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NYSE Proposes Tougher Listing Standards for Issuers Following Reverse Mergers

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On August 4, the New York Stock Exchange LLC filed a proposed rule change with the Securities and Exchange Commission to adopt additional initial listing requirements for companies that have become public through transactions in which unlisted private operating companies merge into publicly traded shell companies, commonly known as reverse mergers. The proposed amendments are similar to rules proposed by the NASDAQ Stock Market LLC and described in the April 29 edition of the [Corporate and Financial Weekly Digest](#).

According to the NYSE, the amendments to Rules 102.01 and 103.01 are being proposed in response to widespread concerns of accounting fraud by reverse merger companies. The proposed amendments provide that a reverse merger company would not be eligible for listing unless the combined entity had immediate preceding the filing of its initial listing application:

- traded for at least one year in the U.S. over-the-counter market, on another national securities exchange or on a regulated foreign exchange following the consummation of the reverse merger and (a) in the case of a domestic issuer, filed with the SEC a Form 8-K including all of the information required under Item 2.01 of Form 8-K, including all required audited financial statements, or (b) in the case of a foreign private issuer, filed the information described in (a) above on Form 20-F;
- maintained a minimum stock price of at least \$4 on both an absolute and an average basis for a sustained period; and
- timely filed with the SEC all required reports since the consummation of the reverse merger, including the filing of at least one annual report containing audited financial statements for a full fiscal year commencing on a date after the date of the filing described in the first bullet point above.

Additionally, a reverse merger company would be required to maintain on an absolute and average basis a minimum stock price of at least \$4 through listing. The NYSE's definition of reverse merger would exclude the acquisition of an operating company by a listed company that qualified for listing as a Special Purpose Acquisition Company (SPAC). The NYSE would also exclude reverse merger transactions if the listing was in connection with an initial firm commitment underwritten public offering where the proceeds to the reverse merger company were sufficient to generate \$40 million in aggregate market value of publicly-held shares and the offering was occurring subsequent to or concurrently with the reverse merger.

To read the rule change, click [here](#).

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