



Pulse of the Public Markets

SEC Small Business Capital Formation Advisory Committee

OTCMarkets

January 29, 2021

About OTC Markets Group

We operate regulated public markets for broker-dealers to provide liquidity and execution services in over 11,000 U.S. and global securities. 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 is to create better informed and more efficient financial markets:

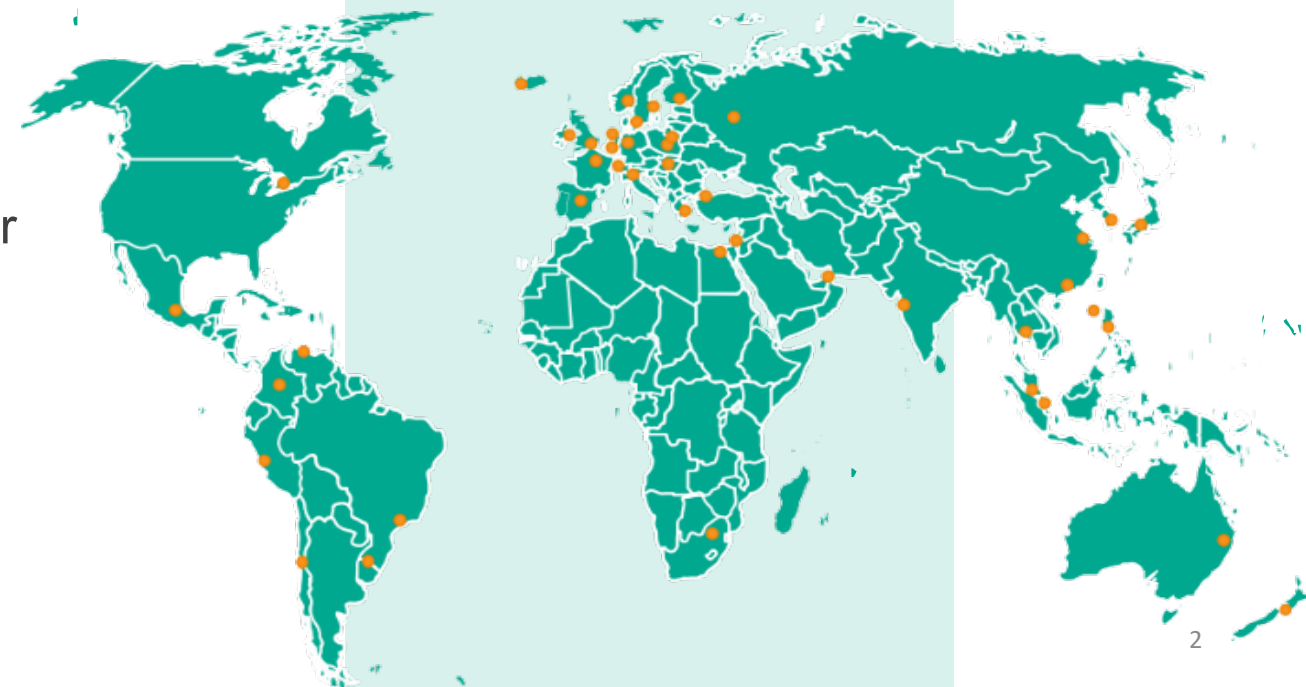
- **Dealer market structure** that supports the liquidity needs of smaller or less actively traded companies.
- **Streamlined disclosure and corporate governance standards** that are cost-effective and tailored to meet the needs of smaller companies.
- **Venture market supporting public company growth**, where approximately 60-80 companies on our markets “graduate” to an exchange listing each year.

11,758 securities
connecting over
50 recognized
global exchanges

\$20 trillion+
total market
capitalization

\$445 billion
annual dollar
volume

*As of December 31, 2020



Our Markets

We organize the approximately 11,000 securities into three markets, based on the recognized disclosure and corporate governance standards. Investors can buy and sell securities on these markets through their brokerage account, just like they would with any exchange listed stock.



The Best Market

- 450+ Established, investor-focused U.S. and global companies
- High financial standards, best practice corporate governance and compliance with U.S. securities laws
- Current public reporting
- Penny stocks, shells and companies in bankruptcy cannot qualify for OTCQX



The Venture Market

- 900+ Early-stage and developing U.S. and international companies
- Current public reporting and an annual verification and management certification
- Must meet \$0.01 bid test and may not be in bankruptcy
- Meet thresholds for beneficial shareholders and freely tradable Public Float

