**OTC Bulletin Board (OTCBB)**

The [OTC Bulletin Board (OTCBB)](http://www.sec.gov/cgi-bin/goodbye.cgi?www.otcbb.com/) is an electronic quotation system that displays real-time quotes, last-sale prices, and volume information for many over-the-counter securities that are not listed on The Nasdaq Stock Market or a national securities exchange. Brokers who subscribe to the system can use the OTCBB to look up prices or enter quotes for OTC securities. Although the National Association of Securities Dealers, Inc. oversees the OTCBB, the OTCBB is not part of The Nasdaq Stock Market. Fraudsters often claim that an OTCBB company is a [Nasdaq](http://www.sec.gov/cgi-bin/goodbye.cgi?www.nasdaq.com) company to mislead investors into thinking that the company is bigger than it actually is.

Under the OTCBB's eligibility rule, companies that want to have their securities quoted on the OTCBB must file current financial reports with the SEC or with their banking or insurance regulators. For more information, please read ["OTC Bulletin Board (OTCBB) Eligibility Rule"](http://www.sec.gov/answers/otcbbel.htm) in our Fast Answers database.

[*http://www.sec.gov/answers/otcbb.htm*](http://www.sec.gov/answers/otcbb.htm)

# OTC Bulletin Board (OTCBB) Eligibility Rule

The [OTC Bulletin Board (OTCBB)](http://www.sec.gov/cgi-bin/goodbye.cgi?www.otcbb.com/) eligibility rule required companies whose securities were quoted on the OTCBB to file updated financial reports with the SEC or with their banking or insurance regulators. If these companies failed to file current financial reports, their securities would be removed from the OTCBB, but could be quoted in another system, such as the [Pink Sheets](http://www.sec.gov/answers/pink.htm).

The eligibility rule was phased in over a 12-month period and ended June 22, 2000. On the [OTC Bulletin Board's website](http://www.sec.gov/cgi-bin/goodbye.cgi?www.otcbb.com/dynamic/eligibility.htm), you can find a history of the rule and data concerning companies that were removed from the OTCBB.

If you are considering investing in a company that trades on the OTCBB, you can find reports filed by the company on the [SEC's EDGAR database](http://www.sec.gov/edgar.shtml). For more information about the OTCBB, please read ["OTC Bulletin Board"](http://www.sec.gov/answers/otcbb.htm) in our Fast Answers database.

[*http://www.sec.gov/answers/otcbbel.htm*](http://www.sec.gov/answers/otcbbel.htm)

