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[SEC Approves New Exchange Act Rules to Toughen Listing Standards for Reverse Merger Companies](#)

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On November 9, 2011, the Securities and Exchange Commission approved new rules proposed by the NASDAQ Stock Market, the New York Stock Exchange and the NYSE Amex that toughen the standards that companies going public through a reverse merger must meet to become listed on those exchanges. These changes come in the wake of increasing scrutiny by the SEC and exchanges regarding the reliability of information from reverse merger companies, particularly those based overseas.

Subject to certain exceptions, these more stringent standards will apply to any operating company that becomes an Exchange Act reporting company by combining directly or indirectly with a shell company that is an Exchange Act reporting company, whether through a reverse merger, exchange offer, or otherwise.

Under the new rules, a reverse merger company is prohibited from applying to list until the company has:

- Completed a one-year "seasoning period" by trading in the U.S. over-the-counter market or on another regulated U.S. or foreign exchange following the reverse merger
- Timely filed with the SEC all required reports for a certain period, including at least one annual report containing audited financial statements for a full fiscal year commencing after the reverse merger
- Maintained the requisite minimum share price for a sustained period, and for at least 30 of the 60 trading days, immediately prior to its listing application and the exchange's decision to list

Under the new rules, the reverse merger company generally would be exempt from these special requirements if it is listing in connection with a substantial firm commitment underwritten public offering, or it has filed with the SEC at least four annual reports with audited financial information for full fiscal years commencing after the reverse merger.

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