

AIRA Webinar Transcript

AIRA Small-Cap Virtual Chapter - The Cost-Effective Alternative to Dual Listing in the US

Date: 18 October 2022

Speakers:

- **Violet Pagan** | Vice President, Corporate Services, OTC Markets Group
- **Stefan Spath** | Managing Director, MCAP LLC
- **David Batista** | Senior Managing Director, Viriathus Capital

James Powell: Good morning, everybody, and thank you for joining our small cap virtual chapter this morning. Today we have quite an interesting topic, which is particularly relevant to smaller companies who are seeking an additional investor outreach. Into to foreign markets specifically the US and we have a panel of speakers who are well versed in hosting and transitioning that for companies that are listed in the ASX that would like to access US investors.

Before we commence this morning I would just like to acknowledge the traditional custodians on the land on which we are gathering. Pay my respects to their elders, past and present. And I extend that respect to Aboriginal and Torres Strait Islander people. Here today in terms of some housekeeping.

All participants are in and listen only mode. And what we've structured today is three 10 minute presentations and then we'll move into a Q and A. Personally, I find that the most benefit that we extract out of these sessions is through [00:01:00] participation from the audience with the panel. And so I'd encourage you to think about some questions that you can either raise your.

Virtually, or you can type in your question and and submit it. Similarly, if there's anyone on the line that has used these services as well it would be great to hear your perspectives. I'll allow my panel to to introduce themselves and in the interest of time knowing that a lot of you have been on the line before, I'll just briefly introduce the small cap chapter.

So the small cap virtual IR chapter is just a forum where IR managers in smaller companies have a opportunity to meet four times a year. And we discuss a topic that's relevant to us, particularly as smaller company IR. As I mentioned at the outset, this topic I believe is specifically relevant.

A good example of some of the things that we like to consider. If you've got a topic for future presentations that you'd like us to explore as a group then we'd love to hear from you. So if I move [00:02:00] over now to our first speaker Violet, I'll allow her to introduce herself and and kick us off on this morning session, thanks Violet.

AIRA Webinar

AIRA Small-Cap Virtual Chapter - The Cost-Effective Alternative to Dual Listing in the US

18 October 2022

Violet Pagan: My thanks to James, Stefan and David for participating in today's webinar. I'd like to also thank everyone for joining us today. We appreciate your attendance and hopefully can answer any questions you have about OTC markets. My name is Violet Pagan. I work for OTC Markets. I'm the Vice President of Development for Australia, New Zealand.

I'd like to just slide to you, please. Slide. So for Australian companies, there are clear benefits for expanding corporate footprint in the US which is the world's deepest pool of capital and the largest high net worth income population. According to the data maintained by the US Department of Treasury, US Portfolio Holdings in Australia, equities was valued at [00:03:00] 259 billion.

2021, which is a 14% increase over 2020. This puts Australia amongst the top 15 countries in terms of US portfolio holdings and foreign securities. Since 2008, the value of US holdings of Australian equities has nearly tripled.

So the OTC Markets Group operates the largest alternative trading system in the us. There are about 12,000 securities quoted on our markets. Our ATS provides the technology and platform for brokers to connect and trade electronically. OTC markets is a highly regulated s e c registered trading venue of choice for both investors and brokers.

Currently, there are 81 US registered market makers trading Australian securities on our market. These are the same market makers that transact on both the NYC and Nasdaq. These market makers have orders routed from about 3,500 brokerage firms and that represent over 600,000 financial advisors in the [00:04:00] US.

Next slide. So we organize our securities into various markets, The OTC QX being the best market, OTC, QB being our venture market, and pink being our open market. Both the OTC QX and OTC QB markets are cost efficient markets designed to reduce trading frictions for investors, and improve the marketability of a company security in the US through greater transparency and greater visibility.

The Pink open market is tiered into pink current and Pink limited. Depending on the level of financial disclosure available to the investor. Pink is what we would call a broker market. There is really no company interaction with the securities. A trade on Pink brokers can decide to trade a security based on investor demand.

