

# BIG CHANGES COMING THAT COULD AFFECT OTC ZOMBIE STOCKS



*A Story for Apes*  
by  
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**BIG CHANGES COMING THAT COULD AFFECT OTC ZOMBIE STOCKS:** Effective Sept. 28th, many OTC stocks will be moved to a private broker-dealer network called the "Expert Market", and YOU the retail investor and general public, WILL NOT have access to prices, data, or trading within this private market.

Education | Data

I'm trying to get as many eyes on this as possible. I haven't had much luck so far, and I keep seeing posts make the front page that are making big claims about short positions and Sept. 28th, including claims that shorts must cover or close by that date (for which I have found zero evidence).

I did my own DD on the matter, which can be found [here](#).

A ton of long-dead OTC stocks have come back to life recently and it has me jacked, as I firmly believe the price action is an indicator that they are tied to GME. But I think there is some sneaky business in the works, and efforts are being made to suppress information. As far as I can tell, these stocks could be moved off the OTC market and begin trading on the private broker-dealer network called the "Expert Market", and this could be happening in a few weeks.

This market is by design not accessible to retail investors and the general public.

Why? Because the SEC has decided that certain OTC stocks are too dangerous for retail investors, and we must be protected from fraud and manipulation. LOL

No longer will retail or the general public be able to see prices for securities moved to this market, nor will retail investors be able to engage in trading on this market. **If our reanimated OTC stocks get moved to this "Expert Market" it will hide valuable data, as we will no longer be able to see what is happening with the price, volume, etc.**

Don't believe me? Here are the highlights from my DD:

[The website of the company who operates the broker-dealer network](#) <-- They tell you straight up that many stocks will be moving to this private network, and they state that *"Quotations (prices) in Expert Market securities are restricted from public viewing. Only broker-dealers and professional or sophisticated investors are permitted to view quotations in Expert Market securities."*

[The SEC filing itself, this is the primary source](#) <-- This filing confirms the claim above, and outlines what securities will be moved to the private network, which includes: securities with outdated financial statements, including shell companies, as well as SECURITIES FOR COMPANIES THAT ARE UNDERGOING CHAPTER 11 BANKRUPTCY PROCEEDINGS.

Of course there's nuance and exceptions to the requirements, and not every security will be moved, but I'm trying to keep this brief. If you want to know more then read [this analysis by Hamilton and Associates Law Group](#) which gives you an overview of the situation. Its lengthy and dense but it is informative as hell.

For the smooth-brains and casual lurkers reading this, my intention with this post is to manage your expectations for

Sept.28th.

For the wrinkle-brains reading this, please scrutinize my DD (link at the top). I need more people to look into this, as I feel this is very important given the relevance of our OTC zombie stocks to the abusive naked-shorting of GME.

If you are currently doing your own DD on OTC stocks, consider making a back-up of data on OTC stocks, as I believe it will become much harder to access in the near future.

In closing, I'm jacked about the data we are getting from the OTC market, and I fear that incoming changes are attempting to suppress important information, much like [the CFTC's recent decision to suspend reporting requirement for swap dealers](#). I need more wrinkle-brains to look into this to either confirm or deny what I have found.

Until then, continue being skeptical, and HODL.

# Introducing the "Expert Market": OTC Market Group's sexy new dark pool, and why Sept. 28th reporting requirement changes may be bad news for market transparency

DD

## PREFACE

I've seen a couple posts hit the front page lately suggesting that the price action we have seen in zombie stocks is from shorts being forced to close before the implementation of new reporting requirements that come into effect on September 28th, 2021. They suggest that shorts sellers are being forced to close their positions before the stocks are delisted from the OTC market.

I have read into the matter, and I believe the posts have misinterpreted things. I made a post last night that didn't gain traction, so here is my second (and more researched) attempt to correct what I believe to be misinformation.

The posts I am referring to are: [here](#) and [here](#).