**OTCBB Eligibility Rule**

|  |  |
| --- | --- |
| **October 2, 2002** | [Procedures for Determining Compliance With Filing Requirements](http://www.otcbb.com/news/EligibilityRule/noncompl_procs.stm) |
| **June 28, 2000** | [Eligibility Rule Phase-in Complete](http://www.otcbb.com/news/EligibilityRule/ercomplete.stm) |
| **April 19, 2000** | [Status of Companies Required to Comply with Eligibility Rule on May 18](http://www.otcbb.com/news/EligibilityRule/maybphasein.stm) |
| **April 10, 2000** | [Form 8-K "Back Door" Registration under the Securities Exchange Act of 1934](http://www.otcbb.com/news/EligibilityRule/8kreg.stm) |
| **April 5, 2000** | [Status of Companies Required to Comply with Eligibility Rule on May 4](http://www.otcbb.com/news/EligibilityRule/mayaphasein.stm) |
| **March 22, 2000** | [Status of Companies Required to Comply with Eligibility Rule on April 20](http://www.otcbb.com/news/EligibilityRule/aprilbphasein.stm) |
| **March 14, 2000** | [Status of Companies Required to Comply with Eligibility Rule on April 6](http://www.otcbb.com/news/EligibilityRule/aprilaphasein.stm) |
| **February 22, 2000** | [Status of Companies Required to Comply with Eligibility Rule on Mar 24](http://www.otcbb.com/news/EligibilityRule/marchbphasein.stm) |
| **February 9, 2000** | [Status of Companies Required to Comply with Eligibility Rule on Mar 9](http://www.otcbb.com/news/EligibilityRule/marchaphaseinlist.stm) |
| **January 27, 2000** | [Status of Companies Required to Comply with Eligibility Rule on Feb 25](http://www.otcbb.com/news/EligibilityRule/februarybphaseinlist.stm) |
| **January 10, 2000**  | [Status of Companies Required to Comply with Eligibility Rule on Feb 10](http://www.otcbb.com/news/EligibilityRule/februaryaphaseinlist.stm) |
| **December 20, 1999** | [Status of Companies Required to Comply with Eligibility Rule on Jan 20](http://www.otcbb.com/news/EligibilityRule/januarybphaseinlist.stm) |
| **December 6, 1999** | [Status of Companies Required to Comply with Eligibility Rule on Jan 13](http://www.otcbb.com/news/EligibilityRule/januaryaphaseinlist.stm) |
| **December 10, 1999** | [Reminder: Eligibility Determination Date is Final for Non-Compliant Issuers](http://www.otcbb.com/news/EligibilityRule/nograceperiod.stm) |
| **November 24, 1999** | [Reminder: Non-SEC Filers Must Submit Hard Copy Filings](http://www.otcbb.com/news/EligibilityRule/bankfilingreminder.stm) |
| **November 18, 1999** | [Status of Companies Required to Comply with Eligibility Rule on Dec 16](http://www.otcbb.com/news/EligibilityRule/decemberbphaseinlist.stm) |
| **November 4, 1999** | [Status of Companies Required to Comply with Eligibility Rule on Dec 2](http://www.otcbb.com/news/EligibilityRule/decemberaphaseinlist.stm) |
| **October 20, 1999** | [Status of Companies Required to Comply with Eligibility Rule on Nov 18](http://www.otcbb.com/news/EligibilityRule/novemberbphaseinlist.stm) |
| **October 5, 1999** | [Status of Companies Required to Comply with Eligibility Rule on Nov 4](http://www.otcbb.com/news/EligibilityRule/novemberaphaseinlist.stm) |
| **October 10, 1999** | [Symbol Change Moved One Day for Non-Compliant Issuers (CU-EE)](http://www.otcbb.com/news/EligibilityRule/phaseinschedmodcu_ee.stm) |
| **September 30, 1999** | [Insufficient Audit Opinion May Result in Non-Compliance w/Eligibility Rule](http://www.otcbb.com/news/EligibilityRule/auditopinions.stm) |
| **October 25, 1999** | [Status of Companies required to Comply with Eligibility Rule on October 21](http://www.otcbb.com/news/EligibilityRule/octoberbphaseinlist.stm) |
| **September 13, 1999** | [Status of Companies Required to Comply with Eligibility Rule on Oct 8](http://www.otcbb.com/news/EligibilityRule/octoberaphaseinlist.stm) |
| **August 25, 1999** | [Modified Eligibility Rule Phase-In Schedule](http://www.otcbb.com/news/EligibilityRule/EligRulePhaseInSched.stm) |
| **August 25, 1999** | [Letter to Market Makers Regarding Modified Phase-in Schedule](http://www.otcbb.com/news/EligibilityRule/splitschedmmltr.stm) |
| **July 1, 1999** | [Status of Companies Required to Comply with Eligibility Rule on August 2nd](http://www.otcbb.com/news/EligibilityRule/augustphaseinlist.stm) |
| **June 29, 1999** | [Eligibility Rule: Daily List Includes Anticipated Deletions for July 2, 1999](http://www.otcbb.com/news/EligibilityRule/anticdelejulyphasein.stm) |
| **June 15, 1999** | [NASD NoticeTo Members 99-43: Update on OTCBB Eligibility Rule](http://www.otcbb.com/news/EligibilityRule/ntm99_43.stm) |
| **June 10, 1999** | [211 Exemption Granted to Securities Removed from OTCBB Due to Eligibility Rule](http://www.otcbb.com/news/EligibilityRule/211exemption.stm) |
| **June 4, 1999** | [Status of Companies Required to Comply with Eligibility Rule on July 1st](http://www.otcbb.com/news/EligibilityRule/julyphaseinlist.stm) |
| **April 22, 1999** | [OTCBB Eligibility Rule Phase-In Procedures](http://www.otcbb.com/news/EligibilityRule/implementprocedures.stm) |
| **March 23, 1999** | [OTCBB Trading Symbols Appended for Delinquent Filers](http://www.otcbb.com/news/EligibilityRule/5thlettersymbol.stm) |
| **Febraury 22, 1999** | [OTCBB Eligibility List](http://www.otcbb.com/news/EligibilityRule/phaseinlist.stm) |
| **February 12,1999** | [NASD Notice To Members 99-15 SEC Approves Rule Amendments On OTC Bulletin Board](http://www.otcbb.com/news/EligibilityRule/ntm99_15.stm) |
| **January 21, 1999** | [Eligibility Rule Q & A](http://www.otcbb.com/news/EligibilityRule/eligruleq%26a.stm) |
| **January 20, 1999** | [Letter to Market Makers Regarding the Eligibility Rule](http://www.otcbb.com/news/EligibilityRule/eligrulemmletter.stm) |
| **January 8, 1999** | [Eligibility Rule: SEC Adopting Release 34-40878](http://www.otcbb.com/news/EligibilityRule/eligruleapprovorder.stm) |
| **January 6, 1999** | [SEC Approves OTCBB Eligibility Rule](http://www.otcbb.com/news/EligibilityRule/secapproveligrule.stm) |
| **January 6, 1999** | [NASD Announces SEC Approval of OTC Bulletin Board Eligibility Rule](http://www.otcbb.com/news/EligibilityRule/eligrulepressrel.stm) |
| **November 10, 1998** | [OTCBB Eligibility Rule Proposal Published in the Federal Register](http://www.otcbb.com/news/EligibilityRule/eligrulepublic.stm) |
| **July 31, 1998** | [OTC Rule Proposals Submitted to SEC](http://www.otcbb.com/news/EligibilityRule/otcrulestosec.stm) |
| **May 11, 1998** | [NASD Board Approves OTC Rule Proposals](http://www.otcbb.com/news/EligibilityRule/nasdboardmtg.stm) |
| **March 20, 1998** | [NASD Requests Comment On Limiting Quotations On the OTC Bulletin Board To Securities of Reporting Issuers](http://www.otcbb.com/news/EligibilityRule/ntm98-14domest.stm) |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|

