



July 15, 2021

Via Electronic Submission

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

Re: Release No. 34-90769; File No. S7-23-20

OTC Markets Group¹ thanks the Securities and Exchange Commission's ("SEC" or the "Commission") and the Division of Trading and Markets for their continued engagement concerning the industrywide rollout of the amendments to Rule 15c2-11 under the Securities Exchange Act of 1934 ("Rule 15c2-11" or the "Rule").²

As the Rule's September 28, 2021 compliance date approaches, we are taking this opportunity to urge the Commission to act quickly to adopt the proposed conditional order granting an exemption from Rule 15c2-11 for quotations published in an "Expert Market" (the "Proposed Order").

On the compliance date, approximately **2,800 securities will be removed from the publicly quoted market**. This group of securities represents **more than \$190 billion in shareholder value** that stands to be significantly diminished if the Proposed Order is not adopted before the September compliance date.

OTC secondary trading in "No Information" companies exists largely for the benefit of minority, non-affiliate investors seeking pricing and liquidity options. **Shareholders in these dark and defunct companies will see their holdings drastically depreciate and will be more susceptible to fraud and manipulation on the murky grey market**. The Commission has acknowledged that "investors in securities that migrate to the grey market (as a result of the amendments) may be more susceptible to fraud and less efficient pricing, and [...] may lack electronic mechanisms to facilitate best execution."³

While some of these companies will undertake efforts to meet the Rule's new ongoing disclosure requirements, many will use this as an opportunity to strategically freeze out minority shareholders and empower insiders to buy shares at a discount on the grey market – where

¹ [OTC Markets Group Inc.](#) operates the OTCQX[®] Best Market, the OTCQB[®] Venture Market and the Pink[®] Open Market for 11,000 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 Notice of Proposed Conditional Exemptive Order, Release No. 34-90769; File No. S7-23-20, available at: <https://www.sec.gov/rules/exorders/2020/34-90769.pdf>.

³ Publication or Submission of Quotations Without Specified Information, Exchange Act Release No. 89891 (Sept. 16, 2020), 85 FR 68124, 68145 (Oct. 27, 2020).

trades occur over the phone and pricing information is scarce.⁴ The Expert Market represents a safer alternative for investors in these types of companies by providing access to a regulated, transparent secondary marketplace for institutions and accredited investors.⁵

We have been working on the Expert Market since the amendments to Rule 15c2-11 were originally proposed in September of 2019.⁶ Our goal has been to ensure that the Commission's investor protection mandate is achieved and that the marketplace is not severely disrupted when the amendments go into effect. The Proposed Order was published on December 22, 2020 and the comment period ran until February 11, 2021. **All comments received were in favor of the Proposed Order.**⁷

While we appreciate the Commission's robust regulatory agenda, the industry is in dire need of a resolution on the Proposed Order. Firms require time to make necessary technical, administrative and compliance changes under the Rule and communicate these changes to their customers. **Time is of the essence and we urge the Commission to approve the Proposed Order as expeditiously as possible in advance of the impending September 28th compliance date.**

Please contact Dan Zinn, General Counsel, or Cass Sanford, Associate General Counsel, with any questions or to request additional information.

Very truly yours,



Daniel Zinn
General Counsel



Cass Sanford
Associate General Counsel

⁴ See Comments to the Proposed Order from Marcus Frampton, discussing what would happen to his investment if the shares are only eligible to be quoted on the grey market, available at: <https://www.sec.gov/comments/s7-23-20/s72320-8222702-227719.pdf> ("Maybe management themselves will purchase some of these shares or the company will institute a buy-back program thereby benefitting the remaining owners at the expense of the forced sellers."); see also Comments to the Proposed Order from James Mitchell, available at: <https://www.sec.gov/comments/s7-23-20/s72320-8241865-227798.pdf> ("One major benefit of the proposed Expert Market, which we believe is in the public's interest is that it is a market that issuers have no control over. An issuer with unscrupulous controlling shareholders, Directors and/or management seeking to acquire the interests of minority shareholders at prices below fair value cannot prevent its securities from being quoted simply by making the required information difficult to obtain or refusing to provide the information.").

⁵ See Comments to the Proposed Order from Robert E. Buckholz, Chair, Federal Regulation of Securities Committee ABA Business Law Section, available at <https://www.sec.gov/comments/s7-23-20/s72320-8369395-229226.pdf> ("We believe that limiting this pool of investors to Qualified Experts would adequately balance the interest of maintaining an efficient marketplace with that of protecting investors from unnecessary risks.").

⁶ We filed three comment letters to the original Proposed Rule and Concept Release, on November 25, 2019, December 30, 2019 and April 8, 2020, each including a discussion of the Expert Market. Our comments are available here: <https://www.sec.gov/comments/s7-14-19/s71419.htm>.

⁷ Public comments received in response to the Proposed Order are available here: <https://www.sec.gov/comments/s7-23-20/s72320.htm>.