OTC MARKETS GROUP INC.

A Delaware Corporation

304 Hudson Street
New York, NY 10013

Telephone: (212) 896-4400
Facsimile: (212) 868-3848

Federal EIN: 13-3941069
NAICS: 523999
SIC Code: 6289

Issuer's Quarterly Report

For the quarterly period ended June 30, 2016

ISSUER'S EQUITY SECURITIES

COMMON STOCK

Class A Common Stock
$0.01 Par Value Per Share
14,000,000 Shares Authorized
11,254,264 Shares Outstanding as of July 29, 2016
OTCQX: OTCM

Class C Common Stock
$0.01 Par Value Per Share
130,838 Shares Authorized
130,838 Shares Outstanding as of July 29, 2016

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, 2015. 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.

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 online or institutional 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

As of June 30, 2016, OTC Markets Group had 14,130,838 shares of common stock authorized, consisting of (i) 14,000,000 shares of Class A common stock and (ii) 130,838 shares of Class C common stock. There was no Class B common stock or preferred shares authorized or outstanding as of the reported periods.

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 June 30, 2016:

		June 30, 2016
(i)	Number of shares authorized	14,000,000
(ii)	Number of shares outstanding	11,265,167
(iii)	Number of shares freely tradable (public float)[(1)(2)]	6,868,524
(vi)	Total number of holders of record	158

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

Notes:

(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 4.3 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.

The CUSIP numbers for our common stock are 67106F108 for Class A common stock and 67106F207 for Class C common stock.

Our Class A common stock trades on the OTCQX market under the symbol OTCM. Our Class C common stock does not have a trading symbol and does not have a public market. All authorized shares of our Class C common stock are outstanding and are held by R. Cromwell Coulson, our Chief Executive Officer.

Dividends

The declaration of dividends by OTC Markets Group is subject to the discretion of our Board of Directors. Our Board of Directors will take into account 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 six months ended June 30, 2016, our Board of Directors authorized and approved the following cash dividends:

Declaration Date	Dividend Per Common Share	Record Date	Total Amount (in thousands)	Payment Date
February 24, 2016	$ 0.14	March 15, 2016	$ 1,577	March 29, 2016
May 3, 2016	$ 0.14	June 9, 2016	$ 1,578	June 23, 2016

On August 2, 2016, 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 September 22, 2016 to our stockholders of record on September 8, 2016.

Stock Buyback Program

On February 24, 2016, 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 six months ended June 30, 2016.

Month	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
February 2016	46,453	$16.10	46,453	300,000
June 2016	3,170	$16.93	3,170	296,830
Total	49,623	$16.15	49,623	

Item 3. Unaudited interim condensed consolidated financial statements

Copies of the unaudited interim condensed consolidated financial statements of OTC Markets Group for the three and six months ended June 30, 2016 and June 30, 2015, 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, 2015. The December 31, 2015 unaudited Condensed Consolidated Balance Sheet was derived from audited consolidated financial statements contained in our Annual Report for the year ended December 31, 2015, 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, 2016.

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;
- 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 of information available 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 Financial Industry Regulatory Authority, Inc. ("FINRA") member broker-dealer subscribers greater choice of trading partners and control over their trade executions. As a U.S. Securities and Exchange Commission ("SEC") registered Alternative Trading System ("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 and 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. This additional information includes management certifications that specifically identify company officers, directors, and controlling shareholders, as well as legal, accounting and investor relations advisors; and confirmation of total shares outstanding and authorized. The OTCQB standards include a minimum bid price test. Securities that do not maintain at least a penny bid price are downgraded to the Pink Open Market. The OTCQB Venture Market is open to SEC reporting companies, banks and 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 and other non-U.S. venture exchanges.

Securities traded on OTC Link ATS that do not to 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. 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 dollar market cap established global companies.

Recent Business Developments

Enhanced OTCQX Rules

In December 2015, we introduced enhancements to the OTCQX eligibility rules. These changes were designed to elevate the quality of the OTCQX Best Market, improve regulatory recognition of OTCQX, and clearly differentiate OTCQX from the OTCQB Venture Market. The amendments increased certain financial qualification standards, introduced a continuing penny stock standard, and raised the bid price test standard. If the amended standards were applicable to all companies trading on the OTCQX market as of June 30, 2016, more than 92% of OTCQX securities would remain in compliance. The amended OTCQX Rules allow investors, regulators and market participants to easily identify companies meeting established regulatory and financial standards and, for U.S. companies, corporate governance standards based on common sense best practices that we believe are followed by the majority of OTCQX U.S. companies. The new rules became effective on January 1, 2016. Companies on OTCQX as of December 31, 2015 have until 2017 to meet the new ongoing eligibility criteria and fee structure.

Trends in Our Business

Our revenue streams are influenced by macroeconomic events and conditions affecting the broader global financial markets and in particular the U.S. equity markets, including investor sentiment and outlook, the regulatory environment, the risk/return and volatility factors of equity securities versus other financial investments and assets, and rapidly changing technologies in the capital markets.

There continues to be an upswing in recognition by investors, broker-dealers and regulators of our OTCQX and OTCQB markets, including the information availability, compliance standards and risk profiles of companies traded on each market, which we expect in the long-term will add to the value of our markets and market data and result in increased revenues. Through August 3, 2016, five states, Vermont, Washington, Wyoming, Iowa and Rhode Island, began recognizing the OTCQX and OTCQB markets as securities manuals for the purposes of each state's 'Blue Sky Manual Exemption.' See the discussion of "*Blue Sky Manual Exemption*" in the section on "*Recent Regulations Impacting our Business*" below.

