



VIA Electronic Submission

Secretary

Securities and Exchange Commission

100 F Street, NE

Washington, DC 20549-1090

Re: Proposed Amendments to FINRA Rule 6432; File No. SR-FINRA-2014-011

Dear Secretary:

OTC Markets Group Inc.¹ ("OTC Markets Group") respectfully submits to the Securities and Exchange Commission (the "SEC") the following comments on proposed amendments to FINRA Rule 6432 (the "Proposed Rule"). While this proposed rule was effective upon filing with the SEC on March 6, 2014, we nonetheless take this opportunity to express our views about the Proposed Rule and other related rules that prohibit the receipt of payments from issuers to defray the considerable expense incurred by broker-dealers to comply with the information-gathering and review requirements of Rule 15c2-11 ("Rule 15c2-11") under the Securities Exchange Act of 1934 (the "Exchange Act"). In particular, we stress the need to streamline the quotation process for ADR's and foreign ordinaries of global companies listed on regulated foreign markets and the need to allow companies to pay for the investment banking services required to introduce a smaller company securities to the public markets through a broker-dealer initiating quotations.

The SEC and FINRA should foster a well regulated investment banking ecosystem to support the growth of smaller domestic companies as they enter public markets and create sound processes and regulations to allow global companies to trade efficiently in

¹[OTC Markets Group Inc.](#) (OTCQX: OTCM) operates Open, Transparent and Connected financial marketplaces for 10,000 U.S. and global securities. Through our OTC Link® ATS, we directly link a diverse network of broker-dealers that provide liquidity and execution services for a wide spectrum of securities. We organize these securities into marketplaces to better inform investors of opportunities and risks – OTCQX®, The Best Marketplace; OTCQB®, The Venture Stage Marketplace; and OTC Pink®, The Open. Our data-driven platform enables investors to easily trade through the broker of their choice at the best possible price and empowers a broad range of companies to improve the quality and availability of information for their investors.

the U.S. Our comments to the Proposed Rule are based on our experience operating the marketplaces of choice for the trading of smaller, growth companies and established global companies. With that in mind, our comments focus on the following issues:

- 1) The current rules do not provide a streamlined process for broker-dealers to file Form 211s with FINRA in ADRs and ordinary shares of companies listed on regulated foreign markets.
- 2) The current rules disadvantage smaller companies and investors by limiting the ways in which a company can engage a qualified investment banking professional at a FINRA member broker-dealer to help bring the company to market. A broker-dealer filing a Form 211 to begin quoting a security on our OTCQX, OTCQB or OTC Pink marketplaces is often responsible for the company's initial exposure to the public trading markets, and for setting the initial price of the security. Performing the necessary research and review to ensure an accurate and complete Form 211 filing and determine the initial pricing on a small company with limited trading interest and little public recognition is a valuable investment banking service.
- 3) The Proposed Rule is designed to prevent direct contact between companies and broker-dealers. This can work in the case of larger, well-known companies with significant investor trading interest, but could harm smaller companies in which there is limited trading interest. Smaller, less well-known companies demand more extensive broker-dealer research to appropriately price initial quotations.

FINRA Rule 6432 provides only that a Form 211 must be filed at least three days prior to a broker-dealer initiating a quotation in the subject security. Neither Rule 6432 nor Form 211 makes reference to any review or approval by FINRA prior to a broker-dealer initiating a quote. By FINRA's own rules, Form 211 is designed to be a notice filing, not a filing requiring FINRA approval. Unfortunately, , with the majority of their capacity consumed reviewing seasoned securities of companies already listed on regulated foreign markets, FINRA consistently takes much longer than three days to respond to each Form 211, which significantly delays the initial publication of quotations for many large global and smaller U.S. companies.

Key Discussion Points

There are over 5,000 combined ADRs and foreign ordinary shares of international companies listed on regulated foreign markets around the globe that are currently traded grey market with no quote transparency and could easily be publicly quoted in the U.S. if the FINRA Form 211 process is appropriately streamlined. Public quotes in global securities allow investors to receive the benefits of public quote prices, limit order

display and more efficient trading through SEC and FINRA regulated broker-dealers. This would allow for competitive pricing, better execution quality and improved regulatory oversight for U.S. investors and brokers. The presence of transparent U.S. trading markets for established global companies benefits U.S. investors, broker-dealers, and our financial markets as a whole.

