



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-104456; File No. SR-NASDAQ-2025-069]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 1, to Adopt Additional Initial Listing Criteria for Companies Primarily Operating in China

December 18, 2025.

I. Introduction

On September 4, 2025, the Nasdaq Stock Market LLC (“Exchange” or “Nasdaq”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to adopt additional initial listing criteria for companies primarily operating in the People’s Republic of China (“China”), including the Hong Kong Special Administrative Region (“Hong Kong”) and the Macau Special Administrative Region (“Macau”). On September 12, 2025, the Exchange filed Amendment No. 1 to the proposed rule change, which replaced and superseded the original filing in its entirety. The proposed rule change, as modified by Amendment No. 1, was published for comment in the Federal Register on September 19, 2025.³ On September 25, 2025, the Commission designated a longer period within which to take action on the proposed rule change.⁴ The Commission is instituting proceedings pursuant to Section

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 103979 (Sept. 16, 2025), 90 FR 45298 (“Notice”). Comments received on the proposed rule change are available at: <https://www.sec.gov/comments/sr-nasdaq-2025-069/srnasdaq2025069.htm>.

⁴ See Securities Exchange Act Release No. 104058, 90 FR 46973 (Sept. 30, 2025). The Commission designated December 18, 2025, as the date by which the Commission should approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change. See id.

19(b)(2)(B) of the Act⁵ to determine whether to approve or disapprove the proposed rule change, as modified by Amendment No. 1.

II. Description of the Proposed Rule Change, as Modified by Amendment No. 1

As described in more detail in the Notice,⁶ the Exchange states that, since 2020, there has been a sharp increase in the number of companies from China seeking to list on U.S. national securities exchanges, such as Nasdaq, with a record number of Chinese companies having sought a U.S. listing in 2024 and a continuation of that pace in 2025.⁷ The Exchange states that along with increasing U.S. investor interest in Chinese companies, U.S. policymakers and regulatory agencies have voiced concerns regarding the listing of Chinese companies on U.S. national securities exchanges, citing risks to investors and national security.⁸ In response, efforts have been made by Congress,⁹ as well as by Nasdaq,¹⁰ to address these concerns on a broader level.¹¹

The Exchange states that it has also identified concerns with the trading of companies headquartered, incorporated, or whose business is principally administered in China.¹² Specifically, the Exchange states that “nearly 70% of the matters that Nasdaq has referred to the SEC or FINRA since August 2022 have been related to trading in Chinese companies, while Chinese companies represent less than 10% of all Nasdaq listings.”¹³ The Exchange also states

⁵ 15 U.S.C. 78s(b)(2)(B).

⁶ See Notice, supra note 3.

⁷ See id. at 45299.

⁸ See id. In particular, the Exchange states that Chinese companies present unique risks to U.S. investors “due to barriers on access to information and limitations on the ability of U.S. regulators to conduct investigations or enforce actions against the company and non-U.S. persons, which create concerns about the accuracy of disclosures, accountability and access to information.” Id. at 45300.

⁹ See id. at 45299 (citing as an example Congress’s passage of the Holding Foreign Companies Accountable Act in December 2020).

¹⁰ See, e.g., Securities Exchange Act Release No. 93256 (Oct. 4, 2021), 86 FR 56338 (Oct. 8, 2021) (NASDAQ-2021-007) (Order Granting Approval of a Proposed Rule Change To Adopt Additional Initial Listing Criteria for Companies Primarily Operating in Jurisdictions That Do Not Provide the PCAOB With the Ability To Inspect Public Accounting Firms).

¹¹ See Notice, supra note 3, at 45299.

¹² See id.

