

The Compliance Deadline for the SEC's Amended OTC Quotation Requirements Is Just Around the Corner

September 17, 2021

On September 26, 2021, broker-dealers will be required to comply with amended Rule 15c2-11 under the Securities Exchange Act of 1934 (as amended, "Rule 15c2-11").¹ Rule 15c2-11 governs the publication of quotations for securities in a quotation medium other than a national securities exchange (i.e., over-the-counter, or "OTC," securities) and sets out certain requirements for a broker-dealer seeking to initiate (or resume) quotations for securities in the OTC market. As amended, Rule 15c2-11 continues to require a broker-dealer to obtain and review basic information about an issuer of an OTC security before initiating or resuming a quoted market in the issuer's security. Rule 15c2-11 also continues to require the broker-dealer to have a reasonable basis for believing that the information about the issuer, when considered along with any supplemental information, is accurate and from a reliable source. Qualified interdealer quotation systems ("qualified IDQS") are also permitted to comply with the information review requirement, and in satisfaction of their obligations, broker-dealers may rely upon a qualified IDQS's publicly available determination that it has complied with the information-review requirement. Of particular note for participants in the OTC fixed-income market is the fact that Rule 15c2-11 now also requires that the documents and information that a broker-dealer or qualified IDQS reviews be current and publicly available. Some participants in this market have raised concerns that this new requirement could increase compliance burdens on broker-dealers seeking to publish quotations with regard to such securities, which in turn could lead to higher costs on such broker-dealers and issuers of fixed-income securities alike. In certain cases, it is also possible that this new requirement could negatively affect trading in an OTC security or preclude the quotation of an issuer's fixed-income security altogether should broker-dealers be unwilling to develop the necessary compliance functions or the requisite information not be available or easily produced.

In light of the looming compliance deadline for Rule 15c2-11, certain participants in the fixed-income market have requested that the SEC utilize its exemptive authority to exempt all fixed-income securities or a subset of fixed-income securities from the ambit of Rule 15c2-11.

¹ 85 Fed. Reg. 68124, available [here](#).

We will continue to monitor developments on this front and will provide updates as they become available.

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Please do not hesitate to contact us with any questions.



Matthew E. Kaplan
Partner, New York
+1 212 909 7334
mekaplan@debevoise.com



Joshua M. Samit
Counsel, New York
+1 212 909 6414
jmsamit@debevoise.com



Jonathan Steinberg
Associate, New York
+1 212 909 6773
jsteinberg@debevoise.com