**After looking into the matter, I believe I have discovered something nefarious. Or at least, something that is certainly not in the best interest of retail or market transparency.**

## SUMMARY

**TL;DR:** *Courtesy of OTC Markets Group themselves*\*,\* ["OTC Markets Group currently operates the Expert Market as a distinct market tier for a small number of companies. However, on September 28th this market tier will expand to include a broader range of securities. Following the upcoming changes to Rule 15c2-11, companies that do not make current information publicly available under the rule will shift to the Expert Market."](#)

**It is correct that additional reporting requirement are effective on Sept. 28th. Stocks that fail to meet the new reporting requirements will be delisted from the OTC market and moved to what is called the "Expert Market". There is no mention of forcing positions to close in any of the reading I have done.**

**In response to the new reporting requirements for OTC stocks, OTC Markets Group has proposed exemptions to the new rules for securities traded on part of its alternative trading system (ATS) "OTC Link". They have proposed that their "Expert Market", in which access to data and quotes will be restricted to "broker-dealers, and professional or sophisticated investors" only, be exempt from the reporting requirements; the pretense being that restricting retail from accessing such opaque securities will protect the general public from the risk of fraud and manipulation, effectively achieving the "investor protection" that the new reporting requirements intend.**

The SEC seems on-board with the idea. This "Expert Market", which is an ATS (aka dark pool), has been operating since April 2019, and will become the new home for many companies that do not meet the new reporting requirements for OTC stocks, perhaps including our reanimated zombie stocks.

## ASSESSMENT

To get a handle on the situation, I read through the following sources:

1. [The original source from the posts I am "correcting"](#) - A lengthy but informative read based on SEC filings
2. [SEC filing describing new requirements and proposed exemptions](#) - the OG sauce, I read it to confirm the claims in the link above
3. [OTC Markets' explanation of the ATS](#) - the TL;DR from above, very insightful.

First off, there is no mention in anything I have read about short positions having to close before stocks are delisted from the OTC market. The new reporting requirements, roughly speaking, will require stocks trading OTC to maintain recent financial statements if they are to continue trading on the OTC market, otherwise they will be delisted from the OTC market.

So the security still exists after being delisted, but it becomes much more illiquid, and data and quotes for the security become more difficult to access.

The "Expert Market", as described by OTC Markets Group:

The Expert Market is a distinct market tier on which OTC Link LLC's broker-dealer subscribers (each, a "Subscriber" and collectively, the "Subscribers") can, among other things, find price transparency in certain securities that **may not be eligible or suitable for retail investors**. Currently, the distribution of quotations for securities that are published or submitted on the Expert Market is limited to broker-dealers, and OTC Link ATS **does not make such quotations available to the general public**. [Sauce, pg. 6](#)

What securities will be traded on the Expert Market?

(1) any security that is quoted in reliance on the piggyback exception prior to the Compliance Date **and loses such eligibility upon the Compliance Date** due to a lack of current and publicly available information about the issuer of the security; (2) any security that is quoted in reliance on the piggyback exception following the Compliance Date and subsequently loses such eligibility due to a **lack of current and publicly available information** about the issuer of the security, **the issuer's status as a shell company**, or a failure to meet the frequency-of-quotation requirement; and (3) **any security that is issued in conjunction with a Chapter 11 bankruptcy plan** confirmed pursuant to Section 1129 of the U.S. Bankruptcy Code (the "Code")<sup>21</sup> and is exempt from registration in accordance with Section 1145 of the Code. [Sauce, pg. 9 + 10](#)

I tried digging into [exemptions under section 1145 of the U.S. Bankruptcy Code](#), but its very dense and I'm no legal expert, so please scrutinize my assessment on this if you have some expertise on the matter.

