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OTCM.PK - OTC Markets Group Inc Annual Shareholders Meeting

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CORPORATE PARTICIPANTS

Daniel Zinn *OTC Markets Group Inc. - General Counsel & Corporate Secretary*

Neal Wolkoff

Robert Cromwell Coulson *OTC Markets Group Inc. - President, CEO & Director*

CONFERENCE CALL PARTICIPANTS

James Mitchell

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the OTC Markets Annual Shareholder Meeting. (Operator Instructions) It is now my pleasure to introduce Chairman of the Board of Directors, Neal Wolkoff.

Neal Wolkoff

Okay. Thank you very much. Good morning, ladies and gentlemen, and welcome to the 2020 Annual Meeting of Stockholders of OTC Markets Group, Inc. I want to thank you all for joining us today. My name is Neal Wolkoff, Chairman of the Board of Directors of the company. And I will be presiding over this meeting. I'm joined by the CEO of the company, Cromwell Coulson.

At this time, I call the meeting to order. Daniel Zinn, the company's General Counsel, will act as Secretary and timekeeper of the meeting. Stacy Aquino of Continental Stock Transfer & Trust Company will serve as inspector of elections. Dan will now discuss the rules of conduct. Dan?

Daniel Zinn - OTC Markets Group Inc. - General Counsel & Corporate Secretary

Thank you, Neal. And to echo Neal, thank you all for joining us today. First, please note that this meeting is being recorded and may be made publicly available. The business portion of the meeting will be followed by a question-and-answer session. We are also conducting this meeting entirely remotely and ask that participants adhere to the following rules. Participants may submit questions via telephone or webcast. (Operator Instructions) Shareholders accessing the meeting via webcast may submit a written question by clicking the ask a question link. Should you desire to ask a question or speak during the meeting, please identify yourself and then state or write your questions. Please limit your remarks to corporate business.

Also, please note that we will be hosting an Investor Day for OTC Markets Group shareholders on April 12, 2021, where we will discuss our business operations and performance in more detail. The record date for voting at this meeting was the close of business on November 18, 2020. The list of shareholders on the record date is available for your review on the Investor Relations section of our website. You go to www.otcmkt.com. In the upper right-hand corner, you can click About and then Investor Relations, and the list will be made available there. You may access the shareholder list during the meeting by clicking on the link and entering the password, O-T-C-M 2020 with all lower case letters.

Neal Wolkoff

Okay, the Secretary will now report on the existence of a quorum for the meeting.

Daniel Zinn - OTC Markets Group Inc. - General Counsel & Corporate Secretary

The shareholder list shows that holders of 11,671,547 shares of common stock of OTC Markets Group Inc., are entitled to vote at this meeting. We are informed by the inspector of elections that there are represented in person or by proxy, 6,395,824 shares of common stock or approximately 55% of all shares entitled to vote at this meeting.

Neal Wolkoff

Based upon the percentage of the total shares of the company held by holders of record now present at the meeting, either in person or by proxy, a quorum is present. This meeting is now duly convened for the purposes of transacting business properly before it.

The next order of business is a description of matters properly brought before this meeting. Following the business portion of this meeting, there will be a question-and-answer session.

Proposal 1, election of directors. The first item of business today is the election of 2 Class 3 directors. The nominees receiving the highest number of votes of shares present in person or by proxy at this meeting will be elected as a director. The directors elected today will hold office until the 2023 annual meeting of stockholders. The nominees are listed in your proxy materials.

Daniel Zinn - OTC Markets Group Inc. - General Counsel & Corporate Secretary

OTC Markets Group's Board of Directors unanimously recommend Mr. R. Cromwell Coulson; and Mr. Andrew Wimpfheimer for election to the Board of Directors. Does anyone have any questions concerning this proposal?

Neal Wolkoff

Okay. Voting will commence after all proposals have been presented.

