

# Nasdaq Accelerates Delisting of Sub-Dollar Stocks, Including After Reverse Stock Splits

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Nasdaq listing standards require a company's equity securities listed on the Nasdaq Global Select, Global and Capital Markets to maintain a closing bid price that is no less than \$1 per share. On January 17, 2025, the SEC [approved](#) two proposed rule changes that modify Nasdaq's listing criteria (specifically, Rules 5810 and 5815) to provide that:

- A company will be suspended from trading on Nasdaq if the company has been non-compliant with the \$1 minimum bid price requirement for more than 360 days (under the previous rules, a company could be non-compliant for up to 540 days before Nasdaq began delisting procedures); and
- Nasdaq will immediately send a Delisting Determination—*without any grace period*—to any company that falls out of compliance with the \$1 minimum bid price requirement within one year following a reverse stock split (under the previous rules, a company was afforded an automatic 180-day compliance window).

In explaining its rationale for the rule changes, Nasdaq noted that it has observed that the challenges facing such companies generally are not temporary and may be so severe that the company is not likely to regain compliance within the prescribed compliance period. Moreover, the price concerns with these companies can be a leading indicator of other listing compliance concerns, and these companies often become subject to delisting for other reasons during the compliance periods. Nasdaq therefore believes that such companies should be subject to heightened scrutiny and enhanced listing requirements.

## Suspension After 360 Days of Non-Compliance

Previously, a Nasdaq-listed company could be continuously non-compliant with the \$1 minimum bid price requirement and continue trading on Nasdaq for **up to a total of 540 days**. The process worked as follows.

A company whose security's closing bid price dips **below \$1 for 30 consecutive trading days** is promptly notified and provided with an **automatic compliance period of 180 calendar days** to regain compliance with the bid price requirement. Compliance is generally achieved by maintaining a \$1 bid price for a minimum of 10 consecutive business days. Subject to certain requirements, including notifying Nasdaq of its intent to cure this deficiency, a company may be afforded a **second 180-calendar-day compliance period**. If a company is not eligible for the second compliance period, or the company is eligible but does not resolve the bid price concern during the second compliance period, the company is issued a Delisting Determination with respect to that security, which can be appealed to a Nasdaq Listing Qualifications Hearings Panel. A timely request for a hearing ordinarily stays the suspension and delisting action pending the issuance of a written panel decision. The Hearings Panel has the discretion to allow a company **up to an additional 180 calendar days from the date of the Delisting Determination** to get its per-share price back above \$1 (totaling 540 days), during which time the company could remain listed and trading on Nasdaq.

**Nasdaq believes that two consecutive grace periods amounting to a total of 360 days is a sufficient period of time for a company to regain compliance with the \$1 minimum bid price requirement** (even if the company is required to obtain stockholder approval to effect a reverse stock split by the jurisdiction where the company is incorporated) and that it is not appropriate for a company in these circumstances to continue trading on Nasdaq during the pendency of any appeals process.

Accordingly, Nasdaq has amended its rules to provide that **a hearing request shall not stay the suspension of the securities from trading on Nasdaq** where the matter relates to a request made by a company that was afforded the second 180-day compliance period but failed to regain compliance with the \$1 minimum bid price requirement during that period. **Instead, the company's securities will trade in the over-the-counter (OTC) market while the appeal is pending.** The Hearings Panel will continue to have discretion, where it deems appropriate, to provide an exception for up to 180 days from the Delisting Determination date for the company to regain compliance with the \$1 minimum bid price requirement.

## Excessive Reverse Stock Splits

Under the second rule change, **Nasdaq will *immediately* initiate the delisting process—rather than providing an automatic 180-day compliance period—for any company’s security that becomes non-compliant with the \$1 minimum bid price requirement if, in the prior one-year period, the company conducted a reverse stock split.** The company can still appeal that delisting notification to the Hearings Panel, where it could receive up to 180 days to regain compliance while remaining listed on the exchange, as described above.

Nasdaq explained that it has observed that some companies, typically those in financial distress or experiencing a prolonged operational downturn, engage in a pattern of repeated reverse stock splits, which are often accompanied by dilutive issuances of securities. Nasdaq believes that such behavior is often indicative of deep financial or operational distress within such companies rendering them inappropriate for trading on Nasdaq for investor-protection reasons.

### **Revised Rule Text**

The revised rule text is available [here](#).

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