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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

# How Nasdaq, SEC Proposals May Transform Listing Standards

By **Kevin Friedmann, Amelia Zhang and Siyuan An** (November 13, 2025, 4:38 PM EST)


Kevin Friedmann


Amelia Zhang


Siyuan An

On Sept. 3, The Nasdaq Stock Market LLC filed two proposals with the U.S. Securities and Exchange Commission, putting forward amendments to its initial and continued listing requirements that focus on heightening financial standards and implementing stricter suspension and delisting procedures.[1] In addition, Nasdaq has proposed new initial listing requirements targeting Chinese companies.

The SEC published the proposed rule changes on Sept. 19 and has until Dec. 18 to act — though further extensions could push a final decision to as far as May 2026. If approved, Nasdaq would implement the new initial listing rules immediately (with a 30-day transition for pending applicants) and the accelerated delisting procedures within 60 days.

John Zecca, Nasdaq's executive vice president and global chief legal, risk and regulatory officer, stated that these amendments "represent one step in a necessary, industry-wide effort — alongside regulators, U.S. exchanges, and market participants — to closely examine trading behaviors in small company securities, with the goal of safeguarding market integrity and enhancing protections for investors."[2]

Indeed, these amendments do not arise in isolation. Both Nasdaq and the SEC have increasingly focused their regulatory efforts on small and foreign issuers, particularly those from China.

Nasdaq has implemented other amendments regarding initial listing requirements, reverse splits and corporate governance in recent years. At the same time, the SEC on June 4 proposed potential modifications to foreign private issuer qualifications, and on Sept. 5, created a new cross-border task force to combat fraud.

Viewed together, these efforts reflect an intention to strengthen the overall quality and stability of companies accessing U.S. markets, ensuring that listed issuers are better positioned for long-term compliance and investor confidence. However, these heightened standards may also have a chilling effect on some smaller or foreign issuers considering a U.S. listing.

**Summary of the Proposed Changes to the Initial and Continued Listing Requirements**

Nasdaq is proposing several amendments to its initial and continued listing requirements, including:

- Rules 5405(b)(1)(C) and 5505(b)(3)(C) would be amended such that the minimum market value for unrestricted publicly held shares for new listings under the net income standard increases from $8 million on the Nasdaq Global Market and $5 million on the Nasdaq Capital Market, respectively, to $15 million; and

- Amendments to Rules 5810(c) and 5815 would mean that issuers falling below a $5 million market value of listed securities for 10 consecutive days would face immediate suspension and delisting without a cure period. Appeals would not stay the suspension, and trading would move over-the-counter, pending review.[3]

**Summary of the New Listing Requirements for Chinese Companies**

Nasdaq has also proposed a new Rule 5210(l) to introduce enhanced initial listing requirements specifically for companies that are "headquartered, incorporated or whose business is principally administered in China," including Hong Kong and Macau.[4] "Principally administered" is defined by a set of factors, including the location of books and records, assets, revenues, directors, officers, employees, or control.

Rule 5210(l)(i) establishes a minimum $25 million initial public offering size. Comparable changes apply to companies seeking to list in connection with de-SPAC transactions or direct listings, and that are currently trading on the over-the-counter market or another national securities exchange.

Specifically, Rule 5210(l)(ii) establishes that in connection with a business combination, the issuer's minimum market value for unrestricted publicly held shares must equal at least $25 million.

Rule 5210(l)(iii) requires that in connection with a direct listing, a Chinese issuer must meet all applicable listing requirements for the Nasdaq Global Select Market and the additional requirements of IM-5315-1, or the applicable listing requirements for the Nasdaq Global Market and the additional requirements of Listing Rule IM-5405-1.

Further, Rule 5210(l)(iv) requires that if an issuer transfers its listing from the OTC market or another national securities exchange, the minimum market value for unrestricted publicly held shares must equal at least $25 million, and the shares must have traded on the other market for at least one year. Nasdaq did not specify whether this proposed rule would apply to transfers from foreign exchanges.

**Practical Impact on Small Issuers**

For smaller issuers, Nasdaq's proposed amendments would significantly raise the bar for both initial and continued listing. Companies that might previously have qualified could now find themselves required to wait longer and grow stronger before pursuing a Nasdaq listing.

