LAW360

Portfolio Media. Inc. | 230 Park Avenue, 7th Floor | New York, NY 10169 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Opportunities And Challenges For The Texas Stock Exchange

By **Amelia Zhang, Kevin Friedmann and Scott Saks** (May 28, 2025, 4:39 PM EDT)


Amelia Zhang


Kevin Friedmann


Scott Saks

In an ambitious move to attempt to shake up capital markets, the Texas Stock Exchange has emerged as a new player.

The TXSE is a new national stock exchange based in Dallas, aiming to compete with the firmly established U.S. exchanges such as the New York Stock Exchange and the Nasdaq. On Jan. 31, the TXSE filed a Form 1 registration application with the U.S. Securities and Exchange Commission to operate as a national securities exchange,[1] and on April 2, it submitted Amendment No. 1 to its Form 1 application.[2] The SEC published its notice of filing of application on April 4.[3]

In February, the TXSE announced that it closed an initial capital raise of $161 million from its key investors, including BlackRock, Citadel Securities, Dell Family Office Management, Fortress, Jump Trading, Squarepoint, Susquehanna Private Equity Investments, Tower Research and others.[4] If the SEC grants its registration, the TXSE has stated that it intends to begin trading in early 2026, with listings by the end of 2026.[5]

The TXSE is not the only player in the Lone Star State v the NYSE and the Nasdaq have also been expanding their presence in Texas.

The NYSE Chicago recently moved its 143-year-old trading operation to Dallas[6] and renamed the exchange NYSE Texas.[7] The NYSE Texas launched on March 31 as the first national securities exchange operating in the state.[8] It is now actively marketing a complementary dual-listing service on the NYSE Texas to Texas-incorporated public companies that are already trading on the NYSE.

In addition, on Sept. 26, the Nasdaq announced a new regional management structure for its Global Listings franchise.[9] Texas-native Rachel Racz serves as the Nasdaq's head of listing for the Texas, southern U.S. and Latin America region, which officially opened in Dallas on March 18.[10]

The TXSE may become an interesting alternative to the NYSE and the Nasdaq due to its ability to capitalize on Texas' robust economy, key industries, regional connections, state pride and position as a business-friendly state. While the TXSE has the potential to offer reliability and increased publicity that pique company and investor interest, its ultimate competitiveness as a national securities exchange is uncertain due to unresolved questions about its ability to differentiate itself from other

exchanges, its cost and regulatory advantages, and its prospects for listings.

Why do companies list on a U.S. national securities exchange?

Listing on a U.S. national securities exchange unlocks new opportunities for growth. U.S. and non-U.S. companies list for increased liquidity, easier access to capital financing from U.S. investors, trading in a stable currency and the ability to use publicly traded shares as consideration for merger and acquisition transactions, among other reasons.

Listing is a mark of prestige that increases visibility, enhances a company's brand, attracts U.S. talent and supports long-term success. Listed companies may be included on stock market indices. And of course, many founders and business executives around the world dream of ringing the iconic opening bell at the NYSE's historic building on Wall Street or having their photograph broadcast across Times Square from the Nasdaq's newsroom.

That dream, however, comes at a high cost. Compliance with NYSE and Nasdaq rules requires listed companies to incur increased expenses for legal counsel, auditors and accountants. The TXSE has stated its intention to offer "more stability and predictability around listing standards and associated costs."[11]

Yet the rules that the TXSE has published resemble the rules of the NYSE and the Nasdaq.[12] Specifically, the TXSE's initial listing criteria mirror the NYSE's criteria, and its proposed rules regarding corporate governance and shareholder approval, among other topics, seem to emulate the Nasdaq's rules.[13] It remains to be seen how the TXSE will execute and interpret its rules, and whether compliance with the TXSE rules will be more efficient.

In addition, the TXSE has not yet published its fee schedules, so it is unknown whether listing on the TXSE will provide a cost advantage over listing on the NYSE or the Nasdaq.

The exchanges' rules are just one piece of the puzzle. The SEC's rules, including the Sarbanes-Oxley Act, impose demanding reporting and compliance requirements and heightened corporate governance costs. Consequently, a company's choice of an exchange may not relieve some of the most costly and burdensome requirements experienced by any listed company.

Stock exchanges compete not only on cost but also prestige. The TXSE will offer its own "Y'all Street" dream. The TXSE's permanent physical presence is expected to be at the prospective Texas Market Center in the heart of Dallas.[14] To cement itself as a landmark akin to Wall Street, the TMC intends to establish its own iconic bell-ringing venue and broadcast center.[15]

What value and opportunities does the TXSE offer?