So our mission at OTC Markets is to create a better informed and more efficient market. Over the last 20 years, we've sought to not only address but overcome these common misconceptions. The next [00:05:00] slides will address some of these misconceptions. The misconception that SEC filing is required to access the US market is addressed by rule 12g3-2(b), which exempts international companies from SEC reporting if they are a foreign, private issuer and make their home market information publicly available to US investors in English on their website.

Next slide. So the misconception that brokers and financial advisors can recommend by listed stock on behalf of US investors has to do with blue sky compliance laws. The 50 US states and the four US territories each have different laws to determine whether or not a securities broker and an investment manager can solicit a security to its investors.

The OTC markets has worked with individual state regulators to have both the OTC QX and the OTC QB market comply with blue sky laws. I'm gonna announce this today. It's just been confirmed that [00:06:00]

AIRA Webinar

AIRA Small-Cap Virtual Chapter - The Cost-Effective Alternative to Dual Listing in the US

18 October 2022

Puerto Rico, which is territory, has confirmed that both the OTC QX and the OTC QB markets comply with their blue sky laws.

So in total, 38 states recognize the OTC QX market as being blue sky compliant, and 33 states recognize the OTC QB market as being blue sky compliant. It's a great day for us today.

So on September 28th, 2021, an amendment to SEC Rule 15c2-11. I'm sorry, 15c2-11 went into effect requiring that companies maintain a higher standard of reporting to be quoted on the OTC markets in the us. The OTC markets com commissioned a study by Oxford Metrica to just figure out what the impacts of that rule is, and they have been incredibly positive.

As investors and brokers have internalized the disclosure differences between our premium markets in the lower Pink tiers, the gap in performance of the issuers on the [00:07:00] Pink market as opposed to the QB and the QX market has widened. So among the key results include a 600 basis point average increase in value relative to Pink.

A fivefold increase in trading volumes post implementation of the new rule compared with Pink issuers, and an average decrease in spreads of 5% for international OTC QX companies. Next slide, please. While the amendment to SEC Rule 15c2-11 requiring that companies maintain a higher standard reporting to be quoted on our markets, the companies that are on the Pink may fall in and out of compliance there, thereby rendering them unable in the market.

They may also lack blue sky compliance in the majority of states and can be shell and distressed and bankrupt companies. Next slide.

The OTC QX, and the OTC. QB markets plays a significant role in distributing information [00:08:00] disclosure to the US investment community. These markets provide US investors and market makers with easy access to company's disclosure and financial information, and enables a company to maintain a high level of transparency and liquidity and meet all applicable US and state securities laws.

There is value created for companies that choose to cross list on OTC QX. These companies experience greater liquidity in the Australian market while also increasing their percentage of US ownership. Next slide please. This slide shows the depth and breadth of our OTC QX market. We have large market cap companies ranging from Fortescue to Hugo Boss to Addidas to B A S F, which all trades seamlessly on our market.

I think my 10 minutes are up, so thank you all for your time. I'd like to turn the presentation over to Stefan MCAP to discuss the role of the market.[00:09:00]

Stefan Spath: My name is Stefan Spath. I'm a managing director at MCAP, which is a US broker dealer. And as Violet mentioned the OTC marketplace is a trading venue that allows broker dealers in the US to connect with one another in order to transact trades.

So the entire purpose of the cross-listing process and the mechanism brokers like us are able to communicate with one another in order to affect trades and allow us retail investors and institutions to buy Australian securities. Also global securities. So we trade many markets. Australia being one of the most common ones because there is a tremendous amount of demand amongst US retail investors for

AIRA Webinar

AIRA Small-Cap Virtual Chapter - The Cost-Effective Alternative to Dual Listing in the US

18 October 2022

Australian securities, and the market maker function is the key component to allow that transaction to occur.