|  |
| --- |
| **Procedures for Determining Compliance With Filing Requirements**  |

The procedures followed by The OTCBB Filings Department for determining a company’s compliance status with respect to the Eligibility Rule are as follows: 1. Determine Compliance - To be compliant with the Eligibility Rule, a company 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, an issuer must have filed its latest required annual filing and any subsequent quarterly filings. In the alternative, an issuer may be deemed compliant if it has filed a Form 10 or a Form 10SB and has cleared all comments by the SEC.
1. Process Non-Compliant Companies
	* **Grace Periods** - Companies that file with the SEC are given a grace period of 30 calendar days. Banks and insurance companies that do not file with the SEC are given a grace period of 60 calendar days. The grace period begins on the date the symbol change notification appears on the OTCBB Daily List, not the effective date of the symbol change.
	* **Symbol Changes** - If Nasdaq has no information that the issuer is compliant, it will append the issuer’s symbol with a fifth character of "E". Notification of a symbol change will appear on the OTCBB Daily List prior to the effective date of the change.
2. Notification of Filing - Market Makers or other parties who wish to notify Nasdaq of any filing that has been made during the grace period which would bring the issuer into compliance may contact the Nasdaq via telephone or mail.

OTCBB Filings Department9600 Blackwell Road, 5th FloorRockville, MD 20850To contact Nasdaq’s OTCBB Filings Department, please call the automated service at 301-978-8095. 1. Demonstrate Compliance - If Nasdaq receives notification that a delinquent issuer is compliant with the filing requirement during the grace period, the fifth character identifier ("E") will be removed. Notification of the symbol change to remove the "E" will appear on the OTCBB Daily List prior to the effective date of the change.
2. Removal - If Nasdaq has no information that the issuer is compliant, upon expiration of the grace period, the issuer’s security(ies) will be removed from the OTCBB. Deletions will appear on the OTCBB Daily List prior to their effective date. Note that an issuer can request review of the decision to remove the issuer’s securities by an independent hearings panel. Additional information regarding that process can be found in our [FAQs](http://www.otcbb.com/faqs/otcbb_faq.stm).

