OTC Markets

December 30, 2019

Via Electronic Submission

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
rule-comments@sec.gov

Re: OTC Markets Group Comments to the Publication or Submission of Quotations Without Specified Information (File Number S7-14-19)

OTC Markets Group[1] is pleased to submit this comment letter in response to the Securities and Exchange Commission's ("SEC" or the "Commission") Proposed Rule and Concept Release on the Publication or Submission of Quotations Without Specified Information (the "Proposal").

Following our preliminary comments to the Proposal submitted on November 25, 2019,[2] this comment letter provides an in-depth response to the proposed amendments to Rule 15c2-11 under the Exchange Act of 1934 (the "Rule").

We share the Commission's goal of bringing greater transparency to the over-the-counter ("OTC") market and hope that the Rule Proposal will result in a modernized Rule 15c2-11 that works for all industry participants. Our comments to the Proposal focus on improving the Rule in the following areas:

- Achieving the Proposal's stated objectives by allocating specific roles and responsibilities to the market participant best able to perform the role;
- Modernizing the Rule's standard of review with respect to current information requirements;
- Streamlining FINRA's role in the Form 211 process;
- Recognizing a regulated venue for professional investors to trade securities that no longer qualify for widespread public quote dissemination under the Rule;
- Imposing additional disclosure requirements and trading restrictions on insiders and affiliates, particularly with respect to companies that do not make disclosure publicly available (known as "No Information" or "dark" companies) and shell companies;
- Modifying and simplifying the piggyback exception, as well as adopting additional technical amendments and regulatory guidance where necessary; and

[1] OTC Markets Group Inc. operates the OTCQX® Best Market, the OTCQB® Venture Market and the Pink® Open Market for 10,000 U.S. and global securities. Through OTC Link® ATS and OTC Link ECN, we connect a diverse network of broker-dealers that provide liquidity and execution services. We enable investors to easily trade through the broker of their choice and empower companies to improve the quality of information available for investors. OTC Link ATS and OTC Link ECN are SEC regulated ATSs, operated by OTC Link LLC, member FINRA/SIPC.

[2] OTC Markets Group Inc., Comment to File No. S7-14-19 (Nov. 25, 2019), available at: https://www.sec.gov/comments/s7-14-19/s71419-6471877-199389.pdf.

- Cutting back overly complex areas of the Proposal that will impose impractical regulatory burdens, reduce market competition and harm capital formation.

Rule 15c2-11 is the foundational rule governing a broker-dealer's ability to quote securities on our marketplace. Our comments and suggestions are based on our experience operating the primary U.S. trading markets for OTC equity securities and facilitating compliance with the Rule.

I. The Rule must take into account the roles and responsibilities of all market participants

The stated policy goals of the Proposal are to (i) promote investor protection, (ii) preserve the integrity of the OTC market, and (iii) promote capital formation for issuers that provide current and publicly available information to their investors. For the Proposal to result in a successful rulemaking that achieves these goals, the Commission must take into account the distinct roles and responsibilities of the market participants impacted by the Rule:

- **Issuers:** Company management must take responsibility for all aspects of their public disclosure. Issuers that make accurate, current information publicly available should have access to efficient, regulated public marketplaces where they can raise capital and provide liquidity for their investors.

- **Investors:** Shareholders have a property right in their shares, particularly unaffiliated, minority shareholders that purchase for investment value. They must be able to buy and sell the shares they own through their regulated broker-dealer in accordance with, and under the protection of, the federal securities laws. Investor sophistication and risk-tolerance exists along a spectrum: the same security that may be unsafe in the hands of a novice investor may be appropriate for a more experienced or professional investor that independently engages in fundamental research. Modern markets can leverage data and disclosure to balance these competing interests and support a vibrant marketplace that works for all types of investors.

- **Control Persons and Affiliates**: Fair markets require clear disclosure of all buying or selling by control persons and affiliates. When a company is unable to make adequate current information publicly available, or management consciously chooses not to make required public disclosures, company insiders and control persons have heightened access to company information and must not be allowed to buy or sell shares through the anonymous public markets. These information asymmetries do not exist when we firewall public markets from insider trading and only allow trading by non-affiliate investors.

- **Broker-dealers:** Registered securities professionals trading OTC equities should be responsible for submitting transparent public quotations and pricing information, achieving best execution for customers and complying with FINRA and SEC customer, market maker and trading rules. Since federal law requires registration to engage in the regular business of facilitating transactions in securities, broker-dealers need to provide investors with high quality trade executions in any security the investor wishes to purchase or sell.

- **Marketplaces:** The qualified interdealer quotation system ("IDQS"), as an "information repository", should be responsible for (i) collecting and reviewing issuer information to determine that public disclosure is complete and from a reliable source before initiation of public trading, (ii) monitoring the timeliness of ongoing periodic company disclosure, and (iii) maintaining such information in a centralized, publicly accessible format for the benefit of broker-dealers, investors and regulators.

- **Regulators:** A successful, modernized Rule 15c2-11 will rely on the SEC and FINRA each playing a vital regulatory role. The Commission should continue to implement regulatory policy, monitor marketplace activity and conduct enforcement actions to prevent and deter fraudulent schemes. FINRA should be responsible for reviewing IDQS and broker-dealer compliance with the information review and recordkeeping provisions of the Rule, while fulfilling its role as the primary regulator of U.S. broker-dealers in accordance with the FINRA rules.

We believe that each of these participants can and must play an important role in serving the ultimate objectives of Rule 15c2-11, which is premised on the philosophy that an investor should be provided with sufficient information about a company such that they can make an informed investment decision.

Over the years, OTC Markets Group has established a recognized disclosure framework that provides a wide range of public companies with a cost-effective way to make information publicly available and to communicate compliance with their regulatory reporting requirements. Our issuer compliance team oversees company disclosure across our OTCQX, OTCQB and Pink markets, and maintains procedures that allow us to clearly identify companies that meet their current public disclosure obligations as well as those that fail to meet applicable disclosure standards. Companies on our OTCQX and OTCQB markets must maintain up-to-date disclosure, while we designate companies on the Pink market as "Current Information," "Limited Information" and "No Information" in accordance with the sufficiency and timeliness of their disclosure.[3]

We believe that many of the core elements of the Proposal can build on our recognized disclosure framework to create a better marketplace for all participants.

II. The Rule's information review standard should be modernized

The Rule's current review standard requires that a broker-dealer have a reasonable basis for believing that the information about the issuer is accurate in all material respects and from a reliable source. This standard must be updated in consideration of the significant changes in the regulatory landscape since the Rule's initial adoption in 1971 – a time when current company disclosure and pricing information was available only in paper form and often only on an intermittent basis to a select few who were "in-the-know," if it was even available at all. The

[3] A description of our markets, including links to our marketplace rules and disclosure standards, is attached hereto as Exhibit A. Additional information is available on our website at www.otcmarkets.com.

