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# SEC Approves Changes to NYSE and Nasdaq Minimum Price Rules: What Public Companies Need to Know

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In January 2025, the Securities and Exchange Commission (the Commission) approved amendments to the minimum bid price compliance rules for companies listed on the New York Stock Exchange (NYSE) and the Nasdaq Stock Market (Nasdaq). These changes, designed to limit reliance on reverse stock splits and enhance market stability, introduce stricter enforcement mechanisms that could significantly impact companies at risk of delisting.

Public companies should take note of the key updates and ensure their compliance strategies align with the new framework.

## Key Highlights for NYSE Issuers

The NYSE has implemented more stringent rules under Section 802.01C of its Listed Company Manual. The NYSE requires listed companies to maintain an average closing price of at least $1.00 per share over 30 consecutive trading days. In the past, companies that fell below this threshold had a six-month grace period to regain compliance. The new amendments, however, add further restrictions.

- *Limitations on Reverse Stock Splits:* If a company has effected a reverse stock split within the past

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year or has executed multiple reverse stock splits in the past two years at a cumulative ratio of 200-to-1 or higher, it will not be granted a compliance period if it falls below $1.00 again. Instead, the NYSE will immediately begin suspension and delisting procedures.

- *Prohibition of Certain Reverse Stock Splits:* A company will not be permitted to execute a reverse stock split if doing so would cause it to fall below the NYSE continued listing requirements of Section 802.01A of the Listed Company Manual. If a company proceeds with such a split, it will forfeit the ability to follow standard compliance procedures and will face immediate suspension and delisting.

## Key Highlights for Nasdaq Issuers

Nasdaq-listed companies are also required to maintain a minimum bid price of $1.00 per share and comply with Nasdaq Listing Rule 5810(c)(3)(A). Under the prior rules, companies falling below this threshold for 30 consecutive business days were given a 180-day grace period to regain compliance, with the possibility of an additional 180-day extension if certain conditions were met, which automatically stayed any suspension and delisting action, allowing the company's securities to continue trading on Nasdaq while the appeal was pending. The new amendments, however, introduce several stricter provisions.

- *Automatic Trading Suspension After Second Compliance Period:* Companies that fail to meet the minimum bid price requirement after two consecutive 180-day grace periods will be immediately suspended from trading, and such suspension and potential threat of delisting often impacts the stock price and liquidity negatively. A request for a hearing will not stay the suspension, and the company's securities will trade over-the-counter during any appeal process. Additionally, to remain complaint the company's closing bid price must remain at or above $1.00 for a minimum of 10 consecutive business days, unless Nasdaq exercises its discretion to extend this period.

- *Restrictions on Reverse Stock Splits:* A company that executes a reverse stock split to regain compliance but sees its stock price fall below $1.00 within one year of the split will not be granted a new compliance period to address the bid price deficiency. Instead, Nasdaq will move forward with delisting proceedings.

In addition, Nasdaq has tightened its requirements for reverse stock splits, increasing the notice period and adding stricter compliance steps. Under amended Nasdaq Listing Rule 5250(e)(7) and IM-5250-3, companies must now submit a Company Event Notification Form at least 10 calendar days before the proposed market effective date — up from the previous five-business-day requirement. Failure to comply will result in a trading halt. The notification form must include:

- New CUSIP number and DTC eligibility confirmation
- Board and stockholder approval dates
- Reverse stock split ratio
- Draft of required public disclosure, to be issued two business days before the effective date

One item to be mindful of is that DTC will not grant eligibility for the new CUSIP until after shareholder approval (if required), delaying the submission of the Nasdaq notification and extending the overall timeline. Companies must carefully sequence the steps for DTC eligibility to comply with the 10-calendar-day rule and avoid trading disruptions. Early coordination with Nasdaq, DTC, and transfer agents is essential to prevent delays.

## Practical Considerations for Public Companies

The Commission's approval of these rule changes signals a tougher approach to minimum price compliance and delisting risk management. These changes are intended to discourage excessive reliance on reverse stock splits and ensure that companies remain in compliance through sustainable financial and operational strategies rather than temporary stock price adjustments. Public companies should consider taking the following steps:

- *Proactive Compliance Monitoring:* Companies should implement regular monitoring of stock prices to avoid triggering a compliance period. If a price deficiency occurs, early intervention can help avoid last-minute reliance on reverse stock splits.
- *Strategic Use of Reverse Stock Splits:* Given the new limitations, companies should carefully assess whether a reverse stock split is the best long-term solution for regaining compliance. Other measures, such as improving financial performance, increasing investor engagement, and enhancing liquidity, may provide more sustainable solutions.
- *Engagement With Legal Counsel and Financial Advisors:* The revised rules add complexity to compliance and corporate governance strategies. Companies facing compliance challenges should consult with legal counsel and financial advisors to explore alternatives, mitigate delisting risk and ensure sufficient public disclosure in SEC filings to reflect the new NYSE and Nasdaq rules and/or potential delisting.

As these changes take effect, companies should ensure they have a proactive compliance strategy to maintain their exchange listings.

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