If an issuer becomes compliant in it's required filings after it has been deleted from the OTCBB, a new Form 211 and 211 Addendum must be submitted to the NASDR OTC Compliance Unit. Only a market maker may submit these forms.    |  | Receive free OTCBB.com news

|  |  |
| --- | --- |
|  | Subscriber Bulletins |
|  | Technical Updates |
|  | UPC Notices |
|  | Vendor Alerts |
|  | [Closing Report](http://www.otcbb.com/dynamic/closing_report.stm) |

 |

|  |
| --- |
| **211 Exemption Granted to Securities Removed from OTCBB Due to Eligibility Rule**  |

On June 3, 1999, the SEC granted an exemption from SEC Rule 15c2-11 for securities that were quoted on the Over-the-Counter Bulletin Board ("OTCBB") on or before January 4, 1999 that will no longer be eligible to be quoted on the OTCBB due to the phase-in implementation of NASD Rule 6530 (the Eligibility Rule). View the [**SEC's Letter of Approval**](http://www.otcbb.com/News/EligibilityRule/211ExemptionApprovalLetter.pdf) in PDF format.

On January 4, 1999, the Securities and Exchange Commission (SEC) approved amendments to NASD Rules 6530 and 6540 (Rules) to limit quotations on the OTCBB to the securities of companies that report their current financial information to the SEC, banking, or insurance regulators.1 The new Rules are intended to ensure that investors in OTCBB securities have access to reliable and current information about the issuers of these securities.

The new Eligibility Rule was effective immediately for securities not quoted on the OTCBB on January 4, 1999. Issuers whose securities were quoted on the OTCBB as of January 4, 1999 and have continued to be quoted will be required to comply with the Eligibility Rule according to a phase-in schedule starting in July 1999 and continuing through June 2000. The delayed effectiveness of the Rule is designed to enable broker-dealers, investors, and issuers to take appropriate action.

The Eligibility Rule provides that, in order for a security to continue being quoted on the OTCBB, the issuer must be required to make periodic filings with the SEC, or with banking or insurance regulators, and be current with those filings. The NASD will affix a modifier "E" on the security symbol of any securities issuer that does not meet the requirements of the Eligibility Rule. The addition of the modifier will be publicly reported on the OTCBB Daily List, which is available on the OTCBB Web site at www.otcbb.com. The "E" also will be evident to the quoting broker-dealers when they access the security on the Nasdaq Workstation. Once an issuer is deemed not to be in compliance with the Eligibility Rule, the security may continue to be quoted on the OTCBB for a 30 or 60 calendar day grace period from the date that the "E" modifier was appended on the security symbol, depending on the type of issuer.2 After the grace period, quotations in non-compliant securities will not be permitted on the OTCBB, and member firms will be prohibited from quoting the issuer’s security on the OTCBB. The NASD announced approval of the OTCBB Eligibility Rule in [**Notice to Members 99-15**](http://www.otcbb.com/news/EligibilityRule/ntm99_15.stm).

The exemption granted by the SEC from Rule 15c2-11 will permit broker-dealers to publish or submit quotations in other quotation mediums, including the National Quotation Bureau’s Pink Sheets, for securities being removed from the OTCBB pursuant to NASD Rule 6530 subject to the following conditions:

1. A broker or dealer must have in its records information specified in paragraphs (a)(5)(i), (a)(5)(ii), and (a)(5)(viii) of Rule 15c2-11;
2. The security was quoted in the OTCBB from January 4, 1999 until the date of its removal3;
3. The NASD has appended the covered security’s symbol to indicate that it is not compliant with Rule 6530; and,
4. A broker or dealer must have published quotations in the covered security in the OTCBB on at least 12 business days during the preceding 30 calendar days, with no more than four consecutive business days without quotations.

