BLOG

The NYSE Proposes Rule Providing SPACs Additional Time to Close Deals Before Delisting

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THE CURRENT RULE

Under its current rule, the New York Stock Exchange (NYSE) commences delisting procedures against a listed special purpose acquisition company (SPAC) if it fails to complete a business combination within 36 months of its initial listing date, regardless of whether it has entered into a definitive agreement for a business combination.

THE PROPOSED RULE

The NYSE's proposed rule, if adopted by the U.S. Securities and Exchange Commission (SEC), would grant SPACs that have signed a definitive business combination agreement within 36 months of their initial listing date up to 42 months from their initial listing date to complete a business combination before commencing delisting procedures. If a SPAC is required by its constitutive documents or by contract to enter into a definitive business combination agreement or complete a business combination within a shorter time period than 36 months and 42 months, respectively, such shorter time period will apply.

RATIONALE FOR THE PROPOSED RULE

The NYSE's proposed rule aims to align its listing standard with those of Nasdaq. While Nasdaq's rule also imposes a 36-month deadline for SPACs to complete a business combination, hearing panels as part of Nasdaq's delisting process have granted SPACs with signed agreements additional time to complete their business combinations. The NYSE also stated that it believes the proposed rule would increase competition among exchanges for SPAC listings. Additionally, the NYSE noted that delisting a SPAC that has signed a definitive merger agreement before reaching the 36-month deadline may be contrary to the interests of the SPAC's public shareholders at that time.

KEY TAKEAWAYS

- The NYSE has proposed a rule change that would extend the date by which SPACs listed on the NYSE must complete a business combination or face delisting from 36 months to 42 months following their initial listing date, provided they have also signed a definitive agreement within 36 months of their initial listing date.

- The proposed rule is intended to better align the NYSE's listing standard with Nasdaq's approach to similarly situated SPACs.
- If the proposed rule is adopted by the SEC, SPACs currently listed on the NYSE should adjust their strategic timelines accordingly, and SPACs considering an IPO should take into account the new timeframe when choosing a listing exchange.

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