We will now move to Proposal #2, the ratification of independent auditors. The second item of business today is the ratification of our independent auditors for the company's 2020 fiscal year. The Audit Committee of the Board of Directors has unanimously selected Deloitte & Touche LLP as OTC Market Group's independent auditors. Does anyone have any questions concerning this proposal? Okay. Because no further business is on the agenda to come before this meeting, we will move on to the voting.

If you have provided your proxy card, or voted your legal proxy, your shares will be voted accordingly. Voting will proceed after I declare that the polls are open. The time is 10:08 a.m. Eastern Standard Time, and I declare the polls now open for each matter to be voted on today, December 17, 2020.

Daniel Zinn - OTC Markets Group Inc. - General Counsel & Corporate Secretary

The inspector of elections has tabulated the ballots that have been received and delivered that calculation to us.

Neal Wolkoff

Okay. I declare the polls now closed at 10:09 a.m. Eastern Time, December 17, 2020. Will the Secretary please report the results of voting.

Daniel Zinn - *OTC Markets Group Inc. - General Counsel & Corporate Secretary*

The inspector of elections has informed us that the ballots have been tabulated, and the results are as follows: for Proposal 1, the election of directors; R. Cromwell Coulson, 6,209,464, for, 186, 360 have stained. For Andrew Wimpfheimer, 6,391,277, for, 4,547 have stained. For Proposal 2, ratification of independent auditors, 6,391,832, for, 3,385 against.

Neal Wolkoff

Okay. Congratulations to Cromwell and Andrew, on your election. I declare the meeting to be officially adjourned at 10:10 a.m. Eastern Time, December 17, 2020. Thank you all for attending today's meeting and for your continuing support of the company.

I will now open the floor to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Daniel Zinn - *OTC Markets Group Inc. - General Counsel & Corporate Secretary*

So operator, they don't see questions coming into the phone. We do have a number that have come in via the web. And I will act as a moderator and read the questions, and then our group of speakers will be able to answer.

So the first question is how does the recent promulgation of the changes in market data affects the OTC Markets? Cromwell, would you like to address?

Robert Cromwell Coulson - *OTC Markets Group Inc. - President, CEO & Director*

Sure, Dan. So the market data promulgation is really about NMS data. I think it's a lengthy proposal and will be subject to a lot of debate. It does not affect right now OTC Markets data. And -- but it does move from centralized processors to competing processors. And I think that part is a little bit -- is interesting. In general, the SEC's power is over NMS data is higher. So we're watching it.

Daniel Zinn - *OTC Markets Group Inc. - General Counsel & Corporate Secretary*

And operator, I do see that 1 -- we have other questions online, but I do see that 1 question came in over the phone. I think we can take that now as well.

Operator

Our question comes from the line of James Mitchell with Mitchell Partners.

James Mitchell

Actually, my question just got asked, and I don't remember how to withdraw the question. So I apologize.

Daniel Zinn - OTC Markets Group Inc. - General Counsel & Corporate Secretary

No problem.

Neal Wolkoff

Thanks, James, for double asking.

Daniel Zinn - OTC Markets Group Inc. - General Counsel & Corporate Secretary

All right. So I'm going to move back to questions submitted via the web. Next question. How do the changes in 15c2-11 affect the OTC market? Cromwell, if you want to start, I can certainly jump in as well?

Robert Cromwell Coulson - OTC Markets Group Inc. - President, CEO & Director

And why don't you hit it because it's a big -- it's a regulatory piece and then I can kind the commercial comp.

Daniel Zinn - OTC Markets Group Inc. - General Counsel & Corporate Secretary

Happy to do it, and I'll try to keep my remarks under an hour here. 15c2-11 for anyone who is not familiar, is the rule that governs the ability of a broker-dealer to publish a quote on a market like our OTC Link ATS. So publish an attributable quote with all the information you would expect to see in a quote. The existing rule required that prior to initially posting a quote, a broker have certain information about the company, subject company available and that they file a form with FINRA attesting to that fact and waiting for FINRA to sign off before they can initiate a quote.