1. The TXSE may benefit from DExit.

Delaware, once the go-to home for corporations in the U.S., is currently experiencing an exodus of companies known as "DExit."[16] Recent Delaware Court of Chancery decisions have drawn the ire of prominent players in the corporate world, and some corporations have already reincorporated or moved their headquarters.[17]

In the wake of DExit, other states are jockeying to position themselves as business-friendly alternatives

for incorporation or reincorporation. The newly established Texas Business Court began hearing cases on Sept. 1, 2024.[18]

While it may be too early to declare any state as the new corporate haven, the message is clear: Texas is fighting for Delaware's title, offering new opportunities for regional loyalty and partnerships among companies. The addition of the TXSE may further entice companies and investors.

2. Texas' thriving economy may reinforce the TXSE's value proposition.

Due to lower taxes, lower costs and laws friendly to business, many companies already call Texas home.[19] With a GDP of approximately $2.7 trillion,[20] Texas is tied with New York as home to the second-highest number of Fortune 500 companies, behind only California.[21] One in 10 public companies are based in Texas.[22] This number is likely to grow, as 164 companies moved their headquarters to Texas between 2020 and 2023.[23]

Texas is experiencing population and workforce growth. Due to factors like affordability and employment opportunities, Texas retains its residents and attracts new residents. Approximately 82% of people born in Texas still lived in the state as of 2021,[24] and over 400,000 people moved to Texas in 2024.[25] In 2023, Texas surpassed New York in the number of workers employed in the finance and banking industries.[26]

These factors create an environment that attracts companies and investors. Against this backdrop, the TXSE stands poised to capitalize on, and further catalyze, Texas' trajectory as a business hub.

3. The TXSE may be a familiar and convenient choice for companies in certain industries and geographic locations.

Texas-based companies may provide the TXSE with a pool of potential companies to list. Industries such as energy and healthcare have strong presences in Texas, and an exchange based in Texas could offer those companies a forum that is geographically proximate to their operations and attuned to their regulatory concerns and investor bases.

A more intangible, but no less powerful, motivator is Texas pride. Texas-based companies and investors may have identities that are deeply intertwined with the Lone Star State, and they may appreciate the symbolism of working with the Texas Stock Exchange. This sense of loyalty could attract companies and investors in ways that the more transactional environment of New York cannot replicate.

Further, the TXSE could appeal to companies based in nearby states due to its advantageous location in Dallas, which is within the southeast quadrant of the U.S.[27] These states may have cultures that align more closely with Texas than New York.

Additionally, Texas has historically been a hub for Latin American companies to expand into the U.S., and many Latin American companies maintain operational footprints or subsidiaries in Texas.[28] For these southeast quadrant and Latin American companies, Texas represents more than a market entry point; it is a home away from home.

4. The TXSE may gain listings of portfolio companies from its key investors and the southeast quadrant.

The TXSE's key investors could provide a listing pipeline if their portfolio companies gravitate toward listing on the TXSE. The southeast quadrant may also provide a pipeline, as it contains more than 14,000 sponsor-backed private equity portfolio companies.[29] For companies seeking capital and liquidity, debuting on an exchange backed by reputable financial institutions such as those that have invested in the TXSE is undeniably attractive; it reduces uncertainty around liquidity.

Separately, even if the TXSE does not initially compete with the NYSE or the Nasdaq for corporate listings, it could potentially capture a meaningful portion of ETF listings, in light of the formation of new funds that focus on Texas-based companies, such as the Texas Capital Texas Equity Index.[30]

5. The TXSE's recruitment of high-caliber leadership signals expertise and reliability.

The TXSE's global head of exchange traded products, Robert Marrocco, previously served as vice president and global head of ETF listings for Cboe Global Markets Inc., and held several positions at the NYSE.[31]

Having industry veterans willing to align their careers with the comparatively new TXSE should further instill confidence in the TXSE by companies and investors.

6. Listing on the TXSE may produce comparatively higher investor interest.

Listing on the newly formed TXSE may afford companies a unique and meaningful first-mover advantage by situating them among a limited group of listings.

Due to the attention surrounding the TXSE, companies listed on the TXSE may experience amplified publicity and investor curiosity. This can translate into deeper liquidity, stronger brand recognition and a broader investor base.

In contrast, listing on long-established national exchanges may relegate a company to one among thousands.

What potential competitive and strategic challenges confront the TXSE?

1. Will the TXSE be consolidated into another exchange?

Although there are currently 13 national securities exchanges operating in the U.S., none have been able to displace the dominance of the NYSE and the Nasdaq.[32] Historically, regional exchanges have consolidated into the NYSE or the Nasdaq to benefit from their branding, liquidity and credibility with investors.

It remains to be seen whether the TXSE will be able to successfully compete with the NYSE, the NYSE Texas or the Nasdaq with respect to those factors. The excitement surrounding the TXSE listings could be short-lived, absent a critical mass of new listings.

