NASDAQ PROPOSES TO RAISE THE BAR FOR NEW AND EXISTING LISTINGS, PARTICULARLY IMPACTING SMALL CHINESE IPOS

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US Corporate Alert

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On 3 September 2025, The Nasdaq Stock Market LLC (Nasdaq) announced a series of proposed amendments to its listing initial and continued standards aimed at strengthening market integrity. These proposals are a response to increasing regulatory concerns, especially regarding thinly traded companies, as part of a broader effort to curb potential market manipulation and address risks associated with companies operating primarily in China.

KEY PROPOSED AMENDMENTS

Increased Public Float Threshold

Companies listing on the Nasdaq Capital Market (the lowest of the three Nasdaq tiers) under the net income standard must maintain a minimum Market Value of Unrestricted Publicly Held Shares (MVUPHS) of at least US$15 million compared to the current US$5 million threshold.

Expedited Delisting Framework

Companies whose listed securities fall below a US$5 million market value and fail to meet additional compliance requirements may face an accelerated suspension and delisting process.

Heightened Standard for China-Based Companies

Companies with principal operations in China would be required, regardless of the listing standard utilized, to raise at least US$25 million in initial public offering (IPO) proceeds to qualify for a new Nasdaq listing.

REGULATORY CONTEXT

Nasdaq has steadily tightened its listing standards in recent years. Since 2019, it has revised its liquidity criteria by excluding restricted securities from public float calculations and introducing minimum requirements for round-lot holders and trading volume. Most recently, in April 2025, Nasdaq updated its rules to require that market value thresholds be met solely through shares sold in a bona fide public offering, rather than through insider holdings, aiming to ensure sufficient liquidity at the time of listing.

In addition, these latest proposals build on Nasdaq's ongoing efforts to address risks associated with certain China-based companies. Recent episodes of extreme price volatility and suspected manipulative trading, which frequently involves microcap companies with operations primarily in China, have underscored Nasdaq's growing

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concerns. According to Nasdaq, nearly 70% of its regulatory referrals since August 2022 have involved China-based companies, despite these companies accounting for less than 10% of Nasdaq's total listings.

IMPLICATIONS FOR SPECIAL-PURPOSE ACQUISITION COMPANIES (SPACS) AND DE-SPAC TRANSACTIONS

To combat similar concerns regarding the US$25 million minimum raise for China-based companies, Nasdaq has proposed parallel requirements for companies listing through de-SPAC transactions. Post-combination entities would be required to have a minimum MVUPHS of no less than US$25 million, with such calculation expressly excluding any shares subject to resale restrictions, in order to ensure sufficient public float and market liquidity.

REVIEW AND APPROVAL TIMING

Nasdaq has submitted its proposed rule change to the US Securities and Exchange Commission (Commission) for review and, if approved, is proposing to implement the changes to the initial listing requirements promptly.

If the new rules are adopted, companies in the process of applying for an initial Nasdaq listing would be granted a 30-day transition period to complete their applications under the current requirements. The new standards also will not apply retroactively. Accordingly, the roughly 95 Chinese companies listed on Nasdaq as of March 2025 that had IPO values below US$25 million at the time of effectiveness, according to data published by the US-China Economic and Security Review Commission, will not have their listing status voided or otherwise adversely affected.

For the accelerated suspension and delisting procedures, Nasdaq has proposed a 60-day transition period following Commission approval. According to data published by the US-China Economic and Security Review Commission, as of March 2025, there were approximately 20 Chinese companies with market capitalizations below US$5 million. These companies would be required to take substantial remedial actions to avoid suspension or delisting once the 60-day period lapses.

NEXT STEPS

Companies contemplating an initial listing on Nasdaq, as well as SPAC sponsors and de-SPAC targets, should closely monitor the Commission's review process and prepare for an accelerated implementation schedule if such amendments are approved.

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