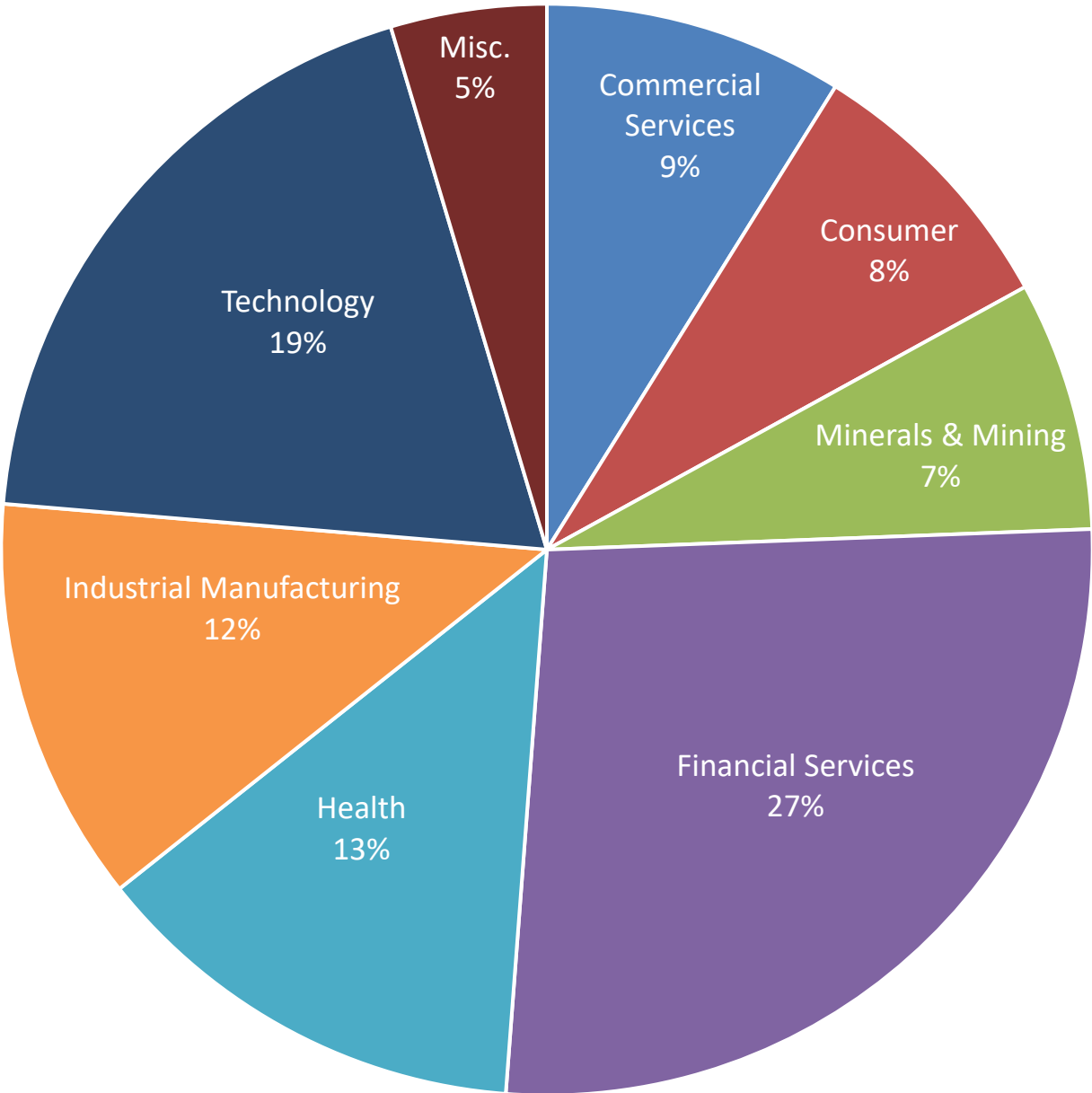


The Open Market

- Allows broker-dealers to electronically trade all types of companies
- Companies not providing adequate information to investors
- No minimum financial standards
- Investors should research and exercise caution

Small U.S. Public Companies on the OTCQX and OTCQB Markets

556 small public companies (those having a market cap less than \$250M) based across **36** states are traded on the OTCQX and OTCQB markets. These companies span many industries, have an aggregate market cap of **\$25B** with over **88,000** employees.



Avg. Per Company

\$48M market cap

\$7.56 share price

\$65M revenue (2020)

197 employees

\$750K avg. daily \$ vol.

683 shareholders

77% SEC Reporting

17% Bank Reporting

6% Alt. or Reg A Reporting

Data as of January 26, 2021

Going public on the OTC markets

As an alternative to more traditional IPO, companies can raise capital in private offerings to create a pool of equity that can be unlocked and develop into a public trading market.

Raise Private Capital

Companies raise capital through private placements and exempt offerings from angel investors, private equity firms and venture capital using the SEC's exempt offering framework:

- Rule 506 of Reg D
- Rule 144A
- Rule 701 (employees and service providers)

Make Shares Freely Tradable

Companies can work with advisors to make shares freely tradable by:

- SEC Registration: Filing an S-1 or Form 10 with the SEC to register the shares.
- Rule 144: Working with its attorney and transfer agent to remove restrictive legends from shares held by non-affiliates for the applicable holding period.

Enable Brokers to Quote the Shares

Companies make current information publicly available in compliance with SEC Rule 15c2-11, our OTCQX and OTCQB rules, and state and federal securities laws.

- Current Information: Beginning in 2021, all companies must make current information publicly available.
- DTCC: Improves the ability of brokers to process transactions.

Regulatory areas impacting small company trading

The following recommendations would combat retail investor fraud, improve market efficiency and enhance capital formation opportunities for small businesses across the U.S.

- **Exchange Act Rule 15c2-11:** Approval of a regulated “Expert Market” for sophisticated and professional investors to trade securities that do not make current information available.
- **Rule 144:** Modernize “red flag” guidance for brokers and other intermediaries and make Form 144 information more readily available to investors.
- **Regulation A:** Allow for at-the-market offerings.
- **Transfer Agent Rules:** Require additional disclosure so industry participants can gain valuable insight into share ownership, distributions and transfer history.
- **Paid Stock Promotion:** Enhance and modernize Section 17(b) disclosure requirements for stock promoters.
- **13F Institutional Reporting:** Extend reporting requirement to apply to holdings in OTC securities.
- **Clearing & Depositing:** Issue industry guidance and examine NSCC/DTCC Rules impacting “Illiquid” securities.

Contact Us

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