Increased recognition of OTCQX in the U.S., contributed to a 17% increase in the number of OTCQX U.S. companies to 143 as of June 30, 2016, which included 76 OTCQX Banks, from 122 OTCQX U.S. companies as of June 30, 2015, which included 73 OTCQX Banks. The number of OTCQX International companies declined 13% to 240 as of June 30, 2016 from 276 companies as of June 30, 2015. The 2016 annual OTCQX subscription renewal resulted in the retention of 89% of OTCQX companies, compared to 86% during the 2015 renewal.

The number of verified companies on the OTCQB market decreased to 877 as of June 30, 2016, as compared to 955 companies as of June 30, 2015. This decrease was primarily driven by compliance downgrades and non-renewals. Overall OTCQB related revenue continued its growth during the six months ended June 30, 2016 due to the full period impact of OTCQB companies added to the market during the first half of 2015. Companies that applied to join the OTCQB Venture Market by December 31, 2014 received a two-year promotional annual subscription fee rate of $7,500. Approximately 42% of OTCQB companies are benefiting from the promotional pricing rate as of June 30, 2016 and the remainder are at the $10,000 annual subscription rate.

Our OTCQX Best Market welcomed the first company to successfully complete a crowdfunded capital raise under SEC Regulation A+ under the Securities Act ("Regulation A+") (See the discussion of "*Regulation A+*" in the section on "*Recent Regulations Impacting our Business*" below). We expect the online capital raising and crowdfunding opportunities afforded under the Jumpstart Our Business Startups ("JOBS") Act, including Regulation A+ and Regulation Crowdfunding, to yield additional companies that will choose to trade on our OTCQX and OTCQB markets in the coming years.

Our OTC Link ATS subscriber base continues to trend towards more electronic trading while trading firms with less automation continue to experience significant competitive pressure. There were 112 active market participants quoting approximately 10,000 securities as of June 30, 2016, as compared to 120 as of the same prior year period. The decline is primarily due to the continuing trend of industry consolidation. We are devoting significant resources to expanding the functionality of services offered to broker-dealer subscribers on our OTC Link ATS, expanding our subscriber base, increasing the breadth and depth of securities traded on our markets, and meeting our compliance obligations under SEC Regulation SCI and other regulatory requirements.

The total dollar volume of trades in OTCQX, OTCQB and Pink securities during the three and six months ended June 30, 2016, including transactions executed away from OTC Link ATS,

decreased 12% to $44 billion and 18% to $89 billion as compared to the three and six months ended June 30, 2015, respectively. Revenues from OTC Link ATS declined by 9% over both the three and six months ended June 30, 2016, due to reduced quote revenues resulting from a pricing change introduced in July 2015 that eliminated quote fees for OTCQX and OTCQB securities and increased fees for other quotes and messages, the decline in subscriber base, and lower overall quote volumes, partially offset by an increase in revenues from trade messaging fees.

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 order management systems ("OMSs") 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 electronic communication networks ("ECNs"). Gross revenues from our OTC Link ATS business line accounted for approximately 21% of the Company's gross revenue during each of the three and six months ended June 30, 2016, and 23% and 25% during the comparable three and six months in 2015, 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 quoted 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 securities on the Pink market, 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 allow 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 and six months ended June 30, 2016, respectively, and 42% and 43% during the comparable three and six months in 2015, 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 user 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 each of the three and six months ended June 30, 2016, and 12% during each of the comparable three and six months in 2015.

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 for publicly traded companies that create better informed and more efficient markets fostering greater availability and usability of company information. Our data-driven standards improve market transparency by promoting issuer disclosure, facilitating consistent shareholder communication, and allowing companies to demonstrate their compliance with securities regulations to mitigate risk for market participants.

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 38% and 37% of the Company's gross revenue during the three and six months ended June 30, 2016, respectively, and 35% and 32% during the comparable three and six months in 2015, 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.

Subscriptions to each of these services are 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 and six months ended June 30, 2016 and 2015.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
OTC Link ATS				
Number of securities quoted [1]	9,738	9,877	9,738	9,877
Number of active market participants[1]	112	120	112	120
New Form 211 filings	93	205	183	388
Dollar volume traded (in thousands):				
OTCQX	$ 8,508,504	$ 9,176,480	$ 17,487,825	$ 21,290,149
OTCQB	2,729,049	5,661,978	4,258,757	14,398,078
Pink	32,777,452	35,454,927	67,273,076	73,515,111
Total	$ 44,015,005	$ 50,293,386	$ 89,019,658	$ 109,203,338
Dollar volume per security (in thousands):				
OTCQX	$ 18,992	$ 22,770	$ 39,035	$ 52,829
OTCQB	2,928	5,105	4,569	12,983
Pink	3,925	4,251	$ 8,055	$ 8,815
Corporate Services				
Graduates to a national securities exchange	8	17	19	30
Number of securities: [1]				
OTCQX	448	403	448	403
OTCQB	932	1,109	932	1,109
Pink	8,352	8,340	8,352	8,340
Total	9,732	9,852	9,732	9,852
Number of corporate clients: [1]				
OTCQX	383	398	383	398
OTCQB	877	955	877	955
Pink	674	739	674	739
Total	1,934	2,092	1,934	2,092
Market Data Licensing				
Market data professional users[1]	20,904	20,727	20,904	20,727
Market data non-professional users[1]	10,832	10,049	10,832	10,049

(1) Figures presented are at period end.
(2) Active market participant is defined as a broker-dealer subscriber who has full access to the OTC Link platform.

