separately priced add-on applications, shows a full real-time level 2 quote montage, tickers, and multiple watch lists for securities traded on OTC Link ATS. OTC Dealer also provides users access to analytics and information, including corporate action data and advanced search capabilities for broker-dealer activity, quotes, inside markets and trades, security changes, and trader open/close activity. Fees for use of the OTC Dealer application are based on the number of authorized users per subscriber and are discounted in graduated amounts in relation to total users per subscriber.

OTC Link ATS’s FINRA member broker-dealer subscribers pay per-security usage fees to (i) publish quotes and (ii) communicate and negotiate with counterparties on OTC Link ATS. Monthly OTC Link ATS position fees are based on the number of daily quote positions in Pink securities, with tiered pricing arrangements based on volume. Monthly OTC Link ATS message fees are based on the daily number of securities on OTC Link ATS for which trade messages are sent or received, with tiered pricing arrangements based on volume. The daily quoting and messaging fees allows subscribers to make unlimited quote updates in a single security and to send and receive an unlimited number of trade messages in a security on a given day.

Market Data Licensing

We generate Market Data Licensing revenues by providing our subscribers with access to the extensive market data, company data and security information collected through our OTC Link ATS and Corporate Services business lines. Our market data includes real-time, end-of-day, historical quotation, company financial, security master, company reference and compliance data for securities traded on our markets. Gross revenues from our Market Data Licensing business line accounted for approximately 41% and 42% of the Company’s gross revenue during the three months ended March 31, 2017 and 2016, respectively.

Investors, traders, institutions, accountants, and regulators pay us monthly license fees to access this information. We offer a suite of market data licenses, priced at per enterprise or per subscriber rates, through direct connectivity, extranet connectivity, and third party market data redistributors/OMS. Depending on the license type, subscribers may distribute the market data on an internal-only basis, to clients, or to the public. We generate a majority of our market data revenues from sales through market data redistributors. Certain of our market data license agreements include redistribution fees and rebates. These redistribution fees and rebates represented 11% of Market Data Licensing gross revenue for the three months ended March 31, 2017 and 2016, respectively.

Pricing information for each of our market data licenses is publicly available on our website.

We also charge for the right to display advertisements on www.otcmarkets.com.

Corporate Services

We generate Corporate Services revenues by offering services that are designed to create better informed and more efficient markets by fostering greater availability of company disclosure, promoting price transparency, facilitating communication, and allowing companies to demonstrate their compliance and mitigate risk. We operate the OTCQX Best Market; the OTCQB Venture Market; and offer a suite of services to companies trading on all of our markets. These services include the OTC Disclosure & News Service for posting financial reports, disclosure documents and news releases, either stand-alone or through integrated third-party newswire providers; Real-Time Level 2 Quote Display, a service that companies sponsor to provide their investors with access to free real-time level 2 quotes on www.otcmarkets.com and the company's website; and the Blue Sky Monitoring Service for analysis, review, and guidance about a company's compliance with each U.S. state's securities laws. Gross revenues from our Corporate Services business line accounted for approximately 39% and 36% of the Company's gross revenue during the three months ended March 31, 2017 and 2016, respectively.

Companies that choose to have their securities designated as OTCQX securities do so annually, on a calendar-year basis. All companies traded on the OTCQX market pay a one-time application fee and annual fees each year. These fees are fixed and do not vary based on outstanding shares, market capitalization, market segment or otherwise. Companies on OTCQX also receive the OTC Disclosure & News Service, Real-Time Level 2 Quote Display, and Blue Sky Monitoring Service.

The OTCQB Venture Market provides public trading for innovative and entrepreneurial companies that meet the OTCQB standards. These companies receive a package of services that are designed to promote price transparency and facilitate public disclosure, and pay a one-time application fee and annual fees upon renewal. These fees are fixed and do not vary based on outstanding shares, market capitalization, market segment or otherwise.

Pink companies may subscribe separately to the OTC Disclosure & News Service, Real-Time Level 2 Quote Display, and Blue Sky Monitoring Service. Companies can choose to subscribe to these services through subscription fees primarily paid on an annual basis.

Each of these services is available to companies that sign up to receive free access to our www.otciq.com secure web portal.

Key Metrics

The table below presents key metrics for our OTC Link ATS, Corporate Services and Market Data Licensing business lines for the three months ended March 31, 2017 and 2016.

	Three Months Ended March 31,	
	2017	2016
OTC Link ATS		
Number of securities quoted [1]	9,638	9,819
Number of active market participants[1]	99	116
New Form 211 filings	82	92
Dollar volume traded (in thousands):		
OTCQX	$ 10,584,189	$ 8,979,321
OTCQB	7,814,446	1,529,708
Pink	37,555,610	34,495,624
Total	$ 55,954,245	$ 45,004,653
Dollar volume per security (in thousands):		
OTCQX	$ 25,141	$ 19,866
OTCQB	7,950	1,521
Pink	4,566	4,128
Corporate Services		
Graduates to a national securities exchange	11	11
Number of securities: [1]		
OTCQX	421	452
OTCQB	983	1,006
Pink	8,225	8,357
Total	9,629	9,815
Number of corporate clients: [1]		
OTCQX	363	388
OTCQB	928	929
Pink	676	686
Total	1,967	2,003
Market Data Licensing		
Market data professional users[1]	20,700	20,923
Market data non-professional users[1]	16,022	11,418

(1) Figures presented are at period end.

