



# The NYSE Amends Trading Halt Rules for Reverse Stock Splits to Ensure Consistency with Nasdaq

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## THE PROPOSED RULE

On April 11, 2024, the New York Stock Exchange (NYSE) filed a proposed rule change with the Securities and Exchange Commission, proposing a new subsection of Rule 123D that alters the rules governing the halting and resumption of trading in a security undergoing a reverse stock split. On May 2, 2024, the NYSE sent a **notice** to its listed companies that the proposed rule will be effective on May 11, 2024.

The NYSE does not currently have authority to pre-emptively halt the trading in a security undergoing a reverse stock split. Under new Rule 123D(f), the NYSE will halt trading in a security on the day before the market effective date of a reverse stock split. Trading in such a security will halt at 7:50 p.m. ET, before the end of post-market trading on other markets, and will resume at 9:30 a.m. ET on the day the reverse stock split is effective.

## RATIONALE FOR THE PROPOSED RULE

The amendment to Rule 123D is a response to the recent amendment by The Nasdaq Stock Market LLC (Nasdaq) to its Listing Rule 5250, which, among other things, requires a halt at the end of trading on the day immediately before the market effective date of a reverse stock split and a delayed opening of trading in the security on the market effective date of the reverse stock split. The amendment to Rule 123D ensures consistency of reverse stock split procedures across the NYSE and Nasdaq. The NYSE also noted that the amended rule would decrease the likelihood of market participants misunderstanding the effects of a reverse stock split on the value of an issuer's securities due to lack of advance notice of the reverse stock split, as well as errors resulting from market participants' processing of reverse stock splits, including the incorrect adjustment or entry of orders.

## KEY TAKEAWAYS

NYSE-listed companies contemplating a reverse stock split should be prepared for the halt in trading which will now be required under the new Rule 123D(f). Companies should also ensure that they provide the NYSE at least ten calendar days advance notice of the effective date of a reverse split to comply with continued listing standards.

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