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## The OTCBB – Nearly Extinct, OTCQB is the Micro-Cap Reporting Standard

The following is written by Laura Anthony, Esq., a going public attorney focused on OTC listing requirements, direct public offerings, going public transactions, reverse mergers, Form 10 and Form S-1 registration statements, SEC compliance and OTC Market reporting requirements.

For the past two years it had appeared that the OTCBB had been replaced by the OTC Link run OTCQB and the OTCQX. For all intents and purposes since the fall of 2010, the industry-wide proliferation of the OTCQB and OTCQX has marginalized the OTCBB to the brink of extinction. It is has now become incredibly apparent that the OTCQB is the new micro-cap reporting standard.

### **Background**

Over the past few years the historical “Pink Sheets” and its online presence has undergone some considerable changes, starting with the creation of several well-defined “tiers” of issuers and culminating in a completely refurbished website and a new URL – [www.otcmarkets.com](http://www.otcmarkets.com); and new name for the Inter-dealer quotation system – the OTC Link. The OTC Link divides issuers into three levels: OTCQX; OTCQB and Pink Sheets. Quotation on both the OTCQB and OTCQX requires that the Issuer be subject to and current with the reporting requirements of the Securities Exchange Act of 1934.

### **A recent report by OTCMarkets.com states;**

“OTCQB was created in 2010 in response to the number of broker-dealers quoting SEC reporting and bank reporting companies exclusively on OTC Markets. Today, less than 1% of OTC priced quotes are quoted on the FINRA owned OTC Bulletin Board

Real-time best bid/ask quotes in all 3,500+ OTCQB securities are available for free to investors on [www.otcmarkets.com](http://www.otcmarkets.com). Investors can trade in OTCQB securities using the broker of their choice, including online brokers.

## **The Industry's View of OTCQB/OTCQX**

The OTCQB has no particular listing or quotation requirements other than that the issuer must adhere to the reporting requirements of the Securities Exchange Act of 1934, and be current in its reports; the same requirements that apply to the OTCBB. However, for operating business seeking the utmost in transparency for their shareholders and an increase in overall credibility, the OTCQX actually imposes some additional, more stringent, requirements that I have detailed in prior blogs.

The following summary for OTCQB and OTCQX is drawn almost entirely from [www.OTCMarkets.com](http://www.OTCMarkets.com). Primarily, Inter-Dealer Quotation/Trading Systems allow broker-dealers to post and disseminate their quotes (share prices) to the public marketplace and, in the case of OTC Link, negotiate trades at agreed-upon prices. The predominant Inter-Dealer Quotation System is the OTC Link, operated by OTC Markets Group.

OTC Link allows broker-dealers to quote any eligible OTC equity security, and also permits broker-dealers to view all quotes for OTC securities. Currently, there are more than 10,000 securities are quoted on the over the counter markets. More than 99% are quoted on the OTC Markets, OTCQB and the OTCQX; only a handful remains on the OTCBB (though I don't know the exact number).

The majority of broker-dealers quote the securities of SEC-reporting companies on OTC Link over the FINRA OTCBB. According to OTC Link this is because the OTCBB does not have electronic trading capability. Whatever the reason, from my own knowledge and experience, I am finding that the majority of broker-dealers do indeed prefer the OTC Link and many will not even entertain the option of quoting on the OTCBB.

Moreover, the only way for issuers to be eligible for quotation on the OTCQB and OTCQX is to be subject to the Exchange Act reporting requirements usually after having filed a Form 10 or and S-1 with the SEC and clearing comments on same. Moreover, these issuers must remain current in their reporting requirements and possess an active 15c2-11. From a legal qualification stand point, the same standards apply to the OTCQB and OTCQX and higher standards apply to the OTCQX.

## Conclusion

Due to the redundancy in these reporting standards and the nearly complete disappearance of OTCBB issuers, it is inevitable that the term OTCBB is slated for extinction and to be replaced with the OTCQB and OTCQX. As it stands, OTCMarkets.com has already abandoned the term “OTCBB” in their classification of fully-reporting micro-cap companies.

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Securities Law Blog is written by Laura Anthony, Esq., a going public lawyer focused on OTC Listing Requirements, Direct Public Offerings, Going Public Transactions, Reverse Mergers, Form 10 Registration Statements, and Form S-1 Registration Statements. Securities Law Blog covers topics ranging from SEC Compliance, FINRA Compliance, DTC Chills, Going Public on the OTC, and OTCQX and OTCQB Reporting Requirements. Ms. Anthony is also the host of LawCast.com, the securities law network.

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