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## Nasdaq Delisting Rules

By: *Tiffany C. Wright*



*If you don't see your stock on Nasdaq, it might have been delisted.*

Upheaval in the public markets and in the economy can wreak havoc on some Nasdaq listings. Companies listed on the Nasdaq Stock Market must meet requirements for continued listing. If a company can't maintain the minimum requirements to remain listed, Nasdaq will delist it.

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### Deficiency Notice Triggers

Failure of a company to meet a minimum closing bid price of at least \$1 for 30 consecutive trading days can trigger delisting. When this happens Nasdaq issues a deficiency notice to the company. Another action that brings a deficiency notice is a company's failure to file periodic reports by dates specified by the Securities and Exchange Commission.

### Receipt of Deficiency Notice

Any Nasdaq company receiving a deficiency notice has four business days to file an 8-K form with the SEC or to issue a press release to announce the notice. However, reporting failures require a company-issued press release. The company must provide the deficiency notice's receipt date, unmet listing requirements, and action plan. The company must send a copy to Nasdaq before issuing the press release.

### Return to Compliance

After receiving a deficiency notice, a company has 180 calendar days to return to compliance. A company warned about its shares' minimum bid price must achieve a closing price of \$1 or more for 10 consecutive trading days during this period. Report-filing offenders must file the required reports, and then must file subsequent reports by the due dates.

### Additional Grace Period

If a company with a minimum market value of \$1 million in shares held by non-affiliates satisfies the other listing requirements, it may receive a second "cure period" of 180 calendar days. To receive this, the company must notify Nasdaq of its intent to correct the deficiency. Nasdaq may exercise its discretion in determining whether it believes the company can cure the deficiency.

### Delisting Letter

If a company fails to comply with the minimum requirements during the first grace period or any second grace period, Nasdaq will issue a delisting letter to the company. As with the deficiency notice, the company must notify the investing public of the delisting letter within four business days, by filing an 8-K with the SEC. The company then can appeal its delisting to the hearings panel.

### Hearing Process

Once a company receives a Nasdaq delisting letter, it has seven days to formally request a hearing. This request effectively halts the delisting process until the panel renders a decision. At the hearing, the company must present a detailed plan to regain and maintain listing compliance. The panel may consider the company's financial strength, general market overview and historical pricing.

### Delisting and Appeals

After the seven days, Nasdaq delists a company. First it suspends trading of its security, then it finalizes the delisting. If a company appeals but the panel rules in favor of delisting, Nasdaq gives the company 15 more days to further appeal to Nasdaq or in federal court, but it begins final delisting procedures.

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## Stock Delisting Process

By: *Kathy Zheng*



*Stock delisting occurs after significant failures in a company.*

Stock delisting is the painful process of removing a company that is traded on the NYSE, NASDAQ or other exchange from public trading. Instead, the company is traded "over the counter" - or OTC for short -- by specialist brokerage firms with less access to large investors. Companies are forced to take this action when they have an extremely low share price, have a dramatic reduction in sales or declare bankruptcy. The process can be quite difficult for the company's management and shareholders.

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### Warnings

As a company's sales and governance processes begin to falter, the exchange will begin to issue warnings. The NASDAQ, for example, will issue the warning in writing. At that point, the company has four days to inform its shareholders of the warning. They must also file a form called an 8-K with the Securities and Exchange Commission, which officially acknowledges the warning from the exchange. This typically has a dramatic negative effect on the stock price as investors flee the stock.

### Determination

Some companies choose to self-delist rather than wait for the exchange's determination, because they may feel this allows them better control of the reaction of investors and hopefully allows them to maintain some support. Each exchange has its own continuing listing requirements as well. For example, the NYSE requires among other things at least 400 shareholders, a \$4 stock price and a \$40 million total value for the company. The exchange takes these requirements into account when determining whether a company should be delisted or not.

### Appeal

Each exchange has an appeals process for delisting. The NYSE has a 25-day review period to consider all of the company's finances and plans for growth. The exchange General Counsel will make a final decision on the delisting at the end of the review period. The General Counsel then immediately informs the company in writing of his or her decision.

### Formally Delisting

If the company's appeal is denied, the company is moved off the exchange as soon as is practical and on to an OTC listing. The exchange then files a Form 25 to the SEC that formally acknowledges the change. The company immediately informs all shareholders of the delisting as well. Shareholders can choose to sell -- at the inevitably lower price -- or maintain their ownership of the company. On the final day of the public listing, the shares stop trading and are transferred to new brokerage accounts to hold for the shareholders.

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