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 Licensing 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 June 30, 2016 Versus Three Months Ended June 30, 2015

The table below presents comparative information from the Company's consolidated income statements for the three months ended June 30, 2016 and 2015.

	Three Months Ended June 30,		
(in thousands, except shares and per share data)	2016	2015	% change
Gross revenues	$ 12,639	$ 12,430	2%
Net revenues	12,055	11,830	2%
Operating expenses	7,936	7,741	3%
Income from operations	4,119	4,089	1%
Operating profit margin	*34%*	*35%*	
Income before provision for income taxes	4,123	4,096	1%
Net income	$ 2,515	$ 2,392	5%
Diluted earnings per share	$ 0.21	$ 0.20	5%
Weighted-average shares outstanding, diluted	11,430,507	11,435,355	-

Revenues

The following table shows OTC Markets Group's gross revenues by business line and consolidated net revenues for the three months ended June 30, 2016 and 2015.

	Three Months Ended June 30,		
(in thousands)	2016	2015	% change
OTC Link ATS	$ 2,658	$ 2,931	(9%)
Market data licensing	5,237	5,169	1%
Corporate services	4,744	4,330	10%
Gross revenues	12,639	12,430	2%
Redistribution fees and rebates	(584)	(600)	(3%)
Net revenues	$ 12,055	$ 11,830	2%

Gross revenues during the three months ended June 30, 2016 increased $209 thousand, or 2%, to $12.6 million, compared to $12.4 million during the same prior year period. The increase was primarily driven by the number of verified companies on OTCQB.

The changes in gross revenues for the three months ended June 30, 2016, as compared to the same prior year period, are further described below:

- OTC Link ATS revenues decreased $273 thousand, or 9%, to $2.7 million for the three months ended June 30, 2016. The decrease was primarily due to the updated quote

and message pricing schedule introduced on July 1, 2015 that impacted revenues by eliminating quote fees for securities traded on the OTCQX Best and OTCQB Venture markets and increasing prices for other quotes and all messages. The change to quote pricing, and a 12% decrease in quote volume, resulted in a $267 thousand, or 32%, decrease in quote position revenue. The continued decline in the number of market participants resulted in a $112 thousand, or 9%, decrease in combined subscription revenue from OTC Dealer, licenses and FIX connections. These decreases were partially offset by an increase in trade message revenue of $173 thousand, or 29%, resulting from the increase in trade message fees.

- Market Data Licensing revenues increased $68 thousand, or 1%, to $5.2 million for the three months ended June 30, 2016. The increase was primarily due to the introduction of an indirect access fee in January 2016 for subscribers consuming our data through a third-party portal, resulting in a revenue increase of $129 thousand, and a $67 thousand, or 84%, increase in data services due to a one-time historical data request. These increases were partially offset by a $77 thousand, or 57%, decrease in advertising revenue, a $46 thousand, or 1%, decrease in user license subscriptions, and a $43 thousand decrease due to the timing of audit recoveries.

- Corporate Services revenues increased $414 thousand, or 10%, to $4.7 million for the three months ended June 30, 2016. The increase was driven by the full period revenue impact of the 2015 growth in OTCQB companies, with an increase of $348, or 18%, in OTCQB revenue. The increase was partially offset by contraction in the number of OTCQB subscribers from 955 to 877 as of June 30, 2015 and 2016, respectively. OTC Disclosure & News Service subscription revenue grew $37 thousand, or 5%, to $777 thousand due to the impact of a price increase for new and existing subscribers.

Operating Expenses

The following table shows OTC Markets Group's consolidated operating expenses for the three months ended June 30, 2016 and 2015.

	Three Months Ended June 30,		
(in thousands)	2016	2015	% change
Compensation and benefits	$ 4,967	$ 4,763	4%
IT Infrastructure and information services	1,375	1,145	20%
Professional and consulting fees	438	546	(20%)
Marketing and advertising	184	340	(46%)
Occupancy costs	367	344	7%
Depreciation and amortization	410	420	(2%)
General, administrative and other	195	183	7%
Total operating expenses	$ 7,936	$ 7,741	3%

Operating expenses increased $195 thousand, or 3%, to $7.9 million during the three months ended June 30, 2016 as compared to the same prior year period.

The changes in operating expenses for the three months ended June 30, 2016, as compared to the same prior year period, are further described below:

- Compensation and benefits expenses increased $204 thousand, or 4%, to $5.0 million during the three months ended June 30, 2016, primarily related to annual compensation increases, higher salaries for new employees and increased headcount, which had a combined effect of increasing salary and bonus by $213 thousand, or 6%. The

increases were partially offset by a $95 thousand, or 51%, decrease in commission expense due to the conclusion of the OTCQB rollout in June 2015. As a percentage of gross revenues, compensation and benefits costs increased to 39% during the three months ended June 30, 2016 compared to 38% during the same prior year period.

- IT Infrastructure and information services expenses increased $230 thousand, or 20%, to $1.4 million during the three months ended June 30, 2016, primarily related to improvements to the monitoring, security and support of our applications and systems.
- Marketing and advertising expense decreased $156 thousand, or 46%, to $184 thousand during the three months ended June 30, 2016, primarily due to a $29 thousand, or 100%, decrease in web search optimization spending, and the timing of marketing campaigns and events.
- Professional and consulting fees decreased $108 thousand, or 20%, to $438 thousand during the three months ended June 30, 2016, primarily due to a $79 thousand, or 71%, decrease in recruitment fees and a $60 thousand, or 24%, decrease in consulting fees. These decreases were partially offset by an increase of $34 thousand, or 60%, in legal fees.