For issuers with immediate liquidity needs, the heightened standards may compel them to explore alternative markets such as NYSE American and the OTC Markets Group Inc. This could result in a migration of smaller or more volatile issuers away from Nasdaq, potentially reducing the diversity of companies listed on the exchange.

One alternative is NYSE American. Since 2023, 30 NYSE American listings have raised proceeds under $15 million; nine of these listings occurred in 2025.[5] This indicates that NYSE American may serve as a viable venue for smaller issuers.

NYSE American maintains more flexible financial standards than Nasdaq. An issuer need only satisfy one of five initial listing standards set forth in the NYSE American LLC Company Guide. One such standard is considerably less demanding than Nasdaq's proposed $15 million minimum market value for unrestricted publicly held shares threshold, allowing eligibility if an issuer has $750,000 in pretax income, $3 million in market value of public float, $4 million in stockholders' equity and a $3 share price.

Additionally, unlike Nasdaq's proposed rules, NYSE American does not immediately delist issuers that fall below the continued listing standards. Instead, the issuer may provide a plan for regaining compliance within 18 months.

The plan must include specific milestones, quarterly financial projections and details of any strategic initiatives. If the NYSE American staff determines that the issuer has not regained compliance, the issuer can request a hearing, which typically stays delisting.[6]

In practice, the NYSE American staff also has discretion to assess the overall suitability of an applicant, and may raise comments or request additional information even when the quantitative standards are met, which can at times lengthen the approval process and create uncertainty.[7]

The OTC markets offer tiered access with progressively lower entry requirements but less liquidity, visibility and institutional participation. OTC listings can serve as a temporary step toward national exchange qualification but lack comparable market depth.

While the OTC markets offer easier access, they also present limitations, with the OTC Basic Market in particular carrying a reputation for very limited disclosure and higher-risk issuers. Liquidity and trading volumes on the OTC markets are typically thinner than on national exchanges, which can reduce visibility and restrict access to institutional investors.

When uplisting from the OTC markets, national stock exchanges typically assess whether an issuer's securities demonstrate adequate liquidity and trading activity. For example, to uplist to the Nasdaq Capital Market, Nasdaq requires an average daily trading volume of at least 2,000 shares over 30 trading days or a firm commitment underwritten offering of at least $5 million.[8] As such, the OTC markets may provide an interim solution or stepping stone, but they do not offer the same liquidity, recognition or market profile as a national exchange listing.

**Potential Impact on Small Chinese Companies Seeking a Nasdaq Listing**

Many Chinese companies have chosen to do small IPOs in recent years as a way to access the capital markets, often driven by limited financing options at home and investor interest in early-stage growth. From January 2022 to present, 205 Chinese companies completed IPOs under $25 million across global exchanges — 65 on Nasdaq alone, which would have been ineligible under the proposed rule.[9]

By implementing higher financial requirements for initial listings, Nasdaq may limit access to U.S. public markets for smaller Chinese issuers, potentially driving them to seek capital elsewhere or remain private. This could also limit U.S. investor access to emerging Chinese companies and drive more listings to other venues, such as the Hong Kong Stock Exchange.

**Broader Regulatory Context: Nasdaq and SEC Alignment**

Nasdaq's proposals follow its 2024 and 2025 rule changes that tightened listing and governance standards, including higher IPO thresholds and stricter board compliance timelines. Together with the current proposals, these changes point to a clear regulatory push toward stricter financial, operational and governance standards.

Nasdaq's latest proposals arrive along with parallel initiatives from the SEC, suggesting a broader U.S. regulatory effort to raise standards for foreign issuers, particularly those from China.

For instance, on June 4, the SEC issued a concept release regarding eligibility criteria for foreign private issuer status under the U.S. securities laws. If the SEC revises the foreign private issuer definition, a significant number of foreign companies, including Chinese companies, may no longer qualify as foreign private issuers and would be required to comply with more stringent, burdensome, and costly reporting and disclosure obligations.[10]

A formal rulemaking process would be required to implement any change, and it remains to be seen how such revisions might take shape.

