



David Sakowitz and Ben Smolij Discuss New Delisting Rules for Distressed Companies with Law360

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Winston & Strawn partners David Sakowitz and Ben Smolij were quoted in a Law360 article discussing the new stock exchange rules that are likely to accelerate delistings for stocks that trade below minimum requirements. The U.S. Securities and Exchange Commission has recently approved varying rule proposals by Nasdaq and the New York Stock Exchange that speed up delistings and close perceived loopholes used by companies whose stock prices fall below \$1 for long periods. New Nasdaq rules also limit extensions that let companies continue trading while they appeal delistings.

The new policies represent ongoing efforts by exchanges to combat what they see as patterns of distressed companies exhausting their legal options to continue trading long after their stock prices have fallen below \$1, making them susceptible to manipulation. These new rules follow a prior approved proposal by Nasdaq to accelerate delistings of companies that use reverse splits and trigger additional violations.

“The message is, try not to game the system and instead focus on growing and maintaining your business,” David said. “The ultimate goal of the exchanges is to have strong companies with strong fundamentals as listed companies.”

Ben said the upshot is that companies that have recently enacted reverse splits will have to consider other avenues to maintain compliance, “because you are not going to get the leeway you may have gotten before.”

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