2. Will the TXSE become a niche marketplace for specific industries in Texas?

The TXSE's initial listing pipeline may consist disproportionately of companies in certain industries with deep roots in Texas. The TXSE could develop a reputation as a niche marketplace rather than a diversified national exchange, thereby disincentivizing companies in other industries and from other

regions from listing on the TXSE.

Industry concentration may also limit the pool of interested investors, diminish publicity and suppress liquidity. Index providers and investors subject to sector-balance or diversification mandates could avoid exposure to a market perceived as overly concentrated.

3. Will the TXSE distinguish itself from the NYSE Texas and regional exchanges?

The emergence of the NYSE Texas may disadvantage the TXSE. Bearing the iconic NYSE name, the NYSE Texas may benefit from brand recognition that pulls interest away from the TXSE. In addition, the mere similarity in the names "NYSE Texas" and "TXSE" could create confusion and miscommunication among the media and market participants.

The TXSE may also compete with the QX market maintained by OTC Markets Group Inc. for foreign private issuers and certain regional exchanges as a result of a broader shift in the global listing and trading ecosystem.

For example, on June 1, 2022, Cboe Global Markets acquired NEO, a fintech firm operating a Tier-1 Canadian securities exchange, NEO Exchange and an unlisted securities distribution platform, NEO Connect.[33] Meanwhile, the Long-Term Stock Exchange, founded in 2018 by Eric Ries, launched in September 2020 with a mission to support companies and investors focused on long-term value creation.[34]

These efforts suggest a continued interest in expanding the range of listing venues, potentially offering companies alternatives that differ in strategic focus, cost structures or governance frameworks.

4. Will the TXSE convince companies to cross-list?

Given the recent general decline in the number of initial public offerings, the TXSE may not be able to rely on IPOs in the near term to gather listings. Instead, the TXSE may need to demonstrate its value propositions in order to gain cross-listings from companies already listed on the NYSE, the Nasdaq or foreign exchanges.

Conclusion

Texas' large and thriving economy, major industry presence in energy and healthcare, strong connection to Latin American companies, and deep sense of state pride all provide a strong foundation for the TXSE's well-backed exchange, positioning the TXSE as an intriguing alternative to the established exchanges. But the story is still being written, as uncertainties about its rules, costs and prospects for new listings make it difficult to predict its future competitiveness as a national stock exchange.

Still, it is undeniable that the TXSE is making a bold bet on the future of capital markets and the Texas economy v a bet that, if successful, could change where many companies list in the U.S.

Amelia Zhang is a partner at Norton Rose Fulbright.

Kevin Friedmann is a partner and the Chicago head of corporate, mergers and acquisitions, and securities at the firm.

Scott Saks is a partner at the firm.

Norton Rose partner Brandon Byrne and associate Amanda Yang contributed to this article.

The opinions expressed are those of the author(s) and do not necessarily reflect the views of their employer, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

[1] See Texas Stock Exchange files Form 1 registration to operate as a national securities exchange (Jan. 31, 2025), available at https://www.txse.com/press-releases/texas-stock-exchange-files-form-1-registration-to-operate-as-a-national-securities-exchange.

[2] See Texas Stock Exchange LLC; Notice of Filing of Application, as Amended, for Registration as a National Securities Exchange Under Section 6 of the Securities Exchange Act of 1934 (Apr. 10, 2025), available at https://www.federalregister.gov/documents/2025/04/10/2025-06116/texas-stock-exchange-llc-notice-of-filing-of-application-as-amended-for-registration-as-a-national.

[3] See Securities and Exchange Commission Release No. 34-102773; File No. 10-249 (Apr. 4, 2025), available at https://www.sec.gov/files/rules/other/2025/34-102773.pdf.

[4] See Texas Stock Exchange files Form 1 registration to operate as a national securities exchange (Jan. 31, 2025), available at https://www.txse.com/press-releases/texas-stock-exchange-files-form-1-registration-to-operate-as-a-national-securities-exchange.

[5] See Texas Stock Exchange files Form 1 registration to operate as a national securities exchange (Jan. 31, 2025), available at https://www.txse.com/press-releases/texas-stock-exchange-files-form-1-registration-to-operate-as-a-national-securities-exchange.

[6] See NYSE to relocate 143-year-old Chicago stock exchange to Texas (Feb. 12, 2025), available at https://www.ft.com/content/dd621c8c-ad20-4092-bfac-fcdf497ef143.

[7] See New York Stock Exchange Relocates Chicago Branch to Dallas, Establishes NYSE Texas (Feb. 12, 2025), available at https://www.dmagazine.com/business-economy/2025/02/new-york-stock-exchange-relocates-chicago-branch-to-dallas-establishes-nyse-texas/.

[8] See NYSE Texas Opens for Business (Mar. 31, 2025), available at https://ir.theice.com/press/news-details/2025/NYSE-Texas-Opens-for-Business/default.aspx.