Additionally, on Sept. 5, the SEC announced "the formation of a task force that will strengthen and enhance the Division of Enforcement's efforts to identify and combat cross-border fraud harming U.S. investors."[11] The SEC specifically pointed to China as a country of concern.

The SEC further stated that it will "examine potential securities law violations related to companies from foreign jurisdictions, such as China, where governmental control and other factors pose unique investor risks."[12]

**Conclusion**

Nasdaq's new proposals raise the standard for liquidity and compliance by increasing financial thresholds and accelerating suspension and delisting procedures, particularly for smaller issuers and Chinese companies. These proposed measures build on Nasdaq's recent rule changes and reflect its heightened effort to strengthen market quality by ensuring that only companies with sufficient scale, liquidity and governance can remain listed.

Although both Nasdaq and the SEC share the goal of protecting investors, their initiatives reflect different priorities and effects. Nasdaq is focused on tightening its quantitative rules to filter out weaker companies, particularly at the entry stage. The SEC, on the other hand, is concentrating on oversight after companies are already listed, through initiatives such as revisiting the definition of foreign private issuer to potentially increase disclosure and creating the cross-border task force to address cross-border fraud.

Collectively, these efforts would raise the overall bar for participation in U.S. markets, placing greater pressure on smaller issuers and foreign companies, especially Chinese issuers, that may struggle to meet higher thresholds at listing or face closer scrutiny once public.

The implications of these proposed changes are far-reaching, particularly for smaller issuers and foreign issuers from China. Companies that once saw Nasdaq as a relatively accessible listing venue may now need to wait longer and demonstrate stronger fundamentals before qualifying, or turn to alternative markets with lower thresholds.

*Kevin Friedmann is a partner and the Chicago head of corporate, M&A and securities at Norton Rose Fulbright.*

*Amelia Zhang is a partner at the firm.*

*Siyuan An is senior counsel at the firm.*

*Norton Rose partners Harold Tin and Scott Saks, and associate Amanda Yang, contributed to this article.*

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[1] Nasdaq Proposes Changes to its Listing Standards (Sept 3, 2025), available at https://ir.nasdaq.com/news-releases/news-release-details/nasdaq-proposes-changes-its-listing-standards.

[2] Nasdaq Proposes Changes to its Listing Standards (Sept 3, 2025), available at https://ir.nasdaq.com/news-releases/news-release-details/nasdaq-proposes-changes-its-listing-standards.

[3] Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change To Modify Certain Initial and Continued Listing Requirements (Sept. 19, 2025), available at https://www.federalregister.gov/documents/2025/09/19/2025-18143/self-regulatory-organizations-the-nasdaq-stock-market-llc-notice-of-filing-of-proposed-rule-change.

[4] Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, To Adopt Additional Initial Listing Criteria for Companies Primarily Operating in China (Sept. 19, 2025), available at https://www.federalregister.gov/documents/2025/09/19/2025-18140/self-regulatory-organizations-the-nasdaq-stock-market-llc-notice-of-filing-of-proposed-rule-change.

[5] https://my.pitchbook.com/?pcc=1224215-74.

[6] NYSE American Initial Listing Standards, available at https://www.nyse.com/publicdocs/nyse/listing/NYSE_American_Initial_Listing_Standards.pdf.

[7] Rule 101 of the NYSE American LLC Company Guide, available at https://nyseamericanguide.srorules.com/company-guide/09013e2c853aa8c2.

[8] Nasdaq Listing Rule 5505(a)(5).

[9] https://my.pitchbook.com/?pcc=1219247-38.

[10] SEC Release No. 33-11376, available at https://www.sec.gov/files/rules/concept/2025/33-11376.pdf.

[11] SEC Announces Formation of Cross-Border Task Force to Combat Fraud (Sep. 5, 2025), available

at https://www.sec.gov/newsroom/press-releases/2025-113-sec-announces-formation-cross-border-task-force-combat-fraud.

[12] SEC Announces Formation of Cross-Border Task Force to Combat Fraud (Sep. 5, 2025), available at https://www.sec.gov/newsroom/press-releases/2025-113-sec-announces-formation-cross-border-task-force-combat-fraud.