

ANTHONY L.G., PLLC

LAURA ANTHONY, ESQ
GEOFFREY ASHBURNE, ESQ*
JOHN CACOMANOLIS, ESQ**
CHAD FRIEND, ESQ, LLM
SVETLANA ROVENSKAYA, ESQ***

WWW.ANTHONYPLLC.COM
WWW.SECURITIESLAWBLOG.COM
WWW.LAWCAST.COM

OF COUNSEL:

MICHAEL R. GEROE, ESQ, CIPP/US****
CRAIG D. LINDER, ESQ*****
PETER P. LINDLEY, ESQ, CPA, MBA
KIMBERLY L. RUDGE, ESQ
STUART REED, ESQ
MARC S. WOOLF, ESQ

DIRECT E-MAIL: LANTHONY@ANTHONYPLLC.COM

*licensed in CA
**licensed in FL and NY
***licensed in NY and NJ
****licensed in CA, DC, MO and NY
*****licensed in CA, FL and NY

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Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1010

Re: Comment letter on Proposed SEC Rule 15c2-11 Amendment; File No. S7-14-19

Ladies and Gentlemen:

As an introduction, I have been practicing corporate and securities law since 1993. After working in-house for a Nasdaq broker dealer, I founded this firm in 2001. During that time I have worked with hundreds of small public companies and am extremely familiar with the OTC Markets space and the particular challenges associated with Rule 15c2-11 and the Form 211 process.

The history and background laid out in the rule release does not need repeating, other than the fact that the current system does not satisfy the intended goals or legislative intent in many respects. In addition to not ensuring in any way that adequate current public information exists to support the trading in an OTC security, the rule has resulted in a complete chill of small company initial public offerings.

Although the rule does not intend for FINRA's merit review of a broker-dealers Form 211 information, in practice not only does FINRA conduct a merit review, but it can be an arduous process. In an unintended consequence of this current regulatory environment, in essence, at least 90% of new 15c2-11 applications are being submitted by a single market maker. Further since this market maker has faced regulatory scrutiny in the past, even where a company would check all of the boxes for the type of growing business that should be accessing U.S. capital markets, adding jobs and supporting innovation and the U.S. economy, the process is painstakingly slow and met with obvious skepticism from FINRA reviewers.

An overhaul is badly needed. Although in general I support many aspects of the proposed rule change, as written, some aspects of the rule would not translate well from the written word to

real world implementation, and other aspects of the proposed rule, would completely eliminate viable trading markets for sophisticated or expert investors.

In particular:

1. I strongly support the ability of a qualified interdealer quotations system, such as OTC Markets, to review the information required by Rule 15c2-11 and for a broker dealer to be able to rely on such review. 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.

2. I support the requirement that a company be required to have current public information for Rule 15c2-11 compliance and the piggy back qualification when trading on open publicly accessible markets, however, I suggest that a separate market be created for sophisticated and expert traders that would not have the same current public information requirements.

3. The current information requirements as written create an unworkable standard. Under the rule, broker-dealers are responsible for confirming the accuracy and completeness of all issuer information. The standard should be modernized to conform with the SEC's own standard for review, which has long placed the burden of completeness and accuracy on the disclosing company. The broker dealer or IDQS should be responsible for confirming all required information is included and that the source of the information is reliable, however, confirming accuracy would be an unnecessary, and possibly not ascertainable, burden.

4. I suggest provisions that make it clear that FINRA is not intended to conduct a merit review of the Rule 15c2-11 information that is reviewed by a broker dealer or IDQS. Rather, FINRA can review such information during its regular audits and as part of its regular duties as a self-regulatory organization vis a vis these market participants. That is, the roles and responsibilities of each market participant must be more clearly defined including issuers, investors, control persons and affiliates, broker-dealers, marketplaces and regulators.

5. FINRA's review process should be streamlined such that all Form 211 review's are completed in the three day statutory time frame.

6. I disagree with the elimination of the piggyback exception for shell companies. I believe that not only will this provision be very difficult to implement, leaving room for interpretation as to a shell company versus a development stage company, but will eliminate a viable trading market in shell companies in advance of a reverse merger. However, in order to address the valid concerns of the SEC related to unscrupulous actors in the reverse merger arena, I would support the requirement that a new Rule 15c2-11 application be necessary immediately following a reverse merger transaction. Further, the SEC should enact rules that focus on the ability for insiders and affiliates to trade in shell or early stage companies.

7. In general, additional regulatory guidance is necessary to give effect to the proposed rule.

Shifting Capital Markets

The fact is that Rule 15c2-11 speaks to a marketplace primarily comprised of penny stock issuers, investors, and brokerage firms. A penny stock is defined in Exchange Act Rule 3a51-1. In reading the definition of a penny stock, it mainly includes securities that do not trade on a national exchange or rather those that do trade on the OTC Markets. Both the Nasdaq and NYSE American have initial listing standards that generally fit within the exclusion from the definition of a penny stock; however, the continued listing requirements would allow a company to fail to meet the net tangible assets and revenue tests or otherwise fail to fall within one of the Rule 3a51-1 exclusions. Nasdaq actually publishes a daily list of those companies that it believes are considered a penny stock and subject to the Penny Stock Act. The list is short.

Which leaves OTC Markets. Regulators have been unfavorable to OTC Markets in the past, which is somewhat understandable as it has undeniably been a forum for fraud, but it is also undeniably a venture and growth market for solid companies seeking to access capital markets. OTC Markets and its management group have worked hard to establish a system of disclosure and accountability to help reduce micro-cap fraud.

In addition to specific disclosure and quantitative requirements for the OTCQB and OTCQX tiers of OTC Markets (which are designed to track Rule 15c2-11), OTC Markets has created various “flags” such as the “shell risk” and “stock promotion” flags, published papers such as best practices on stock promotion, and engaged in market outreach through events, informal committees, and published papers.

Despite this, the broken rule 15c2-11 process as it exists today, has created an environment where brokerage firms and clearing firms cannot find a level of comfort as to the current information for many issuers and the disclosure of affiliations, control and insiders. As a result, it is extremely difficult for shareholders to deposit and trade the securities of these issuers.

The combined rule change of allowing the OTC Markets to review the Rule 15c2-11 information and removing companies without current information to a restricted expert market, will undeniably have a profound positive impact for companies either trading in, or seeking to access, the venture capital markets, while reducing incidents of fraud.

A properly drafted rule 15c2-11 amendment should give broker dealers and clearing firm’s confidence in the adequacy of current public information regarding a company such that shareholders will find it easier to transact business and be encouraged to diversify their portfolios and invest in this much needed market class which in turn will have a positive uptick impact on smaller companies accessing public markets, while not only maintaining, but strengthening, investor protections.

Sincerely yours,



Laura Anthony