Income from Operations

Income from operations were flat at $4.1 million for the three months ended June 30, 2016, as compared to the same prior year period, and operating profit margin contracted to 34% from 35% during the same prior year period. The margin contraction was impacted by increases in compensation and benefits and IT infrastructure and information services which were only partially offset by increases in revenues.

Net Income

Net income for the three months ended June 30, 2016 increased $123 thousand, or 5%, to $2.5 million primarily due to a $96 thousand decrease in the provision for income taxes. The Company's effective tax rate decreased to 39% primarily due to changes in estimates related to state and local apportionment rates.

Six Months Ended June 30, 2016 Versus Six Months Ended June 30, 2015

The table below presents comparative information from the Company's consolidated income statements for the six months ended June 30, 2016 and 2015.

	Six Months Ended June 30,		
(in thousands, except shares and per share data)	2016	2015	% change
Gross revenues	$ 25,390	$ 23,953	6%
Net revenues	24,213	22,754	6%
Operating expenses	16,297	15,510	5%
Income from operations	7,916	7,244	9%
Operating profit margin	*33%*	*32%*	
Income before provision for income taxes	7,912	7,267	9%
Net income	$ 4,830	$ 4,247	14%
Diluted earnings per share	$ 0.41	$ 0.36	14%
Weighted-average shares outstanding, diluted	11,430,683	11,426,136	-

Revenues

The following table shows OTC Markets Group's gross revenues by business line and consolidated net revenues for the six months ended June 30, 2016 and 2015.

	Six Months Ended June 30,		
(in thousands)	2016	2015	% change
OTC Link ATS	$ 5,412	$ 5,975	(9%)
Market data licensing	10,562	10,401	2%
Corporate services	9,416	7,577	24%
Gross revenues	25,390	23,953	6%
Redistribution fees and rebates	(1,177)	(1,199)	(2%)
Net revenues	$ 24,213	$ 22,754	6%

Gross revenues during the six months ended June 30, 2016 increased $1.4 million, or 6%, to $25.4 million, compared to $24.0 million during the same prior year period. The increase was primarily driven by the number of verified companies on OTCQB.

The changes in gross revenues for the six months ended June 30, 2016, as compared to the same prior year period, are further described below:

- OTC Link ATS revenues decreased $563 thousand, or 9%, to $5.4 million for the six months ended June 30, 2016. The decrease was primarily due to the updated quote and message pricing schedule introduced on July 1, 2015, which impacted revenues by eliminating quote fees for securities traded on the OTCQX Best and OTCQB Venture markets while increasing prices for quotes in other securities and trade messages. The change to quote pricing, and a 18% decrease in quote volume, resulted in a $522 thousand, or 30%, decrease in quote position revenue. The continued decline in the number of market participants resulted in a $197 thousand, or 8%, decrease in combined subscription revenue from OTC Dealer, licenses and FIX connections. These decreases were partially offset by an increase in trade message revenue of $362 thousand, or 30% resulting from the increase in trade message fees.

- Market Data Licensing revenues increased $161 thousand, or 2%, to $10.6 million for the six months ended June 30, 2016. The increase was primarily due to the introduction of an indirect access fee in January 2016 for subscribers consuming our data through a third-party portal, resulting in an increase in access fee revenue of $258 thousand, or 95%, and a $93 thousand, or 59%, increase in data services primarily due to a one-time historical data request. These increases were partially offset by a $142 thousand, or 49%, decrease in advertising revenue and $105 thousand, or 2%, decrease in user license subscriptions.

- Corporate Services revenues increased $1.8 million, or 24%, to $9.4 million for the six months ended June 30, 2016. OTCQB revenues were $4.5 million during the six months ended June 30, 2016, as compared to $2.9 million during the same prior year period. The increase was driven by full revenue impact of the 2015 growth in OTCQB companies. The increase was partially offset by contraction in the number of OTCQB subscribers from 955 to 877 as of June 30, 2015 and 2016, respectively. OTCQX revenues increased $195 thousand, or 7%, to $3.0 million, primarily due to improved annual renewal rates for 2016, a 25% increase in price for new OTCQX companies joining during 2016 and an increase in the number of domestic companies. The increases were partially offset by contraction in the total number of OTCQX companies from 398 to 383 as of June 30, 2015 and 2016, respectively.

Operating Expenses

The following table shows OTC Markets Group's consolidated operating expenses for the six months ended June 30, 2016 and 2015.

	Six Months Ended June 30,		
(in thousands)	2016	2015	% change
Compensation and benefits	$ 10,205	$ 9,721	5%
IT Infrastructure and information services	2,715	2,302	18%
Professional and consulting fees	937	935	-
Marketing and advertising	464	606	(23%)
Occupancy costs	772	705	10%
Depreciation and amortization	827	826	-
General, administrative and other	377	415	(9%)
Total operating expenses	$ 16,297	$ 15,510	5%

Operating expenses increased $787 thousand, or 5%, to $16.3 million during the six months ended June 30, 2016 as compared to the same prior year period.