Rule was originally adopted to deter and prevent broker-dealer fraud in the OTC market[4] and predates many of the core fair market, trading and investor protection rules that govern broker-dealer trading on these markets today.[5]

The last substantive amendments to the Rule took place in 1991, the same year that the world's first website was launched. Those amendments predate more recent regulatory developments such as Regulation Best Interest. Nearly 50 years after the Rule's adoption, investors can easily access a wealth of market data and company information on their computer screens and mobile devices. Technology enables investors to analyze companies, value securities and trade or contact their broker at the click of a button. Broker-dealers likewise have developed sophisticated, automated compliance systems that help to identify risk and meet applicable customer and trading rules.

In the age of "big data" and "information overload", the Rule must carefully allocate roles and responsibilities to the most capable parties. Issuers create their disclosure and are best positioned to ensure its accuracy. An IDQS can best perform the role OTC Markets Group effectively plays today, by monitoring the completeness, timeliness and public availability of the company's disclosure. Such a division of responsibility and accountability would also align with the SEC's own standard in reviewing company disclosure.

As stated by the Commission as far back as 2002, "[e]xisting antifraud law, as well as the disclosure rules governing documents filed with or submitted to the Commission, already place responsibility for the accuracy and completeness of disclosure, and liability for failure to satisfy disclosure requirements, on corporate management and directors."[6]

Accordingly, the standard of review for the initial publication or submission of quotations pursuant to paragraph (a) of the Rule should be a reasonable basis for believing that the required paragraph (b) information is "*complete* in all material respects" and from a reliable source. An initial review for completeness and reliability aligns

[4] *See* SEC Proposed Rulemaking: Fraudulent, Manipulative, Deceptive and Fictious Quotations, Exchange Act Release No. 34-8909, 35 FR 10597 (Jun. 30, 1970) ("Such conduct on the part of some brokers and dealers has included the hasty submission of quotations in the daily sheets of the National Quotation Service, Inc., in the absence of any information about the security or the issuer and before any opportunity is afforded to public investors to acquire such information in order to make an informed investment judgment."); *see also* Initiation or Resumption of Quotations Without Specified Information, Exchange Act Release No. 29094 (Apr. 17, 1991), 56 FR 19148 (Apr. 25, 1991) ("1991 Adopting Release").

[5] *E.g.* FINRA Rule 2111 (Suitability) (adopted eff. Jul. 9, 2012); FINRA Rule 5320 (Prohibition Against Trading Ahead of Customer Orders) (adopted eff. July 7, 1994).

[6] *See* SEC Proposed Rule: Certification of Disclosure in Companies' Quarterly and Annual Reports, Exchange Act Release No. 34-46079 (June 17, 2002), available at: https://www.sec.gov/rules/proposed/34-46079.htm.

with our current disclosure review procedures and in fact exceeds the Commission's own review standard.[7]

Combined with the additional obligation to review "supplemental information" in paragraph (c) of the Rule, and the retail investor protections safeguards already in place,[8] this standard allocates responsibilities to the appropriate market participants.

With respect to ongoing quoting after the initial company information review standard has been met, we support the Proposal's recognition of the standards that have developed in the OTC markets. We agree that the operator of a qualified IDQS is well situated to efficiently monitor that the company's continuous disclosure is current and publicly available. In response to Question 45 of the Proposal, we also support the inclusion of a "grace period" with respect to companies that are no longer eligible to be publicly quoted under the current information requirement or exceptions to the Rule. A grace period would serve as a notice to investors and issuers, allowing each time to take appropriate action prior to the loss of quote eligibility.[9]

III. FINRA's Form 211 process should be streamlined

In addition to updating the standard of review as described above, the Commission must also consider FINRA's involvement in the administration of the Rule. The SEC's Rule 15c2-11 works in coordination with FINRA Rule 6432, which requires broker-dealers to file a Form 211 with FINRA to demonstrate compliance with Rule 15c2-11.

FINRA's review process frequently adds unneeded complexity and delay. Under a plain language reading of FINRA Rule 6432, broker-dealers *should* be permitted to submit quotations three days after filing a Form 211 with FINRA. Over time, however, the application of this rule has morphed into FINRA frequently withholding a trading symbol, or otherwise not allowing quoting to commence, until it has completed an exhaustive review of the Form 211. This process generally includes requests for additional information related to the issuer and can take

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[7] *See* SEC Filing Review Process (Sept. 27, 2019), available at: https://www.sec.gov/divisions/corpfin/cffilingreview.htm ("The Division's review process is not a guarantee that the disclosure is complete and accurate — responsibility for complete and accurate disclosure lies with the company and others involved in the preparation of a company's filings.").

[8] *See* 1991 Adopting Release at 1910, n.22 ("[u]nder the general antifraud provisions of the federal securities laws, a broker-dealer that recommends securities to its customers, i.e., a retail firm, is required to have a reasonable basis for those recommendations.").

[9] The Commission may also want to examine the timing of the Rule's paragraph (b) disclosure requirements to ensure consistency with existing SEC disclosure rules. For example, an SEC Reporting company that files a Form NT and is granted an extension of time to file its annual report may become a delinquent "catch-all issuer". While the company would have an additional 15 days to timely file its report with the SEC, it may be ineligible for quoting under paragraphs (b)(5)(xiv) through (xvi) of the Rule because its financial information would be greater than 6 months old. We recommend that the Commission align paragraph (b) disclosure timing with SEC rules applicable to Smaller Reporting Companies, which is also consistent with OTC Markets Group's own disclosure framework.

anywhere from weeks to months.[10] FINRA's additional information requests frequently include non-public information and information outside the scope of Rule 15c2-11. FINRA does not make this information, which is often material, publicly available once it ultimately approves the security for quoting.

With respect to SEC reporting issuers, Form 211 reviews often extend to information already filed with, and approved by, the SEC. More specifically, an offering conducted under Regulation A must be "qualified" by the SEC and, once qualified, the issuer is subject to ongoing reporting requirements. Despite the comprehensive SEC review process and reporting obligations, issuers of Regulation A securities are often subject to another lengthy FINRA review process pursuant to Rule 6432 before the securities can be publicly quoted.[11]

Rule 15c2-11 represents the gateway to the public markets for many companies. For the SEC's Proposal to have the desired impact, FINRA's role in the process must be updated to allow for the facilitation of fair and efficient markets. FINRA and the SEC should work together to review and update Rule 6432 accordingly.

