

Nasdaq Proposes Changes to Initial and Continued Listing Standards

On September 3, 2025, Nasdaq filed two separate rule proposals with the U.S. Securities and Exchange Commission (“SEC”) that, if approved, will materially raise the bar for companies seeking to list, and remain listed, on Nasdaq. Nasdaq has stated that these proposals are driven by concerns over liquidity, heightened risks of price manipulation, and challenges in regulatory oversight.

1. The Market Value / Liquidity Proposal (SR-NASDAQ-2025-068)

The first Nasdaq proposal increases the Market Value of Unrestricted Publicly Held Shares (“MVUPHS”) required under the Net Income Standard, in connection with the initial listing of an issuer’s securities, to \$15 million. Currently for the Nasdaq Capital Market, the MVUPHS is \$5 million and for the Nasdaq Global Market, it is \$8 million. This proposal would align liquidity requirements across market tiers to ensure a sufficient initial pool of liquidity. Nasdaq explained that the MVUPHS is a core liquidity requirement designed to ensure that there is sufficient liquidity to support an efficient market. Nasdaq has observed that companies listing with lower public floats are more likely to experience volatile trading and, in turn, their listed securities may not trade in a manner sufficient to support price discovery. If approved by the SEC, this proposal will apply to companies planning to list their securities for trading on Nasdaq after 30 days of such approval.

The proposal also introduces an accelerated suspension and delisting process for low-value issuers. If an issuer is deficient under any quantitative continued-listing rule and its Market Value of Listed Securities (“MVLS”) is below \$5 million for 10 consecutive business days, Nasdaq will issue a Staff Delisting Determination to suspend trading and immediately delist the issuer’s listed securities. Nasdaq believes that companies with such low market values are unlikely to regain compliance and that maintaining the listing poses risks to market integrity and investor protection. In such cases, the company loses the right to submit a compliance plan or rely on the normal cure periods, and a hearing request does not stay the trading suspension¹, although the Nasdaq Hearings Panel may ultimately reinstate the listing. If approved by the SEC, this accelerated process will apply to new deficiency notifications sent 60 days after such approval.

2. China-specific listing requirements (SR-NASDAQ-2025-069)

The second Nasdaq proposal introduces a new, China-specific listing regime that imposes a minimum \$25 million offering or value threshold, restricts direct listings, and requires a one-year “seasoning” period for transfers. Nasdaq explained that the rapid increase in Chinese companies seeking U.S. listings has raised bipartisan concerns

¹ While an appeal to the Nasdaq Hearings Panel is pending, the securities would trade in the over-the-counter (OTC) market.

among policymakers and regulators, citing risks to investors and national security, as well as difficulties in conducting regulatory investigations and enforcement actions.

The proposal targets companies “based in China,” which applies to any issuer planning to list their securities for trading on Nasdaq that is incorporated, headquartered, or whose business is “principally administered” in the People’s Republic of China, Hong Kong, or Macau. The determination of “principally administered” is made holistically across seven factors². Nasdaq has identified that Chinese companies, in particular, present unique risks to U.S. investors due to low liquidity, substantial insider ownership, and regulatory barriers that impede U.S. authorities from conducting audits or enforcing actions on such companies. Nasdaq noted that nearly 70% of matters referred to the SEC or FINRA since August 2022 have involved Chinese companies, despite these companies representing less than 10% of all Nasdaq listings.

As a result, the proposal requires Chinese companies seeking to list on Nasdaq through an initial public offering to conduct a firm-commitment U.S. offering of at least \$25 million in gross proceeds to the issuer. For business combinations, the proposal requires that the post-combination entity have at least \$25 million in MVUPHS. Direct listings by Chinese companies would only be permitted on the Nasdaq Global Select Market or Nasdaq Global Market tiers, and direct listings on the Nasdaq Capital Market³ would be expressly prohibited, as Nasdaq believes higher standards are necessary to mitigate unique risks. Additionally, there would be a one-year seasoning requirement for China-based exchange transfers. A Chinese company seeking to transfer its listing from the OTC or another national securities exchange must have traded for at least one year on that market and hold at least \$25 million in MVUPHS before it is eligible to list its securities for trading on Nasdaq. Nasdaq believes these requirements will help ensure sufficient public float, investor base, and trading interest to support fair and orderly trading, and to mitigate the risks of price manipulation and illiquidity. If approved by the SEC, these rules will apply to companies seeking to list securities for trading on Nasdaq after 30 days of such approval.

Our Cross-Border Capital Markets team is closely monitoring the SEC’s review of these proposals and can assist with the evaluation of listing strategies under these proposals. Please contact any member of our team with questions about how these proposed rules may impact your company or transaction planning.

² (1) The company’s books and records are located in that jurisdiction; (2) at least 50% of the company’s assets are located in such jurisdiction; (3) at least 50% of the company’s revenues are derived from such jurisdiction; (4) at least 50% of the company’s directors are citizens of, or reside in, such jurisdiction; (5) at least 50% of the company’s officers are citizens of, or reside in, such jurisdiction; (6) at least 50% of the company’s employees are based in such jurisdiction; or (7) the company is controlled by, or under common control with, one or more persons or entities that are citizens of, reside in, or whose business is headquartered, incorporated, or principally administered in such jurisdiction.

³ The Nasdaq Capital Market is typically the entry-level tier for smaller companies, and it has the least stringent standard among the three tiers.

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