Once the quote has been initiated, as long as there is relatively continuous quoting, the security is what's called piggyback eligible and as for 30 days of continuous quoting by the initiating broker, any other broker can jump in and continue to quote and that can go on in perpetuity. Regardless of whether the subject company continues to make that kind of current information available. The amendment to 15c2-11, which were just adopted in September of this year really intend to change and modernize the second aspect of what I described, the continuous quoting requirement.

And so now instead of just a continuous quote allowing for that piggyback eligibility and allowing for the company to remain the subject of public quotes, the company also has to have current information available on a regular basis. This -- it affects us in a number of ways. And we've put out a lot of information here. We will continue to do so. Primarily, I think there are 2 things to focus on.

One is the SEC has given us as the operator of OTC Link ATS, the ability to make the determination as to whether that current information has been made available. And that really is a non to all the work done by our compliance team out of Washington, D.C. that focuses on determining now whether companies qualify for our OTC QX market or OTC QB or whether they are slotted into pink current, pink limited information or pink no information.

And so we are happy to see the SEC recognize that and give us the ability to further provide that information to the rest of the market. So under the amendment to the rule, brokers can contact or can use our determination as the basis for their both initial and ongoing quoting. So we're excited to see that. It certainly is work on our end, but we are well positioned to take on that responsibility. The other aspect or 1 of the other major aspects of the change is what happens to securities that no longer meet this updated standard. And so for the most part, the best way to think about that is securities that are now classified as pink no information, those that have to stop sign next to their quote on our market.

Those companies will, for the most part, they have the opportunity to publish additional information and continue to be the subject of quotes. But for those that don't, we are hopeful and we believe as we work with the SEC that they will be quoted on an export market. And the export market, would continue to be an electronic facility for brokers to communicate with 1 another and to publish quotes. So that things like price discovery

and best execution remain at a relatively high standard there. But the change is that the quote information, the real-time quote updates won't be distributed to the general public to retail investors. It would only be made available to a group of qualified experts which include, of course, brokers and qualified institutional buyers in the large institutions as well as individual investors that qualify as accredited investors with some other categories there as well. But it would leave out or limit the access to that data for typical retail investors.

We very much appreciate the SEC working with us on it. And believe that we are close to seeing the export market to be announced. And that will, again, provide a home for a lot of those companies that may not have the wherewithal of the interest in publishing current information.

There are other aspects of it that obviously have an impact, but I'll leave it there. And Cromwell, if you want to add on from a business perspective, we can certainly do that as well.

Robert Cromwell Coulson - OTC Markets Group Inc. - President, CEO & Director

Yes. I mean I think from the high-level perspective is OTC markets group with our OTC Link ATS LLC has operated transparent and open trading facilities for broker-dealers to trade securities under regulation ATS. And when we started out the services we provided, whether quote publication or trade messaging, we're not required to be regulated. And that's become -- we've become a highly regulated market operate.

2-11 changes really address 2 other areas, which I think make us a more competitive provider of public markets. And number one, the first change is the SEC recognizing what the industry has been looking at. And what states have been doing with Blue Sky that we should be relied upon to monitor our company's ongoing disclosure and compliance with financial standards. And that's really important because that's one of the most important roles of operating stock market is to be the over seizures of ongoing compliance of securities.

The second change, which is, I think, even more important for market quality is we did not control the onboarding of new securities to our markets. And the modernized 15c2-11 changes that. And it changes it from a regulatory process that we can oversee that process. But also that gives us the ability to act commercially to improve that process because the onboarding securities to our markets was had a variable quality because it was outsourced to the broker -- various different broker-dealers, and we can build a more reliable process with -- for other broker-dealers to rely on. We can build a process that provides better information for investors and provides higher quality and certainty to companies. And that is very exciting, and it's our opportunity to put together the regulatory compliance and the commercial value package to create value for our community with the modernized Rule 2-11.