Rule 15c2-11 and the Proposed Rule represent the gateway to public trading and investor interaction for many smaller, growth-stage companies. Congress, primarily through the Jumpstart our Business Startups Act (the “JOBS Act”), has focused the attention of U.S. financial markets on small company growth and development. With the JOBS Act raising the threshold number of shareholders a company may have prior to mandatory SEC registration, Congress recognized that small companies often need to develop their businesses and gain experience in the public trading markets before considering listing on a stock exchange. Rules governing a company’s initial entry into the public domain greatly impact the ability of smaller, growth stage companies to fully mature, and any consideration of new requirements must contemplate the potential impact on the economy as a whole.

The following table shows a quarterly breakdown of approved Form 211’s for domestic, ADR and foreign securities for the twelve month period from April 1, 2013 to March 31, 2014:

Quarter	Issuer Name	Count	%
Q2 2013	Domestic	59	32%
Q2 2013	ADR & Foreign	124	68%
Q3 2013	Domestic	59	26%
Q3 2013	ADR & Foreign	171	74%
Q4 2013	Domestic	80	41%
Q4 2013	ADR & Foreign	116	59%
Q1 2014	Domestic	55	19%
Q1 2014	ADR & Foreign	233	81%
Average/ Quarter	Domestic	63	28%
Average/ Quarter	ADR & Foreign	161	72%

Streamlining the Form 211 process will ensure that U.S. investors have efficient access to a broad range of global investment opportunities and that the U.S. is the world's primary securities market for trading global securities. However, our experience indicates that FINRA only has the capacity to process fifteen to twenty Form 211 filings a week, which means it would take nearly 6 years for FINRA to process the Form 211's for all 5,000 eligible foreign securities. Over 70% of FINRA's capacity is taken up by ADRs and foreign ordinary shares of companies listed on regulated foreign markets. This is a misallocation of resources that can be better focused on smaller U.S. companies.

Background: Information Gathering Under Rule 15c2-11

Rule 15c2-11 governs the submission and publication of quotations by broker-dealers in securities not listed on a national securities exchange. Rule 15c2-11 requires broker-dealers to review and maintain specified information about the issuer of a non-exchange listed security before publishing a quotation for that security in any interdealer quotation medium, including our OTC Link[®] ATS.

Unless an exception to Rule 15c2-11 is available, the rule requires a broker-dealer to gather and review, and maintain in its files, one of the following five sets of information: (1) a prospectus specified by Section 10(a) of the Securities Act of 1933 (the "Securities Act") that has been filed with the SEC and been in effect less than 90 calendar days; (2) an offering circular provided for under Regulation A of the Securities Act, the effective date of which must be within the preceding 40 days; (3) if the issuer is current in its SEC filing obligations, the issuer's latest Form 10-K and all subsequent Form 10-Qs and Form 8-Ks; (4) if the issuer is exempt from Section 12(g) of the Exchange Act pursuant to Rule 12g3-2(b), all the information the issuer has published pursuant to that rule since the beginning of its last fiscal year; or (5) sixteen items of information about the issuer, including financial information that is reasonably current in relation to the day the quotation is submitted.

The information gathered by a broker-dealer pursuant to Rule 15c2-11 must be filed with FINRA pursuant to FINRA Rule 6432 together with a completed Form 211 at least three business days prior to entering a quotation in a quotation medium.

FINRA Rule 5250 (formerly NASD Rule 2460) prohibits broker-dealers from receiving any payment from an issuer, an affiliate of the issuer or a promoter in exchange for submitting a Form 211 with FINRA. The Proposed Rule would require broker-dealers to certify that no payment has been received that would be prohibited by FINRA Rule 5250.