Financial Results

Our three business lines – OTC Link ATS, Market Data Licensing and Corporate Services – provide a wide variety of services to broker-dealers, corporate clients, investors, market data distributors and regulators. We believe our elegant, reliable and cost-effective subscription-based services allow us to maintain our leading market position as a financial and technology services provider. Each business line has distinct services and fees, including OTC Link ATS subscription service and usage based fees, Market Data distribution and licensing fees and Corporate Services application and annual fees. Growth from each business line promotes growth in the others because our services are complementary in nature.

Consolidated Results from Operations

Three Months Ended March 31, 2017 Versus Three Months Ended March 31, 2016

The table below presents comparative information from the Company's consolidated income statements for the three months ended March 31, 2017 and 2016.

	Three Months Ended March 31,		
(in thousands, except shares and per share data)	2017	2016	% change
Gross revenues	$ 13,376	$ 12,751	5%
Net revenues	12,752	12,158	5%
Operating expenses	8,514	8,361	2%
Income from operations	4,238	3,797	12%
Operating profit margin	*33%*	*31%*	
Income before provision for income taxes	4,252	3,789	12%
Net income	$ 3,050	$ 2,315	32%
Diluted earnings per share	$ 0.26	$ 0.20	30%
Weighted-average shares outstanding, diluted	11,519,624	11,439,786	1%

Revenues

The following table shows OTC Markets Group's gross revenues by business line and consolidated net revenues for the three months ended March 31, 2017 and 2016.

	Three Months Ended March 31,		
(in thousands)	2017	2016	% change
OTC Link ATS	$ 2,618	$ 2,754	(5%)
Market data licensing	5,450	5,325	2%
Corporate services	5,308	4,672	14%
Gross revenues	13,376	12,751	5%
Redistribution fees and rebates	(624)	(593)	5%
Net revenues	$ 12,752	$ 12,158	5%

Gross revenues during the three months ended March 31, 2017 increased $625 thousand, or 5%, to $13.4 million, compared to $12.8 million during the same prior year period. The increase was primarily driven by growth in our Corporate Services revenue.

The changes in gross revenues for the three months ended March 31, 2017, as compared to the same prior year period, are further described below:

- OTC Link ATS revenues decreased $136 thousand, or 5%, to $2.6 million for the three months ended March 31, 2017. The decrease was primarily due to a decrease in OTC

Dealer® subscription revenue due to a decrease in the number OTC Dealer users at our broker-dealer subscribers as well as a decrease in revenue from quote positions. The decrease in revenue from quote positions is primarily due to a 7% decrease in the number of priced quotes and a 12% decrease in the number of unpriced quotes, resulting in a $49 thousand, or 8%, decrease in quote position revenue. The increase in the volume of trading transacted via our systems resulted in a $51 thousand, or 65%, increase in revenue from our QAP One Service Fee.

- Market Data Licensing revenues increased $125 thousand, or 2%, to $5.5 million for the three months ended March 31, 2017. The increase was primarily due an $88 thousand, or 29%, increase in revenues from non-professional users due to the significant increase in the number of non-professional users consuming our data. An increase in revenue from data services of $81 thousand, or 80%, is primarily due to an increase in the number of clients receiving our compliance data products to 12 from 7 as of March 31, 2017 and 2016, respectively. An increase in revenue from internal systems licenses of $45 thousand, or 21%, is related to an increase in the number of clients to 59 from 53 as of March 31, 2017 and 2016, respectively. These increases were partially offset by a $76 thousand, or 2%, decrease in the number of professional user licenses and $85 thousand, or 100%, decrease in audit fees due to timing of audit completions.

- Corporate Services revenues increased $636 thousand, or 14%, to $5.3 million for the three months ended March 31, 2017. An increase of $216 thousand, or 30%, in revenue from our OTC Disclosure & News Service was related to the full quarter impact of price increases, which took effect in February 2016. OTCQX subscription revenue grew $209 thousand, or 14%, to $1.7 million due to an improved annual renewal rate for 2017 as compared to the same prior year period, the impact of a price increase for existing subscribers and the full period impact of the addition of 60 new OTCQX companies during 2016 and 19 new additions during the quarter ended March 31, 2017. The increases were partially offset by a decrease in the total number of OTCQX companies to 363 from 388 as of March 31, 2017, and 2016, respectively. OTCQB revenues increased $179 thousand, or 8%, to $2.5 million, as a result of the full period impact of the addition of 227 new OTCQB companies in 2016 and the addition of 82 new OTCQB companies during the quarter ended March 31, 2017.

Operating Expenses

The following table shows OTC Markets Group's consolidated operating expenses for the three months ended March 31, 2017 and 2016.

