

NASD Notice to Members 99-43

Update On OTC Bulletin Board Eligibility Rule

Suggested Routing

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Executive Summary

In *Notice to Members 99-15*, the National Association of Securities Dealers, Inc. (NASD®) described amendments to NASD Rules 6530 and 6540 to limit quotations on the OTC Bulletin Board® (OTCBB) to the securities of companies that report their current financial information to the Securities and Exchange Commission (SEC), banking, or insurance regulators and described when those rules would be applied to issuers trading on the OTCBB. The amendments will become effective over an 18-month period, based on the issuer's symbol. This *Notice* includes the effective date schedule that has been published on the OTCBB Web Site (www.otcbb.com) since January and describes the requirements a security must meet to be quoted after it is subject to the amendments.

Questions regarding this *Notice* should be directed to Liz Heese, Product Manager, Trading and Market Services, The Nasdaq Stock Market, Inc., at (202) 728-8191; Sara Nelson Bloom, Associate General Counsel, Office of General Counsel, The Nasdaq Stock Market®, at (202) 728-8478; or Arnold Golub, Senior Attorney, Office of General Counsel, The Nasdaq Stock Market, at (202) 728-6938.

Background

The OTCBB is a quotation service that displays real-time quotes, last-sale prices, and volume information in domestic and certain foreign securities. Eligible securities include national, regional, and foreign equity issues; and warrants, units, and American Depositary Receipts (ADRs) not listed on any other U.S.

national securities market or exchange. Although the OTCBB is operated by the NASD, it is unlike The Nasdaq Stock Market or other listed markets where individual companies apply for listing and must meet and maintain strict listing standards; instead, individual brokerage firms or Market Makers initiate quotations for specific securities on the OTCBB. Currently, approximately 6,500 securities are quoted on the OTCBB.

On January 4, 1999, the SEC approved amendments to NASD Rules 6530 and 6540. As revised, Rule 6530 limits quotations on the OTCBB to the securities of issuers that report their current financial information to the SEC, banking, or insurance regulators and Rule 6540 prohibits a member from quoting a security on the OTCBB unless the issuer has made current filings. These amendments were discussed in *Notice to Members 99-15* and the full text of the rules appears in that *Notice*. *Notice to Members 99-15* also indicated that the new requirements were already effective for securities not quoted on the OTCBB on January 4, 1999, and published a schedule for the effectiveness of the revised rules with respect to issuers that were trading on the OTCBB as of that date. The NASD made slight modifications to that schedule and has published the modified schedule on the OTCBB Web Site since January. In order to continue to be quoted on the OTCBB, securities quoted on the OTCBB as of January 4, 1999, must be in compliance with the new eligibility requirement based upon the schedule on the following page.¹

Effective Date Schedule

<u>Schedule</u>	<u>Issue Symbol</u>
July 1999	A - AD
August 1999	AE - AO
September 1999	AP - BI
October 1999	BJ - CT
November 1999	CU - FL
December 1999	FM - IG
January 2000	IH - MD
February 2000	ME - OR
March 2000	OS - R
April 2000	S - TN
May 2000	TO - Z
June 2000	All Banks & Insurance Companies

Eligibility Requirements

To continue to be quoted after the first trading day of the scheduled month, the issuer of the security must be:

- registered with the SEC under Section 13 or 15(d) of the Securities and Exchange Act of 1934 (Act), an investment company registered under the Investment Company Act, an insurance company described in Section 12(g)(2)(G) of the Act, or a bank or savings association that is not required to file reports with the SEC; **and**
- current in its required filings. To be current, the issuer must have filed its latest required annual filing and any subsequent quarterly filings.

In the alternative, a security will be deemed eligible if the issuer has filed a Form 10 or a Form 10SB and has cleared all comments by the SEC.

A list of all OTCBB securities and their eligibility status according to Nasdaq's records will be available on www.otcbb.com. If you believe the status of a security is incorrect, please e-mail the correct eligibility status, and the CIK code if the issuer is an EDGAR filer, to otcbbfeedback@nasd.com, using "OTCBB Eligibility status correction" as the subject line of the email.

Endnote

¹This schedule is subject to change at the discretion of the NASD. The NASD will use the issue symbol as it appears in the OTCBB quotation system on January 4, 1999, to determine where a particular issue falls in the schedule. Subsequent symbol changes will not be considered in determining an issuer's phase-in date.

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