

## **OTC Markets Group Policy on Stock Promotion**

*Timely disclosure of material information is fundamental to efficient trading markets.*

Public availability of adequate current information is a core principal of OTC Markets Group's disclosure-based philosophy and the OTCQX and OTCQB Rules. Reputable public companies are expected to release quickly to the public any news or information which might reasonably be expected to materially affect the market for its securities.

Management of a public company also has the responsibility to dispel unfounded rumors, misinformation or false statements which result in unusual market activity. Misleading and manipulative promotion clearly fall into this area of concern and must be immediately addressed.

Social networks and online media sites have created new ways for public companies to interact and connect with potential investors. Digital marketing has made it easier for investor relations professionals to reach millions of investors, but technology can also be abused by anonymous market manipulators for fraudulent promotional campaigns that harm the integrity of public markets and defraud investors.

This policy describes how OTC Markets Group is working to establish best practices, improve market transparency and better address the problem of stock promotion that is misleading and manipulative.

### **Identifying Fraudulent Promotional Campaigns**

We believe stock promotion is misleading and manipulative when information is publicly disseminated to disrupt the efficient market pricing of a security. Misleading promotional materials often employ false or baseless claims, omit material information, exaggerate an issuer's future potential, or predict unrealistic price targets. Fraudulent promotional campaigns disseminate misleading information in a variety of manners, including e-mails, newsletters, social media outlets, press releases, videos, telephone calls, and/or hard mailers.

Common characteristics of misleading and manipulative promotion:

- Fail to clearly identify the sponsor of the promotion, and/or the promotion is sponsored or paid for by anonymous, unidentifiable 3<sup>rd</sup> parties
- Typically focus on a company's stock rather than its underlying business
- Use highly speculative language. Materials often rely on grandiose numbers and figures related to the target company's industry, business model, financial results, or business developments
- Tout performance or profit potential of an issuer's security with unsupported or exaggerated statements about the stock price or its anticipated trajectory
- Make unreasonable claims pertaining to an issuer's operations
- Suggest a promise of a specific future performance of the stock or profit to investors
- Provide little or no factual information about the company, omit material information
- Urge the investor to take action immediately as not to miss out on a great opportunity

- Fail to provide details or disclosures about the risk associated with the issuers security

Anonymous paid promotion is often associated with unregulated parties or “financiers” that have acquired securities in private market transactions and wish to generate demand so they can sell their shares in the public markets at inflated prices.

### **OTC Markets Group’s Response to Promotion**

OTC Markets Group monitors for potential promotional activity relating to securities trading on our markets. We review for anonymous paid promotions, possible connections to bad actors, and evaluate the promotion’s potential impact on trading.

A company whose security is being promoted may not be directly involved or even aware of a promotion campaign for their securities, however all public companies have an obligation to provide accurate disclosure to investors and quickly address any misleading information that could affect the trading market for their securities.

#### Publicly Identify Securities Being Promoted

We are working to publicly identify securities that are the subject of stock promotion by placing a “promotion” risk flag next to the stock symbol on our websites, including [otcmarkets.com](http://otcmarkets.com), and our market data feeds. This promotion flag is designed to provide an alert regarding the potential risks associated with trading the security. *Coming First Quarter 2018.*

#### Information Request

OTC Markets Group may request that a company that is the subject of stock promotion issue a press release to notify the markets about the promotion, either confirm the information in the promotion or identify it as misleading and make corrections to the claims made in the promotional materials, and disclose any recent transactions by insiders and affiliates. OTC Markets Group may request records from the issuer’s transfer agent and require additional disclosure about share issuances and financing agreements, as well the identity of the people and advisors associated with such transactions.

Companies can learn more about best practices to help deter fraudulent stock promotion as well as recommendations for disclosure of ongoing promotion here: [[Stock Promotion: Best Practices for Issuers](#)].

#### Impact on OTCQX or OTCQB Designation

OTC Markets Group may not approve a company for trading on OTCQX or OTCQB if it is the subject of an active promotion campaign or if the security has a significant history of misleading and manipulative promotion.

A company may be removed from OTCQX or OTCQB if it is the subject of a misleading and manipulative stock promotion that has, in OTC Markets Group's sole determination, a potentially negative impact on the integrity of the market.

Misleading and manipulative promotion of companies with little or no assets or business activity is of concern to OTC Markets. Anonymous paid promotion of these companies may raise red flags with regulators. When OTC Markets identifies promotion of shell companies it will result in their immediate removal from the OTCQB market (note: shells are precluded from qualifying for the OTCQX market).

#### Caveat Emptor Policy and Stock Promotion

OTC Markets Group designates certain securities with "Caveat Emptor" and places a skull and crossbones icon next to the stock's ticker symbol as it appears on OTC Markets Group's websites, data feeds and social media, as notice of a potential public interest concern associated with the security, and to caution investors to exercise additional care and perform thorough due diligence before making any investment decision.

OTC Markets Group may designate a security undergoing promotion as Caveat Emptor, if, in OTC Markets Group's determination, the stock promotion presents a public interest concern or if the company has not made adequate current information available to investors. For more information, see: [OTC Markets Group's Policy Regarding Caveat Emptor](#).

#### Regulatory Referrals

We make referrals to the SEC, FINRA or other regulatory agencies when we have concerns relating to stock promotion.

### **More Information on OTC Markets Group's Response to Promotion**

#### [Caveat Emptor Policy](#)

#### [Stock Promotion: Best Practices for Issuers](#)

[Petition for Commission Action to Protect the Investing Public from Unlawful and Deceptive Securities Promotion](#). We have filed a petition with the SEC to create more transparency for investors when there is promotion paid for by third parties, and allow markets to better identify bad actors. The SEC Regulations regarding promotion were written in the time of financial information and advice being delivered in print and over the radio. Rule 17b needs to be updated to reflect the anonymity allowed by the internet and other modern media channels.