	Three Months Ended March 31,		
(in thousands)	2017	2016	% change
Compensation and benefits	$ 5,566	$ 5,237	6%
IT Infrastructure and information services	1,404	1,340	5%
Professional and consulting fees	350	499	(30%)
Marketing and advertising	242	280	(14%)
Occupancy costs	395	405	(2%)
Depreciation and amortization	395	417	(5%)
General, administrative and other	162	183	(11%)
Total operating expenses	$ 8,514	$ 8,361	2%

Operating expenses increased $153 thousand, or 2%, to $8.5 million during the three months ended March 31, 2017 as compared to the same prior year period.

The changes in operating expenses for the three months ended March 31, 2017, as compared to the same prior year period, are further described below:

- Compensation and benefits expenses increased $329 thousand, or 6%, to $5.6 million during the three months ended March 31, 2017, primarily related to annual compensation increases and higher 2017 cash and stock awards, which had a combined effect of increasing salary, bonus and payroll tax expenses by $195 thousand, or 5%. The increases were further impacted by an $32 thousand, or 36%, increase in commission expense due to the implementation of a new commission policy, in effect as of January 1, 2017 and an increase in the number of commissionable sales for OTCQB. As a percentage of gross revenues, compensation and benefits costs increased to 42% during the three months ended March 31, 2017 compared to 41% during the same prior year period.
- IT Infrastructure and information services expenses increased $64 thousand, or 5%, to $1.4 million during the three months ended March 31, 2017, primarily related to the full period impact of the cost associated with the Morningstar service added in the second quarter of 2016.
- Professional and consulting fees decreased $149 thousand, or 30%, to $350 thousand during the three months ended March 31, 2017, primarily due to an $87 thousand, or 97%, decrease in recruitment fees and a $66 thousand, or 32%, decrease in consulting expenses. The decrease was partially offset by an increase of $42 thousand, or 74%, in legal fees primarily related to work related to certain enhanced functionality being developed for our OTC Link ATS business line.
- Marketing and advertising fees decreased $38 thousand, or 14%, to $242 thousand during the three months ended March 31, 2017, primarily related to a decrease in professional fees.

Income from Operations

Income from operations increased $441 thousand, or 12%, to $4.2 million for the three months ended March 31, 2017, as compared to the same prior year period, and operating profit margin expanded to 33% from 31% during the same prior year period. The growth in Corporate Services revenue was the largest contributor to the increase in operating income and expansion in margin, although margin expansion was partially offset by increases in compensation and benefits and IT infrastructure and information services costs.

Net Income

Net income for the three months ended March 31, 2017 increased $735 thousand, or 32%, to $3.1 million due to a $441 thousand increase in income from operations, as well as a decrease in Company's effective tax rate from 39% to 28% as a result of the adoption of ASU 2016-09 in the first quarter of 2017. See Note 2—*Summary of Significant Accounting Policies* for detailed information on adoption of ASU 2016-09.

Cash available for operations

Cash available for operations decreased $1.5 million to $23.5 million as of March 31, 2017, as compared to $25.0 million as of December 31, 2016. The Company's use of cash during the first half of the fiscal year is typically higher than the second half due to the timing of payments

for accrued compensation and benefits from the prior year, estimated income tax payments, and payments related to the renewal of annual IT contracts.

Cash provided by operating activities

Cash provided by operating activities for the three months ended March 31, 2017 was $1.7 million, as compared to $812 thousand during the same prior year period. Cash provided by operating activities for the three months ended March 31, 2017 consisted of net income of $3.1 million, adjusted for non-cash items of $335 thousand and changes in working capital of $1.7 million. Adjustments for non-cash items to net income primarily consisted of depreciation and amortization expense of $395 thousand and stock-based compensation expense of $551 thousand, partially offset by excess tax benefits related to stock-based compensation expense of $454 thousand and a decrease in deferred income taxes of $111 thousand. Cash used in working capital primarily consisted of a decrease in accrued expenses and other current liabilities of $2.8 million, which was partially offset by an increase in income taxes payable of $1.2 million.

Cash used in investing activities

Cash used in investing activities during the three months ended March 31, 2017 was $44 thousand, as compared to $150 thousand during the same prior year period. The cash used in both periods was primarily related to purchases of IT equipment for our upgraded data centers.

Cash used in financing activities

Cash used in financing activities during the three months ended March 31, 2017 was $3.2 million, as compared to $1.9 million during the same prior year period. The cash used in both periods was primarily related to dividends paid to holders of our Class A common stock and purchases made by the Company of the Company's Class A common stock. The increase in the amount of cash used on a quarter over quarter basis was related to an increase in the amount of the Company's common stock purchased, from $748 thousand in the quarter ended March 31, 2016 to $1.4 million in the quarter ended March 31, 2017.

Capital resources and working capital

OTC Markets Group's working capital at March 31, 2017 was $13.5 million, an increase of $586 thousand, or 5%, from $12.9 million at December 31, 2016. Due to the Company's adoption of ASU 2015-17 (See Note 2—*Summary of Significant Accounting Policies* for detailed information on adoption of ASU 2015-17), the current deferred tax asset was reclassed to non-current resulting in a reduction of working capital from $13.0 million as at December 31, 2016 to $12.9 million as at March 31, 2017. Working capital includes certain non-operating assets and liabilities, such as prepaid income taxes and income taxes payable. The increase in working capital during the three months ended March 31, 2017 was primarily attributable to cash flows from operating activities during the three months ended March 31, 2017.