So we consider ourselves also to be a technology [00:10:00] firm because we have proprietary systems that we have developed that allow the process of US investors, our institutional customers, to easily buy foreign securities and which is the reason why on this slide, Technology Empowering Decisions. We have a software team that has put together a program.

It's a proprietary system that allows our traders to effectively achieve best price and best execution and to ensure an orderly marketplace. Next slide please. So we make markets in about 4,000 securities, and as Violet had also mentioned, there are about 12,000 securities quoted on the OTC platform, some of which are US domestic issuers, and then the rest are all international.

We only trade international securities. That's our niche. And it's our specialty because there are certain details about trading non-US securities that are completely different from US brokers that trade only domestic securities [00:11:00] because of the different time zones, the different corporate settlement cycles.

And other issues that affect the way that US retail investors can buy the securities. And we help them with that by effective pricing. We also have a fixed income market making desk, which is based in New York, which is where our headquarters are located. We have offices in Orlando, Florida and in London, England.

Therefore, we have a 24 hour trading. With traders staffed in all three locations in order to ensure what we are trying to do for our customers, which is to ensure this orderly marketplace and to allow us investors to buy securities in Western Europe, Asia, Australia, North America, and Canada, and in some countries in South America.

And one of the key aspects of our role is that, Price securities and US dollars during US market hours, which is key because US investors who want to buy us around securities, it's really not that easy unless the [00:12:00] companies themselves in Australia opts to join the higher tiers of the over the counter marketplace, which.

Is OTC QX and OTC QB. And in order to do that, you have to have market makers that put capital at risk in order to do that so the US investors can buy the security. And then finally, OTC advisory services and RegD private placements. So I manage the advisory services. One of the key initial requirements for a company to join OTC QX, or OTC QB is to nominate a sponsor.

We have been an approved sponsor since 2007, which was the inception of OTC QX. And OTC QB, which is QX's little brother came around a couple years after that. And so we've been doing this for quite a long time and our primary role there on the advisory side is to help the company navigate the waters of how do you actually become qualified for this?

What are the requirements? [00:13:00] Can we have guidance on this process and in the event we develop our shareholder base, if in North America, if that is in fact the goal, do we have people that we can rely on to help communicate information to our new investors as we expand our shareholder base? And that's the primary role of the sponsor and other people that work in the industry that can help work with you.

AIRA Webinar

AIRA Small-Cap Virtual Chapter - The Cost-Effective Alternative to Dual Listing in the US

18 October 2022

And next slide.

This is just schematic to give you an idea of the breadth that we have as far as the markets that we deal with. As I mentioned earlier, Australia is one of the primary markets we deal with. And we have a tremendous amount of demand from our not only retail investors, which go through our institutional customers, which are the major brokerages in North America.

And it gives you an idea of the. Span around the world that we have developed over the course of about two decades. And next slide please. So one of the, this is [00:14:00] more of a trading technical slide, so at the risk of boring everybody, I'll give you an overview of a 30,000 feet vantage point. Many times we have questions from companies in Australia that say how does the process actually work?

How do we have our shares traded? Is it a new issue? Is it a new share? And the answer is no. The cross-listing is simply a synthetic share, a foreign share that's created to represent the local Australian. And so in the event a US market maker, such as MCAP or other market makers, once you're approved for quotation in the US marketplace, and there's a US bid price and ask price.

When order flow commences after there's visibility has been established, we buy and sell the local share to us investors, and that creates positions on the book for a market maker that have to be covered. And so the traders have to go to [00:15:00] Australia, I'm speaking metaphorically, buy the shares or sell the shares.

So that appears on the registry in Australia. And then there's a settlement cycle in the US which takes three. And then a US investor now has those shares in their brokerage account. And so the interesting part about that process is that since the shares remain in Australia, they simply shift from registrar to registrar.

You will see an increase in local market volume on the Australian registry, and also an increase that's been newly created here in the US market because of this cross listing process. And all of this is possible because of this exempt. That was expanded upon within the last 15 to 20 years that allows foreign companies to have this quotation and access US capital markets without having to go through the burdens and process of registering with the SEC or having to comply with some of the more onerous requirements of reporting and governance.

