Corporate Action Mandatory Regulatory Halt Rules

Frequently Asked Questions

Q1: What is changing with Nasdaq's Corporate Action Regulatory Halt rules?

Subject to regulatory approval, Nasdaq is proposing to expand its mandatory Regulatory Halt rules to cover a broader range of issuer corporate actions and issuer-related events. The proposed Corporate Action Regulatory Halt rules will become operative at the commencement of global trading hours. These rules are designed to provide both the Exchange and market participants with adequate time to process complex corporate actions and make the necessary adjustments to systems, orders, quotes, and reference data.

Q2: Why is Nasdaq proposing these changes?

Under global trading hours, the one-hour pause between 8:00 PM and 9:00 PM may be insufficient for the processing of certain corporate actions across Exchange and market-participant systems. Providing a uniform halt period supports consistent processing of these changes, reduces operational risk, promotes fair and orderly markets, and helps avoid investor confusion, price dislocations, and erroneous executions.

Q3: Which securities are subject to these rules?

The proposed Corporate Action Regulatory Halt rules apply to Nasdaq-listed securities that are subject to any of the specified corporate action categories described in Rule 4120(a)(15).

Q4: How would a Corporate Action Regulatory Halt be declared and implemented?

As proposed, Nasdaq would halt trading in the affected security from 8:00 p.m. to 9:00 p.m. ET on the day immediately preceding the market effective date of the applicable corporate action or issuer-related event. The security would remain halted through the new session and resume trading through the Nasdaq Halt Cross at 8:00 a.m. ET on the effective date of the corporate action. If the primary listing market (including Nasdaq) declares a corporate action-related regulatory halt in a security pursuant to proposed Rule 4120(a)(15), all other registered national securities exchanges trading in the affected security would be required to halt trading in the security.

Q5: Which corporate actions are subject to a mandatory Regulatory Halt?

The proposal identifies nine categories of corporate actions and issuer-related events that require a mandatory Regulatory Halt.

#	Corporate Action	Definition / Scope
1	Trading Symbol Change	Any change in the issuer's trading symbol (ticker).
2	CUSIP Change	Any change in the issuer's CUSIP number.
3	Large Dividend	Any stock dividend (payable in cash, stock, or another security) where the Exchange determines the aggregate value per share equals at least 25% of the Official Closing Price on the day immediately preceding the ex-date. Excludes stock splits covered under category 4.
4	Forward / Reverse Stock Splits	Any stock split or similar adjustment affecting outstanding share count or relative equity ownership, including subdivisions, reclassifications, combinations, or share consolidations, whether at a fixed or variable ratio and whether standalone or combined with another corporate action.
5	De-SPAC Transaction	Any De-SPAC transaction as defined under Item 1601(a) of Regulation S-K.
6	Spin-Off	Any transaction distributing, on a pro rata basis, equity securities of a subsidiary or other separated business — or a different class of securities — to the issuer's security holders.
7	Security-Type Change	Any change in the form, type, class, or designation of a listed security, including ADR/ADS-to-ordinary-share conversions (and vice versa), conversions between ordinary shares and common stock, and similar transactions.
8	Merger / Mandatory Exchange	Any merger, consolidation, statutory share exchange, or similar business combination resulting in the affected security being mandatorily exchanged, converted, redeemed, or cancelled for cash, securities, or other consideration. Does not include transactions that solely change the issuer's name without a mandatory exchange.
9	Other Corporate Action or Issuer-Related Event	Any other corporate action or issuer-related event not enumerated in categories 1-8 for which Nasdaq determines, based on the totality of the circumstances, that a Regulatory Halt is necessary or appropriate for the maintenance of fair and orderly markets, the protection of investors, or otherwise in the public interest.

Q6: Why were these categories selected?

These categories generally involve events that can materially affect a security's identifying information, capitalization, ownership structure, share count, security type, or settlement characteristics. Such events often require significant updates across trading, clearing, settlement, market data, and customer-account systems before trading can resume in an orderly manner.

Q7: Will all corporate actions trigger a mandatory halt?

No. The proposal addresses specific, enumerated categories of corporate actions that present certain operational or market integrity considerations. Nasdaq would nevertheless retain authority to halt trading when necessary to protect investors and the public interest.

Q8: What is the purpose of the "Other Corporate Action or Issuer-Related Event" category?

The Category 9 provision provides Nasdaq with flexibility to address unique or novel corporate actions and issuer events that may not fit within the enumerated categories but nevertheless require a Regulatory Halt to maintain fair and orderly markets or protect investors.

Q9: Will the timing of Reverse Stock Split Halts change?

Yes, Reverse Stock Split Halts (which are currently halted at 7:50 PM and resume at 9:00 AM) are included in Category 4 and will follow the same timeline as all other Corporate Action Regulatory Halts as described in Q4 above.

Q10: When will trading resume following a Corporate Action Regulatory Halt?

For Nasdaq-listed securities, trading would resume through the Nasdaq Halt Cross at 8:00 a.m. ET on the market effective date of the corporate action or issuer-related event. As with other Nasdaq halts, a Display Only Period would precede the reopening to allow market participants to enter and update quotations and orders.

Q11: How will market participants be notified of a Corporate Action Regulatory Halt?

Nasdaq will disseminate Regulatory Halt information using its established halt-notification processes, including SIP and proprietary market data mechanisms, as applicable. Nasdaq Corporate Action Regulatory Halts will be disseminated with a halt code of "M1."

Q12: What operational considerations are associated with these changes?

The proposed rules may implicate systems or processes related to trading, market data, reference data, risk management, customer accounts, corporate action processing, and other operational areas, depending on a firm's systems, business model, and use of Nasdaq functionality.

Q13: When will the new rules become operative?

Subject to SEC review and approval, the proposed changes would become operative in conjunction with the commencement of global trading hours. Nasdaq will announce the implementation date through an Equity Trader Alert and other applicable communications prior to the rules becoming operative.

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