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Processing of Company-Related Actions - FINRA Rule 6490

Financial Industry Regulatory Authority (FINRA) Rule 6490 became effective on September 27, 2010. The rule applies to issuers that trade their securities on the over-the-counter (OTC) market and clarifies FINRA's regulatory authority and discretionary power to review and process announcements concerning their corporate activities.

Rule 6490 codifies the Securities and Exchange Act Rule 10b-17 (Untimely Announcements of Record Dates), an anti-fraud regulation that requires advance notification regarding certain corporation actions. The rule also implements filing fee requirements, and grants FINRA the power to request additional information verifying the accuracy of submissions and to refuse to process deficient submissions when necessary to protect investors and the public interest.

Company-Related Actions and Notice

As in the past, issuers must notify FINRA at least 10 days before the record date of specified corporate actions, including declarations of dividends, stock splits, rights offerings, and other subscription offerings. In addition, issuers must notify FINRA of the issuance of, or change to, a trading symbol or company name, a merger, acquisition, dissolution or other company action, bankruptcy or liquidation at least 10 days prior to the effective date of such action. Issuers must complete the required forms and pay the applicable fees within these time frames or they will be subject to late fees and delayed processing that could ultimately postpone the announcement.

Fee Requirements

Rule 6490 requires payment of the following fees to FINRA upon submitting notification:

Corporate Action	Fee
Timely Notification	\$200
Late Notification (Submitted at least five calendar days before corporate action date)	\$1,000
Second Late Notification (Submitted at least one calendar day before the corporate action date)	\$2,000
Third Late Notification (Submitted on or after the corporate action date)	\$5,000
Other Actions	Fee
Voluntary Symbol Request Change	\$500
Initial Symbol Set-up	No Charge
Symbol Deletion	No Charge
Appeals	Fee
Action Determination Appeal Fee	\$4,000

What This Means to You

If your company trades securities on the OTC market, the new FINRA rule will govern the process through which an announcement of any corporate action covered by the rule is reviewed and released. Although it mainly codifies the existing requirements under the Securities & Exchange Act, the rule broadens the scope of FINRA's authority to review and process the announcements as well as codifying the rate structure applied to the filing fees.

Contact Info

If you have any questions about this or any other issue involving publicly traded companies, please contact your Husch Blackwell attorney.

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