



# Direct Listing Update: SEC Rejects NYSE Proposed Rules to Expand Permitted Direct Listings

Insights

December 9, 2019

*NYSE Expected to Revise and Resubmit*

*Nasdaq Direct Listing Rules Approved*

On December 6, 2019, the Securities and Exchange Commission (SEC) rejected a proposed rule which would have permitted companies to sell shares in connection with its direct listing on the New York Stock Exchange LLC (NYSE), as well as make the direct listing process easier for more companies.

The existing NYSE direct listing rules do not allow companies to raise capital by selling shares in the direct listing since only existing stockholders are permitted to sell shares.

NYSE's proposed rule change would have allowed a company to raise capital in connection with its direct listing by selling newly issued shares into the market without an underwriter.

The proposed rules had the potential to significantly increase the number of IPOs that would occur via a direct listing. As of the time of this Client Alert, the SEC has not disclosed the reasons behind its rejection of the proposed rule. The NYSE has stated that it plans to continue to work with the SEC on this matter.

Additionally, on December 3, 2019, the SEC approved Nasdaq's proposed rules allowing resale direct listings. As a result, direct listings can now be effected on both

major exchanges, although they are not available as a means to raise capital.

Companies should consult with their legal and investment banking advisors to fully understand the benefits and risks associated with a direct listing IPO prior to pursuing this option.

*Jeffrey R. Vetter and Keith J. Scherer contributed to the preparation of this Client Alert.*

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Jeffrey R. Vetter

PARTNER

P +1 650 321 2400



Keith J. Scherer

PARTNER

P +1 617 648 9231

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