

# FIRST BUSINESS.



BY DAVID PETT

## Market maker

Daniel Brasier is bringing a new U.S. trading platform to Canadian firms. They like what they see

DANIEL BRASIER'S FIRST job in New York was with Morgan Stanley on the top floors of the World Trade Center. His first day was September 10, 2001. His last was the next day when hijackers crashed two planes into the twin towers, killing thousands. "I was on the 61st floor of the second tower when everything happened," Brasier recalls. "When I left New York to go back home to Mississippi two days later, I was sure I didn't want to come back again." But the dream of building a career on Wall Street never completely faded and three years later, Brasier summoned his will and returned to the Big Apple for another shot.

Today, Manhattan is home for the 32-year old Brasier who has built an unlikely but successful career as the director of business development for Canada at OTCQX International, an upstart market exchange that attracts global companies eager for a trading

platform in the U.S., home to the world's most expansive investor base. In three-and-a-half years, the number of companies listed on the QX (as it is known) has grown to include 132 member companies with a combined market cap of around US\$750 billion. Included are some of the biggest companies in the world, such as Adidas Group, Roche and Air France-KLM. But it is Canada that has become QX's biggest and most important market. From one listing in 2007 to nine in 2009, the number of Canadian companies has ballooned this year, reaching 40 in mid-September. The majority are small and mid-sized mining and energy companies, which, on average, have experienced significant increases in trading volume after jumping to the QX. (Six months post-QX listing, Canadian companies have increased their U.S. volume by more than 300%, and their home-market volume by 58%.)

When Brasier first started approaching Canadian companies about the possibility of listing, he was immediately struck by the number of big firms in this country that listed on the NYSE and NASDAQ, but even more so by the number of companies not listed on any American exchange. He says most of these Canadian companies wanted exposure to United States financial markets, but after evaluating the big exchanges and the cost of Securities Exchange Commission (SEC) reporting, they dismissed it as a viable option. In the process, they also often closed themselves off to alternative ways to access investors south of the border. “A lot have stuck their heads in the sand and given up,” he says. “It’s been my job to explain to them there is another way that is effective and inexpensive.”

Established in March 2007, the QX — the initials stand for quality and excellence — is owned and operated by Pink OTC Markets Inc., the third-largest equity trading venue in the U.S. Like other junior platforms, such as the Over the Counter Bulletin Board and Pink Sheets, also offered by Pink OTC Markets, companies listed on the QX are not required to file with the SEC nor adhere to the Sarbanes-Oxley Act.

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They must, however, meet other standards. For example, they have to be listed on a qualified non-U.S. exchange, such as the TSX or Venture exchanges in Canada, to qualify for listing. They must also be sponsored by an American investment bank or attorney and disclose their home country on the QX website.

To establish a listing, companies pay a minimum US\$5,000 application fee, an annual listing fee of US\$15,000 plus sponsorship fees. By comparison, the cost

of cross-listing on the NYSE or Nasdaq can top US\$1 million and even more for bigger companies given the costs of regulatory requirements.

From the start, Brasier says the QX struggled to overcome the stigma of its Pink Sheets cousin as a “Wild West” over-the-counter market notorious for fraudulent activity. Even he was skeptical about its reputation when he was first approached about joining Pink OTC Markets back in 2006. “I remember a few colleagues at Morgan Stanley asking me if this was really what I wanted to do,” he says. “I also had doubts, but I saw the changes being made and liked the direction the company was taking.”

One important change was to make the flow of information provided by Pink OTC Markets available online and to facilitate trading by putting dealers in touch with each other electronically. Secondly, it was decided the “cesspool” of more than 10,000 firms that traded on the Pink Sheets should be divided into three tiers differentiated by how much disclosure each company makes. The highest tier is the QX exchange, which is further subdivided into separate trading venues for both American and international companies.

Brasier says companies and investors alike are now able to distinguish quality from the junk because the QX offers a level of transparency that previously was unavailable on over-the-counter markets. “When we built QX originally, nobody knew what it was,” he says. “Eventually, we got some big companies who understood what it was and it sent a clear message that we were credible.”

These days, Brasier spends most of his time in Canada talking with individual companies as well as securities lawyers and investment bankers. After a tough few years, his work appears to be having an impact. This fall he expects to land his first Canadian oil-and-gas company with a market cap of \$1 billion and he predicts another 20 new Canadian members by year end. “Next year will be even bigger,” he promises. **FP**

## Street Talk

### A continent beckons

Investors are starting to warm to Africa

**FOR DECADES, AFRICA** HAS BEEN CONSIDERED OFF LIMITS FOR INVESTORS. ACCESS TO MARKETS HAS ALWAYS BEEN DIFFICULT, AND LIQUIDITY LEVELS IN THOSE MARKETS HAS NEVER BEEN HIGH. BUT ALL THAT MAY BE STARTING TO CHANGE, AT LEAST IN SOME SECTORS, ACCORDING TO CITIGROUP EMERGING AND FRONTIER MARKETS ANALYST ANDREW HOWELL. HERE, A PEEK AT HIS TAKE ON THREE KEY SECTORS

**> MINING** Africa has become more intriguing for mining investors recently. Its star is rising for two reasons: Commodity prices are stronger and a growing share of the continent's output has been finding markets in India and China. Further investment might create foundations for economic development. But Howell cautions against high expectations as it is uncertain how well various regions will be able to diversify their economies.

**> BANKING** Like mining, Africa's banking and finance sector is commanding attention in growing economies. Stories to watch include the State Bank of Mauritius, which is focusing on capturing business from trade flows between Asia and Africa. Botswana's Lethago Holdings, meanwhile, is developing micro-lending lines of business, while Kenya's Equity Bank has been a pioneer in mobile-banking technology.

**> TELECOM** According to Howell, there's lots of room for growth in Africa's telecom space, even though penetration rates are more than 100% in countries such as South Africa and Botswana. Network quality remains a problem, too. But Howell notes that investments are being made in network expansion and capacity, notably by firms such as Kenya's Safaricom, West African operator Sonatel Telecom and Zambia's Econet Wireless. — *Jonathan Ratner*

