

NYSE Introduces New Rules for Direct Listings

February 7, 2018

On February 2, the SEC **approved** the New York Stock Exchange's proposal to facilitate "direct listings" by companies that do not intend to sell shares in an initial public offering. Previously, without an IPO, spin-off or transfer from another exchange, a company could only list equity on the NYSE at the exchange's discretion and if the market value of its publicly held shares was at least \$100 million, based on an independent third-party valuation and recent trading of a sufficient volume in the unlisted market. Under its **revised listing standards**, the NYSE will allow a company to seek a direct listing in the absence of an IPO, and without any unlisted trading, if it can demonstrate that its publicly held shares have a market value of at least \$250 million, based on an independent third-party valuation.

This change should facilitate listings by large private companies that want to become public but do not need to raise capital.

A company seeking a direct listing must file and have declared effective a registration statement with the SEC covering the resale of some or all of the outstanding shares of its restricted stock, typically on Form S-1 for a U.S. issuer or Form F-1 for a foreign issuer. The registration statement will be subject to SEC review and comment and will require disclosure about the company, its management, its business and its finances substantially identical to a normal IPO registration statement. The company also must satisfy NYSE qualitative and quantitative listing criteria, including corporate governance standards, minimum round lot holders and minimum share price.

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