The changes in operating expenses for the six months ended June 30, 2016, as compared to the same prior year period, are further described below:

- Compensation and benefits expenses increased $484 thousand, or 5%, to $10.2 million during the six months ended June 30, 2016, primarily related to annual compensation increases and higher salaries for new employees, which had a combined effect of increasing salary and bonus by $559 thousand, or 8%. The increases were partially offset by a $200 thousand, or 52%, decrease in commission expense. As a percentage of gross revenues, compensation and benefits costs decreased to 40% during the six months ended June 30, 2016 compared to 41% during the same prior year period.
- IT Infrastructure and information services expenses increased $413 thousand, or 18%, to $2.7 million during the six months ended June 30, 2016, primarily related to improvements to the monitoring, security and support of our applications and systems.
- Marketing and advertising expenses decreased $142 thousand, or 23%, to $464 thousand during the six months ended June 30, 2016, primarily due to a $56 thousand, or 97%, decrease in web search optimization spending, and the timing of marketing campaigns and events.
- Occupancy fees increased $67 thousand, or 10%, to $772 thousand during the six months ended June 30, 2016, primarily due to the signing of new leases for the New York and Washington D.C. offices in 2016.
- General, administrative and other fees decreased $38 thousand, or 9%, to $377 thousand during the six months ended June 30, 2016, primarily related to $112 thousand, or 107%, decrease in bad debt expense due to the collection of aged receivables and reduced write-offs. The decrease was partially offset by an increase of $48 thousand, or 53%, in insurance.

Income from Operations

Income from operations increased $672 thousand, or 9%, to $7.9 million for the six months ended June 30, 2016, as compared to the same prior year period, and operating profit margin expanded to 33% from 32% during the same prior year period. The margin increase was primarily related to increase in OTCQB revenue.

Net Income

Net income for the six months ended June 30, 2016 increased $583 thousand, or 14%, to $4.8 million primarily due to a $672 thousand increase in income from operations. The Company's effective tax rate decreased to 39% primarily due to changes in estimates related to state and local apportionment rates.

Cash available for operations

Cash available for operations decreased $654 thousand to $23.3 million as of June 30, 2016, as compared to $23.9 million as of December 31, 2015. 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 for annual IT contracts.

Cash provided by operating activities

Cash provided by operating activities for the six months ended June 30, 2016 was $3.1 million, as compared to $6.4 million during the same prior year period. Cash provided by operating activities was lower during the six months ended June 30, 2016 primarily due to a decrease in cash collected from OTCQB subscriptions versus the same prior year period, during which a large number of companies were verified to join the OTCQB market.

Cash used in investing activities

Cash used in investing activities during the six months ended June 30, 2016 was $173 thousand, as compared to $612 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 six months ended June 30, 2016 was $3.6 million, as compared to $2.1 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. The increased use of cash in the current period was related to higher dividends paid and purchases of treasury stock.

Capital resources and working capital

OTC Markets Group's working capital at June 30, 2016 was $16.8 million, an increase of $2.9 million, or 21%, from $13.9 million at December 31, 2015. Working capital includes certain non-operating assets and liabilities, such as prepaid income taxes, deferred tax assets and liabilities, and income taxes payable. The increase in working capital during the six months ended June 30, 2016 was primarily attributable to cash flows from operating activities during the six months ended June 30, 2016, as described above.

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 June 30, 2016, 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.

Recent Regulations Impacting our Business

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"). Companies that meet the definition of an SCI Entity, including OTC Link ATS, were required to comply with this regulation beginning on 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.

OTC Link ATS is required to comply with the requirements imposed by Regulation ATS on an ATS that, during at least 4 out of 6 consecutive months, has more than 20% of the average daily volume of any equity security reported to FINRA. Many of these requirements are incorporated in Regulation SCI. However, Regulation SCI also contains a number of additional requirements, such as extensive reporting, additional internal compliance processes and mandated coordinated testing of core processes.

We have invested in personnel and IT resources to meet our compliance obligations and enhance our systems. We do not expect that expenses related to ongoing compliance with our requirements under Regulation SCI will materially affect our ongoing financial results.

Regulation A+

On March 25, 2015 the SEC approved rule amendments to Regulation A+, providing for an expanded Regulation A small offering exemption under Title IV of the JOBS Act. The "Regulation A+" final rules provide for two tiers of unregistered public offerings: Tier 1, for offerings of up to $20 million in a 12-month period, with no more than $6 million in offers by selling security-holders that are affiliates of the issuer; and Tier 2, for offerings of up to $50 million in a 12-month period, with up to $15 million of securities offered by security-holders that are affiliates of the issuer. The new rules became effective on June 19, 2015.

The first successfully completed Regulation A+ offering began trading on our OTCQX market in February 2016. We expect that additional securities issued in reliance on Regulation A+ will trade on our OTCQX, OTCQB and Pink markets. 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. The Petition for Rulemaking is available for public comment on the SEC's website.

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.

Blue Sky Manual Exemption

OTC Markets Group has begun 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 applicable 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. Regulators and brokers across the country rely on disclosure-based 'manual exemptions' from individual state Blue Sky laws. Thirty-eight 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 August 3, 2016, the Vermont Securities Regulations (Section 5-9) recognize the OTCQX Best Market as a securities manual, the states of Washington, Wyoming and Rhode Island recognize the OTCQX Best and OTCQB Venture Markets through no-action letters, and the state of Iowa recognizes each market by administrative order. 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. 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.

FINRA's QCF Proposal

On November 13, 2009, FINRA filed with the SEC a proposed rule change to create a Quotation Consolidation Facility ("QCF") that would serve as a commercial data consolidator and disseminator for quote data in the OTC equity market (the "QCF Proposal"). Under the QCF Proposal, FINRA would provide a national best bid or offer ("NBBO") for OTC securities traded on interdealer quotation systems for inclusion in the NASDAQ UTP Level One feed.

