

## **OTCQX RULES FOR U.S. AND INTERNATIONAL COMPANIES RELEASE NO. 7 (PROPOSED AMENDMENT)**

OTC Markets Group has published proposed amendments to the OTCQX Rules for U.S. Companies and OTCQX Rules for International Companies. The most significant change aligns the initial eligibility requirements for both U.S. and international companies with the SEC's "penny stock rules". With the effectiveness of these proposed rules, OTC Markets Group will no longer admit penny stocks to the OTCQX marketplace. This proposed change will affect only the initial eligibility criteria for OTCQX, not the requirements for continued qualification, and will not affect any company currently trading on OTCQX. Generally speaking, penny stocks are those that do not have at least one of the following: \$5 bid price, \$2mm net tangible assets, or \$6mm revenue each of the preceding 3 years.

Although a majority of companies currently on OTCQX are not penny stocks, aligning the OTCQX financial standards with the penny stock rules will create a clearer distinction between the high quality companies on OTCQX and companies on OTCQB and OTC Pink, where penny stocks abound. OTC Markets Group believes these changes will enhance the overall quality of the OTCQX marketplace and help investors understand the quality of the companies traded there.

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

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

- To be eligible to join OTCQX, a company must have common stock that meets any available exemption from the definition of a "Penny Stock" under Rule 3a51-1 under the Securities Exchange Act of 1934.
- Seasoned issuers that complete a reverse stock split may now qualify for OTCQX under the bid price requirement if they maintain a minimum bid price for 5 consecutive trading days immediately preceding the Company's application for OTCQX, compared to the 90 days previously required.
- OTC Markets Group will now consider on a case by case basis Acquisition Companies. The Company must satisfy all of the eligibility requirements for the OTCQX U.S tier plus have \$25 million in net tangible assets; \$10 million in market value of publicly traded securities; minimum bid price of \$5.00; and be an SEC Reporting Company.

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

- To be eligible to join OTCQX, a company must have common stock that meets any available exemption from the definition of a "Penny Stock" under Rule 3a51-1 under the Securities Exchange Act of 1934.
- The Rules have been updated to state that if a company does not currently trade on a Qualified Foreign Exchange, OTC Markets Group may, in its sole and absolute discretion, consider the Company's eligibility for OTCQX International. Personal Information Forms for each Executive Officer, Director, and beneficial owner of 10% or more of a class of the Company's securities will be required.

### **Comment Period:**

We welcome your feedback about the proposed changes. Send comments and questions to Mike Vasilios, Director of Issuer Compliance, at [mike@otcmarkets.com](mailto:mike@otcmarkets.com).

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

The proposed rules will be effective on April 22, 2013.