¹³ Id.

that Chinese companies that list on Nasdaq through an initial public offering (“IPO”) or business combination with certain characteristics, such as a small offering size or a low public float percentage, may not develop sufficient public float, investor base, and trading interest to provide the liquidity necessary to promote fair and orderly trading, and that as a result their securities may be more susceptible to manipulation by bad actors.¹⁴ Moreover, the Exchange states that challenges related to the ability of “U.S. authorities in bringing or enforcing actions against entities and individuals involved in potentially manipulative trading activities” in such cases further compounds the risk to investors.¹⁵ Accordingly, the Exchange proposes to enhance its initial listing standards by adopting stricter requirements for companies based in China (including Hong Kong and Macau).¹⁶

A. Identification of Companies Based in China, Hong Kong, and Macau

The Exchange proposes to adopt listing requirements in Nasdaq Rule 5210(l)¹⁷ that would apply to a company that is headquartered or incorporated in China (including Hong Kong and Macau) or whose business is principally administered in one of those jurisdictions (“China-based company”). The Exchange would determine where a company is principally administered based on an analysis of the facts and circumstances,¹⁸ including if: (1) the company’s books and records are located in that jurisdiction; (2) at least 50% of the company’s assets are located in such jurisdiction; (3) at least 50% of the company’s revenues are derived from such jurisdiction; (4) at least 50% of the company’s directors are citizens of, or reside in, such jurisdiction; (5) at least 50% of the company’s officers are citizens of, or reside in, such jurisdiction; (6) at least 50% of the company’s employees are based in such jurisdiction; or (7) the company is controlled

¹⁴ See id.

¹⁵ Id.

¹⁶ See id. The Exchange states that a company that falls under proposed Nasdaq Rule 5210(l) would also need to comply with all other applicable listing requirements. See id. at 45300.

¹⁷ The Exchange also proposes to renumber the remainder of Nasdaq Rule 5210 as subsections (m) and (n).

¹⁸ The Exchange states that it would consider the proposed “elements holistically, recognizing that there are various factors to consider when determining where a company conducts its principal business activities.” Id.

by, or under common control with, one or more persons or entities that are citizens of, reside in, or whose business is headquartered, incorporated, or principally administered in such jurisdiction.¹⁹

B. Minimum \$25 Million Offering Size for an IPO

The Exchange proposes to require that, in the case of an IPO, a China-based company must offer a minimum amount of securities in a Firm Commitment Offering²⁰ in the U.S. to Public Holders²¹ that would result in gross proceeds to the company of at least \$25 million.²² The Exchange states that it has observed that China-based companies listing on Nasdaq in connection with an IPO with an offering size below \$25 million have a higher rate of compliance concerns.²³

C. Minimum \$25 Million Market Value of Publicly Held Shares for a Business Combination

The Exchange proposes to require that in the case of a business combination, as described in Nasdaq Rule 5110(a) (Business Combinations with non-Nasdaq Entities Resulting in a Change of Control) or IM-5101-2 (Listing of Companies Whose Business Plan is to Complete One or More Acquisitions) (“Business Combination”), a China-based company must have a minimum Market Value of Unrestricted Publicly Held Shares²⁴ following the business

¹⁹ See proposed Nasdaq Rule 5210(l). The Exchange states that several of the factors in proposed Nasdaq Rule 5210(l) are used in its rules to determine whether a company’s business is principally administered in a “Restrictive Market.” See Notice, supra note 3, at 45300, n.11; Nasdaq Rule 5005(a)(37) (defining “Restrictive Market” to mean “a jurisdiction that does not provide the Public Company Accounting Oversight Board with access to conduct inspections of public accounting firms that audit Nasdaq-listed companies. A Company’s business will be considered to be principally administered in a Restrictive Market if: (i) the Company’s books and records are located in that jurisdiction; (ii) at least 50% of the Company’s assets are located in such jurisdiction; or (iii) at least 50% of the Company’s revenues are derived from such jurisdiction.”).

²⁰ Nasdaq Rule 5005(a)(17) defines “Firm Commitment Offering” as “an offering of securities by participants in a selling syndicate under an agreement that imposes a financial commitment on participants in such syndicate to purchase such securities.”

²¹ Nasdaq Rule 5005(a)(36) defines “Public Holders” as “holders of a security that includes both beneficial holders and holders of record, but does not include any holder who is, either directly or indirectly, an Executive Officer, director, or the beneficial holder of more than 10% of the total shares outstanding.”

