

NYSE Proposes Expansion of Listed Companies' Requirements to Provide Notification of Material News and Circumstances When It Can Halt Trading

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NYSE listed companies are currently required to notify the Exchange before disseminating material news so that it can halt trading if needed. Now the NYSE has proposed, in a rule filing with the SEC, to expand the pre-market hours during which companies are required to notify the Exchange, the circumstances under which it can stop trading and also provide guidance related to the release of material news after the close of trading.

Currently, Section 202.06 requires listed companies to notify the Exchange at least ten minutes in advance of releasing material news shortly before trading opens or during trading hours (9:30 a.m. to 4:00 p.m. Eastern Time). The rule proposal would require companies to comply with this policy between 7:00 a.m. and 4:00 p.m. instead, since the Exchange has determined that most companies release news between 7:00 a.m. and 9:30 a.m., and that such news can cause volatility in pre-market trading on other market centers as well as on the NYSE once trading opens.

Because the volume of trading is generally lighter and conducted primarily by professionals, under the rule proposal a pre-market trading halt would only be instituted at a listed company's request. When the Exchange implements a trading halt to allow for release of material news, other national securities exchanges, some of which begin trading as early as 4:00 a.m., would also halt trading in that security. Nasdaq has a comparable rule.

In addition, the Exchange proposes to amend the rule to state that if it must request information from a listed company about material news, compliance with continued listing requirements or for any other reason, the NYSE can halt trading until it has received the information. Nasdaq already has a similar rule.

The proposal will also advise companies that they should wait if they intend to release material news after trading closes, either 15 minutes or until the security's official closing price is published. The order book for each security is manually closed by the designated market maker (DMM) after trading at 4:00 p.m., which takes several minutes. If a company releases material news immediately after 4:00 p.m., the security's price may be significantly affected on other markets at the same time that the DMM is still executing trades at the Exchange closing price.

Finally, the Exchange proposes to amend the rule so that it can halt trading in ADRs or other securities when the underlying security is listed on another exchange or foreign market, and that other exchange halts trading for regulatory reasons. Nasdaq also has a similar rule.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Ning Chiu

+1 212 450 4908

ning.chiu@davispolk.com

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