Line of Credit

On July 7, 2012, the Company entered into a line of credit with JPMorgan Chase (the "Line of Credit") that made up to $1.5 million available for business operations. The Line of Credit has been extended through June 28, 2017. We have not drawn funds on the Line of Credit. Under the terms of the Line of Credit, we agreed to fulfill certain affirmative and negative covenants and other specified terms. At March 31, 2017, the Company was in compliance with all of the covenants and other terms of the Line of Credit.

Operating Leases

We have entered into operating lease agreements for our offices and recognize rent expense on a straight-line basis over the terms of the leases.

Off-Balance Sheet Arrangements

None.

Item 5. Legal proceedings

There are no current, past, pending or threatened legal proceedings or administrative actions either by or against OTC Markets Group that could have a material effect on our business, financial condition or operations. Our securities are not a party to any past or pending trading suspensions by a securities regulator.

Item 6. Defaults upon senior securities

None

Item 7. Other information

None

Item 8. Exhibits

Exhibit 3.1 Unaudited interim condensed consolidated financial statements

Exhibit 9.1 Certification of principal executive officer

Exhibit 9.2 Certification of principal financial officer

Item 9. Certifications

Current certifications are filed as Exhibits 9.1 and 9.2 to this Quarterly Report.

Exhibit 3.1

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)
(Unaudited)

	March 31, 2017	December 31, 2016
Assets		
Current assets		
Cash	$ 23,501	$ 25,034
Accounts receivable, net of allowance for doubtful accounts of $148 and $145	5,853	6,262
Prepaid expenses and other current assets	2,087	1,246
Prepaid income taxes	239	435
Total current assets	31,680	32,977
Property and equipment, net	2,010	2,279
Deferred tax assets, net	997	886
Goodwill	251	251
Intangible assets, net	40	40
Security deposits	192	210
Total Assets	$ 35,170	$ 36,643
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 772	$ 508
Accrued expenses and other current liabilities	1,948	4,761
Income taxes payable	861	103
Deferred revenue	14,572	14,664
Total current liabilities	18,153	20,036
Deferred rent	129	187
Income tax reserve	960	914
Total Liabilities	19,242	21,137
Commitments and contingencies		
Stockholders' equity		
Common stock - par value $0.01 per share		
Class A - 14,000,000 authorized, 11,835,765 issued, 11,421,242 outstanding at		
March 31, 2017; 11,595,337 issued, 11,247,979 outstanding at December 31, 2016	118	116
Class C - 0 shares authorized, issued and outstanding at March 31, 2017;		
130,838 shares authorized, issued and outstanding at December 31, 2016	-	1
Additional paid-in capital	13,366	12,988
Retained earnings	7,836	6,385
Treasury stock - 414,523 shares at March 31, 2017 and 347,358 shares at December 31, 2016	(5,392)	(3,984)
Total Stockholders' Equity	15,928	15,506
Total Liabilities and Stockholders' Equity	$ 35,170	$ 36,643

See accompanying notes to unaudited condensed consolidated financial statements

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share information)
(Unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Gross revenues	$ 13,376	$ 12,751
Redistribution fees and rebates	(624)	(593)
Net revenues	12,752	12,158
Operating expenses		
Compensation and benefits	5,566	5,237
IT Infrastructure and information services	1,404	1,340
Professional and consulting fees	350	499
Marketing and advertising	242	280
Occupancy costs	395	405
Depreciation and amortization	395	417
General, administrative and other	162	183
Total operating expenses	8,514	8,361
Income from operations	4,238	3,797
Other income (expense)		
Interest income	3	-
Other income (expense), net	11	(8)
Income before provision for income taxes	4,252	3,789
Provision for income taxes	1,202	1,474
Net income	$ 3,050	$ 2,315
Net income per share		
Basic	$ 0.27	$ 0.20
Diluted	$ 0.26	$ 0.20

See accompanying notes to unaudited condensed consolidated financial statements

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Beginning balance	$ 15,506	$ 17,547
Increase from net income	3,050	2,315
Dividends paid	(1,599)	(1,577)
Stock-based compensation	551	471
Issuance of restricted and common shares, net	(172)	(47)
Purchases of treasury stock	(1,408)	(748)
Tax benefits related to stock-based compensation	-	430
Ending balance	$ 15,928	$ 18,391