[00:16:00] SAR Van Oxy. The audience may or may not have heard of that. It's simply a fast track to gain access to US capital markets. Let's see if there's anything else here. Not held orders. This is a technical germ that we have for our US customers who want us to manage the process. And we take care of the execution.

Depending on the size of the order or the liquidity in the local market we can have more access in order to hold an order for a day as opposed to executing immediately. So that's probably going too much into the minutia. And one more thing, work, local market would be in the event you generate a lot of visibility with, say for instance, a large US institution, whether that be a pension fund or a large family office, and the order is larger than the average daily volume in the local market.

We will work local. And maybe take two or three or maybe an entire five day trading cycle in order to execute the order. [00:17:00] So that's what the work local market. So I just wanted to give a little bit of the background of how this seamless process works. Essentially, if I were to summarize it, the market

AIRA Webinar

AIRA Small-Cap Virtual Chapter - The Cost-Effective Alternative to Dual Listing in the US

18 October 2022

maker function, which is a crucial component of the over the counter trading function, we are a conduit between the.

In Australia and we help ensure the orderly marketplace. Next slide. And this goes into really the granular detail of what the screen looks like. So our institutional customers see this on their screen when they route us an order, and we show them this because the settlement cycle and clearing, they'll receive a fill of for the order.

And this just basically reflects what the US institution is seeing once the order has been complet. That's probably enough on that one. Next slide, please. If I, Here we go. And again, these are just some of the global blue chips in the stocks that we quote of the [00:18:00] four thousands. These are some the more these are all Australian stocks and you can see that these are highly active and they've had.

Tremendous success stories based on their decision to come over and list on the OTC QX or qb. And in many cases they have seen tremendous growth as far as their shareholder base, their market capitalization as a direct consequence of listing on the OTC QX or QB. And they are success stories and I think that's probably it for that.

And I think I might have a closing slide. So at this point I'll hand it over to

David Batista: David.

Thanks for that, Stefan. I'm David Batista. I'm the Senior Managing Director of Viriathus Capital. Viriathus. We are a global, financial services organization. And we are mainly involved in three principal areas, investment banking, equity research, and merchant banking.

On the investment banking side we're involved in capital raising [00:19:00] equity advisory, debt advisory. We have a strategic advisory practice. And then we also have an investor advisory practice which is. A particular brand of it's a high touch combination of traditional investor relations and public relations services primarily for listed companies.

And so our overall view is that we're big believers in OTC markets and the OTC QB and the OTC QX platform. It's a low cost easy way for listed companies in other jurisdictions to gain access to the US capital markets. And you've heard all the reasons why for, about the market market structure from Violet as well as the granularity on how that physically happens through market makers, such as step.

But I think, the key thing that we always tell our clients is that as wonderful as this platform is, and as efficient as it is a crucial mistake that needs to be avoided is [00:20:00] the expectation that just by simply establishing a quotation on OTC QX. That miraculously, every investor in the United States is going to find your security.

And it's, what they've been waiting for and, they're just gonna start buying your shares on market. It doesn't work that way. So it's very much an exercise that you need to commit to you need to commit to following through with by engag. US investors in the investment community.

AIRA Webinar

AIRA Small-Cap Virtual Chapter - The Cost-Effective Alternative to Dual Listing in the US

18 October 2022

And so what OTC Q X is a platform from which you can then go and engage US investors. But it is a crucial one. Because, one of the things that we've seen many times is companies are coming over and they want to meet with us investors, and they're doing all the right things.

But and this has become particularly acute because of the recent regulatory changes. They're either not quoted at all, or to the extent that they are, they're only [00:21:00] on the Pink tier, which has become virtually impossible for the vast majority of, certainly retail investors and even smaller institutional investors to access.

So it's a very crucial component.