Issuer Payments for Information Gathering and Review Should Be Allowed

The information gathering and review process required to take a company public under Rule 15c2-11 cannot be performed without cost. However, there is no principled reason why broker-dealers should always bear this cost, rather than allowing issuers to purchase this valuable service. This is particularly true for smaller, less prominent companies that do not have well known businesses and products, substantial existing investor demand or a listing on a regulated foreign market to help the broker-dealer determine the appropriate initial trading price.

When broker-dealers bring companies public on a U.S. national securities exchange, they are not restricted from receiving payment for the investment banking services necessary to complete the public offering and price the companies' securities. Following the clearance of a Form 211, investors can efficiently transact in the company's securities and access transparent broker-dealer quotations. The company can ultimately use that exposure and investor interaction to support its shareholder base and capital raising needs. Issuers of exchange-traded stocks pay listing fees, and those fees pay for the review of issuer disclosure by exchanges, among other things. Those issuers also work hand in hand with qualified investment banks and other financial services providers that assist in bringing the company to market. We are not aware of any objections to the receipt of listing fees by exchanges or of professional fees by investment banks or law firms. It follows that there is no coherent policy reason to believe that the independence of broker-dealers quoting and trading securities on our OTCQX, OTCQB and OTC Pink marketplaces will be compromised by allowing them to accept research and review payments from issuers. Such payments would defray the costs of gathering and reviewing issuer disclosures to facilitate trading, and appropriate disclosures to the marketplace would address any regulatory concerns.

The work done by broker-dealers to initiate and support trading also gives companies a platform for future capital raising. Many of the companies trading on our OTCQX, OTCQB and OTC Pink marketplaces are smaller, growth-stage companies that could greatly benefit from professional guidance on creating a public market and from the opportunity to engage and share information with investors. These companies demand more extensive broker-dealer review to appropriately price initial quotations. Better quality review and research for these smaller companies will improve the process of introducing a private company to the public markets via a Form 211. The most effective approach would be encouraging relationships between the investment banking departments of broker-dealers and these smaller, less well-known companies. Supporting the Form 211 process by encouraging interaction between companies and broker-dealers' investment banking departments would enhance the quality of professional advice and the ability of smaller, growth companies to raise capital, thereby giving effect to the Congressional intent behind the JOBS Act.

For regulatory and investor protection purposes, full and complete public disclosure of any payment from a company to the broker-dealer filing its Form 211 would be far more effective than the current rules that ban payment altogether. FINRA's ban on legal payment for research and review as part of bringing a company public via Form 211 effectively creates a prohibition-like environment. Although the practice of payment is not allowed, it will occur but be hidden from the regulator's view and facilitated through opaque relationships and unregulated advisors.

Targeted rules requiring disclosure of investment banking services provided and level of review performed for a Form 211 filing when receiving payment from the issuer would improve the process of taking a company public via Form 211. Going public via a Form 211 needs to be a legal, transparent and well-regulated process offered by investment banks to smaller companies. An updated Form 211 process would result in more transparent financial markets able to efficiently support small company growth, with reduced opportunities for microcap fraud.

As a practical matter, OTC Markets Group could make publicly available all the relevant details about a Form 211 when a company goes public, including the relationship between the company and the broker-dealer, whether any payment was made, the amount and frequency of any payments, and any additional services provided by the broker-dealer beyond the filing of the Form 211. Current public disclosure from all companies on the OTCQX and OTCQB marketplaces, and the OTC Pink Current Information marketplace tier, is already available on the OTC Markets Group website. Adding Form 211 information to a company's profile on our website would be an easy task, and would give investors access to the full range of company-related information in one location.

The current practices relating to Rule 15c2-11 can work when there is sustained strong trading demand in a specific security. However, always imposing Rule 15c2-11's costs on broker-dealers unfairly burdens investors in the subject companies. Under the current rule a broker-dealer choosing to quote a security must believe that the costs imposed by Rule 15c2-11 can be recovered in profitable trading activities. A broker-dealer that fails to recover these costs consistently will be negatively impacted. This results in broker-dealers choosing not to file Form 211s to take smaller, less well-known companies public because of a perceived lack of trading demand. Similarly, delays and breakdowns in FINRA's Form 211 review process cause broker-dealers to avoid filing Form 211's on established global companies that FINRA should have no problem validating during its Form 211 review.