**EDIT:** the reporting requirements that must be maintained are as summarised: (added after feedback)

*The amendments permit broker-dealers to publish a quotation if a publicly available balance sheet is dated within sixteen months of the published quotation, as in the proposal, and profit and loss and retained earnings statements are for the twelve months preceding the date of that balance sheet, rather than within six months of the quotation if the balance sheet is older than six months. ... The release also delays for two years the requirement that financial statements for the two preceding fiscal years be publicly available for catch-all issuers. This change from the proposal helps guard against the retroactive application of the rule; an issuer's securities will not lose their quoted market due to a broker-dealer's or qualified IDQS's inability to obtain historical records that predated these amendments.*

In the end, non-registrants will have to make limited disclosure, which is a welcome change. If they fail to meet the requirement, they'll be delisted to the Grey Market or (see below) the "Expert Market." If a qualified IDQS determines that an issuer's current information is no longer current, broker-dealers will have a grace period of 15 calendar days in which they may continue to quote the stock. This will give investors an opportunity to exit their positions, should they wish to take it.

In addition, the final rule creates a new exception that permits broker-dealers to publish quotations without conducting an information review for the highly liquid securities of well-capitalized issuers. The Commission believes such issuers are less susceptible to fraud than other types of penny stocks. [Sauce.](#)

**So you're telling me any stock currently traded on the OTC market, which belongs to a company with outdated statements, including shell companies, or securities issued from a Chapter 11 bankruptcy, are going to be taken off the OTC market and moved to a different dark pool that is designed specifically to exclude retail investors and hide quotes and data from the general public?**

**The potential for fuckery seems clear to me. The SEC is saying you have to be compliant to the OTC reporting requirements, because the OTC market is having non-compliance issues. But the consequence of continued non-compliance is you get moved to the private "Expert Market" where the reporting requirements don't apply?**

**It seems to me that if I was hiding something through non-compliance, I would just continue to do so, and end up in an ATS where my non-compliance isn't an issue and I'm hidden from public view.**

How is the distribution of quotes and data handled on the Expert Market?

Quotations published or submitted on the Expert Market are clearly identified in a data feed to which OTC Markets Group controls which Subscribers, market data distributors, and users have access. [Sauce, pg. 6 + 7](#)

What does the SEC think of the proposed changes to the Expert Market?

*The Commission believes that, under certain conditions and circumstances, it could be beneficial to establish an "expert market" that would enhance liquidity for sophisticated or professional investors in grey market securities, as*



*well as for small companies seeking growth opportunities that might prefer to be quoted in a market limited to such persons. To facilitate the formation and implementation of such a market, the Commission has the authority to issue exemptive relief by order pursuant to Section 36 of the Exchange Act and paragraph (g) of the amended Rule that is necessary or appropriate in the public interest, and is consistent with the **protection of investors**\*. In this regard, the Commission may consider, among other things,\* **the types of investors who could access quotations in this market and the types of securities that would be quoted in such a market.** [Sauce, pg. 4](#)*

Ok, so the SEC is open to the idea of expanding the function of the Expert Market as well as the exemptions for securities transacted within. They went on to state, additionally:

*In considering any such exemptive relief, the Commission preliminarily believes that **any such expert market must not have the potential to develop into a parallel market for which quotations are accessible by retail investors and the general public. To protect retail investors** from the harms resulting from incidents of fraud and manipulation in OTC securities for which no or limited publicly available information about the issuers exists to help counteract misinformation, such exemptive relief could focus on the types of investors that have the ability to assess an investment opportunity, including the ability to analyze the risks and rewards. [Sauce.](#)*

### **So what does this all mean?**

As far as I can tell from reading the SEC filing and OTC Markets' own post on the changes coming to the "Expert Market", OTC Market Group is turning its "Expert Market" dark pool into a catch-all trading platform for professional investors to exchange securities that no longer meet the SEC's new reporting requirements for OTC stocks. This is effective September 28th, 2021, and implies that many of the OTC stocks that have recently come under our scrutiny could be moved to this dark pool, making both their quotes and data inaccessible to retail investors and the general public.

This development, alongside the [CFTC's decision to suspend reporting requirements for swap dealers](#), paints a picture that the SEC and CFTC are actively suppressing retail's and the general public's ability to access information.

It's a compelling coincidence that these developments are taking place right now, given how relevant swaps and zombie stocks are to the latest DD pertaining to naked short positions.

My assessment could be wrong, I am no legal professional. Please pick apart my assessment and share your thoughts in the comments.