We believe that the QCF Proposal, if adopted in its current form, could negatively impact our revenues, including revenues from our Market Data Licensing and OTC Link ATS business lines. We currently generate a portion of our revenues by licensing the market data that we collect through our interdealer quotation system. We provide this market data, including the dissemination of an NBBO in OTC equity securities traded on OTC Link (the "OTC-BBO"), to market data redistributors, broker-dealers and other OTC market participants under subscription and enterprise license agreements.

Under the QCF Proposal, we would effectively be required to provide FINRA with our OTC-BBO and all broker-dealer quotations on our OTC Link ATS, so that FINRA could provide an NBBO for OTC securities for inclusion in the NASDAQ UTP Level One feed. Approximately 17% of our gross revenues were derived from the OTC-BBO during the three and six months ended June 30, 2016, respectively, and 17% and 18% for the comparable three and six months in 2015, respectively. If the SEC approves the QCF Proposal we expect that we will lose substantially all of this revenue.

OTC Markets Group remains strongly opposed to FINRA's QCF Proposal and has over the years submitted multiple comment letters in opposition to the QCF Proposal and a related proposal, Amendment 21 of the National Market System Plan for NASDAQ securities ("Amendment 21").

OTC Markets Group is considering a variety of options in the event that the QCF Proposal is not withdrawn and the SEC approves the QCF Proposal or Amendment 21, including bringing a

legal action against the SEC and/or FINRA. A legal action relating to the QCF Proposal would be protracted and costly, which may adversely affect our operating results.

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)

	June 30, 2016	December 31, 2015
Assets		
Current assets		
Cash	$ 23,271	$ 23,925
Accounts receivable, net of allowance for doubtful accounts of $134 and $147	5,104	6,082
Prepaid expenses and other current assets	1,480	1,520
Prepaid income taxes	830	22
Deferred tax assets	187	187
Total current assets	30,872	31,736
Property and equipment, net	2,853	3,507
Non-current deferred tax assets, net	673	470
Goodwill	251	251
Intangible assets, net	40	40
Security deposits	210	210
Total Assets	$ 34,899	$ 36,214
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 324	$ 616
Accrued expenses and other current liabilities	2,912	4,355
Income taxes payable	-	92
Deferred revenue	10,829	12,737
Total current liabilities	14,065	17,800
Deferred rent	303	139
Income tax reserve	829	728
Total Liabilities	15,197	18,667
Commitments and contingencies		
Stockholders' equity		
Common stock - par value $0.01 per share		
Class A - 14,000,000 authorized, 11,560,833 issued, 11,265,167 outstanding at		
June 30, 2016; 11,438,928 issued, 11,192,885 outstanding at December 31, 2015	116	114
Class C - 130,838 shares authorized, issued and outstanding at June 30, 2016		
and December 31, 2015	1	1
Additional paid-in capital	12,066	10,786
Retained earnings	10,591	8,916
Treasury stock - 295,666 shares at June 30, 2016 and 246,043 shares at December 31, 2015	(3,072)	(2,270)
Total Stockholders' Equity	19,702	17,547
Total Liabilities and Stockholders' Equity	$ 34,899	$ 36,214

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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Gross revenues	$ 12,639	$ 12,430	$ 25,390	$ 23,953
Redistribution fees and rebates	(584)	(600)	(1,177)	(1,199)
Net revenues	12,055	11,830	24,213	22,754
Operating expenses				
Compensation and benefits	4,967	4,763	10,205	9,721
IT Infrastructure and information services	1,375	1,145	2,715	2,302
Professional and consulting fees	438	546	937	935
Marketing and advertising	184	340	464	606
Occupancy costs	367	344	772	705
Depreciation and amortization	410	420	827	826
General, administrative and other	195	183	377	415
Total operating expenses	7,936	7,741	16,297	15,510
Income from operations	4,119	4,089	7,916	7,244
Other income (expense)				
Other income (expense)	4	7	(4)	23
Income before provision for income taxes	4,123	4,096	7,912	7,267
Provision for income taxes	1,608	1,704	3,082	3,020
Net income	$ 2,515	$ 2,392	$ 4,830	$ 4,247
Net income per share				
Basic	$ 0.22	$ 0.21	$ 0.42	$ 0.38
Diluted	$ 0.21	$ 0.20	$ 0.41	$ 0.36

See accompanying notes to unaudited condensed consolidated financial statements

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

	Six Months Ended June 30,	
	2016	**2015**
Beginning balance	$ 17,547	$ 18,251
Increase from net income	4,830	4,247
Dividends paid	(3,155)	(2,243)
Stock-based compensation	891	825
Issuance of restricted and common shares, net	(92)	(108)
Purchases of treasury stock	(802)	(167)
Tax benefits related to stock-based compensation	483	446
Ending balance	$ 19,702	$ 21,251