See accompanying notes to unaudited condensed consolidated financial statements

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Cash flows from operating activities		
Net income	$ 3,050	$ 2,315
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	395	417
Provision for bad debts	6	3
Stock-based compensation	551	471
Excess tax benefits related to stock-based compensation	(454)	(430)
Deferred rent	(52)	49
Deferred income taxes	(111)	(111)
Changes in working capital:		
Accounts receivable	403	(220)
Prepaid expenses and other current assets	(841)	(469)
Prepaid income taxes	196	(51)
Accounts payable	199	(104)
Accrued expenses and other current liabilities	(2,818)	(2,462)
Income tax payable	1,212	1,176
Income tax reserve	46	23
Deferred revenue	(92)	205
Cash provided by operating activities	1,690	812
Cash flows from investing activities		
Purchases of property and equipment	(62)	(150)
Security deposits	18	-
Cash used in investing activities	(44)	(150)
Cash flows from financing activities		
Dividends paid	(1,599)	(1,577)
Issuance of restricted and common shares, net	(172)	(47)
Tax benefits related to stock-based compensation	-	430
Purchases of treasury stock	(1,408)	(748)
Cash used in financing activities	(3,179)	(1,942)
Net decrease in cash	(1,533)	(1,280)
Cash at beginning of period	25,034	23,925
Cash at end of period	$ 23,501	$ 22,645
Cash paid during period for:		
Income taxes	$ 313	$ 436
Non-cash investing activities:		
Property and equipment included in accounts payable or accrued expenses	$ 64	$ -

See accompanying notes to unaudited condensed consolidated financial statements

Note 1. Description of Business

Overview

OTC Markets Group Inc. ("OTC Markets Group" or the "Company") (OTCQX: OTCM) operates the OTCQX® Best Market; the OTCQB® Venture Market; and the Pink® Open Market for 10,000 U.S. and global securities. Through OTC Link® ATS, a Securities and Exchange Commission ("SEC") registered Alternative Trading System ("ATS") operated by the Company's wholly-owned subsidiary OTC Link LLC, a Financial Industry Regulatory Authority, Inc. ("FINRA®") registered broker-dealer, the Company enables investors to easily trade through the broker of their choice and empowers companies to improve the quality and availability of information for their investors.

The Company has three business lines: OTC Link ATS, Market Data Licensing and Corporate Services.

- OTC Link ATS – OTC Link ATS provides electronic communication and connectivity technology to its FINRA member broker-dealer subscribers.
- Market Data Licensing – OTC Markets Group is a central source of real-time data, delayed and historical market data, company financial data, security master data, corporate reference data and compliance data for securities traded on the OTCQX, OTCQB and Pink markets. The Market Data Licensing business line provides investors, traders, institutions, and regulators with a suite of enterprise and user market data licenses, offered via direct or extranet connectivity, through third party market data redistributors or order management systems ("OMSs").
- Corporate Services – OTC Markets Group offers companies the OTCQX Best Market, OTCQB Venture Market and a suite of services that are designed to create a better informational experience for investors by facilitating public disclosure and communication with investors, promoting greater transparency and allowing companies to demonstrate regulatory compliance and mitigate market risk. These services include the OTC Disclosure & News Service, Real-Time Level 2 Quote Display and Blue Sky Monitoring Service.

Corporate Form

OTC Markets Group Inc. is a Delaware corporation. The Company is a "C" Corporation for federal, state, and local income tax purposes.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and include the accounts of the Company and its wholly-owned subsidiary, OTC Link LLC, and reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary for a fair statement of the results for the period. All intercompany transactions have been eliminated in consolidation. Management assessed the segment reporting standards, analyzed how the chief operating decision maker (the Chief Executive Officer) manages the businesses and the availability of discrete financial information, and concluded that the Company's three business lines aggregate to one reportable segment. Refer to Note 2, *Summary of Significant Accounting Policies,* from

the Company's Annual Report for the year ended December 31, 2016 for a full discussion of significant accounting policies.

The interim condensed consolidated financial statements are unaudited and should be read in conjunction with the audited financial statements of the Company as of and for the year ended December 31, 2016. Operating results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

Use of estimates

The preparation of these unaudited interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Estimates included in the consolidated financial statements include allowance for doubtful accounts, certain accrued expenses, stock-based compensation expense, income tax reserve and provision for income taxes. Actual results could differ from those estimates.

Recently Issued Accounting Standards

In August 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-14, *Revenue from Contracts with Customers*, which defers the effective date of FASB ASU 2014-09, *Revenue from Contracts with Customers*, by one year for all entities and permits early adoption on a limited basis. The ASU will be effective for annual reporting periods beginning after December 15, 2017. The Company is in the process of evaluating the impact of adoption of this ASU, but does not expect it to have a material effect on the consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*, which amended income tax guidance. This ASU simplifies the disclosure rules related to deferred taxes and requires that all deferred taxes be classified as non-current on the balance sheet. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. The Company adopted this ASU on January 1, 2017. Upon adoption, current deferred tax assets of $108 previously presented in the December 31, 2016 consolidated balance sheet as current were reclassified as non-current.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which amended guidance for both lessees and lessors. This ASU results in lease assets and lease liabilities being recognized on the balance sheet for both capital and operating leases in order to increase the transparency and comparability of financial statements. The amendments in this ASU are effective for public companies in interim and annual periods beginning after December 15, 2018, with early adoption permitted. The Company is in the process of evaluating the impact of adoption of this ASU.

