Capital Markets Alert
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Nasdaq Rule To Curtail Extensions for SPAC Business Combinations

On July 8, 2024, Nasdaq filed a rule proposal that would amend its rules to significantly curtail the ability of its hearings panel to give special purpose acquisition companies (SPACs) more time to complete a business combination.

Current Nasdaq rules require that a SPAC complete a business combination within 36 months of its initial public offering (IPO) or be delisted. The Nasdaq hearings panel has the ability to give SPACs additional time to complete a business combination (up to an additional six months or up to an aggregate of 42 months from completion of the IPO). The Nasdaq hearings panel has used this discretion in recent years to give a number of SPACs additional time to complete business combinations.

Under proposed new Listing Rule 5815(c)(1)(H), when the hearings panel review is of a delisting determination issued for failure either to complete a business combination within 36 months of the SPAC's IPO or to meet the requirements for initial listing following the business combination, the hearings panel could only reverse a delisting decision where the determination was in error and the applicable requirements were met at the time of the delisting determination. In these cases, the Nasdaq hearings panel could not consider facts indicating that the company had regained compliance since the delisting determination, nor could the hearings panel grant an exception allowing the company additional time to regain compliance.

This new rule would effectively prevent companies from getting additional time to complete a business combination beyond 36 months. Companies should plan to complete business combinations within the 36 month period described in the rules or they may face delisting in the event they will be unable to complete their business combination prior to October 7, 2024, which is the date Nasdaq has designated the proposed amendments will become operative."

Related Professionals

Mitchell S. Nussbaum	mnussbaum@loeb.com
Giovanni Caruso	gcaruso@loeb.com
Tahra T. Wright	twright@loeb.com
David J. Levine	dlevine@loeb.com
Janeane Ferrari	jferrari@loeb.com
Alexandra E. Kane	akane@loeb.com
G. Alex Weniger-Araujo	aweniger@loeb.com
Andrei Sirabionian	asirabionian@loeb.com
Norwood P. Beveridge	nbeveridge@loeb.com
Lawrence Venick	lvenick@loeb.com