²² See proposed Nasdaq Rule 5210(l)(i).

²³ See Notice, supra note 3, at 45300.

²⁴ See Nasdaq Rule 5005(a)(23), (46) for the definitions of “Market Value” and “Unrestricted Publicly Held Shares.” See also Nasdaq Rule 5005(a)(35), (38), (47) for the definitions of “Publicly Held Shares,” “Restricted Securities,” and “Unrestricted Securities.” The Exchange states that “Market Value of

combination equal to at least \$25 million.²⁵ The Exchange states that Business Combinations involving China-based companies present similar risk to U.S. investors as do IPOs that involve China based-companies.²⁶

D. Direct Listings of China-Based Companies

The Exchange proposes to provide that, in the case of a Direct Listing (as defined in Nasdaq Rule IM-5315-1 (Determination of Price-Based Requirements for Direct Listings on the Nasdaq Global Select Market)), a China-based company must meet: (i) all applicable listing requirements for the Nasdaq Global Select Market and the additional requirements of IM-5315-1; or (ii) the applicable listing requirements for the Nasdaq Global Market and the additional requirements of IM-5405-1 (Determination of Price-Based Requirements for Direct Listings on the Nasdaq Global Market).²⁷ Further, a China-based company would not be permitted to list on the Nasdaq Capital Market in connection with a Direct Listing.²⁸

E. Transfer of a China-Based Company Listing

The Exchange proposes to provide that in the case of a China-based company transferring its listing from the over-the-counter (“OTC”) market or from another national securities exchange, the company must have a minimum Market Value of Unrestricted Publicly Held Shares²⁹ of at least \$25 million and have traded on the other market for at least one year.³⁰ The Exchange states that a China-based company that initially lists on another market and “quickly

Unrestricted Publicly Held Shares excludes securities subject to resale restrictions from the calculation of Publicly Held Shares because securities subject to resale restrictions are not freely transferrable or available for outside investors to purchase and therefore do not truly contribute to a security’s liquidity upon listing.” Notice, supra note 3, at 45300.

²⁵ See proposed Nasdaq Rule 5210(l)(ii). The Exchange states that adopting this additional requirement would help prevent China-based companies from using a business combination to avoid the requirement being imposed on IPOs in proposed Nasdaq Rule 5210(l)(i).

²⁶ See Notice, supra note 3, at 45300.

²⁷ See proposed Nasdaq Rule 5210(l)(iii).

²⁸ See id. The Exchange states that adopting this additional requirement would help prevent companies from using a direct listing to avoid the requirement being imposed on IPOs in proposed Nasdaq Rule 5210(l)(i). See Notice, supra note 3, at 45301.

²⁹ See supra note 24 (defining “Market Value of Unrestricted Publicly Held Shares”).

³⁰ See proposed Nasdaq Rule 5210(l)(iv).

transfer[s] its listing to Nasdaq” may present similar risks to U.S. investors as an IPO and that the minimum one-year requirement would provide sufficient time for a China-based company “to establish a trading history of operations upon which investors can rely, and which Nasdaq could consider in determining whether the company is ready for the rigors of being public company and adhering to the regulatory requirements.”³¹

F. Implementation

Finally, the Exchange proposes that the effective date of the proposal would be 30 days after Commission approval and thus apply to companies listing on or after 30 days from the date of the Commission’s approval order.³²

III. Proceedings to Determine Whether to Approve or Disapprove SR-NASDAQ-2025-069, as Modified by Amendment No. 1, and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act³³ to determine whether the proposed rule change, as modified by Amendment No. 1, should be approved or disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide additional comment on the proposed rule change to inform the Commission’s analysis of whether to approve or disapprove the proposed rule change, as modified by Amendment No. 1.

Pursuant to Section 19(b)(2)(B) of the Act,³⁴ the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow

³¹ Notice, supra note 3, at 45301. The Exchange states that companies trading in the OTC market at the time of application must also satisfy a minimum average daily trading volume before initial listing. See id. at 45301, n.19; Nasdaq Rules 5405(a)(4) and 5505(a)(5).