In March 2016, the FASB issued ASU No.2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, amending guidance for share-based payments to employees. The Company elected to adopt this ASU on a prospective basis on January 1, 2017. Under the new guidance, excess tax benefits from share-based compensation are reflected in the Consolidated Statements of Income as a component of the provision for income taxes, whereas they were previously recognized under Additional paid-in capital. Additionally, our Consolidated Statements of Cash Flows now present excess tax

benefits as an operating activity. As a result of the adoption of ASU 2016-09, the provision for income taxes for the three months ended March 31, 2017 included a discrete tax benefit of $454, within the Consolidated Statement of Cash Flows for the three months ended March 31,2017, the excess tax benefits related to stock-based compensation were presented as a net decrease to the cash flow from operating activities.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairments*, which amended guidance for goodwill impairments. This ASU simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill impairment test. ASU 2017-04 will be effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. The Company does not anticipate the adoption of this ASU to have a material impact on the consolidated financial statements.

Note 3. Concentrations and Uncertainties

During the three months ended March 31, 2017, market data revenues earned through one market data redistributor amounted to approximately 11% of gross revenues, as compared to 12% during the same prior year period. As of March 31, 2017 and 2016, accounts receivable from that same subscriber amounted to 20% of accounts receivable.

Note 4. Fair Value of Financial Instruments

The Company accounts for certain financial instruments at fair value, in accordance with the provisions of the standard for fair value measurement, which utilizes a three-tier hierarchy to determine the fair value of financial assets and liabilities based on the quality of observable inputs and enhances disclosure requirements for fair value measurement. The three tiers are:

- Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets and liabilities in an active market;
- Level 2 – Other inputs that are directly or indirectly observable in the market; and
- Level 3 – Unobservable inputs that are supported by little or no market activity

The fair value of a financial instrument is the amount that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

Assets and liabilities on the unaudited interim condensed consolidated balance sheets that are measured at carrying value, which approximates fair value due to the short-term nature of these balances, include prepaid expenses, accrued expenses and other current liabilities and deferred revenue. These balances are classified as Level 1 in the fair value hierarchy.

Note 5. Property and Equipment

Property and equipment consisted of the following:

	March 31, 2017	December 31, 2016	Estimated useful life (years)
Computer software	$ 737	$ 925	2 - 3
Computer equipment	5,362	5,570	3 - 5
Furniture and fixtures	1,259	1,259	5 - 7
Leasehold improvements	4,352	4,352	Term of lease
Total property and equipment	11,710	12,106	
Accumulated depreciation and amortization	(9,700)	(9,827)	
Total property and equipment, net	**$ 2,010**	**$ 2,279**	

Depreciation and amortization on property and equipment included in the unaudited interim condensed consolidated statements of income amounted to $395 and $417 for the three months ended March 31, 2017 and 2016, respectively. During the three months ended March 31, 2017, the Company recorded a reduction of $522 to gross book value and accumulated depreciation of fully depreciated Computer Software and Computer Equipment.

Note 6. Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following:

	March 31, 2017	December 31, 2016	Estimated useful life (years)
Goodwill	$ 251	$ 251	Indefinite
Intangible assets:			
Subscription services	$ 150	$ 150	8-15
Distributor relations	27	27	15
Intellectual property	40	40	Indefinite
Total intangible assets	217	217	
Accumulated amortization	(177)	(177)	
Intangible assets, net	**$ 40**	**$ 40**	

No amortization of finite-lived intangible assets was recognized for the three months ended March 31, 2017 or 2016 as the assets were fully amortized. No impairment charges were recorded to goodwill or intangible assets during the three months ended March 31, 2017 or 2016.

Note 7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	March 31, 2017	December 31, 2016
Payroll and employee withholdings	$ 1,322	$ 4,023
Deferred compensation	68	68
Accrued operating expenses	361	509
Deferred rent	197	161
Total accrued expenses and other current liabilities	**$ 1,948**	**$ 4,761**

Payroll and employee withholdings primarily consisted of accrued discretionary bonus, discretionary employer 401(k) contribution, vacation and sales commission. The balance of payroll and employee withholdings as of December 31, 2016 represents a full year of accrual, which was paid out during the three months ended March 31, 2017.

Note 8. Stock-Based Compensation

OTC Markets Group grants stock options and restricted stock awards ("RSAs") to employees. The grant date fair value of each stock option is estimated using the Black-Scholes option pricing model and is amortized into compensation expense on a straight-line basis over the requisite service period, which is generally the vesting period. The grant date fair value of each RSA is based on the closing stock price on the day prior to the grant date. For share-based awards granted prior to the establishment of a public market in the Company's common stock on September 16, 2009, determining the fair value of share-based awards at the grant date required more significant judgments to determine the expected volatility rate. These charges are included in compensation and benefits expense and professional and consulting fees on the unaudited interim condensed consolidated statements of income.

A summary of the Company's option activity for the three months ended March 31, 2017 is as follows:

(in thousands, except W/A exercise price)	Stock options	Weighted-average exercise price	Aggregate intrinsic value	Remaining contractual term (years)
Outstanding, January 1, 2017	792	$ 11.83	$ 8,846	7.19
Exercised	(31)	9.17	400	
Outstanding, March 31, 2017	761	$ 11.93	$ 7,279	6.99
Exercisable, March 31, 2017	335	$ 8.71	$ 4,278	5.45

The Company recognized compensation expense related to stock options, net of estimated forfeitures, of $125 and $115 for the three months ended March 31, 2017 and 2016, respectively. Management has estimated forfeiture rates of 5% for stock options granted to management and 27% for stock options granted to other employees.

