

New Texas Stock Exchange Aims at Nasdaq and NYSE

WRITTEN BY

[David S. Wolpa](#) | [Jon W. Daly](#) | [Gislar Donnenberg](#) | [Alexander T. Yarbrough](#)

On April 4, the Texas Stock Exchange's (TXSE) Form 1 application for registration as a national securities exchange was publicly released by the U.S. Securities and Exchange Commission (SEC). The application contains a wealth of information about the proposed new exchange, including its proposed listing rules. According to its public statements, the TXSE is the first fully integrated exchange to submit for registration in 25 years, and has garnered significant attention from financial market watchers, the business community, and its competitors. In fact, since the beginning of 2025, both the NYSE and Nasdaq have announced the creation of Texas-located markets or offices, with the NYSE moving one of its electronic exchanges to the state and Nasdaq opening a new regional headquarters in Dallas. This comes against the backdrop of an assertive campaign by the state of Texas to position itself as a rival to both New York and Delaware as the financial and corporate home for publicly traded companies. Whether these efforts will be successful remains an open question.

The publication of the TXSE's proposed listing rules allowed the first glimpse of how the TXSE expects to operate — and how it compares to rival exchanges. Upon examining the listing rules, it is clear that the TXSE is positioning itself as a direct rival to both the New York Stock Exchange and the Nasdaq Stock Market. The TXSE's proposed rules bear a strong similarity to Nasdaq's on a variety of topics, including: (i) requirements to notify the exchange upon the occurrence of certain events; (ii) requirements to promptly disclose material information that would be expected to affect the value of the listed company's securities or influence investors' decisions; (iii) corporate governance; (iv) shareholder approval; (v) events that could cause delisting (e.g., a company's trading prices falling below \$1 per share for 30 days or it failing to file SEC reports) and (vi) the exchange's proposed trading hours, which are stated in Eastern Time and correspond to the familiar 9:30 a.m. – 4:00 p.m. trading schedule. In fact, the TXSE's proposed corporate governance and shareholder approval rules appear to be based, virtually verbatim in certain instances, on Nasdaq's rules, including the latter's recent tightening of rules relating to reverse stock splits. This may be somewhat of a surprise, as many public statements seemed to suggest that the exchange might be more lenient in this area as a result of it taking a stance opposed to environmental, social, and governance (ESG) concerns driving business decisions. However, many of the governance rules, including the requirement of listed companies to maintain standing audit committees and have independent directors oversee executive compensation, are derived from statutory requirements under the Securities Exchange Act of 1934, as amended, that apply to all exchanges. In any case, investment bankers, securities counsel, experienced corporate executives and directors, and other market practitioners will certainly find many of the proposed TXSE rules familiar. The manner in which the TXSE chooses to interpret these rules and whether it exercises discretion in a manner biased toward maintaining the listed status of companies (compared to recent trends among Nasdaq and the NYSE toward delisting underperforming companies) will only become clear after the exchange's launch.

One area where TXSE seems not to be looking to compete with Nasdaq and the NYSE American (the NYSE's affiliated exchange that caters to companies with smaller market capitalizations than those able to list on the "big

board") is the market for small- and micro-cap companies. The TXSE's proposed initial and continued listing requirements for domestic (non-SPAC) corporate issuers are more stringent than those of the Nasdaq's lowest tier, the Nasdaq Capital Market. The TXSE is also not dividing itself up into tiers — another contrast with Nasdaq. In fact, the TXSE's initial listing criteria appear to line up most closely with the NYSE's standards.

[Attached](#) are comparisons of the initial listing criteria for the proposed TXSE Exchange to each of the NYSE and the three tiers of Nasdaq.

Troutman Pepper Locke LLP's Capital Markets attorneys will continue to monitor developments concerning the TXSE.

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