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Nasdaq Proposes To Tighten Listing Standards and Add Special Requirements for China-Based Companies

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On Sept. 3, Nasdaq submitted proposals to the U.S. Securities and Exchange Commission (SEC) to modify its initial and continued listing standards, with the stated aim of improving market integrity, investor protection, and liquidity. The proposed changes reflect Nasdaq's ongoing response to address key liquidity and trading concerns of companies in today's capital markets environment, particularly in the context of securities issued by smaller companies and companies operating in China.

Key Proposed Changes

The proposals would introduce several significant changes to Nasdaq's listing requirements:

- **Increased Minimum Public Float:** New listings under the net income standard would require a minimum public float market value of \$15 million.
- **Stricter Suspension and Delisting Procedures:** Nasdaq proposes an accelerated process for suspending and delisting companies that are deficient in listing standards and also have a market value of listed securities below \$5 million.
- **Enhanced Requirements for China-Based Companies:** Companies principally operating in China seeking to list on Nasdaq would be required to raise a minimum of \$25 million in public offering proceeds.

These measures are intended to ensure that listed companies possess adequate public float and liquidity and address potential drivers of extreme volatility and trading market manipulation in the capital markets.

Takeaways

For smaller companies considering an initial listing on Nasdaq, it will be important to engage with financial and legal advisors early on in the going-public planning process to ensure compliance with potentially stricter initial listing standards. Companies should also be mindful that Nasdaq recently modified the liquidity requirements for initial listings such that shares registered for resale in an offering are no longer counted toward the minimum public float calculation at listing. As a result, a company listing in connection with an initial public offering must meet the public float requirements based on shares being sold in the offering.

Nasdaq-listed companies that are deficient in meeting continued listing standards may need to revisit their compliance plans and strategies in light of the proposed stricter suspension and delisting procedures as they may have less time and opportunity to regain compliance. As a separate proposal to the SEC, Nasdaq is proposing to accelerate the delisting determination and trading suspension of a security of a Nasdaq-listed company if its bid price quickly declines from above \$1 to below 10 cents.

Finally, companies with operations in China that are considering a Nasdaq listing should carefully consider the proposed new listing rules, which specify a number of factors to determine whether a company falls within the scope of a “company based in China” and thus subject to the higher initial listing requirements. Additionally, for companies based in China that are seeking to list on Nasdaq by means of something other than a firm commitment offering, such as an IPO, Nasdaq has also proposed rules to adopt comparable changes for companies seeking to list in connection with de-SPAC transactions, direct listings, and those that are currently trading on the OTC market or another national securities exchange.

Implementation Timeline

Nasdaq has submitted the proposed rule changes to the SEC for review. If approved, the new initial listing requirements would be implemented promptly, with a 30-day transition period for companies already in the listing process to complete their listing under the prior standards. The new suspension and delisting procedures would take effect 60 days after SEC approval.

For further details, the official filings can be accessed at:

- [Nasdaq proposal to modify certain initial and continued listing requirements \(File No. SR2025-068\)](#)
- [Nasdaq proposal to adopt additional listing criteria for companies primarily operating in China \(File No. SR2025-069\)](#)

Contact Us

For any questions regarding the proposed amendments to Nasdaq’s listing standards, or for guidance on preparing for an initial or continued listing on Nasdaq—including IPOs, de-SPAC transactions, direct listings, or strategies for maintaining compliance with Nasdaq’s ongoing requirements, please a member of our Capital Markets & Securities team. We are available to provide practical, tailored advice to help issuers, investment banks, and other market participants navigate the evolving regulatory landscape.

Contacts

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