

October 13, 2016

## **OTCQX RULES RELEASE NO. 13 (PROPOSED AMENDMENTS)**

OTC Markets Group has published proposed amendments for initial qualification 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, 2017.

In an effort to simplify and streamline the ongoing compliance process and to further enhance market efficiency, these proposed amendments remove the ongoing formal role of the OTCQX Advisor, PAL or Corporate Broker, including the responsibility of submitting the Annual Letter after a company begins trading on OTCQX. We determined to update our rules based on feedback from our issuer, advisor and investment communities, as well as a review of our internal compliance function. As our markets have grown, we have improved the financial and governance standards, increased the size of our compliance and market surveillance teams and have strengthened our ongoing disclosure monitoring infrastructure, enabling us to efficiently take on the process of OTCQX company ongoing eligibility review and financial standards verification.

We believe these OTCQX Rule changes will further our goals of using technology and transparency to create the best informed and most efficient public trading markets in a cost-effective manner.

In making these changes, we have been able to streamline many of our OTCQX Application Forms and eliminate the Appointment of an OTCQX Advisor Form.

### ***Highlights of Proposed Changes***

You may select a specific rule set to view the proposed Rules in their entirety - [OTCQX Rules for U.S. Companies](#); [OTCQX Rules for International Companies](#); [OTCQX Rules for Banks](#)

### **OTCQX Rules for U.S. Companies:**

1. Companies are no longer required to retain an OTCQX Advisor on an ongoing basis, and instead must have a qualified attorney or investment bank act as an OTCQX Sponsor during the initial qualification process. The Sponsor is primarily responsible for writing a Letter of Introduction to OTC Markets Group on behalf of the Applicant.
2. Elimination of Annual OTCQX Advisor Letter
3. Certain seasoned public companies switching from a U.S. exchange or with a separate class of securities listed on a U.S. exchange may not need to engage an initial OTCQX Sponsor.
4. Removal of the requirement to be included in a Recognized Securities Manual that qualifies for the Blue Sky Manual Exemption. OTC Markets Group is working with the North American Securities Administration Association ("NASAA") and individual states to gain recognition for OTCQX for the purposes of "Blue Sky Manual Exemption" for secondary trading.

### **OTCQX Rules for U.S. Banks:**

1. Companies are no longer required to formally retain a Corporate Broker on an ongoing basis, and instead must have a Corporate Broker act as an OTCQX Sponsor during the initial qualification process. The Sponsor is primarily responsible for writing a Letter of Introduction to OTC Markets Group on behalf of the Applicant.
2. Elimination of Annual OTCQX Corporate Broker Letter
3. U.S. Banks will no longer be required to provide an annual OTCQX Bank Compliance Statement to OTC Markets Group.
4. Certain companies switching from a U.S. exchange or with a separate class of securities listed on a U.S. exchange may not need to engage an OTCQX Sponsor.

#### **OTCQX Rules for International Companies:**

1. Companies are no longer required to retain a PAL on an ongoing basis, and instead must have a qualified attorney, investment bank, or their ADR bank act as an OTCQX Sponsor during the initial qualification process. The Sponsor is primarily responsible for writing a Letter of Introduction to OTC Markets Group on behalf of the Applicant.
2. Elimination of Annual PAL Letter
3. International Companies will no longer be required to provide an annual Issuer Compliance Statement to their PAL.
4. Certain seasoned public companies switching from a U.S. exchange or with a separate class of securities listed on a U.S. exchange may not need to engage an OTCQX Sponsor.
5. Removal of the requirement to be included in a Recognized Securities Manual that qualifies for the Blue Sky Manual Exemption. OTC Markets Group is working with the North American Securities Administration Association ("NASAA") and individual states to gain recognition for OTCQX for the purposes of "Blue Sky Manual Exemption" for secondary trading

#### **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](mailto:mike@otcmarkets.com) by November 11, 2016.**

#### **Effective Date of Proposed Changes:**

**The proposed rules are scheduled to become effective for all OTCQX companies on January 1, 2017.**

**Compliance Note:** Effective immediately, in consideration of the pending changes to the OTCQX Rules, current OTCQX companies and those joining prior to January 1, 2017 may apply in writing for an exemption to the requirement to retain an OTCQX Advisor, PAL or Corporate Broker to meet the OTCQX ongoing compliance standards. Contact OTC Markets Group Issuer Compliance at 212-896-4420 with any questions.