For these reasons, the initial proposal for NASD Rule 2460 (the predecessor to FINRA Rule 5250) allowed broker-dealers to recover their actual costs by making the following exception to the prohibition on accepting compensation from issuers for publishing quotes in their securities:

“[A member shall not be precluded] from accepting . . . reimbursement of reasonable out-of-pocket expenses on an accountable basis, not including the member's overhead, in connection with the member's initial review process in determining whether to agree to publish a quotation or to act as a market maker in a particular security.”

NASD Notice to Members 96-83 (December 1996).

This worthwhile exception to NASD Rule 2430 was ultimately abandoned on the grounds that reimbursements for Rule 15c2-11 information gathering and review could violate Section 17(b) of the Securities Act of 1933 (the “Securities Act”) and could be used inappropriately to avoid the limitations of the Rule. We do not believe either of these objections pass muster.

Section 17(b) of the Securities Act prohibits any person from receiving consideration from an issuer to publish or circulate any material that describes the issuer's securities without fully disclosing the nature and amount of the consideration.

To the extent that there is a legitimate concern about violations of Section 17(b)², these concerns are addressed by the disclosure we propose in this letter.

Accordingly, we believe FINRA and the SEC should reconsider its initial formulation for NASD Rule 2430 and its progeny and allow broker-dealers to receive reimbursements for their reasonable out-of-pocket expenses incurred in connection with information gathering and review under Rule 15c2-11.

FINRA Should Consistently Complete a Form 211 Review Within Three Days

While FINRA Rule 6432 provides that a Form 211 must be received by FINRA three days prior to a broker-dealer initiating a quotation, we often hear complaints that FINRA's review process in most cases takes substantially longer to complete. Lengthy Form 211 reviews unfairly burden broker-dealers seeking to publicly quote and trade securities on the OTCQX, OTCQB and OTC Pink marketplaces, and deprive investors of the well-established benefits of a transparent, well regulated, public trading market in those securities. In particular, FINRA's lengthy Form 211 reviews of certain foreign companies are troublesome. FINRA does not appear to be held accountable for the delays or for the substance of its Form 211 reviews.

² In 2006 we recommended that the Commission update Rule 17(b) to require greater disclosure by promoters and affiliates. See <http://www.sec.gov/rules/petitions/petn4-519.pdf>. In 2013, we renewed that recommendation to Congress in testimony before the Subcommittee on Capital Markets and Government Sponsored Enterprises of the Committee on Financial Services. See <http://financialservices.house.gov/uploadedfiles/hrg-113-ba16-wstate-ccoulson-20130612.pdf>.

Global companies listed on regulated foreign markets, such as those recognized as Qualifying Foreign Exchanges for purposes of our OTCQX International marketplace³, are clearly publicly providing the disclosure necessary under Rule 15c2-11. In Germany, for example, the Deutsche Boerse Group operates a Quotation Board for the quoting and trading of securities not listed on a Deutsche Boerse Group exchange.⁴ The Quotation Board allows equities to trade only if they are already included on the Deutsche Boerse Group's list of regulated markets throughout the world.⁵ OTC Markets Group has consistently advocated for an improved FINRA review process as well as a procedure for FINRA to address the Form 211 filings relating to ADRs and ordinary shares of global companies that are publicly traded on regulated foreign markets. In our experience, FINRA can take three weeks or more to review the Form 211 for established, well-known companies such as the car maker Bavarian Motor Works (BMW). The extensive time taken on a review of BMW securities adds to the delays for the smaller companies that would benefit most from the initiation of public trading in their securities. It also creates a backlog of nearly 5,000 qualified global companies listed on regulated foreign markets that should be transparently quoted and traded on the U.S. markets to the benefit of U.S. investors and broker-dealers.