This exemption will expire when the implementation of the Eligibility Rule is complete.4

To publish or submit quotations for a security, pursuant to this exemption, that is being removed from the OTCBB pursuant to Rule 6530 a broker-dealer, pursuant to NASD Rule 6740, must, during the 30 or 60 day period that the security’s symbol reflected on the OTCBB is appended with the "E" modifier, complete and mail the Exemption Form to the OTC Compliance Unit, NASD Regulation, Inc., 9513 Key West Avenue, Rockville, MD 20850, or fax it to (301) 208-2806.

|  |  |
| --- | --- |
| **15c2-11 Exemption Request Form - Eligibility Rule** |  |
| **This form must be received by the OTC Compliance Unit during the 30 or 60 calendar day grace period commencing after the "E" is appended on the security symbol**.  |  |

The information that must be provided on this form includes:

* The issuer’s name and the issuer’s predecessor in the event of a merger or reorganization within the previous 12 months
* The issuer’s address
* Issuer contact and telephone number
* The nature of the issuer’s business
* The symbol(s) for the security(ies)
* The security’s CUSIP number (if applicable)
* If a broker-dealer is initiating a quotation with a priced entry, the firm must specify the basis for determining the price and the factors considered in making that determination
* If the broker-dealer’s initial quotation does not include a priced entry, the firm must supplement its filing before inserting a priced entry
* The form must be signed by a principal of the member firm

If you have any questions relating to this exemption please call the OTC Compliance Unit at (301) 208-2802.

-----------------------------------
1 See Release No. 34-40878 (January 4, 1999), 64 FR 1255 (January 8, 1999) (File No. SR-NASD-98-51).

2 Issuers that file with the SEC will have a 30-day grace period before they can no longer be quoted on the OTCBB; issuers that file with other regulators will have a 60-day period.

3 Therefore, if the Commission suspends trading in the covered security pursuant to Section 12(k) under the Exchange Act, this exemption does not apply to that security.

4 After that time, broker or dealers that wish to publish a quotation in another quotation medium in an OTCBB security that becomes ineligible for the OTCBB system will be required to comply with Rule 15c2-11. The Commission has recently reproposed amendments to Rule 15c2-11. See Securities Exchange Act Release No. 34-41110 (March 8, 1999). Broker-dealers would be required to comply with any new provisions of Rule 15c2-11, and this exemption may be modified or revoked upon adoption of any amendments.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|

|  |
| --- |
| **Insufficient Audit Opinion May Result in Non-Compliance w/Eligibility Rule**  |

Certain issuers whose securities are currently quoted on the OTCBB have been determined not to meet the requirements of the Eligibility Rule. Specifically, it has come to the attention of the NASD that the public filings of these issuers do not comply with the requirements of the federal securities laws (e.g. SEC Regulation S-X, Rule 2-02). Generally, this is a result of the issuer's most recent annual report containing an **audit opinion that was adverse, disclaimer, qualified or not provided**. Accordingly, the NASD will append these issuers' symbols with a fifth character "E." Unless the NASD receives information within 30 calendar days indicating that the issuer meets the requirements of the Eligibility Rule, the issuer's securities will be removed from the OTCBB. If you have any questions, please contact: OTCBB Filings Department9801 Washingtonian Blvd.Gaithersburg, MD 20878-5356301-978-8095 |  | Receive free OTCBB.com news

|  |  |
| --- | --- |
|  | Subscriber Bulletins |
|  | Technical Updates |
|  | UPC Notices |
|  | Vendor Alerts |
|  | [Closing Report](http://www.otcbb.com/dynamic/closing_report.stm) |

 |

|  |
| --- |
| **Form 8-K "Back Door" Registration under the Securities Exchange Act of 1934**  |