Rather than interposing FINRA into each specific decision to initiate quoting, the Rule should permit broker-dealers to rely on the determination of a qualified IDQS to initiate quotes in these securities without filing a separate Form 211 with FINRA. In other words, we recommend that when a qualified IDQS publicly determines that it has a reasonable belief an issuer's disclosure is complete and from a reliable source, broker-dealers should be able to rely on this determination and commence quoting on that IDQS without the need to file anything with FINRA. This would facilitate the development of a deep and robust trading market, which in turn would improve market efficiency, price discovery and the opportunity for each broker-dealer to provide best execution for its clients.

FINRA would continue to participate in the administration of the Rule through its role as the primary regulator of the qualified IDQS and quoting broker-dealers. In this capacity, FINRA could periodically review the adequacy of brokers' and IDQSs' policies and procedures for complying with the Rule's initial and ongoing information review and recordkeeping requirements.

The Proposal seems to presume that the qualified IDQS would conduct only initial determinations of the information requirements.[12] However, specific to securities quoted on OTC Link ATS, OTC Markets Group already performs an ongoing review of issuer disclosure, and would continue to make ongoing determinations as to whether broker-dealers should be permitted to continue quoting in accordance with the Rule. This would do away with the

[10] FINRA takes, on average, 34 days to approve a Form 211 – from the initial filing to clearance. Based on data from January 1, 2015 through November 31, 2019.

[11] FINRA cleared Form 211s in four Regulation A securities in 2019, taking from 2 to 6 months to approve each. Based on data from January 1, 2019 through November 31, 2019.

[12] *See* Proposal at pg. 96 ("a qualified IDQS would not need to review current reports filed after the qualified IDQS publishes its determination that it complied with the information review requirement.")

complexity and inefficiency of a 30-day "piggyback eligibility" period, as described in further detail below. In the event our ongoing compliance review reveals that the issuer ceased providing compliant disclosure, the issuer's securities would move into the grace period and, if the disclosure is not cured, would no longer be eligible for quoting on our market.[13]

These simple modernizations would result in immediate public availability of company disclosure, increased market efficiency and a vastly improved investor experience.

In the event that no qualified IDQS determines that a company's disclosure meets the Rule's requirement for initiating quotations, a broker-dealer should still be permitted to file a Form 211 directly with FINRA using the system currently in place. For example, OTC Markets Group cannot constantly monitor each issuer's website to determine if the required disclosure is always available, complete and current.[14] In such a circumstance, our compliance practices would not allow us to indicate that the information meets the Rule's disclosure standard. However, if a broker-dealer is comfortable that the information on the issuer's website complies with the Rule, that broker-dealer should still be permitted to file a Form 211 with FINRA to initiate quotations in the security.

The SEC should continue its robust enforcement practices by proactively investigating any company that has published false or misleading information. The qualified IDQS, or other information repository hosting the company's public information, would become a valuable enforcement resource for the SEC and any other agency conducting such an investigation.

IV. Securities no longer eligible for public quoting under the Rule should be permitted to be quoted on an "Expert" market

The Proposal does not address what happens to "No Information" and other securities that cease to qualify for public quotations under the Rule. All types of equity securities trade in the OTC market, including those issued by global mega-cap issuers, domestic community banks, exchange delists, distressed companies and many others.

Public comments submitted to the Proposal to date reflect widespread concern that the Proposal will destroy the value of investment portfolios and harm investment strategies used by sophisticated, professional investors.[15]

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[13] We currently perform this type of ongoing review to determine whether a company should be moved to the "Pink No Information" market designation.

[14] Similarly, the SEC does not consider quarterly or annual reports "current" until they are filed with EDGAR, and does not recognize an issuer's website for the purpose of filing financial reports and most other disclosure. *See* Commission Guidance on the Use of Company Web Sites, Exchange Act Release No. 34-58288 (Aug. 7, 2008), available at http://www.sec.gov/rules/interp/2008/34-58288.pdf.

[15] Securities that would no longer be eligible for quoting under the Rule include those of distressed companies, bankruptcies, and those with assets consisting of cash and securities – the type of opportunities that experienced value investors seek out.

As noted in one letter, "[t]here are many thinly traded, OTC stocks of legitimate, profitable companies. These shares have grown in value over time and continue to be profitable for those who do their research and seek out value."[16] We agree with these commenters that, without an alternative solution such as our "Expert Market,"[17] the lack of any price discovery or electronic secondary market liquidity in these securities will artificially depress or even eliminate their value.

The Proposal is premised in large part on the idea that market maker quoting in "No Information" securities can create the appearance of demand for the stock and thus make retail investors more susceptible to fraud.[18] We support the Commission's aim to reduce retail investor fraud. However, without a pathway to publish quotations in a regulated public market, investors in these securities would be subject to fraud in the "Grey" market – an opaque, disconnected market with sparse pricing information and no electronic mechanism to facilitate best execution.

The experience of trading securities on the "Grey" market resembles the way stocks were traded in the 1970's, when the Rule was first adopted. Transactions in Grey market securities have no public quote, forcing brokers to source liquidity and pricing primarily over the phone.[19]

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[16] *See* R. Lefton, Comment to File No. S7-14-19 (Nov. 11, 2019), available at: https://www.sec.gov/comments/s7-14-19/s71419-6408203-198451.htm; *see also* Hester M. Peirce, Commissioner, "Broken Windows: Remarks before the 51st Annual Institute on Securities Regulation" (Nov. 4, 2019), available at: https://www.sec.gov/news/speech/peirce-broken-windows-51st-annual-institute-securities-regulation ("Initial commentary in response to our [Rule 15c2-11] proposal is admittedly not very supportive […] Admittedly, getting the balance right is difficult. As we finalize the rule, we need to make sure that it hinders fraudsters without killing the market for micro-cap stocks.").

[17] OTC Markets Group operates the Expert Market, serving broker-dealer pricing and best execution needs in securities that are restricted from public quoting. While quotes in securities on the Expert Market are not made available to retail investors, trades are reported to FINRA's OTC Reporting Facility and last sale information is disseminated. The Expert Market is in beta version, with 93 active securities as of December 27, 2019.

[18] *See* Proposal at pg. 21 ("When a broker-dealer publishes or submits a quotation for a security in a quotation medium, the broker-dealer may facilitate the creation or appearance of a market for the security, thereby increasing the security's availability and accessibility to investors. A broker-dealer's quotations could create the false appearance of an active market, including affecting the pricing, rather than an actual market that is based on independent forces of supply and demand.").

[19] Trading over the phone incentivizes abuses of broker-dealers' best execution and firm quote obligations. *See* Activities on Nasdaq, Exchange Act Release No. 34-40900 (Jan. 11, 1999), available at: https://www.sec.gov/litigation/admin/34-40900.txt ("During the relevant time period, best execution violations occurred in a number of different situations. A common denominator in such scenarios was the favoring by the market maker of its own interests, or those of a cooperating market maker, over the interests of its customers […] On certain occasions, Nasdaq traders failed to honor the quotations that they disseminated. Market makers backed away from orders presented to them by firms whose trading practices they disliked or for other improper reasons. The failure of Nasdaq market makers to honor their quotations prevented investors from accessing the best advertised price, and reduced liquidity in the market.").