So we provide corporate advice to our clients. And that ranges from, helping them to get quoted here as well as helping them with other types of strategic initiatives that they might want to embark on, whether it be an non-deal roadshow. Doing some type of capital campaign and we have a process by which we go through to work with our clients to understand the company, understand their equity story, help them think about important issues which positions them and us as their advisor to have a great deal of success when we go out to engage the market.

We have four offices that we operate from, two in North America, one in Europe and also an office in Sydney, Australia. So we do have a [00:22:00] broad and deep portfolio of contacts ranging from institutions to high net worth investors individual investors, as well as family offices that we are able to bring to bear when we're marketing the equity story of our clients.

So circling back to our investor advisory practice, and this is something that's very relevant for those companies that do choose to establish a quotation on OTC markets. As I said it's a high touch combination of investor relations and public relations. So we get our client companies in front of investors, we get them in front.

Sell side analyst, buy side analyst at hedge funds, family offices as well as in the media, whether it's specialized media that could be trade publications specific to a particular industry, as well as broader financial media such as Bloomberg, the Wall Street Journal, et cetera.

We also have a research. And we think that equity [00:23:00] research is a crucial component in marketing and companies equity store, particularly in North America. And crucially for non-US companies. One of the dynamics that we've come across many times is that, so hypothetically, we're working with an Australian issuer and they'll say, Oh yes we have research, Through one of the local Australian brokers.

And our response to that is, that's wonderful. But nobody in the United States is reading that because it's actually illegal for them to distribute their research into the United States. Given that they're not registered as a broker dealer in the United States. Our research is obviously distributed into the United States, but it's also distributed globally.

Because Viriathus research is separate from our investment bank, so we're not subject to any jurisdictional embargoes. We are bonafide research contributor, so that means that our research is distributed through all the major research distribution portals such as Bloomberg, Refinitiv Capital IQ, Blue Matrix, et cetera.

[00:24:00] So it's distributed very broadly and has a high degree of readership and so this is just a sample of some of the clients that we've worked with to help 'them establish their quotations on OTC QX or OTC

AIRA Webinar

AIRA Small-Cap Virtual Chapter - The Cost-Effective Alternative to Dual Listing in the US

18 October 2022

QB as the case might be. And in certain cases such as deep yellow Bannerman, which I don't think is on this slide. They began their life in the United States on OTC QB and began to market aggressively.

And they subsequently became qualified to up list to OTC QX. And so we helped them with that process as well. And our process or I should say our service. Specific to companies seeking to establish a quotation on OTC markets I think the best way to think of it is it's a white glove service where we manage the entire process for our clients.

And, there is a process and we've obviously done it many times, so we know the process intuitively, but it essentially consists. Bringing the right service providers into the equation such as Stefan at [00:25:00] MCAP, because, as he said, and and it's very true, having the right market maker and a qualified market maker supporting the listing is crucial.

So you need a market maker that. Has the proof of competency in trading those markets, but also maintaining a realistic spread. Because if the spread is too wide, then no matter what you do, it's gonna be too difficult to stimulate the actual trading. We prepare all of the application materials and then we also build out the company's public profile, on OTC IQ, which is the back end platform that's, To to disseminate your home market disclosure information into the us.

And then obviously we follow that up with other advisory services to support the the listing.

For those clients that wish to conduct capital campaign we have worked with ASX listed companies to do that. Our complete body of work is available on our website, but this is just a sample of some of the corporate finance transactions that we've been involved in.

James Powell: [00:26:00] Thank you David. And to Violet and Stefan, I'd now just like to remind everyone on the line that they're most welcome to either use the raise your hand function or type in a question to any of our panelists via the Q and A chat box. But to kick us off I just thought we might go back to Violet and if she could step us through, if this was something that we were considering for our securities that is having them traded over the OTC platform.

There were, I think, three different tiers or markets in which we could do that. Maybe if you could just step us through what those are and the advantages, disadvantages of.

Violet Pagan: Okay the Pink is our open market. That is not our premium market, but it is available for companies through a broker.