Unless FINRA is engaging in a substantive review of companies in a manner outside the scope of Rule 15c2-11 and FINRA Rule 6432, there is no reason a Form 211 review of these companies ADRs or ordinary shares should take longer than the three day notice period. Consideration of any new rulemaking relating to the Form 211 process should include a discussion of how to bring the FINRA review period in line with the three day notification requirement outlined in its rules. By streamlining the review of securities on regulated foreign markets, FINRA can increase its available capacity to review smaller U.S. companies that are going public for the first time. We encourage the SEC to work with FINRA to streamline this process and avoid further burdens on these broker-dealers, companies and the investing public.

* * *

³ OTC Markets Group identifies Qualifying Foreign Exchanges that have sufficient financial and disclosure requirements to qualify their listed companies to be considered for admission to the OTCQX marketplace. The full list of OTCQX Qualifying Foreign Exchanges is attached hereto as Exhibit A.

⁴ A description of the operation of the Deutsche Boerse Group's Quotation Board is available at: http://xetra.com/xetra/dispatch/en/listcontent/navigation/xetra/200_listing/Content_Files/info_box/news_o_m_2012_0404.htm

⁵ The list of Deutsche Boerse Group's list of regulated foreign markets is available at: http://xetra.com/xetra/dispatch/en/binary/gdb_content_pool/imported_files/public_files/10_downloads/33_going_being_public/45_antraege/boersenmaessige_handelsplaetze.pdf

We appreciate the opportunity to comment on the Proposed Rule. Please contact me at ([REDACTED] or [REDACTED] with any questions.

Very truly yours,



Daniel Zinn

General Counsel

OTC Markets Group Inc.

EXHIBIT A**Qualifying Foreign Exchanges**

Country	Stock Exchange
Argentina	Buenos Aires Stock Exchange
Australia	ASX - Australian Securities Exchange
Austria	Vienna Stock Exchange (Wiener Börse AG) - Official Market Vienna Stock Exchange (Wiener Börse AG) - Second Regulated Market
Belgium	Alternext Brussels Euronext Brussels
Brazil	BM&FBovespa
Canada	Toronto Stock Exchange TSX Venture Exchange Canadian Securities Exchange
Chile	Santiago Stock Exchange
China	Hong Kong Stock Exchange - Main Board Shanghai Stock Exchange Shenzhen Stock Exchange
Colombia	Colombia Stock Exchange
Denmark	OMX Nordic Exchange Copenhagen
Egypt	Egyptian Stock Exchange
Finland	OMX Nordic Exchange Helsinki
France	Alternext Paris Euronext Paris
Germany	Frankfurt Stock Exchange - Regulated Market - Prime Frankfurt Stock Exchange - Regulated Market - General
Greece	Athens Exchange
Hungary	Budapest Stock Exchange
Iceland	OMX Nordic Exchange Iceland
India	Mumbai/Bombay Stock Exchange
Italy	Borsa Italiana S.p.A.
Japan	Tokyo Stock Exchange JASDAQ Securities Exchange - Standard Osaka Securities Exchange - 1st Section Osaka Securities Exchange - 2nd Section

Korea	Korea Stock Exchange (KSE) - Main Board Korea Stock Exchange (KSE) - KOSDAQ
Malaysia	Malaysian Stock Exchange - Main Board
Mexico	Bolsa Mexicana de Valores (Mexican Stock Exchange)
Netherlands	Alternext Amsterdam Euronext Amsterdam
New Zealand	New Zealand Exchange
Norway	Oslo Bors (Oslo Stock Exchange)
Peru	Bolsa de Valores de Lima (Lima Stock Exchange)
Philippines	Philippine Stock Exchange
Poland	Warsaw Stock Exchange - Main Board
Portugal	Euronext Lisbon
Russia	MICEX - Moscow Interbank Currency Exchange RTS - Russian Trading System Stock Exchange
Singapore	Singapore Exchange
South Africa	Johannesburg Stock Exchange
Spain	Madrid Stock Exchange Continuous Market
Sweden	OMX Nordic Exchange Stockholm
Switzerland	SIX Swiss Exchange
Thailand	Stock Exchange of Thailand (SET)
Turkey	Istanbul Stock Exchange - National Market
United Arab Emirates	Dubai International Financial Exchange (DIFX)
United Kingdom	London Stock Exchange (LSE) - Main Board AIM Market
Venezuela	Caracas Stock Exchange