As an operator of regulated "lit" markets, we provide an open platform where market makers can find price transparency, achieve best execution and meet their regulatory obligations. We firmly believe in the value of proprietary quotes from competing independent market makers on a regulated electronic platform,[20] which, among other things, protects securities markets from becoming dominated or controlled by one entity that may be affiliated with the issuer.[21] In the opaque Grey market, without quote competition, such manipulation can be even easier.

Rather than forcing these transactions to the Grey market, the Commission should address the trading of dark or distressed companies in a way that balances (i) protecting main street investors from inadvertently buying securities of issuers that do not make current information available, (ii) the availability of an efficient, regulated trading venue for professional investors, and (iii) the property rights of minority investors. Appropriate risk warnings or "gates" can help support each of these objectives.

Question 6 of the Proposal asks for examples of instances where proposed paragraph (b) information is unnecessary for investors to make an informed investment decision.[22] Numerous types of investor transactions fall within this category:

- Sophisticated investors with sufficient investment experience
- Active, self-directed traders that use professional products offered by electronic brokers
- Institutions and regulated investment advisors
- Broker-to-broker transactions
- Sales by all non-affiliate, retail investors

As the Proposal notes, the OTC marketplace has undergone significant developments since the Rule was last amended in 1991 – including the extensive data streams and "risk flags" that OTC Markets Group makes available to help investors and compliance teams identify opportunity and price risk.[23]

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[20] Securities traded on the Grey market exhibit significantly less trading volume, as compared to a "lit" market. For example, dollar volume increases 146% when a security moves from the Grey market to the "lit" market. Based on average daily dollar volume 90 days before and after a Form 211 was cleared and excluding any securities that were traded less than 50 days during each 90-day period, for the period January 1, 2019 through December 17, 2019.

[21] For an example of a single entity improperly controlling the market in a security that was not the subject of competing quotes on an electronic market, see *SEC v. First Jersey Securities, Inc.*, 101 F.3d 1450 (2d Cir. 1996) (finding that a broker-dealer "dominated and controlled" the market in a number of securities through the Firm's "massive retail trading" in those securities with its own customers, and that such "conduct constituted securities fraud under precedents dating back half a century.").

[22] *See* Proposal at pg. 42.

[23] *See* Exhibit B for a description of the OTC Markets Group Compliance Flags; *see also* Proposal at pg. 23, fn. 30 (discussing the OTC Markets Group Compliance Flags).

Securities in companies that do not provide current information under the Rule, or otherwise fail to meet an exception, should be eligible for quoting on an exempt "Expert Market", where quote distribution is limited to professional investors. Selective quote distribution can be accomplished using commonly understood market data licenses that distinguish professional investors from main street investors.[24] This gives effect to the Proposal's call for increased retail investor protection, without disadvantaging more experienced, sophisticated investors. Many broker-dealer compliance teams already use our "No Information" designation and other data-driven methods to automate suitability determinations or make investor sophistication decisions, allowing them to put up gates that restrict 'plain vanilla' retail investors' access to identified high-risk securities. As a result, trading in "No Information" securities comprises less than 1% of all dollar volume across our markets.[25]

Quotations in securities designated as "Expert" would not be displayed to a non-professional on their retail brokerage account.[26] Only professional investors would be permitted to access "Expert" quote data feeds. A market maker quoting a security that loses quote eligibility under the Rule should be permitted to "self-piggyback," meaning immediately continue quoting that security on the Expert Market.

While retail investors would be restricted from buying or otherwise viewing quotations in "Expert" securities, every investor should have the opportunity to liquidate their holdings at the best possible price. Expert market sales by retail investors should be limited to non-affiliate shareholders that trade through a regulated broker-dealer. Some brokerage firms already place "No Information" securities held by main street investors into a liquidate-only status. The Expert market represents a middle ground, facilitating best execution for non-affiliated investors while protecting them from the false appearance of an active "lit" market in securities without a baseline of current information publicly available. An Expert market for sophisticated and risk tolerant investors would also limit the potential for manipulative trading on the Grey market.

It is important to understand that the OTC market for "No Information" securities exists largely for the benefit of minority investors, not for the issuers. While the Proposal will certainly incentivize some "No Information" issuers to make current information publicly available in order to remain publicly quoted, many will likely remain dark. Non-affiliate shareholders seeking to

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[24] *See e.g.* "Definitions of Professional Users According to the NYSE and Most US Exchanges", available at: https://ibkr.info/node/2369.

[25] While Pink No Information and Pink Limited Information securities make up 27% of the approximately 10,000 securities across all our markets (OTCQX, OTCQB and Pink), the dollar trading volume in these securities makes up less than 1% of the entire market. *See* Exhibit A.

[26] The SEC and FINRA may also want to consider the impact of real-time trade data dissemination on retail investors. While the Proposal would prevent the public distribution of quotations in "No Information" securities, real-time trade data in these and other securities not eligible for public quoting would still be available to retail investors via FINRA's OTC Reporting Facility, which could give unsophisticated retail investors the impression of an active public market. We believe that only broker-dealers and professional investors should see real-time, actionable quotations and trade data in "No Information" and other "Expert" securities. However, market participants should still be permitted to distribute end-of-day or historical market data (e.g. high-low close of quotes, inside bid and offer after close) under the Rule.

exit their investment, as well as sophisticated professionals, should not be unduly punished by an issuer's inaction. At the time of an initial offering, the issuer received money from investors, and those investors purchased securities that they believed had value and could be re-sold to others. Securities laws, including Rule 15c2-11, should act as a measure of protection for investors who purchased shares from a company that later decides it no longer wants those shares to have value. These investors should not be forced to sell their shares on the Grey market, or back to company insiders, simply because they invested in a company that later chose not to provide current public information. It would be a shame if the Proposal makes being dark more attractive for companies that strategically disenfranchise outside investors. Forcing dark companies to the Grey market will harm market efficiency and empower insiders to buy shares at a discount or otherwise freeze out their minority investors.

When a "No Information" security presents a public interest concern, the Commission should exercise its authority to suspend trading in the stock, or revoke the registration status, until the company is rehabilitated. This aligns with the SEC's stated policy that it "does not have a rule that prohibits the trading of stock once a company becomes defunct because it does not want to forbid transactions between willing buyers and sellers, including those holding shares in defunct companies." [27]

For example, when the Commission suspends trading in the shares of a problematic shell company, i.e. one without assets and without any operations that can be reorganized for the benefit of minority investors, the suspension should be followed by a timely revocation. The Commission should remodel its revocation process to work in collaboration with market participants and permit Commission staff to implement a revocation without requiring a full Commission vote.