So an investor will call a broker and say, Hey, I'd like to settle this trade in US dollars. The broker will go to FINRA or financial [00:27:00] regulators file a two 11 and get a symbol, and then they're placed on the on the Pink market. That broker or that market maker could take a Financial position to become a full fledged market maker, or they could do an unsolicited trade so that market is open.

There's some fantastic companies trading on there. There's, it's just a hodgepodge of everything with distress companies, bankrupt companies. So when we created the OTC QX and QB premium markets about 20 years ago and Cromwell Colson, our president, bought the Pink sheets he thought, Okay, how could you have so many securities trading.

AIRA Webinar

AIRA Small-Cap Virtual Chapter - The Cost-Effective Alternative to Dual Listing in the US

18 October 2022

On this platform how can people differentiate difference between a great company and one that's really not that great and hence the birth of OTC QX? It initially started via for OTC QX programs that could be listed were initially [00:28:00] ADRs. So you had the ADR banks working with us to up list these companies and.

Expand their profile in the US It was initially a visibility program. We have since taken that visibility program and built it out to include corporate governance, which is incredibly important cuz the consumers of that corporate governance information are the brokers who are trading the security.

So the QX market is our premium market. The information that's provided to by the QX companies to our market is on par with what's being provided to NASDAQ and icy. So it's very high touch information. So that would be our premium market. Companies who trade above 25 cents have 10 million under assets under.

Assets what market cap? They will trade on our QX market. [00:29:00] Companies that are trading between a penny and 25 cents can trade on our QB, which serve venture market. They don't have all of this same. Financial backings that the QX companies do. So what we thought that, okay, but they're still providing the disclosure to the US marketplace, so therefore they should be able to have access to the investors and the brokers and so on and so forth.

So we've created the QB Venture Benchmark, and as David said, Deep yellow, they started an OTC QB there. Less than 25 cents security. They did the marketing, they did the visibility features, they did all the webinars. They, they really did the NDRs and they took it seriously.

If you're gonna enter the US market, what are we gonna do? We're gonna make sure that they know who we are. They've been. One of our top 50 QX issuers trading on our marketplace. And they moved up from QB to [00:30:00] QX. So QB is the venture market. It's a stepping stone before you get to the QX. But, so those are pretty much the three markets.

The first one being the Pink, you know that, that's investor driven. It's an open marketplace. The QX and QB are. There, the companies take ownership of their information and their disclosures and their visibility in the.

James Powell: Interesting overview. And David I think a question that's come through best directed at yourself is in terms of the interest from us in investors, are they typically more retail investors or institutional investors that you see engaging with companies to ultimately buy securities via the OTC market?

David Batista: It's really a cross section. It's certainly retail but also institutional and with brokers and being on QB or QX is crucial when you want to deal with brokers. Now, when I say brokers I'm not referring to, like the wealth advisors at you. [00:31:00] Morgan Stanley or Merrill Lynch.

And the reason for that is we still have some somewhat antiquated compliance laws in the us particularly with the larger wirehouses. And so unless a security's trading at a price that's \$5 or more, it'll be very difficult for a broker at those firms to be able to solicit. Solicit orders for that security, their compliance department just won't let them do that.

AIRA Webinar

AIRA Small-Cap Virtual Chapter - The Cost-Effective Alternative to Dual Listing in the US

18 October 2022

Now being said that there's, a huge population of independent wealth advisors who would be affiliated with other advise registered advisory firms. And so these brokers have enormous discre. Into, what they can buy and sell for their clients. And those are the brokers that we do get our clients in front of.

And because they're always looking for ideas they, they can read about, Apple and Tesla and the Wall Street Journal and, they know what's going [00:32:00] on there, but they're looking. New ideas are looking for undiscovered companies. And what's interesting is, and a couple of people have made this comment to me, what they love about Australia there's many things that they love about Australia, but to make a sweeping generalization the market reminds them of what Nasdaq used to be in its early days.

