Free Fallin' – From NASDAQ to the Pink Sheets

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More and more issuers are finding that the exchange or quotation medium on which their stock is traded is being changed, sometimes without their consent or knowledge. And today there are a variety of new quotation services, or tiers within those quotation services, where an issuer might land.

Why Me?

The first step is to figure out why you have been delisted from the exchange or quotation medium that you were on. On listed exchanges, the most common reason in today's market is that the issuer does not meet the minimum bid price requirement. For NASDAQ CM-listed companies, the minimum is $1.00 per share. If an issuer falls below this minimum for 30 consecutive days, they will typically receive a letter from The Nasdaq Stock Market letting them know that they have 180 days to resolve the deficiency (in the case of the minimum bid price rule, that means trading above $1.00 for 10 consecutive trading days).

If, after the 180 day period, the issuer has not resolved the deficiency, it will receive a Delisting Determination Letter. The issuer then has 7 days to request a hearing on the determination. If the issuer's request is complete, the hearing is usually scheduled 30 to 45 days from the request, during which no delisting action will be taken.

Now What?

If an issuer does not meet the minimum continued listing requirements for its exchange and is delisted, its common stock could be traded on FINRA's Over-the-Counter Bulleting Board (OTCBB). To trade on the OTCBB, a market maker must apply to quote the security in accordance with SEC Rule 15c2-11 by submitting a Form 211. Because the OTCBB is not a listing service, issuers cannot apply directly to have their stock traded there. In some circumstances, a market maker will apply to trade an issuer's common stock there without the issuer's consent or even knowledge.

A new alternative is the OTCQB, which is part of the tier system at Pink OTC Markets (formerly the Pink Sheets). The OTCQB is for SEC reporting companies, and while most of the OTCBB companies are dually quoted on the OTCQB, not all OTCQB companies are quoted on the OTCBB. One example is issuers that have been de-listed from the OTCBB because of the "3 strikes rule." Another example is issuers that have a Form 211 pending to move from the Pink Sheets to the OTCBB, a process that can take months. Finally, there are some issuers who qualify to be quoted on the OTCBB, but for whatever reason have elected not to.

A third, and probably the least desirable, option is the Pink Sheets. The Pink Sheets are operated by Pink OTC Markets, just like the OTCQB. However, the Pink Sheets is for issuers who are not SEC reporting companies, or who are in bankruptcy or otherwise do not qualify for the OTCBB. Like the OTCBB, the Pink Sheets is not a listing service, and thus issuers cannot apply directly to have their stock traded there. Applications must be submitted by a market maker.

Climbing the Ladder

All listed exchanges have more stringent requirement to *get* listed than they do to *stay* listed. To put it another way, it's easier to stay there than it was to get there. However, once an issuer is de-listed from a listed exchange, it must typically meet the more stringent initial listing requirements, not just the continued listing requirements, in order to move back to the exchange. This is why issuers fight so hard to keep their listing, because it can be difficult to come back once they have been de-listed.

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