

Stock Price Flexibility on the NYSE American

September 23, 2019 – Cross-Border Counselor

by Christopher L. Doerksen

Many of our Canadian clients have decided to list their stock in the United States on the NYSE American exchange, instead of Nasdaq. Why? Stock price flexibility is a big factor.

In Canada, it's considered perfectly normal for a company to have stock with a price of \$2, \$1, \$0.50 or even \$0.10 per share. Not in the United States. Here, there is a long tradition of regulations and stock exchange rules disfavoring companies whose shares trade at low prices, regardless of their total market capitalization.

Back in the 1990s, there were three main stock exchanges – Nasdaq, the American Stock Exchange, and for larger companies, the NYSE. While each of the exchanges imposed minimum stock price requirements, the American Stock Exchange rules permitted the exchange to grant exceptions in appropriate cases. The availability of this exception allowed the American Stock Exchange to become the preferred choice of Canadian companies with lower stock prices who did not want to complete a reverse stock split in order to list in the United States. Over time, so many Canadian companies listed there, instead of Nasdaq, that Canadian companies with higher stock prices began to join them.

Things have changed a bit since those days. The American Stock Exchange has become part of the NYSE family, now known as the “NYSE American” exchange, and its rules no longer allow a waiver of its minimum stock price requirements. That said, the NYSE American has continued the tradition of being the most flexible of the major U.S. stock exchanges when it comes to stock price. For an initial listing, the NYSE American requires a minimum stock price of \$2 in many cases, and \$3 in others. Nasdaq allows these prices only on its lower tier Capital Market, and subject to certain restrictions that are not imposed by the NYSE American. For the Nasdaq Global Market, a price of \$4 is required.

Perhaps more importantly, a company that is listed on Nasdaq is subject to delisting if its stock price declines and stays below \$1. For the NYSE American, the threshold is a

Related People

- Christopher L. Doerksen

Related Capabilities

- Canada Cross-Border Transactions

much lower \$0.20.^[1] While every company hopes that its stock price will increase, the reality is that many companies have volatile stock prices. In areas such as mining, energy, cannabis, and technology, a change in market conditions, a financing overhang, or the failure of a single property or product can result in steep stock price declines. The stock price may also decline slowly over time as a company grows, issues more shares, and becomes a much larger, more valuable company. It's here where the NYSE American rules really shine, in helping companies minimize the risk that they will be delisted due to a low stock price, or required to undertake a potentially value-damaging reverse stock split in order to avoid a delisting.

To see how this works in practice, consider a company listing on the Nasdaq Capital Market at \$2. This company could be delisted or required to complete a reverse split if its stock experiences an overall price decline, during the lifetime of the listing, of more than 50%. For a company listing on the Nasdaq Global Market at \$4, this threshold is an improved 75%, but only due to the higher starting price. By comparison, a company with a stock price of \$2 listing on the NYSE American must lose more than 90% of its stock price before the NYSE American would consider delisting the stock due to low stock price.

While many Canadian companies still list on Nasdaq, stock price flexibility continues to give the NYSE American a leg up when all other things are equal.

[1] The NYSE American Company Guide permits the exchange to delist a security if it trades at a "low price" for a substantial period of time. As a matter of policy, the NYSE American considers a price below \$0.20 to be a "low price."