See accompanying notes to unaudited condensed consolidated financial statements

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

	Six Months Ended June 30,	
	2016	**2015**
Cash flows from operating activities		
Net income	$ 4,830	$ 4,247
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	827	826
Provision for bad debts	(7)	105
Stock-based compensation	891	825
Excess tax benefits related to stock-based compensation	(483)	(446)
Deferred rent	101	(99)
Deferred income taxes	(203)	(195)
Changes in working capital:		
Accounts receivable	985	(112)
Prepaid expenses and other current assets	40	(443)
Prepaid income taxes	(808)	(43)
Accounts payable	(292)	27
Accrued expenses and other current liabilities	(1,380)	(783)
Income tax payable	391	537
Income tax reserve	101	128
Deferred revenue	(1,908)	1,802
Cash provided by operating activities	3,085	6,376
Cash flows from investing activities		
Purchases of property and equipment	(173)	(612)
Cash used in investing activities	(173)	(612)
Cash flows from financing activities		
Dividends paid	(3,155)	(2,243)
Issuance of restricted and common shares, net	(92)	(108)
Tax benefits related to stock-based compensation	483	446
Purchases of treasury stock	(802)	(167)
Cash used in financing activities	(3,566)	(2,072)
Net increase (decrease) in cash	(654)	3,692
Cash at beginning of period	23,925	20,272
Cash at end of period	$ 23,271	$ 23,964
Cash paid during period for:		
Income taxes	$ 3,601	$ 2,593
Non-cash investing activities:		
Property and equipment included in accounts payable or accrued expenses	$ -	$ 163

See accompanying notes to unaudited condensed consolidated financial statements

Note 1. Description of Business

Overview

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 online or institutional broker of their choice and empower companies to improve the quality of information available for 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.
- 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, 2015 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, 2015. Operating results for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

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 February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-2, *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. This ASU simplifies various aspects of the recognition, measurement, and cash flow presentation for share-based payments. The amendment requires all excess tax benefits and tax deficiencies related to equity awards be recognized in the income statement and allows entities to make a policy election to account for forfeitures when they occur. ASU 2016-09 will be effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. The Company is in the process of evaluating the impact of adoption of this amendment but does not expect the adoption to have a material effect on the consolidated financial statements.

Note 3. Concentrations and Uncertainties

During both the three and six months ended June 30, 2016, market data revenues earned through one market data redistributor amounted to approximately 12% of gross revenues, and 12% and 13% during the comparable three and six months in 2015, respectively. As of June 30, 2016 and 2015, accounts receivable from that same subscriber amounted to 23% and 22% of accounts receivable.

In November 2009, the Financial Industry Regulatory Authority ("FINRA") filed with the U.S. Securities Exchange Commission ("SEC") a proposed rule change to create a Quotation Consolidation Facility that would serve as a commercial data consolidator and disseminator for quote data in the OTC equity market (the "QCF Proposal") which, if approved, would reduce the Company's ability to generate revenues from market data licensing. If the QCF Proposal was

adopted it would have negatively impacted gross revenues by approximately 16% and 17% for the three and six months ended June 30, 2016, respectively, and 17% and 18% during the comparable three and six months in 2015, respectively.

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:

(in thousands)	June 30, 2016	December 31, 2015	Estimated useful life (years)
Computer software	$ 901	$ 889	2 - 3
Computer equipment	5,430	5,483	3 - 5
Furniture and fixtures	1,238	1,238	5 - 7
Leasehold improvements	4,352	4,352	Term of lease
Total property and equipment	11,921	11,962	
Accumulated depreciation and amortization	(9,068)	(8,455)	
Total property and equipment, net	**$ 2,853**	**$ 3,507**	

Depreciation and amortization on property and equipment included in the unaudited interim condensed consolidated statements of income amounted to $410 and $827 for the three and six months ended June 30, 2016, respectively, and $420 and $826 during the comparable three and six months in 2015, respectively.

Note 6. Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following:

(in thousands)	June 30, 2016	December 31, 2015	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 and six months ended June 30, 2016 or 2015 as the assets were fully amortized. No impairment charges were recorded to goodwill or intangible assets during the three and six months ended June 30, 2016 or 2015.

Note 7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

(in thousands)	June 30, 2016	December 31, 2015
Payroll and employee withholdings	$ 2,230	$ 3,530
Deferred compensation	68	68
Accrued operating expenses	607	505
Deferred rent	7	252
Total accrued expenses and other current liabilities	**$ 2,912**	**$ 4,355**

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, 2015 represents a full year of accrual, which was paid out in February 2016.

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 six months ended June 30, 2016 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, 2016	768	$ 9.67	$ 5,094	7.19
Granted	114	16.04	4	
Exercised	(63)	5.85	662	
Forfeited	(34)	13.08	126	
Outstanding, June 30, 2016	785	$ 10.75	$ 4,517	7.22
Exercisable, June 30, 2016	334	$ 7.72	$ 2,929	5.62

The Company recognized compensation expense related to stock options, net of estimated forfeitures, of $149 and $127 for the three months ended June 30, 2016 and 2015, respectively, and $263 and $220 for the six months ended June 30, 2016 and 2015, respectively. Management has estimated forfeiture rates of 5% for stock options granted to management and 27% for stock options granted to other employees.

At June 30, 2016, unrecognized compensation cost related to non-vested stock options was $1.2 million, which will be recognized over approximately 3.6 years.

A summary of the Company's restricted stock activity for the six months ended June 30, 2016 is as follows:

(in thousands, except W/A fair value)	Restricted stock	Weighted-average fair value	Aggregate intrinsic value
Outstanding, January 1, 2016	313	$ 9.76	$ 5,108
Granted	113	16.10	1,800
Vested	(100)	9.05	1,613
Forfeited	(26)	10.21	418
Outstanding, June 30, 2016	300	$ 12.34	$ 4,948

The Company recognized compensation expense, net of estimated forfeitures, of $234 and $176 for the three months ended June 30, 2016 and 2015, respectively, and $553 and $421 for the six months ended June 30, 2016 and 2015, 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 $92 for the three months ended June 30, 2016 and 2015, respectively, and $75 and $184 for the six months ended June 30, 2016 and 2015, respectively, related to the issuance of restricted stock awards to the Board of Directors.