³² See Notice, supra note 3, at 45301.

³³ 15 U.S.C. 78s(b)(2)(B).

³⁴ Id.

for additional analysis of, and input from commenters with respect to, the proposed rule change's consistency with the Act, and in particular, Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.³⁵

The development and enforcement of meaningful listing standards³⁶ by an exchange is of critical importance to financial markets and the investing public. Among other things, such listing standards help ensure that exchange-listed companies will have sufficient public float, investor base, and trading interest to provide the depth and liquidity to promote fair and orderly markets. Meaningful listing standards are also important given investor expectations regarding the nature of securities that have achieved an exchange listing, and the role of an exchange in overseeing its market and assuring compliance with its listing standards.³⁷

As discussed above, the Exchange proposes to adopt heightened initial listing requirements for China-based companies. The Exchange states that China-based companies that have certain characteristics, such as a small offering size or a low public float percentage, may not develop sufficient public float, investor base, and trading interest to provide the liquidity

³⁵ 15 U.S.C. 78f(b)(5).

³⁶ The Commission notes that this reference to “listing standards” is referring to both initial and continued listing standards.

³⁷ See, e.g., Securities Exchange Act Release Nos. 88716 (Apr. 21, 2020), 85 FR 23393 (Apr. 27, 2020) (SR-NASDAQ-2020-001) (Order Approving a Proposed Rule Change To Modify the Delisting Process for Securities With a Bid Price at or Below \$0.10 and for Securities That Have Had One or More Reverse Stock Splits With a Cumulative Ratio of 250 Shares or More to One Over the Prior Two-Year Period); 88389 (Mar. 16, 2020), 85 FR 16163 (Mar. 20, 2020) (SR-NASDAQ-2019-089) (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, To Amend Rule 5815 To Preclude Stay During Hearing Panel Review of Staff Delisting Determinations in Certain Circumstances). See also Securities Exchange Act Release No. 81856 (Oct. 11, 2017), 82 FR 48296, 48298 (Oct. 17, 2017) (SR-NYSE-2017-31) (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, To Amend the Listed Company Manual To Adopt Initial and Continued Listing Standards for Subscription Receipts) (stating that “[a]dequate standards are especially important given the expectations of investors regarding exchange trading and the imprimatur of listing on a particular market” and that “[o]nce a security has been approved for initial listing, maintenance criteria allow an exchange to monitor the status and trading characteristics of that issue ... so that fair and orderly markets can be maintained”).

necessary to promote fair and orderly trading, and that as a result their securities may be more susceptible to manipulation by bad actors.³⁸ The Exchange also states that U.S. authorities face challenges in such cases in bringing or enforcing actions against entities and individuals involved in potentially manipulative trading activities, and that these challenges compound the risk to investors.³⁹

One commenter expressed general support for the proposal.⁴⁰ This commenter stated that it supports “Nasdaq for taking action to preserve market integrity from the high volatility and potential market manipulation of the smallest microcap Chinese companies.”⁴¹ Another commenter supported the proposal, but recommended that “the increased standards should apply to companies based in additional foreign jurisdictions where it is determined there are elevated levels of fraud.”⁴² This commenter stated that, “[o]therwise, fraudsters will simply move to other jurisdictions where it’s even easier to commit fraud” and that “other jurisdictions also see many instances of fraudulent activities.”⁴³

Another commenter proposed certain modifications to the proposal, while also expressing general support for Nasdaq’s ongoing efforts to enhance its listing standards.⁴⁴ In particular, this commenter expressed concern that the proposed scope of issuers that would be considered to be China-based companies “could capture issuers that are incorporated, headquartered, and operating entirely in the United States, or in other transparent jurisdictions, merely because (i) they were founded or controlled by entrepreneurs who are Chinese citizens or (ii) 50% of their

³⁸ See supra note 14 and accompanying text.

³⁹ See supra note 15 and accompanying text.

