

OTCQX Update

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by Christopher L. Doerksen

In recent years, many Canadian companies have sought to create a U.S. market for their shares by listing on the OTCQX. Qualifying Canadian companies that have their primary listing on the Toronto Stock Exchange, the TSX Venture Exchange or the Canadian Securities Exchange may generally obtain a quotation on the OTCQX or the next lower tier of the OTC Markets, the OTCQB, without filing a registration statement with, or becoming subject to ongoing reporting requirements with, the U.S. Securities and Exchange Commission.

During 2016, the initial listing requirements for OTCQX included a minimum share price of US\$0.25, a minimum market capitalization of US\$10 million, an operating business, no current bankruptcy or reorganization proceedings, at least 50 beneficial round lot shareholders, an exemption from SEC reporting, and an exemption from penny stock status (typically satisfied through net tangible assets of at least US\$2 million, or US\$5 million if the company has been in operations for less than three years). A company obtaining an OTCQX quotation was also required to retain an attorney or broker approved by the OTC Markets to serve as the company's Principal American Liaison, or PAL. PALs were tasked with confirming the company's compliance with OTCQX listing qualifications, delivering a letter of introduction to the OTC Markets, and providing an annual letter to the OTC Markets confirming the company's continued satisfaction of the OTCQX continued listing qualifications.

Effective January 1, 2017, the OTCQX has eliminated the requirement for an annual PAL letter. Approved attorney or broker PALs, now referred to as "Sponsors," will only be required to provide an initial letter of introduction, thereby reducing the ongoing cost of an OTCQX listing.

Dorsey has assisted more than 80 Canadian clients in obtaining OTCQX quotations, and is an approved Sponsor (previously, an approved PAL).

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- Christopher L. Doerksen

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