The Commission can build on these industry best practices to establish the Expert market as a considered solution that best serves all market participants. In any final rulemaking resulting from the Proposal, the Commission should specifically exempt the Expert market – a market that does not actively disseminate real-time quote information to non-professional investors – from the definition of an "interdealer quotation system" in section (e)(2) of the Proposed Rule.

V. Identification of insiders and affiliates requires additional disclosure outside the scope of the Rule

Main street investors typically access the OTC market through their retail brokerage accounts. Those retail brokers then route that investor interest to market makers, who either complete a trade internally or represent the retail interest as a quote on an IDQS such as OTC Link ATS. These market makers perform a vital service to the OTC ecosystem by acting as wholesale liquidity providers. In that capacity, they serve the retail brokers but do not directly interact with the retail broker's original customer.

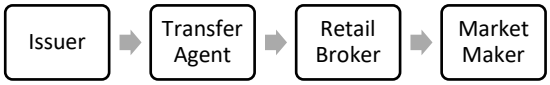
We are concerned with the Proposal's potential to increase burdens on market makers. Today, a strong community of market makers compete to provide retail brokers and institutional

[27] *See* Fast Answers: Defunct Company, Stock Continues to Trade (Jan. 15, 2013), available at: https://www.sec.gov/fast-answers/answersdfnctcohtm.html.

investors liquidity and execution services in all exchange-listed and OTC securities. If market makers face additional complex regulatory requirements when trading OTC securities, they may exit the OTC market entirely. Retail brokers may lose access to the routing destinations they use for exchange-listed securities, and as a result may have difficulty providing their customers best execution in OTC securities.

The Proposal would prohibit market makers from displaying unsolicited quotes representing company insiders, unless current information is publicly available. We thoroughly support restricting insiders, affiliates and control persons from purchasing or selling in the public markets unless adequate current information is publicly available. [28] **However, the cumbersome obligation to identify insider transactions would place an undue regulatory burden on market makers that provide much needed liquidity in smaller company stocks, and should be removed from the Rule's unsolicited exception in section (f)(2)(ii).**

The market makers' position would be untenable for several reasons. The insider is not the "customer" of the market maker, rather it is the customer of the market maker's correspondent. Shareholder information originates with the issuer, and the issuer communicates it to the transfer agent. Without a system of "supply chain management" that requires transfer agents to provide shareholder information to brokers, it is hard to ascertain the identity of insiders in a dark company. The Proposal would turn the "Know Your Customer" standard into "Know Your Correspondent's Customer" – requiring the market maker to obtain (non-public) information from three parties down the "supply chain".



Difficulty identifying insider and affiliate transactions, particularly in the OTC market, stems from the lack of available information. Rule 15c2-11 is fairly limited in scope, regulating only the publication of quotations by broker-dealers. As such, the Rule on its own cannot solve the breakdown in the information "supply chain". **The Commission can more effectively address these issues outside the scope of the Rule, in large part by requiring additional disclosure from powerful market participants.** Specifically:

- Affiliates, insiders and paid promoters should not be afforded the ability to hide their positions in anonymous Objecting Beneficial Owner (OBO) accounts.
- Disclosure of transaction information for officers and affiliates of non-SEC reporting issuers should be required in a manner similar to SEC Forms 3, 4 and 5.

[28] On www.otcmarkets.com, we provide the following warning for "No Information" companies: "Warning! This company may not be making material information publicly available. Buying or selling this security on the basis of material nonpublic material information is prohibited under Section 10(b) of the Securities Exchange Act of 1934 and Rules 10b-5 and 10b5-1 thereunder. Violators may be subject to civil and criminal penalties."

- Institutions should be required to disclose their holdings in non-exchange listed securities under Exchange Act Section 13(f).[29]
- Section 17(b) of the Securities Act should be amended to require additional disclosure from paid stock promoters.
- Transfer Agent regulations should be updated to require disclosure of share issuance and transfer information, and broker-dealers should be permitted to rely on this information in facilitating transactions in restricted and control securities.

In addition, the Proposal incorrectly asserts that company insiders can trade in no-information securities.[30] The Commission staff must quickly correct this misunderstanding and reinforce the principle that allowing insiders to trade in dark companies results in an uneven playing field and often constitutes a Rule 10b-5 violation.

VI. Modifications to the piggyback exception would improve efficiency and utility of the Rule

The Proposal would permit broker-dealers to rely on the piggyback exception only if: (1) current information regarding the issuer is available, (2) the security is subject to two-sided quotations with no more than 4 business days in succession without such a quotation, (3) the issuer is not a shell, and (4) the security has not recently been subject to an SEC trading suspension.

We question the necessity of such a complicated piggyback exception. Having a qualified IDQS play a larger role in initial and ongoing information review should simplify the application of the Rule. The Proposal seems easily organized into three buckets: (1) requirements for initiating a quotation, (2) requirements for continued quoting, and (3) exceptions. We view the Proposal's "piggyback exception" as bucket 2 – the requirements for continued quoting.

We agree with the Proposal's requirement that current information be available in order for a security to be eligible for continued public quotation, as current public information is essential for an informed and efficient trading market. The recommendations set forth below relate to the other proposed requirements for continued quoting.

a. The 30-day period should be eliminated

Under the current Rule, for 30 days after a Form 211 has been cleared by FINRA only the filing broker-dealer may publicly quote the security. Other broker-dealers may enter quotations in the security only after the filing broker has quoted the security on at least 12 business days during the preceding 30 days, with not more than four consecutive business days without quotations.

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[29] OTC Markets Group submitted a petition for rulemaking to the Commission in 2013, seeking this relief. *See* Petition for Rulemaking Under Section 13(f) of the Securities Exchange Act of 1934, File No. 4-659 (Apr. 30, 2013), available at: https://www.sec.gov/comments/4-659/4659-13.pdf.

[30] *See* Proposal at pg. 77 ("the proposed amendments to the Rule would not preclude a company insider from engaging in trading activity; Rule 15c2-11 applies only to the publication and submission of quotations in a quotation medium. Thus, the Rule, as proposed, would not prevent a company insider's purchases or sales in response to quotations.").

The 30-day exclusivity is designed as an incentive for the firm that filed the Form 211.[31] Under an amended Rule, the qualified IDQS that performs the information review should have a similar incentive – in this case, the ability to publicly disseminate quotation data in securities it qualifies as eligible for public quoting.

In response to Question 42 of the Rule Proposal,[32] if a qualified IDQS has published an initial determination that all of the required paragraph (b) information is publicly available, complete, and from a reliable source, there should be no limit on the number of broker-dealers permitted to enter a quote in that security.