At March 31, 2017, unrecognized compensation cost related to non-vested stock options was $1.1 million, which will be recognized over approximately 3.3 years.

A summary of the Company's restricted stock activity for the three months ended March 31, 2017 is as follows:

(in thousands, except W/A fair value)	Restricted stock	Weighted-average fair value	Aggregate intrinsic value
Outstanding, January 1, 2017	293	$ 12.37	$ 6,746
Granted	103	21.15	2,181
Vested	(99)	10.75	2,092
Forfeited	(4)	11.57	79
Outstanding, March 31, 2017	293	$ 16.01	$ 6,312

The Company recognized compensation expense, net of estimated forfeitures, of $389 and $319 for the three months ended March 31, 2017 and 2016, respectively. Management has estimated forfeiture rates of 9% for RSAs granted to management and 15% for RSAs granted to other employees. In addition, the Company also recognized professional fees of $37 and $38 for the three months ended March 31, 2017 and 2016, respectively, related to the issuance of restricted stock awards to the Board of Directors.

At March 31, 2017, unrecognized compensation cost related to non-vested RSAs totaled $3.9 million, which will be recognized over approximately 3.8 years.

Note 9. Commitments and Contingencies

Operating Leases

The Company has two non-cancelable operating leases. One is for the office space at 304 Hudson Street, New York, NY that was amended in January 2016 and expires on June 30, 2018. In April 2017, the lease for 304 Hudson Street was amended to extend the lease term to June 30, 2020. The other is for office space at 100 M Street SE, Washington, D.C. that was amended in May 2016 and expires on June 30, 2021. The New York lease provides for contingent rental payments consisting of a proportionate share of any increases in real estate taxes. Both leases contain rent escalation provisions. Rental expense is recognized on a straight-line basis over the term of the lease, and the difference between the actual rent paid and the expense charged is reflected as an increase or decrease to deferred rent. As of March 31, 2017, future minimum lease payments are as follows:

Fiscal year	Payments due	
Remainder of 2017	$	1,113
2018		876
2019		224
2020		229
2021		116
Total	**$**	**2,558**

Occupancy expense included in the unaudited interim condensed consolidated statements of income was $395 and $405 for the three months ended March 31, 2017 and 2016, respectively.

Total security deposits on the Company's office leases were $192 and $210 as of March 31, 2017 and December 31, 2016, respectively.

Legal Matters

There are no current, past, pending or threatened legal proceedings or administrative actions either by or against OTC Markets Group that could have a material effect on its business, financial condition or operations. OTC Markets Group is not a party to any past or pending trading suspensions by a securities regulator.

Note 10. Stockholders' Equity

Common Stock

As of March 31, 2017, the Company has one class of shares, Class A common stock, outstanding. Holders of Class A common stock, which include holders of unvested RSA's, are entitled to receive such dividends and other distributions in cash, stock of any corporation or property of the Company as may be authorized and declared by the Board of Directors from time to time out of the assets or funds of the Company legally available for the payment of dividends ("Dividend Rights"). Upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Class A common stock are entitled to a pro rata share of the net assets of the Company available for distribution in proportion to the number of shares of Class A common stock held by each ("Liquidation Rights").

As of January 1, 2017, the Class A common stock was quoted by more than two market makers on OTC Link ATS, and the average price per share of the Class A common stock in trade

reports aggregating a total of 300,000 shares consecutively reported to FINRA was greater than $19.62. As a result, pursuant to the terms of our Certificate of Incorporation, all shares of the Company's Class C common stock were converted into shares of Class A common stock. Accordingly, no shares of Class C common stock remain outstanding.

The Company is authorized to issue 14,000,000 shares of common stock at $0.01 par value. As of March 31, 2017 there were a total of 11,835,765 shares issued and 11,421,242 shares outstanding. As of December 31, 2016 there were a total of 11,726,175 shares issued and 11,378,817 shares outstanding; the latter was comprised of 11,247,979 Class A shares and 130,838 Class C shares.

Treasury stock

In August 2011, the Board of Directors authorized the Company to repurchase up to 300,000 shares of Class A common stock in compliance with Rule 10b-18 under the Securities Exchange Act of 1934 (the "Exchange Act"). On February 28, 2017, the Board of Directors refreshed the Company's stock repurchase program, authorizing the repurchase of up to 300,000 shares of Class A common stock.

During the three months ended March 31, 2017, the Company repurchased 67,165 shares of Class A common stock at average price of $20.97 per share for a total of $1,408. During the same three month period ended March 31, 2016, the Company repurchased 46,453 shares at $16.10 per share, for a total of $748. All repurchased shares are held in treasury. Under the stock repurchase program, there are 292,080 shares remaining to be purchased.

Dividends

The Company declared a cash dividend of $0.14 and $0.14 per Class A share during the three months ended March 31, 2017 and 2016, respectively, totaling $1,599 and $1,577, respectively.

