

NYSE Files Revised Direct Listing Proposal

December 12, 2019

Revised proposal is substantially similar but lowers market value requirements for direct listings

Following the SEC's rejection last week of its proposed rule change on direct listings, the NYSE filed a revised rule change **proposal** with the SEC yesterday. The new rule change proposal is substantially similar to the proposal the NYSE filed in November, except that issuers can meet the NYSE's market value requirement by selling \$100 million of shares (rather than \$250 million under the initial proposal). Consistent with the initial proposal, the revised rule change proposal would provide the same flexibility for an issuer to sell newly issued primary shares into the opening auction in a direct listing, and would also delay the requirement that an issuer have 400 round lot holders at the time of listing until 90 trading days after the direct listing (subject to meeting certain conditions). See our previous **client memo** for more information.

The NYSE's quick turnaround of its rule proposal following the SEC's rejection of last week is indicative of its stated commitment to make direct listings available to a broader constituency, but does not fundamentally alter the model the NYSE has proposed. As we have previously noted, while the proposed rule change is an attempt to solve two key issues related to direct listings—namely the inability to raise capital and the minimum holder requirements—there continue to be other potential limitations to direct listings. Private companies considering their options should consult with counsel and their investment banking advisors to fully understand the benefits and costs of this new model.

If the SEC approves the proposal, the rule change is not expected to take effect until at least 45 days after its publication in the Federal Register.

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

Maurice Blanco	212 450 4086	maurice.blanco@davispolk.com
Alan Denenberg	650 752 2004	alan.denenberg@davispolk.com
Marcel Fausten	212 450 4389	marcel.fausten@davispolk.com
Joseph A. Hall	212 450 4565	joseph.hall@davispolk.com
Michael Kaplan	212 450 4111	michael.kaplan@davispolk.com
James C. Lin	+852 2533 3368	james.lin@davispolk.com
Byron Rooney	212 450 4658	byron.rooney@davispolk.com
Sarah K. Solum	650 752 2011	sarah.solum@davispolk.com
Richard D. Truesdell, Jr.	212 450 4674	richard.truesdell@davispolk.com
Elizabeth S. Weinstein	212 450 3889	elizabeth.weinstein@davispolk.com

© 2019 Davis Polk & Wardwell LLP | 450 Lexington Avenue | New York, NY 10017

This communication, which we believe may be of interest to our clients and friends of the firm, is for general information only. It is not a full analysis of the matters presented and should not be relied upon as legal advice. This may be considered attorney advertising in some jurisdictions. Please refer to the firm's [privacy notice](#) for further details.