Daniel Zinn - OTC Markets Group Inc. - General Counsel & Corporate Secretary

All right. Again, I know Cromwell and I actually both talk about 2-11 for hours. I think that's an appropriate place to leave it for the moment. If there are follow-up questions, please ask through either of the available methods.

There are a couple of questions that are slightly more administrative in nature that I just wanted to address before we move on to a few other substantive questions. The first is with respect to the availability of the shareholder list that I mentioned earlier, and just to be more specific to make sure that everybody can access it if they are interested. Once you are on that Investor Relations page on our website, if you look to the left-hand side of the page, there are a couple of categories, including 1 titled Events. Next to Events, you'll see information regarding the OTC Markets Group 2020 Shareholders' meeting. In the text there that described the shareholders' meeting, there are embedded links, you can see the word here is underlined in a couple of places. One, for the proxy statement, the proxy card and the other for the shareholder list. So if you read through that text and click on the link word here, as we talk about the shareholder list, that's where you can access that information.

The other administrative question was regarding the participants in this meeting. And as of the last count that I was given, we have 12 people logged into the webinar and 23 via phone, which does, of course, include some OTC Markets folks as well. But that's the latest number. If we have an update to that, we can also provide that before at the end of the meeting.

I'm going to shift back to a couple of other substantive questions. The next is what do you see as the biggest competitive threat to OTC Markets?

Robert Cromwell Coulson - *OTC Markets Group Inc. - President, CEO & Director*

This is Cromwell here. I think there's competitive threats all the time. And our biggest competitive threat is our own -- will be of our own creative mean we have a client base that we need to serve. And as long as we continue to serve them with valuable solutions, and we do it in a humble manner and give them choices. And we deliver a cost-competitive product. So we're not trying to make the margins of the larger public exchanges, which have much higher margins. And I think we can be a very competitive provider, both in providing broker-dealers and public companies and market data consumers with solutions that provide value at an effective price.

Daniel Zinn - *OTC Markets Group Inc. - General Counsel & Corporate Secretary*

All right. I know that this format makes it somewhat difficult to ask follow-up questions in a consecutive manner. Considerably do so by phone, I want to address 1 follow-up question to the commentary on the export market and on 15c2-11. And the question is whether in addition to existing pink no information securities, will the export market also trade Reg A and other Tier 2 for private instruments?

And the answer Cromwell, I can start this off and feel free to add on, if you like. The answer is that, ultimately, we believe that, that is a good use for the export market or something that looks a lot like the export market. And we are talking to the SEC about that as well, whether it would be combined into 1 entity under the export market label or whether there is a more efficient way to handle those kinds of securities, but we believe the mechanisms, and I think the SEC believes this as well, the mechanisms involved in offering an export market allow us to do some things within the "private market" that maybe haven't been traditionally done before, but that does present an opportunity there.

Robert Cromwell Coulson - *OTC Markets Group Inc. - President, CEO & Director*

Yes. And this is Cromwell. We will have a transparent market for broker-dealers to show prices, which does not involve general solicitation but can be viewed by broker-dealers, squibs and other accredited investors. So within the trading of private securities, restricted securities, you need to have that type of platform. And so we're working to first have it be a good platform for companies that for shares that have come into the market through seasoning and then gone late on their reporting or not reported and sites have come through. But we -- but we think we think the platform can do -- can also support the private securities market. There are other things to figure out with regulators and walk through. And those are conversations that we want to have. So we build something that has strong understanding and regulatory compliance. Yet works with transparency for broker-dealers can deliver best execution in securities that have restrictions.

Daniel Zinn - *OTC Markets Group Inc. - General Counsel & Corporate Secretary*

All right. The next question, and I apologize, I'm taking that as they come or as I see them in the queue here. President Trump has just issued an executive order banning, trading in certain Chinese companies that purportedly support the Chinese military as of January 11. What impact will this have on the OTC market? And Cromwell, I can start this off as well.

