OTC Markets

November 3, 2015

OTCQX RULES RELEASE NO. 10 (PROPOSED AMENDMENTS)

OTC Markets Group has published proposed amendments to the OTCQX Rules for U.S. Companies, OTCQX Rules for U.S. Banks, and OTCQX Rules for International Companies. These rules are scheduled to become effective on January 1, 2016. Companies on OTCQX as of December 31, 2015 will have until 2017 to meet the new ongoing eligibility criteria as described further below.

OTC Markets Group proposes to streamline rules and raise eligibility standards for the OTCQX Best Market, to better align with established regulatory standards and industry best practices. These requirements will elevate the quality of the market, improve regulatory recognition of the investable OTCQX market, and clearly differentiate the OTCQX Best Market from the OTCQB Venture Market.

We are proposing to strengthen OTCQX financial standards and enhance our current rules that prohibit Penny Stocks, as that term is defined by the SEC, from qualifying for OTCQX by adding a continuing Penny Stock prohibition.

OTCQX U.S. is adding corporate governance standards based on common sense, best practices that our surveys indicate are already followed by the majority of OTCQX U.S. companies.

OTCQX U.S. Premier Standards are being aligned with financial standards of markets recognized by many states for issuer exemptions from blue sky laws.

OTCQX International Premier Standards are being aligned with the margin eligibility standards set by the Federal Reserve and the SEC.

New companies joining OTCQX in 2016 will pay an Annual Fee of $20,000. All other companies will be subject to the new fee amount beginning in calendar year 2017.

The proposed rules also reflect use of the term “OTCQX Advisor” in place of “Designated Advisor for Disclosure (DAD)” and “Principal American Liaison (PAL).”

Highlights of Proposed Changes

The initial and ongoing financial standards have been updated for all OTCQX companies, including a requirement that the Company may not be a Penny Stock. More information about the new financial standards can be found in Sections 2 and 3 of the OTCQX Rules for U.S. Companies, OTCQX Rules for International Companies and the OTCQX Rules for Banks, respectively.

OTCQX Rules for U.S. Companies:

- Initial Bid Price requirement has been changed to $0.25 for the OTCQX U.S. tier and $4 for the OTCQX U.S. Premier tier. Ongoing bid price tests remain at $0.10 and $1, respectively;
- Minimum initial and ongoing market capitalization standards applicable to all companies: Initial market capitalization requirement is $10 million, and ongoing is $5 million. The U.S. Premier tier has a higher initial market capitalization requirement;
- The OTCQX U.S. Premier tier has new stockholders equity requirements: $4 million initial and $1 million ongoing;
- Best practice Corporate Governance standards have been added, including:
    1. At least 2 independent directors on the board of directors;
    2. An Audit Committee, a majority of the members of which are Independent Directors;

3. Conduct annual shareholders' meetings and submit annual financial reports to shareholders at least 15 calendar days prior to such meetings;

- Operating History of at least 3 years is required for the OTCQX U.S. Premier tier;
- Within 90 days of joining, each OTCQX U.S. tier Company must have at least 2 market makers with priced quotes in OTC Link ATS, and each OTCQX U.S. Premier tier Company must have at least 4 market makers.

OTCQX Rules for U.S. Banks:

- Banks will be placed into either the OTCQX U.S. tier or the OTCQX U.S. Premier tier, as applicable. In order to qualify for the OTCQX US Premier tier, banks will be subject to a 500,000 share float requirement;
- Best practice Corporate Governance standards have been added in line with the OTCQX Rules for U.S. Companies, described above;
- Market maker requirements in line with the OTCQX U.S. and OTCQX U.S. Premier tiers, described above.

OTCQX Rules for International Companies:

- OTCQX International tier requires all companies to meet a minimum bid test and a market capitalization test to qualify. The initial minimum bid price is $0.25, and the ongoing requirement will be $0.10. The initial market capitalization test is $10 million and the ongoing requirement is at least $5 million.
- The OTCQX International Premier tier financial standards have been simplified to require:
    1. A global market capitalization of $1 billion for initial qualification and $500 million ongoing;
    2. 5 year operating history;
    3. Average weekly share volume of 200,000 or dollar volume of $1 million for initial qualification, and 100,000 shares or $500,000 ongoing.
- Within 90 days, each OTCQX International tier company must have at least 2 market makers with priced quotes in OTC Link ATS, and each OTCQX International Premier tier company must have at least 4 market makers.

Comment Period of 30 days:

OTC Markets Group welcomes your feedback about the proposed changes. Send comments and questions to Mike Vasilios, Vice President of Issuer Compliance at mike@otcmarkets.com by December 4, 2015.

Effective Date of Proposed Changes:

The proposed rules are scheduled to become effective for new OTCQX companies on January 1, 2016.

Current OTCQX Companies will not be subject to the new eligibility standards until 2017. Bid price, market capitalization and minimum market maker standards will be effective January 1, 2017. Companies will be required to demonstrate compliance with additional financial and corporate governance standards, if applicable, no later than the publication of their annual report during calendar year 2017.