

The Benefits of Cross-Trading in the U.S.

For many international companies, the successful listing of their security represents an important milestone. It's a sign of recognition, prestige and success, demonstrating to the market a desire to be open and transparent. There are many reasons why a company may choose to list its shares – to raise capital, increase its valuation and diversify its shareholder base. But many companies are unaware that there are limitations as to what can be achieved by solely listing in their home (primary) market. Many do not realize that U.S. investors are often unwilling or unable to invest directly in foreign markets, and that the information they disclose locally may not be widely available to U.S. investors. So, what is the best way to bridge this gap and access the world's largest market for capital expansion and growth? Cross-trading.

Access to U.S. Capital Markets Increasingly Important for Foreign Issuers

Access to the U.S. Capital Markets has become even more important for foreign issuers, as they look to determine the most efficient and effective way to expand their investor base. Cross-trading on a secondary market in the U.S. enables companies to establish a footprint and access a U.S. shareholder base. Many U.S. investors prefer to see quotes in U.S. dollars during their regular trading hours.

To provide this access and to facilitate trade reporting, broker-dealers request the trading symbols or tickers of foreign securities in the U.S. These ticker symbols are 5 letters long and end with either the letter "F" or "Y." Tickers that

end in “F” are the ordinary shares of a company. In most cases, these securities trade and settle in the local market but are quoted in U.S. dollars for investors. Many jurisdictions allow for F shares to settle within the U.S., making it even more advantageous for U.S. investors. Shares that end in “Y” are American Depositary Receipts (ADRs) that are issued by ADR banks. ADRs represent the shares of a non-U.S. company that trade in the U.S. financial markets. They carry prices in U.S. dollars, pay dividends in U.S. dollars, and may be traded like the shares of U.S.-based companies.

More than 2,000 companies with primary listings on more than 30 global markets, such as London, Frankfurt, Paris, Madrid, Milan, Toronto and Tokyo have an F share and/or an ADR trading on OTC Markets.

What are the Benefits of Cross-Trading?

There are numerous benefits to Cross-Trading in the U.S:

- Diversifying your shareholder base
- Making your financial information, research, pricing and risk assessment more broadly available to U.S. investors
- Appealing to those investors who prefer securities traded domestically in U.S. dollars
- Enhancing visibility among broker-dealers by supporting broker and sell-side compliance

A national U.S. exchange, such as NYSE or Nasdaq, may be perceived to be the natural home and fit for foreign issuers looking to access a deep pool of institutional investors. However, foreign issuers are subject to U.S. exchange requirements and different accounting standards that can become duplicative, time-consuming and cost-prohibitive for global IROs with limited budgets.

On the contrary, International companies that trade on the OTCQX® Best Market, the premium tier of OTC Markets Group, can leverage their existing reporting standards and make disclosures available in the U.S. utilizing SEC reporting exemption Rule 12g32(b).

Unlike the exchanges, there are no Sarbanes-Oxley and SEC Reporting requirements to trade on OTCQX – helping to remove trading restriction, complementing a company’s home market reporting and alleviating the burdensome, costly and duplicative exchange listing requirements.

Synergies Create Opportunities for Enhanced Liquidity

Cross-trading also presents reciprocal opportunities for issuers to enhance liquidity in both their home market and abroad. On average, companies experience a home market liquidity increase of 26% and an OTC Market increase of 67% after joining the OTCQX Market, as evidenced by a recent [study by Oxford Metrica](#). This provides international issuers with an alternative, cost-effective trading environment in which to raise capital, increasing the effectiveness of investor relations programs and further building global investor awareness.

Fundamentally, cross-trading provides a more turnkey approach and a unique opportunity for international companies seeking to bridge the gap and broaden their global reach – paving the way for capital expansion and growth opportunity.

Visit otcm Markets.com for more information about cross-trading and accessing the OTCQX and OTCQB Markets.