At June 30, 2016, unrecognized compensation cost related to non-vested RSAs totaled $2.9 million, which will be recognized over approximately 3.6 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 August 2008 and January 2016 and expires on June 30, 2018 and 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 June 30, 2016, future minimum lease payments are as follows:

Fiscal year	Payments due
Remainder of 2016	$ 612
2017	1,460
2018	876
2019	224
2020	229
2021	116
Total	**$ 3,517**

Occupancy expense included in the unaudited interim condensed consolidated statements of income was $367 and $344 for the three months ended June 30, 2016 and 2015, respectively, and $772 and $705 for the six months ended June 30, 2016 and 2015, respectively.

Total security deposits on the Company's office leases were $210 as of both June 30, 2016 and December 31, 2015.

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

The Company has two classes of common stock: Class A and Class C (collectively, "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").

Holders of Class C common stock are not entitled to any Dividend Rights or Liquidation Rights. Each share of Class C common stock will automatically convert into Class A common stock at a ratio of one-to-one if the price of Class A common stock is greater than $19.62 per share as determined by either (i) the average price in trade reports aggregating a total of 300,000 shares reported to FINRA under Rule 6600, provided that the Class A common stock has been quoted upon an interdealer quotation system by at least two market makers, or (ii) an Acquisition of the Company.

The Company is authorized to issue an aggregate of 14,130,838 shares of common stock at $0.01 par value comprised of: 14,000,000 Class A shares and 130,838 Class C shares. As of

June 30, 2016 there were a total of 11,691,671 shares issued and 11,396,005 shares outstanding; the latter was comprised of 11,265,167 Class A shares and 130,838 Class C shares. As of December 31, 2015 there were a total of 11,569,766 shares issued and 11,323,723 shares outstanding; the latter was comprised of 11,192,885 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 24, 2016, 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 six months ended June 30, 2016, the Company repurchased 49,623 shares of Class A common stock at an average price of $16.15 per share for a total of $802. During the six months ended June 30, 2015, the Company repurchased 11,836 shares at an average price of $14.10 per share for a total of $167. All repurchased shares are held in treasury. Under the stock repurchase program, there are 296,830 shares remaining to be purchased as of June 30, 2016.

Dividends

The Company declared a cash dividend of $0.14 and $0.10 per Class A share during the three months ended June 30, 2016 and 2015, respectively, totaling $1,578 and $1,123, respectively. The Company declared cash dividends of $0.28 and $0.20 per Class A share during the six months ended June 30, 2016 and 2015, respectively, totaling $3,155 and $2,244, 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 2015 and 2014, 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 39% and 42% for the three months ended June 30, 2016 and 2015, respectively. The rates reflect the inclusion of state and local income taxes at the federal statutory rate of 35% for 2016 and 2015. The effective tax rates for the six months ended June 30, 2016 decreased primarily due to changes in estimates related to state and local apportionment rates.

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 June 30, 2016 and December 31, 2015 was $564 and $493, 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 $23 and $22 for the three months ended June 30, 2016 and 2015, respectively, and $30 and $28 for the six months ended June 30, 2016 and 2015, respectively. Interest and penalties accrued as of June 30, 2016 and December 31, 2015 were $161 and $130, 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 June 30,		Six Months Ended June 30,	
(in thousands, except shares and per share data)	2016	2015	2016	2015
Net income available to common shareholders	$ 2,515	$ 2,392	$ 4,830	$ 4,247
Less: Undistributed earnings allocated to unvested RSAs	(25)	(36)	(44)	(57)
Less: Dividend equivalents on unvested RSAs	(42)	(32)	(84)	(64)
Net income allocated to common shareholders	$ 2,448	$ 2,324	$ 4,702	$ 4,126
Shares of common stock and common stock equivalents				
Weighted-average common shares outstanding	11,099,650	11,006,339	11,098,707	10,997,194
Basic earnings per share	$ 0.22	$ 0.21	$ 0.42	$ 0.38

Diluted Earnings per common share

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except shares and per share data)	2016	2015	2016	2015
Net income available to common shareholders	$ 2,515	$ 2,392	$ 4,830	$ 4,247
Less: Undistributed earnings allocated to unvested RSAs	(24)	(35)	(43)	(55)
Less: Dividend equivalents on unvested RSAs	(42)	(32)	(84)	(64)
Net income allocated to common shareholders	$ 2,449	$ 2,325	$ 4,703	$ 4,128
Shares of common stock and common stock equivalents				
Weighted-average common shares outstanding	11,099,650	11,006,339	11,098,707	10,997,194
Dilutive effect of employee stock options and RSAs	330,857	429,016	331,976	428,942
Weighted-average shares used in diluted computation	11,430,507	11,435,355	11,430,683	11,426,136
Diluted earnings per share	$ 0.21	$ 0.20	$ 0.41	$ 0.36

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 June 30, 2016 and December 31, 2015 was $3,879 and $4,026, respectively, which exceeded the minimum net capital requirement by $3,771 and $3,872, respectively.

Note 14. Subsequent Events

For purposes of disclosure in the unaudited condensed consolidated financial statements, the Company has evaluated subsequent events through August 3, 2016, the date the financial statements were available to be issued.

On August 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 September 22, 2016 to our stockholders of record as of September 8, 2016.

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

August 3, 2016
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

August 3, 2016
Date