The order, as we understand it would impact securities on the OTC market or would certainly apply to any of those companies that may be quoted on the OTC market. We're doing an analysis. I think like everybody else, so to the extent that those companies are quoted here, we'll work with our regulators with the SEC and FINRA to make sure that, that trading is ceased appropriately. I don't expect it to be a material number of companies won't have any major kind of impact, but we are aware and following along, and we'll participate with the removal of those companies as per the order.

Robert Cromwell Coulson - *OTC Markets Group Inc. - President, CEO & Director*

Yes. And that's -- I think they've passed it rather broadly, and it really only applies to SEC reporting companies. So companies that are listed on foreign exchanges under 12g3-2(b) is a little different. But that is -- I can see the SEC, the -- I can see the government will want to restrict where it

goes is I can't totally tell I think it's much more of a challenge for the exchanges in their competitive position against Hong Kong, Singapore and London, the NASDAQ and NYSE.

Daniel Zinn - OTC Markets Group Inc. - General Counsel & Corporate Secretary

Yes. And just to be clear, because I know it's confusing for a lot. We've got another questions on this sort of thing. There are 2 separate restrictions on trading of certain Chinese companies taking place. One is legislation. That impacts whether companies can be listed on an exchange or otherwise traded through an over-the-counter facility, if they come from countries and directed to China that don't recognize the PCAOB standards for auditing and accounting. There's a longer lead in period for that. There's several years of noncompliance prior to any sort of delisting. And so that we're watching as well, but that's not as immediate.

The executive order that I think was the subject of the question is more direct and specifically related to Chinese military companies. And so we're obviously tracking both. And I think the answer is Cromwell and I gave apply to both of those things.

All right. The next question, do you have any plans for taking advantage of the crypto boom going on right now?

Robert Cromwell Coulson - OTC Markets Group Inc. - President, CEO & Director

So I think on the crypto boom, we've seen more securitized crypto products showing up in our markets, which we think we provide a very good way for companies to provide disclosure and connectivity into the regulated broker-dealer space and trade ability for investors. So we think our market with its flexible listing standards and better data and just using data and disclosure is a real opportunity for new industries, be it crypto or other ones. And that's an exciting as a gateway market that is a gateway for smaller and more innovative entrepreneurial companies to go public or international companies. Because the crypto boom is going to take place around the world, we think will be beneficiaries of any new innovative industry, which crypto is 1 of them.

Daniel Zinn - OTC Markets Group Inc. - General Counsel & Corporate Secretary

Okay. A couple more questions here, and then we'll pull again in case anybody on the phone has a question that's not otherwise addressed. The next question does OTCM want to become a competing SIP, and that's a securities information process for anybody who's not familiar?

Robert Cromwell Coulson - OTC Markets Group Inc. - President, CEO & Director

No, we're not looking at that right now. Yes, I think that's much more towards large market data providers who will be doing that. We would be adding a layer of latency, which is -- which wouldn't be of great value. The real value of the competing SIPs because that offering idea came from Bloomberg and is going to come from market data distributors.

Daniel Zinn - OTC Markets Group Inc. - General Counsel & Corporate Secretary

All right. I think that is actually the last of the questions. Everything else was addressed in prior answers. I don't see any other questions coming in from the phone, but operator, if you want to pull 1 more time just in case let's do it now.

Operator

Certainly. (Operator Instructions) And I'm showing no further questions. So with that, I'll turn the call back over to CEO, Cromwell Coulson for any closing remarks.

Robert Cromwell Coulson - *OTC Markets Group Inc. - President, CEO & Director*

Thank you, everyone. And our loyal shareholders and our new shareholders, our long-term shareholders. Thank you for coming to the meeting. We work very hard at OTC Markets to have our employees act like owners, be trusted and be capitalist. So we drive long-term value to shareholders in the form of growing the value of our business going forward. So thank you for being there with us on the journey.

Operator

This concludes the meeting. You may now disconnect.

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