Please be advised that with respect to companies electing to become reporting companies under Rule12g-3 of the Securities Exchange Act of 1934, the SEC treats Form 8-Ks pertaining to 12g-3 successor issuers in the same manner as Form 10 and Form 10SB filings. See, [**April 7, 2000 letter from the SEC**](http://www.otcbb.com/news/EligibilityRule/8kreg.stm#SECLetter#SECLetter). Accordingly, as is the case for issuers filing Form 10 filings, in order to be deemed an eligible security under Rule 6530, an issuer electing 12g-3 successor issuer status must have received notification that the SEC will not review the Form 8-K or, in cases where the SEC has elected to review the Form 8-K, clear all SEC comments on such Form 8-K prior to the security's scheduled phase-in date. As such, the NASD will append the symbol of an issuer that has not met the above conditions with an "E" pursuant to the Eligibility Rule phase-in schedule and will not remove the "E" appended to an OTCBB issuer electing 12g-3 successor issuer status until the security is determined to be an eligible security or is removed from the OTCBB. For a description of the implementation of the Eligibility Rule, please see [**NASD Notice To Members 99-43**](http://www.otcbb.com/news/EligibilityRule/ntm99_43.stm).

Click [**here**](http://www.otcbb.com/News/EligibilityRule/8KReg.pdf) to view a copy of the original letter (PDF format).

April 7, 2000

Ms. Lisa Roberts
Director of Listing Qualifications
NASDAQ
National Association of Securities Dealers
9801 Washingtonian Boulevard
Gaithersburg, MD 20878

Re: Form 8-K "Back Door" Registration under the Securities Exchange Act of 1934

Dear Ms. Roberts:

A non-reporting company recently asked about its reporting status under the Securities Exchange Act of 1934 after it acquired a reporting "blank check" company.1 The requester suggested that it would be a successor issuer to the reporting obligation of the "blank check" company by virtue of Commission Rule 12g-3(a).2 We disagreed.

Under our system, the concept of succession in part depends upon the nature of the company being succeeded. Thus, in Rule 12b-2, the definition of "succession" requires "the direct acquisition of the assets comprising a going business" [emphasis added]. We advised the requester that the "blank check" company did not seem to satisfy these criteria. Consequently, Rule 12g-3(a) would not be applicable, and the non-reporting company would have to file a Form 10 or Form 10-SB registration statement in order to become an Exchange Act reporting company. Nonetheless, we recognized the long-standing availability of the "back door" registration procedure where a going business was acquired, and concluded that if the requester here could provide the same, or at least some minimally acceptable level of information as issuers do in appropriate Rule 12g-3(a) cases, we would raise no objection to the procedure. The same level of information is the information required by Form 10 or Form 10-SB. A minimally acceptable level of information is complete audited and pro forma financial statements required by those forms. This information must be filed on Form 8-K within 15 days of the succession.

As you know, the Form 8-K filing is the seminal event in this "back door" filing procedure under the Exchange Act for the new combined operating company. It is a particularly critical event where a formerly non-reporting company acquires a reporting "blank check" company. For this reason, we treat these Form 8-K "back door" filings in the same way we treat Form 10 and Form 10-SB filings. We subject them to our standards of review selection, and we may issue substantive comments on the sufficiency of the disclosures presented. Any disclosure deficiencies in the Form 8-K may impact the informed nature of trading markets for these securities. Therefore, in accordance with our customary procedure for processing Exchange Act registration statements, we will advise you of those situations where a Form 8-K "back door" registration has been selected for review, when we have issued comments on it and when those comments have been cleared by the staff.

We wanted you to be aware of the way we are administering these filings because of the importance your systems place upon the reporting requirements and information contained in Commission filings under sections 13(a) and 15(d) of the Exchange Act. You should feel free to advise your members and others of these views and procedures. If you have any questions, be sure to let me know.

Sincerely,

Richard K. Wulff, Chief
Office of Small Business

1. A "blank check" company is a developmental stage company that has no specific business plan or purpose or has indicated its business plan is to engage in a merger or acquisition with an unidentified company or companies, or other entity or person.
2. "Back door" registration is used to describe the way a formerly non-reporting company first presents disclosure in a Commission filing about itself after completion of a Rule 12g-3(a) transaction. Because the information is filed under cover of Form 8-K rather than Form 10, 10-SB or 8-A, it has been referred to in this way.