The 30-day period delays and impedes the creation of a larger, more efficient public market for the security. Allowing multiple broker-dealers to begin publishing quotations in a security immediately after an initial determination has been made that the information requirements have been met would remove an artificial barrier to price transparency, promote quote competition and enhance liquidity.[33] A deeper, more liquid market makes it more difficult for a single market maker affiliated with the issuer, or an unregulated entity taking advantage of the limit order display rule, to exert undue influence over the price of a security.

The Proposal would allow others to rely on the determination of the qualified IDQS. For the Proposal to properly align incentives, those relying on the work, including other IDQSs, should not be permitted to publicly disseminate the resulting quotation data.

b. Securities with a one-sided priced bid should be eligible for continued quoting under the Rule

The Proposal states that "two-way priced quotations are evidence of market interest in a security" and "characteristic of an independent and liquid market."[34] In response to Question 31

[31] *See* Rule Proposal at pg. 71 ("The Commission understands that the process of initiating quotations before becoming eligible to rely on the piggyback exception has had the practical effect of incentivizing one broker-dealer to undertake the costs associated with initiating quotations for a security.")

[32] Question 42 of the Rule Proposal at pg. 71 ("Such costs and effort should be greatly reduced with today's technological improvements that have streamlined the ability to obtain information about a company and publish quotations. In light of these considerations, should the 30-day requirement also be removed? What are the costs or benefits, if any, of removing the 30-day requirement while maintaining the no more than four business days in succession without a quotation requirement?").

[33] Question 3 of the Rule Proposal, at pg. 41, asks how long brokers should obtain current reports in advance of publishing or submitting a quote. Once a qualified IDQS determines that the Rule's initial information requirements have been met, that information will be publicly available whether such determination is made under paragraph (f)(7) or otherwise. Any additional delay in developing a liquidity in the security would be unnecessary.

[34] Proposal at pg. 60.

of the Proposal,[35] we believe that one-sided priced bids provide sufficient evidence of legitimate, independent market interest and should qualify a security for continued quoting under the Rule.

A priced bid from a regulated broker-dealer indicates a firm desire to buy the security, which on its own acts as a valid price discovery mechanism. FINRA Rule 5220 (Offers at Stated Prices) requires that every broker-dealer member trade at its publicly quoted prices – preventing the practice of "backing away" and ensuring the integrity of quotations. This "firm quote" obligation applies to one-sided priced quotations as well, ensuring that priced bids reflect legitimate market interest in the security.

The Regulation SHO locate requirement means that broker-dealers often cannot publish a priced offer without actually owning the stock first, which can be difficult in a small, newly public company or a thinly-traded security.[36] **The development of liquidity in small company securities frequently depends on broker-dealers' ability to publish one-sided priced bids until enough stock has changed hands to allow for priced offers, and therefore a two-sided market, to develop.** For thinly-traded securities, an influx of market buyers can deplete dealer inventories and similarly make two-sided quoting more difficult. Eliminating one-sided priced bids as a valuable market development tool, particularly with respect to companies that meet the Rule 15c2-11 current information standard, would undermine the ability of small companies to grow and thrive in the public market.

c. Regulation of quotations in shell companies should focus on insiders and affiliates and enhanced corporate governance

The Commission rightfully expresses concern regarding problematic activities it sees in shell companies. However, shell companies can be a valuable capital formation tool,[37] and many, such as those that hold only cash and securities, can be easily valued if current information is available. Reasons for concern arise when shells become, or claim to become, startup or early-stage businesses. Within this subset, many of the problems the Commission has identified are driven by company insiders and affiliates.

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[35] *See* Proposal at pg. 61 ("Should broker-dealers be permitted to rely on the piggyback exception if only a priced bid or priced ask (i.e. only one-sided quotation) is published? Why or why not?").

[36] *See* Riccò, Roberto, Squeezing the Shorts in Small Cap Stocks (Nov. 12, 2019), available at: https://ssrn.com/abstract=3484847 (arguing that that the Regulation SHO mandatory settlement deadline easily binds for small-cap stocks since the low number of floating shares makes it hard to find the shares to borrow and that in turn forces short sellers to close their position, making manipulation in these stocks more likely). Accordingly, in response to Question 133 of the Proposal, at pg. 138, the Regulation SHO close-out delivery period should be extended to allow bona fide market makers additional time to close out of short positions in lower-volume securities.

[37] For example, Canadian markets highlight reverse take-overs into shell companies, Capital Pool Companies and SPACS as tools to go public. *See,* TSX.com, Ways to List, available at: https://www.tsx.com/listings/listing-with-us/listing-guides/ways-to-list (providing an overview of the various pathways to listing on the Toronto Stock Exchange and TSX Venture Exchange).

The Commission states that the Proposal "should not prohibit reliance on the piggyback exception for quotations of startup companies or companies with a limited operating history" but that "broker-dealers would need to remain vigilant regarding whether they may rely on, or continue to rely on, the piggyback exception if the issuer of that security becomes a shell company."[38] This vague regulatory burden creates an impossible test for broker-dealers and a potential compliance nightmare that will scare market makers away from startup, early-stage or smaller, financially challenged companies. Broker-dealers will likely take the most conservative approach and cease providing liquidity in a wide range of securities, including legitimate startups. The Commission should instead place increased responsibility on issuers, insiders and affiliates.

The Commission should first adopt a more easily understood shell company definition.[39] Companies that are current in their reporting obligations, or otherwise provide current information to the public, may self-identify as shells in their public filings. However, a number of other companies display characteristics of shell companies but do not self-report as such. OTC Markets Group reviews company financial information, including asset composition, operational expenditures, and income related metrics, and designates these companies as "shell risk". We propose a definition that includes self-identified shells and "shell risk" companies.[40] Other companies that may be shells but do not disclose current information (i.e. the information necessary to make a "shell risk" determination), would not be eligible for public quotations under the Rule.

Rather than develop a merit review system that magically captures all of the fraud but leaves out all of the startups and other "good" companies, the Commission's goal of deterring manipulative practices would be better served through restricting trading by company insiders, requiring stronger corporate governance and promoting greater transparency. If a shell company discloses current information, Rule 144's holding period, volume and manner of sale restrictions can be enhanced and adapted, with improved disclosure of sales and holdings, to allow insiders and affiliates to trade provided that the following requirements are met:

[38] Proposal at pg. 68.

[39] The Commission acknowledges that the Proposal "could increase burdens for broker-dealers in determining whether the issuer has become a shell company within the proposed definition." Proposal at pg. 68. While permitting qualified IDQSs to conduct the review may reduce broker-dealer compliance costs, it simply shifts the burden to the reviewing qualified IDQS and does not resolve the underlying ambiguity of the definition.

[40] 339 companies across our markets have reported their shell status in public filings. An additional 534 companies are flagged as "shell risk," based on the following annual financial metrics: (i) revenue less than $100,000; (ii) total assets (less cash and cash equivalents) less than $100,000; (iii) gross profit or loss less than $100,000; and (iv) research and development costs under $50,000. Data as of December 1, 2019.