[9] See Nasdaq Appoints Rachel Racz to Drive Growth of Listings Franchise across Texas, Southern U.S. and Latin America Region (Sep. 26, 2024), available at https://www.nasdaq.com/press-release/nasdaq-appoints-rachel-racz-drive-growth-listings-franchise-across-texas-southern-us.

[10] See Nasdaq Deepens Its Commitment to Texas (Mar. 20, 2025), available at https://www.nasdaq.com/newsroom/nasdaq-deepens-its-commitment-texas.

[11] See TXSE Group Inc. announces plans to create the Texas Stock Exchange (Jun. 5, 2024), available at https://www.txse.com/press-releases/txse-group-inc-announces-plans-to-create-the-texas-stock-exchange.

[12] See TXSE v Form 1 Application and Exhibits, available at https://www.sec.gov/rules-regulations/other-commission-orders-notices-information/txse-form-1.

[13] See New Texas Stock Exchange Aims at Nasdaq and NYSE (Apr. 8, 2025), available at https://www.troutman.com/insights/new-texas-stock-exchange-aims-at-nasdaq-and-nyse.html.

[14] See TXSE fact sheet (Jan. 31, 2025), available at https://www.txse.com/resources/txse-fact-sheet.

[15] See TXSE fact sheet (Jan. 31, 2025), available at https://www.txse.com/resources/txse-fact-sheet.

[16] See Delaware Faces Losing Another Company (Apr. 3, 2025), available at https://www.newsweek.com/delaware-faces-losing-another-company-2054841.

[17] See Delaware Faces Losing Another Company (Apr. 3, 2025), available at https://www.newsweek.com/delaware-faces-losing-another-company-2054841

[18] See The Texas Business Court's First Thirty Days (Oct. 22, 2024), available at https://www.jdsupra.com/legalnews/the-texas-business-court-s-first-thirty-8082181/.

[19] See Why Texas is the Best State for Business, available at https://businessintexas.com/why-texas/.

[20] See How GDP of US states Compare with Major Global Economies (Apr. 24, 2025), available at https://www.newsweek.com/gdp-us-states-compare-global-economy-2063626.

[21] California beats out Texas and New York for the most Fortune 500 companies (Jun. 4, 2024), available at https://fortune.com/2024/06/04/fortune-500-california-most-companies/

[22] See TXSE Texas fact sheet (Mar. 24, 2025), available at https://www.txse.com/resources/txse-texas-fact-sheet.

[23] See Texas Moving Statistics (Aug. 1, 2024), available at https://www.forbes.com/home-improvement/moving-services/texas-moving-statistics/.

[24] See Texas leads the country in keeping its native-born residents home (Aug. 29, 2023), available at https://www.texastribune.org/2023/08/29/texas-native-born-stay/.

[25] See Texas population continues growing faster than any other state (Jan. 6, 2025), available at https://www.texasstandard.org/stories/texas-population-continues-growing-faster-than-any-other-state/.

[26] See TXSE Texas fact sheet (Mar. 24, 2025), available at https://www.txse.com/resources/txse-texas-fact-sheet.

[27] See TXSE Texas fact sheet (Mar. 24, 2025), available at https://www.txse.com/resources/txse-texas-fact-sheet.

[28] See Mexican Companies Find a Bridge to the U.S. in North Texas (Sep. 12, 2016), available at https://www.dmagazine.com/publications/d-ceo/2016/september/mexican-companies-find-a-

bridge-to-the-u-s-in-north-texas/.

[29] See TXSE Texas fact sheet (Mar. 24, 2025), available at https://www.txse.com/resources/txse-texas-fact-sheet.

[30] See TXSE Texas fact sheet (Mar. 24, 2025), available at https://www.txse.com/resources/txse-texas-fact-sheet.

[31] See ETP Leaders join Texas Stock Exchange to drive expansion into growing market (Mar. 13, 2025), available at https://www.txse.com/press-releases/etp-leaders-join-texas-stock-exchange-to-drive-expansion-into-growing-market.

[32] See How many trading markets are there? (Jun. 28, 2024), available at https://www.ncesc.com/geographic-pedia/how-many-trading-markets-are-there/.

[33] See Cboe Global Markets Completes Acquisition of NEO, Strengthening Global Equities and Listings Offerings (Jun. 1, 2022), available at https://ir.cboe.com/news/news-details/2022/Cboe-Global-Markets-Completes-Acquisition-of-NEO-Strengthening-Global-Equities-and-Listings-Offerings-06-01-2022/default.aspx.

[34] See A Brief History of Long-Term Stock Exchange (Nov. 24, 2024), available at https://canvasbusinessmodel.com/blogs/brief-history/long-term-stock-exchange-brief-history.