⁴⁰ See Letter from Emmanuel Tamrat, Senior Research Analyst, Council of Institutional Investors, dated Oct. 10, 2025 (“CII Letter”).

⁴¹ CII Letter at 2.

⁴² Letter from Jeffrey Starr, Managing Director, Head of Operations, Charles Schwab & Co., dated Dec. 16, 2025 (“Schwab Letter”).

⁴³ Schwab Letter at 4.

⁴⁴ See Letter from Louis E. Taubman, Esq., Managing Partner, Hunter Taubman Fischer & Li LLC, dated Sept. 16, 2025 (“HTFL Letter”).

officers or directors are Chinese citizens, even if such individuals have long resided in the United States.”⁴⁵ This commenter stated that it believes that the current proposal “risks unintentionally capturing issuers that do not present the same regulatory concerns” for which the proposal was designed to address and suggested that the requirements in the proposal only apply to issuers “principally operating in China, rather than issuers that are based in the U.S. simply because their founders, controlling persons, directors, or officers are Chinese citizens.”⁴⁶ This commenter also suggested extending the transition period for compliance with the proposal from 30 days to 60 days for issuers with pending initial listing applications.⁴⁷

Finally, one commenter opposed the proposal, stating it “would be unlawful and make for bad policy.”⁴⁸ This commenter stated that the proposal is “not necessary or appropriate to protect national security” and is “anti-competitive as it discriminates against certain Chinese issuers imposing additional, more onerous listing criteria on them than are imposed on other foreign issuers.”⁴⁹ Additionally, the commenter stated that the proposal does not provide adequate justification for being “writ[ten] . . . in terms of national origin.”⁵⁰

The Commission asks that commenters address the sufficiency of the Exchange’s statements in support of the proposal, which are set forth in the Notice, in addition to any other comments they may wish to submit about the proposed rule change, as modified by Amendment No. 1. In particular, the Commission seeks comment on whether the proposal to impose heightened initial listing requirements on China-based issuers is designed to be consistent with

⁴⁵ HTFL Letter at 2.

⁴⁶ Id. at 2. This commenter also stated that the proposed listing standard should be based on “operational jurisdiction and regulatory oversight, not citizenship per se” so as not to create “unintended barriers for legitimate issuers operating under robust local regulations.” Id. (emphasis omitted).

⁴⁷ See id. at 3.

⁴⁸ Letter from Joseph D. Wilson, Esq., Bevilacqua PLLC, dated Oct. 10, 2025 (“Bevilacqua Letter”). The commenter stated that the proposal is inconsistent with Section 3(f) and Section 6(b)(5) of the Act. See id. at 2-3.

⁴⁹ Bevilacqua Letter at 2.

⁵⁰ Id.

the requirements of Section 6(b)(5) of the Act⁵¹ or raises any new or novel concerns not previously contemplated by the Commission.

IV. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their data, views, and arguments with respect to the issues identified above, including the issues raised by commenters and the Exchange's response, as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposed rule change, as modified by Amendment No. 1, is consistent with Sections 6(b)(5) or any other provision of the Act, or the rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of data, views, and arguments, the Commission will consider, pursuant to Rule 19b-4 under the Act,⁵² any request for an opportunity to make an oral presentation.⁵³

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change, as modified by Amendment No. 1, should be approved or disapproved by [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. The Commission asks that commenters address the sufficiency of the Exchange's statements in support of the proposal, in addition to any other comments they may wish to submit about the proposed rule change.

Comments may be submitted by any of the following methods:

⁵¹ 15 U.S.C. 78f(b)(5).

⁵² 17 CFR 240.19b-4.

⁵³ Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Public Law 94-29 (June 4, 1975), grants to the Commission flexibility to determine what type of proceeding—either oral or notice and opportunity for written comments—is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NASDAQ-2025-069 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-NASDAQ-2025-069. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>).

Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-NASDAQ-2025-069 and should be submitted by [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Rebuttal comments should be submitted by [INSERT DATE 35 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵⁴

⁵⁴ 17 CFR 200.30-3(a)(57).

Sherry R. Haywood,

Assistant Secretary.

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