- Holding Period: A specified holding period (e.g. 12, 18 or 24 months) has expired, which may be based on the publication of one or more full annual audits of the company's financials, preventing immediate resales by insiders into the public market.
- Manner of Sale: Transactions are subject to "manner of sale" restrictions, made only via (i) unsolicited broker, (ii) market maker, or (iii) riskless principal transactions, ensuring that trades are facilitated by a regulated intermediary.
- Volume Limitation: Trading volume is limited to a specified percentage of that class of the issuer's outstanding securities (e.g. 1% over a three month period) to deter and limit the opportunity for market manipulation by insiders and affiliates. The Commission could also consider restricting sales by shell company affiliates to a certain percentage of holdings (such as 20% or 30%) in a twelve month period. [41]
- Governance Standards: The company has a minimum of two outside directors and an independent audit committee.

Much of the risk around shell companies concerns activities of individuals closely associated with the company using public markets to distribute unregistered shares.[42] Affiliates should take on additional responsibilities with respect to shares purchased from shell company issuers or their affiliates in exempt offerings or private transactions. Many of these problems relate to share issuance and affiliate identification and can be better addressed in the Commission's planned modernizations to Transfer Agent regulations.[43] By focusing on identifying bad actors and appropriately restricting the trading activities of insiders and affiliates, the harm associated with promotional activities and pump-and-dump schemes can be greatly reduced.[44]

As discussed in Sections VI(a) – (c) above, an effective final Rule would allow for continuous broker-dealer proprietary quotations if (1) current public information is made available in

[41] In addition to the limitations described herein, the Commission may also want to consider a long-term "lock-up" period for insiders and affiliates of shell companies. For example, restricting former shell company insiders to selling no more than 33% of their holdings for each of the first three years after leaving the company.

[42] *See e.g.* SEC v. Jeffrey O. Friedland, Global Corporate Strategies LLC., and Intiva Pharma, LLC, No. 18-CV-529 (D. Colo.) (May 10, 2018) (involving an illegal stock promotion scheme and insider transactions in restricted stock based on, *inter alia*, false and misleading statements made by company insiders to transfer agents and brokerage firms).

[43] *See* Brett Redfearn, Director, Division of Trading and Markets, Equity Market Structure 2019: Looking Back & Moving Forward (Mar. 8, 2019), available at: https://www.sec.gov/news/speech/clayton-redfearn-equity-market-structure-2019 ("another potential gap in current protection for retail investors relates to transfer agents. Transfer agents who provide services to issuers of restricted and control securities generally are responsible for processing requests from selling shareholders to remove restrictive legends in connection with the intended resale of these securities by their owners. If a transfer agent improperly or inappropriately removes a legend, it could facilitate an illegal public distribution of securities that could harm investors […] I anticipate that the Division of Trading and Markets staff will present a recommendation to the Commission to update the transfer agent rules, including considering a rule that would specify transfer agent obligations with respect to the tracking and removal of restrictive legends.").

[44] Tools such as the SEC Action Lookup for Individuals (SALI) and OTC Markets Prohibited Service Providers List (available at: https://www.otcmarkets.com/learn/prohibited-service-providers) publicly identify bad actors and help reduce opportunities for fraud.

accordance with the Rule; (2) two-sided priced or bid-only priced quotations are published with no more than a 4-day break; (3) shell company insiders and affiliates transact in accordance with the holding period, manner of sale, volume and corporate governance requirements set forth above; and (4) the security was not recently subject to a SEC suspension order.

d. Exchange delists should be available for immediate quoting

When a security is delisted, investors often express concern about whether and how to find liquidity. Any final Rule should explicitly ensure that trading in securities delisted from a national securities exchange (other than those subject to an SEC suspension) can be smoothly transferred to the OTC markets in accordance with the Rule's requirements for continued quoting. Market makers trading the security at the time of delisting should be able to immediately continue quoting that security in the OTC market. Securities halted for greater than 4 days at the time of delisting, or otherwise not eligible for continued quoting under the Rule, should immediately move to an Expert type market.

VII. The Large Company Exception test should consider alternative metrics

We support the proposed exception for highly liquid and well-capitalized issuers, which are generally less susceptible to fraudulent schemes. The average daily trading volume (ADTV) prong of the test appropriately captures the "highly liquid" component of the exception, however, we recommend that the Commission use an alternative metric for determining whether the company is sufficiently well-capitalized.

Specifically, the "asset test" prong of the exception should retain the $50 million in total assets component and replace the "unaffiliated shareholder equity" component with a market capitalization requirement of $150 million. In response to Question 71,[45] and for the reasons stated above, it is difficult, if not impossible, to accurately determine unaffiliated shareholder ownership.[46] Market capitalization is readily accessible, reduces the burden on reviewing broker-dealers and qualified IDQSs, and achieves the Proposal's goal of excepting well-capitalized issuers from the information review requirements.

We also believe the Commission should consider an exception for foreign ordinary shares or American Depositary Receipts ("ADRs") of companies in the FTSE All World ex US Index. Certain state Blue Sky laws include a similar exception.[47]

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[45] Proposal, pg. 88 ("In making the proposed unaffiliated shareholders' equity calculation, how difficult or burdensome would it be to identify equity that is owned by shareholders that are affiliated with the issuer.")

[46] We note the SEC staff used "total shareholder equity" as an upper bound for "unaffiliated shareholder equity" in its analysis, indicating the difficultly in determining unaffiliated shareholder equity. *See* Proposal at pg. 194, fn. 284.

[47] For example, Utah provides exemptive relieve for foreign securities (including ADRs) that appear in the most recent Federal Reserve Board List of Foreign Margin Stocks. *See* Utah Admin. Code R164-14-23v, available at: https://rules.utah.gov/publicat/code/r164/r164-014.htm#T8. These include securities in the

VIII. CONCLUSION

The Proposal has the potential to result in increased public disclosure for main street investors and a more efficient "going public" process for OTC traded companies. In achieving these positive results, however, the Commission must take care not to inadvertently cause great harm to the many sophisticated, professional investors that have provided their insight to the Proposal's comment file. The Commission would also do well not to try to do too much solely through amendments to Rule 15c2-11. Combatting fraud in the OTC equity market, or in the exchange-listed market where the vast majority of fraud by dollar volume occurs,[48] requires a holistic view of all aspects of the share issuance and transaction process. Any solution ultimately requires more of transfer agents, as well as increased disclosure from promoters, company insiders and affiliates and even large institutions.