And people forget that, Microsoft and Intel, they were, penny stocks. On nasdaq. And just, the simple dynamic that Australian securities trade at low prices is something that's somewhat foreign in the us. Because, typically when a company a US domestic company is trading at 2 cents a share that's usually not a sign of a well developed capitalized company in the United States, but obviously it's very different in Australia. One of the things that I say to, to companies that are thinking about Whether or not they want to embark on getting on QB or QX, is I've become a little blunt with them as far as, [00:33:00] beginning on the decision tree, and I just simply ask them, do you have a greater than 0% interest in having US investors on your register?

And to the extent the answer is yes, then my view is that this. You absolutely must do this. Particularly when in, in the context of the recent regulatory changes that make it almost impossible for retail investors to trade on the Pink tier brokerage firms just don't want their clients doing it because they perceive it as being too risky because there's no disclosure being provided into the.

And, an Australian issuer might say we have plenty of disclosure. Just, go to our website, go to the ASX website. It's there. But what you need to keep in mind is that, this is the US and, our securities in Exchange Commission, they set the rules and their view is that no.

We don't care where it is. If it's not in the United States, it doesn't exist. And if it doesn't exist, there's no disclosure and we [00:34:00] have no way of verifying whether you are a quality solvent company or not. And the easiest way to satisfy that is by joining OTC Markets, QB or QX specifically and that gives you the ability to passport.

Your home market disclosure information into the US and once you've done that, then you know, sky's the.

James Powell: Understood. And we actually have another sort of question which follows on to one of the points you were just making but perhaps I might direct it at Stefan from a technical perspective.

So the question is, can you modify the share re ratio, like within adr? So for example, Trade 10 shares for one on the OTC.

Stefan Spath: So in the event that it is an adr, you can modify the share ratio. The ADR ratio, we call it, if it's a foreign share or an F share, that cannot be modern, cannot be changed because essentially it's [00:35:00] represents the local share.

So there's a decision that has to be made at some point. Would an ADR program be beneficial to the company? If so, you can go down that route and you can surpass what David had mentioned, which is the

AIRA Webinar

AIRA Small-Cap Virtual Chapter - The Cost-Effective Alternative to Dual Listing in the US

18 October 2022

penny stock rule, which oddly defined as anything under \$5. And it's a consideration to be made. It's no longer a requirement, nor is it necessary to have a share of trade.

And many millions of shares, trade Australian shares over the counter here that are below \$5. So it's not an impediment to trading, nor is it requirement for the OTC markets to have a share above a couple pennies. And again, because of the difference in capital markets around the world, it is much more common in markets like Australia.

For Hong Kong to have shares that trade under \$5. And yeah it's not going to be anything that would prevent us investors from buying stocks that trade were quoted below [00:36:00] \$5.

James Powell: Okay. And one final question for you as well, Stefan from a sort of a technical perspective is if US investors trade in our securities, how will they appear on our register?

Stefan Spath: When US broker dealers, market makers in particular, affect trades in the local market, we go through a process called local market settlement. So our clearing firm has a custodian in Australia, and if we're buying or selling stocks, they simply go from one custodian to the other, and that's reflected in the local market registry, and it would appear in the US investor's account three days.

That's the three day settlement trade cycle. So it doesn't really have an impact. And in many cases, the buyer and the seller, the buyer in the US and the seller in Australia, they may not even know the details of this foreign market settlement process, nor would they even care because it truly is seamless at this point in time because [00:37:00] of the evolution of the clear and settlement cycle over the course of the past 15 years.

James Powell: Excellent. Thank you everyone for your contribution today. There are no further Q and A. Messages and nor does anyone have their hand raised. So I think this morning session was quite valuable in introducing us to the potential of distribution activity in the US And and clearly now, should any of us have any follow up questions and want to explore these services further we can get in contact with with yourselves through era.

So thank you Violet, Stefan, and David for your time. And thank you AIRA for arranging this session for. Thank you.