OTC Markets

# Exchange Delisting: FAQs

Delisting a security from a US exchange can be voluntary or involuntary. Typically, it's triggered by cost savings, lack of liquidity, the desire to deregister with the SEC or a notice of non-compliance. Companies may not realize that choosing to trade on OTCQX or OTCQB offers a viable alternative.

As operator of the OTCQX and OTCQB Markets, below are answers to some of the common questions we receive from issuers looking to delist from an exchange.

## 1. How can my investors trade their shares on the OTC Markets?

- Our regulated trading platforms, OTC Link ATS and OTC Link ECN, enable investors to easily trade through the broker of their choice.
- Industry leaders such as Citadel Securities, Jane Street, StoneX, Virtu, MCAP and GTS are among the 90+ regulated market makers that provide continuous liquidity and execution services for investors.

## 2. What Will Happen to my Trading Symbol?

- To be traded on OTC Markets, companies must have a minimum of four characters. If listed on NASDAQ or NYSE, and the company has a four-character symbol, their symbol will not change. If less than four characters, FINRA will assign a new symbol, which will be communicated by FINRA and OTC Markets.
- Companies are encouraged to send a press release with the Company's new trading symbol and respective OTC market tier (e.g. OTCQX, OTCQB) in conjunction with their first day trading on the market

## 3. What are the requirements to trade on OTC Markets?

- OTC Markets operates two premium markets, OTCQX and OTCQB.
- Companies should contact an OTC Markets representative to review their initial eligibility and appropriate market.

## 4. How is OTC Markets regulated?

- OTC Markets is regulated by the SEC and FINRA.
- Following the amendments to SEC Rule 15c2-11, OTC Markets assumed a greater role as Interdealer Quotation System, serving as a trusted information source for broker-dealers in monitoring ongoing issuer disclosure and compliance.

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## 5. Do I Need a Market Maker to transfer my security to OTC Markets?

- Companies do not need to engage a market maker as long as the security is 'piggy-back' eligible to trade on OTC Markets.
- Companies should confirm 'piggy-back eligibility' with OTC Markets prior to delisting from an exchange.

## 6. What are the benefits of a voluntary delist?

- Delisting offers companies an exchange-like trading experience with far less complexity and cost. Companies can easily transfer their listing to OTCQX or OTCQB and maintain their SEC registration or deregister and make their financials and disclosures available on www.otcmarkets.com.
- Once traded on OTCQX or OTCQB, companies are eligible to participate in OTC Markets' visibility program, which includes virtual investor conferences, executive interviews, and a market open.
- Companies that chose to deregister with the SEC save up to $500,000 in SEC related expenses and fees. To be eligible, a company must have less than 300 holders.

## 7. If I receive a noncompliance notice - should I seek to effect a reverse split?

- While this may be a temporary solution, companies that effect a reverse stock split are likely to see a significant reduction in their market capitalization and may face liquidity challenges, which can trigger another non-compliance notice. This can also impact the company's long-term health.
- 'Listed' companies that are trading below $1 are eligible to transfer to OTCQX or OTCQB without having to effect a reverse stock split, assuming they meet all other criteria.

## 8. When Should I File My Application with OTC Markets?

- Companies should approach OTC Markets 10-12 weeks before they intend to delist to ensure that the security is 'piggy-back' eligible and allow ample time to complete the application process.