

PROPERTY & CASUALTY

Delisting at Speed: Nasdaq's New Rules and the Rising Stakes for Directors & Officers

By: Jane Hahn, Andre O'Reggio, Jonathan Li



Overview

In September 2025, Nasdaq submitted proposed rule changes to the Securities and Exchange Commission that would increase the minimum Market Value of Unrestricted Publicly Held Shares to \$15 million for companies listing under the net income standard and allow for immediate suspension and delisting of companies whose Market Value of Listed Securities falls below \$5 million without the customary compliance period.¹

These proposals follow Nasdaq's broader initiative to enhance market integrity following observed patterns of problematic trading activity in smaller public companies. Although Nasdaq amended its initial filing in December to remove the immediate delisting mechanism, the exchange signaled that it intends to reintroduce such provisions in an accelerated pathway for microcap delisting if these standards are ultimately approved.²

For smaller public issuers, delisting often results in the company shutting down, selling the business, or transitioning to private ownership. These regulatory shifts introduce heightened governance burdens for directors and officers and increase their exposure to claims related to the delisting event.

Why Now?

Several core themes underpin Nasdaq's position:

- **Curbing Micro-Cap Manipulation:** Nasdaq explicitly noted emerging pump-and-dump schemes and trading abnormalities involving companies with low public floats, prompting a reassessment of liquidity thresholds.³
- **Foreign Issuer Risks:** Nasdaq proposed enhanced requirements for companies principally operating in

China, including a \$25 million minimum public offering proceeds threshold, driven by historical challenges involving audit oversight and investor protection.⁴

- **Escalating Regulatory Stringency:** Nasdaq has been tightening its standards for liquidity and public float as part of a multi-year effort to address microcap trading quality and improve overall price discovery.⁵

These factors collectively reflect investor protection concerns, and a regulatory climate increasingly intolerant of thinly traded, easily manipulated securities.

1. Nasdaq Proposes Changes to its Listing Standards | Nasdaq, Inc. SR-NASDAQ-2025-068.pdf

2. Nasdaq Unveils New Listing Rules to Clamp Down on Stock Manipulation, Chinese Firms

3. SEC's Newest Task Force Takes Cross-Border Aim - Gibson Dunn

4. Nasdaq and NYSE Target Excessive Reverse Stock Splits Used to Regain Compliance with Minimum Security Price Requirements | Foley Hoag LLP - Public Companies & the Law - JDSupra

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Regulatory Deference to Nasdaq

In 2024 and 2025, the SEC approved rule changes impacting Nasdaq's reverse split and minimum bid price compliance framework. These changes eliminated the automatic stay of delisting during appeals for issuers that fail to regain compliance after the second 180-day cure window and limited the use and frequency of reverse stock splits for compliance purposes.⁶ Companies now face more immediate consequences for bid-price deficiencies.

A recent example is MingZhu Logistics Holdings Limited (YGMZ), which was delisted on December 12, 2025 for failure to regain compliance with the \$1 minimum bid price under the Listing Rule 5550(a)(2). MingZhu has previously attempted a 1-for-16 reverse split in November 2025 to boost its stock price, but this action did not rectify its ongoing bid-price deficiency. Compounding its risk, MingZhu was already operating under a Discretionary Panel Monitor, which removed its eligibility for the standard 180-day compliance period and triggered immediate delisting once a new deficiency occurred.⁷

Similarly, a lawsuit filed in the Southern District of New York on March 19, 2026 Parthasarathy Krishnamoorthy v. Concorde International Group, Ltd., et al. alleges that Concorde's directors and officers failed to disclose extreme insider control (approximately 97.57% voting rights held by the CEO), a very thin public float (less than 3%), and susceptibility to a pump-and-dump scheme that inflated the stock from a \$4 IPO price to \$31 before an 80% collapse.⁸ These allegations align with broader concerns raised by regulators regarding foreign microcap volatility. Although Concorde remains listed, under Nasdaq's proposed accelerated delisting standards, similarly situated companies could be removed from the exchange within 30 days if their Market Value of Listed Securities falls below \$5 million, increasing exposure for directors and officers

throughout the pre-delisting phase. Historically, Nasdaq's rule proposals have not been successfully challenged in court, indicating⁹.

Impact on Directors & Officers (D&O)

A delisting event, or the threat of one, triggers several considerations for Directors and Officers liability insurance. Companies must evaluate their program structure with their insurance broker and prepare appropriate contingencies. Some considerations include:

- **Change of Control:** A delisting does not automatically trigger a change in control, but it may precipitate a sale or merger that does. Outgoing board members may also request runoff coverage to preserve limits in anticipation of future litigation.
- **Crisis / Public Relations Expenses:** Most policies include crisis management cost provisions that can be used for public relations consultants, legal advisors, or other crisis management professionals engaged to address delisting developments.
- **Company Remains Public:** If the delisting threat is resolved and trading continues uninterrupted, coverage generally remains unchanged unless there is a significant board turnover that prompts runoff to secure prior-acts protection.
- **Company Becomes Private:** If the company is delisted and transitions to a private entity, the organization should purchase runoff coverage on the public form simultaneously with securing a new private company policy. This preserves limits for claims arising from the pre-delisting period while ensuring ongoing protection for new leadership under a separate private company form. Private company forms typically offer broader entity coverage at lower premium levels compared to public company D&O policies.

6. Dow Theory Letters - Nasdaq Assumes Role of Market Gatekeeper with New Discretionary Authority to Combat Manipulation

7. MingZhu Logistics Appeals NASDAQ Delisting After Reverse Split and \$8M Equity Raise

8. Pump-and-dump lawsuit alleges scammers weaponized a real advisor's stolen identity - InvestmentNews

9. NASDAQ Finalizes Amendments To Accelerate Delisting Process - Securities Law Blog

Conclusion

As Nasdaq tightens its listing framework and accelerates the removal of non-compliant issuers, public companies, particularly microcaps, will have fewer tools to manage listing deficiencies. Directors and officers must proactively understand the evolving standards and the heightened exposure that accompanies delisting scenarios. Early planning, coordination with insurance advisors, and a rigorous evaluation of runoff strategies will be essential to mitigate the increased risk environment.



Pump-and-Dump Explained Simply

A pump-and-dump scheme is when scammers artificially drive up a stock price and then quickly sell their shares before the price collapses.

THE PUMP:

Manipulators spread misleading hype, often through social media, online groups, or impersonation of legitimate financial professionals, to lure investors into buying a thinly traded stock.

THE PRICE SPIKE:

As people buy in, the price rises sharply even though nothing about the company's actual business has improved.

THE DUMP:

Once the price is high, scammers sell their shares. The buying momentum disappears, and the stock plunges.





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