Equity Incentive Plan

The Company's Equity Incentive Plan (the "Plan"), as approved by the Board of Directors on June 2, 2009, provides for the grant of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares, and bonus shares, and governs options awarded (Refer to Note 8, Stock-Based Compensation). In each of November 2016 and 2015, the Board of Directors authorized the increase in the number of shares available for issuance under the Plan by 200,000 shares.

Note 11. Income Taxes

The Company's effective tax rates were 28% and 39% for the three months ended March 31, 2017 and 2016, respectively. The rates reflect the inclusion of state and local income taxes at the federal statutory rate of 35% for 2017 and 2016. The effective tax rates for the three months ended March 31, 2017 differed from the federal statutory rate primarily due to the recognition of excess tax benefits from share-based compensation as result of adoption of ASU 2016-09 in the first quarter of 2017.

On January 1, 2017, the Company adopted ASU 2015-17. As a result of the adoption, current deferred tax assets of $108 previously presented in the December 31, 2016 consolidated balance sheet as current were reclassified as non-current. See Note 2— *Summary of Significant Accounting Policies* to our Unaudited Condensed Consolidated Financial Statements for additional information related to the adoption of ASU 2016-09 and ASU 2015-17.

As required by the uncertain tax position guidance in FASB Accounting Standards Codification Topic 740, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement with the relevant tax authority. The gross amount of unrecognized tax benefits as of March 31, 2017 and December 31, 2016 was $649 and $619, respectively, and was classified in income tax reserve in the unaudited interim condensed consolidated balance sheets. It is not reasonably possible that any unrecognized tax benefits related to state nexus will reverse within the next twelve months from settlements with taxing authorities.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of tax expense. The Company recognized interest and penalties of $6 and $7 for the three months ended March 31, 2017 and 2016, respectively. Interest and penalties accrued as of March 31, 2017 and December 31, 2016 were $182 and $176, respectively.

Note 12. Earnings Per Share

The Company calculates earnings per share pursuant to the two-class method, which is an earnings allocation formula that determines earnings per share for common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. RSAs granted to employees (Refer to Note 8, Stock-Based Compensation) participate in dividends on the same basis as common shares and such dividends are nonforfeitable by the holder. As a result, these RSAs meet the definition of a participating security.

The tables below present the calculations of earnings per share under the two class method:

Basic Earnings per common share

	Three Months Ended March 31,	
(in thousands, except shares and per share data)	2017	2016
Net income available to common shareholders	$ 3,050	$ 2,315
Less: Undistributed earnings allocated to unvested RSAs	(38)	(20)
Less: Dividend equivalents on unvested RSAs	(41)	(43)
Net income allocated to common shareholders	$ 2,971	$ 2,252
Shares of common stock and common stock equivalents		
Weighted-average common shares outstanding	11,155,667	11,097,753
Basic earnings per share	$ 0.27	$ 0.20

Diluted Earnings per common share

(in thousands, except shares and per share data)	Three Months Ended March 31, 2017	2016
Net income available to common shareholders	$ 3,050	$ 2,315
Less: Undistributed earnings allocated to unvested RSAs	(37)	(19)
Less: Dividend equivalents on unvested RSAs	(41)	(43)
Net income allocated to common shareholders	$ 2,972	$ 2,253
Shares of common stock and common stock equivalents		
Weighted-average common shares outstanding	11,155,667	11,097,753
Dilutive effect of employee stock options and RSAs	363,957	342,033
Weighted-average shares used in diluted computation	11,519,624	11,439,786
Diluted earnings per share	$ 0.26	$ 0.20

Note 13. Regulatory Authorities

OTC Link LLC is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Rule 15c3-1 requires the maintenance of net capital, as defined, which shall be the greater of $5 or 6-⅔% of aggregate indebtedness, as defined. OTC Link LLC's regulatory net capital as of March 31, 2017 and December 31, 2016 was $4,281 and $3,893, respectively, which exceeded the minimum net capital requirement by $4,180 and $3,764, respectively.

Note 14. Subsequent Events

For purposes of disclosure in the unaudited condensed consolidated financial statements, the Company has evaluated subsequent events through May 3, 2017, the date the financial statements were available to be issued.

In April 2017, the Company entered into an extension agreement for the lease at 304 Hudson Street, extending the end of the lease term from June 30, 2018 to June 30, 2020.

On May 2, 2016, the Board of Directors authorized and approved a quarterly cash dividend of $0.14 per share of Class A common stock. The quarterly dividend is payable on June 29, 2017 to our stockholders of record as of June 15, 2017.

EXHIBIT 9.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, R. Cromwell Coulson, Chief Executive Officer of OTC Markets Group Inc., certify that:

1. I have reviewed this Quarterly Report of OTC Markets Group Inc.;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

/s/ R. Cromwell Coulson
R. Cromwell Coulson
Chief Executive Officer

May 3, 2017
Date

EXHIBIT 9.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Beatrice Ordonez, Chief Financial Officer of OTC Markets Group Inc., certify that:

1. I have reviewed this Quarterly Report of OTC Markets Group Inc.;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

/s/ Beatrice Ordonez
Beatrice Ordonez
Chief Financial Officer

May 3, 2017
Date