We support the Proposal's modernization of current information availability. Through our OTCQX, OTCQB and Pink market designations we have spent years establishing a recognized disclosure framework that incentivizes companies to provide current public disclosure and makes that information available to all, for free. We further support the proposed role of a qualified IDQS, which closely aligns with the work we already perform. Allowing broker-dealers to rely on the work of a qualified IDQS, and to quote directly onto that system without an intervening Form 211 review by FINRA or a 30-day waiting period, will improve market efficiency by encouraging the development of more liquid markets, greater price discovery and best execution.

The Commission should also pay close attention to the many independent investors who would suffer great harm if "No Information" securities become relegated to the Grey market. They express valid concerns, and the Commission's well-intentioned proposal to eliminate all public quoting in these securities may end up as regulatory overreach that punishes a large portion of the very investors the SEC seeks to keep safe. The Expert Market solution we have proposed would allow professional and sophisticated investors to interact on an electronic market, while protecting retail investors from inadvertently trading in potentially high-risk securities.

In attempting to solve multiple problems through a rule that regulates broker-dealers' ability to publish quotes, the Proposal becomes overcomplicated. Our recommendations for simplifying piggyback eligibility, and for focusing on insider and affiliate trading rather than attempting to create a flexible yet all-encompassing shell company definition, would help give effect to the Proposal's larger goals and support a modern OTC equity market for all participants. We believe our additional technical recommendations would allow any final Rule to be effective in practice.

FTSE World Index Series. *See* The Federal Reserve Board, About the List of Foreign Margin Stocks (Jun. 21, 2016), available at: https://www.federalreserve.gov/boarddocs/foreignmargin/about.htm.

[48] The total dollar volume of promoted OTC securities from January through August of 2019 (approx. $600 million) was less than 1% of total dollar volume across the entire OTC market (approx. $222 billion) and far less than the total dollar volume of promoted exchange-listed securities (approx. $53 billion). OTC Markets Group tracks promotions in OTC and exchange-listed securities with market capitalizations less than $2 Billion. Dollar volume presented represents the trading volume in promoted securities during an active promotional campaign.

We thank the Commission for the opportunity to comment and for working with us on our shared goal of improving the OTC equity markets. OTC Markets Group is committed to working with the Commission, commenters and all industry stakeholders to develop an effective and successful final Rule.

Please contact Dan Zinn, General Counsel ([redacted]), or Cass Sanford, Associate General Counsel ([redacted]), with any questions or to request additional information.

Very truly yours,

Daniel Zinn
General Counsel

Cass Sanford
Associate General Counsel

EXHIBIT A

The OTCQX Best Market is for established, investor-focused U.S. and international companies. To qualify for the OTCQX market, companies must meet high financial standards, follow best practice corporate governance, demonstrate compliance with U.S. securities laws, be current in their disclosure, and have a professional third-party sponsor introduction. Penny stocks, shells and companies in bankruptcy cannot qualify for OTCQX. The OTCQX Rules for U.S Companies, International Companies, and U.S Banks are available at the following links:

- https://www.otcmarkets.com/corporate-services/get-started/otcqx-us
- https://www.otcmarkets.com/corporate-services/get-started/otcqx-international
- https://www.otcmarkets.com/corporate-services/get-started/otcqx-us-banks

The OTCQB Venture Market is for early-stage and developing U.S. and international companies. To be eligible, companies must be current in their reporting and undergo an annual verification and management certification process. Companies must meet $0.01 bid test and may not be in bankruptcy. The OTCQB Standards are publicly available at the following link:

- https://www.otcmarkets.com/corporate-services/get-started/otcqb

The Pink Open Market provides brokers a platform for transparent trading and best execution in any security. There are no financial standards or disclosure requirements. Companies on the Pink market are designated as "Current Information," "Limited Information" and "No Information" in accordance with the sufficiency and timeliness of their disclosure. The Pink Basic Disclosure Guidelines is publicly available at the following link:

- https://www.otcmarkets.com/corporate-services/information-for-pink-companies

MARKETPLACE ACTIVITY					
	Total Securities[1]	**Avg. Daily Dollar Volume[2]**	**Volume % of total Market[2]**	**Median Market Cap[1]**	**Avg. No. Market Makers[1]**
OTCQX	488	$213,874,166	17.56%	$79,072,475	11
OTCQB	961	$74,990,825	6.16%	$11,115,920	9
Pink Current Information	6,400	$918,782,263	75.45%	$130,843,207	7
Pink Limited Information	254	$1,033,728	0.08%	$4,230,502	7
Pink No Information	2,609	$8,988,719	0.74%	$485,714	6
Total	10,712	$1,217,669,702	100%	$12,222,989	7

(1) Data as of November 29, 2019. Market Capitalization and Market Maker data is per security.
(2) Trading volume based on data from November 1, 2019 through November 29, 2019.

EXHIBIT B

OTC Markets Group has developed a suite of marketplace "designations" and informational "flags" displayed below, to help identify opportunity and quantify risk. These visual data points are made publicly-available for free on the company's quote page and distributed to broker-dealers and compliance departments as part of our Compliance Data feeds.

Penny Stock Exempt		This security is exempt from the definition of a Penny Stock under SEC Rule 240.3a51-1.
Verified Profile		The Company Profile data was verified by the issuer within the previous 6 months.
Transfer Agent Verified		The company's share data, including authorized, outstanding, restricted and unrestricted shares, displayed on the company's "Security Details" page, has been verified by its transfer agent.
Two Independent Directors		The company's board of directors includes at least two independent directors.
Hot Sectors		The company is engaged in an emerging industry (Cannabis, Cryptocurrency/Blockchain).
Shell Risk		The company displays characteristics common to Shell Companies.
Shell		The company has self-reported as a Shell Company, as defined by Securities Act Rule 405 and Exchange Act Rule 12b-2, in its public filings.
Promotion Flag		The security is currently undergoing promotional activity.
Bankruptcy		The company is currently in bankruptcy or reorganization proceedings.
Control Dispute		Multiple parties are engaged in a dispute over control of the company.
Prohibited Service Provider		The company is affiliated or associated with an individual or firm on our "Prohibited Service Providers" list, which includes prohibited attorneys, accountants/auditors and other service providers.
Unable to Contact		OTC Markets Group is unable to verify contact information for the company.
Delinquent SEC Reporting		Company is not current in its reporting obligations under Section 13 or 15(d) of the Exchange Act.
Pink Limited Information		The company has limited financial information not older than six months available on www.otcmarkets.com or on the SEC's EDGAR system.
Pink No Information		The company is not able or willing to provide current disclosure to the public markets - either to a regulator, an exchange or OTC Markets Group.
Dark or Defunct		The company is not able to provide disclosure to the public markets.
Caveat Emptor		Buyer Beware. There is a public interest concern associated with the company, which may include a spam campaign, questionable stock promotion, known investigation of fraudulent activity committed by the company or insiders, regulatory suspensions, or disruptive corporate actions.